

**ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53083.1**

**FOR A WAREHOUSE DISTRIBUTION CENTER OPERATING COVENANT
AGREEMENT
BY AND BETWEEN
CITY OF ONTARIO
AND
HOME DEPOT U.S.A., INC.**

Pursuant to Government Code Section 53083.1, 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 ("City") and Home Depot U.S.A., INC. (Home Depot") (the "Agreement"). The Agreement provides an economic subsidy by the City to Home Depot to incentivize the leasing of a new build-to-suit facility of between 600,000 and 900,000 square feet, or locate a new point of sale in an existing facility, to operate an E-Commerce Distribution Facility ("Facility").

Notice was published in the local newspaper for a public hearing to be held on April 20, 2021.

The purpose of this report is to provide the information required pursuant to Government Code Section 53083.1 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, including members of a commonly controlled group or members of a combined reporting group of which the corporation is a member, or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy.**

The Agreement is with Home Depot U.S.A., INC., a Delaware corporation ("Home Depot"). Home Depot is the sole beneficiary of the economic development subsidy.

Home Depot U.S.A., INC.
2455 Paces Ferry Road, N.W.
Atlanta, Georgia 30339
(770) 384-2864

- 2. The name and address of all warehouse distribution centers that are the beneficiary of the economic development subsidy.**

Home Depot is currently in a site selection process to determine where to locate Facility in the City of Ontario. Home Depot currently has three distribution center facilities in the City of Ontario located at the following addresses, and depending on the site selection

process will either lease a new build-to-suit facility in the City, or locate a new point of sale in an existing facility, from the list below:

Street	City	Building Size
5450 E FRANCIS STREET	ONTARIO	480,000
5101 E. PHILADELPHIA STREET	ONTARIO	452,952
5655 E ONTARIO MILLS PARKWAY	ONTARIO	657,600

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

The Effective Date of the Agreement, and the obligations of the parties therein, begins once Home Depot has entered into a lease for the Facility, and the Facility has begun generating sales tax revenues for the City.

The term will begin on the Effective Date of the Agreement and continue for 15 years. The first Covenant Payment will be paid following the first Covenant Quarter in which Home Depot has performed its covenants and other obligations pursuant to the Agreement, including that the Facility has begun generating sales tax revenues for the City.

4. 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 fifty percent (50%) of the Sales Tax Revenues attributable to annual taxable sales received by the City, quarterly, following the Effective Date.

The City estimates that the annual payment to Home Depot will be approximately one million five hundred thousand dollars (\$1,500,000), 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 two million five hundred thousand dollars (\$22,500,000). However, Home Depot covenants to City will cause Home Depot Taxable Sales to be paid to the City which is estimated to be forty-five million dollars (\$45,000,000) over the 15-year term of the agreement.

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

Home Depot is the largest home improvement retailer in the United States, supplying tools, construction products, and services to the building industry and consumer alike.

Through this agreement, Home Depot is considering an expansion of its E-Commerce business practices in its current Ontario facility in addition to leasing a new build-to-suit facility to be occupied as the E-Commerce Distribution Facility within the City subject to the economic subsidy and the Agreement. Without an agreement, Home Depot would not consider locating its distribution center in the City and possibly not in the State of California. The economic development subsidy in this Agreement is intended to ensure Home Depot leases the Facility of between 600,000 and 900,000 square feet and expands its operations as appropriate and remains in Ontario for no less than 15 years.

The City has determined that the expansion of Home Depot, 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 expansion of Home Depot 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.

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

The City anticipates that the expansion of Home Depot that will occur with the operation of the Facility 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 Home Depot, as set forth in number 2 above.

In addition, Home Depot estimates that they will pay property taxes for the Facility and the value of those new improvements associated with the business is expected to be valued at approximately thirty million dollars (\$30,000,000) and will result in additional real property taxes in the amount of three hundred nineteen thousand five hundred thirty dollars (\$52,000) annually. The City will receive an estimated twenty thousand dollars (\$20,000) in business license tax from Home Depot annually for the Facility. Currently Home Depot pays approximately twelve thousand one hundred dollars (\$12,100) in business license fees to the City for their facilities.

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

The expansion of Home Depot within the City is anticipated to result in the creation of 100-250 jobs at the facility, as follows:

- 100-250 full-time jobs

- Up to 250 seasonal positions
- Up to 240 construction/temporary positions

Full-time employees are compensated approximately \$17-\$19 per hour with the opportunity to earn overtime hours. Managerial positions average approximately \$75,000 annually.

Home Depot currently employs approximately 775 employees at their three existing locations.

8. The estimated number of workers employed through temporary agencies.

Home Depot does not anticipate using temporary agencies on site.

9. Whether any benefit package is offered, including health benefits, fringe benefits, and defined benefit pensions.

Home Depot offers a full benefits plan for eligible full-time associates. Home Depot offers medical benefits and they subsidize more than 50% of their employees' premiums. Home Depot also offers dental and vision coverage options, a 401K savings plan with Company match, paid parental leave, tuition reimbursements, employee stock purchase plan, and bonus and merit increases.

10. Both of the following regarding each warehouse distribution center that is the beneficiary of the economic development subsidy:

a. A description of the outreach, training, and hiring plans, including plans to hire disadvantaged workers.

As expressed in the Agreement, Home Depot acknowledges that a goal of the City is to foster employment opportunities for City's residents. Home Depot will use commercially reasonable efforts to recruit and hire employees and City's residents for any full and part time employment opportunities. Home Depot will partner with the City and authorize the City to post and advertise job recruitment information on the City's website or with other regional recruitment services.

Upon hire, all new associates will go through a several day training process (depending on job classification) to be acclimated with the company and their specific job functions.

While Home Depot does not specifically target disadvantaged workers, as defined under Government Code section 53083.1(j)(1), Home Depot will accommodate disadvantaged workers if they are otherwise qualified for employment at the facility (i.e. meet job requirements). Any offers of

employment will be at Home Depot's sole discretion and all employment will be at-will employment.

- b. A description and total value of any state or federal subsidies in the process of being applied for, or received by, the warehouse distribution center.**

None

- 11. A description of any accountability measures, including, but not limited to, clawbacks of subsidies, provided in the contract if the warehouse distribution center does not meet the goal outlined in the contract for subsidies.**

If Home Depot does not meet any of the covenants required by Agreement, City may automatically terminate its obligations with respect to Covenant Payments without cost, expense or liability, after providing Home Depot an opportunity to cure. Home Depot's contractual covenants include an operating and use covenant for the new e-commerce Facility, a required designation of City as point of sale for the Facility, and obligations against solicitation or acceptance of financial assistance, as defined. Home Depot also covenants that the Facility shall not be used for any purpose outside of that set forth in the Agreement, as an E-commerce distribution facility.