

ECONOMIC DEVELOPMENT SUBSIDY REPORT  
Pursuant to Government Code Section 53083.1

FOR AN OPERATING COVENANT AGREEMENT  
BY AND BETWEEN  
CITY OF FONTANA  
AND  
SIKA CORPORATION

Pursuant to Government Code Section 53083.1, the City Council of the City of Fontana must hold a public hearing with adequate notice and, prior to that hearing, provide all required information regarding the proposed economic development subsidy in written form. This information must be made available to the public both physically and on the City's website. The economic development subsidy will be granted under an Operating Covenant Agreement (the "Agreement") entered into between the City of Fontana and Sika Corporation.

Notice of the public hearing was published in the local newspaper, with the hearing scheduled for **July 22<sup>nd</sup>, 2025**, to comply with public transparency and participation requirements. The purpose of this report is to outline the necessary information regarding the Agreement between the City of Fontana and Sika Corporation in accordance with Government Code Section 53083.1. This report will remain publicly accessible on the City's website until the subsidy period concludes, as further detailed below.

**1. The name and address of all corporations, including members of a commonly controlled group or a combined reporting group, that are beneficiaries of the economic development subsidy:**

The Agreement is with Sika Corporation. Sika Corporation serves as the beneficiary of the economic development subsidy provided by the City of Fontana.

Contact Information:

Sika Corporation

201 Polito Ave.

Lyndhurst, New Jersey 07071

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

The primary facility will be located at:

14090 Slover Ave., Fontana, CA 92335

This facility serves as the operational hub for Sika Corporation packaging, distribution, and sales activities. Additional affiliate locations may be developed in accordance with the terms of the Agreement and subject to the approval of the Fontana City Council.

**3. The start and end dates and schedule for the economic development subsidy:**

If the Agreement between the City of Fontana and Sika Corporation is approved by the City Council, the subsidy will commence on the Effective Date of the Agreement. The term of the subsidy will run concurrent with the lease agreement between Sika Corporation and the facility landlord, with a maximum duration of 17 years.

The first Covenant Payment will be made following the completion of the first Covenant Quarter, provided that Sika Corporation has met all covenants and obligations pursuant to the Agreement.

**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 for Sika Corporation consists of a revenue-sharing arrangement with the City of Fontana, as outlined in the terms of the agreement.

**A. Job Creation Requirement:**

A minimum of 40 full-time, permanent jobs must be created or transferred to the City of Fontana. Comprised of approximately 27 warehouse staff and 13 corporate staff.

**B. Sales Tax Revenue Sharing:**

For total sales generated under \$50M, on an annual basis, there shall be no sales tax share to Sika Corporation.

For total sales generated above \$50M annually, the sales tax share will be as follows:

50% to Sika Corporation

50% to the City of Fontana

Specific payment terms and conditions are detailed in Operating Covenant Agreement

**C. Sales Tax Allocation:**

Please note that all sales tax generated from Sika Corporation sales must be recorded to the City of Fontana. Any sales made outside of the city will not be included in the total sales generated for rebate purposes.

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

Sika Corporation, a manufacturer of construction adhesives and sealants, is relocating its operations to Fontana due to Sika's need for additional operational space. Sika's sales are growing throughout the country necessitating additional capacity. With this strategic agreement, Sika Corporation will establish a state-of-the-art packaging and distribution facility in Fontana, providing a key operational base to better serve its commercial and municipal clients throughout the region.

Under the terms of the agreement, Sika Corporation will lease a facility at 14090 Slover Ave., Fontana CA 92335. This facility will enable the company to scale operations, ensuring efficient production and delivery of its adhesive and sealant solutions, including products used in the construction industry, residential and home improvement industries, as well as industrial, manufacturing, automotive industries. Without this economic development agreement, Sika Corporation would likely have pursued alternative locations outside of Fontana—and possibly beyond California—due to high operating costs within the state. The subsidy provides crucial support to ensure Sika Corporation establishes operations locally, creating long-term economic benefits for both the company and the community.

The partnership between the City of Fontana and Sika Corporation exemplifies a strategic alignment between public policy goals and private-sector growth. It promotes economic revitalization by creating new employment opportunities, generating public revenue, and stimulating additional business activity. The agreement demonstrates Fontana's commitment to sustainable economic development, positioning the city for future growth and innovation while reinforcing its reputation as a pro-business and environmentally conscious community.

#### **Job Creation and Economic Revitalization**

The new facility will generate significant employment opportunities, with 40 full-time positions created across warehouse operations, logistics, and administrative roles. This aligns with the City's goals of job growth and economic recovery, especially in areas that experienced downturns during prior economic challenges. These jobs will provide competitive wages and comprehensive benefits, contributing to both the financial stability and professional development of local residents. Additionally, the City anticipates that the project will attract indirect employment opportunities, further driving the local economy.

The establishment of Sika Corporation in Fontana positions the City as a hub for broadly used adhesive and sealant products used across numerous business sectors across the country. This agreement will foster a business-friendly environment that attracts further investments from companies seeking access to Southern California's logistics networks and workforce. The presence of Sika Corporation is expected to spark ancillary economic activities, including partnerships with local suppliers, transportation services, and innovation hubs focused on construction and manufacturing industries.

#### **Fiscal Impact**

Sika Corporation is expected to generate substantial sales tax revenue, with projected sales ranging between \$50 million and \$125 million. As part of the economic development agreement, the City of Fontana will share 50% of the sales tax revenues from these operations. This revenue-sharing arrangement ensures that the City retains significant public funds to invest in infrastructure improvements, public services, and community programs.

Through this collaboration, both Sika Corporation and Fontana stand to benefit from a long-term, mutually beneficial relationship, ensuring economic stability and sustainable progress for years to come.

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

The economic development agreement between the City of Fontana and Sika Corporation is structured to generate significant sales tax revenue over its 17-year term. Based on projected sales of \$50 million to \$125 million annually, the following fiscal outcomes are expected:

**Sales Tax Sharing Structure**

For total sales of \$50 million and above, the City and Sika Corporation will each receive 50% of the sales tax revenue generated.

**Revenue Estimates (assuming a 1% local sales tax rate).**

Assuming \$50 million in annual taxable sales:

- Sales Tax Revenue: Approximately \$500,000 per year
- City Share: \$250,000 annually.

Assuming \$125 million in annual taxable sales:

- Sales Tax Revenue: \$1.25 million per year.
- City Share: \$625,000 annually.

**Cumulative Revenue Impact**

Over the 17-year term, the total sales tax revenue to the City of Fontana is projected at approximately \$10.6 million, assuming steady sales growth and reaching peak performance under the revenue-sharing tiers. Even with the subsidy agreement, this results in a positive net fiscal gain for the City, enabling investments in public services, infrastructure, and community development.

This agreement aligns with the City's economic development objectives, fostering sustainable growth through increased public revenue and long-term job creation while enhancing Fontana's appeal as a business-friendly community.

**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.**

Sika Corporation will employ approximately 40 full-time employees at its new Fontana facility. The company will offer competitive wages, aligning compensation levels with industry benchmarks and comparable positions within the San Bernardino County region. This approach ensures that Sika Corporation remains attractive to skilled labor and competitive within the local employment market.

In addition to wages, Sika Corporation will provide a comprehensive benefits package, including health insurance and paid leave, reinforcing its commitment to employee well-being and retention. Over the duration of the agreement, the company anticipates investing more than \$30 million in wages, underscoring its substantial contribution to the local economy and its dedication to creating high-quality jobs in the community.

**8. The estimated number of workers employed through temporary age.**

At this time, Sika Corporation has not identified any plans to hire temporary or seasonal employees. Should such roles become necessary in the future, these positions will not be counted toward the company's full-time workforce obligations unless they are officially converted to full-time status. This approach ensures that only permanent positions contribute toward the company's employment targets, reinforcing Sika Corporation commitment to creating sustainable, long-term job opportunities in the region.

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

Sika Corporation will provide a comprehensive benefits package to its full-time employees. This package will include health insurance, paid leave, and additional fringe benefits designed to promote employee well-being and job satisfaction. However, the benefits package will reflect industry best practices, ensuring competitiveness within the San Bernardino County labor market. Sika Corporation's commitment to offering competitive benefits aligns with its broader strategy of attracting and retaining top talent, fostering a stable workforce, and supporting long-term professional growth.