

**A. First Amendment to the 2016 Tax Sharing Agreement with GL HOD, LLC, doing business as Honda of the Desert**

Recommendation: To conduct a public hearing under Municipal Code Title 3, Chapter 3.46 to receive evidence and testimony; and consider terms of a first amendment to Sales Tax Sharing agreement with GL HOD, LLC, doing business as “Honda of the Desert” (“GL HOD”) to include GL TOD, LLC, doing business as “Toyota of the Desert” (“GL TOD”), collectively the “Applicant”, and adopt a resolution making findings and authorizing the City Manager to execute the first amendment to sales tax sharing agreement, consistent with the terms set forth in the resolution.

## FIRST AMENDMENT TO SALES TAX SHARING AGREEMENT

This First Amendment to Sales Tax Sharing Agreement ("**First Amendment**") is hereby entered into this \_\_\_ day of \_\_\_\_\_, 2024, by and between the City of Cathedral City, a charter city and municipal corporation within the State of California (the "**City**"), GL HOD, LLC, a Delaware limited liability company, doing business as "Honda of the Desert" ("**GL HOD**") and GL TOD, LLC, a Delaware limited liability company, doing business as "Toyota of the Desert" ("**GL TOD**" and collectively with GL HOD, the "**Owner**"). Each of the foregoing parties may be referred to individually herein as "**Party**" or jointly as the "**Parties**."

### RECITALS

A. City and GL HOD entered into that certain Sales Tax Sharing Agreement dated March 23, 2016 ("**Agreement**"). Terms not specifically defined herein shall have the meaning ascribed to them in the Agreement.

B. The purpose of the Agreement was to encourage GL HOD's improvement, expansion and operation of an automobile dealership at 68-025 Kyle Road in Cathedral City and for the City to derive the benefits set forth in the Agreement in accordance with Chapter 3.46 of Title 3 of the Cathedral City Municipal Code.

C. The purpose of this First Amendment is to encourage GL HOD's continued improvement, expansion and operation of a Honda automobile dealership at 68-025 Kyle Road in Cathedral City, to encourage GL TOD's improvement, expansion and operation of a Toyota automobile dealership at 68-105 Kyle Road in Cathedral City, and for City to derive the benefits therefrom as set forth in the Agreement in accordance with Chapter 3.46 of Title 3 of the Cathedral City Municipal Code (the "**Program**"), for Owner to be eligible to receive economic incentive payments from City equal to 50% of the annual sales tax receipts generated from each of the Honda Retail Business (defined herein) and the Toyota Retail Business (defined herein) and received by the City over the established Sales Tax Base in an amount not to exceed \$4,427,000.

D. After a duly noticed public hearing, as required by the Program, and consideration by the City Council of the Tax Sharing Report, attached hereto as Exhibit "A", prepared in accordance with the Program, and consideration of such other matters as may have been presented during said public hearing, the City Council found GL HOD and GL TOD, and each of them, to be an Approved Business with which the City would enter into this First Amendment to Sales Tax Sharing Agreement.

### OPERATIVE PROVISIONS

NOW, THEREFORE, in consideration of the promises made and recited herein, the Parties do hereby enter into this First Amendment which modifies and amends the Agreement as follows:

**1.0 FINDINGS.** The City Council finds and determines that the benefit to the City of Sales Tax Sharing of the Sales Tax Increment, calculated using the Sales Tax Base determined in the Tax Sharing Reports, using a Sales Tax Sharing percentage of fifty percent (50%) for an extended period, as described in this First Amendment or until Owner's share of the Sales Tax Sharing reaches a maximum Sales Tax Increment paid to Owner of One Million Four Hundred Thousand Dollars (\$4,427,000), whichever occurs first, is consistent with the intent and purpose and requirements of the Program.

**2.0 AMENDMENTS.** The Agreement is hereby modified and amended as follows:

2.1. Section 2, "Definitions," of the Agreement is hereby amended in its entirety to read as follows:

**"SECTION 2. DEFINITIONS.**

The terms used in this Agreement shall be given the meaning expressly defined in this Agreement or where not defined herein then in Chapter 3.46 of Title 3 of the City's Municipal Code.

a. **"Economic Incentive Payment"** shall mean payments made by City to Owner implementing Sales Tax Sharing as provided for in the Program. The Parties acknowledge that from the Effective Date through June 30, 2024, City has made payments to Owner under this Agreement in the aggregate amount of \$427,000 ("Prior Payments"). Beginning on the first day of the calendar quarter first following the date of recordation of the Grant Deed and continuing through the Sales Tax Sharing End Date (as defined in Section 3.b. below), the Economic Incentive Payment will be an amount equal to 50% of the Sales Tax Increment derived from the Honda Retail Business and 50% of the Sales Tax Increment derived from the Toyota Retail Business ("Ongoing Payments"), provided, however, that the total amount of both Prior Payments and Ongoing Payments paid by the City shall not exceed Four Million Four Hundred Twenty-Seven Thousand Dollars (\$4,427,000) ("Maximum Payment"), and provided further, that the Ongoing Payments shall be subject to the terms and conditions set forth in this Agreement. In no event shall Owner be entitled to payments from City beyond the Sales Tax Sharing End Date or in excess of the Maximum Payment.

b. **"Effective Date"** shall mean the date upon which all of the following have occurred: (i) City's City Council has approved the Agreement; (ii) City Manager has executed the Agreement; (iii) Owner's authorized representatives have executed the Agreement; and (iv) a grant deed (the **"Grant Deed"**) has been recorded in the official records of the County of Riverside evidencing fee ownership of the Property (APN: 687-040-024) vested in the Owner.

c. **“Existing Retail Business”** as defined in Section 3.46.020 of the Municipal Code shall mean the Honda of the Desert dealership located at 68-025 Kyle Road in Cathedral City that is owned and operated by Owner (“Honda Retail Business”) and the Toyota of the Desert dealership located at 68-105 Kyle Road in Cathedral City (“Toyota Retail Business”) that is owned and operated by Owner’s Affiliate, both of which consist of new and used car sales, auto parts sales, and automobile service facilities on the Property.

d. **“Improved Business”** shall mean the Existing Retail Business as improved by the completed Work of Improvement.

e. **“Permit Date”** shall mean the date on which the City has issued a building permit to Owner authorizing the commencement of construction of the Work of Improvement.

f. **“Property”** shall mean the parcel or parcels of real property upon which GL HOD and GL TOD operate the Existing Retail Business. The description of the Property is attached hereto as Exhibit “A,” and is incorporated herein by this reference.

g. **“Work of Improvement”** The Work of Improvement to the Property shall mean the expansion, remodeling, renovation and/or improvements of the Existing Retail Business to comply with manufacturer-required brand and facility standards that the manufacturer(s) will expect to be completed within approximately four (4) to six (6) years from the date of this Agreement.”

h. **“Sales Tax Increment”** as defined in Section 3.46.020 of the Municipal Code shall mean, on an annual basis, the difference between the sales tax base and the amount of sales tax actually generated by GL HOD and GL TOD and received by City from the State Board of Equalization. For purposes of this Agreement, the sales tax base is Three Hundred Forty-Seven Thousand Dollars (\$347,000) per tax year for the Honda Retail Business and Five Hundred Eighty-Nine Thousand Dollars (\$589,000) for the Toyota Retail Business.”

2.2. Section 3.a.(i) of the Agreement is hereby amended to read as follows:

“(i) **Deadline.** Owner agrees to complete the Work of Improvement not later than fifteen (15) months after the Permit Date unless such deadline is extended by operation of Section 9.n by reason of a force majeure event.

2.3. Section 3.a.(iv) of the Agreement is hereby amended to read as follows:

(iv) **Confirmation of Payments for Work of Improvement.** Owner agrees to provide to City documentation reasonably acceptable to

City, including without limitation, invoices, lien releases, and other evidences of Owner's actual payment, confirming payments to contractors, subcontractors, and vendors totaling not less than Two Million Dollars (\$2,000,000.00) ("**Total Minimum Expense**"). If the accepted documentation evidences payments by Owner of less than the Total Minimum Expense, then City shall have the right to recalculate and reduce the Economic Incentive Payment in proportion to the amount by which the actual amount paid is less than the Total Minimum Expense.

2.4. Section 3.c. of the Agreement is hereby amended to read as follows:

"c. Continued Operation. Owner shall remain in continuous operation during current normal business hours and days for the duration of the sixteen (16)-year term of this Agreement or until receipt of the Maximum Payment, whichever occurs first. Owner will be considered to be in continuous operation, even if closed on all recognized California and federal holidays, and during times of temporary closure for planned repairs or renovations for which Owner notified City in writing at least thirty (30) days in advance. No closure shall operate to extend the period during which Owner may be entitled to receive the Economic Incentive Payment from City.

2.5. Section 4.b of the Agreement is hereby amended to read as follows:

"b. Sales Tax Sharing Period. The period during which City shall receive the Sales Tax Increment ("Sales Tax Sharing Period"), which forms the basis of the Economic Incentive Payment shall commence on the Effective Date and shall continue until the earlier of (1) June 30, 2040 ("Sales Tax Sharing End Date") or (2) Owner has received the Maximum Payment. The City's obligation to make Economic Incentive Payments in an amount not to exceed Two Million Dollars (\$2,000,000) shall commence on the Effective Date. The City's obligation to make Economic Incentive Payments by an additional amount not to exceed Two Million Dollars (\$2,000,000) shall commence on the Permit Date, for a total of Ongoing Payments not to exceed Four Million Dollars (\$4,000,000).

In the event that the Sales Tax Increment received by City during the Sales Tax Sharing Period is insufficient to yield the Maximum Payment to Owner, then Owner shall not be entitled to further payments or assistance from City. The 'yearly' period of measurement of the Sales Tax Increment shall be in accordance with the normal processes of City. If necessary to reach the full Sales Tax Sharing Period, the final month or months shall be prorated.

2.6. Section 9.j of the Agreement is hereby amended to revise the addressees and addresses to which notices to the Parties shall be sent to read as follows:

“OWNER: GL HOD, LLC/GL TOD LLC  
111 E. Broadway, #900  
Salt Lake City, UT 84111  
Attn: John K. Garff

With a copy to: Ken Garff Automotive, LLC  
111 E. Broadway, #900  
Salt Lake City, UT 84111  
Attn: General Counsel

CITY: City of Cathedral City  
68-700 Avenida Lalo Guerrero  
Cathedral City, CA 92234  
Attn: City Manager

With a copy to: Burke, Williams & Sorensen, LLP  
1600 Iowa Avenue, Suite 250  
Riverside, CA 92507  
Attn: Eric S. Vail

**3.0 OWNER’S PAYMENT OF COST OF TAX SHARING REPORT.** In accordance with Section 3.46.020 of the Code, Owner has paid to City, as a condition precedent to City’s obligations hereunder, the amount of ten thousand dollars (\$10,000.00) as and for the cost of the preparation of the Tax Sharing Report.

**4.0 OPERATING COVENANTS.** In accordance with Sections 3.46.030 and 3.46.050 of City’s Municipal Code, Owner agrees as a condition precedent to City’s obligations under this First Amendment, to record against the Property the Amended and Restated Operating Covenants attached hereto as Exhibit “B.” Said covenants shall be recorded promptly after the Effective Date, but in no event later than three (3) business days thereafter, shall survive the termination for any reason of the Agreement, as amended by this First Amendment, and shall run with the Property for the periods specified in said covenants.

## **5.0 GENERAL PROVISIONS.**

**5.1 Remainder Unchanged.** Except as specifically modified and amended in this First Amendment, the Agreement as modified by the First Amendment remains in full force and effect and binding upon the Parties.

**5.2 Integration.** This First Amendment constitutes the entire understanding and agreement of the Parties and supersedes all negotiations or previous agreements between the Parties with respect to all or any part of the transaction discussed in this First Amendment.

**5.3 Effective Date.** This First Amendment shall not become effective until the date it has been formally approved by the City Council and executed by the appropriate authorities of the City and Owner.

**5.4 Applicable Law.** The laws of the State of California shall govern the interpretation and enforcement of this First Amendment.

**5.5 References.** All references to the Agreement and First Amendment include all their respective terms and provisions. All defined terms utilized in this First Amendment have the same meaning as provided in the Agreement or First Amendment, unless expressly stated to the contrary in this First Amendment.

[Signatures appear on following pages]

[Remainder of page intentionally left blank]

**IN WITNESS WHEREOF**, the Parties hereto have executed this First Amendment to the Agreement on the date and year first written above.

CITY:

**City of Cathedral City**

By: \_\_\_\_\_  
Charles McClendon, City Manager

ATTEST:

By: \_\_\_\_\_  
Tracey R. Hermosillo, City Clerk

APPROVED AS TO FORM

\_\_\_\_\_  
Eric S. Vail, General Counsel



OWNER:

**GL HOD, LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**GL TOD, LLC**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**NOTE: OWNER'S SIGNATURES SHALL BE DULY NOTARIZED, AND APPROPRIATE ATTESTATIONS SHALL BE INCLUDED AS MAY BE REQUIRED BY THE BYLAWS, ARTICLES OF INCORPORATION, OR OTHER RULES OR REGULATIONS APPLICABLE TO SERVICE PROVIDER'S BUSINESS ENTITY.**

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

## ALL-PURPOSE ACKNOWLEDGMENT NOTARY FOR UTAH

STATE OF UTAH )  
COUNTY OF SALT LAKE )

On \_\_\_\_\_, 20\_\_\_\_\_,  
before me, \_\_\_\_\_,  
Date Name And Title Of Officer (e.g. "Jane Doe, Notary Public")  
personally appeared \_\_\_\_\_,  
Name of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of Utah that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature of Notary Public

### OPTIONAL

Though this section is optional, completing this information can deter alternation of the document or fraudulent reattachment of this form to an unintended document.

#### CAPACIT(IES) CLAIMED BY SIGNER(S)

Signer's Name: \_\_\_\_\_

- .. Individual
- .. Corporate Officer

\_\_\_\_\_  
Title(s)  
.. Partner(s) .. Limited  
.. .. General  
.. Attorney-In-Fact  
.. Trustee(s)  
.. Guardian/Conservator  
.. Other: \_\_\_\_\_

Signer is representing:  
Name Of Person(s) Or Entity(ies)

\_\_\_\_\_  
\_\_\_\_\_

#### DESCRIPTION OF ATTACHED DOCUMENT

\_\_\_\_\_  
Title or Type of Document

\_\_\_\_\_  
Number Of Pages

\_\_\_\_\_  
Date Of Document

\_\_\_\_\_  
Signer(s) Other Than Named Above

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

## ALL-PURPOSE ACKNOWLEDGMENT NOTARY FOR CALIFORNIA

STATE OF CALIFORNIA )  
COUNTY OF RIVERSIDE )

On \_\_\_\_\_, 20\_\_\_\_\_,  
before me, \_\_\_\_\_,  
Date Name And Title Of Officer (e.g. "Jane Doe, Notary Public")  
personally appeared \_\_\_\_\_,  
Name of Signer(s)

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

\_\_\_\_\_  
Signature of Notary Public

### OPTIONAL

Though this section is optional, completing this information can deter alternation of the document or fraudulent reattachment of this form to an unintended document.

#### CAPACIT(IES) CLAIMED BY SIGNER(S)

#### DESCRIPTION OF ATTACHED DOCUMENT

Signer's Name: \_\_\_\_\_

- .. Individual
- .. Corporate Officer

- |    | Title(s)             |            |
|----|----------------------|------------|
| .. | Partner(s)           | .. Limited |
|    |                      | .. General |
| .. | Attorney-In-Fact     |            |
| .. | Trustee(s)           |            |
| .. | Guardian/Conservator |            |
| .. | Other: _____         |            |

Signer is representing:  
Name Of Person(s) Or Entity(ies)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Title or Type of Document

\_\_\_\_\_  
Number Of Pages

\_\_\_\_\_  
Date Of Document

\_\_\_\_\_  
Signer(s) Other Than Named Above

## EXHIBIT "A"

### Tax Sharing Report

#### **Tax Sharing Report - Honda and Toyota Sales Tax Abatement Analysis** **Sales Tax Abatement Base Analysis for Bradley Burns 1% Local Sales and Use Tax**

- Proposed Amendment No. 1 to Sales Tax Sharing Agreement received offered the following parameters:
  - Maximum payment - \$4,427,000 (includes initial \$427,000 which has already been paid)
  - Agreement end date – Fiscal Year 2039/2040
- City determined \$347,000 sales tax base established in 2016 contract with Honda was based on the calendar year quarters of 4Q 2014 through 3Q 2015
- Applied same methodology to Toyota to determine what the sales tax base would have been had an agreement been in place in 2016:

\$134,796 (2014 - 4Q)  
147,881 (2015 - 1Q)  
158,730 (2015 - 2Q)  
147,687 (2015 - 3Q)  
**\$589,094**

#### **FY24 Payments (Honda)**

- The remaining balance of \$10,282 is due for the current agreement. This will be paid in FY24.

#### **Forecasting**

- Assuming flat growth based on FY24 estimated sales tax revenues and payments of 50% of the sales tax increment, we estimate the amended contract balance of \$4,000,000 would be paid off in FY37.

- Honda:

Flat growth annual sales tax revenue	\$584,650
Less sales tax base	<u>(347,000)</u>
	\$237,650 x 50% = <u>\$118,825</u>

- Toyota Flat growth annual sales tax revenue \$1,041,880  
Less sales tax base (589,094)  
\$452,786 x 50% = \$226,393

**Annual Payment (Estimated) \$345,218**

**Based on an annual payment of \$345,218, the amended contract balance of \$4,000,000 would be paid off in 12.824 years (FY37)**

EXHIBIT “B”

Amended and Restated Operating Covenants

RECORDING REQUESTED BY: )  
)  
CITY OF CATHEDRAL CITY )  
)  
AND WHEN RECORDED RETURN TO: )  
CITY OF CATHEDRAL CITY )  
68-700 Avenida Lalo Guerrero )  
Cathedral City, CA 92234 )  
Attn: City Clerk )  
APN: 687-040-024 )

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(Space Above for Recorder's Use)  
Exempt from Recording Fees Per Government Code Section 27383

### **AMENDED AND RESTATED OPERATING COVENANTS**

This document, entitled Amended and Restated Operating Covenants ("Covenants"), is made as of \_\_\_\_\_, 2024, by NW LAND, LLC, a Delaware limited liability company ("Property Owner"), GL HOD, LLC, a Delaware limited liability company, for Honda of the Desert ("GL HOD"), and GL TOD, LLC, a Delaware limited liability company, for Toyota of the Desert ("GL TOD" and, collectively with GL HOD, the "Tenant"), for the benefit of the CITY OF CATHEDRAL CITY, a California charter city ("City"). Said entities may be individually referred to herein as a "Party" or jointly as the "Parties."

1. Relation to Tax Sharing Agreement. These Covenants are executed by Property Owner/Tenant and recorded in connection with that certain Sales Tax Sharing Agreement, dated March 23, 2016, as amended by that certain First Amendment to Sale Tax Sharing Agreement (collectively, the "Agreement") entered into between the Owner and Tenant and City of more or less concurrent date herewith, and is required under the provisions of the Agreement. The Agreement is attached hereto and incorporated herein by reference as Exhibit "A". Defined terms not otherwise defined herein shall have the meaning ascribed thereto in the Agreement.
2. Covenants Run with the Land. These Covenants shall run with the land legally described in Exhibit "B" attached hereto, and incorporated herein by reference (the "Property"), and shall constitute equitable servitudes thereon, and shall, without regard to technical classification and designation, be binding for the benefit and in favor of the City. The Covenants shall be for the duration as specified in the Agreement, and all sales or long-term leases of the Improved Business shall likewise be governed by the Agreement.
3. Intended Use of Property. Property Owner/Tenant covenants and agrees for itself, its successors, its assigns, and every successor in interest to the Property, or any portion thereof, that upon Completion of construction of the Work of Improvement (both as defined in the Agreement), Property Owner/Tenant shall cause the Property to be used as automobile dealerships with integrated parts sales and service center (together, the "Intended Use"), except for such exceptions to such covenant as may be provided under the terms of the Agreement. Property Owner/Tenant covenants and agrees for itself, its successors, its assigns, and every successor in interest to the

Property, or any portion thereof, or of the Improved Business that upon Completion of construction of the Work of Improvement, Property Owner/Tenant shall devote the Property to the Intended Use for a period of sixteen years (16) years commencing the day after the issuance by the City of the final Certificate of Occupancy or similar document with respect to the Work of Improvement. No other use of the Property shall occur during the effectiveness of the Covenants without the prior written approval of the City, which approval shall be given or withheld at the sole discretion of the City.

4. Maintenance of Property. Property Owner/Tenant covenants and agrees for itself, its successors, its assigns, and every successor in interest to the property, or any part thereof, that Property Owner/Tenant, such successors and such assigns, shall maintain in good condition the improvements on the Property, shall keep the Property free from any accumulation of debris or waste material, shall remove any and all graffiti, shall maintain the property in compliance with all regulations, and shall maintain in a neat, orderly, healthy and good condition any landscaping required by the City during its normal approval processes to be planted on the Property, or placed on the Property by Property Owner/Tenant in its own determination.
5. Non-Discrimination. Property Owner/Tenant covenants and agrees for itself, its successors, its assigns and every successor in interest to the Property or any part thereof, that there shall be no discrimination against or segregation of any person, or group of persons, on account of any basis listed in subdivision (a) or (d) of Section 12955 of the Government Code, as of those bases are defined in Sections 12926, 12926.1, subdivision (m) and paragraph (1) of subdivision (p) of Section 12955, and Section 12955.2 of the Government Code, or on the basis of domestic partnership status or arrangement, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Property; nor shall Property Owner/Tenant, itself or any person claiming under or through it, establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, sublessees or vendees of the Properties. Notwithstanding any provision of this paragraph, none of the cited statutes shall apply to the extent that they deal with housing of any kind.
6. Existing and Future Assessment Districts. The City may review the creation of a landscape and lighting district in the area where the Property is to be located, or, alternatively, the annexation of the Property into an existing City district. Such a district would assist the City in paying for the lighting and landscaping in the area, thus enabling it to install and maintain such amenities to the general benefit of the area and the specific benefit of the Property. Such a district would equitably apportion the costs among the benefited land owners. Property Owner/Tenant covenants and agrees, for itself and its successors and assigns, and on behalf of any and all Tenants, that it will participate in such a district for the life of the district, will vote in favor of its formation, or for annexation into an existing district, as applicable, if a vote is required, will otherwise support and not oppose the formation of the district or the annexation, and will pay when due the assessments apportioned to it. The Property Owner/Tenant agrees to include a similar provision in every lease of any portion of the Property to another entity such that the entity's obligations are essentially identical to the Property Owner's/Tenant's. Notwithstanding any provision in the Covenants to the contrary, the Property Owner/Tenant shall retain all rights under the district to appeal the amount



of the assessment allocated to the Property Owner's/Tenant's property and/or business.

7. Existing and Future Business Improvement Districts. The City may also review the formation of a business improvement district in the area where the Property is to be located. Such a district would provide assistance to all businesses within the district for a variety of purposes, each of which would be designed to generate patronage for such businesses. Such a district would assess business owners in the district on an equitable basis for its share of the costs expended for the mutual benefit of the business in the area. Property Owner/Tenant covenants and agrees, for itself and its successors and assigns, that it will participate in such a district for the life of the district, will vote in favor of its formation if a vote is required, will otherwise support and not oppose the formation of the district and will pay when due the assessments apportioned to it. The Property Owner/Tenant agrees to include a similar provision to every lease of any portion of the Property to an entity such that the entity's obligations are essentially identical to the Property Owner's/Tenant's. Notwithstanding any provision in these Covenants to the contrary, the Property Owner/Tenant shall retain all rights under the district to appeal the amount of the assessment allocated to the Property Owner's/Tenant's property and/or business.
8. Continuation of Certain Covenants. The covenants established against discrimination, those regarding maintenance of the Property, and the covenants related to landscape and lighting or business districts shall remain in effect in perpetuity. The covenants related to the Intended Use shall remain in effect for sixteen (16) years, calculated as indicated in Section 3, above.
9. City is Express Beneficiary of Covenants. The City is deemed the beneficiary of the terms and provisions of the Agreement and of the covenants running with the land for and in its own rights and for the purposes of protecting the interests of the community. The City shall have the right, if such covenants are breached, to exercise all rights and remedies and to maintain any actions or suits at law or in equity or such other proper proceedings to enforce the curing of such breaches to which it or any other beneficiary of such covenants may be entitled, including, without limitation, to specific performance, damages and injunctive relief. In addition, at the City's sole discretion, any breach of these covenants shall be deemed a material breach of the Agreement, permitting the City to terminate the Agreement.
10. Supersedure. This Amended and Restated Operating Covenants supersedes and replaces certain Operating Covenants, dated as of March 23, 2016, recorded as document number 2016-0351307 in the official records of the County of Riverside.

**WHEREFORE,** Property Owner/Tenant, intending to be bound hereby, has executed this document, entitled Operating Covenants, on the date first above-written.

PROPERTY OWNER:

NW LAND, LLC  
a Delaware limited liability company

By: \_\_\_\_\_  
John K. Garff  
Manager

TENANT:

GL HOD, LLC  
a Delaware limited liability company

By: \_\_\_\_\_  
John K. Garff  
Manager

GL TOD, LLC  
a Delaware limited liability company

By: \_\_\_\_\_  
John K. Garff  
Manager

**EXHIBIT "A" TO**  
**OPERATING COVENANTS**  
**SALES TAX SHARING AGREEMENT BETWEEN**  
**THE CITY OF CATHEDRAL CITY AND GL HOD, LLC AND GL TOD, LLC**  
[To be attached for recording only]

**EXHIBIT "B" TO**  
**OPERATING COVENANTS**  
**LEGAL DESCRIPTION OF LEASED PREMISES**  
**AFFECTED BY OPERATING COVENANTS**

The land referred to herein is situated in the State of California, County of Riverside, City of Cathedral City and described as follows:

Parcel 1 of Parcel Map No. 21729, in the City of Cathedral City, as per Map on file recorded February 25, 1987, in Book 141, Pages 60, 61, 62 and 63 of Parcel Maps, Records of said County, and as Amended by Certificates of Correction recorded July 11, 1988, as Instrument No. 190265 and August 24, 1988, as Instrument No. 241092, Official Records of Riverside County.

APN: 687-040-024

## **NOTICE OF PUBLIC HEARINGS**

### **NOTICE OF PUBLIC HEARINGS OF CATHEDRAL CITY ("CITY") REGARDING A SALES TAX SHARING AGREEMENT AMENDMENT BY AND BETWEEN THE CITY AND GL HOD, LLC FOR HONDA OF THE DESERT TO INCLUDE GL TOD, LLC FOR TOYOTA OF THE DESERT**

PLEASE TAKE NOTICE that the City of Cathedral City (the "City") will conduct a public hearing at 5:30 p.m. on August 14, 2024, in City Council Chambers at City Hall, 68700 Avenida Lalo Guerrero, Cathedral City, CA 92234. At the public hearing, the City shall receive evidence and testimony and consider (a) an amendment to the Sales Tax Sharing Agreement between the City and GL HOD, LLC for Honda of the Desert, to include GL TOD, LLC for Toyota of the Desert, as Approved Businesses, in accordance with Ordinance 730 and (b) the written information provided in accordance with Government Code section 53803.

NOTICE IS FURTHER GIVEN that any and all persons are invited to appear before the City and present evidence or testimony concerning the foregoing matters at the time, date and place set forth herein.

Among other matters, the Agreement concerns the sharing of sales tax generated from the Honda of the Desert located at 68025 Kyle Road within the City of Cathedral City, and from Toyota of the Desert located at 68105 Kyle Road within the City of Cathedral City, all more specifically described in the Agreement.

A copy of the proposed Agreement is on file and available for inspection and copying at a cost not to exceed the cost of duplication, during normal business hours at the office of the City Clerk at 68700 Avenida Lalo Guerrero, Cathedral City, CA 92234.

## **RESOLUTION NO. 2024 -**

### **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CATHEDRAL CITY, CALIFORNIA, APPROVING TAX SHARING REPORT AND AUTHORIZING THE CITY MANAGER AND CITY ATTORNEY TO NEGOTIATE AND PREPARE A FIRST AMENDMENT TO THE SALES TAX SHARING AGREEMENT WITH GL HOD, LLC FOR HONDA OF THE DESERT UNDER TITLE 3, CHAPTER 3.46 OF THE CATHEDRAL CITY MUNICIPAL CODE**

**WHEREAS**, at the public hearing, duly noticed and held at the City Council meeting of Cathedral City ("City") on August 14, 2024, the City Council received testimony and other evidence in accordance with section 3.46.040.B of the Cathedral City Municipal Code ("CCMC") concerning the proposed first amendment to the Sales Tax Sharing Agreement with GL HOD, LLC for Honda of the Desert located at 68025 Kyle Road to include GL TOD, LLC for Toyota of the Desert ("Applicants") located at 68015 Kyle Road; and

**WHEREAS**, Title 3, Chapter 3.46 of the Municipal Code (the "Program") authorizes the City Council to enter into a Sales Tax Sharing Agreement with Approved Businesses to provide an incentive program for the opening, operation and expansion of retail businesses within the City; and

**WHEREAS**, the City Council finds that based on the record and evidence before it there are valid reasons for making the findings contained herein and designating Applicants as a Approved Businesses within the meaning of Title 3, Chapter 3.46 of the Municipal Code; and

**WHEREAS**, at the public hearing on August 14, 2024, the City Council opened the hearing for public testimony and presentation of additional evidence regarding the designation of the Applicants as Approved Businesses under the Program, and the terms of the Sales Tax Sharing Agreement; and

**WHEREAS**, on August 14, 2024, the City Council duly deliberated and considered all matters coming before it.

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED BY THE CITY COUNCIL FOR THE CITY OF CATHEDRAL CITY, AS FOLLOWS:**

#### **SECTION 1. FINDINGS**

The City Council finds as follows:

- A. That approval of the First Amendment to the Tax Sharing Agreement will meet the purposes set forth in Section 3.46.010 of the Municipal Code and will enhance the quality of facilities, goods, and services that Honda of the

Desert and Toyota of the Desert makes available to the public and the City's residents; that the retention of the Approved Businesses will provide a desirable and attractive shopping experience for the City's residents and visitors; and will maintain sales tax revenue to the City.

- B. That the Applicants meet all requirements of the Program to be designated as Approved Businesses in accordance with Sections 3.46.020 and 3.46.030 of the Municipal Code.
- C. That the First Amendment to the Tax Sharing Agreement accurately depicts the anticipated benefits to the City and its residents of the proposed continued improvement, expansion and operation of GL HOD, LLC and GL TOD, LLC.
- D. That the staff report, Tax Sharing Report, testimony and other evidence presented to the Council during the public hearing on this matter support the findings and satisfy the requirements of Title 3, Chapter 3.46.
- E. That the Tax Sharing Report, staff report and other evidence received support providing assistance to GL HOD, LLC and GL TOD, LLC in an amount equal to fifty percent (50%) of the Sales Tax Increment (as defined in Section 3.46.020 of the Municipal Code) over a period of 16 years, but not to exceed \$4,000,000.00 paid as provided in the Tax Sharing Agreement.
- F. That the Sales Tax Base and Sales Tax Increment (both as defined in Section 3.46.020 of the Municipal Code) fairly determined and form the basis for the amount of assistance provided under the Program.
- G. That GL HOC, LLC and GL TOD, LLC have agreed to enter into a Sales Tax Sharing Agreement, Operating Covenant (which will be recorded against the sites) and Indemnity Agreement (included within the Sales Tax Sharing Agreement) in accordance with Section 3.46.030 of the Municipal Code.
- H. That the assistance provided under the Program by the City to GL HOD, LLC and GL TOD, LLC shall be in accordance with and meet the requirements of Title 3, Chapter 3.46 of the CCMC.

## **SECTION 2. APPROVAL OF APPLICANTS AS AUTHORIZED BUSINESSES**

GL HOD, LLC and GL TOD, LLC are hereby approved as a Authorized Businesses in accordance with Sections 3.46.020 and 3.46.030 of the Municipal Code.

## **SECTION 3. AUTHORIZING SALES TAX SHARING AGREEMENT**

The City Council approves and authorizes execution of a Sales Tax Sharing Agreement with the GL HOD, LLC and GL TOD, LLC to receive an amount equal to fifty percent (50%) of the Sales Tax Increment over a period of 16 years,

but not to exceed \$4,000,000.00 paid as provided in the Tax Sharing Agreement and approves and authorizes execution of a sixteen year (16) Amended and Restated Operating Covenant to be recorded against the sites.

#### **SECTION 4. AUTHORIZATION TO SIGN RESOLUTION AND DOCUMENTS**

The City Council authorizes the Mayor to sign this Resolution, and the City Manager to sign the First Amendment to the Tax Sharing Agreement and Amended and Restated Operating Covenants as the City's representative.

#### **SECTION 5. EFFECTIVE DATE**

This Resolution shall become effective immediately.

#### **SECTION 6. CERTIFICATION**

The City Clerk shall certify to the passage and adoption of this Resolution; shall enter the same in the book of original Resolutions of the City; and shall make a minute of passage and adoption thereof in the records of the proceedings of the City Council of the City, in the minutes of the meeting at which this Resolution is passed and adopted.

**PASSED, APPROVED AND ADOPTED** at a regular meeting of the City Council for the City of Cathedral City held on this 14th day of August, 2024.

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Mark Carnevale, Mayor

ATTEST:

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Tracey R. Hermosillo, City Clerk

APPROVED AS TO FORM:

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Eric S. Vail, City Attorney