

**H-9**

August 9, 2022

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

**RECOMMENDATION:**

Receive supporting documentation into the record, conclude the public hearing regarding an economic subsidy associated with the First Amendment to Sales Tax Incentive Agreement No. 32687 with Alant Corporation, dba Circle Porsche Audi, a California corporation, pursuant to California Government Code Section 53083; and,

Authorize the City Manager, or designee, to execute all documents necessary to implement the First Amendment to Sales Tax Incentive Agreement No. 32687 with Alant Corporation, a California corporation, for the expanded Circle Porsche and Audi dealership located at 1855 N. Lakewood Boulevard. (District 4)

**DISCUSSION**

On December 13, 2011, the City Council authorized the execution of Sales Tax Incentive Agreement No. 32687 (Agreement) with Alant Corporation (Alant). The intent of the Agreement was to support an expansion and redevelopment project that included renovation of the existing Audi dealership located on Lakewood Boulevard, and expanding its operations by acquiring and renovating an adjacent 1.44-acre property for a separate Porsche dealership. The primary structure of the Agreement is that 50 percent of sales tax generated by the dealership beyond an established base-year amount is shared with Alant for a fixed period of time, or until achieving a set numerical cap. The base-year amount under the Agreement is \$294,465. Under the Agreement, the sales tax incentive is to be provided by the City of Long Beach (City) from 2011 to 2022 or upon the City paying Alant \$2.5 million within the same period, whichever comes first.

Alant is now completing an expansion of its Circle Porsche/Audi dealership. Expansion costs have been determined to be in excess of \$9.22 million. The project includes a new Porsche showroom, new parts and service department for the Porsche dealership, and a new storage lot. To support the expansion of the dealership and retain the dealership in Long Beach, Alant has requested additional economic relief to support the cost of the expansion project and ongoing building occupancy costs.

**First Amendment Proposed Terms and Conditions**

The First Amendment to Sales Tax Incentive Agreement No. 32687 with Alant will maintain the same terms, with the City and Alant continuing to share 50-50 of the annual local sales and use tax (Bradley-Burns) generated above the base amount of \$294,465. Upon City Council approval, this First Amendment will commence with sales tax receipts beginning in January

2023 and terminate for sales tax receipts as of December 2032 or upon the City paying Alant \$2.5 million within the same period, whichever comes first.

Keyser Marston Associates (KMA) Inc., the City's fiscal advisor, estimates that the expansion project cost will total \$9.22 million, and estimates that Alant has an annual building occupancy cost for the expansion of \$885,000. The first amendment will provide Alant the additional economic relief to support the annual feasibility gap through realized revenues.

This matter was reviewed by Deputy City Attorney Monica Kilaita and Revenue Management Officer Geraldine Alejo on July 27 2022.

TIMING CONSIDERATIONS

City Council action is requested on August 9, 2022, to expedite the execution of the proposed First Amendment and retain the dealership in Long Beach.

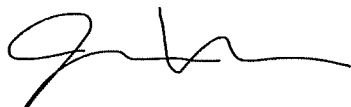
FISCAL IMPACT

The requested amendment maintains the current local sales tax sharing agreement between the City and Alant. The City will continue to retain a base amount of \$294,465, with any revenue exceeding this base amount to be shared 50-50 between the City and Alant. It is anticipated that there is sufficient appropriation in the General Fund Group in the Citywide Department to support the annual sales tax sharing payments, offset by actual sales tax revenue generated from Alant's operations. City staff will continue to closely monitor actual sales tax receipts, and if needed, will request appropriation adjustments from the City Council to align with actual sales tax performance. The amended Agreement will assist in expanding and retaining a local business. This recommendation has no staffing impact beyond the normal budgeted scope of duties and is consistent with existing City Council priorities. There would be a positive impact on local jobs associated with this recommendation.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,



JOHNNY M. VALLEJO  
ACTING DIRECTOR  
ECONOMIC DEVELOPMENT

APPROVED:



THOMAS B. MODICA  
CITY MANAGER