

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

**FOR AN OPERATING COVENANT AGREEMENT  
BY AND BETWEEN  
CITY OF FONTANA  
AND  
FONTANA HYUNDAI, 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 Hyundai, Inc., a California Corporation ("Agreement"). Notice was published in the local newspaper for a public hearing to be held on September 28, 2021.

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 Fontana Hyundai, Inc. ("Hyundai"). Hyundai is the sole beneficiary of the economic development subsidy.

16850 S. Highland Ave.  
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, 2021 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 Two Million Four Hundred Thousand Dollars (\$2,400,000). The Covenant Payments shall be made annually, one hundred twenty (120) days following the end of each Operating Year within the Eligibility Period.

**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.**

Hyundai covenants to City to cause the Hyundai's Taxable Sales to be paid to the City which is estimated to be Seven Hundred Thousand Dollars (\$700,000) annually.

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 Four Hundred Thousand Dollars (\$2,400,000).

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

The City has determined that Hyundai's operation of the Business results in substantial benefits to the City and its citizens including, without limitation, the creation of significant new number 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.

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

The City anticipates that the retention and expansion of Hyundai facilities within the City will result in an approximately Seven Hundred Dollars (\$700,000) annually in sales tax revenue. It is estimated that the City will receive approximately Eight Million Four Hundred Thousand Dollars (\$8,400,000) over the twelve (12) year term of the Agreement, less the Two Million Four Hundred Thousand Dollars (\$2,400,000) in Covenant Payments.

In addition, the value of the new improvements associated with the business is valued at approximately Eleven Million Dollars (\$11,000,000) and will result in additional real property taxes in the amount of One Hundred Ten Thousand Dollars (\$110,00) annually. The City will also receive approximately Four Hundred Fifty Thousand Dollars (\$450,00) in development impact fees.

Although there will not be an increase business license tax, the City will continue to receive one thousand dollars (\$1,000) in business license tax from Hyundai.

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

The retention and expansion of Hyundai within the City is anticipated to result in approximately 65 new jobs over the term of the Agreement as the facility grows, as follows:

- 60 full-time jobs
- 5 part-time jobs
- 100 temporary positions (THIS CAN INCLUDE TEMPORARY CONSTRUCTION JOBS)