



Legislation Text

File #: 10-0181, **Version:** 1

Recommendation to authorize City Manager to execute all necessary documents to reinstate a Sales Tax Incentive Program Agreement with HTL Automotive, Inc., dba Hooman Toyota of Long Beach. (District 4)

Approval is recommended to reinstate a Sales Tax Incentive Program agreement (Agreement) with HTL Automotive, Inc., dba Hooman Toyota of Long Beach (Hooman Toyota). The term of the Agreement with Hooman Toyota is from October 1, 2009 to September 30, 2013. The purpose of the Agreement is to retain a local business that was significantly affected during an extraordinary economic downturn by offsetting additional advertising and dealer rent expenses.

On March 17, 1992, the City Council approved a Sales Tax . Incentive Program (Program) to encourage large-scale retail development, stimulate private investment in the retail sector and enhance sales tax revenue in the City. New retail businesses or existing businesses planning to expand, which generate more than \$5 million in annual sales, may be eligible for the Program. For an expanding business, the City may return up to 50 percent of the sales tax generated in excess of an agreed upon base.

The City has entered into sales tax agreements when a significant financing gap exists that would result in the failure to retain or attract a key business. A number of . conditions can trigger the financing gap including the marketing or operational costs above national ratios. According to a report prepared by Keyser Marston Associates, Hooman Toyota is currently paying higher than the national average in lease payments, and advertising costs are significantly above average. The advertising gap will narrow as the business reaches its stabilization year.

On December 17, 1996, the City Council approved a Sales Tax Incentive Program Agreement to provide financial assistance to retain Salta, LLC dba Beach Toyota (Attachment A). The Agreement provided for a 50/50 sharing of sales tax over a base of \$135,413 to the City. The Agreement was originally capped at \$701,595 and amended in 2006 to extend the cap to \$801,000. The final payment under the Agreement was made in 2009. The proposed Agreement reinstates the former Agreement, using the same base number of \$135,415 and the same 50/50 division of the sales tax over the base.

Based on an estimated FY 10 sales tax revenue of \$360,800 and with a 5 percent sales increase per annum, total sales tax generated during the course of the Agreement is estimated at \$1,555,093. Of this amount, the total estimated sales tax rebated to Hooman Toyota is \$506,721. The total estimated sales tax to the City after the rebate to Hooman Toyota is \$1,048,373. The new Agreement proposes a rebate cap of \$506,721. A spreadsheet detailing the proposed financial Agreement can be found as Attachment B.

This matter was reviewed by Assistant City Attorney Heather A. Mahood, on January 21, 2010 and Budget and Performance Management Bureau Manager David Wodynski on January 14, 2010.

City Council action is requested on February 16, 2010, to expedite implementation of the Agreement.

Retaining this automobile dealership is expected to generate \$1,048,373 in net sales tax revenue for the City during the period of the Agreement. Under this Agreement, the City will rebate a maximum of \$506,721.

Approve recommendation.

LORI ANN FARRELL
DIRECTOR OF FINANCIAL MANAGEMENT/CFO

ROBERT M. SWAYZE
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