



CITY OF CARSON

Legislation Text

File #: 2018-514, Version: 1

Report to City Council and Successor Agency

Tuesday, July 03, 2018

Special Orders of the Day

SUBJECT:

CONSIDER IMPLEMENTATION OF PROJECT AGREEMENTS WITH CAM-CARSON, LLC, A DELAWARE LIMITED LIABILITY CORPORATION AND AN AFFILIATED ENTITY OF MACERICH, FOR THE DEVELOPMENT OF A FASHION OUTLET RETAIL CENTER ON THE CELL 2 SURFACE LOT OF A 157-ACRE PARCEL, THE FORMER CAL-COMPACT LANDFILL; INCLUDING: (1) APPROVAL OF CONSENT TO TRANSFER WHEREBY MACERICH TRANSFERS 50% OF THE DEVELOPMENT ENTITY TO SI-CARSON PROPERTY GROUP OR A SUBSIDIARY; (2) APPROVAL OF AN AGREEMENT TO UNDERTAKE A VALIDATION ACTION OF THE TRANSACTION AND PROVIDE FOR REIMBURSEMENT OF CITY/AUTHORITY EXPENSES; (3) CONDUCT A PUBLIC HEARING PURSUANT TO CODE SECTION 53083; AND (4) AUTHORIZING MAYOR, CHAIRMAN, CITY MANAGER OR EXECUTIVE DIRECTOR AS THE CASE MAY BE, TO APPROVE CERTAIN IMPLEMENTING AGREEMENTS INCLUDING AN OPERATIONAL AGREEMENT, EASEMENT, DEED OF TRUST, AND OTHER IMPLEMENTING AGREEMENTS

(THIS IS A JOINT ITEM BETWEEN RECLAMATION AUTHORITY, CITY COUNCIL AND SUCCESSOR AGENCY)

I. SUMMARY

The City Parties, the City and Reclamation Authority, after entering an Exclusive Negotiating Agreement ("ENA") on July 7, 2016, and pursuant thereto negotiated and on April 3, and again on April 17, acted to approve a Development Agreement, Conveyancing Agreement, and Cooperation Agreement (collectively the "Project Agreements") with CAM-CARSON, LLC, a Delaware limited liability company ("Developer"), and affiliate of The Macerich Company of Santa Monica, California for the development of a high end fashion outlet mall.

The project is approximately 41 net acres of the Surface Lot of Cell 2 and certain easement areas therein legally described in Exhibit "C-1" of the Agreement ("Cell 2 Surface Lot") which is a part of the 157 Acre Site formerly known as the Cal-Compact Site (Exhibit "A"). The Authority will also convey certain easement rights to Developer for purposes of construction, operation and use of the Project. The property and easement rights to be

conveyed by the Authority to Developer are referred to as the “Developer Property.”

Concurrently with consideration of the Project Agreements, the City Council (1) held a public hearing on Authority’s application for amendment of the Boulevards Specific Plan and Developer’s application for Site Plan and Design Review and Comprehensive Sign Program, (2) certified the Supplemental Environmental Impact Report for The District at South Bay Specific Plan, State Clearinghouse No. 2005051059 (the “SEIR”) pursuant to Resolution No. 18-2620 and the adoption of the Specific Plan pursuant to Resolution No. 8-2621 and adopted the Site Plan and Design Review (DOR) and Comprehensive Sign Program, pursuant to Resolution No. 18-2622; (3) approved a Development Agreement with CAM-CARSON, LLC for the Project; and (4) approved a Cooperation Agreement whereby Authority would agree to construct certain public infrastructure on behalf of City and City would agree to provide sales tax proceeds to Authority to enable Authority to meet its obligations to, among other things, undertake site preparation of Cell 2 and construct certain Offsite Improvements (as defined in the Conveyancing Agreement). Subsequently the notice period to challenge the environmental approvals passed without a legal challenge being taken.

Prior to executing the Project Agreements, Macerich entered into discussions with SI-Carson, a subsidiary of one of the largest mall developers in the USA. The concept is that they would be 50-50 partners with Macerich being the administrative partner in charge of day to day activities, but SI-Carson having the right to become the administrative partner in the future or take over from Macerich.

As of December 31, 2017, SI-Carson’s parent owned or held an interest in 207 income-producing properties in the United States, which consisted of 107 malls, 68 Premium Outlets, 14 Mills, four lifestyle centers, and 14 other retail properties in 37 states and Puerto Rico. Internationally, they had ownership interests in nine Premium Outlets in Japan, four Premium Outlets in South Korea, two Premium Outlets in Canada, two Premium Outlets in Malaysia, and one Premium Outlet in Mexico. Simon also owns an interest in eight Designer Outlet properties in Europe, of which six properties are consolidated, and one Designer Outlet property in Canada.

In undertaking their due diligence, SI-Carson requested (i) some changes to the transaction structure, (ii) that a validation be undertaken, and (iii) that several documents which were going to be done at a later time be prepared now. The modifications to the transaction and preparation of the different documents meant that the City Parties would incur additional expenses, so the City requested that the Reimbursement Agreement which had previously expired, be renewed and extended to pay these additional expenses. Accordingly, the actions being brought before the City Parties at the July 3rd meeting include the following, some of which require approval by the legislative bodies, and some of which can be approved by the City Manager or Executive Director:

1. Consent to Transfer: Approves identity of new body to include SI-Carson Property Group or a subsidiary thereof as a 50-50 member of CAM-Carson, the Developer entity (Exhibit “B”).
2. Agreement to Undertake Validation and Reimburse Expenses: Commits parties to

undertake validation action of Project Agreements, provides language for a Ground Lease, or if the Validation Action fails, a Lease-Lease arrangement, provides that Developer will fund eligible expenses with an initial deposit of \$100,000 which will be replenished as drawn upon (Exhibit "C").

3. Operational Agreement: Subject to administrative approval and provides that Authority will fulfill its DTSC obligations with respect to phased development of the 157 Acre Site.
4. Easement Agreement: Allows Developer to enter the Cell 2 Site and perform work if Authority defaults (Exhibit "D").
5. Deed of Trust: Secures Advances made by Developer to pay for work, with resale rights if Authority does not complete its work (Exhibit "E").

II. RECOMMENDATION

TAKE the following actions:

1. APPROVE consent to transfer whereby Macerich transfers 50% of the development entity to SI-Carson property group or a subsidiary;
2. APPROVE Agreement to Undertake Validation Action and Reimbursement Agreement II Between City of Carson and the Carson Reclamation Authority and CAM-Carson LLC;
3. AUTHORIZE City Manager and/or Executive Director of the Carson Reclamation Authority to approve and execute certain implementing agreements including an Operational Agreement, Easement, Deed of Trust, and other Implementing Agreements;
4. OPEN the Public Hearing; TAKE public testimony; then CLOSE the Public Hearing; and then APPROVE the Report and economic development subsidy conclusions in Section VG(4) hereof;
5. REAPPROVE the conveyancing agreement approved on April 3, 2018 to provide the option for possession to be transferred via a lease
6. AUTHORIZE Mayor/Chairman to execute all relevant Agreements.

III. ALTERNATIVES

Take such other action as deemed appropriate.

IV. BACKGROUND

A. General.

The City Parties are being asked to approve changes to the development entity, CAM-Carson LLC, to approve as 50-50 partners Macerich and SI-Carson or their wholly owned subsidiaries to validate the transaction through legal process, and to take certain other actions for the development of a high end fashion outlet mall on Cell 2 of the 157 Acre Site, formerly the Cal Compact site.

B. The 157-Acre Property.

On May 18, 2015, the Authority acquired approximately 157 gross acres of real property in the City of Carson, as shown on the Site Map attached hereto as Exhibit "A" of the Agreement (the "Property"). The Property is divided into five (5) Cells as shown on Exhibit "A" and is subject to The Boulevards at South Bay Specific Plan, approved on February 8, 2006, and amended on April 5, 2011 (the "Specific Plan"). The Property is a former landfill site, and on October 25, 1995, the California Department of Toxic Substances Control ("DTSC") approved a Remedial Action Plan ("RAP") for portions of the Property, which RAP requires the installation, operation and maintenance of certain remedial systems, including a landfill cap, gas extraction and treatment system, and groundwater collection and treatment system on the Property ("Remedial Systems").

Through the years a number of development proposals were approved for the Site before the Boulevards plan, and failed, and various developers (Hopkins, Lennar, and Starwood) all tried to make the Boulevards plan succeed. These could not overcome the contamination issues. Because the entire 157 Acre Site, including the Cell 2 Subsurface Lot, is a contaminated landfill, the parties acknowledge that the cost to develop the Project on the Cell 2 Surface Lot could greatly exceed the cost to develop the Project on an uncontaminated parcel of native soil, and that therefore development of the Project on the Cell 2 Surface Lot may be financially infeasible without substantial financial participation by the Authority. However, the City and Authority believe the benefits of economic development justify such investment as described below.

C Prior Actions: ENA through Project Approval - April 3, 2018.

On July 7, 2016, the Authority, City and Developer entered an ENA to negotiate a purchase agreement and a long-term development agreement for the fashion outlet mall on Cell 2 of the former Cal-Compact Landfill Site. On June 20, 2017 the parties entered into a Memorandum of Understanding ("MOU") which negotiated the business points in this Agreement. Meanwhile, the design and entitlement work continued on the Project, culminating in the amendment of the Boulevards Specific Plan, Developer's application for Site Plan and Design Review and Comprehensive Sign Program, certification of the SEIR for The District at South Bay Specific Plan, and Developer's Site Plan and Design Overlay Review ("DOR") and Comprehensive Sign Program application also approved by resolution. On April 3, 2018, the negotiated Project Agreements, were approved: The Development Agreement (City/Developer), Conveyancing Agreement (Authority/Developer), and Cooperation Agreement (Authority/City).

While there are no changes to the economics of the arrangement, there are changes resulting from the transfer of ownership and additional due diligence. These changes are

discussed below in Section V.

D. Project Description.

The Developer has proposed developing a “Project” on the Developer Property, consisting of development of a high-quality, state of the art, fashion outlet retail center of not less than 450,000 GBA square feet (for Phase I only) and up to 711,500 GBA square feet (taking into account Phase I and Phase II, which may be developed separately or concurrently), which may include, at the sole discretion of Developer, sit-down restaurant space of up to 15,000 GBA square feet, a VIP lounge, and the various take-out and on-site food and alcohol service uses permitted by right or with an administrative use permit or conditional use permit (in each case upon the approval by City of such permit) in the Specific Plan, and related signage on the Developer Property.

The Project is also expected to provide substantial economic and employment opportunities for the community, with a goal of generating at least 1,600 new direct construction jobs, with another 1,000 indirect and induced construction jobs, as well as 1,500 new retail and related jobs. The Developer shall endeavor to maintain high standards of urban design, architecture, and development, including “Cal-Green” and LEED building standards, adherence to building codes (subject to such variances as the City may approve), best practices for environmental protection, energy efficiency, water conservation, and reduced greenhouse gas emissions.

E. Critical Aspects of Development.

1. Remedial Systems. The Remedial Action Plan (“RAP”) requires that the Remedial Systems be constructed and operated and maintained for many years to cap the landfill and remove gas and contaminants which would pollute groundwater. This work includes excavation and grading necessary to install such systems. Authority will cause the construction and operation of (i) the Remedial Systems other than the Building Protection System (“BPS”) at its sole cost, and (ii) the BPS, which shall be funded by Authority up to an agreed upon dollar cap.
2. Infrastructure. Under the terms of the Agreement, the Authority will construct required public offsite infrastructure and other improvements (the “Offsite Improvements”). Due to Authority’s shortage of resources to complete all of its necessary work, Developer will advance Ten Million Dollars (\$10,000,000) to the Authority for this purpose.
3. Excess Development Costs. Due to the contaminated condition of the 157 Acre Site and un-compacted condition of the soils thereon, resulting in excessive development costs, the 157 Acre Site has been undevelopable despite the interest of numerous developers over decades. These costs include grading and site work,

and installing structural sub-foundation systems including piles, all of which must be done in contaminated soils using special safeguards. More specifically, prior to conveyance of the Developer Property to Developer, Authority shall carry out the work defined in the Conveyancing Agreement as the "Site Development Improvements", which includes the following: (i) site grading, the excavation of soil and relocation and mitigation of trash layers ("Site Preparation Work"); (ii) installation of piles and pile caps, vaults, under slab utilities ("Sub-Foundation Work"); (iii) establishing underground utility runs from the property lines ("Utility Work"); (iv) constructing the structural slab for the foundation of the buildings ("Foundation Work"). Developer shall advance certain additional funds to Authority for purposes of performing the Site Development Improvements and the \$10,000,000 for the Offsite Improvements (collectively referred to herein as the "Authority Work") which amounts shall be advanced by Developer to Authority and repaid by Authority to Developer over a twenty-five (25) year period upon terms and conditions as further set forth in the Conveyancing Agreement. While the Authority shall perform the maintenance of the Site Development Improvements, Developer shall be responsible for the cost of such maintenance as set forth in the Conveyancing Agreement.

4. **Developability of Property.** To make the property developable in order to create economic development opportunities for the benefit of City and its residents, City caused Authority to be formed and is providing funding to Authority in the form of a rebate of fifty percent (50%) of sales taxes generated by the Project and received by City upon the terms and conditions and for the term set forth in the Cooperation Agreement and Conveyancing Agreement. This assistance will allow Authority to be in a position to repay the Developer advances for the Authority Work. In the absence of performance of the Authority Work by Authority, the landfill would remain undeveloped.
5. **Schedule.** The Agreement requires the Project as approved to be developed in accordance with a Schedule. The schedule generally projects a summer-fall opening in 2021. The projected start date on the grading with the latest revised schedule is July 9, 2018.
6. **Insurance.** The Project contributes to a robust insurance program to provide coverage against environmental claims and provides protection to the public entities, developers, property owners and contractors carrying out construction on the 157 Acre Site, including coverage for general liability, personal injury, property damage and other claims and to which Developer pays its fair share as provided in the Agreement. Total insurance coverage provided is almost One Billion Dollars

(\$1,000,000,000) for all types of insurance provided by the program. This program includes a comprehensive pollution legal liability (“PLL”) program that provides coverage for costs that the Authority is obligated to pay as a result of a pollution condition at, on, under, or migrating from the Insured Property. A similar program exists for Contractors Pollution Liability and Professional Liability Insurance (“CPL/PLI”) and with a master Comprehensive General Liability and Builder’s Risk Program through an Owner Controlled Insurance Program (“OCIP”). The Developer will participate in the programs with the Authority on a pro rata or risk allocation basis.

F. Need For Developer Assistance.

In addition to maintaining its regulatory authority under State law, the City provides 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 (“Infrastructure Obligations”). The City will contract with the Authority to perform the City’s Infrastructure Obligations to avoid any City liability for the remediation of the 157 Acre Site, which was a purpose for creating Authority in 2015. The Authority shall be responsible for constructing the Offsite Improvements (defined below) to serve the 157 Acre Site. In addition, Authority shall be responsible for certain site preparation work that is being undertaken by the Authority as a result of the environmental and geotechnical condition of the 157 Acre Property, defined as “Site Development Improvements”. However, the Authority does not have sufficient funds to pay for the Offsite Improvements and Site Development Improvements. Developer is willing to advance funds (the “Advances”) to Authority to fund the Offsite Improvements and Site Development Costs. If Developer were unable to recover such advances, such development of the Project would be financially infeasible. In order to make the development of the Project financially feasible, the Parties have negotiated an arrangement whereby the City will turn over to Authority 50% of sales taxes derived from the Project, and Authority will in turn pay over such amounts to Developer as repayment of the Advances, for a period of up to twenty-five years, subject to certain limitations and exceptions, to the extent required to make the Project economically feasible.

V. FISCAL IMPACT

A. Validation Action.

The new participation by SI-Carson revived an issue the City had negotiated with Macerich over whether to file what is known as a validation action (the “Validation Action”) permitted under the provisions of the Code of Civil Procedure allowing a judge to review a transactions. The action would be undertaken by the City Parties but costs would be reimbursed by the Developer.

B. Reimbursement Agreement.

Upon execution of the Reimbursement Agreement and ENA in July 2016, Developer deposited \$1,000,000 for land use entitlement consultant costs. Since then the Developer

has been paying its fair share for the Authority's out-of-pocket costs for preparing the Conveyancing Agreement, including attorneys' fees, economic consultants, and other costs, as well as the City's out-of-pocket costs for processing any Site Plan or development application, including the preparation and/or review of such plans, studies, permits, conditions, site plans, general plan or zoning entitlements, environmental documents, and agreements as may be required for the Project. These expenses were paid and the \$1 Million was wholly spent.

The Reimbursement Agreement also required the Developer to pay for 50% of the Authority's "holding costs" for Cell 2 (estimated at 27% of the whole 157 Acres) until the execution of the Development Agreement, at which point the percentage increases to 100% of Cell 2 costs, or approximately \$127,000 per month. These amounts are subject to review of the Authority's actual operating costs. The holding cost has been defined to mean all costs incurred by the environmental contractor for project management, construction management, storm water management, site security, vector control, weed abatement, perimeter gas monitoring, the operation of the landfill gas system and other such direct costs to the extent shown as line items on an agreed budget, currently approximately \$63,000 per month.

With the validation action discussed above and other contemplated actions, the reimbursement obligations are being renewed with a \$100,000 deposit which can be refreshed as spent down. These will be used for the new obligations described below. Additionally, Developer shall be responsible for 100% of the Carry Costs for Cell 2 from the date of City approval of the Project Agreements in April. Developer had continued paying these after April, and will now bring the amount up to 100%.

C. Potential Ground Lease.

SI-Carson has also indicated a desire that instead of acquiring the Cell 2 Surface Lot by fee, possibly they prefer to acquire title by a long-term ground lease. The specific terms of such a lease have not been negotiated at this time. The intent would be to complete the negotiation in the future, before the end of the year. In the event the Validation Action is unsuccessful, the parties would negotiate a lease-lease arrangement. This would occur within 90 days if the Validation Action is unsuccessful. The Agreement for Undertaking the Validation Action and Reimbursement of Costs (the "Validation Agreement") provides for the negotiation of these leases, along with the validation provisions and reimbursement provisions, and provides that in the event the parties are unable to agree on the lease terms, the parties would enter into binding arbitration to resolve their differences.

D. Financial Structure.

Because the entire 157 Acre Site, including the Cell 2 Subsurface Lot, is a contaminated landfill, the parties acknowledge that the cost to develop the Project on the Cell 2 Surface Lot could greatly exceed the cost to develop the Project on an uncontaminated parcel of native soil, and that therefore development of the Project on the Cell 2 Surface Lot may be financially infeasible without substantial financial assistance from the Authority. However, the Authority believes that the sales tax revenues to be generated by the Project and the

benefits of economic development justify such financial assistance.

Part of the subsidy will come from a land write-down: the Authority will sell or lease the Cell 2 Surface Lot to Developer for \$1.00, free and clear of encumbrances other than the CFD and the effectiveness of the environmental covenants. The Authority shall retain the Cell 2 Subsurface Lot, right of way for Lenardo Road, and the Embankment.

The reimbursement term ("Reimbursement Term") commences on the date of Developer's first receipt of sales tax reimbursements from the Project and ends on the twenty-fifth anniversary of such date, subject, however, to certain adjustments contained in the Agreement. If the payments are insufficient to fully repay the Total Recovery Amount, the portion of the balance unpaid at the expiration of the Reimbursement Term shall be forgiven.

E. The "Look Back" Provision.

The payoff of the Total Recovery Amount through sales taxes projected is based on estimates, but the Project may exceed expectations if either (i) the overall cost of the Project is less than estimated, or (ii) sales taxes generated exceed projections and thus cause the Total Recovery Amount to be paid off prior to the Loan Term. The Authority doesn't want to provide financial assistance if such assistance is not required to produce the Required Return, or the Total Recovery Amount could be repaid in less than 25 years, as Developer would then receive a windfall. Therefore, the parties have negotiated a "look back" provision to determine if the Project is being over-subsidized and make adjustments for the future.

1. Aggregate Development Cost. Upon the conclusion of the construction and opening of Phase I of the Project, Authority shall provide a final accounting of the Site Development Advances. Such accounting shall be updated, if necessary, at the time of determination of the Feasibility Gap as described below. The actual development cost of the entire Project, including tenant improvements, shall be determined based on the costs reported by the Developer's parent, The Macerich Company, in its SEC filings, or, if not reported in such filings, then on another financial report that has been audited by a "Big Four" accounting firm. The actual development cost of the entire Project, plus the total amount of Offsite Advances and Site Development Advances, shall be the "Aggregate Development Cost."
2. Actual NOI. The actual Project real estate net operating income shall be determined for the full calendar year before the Calculation Date, excluding any Sales Tax Assistance Payments received by Developer and its affiliates (the "Actual NOI"). The Actual NOI shall be based on a financial report that has been audited by a "Big Four" accounting firm, unless there is a pending legal or regulatory challenge to such financial reporting, in which case the Actual NOI can be audited by a "Big Four" accounting firm retained by Authority. Additionally, if Developer has represented to any third Party in connection with an acquisition or loan transaction in the six months prior to the date of determination that the Actual NOI is higher than that contained in such financial report, then such higher Actual NOI shall be utilized.

3. Acceptable Development Cost. The “Acceptable Development Cost” shall be determined by dividing the Actual NOI by the return on cost that Macerich needs to achieve in order to move forward with the Project (the “Required Return”), which is an amount equal to (i) 8%, increased at a rate of (ii) 4% per annum from the first anniversary of the Grand Opening of the Project to the date of determination.
4. Feasibility Gap. If the Aggregate Development Cost is greater than the Acceptable Development Cost, then the difference shall be the “Feasibility Gap”. If there is a Feasibility Gap, Authority shall be required to reimburse on account of Macerich Site Development Advances the lesser of (i) the aggregate amount of such advances, and (ii) the Feasibility Gap. Sales Tax Assistance payments made prior to the date of such determination shall be credited to reimbursement of advances for the Authority Work in accordance with the Recovery Terms. If the Acceptable Development Cost is equal to or greater than the Aggregate Development Cost then Authority shall not be required to reimburse the Site Development Advances.

VI. Economic Development Subsidy.

Pursuant to Government Code Section 53083 (AB 562), the City Council must hold a noticed public hearing and, prior to the public hearing, provide certain publicly available information regarding any proposed economic development subsidy to be provided by the City. The information was previously discussed in the April 3, 2018 staff report, thereafter presented and at the public hearing on April 3, 2018, but with the change in identity of the of Developer is again summarized.

- 1. The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy, if applicable.**

The Macerich partner in CAM-Carson will be a new entity, SI-Carson LLC as shown below.

CAM-Carson LLC
c/o The Macerich Company
401 Wilshire Boulevard, Suite 700
Santa Monica, CA 90401

Macerich FOLA LLC
c/o The Macerich Company
401 Wilshire Boulevard, Suite 700
Santa Monica, CA 90401

SI-Carson, LLC
c/o Simon Property Group, L.P.
225 West Washington Street
Indianapolis, Indiana 46204

- 2. The start and end dates and schedule, if applicable, for the economic**

development subsidy.

The Agreement was approved in April, 2018. The Development Agreement term is 25 years subject to force majeure and extensions. The Sales Tax Assistance provisions of the Cooperation Agreement have a term of 25 years from the first payment.

3. A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.

The economic development subsidy is based on repayment of a projected \$60M Advance by the Developer for site development and \$10M Advanced for public infrastructure. The Site Development Advance is repaid only if there is a Feasibility Gap such that the Developer does not earn a reasonable return. The repayment is also capped at 25 years. If the Project sales exceed expectations, the Feasibility Gap may be significantly reduced and limit the repayment. However, taking the maximum Feasibility Gap with accrued interest, and assuming that the maximum sales taxes are required, or 50% of the sales taxes over 25 years, the projected sales taxes are \$105.3M and 50% is \$52,665,750.

A further subsidy is arguably that no land price is charged for the 41 acres of land. Given the \$60M advanced by the developer which with the funds spent by the Authority for remediation, it is clear that the land value is zero. The Authority acquired the entire 157 Acre Site for \$1,00, proving the negative land value.

Further analysis of these figures was performed by the City's independent financial consultant, Allan Kotin, and is available at the City.

4. A statement of the public purposes for the economic development subsidy.

- **Increased Tax Revenues.** Due to the strategic location at the meeting place between Orange County, Long Beach, and Los Angeles, there is great potential for increased revenue through proper site development. The Project is estimated to produce over \$3,000,000 in annual sales taxes. The development of the entire 157 Acre Site as planned could result in an aggregate increase in real property taxes, sales taxes, transient occupancy taxes, and other revenues to City exceeding \$5,000,000 to \$7,000,000 per year.
- **Overcoming Constraint of Site Conditions.** Developer expects to advance \$60,000,000 towards Site Preparation Cost. The 157 Acre Site is the only major undeveloped property exceeding 100 acres along the I-405 Freeway in an approximately 75-mile run. This is due to the extraordinary remediation costs, estimated to exceed \$150,000,000 and geotechnical costs, necessary to develop the 157 Acre Site. Many development projects have been proposed for this site over the past four decades, but none have been financially feasible because of the environmental and geotechnical/soils condition of the 157 Acre Site. This Project represents a unique opportunity to develop the first portion of the 157

Acre Site. Developer has agreed to advance approximately \$60,000,000 towards the Site Cost, without which advance this development could not be realized and create synergy for the development of the rest of the Site, which will generate further returns.

- \$10,000,000 Infrastructure Cost Advancement by Developer. Due to Authority's shortage of resources to complete all of its necessary Offsite Improvements work, Developer will advance \$10,000,000 to the Authority for purpose construction of required public offsite infrastructure and other improvements.
- Community Focal Point. The unique development proposed promises to be a community and regional focus of economic and social activity helping, along with the South Bay Pavilion, to provide a new community center for Carson, and giving it a regional presence competitive with other major regional centers in the highly competitive Los Angeles market area.
- Job Generation. The Project entails a land use and infrastructure plan that will support the creation of a major job center in City and significantly improve City's jobs to housing balance. The Project is proposed to provide substantial economic and employment opportunities for the community, with a goal of generating at least 1,600 new direct construction jobs, with another 1,000 indirect and induced, as well as 1,500 new permanent jobs.
- Insurance - Developer paying for 40% of all Pollution Liability Insurance Program premiums for the entire 157 Acre Site and a pro rata cost for Builder's Risk and General Liability Insurance (in total, valued at approximately \$5,000,000). The Project contributes to a robust insurance program to provide coverage against environmental claims against the developers and property owners and contractors developing the 157 Acre Site, as well as business operations, general liability, personal injury, property damage and other claims. Total insurance coverage for all types is almost One Billion Dollars (\$1,000,000,000) of coverage.
- Carry Costs. As part of Developer's agreement with Authority to acquire the Developer Property, Developer will agree to reimburse Authority for its proportional share of the operation and maintenance costs of the 157 Acre Site during the development period, in an amount exceeding \$125,000 per month. In the next 2 years, the estimated time for completion of the subsurface development, this contribution by the Developer towards the carry costs of the 157 acres site is estimated to be \$3,000,000.
- Reimbursement of All City Costs and Expenses by Developer. To date the Developer has paid in excess of \$1,000,000 towards the City's costs, including for all consultants and Attorney time.
- \$11,000,000 Penalty if Developer Does Not Timely Develop Site. If due to Developer fault the Project is not completed within timelines set forth in the Agreements, Developer shall pay the City \$11,000,000 in liquidated damages.

- Sheriff. Developer will provide substantial private security and will coordinate with the Los Angeles County Sheriff's Department to establish a Sheriff's substation in the Project. Developer will also contribute equally towards sharing the costs of staffing one full time deputy for Cell 2 of the 157 Acre Site.

5. Projected tax revenue to the local agency as a result of the economic development subsidy.

Assuming annual sales taxes to the City commencing on the first 400,000 sq. ft. phase of approximately \$2.19M, rising at 3% annual growth to \$6.12M over 25 years, total sales taxes are \$105,331,551 (second phase programmed in at year 5). For property taxes, the value rises from \$3.5M to \$5.6M over the 25 years, but as the City share is only 6.74%, the City share is only \$235,900 initially and \$7.56M cumulatively over the 25 years. The City will receive half of the sales taxes per discussion in #3 above, or \$52.67M, but will receive all of its share of the property taxes.

6. Estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

The Project is expected to provide substantial economic and employment opportunities for the community, with a goal of generating at least 1,600 new direct construction jobs, with another 1,000 indirect and induced construction jobs, as well as 1,500 new retail and related jobs.

VI. EXHIBITS

- A. Site Map (pp 14-16)
- B. Consent to Transfer (pp 17-20)
- C. Agreement to Undertake Validation Action and Reimbursement Agreement II Between City of Carson and the Carson Reclamation Authority and CAM-Carson LLC (pp 21-33)
- D. Easement Agreement (pp 34-38)
- E. Deed of Trust (pp 39-45)

Prepared by: Sunny Soltani, City Attorney