

STAFF REPORT

Lancaster Redevelopment Agency

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DATE: June 8, 2010

TO: Chairman Parris and Agency Members

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

SUBJECT: **Dealership Agreement with Adventurecorp, Inc.**

Recommendation:

Approve an agreement between the Redevelopment Agency and Adventurecorp, Inc. for the operation of an RV dealership in the Lancaster Auto Mall and the assumption of existing sales tax notes on the former Sierra Toyota property at 1160 West Motor Lane.

Fiscal Impact:

Adventurecorp will assume an existing \$1,942,379 sales tax note. Sales projections provided by Adventurecorp indicate an expected sales volume of 100 units in the first year of operation which will generate approximately \$100,000 in sales tax revenue to the City of Lancaster.

Background:

The Lancaster City Council has in the past supported the auto dealers in the Lancaster Auto Mall by approving several transactions designed to assist the dealerships during these uneven economic times. As the Auto Mall is one of the City's largest sources of sales tax revenue, it is prudent to continue to work cooperatively with the dealers to position the mall to accommodate the pent up demand for vehicle sales that will be evident when the recession ends.

Towards this end, we are asking the Council to consider another agreement that will help diversify the mall's revenue generating potential by adding recreational vehicles to its list of allowed uses. The Planning Commission and the Auto Dealers have already unanimously approved this concept and have amended both the Mall's Master CUP and the Lancaster Auto Mall Association's CC&Rs to include this class of motor vehicles. The Agreement with Adventurecorp will support the establishment of an RV dealership in the Sierra Toyota dealership site left vacant as a result of the newly upgraded and now occupied expansion site of Sierra Toyota.

Summary:

At this time, the Agency recommends approval of an agreement between the City and two dealerships. These include Adventurecorp and Sierra Toyota. The proposed transaction will allow Adventurecorp to assume a sales tax note that is currently held by Sierra Toyota on the former Sierra Toyota dealership site at 1160 West Motor Lane. This note was approved on the subject property to allow a previous dealer expansion that initially housed the Mitsubishi store

and later was the Toyota base of operations during the construction of the new facility that Toyota now occupies. With the consolidation of the Toyota franchise into a single facility, the old building and sales lot is surplus and now will be occupied by the new recreational vehicle dealership. Adventurecorp is that dealership and is a firm founded by Mr. Sam Key. Mr. Key has a substantial background in the automotive industry and is now applying his expertise to a new way of selling recreational vehicles.

His intention is to sell high end motor homes under a fractional ownership program designed to allow prospective purchasers to become RV owners more cost effectively. Research has confirmed that most of the owners of recreational vehicles only use their coaches for a few weeks during a calendar year. Today, under conventional RV ownership, owners pay expensive maintenance and storage fees for the entire year even though their use of the vehicle is limited.

Under fractional ownership, owners will participate in a portion of the costs of the vehicle they use during the year as the maintenance and storage cost of the vehicle will be assessed on a pro rata basis. This more cost effective ownership program should appeal to the growing ranks of retiring baby boomers as well as those customers looking to stretch their recreational dollar. Adventurecorp will also sell new recreational vehicles to the public utilizing the conventional ownership and sales methods.

The agreement requires that the dealership obtain a ruling from the State Board of Equalization indicating the method that sales taxes will flow to the City. Additionally, the contract requires Adventurecorp to develop and operate the dealership for 25 years, assume the Hawse sales tax note with interest and allow the City to be in a first position on the property to act as collateral for the note. The Agency will also enter into an agreement with Sierra Toyota that terminates the existing note and allows the assumption to occur and requires the Toyota dealership to be operated for at least two years. Both dealerships have also consented to allow the City to utilize dealership vehicles in the event of a disaster.

The Adventurecorp dealership will have a substantial service and parts department that will attract RV owners from throughout the region. This new dealership will bring more traffic and potential buyers into the mall creating a synergy that will be good for all of the retailers.

VL:sg

Attachment:
Dealership Agreement