

**ECONOMIC DEVELOPMENT SUBSIDY REPORT
PURSUANT TO GOVERNMENT CODE SECTION 53083**

**FOR A TRANSIENT OCCUPANCY TAX SHARING AGREEMENT
WITH BREAKERS DEVELOPMENT, LLC IN CONNECTION WITH THE
DEVELOPMENT OF AN UPSCALE BOUTIQUE HOTEL AND SPA ON
PROPERTY LOCATED AT 210 EAST OCEAN BOULEVARD**

Pursuant to Government Code Section 53083, the City Council of the City of Long 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 provided by the City pursuant to a Transient Occupancy Tax Sharing Agreement by and between the City of Long Beach and Breakers Development, LLC (Agreement), in connection with the development of a property located at 210 East Ocean Boulevard. Notice was published on the City's website for a public hearing to be held on October 1, 2019.

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 beneficiary of the economic development subsidy.**

The Agreement is with Breakers Development, LLC, a California Limited Liability Corporation, who proposes to develop an independent upscale boutique hotel and spa that will benefit from the economic development subsidy: Breakers Development, LLC

Breakers Development, LLC
211 E. Ocean Blvd., Suite 550
Long Beach, California 90802

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

The proposed Agreement is expected to commence upon the date of occupancy and would extend for a period of nine (9) years. The economic development subsidy will be paid quarterly, within sixty (60) 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 up to eighty percent (80%) of the transient occupancy tax revenue (TOT) received by the City of Long Beach from Breakers Development, LLC, which excludes the three percent (3%) of TOT that is designated for the Long Beach Tourism Business Improvement Area. The estimated total economic development subsidy of TOT revenue received by the City for up to nine years is \$13 million.

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

Hotels provide an important service to cities by providing facilities for tourists and conventioners to stay, providing direct benefits to the City, its nearby retail establishments, surrounding tourist attractions, and Convention Center activities. These direct benefits include increased revenues from property, sales, parking, business license, utility and hotel taxes and enhanced economic benefits for the supporting food and beverage establishments. While the General Fund revenue picture has improved, long-term revenues are not expected to be sufficient to maintain current service levels. Pursuit of opportunities, such as this hotel development, which generate new General Fund revenues like TOT reflect the City's holistic approach to economic development.

This economic development subsidy will support the adaptive reuse of a historic structure in the downtown Long Beach area by transforming a vacant and underutilized building into an upscale boutique hotel and spa. However, hotels are a very risky investment. Although Average Daily Room rates have increased in the Downtown over time, the cost to develop and construct a new hotel is often greater than its market value based on capitalized net operating income. As a result, hotel development and construction is not economically viable without some form of subsidy. The opinion that the public benefits received by the development, construction and operation of a hotel business center at this strategic location significantly outweighs the subsidy being proposed.

5. The projected tax revenue to the local agency as a result of the economic development subsidy.

Based on current projections, the cumulative total of local TOT generated from this new hotel development during the nine-year term of the proposed Agreement is estimated to be approximately \$16.3 million. It is proposed that 80% of this amount, which excludes the 3% of TOT that is designated for the Long Beach Tourism Business Improvement Area, is shared with Breakers Development, LLC. At the

end of the nine-year term, the City would enjoy 100 percent (100%) of the TOT revenue. The City's other tax revenues and positive economic impacts on the surrounding supportive services are additional collateral economic benefits to be realized from the project.

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

The proposed Agreement projects short-term employment impacts of 500 temporary short-term jobs from the construction and development of the new hotel. Further, the hotel will need a mix of full and part-time staff to operate. It is anticipated that the hotel will employ 240 full and part-time staff, once developed.