



CITY COUNCIL AGENDA ITEMS

To: Mayor and City Council
From: Dean Rich, Director of Finance
Walter Denton, City Administrator
Date: December 1, 2005
Subject: Newbold Economic Incentive Ordinance

List of committees that have reviewed: Finance and Administration

Background: Newbold Toyota/BMW is undertaking a \$7 million expansion of both the Toyota and BMW dealerships. They have purchased lot 22 of Central Park Plaza for a stand alone BMW dealership and lot 18B to expand their Toyota truck line. To make this project economically feasible, Mr. Newbold has asked for support under the city Policies for Providing Economic Development Funding Assistance. This policy provides for financial assistance for expansion of existing business that provides a demonstrable return to the city. Financial assistance will not normally exceed 50% of incremental sales tax and will be limited to 10 years. This proposed agreement will involve only the extra sales tax generated by the expansion (increase over the 2005 target year) and will be limited to \$250,000 total over 10 years.

Legal Considerations, if any: This agreement complies with Ordinance 1920 that established the Central Park Plaza Business District and City of O' Fallon Incentive Policy.

Budget Impact: This agreement will provide an additional \$250,000 in sales tax above the amount the dealership is currently generating. In the previous agreement, Mr. Newbold far exceeded expectations and completed his agreement in less than 40% of the maximum time. Additional benefits to the city include: approximately \$4.5 million in work for local contractors, 10 good paying jobs, an additional \$70,000 in annual property tax and \$15 million in sales to the local economy. In addition, Mr. Newbold will provide 10 feet of road right of way along the full north side of lot 22 required to establish the east end of Ashland Avenue –this provides an easement valued in excess of \$200,000.

Staff recommendation: Staff has worked with Mr. Newbold for the last 2 years on this expansion and presents this as a high quality development compatible with the cities long range goals. It provides a demonstrable return to the city in both sales tax and related benefits and is necessary for the project to be economically feasible for the developer. Recommend approval.