

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

**FOR A TRANSIENT OCCUPANCY TAX SHARING AGREEMENT
WITH ESI VENTURES, INC., LIGHTHOUSE INVESTMENTS, LLC,
Firth Howard, LLC, DAVID CLEMENT AND TOREY CARRICK IN
CONNECTION WITH THE REDEVELOPMENT OF PROPERTY
LOCATED AT 110 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 an TOT Sharing Agreement by and between the City of Long Beach and an entity to be formed consisting ESI Ventures, Inc., Lighthouse Investments, LLC, Firth Howard, LLC, David Clement and Torey Carrick (Developer), in connection with the redevelopment of property located at 110 East Ocean Boulevard. Notice was published on City's website for a public hearing to be held on December 20, 2016.

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 the beneficiary of the economic development subsidy.**

The Developer is with an entity to be formed, comprised of the entities below, who propose to redevelop privately owned property at 110 East Ocean Boulevard for development as a hotel and benefit from the economic development subsidy:

The single purpose entity that will be the beneficiary of the subsidy will be comprised of the following:

- To be formed LLC principally controlled by ESI Ventures, Inc. 7801 Hayvenhurst Avenue, Van Nuys, CA 91406
- To be formed LLC comprised of a joint venture of the following:
 - Lighthouse Investments, LLC – 1180 S. Beverly Drive, Suite 508, Los Angeles, CA 90035
 - Firth Howard, LLC – 944 Pacific Avenue, Long Beach, CA 90813
 - David Clement – 235 Coronado Avenue, Long Beach, CA 90803
 - To be formed LLC controlled by Torey Carrick - 2883 East Spring Street, Suite 100, Long Beach, CA 90806

- 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 not to exceed 20 years. The economic development subsidy will be paid quarterly, within 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 fifty percent (50%) of the transient occupancy tax revenue received by the City from the 110 E. Ocean Blvd. hotel property. The estimated total subsidy of up to fifty percent (50%) of the transient occupancy tax revenue received by the City for up to 20 years is \$12.4 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 hotel development is located in a prominent location in Downtown Long Beach. It has been vacant for several years. The Development Project will be catalytic in activating this prominent landmark in Downtown Long Beach. The building has been designated a City Historic Landmark.

Additionally, the proposed development will revitalize an underutilized and long fallow vacant lot in the Downtown area. 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 Transient Occupancy Tax (TOT) generated from this new hotel development during the up to 20-year term of the proposed TOT Agreement is estimated to be up to approximately \$24.8 million. It is proposed that this amount up to 50% is shared with the Developer. At the end of the up to 20-year term, the City would enjoy 100 percent 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 Development Project will generate approximately 317 direct, indirect and induced construction jobs and 111 permanent jobs.