

**CITY OF ELK GROVE
ECONOMIC INCENTIVE AGREEMENT REPORT
BETWEEN THE CITY OF ELK GROVE AND THE RIDGE EG EAST, LP**

The City of Elk Grove ("City") proposes to enter into an Economic Incentive Agreement (the "Agreement") with The Ridge EG East, LP ("Property Owner") relating to a Costco wholesale and retail general merchandise store to be located at northwest intersection of Civic Center Drive and Babylon Drive in the City of Elk Grove. Property Owner is the proposed landlord and owner of the property at which the Costco project is proposed to be developed. This report includes the information required by Government Code section 53083. This report shall remain available to the public and available on the City's internet web-site during the duration of the Agreement.

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.

The Ridge EG East, LP; the Ridge EG East, LLC

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

The Agreement is anticipated to commence in or about April of 2017 and shall be for a term of no more than 25 years from the opening of the Costco store, or until all payments have been made to Property Owner, whichever occurs first, all as discussed below and as set forth in the Agreement.

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.

Pursuant to the Agreement, the City shall make annual sales tax sharing payment to Property Owner in the amount of 50% of the sales tax generated from the Costco store (as defined in the Agreement) until payments have reached a net present value of up to \$8,000,000, all as calculated and adjusted under the Agreement. Payment shall continue until the earlier of full payment of the \$8,000,000, as provided in the Agreement, or 25 years from the opening of the Costco store, whichever occurs first.

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

The proposed Agreement serves the public interest and public purpose because the construction and operation of the Costco store will create jobs within the City, promote long-term employment and economic growth in the City and, specifically, the area surrounding the Costco store, expand the range and diversity of its retail sector in the City, result in the generation of sales tax, and contribute to the maintenance, growth, and expansion of the City's economic base. The development of the Costco store is anticipated to be a catalyst for further economic development in the City and the area surrounding the Costco store. If the economic incentive is

not provided, the Costco store might not be developed within the City, which would result in a loss of the benefits identified above.

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

After payment of the 50% sales tax split between the City and Property Owner, the City projects sales tax revenues to the City of not less than \$300,000 in the first year of operation of the Costco store, escalating at approximately 6% over the course of 25 years, with an estimated sales tax revenue of over \$1,000,000 in year 20 and continuing during the operation of the Costco store. These figures are projections only. Actual sales tax revenue will be dependent on actual sales performance by the Costco store and will vary.

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

Based on historical operations from similar stores, Costco estimates that the proposed Costco store will create approximately 100 full-time jobs and 100 part-time jobs.