

STAFF REPORT
(amended APN Nos.)
City of Lancaster, California
Lancaster Redevelopment Agency

JNB 1
08/10/10
MVB

Date: August 10, 2010

To: Mayor Parris and City Council Members
Chairman Parris and Agency Directors

From: Mark V. Bozigian, City Manager
Vern Lawson, Jr., Economic Development/Redevelopment Director

Subject: **Proposed New Antelope Valley Chevrolet Dealership at Lancaster Auto Mall**

Recommendation:

A. 1. Adopt Agency **Resolution No. 16-10**, authorizing the Executive Director to execute an agreement, and any related documents, with JCH Automotive Properties, LLC for the acquisition of property in the Lancaster Auto Mall (APN 3125-024-008-039 and 009 040) to provide a public parking lot, and making findings in connection therewith.

2. Adopt City Council **Resolution No. 10-62**, authorizing the City Manager to execute an agreement, and any related documents, with JCH Automotive Properties, LLC for the acquisition of property in the Lancaster Auto Mall (APN 3125-024-008-039 and 009 040) to provide a public parking lot, and making findings in connection therewith.

B. Authorize the Executive Director or his designee to execute an agreement, and any related documents, with Hawse Automotive Properties, LLC; JCH Automotive Properties, LLC; 7Jays, LLC; and Antelope Valley Chevrolet, Inc to provide for the establishment and operation of a new Chevrolet Dealership in the Lancaster Auto Mall.

Fiscal Impact:

From available bond proceeds, the Agency would purchase property in the Lancaster Auto Mall (APN 3125-024-008-039 and 009 040) for \$1.1 million from JCH Automotive Properties, LLC and assume the existing note on the property, for the purpose of providing a public parking lot.

In consideration of a covenant to provide for the establishment and operation of a new Chevrolet Dealership in the Lancaster Auto Mall for a minimum of 10 years, the Agency will provide monthly payments from available Agency funds to 7Jays, LLC in the amount of \$20,000 per month, beginning November 1, 2010, for a period of 12 months and thereafter, for the following 16 months, a monthly payment in an amount equal to 50% of the monthly sales tax revenue generated by Antelope Valley Chevrolet. At any time during the 28 month payment period, the payments would cease upon lease or sale of specific real property held by 7Jays, LLC, or when payments reach a total of \$604,000.

Background:

Staff has been in discussions with Antelope Valley Chevrolet, Inc. regarding the possibility of the entity being awarded a new franchise for an Antelope Valley Chevrolet dealership in light of the fact that the previous franchise for this brand was to be terminated. The City and the new Dealer expressed interest in locating this new dealership in Lancaster and immediately began to craft a plan to secure a site in the Lancaster Auto Mall. In a relatively compressed period of time, an agreement is now proposed for Council consideration to accomplish this task. The transaction involves an agreement between JCH Automotive Properties and Antelope Valley Chevrolet, Inc., the owner of the newly created Antelope Valley Chevrolet.

The new dealership will be located in an existing building, adjacent to the Antelope Valley Freeway, which was previously occupied by Sierra Toyota and now is surplus because of the newly constructed Toyota facility to the north of the site. This structure is ideally located and configured to accommodate the new Chevrolet franchise. With its freeway visibility and location next to Toyota, it will be a great location both for the new Chevrolet dealership and to generate additional consumer traffic for the entire Lancaster Auto Mall. This will in turn provide additional sales tax revenues for the City to continue to provide quality City services, including law enforcement services.

This site was the subject of a previous agreement with Adventurecorp. Unfortunately, securing capital commitments for the transaction took longer than expected and all parties have agreed that it was prudent to proceed with the GM deal and search for an alternative site for Adventurecorp.

In addition to the obligations of the New Chevrolet Dealer, Hawse Automotive has agreed to make the payments pursuant to the terms of the promissory note and deed of trust on the property being leased to the New Chevrolet Dealer and to secure the obligation with a deed of trust on certain real property. The Agreement also requires Hawse Automotive to sign a covenant to continue to operate the Sierra Toyota dealership for a period of at least two (2) years in Lancaster.

The City has a demonstrated record of working in partnership with the dealers in the Lancaster Auto Mall to protect our tax base and the jobs provided by these dealers. We now have the best group of auto dealer entrepreneurs we have had in many years. The addition of Antelope Valley Chevrolet to that mix will continue to build the Lancaster Auto Mall and the addition of GM products sets up the Auto Mall as a regional auto mall able to offer car shoppers in the Antelope Valley and surrounding regions access to a mix of some of the best vehicles in the country.

Time is of the essence in this deal and the City is prepared to expedite all required approvals so that the dealership can open and begin to produce jobs and new sales tax revenues.

Attachments:

Agency Resolution No. 16-10
Council Resolution No. 10-62
Lancaster Auto Mall Aerial Map