

**REPORT TO /REDEVELOPMENT AGENCY CHAIR  
AND AGENCY BOARD****TO THE HONORABLE REDEVELOPMENT AGENCY CHAIR  
AND AGENCY BOARD:**

DATE: July 27, 2009

**SUBJECT: AMENDING THE PROMISSORY NOTE OF AN EXISTING \$170,000 AGENCY LOAN TO LEHMER INVESTMENT COMPANY IN ORDER TO DELAY THE REPAYMENT SCHEDULE BY 12 MONTHS DUE TO SEVERE ECONOMIC HARDSHIP**

**Report in Brief**

The City Council and Agency Board are requested to consider Redevelopment Agency Resolution No. 09-737 amending the promissory note of an existing \$170,000 agency loan to Lehmer Investment Company in order to delay the repayment schedule by 12 months.

**Background**

In 2004, the Redevelopment Agency entered into a Disposition and Development Agreement (DDA) to relocate the Lehmer's GMC-Pontiac-Buick dealership to a 3.8-acre site at 1905 Market Street. The owners of the Lehmer's dealership – Lehmer Investment Company ("Lehmer") – completed the new dealership in June 2006. Next to the new Lehmer's dealership, there are two adjacent properties: a multi-tenant building at 1931 Market Street; and a 0.35-acre parking lot at 1925 Market Street. Lehmer secured control of the building at 1931 Market Street through a master lease with the owner, RAP Land Company. Lehmer's long term plan for the building and parking lot is to use the site for expansion of the dealership and for more visibility along Market Street.

In July 2008, the Agency approved a First Amendment to the DDA in order to allow Lehmer to purchase the Agency's parking lot at 1925 Market Street for its fair market value of \$170,000. Under the terms of a Promissory Note executed pursuant to the First Amendment, Lehmer agreed to pay the purchase price for the parking lot, plus 3% annual interest, within a 36-month period – with monthly interest payments beginning in August 2009 and final payment to be completed by August 2011. The First Amendment also contains various restrictions on the use, maintenance, fencing, and other provisions related to the 1925 Market parking lot. In addition, the First Amendment granted the Agency an approximately two-year extension of the period during which it would participate in the proceeds of a future sale of the Lehmer dealership.

In the past year since the First Amendment was approved, Lehmer has experienced severe economic hardship as a result of the dramatic downturn in the auto retail market. Nationwide, GM sales have declined by more than 40%; and the company went into a brief period of bankruptcy in order to restructure its assets. In Concord, overall sales for all dealerships have declined by 27.5% compared to 2008 levels. As a result of

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July 27, 2009

Page 2

these economic hardships, Lehmer has requested that the Agency delay the payment schedule of its existing loan by 12 months (see Attachment 1).

**Discussion**

Adjusting the loan payment schedule would help Lehmer to maintain adequate cash flow during a critical time when its sales revenues are low and GM's nationwide dealer network is in transition. The Agency's assistance will help to retain a local business that generates significant sales tax revenue and employs 52 workers.

In response to Lehmer's request, staff is proposing to amend the promissory note for the existing loan, so that monthly payments would begin in August 2010 and total payment would be completed by August 2012. In addition, the proposed resolution would authorize the Agency Executive Director, in his sole discretion, to approve up to an additional 12 month adjustment of the repayment schedule if Lehmer demonstrates continuing economic hardship. To effect these changes, it is necessary to amend the Promissory Note, as shown in the exhibit to proposed Resolution No. 09-737 (see Attachment 2).

**Fiscal Impact**

Under the proposed Resolution, the Agency would receive full payment of the existing loan (i.e., \$170,000) by August 2012, 12 months later than originally planned. Because interest would continue to accrue on the loan at the agreed rate of 3%, the fiscal impact to the Agency would be negligible.

**Public Contact**

The agenda item has been posted, and the Chamber of Commerce, Lehmer, and RAP Investment received copies of the staff report.

**Recommendation for Action**

Staff recommends the adoption of Redevelopment Agency Resolution 09-737 (Attachment 2) amending the promissory note of an existing \$170,000 agency loan to Lehmer Investment Company in order to delay the repayment schedule by 12 months.

Prepared by: Alex Greenwood  
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Attachment 1: Letter from Lehmer's Buick-Pontiac-GMC requesting repayment delay  
Attachment 2: Resolution 09-737 amending the Promissory Note

LEHMER'S  
**CONCORD**  
BUICK • PONTIAC • GMC

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Mr. John Montag  
Redevelopment & Housing Manager  
City of Concord  
1950 Parkside Drive  
Concord, CA, 94519

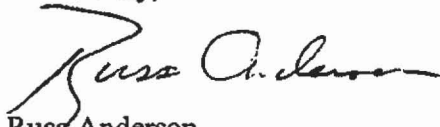
**Re: Note Payable for 1925 Market Street**

Dear John,

As a follow up to our meeting on June 25<sup>th</sup>, please accept this request to delay the repayment of our note for the purchase of 1925 Market Street. As you are aware, auto sales remain severely depressed in the City of Concord as well as across the United States. This has caused a tremendous strain on cash flow and has lead to the demise of our closest competitors, including Fitzpatrick Chevrolet, Mazzei GMC of Pittsburg, Walnut Creek GMC, Dublin GMC, and Crown Chevrolet of Dublin.

Lehmer's is proud to have been selected as one of GM's remaining dealers and are deeply committed to continuing our 80 year legacy as a Concord Auto Dealer. We are requesting that the start date for repayment be delayed for twelve months. The City's assistance during this difficult time will help us to emerge stronger and healthier in the coming year. We sincerely thank you for considering our request.

Yours truly,



Russ Anderson  
General Manager

cc: Mr. Alex Greenwood  
Mr. James Forsberg

**REDEVELOPMENT AGENCY OF THE CITY OF CONCORD  
RESOLUTION NO. 09-737**

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**A RESOLUTION AMENDING THE PROMISSORY  
NOTE OF THE EXISTING \$170,000  
REDEVELOPMENT AGENCY LOAN TO  
LEHMER INVESTMENT COMPANY IN ORDER  
TO DELAY THE REPAYMENT SCHEDULE BY 12  
MONTHS**

**WHEREAS**, the Redevelopment Agency of the City of Concord ("Agency") is carrying out the Redevelopment Plan ("Plan") for the Central Concord Redevelopment Project ("Central Concord Project"); and

**WHEREAS**, the Agency entered into a Disposition and Development Agreement ("DDA") with Anderson Lehmer Investment, LLC ("ALI"), which provided for the disposition to ALI of that approximately 3.8 acre parcel of real property located within the boundaries of the Central Concord Project at 1905 Market Street, APN 126-030-032 ("1905 Market Site") and ALI's development of a new automobile dealership ("Project") thereon; and

**WHEREAS**, ALI subsequently transferred the Project and the DDA to an affiliate, Lehmer Investment Company ("Developer"), as contemplated in the DDA; and

**WHEREAS**, on July 14, 2008 Agency and Developer entered into a First Amendment to Disposition and Development Agreement and Developer executed a Promissory Note ("Note") providing for Agency's sale of the property located at 1925 Market Street ("1925 Market Site") to Developer for its fair market value of \$170,000, with Developer's payment of the purchase price and interest to be completed within a thirty-six (36) month period; and

**WHEREAS**, the Agency and Developer now wish to adjust the repayment schedule in order to allow Developer an additional year to commence and complete repayment of the loan;

**NOW, THEREFORE, THE REDEVELOPMENT AGENCY OF THE CITY OF CONCORD DOES RESOLVE AS FOLLOWS:**

**Section 1.** The Executive Director is hereby authorized to execute the attached First Amendment to Promissory Note on behalf of the Agency in order to revise the repayment schedule as

follows:

- (a) Monthly interest payments shall commence two years after the date of the Note;
- (b) The entire principal balance and all unpaid accrued interest shall be due and payable four years after the date of the Note.
- (c) The Executive Director of Agency shall have authority to extend one or both of the above due dates for an additional period not to exceed one year.
- (d) The First Amendment to Promissory Note is attached and incorporated into this Resolution as Exhibit A. The Executive Director may make such minor technical and clarifying changes as deemed necessary prior to execution of the First Amendment to Promissory Note.

**Section 3.** This resolution shall become effective immediately upon its passage and adoption.

**PASSED AND ADOPTED** by the Redevelopment Agency of the City of Concord on July 27, 2009, by the following vote:

**AYES:**           Agencymembers-

**NOES:**           Agencymembers-

**ABSTAIN:**       Agencymembers-

**ABSENT:**        Agencymembers-

**I HEREBY CERTIFY** that the foregoing Resolution No. 09-737 was duly and regularly adopted at a regular joint meeting of the City Council and the Redevelopment Agency of the City of Concord on July 27, 2009.

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Mary Rae Lehman, CMC  
Agency Secretary

**APPROVED AS TO FORM:**

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Craig Labadie  
Agency Counsel

## EXHIBIT A

### FIRST AMENDMENT TO PROMISSORY NOTE

Principal Sum:  
\$170,000

Concord, California  
\_\_\_\_\_, 2009

THIS FIRST AMENDMENT TO PROMISSORY NOTE (“First Note Amendment”) is made by and between the Redevelopment Agency of the City of Concord, a California public agency (“Agency”) and Lehmer Investment Company, a Nevada corporation (“Developer”).

1. Note. Developer is the maker and Agency is the holder of that certain Promissory Note, dated August 27, 2008 (“Note”) entered into pursuant to the First Amendment to Disposition and Development between Agency and Developer, dated July 14, 2008.

2. Deed of Trust. The Note is secured by that certain Deed of Trust, dated August 27, 2008 and recorded September 11, 2008 as Document No. 2008-0202840-00 in the Official Records of Contra Costa County encumbering that certain real property located at 1925 Market Street in the City of Concord, more particularly described in the Deed of Trust.

3. Extension of Due Dates for Loan Repayment. Section 2 of the Note, entitled “Interest; Repayment Terms”, is hereby amended to read as follows:

The Agency Loan shall accrue simple interest at the rate of three percent (3%) per annum, commencing on date of execution of this Note, with interest due and payable monthly, commencing two years after the date of this Note. The first interest payment shall include all interest accrued during the first two years of the Agency Loan term. The entire principal balance of the Agency Loan, and all unpaid accrued interest, shall be due and payable, in full, upon the earlier of any resale or other transfer or encumbrance of the 1925 Site, or four (4) years months after the date of this Note. If Developer fails to make any payment under this Note when due, the delinquent amount shall bear interest from the date due until the date paid at the lesser of ten percent (10%) per annum or the maximum rate permitted by law. Such interest amount shall be in addition to the late charge set forth in Section 3 below.

4. Further Extension of Due Dates. The Executive Director of Agency shall have the authority, in his sole and exclusive discretion, to extend any or all of the due dates specified in Section 2 of the Note for an additional period not to exceed one year upon a written demonstration of severe economic hardship by Developer. Any such extension shall be confirmed in a written amendment to the Note, executed on behalf of both Agency and Developer.

5. Ratification. Except as expressly modified in this First Amendment, all terms and conditions of the Note shall remain in full force and effect.

Executed as of the date first written above.

***LEHMER INVESTMENT COMPANY, a Nevada  
corporation***

***By: \_\_\_\_\_  
Carolyn Anderson, President***

***REDEVELOPMENT AGENCY OF THE CITY  
OF CONCORD, a California public agency***

***By: \_\_\_\_\_  
Daniel Keen, Executive Director***