



ST. CHARLES  
SINCE 1834

## AGENDA ITEM EXECUTIVE SUMMARY

Title:	Recommendation to consider economic development incentive for former Richards Chrysler location at 1845 E. Main Street - St. Charles Toyota
--------	---

Presenter:	Chris Aiston
------------	--------------

*Please check appropriate box:*

	Government Operations		Government Services
X	Planning & Development (04/09/12)		City Council
	Public Hearing		

Estimated Cost:	NA	Budgeted:	YES		NO	
-----------------	----	-----------	-----	--	----	--

If NO, please explain how item will be funded:

**Executive Summary:**

Dennis Alf, President, St. Charles Toyota, has approached the City with a request for an economic development incentive to retain and expand his auto dealership enterprise in St. Charles, to wit: For the City to reimburse sales taxes derived from this existing dealership at 2651 E. Main and a new, Certified Pre-Owned Center dealership proposed for 1845 East Main St. (former Richards Chrysler and existing Aamco). The sales tax reimbursement would be from taxes derived from annual sales from both stores in excess of \$300,000 (as determined from sales taxes paid to the City for “base year” 2011).

In exchange for the City agreeing to such a reimbursement, St. Charles Toyota will own and improve the former Richards dealership property, total cost of same in an amount approximating \$1,500,000. The reimbursement shall be as follows: 100% of taxes paid for years 1 through 5; 90% for years 6 through 10; and 75% for years 11 through 15. St. Charles Toyota further agrees to operate the new Certified Pre-Owned Center in St. Charles (unless replaced by a new car dealership not already operating in the City) for a period of no less than five years or the business must repay the City any and all reimbursements paid to that point. Again, reimbursements shall be from taxes derived above and beyond \$300,000 annually (essentially incremental increase in sales from 2011 business). Attached is worksheet reflecting estimated payout schedule).

**Attachments:** *(please list)* **Terms Sheet for formal Reimbursement Agreement; Worksheet reflecting annual estimated taxes received and reimbursement payments over the 15-year term of the proposed Reimbursement Agreement**

**Recommendation / Suggested Action** *(briefly explain)*: Recommend that the City Council direct staff and legal counsel to draft a formal sales tax reimbursement agreement with St. Charles Toyota for the consideration of the City Council.

<i>For office use only:</i>	<i>Agenda Item Number: 4a</i>
-----------------------------	-------------------------------

## St. Charles Toyota Sales Tax Reimbursement Agreement

Draft Terms Sheet, March 23, 2012

1. St. Charles Toyota shall purchase property with common address 1845 East Main Street. Purchase cost and fees shall approximate \$1,003,000 (due to seller/bank requirement, purchase completed on or about \_\_\_\_\_)
2. 1845 East Main Street shall become the location for the new St. Charles Toyota Certified Pre-Owned Center and Aamco Transmission
3. St. Charles Toyota shall make certain improvements to the property and building, including but not limited to those items listed on Exhibit "A" attached. Total costs of said repairs shall approximate \$500,000. Cost estimates for individual activities indicated on Exhibit "A" shall reasonably approximate actual costs. Proof of actual costs, and payment of same, shall be provided to the City on or before December 31, 2012.
4. St. Charles Toyota, or its successor owner as permitted below, shall operate St. Charles Toyota Certified Pre-Owned Center at the subject location for a period of not less than fifteen years, excepting in the following instances:
  - a. St. Charles Toyota Certified Pre-Owned Center is relocated to another location within the City of St. Charles; or
  - b. St. Charles Toyota Certified Pre-Owned Center is replaced at subject location by a new car dealership point not already located within the City of St. Charles at the time in question.
5. The City shall reimburse St. Charles Toyota certain retail sales taxes paid from the subject property and those paid from sales at St. Charles Toyota located at 2651 E. Main Street as follows:
  - a. Applies to both Municipal and Home Rule Retail Sales Taxes
  - b. Shall only apply to taxes paid from the two properties above a total 12-month figure of \$300,000.
  - c. 12-Month Period to begin the first day of the next complete month following the execution of the Agreement or the opening of the Pre-Owned Center, whichever is later.
  - d. Reimbursement payments from the City shall be made one time annually and within ninety days from the date the City has received sufficient information from the State Department of Revenue indicating actual sales taxes paid during the preceding, subject 12-month period.
  - e. Percent of total Municipal and Home Rule retail sales taxes, combined, shall be reimbursed according to the following schedule:
    - i. Years 1 through 5: 100% (after the base \$300,000 has been received by the City)
    - ii. Years 6 through 10: 90% (after the base \$300,000 has been received by the City)
    - iii. Years 11 through 15: 75% (after the base \$300,000 has been received by the City)
6. If St. Charles Toyota fails to comply with the provisions of para. 4 above, the City may terminate the Agreement at its sole discretion. If St. Charles Toyota Certified Pre-Owned Center closes for any reason other than force majeure, within five years of the date of this Agreement, St. Charles

Toyota shall be required to pay back all sales tax reimbursement monies paid by the city to that date, with said payment due within thirty days of said closing.

**St. Charles Toyota, New and Use Car Properties  
Proposed Sales Tax Reimbursement Program  
Alf February 24, 2012 Proposal**

	Estimated Base Year Sales Tax	Assume 4% Sales Increase															
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	15-Year Total
Municipal Tax	\$277,500	\$288,600	\$300,144	\$312,150	\$324,636	\$337,621	\$351,126	\$365,171	\$379,778	\$394,969	\$410,768	\$427,199	\$444,286	\$462,058	\$480,540	\$499,762	\$5,778,807
Home Rule Tax	\$22,500	\$23,400	\$24,336	\$25,309	\$26,322	\$27,375	\$28,470	\$29,608	\$30,793	\$32,025	\$33,305	\$34,638	\$36,023	\$37,464	\$38,963	\$40,521	\$468,552
Total	\$300,000	\$312,000	\$324,480	\$337,459	\$350,958	\$364,996	\$379,596	\$394,780	\$410,571	\$426,994	\$444,073	\$461,836	\$480,310	\$499,522	\$519,503	\$540,283	\$6,247,359
Total Increase Against Base Year Total		\$12,000	\$24,480	\$37,459	\$50,958	\$64,996	\$79,596	\$94,780	\$110,571	\$126,994	\$144,073	\$161,836	\$180,310	\$199,522	\$219,503	\$240,283	\$1,747,359
<b>Reimburse a Percentage of the Incremental Increase</b>																	
		2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	15-Year Total
Reimburse @ 100% of increment		\$12,000	\$24,480	\$37,459	\$50,958	\$64,996											
Reimburse @ 90% of increment							\$71,636	\$85,302	\$99,514	\$114,294	\$129,666						
Reimburse @ 75% of increment											\$121,377	\$135,232	\$149,642	\$164,627	\$180,212		
<b>Toyota Tax Rebate</b>		\$12,000	\$24,480	\$37,459	\$50,958	\$64,996	\$71,636	\$85,302	\$99,514	\$114,294	\$129,666	\$121,377	\$135,232	\$149,642	\$164,627	\$180,212	\$1,441,395
City's Tax Revenue	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$307,960	\$309,478	\$311,057	\$312,699	\$314,407	\$340,459	\$345,077	\$349,881	\$354,876	\$360,071	\$4,805,965