

STAFF REPORT

City of Lancaster

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DATE: June 26, 2012

TO: Mayor Parris and Council Members

FROM: Vern Lawson, Economic Development Director

SUBJECT: **Authorization to Approve a Development Agreement to Create a Site for Morton Manufacturing's New Corporate Headquarters**

Recommendation: Authorize the City Manager or his designee to execute the necessary documents to approve a Development Agreement to create a site for Morton Manufacturing's new Corporate Headquarters.

Fiscal Impact: The City participation in the Agreement is the installation of the infrastructure to service the Morton site and to fully improve four additional lots to be sold for job creation. The engineer's estimate for the necessary improvements is \$1,950,000. Funding for this has been included in the proposed FY 2012-2013 Capital Improvement Program.

Summary:

Morton Manufacturing, a well-established bolt manufacturing firm whose customers include the likes of Rolls Royce and General Electric, has selected the City of Lancaster as the home of its new corporate headquarters. Morton's relocation to a 10-acre site in the Lancaster Business Park will bring a total of 300 jobs to Lancaster, including 200 existing employees and 100 new positions. These wealth-inducing, base manufacturing jobs are highly sought after by municipalities because they induce service jobs at an estimated 3 to 1 ratio, creating a multiplier effect which will result in a local economic impact of up to 1,200 jobs.

Morton's relocation was secured through a public-private partnership with a private developer. The City's participation encompasses the installation of infrastructure to service the Morton site as well as four additional parcels that will remain once the existing 21-acre site has been subdivided to accommodate Morton's needs. Thus, Lancaster will not only benefit from attracting a first-rate major employer which will create a significant number of jobs for local workers; it will also have four additional shovel-ready sites to attract additional employers in the future, as well as an opportunity to recoup its investment in infrastructure through the sale of these sites.

Background:

Morton Manufacturing has chosen the City of Lancaster as the home of their new corporate headquarters. The 45-year-old machine shop currently has 200 employees and plans to hire an additional 100 to work in their new state-of-the-art 80,000 square foot plant to be constructed on a 10.06-acre site in the Lancaster Business Park. The firm specializes in the manufacturing of nickel-alloy bolts for gas-turbine aircraft engines. The company produces large volumes of highly-tolerant standard parts for new and existing aircraft engines. Its customers include Pratt Whitney, Rolls Royce, and General Electric, among others.

This firm represents exactly the type of company which is sought after by Economic Development entities because their jobs are wealth-inducing – that is, the kind that bring new money into a regional economy. These direct base manufacturing jobs induce service jobs at an estimated 3 to 1 ratio, creating a multiplier effect. Consequently, the 300 new manufacturing jobs in the economy ultimately cause the creation of 900 service jobs, bringing the total economic impact to 1,200 jobs. This company relocation is indicative of a prediction made in the CBRE plan for job growth that was presented at the Mayor's Business Roundtable in March. CBRE indicated that the San Fernando and Santa Clarita Valleys have a limited supply of available land to accommodate job growth, and firms that need to expand will search for sites in the Antelope Valley. This Development Agreement secures Morton Manufacturing and additionally improves four more lots to allow us to be in a position to move quickly when the next company is interested in Lancaster.

The company is minority and woman-owned and has been located in Southern California since 1967. They have chosen to move to Lancaster because their current location does not allow for expansion and 40% of their existing workforce already lives in the Antelope Valley. The company is an ideal fit with Lancaster because it requires the skill sets possessed by the workers in the Antelope Valley.

A very thorough site selection process was conducted by staff and the real estate brokers involved. Eleven potential sites were evaluated, with the prospect finally determining that the site of choice would be a 10.06-acre site in a repurposed portion of the Lancaster Business Park. The chosen site is a portion of a 21-acre parcel which was originally purchased by the US Postal Service to develop a mail processing center. When their plans changed, they declared the parcel surplus and sold it. Unfortunately, the current property owner would not sell only the required 10.7-acre parcel, but instead insisted that the entire 21-acre parcel be purchased.

This position resulted in a need to develop a public-private partnership to purchase the 21 acres and to extend the infrastructure to accommodate the use. The partnership with a private developer obligates the developer to purchase the 21-acre parcel and to carry the excess cost until a subdivision occurs and the surplus parcels are sold to third-party purchasers. The City portion of the partnership obligates it to pay for the public improvement cost and to accomplish the subdivision, as well as fast-track the development at City Hall and with the other approving entities.

One of the properties originally considered by Morton, but ultimately not selected, was owned by Frank Visco and Associates. In subsequent discussions with Morton Manufacturing, Mr. Visco agreed to fund the purchase of the 21-acre site and act as the developer for Morton Manufacturing. If not for the participation of this developer, this deal would not have happened. This developer has developed many projects in Lancaster, including the Los Angeles County office complex on Avenue K-6 in the Business Park and the 200,000 square foot Bank of America call center, also located in the Business Park. This facility is Lancaster's largest private-sector employer.

It is envisioned that the remaining land in the subdivision left after the Morton deal will be approximately 9.81 acres, which will be subdivided into four parcels. Excess revenues that exist after the participants have been paid back their original investment will be allocated on a pro-rata basis equaling the ratio of the original investment or contribution.

All of the departments in City Hall have collaborated to make this job-creation project a reality. We want to particularly commend the Public Works Department, as they have spent considerable time on the subdivision of the park and evaluating the true infrastructure cost. Our new Utility Division has also orchestrated a solar package custom-designed to reduce the power cost, which can be substantial in a large machine shop of this nature.

It is anticipated that the construction process, including the building and the infrastructure, will take approximately one year. Much needs to be done to make this project a reality and we have pledged that we will make this project our top priority. If the Council concurs with staff's recommendation, it is appropriate to authorize the City Manager or his designee to execute the necessary documents to approve this project.

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