

**SUMMARY REPORT PURSUANT TO CALIFORNIA GOVERNMENT CODE
SECTION 53083 ON A SUBSIDY FOR AN OPERATING COVENANT
AGREEMENT BY AND AMONG THE CITY OF HOLLISTER AND HOLLISTER
HOTEL LP A CALIFORNIA LIMITED PARTNERSHIP**

The following Summary Report has been prepared pursuant to California Government Code Section 53083, (AB 562). The report sets forth certain details of the proposed Operating Covenant Agreement (Agreement) between the following parties:

1. The City of Hollister (City), a municipal corporation; and
2. Hollister Hotel LP a California limited partnership (Developer).

The Hollister City Council approved Resolution 2014-222 to allow the City Manager to execute an impact fee deferment agreement and Resolution 2014-169 authorizing the City Manager to develop a transient occupancy tax program to provide incentives to construct a Marriot Hotel in Hollister. The City Council approved an amended impact fee deferment agreement on June 5, 2017 with Resolution 2017-130. The hotel was completed in July of 2017. The City Council adopted Resolution 2017-223 on September 5, 2017 approving A Hotel Incentive Program (HIP) to fulfill its commitment to the Developer to provide an incentive to construct the Fairfield Inn at 320 Gateway Drive. The project will consist of an 77 -room hotel with a meeting/conference room for up to 35 persons, indoor pool, fitness center, business center, lobby, hot/cool breakfast, corner market and guest laundry.

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.

Hollister Hotel LP a California limited partnership
P. O. Box 41160
San Jose, California 95160

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

Start date: July 1, 2017

End date: July 1, 2027 except that the subsidy can be extended by a resolution of the City Council an additional 5 (five) years to July 1, 2032.

3. A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lot to, the local agency as a result of the economic development subsidy.

The subsidy is the rebate of 70% share of transient occupancy taxes collected annually calculated after the start date of July 5, 2017 for a duration of 10 (ten) years unless the full \$2 million dollar economic incentive is realized sooner. If the \$2 million dollar economic incentive is not realized at the end of the tenth year, the City Council may extend the incentive for a period of 5 (five) years with a subsidy that is a rebate of 33% of the share of transient occupancy taxes collected annually with a cap of \$2 million dollar for the entire subsidy.

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

The City of Hollister became a gateway to the newest National Park in 2013 and lacks visitor accommodations with an American Automobile Association rating of 3 (three) or better. The City of Hollister lacks hotel/conference facilities. The purpose of the subsidy is to provide an economic incentive to encourage the development of quality hotels to enhance the tourist travel experience and hospitality services for businesses and residents in the area, provide attractive and desirable visitor serving facilities and experiences and assist the city in achieving tourism goals.

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

Total Property Tax:

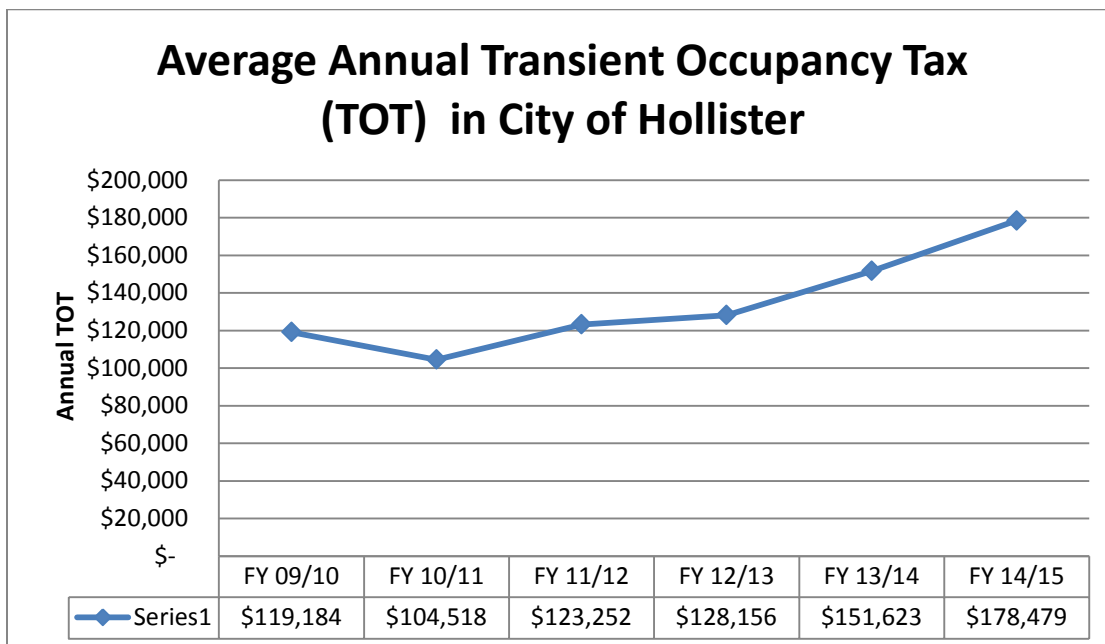
The improvement will increase the estimated property tax at 390 Gateway Drive to \$72,014 per year from the hotel improvements which will be increased by at least 1.25% per year. The City of Hollister will receive about \$7,969.

	Assessment (1)	1.25% of Assessed Value
Land Value	\$ 441,448	\$ 5,518
Improvements	\$5,761,100	\$ 72,014
Total	\$6,202,548	\$ 77,528

Assessed value based on 94% completion of hotel on 1/1/2017 (Shon Morrison, San Benito County Assessor's Office 9/22/2017)

Transient Occupancy Tax:

The City of Hollister charges an eight (8) percent transient occupancy tax for lodging in Hollister with persons staying 29 days or less at the hotels. The Chart on the following page indicates that the transient occupancy tax collected by the City of Hollister has steadily increased over the past six years from \$119,000 to nearly \$180,000 in fiscal year 2014/15.



The new 77 room hotel recently completed by the Developer could generate an estimated \$204,335 in transient occupancy tax in 2018/19 based on an estimated occupancy rate of 64% and an average room rate of \$142/day. The City of Hollister would have an estimated net increase in Transient Occupancy tax after the 70% subsidy of \$61,300. This would represent an estimated 34% increase to the TOT collected by the city in FY 14/15. The table on the following page forecasts a projected subsidy of 1.5 million dollars to the Developer over the ten year period. The City could receive an estimated annual \$64,552 net increase in Transient Occupancy Tax after the subsidy by the tenth year. If the incentive program is extended an additional five years because the \$2 million dollar cap has not been received, the total subsidy to the Developer could be about \$1.8 million dollars. The City would still receive a net total in TOT tax of about \$735,739 dollars.

Sales tax:

Due to the lack of hotels in Hollister, the San Benito County Chamber of Commerce has referred potential lodgers to hotels in Gilroy for films and family gatherings/weddings. Customers at the hotel will patronize local restaurants, gas stations and shops and contribute to an increase in local sales tax.

Forecasted Subsidy

Ten Year Subsidy	Percent Occupancy - Rooms booked/day	TOT/Year	70% of TOT Subsidy to Developer	Cumulative Subsidy	Net TOT to City after Subsidy
2017/18	60% 49 rooms	\$ 66,306	\$ 46,414	\$46,414	\$ 19,892
2018/19	64% 49 rooms	\$204,335	\$143,034	\$189,449	\$61,300
2019/20	64% 49 rooms	\$204,335	\$143,034	\$332,483	\$61,300
2020/21	64% 49 rooms	\$204,335	\$143,034	\$475,517	\$61,300
2021/22	64% 49 rooms	\$204,335	\$143,034	\$618,551	\$61,300
2022/23	64% 49 rooms	\$204,335	\$143,034	\$761,585	\$61,300
2023/24	66% 51 rooms	\$215,172	\$150,620	\$912,206	\$64,552
2024/25	66% 51 rooms	\$215,172	\$150,620	\$1,062,826	\$64,552
2025/26	66% 51 rooms	\$215,172	\$150,620	\$1,213,446	\$64,552
2026/27	66% 51 rooms	\$215,172	\$150,620	\$1,364,067	\$64,552
2027/28	66% 51 rooms	\$215,172	\$150,620	\$1,514,687	\$64,552

Optional Five Year Extension	Percent Occupancy- Rooms booked/day	TOT/Year	33% of TOT Subsidy to Developer	Cumulative Subsidy	Net TOT to City after Subsidy
2028/29	66% 51 rooms	\$219,624	\$72,476	\$1,587,163	\$147,148
2029/30	66% 51 rooms	\$219,624	\$72,476	\$1,659,639	\$147,148
3030/31	66% 51 rooms	\$219,624	\$72,476	\$1,732,115	\$147,148
2031/32	66% 51 rooms	\$219,624	\$72,476	\$1,804,590	\$147,148
2032/33	66% 51 rooms	\$219,624	\$72,476	\$1,877,066	\$147,148
TOTAL				\$1,877,066	\$735,739

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

Full-time:	15- 17
Part-time:	3 - 4
Temporary:	0