

STAFF REPORT

Lancaster Redevelopment Agency

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DATE: May 11, 2010

TO: Chairman Parris and Agency Members

FROM: Vern Lawson, Jr., Economic Development/Redevelopment Director

SUBJECT: **Extension of Option Term by and between the Lancaster Redevelopment Agency and KFG Investment Company (formerly doing business as Larwin Investment Company)**

Recommendation:

Approve an extension to the Option Term with KFG Investment Company (formerly doing business as Larwin Investment Company) for a thirty six month period, to be effective from December 31, 2010 to December 31, 2013, and authorize the Executive Director or his designee to execute an amendment to the Option Term.

Fiscal Impact:

The Option Price to purchase Agency-owned parcels 3105-001-915 & 916 will be between \$468,115.00 and \$511,520.00 depending on the closing transaction date.

Background:

On November 5, 2003, the Agency entered into a Purchase and Sale Agreement with Three Springs Corporation (later business as Larwin Investment Company) to sell approximately 15 acres at the northeast corner of Avenue G and 47th Street West in the Fox Field Industrial Corridor. The Developer would purchase 6 acres immediately (Phase One) and would have an Option Term to acquire the remaining adjacent 9 acres. Due to current credit and market conditions, the developer requests additional time to complete the second phase of the project.

The first phase of the development has been completed, which included 14 buildings totaling over 90,000 square feet. The Fox Field Business Park, as the development was named, is now home to expanding businesses including SC Pools, SCE Gaskets, Morton Fasteners, TCL Woodworking, Me Gusta Mexican Food and Acme Archives. Most recently, the developer sold the two remaining buildings of Phase I to Suntrough Energy, a solar energy company that specializes in the development of solar thermal plants.

Since the initial agreement, KFG Investment Company has assumed the development responsibilities for this project and is requesting for an extension to the Option Term to December 31, 2013. As in the initial agreement, the Agency will continue a three percent (3%) price escalation on the sale price each year until the option is exercised.

Summary:

With the success of Phase One, KFG Investment Company is committed to complete Phase II of the Fox Field Business Park. Unfortunately, due to the slow economic recovery in Southern California and throughout the U.S., it is not economically viable to proceed forward with the development of new speculative “spec” space at this time. Therefore, the developer is requesting an extension to the existing option through December 31, 2013. The Option Term would continue with 3% annual increases, which would bring the total purchase price for the Option Term to \$511,520.00 if the option is not exercised until 2013.

KFG Investment Company has been aggressively marketing Phase II of the Fox Field Business Park to business prospects throughout the San Fernando Valley and Los Angeles basin. The developer has already invested more than \$600,000.00 in the planning and engineering of Phase II of this project and is committed to attracting new tenants to the area. The extension will enable the developer to expand the Fox Field Business Park which will support the City of Lancaster’s long term business attraction and job creation efforts.

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