



AB562 REPORT

**LOAN TO GEOVEL, INC
(Dodge/Chrysler/Jeep Dealership)**

Indio, CA
December 17, 2014

INTRODUCTION

This report is provided pursuant to Assembly Bill 562 (“AB562”), which requires local agencies to provide specific information to the public before applying an economic subsidy within its jurisdiction. This report will be available to the public through the City’s Clerk’s Office and through the City of Indio’s website (www.indio.org) as required.

This report uses the term “subsidy” to describe the economic development activity the City proposes in this instance, because the relevant statute uses the term “subsidy.” Despite the broad definition of “subsidy” used in this state law, the transaction the City proposes is much more akin to a normal market rate transaction in that the property is being sold for a market-based value, the City is providing a secured purchase loan at a competitive interest rate, and the City expects the project to generate hundreds of thousands of dollars in new sales tax revenue over the life of the project as a direct result of the economic development assistance proposed.

The report must include: (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, if applicable; (2) The start and end dates and schedule, if applicable, for the economic development subsidy; (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 City as a result of the economic development subsidy; (4) A statement of the public purposes for the economic development subsidy; (5) The projected tax revenue to the City as a result of the economic development subsidy; and (6) The estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions. AB 562 also requires that this information remain available and be posted on the City’s website, if any, for the entire term of the economic development subsidy.

SUBSIDY REPORT COMPONENTS:

I. NAME AND ADDRESS OF THE BUSINESS

Geovel, Inc. (“Business”)
36-444 Auto Park Drive
Cathedral City, CA 92234
Attn: Jorge Velarde

II. THE START AND END DATES, AND THE SCHEDULE, FOR THE SUBSIDY

The scheduled loan start date” will be dictated by the escrow closing date related to the Business’s purchase of the City-owned property described as APNs 607-230-002, 607-251-017, 607-251-016, 607-251-026, 607-230-047, 607-230-013 and 607-251-002. This is scheduled to occur approximately in January 2015.

The City Council approved the sale of the property to Business and approved the loan during a public hearing held on December 17, 2014. The loan will end 15 years from start date, and upon a final balloon payment being made by the Business per the Amortized Payment Schedule contained in the Promissory Note (Exhibit C of the Agreement).

III. DESCRIPTION OF THE SUBSIDY, INCLUDING THE ESTIMATED TOTAL AMOUNT OF THE EXPENDITURE OF PUBLIC FUNDS BY, OR REVENUE LOST TO, THE LOCAL AGENCY AS A RESULT OF THE SUBSIDY

Approval of the Agreement will authorize the City (“Seller”) to sell the site to Geovel, Inc. (“Buyer”) for the sale price of \$3,942,238. The Agreement also authorizes the City to issue an interest-earning loan (at 4% simple interest) to the Buyer for the sale amount. The loan will be used by Buyer to purchase the site. Geovel Inc. will assume ownership of the Site and the City will carry the note (as will be evidenced by a Promissory Note and recorded Deed of Trust.)

The loan payments will be deferred for the first year; however, the loan will accrue interest during that period. As a result of the deferral and accrual of interest, the starting loan balance for purposes of calculating the repayment in year 2 will be \$4,099,927. Quarterly payments (56 total) will be made in years 2-14 of the loan period, with a final balloon payment being due in the amount of \$2,306,320.06.

IV. STATEMENT OF THE PUBLIC PURPOSE FOR THE SUBSIDY

The interest-earning loan is being provided to encourage this high-revenue generating business to establish itself in Indio, resulting in the revitalization of commercial activity and removal of blight in the area, creation of jobs, and increase of the City’s tax base.

V. PROJECTED TAX REVENUE TO THE LOCAL AGENCY AS A RESULT OF THE SUBSIDY

It is estimated that the Business’s gross sales will be from \$45,000,000 to \$50,000,000 per year. This will generate an estimated \$450,000 to \$500,000 in new tax revenue for City per year.

VI. ESTIMATED NUMBER OF JOBS CREATED BY THE SUBSIDY, CATEGORIZED BY FULL-TIME, PART-TIME, AND TEMPORARY POSITIONS

The loan assistance is estimated to create 90 full-time, 25 Part-Time, and 20 Temporary/Seasonal positions.