

# **VALLEY HONDA**

## **SALES TAX REBATE AGREEMENT**



**4.10.25**



# Purpose

- To enter into a Sales Tax Rebate Agreement with Valley Honda to assist in their corporately mandated major renovation that will improve efficiencies and add service capabilities.
- The proposed agreement is common practice, is based upon recent auto dealership agreements, and is necessary because of the large construction costs.

# Project



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- Valley Honda plans to do the following improvements:
  - Adding a third lane to our service drive will **alleviate the congestion** in front of our service drive while continuing to have the necessary amount of parking spaces.
  - Expand the square footage of the showroom by capturing **administrative space**, thus accommodating additional personnel needed in the sales department to serve our clients.
  - Expand the square footage of administrative offices on the second level, adding increased administrative and customer facing digital **office space, meeting rooms, and associate restrooms**.
  - Build the infrastructure necessary to accommodate the **sales and service of battery electric vehicles**.





## Common Practice

- Sales tax sharing agreements with car dealerships is common practice.
  - In 2016, the Chicago Metropolitan Agency for Planning (CMAP) conducted a study and found that there were 127 sales tax sharing agreements with car dealerships in the Chicago Region.
- These agreements are one of the safest incentives to give because the City is guaranteed our normal amount plus even more.
- We both share in their success.

# City of Aurora Sales Tax Rebate Agreements with Dealerships

Valley Imports (1992)

Gartner Buick (1994)

Valley Imports Volkswagen (1998)

Max Madsen (2001)

Fox Valley Suzuki (2003)

Valley Honda (2007)\* Due to recession, project not completed, therefore no COA funding.

Napleton Genesis (2022)

Napleton Hyundai (2022)

# Other Communities Summary

- Staff researched recent examples in nearby communities and found that this proposal is in keeping with most agreements in terms of dollar amount, percentages, and term duration.
  - It is worth noting that this agreement with Valley Honda has the same basic terms as the recent Napleton agreements.
- It is also very clear that there is a long history in the region of municipalities competing against each other to keep existing dealerships or to attract new dealerships.



# Other Community Examples

Municipality	Years	Share
Oak Lawn	12	50% of sales tax
Lansing Honda	20	50% of sales tax (new building)
Lansing CDJR	25	50% of sales tax
St. Charles Honda	15	75% of sales tax
St. Charles Kia	20	75% of sales tax in first three years, after that 50/50, capped at \$5.2 million
Elmhurst	15	75% of sales tax in first three years, after that 50/50, capped at \$1.5 renovation (100% of their project)
North Aurora	10	85% of sales tax once the annual threshold of \$219,000 is met.
Joliet CarMax	15	70% of sales tax (1-5 years), 60% (5-10), 50% (11-15 or until cap met)

# Proposed Agreement Terms

- **Project Cost:** The project cost is estimated at \$17,582,253.
- **Term:** 15 Years Maximum (Proforma anticipates that the Reimbursement Cap would be reached in the 12-13 year time frame.
- **Sales Tax Distribution:** First \$1,050,000 to City Annually. Distribution after threshold reached: 65% Valley Honda/35% to City
- **Taxes Eligible for Rebate:** 1% Sales Tax to City Related to Vehicle Sales  
2.25% Home Rule Sales Tax- Parts and Miscellaneous
- **Reimbursement Cap:** \$12,800,000 (represents 73% of the project cost). Note that the Reimbursement Cap is consistent with the percentage paid to Napleton for the overall Hyundai and Genesis projects.



# SALES TAX SPLIT SCENARIO

Maximum Reimbursement	\$ 12,800,000
City Sales Tax Floor	\$ 1,050,000
Maximum Term	15 Years
Sales Tax Split Above Floor	

65% Valley Honda  
35% City of Aurora

Municipal Sales Taxes <u>Generated</u>	City Share	Valley Honda Share
\$ 750,000	\$ 750,000	\$ -
\$ 1,000,000	\$ 1,000,000	\$ -
\$ 1,250,000	\$ 1,120,000	\$ 130,000
\$ 1,500,000	\$ 1,207,500	\$ 292,500
\$ 1,750,000	\$ 1,295,000	\$ 455,000
\$ 2,000,000	\$ 1,382,500	\$ 617,500
\$ 2,250,000	\$ 1,470,000	\$ 780,000
\$ 2,500,000	\$ 1,557,500	\$ 942,500
\$ 2,750,000	\$ 1,645,000	\$ 1,105,000
\$ 3,000,000	\$ 1,732,500	\$ 1,267,500

**Thank You!**

