

STAFF REPORT
City of Lancaster

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05/27/14
MVB

DATE: May 27, 2014

TO: Mayor Parris and City Council Members

FROM: Vern Lawson, Economic Development Director

SUBJECT: **Agreement Regarding Consolidation and Amendment of Transactions with Clutter Motors**

Recommendation:

Approve agreement regarding consolidation and amendment of transactions with Clutter Motors and authorize the City Manager or his designee to execute all required documents.

Fiscal Impact:

Clutter Motors will agree to operate the Antelope Valley Subaru, Lancaster Honda and a new business that will sell Honda motorcycles and watercraft for a period of 20 years in the City of Lancaster. The City will renegotiate the existing note, extending the term and contributing additional funds of up to \$100,000, which will be paid to Mr. Clutter in cash per the terms of the agreement. The City will also install public improvements according to a plan developed by David Sargent Associates to beautify the Lancaster Auto Mall and create a new showcase opportunity for the Mall along 10th Street West and Avenue K-8.

Background:

Lancaster Honda, a vital tax revenue generator for the City of Lancaster and a valued fixture of the local business community, is poised to renovate its existing facility and expand into additional space in the Lancaster Auto Mall. To facilitate this expansion, City staff has prepared an agreement for an operating covenant and restrictive covenant to be purchased by the City for renegotiating the \$300,000 current note and for installing a new streetscape designed to revitalize the Auto Mall, which was originally developed in the 1980s.

Under the agreement now proposed, Clutter Motors would be eligible to receive up to an additional \$100,000 based on a renegotiation of the \$300,000 note, including a term extension. The City would then be required to install up to \$400,000 in streetscape improvements as compensation to purchase an operating covenant and restrictive covenant from Clutter Motors.

This contract would require the continued operation of Lancaster Honda, Antelope Valley Subaru, and a new motorcycle/watercraft dealership in Lancaster for a period of 20 years, beginning on the date of execution of the new agreement and would modify and/or replace all parties' responsibilities under existing agreements.

These funds will be used to engage in a full-scale renovation of the existing Honda dealership. To carry out this project, Lancaster Honda will temporarily relocate to an adjacent dealership space in the Lancaster Auto Mall, which is currently vacant. Once the renovation is complete, Lancaster Honda will return to its current location. Then, Clutter Motors will deliver a new Honda motorcycle/watercraft store, with the dealership to be located in the currently vacant dealership in the Lancaster Auto Mall.

As the parent company of Lancaster Honda, Antelope Valley Subaru, and Lancaster Tire Pros, Clutter Motors has long been a valued partner of the Lancaster business community and the City of Lancaster. Under the leadership of its owner and chief executive, Rick Clutter, Clutter Motors has brought two thriving dealerships to the Lancaster Auto Mall and is primed to launch a third. Not only do these businesses generate substantial sales tax revenue to fund essential City services and create synergy to heighten the success of the entire Auto Mall, but Mr. Clutter also serves as a local philanthropist and excellent corporate partner. Clutter Motors regularly sponsors events that enrich our community, including the City's annual Streets of Lancaster Grand Prix.

The agreement currently under consideration serves as an opportunity for the City to leverage its funds to benefit an outstanding business partner in the short term, while enhancing the overall revenue generation potential and aesthetic quality of the Lancaster Auto Mall and allowing for the establishment of a new business and associated job creation in the long term.

VL:cd

Attachment:
Agreement