



APPROVED 5-0-1-1
(O'CONNELL-RECUSED, POSEY-ABSENT)

CITY OF HUNTINGTON BEACH REQUEST FOR CITY COUNCIL ACTION

MEETING DATE: 7/17/2017
SUBMITTED TO: Honorable Mayor and City Council Members
SUBMITTED BY: Fred A. Wilson, City Manager
PREPARED BY: Kellee Fritzal, Deputy Director, Business Development
SUBJECT: Approve and authorize execution of a Sales Tax Sharing Agreement between the City and Surf City Auto Group II, Inc., for the opening of a new stand alone Jeep dealership

Statement of Issue:

The City Council is asked to approve a Sales Tax Sharing Agreement with Surf City Auto Group II, Inc. (Pete Shaver), for the development and opening of a stand-alone Jeep Dealership at 16701 Beach Boulevard. The Agreement will incentivize Surf City Auto Group II, Inc., to construct the car dealership, parking structure, and other site improvements. The Agreement establishes that the sales tax portion after the current base in gross car sales from Surf City Auto Group II, Inc. is retained fully by the City. After the base is exceeded, the sales tax is split 50% to the City and 50% to Surf City Auto Group II, Inc. ("Surf City"). The base sales tax will increase 1% annually.

Financial Impact:

The proposed agreement is revenue positive for the City. The new stand-alone Jeep dealership is estimated to generate an additional \$139 million in annual sales. The base sales tax received from the new Jeep Dealership will 100% remain with the City. The base sales tax was derived by the current Jeep sales at the combined dealership in 2016. Once the new dealership is completed and operating, the base amount will increase 1% annually. The City will see an annual increase after the base of sales tax generated. Based upon this estimate, Surf City Auto Group II and the City are projected to share \$783,975 each per annum.

Recommended Action:

A) Approve and authorize the Mayor and City Manager to execute the "Sales Tax Agreement Between the City of Huntington Beach and Surf City Auto Group II, Inc."; and,

B) Increase appropriation as revenue is received above the base to pay for City's share of the Sales Tax Sharing Agreement; and,

C) Authorize the City Manager or designee to execute any additional documents required to further the Agreement.

Alternative Action(s):

Do not approve Agreement and direct Staff as necessary.

Analysis:

Rick Evans 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 four-acre site at 16701 Beach Boulevard, 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 the current site to meet Jeep's dealership image and space guidelines and a \$25 million parking garage, which will be constructed half on the site and half on 16555 Beach Boulevard. 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 Chrysler, Dodge and Ram components of the existing dealership to the 16555 Beach Boulevard site.

Operations of the new dealership are expected to generate significant 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. Increased property tax benefits the City as well as other taxing entities (such as schools) based on the completed improvements.

The Economic Development Committee reviewed the request for a Sales Tax Sharing Agreement at the June 14 meeting and recommended approval.

Environmental Status:

Not Applicable.

Strategic Plan Goal:

Strengthen Economic and Financial Sustainability

Attachment(s):

1. Sales Tax Sharing Agreement between the City of Huntington Beach and Surf City Auto Group II, Inc.
2. Letter from Pete Shaver
3. Subsidy Report – Government Code Section 53083

**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.

SALES TAX SHARING AGREEMENT BETWEEN
THE CITY OF HUNTINGTON BEACH
AND
SURF CITY AUTO GROUP II, INC.

THIS SALES TAX SHARING AGREEMENT ("Agreement") dated as of July 17, 2017, is entered into by and between the CITY OF HUNTINGTON BEACH, a municipal corporation of the State of California ("City"), and SURF CITY AUTO GROUP II, INC., a California corporation ("Surf City Auto").

RECITALS

A. Surf City Auto in the business of selling motor vehicles. Surf City Auto's point of sale for purposes of the Uniform Local Sales and Use Tax Law is located at 16701 Beach Blvd., Huntington Beach, California 92647.

B. Surf City Auto is contemplating opening a stand alone Jeep Dealership at 16701 Beach Blvd., in Huntington Beach.

C. City recognizes that the expansion of Surf City Auto to Huntington Beach will contribute to the economic vitality of the City, provide additional jobs, expand the City's tax base and otherwise improve economic and physical conditions in the City.

D. In order to induce Surf City Auto to open a stand alone Jeep Dealership in Huntington Beach, the City is willing to provide incentive to Surf City Auto as described in this Agreement.

E. By its approval of this Agreement, the City Council of the City of Huntington Beach finds and determines that this Agreement serves a valid public purpose through expanding economic opportunities for businesses in the City, expanding the City's employment base, and generating Sales Tax that City can utilize to fund general governmental services such as police, fire, street maintenance, and parks and recreation programs. City and Surf City Auto have agreed that the respective considerations are a fair exchange.

F. The City has found that it is of benefit to the City and its citizens that certain obligations be imposed upon Surf City Auto's future place of business to ensure Jeep vehicle sales and the resulting sales-tax revenues to the City.

NOW, THEREFORE, based upon the foregoing Recitals and in consideration of the mutual covenants and conditions hereinafter set forth, Surf City Auto and City agree as follows:

DEFINITIONS.

The capitalized terms and words used in this Agreement shall have the following meanings unless expressly provided to the contrary.

1.1 "Commencement Date" means first day of the month following Surf City Auto's opening of a stand alone Jeep Dealership at 16701 Beach Blvd. in Huntington Beach.

1.2 "Event of Default" means any event so designated in this Agreement.

1.3 "Fiscal Year" means the City's Fiscal Year of October 1 through September 30.

1.4 "Laws" means all California State Statutes, laws, Ordinances, regulations, orders, writs, judgments, injunctions, decrees or awards of the United States or any state, county, municipality or other Governmental Agency.

1.5 "Operating Period" means the period beginning with the Commencement Date and expiring on the earlier of: (a) twenty (20) years later, or (b) any time after ten years, upon the written notice of termination by Surf City Auto.

1.6 "Party" means any party to this Agreement. The "Parties" shall be all parties to this Agreement.

1.7 "Penalty Assessments" means penalties, assessments, collection costs and other costs, fees or charges resulting from late or delinquent payment of Sales Tax and which are levied, assessed, or otherwise collected from the business on the Site owning or obligated to pay Sales Tax.

1.8 "Person" means any entity, whether an individual, trustee, corporation, partnership, trust, unincorporated organization, governmental agency or otherwise.

1.9 "Sales Tax Increment" means that portion of taxes derived and received by the City of Huntington Beach from the imposition of the Bradley Burns Uniform Local Sales And Use Tax Law, commencing with Section 7200 of the Revenue and Taxation Code of the State of California, as amended, or its equivalent, arising from all businesses and activities conducted on the Site. Sales Tax Increment shall not include Penalty Assessments, any Sales Taxes levied by, collected for or allocated to the State of California, the County of Orange, a district or any other entity, notwithstanding that such funds received by City are derived or measured by such other entity based upon Sales Taxes. The Sales Tax Increment shall not exceed one percent (1%) upon taxable sales and uses on the Site.

1.10 "Site" refers to 16701 Beach Blvd., Huntington Beach, California 92647, only, the property within the City of Huntington Beach where Surf City Auto will establish a stand alone Jeep Dealership.

1.11 "Sales Tax" means the tax derived from Surf City Auto's business conducted on the Site and a portion of which is allocated to and received by the City pursuant to the Uniform Local Sales and Use Tax Law, commencing with California Revenue and Taxation Code Section 7200, *et seq.*, as amended.

1.12 "Surf City Auto Group II, Inc." refers to the stand alone Jeep Dealership at 16701 Beach Blvd. in Huntington Beach.

2. THE PARTIES

2.1 Surf City Auto Group II, Inc., a California corporation, whose mailing address for purposes of this Agreement is: 16701 Beach Blvd., Huntington Beach, California 92647. Wherever the term Surf City Auto is used in this Agreement, the term shall be deemed to refer to Surf City Auto Group II, Inc.

By executing this Agreement, Surf City Auto warrants and represents to City that it has the full power and authority to enter into this Agreement and that all authorizations and approvals required to make this Agreement binding upon Surf City Auto have been duly obtained.

2.2 The City is a Municipal Corporation, duly organized and existing pursuant to its City Charter.

3. OBLIGATIONS OF SURF CITY AUTO

3.1 Agreement. Surf City Auto hereby covenants and agrees that as soon as practicable following execution of this Agreement, it will have opened a stand alone Jeep Dealership and will commence selling new Jeep vehicles and used vehicles at the Site within, and to continue to use the Site as its primary Jeep Dealership business location during the Operating Period, but no later than one (1) year after execution of the Agreement, unless otherwise agreed upon in writing by the City.

3.2 Site and Restrictions. Surf City Auto shall, within a reasonable time, not to exceed two years from approval of this document by the City Council of the City of Huntington Beach, establish a stand alone Jeep Dealership at the Site. The Agreement for the Site by Surf City Auto shall result in a deed restriction on the Site, good and lasting for 20 years, which restricts the use of the Site and underlying property for new and used Auto Sales only.

3.3 Maximize Sales Tax. During the Operating Period, Surf City Auto shall use its best efforts, consistent with the requirements of law, to designate the Site as the point of sale in all sales of its products.

3.4 Indemnification. From the Commencement Date of this Agreement through the termination date, Surf City Auto shall indemnify, defend, and hold harmless City and its officers, employees and agents, from and against all liabilities, obligations, claims, damages, penalties, causes of action, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees and expenses) (collectively "Claims") imposed upon or incurred by or asserted against City arising out of any act or omission of Surf City Auto or its business; provided, however, that the aforesaid obligations of Surf City Auto shall not apply to the extent any Claim results from the active negligence or intentional misconduct of City or any of City's officers, employees, agents, or contractors. In the event that any action, suit or proceeding is brought against City by reason of any such occurrence, Surf City Auto, upon City's request, will, at Surf City Auto's expense, defend such action, suit or proceeding at its sole cost.

3.5 Insurance. Surf City Auto shall take out and maintain in effect through the Operating Period, at Surf City Auto's sole cost and expense, the following insurance policies in the minimum amounts specified and in the forms provided below:

(1) Comprehensive General Liability in an amount of not less than One Million Dollars (\$1,000,000) combined single limits for each occurrence for bodily injury, personal injury, and property damage including contractual liability.

(ii) Workers' Compensation as required by the Labor Code of the State of California and Employers' Liability insurance in an amount not less than required by California law.

3.6 Local, State and Federal Laws. Surf City Auto shall use best efforts to carry out the operation of the business in conformity with all applicable local, State and Federal laws.

3.7 Anti-discrimination. Surf City Auto shall use best efforts to not discriminate against any employee or applicant for employment because of age, sex, marital status, race, handicap, color, religion, reed, ancestry, or national origin.

3.8 Surf City Auto's Representations and Warranties. Surf City Auto makes the following representations and warranties as of the date of this Agreement and agrees that such representations and warranties shall survive and continue thereafter but shall not be remade after the date of this Agreement.

3.8.1 No Litigation. There is no litigation, action, suit, or other proceeding pending or threatened against Surf City Auto or the Site that may adversely affect the validity or enforceability of this Agreement or sale of vehicles at the Site. To the best of Surf City Auto's knowledge, Surf City Auto is not in violation of any State Statute, Federal law, regulation or Ordinance, or of any order of any court or governmental entity, the effect of which would prohibit Surf City Auto from performing its obligations hereunder.

3.8.2 Authority. Surf City Auto has complied with all governmental requirements concerning its organization, existence and transactions. Surf City Auto has the right and power to own and operate its business as contemplated in this Agreement.

3.8.3 No Breach. To Surf City Auto's knowledge, none of the undertakings contained in this Agreement violate any applicable governmental requirements, or conflicts with, or constitutes a breach or default under, any agreement by which Surf City Auto is bound or regulated.

3.8.4 Warranty Against Payment of Consideration for Agreement. Surf City Auto warrants that it has not paid or given, and will not pay or give, to any third person, any money or other consideration for obtaining this Agreement, other than normal costs of conducting business and costs of professional services such as accountants and attorneys.

3.9 Release of City Officials. No member, official, agent, employee, or attorney of the City shall be personally liable to Surf City Auto, or any successor in interest of Surf City Auto, in the event of any default or breach by the City or for any amount which may become due to Surf City Auto or its successors, or on any obligations under the terms of this Agreement. Surf City Auto hereby waives and releases any Claim it may have personally against the members, officials, agents, employees, consultants, or attorneys of the City with respect to any default or breach by the City or for any amount that may become due to Surf City Auto or its successors, or on any obligations under the terms of this Agreement.

3.10 Reports. Within ten (10) days of filing each report with the State Board of Equalization, Surf City Auto shall provide to the City true and correct copies of all reports filed by Surf City Auto with the State Board of Equalization in order to allow the City to preliminarily determine the amount of Sales Tax paid by Surf City Auto on account of sales from the Site; provided, however, that the City shall not be deemed to have received any Sales Tax until the City's actual receipt thereof.

4. OBLIGATIONS OF CITY OF HUNTINGTON BEACH

4.1 Tax Rebate. Within thirty (30) days after the City confirms its receipt of Sales Tax paid by Surf City Auto on account of sales from the Site during the Operating Period, the City shall pay to Surf City Auto on a quarterly basis financial assistance in an amount equal to fifty percent (50%) of annual Sales Tax Increment generated by Surf City Auto within the City of Huntington Beach and actually received by the City, after the existing base sales tax received by City is earned in City received sales tax. The existing base sales tax are those Jeep sales for the City's fiscal year 2016, which the parties agree is \$1,681,797. City retains all sales tax of the first base in City received sales tax, which is increased by 1% annually.

4.2 City's Obligation to Provide Assistance Conditional on Sales Tax Increment. The City's obligation to provide Surf City Auto with assistance pursuant to

4.1 is conditioned upon Surf City Auto producing Sales Tax Increment each Fiscal Year. To the extent Surf City Auto does not produce Sales Tax Increment, then the tax rebate obligations herein shall be reduced to zero.

4.3 Annual Adjustment. Promptly after each fiscal year of the City which includes a portion of the Operating Period, the City shall determine with respect to that fiscal year the aggregate amount of Sales Tax received by the City and the aggregate amount of financial assistance payments made to Surf City Auto pursuant to Section 4.1. If for any reason (including but not limited to reporting errors or other adjustments) the aggregate amount of payments by the City with respect to that fiscal year is less than the aggregate amount payable with respect to that fiscal year, the City shall pay to Surf City Auto an adjustment payment equal to the amount of deficiency; if for any reason (including but not limited to reporting errors or other adjustments) the aggregate amount of payments by the City with respect to that fiscal year is more than the aggregate amount payable with respect to that fiscal year, then the amount of the excess shall be applied against the next payments due under Section 4.1, except that if any unapplied excess remains after the Operating Period, Surf City Auto shall pay the amount of the unapplied excess to the City upon demand.

4.4 Legal Challenge. Should any third party successfully challenge the validity of this Agreement through a taxpayer suit which results in a final judgment, either party may terminate this Agreement upon thirty (30) days written notice. The foregoing notwithstanding, the City agrees to vigorously defend any such legal challenges, including appeals of adverse court rulings where appropriate.

4.5 Contingent Liability and Limitations. The tax rebate obligations of the City of Huntington Beach shall be subject to the provisions of City Charter Section 605, regarding annual budget appropriations, and will not be payable for a period in excess of the twenty-year Operating Period after relocation to the new site.

5. DEFAULTS AND REMEDIES

5.1 Events of Default. The following shall initiate the default sequence:

(a) If Surf City Auto materially breaches any of its obligations under Sections 3.1 through 3.7 of this Agreement.

(b) If Surf City Auto's management is found by a trier of fact, after final judgment, to be in violation of any Local, State or Federal law in which scienter is an element.

(c) If Surf City Auto's management is found by a trier of fact, after hearing, in a final, non-appealable order or judgment, either to be in violation of any anti-discrimination regulation or to be liable in a suit for discrimination.

(d) If Surf City Auto fails to provide the City with copies of the quarterly (or, if applicable, monthly) Board of Equalization reports filed by Surf City Auto.

(e) If City fails to timely pay its obligations hereunder.

When any of the initiating events described in this Section 5.1 occur, City or Surf City Auto may give the other written notice to cure. Where such act or omission is not cured by the breaching Party within thirty (30) days after that Party's receipt of written notice that such obligation was not performed, it shall constitute an Event of Default; provided that, if cure cannot reasonably be effected within such 30-day period, such failure shall not be an Event of Default so long as the Party promptly (in any event, within 10 days after receipt of such notice) commences cure, and thereafter diligently (in any event within 10 days after receipt of such notice) commences cure, and thereafter diligently (in any event within a reasonable time after receipt of such notice) prosecutes such cure to completion.

5.2 Remedies Upon Default. Upon the occurrence of any Event of Default, and thirty (30) days after written notice of default, and after a reasonable opportunity to cure such default, City or Surf City Auto, as appropriate, may terminate this Agreement and/or file any action available in law or equity.

6. GENERAL PROVISIONS

6.1 Time of the Essence. Time is of the essence of this Agreement and all Parties' obligations hereunder.

6.2 Venue. In the event of any litigation hereunder, all such actions shall be instituted in the Superior Court of Orange, State of California, or in an appropriate municipal court in the County of Orange, State of California or an appropriate Federal District Court in the Central District of California.

6.3 Applicable Law. The laws of the State of California shall govern the interpretation and enforcement of this Agreement.

6.4 Execution in Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which shall constitute one and the same instrument.

6.5 Attachments Incorporated. The Attachment to this Agreement is incorporated herein by this reference.

6.6 Copies. Any executed copy of this Agreement shall be deemed an original for all purposes.

6.7 Severability. If any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability, unless it affects the substantial rights of a party or defeats the purpose of this Agreement, shall not affect any other provision of this Agreement, but this Agreement shall be construed as if such invalid, illegal or unenforceable provision has not been contained herein.

6.8 Interpretation. The language in all parts of this Agreement shall in all cases be construed as a whole according to its fair meaning, and not strictly for or against any party. When the context of this Agreement requires, the neuter gender includes the masculine, the feminine, a partnership or corporation of joint venture or other entity, and the singular includes the plural.

6.9 No Partnership or Joint Venture. The parties hereto agree that nothing contained in this Agreement shall be deemed or construed as creating a partnership, joint venture, or association between City and Surf City Auto; or cause City or Surf City Auto to be responsible in any way for the debts or obligations of the other, and no other provision contained in this Agreement nor any acts the parties hereto shall be deemed to create any relationship between City and Surf City Auto other than that of contracting parties. Further, nothing herein shall give or is intended to give any rights of any kind to any person not an express party hereto.

6.10 Integration. This Agreement, including the Attachments attached hereto, is the entire Agreement between and final expression of the parties, and there are no agreements or representations between the parties except as expressed herein. All prior negotiations and agreements between City and Surf City Auto with respect to the subject matter hereof are superseded by this Agreement. Except as otherwise provided herein, no subsequent change or addition to this Agreement shall be binding unless in writing and signed by the parties hereto.

6.11 Nonwaiver. None of the provisions of this Agreement shall be considered waived by any party except when such waiver is given in writing. The failure of any party to insist in any one or more instances upon strict performance of any of its rights hereunder shall not be construed as a waiver of any such provisions or the relinquishment of any such rights for the future, but the same shall continue and remain in full force and effect.

6.12 Notices. Any notice, approval, demand or other communication required or desired to be given pursuant to this Agreement shall be in writing and shall be effective upon personal service (including by means of professional messenger service) or, five (5) days after mailing via United States first-class mail or two (2) days after mailing via Federal Express or other similar reputable overnight delivery service. Any notice shall be addressed as set forth below:

If to City:

Kellee Fritzal
Deputy Director of Business Development
City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648

If to Surf City:

Surf City Auto Group II, Inc.
Attn: Pete Shaver
16555 Beach Blvd.
Huntington Beach, CA 92647

With copies to (which shall not constitute Notice):

Michael E. Gates, City Attorney
City of Huntington Beach

2000 Main Street
Huntington Beach, CA 92648

Alton G. Burkhalter, Esq
Burkhalter Kessler Clement &
George LLP
2020 Main Street, Suite 600
Irvine, CA 92614

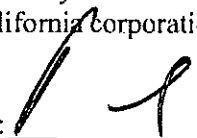
and

Fred Wilson, City Manager
City of Huntington Beach
2000 Main Street
Huntington Beach, CA 92648

Either City or Surf City Auto may change its respective address by giving written notice to the others in accordance with the provisions of this Section.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the dates hereinafter respectively set forth.

Surf City Auto Group II, Inc., a
California Corporation

By: 
Peter E. Shaver
ITS: President

CITY OF HUNTINGTON BEACH,
a municipal corporation of the State
of California

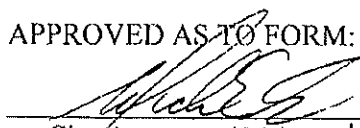
Mayor

ATTEST:

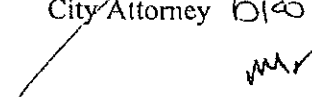
City Clerk

COUNTERPART

APPROVED AS TO FORM:



City Attorney D/CO 7/11/17


INITIATED AND APPROVED:

Deputy Director of Business Development

REVIEWED AND APPROVED:

City Manager

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the dates hereinafter respectively set forth.

Surf City Auto Group II, Inc., a
California corporation

By: _____
Peter E. Shaver
ITS: President

CITY OF HUNTINGTON BEACH,
a municipal corporation of the State
of California



Mayor

ATTEST:



City Clerk

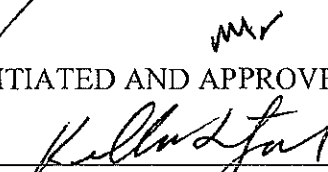
COUNTERPART

APPROVED AS TO FORM:



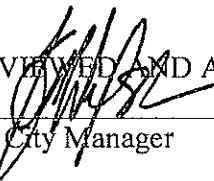
City Attorney 0100 7/11/17

INITIATED AND APPROVED:



Deputy Director of Business Development

REVIEWED AND APPROVED:



City Manager