

Torrance makes \$250,000 loan to former Saturn dealership

By Nick Green Staff Writer

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With one eye on dwindling sales tax revenues and another on the increasingly vacant storefronts lining Hawthorne Boulevard, the Torrance City Council has loaned a car dealership \$250,000.

The money is intended as a "bridge loan" to help a former Saturn dealer convert to a Mazda dealership. The car manufacturer does not currently have a dealer in the South Bay, said Russell and Matt Hand, owners of Torrance Auto Center, which was a Saturn dealer for 19 years.

The Hands said the loan will enable the company to preserve 10 of the dealership's current 35 jobs rather than lay off those employees. It will also help protect annual sales of \$15 million annually.

If Torrance Auto Center begins selling Mazdas as expected, it will create another 10 jobs and boost annual sales to \$25 million, according to the company's business plan.

Mayor Frank Scotto noted at Tuesday's City Council meeting that even the lower figure will bring in \$150,000 in sales tax revenues to the

city a year, a figure that more than justified the initial investment by taxpayers.

"It does take a certain leap of faith to loan money to a business," he said. "No one can deny the fact we've lost many businesses on Hawthorne Boulevard."

The thoroughfare, one of the city's major retail corridors, is pocked by yawning vacancies that once housed furniture stores and other retailers.

City officials also observed that former Lincoln Mercury and Volkswagen dealership sites on the street now sit empty.

"It almost gets to, in certain areas, an area of blight," said Councilman Cliff Numark. "That's not the image our city should project."

Car dealerships have traditionally brought in about 18 percent of the city's sales tax revenues, according to figures in the latest municipal budget.

But sales tax revenues from that sector declined almost 22 percent in the fourth quarter of 2008, compared with the same period the previous year, city officials said.

Not everyone agreed with the council's action, however.

One speaker, a disgruntled customer of the former Saturn dealership, argued against extending the loan given his unsatisfactory

experience there.

Another, former Fresno small business owner Mike Koblosh, noted that no one offered to bail him out when his business went belly up there.

"All businesses have a right to fail," he said. "The government is here to provide utilities or safety, we're not a bank."

Scotto, a moderate Republican, agreed with that statement from a philosophical perspective. He said he opposed the federal government bailout of insurance giant AIG.

But Scotto also painted this move as an astute investment to protect city revenues and help businesses in a brutal economic climate that is taking a toll on the city as a major retail hub. Other council members agreed.

"One of the things you get asked as a councilman is 'Gee, what can you do to help keep jobs in the city of Torrance?'" said Councilman Tom Brewer. "This is one of the things we can do."

The money comes from the city's Economic Investment Fund, which was established in 1994 as a mechanism to retain or expand businesses in the city.

The city had originally planned to offer a \$200,000 loan and a grant of \$50,000. The Economic Investment Fund has traditionally given grants to struggling businesses rather than

loans.

But Numark said he would prefer the entire amount be in the form of a loan and the rest of the panel agreed.

The five-year loan will be interest-free for the first 12 months. An annual interest rate of 6.75 percent would be applied after that.

The loan will keep the company afloat until it secures another \$1 million loan from the county's Community Development Commission to help it buy inventory and make other necessary investments.

Councilman Bill Sutherland said such loans also help preserve the city's business friendly reputation.

"To not grant this, we're telling businesses to go somewhere else," he said.

Fran Fulton, who heads up the city's Economic Investment Fund, said the city has made about 15 grants worth a total of just over \$500,000 in the 15 years the program has operated.

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