



CITY OF CARSON

Legislation Text

File #: 2021-621, Version: 1

Report to Mayor and City Council

Tuesday, August 03, 2021

Consent

SUBJECT:

CONSIDER APPROVAL AND EXECUTION OF SETTLEMENT AGREEMENT IN THE MATTER OF RAND RESOURCES, LLC, ET AL V.. CITY OF CARSON, ET AL, LOS ANGELES SUPERIOR COURT CASE NO. BC564093 (CITY COUNCIL)

I. SUMMARY

This report concerns settlement of the litigation in the matter of Rand Resources, LLC, et al v. City of Carson, et al (LASC Case Number BC564093). The lawsuit arises out of an exclusive agency agreement, under which Rand Resources, LLC ("Rand") was to act as the exclusive agent of the City in the negotiation and development of a football stadium with the National Football League ("NFL") on a parcel of property partially owned by Carson El Camino, LLC, an affiliated company of Rand. When the term of the exclusive agency agreement was not extended by the City, Rand filed suit against the City and former-Mayor Dear for breach of contract and fraud, primarily arising out of former-Mayor Dear's negotiations with Leonard Bloom of U.S. Capital, LLC. The City Attorney's Office has since obtained the dismissal of former-Mayor Dear from the case.

The City Council approved a settlement agreement in closed session on April 6, 2021. The City Attorney's Office and counsel for Rand have worked diligently for several months towards a settlement, and staff is now reporting back to the City Council with a final written settlement agreement for City Council approval to resolve the litigation (Exhibit 1). The settlement includes the following settlement terms:

- A payment to Rand of \$250,000, as follows: \$200,000 within 30 days of execution of the settlement agreement, and \$50,000 in reimbursements to Rand for approved upgrades to the property made within 4 years;
- Rand agrees to develop the property it owns and will provide a project description/scope by October 1, 2021;
- If Rand develops 50% of the project as residential-only development within 4 years, it will receive a \$250,000 development impact fee credit ("DIF credit");

- Dismissal of the case against the City with prejudice;
- The settlement agreement is contingent on approval by the City Council and the court.
- Each party to bear its own costs of litigation.

Leonard Bloom and U.S. Capital, LLC are not parties to the settlement agreement.

II. RECOMMENDATION

1. APPROVE the Settlement and Release Agreement (Exhibit 1).
2. AUTHORIZE the City Manager to execute the settlement agreement, and any related documents, to resolve the litigation.

III. ALTERNATIVES

TAKE another action the City Council deems appropriate.

IV. BACKGROUND

The City and Rand entered into an Exclusive Agency Agreement (“EAA”), dated September 4, 2012, under which Rand was to act as the exclusive agent of the City in the negotiation and development of a football stadium with the NFL on a 91-acre parcel of property partially owned by Carson El Camino. The remainder of the 91-acre parcel was owned by third parties.

The EAA had a two-year term, which could be extended in the City’s sole and unfettered discretion. When the City did not extend the term of the EAA, Rand and Carson El Camino sued the City, former-Mayor Dear, Leonard Bloom, and U.S. Capital, LLC. The lawsuit alleged the City breached the EAA, and accused former-Mayor Dear of fraud by engaging Leonard Bloom to negotiate with the NFL outside of the EAA.

Our office has since obtained the dismissal of former-Mayor Dear in his personal capacity. The remaining claim against the City is for breach of contract.

The City Council has agreed to settle the lawsuit by providing a \$200,000 payment to Rand, and reimbursement of \$50,000 for upgrades to the property, subject to the discretion and approval of the Community Development Director. Rand has agreed to expeditiously pursue the development of the property and provide a project description/scope to the City no later than October 1, 2021. If Rand develops 50% of the project as residential development, Rand will receive a \$250,000 DIF credit. The \$50,000 in reimbursements and DIF credit have a 4-year expiration date. Rand will dismiss the City with prejudice, and each side will bear their own attorneys’ fees and costs.

Given the cost of proceeding through trial; the risk of an adverse judgment and award of

attorneys' fees if Rand is successful; and the likely appeals that will follow; the settlement sum represents a nuisance settlement designed to bring development to the area. In addition, it is expected that the DIF credit will bring residential development to the area.

V. FISCAL IMPACT

The fiscal impact to the City is \$250,000, with \$50,000 of the settlement sum being paid if Rand makes upgrades to the Property, in the discretion of the City's Community Development Director. In addition, a \$250,000 DIF credit will be provided to Rand if Rand constructs at least 50% of the Project as residential-only development within four (4) years.

VI. EXHIBITS

Settlement and Release Agreement (pgs. 4 - 13)

Prepared by: City Attorney's Office