

**ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53083
FOR A SALES TAX SHARING AGREEMENT
BY AND BETWEEN CITY OF HUNTINGTON BEACH
AND SURF CITY AUTO GROUP II, INC.**

Pursuant to Government Code Section 53083, the City Council of the City of Huntington Beach 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 a Sales Tax Sharing Agreement by and between the City of Huntington Beach and Surf City Auto Group II, Inc. ("Agreement"). Notice was published on the City's website for a public hearing to be held on May 16, 2016.

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 Surf City Auto Group II, Inc., who will construct, own and operate a new Subaru dealership that will benefit from the economic development subsidy:

Surf City Auto Group II, LLC
16555 Beach Boulevard
Huntington Beach, CA 92647

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

If the Agreement is approved by the City Council, the start date of the economic development subsidy will be on or around June 1, 2017 (or when the dealership opens) and the end date will be no later than 20 years after the start date, on or around June 1, 2037. The economic development subsidy will be paid quarterly, within 60 days of the end of each quarter.

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 equal to thirty percent (30%) of the sales tax revenue received by the City in excess of \$250,000 for each year. The City will also vacate the Chrysler Drive, which runs between the two dealership parcels, and deed the land to Surf City Auto Group II, Inc.

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

Rick Evans acquired the four-acre site, located at 16555 Beach Boulevard (Site), which is currently used as for used car sales and to store new inventory for the adjacent Chrysler dealership. The Site was previously used as a Chrysler/Jeep dealership and the existing building is over 40 years old and will require substantial renovations. Peter Shaver became partners with Rick Evans in 2013 in operating the Chrysler/Jeep/Ram dealership.

Surf City Auto Group II, Inc. is a partnership between Rick Evans and Peter Shaver. Surf City Auto Group II, Inc. plans to acquire a Subaru dealership for \$6,000,000 and relocate it to Huntington Beach. The Site will be dedicated exclusively to the new Subaru dealership. The existing improvements will be required to be extensively renovated to meet Subaru's image and facility requirements, at an estimated cost of \$3,000,000. The vacated Chrysler Drive will be utilized to improve new car display and for customer parking, at a yet to be determined cost. Therefore, the current estimate to provide the new dealership is estimated at \$9,000,000. Surf City Auto Group II, Inc. has requested to enter into the Agreement to assist in defraying the significant cost of acquiring the dealership and renovating the existing improvements on the Site.

Operations of the new dealership are expected to generate significant sales activity, projected at \$50 million a year for the first five years, and to increase sales tax to the City by approximately \$11,690,000 over the term of the proposed Agreement. The current assessed value of the Site is \$6,284,266 and it is projected that the value of the Site plus the vacated Chrysler Drive (currently not on the tax rolls) will have a projected assessed value of \$11,284,266, or a \$5,000,000 increase.

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

Projections indicate that, over the 20 year period of the sales tax sharing agreement, roughly \$5,443,000 in present value dollars in additional sales tax revenue could be received by the City. Of this amount, the City would pay Surf City Auto Group II, Inc. approximately \$896,000 in present value terms.

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

The City anticipates the construction and operation of the new dealership will yield a minimum of 40 full- and part-time jobs and approximately 60 temporary new jobs during the renovations.