
ECONOMIC DEVELOPMENT SUBSIDY REPORT

Prepared Pursuant to California Government Code Section 53083

Bolsa Row
City of Westminster

June 20, 2018

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INTRODUCTION

In 2013, Assembly Bill 562 (“AB 562”) added Section 53083 to the Government Code (“GOV”). This law requires cities and counties to post reports on the government website before approving an economic development subsidy of \$100,000 or more to a business entity on or after January 1, 2014.¹ The law specifies that the report must be posted on the local agency’s website for the entire term of the subsidy. This report is the City of Westminster’s (“City”) Economic Development Subsidy Report (“Economic Development Report”) regarding a proposed economic development subsidy of sixty-five percent (65%) of all transient occupancy tax revenue generated (“Economic Development Subsidy”), which is estimated to be up to \$6,974,379 in present value, or \$11,617,390 in nominal value, to the developer of a proposed 6.2 acres. The development will include a full-service luxury hotel, rental residential, and retail, at the southeast quadrant of the Bolsa Avenue and Brookhurst Street intersection in the Little Saigon Area of Westminster, California.

REPORTING REQUIREMENTS OF GOVERNMENT CODE SECTION 53083

GOV Section 53083 requires reports on economic development subsidies to include the following information:

1. The name and address of all business entities, except for sole proprietorships, that are beneficiaries of the subsidy, if applicable.
2. The start and end dates and schedule for the subsidy, if applicable.
3. A description of the 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 subsidy.
4. A statement of the public purposes for the subsidy.
5. Projected tax revenue to the local agency as a result of the subsidy.
6. Estimated number of jobs created by the subsidy, broken down by full-time, part-time, and temporary positions.

INFORMATION REQUIRED BY GOVERNMENT CODE SECTION 53083

BENEFICIARIES

The sole business entity that would be a beneficiary of the Economic Development Subsidy is IP Westminster, LLC (“Developer”), headquartered at 6499 Havenwood Circle, Huntington Beach, California.

¹ AB 562 specifies that it does not apply for expenditures of public funds by, or loss of revenue to, the local agency for the purpose of providing housing affordable to persons and families of low or moderate incomes, as defined in HSC Section 50093.

EFFECTIVE DATES AND SCHEDULE

If approved, the Economic Development Subsidy is anticipated to commence within the next five years and continue for 25 years thereafter.

ECONOMIC DEVELOPMENT SUBSIDY DESCRIPTION

The proposed Economic Development Subsidy amount will be sixty-five percent (65%) of transient occupancy tax revenues generated from the development each year. This amount is comprised of:

- A 65 percent transient occupancy tax rebate, which is projected to equal up to **\$6,974,379 in present value**, a nominal value of \$11,617,390. Transient occupancy taxes result from a fee charged upon hotel room stays. The City has an 8 percent transient occupancy tax rate. This revenue is generated from the proposed 144-key, full service, luxury hotel.

STATEMENT OF PUBLIC PURPOSES

Based on an independent analysis of the Developer's pro forma, the City has concluded that the subsidy is warranted. After a period of negotiations, City staff and the consultant team formulated the proposed economic development subsidy given the benefits of the project.

The City desires to provide the Economic Development Subsidy in order to realize its long-held goal of providing an upscale hotel and shopping area to its visitors, specifically those coming for the attraction of Little Saigon. The 2016 City of Westminster General Plan Update identified Little Saigon as one of six districts located along key corridors and major destinations where future growth and development would be concentrated.

The proposed development would generate millions of dollars of new tax revenue over 25 years, which would fund necessary services for City residents. The new revenue would include transient occupancy tax, sales tax, and property tax. Additionally, the development would generate nearly 1,000 jobs in the City.

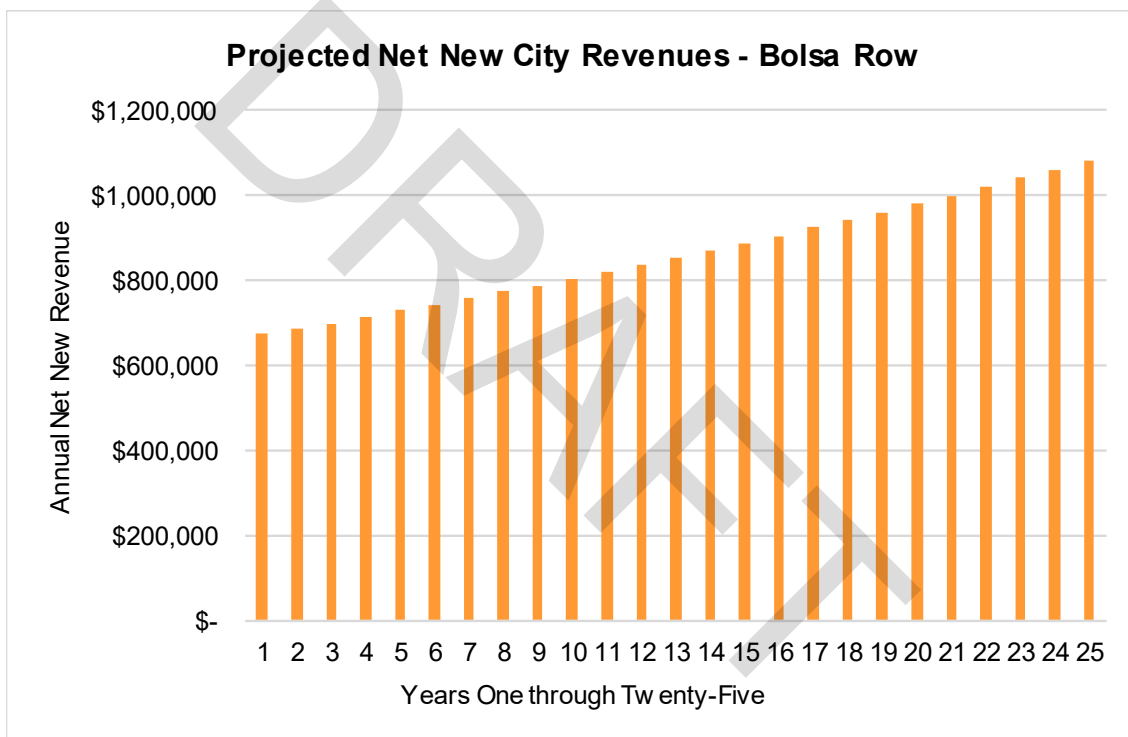
In addition to the economic development subsidy, the city will construct public improvements for underground utilities, signalization, and public street improvements, which are required to service the new development, at a total cost of approximately \$4.5 million dollars.

25-YEAR CITY TAX REVENUE PROJECTION

Beginning in the first year of construction through the 25-year term of the Subvention Agreement, Bolsa Row is expected to generate \$47.7 million (a net present value of approximately \$25.7

million) in City tax revenue under the current tax structure. Of this estimate, \$17.9 million (a net present value of \$10.7 million), or 41.8 percent, is transient occupancy tax. The remainder primarily consists of \$7.7 million (a net present value of \$4.6 million) in special sales tax, and \$8.8 million (a net present value of \$5.3 million) in direct and indirect sales tax.

The 65% transient occupancy tax rebate, projected to be \$11.6 million subsidy, reduces the amount of transient occupancy tax for the City to \$6.3 million. Additionally, the projection takes into account \$9.6 million in City service costs, which, in conjunction with the transient occupancy tax rebate, brings the net City revenue to \$21.5 million over the 25-year term, as shown in the table below.²



ESTIMATED NUMBER OF JOBS CREATED

The City utilized an IMPLAN model and IMPLAN zip code-based data to estimate the number of jobs that would be created in the City as a result of the Economic Development Subsidy. IMPLAN is an input-output analysis software tool that tracks the interdependence among various producing

² The Special Sales Tax measure is set to expire in December 2021. This projection includes \$7.7 million in special sales tax, which would not materialize if the measure is not renewed in 2021.

and consuming sectors of the economy. The inputs are investment or operating costs of the Project. According to MIG, Inc., the creator of IMPLAN, the software measures the relationship between a given set of demands for final goods and services and the inputs required to satisfy those demands. IMPLAN publishes countywide data on an annual basis; this analysis utilized the 2013 County of Orange dataset.

The IMPLAN model estimates the number of jobs by the following categories:

- *Direct jobs* created at the project site;
- *Indirect jobs* created at businesses that supply goods and services to the project; and
- *Induced jobs* that result from additional spending earned either directly or indirectly from the project.

The IMPLAN model also delineates whether the estimated jobs are permanent jobs (which in this case are jobs associated with the operations of the hotel) or temporary jobs (which in this case are jobs associated with the construction of the hotel). 2017 US Department of Labor, Bureau of Labor Statistics data was used to estimate the number of jobs that would be full-time versus part-time.

The IMPLAN model indicates that Bolsa Row would generate 970 jobs in the City, of which 237 are estimated to be permanent operations jobs, and 733 are estimated to be temporary construction jobs. Of the 237 permanent jobs, 42 are estimated to be part-time and 195 are estimated to be full-time. Of the 733 temporary jobs, 131 are estimated to be temporary part-time and 602 are estimated to be temporary full-time. The table below provides further details.

Projected Employment

Bolsa Row

	Part Time	Full Time	Both
Temporary (Construction) Jobs			
Direct	75	343	418
Indirect	30	139	169
Induced	26	120	147
Subtotal	131	602	733
Permanent Jobs			
Direct	34	156	190
Indirect	4	17	20
Induced	5	22	27
Subtotal	42	195	237
Total Temporary & Permanent Jobs			
Direct	108	499	608
Indirect	34	155	189
Induced	31	142	173
Subtotal	173	797	970

Source: IMPLAN and Bureau of Labor Statistics

ADDITIONAL REQUIREMENTS OF GOVERNMENT CODE SECTION 53083

In addition to posting this Economic Development Report on the City’s website during the entire term of the Economic Development Subsidy, GOV Section 53083 requires the City to provide public notice and a public hearing regarding the Economic Development Subsidy prior to approval. The City will hold a public hearing on Wednesday, June 27, 2018 at 7:00 p.m. in the City Council Chambers to discuss items related to the proposed disposition and development of the Project, including the Economic Development Subsidy. The City issued public notice regarding the hearing on June 14, 2018.

Also, pursuant to GOV Section 53083, during the term of the Economic Development Subsidy but not later than five years after approval, the City will post an updated report on its website concerning the Economic Development Subsidy and hold another public hearing to consider comments on the new report. The new report will contain the information provided above as actual numbers, rather than estimates.