

Attachment 3

**PROPOSED KIA DEALERSHIP  
GARDEN GROVE, CALIFORNIA**

**ECONOMIC DEVELOPMENT SUBSIDY REPORT**

**California Government Code  
Section 53083**

**PURSUANT TO THE OPENING, OPERATING, AND OTHER COVENANTS AGREEMENT  
BETWEEN  
THE CITY OF GARDEN GROVE  
AND  
GARDEN GROVE AUTOMOTIVE, INC.**

**City of Garden Grove, California**

**October 2017**



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## **I. INTRODUCTION**

### **A. Purpose of Report**

This Economic Development Subsidy Report (Report) was prepared in accordance with Section 53083 of the California Government Code in order to inform the City Council of the City of Garden Grove (City) and the public of the proposed Economic Development Subsidy (Subsidy) provided by the City to Garden Grove Automotive, Inc. (Developer). The proposed Subsidy is described in a proposed Opening, Operating, and Other Covenants Agreement (Agreement) between the City and the Developer.

The Developer currently operates a Kia Dealership under a temporary lease at 10081 Garden Grove Boulevard. Their current lease is expiring and the Developer is seeking to transfer to an alternate location, located at 13731 Harbor Boulevard (Site) in the City. The Site contains a small used car lot, a body shop, and four other non-automotive tenants. Although not required by the Agreement, the Developer proposes substantial renovation, including the retention and improvement of 25,000 square feet (SF) of gross building area (GBA). The Developer further proposes that the renovated facility will be comprised of showroom/delivery, office, service, and parts space, as well as 150 parking spaces (Dealership).

The Report describes and specifies:

- (1) The name and address of all corporations or any other business entities that are the beneficiary of the Subsidy;
- (2) The start and end dates and schedule, if applicable, for the Subsidy;
- (3) The description of the Subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the City as a result of the Subsidy;
- (4) The statement of the public purposes for the Subsidy;
- (5) The projected tax revenue to the City as a result of the Subsidy; and
- (6) The estimated number of jobs created by the Subsidy, broken down by full-time, part-time, and temporary positions.



## B. Overview of Proposed Dealership

The Site is located at 13731 Harbor Boulevard and measures approximately 2.33 acres. The Site currently contains a small used car lot, a body shop, and four other non-automotive tenants. Although not required by the Agreement, the Developer proposes to renovate the Site. Thereafter, in accordance with the Agreement, Developer proposes to open and operate a Kia Dealership for not less than 25 years.

Table I-1 provides a summary of the physical characteristics of the proposed Dealership.

|                         |            |
|-------------------------|------------|
| I. Site Area            | 2.33 Acres |
| II. Gross Building Area |            |
| A. Showroom/Delivery    | 6,000 SF   |
| B. Offices              | 5,000 SF   |
| C. Service              | 9,000 SF   |
| D. Parts                | 5,000 SF   |
| E. Total                | 25,000 SF  |
| III. Parking            |            |
| A. Acres                | 1.75 Acres |
| B. Spaces               | 150 Spaces |

## C. Proposed Transaction Terms

This section summarizes the salient aspects of the business terms contained in the Agreement.

- The Dealership will be operated as a Kia Franchise.
- The Dealership will be maintained in good condition, meeting the standards required by Kia Motors America.
- The Dealership will maintain 40 full-time equivalent jobs during the Annual Period (as defined in the Agreement).
- The Dealership will continuously operate as an automobile dealership on the Site, primarily for the sale and lease of all makes and models of new and used Kia automobiles, as well as the servicing and repair of vehicles and vehicle part sales, for a period of 25 years from the date of Opening for Business (as defined in the Agreement).
- Upon the completion and satisfaction of conditions set forth in the Agreement, the Developer shall receive payments from the City in an amount equivalent to 35.0% of annual sales tax revenue in excess of \$150,000 for the first 20 years, commencing when the Dealership is Open for Business (as





defined in the Agreement), not to exceed a total of \$2,500,000, whichever comes first.

## **II. NAME AND ADDRESS OF BUSINESS ENTITY RECEIVING SUBSIDY**

The Subsidy provided under the Agreement will be paid to the Developer, under the name:

Hardin Enterprises, Inc.  
1381 Auto Center Drive  
Anaheim, California 92806

## **III. START AND END DATES OF SUBSIDY**

Payments will be delivered by the City to the Developer after certain conditions are completed in accordance with the Agreement. The period of the Subsidy (Sales Tax Revenue Accrual Period) will commence once the Dealership is Opened for Business (as defined in the Agreement) and will terminate on the earlier of: (a) the 20<sup>th</sup> anniversary date of the date on which the Dealership Opens for Business on the Site; (b) payment in the aggregate of \$2,500,000; or (c) suspension and/or termination of the Agreement.

## **IV. DESCRIPTION OF THE SUBSIDY**

The City will provide the Developer a subsidy equal to 35.0% of annual sales tax revenue in excess of \$150,000 for the first 20 years, commencing when the Dealership is Open for Business (as defined in the Agreement), not to exceed a total of \$2,500,000, whichever comes first.

## **V. PUBLIC PURPOSE OF SUBSIDY**

Implementation of the proposed Agreement, allowing for the Subsidy, can be expected to assist the City in achieving its economic development goals and objectives as defined in the City's General Plan Economic Development Element and Economic Development Strategic Plan. These include the following:

- Assist tax revenue-generating uses with minimal impact to the City's General Fund budget through tax sharing agreements
- Increase and diversify the City's sales and property tax base for the delivery of quality police, fire, housing, recreation, transportation, and other services



- Create and retain jobs within the City
- Support the provision of incentives for private development and redevelopment

**VI. PROJECTED TAX REVENUE TO CITY RESULTING FROM THE SUBSIDY**

Table VI-1 below provides a summary of the projected sales tax revenues to the City for the Sales Tax Revenue Accrual Period. As shown below, sales tax net of Subsidy to the City as a result of completion of the Dealership are estimated to be \$119,100 in Year 1 and projected to grow to \$266,000 by Year 20. Net sales tax revenues are defined as annual tax revenues received by the City, less: (1) existing tax revenues from the Site, and (2) the Subsidy paid to the Developer.

| <b>Table VI-1: Projected Sales Tax Net of Subsidy to City</b> |   |
|---|---|
| <b>Year</b>   | <b>Sales Tax Net of Subsidy to City</b> |
| 1   | \$119,100                               |
| 2   | \$127,500                               |
| 3   | \$136,600                               |
| 4   | \$145,700                               |
| 5   | \$154,200                               |
| 6   | \$161,300                               |
| 7   | \$169,100                               |
| 8   | \$175,600                               |
| 9   | \$182,800                               |
| 10  | \$189,300                               |
| 11  | \$196,400                               |
| 12  | \$203,600                               |
| 13  | \$210,700                               |
| 14  | \$217,900                               |
| 15  | \$225,000                               |
| 16  | \$232,800                               |
| 17  | \$241,300                               |
| 18  | \$249,100                               |
| 19  | \$257,500                               |
| 20  | \$266,000                               |



## **VII. ESTIMATED NUMBER OF JOBS CREATED BY THE SUBSIDY**

The Developer estimates operation of the Dealership upon completion will create 48 full-time jobs and two part-time jobs. The Agreement requires not less than 40 full-time jobs throughout the term.

## **VIII. LIMITING CONDITIONS**

1. The KMA analysis is based, in part, on data provided by secondary sources such as state and local governments, planning agencies, real estate brokers, and other third parties. While KMA believes that these sources are reliable, we cannot guarantee their accuracy.
2. The projections and analyses contained herein are based on estimates and assumptions which were developed using currently available economic data, project-specific data and other relevant information. It is the nature of forecasting, however, that some assumptions may not materialize and unanticipated events and circumstances may occur. Such changes are likely to be material to the projections and conclusions herein and, if they occur, would require review or potential revision of this document.
3. Any estimates of revenue or cost projections are based on the best project-specific and fiscal data available at this time as well as experience with comparable projects. They are not intended to be projections of actual future performance of any specific project. Any changes to costs, development program, or project performance may render the conclusions contained herein invalid.
4. KMA assumes that all applicable laws and governmental regulations in place as of the date of this document will remain unchanged throughout the projection period of our analysis. In the event that this does not hold true, i.e., if any tax rates change, the analysis would need to be revised.

