

**FIVE-YEAR ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53083
FOR A SALES TAX SHARING AGREEMENT
BY AND BETWEEN
THE CITY OF HUNTINGTON BEACH
AND
MCKENNA MOTORS HUNTINGTON BEACH, INC.**

The following Five Year Report has been prepared pursuant to California Government Code Section 53083. Section 53083 requires that for economic development subsidy agreements approved on or after January 1, 2014, the city must hold a public hearing within five years to provide an update on the project. As required, this report reiterates details of the Sales Tax Sharing Agreement (Agreement) and provides information on subsidy payments to date.

- 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 McKenna Motors Huntington Beach, Inc. (McKenna), beneficiary of the economic development subsidy:

McKenna Motors Huntington Beach, Inc.
18711 and 18801 Beach Boulevard
Huntington Beach, CA 92647

- 2. The start and end dates and schedule, if applicable, for the economic development subsidy.**

The start date of the economic subsidy was on January 1, 2017, and it terminates 16 years later on December 31, 2033.

- 3. A description of the economic development subsidy, including the estimated total amount of the expenditures 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 forty-five percent (45%) of the sales tax revenue received by the City for McKenna's Volkswagen (VW) and Subaru dealerships in excess of \$150,800 (base amount) for each year of the term. To date, the full amount paid by the City to McKenna as part of the economic development subsidy is \$594,550.50 over the past 4.75 years.

4. The net tax revenue accruing to the local agency as a result of the economic development subsidy.

The Agreement has retained substantial sales tax revenue for the City. Annual taxable sales for both the VW and Subaru dealerships since 2016 is \$207,522,300. Thus far, McKenna has generated \$2,075,223 in sales tax revenue. As shown below, the City has retained \$1,480,672.83 of the total sales tax revenue.

Fiscal Year***	Sales Tax Revenue	Sales Tax Rebate	City's Revenue*
FY 2016-2017	\$401,442.00	\$112,788.90	\$288,653.10
FY 2017-2018	\$417,421.33	\$119,979.60	\$297,441.73
FY 2018-2019	\$387,248.00	\$106,401.60	\$280,846.40
FY 2019-2020	\$464,822.00	\$141,309.90	\$323,512.10
FY 2020-2021**	\$404,290.00	\$114,070.50	\$290,219.50
<u>TOTAL</u>	<u>\$2,075,223.33</u>	<u>\$594,550.50</u>	<u>\$1,480,672.83</u>

* Includes annual base of \$150,800

** Last quarter of the 5th fiscal year not received yet

*** Fiscal year begins October 1 – September 30

Additionally, the property value has increased due to site acquisition and improvements, with an assessed value greater than \$21 million in 2020. The City's share of property taxes received by the County of Orange increased from \$23,412 (FY 2015-16) to \$31,866 (FY 2020-21), a difference of \$8,454.

5. The number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

Subaru has hired a total of 37 full-time employees and they had approximately 300 workers onsite during construction.