



# CITY OF CARSON

## Legislation Text

File #: 2022-693, Version: 1

### Report to Mayor and City Council

Monday, August 01, 2022

Discussion

#### SUBJECT:

**CONSIDER AMENDMENT NO. 1 TO A COOPERATION AGREEMENT BETWEEN THE CITY OF CARSON AND THE CARSON RECLAMATION AUTHORITY FOR THE REIMBURSEMENT OF SALES TAXES TO FUND PUBLIC INFRASTRUCTURE AND SITE DEVELOPMENT COSTS FOR THE DEVELOPMENT OF A FASHION OUTLET RETAIL CENTER ON THE CELL 2 SURFACE LOT OF THE 157-ACRE SITE OWNED BY THE CARSON RECLAMATION AUTHORITY, KNOWN AS THE FORMER CAL-COMPACT LANDFILL**

#### I. SUMMARY

The City Council is asked to consider Amendment No. 1 to the Cooperation Agreement between the Carson Reclamation Authority ("Authority") and the City of Carson ("City") (Exhibit 1) to provide for the construction of site infrastructure and the reimbursement to the Developer for certain Site Development Costs. By separate action on the Regular City Council Agenda, the City Council is asked to introduce an Ordinance approving a First Amendment to Development Agreement ("DA Amendment") between the City of Carson and CAM-Carson, LLC.

City and Authority are parties to a Cooperation Agreement, dated September 6, 2018 ("Cooperation Agreement"). Developer and the City are parties to a Development Agreement also dated September 6, 2018 ("Development Agreement").

The Conveyancing Agreement between the Developer and the Authority, the Cooperation Agreement, and the Development Agreement are referred to as the "Project Agreements". The City, Authority, and Developer have agreed to restructure and amend the Project Agreements in a manner that will allow the Project to proceed after years of delay.

The Project Agreement Amendments provide that the Project Agreements be restructured as described above to enable CAM-Carson to be repaid for the Offsite Advances, the Embankment Lot Improvements, and any costs required for the completion of the Remaining Horizontal Work over and above the \$32.5M contribution from the Authority through a share of the sales taxes received by the City from the Project, but the term of

such payments will be extended from 25 years to 32 years.

Given the costs to complete the Remaining Horizontal Work and the Embankment Lot Improvements, along with the high rate of increase in construction costs for development projects in the region generally (including recent increases in inflation/CPI), and the previously provided Site Development Advances from the Developer to the Authority, Developer has determined that it cannot achieve a reasonable rate of return on its fashion outlet mall Project without the restructuring of the Sales Tax Assistance Payments.

The Authority and City are proposing to enter into an Amendment to the Cooperation Agreement to provide that Authority may have Developer perform or fund completion of the Remaining Horizontal Work and the Embankment Lot Improvements the cost of which shall be included in the advances that are subject to reimbursement under the Sales Tax Reimbursements to Developer, and that the term of the Cooperation Agreement shall be extended to up to thirty-two (32) years. Finally, while the Development Agreement is between the City of Carson and the Developer and is the document which conveys the entitlement, the Authority is asked to ratify the DA Amendment because it is currently the property owner and will hold title until the surface lot is conveyed to the Developer.

## **II. RECOMMENDATION**

TAKE the following actions:

1. APPROVE Amendment No. 1 to the Conveyancing Agreement between the City of Carson and the Carson Reclamation Authority, in a form acceptable to the City Attorney; and
2. AUTHORIZE the Mayor to execute the agreement.

1.

## **III. ALTERNATIVES**

Take another action deemed appropriate by the City Council.

## **IV. BACKGROUND**

### Offsite Improvements

As with the original Project Agreements, the Authority shall have primary responsibility for funding the development, construction, installation, maintenance, operation, repair, and replacement of the Offsite Improvements. However, Authority does not have sufficient funds to pay for all the Offsite Improvements. City shall pay to Authority, and shall fund, \$22,400,000 (the "Offsite Infrastructure Funds") to be applied to the cost of completing the Offsite Improvements as set forth in the terms and conditions of the Amendment to the Cooperation Agreement. Authority shall first pay the cost of the Offsite Improvements from the Offsite Infrastructure Funds. If the Offsite Infrastructure Funds are depleted prior to completion of the Offsite Improvements, then (i) Developer shall pay its fair share (not to exceed thirty-percent (30%)) of the costs for the Offsite Improvements that exceed \$22,400,000 up to a maximum contribution of \$10,000,000 (the "Offsite Advances") and

(ii) Authority shall pay, directly or through contribution by the Remainder Developers (the "Additional Off-Site Contributions"), for the remaining costs of the Offsite Improvements.

#### Construction of Remaining Horizontal Work

Under the Project Agreement Amendments, the Developer shall complete the Remaining Horizontal Work. As the agent for the Authority, Developer shall complete the installation of the remaining components of the Remedial Systems and the Site Development Improvements (which include, without limitation Stormwater Work, Sub Foundation Systems, Utility Work and Foundation Systems) specifically required for the vertical development of the Project, including but not limited to any required changes to, or replacement or repair of, the previously installed systems or improvements as Developer may determine are necessary, installation of any remaining piles, the pile cap excavations, excavation of trenches and features, installation of remaining geomembrane liner and backfill, and BPS. Developer shall be responsible for all costs to complete the Remaining Horizontal Work, which costs shall be included as part of the Total Recovery Amount.

#### Sales Tax Assistance to Make Project Feasible

Because the 157 Acre Site, including the Cell 2 Subsurface Lot, is a contaminated and poorly-compacted landfill subject to DTSC requirements, the development of the Project on the Cell 2 Site would be financially infeasible unless the Cell 2 Site itself were very substantially remediated and improved to address both its environmental and compaction issues. The Developer has estimated that it will only achieve a reasonable rate of return if Authority contributes toward the cost of the Remedial Systems, Site Development Improvements, and certain other Offsite Improvements, as set forth in the Conveyancing Agreement Amendment, but Developer has agreed to make the Advances as defined above and set forth in the Project Agreement Amendments. To reimburse the Advances, the parties have negotiated the Sales Tax Assistance Payments described in the Conveyancing Agreement Amendment.

Authority believes that the sales tax revenues to be generated by the Project, as well as the secondary benefits of economic development in this area of the City spurred by development of the Project, justify the expenditure of substantial funds to address those issues to permit such development.

The Developer has agreed to fund the costs of the Remaining Horizontal Work, the Embankment Lot Improvements, the Offsite Advances, and the Site Improvement Advances (collectively the "Advances") on the terms and conditions contained in the Project Agreement Amendments. The total amount of the Advances actually made plus interest shall be the "Total Recovery Amount". Authority shall pay to Developer following receipt from the City of the sales taxes derived from the Project as set forth under the Cooperation Agreement Amendment.

### Benefits of the Project

As a former landfill, the Site has been blighted and undeveloped since its closure for over five decades ago and will be finally developed. The Project will bring over 1,200 construction jobs and 1,600 permanent jobs, and hundreds of thousands of new visitors to the city each year. Finally, the remedial systems for Cell 2 will be completed, which will help in reducing methane gas through completed landfill gas collection and control systems.

## **V. FISCAL IMPACT**

Once completed, the Project is estimated to generate \$3.6 million a year of gross sales tax, with \$1.8 million a year of sales tax for the City.

## **VI. EXHIBITS**

1. Amendment No. 1 to the Cooperation Agreement Between the City of Carson and Carson Reclamation Authority (pgs. 5-18)

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