

**ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53083**

**FOR AN OPERATING COVENANT AGREEMENT
BY AND BETWEEN
CITY OF FONTANA
AND
FONTANA AUTOMOTIVE SERVICES, INC.**

Pursuant to Government Code Section 53083, the City Council of the City of Fontana must hold a noticed public hearing and, prior to the public hearing, provide all of the following information in written form and available to the public and through the City's website, regarding a proposed economic development subsidy to be provided by the City pursuant to an Operating Covenant Agreement by and between the City of Fontana and Fontana Automotive Services, Inc. dba Fontana Mazda. ("Agreement"). Notice was published in the local newspaper for a public hearing to be held on January 28, 2020.

The purpose of this report is to provide the information required pursuant to Government Code Section 53083 in regard to the Agreement. This report shall remain available to the public and posted on the City's website until the end date of the economic development subsidy, as further described in number 2 below.

1. The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy.

The Agreement is with Fontana Automotive Services, Inc., a California corporation, ("Owner"). Fontana Mazda is the sole beneficiary of the economic development subsidy.

Fontana Mazda
16800 So. Highland Avenue
Fontana, CA 92336

2. The start and end dates and schedule, if applicable, for the economic development subsidy.

If the Agreement is approved by the City Council, the Eligibility Period, as that term is defined in the Agreement, shall commence on October 1, 2019 and end on the earlier of (a) the last calendar day of Operating Year 12; or (b) the date on which the cumulative total of Covenant Payments is One Million Eight Hundred Thousand Dollars (\$1,800,000). The Covenant Payments will be up to twelve (12) years in an amount equal to fifty percent (50%) of all sales tax revenue per year that is generated from the Property for Years' one (1) through twelve (12) to a maximum amount of one million eight hundred thousand dollars (\$1,800,000). City's sales tax revenue payments shall not, in the aggregate, exceed One Million Eight Hundred Thousand Dollars (\$1,800,000), subject to the limitation set forth in this Agreement. In addition, Owner will receive a bonus payment in the amount of Two Hundred Forty Thousand Dollars (\$240,000) for its commencement of operations.

3. A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.

The economic development subsidy shall be an amount equal to fifty percent (50%) of all sales tax revenue per year that is generated from the Property for Years' one (1) through twelve (12) to a maximum amount of one million eight hundred thousand dollars (\$1,800,000). City's sales tax revenue payments shall not, in the aggregate, exceed One Million Eight Hundred Thousand Dollars (\$1,800,000), subject to the limitation set forth in this Agreement.

In addition, Owner will receive a one-time bonus payment in the amount of Two Hundred Forty Thousand Dollars (\$240,000) for its commencement of operations within 15 business days or 30 calendar days.

The City estimates that the total amount of the expenditure or loss of revenue of public funds as a result of the economic development subsidy will be up to Two Million Forty Thousand Dollars (\$2,040,000).

4. A statement of the public purposes for the economic development subsidy.

The economic development subsidy will ensure that Fontana Mazda plans to be and remain open for business throughout the terms of the Operating Covenant Agreement as earlier of: (a) the last calendar day of Operating Year 12; or (or) the date of which the cumulative total of the Covenant Payments equals the Maximum Payment.

The City has determined that Owner's operation of the Business results in substantial benefits to the City and its citizens including, without limitation, the creation of significant new numbers of employment opportunities, property tax revenues, sales tax revenues and other ancillary benefits. Accordingly, the City has also determined that its entry into this Agreement serves a significant public purpose, while providing only incidental benefits to a private party.

Further, the retention and expansion of Fontana Mazda serves the additional public purpose of fostering a business and civic environment that may attract additional businesses and investment in the community due to the availability of the increased public and private services and economic activity resulting therefrom, thereby assisting the City in its goal of furthering the development of the community. This Agreement furthers the policies of the City to be business friendly and support economic growth including meeting the goals of the Economic Development Element of the General Plan. The Economic Development Element calls upon the City to align its "energies to realize the following goals of its Economic Development Strategy:

- Facilitate development projects within the community;
- Enhance the City's tax base;

- Promote job creation throughout the community;
- Plan and encourage economic development along the City’s major transportation corridors;
- Operate as an “ombudsman” to promote and facilitate economic development; and
- Take a proactive role in regional economic development issues.

5. The projected tax revenue to the local agency as a result of the economic development subsidy.

The City anticipates that the addition of Fontana Mazda to the Fontana Auto Center on South Highland Avenue will will increase traffic and sales to the auto center as a whole.

Owner estimated the business generated approximately Six Hundred Thousand Dollars (\$600,000) in City Development Fees (“City Development Fees”). Owner’s projected sales for Years one (1) and two (2) is Thirty-Five Million Dollars (\$35,000,000) per year. Owner estimates that this will result in Three Hundred Fifty Thousand Dollars (\$350,000) of Sales Tax per year. The annual projected sales “goal” for Years three and beyond is Fifty-Two Million (\$52,000,000) per year. Owner estimates that this will result in Five Hundred Twenty Thousand Dollars (\$520,000) of Sales Tax per year. City acknowledges that the calculations in this paragraph are estimates of future activity and such projections, goals and estimates are not binding or enforceable in any way. It is projected that One Million Eight Hundred Thousand Dollars (\$1,800,000) of Sales Tax will be generated in the first seven (7) years. Once the Owner has been paid one million eight hundred thousand dollars (\$1,800,000), the City will receive one hundred percent (100%) of the sales tax revenue.

6. The estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

The addition of Fontana Mazda within the City, they employed over 40 staff the first week of business. They are looking to grow their total staff up to 70 employees as sales increase.