



CITY OF CARSON

Legislation Text

File #: 2017-661, Version: 1

Report to Successor Agency

Tuesday, August 15, 2017

Consent

SUBJECT:

**CONSIDER APPROVAL OF THE SALE OF THE NISSAN AUTO DEALERSHIP
LOCATED AT 1505 E. 223RD STREET TO LITHIA MOTORS, INC. (SUCCESSOR
AGENCY)**

I. SUMMARY

On July 6, 2010 the former Carson Redevelopment Agency, which was succeeded by the Carson Successor Agency (Agency), entered into a Disposition and Development Agreement (DDA) with Hilland Real Estate, LLC (Hilland). Pursuant to the terms of the DDA, the Agency provided a \$3 million forgivable loan to assist Hilland with the purchase of the 4.5 acre property and Nissan dealership located at 1505 E. 223rd Street (Property) (Exhibit No. 1). The \$3 million forgivable loan was backed by a performance promissory note, secured by a deed of trust (Note). The Note was executed on July 26, 2010 and is for a 15 year term.

Hilland now wishes to sell the Property and dealership to a new buyer. Because the Note is still in effect, the sale of the Property requires approval by the Agency.

II. RECOMMENDATION

TAKE the following actions:

1. APPROVE sale of the Property to Buyer by approving the Assignment and Assumption Agreement of the Disposition and Development Agreement and approving the Assumption Agreement and Beneficiary's Consent.
2. AUTHORIZE the Chairman to execute the Assignment and Assumption Agreement of the Disposition and Development Agreement and the Assumption Agreement and Beneficiary's Consent upon approval as to form by Agency Counsel.

III. ALTERNATIVES

TAKE another action the Agency Board deems appropriate.

IV. BACKGROUND

In 2010, Hilland took over the operation of a Carson Nissan dealership by purchasing the Property with assistance from the Agency. Pursuant to the terms of the DDA, the Agency and the Hilland entered a double escrow transaction, whereby the Agency simultaneously and within escrow:

- (a) Purchased the Site from the Owner for \$12 million (by tendering \$3 million of Agency funds to the Owner and being credited \$9 million by the Owner); and
- (b) Sold the Site back to the Owner for \$12 million (by crediting \$9 million to the Owner and receiving a \$3 million performance promissory note (Note), secured by a deed of trust, from the Owner).

The DDA provided Hilland with \$3 million of Agency assistance for operation of the Nissan dealership, which is being repaid to the Agency pursuant to the terms of the Note.

The terms of the Note are as follows:

- The Note is for a 15 year term.
- For the first five years the Note accrued no interest and began accruing interest at 3% per year for years six through 15.
- Principal due on the Note was reduced annually by an amount equal to 50% of the sales tax generated above a \$25 million gross sales threshold during the first five years.
- For years six through 15 the Note is being reduced annually by an amount equal to 50% of the sales tax generated above a \$35 million gross sales threshold.
- Any outstanding balance which has not been credited will be due and payable immediately at maturity or in the event of default.
- The current balance on the Note is \$1.88 million.

Hilland is now interested in selling the property to Lithia Motors, Inc. (Buyer) and is requesting that the Agency approve the transfer of the Note. Agency staff has reviewed the financial information and experience of the Buyer and has determined that the Buyer is a well-established qualified entity that is able to assume the responsibilities under the Note and the DDA.

The Buyer is a publicly traded company that is well diversified geographically and by product brand. They have over 150 dealership locations across the country and provide brands that range from economy to luxury vehicles. This strategic diversification allows the company to minimize market risks. The company's revenues have been growing steadily year after year and assets include \$50.28 million in cash and cash equivalents and \$1.77 billion in inventories.

Based on the financial strength and experience of the Buyer, staff recommends approval of the Assignment and Assumption Agreement of the Disposition and Development Agreement (Exhibit No. 2) and approval of the Assumption Agreement and Beneficiary's Consent (Exhibit No. 3). Approval of the two agreements will authorize the transfer of the Note and the responsibilities under the DDA to the Buyer.

V. FISCAL IMPACT

None.

VI. EXHIBITS

1. Vicinity Map. (Pg. 4)
2. Assignment and Assumption Agreement of the Disposition and Development Agreement. (Pgs 5-11)
3. Assumption Agreement and Beneficiary's Consent. (Pgs. 12-17)

Prepared by: Amelia Soto, Project Analyst