



# CITY OF LONG BEACH

# R-21

DEPARTMENT OF COMMUNITY DEVELOPMENT

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

June 10, 2008

HONORABLE MAYOR AND CITY COUNCIL  
City of Long Beach  
California

## RECOMMENDATION:

1. Authorize the City Manager to execute all documents necessary for the First Amendment to Lease No. 24823 between the City of Long Beach and Worthington Ford, Inc., to permit the continued operation of a refurbished and upgraded electronic display sign at 2601 Lakewood Boulevard, at an annual rental rate of \$1 for a term of fifteen years. (District 5)
2. Authorize the City Manager to execute all related documents to implement a \$200,000 loan with a 12-year term to Worthington Ford, Inc., with monthly interest only payments for the first seven years and the entire loan amortized over the remaining five years at a fixed interest rate of four percent per annum. (Citywide)
3. Authorize an increase in appropriations in the Revolving Loan Fund Program in the Business Assistance Fund (SR 149) in the Department of Community Development by \$200,000. (Citywide)

## DISCUSSION

Worthington Ford, Inc. (Worthington Ford), has been located at 2850 Bellflower Boulevard since 1974 and consistently has been a major sales tax generator for the City of Long Beach. Current economic conditions have presented a major challenge to the auto industry and have impacted car dealer revenues. To counter the downward pressure on sales, Worthington Ford is willing to make an investment in upgrading a freeway sign that not only is expected to augment sales, but will significantly reduce energy consumption. Worthington Ford is requesting an extension of Lease No. 24823 and financial assistance in the form of a loan from the City. These proposed actions will assure the viability and retention of a major car dealership in Long Beach. The City will have use of at least 20 percent of the display time to promote its activities.

On June 25, 1996, the City Council approved Lease No. 24823 between the City of Long Beach (Lessor) and Worthington Ford, Inc. (Lessee), for the construction of an electronic automotive message sign on City-owned property at 2601 Lakewood Boulevard. The Lease site is situated within the Lakewood Boulevard off-ramp loop of the southbound San Diego Freeway (I-405). Due to the isolated location of the property, limited access and other site restrictions, the electronic advertisement sign is a highly desirable use of the site.

The above-mentioned sign was constructed in 1996 in accordance with the Conditions of Approval that were established by the City's Planning Commission and is used by Worthington Ford to advertise its products and services. As compensation for use of City-owned property, the City has a prominent identification marker on the sign and is provided use of at least 20 percent of the available display time for civic and community promotional purposes.

Worthington Ford has proposed to refurbish and modernize the electronic display sign. The improvements will include removing the existing light bulb display and installing one double-face full color Light Emitting Diode (LED) electronic display, repainting the sign, providing an automatic dimming circuit and other items. The sign improvements will comply with the Modified Conditions of Approval that were approved by the Planning Commission on February 1, 2008. The estimated cost for the sign improvement project is \$424,000 and will be paid for by Worthington Ford.

As consideration for refurbishing and modernizing the electronic advertisement sign, Worthington Ford has requested Lease No. 24823 be extended for fifteen years beyond the Lease termination date of September 23, 2011. The proposed First Amendment to Lease No. 24823 with Worthington Ford contains the following major provisions:

- Premises: The leased premises shall be composed of approximately 3.24 acres (approximately 141,309 square feet) of vacant land at 2601 Lakewood Boulevard, within the Lakewood Boulevard off-ramp loop adjacent to the I-405 Freeway.
- Use: The Premises shall be used for an electronic advertising sign and access to the sign, as well as for a business office trailer and necessary parking for office use. The advertising shall only promote Worthington Ford's business, goods and services in the City of Long Beach. Vehicles shall not be stored on site.
- Length of Term: The term shall be extended for 15 years and shall terminate on September 23, 2026.
- Rent: The annual rent shall be \$1, and as other consideration for use of the Premises, the City shall be provided with at least 20 percent of the available display time for promotional activities.
- Options to Extend: None.
- Site Maintenance: Worthington Ford shall be responsible for maintaining the Premises.

All other terms and provisions of Lease No. 24823 shall remain in full force and effect.

Approval is recommended to provide a \$200,000 loan with a 12-year term to Worthington Ford, with interest only payments for the first seven years, and the entire loan amortized over the remaining five years at a fixed interest rate of four percent per annum. Worthington Ford will use the loan proceeds plus an equity injection of approximately \$224,000 to upgrade the existing I-405 Freeway visible electronic sign located at 2601 Lakewood Boulevard. The loan will be secured by a first lien position on the freeway sign.

The existing freeway sign has contributed to the competitiveness and increased sales at the dealership. However, the existing sign utilizes outdated technology, which limits its effectiveness. The new sign is expected to increase sales by approximately 8 percent. It is recommended the proposal be accepted, as it has been determined that the sign upgrades will retain an existing auto dealership, preserve existing jobs, create six additional jobs at Worthington Ford, retain and increase sales tax revenues, and provide a promotional opportunity for the City.

This loan will be made through the Commercial and Industrial Revolving Loan Fund Program (Program), which is administered by the Economic Development Bureau. In 1987, the City Council authorized the establishment of the Program, which is funded by the U.S. Department of Commerce, Economic Development Administration (EDA), Community Development Block Grant (CDBG), and Redevelopment Agency (RDA) tax increment. The purpose of the Program is to provide access to capital to retain, attract, expand, and create businesses in Long Beach. Financing under the Program supplements, but does not replace, private lending. Since its inception, more than 300 loans have been funded, totaling more than \$22 million. Loans in the Program exceeding \$100,000 require authorization by the City Council. This loan will be made with EDA funds.

On August 15, 2007, the proposed loan was approved by the Business Assistance Committee of the Economic Development Commission, which serves as the approval body for the Program.

This letter was reviewed by Chief Assistant City Attorney Heather A. Mahood on May 22, 2008 and Budget Management Officer Victoria Bell on May 23, 2008.

### SUSTAINABILITY

Worthington Ford's new color LED sign will operate at approximately 30 percent of the current power level and provide substantial savings in power usage. The existing 30-watt incandescent electronic message display utilizes approximately 184,320 watts at full capacity with all lamps turned on; the new 25mm LED digital display will use approximately 53,914 total watts at full capacity with all lamps turned on. As such, the power consumption in the message display will be reduced by approximately 71 percent.

Additionally, LED signs do not generate heat and are not subject to burnout, as are the current incandescent lamps that are subject to the life of the filament.

TIMING CONSIDERATIONS

City Council action is requested on June 10, 2008, in order to finalize and execute the agreement and expedite the implementation of the proposed project.

FISCAL IMPACT

There is no fiscal impact associated with the recommended extension of the Lease.

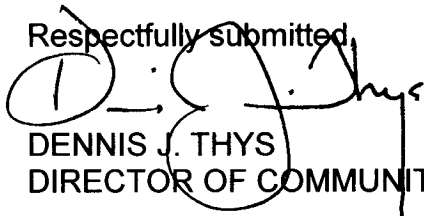
An appropriation increase of \$200,000 is requested in the Revolving Loan Fund Program in the Business Assistance Fund (SR 149) in the Department of Community Development. The receipt of interest and principal payments over the entire term of the loan will offset the increase in appropriation.

There is no impact to the General Fund.

SUGGESTED ACTION:

Approve recommendations.

Respectfully submitted,



DENNIS J. THYS  
DIRECTOR OF COMMUNITY DEVELOPMENT

DJT:MDL/RMS:dm

APPROVED:



PATRICK H. WEST  
CITY MANAGER