August 11, 2026
City Council Meeting

PowerPoint Presentations

ITEM 8.1

Orange Vehicle Incentive Program (VIP)

Public Hearing
Government Code Section 53083

City Council Meeting

August 11, 2026

Background & Context

Council Direction & Strategic Alignment

- May 26, 2026 – Council reviewed the draft Vehicle Incentive Program (VIP) and directed staff to prepare the economic development subsidy report and schedule this public hearing.

Goal 3: Enhance Economic Development and Achieve Fiscal Stability.

Program Contingency

- Program commences only upon voter approval of a future transactions and use tax (sales tax) measure.
- Term aligned to the measure: April 1, 2027 to April 1, 2040 (13 years).

Orange Vehicle Incentive Program

A buy-local rebate for Orange Residents and Businesses

- $500 back to an Orange resident or business that buys or leases a new vehicle in Orange.
- $250 back for a qualifying pre-owned vehicle (minimum sales price of $15,000).
- Applied as a discount at the point of sale.
- Motorcycles, off-road vehicles, and watercraft are not eligible.
- The dealerships do not keep the rebate — they administer it on behalf of the City.

Five Participating Dealerships

- Mazda, Selman Chevrolet, Nissan, Toyota, Villa Ford (of Orange)
- Annual rebates capped at $1,550,000 per year
- Program is contingent on voter approval of the sales tax measure.

How the Rebate Can Be Applied

Orange residents pay the same 8.75% vehicle sales tax rate regardless of where in California they buy their vehicle.

Buy in Tustin → Pay 8.75%

Buy in Garden Grove → Pay 8.75%

Buy in Santa Ana → Pay 8.75%

Buy in Orange → Pay 8.75%, Immediately Get $500 Back

Buy in Orange and get $500 back versus paying the full tax elsewhere.

Economic Development Subsidy

CA Govt. Code Section 53083 Requires
Any public expenditure of $100,000 or more to stimulate economic development requires a posted written report Online and a noticed public hearing.

What the Report Covers – Key Items

Statutory §53083 Beneficiaries: The five participating Orange franchised dealerships
Direct Rebate Recipients: Orange residents and businesses
Term: April 1, 2027 to April 1, 2040 (13 years).

Public Purpose: Protect ≈$128.5M in existing local purchasing activity
≈$1.1M per year in existing point-of-sale revenue
≈655 dealership jobs.

Projected Revenue: ≈$118,000/year in new retained revenue from ≈275 vehicles
A conservative, and secondary goal to the protection of current revenues.

Orange VIP

VEHICLE INCENTIVE PROGRAM

Orange VIP Program

Program Methodology

1 Eligibility

- Orange residents and licensed Orange businesses
- Valid only at participating Orange franchised dealerships

2 Incentive Structure

- $500 rebate for qualifying new vehicle purchases or leases
- $250 rebate for qualifying pre-owned vehicle purchases
- Pre-owned vehicles must be at least $15,000

3 Point-of-Sale Application

- Dealer applies rebate directly at purchase or lease
- Rebate shown on contract as "Orange VIP Rebate"

4 Documentation & Verification

- Proof of Orange residency or Orange business license required
- Dealer collects forms, invoice, and registration documentation

5 Monthly Reimbursement Process

- Dealership submits eligible rebate requests monthly
- City reviews and reimburses approved claims within 30 days

6 Program Controls

- Annual rebate cap: $1,550,000
- Program term: April 1, 2027 – April 1, 2040
- Subject to annual appropriation by the City Council

Why Include Leases?

- Resident Direct benefit: Orange residents who lease shouldn’t be excluded simply because they choose to lease rather than purchase.

- Taxable Transaction: Amounts due at signing and monthly lease payments generate taxable activity, the tax is factored in the total monthly lease amount on residents.

- Limited Share: Leases represent approximately 16% of dealer sales.
- Repeat local customer: Lease customers typically return to vehicle market every 2–3 years.

- Used inventory: Off-lease vehicles help replenish constrained pre-owned inventory and create another potential local sale.

Program Summarized

If the Tax Measure doesn’t pass, there is no VIP.

If it passes, Orange residents pay Orange’s Sales Tax Rate on registered vehicles — whether they buy in Orange, Stanton, Santa Ana, or another city.

So the goal of the program is to give Orange Residents/Business a reason to shop Orange:
$500 for a purchase or lease of a vehicle
$250 for a qualifying used vehicle

The resident receives the benefit. The dealership administers it.

The City protects existing Bradley-Burns revenue, local sales, and local jobs.
Council retains control through annual appropriations and the required five-year review.

Recommendation

1. Conduct a public hearing required pursuant to California Government Code Section 53083.
2. Authorize the Mayor and City Clerk to execute a Participation Agreement with the five participating Orange franchised vehicle dealers for April 1, 2027 to April 1, 2040, not to exceed $1,550,000 per year in rebates ($20,150,000 over the 13-year term), contingent upon voter approval of a future transactions and use tax measure.
3. Approve the program framework and economic development subsidy report and direct staff to return following the November 2026 election with implementation actions and budget appropriation requests.

Questions?