



Legislation Text

File #: 2023-0658, Version: 1

Report to Successor Agency

Tuesday, September 19, 2023

Consent

SUBJECT:

CONSIDER APPROVAL OF THE ASSIGNMENT AND ASSUMPTION AGREEMENT AND CONSENT BY AND BETWEEN THE CARSON SUCCESSOR AGENCY, WIN CHEVROLET PROPERTIES, LLC, AND WIN CHEVROLET, INC. IN CONNECTION WITH THAT CERTAIN 2011 DISPOSITION AND DEVELOPMENT AGREEMENT (DDA) FOR THE WIN CHEVROLET DEALERSHIP PROPERTY LOCATED AT 2201 E. 223RD STREET (SUCCESSOR AGENCY)

1. SUMMARY

In November 2022, WIN Chevrolet, Properties, LLC and WIN Chevrolet Inc. (jointly "**WIN**") (i) sold its Chevrolet and Hyundai auto dealerships ("**Dealerships**") to WECO Motors, LLC, and Carson Chevrolet, LLC (jointly and severally "**Transferees**") and is requesting consent to such transfers; (ii) previously leased portions of improved real property at 2201 E. 223rd Street whereon the Dealerships are located ("**Dealership Property**") (APN 7315-040-013) ("**Dealership Leases**") and is requesting consent to the Dealership Leases; and (iii) is now selling fee title of the Dealership Property subject to the Dealership Leases to WECO RE Holdings, LLC ("**WECO RE**"). The transfer of the Dealership Transfers and the Dealership Property is not directly prohibited by the Disposition and Development Agreement dated December 6, 2011 ("**DDA**") and does not require the consent of the Carson Successor Agency ("**Agency**"). However, failure to obtain the Agency's consent to such transfers can result in the Agency accelerating the outstanding balance of the original note of \$7M which contains a debt forgiveness provision.

Pursuant to the DDA, the Agency currently holds a 20-year non-interest-bearing note dated January 25, 2012 ("**Agency Note**") in the original amount of \$7 million, which is secured by a deed of trust against the Property recorded in January 2012 ("**Agency Trust Deed**"). The Agency Note provided that the principal would be annually forgiven automatically at the rate of \$350,000 per year provided that WIN complied with various obligations including the continued operation of the Dealerships. The Agency Note was executed pursuant to the DDA between the WIN and the Agency representing a portion of the purchase price for the Property. In accordance with the DDA, WIN also executed that certain Operating Covenant dated December 14, 2011 which was recorded against the Dealership Property concurrently with the Agency Trust Deed ("**Operations Covenant**"). The DDA, Agency

Note, Agency Trust Deed and Operations Covenant are hereinafter collectively referred to as the “**DDA Documents**.”

The requirements for the Agency’s approval of the Dealership Transfers and the Dealership Property include (i) no default exists under the DDA Documents; (ii) the name of transferees; (iii) creditworthiness and reputation of the transferees; (iv) transferee’s car dealership operational experience; (v) approval by franchisors (Chevrolet and Hyundai); (vi) execution of an assignment and assumption agreement in the form approved by the Successor Agency; and (vii) reimbursement of Agency’s out of pocket expenses including attorney’s fees.

A. **Default:** Technically WIN is currently in default of the DDA provision as the Dealerships were transferred last November without the Agency’s consent.

B. **Transferees:** Carson Chevrolet, LLC, a California limited liability company wherein Mehraban Khajehnouri (aka **Bob Nouri**), as an individual & as Trustee of the MTAA Consolidated Trust, is the Managing Member. WECO Motors LLC and WECO RE HOLDINGS LLC are owned by **Brandon Steven**. Both Mr. Nouri and Mr. Steven have **substantial** personal assets pursuant to the information provided to Staff. NOTE: The entities constituting the Transferees and own the Dealerships are newly formed entities.

C. **Operational Experience:** The following is a summary of the experience of each of the primary principals:

***Bob Nouri** owned several franchise automobile dealerships in the State of Oklahoma for over twenty years before moving to California in 2015. Mr. Nouri also previously owned and operated West Valley Chrysler Jeep in Canoga Park and a Chevrolet, Hyundai, Chrysler Jeep, and Fiat dealership in Oregon. Mr. Nouri is currently a manager of and part owner in Russell Westbrook Hyundai of Anaheim, Russell Westbrook Hyundai of Garden Grove, Huntington Beach Hyundai, Russell Westbrook Chrysler Dodge Jeep RAM in Van Nuys, Russell Westbrook Fiat of Van Nuys, Russell Westbrook Alfa Romeo of Van Nuys, Russell Westbrook Maserati of Van Nuys, Tustin Buick GMC, Coachella Valley Volkswagen in Indio, Chino Hills Ford, and Sacramento Chrysler Dodge Jeep RAM.*

***Brandon Steven** currently owns and operates approximately 17 auto franchises under Brandon Steven Motors. Mr. Steven has been active in the management, ownership, and operation of automobile dealerships for approximately 20 years. In 2004, Steven Enterprises purchased its first new car dealership, Subaru of Wichita. The volume of sales continued to grow in Wichita and drew attention from the automotive industry throughout the country. Brandon then acquired the longtime Wichita franchise, Eddy's Toyota. By 2009, he had developed two additional new car dealerships: Ford of Augusta and a Suzuki of Wichita. After years of building these dealerships and raising Suzuki of Wichita to the #1 volume dealership in the nation for 5 years straight and Eddy's Toyota to the #1 volume dealership in the region, Brandon started rapidly adding dealerships. In*

2013 Brandon converted the defunct Suzuki brand dealership to Subaru of Wichita. Shortly after that, he purchased a Chrysler Dodge Jeep Ram franchise in March of 2014. On the same day, Brandon acquired a Chevrolet Cadillac store and a Volvo dealership in April 2015, which was followed up in July of 2016 with the purchase of a Mazda location in the Kansas City suburb of Lee's Summit, Missouri. After a million-dollar renovation to the existing building and a lot expansion the store soon became the largest volume Mazda franchise in Kansas City. Brandon also owns significant other businesses with his brother under Steven Enterprises LLC.

- D. **Franchisor Approvals:** Both franchisors (Chevrolet and Hyundai) have consented to the Dealership Transfers and copies of such consents have been provided.

- E. **Creditworthiness:** Both Transferee entities are newly formed and, accordingly there are no financial statements available. Accordingly, the principals of the Transferees agreed to provide private financial information provided it would be kept confidential and not become a public record. Accordingly, the financial information was provided to the Agency Legal Counsel in confidence. The following summary was prepared by Agency Legal Counsel and approved by Transferees to be provided to the Agency Board:

Bob Nouri (Mehraben Khajehnouri) has substantial net worth in excess of \$100M. A significant portion of his assets are in his existing car dealerships which are listed above in subparagraph C. Mr. Nouri also has other investments - real estate and bonds/stocks. The liabilities of Mr. Nouri are significantly less than his assets so even if the value of the assets decrease, they will still have significant net worth.

Brandon Steven has substantial net worth in excess of \$200M. Approximately 50% of his net worth is in dealerships with the balance invested in real estate and investments. The liabilities of Mr. Steven are significantly less than his assets so even if the value of the assets decrease, they will still have significant net worth.

As noted above, the current business entities are newly formed and, therefore, have limited financial information available. However, based on the financial information provided, both Mr. Nouri and Mr. Steven are personally very strong financially and I have no issues or concerns recommending consent to the transfer.

- F. **Assignment & Assumption Agreement:** An Assignment and Assumption Agreement and Consent ("**Assignment/Assumption Agreement**") (Exhibit No. 1) has been prepared for Agency Board's approval to both the prior Dealership Transfers and the Dealership Leases and also consents to the transfer of the Dealership Property (subject to the Dealership Leases) to WECO RE Holdings, LLC ("**WECO RE**") provided the transfer of fee title occurs within 30 days of execution of the Assignment/Assumption Agreement by the Agency.

If the Agency Board does not approve the Assignment/Assumption Agreement, the Agency Board has the option to declare the Agency Note in default and fully due and payable for the remaining principal balance of \$3,150,000. In such event, since this is a Successor Agency note, any the proceeds must be remitted to the County to be disbursed to the local taxing entities in accordance to post-redevelopment procedures.

2. **RECOMMENDATION**

TAKE the following actions:

1. **APPROVE** the Assignment/ Assumption Agreement; and
2. **AUTHORIZE** the Executive Director to execute the Assignment and Assumption Agreement and Consent and any other documents reasonably required to consummate the transaction.

3. **ALTERNATIVES**

TAKE another action the Board deems appropriate.

4. **BACKGROUND**

In 2011, WIN and the Carson Redevelopment Agency (“**RDA**”) entered into the DDA Documents for the sale and development of the Property (DDA Exhibit No. 2). Pursuant to California law, the RDA was dissolved and succeeded by the Agency.

Pursuant to the terms of the DDA, the Property (consisting of approximately 10 acres) was sold to WIN for a total purchase price of \$12,000,000. WIN acquired the Property by (i) paying \$5,000,000 in cash, and (ii) issuing the Agency Note in the original principal amount of \$7,000,000. Provided WIN continued to operate both the Dealerships on the Property and to satisfy other requirements in the DDA Documents, the Agency Note provides for the annual forgiveness of \$350,000 in principal of the Agency Note. To date \$3,850,000 has been forgiven and the current balance of the Agency Note is \$3,150,000. Upon breach of the Note, the outstanding balance of the Note would be due and payable at Agency’s option.

Although WIN has violated the DDA by transferring the Dealerships in November of 2022 without Agency approval, the Dealerships remain in operation.

The Assignment/Assumption Agreement does **not release** WIN from continuing liability under the DDA Documents. The Agency loan documents are currently guaranteed by WIN, Jerry L. Heuer, Hani W. Nassif and each of their respective trusts. WIN has not requested that these guarantees be released and, therefore, they will remain in full force and effect even after the Transfers.

As to the Agency Trust Deed, there are currently two loans on the Dealership Property

secured by deed of trusts in first and second lien positions respectively, and the Agency Trust Deed is currently in third position.

5. **FISCAL IMPACT**

None. The principal of the Agency Note will continue to reduce annually by \$350,000 provided that the Dealerships continue to be operated on the Dealership Property in accordance with the DDA Documents. The Agency's Legal Counsel and Staff have determined that the Transferees have sufficient automotive experience and financial capacity to pay off the Agency Note in the event of a default.

Additionally, all costs associated with this transaction including the review of Assignee experience and financials and the preparation Assignment and Assumption Agreement and Consent are being reimbursed by WIN and Transferees.

6. **EXHIBITS**

1. Assignment and Assumption Agreement and Consent (pgs. 6-11)
2. Development & Disposition Agreement (pgs. 12-94)
3. Agency Note - \$7,000,000 (pgs. 95-102)

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