

**CITY OF UPLAND ECONOMIC DEVELOPMENT  
PARTICIPATION AGREEMENT REPORT  
BETWEEN CITY OF UPLAND AND PARK PLACE FORD LLC (DBA Ford of Upland)  
PURSUANT TO AB 562**

The City of Upland, to maintain sustainable economic development, community vitality and recovery from the annual loss of approximately \$11 million in redevelopment tax increment revenues previously received by the former Redevelopment Agency, is implementing economic development strategies and programs that include the application of Assembly Bill 562. The City of Upland and Park Place Ford LLC, dba Ford of Upland (“Ford of Upland”), propose to enter into a Restated and Amended Owner Participation Agreement (the “Restated Agreement”). The Restated Agreement requires Ford of Upland to relocate and construct a new dealership near Campus Avenue and the I-210 Freeway (the “New Dealership Site”), and for the City to provide a sales tax sharing agreement with Ford of Upland for a term that ends once Ford of Upland receives its maximum payment obligation from the City of Upland in the amount of \$2,700,000.

The California Legislature, based on direction from Governor Brown, made the decision to terminate all Redevelopment Agencies throughout the State resulting in the elimination of this major economic development tool previously available to local agencies. Following the decision to terminate redevelopment, the Governor and Legislature recognized the necessity of cities, counties and the State to encourage employment, retain jobs and promote expansion of sales tax producers for each community.

Assembly Bill 562, which added Section 53083 to the Government Code, requires public input prior to approving an economic development subsidy, by requiring, among other things:

- A public hearing prior to approving an economic development subsidy.
- A report regarding the economic development subsidy including the terms and details of said subsidy; and,
- An additional public hearing, not less than 5-years after the approval of the Agreement, reporting on the economic development subsidy.

This report includes the information required by AB 562 and the fiscal analysis to describe the projected revenue generated to the City, as well as the financial subsidy provided to Ford of Upland.

**AB 562 Reporting Requirements:**

Effective January 1, 2014, each local agency shall, before approving any Economic Development Subsidy within its jurisdiction, provide all of the following information in written form available to the public and through its Internet Website, if available:

- 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, if applicable.**

Park Place Ford, LLC, 555 West Foothill Blvd., Upland, CA, 91786 is doing business as Ford of Upland. Park Place Ford, LLC will continue to retain 100% ownership of Ford of Upland. Engelco, LLC, 555 West Foothill Blvd., Upland, CA 91786, is an entity that was formed by the owners of Ford of Upland for the sole purpose of holding title to the real property at the New Dealership Site. Park Place Ford, LLC and Engelco, LLC each have the same owners, i.e., John Engelhardt and his family.

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

The commencement date for the Restated Agreement shall begin after receipt of a certificate of occupancy but no later than December 1, 2017, although the City, at its discretion, can extend the Commencement Date if necessary to accommodate unforeseen construction issues. The proposed end date for the Restated Agreement shall be 5 years after the attainment of the \$2,700,000 maximum financial assistance amount.

**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.**

In furtherance of the City's economic development strategies, a Restated Agreement with Ford of Upland is being proposed. AB 562 defines an economic development subsidy as an expenditure of public funds or loss of revenue to local agency in the amount of one hundred thousand dollars (\$100,000) or more, for the purpose of stimulating economic development within the jurisdiction of a local agency. The City of Upland and Ford of Upland are proposing entering into a revenue sharing agreement that will be mutually beneficial. Ford of Upland remains one of the City's top sales tax producers and contributor to the City's General Fund. Providing an economic development subsidy in the form of revenue tax sharing is a financial incentive for Ford of Upland to stay in the City, and to ensure they are able to continue as one of the City's top sales tax producers. Failure to offer a financial incentive may ultimately cause loss of revenue to the City if they stay in their current location, or at worse case, contribute to the closure of the current location and relocation to another city.

Sales tax revenue from automobile/transportation business group accounts for 22.2% of the City of Upland's total sales tax revenue, of which a significant portion is attributable to Ford of Upland. Sales tax data for specific businesses such as Ford of Upland is required to be kept confidential per California Revenue and Taxation Code Section 7056. To comply with the provisions of California Assembly Bill AB 562, which became effective January 2014, as well as adhere to disclosure requirements contained in California Revenue and Taxation Code Section 7056, a range of potential sales tax revenue projections was generated based on possible increased sales volumes. The economic development subsidy is based on a sales tax sharing methodology that includes the following:

- Annual sales tax revenue produced by FOU up to \$312,000 shall be 100% retained by the City of Upland;

- Annual sales tax in excess of \$312,000 shall be split with 75% to FOU and 25% to the City of Upland (up to the limit set forth immediately below); and
- A cumulative cap of \$2,700,000 will limit the maximum financial assistance for FOU to \$2,700,000.

It is understood and agreed that the City portion of sales tax revenues from the Property is being used merely as a measure of the amount of the subsidy payments that will be provided and that the subsidy will be paid from any source of funds legally available to City.

The term for the Restated Agreement shall be 5 years after attaining the maximum financial assistance amount of \$2,700,000.

The maximum amount of subsidy to FOU shall be \$2,700,000. Sales tax revenue for the City of Upland is dependent on actual sales performance generated by FOU, with estimates projecting a range of \$4,000,000 to \$4,500,000 (using conservative or optimistic sales performance numbers) in sales tax revenue to the City of Upland.

All sales taxes are collected by the State Board of Equalization with a local tax rate of 8%, with 1% of said sales taxes apportioned back to the City. Payments from sales tax receipts will be paid to Ford of Upland, on an annual basis, after the taxes have been collected by the state and analyzed by the City's sales tax consultants, HdL.

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

The proposed Restated Agreement is consistent with City's economic goals and objectives and is in the best interests of the general public. The loss of redevelopment throughout the state has significantly impacted the City's major economic development program. Providing a financial incentive to a local business to relocate and develop a new, larger auto dealership in a superior location will work to prevent a loss of significant sales tax to the City in the event Ford of Upland would choose to close their existing facilities and move to another City, thus reducing Upland's General Fund revenues. Ford of Upland is proposing to move from the current location at 555 West Foothill Boulevard, and develop a new, 65% larger, state-of-the-art auto dealership that will be freeway adjacent and will generate increased sales tax revenue due to its superior location and larger area. Ford's corporate office is pushing for this type of location that will provide a modern dealership, with the contemporary Ford branding and advertising and enhanced customer amenities. During the term of the proposed Restated Agreement, Ford of Upland will increase the number of full time employees by 45% and part-time employees by 100% which will have a long-lasting, positive impact to Upland's work force.

Relocating the Ford of Upland dealership to the New Dealership Site will also provide development opportunities to redevelop the current 555 West Foothill Boulevard site. The property owners of 555 West Foothill are proposing to redevelop the site into a new, development with retail, office and/or residential land uses. A new development will provide

additional sales-tax revenue as well as additional property tax revenue for the City. In addition, this site may provide additional services for the residents of Upland in the short term, by providing auto service/repairs and sales at the Foothill Site.

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

The maximum amount of subsidy to FOU shall be \$2,700,000. Sales tax revenue for the City of Upland is dependent on actual sales performance generated by FOU, with estimates projected to range from \$4,000,000 to \$4,500,000.

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

During the term of the proposed Restated Agreement, Ford of Upland will increase the number of full-time employees by 45% and part-time employees by 100%. Currently, Ford of Upland employs 75 full-time employees and 4 part-time employees. Within 18 months of opening the new dealership, Ford of Upland proposes adding 34 new full-time employees and 4 new part-time totaling 117 employees. No temporary positions with Ford of Upland have been identified.