

**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 July 17, 2017.

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 Jeep dealership that will benefit from the economic development subsidy:

Surf City Auto Group II, Inc.  
16701 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, 2017 (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, 2037. The economic development subsidy will be paid quarterly, within 30 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 fifty percent (50%) of the sales tax revenue received by the City from Surf City Auto Group II, Inc., after the existing base sales tax received by the City. The existing base sales tax is defined as those Jeep sales for the City's fiscal year 2016, which is estimated at \$1,681,797, and increased by 1% per year.

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

Rick Evans has owned and operated the Chrysler Jeep Dodge Ram (CJDR) dealership on Beach Boulevard for 25 years. In 2013, Pete Shaver joined Rick Evans as owner of the CJDR dealership. The CJDR dealership operates out of a newly renovated facility at 16555 Beach Boulevard as well as the 4 acre site at 16701 Beach Boulevard (Site), owned by Rick Evans, due to the large volume of new vehicle inventory . In addition, the CJDR dealership leases offsite parking for additional new vehicle inventory.

Surf City Auto Group II, Inc. has the opportunity to add a stand-alone Jeep dealership at the Site. This will require a \$3 million renovation to meet Jeep’s dealership image and space guidelines and a \$25 million parking garage, which will be constructed half on the 16555 Beach Boulevard and half on the Site. Additionally, the Jeep dealership will be obligated to add 5,400 new Jeep sales over a three year period.

Surf City Auto Group II, Inc. has requested to enter into the Agreement to assist in defraying the significant cost of remodeling the dealership and moving the Jeep component of the existing dealership to the 16701 Beach Boulevard site

Operations of the new dealership are expected to generate significant incremental sales activity, projected at an average of \$139 million a year for the first five years, and to increase sales tax to the City by approximately \$31,359,000 over the term of the proposed Agreement. The current assessed value of the Site is \$5,740,000 and it is projected that the value of the Site will have an assessed value of \$21,240,000, or a \$15,500,000 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 \$16,058,000 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 \$8,029,000 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 50 full- and part-time jobs and approximately 60 temporary new jobs during the construction.