



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

R-16

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

January 24, 2006

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Authorize the City Manager to execute a Sales Tax Incentive Agreement with Alant Corporation dba Circle Imports, as authorized by the City Council on October 1, 2002, to increase the maximum allowable sales tax incentive from \$3,000,000 to \$3,200,000, and to amend an existing Sales Tax Incentive Agreement with Jentra, LLC dba Toyota of Long Beach, to increase the maximum allowable sales tax incentive from \$701,595 to \$801,595. (Citywide)

DISCUSSION

Approval is recommended to execute a Sales Tax Incentive Agreement (Agreement) with Alant Corporation, dba Circle Imports, and to amend an existing Agreement with Jentra, LLC, dba Toyota of Long Beach. The Agreement with Alant Corporation would increase the maximum sales tax incentive from \$3,000,000 to \$3,200,000. The amendment to the Agreement with Jentra, LCC would increase the maximum allowable incentive from \$701,595 to \$801,595. The purpose of the amendments is to offset the cost of a capital improvement to upgrade an existing I-405 Freeway-visible electronic sign located at Redondo Avenue and Willow Street. A companion Council letter on the January 24, 2006 agenda details the terms and conditions of a \$300,000 City loan to assist in the financing of the sign upgrade.

The City's investment of a loan and the sharing of sales tax will result in additional projected sales tax to the City of \$75,000 in the first year, with additional sales tax revenue each year thereafter reflecting price appreciation. The auto dealers have informed the City that they will not make this upgrade to the sign without City assistance.

On March 17, 1992, the City Council approved a Sales Tax Incentive 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.

On October 1, 2002, the City Council approved a Sales Tax Incentive Agreement (Attachment A) with Alant Corporation (Alant) dba Circle Automotive Group to provide financial assistance for capital improvements associated with expansion of Volkswagen, Audi, and Porsche dealerships. These capital improvements were required by the manufacturers in order for Alant to retain the franchises. Since that time, Alant has expended approximately \$6.6 million in facility and property acquisition, and expects to incur \$2.75 million in facility remodeling costs. The agreement was proposed to begin in the third quarter of 2002, but was not executed because of delays in property acquisition. It is now proposed that the agreement begin upon completion of the expansion.

On December 17, 1996, the City Council approved a Sales Tax Incentive Agreement (Attachment B) with Jentra, LLC dba Toyota of Long Beach (Jentra) to provide financial assistance for capital improvements associated with expansion of the Toyota dealership. These capital improvements were required by the manufacturer in order for Jentra to retain the franchise.

This item was reviewed by Assistant City Attorney Heather A. Mahood on January 12, 2006 and Budget Management Officer David Wodynski on January 11, 2006.

TIMING CONSIDERATIONS

City Council action is requested on January 24, 2006, to expedite implementation of the proposed freeway sign upgrade project.

FISCAL IMPACT

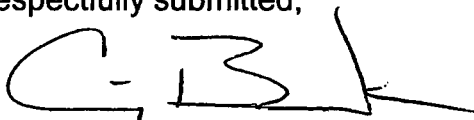
Annual sales tax revenue from participating auto dealers is expected to increase \$75,000 per year and increase thereafter reflecting price appreciation, as a result of upgrading the electronic freeway-visible sign.

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SUGGESTED ACTION

Approve recommendation.

Respectfully submitted,



PHW PATRICK H. WEST
DIRECTOR OF COMMUNITY DEVELOPMENT

APPROVED:



GERALD R. MILLER
CITY MANAGER

PHW/RMS:dm5
Sales Tax Alant and Jentra 012406

Attachments: A) City Council Letter Dated October 1, 2002
B) City Council Letter Dated December 17, 1996