Economic Development Subsidy Report

Pursuant to Government Code Section 53083

For a City of Orange Resident Vehicle Incentive Program

Pursuant to Government Code Section 53083, the City Council of the City of Orange must hold a noticed public hearing and, prior to the public hearing, provide all of the following information in written form and available to the public through the City's website regarding a proposed economic development subsidy provided by the City pursuant to a Participation Agreement between the City of Orange and 5 franchised dealers (Agreement), in connection with the Vehicle Incentive Program. Notice was published on the City's website for a public hearing to be held on August 11th.

The purpose of this report is to provide the information required pursuant to Government Code Section 53083 in regards to the Orange Vehicle Incentive Program. This report shall remain available to the public and posted on the City's website until the end date of the economic development subsidy, as further described in number 2 below.

(1) The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy, if applicable.

The City proposes to enter into a Participation Agreement with the five franchised automobile dealerships listed below. For purposes of this report, the participating dealerships are identified as business-entity beneficiaries because they are parties to the Participation Agreement and may receive an indirect economic benefit from increased or retained vehicle sales resulting from the Vehicle Incentive Program.

The direct financial incentive will be provided to eligible City of Orange residents and businesses that purchase a qualifying vehicle from a participating dealership. The Participation Agreement will establish the responsibilities of the City and each participating dealership, including purchaser eligibility verification, required documentation, program administration, and payment procedures. The participating dealership entities are:

Mazda of Orange 1350 W. Katella Ave. Orange, CA 92867	**Selman Chevrolet** 1800 E. Chapman Ave. Orange, CA 92866
Nissan of Orange 1140 W. Katella Ave. Orange, CA 92867	**Toyota of Orange** 1400 N. Tustin Ave. Orange, CA 92867
Villa Ford of Orange 2550 N. Tustin Ave. Orange, CA 92865	

(2) The start and end dates and schedule, if applicable, for the economic development subsidy.

Upon City Council approval, the proposed Participation Agreement is expected to commence on April 1, 2027, and end on April 1, 2040, for a thirteen-year term set to align with the duration of the proposed sales tax measure, which is anticipated for the November 2026 ballot and is contingent upon voter approval. Should the measure be extended or renewed, the City Manager and/or City Council would have the authority to extend the VIP accordingly. Because the term of the sales tax exceeds ten years, the City will post this report on the City's website for the full term, issue an interim report to the Council within five years of approval, and the City Council will hold a public hearing at the conclusion of the \subsidy, consistent with Government Code Section 53083.

(3) A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.

The economic development subsidy to Orange residents and businesses is $500 per new vehicle and $250 per pre-owned vehicle purchased from a participating dealership, for a maximum subsidy of $1,550,000 per year over the 13-year proposed term, for a maximum cumulative total of $20,150,000. In addition, up to $50,000 per year is budgeted for City marketing and administration of the VIP, for a total estimated public expenditure of up to $1,600,000 per year — totaling up to $20,800,000 over the term.

The VIP would be funded by a portion of the revenue generated by the proposed sales tax measure. Pre-owned vehicles must have a final agreed-upon sales price of at least $15,000. Pre-owned vehicles must have a final agreed-upon sales price of at least $15,000. Qualifying leases are limited to new cars and trucks. Pre-owned vehicle leases, motorcycles, off-road vehicles, and watercraft are not eligible. These figures are maximum (appropriation) ceilings; the estimated actual rebate cost, based on current purchase volumes, is provided in item 5 below. The program is anticipated to be funded through annual appropriations from legally available City revenues. All program expenditures will remain subject to City Council for budget approval and the terms of the Participation Agreement.

(4) A statement of the public purposes for the economic development subsidy.

With the proposed sales tax measure set for the November 2026 ballot, local dealerships have expressed concern that a citywide sales tax increase could lead to a decrease in the potential number of cars sold or leased to residents. The VIP has been developed to address the potential leakage of local automotive purchases to outside jurisdictions. This represents a shifting in local revenues, as well as the loss of funds needed for vital City services, to outside jurisdictions, resulting in a negative impact on the City's local economy. To spur residents to continue to purchase or lease from Orange dealerships, the Resident VIP incentive has been proposed.

(5) Projected tax revenue to the local agency as a result of the economic development subsidy.

With targeted marketing and program awareness efforts, staff anticipate that the proposed incentive program will increase the number of eligible City of Orange residents and businesses purchasing vehicles and, importantly, improve the City's ability to retain a portion of those transactions within Orange rather than losing sales activity to competing dealerships in surrounding jurisdictions. Staff estimates that the Vehicle Incentive Program will retain approximately 205 new-vehicle purchases and 70 pre-owned vehicle purchases annually at participating dealerships located within the City of Orange. These estimates represent purchases that are assumed to occur outside the City in the absence of the program.

Using estimated average transaction values of $49,182 for a new vehicle and $24,591 for a pre-owned vehicle, the projected annual taxable sales retained within the City are calculated as follows:

- 205 new vehicles × $49,182 = $10,082,310
- 70 pre-owned vehicles × $24,591 = $1,721,370
- Total estimated taxable sales = $11,803,680

Applying the City's existing 1.0% Bradley-Burns local sales tax allocation, the program is projected to generate approximately $118,037 in additional annual tax revenue to the City:

- $11,803,680 × 1.0% = $118,037

Assuming consistent annual participation throughout the proposed 13-year program term, the cumulative projected tax revenue would be approximately $1.53 million, without adjustment for inflation, changes in vehicle prices, or changes in purchasing activity.

The proposed one-cent local transactions and use tax is generally associated with the purchaser's place of registration or use. Because an Orange resident may generate this revenue for the City regardless of whether the vehicle is purchased from a dealership located inside or outside Orange, revenue from the proposed tax measure is not included in the amount projected to result directly from the Vehicle Incentive Program.

Actual revenue will depend on program participation, the number of purchases that are retained within Orange because of the incentive, vehicle transaction values, purchaser eligibility, and applicable tax-allocation rules.

(6) Estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

The proposed VIP will assist in retaining the existing jobs at the five Orange auto dealerships — its principal purpose. The VIP is not expected to create a significant number of new net positions; as an offset to a sales tax increase rather than a demand stimulus, its primary effect is to sustain existing employment, and new part-time or temporary positions are anticipated to grow with corresponding sales growth. Based on employment information provided, dealerships currently employ approximately 620 full-time and 35 part-time positions (approximately 655 total), with no temporary positions reported.