

Supplemental Material

For

City of Sacramento

City Council
Financing Authority
Housing Authority
Redevelopment Agency

Agenda Packet

Submitted: August 26, 2008

For the Meeting of: August 26, 2008

- Additional Material
 Revised Material

TITLE: AGREEMENT: CITY/COUNTY JOINT SUPPORT AND APPORTIONMENT OF SALES TAX REVENUES OF VEHICLE DEALERS AND A SALES TAX SHARING AGREEMENT REGARDING MEL RAPTON HONDA

Contact Information:


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Please include this supplemental material in your agenda packet. This material will also be published to the City's Internet. For additional information, contact the City Clerk Department at Historic City Hall, 915 I Street, First Floor, Sacramento, CA 95814-2604, (916) 808-7200.

Attachment 1

RESOLUTION NO.

Adopted by the Sacramento City Council

RESOLUTION APPROVING AN AGREEMENT FOR CITY/COUNTY JOINT SUPPORT AND APPORTIONMENT OF SALES TAX REVENUES OF VEHICLE DEALERS AND A SALES TAX SHARING AGREEMENT REGARDING MEL RAPTONHONDA

BACKGROUND

- A. The sales and service of new automobiles serves as a significant economic stimulus within the Sacramento region from the generation of sales tax and creation of jobs.
- B. The City and County of Sacramento have a common interest to foster the retention, renovation and expansion of existing auto dealerships and to work collaboratively to maintain and grow the industry within both the City and County jurisdictions.
- C. Traditionally, the City and the County have competed for critical components of the economy such as automobile dealerships, as evidenced by the existing auto malls that ring the County and the City to the east and south.
- D. The automobile industry is undergoing significant changes that are resulting in the aggregation of existing dealerships, the abandonment of unprofitable brands, and the creation of new economic models regarding the manner in which automobiles are sold.
- E. Continued competition between the City and the County for a diminishing share of vehicular dealerships is non-beneficial to both jurisdictions. Therefore it is in the mutual best interest of the City and County enter into the Agreements contained in Exhibits A and B, attached hereto.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

Section 1. The City of Sacramento and the County of Sacramento will work together to stabilize and expand existing automobile dealerships and position the City and the County to compete effectively for new dealerships within the region.

Section 2. The City and the County will work collaboratively to grow the auto dealership industry and share in the collective benefits, instead of the norm which has jurisdictions competing for significant drivers of the economy.

Section 3. The City's and the County's joint marketing efforts include:

- Retention practices – Coordinated effort to retain existing dealers within the two jurisdictions
- Expansion efforts – Permit assistance and coordinated programs for qualified projects to assist in expanding the existing dealership base
- Attraction efforts – Foster and facilitate siting opportunities and focus on attracting auto dealers not currently located in the area and prepare for an expanded green fleet of autos using alternative fuels

Section 4. The City Council hereby approves the Agreement contained in Exhibit A, attached hereto and made part of this resolution, and authorizes the City Manager or his designee to execute said Agreement between the City of Sacramento and the County of Sacramento relating to the joint support of vehicular dealerships; and when it is completed, execute Exhibit A of said Agreement contained in Exhibit A of this resolution and attach that Exhibit A of the Agreement as an addendum to the Agreement; and to execute any Reimbursement Agreement consistent with the exemplar contained in Exhibit B of said Agreement contained in Exhibit A of this resolution.

Section 5. The City Council hereby approves the Agreement contained in Exhibit B, attached hereto and made part of this resolution, and authorizes the City Manager or his designee to execute the Agreement between the City of Sacramento and the County of Sacramento relating to Mel Rapon Honda.

Section 6. The City Manager or his designee is authorized to include the agreement provisions in the City's annual budget and make any payments to the County of Sacramento as are required under the Agreements described in Sections 4 and 5 of this resolution.

Exhibit A to Attachment 1

**AGREEMENT BETWEEN
THE COUNTY OF SACRAMENTO AND THE CITY OF SACRAMENTO,
RELATING TO JOINT SUPPORT OF VEHICLE DEALERS**

This AGREEMENT (hereinafter "Agreement") is made and executed in duplicate this ____ day of _____ 2008, by and between the COUNTY OF SACRAMENTO, a political subdivision of the State of California (hereinafter referred to as "COUNTY"), and the CITY OF SACRAMENTO, a municipal corporation (hereinafter referred to as "CITY").

RECITALS

A. CITY and COUNTY desire to foster the retention and renovation of automobile dealers which exist or may exist within both the unincorporated territory of COUNTY as well as within the territory of CITY; and

B. The automobile sales industry is undergoing significant changes which are resulting in both the aggregation of existing dealerships and the creation of new economic models regarding the manner in which automobiles are sold; and

C. CITY and COUNTY believe it is within their respective institutional interests to meet these changes by cooperating to retain and attract automobile dealerships without regard to the specific locations of such dealerships within the territorial limits of CITY or the unincorporated territory of COUNTY; and

D. CITY and COUNTY, in addition to jointly developing and implementing strategies for the retention, renovation and attraction of automobile dealerships, desire to share the revenues derived from such businesses in the manner set forth in this Agreement.

COUNTY and CITY hereby agree as follows:

1. **Recitals.** The facts set forth in the foregoing recitals are true and are hereby incorporated into this Agreement.

2. **Definitions.** For purposes of this Agreement, the following terms shall have the meanings set forth below:

(a) "Sales Tax Revenue" means the revenue from the sales and use tax levied and received by the CITY and COUNTY pursuant to the "Bradley-Burns Uniform Local Sales and Use Tax Law" (currently one percent), or any successor statutory provision, that is collected from sales occurring on the Property. "Sales Tax Revenue" does not include any sales tax revenue resulting from a tax-rate increase in the CITY or COUNTY that becomes effective after the effective date of this agreement.

(b) "Excess Sales Tax Revenue" means the amount of Sales Tax Revenue the CITY or COUNTY derives from Vehicle Dealers doing business in their respective jurisdictions during a specified time period, which is in excess of the lesser of their respective Base Tax Revenue amount or Adjusted Base Tax Revenue amount for the same time period.

(c) "Base Tax Revenue" means the amount of Sales Tax Revenue derived in the fiscal year 2008 (Base Year) by either CITY or COUNTY from Vehicle Dealers conducting business in their respective jurisdictions during the Base Year. Base Tax Revenue shall be calculated specific to each Vehicle Dealer, and for each party is the sum of all Sales Tax Revenues derived from all Vehicles Dealers doing business in their respective jurisdictions during the Base Year. Once those individual Base Tax Revenue amounts are determined, a schedule of Vehicle Dealers existing in the CITY and COUNTY during the Base Year and their respective original Base Tax Revenue amounts shall be listed in Exhibit "A", and attached hereto as an addendum and incorporated herein by this reference.

EXHIBIT B
TO AGREEMENT BETWEEN
THE COUNTY OF SACRAMENTO AND THE CITY OF SACRAMENTO,
RELATING TO JOINT SUPPORT OF VEHICLE DEALERS

Reimbursement Agreement Exemplar

This REIMBURSEMENT AGREEMENT (hereinafter "Agreement") is made and executed as of _____, 200_, by and between the COUNTY OF SACRAMENTO, a political subdivision of the State of California ("COUNTY"), and the CITY OF SACRAMENTO, a municipal corporation ("CITY").

RECITALS

- A. CITY and COUNTY mutually desire to foster attraction and retention of Vehicle Dealers which exist or may exist within both the unincorporated territory of COUNTY as well as within the territory of CITY;
- B. In order to attract or retain Vehicle Dealers, CITY and COUNTY may from time to time find it necessary to incur certain costs to construct infrastructure or otherwise make property within their respective jurisdictions suitable for Vehicle Dealers, or to provide financial assistance in order to make it economically feasible for Vehicle Dealers to locate within the CITY or COUNTY;
- C. Because CITY and COUNTY have executed a separate agreement to share with each other tax revenues derived from Vehicle Dealers doing business in their respective jurisdictions (the "Joint Support of Vehicle Dealers Agreement"), CITY and COUNTY will mutually benefit from incurring costs or providing financial assistance to attract or retain Vehicle Dealers to their jurisdictions;
- D. To the extent that such costs or financial assistance mutually benefits CITY and COUNTY, the parties desire to allow the party who incurs such costs or provides such financial assistance (the "providing party") to be able to seek reimbursement of those costs, in whole or in part, from the other party.

CITY and COUNTY hereby agree as follows:

- 1. The facts set forth in the foregoing recitals are true and are hereby incorporated into this Agreement.
- 2. Definitions. For purposes of this Agreement, the following terms shall have the meanings set forth below:
 - (a) "Sales Tax Revenue" means the revenue from the sales and use tax levied and received by the CITY and COUNTY pursuant to the "Bradley-Burns Uniform Local Sales and Use Tax Law" (currently one percent), or any successor statutory provision, that is collected from sales occurring on the Property. "Sales Tax Revenue" does not include any sales tax revenue resulting from a tax-rate increase in the CITY or COUNTY that becomes effective after the effective date of this agreement.
 - (b) "Excess Sales Tax Revenue" means the amount of Sales Tax Revenue the CITY or COUNTY derives from Vehicle Dealers doing business in their respective jurisdictions during

a specified time period, which is in excess of the lesser of their respective Base Tax Revenue amount or Adjusted Base Tax Revenue amount for the same time period.

(c) "Base Tax Revenue" means the amount of Sales Tax Revenue derived in fiscal year 2008 (Base Year) by either CITY or COUNTY from Vehicle Dealers conducting business in their respective jurisdictions during the Base Year. Base Tax Revenue shall be calculated specific to each Vehicle Dealer, and for each party is the sum of all Sales Tax Revenues derived from all Vehicles Dealers doing business in their respective jurisdictions during the Base Year. Once those individual Base Tax Revenue amounts are determined, a schedule of Vehicle Dealers existing in the CITY and COUNTY during the Base Year and their respective original Base Tax Revenue amounts shall be listed in Exhibit "A", and attached hereto as an addendum and incorporated herein by this reference.

Once the CITY's and COUNTY's respective Base Tax Revenue amounts are established in the Base Year, their Base Tax Revenue amounts shall remain at those same amounts for all future years unless required to be adjusted downward. Base Tax Revenue for a particular Vehicle Dealer shall terminate if the dealership goes out of business or relocates its business to a jurisdiction outside of the CITY or COUNTY or into a city other than the CITY within COUNTY. A dealership that does not engage in the sale of cars or trucks for a period of six months or more is deemed to have gone out of business. The Base Tax Revenue for a Vehicle Dealer shall also terminate if the Property of the dealership is located within an area that incorporates to form a new city, or if such area is annexed to a city other than the City of Sacramento. If the Base Tax Revenue for a particular Vehicle Dealer terminates, the CITY's or COUNTY's Base Tax Revenue amount shall be reduced by the proportionate amount that is attributable to said Vehicle Dealer (Adjusted Base Tax Revenue). The parties shall update Exhibit A annually, as necessary, to reflect downward adjustments to their Base Tax Revenue by deleting the original Base Tax Revenue Amount for each terminating Vehicle Dealer.

Base Tax Revenue does not include sales tax revenue received by the COUNTY from the City of Folsom pursuant to a separate agreement that was entered into prior to the effective date of this agreement.

(d) "Adjusted Base Tax Revenue" means the reduced level of the CITY's or COUNTY's Base Tax Revenue proportionate to the amount of Base Tax Revenue that is attributable to a particular Vehicle Dealer who terminates its automobile dealership within the CITY or COUNTY because it goes out of business, relocates outside of the CITY or COUNTY, or is subject to incorporation or annexation by another city.

(e) "Vehicle Dealer" means a retailer who now sells or in the future will sell new or used cars or trucks within the CITY or COUNTY who is also a "dealer" as defined by Vehicle Code Section 285, but shall not include Mel Raption Honda if the parties have concurrently entered into a separate agreement regarding said business entity, or Asbury Sacramento Imports, LLC, dba Mercedes Benz of Sacramento, if this business is included in said separate agreement as a subtenant of Mel Raption Honda. For purposes of this subsection, "cars" include vans that are sold primarily as passenger vehicles, and "trucks" include pickup trucks and cargo vans with a cargo capacity of one ton or less.

(f) "New Vehicle Dealer" means a Vehicle Dealer who commences doing business on a Property within the CITY or COUNTY after the Base Year.

(g) "Property" means the situs within the unincorporated area of the COUNTY or in the territorial limits of the CITY where a Vehicle Dealer has established a car or truck dealership.

3. If CITY or COUNTY wants to incur any costs or provide financial assistance (providing party) because it believes such costs are necessary to encourage Vehicle Dealers to remain within either party's jurisdiction, or to attract Vehicle Dealers to locate within either of their jurisdictions, and the providing party wants to later seek reimbursement from the other party



OFFICE OF THE
CITY TREASURER

RUSSELL T. FEHR
CITY TREASURER

CITY OF SACRAMENTO
CALIFORNIA

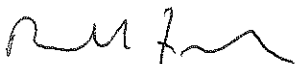
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August 26, 2008

MEMORANDUM

To: Mayor and Council Members

From: Russell Fehr, City Treasurer 

Subject: Support of City and County Auto Sales Tax Sharing Agreement

I wish to convey my full support of the Auto Sales Tax Sharing Agreement between the City and the County being presented to the Mayor and City Council for approval. The agreement protects the City's base revenue, provides for future revenue sharing, and removes potential obstacles for auto dealers to locate at sites which would maximize potential sales. The increases in sales will increase City and County revenue.

As you well know, City per capita sales tax revenue from auto sales lags far behind regional and statewide averages. The key to reversing this position is locating dealerships currently within the City and the County to sites to compete with the auto malls and dealerships located along or near major transportation corridors. New dealerships will also be attracted to such sites. Simply put, the City has the sites and the County has the dealerships.

This precedent-setting agreement should result in increasing City tax revenue over time and presents no significant risks.