

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

Garden Grove Agency for Community Development

To: Matthew Fertal
Dept: Director
Subject: TEMPORARY LEASE OF GARDEN GROVE HYUNDAI SITE

From: Chet Yoshizaki
Dept: Economic Development
Date: May 27, 2008

OBJECTIVE

The purpose of this memorandum is for the Garden Grove Agency for Community Development (Agency) to consider a temporary lease of the Garden Grove Hyundai dealership by the Hardin Automotive Group (Hardin).

BACKGROUND

On April 9, 2008, staff informed the Agency of the closing of Garden Grove Hyundai effective June 1, 2008. The landowner and operator elected to close the dealership earlier and a revised date of April 30, 2008, was set for the closing. In mid April 2008, Agency staff was approached by Hardin regarding leasing (on a temporary basis) the dealership being vacated by Garden Grove Hyundai. It was extremely important to Hardin that the dealership remain open and operating during the transition in order to keep the customer base of the dealership, as well as the current employees working there, who have strong relationships with the customers and surrounding community. Hardin intends to continue to operate a Hyundai dealership at that location for six (6) to eighteen (18) months while they look for a new location within the Garden Grove area.

DISCUSSION

Relocation Release and Waiver Agreement and Seller's Indemnity Agreement including Consent to Lease

Hardin and Dai Lee have executed an agreement allowing Hardin to lease the site from Dai Lee until his escrow closes with the Agency. However, pursuant to Dai Lee's purchase and sale agreement with the Agency, the agreement requires that the Agency consent to this lease. This is important because as part of the Agency's agreement with Dai Lee, a relocation payment has already been made to Dai Lee and the Agency does not want to be responsible for paying additional relocation benefits to Hardin when they vacate the site.

In response to this consent and relocation issue, Agency Counsel has drafted a Release and Waiver Agreement and Seller's Indemnity Agreement (Attachment 1)

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to release the Agency from any relocation obligation to Hardin relating to their occupancy on the Dai Lee site as a "post-acquisition" tenant. This release and waiver agreement applies both to Hardin's lease agreement with Dai Lee and Hardin's lease with the Agency and includes the Agency's consent of Dai Lee's lease to Hardin.

Lease Agreement

Once escrow closes between the Agency and Dai Lee the Building and Site Lease (Attachment 2) between the Agency and Hardin will go into effect. Escrow is anticipated to close in early June 2008. The lease term is for a minimum of six (6) months. Upon the expiration of the initial term of the lease, the tenant may request a second six (6) month term or remain on the site on a month-to-month basis. The monthly base rent is \$10,000 with a \$10,000 security deposit.

FINANCIAL IMPACT

The Agency will receive \$10,000 per month in lease revenue for an anticipated minimum of six (6) months, until the site is needed to begin the Brookhurst Triangle development.

Additionally, the City will continue to receive the sales tax generated from the Hyundai dealership while Hardin looks for a new location in the Garden Grove area.

COMMUNITY VISION IMPLEMENTATION

Improve the City's economic base through the development of tax generating uses where appropriate.

RECOMMENDATION

Staff recommends that the Agency:

- Approve the attached Lessee's Relocation Release and Waiver Agreement and Seller's Indemnity Agreement with Hardin Automotive and Dai Lee;
- Approve the attached Site and Building Lease with Hardin Automotive for the Garden Grove Hyundai site located at 10081 Garden Grove Boulevard;
- Authorize the Director and Secretary to execute the pertinent documents on behalf of the Agency; and
- Authorize the Director to make minor modifications to the Site and Building Lease on behalf of the Agency when appropriate to do so.

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CHET YOSHIZAKI
Economic Development Director


By: JIM DELLALONGA
Project Manager

Recommended for Approval


Matthew Fertal
Director

Attachment 1: Lessee's Relocation Release and Waiver Agreement and Seller's
Indemnity Agreement

Attachment 2: Site and Building Lease

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