



CITY OF BANNING STAFF REPORT

TO: CITY COUNCIL

FROM: Art Vela, Interim City Manager

PREPARED BY: Marisol Lopez, Economic Development Manager
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MEETING DATE: February 24, 2026

SUBJECT: Review of Sales Tax Sharing and Operating Agreement between City of Banning and Dalia Auto Group, LLC and Khan Properties and Holdings, LLC (Diamond Chevrolet GMC)

RECOMMENDATION:

Receive and file the update on the Sales Tax Sharing and Operating Agreement and provide direction to staff as appropriate.

BACKGROUND:

The City of Banning has maintained a long-standing operating and sales tax-sharing partnership with Diamond Hills Auto Group, now operating as Diamond Chevrolet GMC, to retain and strengthen one of the City's largest sales tax generators.

(Pursuant to California Revenue and Taxation Code Section 7056, specific quarterly sales tax amounts and individual business rankings are confidential and may not be publicly disclosed.)

On June 12, 2012, the City Council adopted Resolution No. 2012-59 entering into an Economic Development Assistance Program and Amended Operating Covenant with Diamond Hills Auto Group to support continued dealership operations within the City.

Agreement and Approval Timeline

- January 12, 2012 – Original Operating Covenant Agreement executed with Diamond Hills Auto Group, Inc.
- November 9, 2015 – Property acquired by Dalia Auto Group, LLC and Khan Properties & Holdings, LLC.
- October 25, 2016 – City Council adopted Resolution No. 2016-080 approving transfer and amendment of the agreement to Dalia Auto Group, LLC and Khan Properties & Holdings, LLC.
- June 13, 2017 – Sales Tax Sharing and Operating Agreement Effective Date.
- June 13, 2032 – Scheduled expiration of 15-year term (if reimbursement cap is not reached earlier).

On October 25, 2016, the City Council adopted Resolution No. 2016-080 approving a 15-year Sales Tax Sharing and Operating Agreement with Dalia Auto Group, LLC and Khan Properties and Holdings, LLC, operating as Diamond Chevrolet GMC. The agreement became effective on June 13, 2017.

The agreement was approved to retain a major regional automobile dealership within the City, prevent relocation to neighboring jurisdictions, support modernization improvements, preserve employment, and protect long-term General Fund revenue.

Key Agreement Terms

- Term: 15 years (June 13, 2017 – June 13, 2032)
- Annual Base: City retains 100% of the first \$150,000.00 in local sales tax revenue

Revenue Share Above Base

- 85% to the Dealership
- 15% retained by the city
- Maximum Reimbursement Cap: \$3,200,000.00
- Payment Structure: Quarterly, performance-based payments after receipt of sales tax from the State
- Continuous Operation Requirement: Dealership must remain open and in good standing during the term

Current Status

- Maximum Reimbursement Cap: \$3,200,000.00
- Total Paid to Date: \$2,401,439.08
- Remaining Balance: \$798,560.92

Approximately 75% of the total reimbursement cap has been reached. Based on historical trends, staff estimates completion within approximately 2 to 3 years (estimated 2028–2029), assuming consistent dealership performance. Upon the \$3,200,000 cap is reached, the City will retain 100% of the dealership's local sales tax revenue.

JUSTIFICATION:

The agreement has successfully retained one of the City's largest sales tax generators, supported significant capital reinvestment and facility modernization, preserved local employment opportunities, and maintained positive General Fund revenue throughout the incentive period.

FISCAL IMPACT:

There is no new fiscal impact associated with this update. Payments are performance-based and tied solely to actual sales tax received. Once the cap \$3,200,000, is reached, the City will retain 100% of the dealership's local sales tax revenue.

ALTERNATIVES:

Not applicable.

BUDGETED?:

No

CONTRACT/AGREEMENT:

No

ATTACHMENTS:

1. [Agreement - Tax Sharing - Dalia Auto Group, LLC_6-13-17 \(1\).pdf](#)
2. [CC Resolution No. 2016-080.pdf](#)
3. [CC Agenda Packet - Special Meeting - 10_25_2016 2_00 PM.pdf](#)
4. [CC Resolution No. 2012-059_Diamond_Hills_Auto_Group_Banning_06-12-2012.pdf](#)