

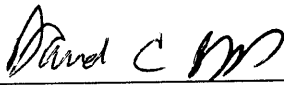


City of Carson Report to Mayor and City Council

December 6, 2011
Special Orders of the Day

SUBJECT: JOINT PUBLIC HEARING TO CONSIDER ADOPTING RESOLUTION NO. 11-137 APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT AGENCY AND WIN CHEVROLET PROPERTIES, LLC, AND WIN CHEVROLET, INC., FOR THE PURCHASE AND SALE OF THE AGENCY-OWNED PROPERTY LOCATED AT 2201 EAST 223RD STREET (CARSON CONSOLIDATED PROJECT AREA)


Submitted by Clifford W. Graves
Economic Development General Manager


Approved by David C. Biggs
City Manager

THIS IS A JOINT AGENDA ITEM

I. SUMMARY

The subject of this report is a disposition and development agreement (DDA) by and between the Carson Redevelopment Agency (Agency) and WIN Chevrolet Properties, LLC and WIN Chevrolet, Inc. (collectively, WIN Chevrolet), which would be effectuated by adoption of Resolution No. 11-137 (Exhibit No. 1). WIN Chevrolet desires to purchase the 10.79-acre, Agency-owned, property located at 2201 East 223rd Street (Site) (Exhibit No. 2) pursuant to the terms of an existing enforceable obligation (the current ground lease between the two parties) for the continued operation of a Chevrolet and Hyundai dealership on the Site.

II. RECOMMENDATION

TAKE the following actions:

1. OPEN the joint Public Hearing, TAKE public testimony, and CLOSE the joint Public Hearing.
2. WAIVE further reading and ADOPT Resolution No. 11-137, "A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, MAKING CERTAIN FINDINGS AND APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT AGENCY AND WIN CHEVROLET PROPERTIES, LLC, A CALIFORNIA LIMITED LIABILITY CORPORATION AND WIN CHEVROLET, INC., A CALIFORNIA CORPORATION, FOR THE PURCHASE AND SALE OF THE PROPERTY LOCATED AT 2201 EAST 223RD STREET (CARSON CONSOLIDATED PROJECT AREA)."
3. AUTHORIZE the Mayor to execute the disposition and development agreement following approval as to form by the City Attorney.

III. ALTERNATIVES

1. MODIFY and APPROVE the agreement as the City Council may require.
2. TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The Agency purchased the Site from C-P Land Company in April of 2009, and leased it back to Cormier Chevrolet Company (Cormier) to allow for the continued operation of the dealership at the Site. The lease is an enforceable obligation of the Agency. One of the lease provisions requires that the Agency sell the Site back to Cormier at fair market value upon Cormier's request to repurchase the Site.

In September of 2011, Cormier advised Agency staff that it desired to exercise its repurchase rights. The Agency then commissioned an appraisal which determined the fair market value of the Site to be \$12 million, including improvements and a 20-year covenant to remain an auto dealership.

During negotiations with the Agency, Cormier was approached by WIN Chevrolet with an offer to both assume the lease and create a new dealership of which Cormier's president, John Peterson, would be a partner in both the land and dealership. WIN Chevrolet is comprised of very experienced and well capitalized auto sales professionals. Thus, the transaction was authorized by the Agency, again pursuant to the existing lease, at its regular meeting on November 15, 2011 (Exhibit No. 3). A DDA between the Agency and WIN Chevrolet (Exhibit No. 4) was then negotiated for the sale and purchase of the Site.

Pursuant to the DDA, the Agency will sell the Site to WIN Chevrolet for the purchase price of \$12,000,000.00. WIN Chevrolet will pay \$5,000,000.00 in cash to the Agency and provide a performance promissory note (Note) secured by a deed of trust in the amount of \$7,000,000.00 for the balance. The Note amount will be reduced at a rate of 1/20th of the original principal balance each year that the dealership operates in compliance with the 20-year operating covenant. If the dealership ceases to operate, WIN Chevrolet will owe the balance of the Note.

There will be a second note secured by a deed of trust in the amount of \$500,000.00, payable if WIN Chevrolet fails to upgrade the existing Chevrolet dealership and build a new Hyundai vehicle showroom at a combined cost of at least \$2,800,000.00 within five years of the effective date of the DDA.

A summary report (Exhibit No. 5) has been prepared pursuant to the requirements of Section 33433 of the California Health and Safety Code (Summary Report). The Summary Report must include:

- 1) The cost of the agreement to the Agency.
- 2) The estimated value of the interest to be conveyed determined at the highest and best use permitted under the plan (current market value).
- 3) The estimated value of the interest to be conveyed or leased, determined at the use with the conditions, covenants, and development costs required by the sale

or lease. This is determined by a reuse appraisal previously prepared for the project.

- 4) An explanation of why the sale or lease of the property will assist in the elimination of blight.

Staff recommends that the City Council adopt Resolution No. 11-137 approving the DDA between the Agency and WIN Chevrolet.

V. **FISCAL IMPACT**

The Agency will receive the cash portion of the purchase price in the amount of \$5,000,000.00.

VI. **EXHIBITS**

- 1. Resolution No. 11-137. (pgs. 4-6)

Exhibits listed below are included with the Carson Redevelopment Agency Joint Item

- 2. Vicinity Map. (pg. 7)
3. Minutes November 15, 2011, Item No. 3. (pg. 8)
4. Disposition and Development Agreement. (pgs. 9-90)
5. Summary Report Pursuant to Section 33433 of the California Community Redevelopment Law. (pgs. 91-98)

Prepared by: William N. Watkins, Redevelopment Project Analyst
TO:Rev091911

Reviewed by:

Table with 2 columns and 3 rows: City Clerk, Administrative Services, Economic Development; City Treasurer, Development Services, Public Services

Action taken by City Council
Date _____ Action _____

RESOLUTION NO. 11-137

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, MAKING CERTAIN FINDINGS AND APPROVING A DISPOSITION AND DEVELOPMENT AGREEMENT BY AND BETWEEN THE CARSON REDEVELOPMENT AGENCY AND WIN CHEVROLET PROPERTIES, LLC, A CALIFORNIA LIMITED LIABILITY CORPORATION AND WIN CHEVROLET, INC., A CALIFORNIA CORPORATION, FOR THE PURCHASE AND SALE OF THE PROPERTY LOCATED AT 2201 EAST 223RD 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 the Community Redevelopment Law (Part 1 of Division 24 of the Health and Safety Code of the State of California); and

WHEREAS, to effectuate the provisions of the redevelopment plan (Redevelopment Plan) for the Carson Consolidated Project Area (Project Area), the Agency is considering selling the 10.79-acre, Agency-owned, property located at 2201 East 223rd Street (Site) to WIN Chevrolet Properties, LLC and WIN Chevrolet, Inc. (collectively, WIN Chevrolet) to allow for the continued operation of an automobile dealership (Project) on the Site; and

WHEREAS, the Agency purchased the Site from C-P Land Company in April of 2009, and leased it back to Cormier Chevrolet Company (Cormier) to allow for the continued operation of the dealership at the Site. The lease is an enforceable obligation of the Agency. One of the lease provisions requires that the Agency sell the Site back to Cormier at fair market value upon Cormier's request to repurchase the Site; and

WHEREAS, in September of 2011, Cormier advised Agency staff that it desired to exercise its repurchase rights. During negotiations with the Agency, Cormier was approached by WIN Chevrolet with an offer to both assume the lease and create a new dealership of which Cormier's president, John Peterson, would be a partner in both the land and dealership. WIN Chevrolet is comprised of very experienced and well capitalized auto sales professionals. Thus, the transaction was authorized by the Agency, again pursuant to the existing lease, at its regular meeting on November 15, 2011; and

WHEREAS, a disposition and development agreement (DDA) between the Agency and WIN Chevrolet was then negotiated for the sale and purchase of the Site at fair market value of \$12,000,000.00; and

WHEREAS, Community Redevelopment Law Section 33433 requires that the Agency Board and the City Council approve the DDA, that certain findings be made and that the Summary Report and a copy of the DDA be made available for public inspection; and

EXHIBIT NO. - 1

[MORE]

WHEREAS, on December 6, 2011, the Agency and the City Council conducted and concluded a duly noticed joint public hearing pursuant to Section 33433 to consider the DDA and the Summary Report; and

WHEREAS, in accordance with the California Environmental Quality Act (California Public Resources Code Section 21000 et seq. CEQA), the Agency has examined the potential impacts of the Project on the environment; and

WHEREAS, all legal prerequisites to the adoption of this resolution have occurred.

NOW, THEREFORE, based on the evidence presented to the City Council, including the written staff report and oral testimony on this matter, and the 33433 Report, the City Council does hereby find, determine and resolve as follows:

Section 1. The above recitals are all true and correct and adopted as findings.

Section 2. The DDA is consistent with the Agency's adopted Redevelopment Plan for the Project Area and the Agency's Implementation Plan adopted pursuant to California Health and Safety Code Section 33490.

Section 3. The Project is exempt from CEQA Guidelines pursuant to Section 15061(b)(3), which exempts projects where it can be positively determined that the activity does not have the potential to cause a significant effect on the environment. The Agency hereby determines that the Project does not have the potential to cause a significant effect on the environment.

Section 4. The consideration to be paid by WIN Chevrolet for the Site pursuant to the DDA is not less than fair market value at its highest and best use in accordance with the Redevelopment Plan. The facts set forth in the Summary Report prepared for the DDA are incorporated herein.

Section 5. The sale of the Site to WIN Chevrolet will allow for the operation of an automobile dealership on the Site. Thus, the DDA will prevent physical and economic blighting conditions from occurring on the Site. The facts set forth in the Summary Report prepared for the DDA are incorporated herein.

Section 6. The DDA, a copy of which is available at the Economic Development Department, and by this reference incorporated herein, and the instruments referenced therein are hereby approved.

Section 7. The Chairman and/or Executive Director 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 DDA.

PASSED, APPROVED and ADOPTED this _____ day of December, 2011.

Mayor Jim Dear

ATTEST:

City Clerk Helen S. Kawagoe

APPROVED AS TO FORM:

City Attorney

