



# CITY OF SANTA BARBARA

## COUNCIL AGENDA REPORT

**AGENDA DATE:** July 28, 2015

**TO:** Mayor and Councilmembers

**FROM:** Business & Property Division, Airport Department

**SUBJECT:** Approval Of License And Introduction Of Ordinance For Lease Agreement With D&G Lin, LLC For An Automobile Dealership At The Airport

**RECOMMENDATION:** That Council:

- A. Authorize the Airport Director to execute a three-year License Agreement with D&G Lin, LLC, a California Limited Liability Company, for construction of an automobile dealership on 167,713 square feet of land at 6210 Hollister Avenue, at the Santa Barbara Airport, at a monthly rental of \$1,000, effective upon the date of execution by both parties; and
- B. Introduce and subsequently adopt, by reading of title only, An Ordinance of the Council of the City of Santa Barbara Approving and Authorizing the Airport Director to Execute a Twenty-Year Lease Agreement, With Two Five-Year Options, for 167,713 Square Feet of Land at 6210 Hollister Avenue, at the Santa Barbara Airport, With D&G Lin, LLC, a California Limited Liability Company, at a Monthly Rental of \$20,000, Exclusive of Utilities, Effective Upon Issuance of a Certificate of Occupancy by the City.

### EXECUTIVE SUMMARY:

The Airport has received an unsolicited proposal for construction of a new automobile dealership on behalf of D&G Lin, LLC, part of the New Century Automotive Group. Mr. Lin proposes to construct a Chrysler, Dodge, Jeep and Ram dealership on 167,713 square feet of land, at 6210 Hollister Avenue, for a monthly rental of \$20,000 which adjusts to market rates at each five year increment. The property has been recently appraised and the rent is at market, per FAA regulations. The zoning is appropriate for the use, and the environmental review has been completed. References provided by Mr. Lin and the New Century Automotive Group have been excellent. The License is to allow construction of the dealership facilities. On July 15, 2015, Airport Commission approved a five-year lease with D&G Lin, effective concurrently with the dealership lease, for 2.9 acres of land at 200 Frederick Lopez Road, for additional automobile storage, at \$7,000 per month, bringing the total revenue from the dealership, once operating, to \$27,000 per month.

## **DISCUSSION:**

### Proposal

The Airport received an unsolicited proposal from Steve Leider, Lee & Associates – Central Coast, a real estate broker, on behalf of Dennis Lin, New Century Automotive Group, who was looking for a site for an automobile dealership in the Santa Barbara area. Because the Airport has had an auto dealership in the Commercial/Industrial area, located at the corner of La Patera and Hollister Avenue, this location was requested along with the adjacent vacant parcels fronting Hollister to David Love Place.

Mr. Lin, of D&G Lin, LLC has been in the automotive sales and repair business for 23 years, and is a partner or sole proprietor of 14 dealerships throughout southern California, including Alfa Romeo and Fiat, BMW, Infiniti, and Chrysler, Dodge, Jeep, Ram, and Volkswagon. New Century also has a recreational vehicle group that includes, Airstream, BMW Motorrad, Slingshot, Indian and Victory motorcycles. In addition, New Century operates Universal Financial Company, an auto finance company in San Gabriel. Mr. Lin has served on the boards of the San Gabriel Valley Medical Center, the Chinese Education Association, and the Chinese Club of San Marino and currently serves on the board of Pacific Alliance Bank. He also served on the San Marino General Plan Steering Committee and is a member of the San Marino Chamber of Commerce.

Mr. Lin proposes to bring back the Chrysler, Dodge, Ram and Jeep brands, and may add additional brands at a later date.

### Airport Industrial Area Specific Plan (SP-6) Policy Consistency

City Council approved the Airport Specific Plan in 1997. It is the guiding document for development of the Airport's commercial/industrial properties north of Hollister Avenue.

The proposed lease site is located in Sub-Area #2 of the Airport Industrial Area Specific Plan (SP-6) in an area designated as "Light Industrial and/or Commercial" and "Jeep Dealership." The proposed lease is consistent with policies of the Specific Plan pertaining to the Airport Department's economic self-sufficiency and the pattern of development along Hollister Avenue. The lease site is in the Airport Industrial Zone (A-I-2) in which new car sales is an expressly permissible use.

**Figure 1: Proposed Lease Parcels**



#### Runway Protection Zone Restriction

A portion of the property located at 6210 Hollister Avenue, which was occupied by the former auto dealership, is in the Runway Protection Zone (RPZ) for Runway 15L/33R. The RPZ is a critical safety area where aircraft are on short final approach and no new above-ground development is permissible. Federal guidance now prohibits all development in the RPZ. The former auto dealership was demolished in 2012 pursuant to the Specific Plan and Federal RPZ guidance. The new proposed leased area (as shown above) and the building envelope for the proposed new auto dealership development and all vehicle parking will be located outside of the RPZ to avoid conflict with aviation safety regulations.

#### Land Value

The FAA requires that all Airport rentals of land or facilities be at market rates. The Airport had the area appraised and, based on that appraisal, negotiated two agreements: a license agreement to secure the land while Mr. Lin completes the design, permitting entitlement, and construction phase of the development; and a lease agreement to be effective upon issuance of a certificate of occupancy.

### Proposed License Terms

The premises includes three parcels totaling approximately 167,713 square feet of vacant land. Title to the premises shall remain vested in the City.

The term of the License is three years, and may be extended an additional year at the sole discretion of the City. Rental during the license period shall be \$1,000 per month.

Improvements to be constructed include buildings, landscape, hardscape, driveways, sidewalks, utilities and other permanent structures at the sole costs and expense of D&G Lin, LLC. At the successful completion of construction, as evidenced by the issuance of a Certificate of Occupancy by the City, the Lease commences.

### Proposed Lease Terms

The initial term of the proposed lease is twenty (20) years. There are two five-year options conditioned upon the tenant being in good standing under the terms of the lease.

Base rental for the dealership lease is \$20,000 per month, exclusive of utilities. The dealership Lease agreement includes a market rate rental adjustment every five years on the anniversary date of the lease. In no case shall the new rent be less than that of the previous month.

### Vehicle Storage Lease Terms

A separate five-year Lease Agreement for additional storage of inventory was approved by Airport Commission on July 15, 2015. The lease commences upon issuance of the Certificate of Occupancy for the dealership and has a five year term. Total area leased is 2.9 acres or 126,324 square feet of land. The base rental is \$7,000 per month with annual CPI adjustments of no less than 3%, nor greater than 8%, per year.

### Total Rent

The total rent for the dealership and inventory storage lot for the first five years of operation will be \$27,000 a month or \$324,000 per year in revenue to the Airport, exclusive of utilities.

### Broker Compensation

In recognition of the services provided by Lee & Associates Commercial Real Estate Services, Inc., City and D&G Lin, LLC will each pay 50% of the brokerage commission. The commission will be based on the \$20,000 base rent for the dealership as follows:

4% of the base rent for years 1-5

2% of the base rent for years 6-10

1% of the base rent for years 11-20

Environmental Review

The decision of the City Council to enter into a lease agreement is a discretionary project as defined by the California Environmental Quality Act (CEQA). Development similar to the proposed project was considered in the Airport Industrial Area Specific Plan (SP-6) Environmental Impact Report (EIR). Additionally build-out of the Airport Industrial Specific Plan was considered in the General Plan EIR. Therefore the proposed lease is exempt from further environmental review under CEQA Guidelines Section 15183 "Projects Consistent with a Community Plan or Zoning." If new project-specific impacts are identified in the development review process, additional environmental review may be necessary.

Airport Commission

The Airport Commission recommended approval of the license and lease at their regularly scheduled meeting on July 15, 2015.

**PREPARED BY:** Rebecca Fribley, Sr. Property Management Specialist

**SUBMITTED BY:** Hazel Johns, Airport Director

**APPROVED BY:** City Administrator's Office