

CITY OF HEMET  
HEMET, CALIFORNIA  
ORDINANCE NO. 2056

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF  
HEMET, CALIFORNIA, ADDING ARTICLE XIV TO  
CHAPTER 18 OF THE HEMET MUNICIPAL CODE TO  
ESTABLISH A SALES TAX SHARING AND ECONOMIC  
DEVELOPMENT PROGRAM FOR AUTOMOBILE AND  
OTHER VEHICLE DEALERSHIPS

**WHEREAS**, the City of Hemet ("City") relies on sales tax revenue as a significant funding source for essential public services, including police protection, fire and emergency response, street maintenance, and other municipal services that enhance the quality of life for the City's residents; and

**WHEREAS**, automobile and other vehicle dealerships are a critical component of the City's commercial sector, contributing significantly to local employment opportunities and the City's sales tax base; and

**WHEREAS**, the construction, expansion, and modernization of automobile and other vehicle dealership facilities are capital-intensive investments that support local economic development, enhance consumer access to vehicle purchasing and servicing options, and provide long-term stability and growth for the City's tax revenue; and

**WHEREAS**, it is the intent of the City to remain competitive in attracting and retaining automobile and other vehicle dealerships by offering prudent and legally compliant economic development incentives that stimulate capital investment and job growth within the City; and

**WHEREAS**, Article XVI, Section 6 of the California Constitution prohibits the gift

1 of public funds, and Government Code Section 53083 sets forth requirements for  
2 economic development subsidies, mandating transparency, accountability, and public  
3 disclosure; and

4  
5 **WHEREAS**, this Ordinance establishes a clear, objective, and transparent  
6 program for entering into Sales Tax Sharing Agreements for the limited purpose of  
7 reimbursing a portion of the cost of dealership facility upgrades, expansions, or  
8 construction, contingent upon verifiable public benefits; and

9  
10 **WHEREAS**, the City Council finds it is in the public interest to adopt this  
11 Ordinance to ensure that such incentives are granted in a fiscally responsible manner,  
12 consistent with state and local legal requirements, and with safeguards to protect the  
13 public's investment.

14  
15 **THE CITY COUNCIL OF THE CITY OF HEMET DOES HEREBY ORDAIN AS**  
16 **FOLLOWS:**

17 **SECTION 1. MUNICIPAL CODE AMENDMENT** – Article XIV is hereby added to  
18 Chapter 18 of the Hemet Municipal Code to read in its entirety as follows:

19 **Article XIV: Sales Tax Sharing and Economic Development Program**

20 **Section 18-466 Purpose and Intent.**

21  
22 (a) The City of Hemet hereby establishes a Sales Tax Sharing and Economic  
23 Development Program to promote the retention, expansion, and continued viability of  
24 automobile and other vehicle dealerships within the City's jurisdiction. The City  
25 recognizes that automobile and other vehicle dealerships serve as significant  
26 contributors to local economic activity and generate substantial sales tax revenue that  
27 supports essential public services and infrastructure. Given the competitive nature of the  
28

1 automotive and vehicle industry and the financial burden associated with facility  
2 upgrades, this program is intended to create an incentive structure that ensures the  
3 continued operation, modernization, and expansion of these businesses within the City  
4 limits.

5  
6 (b) Automobile and other vehicle dealerships play a crucial role in the local  
7 economy by providing employment opportunities to residents and serving as a key  
8 source of consumer access to vehicle purchases, leasing, and maintenance services.  
9 Ensuring the retention and expansion of these businesses within the City is essential for  
10 maintaining local economic stability and improving the quality of life for residents. By  
11 supporting dealership improvements, the City fosters job growth, enhances business  
12 investment, and ensures that residents have convenient access to essential automotive  
13 and other vehicle services, thereby reducing the need to travel to other jurisdictions for  
14 such services.  
15

16  
17 (c) This Article authorizes the City to enter into legally binding Sales Tax  
18 Sharing Agreements with qualifying automobile and other vehicle dealerships for the  
19 purpose of reimbursing a portion of eligible facility upgrade costs. Such agreements shall  
20 be structured in strict compliance with all applicable federal, state, and local laws,  
21 including but not limited to Article XVI, Section 6 of the California Constitution (prohibiting  
22 the gift of public funds), Government Code Section 53083 (economic development  
23 subsidies), and all other relevant provisions governing municipal finance and economic  
24 development.  
25

26  
27 (d) The intent of this Article is to establish clear and objective criteria under  
28 which the City may consider such agreements, ensuring that they (1) provide a

1 demonstrable public benefit, (2) are fiscally responsible, (3) support job creation and  
2 economic growth, and (4) prevent the unnecessary diversion of public funds without  
3 tangible economic return. The City shall ensure that all Agreements under this program  
4 are subject to transparency, accountability, and oversight mechanisms, including public  
5 hearings, periodic performance reviews, and annual reporting requirements to protect  
6 the interests of the taxpayers and the broader community.  
7

8 **Section 18-467 - Definitions.**

9 For purposes of this Article, the following definitions shall apply:  
10

11 (a) "City" means the City of Hemet, a municipal corporation organized and  
12 existing under the laws of the State of California.

13 (b) "Dealership" means a business entity holding a valid California Department  
14 of Motor Vehicles dealer license (or other appropriate state license) and operating within  
15 the City for the primary sale of new automobiles, new motorcycles, new motorhomes,  
16 new watercraft, new aircraft, new travel trailers or new off-road vehicles. A dealership  
17 may also sell used automobiles, used motorcycles, used motorhomes, used watercraft,  
18 used aircraft, used travel trailers or used off-road vehicles as a secondary or accessory  
19 function, but the primary business purpose must be the sale of new vehicles from one or  
20 more manufacturers.  
21

22 (c) "Eligible Costs" means reasonable, necessary, and documented expenses  
23 incurred by a Dealership for new facility construction or existing facility upgrades,  
24 including but not limited to: new facility construction, site improvements, building  
25 renovations, signage, parking lot enhancements, Americans with Disabilities Act (ADA)  
26 compliance upgrades, energy efficiency improvements, expansions of existing facilities,  
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1 complete rebuilds, demolition and reconstruction of dealership buildings, the costs of  
2 engineering, architects, fees and infrastructure improvements directly related to  
3 dealership operations. Eligible Costs shall not include routine maintenance or  
4 operational expenses that do not substantially improve the dealership's capacity or  
5 longevity.  
6

7 (d) "Sales Tax Revenue" means the portion of sales tax generated by a  
8 participating Dealership and remitted to the City pursuant to applicable state and local  
9 laws, including but not limited to revenue collected under the Bradley-Burns Uniform  
10 Local Sales and Use Tax Law (California Revenue and Taxation Code Section 7200 *et*  
11 *seq.*). Sales Tax Revenue shall not include revenues from the Hemet Transactions and  
12 Use Tax (Measure U). Sales Tax Revenue for the purpose of this Article shall be  
13 calculated based on the amount received by the City from such sources after deductions  
14 for any applicable state-mandated distributions or adjustments.  
15  
16

17 (e) "Agreement" means a written contract, approved by the City Council,  
18 between the City and a Dealership pursuant to this Article, setting forth the terms,  
19 conditions, performance requirements, and financial obligations of both parties in  
20 connection with Sales Tax Sharing incentives.  
21

22 **Section 18-468 - Sales Tax Sharing Agreements.**

23 (a) The City Council may, at its discretion, approve a Sales Tax Sharing  
24 Agreement with a Dealership to reimburse Eligible Costs, provided that:

- 25 (1) The Agreement results in a net public benefit to the City, including  
26 retention or expansion of dealership operations, job creation, or  
27 increased tax revenue.  
28

- 1 (2) The Agreement complies with Article XVI, Section 6 of the California  
2 Constitution (prohibition on gifts of public funds).  
3  
4 (3) The Agreement complies with Government Code Section 53083  
5 regarding economic development subsidies.  
6  
7 (4) The reimbursement shall not exceed a percentage of the Sales Tax  
8 Revenue generated by the Dealership and shall be subject to a cap,  
9 not to exceed \$7.5 million, as approved by the City Council, except in  
10 the case of new Dealerships, for which the amount shall not exceed  
11 \$10 million, as approved by the City Council.  
12  
13 (5) The term of the Agreement shall not exceed twenty (20) years.  
14  
15 (6) The Agreement shall include clear performance benchmarks, such as  
16 job creation, investment thresholds, or facility improvements, which the  
17 Dealership must meet to remain eligible for reimbursement.  
18  
19 (7) The Agreement shall require annual verification of compliance,  
20 including revenue generation, facility improvements, and other agreed-  
21 upon terms.  
22  
23 (8) Any Agreement with a Dealership locating or relocating to the City shall  
24 comply with the provisions of Government Code Section 53084, which  
25 prohibits subsidies for automobile dealerships relocating from another  
26 jurisdiction in the "Market Area" of the City., which for the purposes of  
27 this program shall include the relocation within the Primary Market  
28 Area for a particular franchise, or if there is no Primary Market Area,  
then the relocation of an automobile dealership operating within 10

1 miles from the City of Hemet.

2 (b) All Agreements shall be subject to:

3 (1) A public hearing and disclosure of financial terms before approval.

4 (2) Annual reporting requirements, including verification of revenue  
5 generation and compliance with Agreement terms.

6 (3) Performance benchmarks, such as job creation, investment  
7 thresholds, or capital improvements.

8 (4) A clawback provision requiring partial or full reimbursement to the City  
9 if the Dealership fails to meet performance obligations or ceases  
10 operations within a specified period.

11 (c) The City Council may set limitations on the number of agreements or the  
12 total reimbursement amount available for the program at any time, subject to increases  
13 based on the establishment of new dealerships or significant increases to revenue from  
14 existing dealerships.

15 (d) Any application submitted under this program shall be received by the City  
16 no later than 10 years after the effective date of the ordinance.

17 **Section 18-469 - Application Process.**

18 (a) A Dealership seeking to enter into an Agreement shall submit a complete  
19 and detailed application to the City Manager or designee. The application shall include,  
20 but not be limited to, the following:

21 (1) A comprehensive project description detailing the scope of the  
22 proposed facility improvements, including the anticipated timeline for  
23 completion.  
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- 1 (2) A breakdown of estimated Eligible Costs supported by contractor bids,  
2 engineering estimates, or other verifiable cost projections.  
3  
4 (3) A financial impact analysis illustrating the projected increase in Sales  
5 Tax Revenue resulting from the improvements.  
6  
7 (4) Documentation establishing the necessity of the Agreement,  
8 demonstrating why the project would not be feasible without financial  
9 assistance from the City.  
10  
11 (5) Any additional materials deemed necessary by the City to properly  
12 evaluate the application.

13 (b) The City Manager shall conduct a thorough review of each application,  
14 verifying the accuracy of the submitted materials and assessing the projected public  
15 benefit. Upon completion of the review, the City Manager shall forward the application  
16 with a recommendation for approval, denial, or modification to the City Council for final  
17 consideration.

18 **Section 18-470 - Compliance and Termination.**

19 (a) The City shall monitor compliance with all terms and conditions set forth in  
20 an Agreement and shall require annual reporting from the participating Dealership to  
21 verify adherence to performance benchmarks.  
22

23 (b) If a Dealership fails to meet its obligations, including but not limited to  
24 performance benchmarks, reporting requirements, or facility improvement commitments,  
25 the City may terminate the Agreement, adjust reimbursement terms, or require  
26 repayment of funds.  
27

28 (c) The City reserves the right to audit financial records and project

1 expenditures to ensure compliance with Agreement terms and protect the public interest.

2 (d) If a Dealership ceases operation, reduces operations, or otherwise  
3 materially diminishes its business activity within ten (10) years of receiving  
4 reimbursement without written authorization by the City, it shall be required to repay all  
5 funds received under this program. Any reduction in operations shall be assessed based  
6 on a measurable and sustained decline in revenue, employment, or facility utilization as  
7 determined by the City through periodic audits and reviews.  
8

9 **SECTION 2. CEQA** – The City Council finds that this Ordinance is not a project  
10 subject to the California Environmental Quality Act (“CEQA”) pursuant to Section  
11 15060(c)(2) of the CEQA Guidelines because the Ordinance will not result in a direct or  
12 reasonably foreseeable indirect physical change in the environment.  
13

14 **SECTION 3. SEVERABILITY** – If any section, subsection, sentence, clause,  
15 phrase, or portion of this Ordinance is, for any reason, held to be invalid by the decision  
16 of any court of competent jurisdiction, such decision shall not affect the validity of the  
17 remaining portions of this Ordinance. The City Council hereby declares that it would have  
18 adopted this Ordinance, and each section, subsection, sentence, clause, phrase, or  
19 portion thereof, irrespective of the fact that any one or more sections, subsections,  
20 sentences, clauses, phrases, or portions might be declared invalid.  
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22 **SECTION 4. EFFECTIVE DATE** – This Ordinance shall take effect thirty (30)  
23 days after its adoption.  
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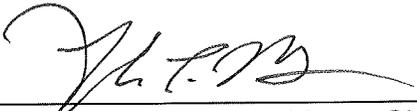
25 **SECTION 5. CERTIFICATION** – The City Clerk shall certify to the passage and  
26 adoption of this Ordinance and shall cause the same to be published or posted in the  
27 manner prescribed by law  
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1 State of California )  
2 County of Riverside )  
3 City of Hemet )

4 I, John Paul Maier, City Clerk of the City of Hemet, do hereby certify that  
5 the foregoing Ordinance is the actual Ordinance adopted by the City Council of the City  
6 of Hemet and was passed at a regular meeting of the City Council on the 25th day of  
7 March 2025.  
8

9  
10 AYES: Council Members: Krupa, Lodge, Males, Mayor Pro Tem Kendrick,  
11 Mayor Peterson.  
12 NOES: Council Members: None.  
13 ABSTAIN: Council Members: None.  
14 ABSENT: Council Members: None.

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17 John Paul Maier, City Clerk  
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