



Agenda Item

Orange City Council

Item #: 10.3.

5/26/2026

File #: 26-0331

TO: Honorable Mayor and Members of the City Council

FROM: Jarad Hildenbrand, City Manager

1. SUBJECT

Vehicle Incentive Program Discussion

2. SUMMARY

The draft Vehicle Incentive Program (VIP) would provide rebates to Orange residents and businesses that purchase or lease vehicles from participating Orange auto dealerships. The program is intended to encourage residents and businesses to make large retail purchases locally in order to support local jobs, local dealerships, and the City's sales tax base.

3. RECOMMENDED ACTION

1. Discuss the draft vehicle incentive program.
2. If the City Council wishes to move forward with a vehicle incentive program, direct City staff to prepare an economic development subsidy report and schedule a public hearing to consider approval of the vehicle incentive program, contingent upon voter approval of any future transactions and use tax increase.

4. FISCAL IMPACT

There is no fiscal impact associated with tonight's discussion. As proposed, the annual program would cost \$1,600,000, with \$1,550,000 allocated for rebates and \$50,000 set aside for outreach and program administration. This draft program is entirely contingent upon Orange voters approving any potential transactions and use tax (sales tax) increase.

5. STRATEGIC PLAN GOALS

Goal 3: Enhance Economic Development and Achieve Fiscal Sustainability.

6. DISCUSSION AND BACKGROUND

Shop local programs encourage residents to support local businesses by spending their dollars in Orange. By choosing to shop local, residents can support local jobs, local property investment, and local public services such as police, fire, parks, and libraries. Vehicle purchases are among the largest taxable retail purchases many residents make. Encouraging those purchases to occur within Orange can help retain local sales tax revenue that might otherwise be lost to neighboring jurisdictions or lost to neighboring jurisdictions and competing regional marketplaces. The proposed Vehicle Incentive Program (VIP) would:

- A. Provide a \$500 rebate to Orange residents and businesses who purchase or lease a new vehicle from eligible dealerships; or
- B. Provide a \$250 rebate to Orange residents and businesses who purchase a pre-owned vehicle from eligible dealerships

Eligible dealerships include:

- Mazda of Orange
- Selman Chevrolet
- Stadium Nissan
- Toyota of Orange
- Villa Ford of Orange

The program would apply to the purchase and lease of all new vehicles as well as the purchase of pre-owned vehicles with a minimum final sales price of \$15,000.

Unlike many retail sectors, automobile purchases generate significant one-time taxable sales and are often highly mobile, with consumers frequently shopping across city boundaries. The proposed program is intended to encourage residents and businesses to complete those purchases locally in order to support Orange-based dealerships, local employment, and local tax revenues. Because automobile purchases generate substantial taxable sales, even modest increases in local purchasing activity may help offset program costs through increased local sales tax generation.

Motorcycles, off-road vehicles, or watercraft would not be eligible purchases for this program. Participating dealerships would provide the rebate to qualified customers and then submit documentation to the City for reimbursement (see attached program guidelines for additional details about program administration).

Pursuant to California Government Code Section 53083, implementation of the proposed program would require City Council approval of an economic development subsidy report following a duly noticed public hearing. The proposed program term would be from April 1, 2027, to April 1, 2037.

The program budget would be limited to \$1,550,000 per year, with an additional \$50,000 set aside for the City to market and administer the program. Staff is requesting City Council direction regarding preparation of the required economic subsidy report and scheduling of a public hearing.

7. ATTACHMENTS

- Draft Vehicle Incentive Program