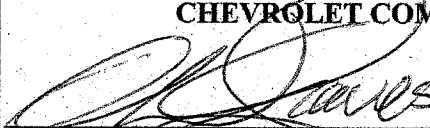





# City of Carson Report to Redevelopment Agency

August 2, 2011  
New Business Consent

**SUBJECT: CONSIDERATION OF RESOLUTION NO. 11-42 APPROVING THE SECOND AMENDMENT TO THE OWNER PARTICIPATION AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT AGENCY AND CORMIER CHEVROLET COMPANY (CARSON CONSOLIDATED PROJECT AREA)**

  
Submitted by Clifford W. Graves  
Economic Development General Manager

  
Approved by Clifford W. Graves  
Interim Executive Director

## **I. SUMMARY**

The subject of this report is the second amendment (Amendment) to the Owner Participation Agreement (OPA) and the Amended and Restated OPA Note (Note) (Exhibit No. 2) by and between the Carson Redevelopment Agency (Agency) and Cormier Chevrolet (Dealership) dated February 1, 2011 (Exhibit No. 3), regarding Agency assistance to the Dealership in the form of a \$500,000.00 interim development loan for the Dealership to upgrade its existing Hyundai franchise (Project). The Dealership approached Agency staff with a second request to extend the terms of the original loan for an additional 45 days. Adoption of Resolution No. 11-42 (Exhibit No. 1) will effectuate the changes to the OPA outlined in this staff report.

## **II. RECOMMENDATION**

TAKE the following actions:

1. WAIVE further reading and ADOPT Resolution No. 11-42, "A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF CARSON, CALIFORNIA, APPROVING THE SECOND AMENDMENT TO THE OWNER PARTICIPATION AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT AGENCY AND CORMIER CHEVROLET COMPANY FOR THE DEVELOPMENT OF A NEW HYUNDAI SHOWROOM FOR PROPERTY LOCATED AT 2201 EAST 223<sup>RD</sup> STREET (CARSON CONSOLIDATED PROJECT AREA)."
2. AUTHORIZE the Agency Chairman to execute the second amendment to the Owner Participation Agreement by and between the Carson Redevelopment Agency and Cormier Chevrolet Company following approval as to form by the Agency Counsel.

## **III. ALTERNATIVES**

1. MODIFY and APPROVE the second amendment to the Owner Participation Agreement as the Agency Board may require.
2. TAKE another action the Agency Board deems necessary.

#### IV. BACKGROUND

Due to the recent changes in the capital and financial market underwriting requirements, the Dealership's anticipated \$2.2 million loan from the Grow America Fund (GAF) will not fund in the original time period projected. Proceeds from the GAF loan have been committed to repay the \$500,000.00 interim development loan.

On January 28, 2011, the Dealership received a loan commitment of approximately \$1.7 million from the GAF for the upgrade and redevelopment of its existing Hyundai dealership. The GAF loan was then amended to include an additional \$500,000.00 and was to have funded by now but has not done so. The Dealership approached the Agency with a second request to extend the term of the loan for an additional 45 days. Upon the Dealership's receipt of the GAF funds, it will immediately repay the Agency loan in full. To date the Dealership continues to expend its own funds on pre-development costs, in order to meet corporate Hyundai's deadline for a new Hyundai dealership by the end of 2011. Without the Agency's interim loan, which has given the project the ability to continue moving ahead, that goal may not be reached.

#### V. FISCAL IMPACT

The Agency will receive \$500,000.00 from the Dealership within 45 days from authorization of the second amendment.

#### VI. EXHIBITS

1. Resolution No 11-42. (pgs. 3-4)
2. Second Amendment to the Owner Participation Agreement/Amended and Restated OPA Note. (pgs. 5-8)
3. Minutes February 1, 2011, Item No. (3A). (pg. 9)

Prepared by: Michelle Chambers, Redevelopment Project Manager

TO: Rev010511

Reviewed by:

City Clerk	City Treasurer
Administrative Services	Development Services
Economic Development Services	Public Services

**Action taken by Redevelopment Agency**

Date \_\_\_\_\_ Action \_\_\_\_\_

RESOLUTION NO. 11-42

A RESOLUTION OF THE REDEVELOPMENT AGENCY OF THE CITY OF CARSON, CALIFORNIA, APPROVING THE SECOND AMENDMENT TO OWNER PARTICIPATION AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT AGENCY AND CORMIER CHEVROLET COMPANY FOR THE DEVELOPMENT OF A NEW HYUNDAI SHOWROOM FOR PROPERTY LOCATED AT 2201 EAST 223<sup>RD</sup> STREET (CARSON CONSOLIDATED PROJECT AREA).

WHEREAS, the Carson Redevelopment Agency (Agency) has been duly created, established and authorized to transact business and exercise its powers under and pursuant to Community Redevelopment Law (CRL; California Health and Safety Code Sections 33000 et seq.), which authorizes the Agency to make agreements with owners, purchasers and lessees of property to assist in alleviating blight by development of projects in conformance with the Redevelopment Plan for a Project Area; and

WHEREAS, Cormier Chevrolet Company (Participant) operates Cormier Chevrolet and Cormier Hyundai on property within the Carson Consolidated Project Area (Project Area) of the city of Carson that the Participant leases from the Agency (Property); and

WHEREAS, to effectuate the provisions of the Redevelopment Plan for the Project Area, the Agency entered into an Owner Participation Agreement dated February 1, 2011 (Agreement) with the Participant in connection with the development of a new, approximately 11,600 square foot, Hyundai Showroom (Project) on the Property, pursuant to which the Agency agreed to provide bridge loan funding to assist with the predevelopment costs to be incurred by the Participant in connection with the Project until the Participant receives the construction funding as more particularly described in the Agreement; and

WHEREAS, as the Participant's construction funding was delayed, the parties are extending the term of the bridge financing as described in the First Amendment to the Agreement; and

WHEREAS, as the Participant's construction loan has not yet been funded, the parties desire to further extend the term of the bridge financing for forty-five days as described in the Second Amendment to the Agreement.

NOW, THEREFORE, the Board of Directors of the Carson Redevelopment Agency, does hereby resolve, as follows:

**Section 1:** The above recitals are all true and correct and incorporated herein by this reference.

**Section 2:** Based on the foregoing recitals and all evidence presented to and considered by the Agency Board on August 2, 2011, including the staff report and the Second Amendment to the Agreement, the Agency Board hereby reaffirms that (a) the Project will be of benefit to the Project Area, (b) the development of the Project will assist in the elimination of

blighting conditions within the Project Area and the immediate neighborhood where the Project will be located and (c) is consistent with the Agency's current adopted Redevelopment Plan and Implementation Plan for the Project Area.

**Section 3:** The Agency hereby approves the Second Amendment to the Agreement, attached hereto and incorporated herein as Attachment No. 1.

**Section 4:** The Second Amendment to the Agreement is hereby approved for execution and delivery by the Chair of the Agency and/or any other authorized officers with such changes or modifications as the Chair of the Agency and/or any such other authorized officers may deem necessary (as conclusively evidenced by the execution thereof) to effectuate their purpose. The Secretary of the Agency is hereby authorized to attest to the Second Amendment to the Agreement.

**Section 5:** The Chair of the Agency and/or any other authorized officers are hereby authorized to take such actions, perform such deeds, and execute, acknowledge and deliver such instruments and documents as they deem necessary to effectuate the transactions contemplated under the Second Amendment to the Agreement.

**PASSED, APPROVED and ADOPTED** this 2nd day of August, 2011.

\_\_\_\_\_  
Chairman Jim Dear

ATTEST:

\_\_\_\_\_  
Agency Secretary Helen S. Kawagoe

APPROVED AS TO FORM:

\_\_\_\_\_  
Agency Counsel

**RESOLUTION NO. 11-42  
ATTACHMENT NO. 1**

**SECOND AMENDMENT TO OWNER PARTICIPATION AGREEMENT**

This Second Amendment to Owner Participation Agreement (Second Amendment) is entered into on this 2<sup>nd</sup> day of August, 2011 (Effective Date), by and between the CARSON REDEVELOPMENT AGENCY, a public body, corporate and politic (Agency), the CITY OF CARSON (City) and CORMIER CHEVROLET COMPANY, a California corporation, whose offices are located at 2201 East 223rd Street, Carson, CA 90810 (Participant) with respect to the following:

**RECITALS**

WHEREAS, Participant operates the Cormier Chevrolet and Cormier Hyundai dealerships on land within the city of Carson that Participant leases from the Agency (hereinafter defined as the Property) within the Carson Consolidated Redevelopment Project Area; and

WHEREAS, Participant desires to redevelop the Property by constructing a new showroom for the Hyundai dealership (Project) that Participant will operate on the Property, the construction of which will result in the increased generation of property tax and sales tax revenue to the city of Carson; and

WHEREAS, the Agency and Participant entered into that certain Owner Participation Agreement dated February 1, 2011 (OPA), which provided for a bridge loan from the Agency to assist Participant with the payment of predevelopment costs incurred by Participant in connection with the construction of the Project until such time as the Participant's construction loan funds; and

WHEREAS, on March 8, 2011, Agency transferred title to the premises to the City; and

WHEREAS, as the Project financing was delayed due to unforeseeable changes in capital and financial market conditions, the parties approved a First Amendment to the OPA on May 17, 2011, to extend the time for repayment of the bridge loan; and

WHEREAS, on August 2, 2011, City transferred title to the premises to the Agency such that upon the execution of this Second Amendment, City shall no longer be a party to the OPA; and

WHEREAS, as the Participant's construction loan has not yet funded, the parties desire to extend the time for repayment of the bridge loan for an additional forty-five (45) days.

NOW, THEREFORE, based upon the foregoing recitals and the terms, conditions, covenants, and agreements contained herein, the parties hereto agree as follows:

Section 1. Section 4.1 of the OPA, "Loan by Agency," is hereby amended in its entirety to read as follows:

"Within three (3) business days of executing this Agreement, but subject to satisfaction or Agency's waiver of each and all of the Agency's Conditions to Funding set forth in Section 4.4 hereof, Agency shall, pursuant to the OPA Note

(Exhibit C), provide assistance to Participant in the form of an interest free bridge loan in the amount of five hundred thousand dollars (\$500,000.00). The bridge loan will be a not-to-exceed two hundred twenty-five (225) day loan to Participant to assist Participant with the payment of predevelopment costs to be incurred by Participant in connection with construction of the Project on the Property (Agency Assistance) until the Participant's construction loan funds. The Agency shall disburse the Agency Assistance in one lump sum provided that Participant satisfies the Agency's conditions to funding described at Section 4.4 below and any conditions set forth in the OPA Note. The Agency Assistance is provided pursuant to the Agency's authority under California Community Redevelopment Law, including Health and Safety Code Section 33444.5. The Agency shall have no responsibility or obligation for any income tax or other tax consequences to Participant resulting from the provision of the Agency Assistance."

Section 2. Section 4.2 of the OPA, "Terms of OPA Note," is hereby amended in its entirety to read as follows:

"The OPA Note, which shall bear no interest, shall be in an amount equal to five hundred thousand dollars (\$500,000.00). The term of the OPA Note shall require repayment within two hundred twenty-five (225) days from the date of issuance of the loan or within one (1) business day of Participant's receipt of the construction loan funds, whichever period is shorter."

Section 3. Section 1 of the Amended and Restated OPA Note, Exhibit "C-1" to the OPA, is hereby amended in its entirety to read as follows:

" **1. BORROWER'S PROMISE TO PAY PRINCIPAL AND INTEREST.** For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Cormier Chevrolet Company, a California corporation (Borrower), promises to pay to the Carson Redevelopment Agency, a public body, corporate and politic (Agency), or order, as lender herein, at its office at One Civic Plaza Drive, Suite 500, Carson, California 90745, or at such other place as Agency may from time to time designate in writing, the principal sum of five hundred thousand dollars (\$500,000.00) within two hundred twenty-five (225) days from the date of issuance of the loan or within one (1) business day of Participant's receipt of the construction loan funds, whichever period is shorter (Maturity Date), in accordance with that certain Owner Participation Agreement, dated February 1, 2011 (Agreement) by and between Borrower and Agency. On the Maturity Date, the portion of the outstanding principal balance of the OPA shall be due and payable. As used herein, the term "Agency" shall mean Agency and any subsequent holder of this OPA Note secured by a Guaranty (Note), whichever is applicable from time to time."

Section 4. The parties agree that, except as specifically provided in this Second Amendment, the terms of the Agreement shall remain unchanged and in full force and effect.



Section 5. The person(s) executing this Second Amendment on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Second Amendment on behalf of said party, (iii) by so executing this Second Amendment, such party is formally bound to the provisions of this Second Amendment, and (iv) the entering into of this Second Amendment does not violate any provision of any other agreement to which said party is bound.

[CONTINUE ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this Second Amendment as of the date of approval by the Agency.

"AGENCY"

CARSON REDEVELOPMENT AGENCY  
a public body, corporate and politic

\_\_\_\_\_  
Chairman Jim Dear

ATTEST:

\_\_\_\_\_  
Agency Secretary Helen S. Kawagoe

APPROVED AS TO FORM:

\_\_\_\_\_  
Agency Counsel

"CITY"

CITY OF CARSON  
a municipal corporation

\_\_\_\_\_  
Mayor Jim Dear

ATTEST:

\_\_\_\_\_  
City Clerk Helen S. Kawagoe

APPROVED AS TO FORM:

\_\_\_\_\_  
City Attorney

"PARTICIPANT"

CORMIER CHEVROLET COMPANY,  
a California corporation

By: \_\_\_\_\_  
Its: \_\_\_\_\_

By: \_\_\_\_\_  
Its: \_\_\_\_\_



**ITEM NO. (3A)      URGENCY ITEM TO CONSIDER APPROVAL OF URGENCY  
RESOLUTION NO. 11-05U FOR AN OWNER PARTICIPATION  
AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT  
AGENCY AND CORMIER CHEVROLET COMPANY, A CALIFORNIA  
CORPORATION, AND RATIFY AN INTERIM DEVELOPMENT LOAN FOR  
THE CORMIER CHEVROLET AUTOMOBILE DEALERSHIP AT 2201 E.  
223<sup>RD</sup> STREET (CARSON CONSOLIDATED PROJECT AREA (FORMERLY  
ADDED AS URGENCY ITEM NO. 5)**

**ACTION:**      Urgency Item No. 3A (Formerly Urgency Item No. 5) was approved on the New  
Business Consent Calendar on motion of Dear, seconded by Gipson and unanimously carried by the  
following vote:

**Ayes:**              Chairman Dear, Vice Chairman Santarina, Agency Member Davis-Holmes, Agency  
Member Gipson, and Agency Member Ruiz-Raber  
**Noes:**              None  
**Abstain:**          None  
**Absent:**           None