

STAFF REPORT
Lancaster Redevelopment Agency

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10/14/08
MVB

DATE: October 14, 2008

TO: Chairman Parris and Agency Members

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

SUBJECT: **Approve an Operating Covenant with Johnson Ford, Inc. regarding a New Antelope Valley Mazda, Inc. Dealership located at 1015 Auto Mall Drive, Lancaster, Ca. 93534(APN# 3125-024-026,027,028)**

Recommendation:

Authorize the Executive Director or his designee to execute an agreement re Acquisition of Operating and Use Covenant and Restriction Covenant re Johnson Ford, Inc. expansion located at 1015 Auto Mall Drive, Lancaster, Ca. 93534 (APN # 3125-024-026,027,028)

Fiscal Impact:

The Agreement provides for the acquisition of a Covenant between the City of Lancaster and the owner of Johnson Ford, Inc. whereby the Owner will obtain a new Mazda Franchise to be operated in the Lancaster Auto Mall. Utilizing undesignated redevelopment agency fund reserves, the Lancaster Redevelopment agency will purchase a promise from Johnson Ford, Inc. to operate for no less than twenty years an updated Ford Dealership and a new Mazda Dealership collocated at the Lancaster Auto Mall. The Agency will pay the Dealer an amount not to exceed \$1,500,000 as compensation for committing to the covenant which will provide to the City additional sales tax revenue from the new Mazda dealership as well as retaining exclusively for Lancaster the longstanding Ford Dealership.

Background:

A new Mazda Dealership means new revenues for the City of Lancaster and new high mileage auto choices for Lancaster commuters. Adding to a successful business relationship, Mr. Mike Johnson, owner of Johnson Ford Inc., approached the City with a proposal to expand his dealership, supported by the Ford Motor Company. Mr. Johnson and Ford Motor Company have taken a proactive step in adding an additional automotive brand to address the needs of Lancaster consumers. Expansion of the dealership and the increase in the selection of automobile brands will be a benefit to the City in additional revenue generation for the general fund and to the consumers of the area with new choices in products and services. The Parties acknowledge that the Agency has negotiated the terms of this agreement in contemplation of the sales tax revenues to be generated by this expansion.

The Agreement stipulates that the Dealer's commitment to produce an additional \$1,500,000 in sales tax revenue shall be offset dollar for dollar, including 6% interest by newly generated Sales Tax revenue. The agreement will be secured by a promissory note and a second trust deed on the dealership property. The promissory note will include a provision that if the site generated sales tax is deemed insufficient to reduce the purchase price to zero, the Dealer shall pay to the Agency a cash amount sufficient to make up for the shortfall.

The agreement also requires the Dealer to improve facilities throughout the property. At the east end of the property, a renovation and remodeling of existing sales and service buildings will accommodate the new Mazda Dealership. The dealer will also construct an enlarged state-of-the-art maintenance and service center. Finally, the Ford Dealership will receive a face lift with a new Ford Motor Company façade concept, bringing to the dealership Ford's look of the future.

As an extra support to the community, the Dealer has agreed to a provision of this covenant that is quite novel. In the event of the occurrence of a national disaster or a state emergency, the Dealer will use his best efforts to make available for the duration of the disaster or emergency Dealer's inventory of trucks for use by the Agency or City in dealing with the disaster or emergency.

Summary:

The expansion of Johnson Ford, Inc. with the addition of the Mazda Dealership will be a beneficial addition to the Lancaster Auto Mall. This City/Business partnership will further increase the Auto Mall's business traffic while adding consumer choice and increased sales. Choices for high mpg automobiles will be a timely benefit to the entire community, especially the large population of daily commuters. Additionally, the City of Lancaster will benefit from an increase in sales tax revenue and the addition of a state-of-the-art facility to the Auto Mall.

VL:SG:ad

Attachment(s):

1. Site Map