# City of Orange

## Legislation Details (With Text)

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| **Title:** | Continued Public Hearing to consider a Participation Agreement between the City of Orange and Providence Procurement Company, LLC. (Continued from 12/8/20) | | |
| **Sponsors:** | | | |
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| **Attachments:** | 1. Staff Report, 2. OC Providence Participation Agreement, 3. Economic Development Subsidy Report (AB 562) | | |

| Date | Ver. | Action By | Action | Result |
|---|---|---|---|---|
| 1/12/2021 | 1 | City Council | Approved | Pass |

**TO:** **Honorable Mayor and Members of the City Council**

**FROM:** **Rick Otto, City Manager**

## 1. SUBJECT

Continued Public Hearing to consider a Participation Agreement between the City of Orange and Providence Procurement Company, LLC. (Continued from 12/8/20)

## 2. SUMMARY

A public hearing to consider approval of a Participation Agreement between the City of Orange and Providence Procurement Company, LLC.

## 3. RECOMMENDED ACTION

Approve the Participation Agreement between the City of Orange and Providence Procurement Company, LLC, a Washington Limited Liability Company, and authorize the Mayor and City Clerk to execute on behalf of the City.

## 4. FISCAL IMPACT

The proposed Economic Development assistance will be performance based and budgeted through the City's annual budget process.

## 5. STRATEGIC PLAN GOALS

Goal 2: Be a fiscally healthy community

a: Expend fiscal resources responsibly.

e: Create an environment to attract, retain, and expand economic opportunities.



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# 6. DISCUSSION AND BACKGROUND

Providence is the nation's third largest health system and employs more than 119,000 medical professionals. The system has 50 hospitals, 829 physician clinics, senior services, supportive housing, and many other services across seven states with more than 25 locations in the State of California, one of which is St. Joseph Hospital of Orange. St. Joseph Hospital is home to approximately 75 specialty programs, including the Center for Cancer Prevention and Treatment, the Heart and Vascular Center, and a technologically advanced Orthopedics program. The hospital employs approximately 3,100 medical professionals and discharges approximately 20,000 patients each year.

Providence is in the process of reorganizing its operations and has created a wholly-owned purchasing company: Providence Procurement Company, LLC (PPC). PPC will allow Providence to centralize its procurement functions among several of its California hospitals to help drive consistency and create efficiencies. As part of the planning process for PPC, Providence and City staff discussed the concept of a Participation Agreement to encourage the placement of PPC in the City of Orange.

Assembly Bill 562 (AB 562) provides cities with financial assistance tools for the purpose of stimulating economic development. Under AB 562, cities may consider an economic development subsidy for a prospective business, subject to certain public notice requirements as well as an economic development subsidy report. The placement of PPC in Orange would provide for on-going employment retention, an increase of sales tax revenue, and reinvestment in existing facilities.

**Discussion**

In response to a competitive marketplace where other cities have a strong interest to incentivize PPC, City staff initiated an economic development effort to locate PPC in the City of Orange. This proposed Participation Agreement (agreement) is the result of those negotiations. The terms of the agreement allow the City to be competitive in retaining this important business in our community, while providing Providence with strong incentives to grow and expand in Orange.

***Terms of the Participation Agreement:***

1. The term of the agreement is twenty years.
2. PPC is required to maintain its corporate offices in the City with a minimum of 150 full-time employees (between PPC and its affiliates).
3. Each calendar quarter, PPC is required to achieve an initial quarterly sales tax threshold of $100,000, whereupon the City will remit to PPC, 49% of the sales tax generated by their total quarterly sales.

Staff recommends that the City Council approve the proposed Participation Agreement between the City of Orange and Providence Procurement Company, LLC, a Washington Limited Liability Company.

# 7. ATTACHMENTS

- Participation Agreement between the City of Orange and Providence Procurement Company, LLC
- Economic Subsidy Report (AB 562)


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