



CITY OF LONG BEACH

DEPARTMENT OF COMMUNITY DEVELOPMENT

R-16

333 WEST OCEAN BOULEVARD • LONG BEACH, CALIFORNIA 90802

July 22, 2008

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

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 ten (10) years. (District 5)

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 and authorize the City Manager to make the necessary budget appropriations and adjustments related to the loan. (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 has made 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 the land lease for the sign and financial assistance in the form of a loan from the City. These proposed actions will help to assure the viability and retention of a major car dealer 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 (Lease) 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.

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The sign was constructed in 1996 in accordance with the Conditions of Approval that were established by the City's Planning Commission. It has been used by Worthington Ford to advertise its products and services and has contributed to the competitiveness and increased sales at the dealership. 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. The value of the City's display time is \$96,000 per annum, as estimated in the appraisal made by Valentine Appraisal & Associates, Inc. in December 2007.

Worthington Ford has refurbished and modernized the electronic display sign by 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 comply with the Modified Conditions of Approval that were approved by the Planning Commission on February 1, 2008. Worthington Ford's investment of \$424,000 for this sign improvement project is expected to increase sales by approximately 8 percent, preserve existing jobs, create six additional jobs at Worthington Ford, retain and increase sales tax revenues, and provide a continued promotional opportunity for the City.

In consideration for refurbishing and modernizing the electronic advertisement sign, Worthington Ford has requested a 10-year term extension for existing Lease No. 24823, which is scheduled to terminate on 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 3.244 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 said 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.
- Length of Term: The term shall be extended for 10 years and shall terminate on September 23, 2021.
- 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.
- Option to Sell City Time: In the event state law is changed to permit jurisdictions to approve off-premise electronic message displays along freeways, the City may sell, transfer or lease its display time to third parties; however, automotive and

automotive dealer advertising other than Worthington Ford would be prohibited, and Worthington Ford would be granted first right of refusal for the display time at a fair-market rate to be mutually agreed upon.

- Options to Extend: None.
- Site Maintenance: Worthington Ford shall be responsible for maintaining the leased Premises.
- All remaining terms and provisions shall remain in full force and effect.

In 1987, the City Council authorized the establishment of the Commercial and Industrial Revolving Loan Fund Program (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 and may only be used for loans to businesses. Since its inception, more than 300 loans have been funded, totaling more than \$22 million.

In consideration of the \$424,000 investment made by Worthington to upgrade the existing I-405 Freeway-visible electronic sign to assure the continued viability of their business in the City of Long Beach, approval is recommended to provide a \$200,000 loan to Worthington Ford through the Commercial and Industrial Revolving Loan Fund Program (EDA funds) to serve as the permanent financing for the sign upgrade. The term of the loan would be 12 years, 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. All fees, interest and repaid principal are pledged in perpetuity to the Program. The loan will be secured by a first lien position on the freeway sign. On August 15, 2007, the Business Assistance Committee, a subcommittee of the Economic Development Commission that serves as the approval body for the Program, approved the loan; however, Program loans exceeding \$100,000 require authorization by the City Council.

This letter was reviewed by Deputy City Attorney Richard F. Anthony on July 2, 2008 and Budget Management Officer Victoria Bell on July 7, 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 July 22, 2008 in order to finalize and execute the agreements.

FISCAL IMPACT

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,



for DENNIS J. THYS
DIRECTOR
DEPARTMENT OF COMMUNITY DEVELOPMENT

DJT:MDL/RMS:dm
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APPROVED:


for PATRICK H. WEST
CITY MANAGER