

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

**FOR AN OPERATING COVENANT AGREEMENT
BY AND BETWEEN
CITY OF ONTARIO
AND
VF OUTDOOR, LLC**

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 VF Outdoor, LLC. ("Agreement"). Notice was published in the local newspaper for a public hearing to be held on December 3, 2019.

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 VF Outdoor, LLC, a Delaware corporation ("VF Outdoor"). VF Outdoor is the sole beneficiary of the economic development subsidy.

VF Outdoor, LLC
105 Corporate Center Blvd.
Greensboro, NC 27408
336-424-6000

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 term will begin on the Effective Date of the Agreement and continue for no less than 15 years. The first Covenant Payment will be paid following the first Covenant Quarter in which VF Outdoor has performed its covenants and other obligations pursuant to the Agreement.

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 the sum of (a) forty percent (40%) of the Sales Tax Revenues attributable to annual taxable sales up to \$1,500,000 received by the

City and (b) an amount equal to the sum of fifty percent (50%) of the Sales Tax Revenues attributable to annual taxable sales in excess of \$1,500,000.

The City estimates that the annual payment to VF Outdoor will be one million three hundred fifty thousand dollars (\$1,350,000), and 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 twenty million two hundred fifty thousand dollars (\$20,250,000). However, VF Outdoor covenants to City will cause VF Outdoor Taxable Sales to be paid to the City which is estimated to be forty-five million dollars (\$45,000,000) over the 15-year minimum term of the agreement.

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

VF Outdoor, LLC is a national retailer of apparel, footwear, and accessories and is seeking to expand its business operations in order to serve customers within the southwestern region of the United States. Through this agreement, VF Outdoor will lease a newly constructed distribution center of approximately 1.2 million square feet within the City of Ontario. Without an agreement, VF Outdoor would not consider locating its distribution center in the City and possibly not in the State of California. The economic development subsidy will ensure that VF Outdoor locates within the City for a period of not less than fifteen years.

The City has determined that location of VF Outdoor, as described in the preceding paragraph, will generate substantial revenue for the City, allow for the creation of new 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.

Further, the location of VF Outdoor 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 the creation of new job opportunities and new sources of revenue that support residents and city services.

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

The City anticipates that the location of VF Outdoor within the City will result in an approximate increase of annual sales tax revenue in the amount of three million dollars (\$3,000,000), minus the covenant payments to be paid to VF Outdoor, as set forth in number 2 above.

In addition, the value of the new improvements associated with the business is valued at approximately one hundred eighty-five million dollars (\$185,000,000) and will result in additional real property taxes in the amount of two thousand dollars (\$2,000) annually.

The City will receive an estimated twenty-four thousand dollars (\$24,000) in business license tax from VF Outdoor annually.

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

The location of VF Outdoor within the City is anticipated to result in the creation of 490 jobs at the facility, as follows:

- 300 full-time jobs
- 190 temporary positions