



CITY OF CARSON

Legislation Text

File #: 2017-458, Version: 1

Report to Mayor and City Council

Tuesday, June 06, 2017

Consent

SUBJECT:

SETTLEMENT AGREEMENT & GENERAL RELEASE OF ALL CLAIMS IN CARSON V. THE COMMUNITY DEVELOPMENT CENTER, LOS ANGELES SUPERIOR COURT CASE NO. BC 565404 (CITY COUNCIL)

I. SUMMARY

In December 2014, the City of Carson filed a quiet title action to confirm its title to a 1.6 acre parcel near the entrance to the Dominguez Hills Village development. In the Dominguez Hills Village Specific Plan, the property was identified as a site for a child care center. In 2007, K. Hovnanian, the developer of Dominguez Hills Village, conveyed the property to The Community Development Center ("CDC") for construction of the child care center, but the child care center has not been built. A condition in K. Hovnanian's deed to CDC provides title to the property would transfer to the City if the child care center were not developed. When the child care center had not been built and begun operating in time to meet the deadline, the City demanded a quitclaim deed from CDC. CDC would not provide the quitclaim deed, leading to the City's filing of the lawsuit.

Court proceedings led the City and CDC to engage in settlement negotiations which resulted in the attached settlement agreement. The settlement provides for the City and CDC to jointly list the property for sale at a price to be determined by an appraisal, but with the City otherwise controlling the sale process. Upon close of escrow, the City will be reimbursed all of its costs incurred in connection with the sale of the property, and the remaining sale proceeds will be shared equally by the City and CDC. The lawsuit will not be dismissed until the sale of the property has been consummated to ensure compliance with the settlement agreement. The City and CDC will each bear their own costs in connection with the litigation.

II. RECOMMENDATION

APPROVE the Settlement Agreement & General Release of All Claims.

III. ALTERNATIVES

TAKE any other action the City Council deems appropriate.

IV. BACKGROUND

The property in question is a 1.6 acre parcel of vacant land located at the northwest corner of Victoria Street and Cedarbluff Way. The property is part of the Dominguez Hills Village development. In the Dominguez Hills Village Specific Plan, adopted by the City in 1998, the property was identified as a site for a child care center with a 150-child capacity, with ample outdoor play areas in excess of those required for a child care center of that size.

K. Hovnanian, the developer of Dominguez Hills Village, concluded the construction and operation of a child care center was not within its capacity and requested the City's permission to outsource the project. With the City's cooperation and concurrence, The Community Development Center ("CDC"), which operates the Friendship child care centers, was chosen as the child care developer and provider.

In 2007, after environmental remediation of the property had been completed, K. Hovnanian conveyed the property to CDC for a purchase price of \$1.00, subject to the condition that the property only be developed and used as a child care center through December 31, 2016, and if the property were not so used title would transfer to the City. Pursuant to the purchase and sale agreement, K. Hovnanian was obligated to grade the property prior to close of escrow and, because the locations at which driveways into the child care center would be located were unknown at that point, paid CDC \$4650 at close of escrow to cover that cost.

CDC obtained the necessary development permits for the child care center in 2004, and obtained an extension of those permits in 2006, but did not proceed with construction, and those development permits expired in 2009. As of December 2014, insufficient time remained for CDC to obtain new development permits for the child care center, obtain financing, and construct the child care center prior to December 31, 2016.

On March 13, 2014, the City recorded a Notice of Exercise of Power of Termination ("Notice of Termination") pursuant to Civil Code § 885.050. The City also asked CDC to sign a quitclaim deed in order to clear title to the property. CDC did not sign the quitclaim deed. It also did not commence efforts to once again secure development permits for the child care center or request additional time to fulfill the condition in the grant deed.

The City's position was that, as a result of CDC's failure to comply with the condition in the Grant Deed and the City's recordation of the Notice of Termination, title had automatically vested in the City. However, in order to confirm the effect of the Notice of Termination, the City filed a quiet title action on December 1, 2014. CDC's position was that the "Great

Recession” had made it impossible for them to obtain financing for the construction and that they should be given more time to meet the condition. Alternatively, CDC’s position was that if the City wanted the property, the City would have to pay for it.

Settlement discussions occurred at various times in parallel with court proceedings, but did not lead to an agreement prior to trial. After a day of testimony, the judge issued a “preliminary ruling” that was inconclusive, but generally favored the City’s position, noting CDC had not pursued multiple opportunities to show it could proceed with the property and take other actions to protect its rights. This “preliminary ruling” led to further settlement discussions that resulted in the agreement currently before the City Council.

V. FISCAL IMPACT

The City’s General Fund will receive 50% of the net proceeds from the sale of the land. At this time, the specific amount is unknown.

VI. EXHIBITS

1. Settlement Agreement & General Release of All Claims. (pgs. 4-12)

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