

DATE: 8/3/99 AGENDA ITEM # 18
() APPROVED () DENIED
() CONTINUED

TO: JAMES L. APP, CITY MANAGER
FROM: BOB LATA, COMMUNITY DEVELOPMENT DIRECTOR *Bob*
SUBJECT: FINANCIAL ASSISTANCE AGREEMENT FOR JERRY RENEAU
DATE: AUGUST 3, 1999

Needs: For the City Council to consider a financial assistance agreement for Jerry Reneau Chrysler, Plymouth, Dodge (Rose Car, Inc.).

- Facts:
1. Jerry Reneau is planning an expansion of his auto dealership southward to 22nd Street.
 2. Pursuant to the City Council's adopted policy, Jerry Reneau is seeking financial assistance with permit fees and the cost of off-site improvements.
 3. The Council's Fiscal Committee (Mayor Picanco and Councilman Swanson) have met with Jerry Reneau and are recommending City Council approval of the attached financial assistance agreement.

Analysis
and
Conclusion:

The proposed expansion of Jerry Reneau Chrysler, Plymouth, Dodge will substantially improve the block between 22nd and 23rd Streets on the west side of Spring Street. The structures south of the existing business will be removed and will be replaced with an expanded auto dealership.

The expanded auto dealership is projected to provide increased employment and sales tax income to the community. Public improvements will be installed on the street frontages of the expansion area.

The City Council's adopted financial assistance policy provides a tool to reduce both Building Permit and public improvement costs. The City's practice has been to provide a reduction of Building Permit fees "up front" (at the time that a Building Permit is issued). Assistance with public improvement costs has, however, been in proportion to sales tax or other income generated by the business, and has been provided in the form of a reimbursement once the income has been generated and received by the City.

The Council's financial assistance policy permits the City Council to consider up to five years of projected income. The Council's past practice has been to limit consideration of projected income to one year for new businesses.

The structure of the financial assistance agreement with Jerry Reneau recognizes that the expansion of an existing business would seem to warrant a different approach than establishment of a new business. Whereas it is easy for a new business in town to reflect a significant increase in retail sales (since they are starting from a "Zero" base), an existing business would have greater difficulty showing a relatively large increase of sales over an established sales base.

The proposed agreement with Jerry Reneau provides for a "write down" of Building Permit fees in the same manner as all past financial assistance agreements.

Recognizing that there will be substantial public improvement costs on two street frontages, and that it will take more time to recover these costs, the proposed assistance agreement would allow Jerry Reneau up to five years to apply project income against the costs of a specific list of public improvements. To the extent that the project produces the projected income within a five year period, the cost of the list of public improvements would be reimbursed; the City's obligation to reimburse Jerry Reneau is only in proportion to income generated and would not exceed the actual cost of the installed public improvements.

Policy

Reference:

City Assistance Policy A-3A, dated January 18, 1994

Fiscal

Impact:

None (all incentives / assistance is provided in proportion to income generated)

Options:

- a. That the City Council pass the attached resolution approving the financial assistance and authorize the Mayor and City Clerk to execute the attached financial assistance agreement with Jerry Reneau, consistent with the recommendation of the Council's Fiscal Committee.
- b. Amend, modify or reject Option "a."

Attachments:

City Assistance Policy
Resolution of Approval of Assistance Agreement
Assistance Agreement for Jerry Reneau

h:\bob\60\cc\99\Jerry Reneau Agreement 26 Jul 99

CITY OF PASO ROBLES, CALIFORNIA

CITY ASSISTANCE POLICIES

SUBJECT: REQUESTS FOR CITY/AGENCY ASSISTANCE
PER THE ECONOMIC DEVELOPMENT STRATEGY

PURPOSE:

To establish a City Council policy regarding how staff should process requests for City or Community Redevelopment Agency financial assistance.

BACKGROUND:

As provided under the City's Economic Development Strategy a property owner or leasehold would typically seek City/Agency financial participation in one or more of the following ways:

- Agency participation in defraying the cost of off-site public improvements.
- Agency assistance in financing a project (e.g. through interest "write-downs" or other direct participation in acquiring or preparing the property for use/reuse).
- Payment of City fees or purchase of equipment.

POLICY:

1. It shall be the City's/Agency's policy to consider financial participation in a private development project when findings can be made that:
 - a. The project's implementation would be of substantial benefit to the purpose and intent of the Redevelopment Project or the Economic Development Strategy as determined by Economic Development staff; or
 - b. The project may not be economically feasible without City/Agency financial participation.

Regardless of the staff determination, the above evaluation will be forwarded to an ad hoc committee of the City Council. The City Council ad hoc committee will review the staff evaluation and the staff's recommendation for participation.

City of El Paso de Robles
POLICIES & PROCEDURES

POLICY NO: A - 3A

DATE: JANUARY 18, 1994

SUBJECT: REQUESTS FOR CITY/AGENCY ASSISTANCE
PER THE ECONOMIC DEVELOPMENT STRATEGY

The committee will forward their recommendation to the City Council for final determination. A recommendation not to participate by staff will also be reviewed, and in the opinion of the ad hoc committee, said denial by the staff may be forwarded to the City Council for further consideration.

2. Exception: If the request for City/Agency assistance is limited to off-site improvements that are beyond the level of public improvements that are necessary to serve the private development, and said improvements are consistent with adopted City policy, the Agency and/or City may consent to participate in the cost of public improvements without analysis of economic feasibility.
3. In order to provide a consistent and appropriate approach to considering any requests for City/Agency financial participation in a specific project, the following steps are to be followed:
 - a. All requests for City/Agency financial participation shall be referred to the Economic Development Staff to determine if the private development proposal is one that the Agency can find to be of substantial benefit to the purpose and intent of the Redevelopment Project, or the Economic Development Strategy,
 - b. If the City/Agency makes the required findings, the City/Agency would then determine whether the request for assistance relates to public improvement costs, private development assistance, or fee payments,
 - (1) if the participation is limited to public improvements in the public right-of-way, the City/Agency would consider whether or not the participation would be consistent with the City's Master Plan(s) for such improvements and are beyond the level of public improvements that are necessary to serve the private development,
 - (2) if the participation involves defraying the costs of private development, through the acquisition, improvement of private property, or fee

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payments, the request shall be referred to staff for financial analysis to determine what level of City/Agency assistance could be warranted.

Whether or not the request relates to public or private development improvements, the City/Agency is under no obligation to financially participate in either public or private development costs.

4. If the City/Agency declines to consider any form of participation in the pending development project, no further action is necessary.
5. If the request for City/Agency assistance relates to public improvements in the public right-of-way, the matter should be considered at a joint meeting of the Agency and City Council.

If the City Council determines that the required public improvement would exceed the level of benefit attributable to the subject property or would achieve the Economic Strategy, and that it would be in the interest of the community's health, safety and welfare to have the public improvement done at this time the City could agree to install the needed public improvement. The City may charge the developer only his pro rata share minus any reoccurring economic/revenue benefit calculated over a period not to exceed five (5) years. It would, however, be possible for the Agency to reimburse the City for the cost of the public works project if found to be of benefit to the Redevelopment program.

6. If the project relates to on-site improvements (non-City), land "write downs," equipment purchase or similar City/Agency participation in private development costs, the request for participation should be referred to staff. Staff shall contract with an independent financial analyst, and unless specifically authorized by the City/Agency, analysis shall be at the applicant's cost. The financial analyst would review a "pro forma" provided by the applicant and, based on the analyst, advise the City/Agency:
 - a. what a reasonable rate of return would be for this type of business investment;

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- b. what, if any, gap exists between the cost of development and the expected rate of return on the project that is being analyzed.

7. City/Agency staff will report findings of the pro forma analysis.

If the financial analysis indicates that there is a gap that the City/Agency could participate in filling, then it would be the City's/Agencies discretion to determine whether or not the City's/Agency's investment in this project is justified. This determination would be made by comparing the consistency of this project with City/Agency Goals and Objectives, the Economic Development Strategy, and by comparing the relative degree of benefit generated in relation to other projects in which the City/Agency could participate.

8. In evaluating the level of participation in a given project, the City/Agency may take into consideration the following criteria:

- a. A credit for property tax generated over a period of five (5) years: e.g.: \$2.5 million land value at build out x 1% x 22% = City property tax share or \$5,500. \$5,500 x 5 yrs. = \$27,500 write down available for required fee payments.
- b. Up to \$150 in new sales tax per new employee or the City may opt for a detailed analysis re: the possible economic stimulus created by the increased payroll (e.g.: 100 new workers x 5 yrs. x \$150) = \$75,000 in increased sales tax).
- c. Up to 100% of sales tax generated over a period of five years assuming the company has a point of sale here and the applicant is in manufacturing. Said sales tax may not be used for a retail project unless approved by the City Council.
- d. Increase revenues due to transient occupancy tax figured at \$3.00 + \$50 in sales tax per day. Said audit will be calculated over a three year period with an occupancy factor of 65%.
- e. Other quantifiable criteria established by the Economic development Team.

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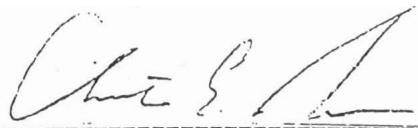
The use of the above criteria will depend on the extent the proposed project meets the objectives of the Economic Development Strategy.

9. City/agency participation shall be contingent upon execution of binding agreements that will insure that the City will be reimbursed if the applicant does not perform in accordance with the projections upon which City/Agency participation is based.

AUTHORITY:

Approved and adopted on the 18th day of January, 1994.

By _____


Christian E. Iversen, Mayor

ATTEST:



Richard J. Ramirez, City Clerk

RESOLUTION NO. 99-

**A RESOLUTION OF THE CITY COUNCIL
OF THE CITY OF EL PASO DE ROBLES
GRANTING FINANCIAL ASSISTANCE TO JERRY RENEAU**

WHEREAS, the City Council adopted an Economic Strategy in 1993, up-dated in 1999, identifying strategies to address community economic opportunities and barriers; and

WHEREAS, the Strategy focused community resources and effort towards five key economic goals, one of which is to increase manufacturing job opportunities; and

WHEREAS, pursuit of this goal led to the development of a financial incentive/assistance program to entice/stimulate business expansion; and

WHEREAS, Jerry Reneau Chrysler, Plymouth, Dodge (Rose Car Inc.), a local auto dealership, is expanding and building a new facility, adding approximately 7600 square feet of new facilities in the 2300 block of Spring Street to accommodate its growth; and

WHEREAS, Jerry Reneau anticipates that this expansion will involve the hire of up to eight new employees during their first five years of operation; and

WHEREAS, Jerry Reneau will have an obligation of paying approximately \$8,126 in city permit and impact fees, plus the obligation to install public improvements that are projected to cost up to about \$100,000; and

WHEREAS, the project fulfills the purpose and intent of the City's Economic Development Strategy (retention & expansion of businesses and employment opportunities), as well as increasing retail commerce; and

WHEREAS, financial incentives/assistance may be calculated against the new property tax income, job gains, and/or retail sales (among other factors) generated by this project.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of El Paso de Robles, that consistent with the attached Agreement (Exhibit A) financial assistance of up to \$6,200 in Building Permit fee reductions is granted, plus up to the owner's documented actual cost of installation of the list of public improvements (Exhibit B to the Economic Development Agreement) and said funds are appropriated from Account No. 115-110-5212-101 as follows: \$6,200 to be appropriated and reimbursed immediately in FY 1999/2000; the balance, of up to an estimated cost of \$100,000, may be appropriated and reimbursed based upon a dollar-for-dollar credit for retail sales generated during the five (5) year period following issuance of a Certificate of Occupancy, and said reimbursements are to be paid from the same budget account on an annual basis until the actual owner's cost of public improvements or five years has passed, whichever is sooner.

APPROVED AND ADOPTED this 3rd day of August, 1999 on the following vote:

AYES:
NOES:
ABSTAIN:

Duane J. Picanco, Mayor

ATTEST:

Sharilyn M. Ryan, Deputy City Clerk

**ECONOMIC DEVELOPMENT AGREEMENT
BETWEEN THE CITY OF EL PASO DE ROBLES
AND ROSE CAR INC.**

THIS ECONOMIC DEVELOPMENT AGREEMENT (the "Agreement") is entered into this _____ day of _____, 1999, by and between the CITY OF EL PASO DE ROBLES, a municipal corporation organized and existing under the laws of the State of California (the "City") and ROSE CAR, INC., a California corporation, dba Jerry Reneau Chrysler Plymouth Dodge ("Owner").

Recitals

A. Owner is the owner of an automobile dealership located at 2235 Spring Street, (the "Existing Property") which is located within the City of El Paso de Robles and currently operates an automobile dealership on such property. Owner wishes to expand his automobile dealership onto adjacent property located at 2223 and 2225 Spring Street, and to include the sales of used cars and automobile repair facilities. The proposed expansion of the facilities and operation of the automobile dealership and associated uses is referred to herein as the "Project." The property on which the dealership will be expanded is referred to herein as the "Expansion Property." Both the Existing Property and the Expansion Property are owned by the Jerome C. Reneau and Kathleen R. Reneau Family Trust, dated August 27, 1987.

B. Pursuant to the City's Economic Development Assistance Policy, City wishes to encourage and assist in the expansion of the facility, which will generate additional sales tax, property tax and employment opportunities within the City.

C. The City has determined that the proposed Project, if approved, will present certain public benefits and opportunities which are made possible by the parties entering into this Agreement. The Agreement will, among other things: (1) ensure the productive use of property and foster orderly growth and quality development in the City; (2) strengthen the City's economic base by provide a means of retaining existing sales tax revenues and existing jobs and providing the opportunity to increase its sales tax base and employment opportunities; (3) increase property tax revenues, resulting in fiscal benefits to the City; (4) reduce uncertainties in planning and provide for the orderly development of the Project; (5) contribute to the provision of needed public improvements; and (6) provide for the reimbursement of certain development fees to Owner in order to make development of the Project economically feasible and achieve the City's goals described in paragraph B. above.

D. Inasmuch as this Agreement provides for the participation of Owner in financing the public improvements required to carry out the project approvals for this Project, this Agreement constitutes a financing agreement within the meaning and scope of Government Code section 53511 in that it provides for a means of satisfying financing obligations for various public improvements and facilities to be owned by or maintained for the benefit of City and the public generally in the City's planning area.

NOW, THEREFORE, in consideration of the mutual covenants and promises of City and Owner, City and Owner agree as follows:

Agreements

Section 1. Parties

The City is a municipal corporation. The office of the City is located at 1000 Spring Street, Paso Robles 93446. "City" as used in this Agreement, includes the City of El Paso de Robles and any assignee of or success ro its rights, powers and responsibilities.

Owner is Rose Car, Inc., a California corporation. Owner's offices are located at 2235 Spring Street, Paso Robles, CA 93446. Wherever the term "Owner" is used herein, such term shall include any permitted nominee, assignee or successor in interest as herein prided. The qualifications and identity of Owner is of particular concern to the City, and it is because of such qualifications and identity that the City has entered into this Agreement with Owner. No voluntary or involuntary success in interest of Owner shall acquire any rights or powers under this Agreement.

Section 2. Project Site

The Existing Property and Expansion Property shall be referred to collectively herein as the "Project Site". The Existing Property and the Expansion Property are described in Exhibit A, attached hereto and incorporated herein by this reference.

Section 3. Obligations Conditional

a. Owner acknowledges and agrees that the City's reimbursement obligations, as set forth in Section 5 below, are entirely contingent upon Owner's satisfaction of the conditions set forth in Section 6, below.

b. The City acknowledges and agrees that Owner does not by this Agreement covenant to continue its business operations on the Project Site for any specified period of time, or maintain any particular level of employment on the Project Site. However, the continuation of such business operations is a condition to the City's obligations under this Agreement.

Section 4. Acquisition and Development of the Project Site

Owner intends to develop improvements on the Project Site, which shall include the development of an additional 1,600 square feet of office space and 6,000 square feet of automobile repair shop area. Owner agrees that it will be responsible, at its sole cost and expense, for applying for and obtaining all necessary environmental and land use approvals and making any submissions required by the City for the development of the Project.

It is anticipated that in connection with the development of the Project, Owner will be required to install certain public improvements which include, but are not limited to, the installation of curbs, gutters and sidewalks, cross-gutters, parkway landscaping, streetlights, handicapped access ramp, concrete alley approach and undergrounding of utilities (the "Public Improvements"). The cost of such Public Improvements is estimated to exceed SIXTY THOUSAND DOLLARS (\$60,000). A list of the Public Improvements required to be installed by Owner is attached hereto as Exhibit B and incorporated herein by reference. Owner shall install all such required Public Improvements in accordance with all City requirements, and maintain complete and detailed records and invoices of the costs of such Public Improvements, including evidence of all payment therefor, and submit all such documentation to the City.

Section 5. City Obligations

Subject to the satisfaction by Owner of all of the conditions described in Section 6., below, the City agrees as follows:

a. City agrees that, in consideration of the Owner's development of the Project on the Project Site, that it shall waive a portion of the building permit fees to be paid by Owner in an amount not to exceed SIX THOUSAND ONE HUNDRED FIFTY DOLLARS (\$6,150).

b. City agrees to reimburse Owner for a portion of the cost of the Public Improvements, until the earlier of the following: (a) when the total aggregate amount of such reimbursement payments equal the total aggregate amount actually expended by Owner for the Public Improvements described in Exhibit B hereof ; or (b) five (5) years from the date of the City's issuance of a Certificate of Occupancy for the improvements developed by Owner on the Project Site. The amount of any such reimbursement shall be made as follows:

After the issuance of a Certificate of Occupancy for the new improvements on the Project Site, and within thirty (30) days of receipt by the City of four (4) full quarters of sales tax generated by Owner on the Project Site and for each year thereafter during the term of this Agreement, City shall pay to Owner an amount equal to ONE HUNDRED PERCENT (100%) of the Additional Sales Tax (as defined below). As used herein, "Additional Sales Tax" shall mean that portion of the annual sales tax generated from the Project Site and allocated to the City that is in excess of the "Base Sales Tax," as defined herein. "Base Sales Tax" shall mean the amount of sales tax generated from the Project Site for the 12 months prior to the issuance of a Certificate of Occupancy for the improvements installed by Owner on the Project Site after the date of this Agreement and that is allocated to the City.

Section 6. Conditions to Reimbursement

Owner shall be entitled to receive a reimbursement payment if and only if the following conditions have been or are continuing to be satisfied:

a. The Project has been completed in accordance with the description set forth in Section 4. hereof, and the City has issued a Certificate of Occupancy for the improvements on the Project Site.

b. Owner has submitted evidence reasonably satisfactory to the City of all the costs of the Public Improvements and documentation of its full payment therefor.

c. Owner is operating an automobile sales dealership on the Project Site.

d. The City has received Additional Sales Tax from the Project Site.

Section 7. Indemnification

Owner hereby indemnifies and holds the City harmless from all demands, claims, actions and damages to any person or property arising out of or connected with the terms of this Agreement.

Section 8. Default

Failure by either party to perform its obligations hereunder shall constitute a default under this Agreement, and the other party may institute legal action to cure, correct or remedy such default, to recover damages for such default or to obtain any other remedy whether at law or in equity, consistent with the purpose of this Agreement.

Section 9. Termination of this Agreement

This Agreement and the obligations of Owner and City hereunder shall terminate upon the earliest occurrence of any of the following events:

a. The termination of Owner's operation of an automobile dealership on the Project Site;

b. When the total aggregate amount of the reimbursement payments paid to Owner by City equals ~~TWENTY EIGHT THOUSAND NINE HUNDRED TEN DOLLARS (\$28,910)~~; Owner's actual cost of installing the Public Improvements; or

c. Five (5) years from the issuance of a Certificate of Occupancy for Owner's improvements on the Project Site that are installed after the date of this Agreement.

Section 10. Miscellaneous Provisions

a. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

b. Time of the Essence. Time is of the essence of each and every provision of this Agreement.

c. Notices. Notices or other communications given under this Agreement shall be in writing and shall be served personally or transmitted by first-class mail, postage prepaid. Notices shall be deemed received either at the time of actual receipt or, if mailed in accordance herewith, on the third (3rd) business day after mailing, whichever occurs first. Notices shall be directed to the parties at the following addresses or at such other addresses as the parties may indicate by notice:

City of El Paso de Robles
1000 Spring Street
Paso Robles, CA 93446
Attention: City Manager

Jerry Reneau
Rose Car, Inc.
2235 Spring Street
Paso Robles, CA 93446

d. Headings. The titles and headings of the various sections of this Agreement are intended solely for reference and are not intended to explain, modify or place any interpretation upon any provision of this Agreement.

e. Waiver. No waiver of any provision of this Agreement shall be deemed or shall constitute a waiver of any other provision, whether or not similar, nor shall any waiver constitute a continuing waiver. No waiver shall be binding unless executed in writing by the party making the waiver.

f. Further Assurances. The parties shall execute, acknowledge, file or record such other instruments and statements and shall take such additional action as may be necessary to carry out the purpose and intent of this Agreement.

g. Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties' respective heirs, legal representatives, successors and assigns.

h. Entire Agreement. This Agreement and Exhibit A, which is incorporated herein, together constitute the entire agreement between the parties and supersede all prior or contemporaneous agreements, representations, warranties and understandings of the parties concerning the subject matter contained herein, written or oral. No change, modification, addendum or amendment to any provision of this Agreement shall be valid unless executed in writing by each party hereto.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their respective representatives thereunto duly authorized as of the day first written above.

CITY:

CITY OF EL PASO DE ROBLES

By: _____

Duane J. Picanco
Mayor

Attest:

By: _____

Dennis Fansler
City Clerk

OWNER:

ROSE CAR, INC., a California corporation,
dba Jerry Reneau Chrysler Plymouth Dodge

By: _____

Jerry Reneau

EXHIBIT A

DESCRIPTION OF PROJECT SITE

{To Be Inserted}

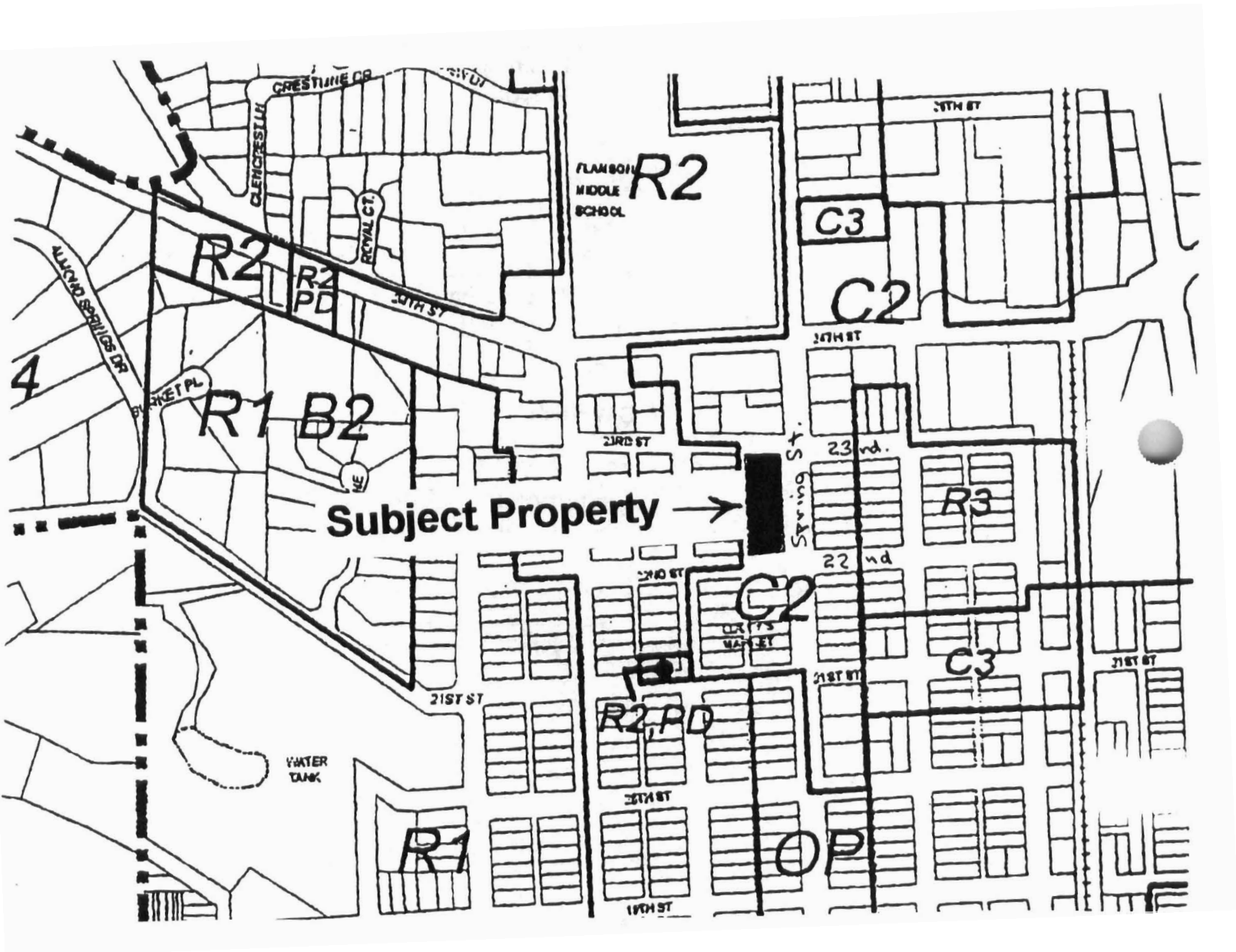


EXHIBIT B

**Public Improvements
for Proposed Expansion
Reneau Car Dealership**

<u>Item</u>			<u>Cost</u>
Curb & Gutter	350 LF @ \$15.00/LF	=	\$5,250
Sidewalk	2000 SF @ \$2.50/SF	=	\$5,000
A.C. Pave-out	5000 SF @ 2.00/SF	=	\$10,000
Cross-gutter w/spandrel	1 ea. @ \$7,000/ea.	=	\$7,000
Parkway Landscaping	200 SF @ \$1.00/SF	=	\$2,000
Street Trees	11 ea. @ \$300/ea.	=	\$3,300
Streetlights	4 ea. @ \$3,000/ea.	=	\$12,000
Handicap Ramp	1 ea. @ \$1,500/ea.	=	\$1,500
Concrete Alley Approach	1 ea. @ \$5,000 ea.	=	\$5,000
Underground Utilities @ Spring St.	L.S.	=	\$5,000
Remove Existing Trees. demo retaining wall @ Right-of-Way	L.S.	=	\$10,000
	Sub-total		\$66,050
	Contingency		\$15,000
	Design Costs		\$15,000
	GRAND TOTAL		\$96,050
			Say \$100,000

Note:

Proposed Improvements are at Spring Street, 22nd Street and a streetlight at 23rd Street.

Date: August 11, 1998

By: D. Esperanza