

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

**FOR AN OPERATING COVENANT AGREEMENT
BY AND BETWEEN
CITY OF ONTARIO
AND
STAPLES CONTRACT AND COMMERCIAL, INC.**

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 Staples Contract and Commercial, Inc. ("Agreement"). Notice was published in the local newspaper for a public hearing to be held on December 15, 2015.

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 Staples Contract and Commercial, Inc., a Delaware corporation. Staples Contract and Commercial, Inc. is the sole beneficiary of the economic development subsidy.

Staples Contract and Commercial, Inc.
500 Staples Drive,
Framingham, MA 01702

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 Initial Subsidy (as defined in #3 below) shall start on January 1, 2016 through December 31, 2019, provided certain conditions precedent are met. The Continuing Subsidy (as defined in #3 below) shall commence on January 1, 2020 and continue until terminated by either party pursuant to 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.

The Initial Subsidy, for the period of January 1, 2016 through December 31, 2019, provided City receives not less than One Million Two Hundred Thousand (\$1,200,000) ("Base Sales Tax Amount") from Owner's sales attributable to the Property, shall be an amount of Six Hundred Thousand Dollars (\$600,000) annually.

The Continuing Subsidy, for the period commencing January 1, 2020 and continuing until the Covenant Agreement is terminated, provided City receives not less than the Base Sales Tax Amount from Owner's sales attributable to the Property, shall be an amount equal to Fifty percent (50%) of the Sales Tax Revenues attributable to annual taxable sales above the Base Sales Tax Amount. The payment to Owner for the Continuing Subsidy shall not exceed One Million Eight Hundred Thousand Dollars (\$1,800,000) annually.

The City estimates that the total amount of the expenditure of public funds as a result of the Initial Subsidy will be Two Million Four Hundred Thousand Dollars (\$2,400,000). The City estimates the total amount of the expenditure of public funds as a result of the Continuing Subsidy will be not more than One Million Eight Hundred Thousand Dollars (\$1,800,000) annually until the Agreement is terminated by either party.

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

Staples Contract & Commercial, Inc. a retailer of consumer products with distribution in worldwide has an existing distribution center and warehouse located in the City of Ontario. Because of changing market trends and business development issues, Staples Contract and Commercial is considering relocating the existing distribution center and warehouse out of the City of Ontario. The loss of this business would mean the loss of approximately 200 jobs in the City and the loss of substantial tax revenue to the City.

Entering into this Agreement will result in Staples maintaining the existing warehouse and distribution center within the City and expands its operations within the City as appropriate. By entering into this Agreement, the City will be maintaining approximately 200 jobs, and creating potential for new jobs continuing to stimulate the economy in 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.

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. Additionally, by having a company like Staples Contract and Commercial, Inc.

remain in the City, we will be adding diversity to and generating new opportunities for economic growth.

Further, the commitment to stay in Ontario and expand operations 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 and potential expansion of the distribution and warehouse center within the City will result in an approximate increase of sales tax revenue by \$1 million per year, minus the covenant payments to be paid to Staples Contract and Commercial, Inc., 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 \$50,000.

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 distribution and warehouse center within the City is anticipated to result in the retention of approximately 200 jobs and the potential creation of new jobs over the term of the Agreement, as follows:

- 50 full-time jobs
- 50 part-time jobs