



CITY OF LONG BEACH

R-25

OFFICE OF THE CITY MANAGER

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October 21, 2014

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

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

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 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 this location and has requested that the expired Agreement be renewed to assist in the significant costs of acquisition and renovation of the site.

On March 17, 1992, the City Council approved a Sales Tax Incentive Program (Program) to encourage large-scale development, stimulate private investment in the retail sector, and enhance sales tax revenue to the City of Long Beach (City). New or existing retail businesses that generate more than \$5 million in taxable sales and are planning to expand, may be eligible for the Program. For qualified businesses, the City may agree to share up to 50 percent of the sales tax generated in excess of a predetermined sales tax base.

In 1996, the City Council approved an Agreement with Beach Toyota which included a sharing of sales tax above a base of \$135,000. Since 2008, when Hooman acquired Beach Toyota, sales tax revenues have been consistently and significantly above the base amount, thus providing benefits for both the City and Hooman. Hooman has submitted conceptual plans for the relocation and expansion of its dealership to the 3399 E. Willow Street site. The total cost of the proposed improvement and expansion is estimated at \$4.2 million. Hooman has requested that the 1996 Agreement, which expired in 2013, be reinstated to assist in developing the Willow Street 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 maximum of \$4.2 million is paid to Hooman from sales tax generated at the site, whichever first occurs. 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, which is 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 commence and continue without interruption for the term of the Agreement, but are contingent upon Hooman obtaining a Certificate of Occupancy for its development within two years of the start of the Agreement. If a final Certificate of Occupancy is not obtained by January 1, 2017, the Agreement will terminate and all payments made to Hooman since the inception of the Agreement 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 September 26, 2014 and by Budget Management Officer Victoria Bell on October 3, 2014.

TIMING CONSIDERATIONS

City Council action is requested on October 21, 2014, 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, roughly \$12 million in local sales tax revenue could be generated, and the City would pay the dealership a maximum of \$4.2 million. This could result in approximately \$8 million of net sales tax revenue retained by the City over the 15-year term.

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.

SUGGESTED ACTION:

Approve recommendation.

HONORABLE MAYOR AND CITY COUNCIL

August 19, 2014

Page 3 of 3

Respectfully submitted,



MICHAEL P. CONWAY

DIRECTOR OF ECONOMIC AND PROPERTY DEVELOPMENT



JOHN GROSS

DIRECTOR OF FINANCIAL MANAGEMENT

MPC:JMV

APPROVED:



PATRICK H. WEST
CITY MANAGER