

STAFF REPORT
Lancaster Redevelopment Agency

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DATE: August 24, 2010

TO: Chairman Parris and Agency Members

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

SUBJECT: **Sub Lease Agreement between the Lancaster Redevelopment Agency and Lancaster Subaru**

Recommendation:

Authorize the Executive Director or his designee to execute a Master Lease Agreement and a Sub Lease Agreement and/or necessary documents for 43244 Drivers Way, Lancaster, California. This transaction will allow Subaru to open in the Lancaster Auto Mall.

Fiscal Impact:

The Agency will rebate an amount equal to 50% of the eligible non-Honda sales tax to the dealer for the term of the sublease. This will be capped at a maximum of \$15,900 per month which is the rental cost of the sub lease. The term of the lease is 5 years but the dealer has an out clause after three years with 30 days notice. The lease and the sublease contain a clause that requires the dealer to make at least \$200,000 in property improvements.

Background:

One of the worst things that can happen in an auto mall is to have a dealership go dark. This is true because it creates a blight that impacts the dealers that are left and eliminates customer traffic from the closed dealership that is so necessary to sell cars. Unfortunately, the Lancaster Auto Mall has experienced this condition for several months. To make matters worse, the closed dealership is located on 10th Street West, the highest traffic volume surface street adjacent to the mall. This 10th Street West corridor is considered to be one of the most viable retail sections in Lancaster because it is anchored by Costco on the south and the Lancaster Towne Center on the north.

We have now negotiated a deal to cause this structure to be reoccupied. The site shall become the home of Lancaster Subaru. This very successful car company will be operated by Rick Clutter, the owner of the adjacent Honda store. With the addition of this franchise, the Lancaster Auto Mall will have all of its existing dealerships occupied. This transaction was a challenge because the dealership was controlled by an out of the area third party. This fact requires the Lancaster Redevelopment Agency to control the property under a master lease with the Subaru dealership occupying the structure under a sub lease with the Agency.

We were fortunate to have a neighboring party who is willing to lease the space. We were also fortunate in this recessionary environment to have a franchise willing to reopen under new ownership. Much effort has been expended to keep the Lancaster Auto Mall prosperous. This is prudent because it protects our tax base but also because our commuting population relies on their vehicles to perform their livelihoods. The newly reconfigured mall also will assume a greater regional role as car buyers from outlying communities will drive further to view the increased selection and enjoy the convenience of an array of vehicles in a single location.

Summary:

This deal is good news for the City of Lancaster and in accord with our policy of tax base protection. If the Agency Board members concur with staff's recommendation, it would be appropriate to take an action to authorize the Executive Director or his designee to execute the necessary documents.

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