



**CITY OF GARDEN GROVE
NEW VEHICLE REBATE PROGRAM
ANALYSIS - AB 562**

April 30, 2019

April 30, 2019

Lisa Kim,
Director of Community and Economic Development
CITY OF GARDEN GROVE
11222 Acacia Parkway
Garden Grove, CA 92840

RE: AB 562 Analysis
New Vehicle Rebate Program

Dear Ms. Kim,

The City of Garden Grove ("City") retained Tierra West Advisors, Inc. ("Tierra West") to review, analyze, and prepare a report pertaining to a proposed New Vehicle Rebate ("Program"). The Program provides for a City rebate in the amount of \$500.00 to a verified Garden Grove resident or business for the purchase of a new vehicle from a participating Garden Grove new vehicle dealer. This economic development program is based upon the City's 2018 Economic Development Strategic Plan ("Strategic Plan") that was formalized by the City Council in November 2018. The New Vehicle Rebate Program is in full compliance of the goals identified in the Strategic Plan and complies with the requirements as well as the spirit of Assembly Bill 562 ("AB 562").

The City adopted Strategic Plan defines the following economic development goals:

- **GOAL 1:**
Enhancement of Job Opportunities
- **GOAL2:**
Leverage Creative Funding and Financing Tools
- **GOAL 3:**
Expand and Preserve Locally-Generated Tax Revenue

- **GOAL 4:**
Promote tourism development initiatives and provide direct support for the development of the Grove District-Anaheim Resort
- **GOAL 5:**
Community-Based Economic Development
- **GOAL 6:**
Housing Opportunity and Investment

Due to the elimination of Redevelopment, the State Legislature and Governor Brown addressed the loud outcry by cities, counties, and communities for the need to assist local agencies, as well as the State, to encourage employment, retain jobs and companies within local communities. The elimination of Redevelopment has left the City with a loss of local resources to encourage economic development and maintain local services. In response to the loss of this revenue generating tool and in order to encourage local spending, the City is proposing a New Vehicle Rebate Program that will comply with the public reporting provisions mandated by AB 562 and achieve 70% of goals adopted by the City in the 2018 Economic Development Strategic Plan.

Tierra West recognizes that the provisions of the Program will provide a strong public purpose through the City's continued expansion of local economic development opportunities for businesses within the City, provide incentives to invest, encourage residents to Buy Local, support continued growth of the City's General Fund revenue and tax base, as well as improve economic and physical conditions and services in the City.

Sincerely,

TIERRA WEST ADVISORS, INC.



John N. Yonai

As part of the Buy in Garden Grove (“BiGG”) shop-local program, the City would like to implement a NEW VEHICLE REBATE PROGRAM (“Program”) where City residents and businesses would receive a \$500.00 rebate for a purchase of a new vehicle from a participating Garden Grove new vehicle dealer. The Program includes the ability to implement the provisions of AB 562, a statewide economic development tool passed by Governor Brown in late 2013 for the purpose of allowing local jurisdictions to induce economic development for the creation and maintenance of jobs. The City is proposing to provide a financial incentive to local residents and businesses in the form of an economic development subsidy to the Auto Dealerships as described in the Participation Agreement.

The end of Redevelopment has deprived municipalities, such as Garden Grove, of a valuable economic development tool. The BiGG program is designed to implement the mission and key goals of the Economic Development Strategic Plan by strengthening and sustaining the City’s economic base by encouraging spending at local merchant businesses thereby improving the physical, social and economic health of its residents, businesses and visitors. This is stated in the 2018 Strategic Plan for Garden Grove.

With the loss of resources to encourage economic development and support public services provided to its residents and local businesses, the City of Garden Grove, as well as many cities and municipalities Statewide, are considering alternative economic development tools. While Sales Tax from the local businesses has historically been an important source of revenue, the City of Garden Grove supports major tax generating uses so the economy grows in a healthy and solid direction by expanding services and outreach programs to local automobile dealerships in the area of new vehicle sales as well as explore buy local program opportunities for both residents and businesses.

Assembly Bill (“AB 562”) which added Section 53083 to the Government Code, requires public input prior to approving an “Economic Development Subsidy” by requiring among other things:

- A report prior before approving any economic development subsidy disclosing information as required by AB 562;
- Posting of descriptive information in written form and made available for viewing to the public, and through the City's website;
- A report regarding the Economic Development Subsidy and public hearing to consider any comments regarding information contained within the report within the term of the Economic Development Subsidy; and,
- Where an Economic Development Subsidy has a term of more than ten (10) years, an additional public hearing at the conclusion of the Economic Development Subsidy.

This report contains the information required by AB 562 and covers the general framework for providing an Economic Development Subsidy for the purpose of encouraging the retention, expansion, and attraction of automobile dealerships. Some of the information and calculations provided are estimates and based on available information.

The framework provided demonstrates that by offering this type of economic development incentive, the City of Garden Grove will stimulate economic development and support public services provided by the City to its residents and local businesses.

AB 562 Reporting Requirements

On and after January 1, 2019, each local agency shall, before approving any Economic Development Subsidy within its jurisdiction, provide all of the following information in written form available to the public, and through its Internet Website, if applicable:

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

1. Volkswagen of Garden Grove, 10800 Trask Ave, Garden Grove, CA 92843
2. Garden Grove Kia, 10081 W Garden Grove Blvd, Garden Grove, CA 92844

3. Simpson Chevrolet, 10150 Trask Ave Garden Grove, CA 92843
4. Russell Westbrook Hyundai of Garden Grove, 9898 Trask Ave Garden Grove, CA 92844
5. Garden Grove Nissan, 9222 Trask Ave Garden Grove, CA 92844
6. Toyota Place Dealership, 9670 Trask Ave Garden Grove, CA 92844 Garden Grove, CA collectively referred to as "AUTO DEALERSHIPS".

2. The start and end dates and schedule.

Commencing July 1, 2019 and continue for a five (5) year period through June 30, 2024, unless extended or earlier terminated by action of the City Council. According to the Participation Agreement, any Auto Dealership may terminate its participation in the Program by providing the City with a thirty (30) days' written notice.

3. A description of the subsidy, including an estimate of the total expenditure of public funds or revenue lost to the local agency.

The proposed Participation Agreement will govern the process of reimbursement to participating dealerships that provide a corresponding discount on the purchase price of any qualifying new vehicle purchased in the City of Garden Grove by a resident or business (excluding fleet sales) of the City of Garden Grove. The amount of reimbursements by the City for the Program is estimated to be approximately \$500,000 per fiscal year (July 1-June 30).

REBATE PROGRAM PARTICIPATION TERMS

City of Garden Grove Responsibilities: The City agrees to provide to the New Auto Dealership ("Dealership(s)") a rebate of \$500.00 per qualifying new vehicle purchased by a resident and/or business of the City of Garden Grove, provided:

- A. The Dealership documents the sale of the new vehicle to an eligible City of Garden Grove resident or business under the program guidelines;

- B. Dealerships discount the purchase price of the qualifying new vehicle an additional amount of \$500.00 from the agreed upon purchase price;
- C. The Dealership submits all required rebate forms to the City within 30 days of the final sale date, providing the rebate request and corresponding proof of sale documents under the program guidelines established by the City for administration of the Program;
- D. A rebate of \$500.00 each is allowed for each new vehicle purchased per household/residence and/or business in which the new vehicle is registered at a valid Garden Grove address.
- E. The City will reimburse a participating dealership within 30 days of submittal of a request for reimbursement and of all documentation required by the City to verify the sale of a new vehicle under the program guidelines. All purchases shall be bundled and submitted to the City on a monthly basis, and reimbursements will be issued on a monthly basis by the City. For example, purchases submitted for month of July shall be processed in August and payment made within 30 days.
- F. The City Manager or his designee will administer this Program and take all necessary actions to implement it on behalf of the City.

Auto Dealership Responsibilities: The Auto Dealership shall meet all the following requirements:

- A. The Dealership must be a New Franchised Vehicle Dealer located in the City of Garden Grove;
- B. The Dealership must be in good standing with its manufacturer;
- C. The Dealership shall have no unresolved code violations or any legal or administrative proceedings with the City;
- D. The Dealership shall promote the Program with a minimum of \$25,000 annually in marketing efforts; and,
- E. The Dealership shall meet the requirements of the City under the program

guidelines established by the City Manager or designee for the Program.

Garden Grove Resident Responsibilities: The Garden Grove Resident shall meet all the following requirements:

- A. The applicant must be able to prove a valid City of Garden Grove residency in two ways, such as providing a current identification or driver's license and a utility bill under the program guidelines established by the City Manager or designee for the Program; and
- B. The Program rebate is available only for the purchase of a new vehicle only from a participating and approved Garden Grove dealership.

Garden Grove Business Responsibilities: The Garden Grove Business shall meet all the following requirements:

- A. The applicant must have its headquarters and a valid business license in the City of Garden Grove under the program guidelines established by the City Manager or designee for the Program; and
- B. The Program rebate is available only for the purchase of a new vehicle only from a participating and approved Garden Grove dealership. Fleet purchase transactions are not eligible for the Program.

4. A statement of the public purposes for the subsidy.

Public Purpose

The 2018 Economic Development Strategic Plan states that the BiGG program is designed to implement the mission and key goals of the Economic Development Strategic Plan by strengthening and sustaining the City's economic base by encouraging spending at local merchant businesses thereby improving the physical, social and economic health of its residents, businesses and visitors. Specifically, the

Program will address the goals in the Plan:

- *Economic Development Goal #1 - Enhancement of Job Opportunities*

Strategic Action 1.2(a) Business Investment Liaison - Provide local support services for business recruitment by continuing to promote local services for new and existing businesses such as the BiGG Program and *Garden Grove is your Market* campaign.

- *Economic Development Goal #3 - Expand and Preserve Locally-Generated Tax Revenue*

Strategic Action 3.3(b)(i) Sustain Economic Tax Base - Proactively support major tax generating uses so the economy grows in a healthy and solid direction by expanding services and outreach programs to local automobile dealerships in the area of new vehicle sales as well as explore buy local program opportunities.

The general welfare and well-being of City residents depends largely on the goods and services that are made available to the public. This in turn generates tax revenues that help provide necessary services to the City's residents and businesses. In addition, the automotive industry creates the type of jobs contemplated in the City's economic goals and objectives with the average dealership employing an average of 78 employees earning an average of \$57,628 (*NADA 2012 data for the state of California*).

5. Projected tax revenue to the local agency as a result of the subsidy.

N/A: The start and end dates of each individual subsidy are not know at this time as this is for a general framework. However, within each subsidy approved under the Program, the information is as follows:

- See Attachment 1.
- After the expiration of five (5) years from the commencement of the Program, the

revenue shall be 100% of taxes collected.

In addition to the sales tax generated from new automobiles, parts and accessory sales, and maintenance or other automobile services rendered, the City of Garden Grove will realize other public benefits. Auto dealerships could provide desirable and attractive shopping experiences for residents, businesses and visitors as well as promote job creation opportunities in the City of Garden Grove.

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

It is estimated that 14 FTE, 0 PTE and 0 Temporary positions will be maintained by this Program and that by encouraging local spending, job retention efforts will be supported.

BUY IN GARDEN GROVE						
Garden Grove Economic Development Program						
Proposed New Vehicle Rebate Program						
New Vehicle Dealerships						
Program Terms						
<i>Program Life</i>	<i>Five (5) years</i>					
<i>Limited to New Vehicle Dealers</i>	Volkswagen, Kia, Chevrolet, Hyundai, Nissan, Toyota					
<i>Limited to New Vehicle Sales- No Leases</i>						
<i>Limited to verified Garden Grove Residents</i>				<i>Average New Vehicle Sales Price</i>		
				\$36,500		
<i>Annual Fiscal Rebate Commitment</i>	\$500,000	<i>Annual Rebate Associated Sales</i>	\$50,000,000		<i>Annual Rebate Associated Units Sold</i>	1,134
<i>Garden Grove Program Commitment - 5 years</i>	\$2,500,000	<i>Program Rebate Associated Sales</i>	\$250,000,000		<i>Program Rebate Associated Units Sold</i>	5,669
Full Time Employee Equivalent Supported Annually by Program			<i>Estimated Salaries</i>			
	<i>Sales Personnel</i>	10	\$401,250			
	<i>Mechanics</i>	1.5	\$70,200			
	<i>Finance, Back Room</i>	2.5	\$260,000			
	<i>Estimated Annual Total FTE</i>	14	\$731,450			
Multiplier Effect Estimate based on Local Wages						
<i>Local Spending of Wages in Garden Grove by Employees**</i> <small>AMIBA</small>		31%	\$226,750			
<i>Estimated Annual Local Sales Tax</i>		1%	\$2,267			
<i>Estimated Program Local Sales Tax</i>		5 years	\$12,038			