

DATE: APRIL 26, 1999
TO: PASADENA COMMUNITY DEVELOPMENT COMMISSION
FROM: CYNTHIA J. KURTZ, CHIEF EXECUTIVE OFFICER
SUBJECT: AMENDMENT TO SALES TAX REIMBURSEMENT AGREEMENT WITH SYMES CADILLAC INC.

RECOMMENDATIONS

It is recommended that the Pasadena Community Development Commission:

1. Approve the First Amendment to the Sales Tax Reimbursement Agreement (No. CDC 149) by revising the commencement and termination date; and
2. Authorize the Chief Executive Officer to execute and the City Clerk to attest to the First Amendment to the Agreement on behalf of the Commission.

BACKGROUND:

On December 21, 1993, the Pasadena Community Development Commission (PCDC) approved a Sales Tax Increment Reimbursement Agreement ("Agreement") with Symes Cadillac ("Dealer") in support of its efforts in establishing a new Toyota franchise in the City. To improve the area and to assist in the expansion, the Commission worked with the County of Los Angeles to create the Halstead/Sycamore Redevelopment Project Area. The area included land in the city and county portions of Colorado Boulevard. The Dealer was able to purchase several properties to meet the franchise requirements for Toyota. However, two key properties, which were occupied by commercial businesses including a bar and a liquor store, were priced substantially above appraised value. Years of negotiations between Symes and the two property owners were unsuccessful. Ultimately, based on an agreement between the Commission and the Dealer, the Commission exercised its condemnation authority, and after a lengthy legal process, paid the purchase price dictated by a jury. The agreement stipulated that the Dealer reimburse the Commission for all the court costs, legal fees and property costs.

The intent of sales tax reimbursement agreements is to make Pasadena a more attractive location for automobile dealers when they are considering an expansion or move. In summary, the Agreement states that sales tax produced as a result of the expansion, is to be split 50/50 between the Dealer and the Commission for ten years. This Agreement has been in place for five years and has not resulted in the level of assistance first envisioned. The recommendation for modifying the commencement and termination dates in the Agreement is based on the following:

Increased Use of Leases: Shortly after the execution of the agreement, auto leases became very popular. This had a significant impact on the sales tax the Dealer could claim. The City

however, did indirectly benefit due to the way leasing companies still purchased the vehicles from the manufacturer.

Delays in Property Acquisition: The lengthy negotiation period and legal process created significant delays and cost increases to the Dealer.

Equipment Loss: At the approximate time the businesses moved and the Commission gained control of the property, some of the fixtures and equipment were stolen from the property. The relocation consultants hired by the Commission could not account for the equipment thus representing a lost opportunity for resale in a public auction. This money would have offset costs to Symes.

Billboard: For years, a billboard company leased space on one of the sites acquired by the Commission. This represented a "business" that needed to be relocated. Outside legal Council for the Commission moved ahead with the option of relocating the billboard to city property. The Commission supported a \$65,000 settlement offer in lieu of relocating the sign to another Pasadena location.

Partial Operation: The delays prevented Symes from operating the used car portion of the dealership and reduced the ability to store new cars on the property. The original agreement anticipated the land being available for these uses.

FISCAL IMPACT:

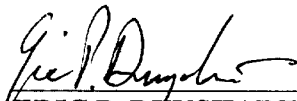
For a period of ten years (October 1997-September 2007) new sales tax which is generated by the new dealership and related improvements will be shared equally between the Dealer and the Commission. Each year the Commission returns its share to the City. After October 1, 2007, the City will retain the full amount of sales tax.

As originally approved, the PCDC and the Dealer would continue to share equally in the new sales tax revenue for a ten year period . Approval of the revised term is consistent with the original intent. The ten -year term would be shifted from 1993-2003 to a new period of 1997-2007 which coincides with the Dealer's start of full operation. A total of \$204,156 rebated to the Dealer prior to October 1, 1997, will be repaid to the Commission. The Dealer will have eleven months (ending March 31, 2000) to pay this amount. After that time, any outstanding balance will be amortized over remaining life of the agreement and charged an annual 5.5% interest rate. Payments from Symes will be deducted from the quarterly reimbursement payments to Symes. A total of \$66,000 that is owed to the Commission by Symes, will be absorbed by the Commission due to the issues outlined in this report.

Respectfully submitted,


CYNTHIA J. KURTZ
Chief Executive Officer

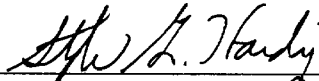
Prepared by:



ERIC P. DEYSHART

Project Manager

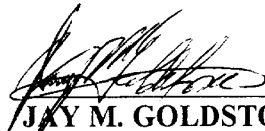
Approved by:



STEPHEN G. HARDING

Interim Director of Housing and Development

Reviewed by:



JAY M. GOLDSTONE

Director of Finance