

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

**FOR AN OPERATING COVENANT AGREEMENT  
BY AND BETWEEN  
CITY OF ONTARIO  
AND  
G.H.N., INC. (EXCLUSIVELY VOLVO)**

Pursuant to Government Code Section 53083, the City Council of the City of Ontario 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 Ontario and G.H.N., Inc. (Exclusively Volvo) ("Agreement"). Notice was published in the local newspaper for a public hearing to be held on March 21, 2017.

The purpose of this report is to provide the information required pursuant to Government Code Section 53083 in regards 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 G.H.N., Inc. (Exclusively Volvo), a California corporation. G.H.N., Inc. (Exclusively Volvo) is the sole beneficiary of the economic development subsidy.

G.H.N., Inc. (Exclusively Volvo)  
1300 Auto Center Drive  
Ontario, CA 91761

**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 start date of the economic development subsidy for the Third Amendment to Operating Covenant and Tax Sharing Agreement will be for the period commencing April 1, 2017 and ending June 30, 2034, unless extended pursuant to the terms of the Agreement.

The economic development subsidy will be paid quarterly (every 3 months), within 120 days of the end of each Computation Quarter. Computation Quarters run from January 1 to March 31, April 1 to June 30, July 1 to September 30, and October 1 to December 31.

**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.**

Pursuant to the terms of the proposed Third Amendment to Operating Covenant and Tax Sharing Agreement, the operating covenant payment ("economic subsidy") between the City and Exclusively Volvo is calculated based on Exclusively Volvo's sales tax revenue in an amount equal to the sum of fifty percent (50%) of Exclusively Volvo's sales tax revenues attributable to the location in excess of the base, \$50,000 for the particular computation period, not to exceed \$200,000 per year, sales tax amount for each year during the eligibility period for the first twelve computation periods or \$500,000 in the aggregate during the entire eligibility period.

The following twelve computation periods are equal to the sum of fifty percent (50%) of Exclusively Volvo's sales tax revenues attributable to the location in excess of the base, \$56,250 for the particular computation period, not to exceed \$200,000 per year or \$500,000 in the aggregate during the entire eligibility period. Immediately following, for another twelve computation periods are equal to the sum of fifty percent (50%) of Exclusively Volvo's sales tax revenues attributable to the location in excess of the base, \$62,500 for the particular computation period, not to exceed \$200,000 per year or \$950,000 in the aggregate during the entire eligibility period. The last twelve computation periods are equal to the sum of fifty percent (50%) of Exclusively Volvo's sales tax revenues attributable to the location in excess of the base, \$68,750 for the particular computation period, not to exceed \$200,000 per year or \$950,000 in the aggregate during the entire eligibility period.

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

G.H.N., Inc. (Exclusively Volvo) is a successful auto dealership, which generates substantial annual sales tax for the City. The continued growth and prosperity of the Ontario Auto Center is of most importance to the City. Through this additional revenue, the City is able to fund necessary public services and facilities, including but not limited to, public safety services and facilities, public improvements and recreation opportunities that otherwise may not be available to the community for many years. Through this Agreement, Exclusively Volvo will be committed to retaining and operating their auto dealership in the City for transacting auto sales.

The public purpose of the economic development subsidy includes, but is not limited to, maintaining and creating jobs and stimulating the economic recovery of the Inland Empire. Exclusively Volvo has agreed to retain the auto dealership within the City for a period of not less than 10 years. The City has determined that the retention of the auto dealership within the City will continue to generate substantial revenue for the City, retain jobs, revitalize an area of the City which has suffered a loss of jobs and businesses during the economic downturn of the mid-2000's, and result in community and public improvements that might not otherwise be available to the community for many years. Additionally, by having a company like Exclusively Volvo remain in the City, the City will be adding diversity to and generating new opportunities for economic growth.

Further, the commitment to stay in Ontario 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.

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

The City anticipates that the retention of the auto dealership within the City will result in an approximate increase of sales tax revenue by \$500,000 per year, minus the covenant payments to be paid to G.H.N., Inc. (Exclusively Volvo), as set forth in number 2 above.

There will also be an increase in other taxes including business license tax and real property taxes, in an approximate amount of \$25,000.

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

The retention of the auto dealership within the City is anticipated to result in the retention of approximately 150 jobs and the potential creation of new jobs over the term of the Agreement, as follows:

- 5 full-time jobs
- 5 part-time jobs