

**Minutes of the Meeting of the Legal Committee of Council
Held in the Caucus Room of the Municipal Building
On Monday, May 2, 2016 at 6:30 P.M.**

Committee Members Present:

Chairman, Councilman-at-Large Brian Fischer
Ward 2 Councilman Dennis McBride; Ward 4 Councilman Scott Radcliffe

Others in Attendance:

Council President Craig Witherspoon; Ward 3 Councilwoman Mary Berges; Councilwoman-at-Large Tammy Holtzmeier; Finance Director Bill Logan; Law Director John Gasior; Ward 1 Councilman Bob Butkowski; Development/Planning Coordinator Pam Fechter; Mayor Bryan Jensen
Tom Smith of Wickens, Herzer, Attorney for CarMax; Jay Hertz, Centerpoint Development, Consultant for CarMax, Austin Allen, Centerpoint Development; Mike Creekmore, Real Estate Dept., CarMax; Bob Barto, owner of the property that CarMax is looking at

The Chairman called the meeting to order at 6:32 P.M.

Used Car Sales in a Commercial District (CarMax)

Mr. Smith explained that CarMax operates a stand-alone used car business which is not currently provided for under Avon's Zoning Code. They are willing to come into Avon and meet the same requirements as a new car dealership and will have a payroll similar to new car dealerships. In Phase 1 of their development, they are talking about 25 to 30 employees with a payroll of \$1 - \$1.2 million dollars. He said that in his research, he has found that at new car dealerships, used cars are 50% to 75% of their sales. He believes that this development is a very productive use of property and is so close to what the City of Avon currently allows that it should be considered as permissible as either a similar use which can be done under the Code or by amending the Zoning Code to add it. There are already permitted uses in this zoning category for detailing, auto repair, major service, car washes, and gas stations. He said that with that, he would let his clients take the lead and give a little more detail in their presentation.

Mr. Creekmore stated that CarMax just opened a facility in Warrensville Hts. about a year ago and they have two stores in Columbus. He said he just wanted to talk through about why they are different and what they can bring to Avon. He then projected slides to show the level of retailer that they are, with well-kept, well-maintained facilities. They do not have all the promotional draws at their stores, such as inflatables, etc. What they have are up-front prices with zero haggle so every car has a marked price on it. Their sales consultants are not paid on commission so they are more into finding the right car for a customer than selling them an expensive car that they may not need. They have 159 stores nationwide and that means that if you do not find the car you like at a store, they can find it at another store and have it shipped. There are touchscreens where a customer can search through all the 50,000 cars nationwide. They stand behind their cars and they are all quality certified. CarMax goes through a 125 point inspection on every car, gives a free vehicle history report, and offers a five-day money back guarantee. They also offer a 30-day limited warranty. Another thing that is unique about CarMax is that they will buy any car from you even if you do not buy a car from them. So what you find with some dealerships with the haggling back and forth of what they will give you for your car, does not happen with CarMax. They have a set price, you sell your car to them and you can go down the street to another dealership if you find the car you want down there.

Mr. Creekmore gave a brief history of CarMax: They opened their first store in 1993. In 2004 they became a Fortune 500 Company and are actually in the Fortune 300 now. Last year they sold over 620,000 retail vehicles nationwide and in the last 12 years have become one of the top 100 places to work for in Fortune Magazine's 100 best companies. They provide 40-50 hours of training and development for all of their associates, they recognize and reward associates for achievements, and are a very transparent company with competitive compensation and benefits.

Mr. Creekmore showed a general map of all the stores. It showed more exterior shots of the stores, all very well-maintained and landscaped. Mr. Creekmore said that the facility that they would be building here in Avon would be a staged project. He showed images of some of their reconditioning shops and said that all work is done inside.

Mr. Creekmore noted that something that has become an integral part of the CarMax culture is the CarMax Foundation, which was started in 2003, and enriches the communities where their associates live. Since 2003, CarMax has given \$30 million dollars to causes, such as the Boys and Girls Club. Last year they had over 1,000 team builders with 57,000 volunteer hours that CarMax paid for. They also partner with KaBoom, a playground facility company. CarMax so far has built 30 of those playgrounds across the country and have signed up to build 33 more, bringing playgrounds to areas that really need them.

Mr. Creekmore stated that they are looking at a two-phased approach here in Avon. Phase 1 being the initial building with a sales lot and a customer parking lot, with square footage around 7,400 sq. ft. on about 3 to 4 developed acres. The 2nd phase would include the reconditioning facility, more customer parking and additional sales area. With Phase 2, they would be adding another 45-55 employees and another \$2 –\$2.5 million dollars in payroll. Mr. Hertz added that the first phase is budgeted at \$5 million dollars and the second phase would be an additional \$4 million dollar investment.

Mr. McBride said, so you would put up the sales building but you would not have the service building. Mr. Creekmore stated that they would offer retail services such as tire changes, oil changes, etc. but if you were to buy a car and you had a warranty issue that would require a new transmission or new water pump, they would send that out to local dealerships around the area. The Avon store would be stocked with cars from the east-side store so they would go through the reconditioning facility out there. Once they were reconditioned, the cars would come out here to Avon. When Phase 2 is built in Avon, it would have its own reconditioning facility. Mr. McBride asked if the east-side store opened up in one phase or two and Mr. Creekmore answered that they opened up in one phase. Mr. McBride then asked why would you not do that here in Avon? Mr. Hertz stated that the Warrensville Hts. store right now has capacity to assist this store. As the market ramps up they would expect that that capacity would cease to exist and at that time we would have to mark the facility here to have its own capacity to recondition.

Mrs. Holtzmeier asked how many cars are for sale on the lot at any one time and Mr. Kurtz responded that this facility would probably be in the range of 150 – 190 cars. Mrs. Holtzmeier asked how many parking spaces would be proposed for vehicles and Mr. Creekmore said that they are showing 207 parking spaces in phase 1 and 68 in the customer/employee area.

Mr. McBride asked about the salary ranges and Mr. Creekmore answered that the average salary would be about \$40,000., with higher salaries for a general manager of up to \$100,000. Mr. Radcliffe asked

what type of workforce people they looked for and what is driving CarMax here to Avon. Mr. Creekmore said that what is bringing them here is the growth in this area and the vibrant population. He said that they also go to local trade schools and community colleges to recruit and provide assistance for the automotive techs that they employ.

Mr. McBride said that the \$40,000. - \$45,000. average salary sounded low; he said that most of the salesmen should be in the \$75,000. - \$100,000. range. Mr. Creekmore said that he could check on that for Mr. McBride. He said that the \$40,000. average includes salesmen that may be up in that \$70,000. range but you are also going to have office workers that may be a little lower than the \$40,000.

Mr. Witherspoon asked if CarMax had any facilities that have been closed and Mr. Hertz said, no, but there was one facility that had to be relocated because it needed more space. Mr. Butkowski asked if they had looked at other sites in Lorain County and Mr. Hertz answered that there was another site south of here that they looked at but did not feel it was the right place to be. Mr. Radcliffe asked if CarMax was publically held and Mr. Creekmore said, yes, the stock is under KMX. Mr. Radcliffe asked where the company was based and Mr. Creekmore said, in Richmond, VA.

Mrs. Holtzmeier asked, of the 20 to 30 employees, how many are full-time and how many are part-time? Mr. Creekmore said that he would say it is probably a 70%-30% split, fulltime to part-time. Mr. Radcliffe asked if they found that their sales are seasonal or is it pretty even throughout the year. Mr. Creekmore answered that they do find that some times are better than others; after Christmas tends to be a good time for them.

Ms. Fechter asked Mr. Creekmore to explain the auction process. Mr. Creekmore stated that when you would add the larger reconditioning facility, there is a wholesale option. Say a customer brings in a car and CarMax buys it and it does not need the 125 point inspection or has too many miles on it, there is a privately-held, invitation-only auction to local dealerships to sell off those cars. It can be once a week or every other week and is held indoors. Mr. Butkowski asked, and that is just to sell your cars and nobody would be bringing in other cars? Mr. Creekmore said that was correct.

Mr. Witherspoon asked how many trucks go in and out of the CarMax facilities a day? Mr. Hertz said, at full build-out that is a difficult question to answer. He said that they always provide space on their sites to load and unload those trucks so you are never going to see them backing up onto the street or in the right of way trying to load or unload vehicles. But those numbers are dependent on how many cars are selling at the store, how many vehicles they have purchased, how many have met the quality standards, etc. Mr. Witherspoon asked if there were trucks parked overnight at the facilities and Mr. Hertz said, not typically. He said that CarMax requires that there is a sales associate on site to accept delivery of the cars and so that would only happen during normal business hours. Typically by 9:00 P.M., the stores close and they are no longer accepting delivery of vehicles. Mr. Witherspoon asked, but the carrier is off site? Mr. Creekmore said, yes, each site is different but they can require sites to not have carriers overnight. Mr. Butkowski stated, as he understands it, all the cars that they will have at this facility have to be reconditioned at the Warrensville Hts. and then hauled in. Mr. Creekmore said, yes, to start with until Phase 2 is built. Mr. Fischer asked what the time estimate was to build Phase 2 and Mr. Creekmore said he would have to check on that; they just understood that they needed a phased project at this point. Mr. Fischer asked, what if the stipulation was to put it all in at once and Mr. Creekmore said they could look into that.

Mrs. Holtzmeier asked, depending on how frequent the auction is, how many cars could be in an auction at any given time? Mr. Creekmore answered that a store this size may have 60 to 120 cars and they are stored in a screened-off area in the back.

Mr. Butkowski asked again in regard to the auction, those are only cars that are on that lot; it is not like they are moving cars in or bringing them in through another wholesale market and trying to auction them off here. It is just cars that you cannot sell or do not fit your criteria that you have received at the Avon facility. Mr. Creekmore said that they may bring in cars from a satellite store but they are only CarMax cars. Mrs. Holtzmeier stated, but when those cars are sold, their buyers need to come and pick them up and Mr. Creekmore said that was correct. Mrs. Holtzmeier asked what the time frame was for that and Mr. Creekmore said that they have 48 hours to get those cars during business hours. Mrs. Holtzmeier asked if the buyers generally buy more than one car, bringing their trucks in to pick up the cars that they have purchased. Mr. Creekmore responded that typically the dealers that are buying these wholesales do not have big car carriers; they may have a one or two-car hauler that they move them up onto. Mr. Radcliffe said, so typically, the ones buying the cars at the auction are smaller used-car dealerships and Mr. Creekmore said, yes.

Mr. Smith asked Mr. Creekmore to explain how customers have access to his used car lot. Mr. Creekmore said that unlike typical dealerships, CarMax sections off their sales lot; it has an ornamental fence and a guard rail around it. This is to help the customer come in, see an associate and say what they need and the associate will take them out to the lot to look. If they want to go for a test drive, only our sales associates drive inside the lot; they drive through the security gate and then switch drivers and the customer takes the car on the test drive and they switch back when they return. Mr. Witherspoon asked how many test drives would they say there are per day. Mr. Hertz responded that, for a store of this size, they would expect 10 – 15 test drives per day. Mr. McBride asked if Phase 2 would increase that and Mr. Hertz answered that their sales estimate is not going to change on this store based on the phasing so it really would not change the number of test drives.

Mr. Fischer asked if they had had many security issues and Mr. Creekmore said there have not been a lot, but they have had some. They have security staff at their home office, with a video security and the cameras are motion activated so they pick up anybody coming onsite. Mr. Fischer asked, and what did you say your hours were? Mr. Creekmore answered, typically, it is 9:00 A.M. to 9:00 P.M. for the sales, and service is 7:30 A.M. to 6:00 P.M., every day.

Mrs. Holtzmeier asked if they offered indirect financing for their customers and Mr. Creekmore said, yes, they do offer financing. Mrs. Holtzmeier then asked if the company had its own financing or do they work indirectly with financial institutions, and Mr. Creekmore answered, both. Mrs. Holtzmeier asked what percentage of their customers go with the internal financing with CarMax and Mr. Creekmore said he would have to find that out.

Mr. Butkowski stated that he was struggling with why they were not doing the complete build-out - why the staggered phasing if they are really not going to be adding more sales with Phase 2. Mr. Hertz responded that it has to do with the store that is existing in Warrensville Hts. and how many cars they can recondition. Because they have capacity, there is no need to build the full site here because they can do it across town without CarMax spending an additional \$4 million dollars up front. He said that the numbers that he gave for test drives are based on their ramped-up sales estimate. In year one, those test drives are going to be lower than that; in year three we will probably be getting up toward that 10-15 number a day. CarMax sales are becoming mature at that point so that is when that

Warrensville Hts. Store is, in theory, going to start to run out of that capacity to produce cars for this site. That store's sales will also be ramping up and that is when you need the new facility here.

Mr. Creekmore offered an in-depth tour of the Warrensville Hts. store to anyone who would like to go over there.

Ms. Fechter stated that if Mr. Creekmore would like to give her the power-point presentation as well as any additional information, she could make sure the entire group got it.

In a brief discussion about zoning codes, Mr. Smith again stated that in his research he found that around 50% to 75% of sales at new car dealerships are of used cars. So essentially a big major user like CarMax, when it is built out, will be about the same size and about the same as the two car dealerships that are now in Avon and it is very similar in operation and the benefits it can provide to the community.

Mr. Fischer thanked everyone for the presentation and adjourned the meeting at 7:08 P.M.

Transcribed by Gail Hayden, Assistant Clerk of Council