



## **AGENDA**

### **REGULAR MEETING OF THE CARSON RECLAMATION AUTHORITY**

“In accordance with the Americans with Disabilities Act of 1990, if you require a disability related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the City Clerk’s office at 310-952-1720 at least 48 hours prior to the meeting.” (Government Code Section 54954.2)

**CALL TO ORDER:**

**ROLL CALL:**

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**CLOSED SESSION (NONE)**

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**REPORT ON CLOSED SESSION**

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**FLAG SALUTE:**

**INVOCATION:**

**APPROVAL OF MINUTES: TUESDAY, APRIL 21, 2015 (SPECIAL)**

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**NOTICE TO THE PUBLIC**

**Public testimony may be given on any agenda item as it is called and will be LIMITED TO THREE MINUTES PER SPEAKER. Please fill out a Speaker Form in order to be identified correctly in the minutes. The forms are provided on the podium in the Council Chambers. All Speaker Forms must be given to the Secretary at the beginning of the meeting.**

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**INTRODUCTIONS (NONE)**

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**ORAL COMMUNICATIONS – MEMBERS OF THE PUBLIC**

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The public may at this time address the members of the Carson Reclamation Authority on any matters within the jurisdiction of the Carson Reclamation Authority and/or on any items on the agenda of the Carson Reclamation Authority, prior to any action taken on the agenda. No action may be taken on non-agendized items except as authorized by law. Speakers are requested to limit their comments to no more than three minutes each, speaking once. If you would like to address the Carson Reclamation Authority, please complete the **SPEAKER’S CARD**. The card is available at the speaker’s podium or from the City Clerk. Please identify on the card your name, address, and the item on which you would like to speak, and return to the Secretary. The **SPEAKER’S CARD**, though not required in order to speak, assists the Chair in ensuring that all persons wishing to address the Carson Reclamation Authority are recognized, time permitting. Oral communications will be limited to one hour unless extended by order of the Chair with the approval of the Carson Reclamation Authority.

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**NEW BUSINESS CONSENT (NONE)**

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These items are considered to be routine items of **AUTHORITY** business and have, therefore, been placed on the **CONSENT CALENDAR**. If **AUTHORITY** wishes to discuss any item or items, then such item or items should be removed from the **CONSENT CALENDAR**. For items remaining on the **CONSENT CALENDAR**, a single motion to **ADOPT** the recommended action is in order.

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**DEMANDS (NONE)**

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**SPECIAL ORDERS OF THE DAY (NONE)**

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Public testimony is restricted to three minutes per speaker, speaking once (excepting applicants who are afforded a right of rebuttal, if desired), unless extended by order of the Chair with the approval of the Authority.

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**UNFINISHED BUSINESS (NONE)**

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**NEW BUSINESS DISCUSSION (ITEMS 1 – 2)**

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**ITEM NO. (1)            AUTHORIZING THE PLACEMENT OF BONDS WITH THE CARSON RECLAMATION AUTHORITY PURSUANT TO THE TERMS OF A SETTLEMENT AGREEMENT BETWEEN THE SUCCESSOR AGENCY, CARSON MARKETPLACE LLC, THE CITY, AND THE CARSON RECLAMATION AUTHORITY, AND TAKING OTHER ACTIONS RELATED THERETO**

RECOMMENDATION for the Carson Reclamation Joint Powers Authority:

TAKE the following actions:

RESOLUTION NO.\_\_\_\_, ENTITLED “A RESOLUTION OF THE CARSON RECLAMATION AUTHORITY ACCEPTING THE PLACEMENT OF

BONDS AND THE PROCEEDS OF REFUNDING BONDS UNDER THE SETTLEMENT, RELEASE AND INDEMNITY AGREEMENT WITH CARSON MARKETPLACE, LLC, THE CITY AND THE CITY OF CARSON SUCCESSOR AGENCY; AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH

**ACTION:**

**ITEM NO. (2)      CONSIDER APPROVING THE TRANSFER OF THE 157-ACRE FORMER LANDFILL SITE LOCATED WITHIN THE CARSON MARKETPLACE SPECIFIC PLAN (THE "SITE") TO THE CARSON RECLAMATION AUTHORITY**

RECOMMENDATION for the Carson Reclamation Joint Powers Authority:

TAKE the following actions:

- A.** APPROVE the "Designation, Transfer and Option Agreement" (**Exhibit A** hereto) by and between Cardinal Cavalry, LLC and the Carson Reclamation Authority in a form to be approved by the City Attorney.
- B.** APPROVE entering escrow and acquiring 157-Acre Site in accordance with the terms of the Transfer Agreement and Settlement and Release Agreement.
- C.** AUTHORIZE the City Manager, Mayor and City Attorney to take all further actions needed to bring the agreements into final form for execution, and to take other actions necessary to close escrow.

**ACTION:**

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**ORDINANCE SECOND READING: (NONE)**

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**CONCLUDING ORAL COMMUNICATIONS (MEMBERS OF THE PUBLIC)**

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**MEMBER REQUESTS TO ADD ITEMS TO FUTURE AGENDAS**

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**CONCLUDING COMMUNICATIONS (STAFF)**

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**CONCLUDING COMMUNICATIONS (AUTHORITY MEMBERS)**

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**UNFINISHED/CONTINUED CLOSED SESSION ITEMS**

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**ADJOURNMENT**

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## MINUTES

### SPECIAL MEETING OF THE CARSON RECLAMATION AUTHORITY JOINT POWERS AUTHORITY

“In accordance with the Americans with Disabilities Act of 1990, if you require a disability related modification or accommodation to attend or participate in this meeting, including auxiliary aids or services, please call the City Clerk’s office at 310-952-1720 at least 48 hours prior to the meeting.” (Government Code Section 54954.2)

**CALL TO ORDER:** The meeting was called to order in joint session with the City Council and Successor Agency at 11:33 P.M. by Board Member Robles, acting as Chair of the Authority, in the Helen Kawagoe Council Chambers, Carson City Hall, located at 701 E. Carson Street, Carson, California 90745.

**ROLL CALL:** Chief Deputy Authority Secretary Higaki called the roll:

Authority Board Members Present: Albert Robles, Elito Santarina, Jim Dear, Pele Faletofo, and Roye Love

Authority Board Members Absent: None

Other Elected Officials Present: Lula Davis-Holmes, Council/Agency Member, and Monica Cooper, City/Agency Treasurer

Other Elected Officials Absent: None

Also Present: Cecil Rhambo, Acting City Manager/Acting Agency Executive Director, Sunny Soltani, City/Agency Attorney, and staff: Trini Catbagan, Controller; Cedric Hicks, Director of Community Services; Gail McMahon, Director of Human Resources/Risk Management; Maria Slaughter, Director of Public Works; Barry Waite, Acting Director of Community Development; Saied Nasseh, Planning Manager; Amelia Soto, Redevelopment Project Analyst; and Joy Simarago, Deputy City Clerk/Deputy Agency Secretary

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**CLOSED SESSION (NONE)**

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**REPORT ON CLOSED SESSION – (NONE)**

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**FLAG SALUTE:** This item was addressed during the City Council meeting.

**INVOCATION:** This item was addressed during the City Council meeting.

**APPROVAL OF MINUTES: NONE**

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**NOTICE TO THE PUBLIC**

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This item was addressed during the City Council meeting.

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**INTRODUCTIONS - NONE**

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**ORAL COMMUNICATIONS – MEMBERS OF THE PUBLIC (LIMITED TO ONE HOUR)**

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The public may at this time address the members of the Carson Reclamation Joint Powers Authority on any matters within the jurisdiction of the Carson Reclamation Joint Powers Authority and/or on any items on the agenda of the Carson Reclamation Joint Powers Authority, prior to any action taken on the agenda. No action may be taken on non-agendized items except as authorized by law. Speakers are requested to limit their comments to no more than three minutes each, speaking once. If you would like to address the Carson Reclamation Joint Powers Authority, please complete the **SPEAKER'S CARD**. The card is available at the speaker's podium or from the City Clerk. Please identify on the card your name, address, and the item on which you would like to speak, and return to the Secretary. The **SPEAKER'S CARD**, though not required in order to speak, assists the Chair in ensuring that all persons wishing to address the Carson Reclamation Joint Powers Authority are recognized, time permitting. Oral communications will be limited to one hour unless extended by order of the Chair with the approval of the Carson Reclamation Joint Powers Authority.

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This item was addressed during the City Council meeting.

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**NEW BUSINESS CONSENT - NONE**

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**DEMANDS - NONE**

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**SPECIAL ORDERS OF THE DAY - NONE**

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Public testimony is restricted to three minutes per speaker, speaking once (excepting applicants who are afforded a right of rebuttal, if desired), unless extended by order of the Chair with the approval of the Authority.

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**UNFINISHED BUSINESS (NONE)**

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**NEW BUSINESS DISCUSSION**

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**ITEM NO. (1)            CONSIDER (1) APPOINTMENT OF BOARD CHAIR & VICE CHAIR, AND (2) A RESOLUTION ADOPTING BYLAWS AND FIXING THE TIME FOR REGULAR JPA BOARD MEETINGS, AND (3) RELATED DIRECTION ON JPA ADMINISTRATIVE PROTOCOLS.**

Item No. 1 was heard after Item No. 3.

Authority Attorney Soltani reported that at the next meeting of the Carson Reclamation Authority, the Board will consider a system of seniority in accordance with the First Amended Joint Powers Agreement of the Carson Reclamation Authority, Section 3.07(b), Terms, which provides that appointments to Chair and Vice Chair shall be made annually with each Officer of the Board rotating into the seat of Chair and Vice Chair based upon a system of seniority to be adopted by the Board via resolution.

RECOMMENDATION for the Carson Reclamation Joint Powers Authority:

TAKE the following actions:

- A. APPOINT the positions of Chair and Vice Chair to the Board, which appointments shall be made by majority vote of the Board.
- B. ADOPT Carson Reclamation Joint Powers Authority Resolution No. 15-01 to (i) set a regular meeting time for the JPA Board meetings, and (ii) adopt the organizational Bylaws setting forth the protocols for general governance, administration and meeting procedures applicable to the CRJPA. The Board will also need to agree upon, by majority vote, a regular meeting time to be incorporated into this Resolution. It is also asked that the Board identify the exact date of the CRJPA's first regular meeting. It is recommended that the Board consider a regular meeting time that is concurrent with the regular meeting schedule of the Carson City Council.
- C. APPOINT staff per the provisions in the CRJPA bylaws.
- D. PROVIDE DIRECTION as to the scope of the Executive Director's authority to make monetary expenditures, or assume potential liabilities, exceeding a certain amount.

ACTION:     It was moved to appoint Albert Robles as Chair to the Carson Reclamation Authority JPA on motion of Santarina, seconded by Faletogo and unanimously carried by the following roll call vote:

Ayes: Board Members Robles, Santarina, Dear, Faletogo, and Love  
Noes: None  
Abstain: None  
Absent: None

It was moved to appoint Elito Santarina as Vice Chair to the Carson Reclamation Authority JPA on motion of Robles and seconded by Santarina.

Board Member Dear offered a substitute motion to appoint Jim Dear as Vice Chair to the Carson Reclamation Authority JPA, seconded by Faletogo and carried by the following roll call vote:

Ayes: Board Members Dear, Faletogo, and Love  
Noes: Chair Robles and Board Member Santarina  
Abstain: None  
Absent: None

It was moved that the regular meetings of the Carson Reclamation Authority JPA shall be held on the first Tuesdays of each month at the hour of 4:00 p.m., in the Helen Kawagoe Council Chambers, Carson City Hall, on motion of Dear, seconded by Santarina and unanimously carried by the following roll call vote:

Ayes: Chair Robles, Vice Chair Dear, Board Members Faletogo, Love, and Santarina  
Noes: None  
Abstain: None  
Absent: None

It was moved to appoint Monica Cooper, Treasurer and Auditor; Sunny Soltani, Authority Attorney; Cecil Rhambo, Executive Director; and Wanda Higaki, Secretary, of the Carson Reclamation Authority JPA, on motion of Dear, seconded by Robles and unanimously carried by the following roll call vote:

Ayes: Chair Robles, Vice Chair Dear, Board Members Faletogo, Love, and Santarina  
Noes: None  
Abstain: None  
Absent: None

It was move to grant the same powers of the City Manager to the Executive Director on motion of Robles, seconded by Santarina and unanimously carried by the following roll call vote:

Ayes: Chair Robles, Vice Chair Dear, Faletogo, Love, and Santarina  
Noes: None  
Abstain: None  
Absent: None

**ITEM NO. (2)            CONSIDER APPROVAL OF SETTLEMENT AND RELEASE AGREEMENT  
WITH CARSON MARKETPLACE LLC**

**THIS IS A JOINT AGENDA ITEM WITH THE CITY COUNCIL ITEM NO.  
16 AND THE SUCCESSOR AGENCY ITEM NO. 8**

Item No. 2 was heard before Item No. 1.

City/Agency/Authority Attorney Soltani requested that Carson Reclamation Authority Item No. 2 be heard jointly with City Council Item No. 16 and Successor Agency Item No. 8, with no objections heard. She summarized the staff reports and recommendations.

RECOMMENDATION for the Carson Reclamation Joint Powers Authority:

TAKE the following actions:

- a. APPROVE Settlement and Release Agreement in a form approved by City Attorney.
- b. Authorize the Authority Attorney, Executive Director and the Chair to execute such additional documents and take such additional actions as may be necessary to implement the Settlement and Release Agreement, the transfer of the property to the Carson Reclamation Authority including escrow agreements, transfer agreements, title documents, and other documents and approvals.

ACTION:        It was moved to approve staff recommendation Nos. A and B on motion of Dear, seconded by Faletogo and unanimously carried by the following roll call vote:

Ayes:            Chairman Robles, Vice Chairman Dear, Authority Member Faletogo, Authority  
Member Love, and Authority Member Santarina  
Noes:            None  
Abstain:        None  
Absent:         None

**ITEM NO. (3)            CONSIDERATION OF APPROVAL ASSIGN AND ASSUMPTION  
AGREEMENT BETWEEN CARSON MARKETPLACE LLC, THE CARSON  
REMEDICATION AUTHORITY AND DTSC**

Item No. 3 was heard after Item No. 2 at 12:04 A.M., on April 22, 2015.

RECOMMENDATION for the Carson Reclamation Joint Powers Authority:

TAKE the following actions:

- a. Approve Assignment and Assumption Agreement in a form approved by the Authority Attorney.

- b. Authorize the Authority Attorney and the Chair of the Reclamation Authority to execute such additional documents and take such additional actions as may be necessary to implement the Assignment and Assumption Agreement.

ACTION: It was moved to approve staff recommendation Nos. a and b on motion of Dear, seconded by Robles and unanimously carried by the following roll call vote:

Ayes: Chair Robles, Vice Chair Dear, Faletogo, Love, and Santarina  
Noes: None  
Abstain: None  
Absent: None

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**ORDINANCE SECOND READING (NONE)**

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**CONCLUDING ORAL COMMUNICATIONS (MEMBERS OF THE PUBLIC)**

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The public may at this time address the members of the Carson Reclamation Joint Powers Authority on any matters within the jurisdiction of the Carson Reclamation Joint Powers Authority. No action may be taken on non-agendized items except as authorized by law. Speakers are requested to limit their comments to no more than five minutes each, speaking once.

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This item was heard by the City Council.

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**MEMBER REQUESTS TO ADD ITEMS TO FUTURE AGENDAS (NONE)**

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**CONCLUDING COMMUNICATIONS (STAFF) (NONE)**

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**CONCLUDING COMMUNICATIONS (AUTHORITY MEMBERS) (NONE)**

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**UNFINISHED/CONTINUED CLOSED SESSION ITEMS (NONE)**

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**ADJOURNMENT**

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The meeting was Adjourned at 12:20 A.M., on April 22, 2015, by Authority Chairman Robles.

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Authority Chairman Robles

ATTEST:

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Authority Secretary Wanda Higaki



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File #: 2015-356, Version: 1

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## Report to Carson Reclamation Authority

Tuesday, May 05, 2015  
New Business Discussion

### SUBJECT:

**AUTHORIZING THE PLACEMENT OF BONDS WITH THE CARSON RECLAMATION AUTHORITY PURSUANT TO THE TERMS OF A SETTLEMENT AGREEMENT BETWEEN THE SUCCESSOR AGENCY, CARSON MARKETPLACE LLC, THE CITY, AND THE CARSON RECLAMATION AUTHORITY, AND TAKING OTHER ACTIONS RELATED THERETO**

### I. SUMMARY

The Boulevards at South Bay Specific Plan area, including the 157-acre portion (“the Property”) is the subject of an Owner Participation Agreement between Carson Marketplace LLC (“CM”) and the Carson Redevelopment Agency (“Redevelopment Agency”) dated July 25, 2006, as amended by First Amendment to Owner Participation Agreement dated May 20, 2008, and as amended by Second Amendment to Owner Participation Agreement dated March 9, 2009 (collectively, the “OPA”). Pursuant to the OPA, the former Redevelopment Agency was to provide \$120 million in financial assistance for the remediation of the Property and certain public improvements associated therewith, and CM is required to undertake the remediation and pursue development of the Property (part of which is direct and part of which is reimbursement funding). The Redevelopment Agency to date has provided \$69.5 million of the required \$120 million of financial assistance, leaving \$50.5 million in remaining funding obligations for the Successor Agency to the Redevelopment Agency (the “Successor Agency”). CM has completed a large portion, but not all of the remediation and public infrastructure projects at the Property.

The Successor Agency, the Carson Reclamation Authority (“Reclamation Authority”), the City, the Carson Reclamation Authority and the Carson Successor Agency and CM intend to enter into a Settlement Release Indemnity Agreement (“Settlement Agreement”) to avoid delays and disputes regarding the remediation, disposition and future development of the Property and any further rights, obligations and liabilities surrounding those actions. The Settlement Agreement includes an updated Method of Finance that directs the Successor Agency to provide the remaining \$50.5 million funding obligation to the Reclamation Authority for remediation, infrastructure and other costs associated with the Property. The Method of Finance provides for the issuance of bonds by the Successor Agency to provide

such funding. The initial series of bonds will be placed with the Reclamation Authority, and will be refinanced within 90 days to fund the \$50.5 million. The Dissolution Act (ABX 1 26 and AB 1484) resulted in the dissolution of redevelopment agencies and severely limited the types of financings that could be undertaken by Successor Agencies. To ensure compliance with the Dissolution Act, the initial series of bonds will be financed under Health and Safety Code Section 34177.5 (a)(4), which allows for the issuance of bonds (Series A Bonds - defined below) pursuant to an enforceable obligation like the Settlement Agreement. The second series of bonds issued to refinance the Series A Bonds within approximately 90 days will fund the obligation to the Reclamation Authority and will be issued under 34177.5(a)(1) to achieve debt service savings. Both series will be secured by a pledge of the Redevelopment Property Tax Trust Fund ("RPTTF") tax revenues (constituting former increment) from the "Carson Consolidated Project Area" on a subordinate basis to outstanding bonds and pass through obligations. The attached resolution authorizes the Reclamation Authority to accept placement of the Bonds and the proceeds of any refunding Bonds as provided in the Settlement Agreement.

Adoption of Resolution No. \_\_\_\_\_ (Exhibit No. 1 ) would approve the placement of the bonds and authorize the officers to take any actions necessary to effectuate the transaction.

## **II. RECOMMENDATION**

That the Carson Reclamation Authority waive reading and adopt the following resolution:

**RESOLUTION NO. \_\_\_\_\_, ENTITLED "A RESOLUTION OF THE CARSON RECLAMATION AUTHORITY ACCEPTING THE PLACEMENT OF BONDS AND THE PROCEEDS OF REFUNDING BONDS UNDER THE SETTLEMENT, RELEASE AND INDEMNITY AGREEMENT WITH CARSON MARKETPLACE, LLC, THE CITY AND THE CITY OF CARSON SUCCESSOR AGENCY; AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

## **III. ALTERNATIVES**

TAKE whatever action the Carson Reclamation Authority deems necessary.

## **IV. BACKGROUND**

The Dissolution Act, adopted on June 29, 2011, as adjusted by the Supreme Court to February 2012, dissolved redevelopment agencies, and established successor agencies and oversight boards to assist in the wind down of the former redevelopment agencies. On June 27, 2012, AB 1484 was enacted to further clarify the Dissolution Act. Under the Dissolution Act, bonds can be issued to fund enforceable obligations pursuant to Health & Safety Code Section 34177.5 (a)(4), which shall be secured by a pledge and lien on property taxes constituting former tax increment revenues allocated to the former redevelopment agency in accordance with Health & Safety Code Sections 34177.5 (a)(4).

Section 34177.5 also allows for the refinancing of certain dissolved redevelopment agency obligations to achieve debt service savings.

Pursuant to the OPA the Redevelopment Agency undertook an obligation to provide a total of \$120 million of financial assistance for remediation work on the Property and the development of certain on and off-site public improvements. To date, the Redevelopment Agency has made payments totaling \$69.5 million, leaving \$50.5 million in remaining financial assistance as an obligation of the Successor Agency.

Pursuant to the OPA, the CM previously issued a Performance Promissory Note dated March 9, 2009, payable to the City at the order of the Redevelopment Agency, and a deed of trust and assignment of rents for the benefit of the Redevelopment Agency and the City that secures the obligations under the Performance Promissory Note on a substantial portion of the Property.

CM has made various improvements at the Property, including installations of dry and wet utilities and substantial portions of landfill cap and landfill gas and groundwater extraction and treatment systems. However, the originally contemplated surface project, a mixed use project called the Boulevards at South Bay approved under the Boulevards at South Bay Specific Plan has not been completed.

The City, Successor Agency, Reclamation Authority, and CM will enter into a Settlement Agreement to avoid delays and disputes regarding the remediation, disposition and future development of the Property and any further rights, obligations and liabilities surrounding those actions. Under the Settlement Agreement, CM has agreed to transfer the Property to the Reclamation Authority. The Settlement Agreement also provides for the remaining \$50.5 million in funding by the Successor Agency to be made available to the Reclamation Authority, in satisfaction of the enforceable obligation of the Successor Agency pursuant to the OPA. Thus, the Settlement Agreement codifies, updates and replaces the prior obligations imposed upon the parties under the OPA and sets forth a new Method of Finance that requires the unfunded \$50.5 million be funded at this time to enable the Reclamation Authority to complete the remediation and public infrastructure projects for the Property. The Method of Finance in the Settlement Agreement allows for a subordinate lien on all property taxes the Successor Agency's RPTTF collected in the Consolidated Redevelopment Area (which includes the Merged and Amended Project Area, Project Area #4 and Project Area No. 1). Completion of the remediation and development of the Property is necessary for the Successor Agency, City, the State of California and other taxing entities to obtain benefits of the development.

Under the Dissolution Act, settlement agreements are deemed to be enforceable obligations under Health and Safety Code Sections 34171(d)(1)(E), (F) or 34181(e) (amendments in the best interests of taxing entities). Moreover, the Successor Agency has received a letter from the ("DOF") dated March 5, 2015, that indicates that preliminarily the DOF has no objections to the transfer of the Property under the proposed Settlement Agreement, the release and indemnification by the Successor Agency of CM from the OPA and environmental liabilities and completion of the remediation work and public improvements as allowed under the OPA, the issuance of bonds for the remaining financial assistance obligation and the use of the remaining funding by the Reclamation Authority to

complete the remediation work and public improvements, carrying costs and other obligations assumed under the Settlement Agreement, irrespective of the vertical improvements ultimately constructed. On April 21, 2015, the Successor Agency approved the Settlement Agreement as an enforceable obligation. The Oversight Board adopted a resolution on April 23, 2015 approving the Settlement Agreement as an enforceable obligation. The Successor Agency submitted this approval to the Department of Finance. On April 27, 2015, the Department of Finance approved the Oversight Board Action and therefore approved the Settlement Agreement.

Given the requirements of the Settlement Agreement, an initial sale of \$60,765,000 in taxable Series 2015A Tax Allocation Bonds is required to fund the \$50.5 million for remediation costs and fund other related financing costs including an estimated \$4,095,274 in capitalized interest, \$90,000 in costs of issuance and \$6,076,500 in debt service reserve funds. This initial bond, the Series 2015 A (the "Series A Bonds") will be non-rated and privately placed by the Successor Agency with the Reclamation Authority to satisfy the requirements of the Settlement Agreement. The Series A Bonds will be callable at any time without any premium or penalty in order to permit a refunding. The Successor Agency covenants in the Settlement Agreement that it intends to refinance Series A bonds with a publicly-offered refunding bond issue, the Series 2015 B Tax Allocation Bonds ( the "Refunding Bonds"), to lower the initial interest cost as soon as reasonably possible within 90 days. The bonds will be issued as taxable bonds.

This process is being undertaken to provide funding for the Settlement Agreement obligations prior to the issuance of the Refunding Bonds given the time to complete a public sale of bonds, including obtaining credit ratings, obtaining a consultant and preparing a consultant's report, preparing official statements, and other required actions. If the Refunding Bonds are issued as planned, the Reclamation Authority agrees to waive all interest due on the Series A Bonds between the issuance date of the Series A Bonds and the issuance date of the Refunding Bonds. This will insure that the cost of the two-step process is minimal. Interest payments due to the Reclamation Authority during the time that it holds the Series A Bonds are either canceled upon redemption of the Refunding Bonds or, in the case of the sale of the Series A Bonds by the Reclamation Authority, required to be deposited with the Trustee to offset future debt service payments on the Series A Bonds. The proposed two-step bond structure, (1) the legal issuance of the Series A Bonds, and (2) the Refunding of the Series A Bonds, is designed to satisfy the legal requirements of the Settlement Agreement while allowing the Successor Agency time to issue lower interest cost bonds in the public market place without incurring the cost of two bond issues or incurring interest costs prior to the public bond sale. In effect, there are two bond issues, but the Reclamation Authority will receive the lump sum remediation costs from the second bond issuance.

However, as required in the Settlement Agreement to ensure \$50.5 million of remediation funds are ultimately available, if no refunding is completed or possible within 90 days, the Reclamation Authority will be authorized and may be compelled under the terms of the Settlement Agreement to transfer ownership of the Series A Bonds to a qualified institutional investor(s). At the 90-day mark, the Series A Bonds can only be transferred to a qualified institutional investor in minimum bond denomination of \$1 million. The Reclamation Authority, the Series A Bonds holder, will not be authorized to transfer

ownership of the Series A Bonds to any investor during the initial 90-day refunding period. The expected interest rate on the Series A Bonds will be approximately 7.33% and can be prepaid at any time. The public sale of the refunding bonds is expected to lower the interest rate significantly. The Successor Agency does not currently envision circumstances that would prevent the sale of the refunding bonds within 90 days. Following adoption of the contemplated Resolution by the Successor Agency, the Successor Agency will request approval of the Series A Bonds and Refunding Bonds concurrently from the Oversight Board and DOF. This is essentially, a comprehensive plan of financing to fund the obligation under the Settlement Agreement. There are parameters for issuance, including not-to-exceed \$65 million principal and an interest rate of the 30 year US Treasury Bond plus 4.75% (set at closing) with respect to the Series A Bonds and for the Refunding Bonds to meet the refunding savings test of the Dissolution Act.

The security for the Series A Bonds will be a lien on the RPTTF revenues, which are deemed currently sufficient to provide debt service coverage of approximately 124% based upon existing or historical tax increment revenues on all existing bonds and including the \$7 million in additional initial annual debt service on the Series A Bonds. The additional debt service will be paid from the RPTTF. If successfully refunded, the additional initial annual debt service is expected, depending on market conditions at time of sale, to be reduced to \$5.8 million with debt service coverage increasing to 130%.

Current ratings on the senior lien Successor Agency housing and non-housing bonds range from Standard & Poor's A- in Project Area # 1 and #4 to AA- in the Merged & Amended Project Area. It is expected that the Refunding Bonds will be rated BBB or better based on the subordinate RPTTF pledge, and will encompass the entire Consolidated Redevelopment Project Area.

The Refunding Bonds will be underwritten by negotiated sale provided savings are determined to be sufficient by the Successor Agency. The Successor Agency has prepared a request for proposal ("RFP") to be sent to bond underwriters and plans to retain a bond underwriting team as soon as possible. The Successor Agency's financing team includes Aleshire Wynder as bond counsel, Hadland & Associates as fiscal consultant, C.M.de Crinis & Co., Inc, as financial advisor, BNY Mellon as trustee and Jones Hall as disclosure counsel. This team is very familiar with the complexities of the Consolidated Redevelopment Project Area and include the firms who successfully assisted the Successor Agency in the Series 2014 refunding last year.

The cost of issuing the Series A Bonds will be funded out of any sale proceeds received by the Reclamation Authority if the Series A Bonds are not refunded by the Refunding Bonds. The cost of issuing the Refunding Bonds will be paid by the Refunding Bond issuance proceeds. The Bond program must be approved by the Oversight Board and the DOF. There will be no cost to the City.

## **V. FISCAL IMPACT**

The issuance of the Series A Bonds, unless refunded as planned, will increase annual debt service to be paid from the RPTTF by approximately \$6.9 million through 2025/26 with declining payments thereafter. The refunding of the Series A Bonds within the 90 day

period is expected to reduce this potential annual payment to \$5.8 million or less through 2025/26 with declining payments thereafter totaling \$16 million over the term of the bonds. If refunded as planned under this “two step” process, the new debt service will first be placed on the 2015/16 A ROPS and interest will accrue only upon closing of the Refunding Bonds in July of 2015. Initial increased debt service will reduce annual property tax residual payments the City general fund by approximately \$480,000 and approximately \$395,000 once refunded. Property tax residual payments are expected to increase if the stadium or other development project is completed.

Under the Settlement Agreement, the \$50.5 million will go to the Reclamation Authority who will be the Property owner and will lease the property for development and apply the \$50.5 million toward the final Property remediation. Given the history of this Property and the current circumstances with CM, providing the additional public investment now to the Reclamation Authority rather than as a developer reimbursement once a project is built, will very likely allow the Property to be developed much sooner than will otherwise be the case. Funding additional remediation costs in advance will very likely be a requirement of any future developer and a failure to develop the Property will result in a large opportunity loss for impacted tax entities, including the City.

The Reclamation Authority was formed to protect the City from liability for clean-up costs and segregate out contaminated property. The Reclamation Authority under the Settlement Agreement is responsible for ongoing remediation costs and indemnification costs should there be any large 3<sup>rd</sup> party claim or claim of a government agency. The Reclamation Authority will be required to purchase insurance to cover such losses as well.

## **VI. EXHIBITS**

1. Resolution No. \_\_\_\_ (Carson Reclamation Authority).

1.

Prepared by: City Attorney

**RESOLUTION NO. \_\_\_\_**

**A RESOLUTION OF THE CARSON RECLAMATION AUTHORITY ACCEPTING THE PLACEMENT OF BONDS AND THE PROCEEDS OF REFUNDING BONDS UNDER THE SETTLEMENT, RELEASE AND INDEMNITY AGREEMENT WITH CARSON MARKETPLACE, LLC, THE CITY, AND THE CITY OF CARSON SUCCESSOR AGENCY; AND TAKING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH**

**WHEREAS**, the Housing Authority of the City of Carson, located in the City of Carson, Community Facilities District NO. 2012-1 (The Boulevards at South Bay-Remedial Systems OM&M) of the City of Carson and Community Facilities District NO. 2012-2 (The Boulevards at South Bay-Capital Improvements) of the City of Carson have entered into a Joint Exercise of Powers Agreement, as amended by a First Amended Joint Exercise of Powers Agreement, (the “Agreement”), creating the Carson Reclamation Authority (the “Authority”), pursuant to Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Bond Law”); and

**WHEREAS**, pursuant to the Bond Law and the Agreement, the Authority may accept the proceeds and/or benefit of bonds at a regular meeting of the Authority; and

**WHEREAS**, prior to the enactment of the Dissolution Law described below, the former Carson Redevelopment Agency (the “Redevelopment Agency”) was a public body, corporate and politic, duly established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the California Health and Safety Code (“Redevelopment Law”), including the power to borrow funds and issue bonds for any of its corporate purposes, and including implementation of the provisions of the redevelopment plans enacted within Redevelopment Agency project areas; and

**WHEREAS**, as a result of the passage of Assembly Bill 26 from the 2011-12 First Extraordinary Session of the California Legislature (ABx1 26) as amended by AB 1484 (collectively, the Dissolution Law), the former Redevelopment Agency was dissolved on February 1, 2012. Prior to such dissolution, on October 11, 2010, pursuant to Ordinance No. 10-1459, the City of Carson (the “City”) created the “Carson Consolidated Project Area” by merging its former “Project Area No. 1,” “Project Area No. 4” and “Merged and Amended Project Area” into one merged area to provide flexibility in expending moneys to eliminate blight within all three areas (“Consolidated Project Area”); and

**WHEREAS**, the redevelopment plan contemplates that the Redevelopment Agency would, from time to time, issue its bonds to finance a portion of the cost of such redevelopment; and

**WHEREAS**, the Carson Successor Agency (the “Successor Agency”) is the duly-authorized successor agency to the former Redevelopment Agency by operation of the Dissolution Law and as

confirmed by Resolution No. 12-003 adopted by the City Council of the City of Carson on January 9, 2012; and

**WHEREAS**, Carson Marketplace, LLC (“CM”) and the former Redevelopment Agency were parties to the Owner Participation Agreement dated July 25, 2006, as amended by First Amendment to Owner Participation Agreement dated May 20, 2008, and as amended by Second Amendment to Owner Participation Agreement dated March 9, 2009 (collectively, the “**OPA**”); and

**WHEREAS**, pursuant to the OPA, the Redevelopment Agency was to provide total financing of \$120 million for the remediation of a former landfill constituting a 157-acre site in the City of Carson (the “Property”) and public improvements associated therewith, and CM was required to undertake the remediation and pursue development of the Property; and

**WHEREAS**, pursuant to a Settlement Release and Indemnity Agreement and Mutual Release (the “Settlement Agreement”), and the accompanying “Method of Finance”, by and among CM, the City, the Successor Agency, and the Carson Reclamation Authority (“Authority”), in order to settle certain disputes between CM, City, Successor Agency, and its assignees, CM intends to transfer its interest in the Property to the Authority, in consideration for, among other things, the Authority’s assumption of the obligations to complete the remediation projects related to the Property, the obligation to provide for indemnity to CM and to fund the Authority in connection with the remediation of any environmental conditions on the Property and other obligations assumed in the Settlement Agreement; and

**WHEREAS**, the Settlement Agreement and the Method of Finance, implements, codifies, updates and replaces certain prior obligations imposed upon the parties under the OPA in light of the enactment of the Dissolution Law and replaces certain parts of the OPA, including the Method of Finance in its entirety; and

**WHEREAS**, the Settlement Agreement provides for the ongoing financing and remediation of the Property by the Authority and provides for the Successor Agency to fund the remaining \$50.5 million of financial assistance related to the Property, including the obligation to issue bonds in sufficient amount whether by funding, refunding, purchase, sale or otherwise to (a) provide \$50.5 million in proceeds to the Authority, (b) fund a debt service reserve fund, (c) fund costs incurred in connection with a financing, and (d) fund capitalized interest on such bonds to the extent taxes are not collectable until such time as debt service can be placed on the Successor Agency’s Recognized Obligation Payment Schedule (“ROPS”) (collectively, the “Ongoing Financial Obligations”); and

**WHEREAS**, pursuant to the Settlement Agreement, the Successor Agency is required to undertake a comprehensive plan of financing to fund the Ongoing Financial Obligations, which plan of financing includes (a) simultaneously with the execution of the Settlement Agreement and transfer of the Property, the issuance by Successor Agency to the Redevelopment Agency of the City of Carson Subordinate Tax Allocation Revenue Bonds, 2015 Series A (Taxable) (the “Series A Bonds”) on a private placement basis without ratings in the aggregate principal amount not to exceed \$65 million, and (b) the issuance soon thereafter of Successor Agency to the Redevelopment Agency of the City of Carson Subordinate Tax Allocation Refunding Revenue Bonds, 2015 Series B (Taxable) (the “Refunding Bonds”) in an amount sufficient to meet the requirements of the Law (as herein defined) through a public offering to third party investors with investment grade ratings within a certain time period after of the issuance of the Series A Bonds on a best efforts basis; and

**WHEREAS**, the Successor Agency has requested that the Authority accept the benefit of the placement of the Series A Bonds and/or the proceeds from the Refunding Bonds with the Authority once issued by the Successor Agency for the purposes described in the Settlement Agreement; and

**WHEREAS**, the Series A Bonds and the Refunding Bonds will be secured by certain tax revenues from the Project Area allocated to the Successor Agency pursuant to the Law; and

**WHEREAS**, the Authority, with the aid of its staff, has reviewed the Settlement Agreement and the documentation relating to the issuance of the Series A Bonds and the Refunding Bonds.

**NOW, THEREFORE, THE GOVERNING BOARD OF THE CARSON RECLAMATION AUTHORITY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:**

Section 1. The above recitals are true and correct.

Section 2. The Authority hereby accepts the placement of the Series A Bonds with the Authority and the benefit of the proceeds of the Refunding Bonds to pay off the Series A Bonds by the Successor Agency pursuant to the Settlement Agreement. The Chair or Executive Director of the Authority is hereby authorized to execute and deliver any and all documents and instruments and to do all things which they may deem necessary or proper for carrying out the transactions contemplated by this Resolution or in connection with the placement or receipt of proceeds of the Series A Bonds and the Refunding Bonds and under the Settlement Agreement.

**PASSED, APPROVED AND ADOPTED**, this \_\_\_\_ day of \_\_\_\_, 2015

\_\_\_\_\_  
Chair

Attest:

\_\_\_\_\_  
Secretary

APPROVE AS TO FORM

\_\_\_\_\_  
Counsel

STATE OF CALIFORNIA            )  
COUNTY OF LOS ANGELES    ) §  
CITY OF CARSON                )

I, \_\_\_\_\_, Secretary of the Carson Reclamation Authority, do hereby certify that the whole number of members of the Carson Reclamation Authority is f\_\_\_\_; that the foregoing resolution, being Resolution Number \_\_\_\_ was duly and regularly adopted by the Carson Reclamation Authority, at a regular meeting thereof duly and regularly held on the 5<sup>th</sup> day of May, 2015, and that the same was passed and adopted by the following vote:

AYES:  
NOES:  
ABSTAIN:  
ABSENT:

By: \_\_\_\_\_  
Secretary



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File #: 2015-369, Version: 1

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## Report to Carson Reclamation Authority

Tuesday, May 05, 2015  
New Business Discussion

### **SUBJECT:**

**CONSIDER APPROVING THE TRANSFER OF THE 157-ACRE FORMER LANDFILL SITE LOCATED WITHIN THE CARSON MARKETPLACE SPECIFIC PLAN (THE "SITE") TO THE CARSON RECLAMATION AUTHORITY**

### **I. SUMMARY**

On April 21, 2015, the Carson Reclamation Authority ("Authority" or "JPA") in conjunction with the City of Carson and Carson Successor Agency approved a "Settlement, Release and Indemnification Agreement" ("Settlement") between those three entities and Carson Marketplace LLC ("CM"). The Settlement was entered to resolve ongoing disputes over that certain Owner Participation Agreement ("OPA") between the former Carson Redevelopment Agency (RDA) and CM July 25, 2006, and amended in 2008 and 2009. The OPA provided for the remediation of the 157-acre former land fill site located in Carson's Marketplace Specific Plan (the "Site"). However, due in part to the Great Recession, the project has not been completed and progress on the development is delinquent under the timeframes set by the OPA, although a portion of the remediation has been performed.

Moreover, the former RDA (now Successor Agency) also had obligations outstanding under the OPA, particularly a total of \$120 million in financial assistance for Site remediation work and development of certain public improvements. To date, the Agency paid \$69.5 million, leaving an outstanding funding obligation of \$50.5 million payable by the Agency toward Site remediation. Finally, CM has been marketing the Site and has been willing to sell it for nominal value provided it is indemnified and held harmless from any environmental liability. All these outstanding obligations were essentially resolved via the Settlement. CM had found a buyer and entered into a purchase agreement with Cardinal originally representing the NFL franchise Chargers, and now the Raiders as well. The purchase agreement has been extended several times as the transaction has developed.

The Settlement replaced the prior obligations imposed by the OPA and sets forth a new "Method of Finance" for the outstanding \$50.5 million, making such funding available for the Authority to complete Site remediation and public infrastructure. In consideration of the concessions and various releases made in the Settlement, the Authority has agreed to take

title to the Site, and in turn will transfer the Site's surface lot to the City.

The outstanding action was, accordingly, negotiating a Transfer Agreement ("Transfer Agreement") by which Cardinal's rights to purchase the site would be transferred to the Carson Reclamation Authority. This Transfer Agreement includes the essential economic terms of the transaction and could not be concluded until the City's economic studies were complete.

**The purpose of the action presently before the Authority Board is to approve transfer of the Site's title to the Authority in accordance with the terms of the Settlement and other contracts pertaining to the Site.**

## **II. RECOMMENDATION**

TAKE the following actions:

- A.** APPROVE the "Designation, Transfer and Option Agreement" (**Exhibit A** hereto) by and between Cardinal Cavalry, LLC and the Carson Reclamation Authority in a form to be approved by the City Attorney.
- B.** APPROVE entering escrow and acquiring 157-Acre Site in accordance with the terms of the Transfer Agreement and Settlement and Release Agreement.
- C.** AUTHORIZE the City Manager, Mayor and City Attorney to take all further actions needed to bring the agreements into final form for execution, and to take other actions necessary to close escrow.

## **III. ALTERNATIVES**

Do not approve the "Designation, Transfer and Option Agreement," and/or consider terms for Site transfer alternative to those presented in Exhibit A.

## **IV. BACKGROUND**

### **A. Events Leading to the Settlement**

The Site is located on a former landfill. Clean-up of the landfill and implementation of remediation systems are subject to oversight by the Department of Toxic Substance Control ("DTSC") through a lawsuit originally filed in 1995, which resulted in various consent decrees entered into with ARCO and others between December 1996 and March 2001 (the "Consent Decree"). There was also a subsequent Remedial Action Plan approved on October 25, 1995.

The OPA for "The Boulevards" mixed-use project was executed between the former RDA and CM on July 25, 2006, and amended in 2008 and 2009. Under the OPA, the former RDA (now Successor Agency) has the obligation to provide a total of \$120 million in financial assistance to remediation work on the Site and the development of certain on and

off-site public improvements. To date, the RDA/Agency made payments totaling \$69.5 million, leaving an outstanding funding obligation of \$50.5 million payable by the Agency toward Site remediation. More specifically, the Successor Agency is obligated to issue additional bonds and/or provide other assistance totaling the remaining \$50.5 million for remediation and infrastructure.

CM has made various improvements, including installations of dry and wet utilities and substantial portions of the landfill cap and landfill gas extraction and treatment systems. Pursuant to the OPA, the Developer previously issued a performance promissory note payable to the City at the order of the RDA, and a deed of trust and assignment of rents for the benefit of the RDA and the City that secures the obligations under the performance note on a substantial portion of the Site. More specifically, pursuant to the OPA, CM issued a performance promissory note dated March 9, 2009, payable to the City at the order of the RDA (the "Promissory Note") to evidence CM's obligations to make certain payments under the OPA if certain remediation and development thresholds and timelines were not met, including the obligation to pay an initial Sales Tax Threshold Shortfall Payment of \$3 million dollars pursuant to the OPA, as extended, which became due on November 30, 2015. There was also a Deed of Trust and Assignment of Rents dated February 17, 2009, for the benefit of the RDA and the City securing the obligations under the Performance Note ("City/Agency Deed of Trust"), on a substantial portion of the Site for the benefit of the RDA.

Notwithstanding the above-described security measures, due to the sluggish market over the past five years, the complexity of the remediation and phasing of the project, the development and remediation are proceeding much slower than expected. The lack of committed tenants has caused uncertainty as to the ultimate design of the building protection systems and landfill cap. The costs to CM and its developers are also escalating, with CM's developers having already contributed some \$98 million to development of the Site. At this point, progress on the development is delinquent under the timeframes set by the OPA. Moreover, CM has indicated that it does not intend to develop the project.

## **B. Proposed NFL Project**

The Site presents the largest undeveloped tract of land remaining in Carson and, if developed, could generate substantial property tax increment and sales tax revenues for the benefit of the City and other local taxing entities. In the midst of the performance problems surrounding the OPA, other development opportunities for the Site have arisen. The Los Angeles area lost its professional football team 20 years ago when the Los Angeles Rams departed to Anaheim and then St. Louis. During the intervening period there were numerous attempts to develop a Los Angeles Stadium, not only in Los Angeles but in other sites ranging from the City of Industry to Irwindale, and including several proposals in Carson.

Most recently, the Rams have initiated a proposal in Inglewood, and the Chargers and Raiders launched a review of Carson. A voter initiative (the "Measure") has been circulated and obtained signatures to create a zoning overlay district enabling the Site to be developed as a 68,000-seat NFL football stadium. On April 21, the Council considered

a 9212 report, finding the Stadium's impacts to be favorable and approved the Measure making it an ordinance of the City. Under the Measure, an NFL team would play its home games at the Stadium, including pre-season, regular season and post-season games for the term of certain leases for the Stadium's use and occupancy. Under this development scenario, the Site would also be used for non-NFL events such as concerts, other sporting events and civic events.

On or about January 30, 2015, CM and Cardinal Cavalry LLC ("Cardinal") entered into a purchase sale agreement (the "Purchase Agreement") for the sale of the Site whereby, for a nominal amount, Cardinal was given the right to nominate an entity to take title to the Site, which entity would carry out the remediation program and indemnify and hold harmless CM for certain potential environmental liabilities. Pursuant to this, Cardinal has nominated and is seeking to transfer its right to take the Site's title to the Authority pursuant to a transfer agreement by and between Cardinal and the Authority (the "Transfer Agreement"), to facilitate the possible development of a NFL stadium.

Completion of Site remediation is needed before the Successor Agency, Authority, City, and other taxing entities can capture the benefits of development. Under the 2006 OPA, some \$120M of redevelopment agency funding was provided for remediation of the Site, which DTSC has been seeking to clean up since the 1996 Consent Decree. CM had utilized some \$69M of the funds to perform remediation but the project was incomplete. DOF has now confirmed that the redevelopment funding remains in place and approved going forward with a \$50M financing to continue the project.

Cardinal is unwilling to take title directly due to the liability issues, and is unwilling to indemnify CM. However, the recently formed Carson Reclamation Authority ("JPA") which has been approved by DOF to carry out the remediation is an appropriate legal vehicle. Under this structure, and the City and its general funds are not liable for debts and liabilities of the JPA.

### **C. ANALYSIS OF TRANSFER AGREEMENT**

As noted above, CM and Cardinal entered into the Purchase Agreement for the sale of the Site, whereby, for a nominal amount, Cardinal has the right to nominate an entity to take title to the Property. Cardinal has so nominated the Authority as the entity to take title to the Site. To this end-and to the end of fulfilling the terms of the Settlement between the Authority and CM-the Authority Board is presented with the "Designation, Transfer and Option Agreement" (**Exhibit A** hereto) (the "Transfer Agreement") for transfer of the Site from Cardinal to the Authority. Basically, the Transfer Agreement is a companion to the Settlement. Key terms and acknowledgements in the Transfer Agreement include, without limitation, the following:

1. JPA to take title to the Site.
2. Cardinal to retain an option to acquire a leasehold interest in the surface lot to lease an NFL Stadium together with other permitted uses subject to Cardinal receiving approval for such project from the NFL.
3. JPA assumes CM's obligations with respect to the remediation of the Site as set forth in

the Settlement and the DTSC Assignment and Assumption Agreement. DTSC has already approved the DTSC Assignment and Assumption Agreement.

4. Settlement Agreement is subject to California Department of Finance (“DOF”) providing a determination that the Successor Agency’s obligation to provide the Site remediation funding is an enforceable obligation and that DOF has no objections to the transfer of the Property from CM to JPA, the release and indemnification by the Successor Agency of CM, the issuance of bonds by the Successor Agency to satisfy Site funding obligations in accordance with the Settlement’s Method of Finance, and the use of such funding for completion of the remediation work and other infrastructure improvements, irrespective of vertical development on the Site. DOF has already provided such approval.

5. DTSC shall have approved the transfer of the property to the Authority.

6. Certain construction contracts encumbering the Site shall be terminated and fully paid-out prior to JPA taking Site title. Cardinal is responsible for the cost of design and construction of Stadium. This has been accomplished.

7. All open contract disputes between current Site owners/developers and contractors for environmental remediation work shall be resolved and “closed out” prior to JPA taking Site title. This has been accomplished.

8. Concurrent with JPA taking title to the Site, Cardinal shall pay to Authority \$250,000 (non-refundable) for use by JPA, in its sole discretion, (i) for developing a plan for the marketing and development of the Site in the event Cardinal elects not to proceed with an NFL stadium, or (ii) for development of other planning and economic development studies for property in the general vicinity of the Site.

9. Concurrent with the closing, Cardinal shall advance to JPA the “Carry Costs” expected to be incurred by the JPA in connection with the maintenance of the Site and its environmental remediation systems. This advance shall be reimbursed to Cardinal once the Bonds have been issued.

10. JPA is responsible for remediation expense up to \$80.5 million, which is the amount of redevelopment funding available. Some \$30 million is on hand in a trust account and a new bond issue of \$50.5 million will provide the additional funding (approved by DOF). Amounts over the cap are paid by Stadium Authority out of Stadium revenues.

11. Lease rate schedules based on Santa Clara model although City does not contribute ½ of its tax revenues as in Santa Clara.

12. City may not impose admissions or parking tax on Stadium events, except a nondiscriminatory parking tax on non-Stadium property.

13. On operation and maintenance (“O&M”) of remediation systems, JPA pays ½ of expense through a CFD tax equivalent to ½ of certain tax revenues and Stadium Authority contributes the other half. Funding is also contributed through insurance policies which are being assigned to JPA.

14. An entry and Stadium corridor improvement program is proposed funded by Stadium Authority to the extent of \$3 million. City believes this is a good public benefit and hence has agreed to contribute \$500,000 from City through a contribution of sales tax revenues generated by Stadium construction for these off-site improvements as benefits to the general public. This is not from the City's General Fund.

15. A public benefit program is established by a \$1.50 per ticket tax (escalate at CPI between 2%-6%, per year) on non-NFL events with the funding expected to be \$1 million per year.

16. \$250,000 per year (escalate with CPI between 2%-6%, per year) for youth and senior programs.

#### **D. FUTURE ACTIONS**

Under the Transfer Agreement, an actual escrow is established for conveying title from CM to the JPA. The Transfer Agreement includes as exhibits virtually all documents necessary for close of escrow. Escrow is with First American and the parties anticipate that closing can occur by the middle of May. Escrow costs will be borne by CM.

#### **V. FISCAL IMPACT**

The Successor Agency's outstanding \$50.5 million funding obligation for Site remediation under the OPA would inure to the Authority. There may potentially be an increase in general and environmental liabilities assumed by the City, Authority, and Successor Agency under the Settlement. Property tax residual payments are expected to increase if the stadium or other development project is completed. The Settlement is also different from the now-abandoned OPA as it does not require specific thresholds of new property taxes be generated from new construction to help fund the \$50.5 million. The potential initial impact of the \$60.765 million in Private Placement Series A bonds (the initial series of bonds described in the Method of Finance) on the impacted taxing entities is an immediate loss of existing RPTTF property tax residual due to the new debt service under the Dissolution Act. This is estimated at \$3 million in 2015/16 and \$6.9 million beginning in 2016/17 based on the initial bond issue (or whatever annual amount is necessary to make the debt service payments to generate the \$50.5 Million of net proceeds promised under the settlement agreement) for an estimated total of \$99.24 million over the term of the Series A bonds. The refunding Series B bonds planned under the method of finance may reduce the debt service burden. Development of the Site may eliminate any negative impact on the impacted tax entities.

#### **VI. EXHIBITS**

**Exhibit A** - Proposed "Designation, Transfer and Option Agreement"

Prepared by: City Attorney

## DESIGNATION, TRANSFER AND OPTION AGREEMENT

THIS DESIGNATION, TRANSFER AND OPTION AGREEMENT (“**Agreement**”) is made and entered into this \_\_\_ day of May, 2015 (the “**Effective Date**”) by and between Cardinal Cavalry LLC, a Delaware limited liability company (“**Cardinal**”), and the Carson Reclamation Authority, a California Joint Powers Authority created pursuant to California Government Code Section 6500 *et seq.* (“**Authority**”) (collectively referred to herein as the “**Parties**” and individually as “**Party**”).

### RECITALS

A. WHEREAS, there is within the City of Carson (“**City**”) that certain unimproved real property of approximately 157-acres (the “**Property**”), as more particularly described on **Exhibit A** attached hereto, which is currently owned by Carson Marketplace LLC (“**CM**”). **CM** is also the current owner of an approximately 11-acre property (the “**11-Acre Property**”) located in the City, as also more particularly described in **Exhibit A**;

B. WHEREAS, the Property has been vertically subdivided into a surface lot (the “**Surface Lot**”) and a subsurface lot (the “**Subsurface Lot**”), which lots are referenced on **Exhibit A** as Parcels 1 (Subsurface Lot) and 2 (Surface Lot) of Parcel Map No. 70372 and the Subsurface Lot is also referenced as APN No. 7336-010-024 and the Surface Lot is referenced as APN No. 7336-010-025;

C. WHEREAS, 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 for portions of the Property (the “**RAP**”), which 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 (the “**Remedial Systems**”);

D. WHEREAS, in a lawsuit initiated by DTSC entitled *California Department of Toxic Substances Control v. Commercial Realty Projects, Inc., et al.* (U.S. District Court, Central District of California, Civil Action No. 95-8773), the court entered a Consent Decree in December 1996; a Consent Decree resolving claims against Atlantic Richfield Company, et al. on March 29, 2001; a Supplemental Consent Decree on March 29, 2001; and Modifications by Consent to Supplemental Consent Decree and Defense Group Decree on March 29, 2001 (collectively, the “**Consent Decree**”);

E. WHEREAS, L.A. MetroMall, LLC, a California limited liability company (“**L.A. MetroMall**”), and Hopkins Real Estate Group (“**Hopkins**”), **CM**’s predecessor-in-interest, as purchaser, entered into a Real Estate Purchase Contract, dated March 1, 2004, for the purchase and sale of the Property (the “**2004 Agreement**”). **Hopkins** and **CM** entered into an Assignment and Assumption of Real Estate Purchase Contract dated December 27, 2005, whereby **Hopkins** assigned all of **Hopkins**’ right, title and interest in, to and under, and **CM** assumed all obligations and liabilities of **Hopkins** under, the 2004 Agreement, as amended;

F. WHEREAS the Property is subject to that certain Development Agreement by and between City and **CM**, dated March 21, 2006, as amended by the First Amendment to

Development Agreement dated April 5, 2011 (collectively, the “**Development Agreement**”), and that certain Owner Participation Agreement by and between CM and the Carson Redevelopment Agency (“**Redevelopment Agency**”), dated July 25, 2006, as amended by First Amendment to Owner Participation Agreement dated May 20, 2008, and as amended by Second Amendment to Owner Participation Agreement dated March 9, 2009 (collectively, the “**OPA**”);

G. WHEREAS, pursuant to the OPA, CM previously issued a Performance Promissory Note dated March 9, 2009 payable to City at the order of the Redevelopment Agency (the “**Promissory Note**”) to evidence CM’s obligations to make certain payments under the OPA if certain remediation and development thresholds and timelines were not met, and a Deed of Trust and Assignment of Rents dated February 17, 2009 for the benefit of the Redevelopment Agency and City that secures the obligations under the Performance Note (“**City/Agency Deed of Trust**”), on a substantial portion of the Property for the benefit of the Redevelopment Agency and City;

H. WHEREAS, CM and DTSC entered into the Compliance Framework Agreement dated as of September 28, 2006, as amended by the First Amendment to Compliance Framework Agreement dated as of December 31, 2007 (collectively, the “**CFA**”) for, as stated in the CFA, the purpose of setting forth a plan for implementing the Consent Decree, and the CFA required CM to establish financial assurance for implementation of the RAP, including long-term operation and maintenance of the Remedial Systems (“**O&M**”);

I. WHEREAS, on \_\_\_\_\_ AIG Environmental issued the Carson Marketplace Cleanup Cost Cap Insurance Policy (the “**AIG Policy**”), and on \_\_\_\_\_ CM also obtained a Pollution and Remediation Legal Liability Policy issued by XL Environmental;

J. WHEREAS, in connection with the obligation to implement the Remedial Systems, CM and Tetra Tech, Inc. (“**Tetra Tech**”) entered into a Fixed Price Design and Construction Environmental Assurance Agreement dated December 31, 2007, as amended, for, among other things, the design and construction of the Remedial Systems; and a Fixed Price Operations and Maintenance Environmental Assurance Agreement dated December 31, 2007, as amended, for, among other things the operation, maintenance and monitoring of the Remedial Systems (collectively, the “**EAs**”);

K. WHEREAS, CM and Snyder Langston, L.P., a California limited partnership (“**Contractor**”), entered into two Construction Agreements dated June 1, 2010 (collectively, the “**Snyder Langston Agreement**”), pursuant to which contractor agreed to perform certain work at the Property as defined therein;

L. WHEREAS, CM, Tetra Tech and Wells Fargo Bank, National Association entered into a Carson Marketplace Design and Construction EAA Trust Agreement dated April 13, 2009, as amended by a First Amendment to Carson Marketplace Design and Construction EAA Agreement dated June 12, 2012 (collectively, the “**EAA Trust Agreement**”) to establish a trust account for funds to be paid to Tetra Tech upon completion of certain work (the “**EAA Trust Account**”), which account CM and Tetra Tech have stated has a remaining balance of approximately \$30 million;

M. WHEREAS, pursuant to the EAAs Tetra Tech has represented that substantial portions of the landfill cap and landfill gas extraction and treatment system have been installed and most of the groundwater extraction and treatment system has been installed;

N. WHEREAS some portions of the Remedial Systems that remain to be installed are required to be completed in an integrated fashion with construction of the future building foundation system;

O. WHEREAS, Tetra Tech and CM have advised that there are outstanding disputes between Tetra Tech and CM with respect to the amounts owing to Tetra Tech for work undertaken pursuant to the EAAs prior to March 31, 2015, and it is the intent of the Parties that such disputes be resolved prior to any change in ownership of the Property;

P. WHEREAS, pursuant to the OPA, Redevelopment Agency has previously provided \$69.5 million for the remediation of the Property and the Successor Agency to the Carson Redevelopment Agency ("**Successor Agency**") is obligated to provide an additional \$50.5 million in financial assistance for remediation and construction of infrastructure;

Q. WHEREAS, Community Facilities District No. 2012-1 of the City of Carson (the Boulevards at South Bay – Remedial Systems OM&M) has been formed to provide funding for the long-term operations and maintenance (the "**O&M**");

R. WHEREAS, CM has stated that major events have affected its desire to proceed with its project including (i) that the Great Recession affected the ability to obtain the tenants originally contemplated and the economic feasibility of development, potentially making CM subject to the certain payment obligations pursuant to the OPA and the Promissory Note, (ii) an initiative has been circulated which would permit the development of an NFL Stadium on the Property; and (iii) the Remedial Systems may need to be modified to some degree to accommodate the NFL Stadium as opposed to the retail commercial project which CM was contemplating, and the ultimate use of the Property must be determined so that the Remedial Systems are appropriately installed;

S. WHEREAS, on or about January 30, 2015 CM and Cardinal entered into an Agreement of Purchase and Sale and Joint Escrow Instructions (as it has been amended to date, the "**Purchase Agreement**") for the sale of the Property pursuant to which Cardinal has the right to nominate an entity to take title to the Property, and a separate Agreement of Purchase and Sale and Joint Escrow Instructions for the sale of the Del Amo Property to Cardinal or its assignee;

T. WHEREAS, completion of the remediation of the Property has been an important statewide goal and over \$120 million of redevelopment funding has been committed to the Property through the OPA:

U. WHEREAS in order for Successor Agency, City, the State of California and other taxing entities to obtain benefits of the development the Remedial Systems need to be completed and since under the provisions of the Dissolution Act, Successor Agency is to be wound down and dissolved, its long-term obligations must be assigned to other entities which will have a long-term existence to carry out the project;

V. WHEREAS, City has determined that there are a number of former landfill and other sites with the need for remediation in the City, including the Property, and that with the dissolution of Successor Agency, City has determined that a substantial need exists to establish some entity to perform such remediation and which could operate ongoing remediation systems, without putting City's general fund and taxpayer dollars at risk for such cleanup expense;

W. WHEREAS, City determined to establish a joint powers authority under the provisions of the California Joint Powers Act (Govt. Code Sections 6500 et. seq., as it shall be amended), and on January 20, 2015, the governing boards of the Housing Authority and Community Facilities Districts each approved an agreement for the formation of the Authority for the purpose of overseeing and facilitating the remediation of contaminated properties in the City, and for the maintenance and potential development of same, and said Authority was formed on February 17, 2015, and officers were elected April 20, 2015;

X. WHEREAS, among the powers of Authority are to purchase, hold, and improve real property, to appoint officers and employees, to enter contracts, to purchase insurance, to sue and be sued, and to construct, operate, and maintain remediation systems to alleviate soil contamination;

Y. WHEREAS, CM and Authority, City, and Successor Agency are concurrently herewith entering into that certain Settlement Release and Indemnity Agreement (the "Settlement Agreement") dated May \_\_, 2015, attached hereto as Exhibit B, pursuant to which Authority has agreed to take title to the Property, as provided for in the Settlement Agreement, and pursuant to which Successor Agency has committed to provide the remaining \$50.5 million in funding (the "Funding") to Authority consistent with the intent of the OPA and the Settlement Agreement, and in accordance with the Method of Finance attached to the Settlement Agreement (the "Method of Finance"), through the issuance of taxable bonds ("Bonds") as provided by the Method of Finance;

Z. WHEREAS, the California Department of Finance ("DOF") has provided a determination that the Successor Agency's obligation to provide the Funding is an enforceable obligation of the Successor Agency and that DOF has no objections to the transfer of the Property from CM to Authority, the release and indemnification by Successor Agency of CM, the issuance of bonds by Successor Agency to satisfy the Funding obligation in accordance with the Method of Finance, and the use of the Funding for completion of the remediation work and other infrastructure improvements, irrespective of vertical development on the Property

AA. WHEREAS, CM, Authority and DTSC are concurrently herewith entering into that certain Assignment and Assumption Agreement whereby Authority assumes the obligations of CM to remediate the Property and DTSC consents to the assignment of the EAAs and EAA Trust Agreement to the Authority (the "DTSC Assignment and Assumption Agreement") attached hereto as Exhibit C;

BB. WHEREAS, Cardinal also desires to retain an option to acquire a leasehold interest in the Surface Lot to lease an NFL Stadium together with other permitted uses (the "**Stadium Project**") subject to Cardinal receiving approval for relocation from the National Football League (the "**NFL Approval**");

CC. WHEREAS, CM has agreed to the transfer the Surface Lot and Subsurface Lot to Authority, as provided for in the Settlement Agreement, and Authority will complete the remediation of the Property;

DD. WHEREAS, the Authority desires to accept title to the Property and accomplish the remediation of one of the largest undeveloped sites in the City which has been undevelopable for decades and facilitate the proposed NFL Stadium or any appropriate alternative development of the Property; and

EE. WHEREAS, Authority may transfer the Surface Lot to the City or other entity for development of the proposed NFL Stadium or other project should the NFL Stadium not receive NFL Approval; and

### AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and promises of the Parties, and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the Parties agree as follows:

#### 1. DESIGNATION AND CONDITIONS

1.1 Designation of Authority. Cardinal hereby designates Authority as its designee to take title to the Property, and assume the agreements set forth in the Settlement Agreement, pursuant to the terms of the escrow as set forth in Section 1.3 hereof (“**Escrow**”).

1.2 Conditions to Acceptance of Designation. Authority hereby accepts the designation and agrees to take title to the Property provided the following conditions are fully satisfied (or waived by Authority in its sole discretion) prior to recordation with the County Recorder of the transfer document described in the Settlement Agreement conveying the Property to Authority (“**Closing**”):

a. *Settlement and Release of CM.* Authority together with Successor Agency, City and CM shall have entered into the Settlement Agreement attached hereto as Exhibit B and the City Attorney has issued its letter of consent as provide for in Section 31 of the Settlement Agreement.

b. *DOF Approval of Funding.* DOF shall have issued an approval letter, substantially in the form of Exhibit D attached hereto, with regard to the Settlement Agreement, including the Method of Finance, and confirming that the Funding is an enforceable obligation of the Successor Agency.

c. *DTSC Approval of Agreement.* DTSC, CM and the Authority shall have entered into the DTSC Assignment and Assumption Agreement attached hereto as Exhibit C confirming that DTSC consents to the assumption by the Authority of obligations to complete the Remedial Systems.

d. *Environmental Insurance - AIG.* AIG Environmental shall have consented in a writing acceptable to Authority to the transfer of the Property to Authority and provided an

endorsement naming Authority as a Cost Cap Additional Insured on the Carson Marketplace Cleanup Cost Cap Insurance.

e. *Environmental Insurance—XL.* XL Insurance shall have agreed in a writing acceptable to Authority to name Authority as the First Named Insured under the Pollution and Remediation Legal Liability Policy dated September 29, 2006 obtained by CM.

f. *Tetra Tech Conditions.* Tetra Tech shall have consented in a writing satisfactory to Authority to the assignment to and assumption by Authority of the EAAs and Authority shall obtain written assurance satisfactory to Authority from Tetra Tech that any and all payment disputes between Tetra Tech and CM for work performed by Tetra Tech prior to the Effective Date are fully resolved.

1.3 **Escrow.** Conveyance of the Property to Authority shall be in accordance with the escrow instructions, a copy of which are attached hereto as **Exhibit E**. Authority acknowledges that it is a “designee” for the purposes of receiving title to the Property and shall acquire no right or interest in the Purchase Agreement or create any privity of contract under the Purchase Agreement with CM, and Authority shall not be obligated to perform any obligations under the Purchase Agreement except as expressly set forth herein.

1.4 **Disclaimer.** Authority acknowledges and agrees that Cardinal has never owned or operated the Property and Cardinal has not made and is not now making any representations or warranties, expressed or implied, with respect to the Property. In accepting its designation and agreeing to take title to the Property and assuming the agreements as set forth in the Settlement Agreement, Authority has not relied upon, and will not rely upon, any statement, representation or warranty of Cardinal or any of its employees, agents, consultants, affiliates or legal representatives, and acknowledges that no such representations have been made.

1.5 **Alternative Use.** Concurrent with Authority taking title to the Property, Cardinal shall pay to Authority Two Hundred and Fifty Thousand Dollars (\$250,000) (non-refundable) for use by Authority, in its sole discretion, (i) for developing a plan (the “Alternative Use”) for the marketing and development of the Property in the event Cardinal elects not to proceed with the Stadium Project, or (ii) for development of other planning and economic development studies for property in the general vicinity of the Property.

## 2. **STADIUM ELECTION AND FUNDING OF AUTHORITY COSTS**

It is anticipated that a decision regarding the NFL Approval and an election by Cardinal to proceed with the Stadium Project may not be obtained until April 30, 2016 (the “**Decision Period**”). Cardinal shall have the right during the Decision Period to elect not to proceed with the Stadium Project in its sole discretion. Cardinal shall notify Authority in writing of its election (“**Determination Notice**”) prior to the expiration of the Decision Period.

During the Decision Period there will be certain costs to maintain the Property generally and the existing Remedial Systems specifically. A schedule of the expected costs to be incurred by Authority in connection with the maintenance of the Property and the Remedial Systems (the “**Carry Costs**”) is attached as **Exhibit F**. Within ten (10) days following the Closing, Cardinal shall advance to Authority \$1,200,000 for Carry Costs to allow Authority to pay the Carry Costs

for the period prior to the issuance of the Bonds (from Closing through August 15, 2015, approximately). This advance plus the \$500,000 [confirm amount] previously paid by Cardinal for Carry Costs for the period from April 1, 2015 to Closing shall be reimbursed to Cardinal from the Funding once the Bonds have been issued. If the issuance of the Bonds is delayed for any reason, Cardinal shall continue to advance the monthly Carry Cost during the balance of the Decision Period until the Bonds have been issued. Such advances by Cardinal shall be subject to reimbursement by Authority upon receipt of the Funding. Upon receipt of the Funding from issuance of the Bonds, Authority also shall pay the Carry Costs on a going forward basis.

If Cardinal elects, in its sole discretion, during the Decision Period not to proceed with the Stadium Project, Cardinal shall reimburse Authority for the Carry Costs paid by Authority through the date of the Determination Notice plus an amount to cover the period the earlier of (i) an additional three month period beyond such Determination Notice date or (ii) the date on which Authority has entered into an agreement for the development of the Property with an alternative developer.

If Authority finds that its actual costs for Carry Costs reimbursed by Cardinal exceed the scheduled Carry Costs in **Exhibit F**, Authority shall prepare a written accounting showing such excess expenses. Cardinal shall pay such amount to Authority within 30 days of its receipt of a written request for payment together with reasonable documentation. As security for the payment of the Carry Costs obligations as provided in this Section 2, Cardinal shall cause a deed of trust in a form attached as **Exhibit G** to be recorded against the 11-Acre Property. The Deed of trust shall be in the amount of \$5 million. Within five (5) days of Cardinal's payment of all amounts owing by Cardinal to Authority under this Section 2, Authority shall deliver to Cardinal a full and unconditional conveyance of the deed of trust recorded against the 11-Acre Property in a form acceptable to Cardinal and in form suitable for recording (including full execution and notary acknowledgment).

If Cardinal elects to proceed with the Stadium Project and exercise the Option as provide for in Section 3, Cardinal shall have no obligation to reimburse Agency for any Carry Costs. Within five (5) days of such an election, Authority shall deliver to Cardinal a full and unconditional conveyance of the deed of trust recorded against the 11-Acre Property in a form acceptable to Cardinal and in form suitable for recording (including full execution and notary acknowledgment).

### **3. OPTION**

3.1 **Grant of Option.** Upon Closing, Authority as owner of the Property, grants to Cardinal, or its assignee or designee, during the Option Term (as defined below) the exclusive option (the "**Option**") to lease the Surface Lot of the Property (the "**Option Premises**") solely for development of the Stadium Project on the Option Premises, all in accordance with the terms and conditions of this Option. This Option shall run with the Property and shall be binding on all successor Property owners and any other persons or entities that hereafter acquire any interest in or lien on the Property or any portion thereof, including without limitation the Option Premises. Cardinal's rights hereunder shall be exclusive to Cardinal and any assignee or designee expressly permitted pursuant to Section 5 of this Agreement. Authority shall not enter into any lease, license or other agreement with any other person or entity, or grant to any other person or entity

any easement or other right, to use, occupy or improve the Option Premises or any other portion of the Property, in each case, until the Option Term and, if Cardinal shall exercise the Option, continuing prior to the execution of the lease. The Option and the resulting lease, if any, shall not be subject to any lien or encumbrance of the Option Premises that is consummated after the Effective Date.

During the Option Term, Authority shall not undertake any non-Remediation Project development of the Property or permit any signage on the Property (other than existing construction related signage and directional signage), without the consent of Cardinal. Nothing in this Option herein shall (i) affect the right of Authority to implement the Remediation Project, or (ii) the ability of Authority to convey or lease the Surface Lot to City, or lease the Surface Lot to any affiliates or entities created to facilitate development of the Stadium Project. Cardinal shall have no obligations or liability, financial or otherwise, with respect to the Remediation Project, the implementation of the Remediation Project or any costs, expenses, or liabilities in connection with the Remediation Project and Authority agrees to release, indemnify, defend and hold Cardinal harmless from any such obligations, liabilities, costs or expenses except for the payment of Carry Costs expressly provided by Section 2.

3.2 **Term Of Option.** The period during which Cardinal may exercise this Option (“**Option Term**”) shall commence on the Effective Date and shall expire or terminate on the earliest of the following dates: (i) at 11:59 p.m. Pacific time on April 30, 2016; or (ii) the date of its Determination Notice and notice that it relinquishes the Option. If Cardinal exercises the Option, the Option Term shall be automatically extended for an additional period through September 30, 2016 to permit the Authority and cardinal to complete the Lease as provided for in Section 3.4.

3.3 **Consideration For Option.** As consideration for the Option granted under this Agreement, Cardinal shall pay to Authority, concurrently with the execution of this Agreement, the sum of One Thousand Dollars (\$1,000.00) by cashier’s or certified check (the “**Option Consideration**”). The Option Consideration is not refundable.

3.4 **Lease.** If Cardinal or its assignee or designee exercises the Option, Cardinal or its assignee or designee shall lease the Option Premises from the Authority, and the Authority shall lease the Option Premises to Cardinal or its assignee or designee, pursuant to a lease agreement (the “**Lease**”) on the terms set forth on **Exhibit H** attached hereto (the “**Lease Terms**”).

3.5 **Memorandum Of Option.** Concurrently with the execution of this Agreement, the Parties shall execute a fully executed and acknowledged Memorandum of Option Agreement, giving notice of this Agreement and the Option (the “**Memorandum**”), and deliver the Memorandum to First American Title Insurance Company (the “**Escrow Agent**”), and the Escrow Agent shall cause the Memorandum to be recorded in the official records of Los Angeles County.

3.6 **Exercise Of Option.** At any time during the Option Term, Cardinal may exercise the Option to enter into the Lease of the Option Premises in accordance with the following provisions:

a. *Written Notice.* Cardinal shall give written notice to the Authority (“**Exercise Notice**”) of its exercise of the Option to lease the Option Premises. The Exercise Notice shall specify the date on which Cardinal desires to enter into the Lease (“**Lease Date**”). The Lease Date shall be not less than sixty (60) days nor more than one hundred and fifty days (150) days after the giving of the Exercise Notice. The Option shall be deemed exercised only upon Cardinal’s delivery of the Exercise Notice, whereupon a binding commitment shall arise on the part of Authority and Cardinal to prepare and execute and deliver a Lease of the Option Premises in accordance with this Option.

b. *Documentation Process.* Not less than sixty (60) days prior to the Lease Date, Cardinal shall submit to Authority a form of Lease. Authority shall have thirty (30) days to review the form of Lease and provide comments to Cardinal on the form of Lease. Authority and Cardinal shall negotiate in good faith the form of the Lease. If the Parties are unable to reach an agreement on the form of the Lease, then the basic terms shall be as set forth in **Exhibit H**.

c. *Cost and Expenses.* Cardinal shall pay Authority’s legal fees and costs in connection with the preparation, negotiation, review and approval of the Lease pursuant to a mutually acceptable Reimbursement Agreement substantially in the form of that certain Reimbursement Agreement dated April \_\_, 2015, by and between Carson Holdings LLC and City.

#### 4. **ENFORCEMENT**

4.1 **Time of Essence.** Notwithstanding anything to the contrary in this Agreement or applicable law, time is of the essence. If the date for performance of any obligation of the Parties to this Agreement falls on a non-business day, then the performance of the relevant obligation shall become due on the next business day following such date. As used herein, the term “business day” shall mean any day other than a Saturday or Sunday or legal holiday in the State of California.

4.2 **Default and Opportunity to Cure.** In the event of any failure or breach of a Party to perform any material duty or obligation of said Party under the terms of this Agreement, the non-defaulting Party shall provide written notice to the defaulting Party setting forth the nature of the breach or failure and the actions, if any, required by defaulting Party to cure such breach or failure. The defaulting Party shall be deemed in “Default” under this Agreement, if said breach or failure can be cured, but the defaulting Party has failed to take such actions and cure such breach or failure within thirty (30) days after the date of such notice (“**Cure Period**”). Monetary Defaults must be cured within the Cure Period. However, if a non-monetary Defaults cannot be cured within such Cure Period, and if and, as long as the defaulting Party does each of the following:

- (a) Notifies the non-defaulting Party in writing with a reasonable explanation as to the reasons the asserted Default is not curable within the thirty (30) day period;

- (b) Notifies the non-defaulting Party of the defaulting Party's proposed course of action to cure the Default;
- (c) Promptly commences to cure the Default within the thirty (30) day period;
- (d) Makes periodic reports to the non-defaulting Party as to the progress of the program of cure; and
- (e) Diligently prosecutes such cure to completion,

then the defaulting Party shall not be deemed in breach of this Agreement. Compliance with the provisions of this Section shall be a condition precedent to termination of this Agreement for cause and to any legal action alleging a default, and such compliance shall not be a waiver of any Party's right to take legal action in the event that the dispute is not cured.

4.3 **Legal Action.** In addition to any other rights or remedies, either Party may take legal action, in law or in equity, to cure, correct or remedy any default, to recover damages for any default, to compel specific performance of this Agreement, to obtain declaratory or injunctive relief, or to obtain any other remedy consistent with the purposes of this Agreement.

4.4 **California Law.** This Agreement shall be construed and interpreted both as to validity and to performance of the Parties in accordance with the laws of the State of California.

4.5 **Venue.** Legal actions concerning any dispute, claim or matter arising out of or in relation to this Agreement shall be instituted in the Superior Court of the County of Los Angeles, State of California, or any other appropriate court in such county, and the Parties covenant and agree to submit to the personal jurisdiction of such court in the event of such action.

4.6 **Rights and Remedies are Cumulative.** Except with respect to rights and remedies expressly declared to be exclusive in this Agreement, the rights and remedies of the Parties are cumulative and the exercise by either Party of one or more of such rights or remedies shall not preclude the exercise by it, at the same or different times, of any other rights or remedies for the same default or any other default by the other Party.

4.7 **Attorneys' Fees.** In the event of any action or proceeding between the Parties hereto arising from or in any way connected with this Agreement, the prevailing Party in such action or proceeding, in addition to any other relief which may be granted, whether legal or equitable, shall be entitled to recover its reasonable attorney's fees from the losing Party. Attorney's fees shall include attorney's fees on any appeal, and in addition a Party entitled to recover its attorney's fees shall be entitled to recover all other reasonable costs for investigating such action, taking depositions and discovery and all other necessary costs which are incurred in such litigation. All such fees and costs shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to judgment.

4.8 **Waiver.** No delay or omission in the exercise of any right or remedy by a non-defaulting Party on any default shall impair such right or remedy or be construed as a waiver. A Party's consent to or approval of any act by the other Party requiring the Party's consent or approval shall not be deemed to waive or render unnecessary the other Party's consent to or

approval of any subsequent act requiring consent or approval. Any waiver by either Party of any default must be in writing and shall not be a waiver of any other default concerning the same or any other provision of this Agreement.

4.9 **Interest.** In the event that any Party shall fail to pay any amount of monetary obligations owed hereunder within ten (10) days of the date that such amounts are due and payable, the defaulting Party shall pay in addition to such amounts, interest thereon at two percent (2%) above the “prime rate” of interest announced to the public from time to time by Bank of America, or the maximum interest rate permitted by law, whichever is less, from the date on which such monetary obligation became payable to the date of actual payment thereof.

4.10 **Notices.** Any and all notices, demands, requests, exercises, and other communications required or permitted by this Agreement or by law to be delivered to, served on, or given to either Party by the other, shall be in writing and shall be deemed properly delivered, given, and served when actually received by the Party to whom directed or when the intended recipient has affirmatively refused delivery. Any and all such notices or other communications shall be either personally delivered or:

- (a) sent by United States Certified Mail, return receipt requested, in which case notice shall be deemed delivered three (3) business days after deposit, postage prepaid in the United States Mail, or
- (b) sent by a nationally recognized overnight courier, in which case notice shall be deemed delivered one (1) business day after deposit with that courier, or
- (c) sent by electronic mail, in which case notice shall be deemed delivered when received as evidenced by confirmation of receipt, as follows:

To Cardinal: Cardinal Cavalry LLC  
4020 Murphy Canyon Rd  
San Diego, CA 92123  
Attention: Jeanne Bonk  
Telephone: (858) 854-4600  
Email: Jeanne.Bonk@Chargers.nfl.com

With a copy to: Munger, Tolles & Olson, LLP  
355 South Grand Ave, 35<sup>th</sup> Floor  
Los Angeles, CA 90071  
Attention: Jeffrey A. Heintz, Esq.  
Telephone: (213) 683-9185  
Email: Jeffrey.heintz@mto.com

With another copy to: Latham & Watkins LLP  
355 South Grand Avenue  
Los Angeles, CA 90071-1560  
Attention: George Muhlsten, Esq.

Telephone: (213) 485-1234  
Email: [george.mihlsten@lw.com](mailto:george.mihlsten@lw.com)

To: Authority: Carson Reclamation Authority  
701 E. Carson Street  
Carson, CA 90745  
Attention: City Manager  
Telephone: (310) 830-7600  
Email:

With a copy to: Aleshire & Wynder, LLP  
18881 Von Karman Avenue, #1700  
Irvine, CA 92612  
Attention: David J. Aleshire, Esq.  
Telephone: (949) 223-1170  
Email: [daleshire@awattorneys.com](mailto:daleshire@awattorneys.com)

Either Party may change its address by giving written notice of such change to the other Party in the same manner provided in this Section, provided that no notice of a change of address shall be effective until actual receipt of that notice. Rejection or other refusal to accept or the inability to deliver because of changed address of which no notice was given shall be deemed to constitute receipt of the notice. Copies of notices are for informational purposes only, and a failure to give or receive copies of any notice shall not be deemed a failure to give notice.

## 5. ASSIGNMENT AND DELEGATION

5.1 **Assignment and Delegation.** This Agreement shall be binding upon the Parties hereto and their successors and permitted assigns, and shall inure to the benefit of the Parties hereto and their successors and permitted assigns. None of the Parties shall have the right to assign the rights, responsibilities and obligations under the Agreement except as expressly set forth below.

5.2 **Transfer of Rights and Obligations Pursuant to Section 1.** The rights, responsibilities and obligations of Authority to accept the designation as set forth in Section 1 of this Agreement shall not be assigned or transferred by Authority without the consent of Cardinal, which consent may be withheld in its discretion.

5.3 **Transfer of Rights and Obligations Pursuant to Section 2.** The rights, responsibilities and obligations of Cardinal as set forth in Section 2 of this Agreement may be assigned or transferred by Cardinal without the consent of Authority, to an affiliate of Cardinal or to an entity in which one or more of the direct or indirect members of Cardinal are a direct or indirect member, co-venturer, partner, or shareholder. Upon such an assignment, Cardinal shall be relieved of all rights, responsibilities and obligations with respect to such assignment. Cardinal shall give Authority ten (10) days prior notice to any such assignment.

5.4 **Transfer of Surface Lot.** Authority may assign or transfer (fee or leasehold interest) the Surface Lot to the City for the purpose of facilitating the construction of an NFL

Stadium without the consent of Cardinal. Authority shall provide to Cardinal ten (10) days' notice prior to any such assignment or transfer.

5.5 **Transfer of Subsurface Lot.** Prior to the expiration of the Option Term and if the Option is exercised, following the execution of the Lease, Authority shall not have the right to assign or transfer the Subsurface Lot without the consent of Cardinal, which consent may be withheld by Cardinal in its sole discretion. If Cardinal does not exercise the Option and enter into the Lease, Authority may transfer and assign the Subsurface Lot without the consent to Cardinal.

5.6 **Assignment and Transfer of Option.**

a. *Transfer by Cardinal.* Cardinal shall have the power and right to assign the Option (and/or the right to execute the Lease), without the consent of Authority or a successor Property owner, to an affiliate of Cardinal or to an entity in which one or more of the direct or indirect members of Cardinal are a direct or indirect member, co-venturer, partner, or shareholder, or to a joint powers authority or other governmental entity or authority designated to lease the Option Premises in connection with the development of the Stadium Project. Upon such an assignment by Cardinal, such assignee shall succeed to and be bound by and deemed to have assumed, all rights, duties and obligations of Cardinal with respect to the Option. Upon such an assignment by Cardinal, Cardinal shall be released of all rights, responsibilities and obligations with respect to the Option. Cardinal shall notify Authority (or a successor Property owner) in writing of any such assignment, including a copy of the agreement effecting such assignment.

b. *Transfer by Authority.* Authority may only assign its rights and obligations with respect to the Option to a third Party in connection with a conveyance of the Surface Lot or Property to such third Party as provided for in Section 5.3 and 5.4. Upon such an assignment by Authority in connection with a conveyance of the Surface Lot or Property, such assignee shall succeed to and be bound by and deemed to have assumed, all rights, responsibilities and obligations of Authority with respect to the Option. Upon such an assignment by Authority and conveyance of the Surface Lot or Property, Authority shall be released of all liability, duties and obligations required of the Authority with respect to the Option.

6. **MISCELLANEOUS**

6.1 **Integration.** This Agreement, including exhibits, constitutes the entire agreement between the Parties respecting the matters set forth herein, and expressly supersedes and revokes all previous or contemporaneous agreements, representations, warranties, statements, promises, and understandings, whether oral or written, between the Parties as to the subject matter hereof.

6.2 **Changes in Writing.** This Agreement and any of its terms shall not be changed, waived, discharged, or terminated except by a written instrument duly executed by each of the Parties hereto.

6.3 **Construction.** Headings at the beginning of each section and subsection are solely for the convenience of the Parties and are not a part of and shall not be used to interpret this Agreement. The singular form shall include plural and vice versa. This Agreement shall not be construed as if it had been prepared by one of the Parties, but rather as if both Parties have

prepared it. Unless otherwise indicated, all references to Sections are to this Agreement.

6.4 **Invalidity of Provisions.** If any term or provision of this Agreement, or the application thereof to any person or circumstance, shall to any extent be invalid or unenforceable for any reason, then that provision shall be deleted from the document and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

6.5 **Third Party Beneficiaries.** Nothing in this Agreement, express or implied, is intended to confer on any person, other than the Parties and their respective successors and permitted assigns, any rights or remedies under or by reason of this Agreement.

6.6 **Conflicts of Interest.** No officer or employee of the Authority or City shall have any financial interest, direct or indirect, in this Agreement nor shall any such officer or employee participate in any decision relating to the Agreement which effects his financial interest or the financial interest of any corporation, partnership or association in which he is, directly or indirectly, interested, in violation of any State statute or regulation.

6.7 **Further Assurances.** In addition to the acts, deeds, and instruments recited herein and contemplated to be performed, executed, acknowledged, or delivered by either or both of the Parties, whenever requested to do so by the other Party, each Party shall perform, execute, acknowledge, and deliver or cause to be performed, executed, acknowledged, or delivered any and all further acts, deeds, conveyances, assignments, confirmations, satisfactions, releases, powers of attorney, instruments of further assurance, approvals, consents, and all further instruments and documents as may be necessary, expedient, or reasonably required, in order to complete all conveyances, transfers, sales, and assignments under this Agreement, and to do all other acts and to execute, acknowledge, and deliver all documents as requested in order to carry out the intent and purpose of this Agreement.

6.8 **Counterparts.** This Agreement may be executed simultaneously or in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or electronic mail transmission shall be as effective as delivery of a manually executed original counterpart.

6.9 **Authority.** Each person executing this Agreement on behalf of a Party hereto warrants that (i) such Party is duly organized and existing, (ii) such person is duly authorized to execute and deliver this Agreement on behalf of said Party, (iii) by so executing this Agreement, such Party is formally bound to the provisions of this Agreement, and (iv) entering into this Agreement does not violate any provision of any other agreement to which said Party is bound. This Agreement shall be binding upon the successors and permitted assigns of the Parties.

*[Signature Page Follows]*

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the day and year first above written.

**CARDINAL CAVALRY LLC,**  
a Delaware limited liability company

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**CARSON RECLAMATION AUTHORITY,** a  
California Joint Powers Authority created pursuant  
to California Government Code Section 6500 *et seq.*

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Its: \_\_\_\_\_

**Exhibits:**

- A: Legal Description of Property: 157 Acres/Del Amo
- B: Settlement, Release and Indemnity Agreement
- C: DTSC Assignment and Assumption Agreement
- D: Department of Finance Letter
- E: Escrow Instructions
- F: Tetra Tech Carry Costs
- G: Deed of Trust
- H: Lease Terms
- H-1: Schedule of Rents

**Exhibit A: Legal Description of Property: 157-Acre and Del Amo**

157-Acre Property

Real property in the City of Carson, County of Los Angeles, State of California, described as follows:

PARCELS 1 AND 2 OF PARCEL MAP NO. 70372, AS PER MAP FILED IN BOOK 377, PAGES 76 TO 89 INCLUSIVE, OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

EXCEPT THE OIL, GAS, PETROLEUM AND OTHER HYDROCARBON SUBSTANCES WHICH LIE BELOW A PLANE PARALLEL TO AND 500 FEET BELOW THE NATURAL SURFACE OF SAID LAND, WITHOUT HOWEVER, ANY RIGHT TO ENTER UPON THE SURFACE OF SAID LAND, TO EXPLORE FOR, DEVELOP OR REMOVE SAID SUBSTANCES, BUT WITH FULL RIGHT TO EXPLORE FOR, DEVELOP AND REMOVE THE SAME BY MEANS OF WELLS AND EQUIPMENT HAVING SURFACE LOCATION OUTSIDE THE OUTER BOUNDARIES OF SAID LAND, IN AND UNDER OR RECOVERABLE FROM SAID LAND, AS RESERVED IN THE DEED FROM DEL AMO ESTATE COMPANY, A CORPORATION, RECORDED JANUARY 10, 1964 AS INSTRUMENT NO. 2198, IN BOOK D-2318, PAGE 313 OF OFFICIAL RECORDS.

APN: 7336-010-024 and 7336-010-025

Del Amo Property

**[insert]**

**Exhibit B: Settlement, Release and Indemnity Agreement**

**Exhibit C: DTSC Assignment and Assumption Agreement**

**Exhibit D: Department of Finance Letter**

**Exhibit E: Escrow Instructions**

**Exhibit F: Tetra Tech Carry Costs**

**Exhibit G: Deed of Trust**

## Exhibit H: Lease Terms

1. Term: Forty (40) years with two (2) ten (10) year extension options.
2. Property: The 157 acre property described on Exhibit A (**the "Property"**).
3. Project: Stadium Company (see Section 4) will have the exclusive right to facilitate or cause the development, construction and operation of the Stadium Project on the Property and the adjacent 11 acre site (**"Del Amo Property"**).
4. Lease Form/Structure: Subject to the provisions of these Lease Terms, the ground lease between the City of Santa Clara and the Santa Clara Stadium Authority (**the "Santa Clara Ground Lease"**) shall be used as basis for the legal and financial structure between the parties. This structure assumes that the Stadium Project will be constructed by a Stadium Authority, a to-be-created joint powers authority (**the "Stadium Authority"**). This structure further assumes that Authority will ground lease the Surface Lot to the City or alternate City-formed entity and City will ground lease the Surface Lot to the Stadium Authority. It is also assumed that Cardinal will assign its Option to a to-be-formed Stadium Company (**the "Stadium Company"**) that will coordinate the financing for the Stadium with Stadium Authority and coordinate the construction of the Stadium. Financing, construction, marketing and operations of the Stadium through Stadium Authority will be substantially consistent with the financing and operating structure used for the Santa Clara Stadium Authority, except as provided herein. Stadium Authority will be governed, structured and function in a manner generally similar to the Santa Clara Stadium Authority and will enter into various agreements and arrangements with Stadium Company on terms and conditions similar to the Santa Clara transaction, including the lease between Stadium Authority and Stadium Company, except as provided herein. To accommodate parking and additional facilities to be constructed as part of the Stadium Project, the Stadium Authority will make various portions of the Property available to the Stadium Company pursuant to long-term ground leases upon mutually acceptable terms for the purpose of assisting in the financing of the Stadium Project.
5. Rent: The rent to be paid to the City by the Stadium Authority shall be structured in a manner similar to the rent structure provided for in the Santa Clara Ground Lease as follows: (i) Fixed Rent in the amounts set for in Exhibit H-1 attached hereto, with a minimum ground rent of \$400,000, commencing on commencement of construction of stadium improvements, plus (ii) performance rent starting on the date that the financing for the \$44 million (or such less amount) in remediation costs included on the Stadium financing is paid off (Performance rent including funded interest), with the performance rent calculated using generally the same formula and definition for performance rent (and credits) as that included in the Santa Clara Ground Lease. In addition, the Lease rent will include the following additional amounts: (i) fifty percent (50%) of any Community Facilities District taxes (subject to Section 12 limitations below) imposed on the Surface Lot paid annually and commencing with

commencement of construction, (ii) Senior and Youth Fees as described in Section 17 below, and (iii) Additional Performance Rent as described in Section \_\_\_ below.

6. Authority Remediation Costs and Cost Cap: The Remediation Project is not part of the Stadium Project and remains an independent obligation of Authority. Authority will have the responsibility to pay for Remediation Project costs, including foundation systems, pilings and building protection systems required due to the environmental conditions of the Property and improvement costs included in the Remediation Project provided that (i) City, Authority and Successor Agency will have no liability or financial obligation to pay for the vertical construction of the Stadium Project, and (ii) City, Authority and Successor Agency shall not have responsibility for the Reclamation System construction costs beyond the remediation cost cap of \$80.5 million. Such costs above the Remediation Cost Cap must be funded from Stadium revenues, Stadium Authority financing, or other sources other than City, Successor Agency or Authority. The OM&M costs for the Reclamation Systems shall be paid by the CFD tax assessments together with any amounts paid or remitted by AIG to Authority from the Carson Marketplace Cleanup Cost Cap Insurance, during and after completion of Stadium construction.
  
7. Coordination of Remediation: Authority shall cooperate with Stadium Authority in the development of the Stadium Project, including allowing the foundation systems for the Stadium Project to penetrate the Subsurface Lot, consistent with applicable regulatory requirements, and providing for the integration of foundation systems, building protection system and other on-site infrastructure projects. In carrying out such Remediation Project and constructing the Remediation Systems, Authority requires the cooperation of Stadium Company to procure a Stadium design allowing completion of the design of the Remediation Systems so they are fully integrated with Stadium. Stadium Company will timely provide to Authority the design for the Stadium Project in order for Authority to prepare and implement the Remedial Systems in coordination with the design of the Stadium Project. Stadium Company and/or Stadium Authority will assist the Authority in negotiating any modifications to the contracts for installation of the Reclamation Systems and the related insurance consistent with the Stadium Project design and timeline.
  
8. Environmental Issues and Operation of Remedial Systems: Cardinal and Stadium Authority will have (i) no obligations or liability for the Remediation Project or the Subsurface Lot, (ii) no obligation to construct, operate, maintain or monitor the Remediation Project, and (iii) no liability for hazardous materials located on the Property or which come to be located on or have migrated from the Property, except for hazardous substances which Cardinal, Stadium Authority or its invitees and guests bring onto and release into the Property in violation of applicable laws. Any Community Facilities District tax included in the ground rent in Section 5 above shall not include any costs related to third party claims for response costs, property damage or personal injury related to the hazardous substances located at or emanating, released, transported or disposed from the Property, governmental claims for hazardous substances emanating, released, transported, or disposed from the Property, natural resources damages claims or violations of applicable laws.

9. Stadium Project Costs and Stadium Operations: Stadium Authority will contract with Stadium Company to cause the construction of the Stadium consistent with the Remediation Systems and the Stadium Project design provided by Stadium Company. City shall have no responsibility for any construction costs related to the Stadium Project on the Surface Lot or any cost overruns with respect to such commencement of construction of the Stadium Project and City shall have no responsibility for any operating costs, maintenance or capital improvement expenses related to the Stadium Project. Stadium Authority will provide a portion of the financing for Stadium Project construction, the infrastructure projects as described in Section 15 below and the Remediation Project costs above the Remediation Cost Cap, if any, from Stadium Authority revenues and from private loans (taxable) secured by all Stadium Authority revenues, including but not limited to naming rights revenues, non-NFL event revenues, parking revenues, concession revenues, lease revenues, Stadium Company rent, ticket surcharges, stadium builders licenses, or related revenues. Stadium Company will be responsible for contributing all remaining funds necessary to pay the costs to complete the Stadium Project construction, either as tenant improvements, subordinated loans or rent (pre-paid or otherwise). Stadium Company will assume all cost overruns on the construction of the Stadium Project on the Surface Lot and any contribution towards such cost overruns may be deemed additional rent under the Stadium lease, but such additional rent shall not reduce rent to City under the agreed rent schedules (Exhibit H-1). Stadium Authority revenues including Stadium Company rent to Stadium Authority will provide adequate funds for payment of the net operating expenses of Stadium Authority (including but not limited to Stadium operations, Stadium Authority loans/debt repayment, reasonable staffing expenses of Stadium Authority, and City ground rent including 50% of CFD taxes/assessments consistent with Sections 5 above). All excess revenues of Stadium Authority will be retained by Stadium Authority and used to fund capital repair and replacement reserves, stadium demolition (upon completion of the lease if requested by Stadium Authority) and/or other operating reserves of Stadium Authority.
10. Public Safety Expenses: Stadium Authority shall reimburse City all for reasonable costs incurred by City in providing game/event day public safety and traffic management related to Stadium events, as provided in the Measure. and pursuant to a an agreement to be negotiated by the parties.
11. No Relocation: Prior to the construction of the Stadium Project, Stadium Company shall provide to Stadium Authority, Authority or the then property owner a covenant or agreement from one or more NFL football teams agreeing to play substantially all of its home games in the Stadium Project together with an agreement from such NFL football team(s) not to relocate to another jurisdiction for a period of not less than twenty (20) years or such longer period as reasonably necessary for the Project or stadium authority's reasonable successful operation. .
12. Tax Exempt Bond Issue: The parties will work to structure the ground rent to minimize any adverse tax consequences thereof on any City or Successor Agency tax-exempt bonds issued to fund the Remediation Project. To the extent all or some of the ground lease structure might create an event of taxability for City's or Successor

Agency's tax-exempt bonds previously issued to fund the Remediation Project, the parties can agree to refinance the bonds to address the tax issues or to provide alternative sources of payments/funding to City's general fund or other accounts or other City costs in an amount equal to such ground rent. Alternatively, the tax consequences may be negotiated with the IRS on terms acceptable to all Parties. It is understood that this transaction is to provide certain returns to City as described herein and the parties will endeavor to provide such returns to City.

13. Parking Taxes: There is currently no parking tax in the City. The Property and the adjacent 11-acre Del Amo Property which comprise the Stadium Project site shall not be subject to any new parking tax levied by the City and this restriction shall be embodied in an appropriate agreement between the parties. Nothing herein shall restrict the ability of City to impose a non-discriminatory, city-wide parking tax to any parking areas outside the Stadium Project Site as provided in the agreement.
14. Other City Taxes: Except as otherwise provided for in this Section, Stadium Project, Stadium Company, Stadium Authority, Stadium patrons and teams will be subject to all generally applicable non-discriminatory taxes, including but not limited to sales taxes, property or possessory interest taxes, hotel bed taxes, transient occupancy taxes and utility taxes. City may target all ticket tax or other tax, fee, or assessment on the Stadium, Stadium Project, Stadium Authority, Stadium Company, Stadium operations, teams or Stadium patrons after the earlier of repayment of all Stadium financing, or 30 years.
15. Public Infrastructure Improvements:
  - a. *Infrastructure Required of Development Entity*. Stadium Authority and Stadium Company shall implement the public infrastructure improvements as set forth in the Carson Stadium Initiative-Environmental Measures (the "**Measure**"). Stadium Company shall be responsible for financing, designing, permitting, contracting for the construction and constructing such transportation improvements.
  - b. *Stadium Directional Signage and Key City Corridors*. Stadium Authority will work with City to fund, design and implement an on and off-site signage to direct persons to the Stadium for NFL and Non-NFL events.
  - c. *Entry and Corridor Improvements*. Stadium Authority will implement the following additional public improvements and benefits which are not otherwise required for the Stadium Project ("**Enhancement Construction**") at an aggregate cost not to exceed \$3.5 million including \$3 million from Stadium Company and a \$500,000 from City, derived from construction sales tax revenues as described below). The improvements shall include (a) streetscale corridor improvements and landscaping and iconic stadium entry gateways at (i) the Avalon off-ramp from the 405 freeway and Jim Dear Boulevard, (ii) Main Street and Del Amo entrance, (iii) Del Amo and west of the 405 Freeway, and (iv) the street corridors from the above entries to the Stadium; (b)

a public art program including at the entries and in the corridors; and (c) up to \$500,000 towards a multi-purpose playing facility (football/soccer) at an off-site location as mutually determined by Stadium Authority and City. During the period of the construction of the Stadium, City will contribute an aggregate of \$500,000 from Stadium Project construction sales tax receipts received, if derived from sales in connection with the Stadium Construction. Such contribution shall be only made by City to the extent that construction sales tax revenue received by the City in each year of construction exceed \$300,000.

16. Community Foundation: Stadium Company agrees to cooperate with Authority and City in the formation of a community foundation to support parks, recreation, libraries, youth sports and senior programs in Carson (the "Foundation"). The Foundation will be funded, in part, through the Youth and Senior Fees and Additional Performance Rent as described in Section \_\_\_\_, if direct by City.
17. Additional Community Benefits: Stadium Authority shall provide the following additional community benefits:
  - a. *Youth and Senior Fees*. Included in the ground rent to be paid by Stadium Authority will be youth and senior program fees in an amount as set forth on Exhibit H-1 (youth and senior fees shall be increased by an amount equal to the annual CPI but not less than 2% a year or more than 6% a year.)
  - b. *Additional Performance Rent*. Included in the ground rent to be paid by Stadium Authority to City will be additional performance rent in an amount equal to a \$1.50 surcharge on every non-NFL ticket for events at the Stadium (excluding complimentary tickets) (per ticket surcharge shall increase by an amount equal to the annual CPI but not less than 2% a year or more than 6% a year).
18. Other Agreements to be Negotiated: Attached as Exhibit H2 is a list of agreements to be negotiated by the parties to carry out this Agreement. The parties shall cooperate in good faith to complete such negotiations within 180 days of the date hereof. The Authority's expenses shall be reimbursed under the Reimbursement Agreement.
19. Schedule of Actions: Attached as Exhibit H3 is a schedule of actions contemplated by the parties to carry out the undertakings assumed hereby.

**Exhibit H-1: Schedule of Rents**