



Legislation Details (With Text)

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Title:	CONSIDER AGREEMENT TO GRANT DEVELOPMENT IMPACT FEE CREDIT AND FOR CONSTRUCTION OF PUBLIC INFRASTRUCTURE WITH THE CARSON RECLAMATION AUTHORITY AND FARING CAPITAL, LLC; AND, A DEPOSIT AND REIMBURSEMENT AGREEMENT WITH THE CARSON RECLAMATION AUTHORITY AND FARING CAPITAL, LLC FOR CELLS 3, 4 AND 5 OF THE 157 ACRE SITE (CITY COUNCIL)				

Sponsors:

Indexes:

Code sections:

Attachments: 1. EXHIBIT 1:Signed CRA - Development Impact Fee Credit Agreement (Remainder Cells) - FINAL, 2. EXHIBIT 2:Signed - Carson Faring Reimbursement Agreement

Date	Ver.	Action By	Action	Result
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Report to Mayor and City Council

Tuesday, January 12, 2021

Consent

SUBJECT:

CONSIDER AGREEMENT TO GRANT DEVELOPMENT IMPACT FEE CREDIT AND FOR CONSTRUCTION OF PUBLIC INFRASTRUCTURE WITH THE CARSON RECLAMATION AUTHORITY AND FARING CAPITAL, LLC; AND, A DEPOSIT AND REIMBURSEMENT AGREEMENT WITH THE CARSON RECLAMATION AUTHORITY AND FARING CAPITAL, LLC FOR CELLS 3, 4 AND 5 OF THE 157 ACRE SITE (CITY COUNCIL)

I. SUMMARY

In September 2019 the Carson Reclamation Authority ("Authority") issued an Invitation to Propose ("RFQ") seeking a developer to undertake a project on Cells 3, 4, and 5 ("Remainder Cells") of the former Cal-Compact Landfill property ("157 Acre Site"). The RFQ required the developers to bear the responsibility for all the project costs - vertical, horizontal, and remediation -- based on the Authority's experience on the Cell 2 Project. Most of the proposals the Authority received were largely industrial/warehouse uses, given the strong real estate economics of such uses, as opposed to retail, residential and other uses, which have weakened over the past several years.

Following the RFQ, in March 2020, the Authority Board selected Faring Capital, LLC (“Developer”) to negotiate its proposed project on the Remainder Cells, to include a signature community park with food and beverage facilities, playground space, exhibition and/or museum space, and entertainment uses along with an industrial/fulfillment/logistics center along the back of the Remainder Cells (“Project”).

An Option Agreement with Developer was approved by the Authority Board on December 16, 2020, along with an Agreement to Grant Development Fee Credit for Construction of Public Infrastructure (“DIF Securing Advance) and a Deposit and Reimbursement Agreement. Under the Option Agreement, the purchase price for the Remainder Cells will be made in the form of two advances, totaling \$45,000,000, and Developer would be required to bear the entire cost of the remediation and development of the Remainder Cells as well as pay a pro rata share of the Authority’s monthly carrying costs.

Because the Developer would be constructing public infrastructure typically constructed by the City, and the City has previously contracted with Authority in April, 2018 through a Cooperation Agreement to construct such improvements to avoid any City liability for the remediation of the 157 Acre Site by working on the site, the DIF Agreement was included as part of the agreements. The Option Agreement was Authority-only while the DIF Agreement and the Reimbursement Agreement are three-party agreements between the Developer, the Authority and the City, requiring City Council approval.

II. RECOMMENDATION

1. APPROVE AGREEMENT TO GRANT DEVELOPMENT IMPACT FEE CREDIT AND FOR CONSTRUCTION OF PUBLIC INFRASTRUCTURE WITH THE CARSON RECLAMATION AUTHORITY AND FARING CAPITAL, LLC; and
2. APPROVE DEPOSIT AND REIMBURSEMENT AGREEMENT WITH THE CARSON RECLAMATION AUTHORITY AND FARING CAPITAL, LLC
3. AUTHORIZE the Mayor or designee to execute the Development Impact Fee documents, the Deposit and Reimbursement Agreement and all related documents in a form acceptable to the City Attorney, with any minor modifications approved by the City Attorney.
4. AUTHORIZE the allocation of deposits made by the Developer for reimbursement of costs to the City and Authority on an “as needed” basis, based on actual expenditures.

1.

III. ALTERNATIVES

TAKE another action the Authority Board deems appropriate.

IV. BACKGROUND

The Authority’s RFQ sought a developer to undertake a development project on the Remainder Cells and included much more detailed information learned from the Cell 2

Project in order to inform proposers of the developer's responsibilities, rather than deferring these discussions to the negotiation of the agreements. The RFQ required the developers to acknowledge that they would need to bear the responsibility for all the project costs - vertical, horizontal, and remediation - and that their project pro forma reflected that. Unlike in the Cell 2, the developer would fund and perform all Remediation Work on the Remainder Cells. The investigation of the environmental conditions, testing, and the development of the remediation plan on these Cells would also be undertaken by developer.

This Project proposes a 12-acre signature "community park" with commercial, restaurants and retail along Lenardo Drive, and industrial/fulfillment center development along the back of the Remainder Cells. Developer anticipates the 12-acre element to be integrated and curated into an entertainment and dining hub in a post-COVID world that would be totally unique in the LA area.

The Option Agreement was approved by the Authority Board on December 16, 2020. Compensation would take the form of two advances (1) a First Advance in the amount of \$12,500,000, and (2) a Second Advance in the amount of \$32,500,000. Ultimately, the First and Second Advances would be applied to the Purchase Price amount (\$45,000,000) for the Remainder Cells if Developer is able to acquire the Remainder Cells.

Developer's acquisition of the Property shall include (i) all permits, licenses, authorizations, consents, approvals and certificates relating to the Property, to the extent assignable from Authority, and (ii) all rights, privileges, easements, rights-of-way and appurtenances used or connected with the beneficial use or enjoyment of the Surface Lot of the Remainder Cells, including without limitation, development rights, and air rights.

Two Advances will be made to the Authority under Option A, the First Advance for \$12,500,000 and the Second Advance for \$32,500,000. The First Advance is released under the following conditions:

An executed "Agreement to Grant Development Impact Fee Credit Agreement and for Construction of Public Infrastructure" made by the Authority and City in favor of Developer ("DIF Agreement"), which provides for, among other things, a transferable credit to Developer in the amount of \$12,500,000 ("DIF Credit") against any development impact fees for any project which may be undertaken by Developer or any other developer of a project in the City of Carson; and in exchange for which Authority will agree to use the \$12,500,000 First Advance proceeds solely to construct the public infrastructure required for the Project on behalf of the City or complete its current obligations under the various agreements related to the CAM Agreement, as provided in the DIF Agreement.

The DIF Agreement Securing the First Advance is included on this agenda for approval as well.

Construction of Public Infrastructure. In the event of Closing, Authority shall provide certain public infrastructure and services to the 157 Acre Site, including streets, sidewalks, parkways, sewer, water, drainage, lighting, and other utilities, and must assure accessibility to the 157 Acre Site; provided however, the Developer shall have the right to construct

such Infrastructure Improvements (or portions thereof) on behalf of the Authority, with the Authority's approval. And while such improvements are typically performed by the City, the City has previously contracted with Authority through a Cooperation Agreement to construct such improvements to avoid any City liability for the remediation of the 157 Acre Site by working on the site. The Option Agreement assigns a portion of the responsibility for the infrastructure to the Developer.

The DIF Agreement helps secure the Developer's contribution to the project in the event the project does not proceed under Option A.

V. FISCAL IMPACT

The Reimbursement Agreement requires the Developer to deposit \$1,750,000 for project related expenses such as legal costs and processing the Project Entitlements, including CEQA studies and legal fees. The Deposit and Reimbursement Agreement provides that the City and the Authority are made whole for their costs related to the processing of the Project and related agreements.

VI. EXHIBITS

1. AGREEMENT TO GRANT DEVELOPMENT IMPACT FEE CREDIT AND FOR CONSTRUCTION OF PUBLIC INFRASTRUCTURE WITH THE CARSON RECLAMATION AUTHORITY AND FARING CAPITAL, LLC (Pgs. 5-18)
2. DEPOSIT AND REIMBURSEMENT AGREEMENT WITH THE CARSON RECLAMATION AUTHORITY AND FARING CAPITAL, LLC (Pgs.19-31)

1.

Prepared by: John S. Raymond, Assistant City Manager