

RESOLUTION NO. _____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
CHULA VISTA APPROVING AN OWNER PARTICIPATION
AGREEMENT BETWEEN THE CITY AND SUNROAD BCV
HOLDING, INC. OR AN AFFILIATE; MAKING CERTAIN
FINDINGS IN CONNECTION THEREWITH; AND
AUTHORIZING THE EXECUTION AND IMPLEMENTATION
OF SAID OWNER PARTICIPATION AGREEMENT

WHEREAS, the City of Chula Vista (“City”) is a California municipal corporation and charter city; and

WHEREAS, the City wishes to facilitate and ensure the opening and continued operation of a new BMW automobile dealership (collectively, the “Approved Dealership”) in the City for at least twenty (20) years; and

WHEREAS, Sunroad BCV Holding, Inc. (the “Participant”) is a California corporation qualified to do business in the State of California; and

WHEREAS, the Participant (or an affiliate) owns approximately 3.85 acres of vacant real property, which is located along the southerly side of Main Street, east of Brandywine Avenue and west of Maxwell Road, within the City (the “Site”); and

WHEREAS, the Site is located within the Chula Vista Auto Mall East, which was planned as an auto mall in the early 1990s and at the time was anticipated to be a fully developed and operating auto mall within 10 years; and

WHEREAS, various environmental conditions and economic obstacles prevented the development of portions of the Chula Vista Auto Mall East, including the Site, for many years; and

WHEREAS, the Participant (or its affiliate) acquired the Site as part of a larger 29 acre parcel in 2004 and subsequently developed another portion of that larger parcel with a Toyota dealership in 2006; the Toyota dealership continues to operate in the City; and

WHEREAS, City and Participant desire for Participant to open and operate an Approved Dealership at the Site and for Participant to convey an Operating Covenant to the City committing the Participant to continue operation of the Approved Dealership for a period of at least 20 years; and

WHEREAS, operation of the Approved Dealership at the Site will provide the following benefits to the City and the community:

1. The development of a BMW dealership is estimated to increase the assessed valuation of the site by approximately \$13 million over the current value of approximately \$1,182,327 increasing property tax revenues to the City and other local taxing agencies by approximately 92 percent at full implementation of the project;

2. The operation of the BMW dealership will provide 40 full time (temporary) construction jobs, 80 permanent full time operational positions and 3 part-time operational positions;

3. The operation of the BMW dealership over the 20 year period of the operating covenant is estimated to generate approximately \$1.2 billion in taxable sales;

4. The net sales tax to the city over the 20 year period of the operating covenant is estimated to be approximately \$6 million in new revenue to the general fund;

5. The renovation of the Improvements at the Site and the operation of the Approved Dealership at the Site are anticipated to increase the property values and revitalize the neighborhood surrounding the Site, by drawing consumers and employees to the area, thereby stimulating the local economy;

6. The City anticipates that the operation of the Approved Dealership at the Site will help to foster a business and civic environment that will attract additional businesses and investment in the community due to the increased public and private services resulting from the generation of jobs, tax revenues, and consumers in the City and the area surrounding the Site; and

WHEREAS, the City desires to enter into an Owner Participation Agreement (the "OPA") with the Participant to purchase an Operating Covenant for the operation of the Approved Dealership at the Site for a period of 20 years for an Operating Covenant Purchase Price of up to \$3.3 million, to be paid over the course of the Operating Covenant Period in an annual amount equal to fifty percent of the net Sales and Use Tax revenues actually received by the City from the operation of the Approved Dealership at the Site; and

WHEREAS, initially capitalized terms used in this Resolution without definition shall have the meanings set forth in the OPA; and

WHEREAS, City has authority to enter into the OPA and provide the Operating Covenant Purchase Price pursuant to Government Code Sections 52200, et seq. and the Charter of the City of Chula Vista; and

WHEREAS, the City (i) made the information required by Government Code Section 53083(a) available to the public in written form and on the City's website and (ii) held a noticed

public hearing regarding the OPA and City's obligation therein to pay the Operating Covenant Purchase Price as required by Government Code Section 53083(b); and

WHEREAS, On June 1, 2004 the City adopted a Mitigated Negative Declaration (IS-02-010) for the Auto Park East project and specific plan, including all future dealership-specific projects; and

WHEREAS, the City has duly considered all terms and conditions of the proposed OPA and believes that development of the Site and operation of the Approved Dealership thereon pursuant to the OPA is in the vital and best interest of the City and the health, safety, morals, and welfare of its residents, and in accord with the public purposes and provisions of applicable requirements of State and local law.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Chula Vista, as follows:

1. The City Council hereby finds and determines that the recitals set forth above are true and correct and are incorporated herein by reference as if set forth in full.
2. The City Council hereby finds and determines, based upon substantial evidence provided in the record before it, that (a) the OPA is an agreement that will increase property tax revenues to all property tax collecting entities by at least 15 percent at full implementation and operation of the Dealership when compared to the year prior to the execution of the OPA; (b) implementation of the OPA will promote the public peace, health, safety, and welfare of the City of Chula Vista and its residents; (c) the Operating Covenant Purchase Price is reasonably necessary to induce and ensure the opening and operation of the Approved Dealership; and (d) the Approved Dealership is projected to generate approximately \$1.2 billion in taxable sales over the course of the 20 year Operating Period.
3. The City Council hereby finds and determines, based upon substantial evidence provided in the record before it, that the City, as lead agency, has complied with the applicable requirements of the California Environmental Quality Act ("CEQA") with respect to the approval of the OPA. The environmental impacts of the Chula Vista Auto Park East were evaluated in the previously adopted Mitigated Negative Declaration IS-02-010 for the Auto Park East project and specific plan. No additional CEQA findings are required at this time because the OPA does not approve any specific development, but rather is a government funding mechanism and fiscal activity that does not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment within the meaning of Section 15378(b)(4) of the CEQA Guidelines, Chapter 3 of Title 14 of the California Code of Regulations; therefore approval of the OPA does not constitute approval of a "project" under CEQA. The development of the Approved Dealership will be subject to compliance with all federal, state and local laws, including the Chula Vista Municipal Code and CEQA, prior to approval of entitlements or issuance of permits by the City.

4. The City Council hereby finds and determines, based upon substantial evidence provided in the record before it, that the development, opening and operation of the Approved Dealership will be of material benefit to the City and to the citizens of, and property owners in, the City and surrounding areas, because the construction and operation of the Approved Dealership will encourage and foster the economic revitalization of the City for the people in the area and the general public as a whole; increase property tax available to the City and other taxing agencies; increase sales tax revenues available to the City; and create jobs within the City.
5. That the City Council hereby approves the Owner Participation Agreement between the City and Sunroad BCV Holding Inc. (or an affiliate), in the form presented, with such minor modifications as may be required or approved by the City Attorney, a copy of which shall be kept on file in the Office of the City Clerk, and authorizes and directs the Mayor to execute same.” The City Manager and his authorized designees are authorized to take such actions as may be necessary or appropriate to implement the OPA, including executing further instruments and agreements, issuing warrants, and taking other appropriate actions to perform the obligations and exercise the rights of the City under the OPA.

Presented by

Approved as to form by

Eric C. Crockett
Director of Economic Development

Glen R. Googins
City Attorney