

STAFF REPORT
City of Lancaster
Lancaster Successor Agency

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MVB

DATE: September 24, 2013

TO: Mayor/Chairman Parris and City Council/Agency Directors

FROM: Mark V. Bozigian, City Manager/Executive Director
Vern Lawson, Economic Development Director

SUBJECT: **Disposition & Development Agreement with BYD and Memorandum of Understanding with Rexhall Industries**

City Council Recommendation:

Approve a Disposition & Development Agreement with BYD and authorize the City Manager or his designee to execute all related documents.

City Council and Successor Agency Recommendation:

Approve a Memorandum of Understanding with Rexhall Industries and authorize the City Manager/Executive Director or his designee to execute all related documents.

Fiscal Impact:

The incentive package offered to entice BYD to locate two manufacturing facilities in Lancaster will encompass street improvements to the two roads which serve as entrances to the facilities; debt relief of approximately \$58,000 in notes owed to the former Redevelopment Agency by Rexhall Industries and reconveyances for two parcels owned by Bill Rex on 23rd Street West and Avenue H; and a 12.5-acre expansion parcel bordering BYD's new e-bus manufacturing site, pending the achievement of pre-negotiated milestones. The City will enter into an agreement to purchase this land at a cost of \$1,400,000, valid for three years, and will provide the land to BYD in return for completion of these milestones. Some terms of this arrangement may be subject to approval by the Lancaster Successor Agency Oversight Board and the State Department of Finance.

Background:

The City of Lancaster, under the leadership of Mayor Parris, has mounted an aggressive campaign in recent years to recruit international companies to locate in Lancaster in an effort to create new jobs for local workers. "Build Your Dreams" (BYD), a leading international battery, automobile and green energy firm based in Shenzhen, China with North American corporate headquarters in Los Angeles, has been a strategic target of these recruitment efforts.

Following an extensive site evaluation process, BYD has selected the City of Lancaster as the home of not only its e-bus manufacturing facility, but also its manufacturing facility for energy storage systems (large-scale batteries). These will be BYD's first manufacturing facilities in North America and are anticipated to ultimately create hundreds of jobs for local workers. In addition, the e-bus manufacturing facility marks the first Chinese-owned vehicle manufacturing facility to locate in the United States.

This partnership is important for Lancaster and the Antelope Valley in that it creates a tangible relationship with a world leader in green technology. BYD will occupy two existing facilities in Lancaster. The firm will purchase the former Rexhall Industries property, a 120,000-square-foot recreational vehicle manufacturing facility which presently has excess capacity due to the slowdown in the RV industry brought on by the Great Recession. Thus, this transaction will not only bring a world-renowned firm to the City of Lancaster, but also fill a presently underutilized facility with the highest and best use for the property. In addition, BYD has purchased the 44,000-square-foot former Budweiser distribution facility on Division Street and Avenue J-11 to house its energy storage system (ESS) manufacturing facility.

In order to entice BYD to locate these facilities and the accompanying jobs in Lancaster, the City has designed a customized incentive package tailored to the firm's specific needs. As part of this agreement, the City will enter into an agreement with Bill Rex, owner of Rexhall Industries, for a vacant 12.5-acre parcel which borders the e-bus manufacturing facility. Following BYD's first three years in operation at this facility (or sooner if progress so dictates), the City will evaluate its performance in terms of jobs created and sales tax revenue generated. Assuming BYD meets the performance objectives outlined in the agreement, the City will purchase the parcel at a cost of \$1,400,000 and will provide this land to BYD in return for jobs created.

Rexhall Industries will continue to operate at its showroom on 23rd Street West, providing sales and service at this location. When demand is high, this facility can also accommodate manufacturing on-site. Additionally, owner Bill Rex will serve as General Manager at BYD's e-bus facility, bringing decades of experience in the American manufacturing industry as well as a team of experienced workers to BYD's new venture. Rexhall is also currently evaluating a new business model to build smaller, more mileage-conscious motorhomes, and will utilize its new partnership with BYD to explore opportunities for environmentally-friendly electric models in the future.

The incentive package to BYD also provides for the use of Capital Improvement funds for street improvements on Avenue J-11 west of Division Street and 7th Street West north of Avenue H. As these streets serve as entrances to BYD's new manufacturing facilities, these projects will allow for the public improvements needed to create an entrance befitting a firm of BYD's caliber.

Additional incentives which provide added value to BYD at no cost to the City include the re-naming of portions of 7th Street West and Avenue G-12, both of which lead to the e-bus facility, as “BYD Boulevard” and “Dream Way,” respectively. In the same vein, the above-referenced portion of Avenue J-11 will be designated “BYD Drive.” Through the Lancaster Power Authority, the City will work with BYD to install the firm’s energy-efficient lighting along BYD Boulevard, as well as partner to install a solar energy system which will provide significant savings in BYD’s energy costs while also furthering the City’s renewable energy goals.

This deal is the culmination of a four-year relationship with BYD which has already yielded such fruit as the groundbreaking “Home of the Future,” an energy-efficient, solar-powered home complete with a state-of-the-art energy storage system produced through a partnership between BYD, KB Home and the City. This agreement aims to create hundreds of new jobs, generate new sales tax revenue to the City, diversify our local economy, fill commercial vacancies, and guarantee a mutually beneficial partnership between the City and cutting-edge green technology firm BYD well into the future.

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Attachments:

Disposition & Development Agreement with BYD including Memorandum of Understanding with Rexhall Industries