



CITY OF LONG BEACH

DEPARTMENT OF ECONOMIC AND PROPERTY DEVELOPMENT

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September 1, 2015

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive the supporting documentation into the record, conclude the public hearing regarding an economic subsidy in connection with a Retail Sales Tax Incentive Agreement with HTL Automotive, Inc., dba Hooman Toyota of Long Beach, pursuant to California Government Code Section 53083; and

Authorize the City Manager to execute all documents necessary to implement a 15-year Sales Tax Incentive Agreement with HTL Automotive, Inc., dba Hooman Toyota of Long Beach, for the relocation and development of a Toyota dealership to be located at 3399 E. Willow Street. (District 5)

DISCUSSION

On October 21, 2014, Agenda Item R-25 (attached), requesting authorization for this proposed agreement was presented to, and approved by, the Long Beach City Council. It was subsequently learned that California Government Code Section 53083 was amended and now requires a public hearing to be held, and an Economic Development Subsidy Report to be prepared and posted to the City website prior to the public hearing, and to remain on the website until the end date of the economic development subsidy.

Accordingly, approval is recommended to enter into a Sales Tax Incentive Agreement (Agreement) with HTL Automotive, Inc., dba Hooman Toyota of Long Beach (Hooman), to support the relocation and development of a Toyota dealership located at 3399 E. Willow Street.

In 2008, Hooman acquired Beach Toyota, located at 4401 Pacific Coast Highway, which had an existing Sales Tax Incentive Agreement that expired in September 2013. In order to expand and continue operation in the City of Long Beach, Hooman has recently acquired the former Coast Cadillac property at the northwest corner of Redondo Avenue and Willow Street. It is Hooman's intent to relocate its Toyota dealership to the Willow Street location at an estimated cost of \$8.4 million. Hooman requested that the expired Sales Tax Incentive Agreement be renewed to assist in the costs of acquisition and renovation of the new site.

Staff proposes that the City enter into a Sales Tax Incentive Agreement with Hooman to facilitate the upgrade and expansion of this new location. The Agreement will terminate in 15 years or when a cumulative total of \$4.2 million is paid to Hooman from sales tax generated at the site, whichever occurs first. During the term of the Agreement, the City will share 50 percent of the sales tax generated by the dealership in excess of an annual base amount of \$270,826 (double that of the prior base amount of \$135,000 under the previous Agreement). The Agreement will commence no later than January 1, 2015, and all sales tax generated by Hooman starting on this date would be subject to the Agreement.

Quarterly payments will be made without interruption for the term of the Agreement, but are contingent upon Hooman obtaining a Certificate of Occupancy for its proposed by January 2, 2017. If a final Certificate of Occupancy is not obtained by then, the Agreement will terminate and all payments made to Hooman must be re-paid in full to the City.

Based on current projections, the cumulative total of local sales tax generated during the 15-year term of the Agreement is estimated to be \$12 million. Of this amount, a maximum of \$4.2 million will be paid to Hooman, while the City would receive the remainder.

This matter was reviewed by Deputy City Attorney, Richard F. Anthony on August 17, 2015 and by Budget Management Officer Victoria Bell on October 3, 2014.

TIMING CONSIDERATIONS

Pursuant to California Government Code Section 53083, the Economic Development Subsidy Report was posted to the City's website on August 11, 2015. City Council action is requested on September 1, 2015, to expedite implementation of the proposed Agreement.

FISCAL IMPACT

After the relocation to the larger site and the planned expansion of the dealership, there will be additional net revenue received by the City. Current City projections do not anticipate significant annual growth above the base amount until after the relocation in 2017 or thereafter. Projections indicate that, over the 15-year term of the Agreement, the City's net sales tax revenue from Hooman Toyota could be approximately \$8 million.

The Agreement will assist in retaining a local business while preserving approximately 138 existing jobs, with the expectation that the number of jobs would grow to over 300 when the site is fully operating and staffed.

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SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



MICHAEL P. CONWAY
DIRECTOR OF ECONOMIC &
PROPERTY DEVELOPMENT

MPC:JMV

APPROVED:



PATRICK H. WEST
CITY MANAGER