SAN BERNARDINO COUNTY | Economic Development

Inland Kenworth Expansion Sales and Use Tax Sharing Agreement

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Background

- The Economic Development Agency, in partnership with County Finance and Administration, proposes a **Sales and Use Tax Sharing Agreement** (Agreement) to support the expansion of Inland Kenworth, Inc. (Inland Kenworth) in the unincorporated area of Fontana.

- This Agreement outlines economic development efforts to bring additional high-quality jobs and maintain truck services in the County's communities, which will likely result in higher sales tax revenues and create jobs.

- The proposed Agreement is designed to secure Inland Kenworth's decision to expand at its existing location, in unincorporated Fontana, by providing performance-based incentives tied to new tax revenues generated by the expansion.

Company Overview

- Inland Kenworth was established in the late 1940s and is a prominent North American dealership specializing in Kenworth trucks.

- In the 1980s, Inland Kenworth expanded its dealerships to include a sales and service center in the unincorporated area of Fontana at 9730 Cherry Avenue, where they have remained for nearly 40 years.

- Inland Kenworth currently operates 15 locations across California, Arizona, and New Mexico, with a total of 44 locations throughout North America.

Kenworth T680E Truck

Overview of Project and Project Site

Expansion Details:

- Inland Kenworth is expanding its current operations with the addition of a new **28,840 square foot** building with service bays at the existing 14-acre facility
- Projected increase of more than **$20 million** in annual revenues
- Expected to create approximately **30 new jobs** with wages ranging from $30-$45 per hour, plus benefits, including:
  - 23 Service Technicians at $45/hr.
  - 2 Service Advisors at $35/hr.
  - 4-6 Parts Warehouse Workers at $30-$40/hr.

Site Location:

- The address for Inland Kenworth is 9730 Cherry Ave, Fontana, CA 92335
- Located at the corner of San Bernardino Ave. and Cherry Ave.

Incentive Structure

Inland Kenworth must meet the following eligibility requirements:

- Be current on taxes.
- Complete expansion and provide a certificate of occupancy (COO).

Incentive will begin in the following fiscal year following verification of the COO:

For example, if the COO is issued in August 2026, County payments will not begin until the 2027-28 fiscal year, which begins on July 1, 2027.

Threshold for Incentive:

Inland Kenworth and the County will share only the new tax revenues generated in a given fiscal year that exceed the historic three-year average of $400,000.

Payments to Inland Kenworth:

Capped at a total of $1.5 million <u>or</u> 20 years from receipt of COO, whichever comes first.

Policy Considerations

Policy framework outlines a performance-based incentive structure that safeguards the County and establishes a precedent for aligning public incentives:

- **Conditions for payment protect the County**
  - County verification of facility expansion (Certificate of Occupancy)
  - Submission of tax returns and related documentation
  - All property taxes are current and paid
- **Incentive is performance-based**
  - Inland Kenworth must complete the expansion to receive the sales/use tax reimbursement
  - Benefits accrue only if tax revenues exceed historical levels
  - Establishes a precedent for structuring agreements tied to creation of good jobs **($30–$45/hour** + benefits) while protecting County revenues

Conclusion

Approval of the Agreement Creates Value Through a Public-Private Partnership:

- **Value for Inland Kenworth**:
  - Subsidy offsets expansion costs and solidifies company's long-term presence in the region.
  - Economic development subsidy projected to generate over $20 million in gross annual sales revenues for the business.

- **Value for the County**:
  - Over the course of the 20-year agreement, the County is projected to receive $2.5 million in new tax revenues.
  - Expansion will create 30 well-paying jobs with benefits.

Thank you

Questions?