RESOLUTION NO. 2025-49

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA APPROVING A SALES TAX REVENUE SHARING AGREEMENT BETWEEN THE CITY OF MARINA AND UNSTOPPABLE AUTOMOTIVE MBMCA LLC TO ASSIST WITH THE CONSTRUCTION COSTS AND SITE DEVELOPMENT OF AN AUTOMOBILE DEALERSHIP; AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT, SUBJECT TO FINAL REVIEW BY THE CITY ATTORNEY

WHEREAS, the City desires to encourage private investment and economic development within the City's commercial areas; and

WHEREAS, the Unstoppable Automotive MBMCA LLC (Developer) proposes to construct and operate a new Mercedes-Benz automotive dealership located in the Dunes development within the City of Marina; and

WHEREAS the project involves a capital investment estimated at over $40 million dollars, which includes land purchase, site development, construction of facilities and equipment; and

WHEREAS, the dealership is anticipated to generate substantial local sales tax revenue and other direct tax revenue for the City and create quality jobs; and

WHEREAS, in consideration of the Developer's significant capital investment and contribution to the City's economic base, the City agrees to rebate 50% of its local (1%) sales tax revenue for five years to support the financial feasibility of the project.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Marina does hereby:

1. Approve the sales tax revenue sharing agreement between the City of Marina and Unstoppable Automotive MBMCA LLC to assist in covering high site development and construction costs associated with developing a Mercedes-Benz automobile dealership in Marina, with the following conditions:
    a. The City Council shall have final approval after review from the Tree Committee and the Planning Commission for Site Plan and Architectural Design Review;
    b. That the dealership produces an accurate computer simulation video prior to Planning Commission review;
    c. That any gateway sign be consistent with City monument design requirements and that any dealership signage refer to "Mercedes of Marina";
    d. That the proposed lighting for the dealership site minimizes impact to the night sky;
    e. To consider future specific agreement amendments subject to mutual agreement by City and Developer; and
    f. Implement preference for local hires when feasible.
2. Authorize the City Manager to execute the agreement subject to final review by the City Attorney, and:
3. Authorize the Finance Director to make the necessary budgetary and accounting entries.

PASSED AND ADOPTED by the City Council of the City of Marina at a regular meeting duly held on May 20, 2025, by the following vote:

AYES: COUNCIL MEMBERS: McAdams, McCarthy, Biala Delgado, Visscher
NOES: COUNCIL MEMBERS: None
ABSENT: COUNCIL MEMBERS: None
ABSTAIN: COUNCIL MEMBERS: None

ATTEST:

Liesbeth Visscher, Mayor Pro Tem

Anita Sharp, Deputy City Clerk

SUPPLEMENTAL REPORT

May 20, 2025 Item No: **13a**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of May 20, 2025

SUPPLEMENTAL STAFF REPORT TO ITEM 13A: CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2025-, APPROVING A SALES TAX REVENUE SHARING AGREEMENT BETWEEN CITY OF MARINA AND UNSTOPPABLE AUTOMOTIVE MBMCA LLC TO ASSIST WITH THE CONSTRUCTION COSTS AND SITE DEVELOPMENT OF AN AUTOMOBILE DEALERSHIP; AND AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT, SUBJECT TO FINAL REVIEW BY THE CITY ATTORNEY.

ANALYSIS:
The Unstoppable Group, LLC has approached the City to revise the terms of the draft tax sharing agreement to provide for a firm incentive of $5 million dollars, rather than $5 million dollars over a 5-year period. The original discussions with staff revolved around providing an incentive of $5 million dollars within a 5-year period. However, there appears to have been an assumption by the Unstoppable Group that a $5 million dollar incentive would be achievable in 5-years, based on the assumption that there would be a 50% rebate from the sales tax received based on a 1 ½ percent sales tax. The 1 ½ percent sales tax they were looking at is the additional 1 ½ percent tax approved by the voters and would not be subject to the tax sharing agreement. The City's base tax rate, which is 1 percent, would be applicable to the sharing agreement. Applying the City's 1 percent sales tax to expected sales over the 5-year period as provided in the agreement resulted in a $3.48 million dollar estimated incentive, less than the $5 million initial incentive proposed by the Unstoppable Group.

As a result of this request, City staff worked with its consultant to determine whether extending the 5-year cap to a $5 million dollar cap would still make financial sense to the City. The attached revised Economic Development Subsidy Report shows that to meet the $5 million cap, the cost-sharing time period would need to be extended from five to seven years. The report shows that the City will receive an estimated $11,635,000 over the 7-year period. Once the incentive sharing agreement is over in year seven, the city's estimated annual direct tax revenue will be $3,195,000.

In addition to clarifying the original intent of staff and the Unstoppable Group with respect to the incentive in the tax sharing arrangement, a couple of other clarifications were requested, including by staff:

- Fixing title of the Agreement
- Providing for quarterly payments to the Unstoppable Group; and
- Designating the property in the City of Marina as the point of sale for any internet sales.

A revised economic development subsidy report and agreement are attached to this supplemental report for Council consideration.

FISCAL IMPACT:

First year direct new tax revenue to the City will be $882,000. Cumulative over seven years, the new direct tax annual revenue will be $11,635,000. The revenue will go to the General Fund.
Additionally, the City's portion of the Monterey County pooled sales tax could increase an additional $100,000 to $400,000.

CONCLUSION

This request is submitted for City Council consideration and direction.

Respectfully submitted,

____

Layne Long
City Manager
City of Marina

May 15, 2025 Item No: **13a**

Honorable Mayor and Members City Council Meeting
of the Marina City Council of May 20, 2025

CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2025-, APPROVING A SALES TAX REVENUE SHARING AGREEMENT BETWEEN CITY OF MARINA AND UNSTOPPABLE AUTOMOTIVE MBMCA LLC TO ASSIST WITH THE CONSTRUCTION COSTS AND SITE DEVELOPMENT OF AN AUTOMOBILE DEALERSHIP, AND; AUTHORIZING THE CITY MANAGER TO EXECUTE THE AGREEMENT, SUBJECT TO FINAL REVIEW BY THE CITY ATTORNEY.

REQUEST:
It is requested that the City Council consider:

1. Adopting Resolution No. 2025-, approving a sales tax revenue sharing agreement between the City of Marina and Unstoppable Automotive MBMCA LLC to assist in covering high site development and construction costs associated with developing a Mercedes-Benz automobile dealership in Marina, and;
2. Authorize the City Manager to execute the agreement subject to final review by the City Attorney, and:
3. Authorize the Finance Director to make the necessary budgetary and accounting entries.

BACKGROUND:
The City of Marina has actively sought to attract high-value commercial businesses that can stimulate economic development, create jobs, expand the tax base, and generate sustainable revenue for the City. This dealership provides a new revenue stream to help meet the public safety, service needs, infrastructure, and maintenance demands of Marina. In alignment with the City's Mission and Vision Statement and the City Council's goals and objectives, staff have been in discussions with the Unstoppable Automotive group who are interested in constructing a Mercedes-Benz dealership on a parcel within the Dunes development area.

The Dunes development is a mixed-use development that includes retail, commercial, office, hotel, residential and affordable housing uses. A Specific Plan adopted for the Dunes development guides the development and land use of this development.

The Unstoppable Automotive LLC is proposing to acquire land from the Dunes development (Marina Community Partners) to develop a new Mercedes-Benz automobile dealership. The proposed dealership represents a significant capital investment estimated at over $40 million dollars that includes land acquisition, site development and construction of dealership facilities with a new showroom and service center. This dealership will generate substantial new sales tax revenue for the City and is expected to create over 80 full-time equivalent jobs, initially, and expanding to over 140 full-time equivalent jobs over five years. **("EXHIBIT A")**

The dealership has requested a sales tax revenue sharing agreement to support the significant upfront capital investment costs that will enhance their long-term competitiveness in the regional automotive market area.

The dealership will serve as an important catalyst for the continued economic growth and development needs of the City. The project will provide substantial direct and indirect benefits to the City and economic opportunities, including sales tax revenues, increased property tax revenues, and increased jobs in the region. It will enhance the City's position as a regional retail and commercial destination and serve as a catalyst for additional retail and commercial development opportunities.

In general, the City typically does not provide economic incentive agreements to businesses. However, the former Fort Ord property area has some unique challenges due to constraints placed on the property when it was transferred from the Army to the Fort Ord Reuse Authority and then to the City of Marina. Some of the unique constraints of these properties include requirements for all first-generation construction to pay a prevailing wage for all new construction which in many cases can double the constructions costs verses other cities in the area or state. There are also blighted military housing units that have lead and asbestos which add a significant cost to remove; decaying water and sewer infrastructure to replace; various endangered species that must be mitigated; and housing and water allotment caps.

Other major developments in the former Fort Ord properties in Marina have needed an economic incentive to be able to move forward. Examples include the current Dunes development, Marina Heights development (now Sea Haven), Cinemark theatre, Marriott Springhill Suite, and most recently the 225,000 square foot manufacturing building constructed by Joby Aviation at the Marina Municipal Airport.

ANALYSIS:

Mercedes-Benz, as a premier luxury auto brand, is anticipated to bring notable economic and brand value to the City of Marina. The dealership is projected to generate substantial annual sales revenue, which in turn would increase the City's share of local sales tax and the City's share of the Monterey County pooled sales tax.

To help offset the upfront capital burden of the development, the dealership has requested a temporary sales tax revenue sharing agreement. The proposed agreement includes the following terms: **("EXHIBIT B")**

- The City will rebate fifty percent (50%) of the City's portion of the one percent (1%) local share of sales tax revenue generated by the dealership for a period of up to five (5) years
- Commence construction no later than January 1, 2026, and complete construction no later than fifteen (15) months after commencement.
- A high building design standard
- Annual report that includes annual gross sales, total number of employees, total full-time employees, breakdown of job types and number of employees that are Marina residents.

The firm Keyser Marston Associates was hired to evaluate the fiscal and economic benefits associated with the Mercedes-Benz automobile dealership. Included with their evaluation is a tax revenue analysis, an economic impact analysis, along with an assessment of the justification of the sales tax revenue sharing agreement. **("EXHIBIT C"**

The new facility will be over 60.000 square feet, consisting of a showroom, service area, and detail bay. Sales will include new vehicles, used vehicles, parts and service sales.

The sales tax generated by the dealership goes to the City's General Fund for city-wide benefit and use and is not limited to the former Fort Ord area.

A premium brand like Mercedes-Benz will likely generate high sales volumes, particularly since this will be the only dealership in Santa Cruz County, San Benito County, South Santa Clara County and Monterey County. Significant short-term economic activity will occur from site development and construction of the dealership facility. When completed it is expected to attract regional shoppers. Visitors to the dealership may spend additional money at nearby restaurants, gas stations, and hotels.

Estimated Fiscal Impact

	Year 2027	Year 2031
Annual Taxable Sales	$93, 593,200	$194,074,694
Sales Tax Revenue (1%)	$935,932	$1,940,747
50% Rebate to Dealership	$467,966	$970,373
Annual Net to City	$467,966	$970,373

Over five years, the cumulative total net sales revenue to City is approximately $3,482,411. In addition to sales tax revenue, the City will receive Measure N (1.5%) tax on parts, business license gross tax receipts, vehicle in lieu property tax revenues. The cumulative total new direct tax revenue the City will receive over the five-year rebate will be $6,420,000. After year five, 100% of the sales tax revenue will come to the City.

FISCAL IMPACT:

First year direct new tax revenue to the City will be $882,000. Cumulative over five years, the new direct tax annual revenue will be $6,420,000. The revenue will go to the General Fund.
Additionally, the City's portion of the Monterey County pooled sales tax is expected to increase annually by an estimated additional $150,000.

CONCLUSION

This request is submitted for City Council consideration and direction.

Respectfully submitted,

____

Layne Long
City Manager
City of Marina

1920056.3