



# City of Rialto

## Legislation Text

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**File #:** 21-0662, **Version:** 1

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For City Council Meeting [October 12, 2021]

TO: Honorable City Council

APPROVAL: Marcus Fuller, City Manager

FROM: Marcus Fuller, City Manager

Request City Council to Approve a First Amendment to the Location Agreement with Medline Industries, LP.

### **BACKGROUND:**

The City and Medline entered into a Location Agreement, dated as of December 8, 2015 ("Agreement"), pursuant to which the City provided incentives for Medline's establishment, location, and operation of a Sales Office (as defined in the Agreement) in the City. At the time the Agreement was approved Medline was organized as an Illinois corporation. Medline has now converted into a limited partnership under Illinois state law.

As a result of the conversion, the legal entity name of Medline has changed from Medline Industries, Inc. to Medline Industries, LP. Neither Medline's federal identification number nor its California Department of Tax and Fee sales tax account number will change because of the conversion to a Limited Partnership. This is an important fact and the basis for the recommendation to approve the First Amendment recognizing the change in ownership - according to Medline and the City Attorney's review, the point-of-sale and sales tax generator at the Rialto location will not change as a result of this action.

The Agreement requires the City's written approval to amend the Agreement (i) to reflect Medline's new name and form of organization, and (ii) because the conversion results in limited partners having an ownership interest in Medline.

### **ANALYSIS/DISCUSSION:**

Medline previously sold and distributed products in California through a subsidiary located in Ontario, California. In 2015, Medline reorganized its California sales and distribution by establishing its California sales office in Rialto. Pursuant to the Agreement the City provides economic assistance to Medline as consideration for locating in Rialto and the City benefits from being the point of sale for Medline's California sales, resulting in increased sales tax revenue.

In addition, under the Agreement, Medline agreed to annually participate in supporting community benefit events by donating to such events as requested by the City. Medline also donated to the City \$25,000 worth of medical supplies for use by the City's Fire Department and Paramedics, and other City departments. Medline further agreed to use commercially reasonable efforts to recruit and hire local residents for any full and part time employment opportunities.

The First Amendment to Location Agreement will approve the conversion in Medline's form of business organization. The converted entity, Medline Industries, LP, will continue to be subject to the benefits and obligations under the Agreement.

A copy of the First Amendment is included as **Attachment 1**, and the conflict of interest disclosure form is included as **Attachment 2**.

### **ENVIRONMENTAL IMPACT:**

The request is not a "Project" as defined by the California Environmental Quality Act (CEQA). Pursuant to Section 15378(a), a "Project" means the whole of an action, which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. According to Section 15378(b), a Project does not include: (5) Organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

### **GENERAL PLAN CONSISTENCY:**

The proposed First Amendment to Location Agreement will encourage maintain a positive business relationship with Medline and is consistent with the following General Plan Goals and Policies related to economic development:

- Goal 3-1: Strengthen and diversify the economic base and employment opportunities and maintain a positive business climate.
- Policy 3-1.2: Encourage a variety of businesses to locate in Rialto, including retail, high technology, professional services, clean industries, logistics-based businesses, and restaurants/entertainment uses to promote the development of a diversified local economy.

### **LEGAL REVIEW:**

The City Attorney reviewed and recommends approval of the staff report and prepared the First Amendment to Location Agreement.

### **FINANCIAL IMPACT:**

#### **Operating Budget Impact**

If approved, there will be no financial impact to the Operating Budget.

#### **Capital Improvement Budget Impact**

If approved, there will be no financial impact to the Capital Improvement Budget.

#### **Business License**

Medline maintains a business license with the City. If approved, there will be no financial impact to business license revenue.

### **RECOMMENDATION:**

Staff recommends that the City Council:

1. Approve the First Amendment to Location Agreement by and between the City of Rialto and Medline Industries, LP, approving Medline's conversion from a corporation to a limited partnership, and

2. Authorize the City Manager to execute all documents.