

**REPORT REQUIRED PURSUANT TO
GOVERNMENT CODE SECTION 53083(a)**

**PROPOSED OWNER PARTICIPATION AGREEMENT
BETWEEN THE CITY OF CHULA VISTA AND
SUNROAD BCV HOLDING, INC. (OR AFFILIATE)**

December 2015

Background

The City Council of the City of Chula Vista (the “City”) will be asked to consider approval of an Owner Participation Agreement (“Agreement”) between the City and Sunroad BCV Holding, Inc., or an affiliate (the “Participant”), relating to the operation of an automobile dealership for the sale of new BMW vehicles (the “Dealership”). The Dealership would be located on approximately 3.85 acres of vacant real property currently owned by Participant, which is located along the southerly side of Main Street, east of Brandywine Avenue and west of Maxwell Road, in the City of Chula Vista (the “Site”). The Site is located within the Chula Vista Auto Mall, which was originally planned as an auto mall in the early 1990s. Various environmental conditions and economic obstacles prevented the development of portions of the Chula Vista Auto Mall, including the Site, for many years. The Participant (or its affiliate) acquired the Site as part of a larger 29 acre parcel in 2004 and subsequently developed another portion of that larger parcel with a Toyota dealership in 2006; the Toyota dealership continues to operate in the City.

The proposed Agreement provides for the Participant’s operation of the Dealership at the Site for a period of not fewer than 20 years. In exchange for the Participant’s operation of the Dealership during each year in accordance with the various requirements of the Agreement, the Agreement requires the City to reimburse the Participant for 50% of the sales and use tax generated by the operation of the Dealership at the Site for a period of 20 years, net of any third party costs incurred by the City to calculate the sales and use tax generated by the Dealership and up to a maximum cumulative payment to the Participant of \$3,300,000.

Legal Authority

The Agreement is authorized by Government Code Section 52200, *et seq.* and the Charter of the City of Chula Vista. Pursuant to Government Code Section 53083, prior to approving the Agreement, the City is required to prepare a report containing various information regarding the Agreement and the economic development subsidy set forth in the Agreement. Such information is set forth below.

Information Required By Government Code Section 53083 (AB 562)

- (1) 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 City's payments under the Agreement will be made to Sunroad BCV Holding, Inc., or an affiliate. The Participant's address is Sunroad BCV Holding, Inc., 4445 Eastgate Mall, Suite 400, San Diego, CA 92121.

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

The payments required by the Agreement will be made on a quarterly basis, subject to the satisfaction of certain conditions precedent set forth in the Agreement, for a term of 20 years commencing from the date the Dealership opens for business. The Agreement requires the Dealership to open for business on or before December 31, 2017.

- (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 Agreement would require the City to pay the Participant an amount equal to 50% of the sales and use tax generated by the operation of the Dealership at the Site, less the amount of any third party costs incurred by the City to calculate such payments, and limited to a cumulative maximum amount of \$3,300,000.

- (4) A statement of the public purposes for the economic development subsidy.

The Agreement is expected to provide the following benefits to the community and the City:

- a. The development of a BMW dealership is estimated to increase the assessed valuation of the site by approximately \$13 million over the current value of approximately \$1,182,327 increasing property tax revenues to the City and other local taxing agencies by approximately 92 percent at full implementation of the project;
- b. The operation of the BMW dealership will provide 40 full time (temporary) construction jobs, 80 permanent full time operational positions and 3 part-time operational positions;
- c. The operation of the BMW dealership over the 20 year period of the operating covenant is estimated to generate approximately \$1.2 billion in taxable sales;
- d. The net sales tax to the city over the 20 year period of the operating covenant is estimated to be approximately \$6 million in new revenue to the general fund;
- e. The renovation of the Improvements at the Site and the operation of the Approved Dealership at the Site are anticipated to increase the property values and revitalize the neighborhood surrounding the Site, by drawing consumers and employees to the area, thereby stimulating the local economy; and

- f. The City anticipates that the operation of the Approved Dealership at the Site will help to foster a business and civic environment that will attract additional businesses and investment in the community due to the increased public and private services resulting from the generation of jobs, tax revenues, and consumers in the City and the area surrounding the Site.

- (5) Projected tax revenue to the local agency as a result of the economic development subsidy.

The Agreement is anticipated to result in increased property tax revenues to the City and other taxing agencies, and increased sales tax revenues to the City, as described above in section (4) of this Report.

- (6) Estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

The Participant has represented to the City that, at full capacity and implementation, operation of the Dealership will result in 40 full time (temporary) construction jobs, 80 permanent full time operational positions and 3 part-time operational positions