

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

**FOR THE THIRD AMENDMENT TO OPERATING COVENANT AGREEMENT
BY AND BETWEEN
CITY OF CORONA
AND
DOWNS ENERGY
(ADOPTED BY RESOLUTION NO. XXXX-XX: XX-XX-XX)**

Pursuant to Government Code Section 53083, the City Council of the City of Corona 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 that certain Third Amendment to Operating Covenant Agreement by and between the City of Corona and Downs Energy ("Third Amendment"). Notice was published in the local newspaper for a public hearing to be held on August 2, 2017.

The City and Downs Energy ("Downs") previously entered into that certain Operating Covenant Agreement dated November 16, 2006 ("Original Agreement"), that certain First Amendment dated June 6, 2012 ("First Amendment") and that certain Second Amendment dated December 16, 2015 (Second Amendment"). The City and Downs now intend to enter into the Third Amendment to revise the provision, set forth in the First Amendment, which requires that commencing with Computation Quarter 41 the local sales tax revenues that the City receives for Downs must exceed \$1.1 million in order for the City to be obligated to make the covenant payment to Downs, to instead impose this requirement commencing with Computation Quarter 61. The Original Agreement, together with the First Amendment, Second Amendment and Third Amendment shall be referred to herein collectively as the "Agreement."

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 Downs Energy, a California corporation And Downs Oil Co., Inc., a California limited partnership. Downs Energy is the sole beneficiary of the economic development subsidy.

Downs Energy
1296 Magnolia Ave.
Corona, CA 92879

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

As provided in the Original Agreement, the start date of the economic development subsidy commenced on the first day of Computation Quarter 1, as defined in the Original Agreement, which occurred on or about July 1, 2006. The end date under the Original Agreement was established as the date that is no later than 25 years after the start date, on or around June 30, 2031. The First Amendment, approved by the City Council on June 6, 2012 extended the term of the Agreement an additional 5 years to be no later than 30 years after the start date, on or around June 30, 2036. The Second Amendment approved by the City Council on December 16, 2015 provided for automatic renewal for subsequent 60 month periods, unless terminated pursuant to the terms of the Agreement either before the end date of the Original Agreement or during and subsequent renewal period. If the Third Amendment is approved by the City Council, the City will only be obligated to make covenant payments to Downs if the Sales Tax Revenue attributable to Downs exceeds \$1.1 million per year commencing in Computation Quarter 61 rather than Computation Quarter 41.

The economic development subsidy is paid quarterly (every 3 months), within 120 days of the end of each Computation Quarter. Computation Quarters run from January 1 to March 31, April 1 to June 30, July 1 to September 30, and October 1 to December 31.

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 calculated based on Downs' sales tax revenue received by the City during a Computation Quarter in an amount equal to the sum of \$157,543 of the Sales Tax Revenues attributable to annual taxable sales. This calculation is an estimate based on most recent fiscal year receipts.

The City estimates that the total amount of the expenditure of public funds as a result of the economic development subsidy under the Original Agreement will be \$9,452,611. Each sixty (60) month extension, based on current sales history, would be an additional \$1,575,435.

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

Through this Agreement, Downs will be committed to operating and maintaining a retail sales office in the City for transacting merchandise sales.

The public purpose of the economic development subsidy includes, but is not limited to, having a company establish and maintain a physical presence in the City which will create jobs and stimulate the economic recovery of the Inland Empire. Downs has agreed to

maintain a sales office within the City, expand its operations within the City over the term of the Agreement and remain in the City for a period of not less than 25 years from the Effective Date of the Original Agreement. The City has determined that the establishment of the sales office within the City will generate substantial revenue for the City, create 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. Additionally, by having a company like Downs maintains a physical presence in Corona we will be adding diversity to and generating new opportunities for economic growth.

Further, the sales office 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.

Entering into the Third Amendment will also ensure the retention of high paying/management jobs within the City and provide opportunity for additional job growth throughout the term of the Agreement.

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

The City anticipates that the continued operation of a sales office within the City will result in an approximate increase of sales tax revenue by \$880,174 per year, minus the covenant payments to be paid to Downs, as set forth in number 2 above.

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

The continued operation of the sales office within the City is anticipated to result in the retention of approximately up to 8 jobs over the term of the Agreement, as follows:

- Up to 8 full-time jobs
- Up to 0 part-time jobs
- Up to 0 temporary positions