

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

**FOR AN OPERATING COVENANT AGREEMENT  
BY AND BETWEEN  
CITY OF ONTARIO  
AND  
PAG ONTARIO B1, 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 PAG Ontario B1, Inc. ("Agreement"). Notice was published in the local newspaper for a public hearing to be held on February 18, 2014.

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 PAG Ontario B1, Inc., who owns and operates two existing businesses that will benefit from the economic development subsidy: MINI of Ontario and BMW of Ontario. PAG Ontario B1, Inc. is a subsidiary of Penske Automotive Group, Inc.

PAG Ontario B1, Inc.  
2555 Telegraph Road  
Bloomfield Hills, MI 48302

Penske Automotive Group, Inc.  
2555 Telegraph Road  
Bloomfield Hills, MI 48302

MINI of Ontario  
1251 Auto Center Drive  
Ontario, CA 91761

BMW of Ontario  
1301 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 will be on or around February 18, 2014 and the end date will be no later than 10 years after the state date, on or around February 18, 2024. The end date

may occur earlier than 10 years from the effective date upon payment of the economic development subsidy in the aggregate amount of \$2,000,000.

The economic development subsidy will be paid annually, within 120 days of each anniversary of the start date of 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 is equal to fifty percent (50%) of the sales tax revenue received by the City in excess of \$650,000 for each year, not to exceed a total aggregate payment amount of Two Million Dollars (\$2,000,000).

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

PAG Ontario B1, Inc. currently leases property located at 1251 Auto Center Drive and 1301 Auto Center Drive, in the City of Ontario, on which it operates two automobile dealership and service businesses known as MINI of Ontario and BMW of Ontario. PAG Ontario B1, Inc. desires to lease property located across the street from MINI of Ontario and BMW of Ontario, located at 1350 S. Auto Center Drive, in order to provide expanded services for these businesses. However, it is not financially feasible for PAG Ontario B1, Inc. to do so at this time based on the current market rental value of 1350 S. Auto Center Drive.

If PAG Ontario B1, Inc. is able to lease 1350 S. Auto Center Drive and use it to expand MINI of Ontario and BMW of Ontario, the City has determined that this would result in substantial benefits to the City and its citizens including, without limitation, the creation of significant new numbers of employment opportunities, property tax revenues, sales tax revenues and other ancillary benefits.

Further, the expansion of MINI of Ontario and BMW of 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 expansion of MINI of Ontario and BWM of Ontario to 1350 S. Auto Center Drive will result in an approximate increase of sales tax revenue by 20-25%, which increased revenue will be distributed equally between the City and PAG Ontario B1, Inc. until the end date of the Agreement, as set forth in number 2 above. The sales tax revenue for MINI of Ontario and BMW of Ontario for 2013 was approximately \$650,000.

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

The expansion of MINI of Ontario and BMW of Ontario to 1350 S. Auto Center Drive is anticipated to result in approximately 81 new jobs with 8% of those being part time, and 92% being full time.