

**5-YR ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53083**

**FOR AN OPERATING COVENANT AGREEMENT
BY AND BETWEEN
CITY OF ONTARIO
AND
QVC, INC.**

The purpose of this report is to provide the information required pursuant to Government Code Section 53083(d) in regard 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 QVC, Inc., a Delaware corporation. QVC, Inc. is the sole beneficiary of the economic development subsidy.

QVC, Inc.
1200 Wilson Drive MC 131
West Chester, PA 19380

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

The start date of this subsidy was July 1, 2015 and will remain active until no later than 41 years after the start date, on or around June 30, 2056.

- 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 QVC, Inc.'s sales tax revenue during a Computation Quarter in an amount equal to (a) an amount equal to the sum of (1) fifty-five percent (55%) of QVC, Inc.'s sales tax revenue attributable to annual taxable sales for the calendar year which includes such Computation Quarter up to five hundred million dollars (\$500,000,000.00), as determined on a cumulative basis for such calendar year, and (2) sixty percent (60%) of QVC, Inc.'s sales tax revenue attributable to annual taxable sales for the calendar year which includes such Computation Quarter over five hundred million dollars (\$500,000,000.00), as determined on a cumulative basis for such calendar year, plus (b) provided that the business license tax payable by QVC, Inc. exceeds the amount due in the previous calendar year by ten percent (10%) or more, an amount equal to any increase in business license taxes payable to City by QVC, Inc. as a result of City imposing an aggregate business license tax on QVC, Inc. in an amount greater than the applicable business license taxes computed as if QVC, Inc.'s operations

solely consisted of “warehousing” activities within the meaning of Section 3-1.216 of the City of Ontario Municipal Code (and any successor law thereto), plus (c) an amount equal to sixty percent (60%) of QVC, Inc.’s sales tax revenue attributable to QVC, Inc.’s self-accrual of use tax which is directly allocated to the City, including, without limitation, in connection with QVC, Inc.’s purchase of machinery and equipment from outside of California during such Computation Quarter; plus (d) an amount equal to sixty percent (60%) of QVC, Inc.’s sales tax revenue attributable to sales tax generated as a result of the development and construction of QVC, Inc.’s Distribution Center and Warehouse in the City; plus (e) if the City adopts a new tax assessed against 10 or fewer persons or entities which results in an increase in tax paid by QVC, Inc. to City in excess of \$100,000 in any calendar year, an amount equal to the new tax payable by QVC, Inc. in respect of such Computation Quarter.

Through the first quarter of 2020, the full amount the City has paid to QVC is \$3,133,395.83.

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

As a result of this Agreement QVC, Inc. has established a new warehouse and distribution center within the City and has expanded its operations. In addition, QVC has committed to remain within the City for a period of not less than 41 years. The new warehouse and distribution center primarily serves as a warehouse but also include all ancillary uses in support of QVC’s warehousing of consumer products for distribution and sales including, but not limited to, office and administrative uses, digital photography and/or television broadcast studio operations, QVC’s marketing activities, corporate meetings and employee appreciation events, and incidental services and uses for the benefit of QVC’s employees, such as fitness facilities, cafeteria/food service operations, and an “employee store” for the purchase of QVC’s consumer products by QVC’s employees and, from time to time, members of the general public. Additionally, as a result of this agreement, during the three (3) years that followed the effective date of the Agreement, QVC, Inc. agreed not acquire, lease or construct any new distribution center and warehouse within the state of California outside the City.

The establishment of the new warehouse and distribution center within the City, as described in the preceding paragraph, generated substantial revenue for the City, created new jobs, revitalized an area of the City which had suffered a loss of jobs and businesses during the economic downturn of the mid-2000’s, and resulted in community and public improvements that might not otherwise have be available to the community for many years.

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

\$2,609,827.01 in net Sales and Business License Tax revenues.

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

- 683 full-time
- 105 part-time