

**ECONOMIC DEVELOPMENT SUBSIDY REPORT  
PURSUANT TO GOVERNMENT CODE SECTION 53083  
FOR A SALES TAX SHARING AGREEMENT  
BY AND BETWEEN CITY OF HUNTINGTON BEACH  
AND PN AUTOMOTIVE LLC**

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 PN Automotive, LLC ("Agreement"). Notice was published on the City's website for a public hearing to be held on July 18, 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 PN Automotive, LLC, who will construct, own and operate a new Subaru dealership that will benefit from the economic development subsidy:

PN Automotive LLC  
16800 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 August 1, 2016 (or when the dealership opens) and the end date will be no later than 20 years after the start date, on or around August 1, 2036. 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.

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

John Patterson acquired the site, located at 16800 Beach Boulevard (Site), which is currently used for Mazda car sales and to store new inventory. The Site currently only has a Mazda Dealership and will require substantial renovations, including a new Subaru Dealership building, parking structure, new service bays and building parking over the water way adjacent to the property.

PN Automotive, LLC is the entity that currently owns Huntington Beach Mazda and will own Huntington Beach Subaru. PN Automotive is in escrow to acquire a Subaru dealership for \$6,000,000 and relocate it to Huntington Beach. As discussed above, the new dealership will require that a brand new 15,000 square foot showroom/building and 25 new service bays be built to meet Subaru's image and facility requirements. In addition, a two-story parking structure spanning the property will be built, along with building a parking surface over the water way adjacent to the property, at an estimated cost of \$8,000,000. Therefore, the current estimate to provide the new dealership is estimated at \$14,000,000. PN Automotive LLC 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 \$9,000,000 and it is projected that the value of the Site will have a projected assessed value of \$14,000,000, 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 PN Automotive 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 50 temporary new jobs during the construction.