



## CITY OF CARSON

### PLANNING COMMISSION STAFF REPORT

PUBLIC HEARING:

October 30, 2018

SUBJECT:

Development Agreement No. 17-2018, Zoning Text Amendment No. 29-2018, Variance No. 564-2018, and associated Mitigated Negative Declaration

APPLICANT:

Eric Son, Focal Strategic Investments, LLC

REQUEST:

To consider the Development Agreement by and between the City of Carson and Focal Strategic Investments, LLC, for a proposed commercial cannabis operation center pursuant to the City of Carson Cannabis Operations Ordinance No. 17-1637, Zoning Text Amendment No. 29-2018 to allow commercial cannabis uses within industrial zones subject to approval of a Development Agreement pursuant to the City Of Carson Cannabis Operations Ordinance No. 17-1637, and a Variance to allow less than the required parking and minimum building setbacks

PROPERTY INVOLVED:

17505 S. Main Street (APN: 7339003900) and Citywide

#### COMMISSIONERS' VOTE

AYE	NO		AYE	NO	
		Chairman Pimentel			Madrigal
		Vice-Chair Thomas			Mitoma
		Andrews			Nunley
		Cainglet			Rahman
		Fe'esago			Alt. Osuna/ Alt. Palmer/ Alt. Rashad

## **I. Introduction**

### Property Owner

City of Carson

701 E. Carson Street, Carson, CA 90745

### Applicant

Eric Son, Focal Strategic Investments, LLC

1121 S. Wilton Pl., Los Angeles, CA 90019

## **II. Project Description**

The Applicant, Focal Strategic Investments, LLC, is requesting approval of applications for a Development Agreement (DA) by and between the City of Carson and Focal Strategic Investments, LLC, a Zone Text Amendment (ZTA), as well as a Variance to permit the construction at 17505 S. Main Street for two one-story buildings totaling approximately 13,557 sq. ft. on a 0.66 acre vacant lot, Exhibit 1. The two buildings would be utilized for operations related to the cultivation of cannabis, manufacturing of cannabis products, and storage of residual materials from cannabis cultivations. Retail sales of cannabis and cannabis products directly to consumers is not permitted nor proposed.

The subject property is located at 17505 S. Main Street at a site zoned Manufacturing, Light (ML-D). A ZTA is required to allow commercial cannabis uses within Industrial zones subject to approval of a DA pursuant to the City of Carson Cannabis Operations Ordinance No. 17-1637. The proposed Project is subject to the provisions of the California Environmental Quality Act (CEQA). An Initial Study was prepared for the proposed project which concluded a Mitigated Negative Declaration would be required.

## **III. Project Site and Surrounding Land Uses**

The proposed project involves the development of an undeveloped parcel located at 17505 S. Main Street in the City of Carson (APN 7339003900). The proposed project is served by a network of regional transportation facilities providing connectivity to the large metropolitan area. The project is located in a highly urbanized area surrounded by a mixture of land uses including commercial, warehouse, light industrial, automotive, and manufacturing uses. The project site is bordered to the east by Main Street and commercial uses, a three-story hotel (Carson Plaza Hotel) and West Albertoni Street to the south, nursery uses (Centeno's Nursery and Landscaping) and the SR-91 to the north. To the west, is a two-story multi-tenant warehouse/light manufacturing building and South Broadway.

Site Information	
General Plan Land Use	Light Industrial
Zone District	Manufacturing, Light (ML-D)
Site Size	0.66-acre
Present Use and Development	Vacant
Surrounding Uses/Zoning	North: nursery and SR-91 South: W. Albertoni St. and hotel East: Main Street West: multi-tenant warehouse/light manufacturing
Access	One driveway (ingress and egress) accessible from S. Main Street

The project site is a rectangular-shaped vacant lot covered with exposed soil, grass, and low lying vegetation. It is currently not publically accessible and is enclosed by perimeter fencing and walls.

#### **IV. Background and Analysis**

The City's Commercial Cannabis Operation Permit Regulatory Program as contained in Chapter 15 of Article VI of the Carson Municipal Code authorizes no more than four (4) commercial cannabis centers (Permits). A commercial cannabis center may include indoor cultivation, mixed-light cultivation, manufacturing, testing and/or (wholesale) distribution. Applications for Permits were accepted by the City and subject to a ministerial review for adherence to local and state requirements. City's cannabis consultant reviewed the applications. Five Permit applications were eligible to be sent to the Cannabis Permit Committee (CPC) for review based on specified criteria (Merit List).

The CPC convened on August 2 and 13, 2018 and recommended that two applicants be issued a Permit. At the September 4, 2018 City Council meeting, a resolution to approve the CPC's recommendations based on Merit List criteria was provided for consideration. The City Council upon receipt of CPC recommendations made a final determination and issued two Cannabis Operation Permits (Resolution No. 18-128) based on Merit List factors including one to Focal Strategic Investments, LLC, (Exhibit 2).

The Carson voters by a margin of almost 2:1 at the November 6, 2016 General Municipal Election approved taxes on commercial cannabis activities. Additionally at the September 4, 2018 City Council meeting, a resolution was approved to set the interest rate on unpaid cannabis taxes at 5%, to set commercial cannabis operation tax rates at 18% of proceeds and at \$25 per square foot of cultivation with the intention of securing a total four million dollars over a three year period from individual commercial cannabis centers (four centers maximum) (Resolution No.18-130, (Exhibit 3). According to this Tax Resolution, the foregoing amount can be adjusted upwards in the context of a Development Agreement dependent on the

size of, scope of, and permits under, the operation conducted by a commercial cannabis center.

### Proposed Project

The proposed project would involve the construction of two, one-story buildings totaling 13,357 square feet that would be 20 feet tall up to the top of the parapet. The building to the east of the project site immediately fronting South Main Street is approximately 7,600 square feet and includes a cultivation area, small lobby area, and storage area. The building on the west site of the project site is approximately 5,757 square feet and would include a cultivation area, manufacturing area for manufacturing of cannabis products, and a storage area.

Operation of the proposed project would include cannabis cultivation, harvesting, drying, extraction, packaging, and production of cannabis products. These products would be distributed to licensed facilities and dispensaries eligible to receive such products, in compliance with State of California and the City of Carson laws and regulations. It is anticipated that proposed project would include approximately 29 employees (grower, cultivation employees, extraction managers, sales associates, technical and support staff). With the exception of security personnel who will present at the facility 24/7, other employees including master growers, employees at the proposed project engaged in cultivation, manufacturing operations, and administration would typically be at the facility from 9am to 5pm, Monday through Sunday.

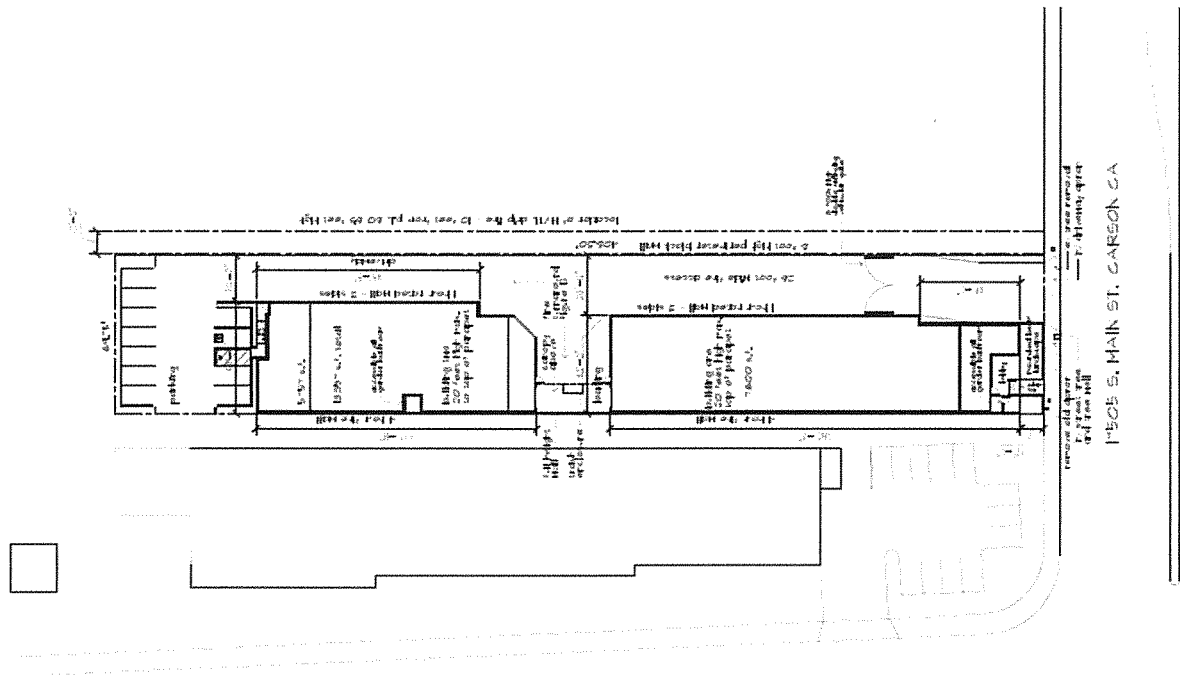
The proposed project could include the following uses:

- Cultivation – involves growing, harvesting, drying, curing, trimming, inspecting and packaging.
- Manufacturing Operations – involves the extraction of tetrahydrocannabinol (THC) from the cannabis plant to produce cannabis oils, waxes, and edibles. Activities associated with manufacturing operations include extraction, post-processing, infusing, inspecting, packaging and labeling.

Access to the project site would be from one driveway (ingress and egress) accessible from South Main Street. The driveway would extend the length of the two buildings from east to west providing access to surface parking for the proposed project located on the east end of the property. Eleven parking spaces would be provided, including one handicapped accessible space. Pedestrian access into the proposed project would be from the lobby area fronting South Main Street. A loading area for deliveries and trash would be located between the two buildings that would be covered by a canopy. An eight-foot double swinging gate near the driveway entrance would limit access to the parking areas and loading areas. Deliveries and pickup of products would be scheduled whenever possible before or after normal hours. Trash would be placed in trash bins secured with a lock placed insides in secured, locked storage areas within the buildings. Any

rejected medicinal cannabis would be destroyed by grinding the cannabis and mixing with compost.

The development is anticipated to occur over 12 months, and construction is scheduled to begin in first quarter 2021.



Conceptual Site Plan

#### Discretionary Approvals Required

The proposed project would be subject to the City of Carson, Ordinance No. 17-1637, which contains conditions necessary for a Commercial Cannabis Operation Permit that includes requirements for operational hours, an odor control plan, a detailed security plan, and a fire safety plan. In order for the proposed project to be approved and in compliance with the City's Municipal Code, the Applicant would be required to obtain the following approvals:

- Development Agreement (DA) – between the City of Carson and Focal Strategies, LLC – subject of this request;
- Zoning Text Amendment (ZTA) to allow commercial cannabis within industrial zones – subject of this request
- Variance (VAR) – to permit reduced parking and front yard setback – subject of this request;
- Mitigated Negative Declaration – subject of this request; and
- Site Plan & Design Review (DOR) – administrative review pursuant to the Development Agreement (to permit final layout and design of the development)

### Development Agreement

State Law allows cities to enter into DAs with private parties. The DA is a legal, binding contract between a city and any person or entity having a legal or equitable interest in a property. The agreement must clearly outline conditions, terms, restrictions and requirements. The DA includes three basic deal points: the term or length of the Agreement, the fees the developer has to pay to the city, and community wide benefits. Once a DA is approved by the City Council, the rules of development for that property cannot change even if the zoning code or other development codes are changed.

Under the Development Agreement Statute, cities have a right to enter agreements with private parties to strengthen the public planning process, encourage private participation in comprehensive planning and reduce the economic risk of development. The Statute authorizes the City to enter into an agreement with any person having a legal or equitable interest in real property providing for the development of such property and establishing certain development rights therein. Development Agreements are often used in large, complex projects and in projects that have a long lead time, multiple phases, or a long development period, in order to give the developer certainty in regards to the entitlements and other governmental actions. There may also be a “business deal” component to a DA, where a city may agree to undertake certain actions to help a project in return for other considerations from a developer, sometimes financial.

### Development Agreement Deal Points

The most important parts of DAs are the financial and non-financial deal points that are agreed upon between the City and the Applicant, (Exhibit 4). There are no established rules or policies when negotiating these deal points as each proposal is unique and should be considered on its own merits. The following provides a brief discussion of each of the deal points:

#### Term

Pursuant to Section 3.1 of the DA, the term of the DA is for 20 years.

#### Cannabis Tax

Pursuant to Section 5.1 of the DA, the applicant is responsible to pay the City a proceeds tax based on the following rates:

- Manufacturing: 18%
- Cultivation: 18% plus \$25.00 per square foot for space utilized as cultivation area
- Distribution: 18%
- Testing: 18%

- City can audit between 3 and 5 years to assess if meeting the expected amount set forth in the Ballot Measure KK and can adjust.

### Public Benefits

CFDs: Developer shall join one or more community facilities districts (“CFDs”) to fund public safety services and infrastructure necessary to serve the Project. Developer shall cooperate and pay for the formation of such CFDs and shall agree to annex into such CFDs when requested by City. The CFDs will levy a special tax on the Site property. The amount of the special tax shall be increased each year based on the percentage change in the Consumer Price Index with a maximum annual increase of five percent (5%) and a minimum annual increase of two percent (2%) per Fiscal Year.

Development Impact Fees: In addition, Developer will pay \$27,114 in Development Impact Fees

Social Justice Programs: Developer and commercial cannabis operations at the Site shall promote equitable business ownership and employment opportunities at the Site in order to decrease disparities in life outcomes for marginalized communities and address the disproportionate impact of the war on drugs on those communities. To these ends, Developer and commercial cannabis operations at the Site shall engage in proactive efforts to hire partners and employees from marginalized communities and/or rehabilitated persons; seek to establish commercial cannabis operations that are diverse and inclusive; and, seek the hiring of otherwise qualified employees who have been arrested for or convicted of minor cannabis-related crimes that would not be considered crimes following the passage of the Adult Use of Marijuana Act (Proposition 64).

Local Hiring: Developer covenants that with respect to the construction, operation and maintenance of the Project and Site, Developer shall cause all solicitations, for full-time, part-time, new or replacement employment relating to the construction, operation and maintenance of the Project and Site, to be advertised in such a manner as to target local City residents, and Developer shall make other reasonable efforts at local employment outreach as City shall approve. Developer shall also notify City of jobs available at the Project and Site such that City may inform City residents of job availability at the Project and Site. Developer shall include in each lease or sale of any portion of the Site, as the case may be, this Local Hiring Program as a guideline for any subtenant, lessee, owner of any portion of the Site, or by any applicant licensed on any portion of the Site

In exchange for these benefits to City and the other public benefits described in the DA, the Developer shall have a vested right to develop the Project on the site in accordance with and to the full extent permitted by the Development Plan which shall exclusively control the development of the Project.

## **V. General Plan & Zoning Consistency**

According to the City's General Plan, Land Use Plan, the project site is designated as Light Industrial, which permits manufacturing, research and development, wholesaling, warehousing and a limited amount of supportive retail and services. The existing zoning on the project site is Manufacturing, Light (ML-D), which permits the storage, wholesale, and manufacturing of products. Commercial cannabis uses are allowed with approval of a DA pursuant to the provisions of the Cannabis Operations Ordinance No. 17-1637.

### **Zoning Text Amendment**

A ZTA is proposed to allow cannabis uses within industrial zones consistent with the provisions of the Cannabis Operations Ordinance No. 17-1637 which allows four cannabis centers in the City as long as they are at least 750' from sensitive uses identified in the Ordinance. The ZTA will require approval of a DA to allow the cannabis uses for this site. With approval of the ZTA, the project would be consistent with the Carson Zoning Ordinance and the General Plan goals and policies and effectuate the establishment of a commercial cannabis use at the proposed site with approval of a DA.

### **Variance**

A Variance is proposed to reduce the number of required parking spaces from 27 to 11 parking spaces; and to reduce the minimum front yard setback from 25 to 10 feet. Pursuant to Carson Municipal Code (CMC) Section 9172.22, a Variance shall be granted only when, because of special circumstances applicable to the property, including size, shape, topography, location or surroundings, the strict application of Section 9162.21 (parking spaces required) and 9146.23 (front yard setback) of the CMC deprives such property of privileges enjoyed by other property in the vicinity and under an identical zoning classification. The site is deemed to have a special circumstance due to its irregular shape, minimal street frontage, and overhead power lines that prevent building a 2-story structure which all limit the developable area including areas necessary for parking and setbacks. The subject site is a long linear parcel of land that is 69.75 feet wide. Because of its irregular width and other reasons mentioned above, development becomes challenging when applying typical site development requirements such as minimum setbacks and parking, building separation, fire access, etc. Therefore, the request for reduced parking and front yard setback is reasonable for this site. The Community Development Director shall have the ability to approve minor modifications if found to meet the intent of the original approval.

## **VI. Environmental Review**

The proposed development is subject to the provisions of the California Environmental Quality Act (CEQA). The City of Carson proposes to adopt a Mitigated Negative Declaration (MND) for the above-referenced project. Such MND is based on the finding that, by implementing the identified mitigation measures,



the project's potentially significant environmental effects will be reduced to levels that are less than significant. The reasons to support such a finding are documented by an Initial Study prepared by the City. Planning Commission makes a recommendation on the MND to City Council and any public comments received at Planning Commission will become part of the public comments in final MND that is presented to the City Council for approval. The Initial Study, the proposed Mitigated Negative Declaration and Mitigated Monitoring/Reporting Program, and supporting materials are attached (Exhibit 5).

## **VII. Public Notice**

Public notice was posted to the project site on October 17, 2018 and advertised in the Our Weekly newspaper on October 18, 2018. Notices were mailed to property owners and occupants within 500 feet on October 17, 2018. The agenda was posted at City Hall 72 hours prior to the Planning Commission meeting.

## **Recommendation**

That the Planning Commission **waive** further reading and **adopt**:

- Resolution No. 18-2649 entitled "A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF CARSON RECOMMENDING CITY COUNCIL ADOPTION OF ORDINANCE NO. 18-\_\_\_\_ TO APPROVE DEVELOPMENT AGREEMENT NO. 17-2018 BY AND BETWEEN THE CITY OF CARSON AND FOCAL STRATEGIC INVESTMENTS, LLC, AND MAKING CERTAIN FINDINGS THEREIN RELATED TO THE PROPOSED CONSTRUCTION OF A COMMERCIAL CANNABIS OPERATION CENTER PURSUANT TO THE CITY OF CARSON CANNABIS OPERATIONS ORDINANCE NO. 17-1637 AND APPROVING VARIANCE NO. 564-2018 TO PERMIT A REDUCTION OF MINIMUM REQUIRED PARKING AND FRONT YARD SETBACK AT 17505 S. MAIN STREET (APN 7339003900) AND RECOMMENDING CITY COUNCIL ADOPTION OF ORDINANCE NO. 18-\_\_\_\_ TO APPROVE ZONING TEXT AMENDMENT NO. 29-2018 TO ALLOW COMMERCIAL CANNABIS USES WITHIN INDUSTRIAL ZONES SUBJECT TO APPROVAL OF A DA PURSUANT TO THE CITY OF CARSON CANNABIS OPERATIONS ORDINANCE NO. 17-1637."

## **VIII. Exhibits**

1. Resolution No. 18-2649
2. Resolution No. 18-128
3. Cannabis Tax Resolution No. 18-130
4. Development Agreement
5. Mitigated Negative Declaration (Under Separate Cover)

**Prepared by:** Ethan Edwards, AICP, Planner

**CITY OF CARSON**  
**PLANNING COMMISSION**

**RESOLUTION NO. 18-2649**

**A RESOLUTION OF THE PLANNING COMMISSION OF THE CITY OF CARSON RECOMMENDING CITY COUNCIL ADOPTION OF ORDINANCE NO. 18-\_\_\_\_ TO APPROVE DEVELOPMENT AGREEMENT NO. 17-2018 BY AND BETWEEN THE CITY OF CARSON AND FOCAL STRATEGIC INVESTMENTS, LLC, AND MAKING CERTAIN FINDINGS THEREIN RELATED TO THE PROPOSED CONSTRUCTION OF A COMMERCIAL CANNABIS OPERATION CENTER PURSUANT TO THE CITY OF CARSON CANNABIS OPERATIONS ORDINANCE NO. 17-1637 AND APPROVING VARIANCE NO. 564-2018 TO PERMIT A REDUCTION OF MINIMUM REQUIRED PARKING AND FRONT YARD SETBACK AT 17505 S. MAIN STREET (APN 7339003900) AND RECOMMENDING CITY COUNCIL ADOPTION OF ORDINANCE NO. 18-\_\_\_\_ TO APPROVE ZONING TEXT AMENDMENT NO. 29-2018 TO ALLOW COMMERCIAL CANNABIS USES WITHIN INDUSTRIAL ZONES SUBJECT TO APPROVAL OF A DA PURSUANT TO THE CITY OF CARSON CANNABIS OPERATIONS ORDINANCE NO. 17-1637.**

WHEREAS, Carson Municipal Code section 615100 provides that before a commercial cannabis center ("cannabis center") may operate in the City of Carson, in addition to being issued a commercial cannabis operation permit (cannabis center), the cannabis center shall apply for and enter into a development agreement with the City setting forth the terms and conditions under which the cannabis center will operate that are in addition to the requirements of Chapter 15 of Article VI of the Carson Municipal Code; and

WHEREAS, Carson Municipal Code section 615100(B)(3) provides that the Planning Commission shall review proposed cannabis center development agreements and provide a recommendation to the City Council to approve, approve with modifications or deny the proposed cannabis center development agreement; and

WHEREAS, Government Code section 65865 authorizes the City to enter into development agreements with any person having a legal or equitable interest in real property; and

**EXHIBIT NO. 1 -**

10

WHEREAS, the City of Carson ("City") and California Processing Company, LLC, a California limited liability company ("Developer"), desire to enter into a statutory development agreement to vest certain land use entitlements and to encourage Developer to undertake the development of approximately 0.66 net acres of real property with an address of 17505 South Main Street, Assessor Parcel No. 7339-033-900, ("Site"); and

WHEREAS, Developer proposes to develop the Site through the construction of two one-story buildings totaling 13,557 square feet, which will be used for commercial cannabis operations including cultivation of cannabis, manufacturing of cannabis products, and storage of residual materials from cannabis cultivation ("Project"); and

WHEREAS, Developer has proposed to enter into a development agreement concerning the Project to provide assurances that the Project can proceed without disruption caused by a change in the City's planning policies and requirements, except as provided in a development agreement, which assurance will thereby reduce the actual or perceived risk of planning for and proceeding with development of the Project; and

WHEREAS, the Planning Commission determines that by entering into the Development Agreement that: (i) the City will promote orderly growth and quality development of the Site in accordance with the goals and policies set forth in the General Plan; and (ii) significant benefits will be created for City residents and the public generally; and

WHEREAS, On November 21, 2017 the Carson City Council adopted Ordinance No. 17-1637 to add Chapter 15 (Commercial Cannabis Operations Regulatory Program) to Article VI of the Carson Municipal Code, which authorizes no more than four (4) commercial cannabis centers, which may include indoor cultivation, mixed-light cultivation, manufacturing, testing and/or (wholesale) distribution; and

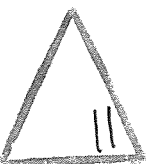
WHEREAS, On September 4, 2018, the Carson City Council in compliance with Chapter 15 of Article VI of the Carson Municipal Code approved the issuance of one (1) commercial cannabis operation permit (cannabis center) to Developer; and

WHEREAS, City staff has prepared and the Developer has reviewed and has concurred with the terms and conditions of Development Agreement No. 17-2018 as set forth in Exhibit "A," and incorporated herein by this reference (the "Development Agreement"); and

WHEREAS, the provisions of the proposed Development Agreement are consistent with the General Plan and contains all necessary elements required by Government Code section 65864 et seq. and Section 615100 of the City of Carson Municipal Code; and

WHEREAS, the City and Developer have reached mutual agreement and desire to voluntarily enter into the Development Agreement to facilitate development of the Site subject to conditions and requirements set forth therein; and

WHEREAS, the Project has been the subject of an Initial Study pursuant to the California Environmental Quality Act ("CEQA"), which adequately describes the Project



and its potential impacts, as well as the impacts potentially resulting from the approval of the Project for the purposes of CEQA, and that Initial Study and its accompanying Mitigated Negative Declaration have been completed as set forth in Exhibit "B," and incorporated herein by this reference (the "IS/MND"); and

WHEREAS, According to the City's General Plan, Land Use Plan, the Site is designated as Regional Commercial, which includes uses intended to offer a wide range of services to both the community and the region; and

WHEREAS, the Developer has made a request for Zone Text Amendment No. 29-2018 ("ZTA") to allow cannabis uses within industrial zones consistent with the provisions of City of Carson Ordinance No. 17-1637 (which allows four cannabis centers in the City as long as they are at least 750' from sensitive uses identified in the Ordinance) upon approval of a development agreement to allow the specific proposed cannabis uses; and

WHEREAS, with approval of the ZTA, the Project will be consistent with the Carson Zoning Ordinance and effectuate the establishment of a commercial cannabis use at the proposed site with approval of the Development Agreement; and

WHEREAS, on October 30, 2018, the Planning Commission, held a duly noticed public hearing, as required by law, on the Development Agreement, the IS/MND, the Variance and ZTA, took testimony, at which time it received input from staff, the city attorney, and the applicant; heard public testimony; discussed the proposed Development Agreement, the proposed IS/MND, the proposed Variance, and the proposed ZTA; and closed the public hearing; and

WHEREAS, the terms and conditions of the Development Agreement have undergone review by the Planning Commission at a publicly noticed hearing and have been found to be fair, just, and reasonable, and consistent with the City's policies, the General Plan and Chapter 15 of Article VI of the Carson Municipal Code; and

WHEREAS, the Planning Commission has determined that the provisions of the Development Agreement are: (i) consistent with the goals, objectives, and policies of the general plan and any applicable specific plan, (ii) compatible with the uses authorized in and the regulations prescribed for the zoned district in which the real property is located, (iii) will not be detrimental to the health, safety, environmental quality, and general welfare of the community, (iv) will not adversely affect the orderly development of property or the preservation of property values, and (v) provides for a reasonable penalty for any violation of the development agreement; and

WHEREAS, the Planning Commission has determined that for purposes of CEQA the proposed Project will not have a significant effect on the environment because the proposed mitigation measures in the IS/MND reduce all potentially significant impact to less than significant, and all of the proposed mitigation measures in the IS/MND have been incorporated into the Development Agreement; and

WHEREAS, the Planning Commission has determined that the proposed Variance is consistent with the General Plan and applicable City Ordinances, and based on its own independent judgment, finds that Variance No. 564-2018 promotes and

protects the health, safety, welfare, and quality of life of City residents, including protection against nuisances; and

WHEREAS, all legal prerequisites to the adoption of this Resolution have occurred; and

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CARSON DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:**

**Section 1.** That the recitals set forth above are true and correct and incorporated herein by this reference.

**Section 2.** An application was duly filed by the applicant with respect to real property located at 17505 S. Main Street in the City of Carson (APN 7339003900), requesting approval of Development Agreement No. 17-2018 to consider the an agreement between the City of Carson and Focal Strategic Investments, LLC, pursuant to the City of Carson Cannabis Operations Ordinance No. 17-1637, and Variance No. 564-2018 to permit a reduction of minimum required parking and front yard setback.

**Section 3.** A Planning Commission meeting was duly held on October 30, 2018 meeting date, at 6:30 P.M. at City Hall, Council Chambers, 701 East Carson Street, Carson, California, for consideration of the aforementioned applications at duly noticed public hearing in accordance with the provisions of the Government Code and Carson Municipal Code, to receive and consider all public comment on the Project, the proposed development agreement, and the proposed zoning text amendment, and a notice of time, place and purpose of the aforesaid meeting was duly given.

**Section 4.** Based on substantial evidence presented to the Planning Commission during the public hearing conducted with regard to the Development Agreement, including written staff reports, verbal testimony, site plans, and the exhibits stated herein, the Planning Commission hereby determines that the Development Agreement is authorized by and satisfies the requirements of Government Section Code 65864 through 65869.5 and Section 615100 of the City of Carson Municipal Code.

**Section 3.** With respect to the Development Agreement No. 18-2018, the Planning Commission finds that:

- a) The Development Agreement is consistent with the goals, objectives and policies of the City's General Plan.
- b) The Development agreement supports General Plan goal ED-4, "Maintain and increase net fiscal gains to the City."
  - i. Evidence: annual revenues to the City for its general fund of no less than \$1,000,000 in the first year of the cannabis center's operation, \$1,250,000 in the second year of the cannabis center's operation,

\$1,750,000 in the third year of the cannabis center's operation, and thereafter \$1,750,000 + CPI annually.

- ii. Evidence: payment of development impact fees of approximately \$27,114 to the City to mitigate Project impacts on the City's infrastructure, including but not limited to, any or all of the following: Traffic and circulation (roads, sidewalks, and signals); Public Safety (Fire and Sheriff's stations); Parks and open space (park land/improvements and trails and bikeways); Library; Noise (sound walls); Flood control and stormwater.
  - iii. Evidence: agreement to annex Site into one or more community facilities districts ("CFDs") to fund public safety services and infrastructure necessary to serve the Project, the Site and the public. The CFDs will levy a special tax on the Site property. The amount of the special tax shall be increased each year based on the percentage change in the Consumer Price Index with a maximum annual increase of five percent (5%) and a minimum annual increase of two percent (2%) per Fiscal Year.
- c) The Development Agreement supports General Plan goal LU-6.6, "Attract land uses that generate revenue to the City of Carson, while maintaining a balance of other community needs such as housing, open space, and public facilities."
- i. Evidence: the proposed project would include annual revenue to the City's general fund as specified in the Development Agreement while maintaining a balance of other community needs by developing an underutilized site without negatively impacting housing, open space and public facilities.
- d) The Development Agreement supports General Plan goal ED-3.4, "Encourage development opportunities that increase economic gains to the City."
- i. Evidence: the proposed project includes the construction of an approximately 13,557 sq. ft. building for commercial cannabis operations that will be a source of revenue as specified in the Development Agreement.
- e) The Development Agreement is compatible with the uses authorized in and the regulations prescribed for the zoned district in which the real property is located.

- i. Evidence: with approval of the DA, the proposed cannabis use is found consistent with the provisions of the Cannabis Operations Ordinance No. 17-1637 which allows up to four cannabis centers in the City as long as they are at least 750' from sensitive uses identified in the Ordinance.
- f) The Development Agreement will not be detrimental to the health, safety, environmental quality, and general welfare of the community.
  - i. Evidence: cannabis uses will be subject to the provisions of the Cannabis Operations Ordinance No. 17-1637.
  - ii. Evidence: compliance with all mitigation measures from a California Environmental Quality Act initial study and mitigated negative declaration prepared for the Project.
  - iii. Evidence: compliance with strict standards contained in both Chapter 15 of Article VI of the Carson Municipal Code as well as State law, including odor control, security guards, security cameras, alarm systems, heightened site management requirements concerning nuisances and waste disposal, no Site access to the general public, and procedures for the non-diversion of cannabis and cannabis products.
  - iv. Evidence: agreement to annex Site into one or more community facilities districts ("CFDs") to fund services such as public safety and maintenance of infrastructure necessary to serve the Project. The CFDs will levy a special tax on the Site. The amount of the special tax shall be increased each year based on the percentage change in the Consumer Price Index with a maximum annual increase of five percent (5%) and a minimum annual increase of two percent (2%) per Fiscal Year.
  - v. Evidence: payment of development impact fees of approximately \$27,114 to the City to mitigate Project impacts on the City's infrastructure, including but not limited to, any or all of the following: Traffic and circulation (roads, sidewalks, and signals); Public Safety (Fire and Sheriff's stations); Parks and open space (park land/improvements and trails and bikeways); Library; Noise (sound walls); Flood control and stormwater.
- g) The Development Agreement will not adversely affect the orderly development of property or the preservation of property values.

- i. Evidence: the DA will effectuate the establishment of a commercial cannabis use at the proposed site and will not negatively affect property values.
- h) The Development Agreement Provides for a reasonable penalty for any violation of the Development Agreement.
  - i. Evidence: the Development Agreement provides for notice, cure and termination procedures for failure to perform any material duty or obligation.
  - ii. Evidence: the Development Agreement provides that In the event the Developer fails to perform any monetary obligation under the Agreement, City may sue for the payment of such sums to the extent due and payable. The Developer shall pay interest thereon at the higher of: (i) ten percent (10%) per annum, or (ii) the maximum rate permitted by law, from and after the due date of the monetary obligation until payment is actually received by the City.
- i) The Development Agreement Provides for public benefits.
  - i. Evidence: the Development Agreement provides for social justice programs such as equitable business ownership and employment opportunities.
  - ii. Evidence: the Development Agreement provides local hiring program with respect to the construction, operation and maintenance of the Project and Site.

**Section 4.** With respect to the Variance No. 564-2018, the Planning Commission finds that:

- a) Due to special circumstances applicable to the property, including size, shape, topography, location and surroundings, the strict application of Section 9162.21 (parking spaces required) and 9146.23 (front yard setback) deprives the property of privileges enjoyed by other property in the vicinity and under identical zoning classification.
- b) The site is deemed to have a special circumstance due to its irregular shape, minimal street frontage, and overhead power lines that prevent building a 2-story structure which all limits the developable area including areas necessary for parking and setbacks.



Evidence: The subject site is a long linear parcel of land that is 69.75 feet wide. Because of its irregular width, minimal street frontage, and powerlines that prevent building a 2-story structure, development becomes challenging when applying typical site development requirements such as minimum setbacks and parking, building separation, fire access, etc. Therefore, the request for reduced parking and front yard setback is reasonable for this site.

- c) The Variance shall be deemed null and void if the Development Agreement is not approved or does not become effective.
- d) The Community Development Director shall have the ability to approve minor modifications if found to meet the intent of the original approval.

**Section 5.** With respect to the Text Amendment No. 29-2018, the Planning Commission finds that:

- a) The Planning Commission of the City of Carson has reviewed Text Amendment No. 29-2018 and hereby finds it is consistent with the General Plan and applicable City Ordinances.
- b) The Planning Commission of the City of Carson, based on its own independent judgment, finds that Text Amendment No. 29-2018 promotes and protects the health, safety, welfare, and quality of life of City residents, including protection against nuisances.

**Section 6.** The Planning Commission, exercising their independent judgment, finds that the development permitted by the proposed project will not have a significant effect on the environment as indicated in the Initial Study and Mitigated Negative Declaration prepared pursuant to the provisions of the California Environmental Quality Act (CEQA), and that the Development Agreement adopts all of the recommended mitigation measures.

**Section 7.** Based on the entire record before the Planning Commission, all written and oral evidence presented to the Planning Commission, and the aforementioned findings, the Commission hereby approves Variance No. 564-2018 and recommends City Council approve Development Agreement No. 17-2018, and the Mitigated Negative Declaration associated with the Project with respect to the property described in Section 2 hereof, and Zoning Text Amendment 29-2018 with respect to Industrial zones within the City.

**Section 8.** The Secretary shall certify to the adoption of the Resolution and shall transmit copies of the same to the applicant.

**Section 9.** The approval of the Variance shall become final and effective fifteen days after the adoption of this Resolution unless within such time an appeal is



filed with the City Clerk in accordance with the provisions of the Carson Zoning Ordinance or the Development Agreement is not approved or does not become effective.

**PASSED, APPROVED AND ADOPTED THIS 30<sup>th</sup> DAY OF OCTOBER, 2018**

\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
**CHAIRPERSON**

**ATTEST:**

\_\_\_\_\_  
**SECRETARY**

**RESOLUTION NO. 18-128**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, APPROVING COMMERCIAL CANNABIS OPERATION PERMIT (CANNABIS CENTER) NO. 02-18 (17505 S. MAIN STREET) AND COMMERCIAL CANNABIS OPERATION PERMIT (CANNABIS CENTER) NO. 04-18 (2403 E. 223<sup>RD</sup> STREET) BASED ON THE CANNABIS PERMIT COMMITTEE'S RECOMMENDATIONS AND MERIT LIST CRITERIA.**

**WHEREAS**, in 1996 California voters approved Proposition 215, the Compassionate Use Act ("CUA"), codified as Section 11362.5 of the Health and Safety Code, to exempt certain patients and their primary caregivers from criminal liability under state law for the possession and cultivation of cannabis for medical purposes; and

**WHEREAS**, in 2003 the California legislature enacted Senate Bill 420, the Medical Marijuana Program Act ("MMPA"), codified as Sections 11362.7, *et seq.*, of the Health & Safety Code, and as later amended, to clarify the scope of the Compassionate Use Act of 1996 relating to the possession and cultivation of cannabis for medical purpose, and to authorize local governing bodies to adopt and enforce laws consistent with its provisions; and

**WHEREAS**, in October 2015, the State of California adopted AB 266, AB 243, and SB 643, collectively referred to as the Medical Cannabis Regulation and Safety Act ("MCRSA"), which established a comprehensive regulatory and licensing scheme for commercial medical cannabis operations; and

**WHEREAS**, at the November 8, 2016 general election, the Control, Regulate and Tax Adult Use of Marijuana Act ("AUMA") was approved by California voters as Proposition 64, which established a comprehensive regulatory and licensing scheme for commercial recreational (adult use) cannabis operations, and which also legalized limited personal adult use cannabis use, possession, and cultivation; and

**WHEREAS**, on June 27, 2017 Governor Brown signed Senate Bill 94, the Medicinal and Adult Use Cannabis Regulation and Safety Act ("MAUCRSA"), which merged the regulatory regimes of MCRSA and AUMA; and

**WHEREAS**, the MAUCRSA provides that the State of California will begin issuing licenses in 2018 for both medical and adult use cannabis businesses; and

**WHEREAS**, the MAUCRSA, Section 26200 of the Business & Professions Code provides for the issuance of a local license, permit or authorization for the medical and adult use cannabis businesses authorized by MAUCRSA; and

**WHEREAS**, the MAUCRSA, Section 26200(a)(1) of the Business & Professions Code, provides that local jurisdictions may adopt and enforce local ordinances to regulate any or all of the medical and adult use business operations to be licensed by the state under Section 26050 of the Business & Professions Code, including, but not limited to, local zoning and land use requirements; and

**WHEREAS**, the MAUCRSA, Section 26055(d) of the Business & Professions Code, provides that a state commercial cannabis license may not be issued to an applicant whose operations would violate the provisions of any local ordinance or regulation; and

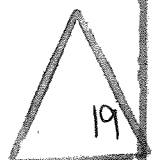
**WHEREAS**, the MAUCRSA, Section 26201 of the Business & Professions Code, provides that any standards, requirements, and regulations regarding health and safety, environmental protection,

**RESOLUTION NO. 18-128**

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**EXHIBIT NO. 2 -**



testing, security, food safety, and worker protections established by the state for the medical and adult use business operations to be licensed by the state under Business & Professions Code § 26050, shall be the minimum standards, and a local jurisdiction may establish additional standards, requirements, and regulations; and

**WHEREAS**, on November 21, 2017 the Carson City Council adopted Ordinance No. 17-1637 which added Chapter 15 (Commercial Cannabis Operations Regulatory Program) to Article VI of the Carson Municipal Code; and

**WHEREAS**, Chapter 15 of Article VI of the Carson Municipal Code authorizes no more than four (4) commercial cannabis centers, which may include indoor cultivation, mixed-light cultivation, manufacturing, testing and/or (wholesale) distribution; and

**WHEREAS**, the City invited applications for issuance of a commercial cannabis operation permit (cannabis center) pursuant to Chapter 15 of Article VI of the Carson Municipal Code through the City's website and closed the application period on June 14, 2018; and

**WHEREAS**, 6 applications were filed with the City by the June 14, 2018 deadline;

**WHEREAS**, the City reviewed the information contained in the applications to determine whether the applicants met the minimum qualifications for a commercial cannabis center permit, and thereupon the City determined that all six permit applications were compliant with the minimum qualifications for issuance of a commercial cannabis center permit; and

**WHEREAS**, HdL Companies has developed a cannabis management program, has extensive knowledge in the area of cannabis regulation, and is available to assist local government agencies with review of applications for commercial cannabis operation permits; and

**WHEREAS**, the City retained HdL Companies as a cannabis consultant; and

**WHEREAS**, the City's cannabis consultant HdL Companies reviewed all applications, and based on initial application submittals ranked all applications; and

**WHEREAS**, supplemental documentation was subsequently received by the City from applicants which was not factored into the HdL rankings; and

**WHEREAS**, the City's cannabis consultant HdL Companies summarized each application, including supplemental documentation, and generated a written report on each application; and

**WHEREAS**, a Cannabis Permit Committee was formed to make recommendations to the City Council regarding cannabis applications based upon adherence to Merit List criteria contained in Section 15.080 of Chapter 15 of Article VI of the Carson Municipal Code ("Merit List"); and

**WHEREAS**, on August 2 and 13, 2018 the Cannabis Permit Committee held two meetings to review five of the six applicants for a commercial cannabis operation permit (cannabis center), with one of the original six applicants being disqualified from review for failure to pay application fees; and

**WHEREAS**, the Cannabis Permit Committee was provided the submitted applications and the written reports and rankings prepared by the City's cannabis consultant HdL Companies, and the Cannabis Permit Committee interviewed business principals of each applicant; and

**WHEREAS,** the Cannabis Committee recommended approval of two applications to the City Council based on the Merit List Criteria; and

**WHEREAS,** on September 4, 2018, the Carson City Council considered the Cannabis Permit Committee recommendations, written reports prepared by the City's cannabis consultant HdL Companies, detailed minutes of the Cannabis Permit Committee meetings, and the merits of the five applicants interviewed by the Cannabis Permit Committee on basis of the Merit List criteria; and

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CARSON DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:**

**Section 1.** That the recitals set forth above are true and correct and incorporated herein by this reference.

**Section 2.** Six applications were duly filed by the following applicants requesting approval and issuance of a Commercial Cannabis Operation Permit (Cannabis Center) as provided for in Chapter 15 of Article VI of the Carson Municipal Code:

- Focal Strategic Investments, LLC (Eric Son) – Commercial Cannabis Operation Permit No. 02-18 (17505 S. Main St.)
- California Green (Todd Parkin) – Commercial Cannabis Operation Permit No. 04-18 (2403 E. 223rd St.)
- Veridon Investments (Timothy Kim) – Commercial Cannabis Operation Permit 03-18 (20400 S. Main St.)
- Rose Gold Extracts (Matthew Goodman) – Commercial Cannabis Operation Permit No. 01-18 (20432-20432 S. Santa Fe Ave.)
- EEL Holdings (Elliot Lewis) – Commercial Cannabis Operation Permit No. 06-18 (17050-17100 S. Margay Ave.)
- The Green of Lyfe (Omar Kelly) – Commercial Cannabis Operation Permit No. 05-18 (21176 Alameda St.)

**Section 3.** The six applications were found by the Director of Community Development to be in compliance with the minimum qualifications for a Commercial Cannabis Operation Permit, being the requirements of Chapter 15 of Article VI of the Carson Municipal Code (CMC), the CMC, and applicable State law.

**Section 4.** The six applications were reviewed by HdL Companies for completeness and compliance with Chapter 15 of Article VI of the Carson Municipal Code and ranked each application based on Merit List Criteria.

**Section 5.** Commercial Cannabis Operation Permit No. 05-18 (21176 Alameda St.) applicant failed to provide City the required deposit fee to continue processing and was therefore deemed withdrawn.

**Section 6.** Applicants were required to demonstrate adherence to Merit List criteria specified in CMC Section 15.080(G) and listed below:

1. Operation plan for the business, including attention to community concerns about the impact of the business.
2. Security plan for the business, including details for the nondiversion of cannabis or cannabis products to illegal uses.
3. Health and safety plan for the business, including enhanced product and operations health and safety (e.g., use of pesticides, sanitation, disposal of waste products).
4. Impact on the environment (e.g., refuse disposal, utility usage).
5. Neighborhood compatibility (e.g., compatibility with surrounding uses).
6. Employment opportunities for City of Carson residents.
7. Economic benefits to the City of Carson.
8. Community benefits to the City of Carson, including but not limited to plans for community engagement and programs.
9. Experience of the operators, managers and employees, including professional backgrounds (e.g., horticulture, chemistry).
10. Capitalization of the business.
11. Educational plans (e.g., youth anti-drug programs).
12. Promotion of equitable business ownership and employment opportunities which decrease disparities for marginalized communities, and address for marginalized communities the disproportionate impact of past criminalization of cannabis activities which are now lawful under State law.
13. Requirements of this Chapter, this Code and applicable State law.
14. Any additional criteria the Cannabis Permit Committee determines is of benefit to making a determination of the applicant's commitment to the health, safety and welfare of the residents and visitors of the City of Carson.

**Section 7.** A Cannabis Permit Committee (CPC) composed of the Director of Community Development, the Fire Captain, the Finance Director, the City Manager, a medical cannabis specialist, a community member, and a representative from the Los Angeles County Public Health Department (and/or their delegates) convened on August 2, 2018 and August 13, 2018. The Cannabis Permit Committee reviewed the thoroughness of the applicant's adherence to the Merit List Criteria specified in CMC 15.080(G). Upon majority vote, the Cannabis Permit Committee selected the following applications to recommend approval for City Council consideration:

- Focal Strategic Investments, LLC (Eric Son) – Commercial Cannabis Operation Permit (Cannabis Center) No. 02-18 (17505 S. Main St.)
- California Green (Todd Parkin) – Commercial Cannabis Operation Permit (Cannabis Center) No. 04-18 (2403 E. 223rd St.)

**Section 8.** A public meeting of the City Council was held on September 4, 2018, at 5:00 P.M. at City Hall, Council Chambers, 701 East Carson Street, Carson, California at a regularly scheduled City Council meeting to consider the Cannabis Permit Committee's recommendations and to consider whether or not to issue Commercial Cannabis Operation Permit(s) (Cannabis Center) pursuant to the requirements of Chapter 15 of Article VI of the Carson Municipal Code. A notice of time, place and purpose of the aforesaid public meeting was duly given. The City Council determines that the evidence to be considered for its decision on whether or not to issue a Commercial Cannabis Operation Permit (Cannabis Center) shall be the reviews prepared by City staff and City consultants, reports from the Cannabis Permit Committee, and any reports provided by City staff.

**Section 9.** Each application has been considered by the City Council in its totality with weight given to one criterion in the Merit List over another as determined appropriate by the City Council to further the maintenance and promotion of the health, safety and welfare of the residents and visitors of the City of Carson.

**Section 10.** In regards to Commercial Cannabis Operation Permit (Cannabis Center) No. 02-18, the City Council finds that a Commercial Cannabis Operation Permit (Cannabis Center) will be issued, based on evaluation of Merit List Criteria within the applications, application reviews, and Cannabis Permit Committee recommendations, including specifically for the following reasons:

- a. The application was preliminarily ranked Number 1 by the City's cannabis consultant based on Merit List criteria.
- b. With regard to funding concerns, the principals themselves will be able to provide the capital necessary with no outside investors.
- c. The applicant provided the most comprehensive CPC presentation covering all of the Merit List criteria.
- d. Overall, the application materials and applicant demonstrated a high level of capability and aptitude for compliance.

**Section 11.** In regards to Commercial Cannabis Operation Permit (Cannabis Center) No. 04-18, the City Council finds that a Commercial Cannabis Operation Permit (Cannabis Center) will be issued, based on evaluation of Merit List Criteria within the applications, application reviews, and Cannabis Permit Committee recommendations, including specifically for the following reasons:

- a. With regard to experience and management team, they have demonstrated successful presence within the industry since 2006.
- b. With regard to their strategic goals, operational plan, and guarantee of funding, the applicant provided a draft Development Agreement to initiate the process of developing a plan.
- c. Overall, the application materials and applicant demonstrated a high level of capability and aptitude for compliance.

**Section 12.** In regards to Commercial Cannabis Operation Permit (Cannabis Center) No. 03-18, the City Council finds that a Commercial Cannabis Operation Permit (Cannabis Center) will not be issued at this time, based on evaluation of Merit List Criteria within the applications, application reviews, and Cannabis Permit Committee recommendations, including specifically for the following reasons:

- a. During the CPC presentation, the applicant explained that the capital raised for this venture was going to be returned to the investors due to the complexity, cost and potentially long duration to obtain land use entitlements.
- b. At time of the CPC meeting, the applicant's acquisition of the proposed property site was speculative.
- c. The principal Timothy Kim was not in attendance for the CPC meeting.

**Section 13.** In regards to Commercial Cannabis Operation Permit (Cannabis Center) No. 01-18, the City Council finds that a Commercial Cannabis Operation Permit (Cannabis Center) will not be issued at this time, based on evaluation of Merit List Criteria within the applications, application reviews, and Cannabis Permit Committee recommendations, including specifically for the following reasons:

- a. CPC determined during the applicant's presentation he did not provide sufficient details and information regarding security, operations, community involvement, and health and safety plan, impact on the environment, and employment opportunities.
- b. Staff requested additional information from the applicant to supplement the original application. However, the applicant declined this opportunity.
- c. Applicant failed to disclose specific or projected economic benefits to the City.

**Section 14.** In regards to Commercial Cannabis Operation Permit (Cannabis Center) No. 06-18, the City Council finds that a Commercial Cannabis Operation Permit (Cannabis Center) will not be issued at this time, based on evaluation of Merit List Criteria within the applications, application reviews, and Cannabis Permit Committee recommendations, including specifically for the following reasons:

- a. The CPC expressed concern that the applicant was not prepared to present the proposal because (admittedly) they did not put forth a concerted effort due to the unknown tax rate.
- b. The CPC had concern about the lack of specificity even after the City re-opened/extended the submittal deadline in an effort to garner more information from the applicant.

**Section 15.** The City Council finds that issuance of Commercial Cannabis Operation Permit Nos. 02-18 and 04-18 are not subject to the California Environmental Quality Act ("CEQA"). Pursuant to the provisions of Section 15060(c)(2-3) of the CEQA Guidelines, and provisions of Section 15061(b)(3) of the CEQA Guidelines in the unlikely event that the issuance of the permits were to be considered a project for purposes of CEQA analysis, it can be seen with certainty that the issuance of the permits will not result in a direct or reasonably foreseeable indirect physical change in the environment, and that there is no possibility of a significant effect on the environment because of the issuance of the permits. CEQA will be evaluated as part of the required Development Agreement for each application.

**Section 16.** The determinations made herein by the City Council are final and not appealable to any City body.


**Section 17.** The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.


**Section 18.** This Resolution shall be effective immediately upon passage and adoption.

**PASSED, APPROVED AND ADOPTED** by the City Council of the City of Carson, California, at a regular meeting held on the 4<sup>th</sup> day of September, 2018.

APPROVED AS TO FORM:

CITY OF CARSON:

  
Sunny K. Soltani, City Attorney

  
Albert Robles, Mayor

RESOLUTION NO. 18-128

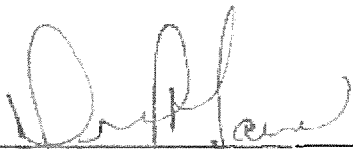

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ATTEST:

  
\_\_\_\_\_  
Donesia Gause-Aldana, MMC, City Clerk  


STATE OF CALIFORNIA           )  
COUNTY OF LOS ANGELES    ) ss.  
CITY OF CARSON                )

I, Donesia Gause-Aldana, City Clerk of the City of Carson, California, hereby attest to and certify that the foregoing resolution, being Resolution No. 18-128, adopted by the City of Carson City Council at its meeting held on September 4, 2018, by the following vote:

AYES:           COUNCIL MEMBERS:   Robles, Hilton, Santarina  
NOES:           COUNCIL MEMBERS:   Davis-Holmes, Hicks  
ABSTAIN:       COUNCIL MEMBERS:   None  
ABSENT:        COUNCIL MEMBERS:   None

  
\_\_\_\_\_  
Donesia Gause-Aldana, MMC, City Clerk  


**RESOLUTION 18-130**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, SETTING THE INTEREST RATE ON UNPAID CANNABIS TAXES PURSUANT TO SECTION 61340(A) OF CHAPTER 13 OF ARTICLE VI OF THE CARSON MUNICIPAL CODE, AND SETTING THE TAX RATE ON CANNABIS RELATED BUSINESS ACTIVITIES PURSUANT TO SECTIONS 61320(A-B) OF CHAPTER 13 OF ARTICLE VI OF THE CARSON MUNICIPAL CODE**

**WHEREAS**, a General Municipal Election was held in the City of Carson, California, on November 8, 2016, at which a ballot measure was submitted to the voters concerning the adoption of a proposed ordinance for both the imposition of a tax of 18% of proceeds (total revenue) of commercial operations conducting retail sales, wholesale distribution, cultivation, manufacture, transportation, or testing of cannabis, as well as the imposition of an annual tax of twenty-five dollars (\$25) per square foot of space utilized as cannabis cultivation area, which is codified under Chapter 13 of Article VI of the Carson Municipal Code ("Measure KK"); and

**WHEREAS**, Measure KK was overwhelmingly approved by the voters with 19,835 voting yes and 10,972 voting no; and

**WHEREAS**, Section 61340(A) of Chapter 13 of Article VI of the Carson Municipal Code ("CMC") provides that any person who fails or refuses to pay City cannabis taxes shall pay "interest on the unpaid Tax calculated from the due date of the Tax at a rate established by resolution of the City Council" and "interest on the unpaid penalties calculated at the rate established by resolution of the City Council"; and

**WHEREAS**, the City Council now desires to set the interest rate on unpaid City cannabis taxes, and the interest rate on unpaid penalties (for unpaid City cannabis taxes), at 5% per annum or fractional part thereof; and

**WHEREAS**, Section 61320(B) of Chapter 13 of Article VI of the CMC provides that the City Council "may establish exemptions, incentives, or other reductions, and penalties and interest charges or determinations of tax due for failure to pay the tax in a timely manner,"; and

**WHEREAS**, the City Council now desires to set the cannabis operations tax rate authorized by Section 61310(B) of Chapter 13 of Article VI of the CMC at 18% for manufacturing, 18% for (wholesale) distribution, 18% for testing, and 18% for cultivation; and

**WHEREAS**, the City Council now desires to set the cannabis cultivation tax rate authorized by Section 61310(A) of Chapter 13 of Article VI of the CMC at twenty-five dollars (\$25) per square foot for space utilized as cannabis cultivation area, with annual CPI adjustments; and

**WHEREAS**, the ballot label question presented to voters for Measure KK estimated that tax revenues to the City from cannabis business activities would range from \$500,000 to \$3,500,000 annually; and

**WHEREAS**, the Los Angeles County area Consumer Price Index (CPI) average (i.e., inflation) from the passage of Measure KK on November 6, 2016 through mid-2018 has averaged approximately 3.3%, and thus by 2019 estimated commercial cannabis tax revenues based on analysis from the Measure KK ballot label are from approximately \$530,000 to \$3,725,000 annually; and

**WHEREAS**, Chapter 15 of Article VI of the Carson Municipal Code provides that only four commercial cannabis centers will be authorized within the City; and

**WHEREAS**, based on the Measure KK ballot label question tax revenue estimates, each of the four commercial cannabis centers is expected annually to generate up to approximately \$1,000,000 in tax revenue for the City during each cannabis center's first year of operations; and

**WHEREAS**, reasonably each commercial cannabis center in its second year of operation can be expected to generate \$1,250,000 in tax revenue for the City, reasonably each commercial cannabis center in its third year of operation can be expected to generate \$1,750,000 in revenue for the City, totaling \$4,000,000 in total tax revenue to the City from each commercial cannabis center by the end of the third year of operation, and reasonably thereafter each commercial cannabis center is expected to continue generating additional and increasing cannabis tax revenues for the City; and

**WHEREAS**, the City seeks assurances this tax revenue generated from the four commercial cannabis centers will be available in the general fund for years to come, and a guarantee of annual amounts of tax revenue from each commercial cannabis center is desired by the City; and

**WHEREAS**, the City Council intends and desires that the provisions of this resolution shall be memorialized in any development agreement entered into by a commercial cannabis operation with the City; and

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF CARSON, CALIFORNIA, DOES HEREBY RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:**

**Section 1.** That the recitals set forth above are true and correct and incorporated herein by this reference.

**Section 2.** That, pursuant to the authority provided by Section 61320(B) of Chapter 13 of Article VI of the Carson Municipal Code, the City Council hereby establishes the tax rate imposed upon the proceeds of commercial cannabis operations engaged: in manufacturing shall be 18% of proceeds; in (wholesale) distribution shall be 18%; in testing shall be 18%; and, in cultivation shall be 18%.

**Section 3.** That, pursuant to the authority provided by Section 61320(A) of Chapter 13 of Article VI of the Carson Municipal Code, the City Council hereby establishes the annual tax rate imposed upon the square foot for space utilized by commercial cannabis cultivation operations shall be twenty-five dollars (\$25), the flat per square foot tax rate adjusted annually on July 1 after the date of tax approval by the voters, and then July 1 of each succeeding year, based on the Consumer Price Index ("CPI") for all urban consumers in the Los Angeles-Riverside-Orange County areas as published by the United States Government Bureau of Labor Statistics.

**Section 4.** That, pursuant to estimates in the ballot label question for Measure KK of tax revenue to be generated from commercial cannabis tax centers, each commercial cannabis center shall

annually remit through the taxes provided herein a total cannabis tax revenue to the City: in the first year of operation of \$1,000,000 each; in the second year of operation of \$1,250,000 each; in the third year of operation of \$1,750,000 each; and, thereafter annually from each the amount remitted the prior year, adjusted upwards based on the Consumer Price Index ("CPI") for all urban consumers in the Los Angeles-Riverside-Orange County areas as published by the United States Government Bureau of Labor Statistics. The foregoing amounts suffice for liability under Chapter 13 of Article VI of the Carson Municipal Code. The foregoing amounts will be adjusted upwards in the context of a development agreement dependent on the size of, scope of, and permits under, the operation conducted by a commercial cannabis center.

**Section 5.** That, pursuant to the authority provided by Section 61340(A) of Chapter 13 of Article VI of the Carson Municipal Code, the City Council hereby establishes the interest rate for unpaid City taxes on commercial cannabis operations, and for unpaid penalties concerning such unpaid City taxes, are both set at 5% per annum or fractional part thereof.


**Section 6.** The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original Resolutions.

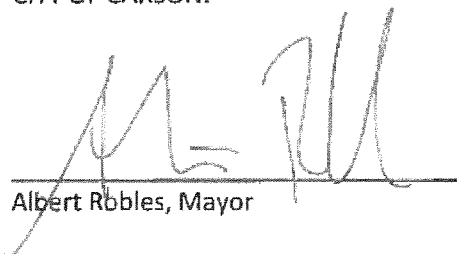
**Section 7.** This Resolution shall be effective immediately upon passage and adoption.

**PASSED, APPROVED AND ADOPTED** by the City Council of the City of Carson, California, at a regular meeting held on the 4<sup>th</sup> day of September, 2018.

APPROVED AS TO FORM:

CITY OF CARSON:

  
Sunny K. Soltani, City Attorney

  
Albert Robles, Mayor

ATTEST:

  
Donesia Gause-Aldana, MMC, City Clerk

STATE OF CALIFORNIA       )  
COUNTY OF LOS ANGELES    ) ss.  
CITY OF CARSON               )

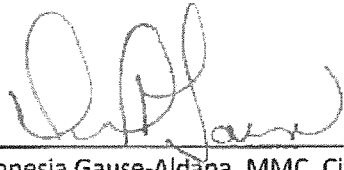

I, Donesia Gause-Aldana, City Clerk of the City of Carson, California, hereby attest to and certify that the foregoing resolution, being Resolution No. 18-130, adopted by the City of Carson City Council at its meeting held on September 4, 2018, by the following vote:

AYES:           COUNCIL MEMBERS: Robles, Hilton, Santarina

NOES:           COUNCIL MEMBERS: Davis-Holmes, Hicks

ABSTAIN:       COUNCIL MEMBERS: None

ABSENT:        COUNCIL MEMBERS: None

  
\_\_\_\_\_  
Donesia Gause-Aldana, MMC, City Clerk  


RECORDING REQUESTED BY,  
AND WHEN RECORDED MAIL TO:

CITY CLERK  
City of Carson  
701 E. Carson Street  
Carson, CA 90745

No Recording Fee Required – Government Code § 27383

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DEVELOPMENT AGREEMENT

between

THE CITY OF CARSON

("City")

and

FOCAL STRATEGIC INVESTMENTS, LLC

("Developer")

EXHIBIT NO. 4 -

## DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (together with all exhibits hereto, the "Agreement"), is made by and between the CITY OF CARSON ("City"), a municipal corporation, and FOCAL STRATEGIC INVESTMENTS, LLC, a California Limited Liability Company ("Developer"). The City is entering this Agreement for the limited purposes as described below. City and Developer are hereinafter collectively referred to as the "parties" and individually as a "party".

### R E C I T A L S:

A. Recitals and Capitalized Terms. The recitals in this Agreement constitute part of this Agreement and each Party shall be entitled to rely on the truth and accuracy of each recital as an inducement to enter into this Agreement. The capitalized terms used in these recitals and throughout this Agreement shall have the meaning assigned to them in Article 1. Any capitalized terms not defined in Article 1 shall have the meaning otherwise assigned to them in this Agreement, the Carson Municipal Code, or as apparent from the context in which they are used.

B. Legislation Authorizing Development Agreements. To strengthen the public planning process, encourage private participation in comprehensive planning and reduce the economic risk of development, the legislature of the State of California adopted the Development Agreement Statute, Sections 65864, *et seq.*, of the Government Code, authorizing City to enter into an agreement with any person having a legal or equitable interest in real property providing for the development of such property and establishing certain development rights therein.

C. The Site. Developer has a legal or equitable interest in real property located in the City of Carson, California, with an address of 17505 South Main Street, Assessor Parcel No. 7339-003-900, legally described in **Exhibit "A"** and shown on the Site Map attached hereto as **Exhibit "B"**.

D. Commercial Cannabis Operation Permit (Cannabis Center). On November 21, 2017 the Carson City Council adopted Ordinance No. 17-1637 which added Chapter 15 (Commercial Cannabis Operations Regulatory Program) to Article VI of the Carson Municipal Code ("Chapter 15"). Chapter 15 authorizes no more than four (4) commercial cannabis centers, which may include indoor cultivation, mixed-light cultivation, manufacturing, testing and/or (wholesale) distribution. Developer submitted to City an application for issuance of a commercial cannabis operation permit (cannabis center) pursuant to Chapter 15 of Article VI of the Carson Municipal Code. On September 4, 2018, the Carson City Council in compliance with Chapter 15 of Article VI of the Carson Municipal Code approved the issuance of one (1) commercial cannabis operation permit (cannabis center) to Developer.

E. The Project. Developer intends to construct two one-story buildings totaling 13,557 square feet on a 0.66 acre lot, which will be used for commercial cannabis operations including the cultivation of cannabis, manufacturing of cannabis products, and storage of residual materials from cannabis cultivation (the "Project"). Developer has submitted a conceptual Site Plan showing the proposed Project and the Scope of Development attached

hereto as **Exhibit “C”**. This Agreement does not guarantee that the City will issue any further Project entitlements and does not in any way limit the City’s discretion in granting or denying land use approvals for the Project or any portion thereof.

F. Requirement for Development Agreement. Chapter 15 establishes a comprehensive set of regulations and a regulatory permit process for specific types of commercial cannabis operations to preserve the public health, safety, and welfare of the residents and visitors of the City of Carson. Chapter 15 further specifies that it shall be unlawful to own, establish, operate, use, participate in, or permit the establishment or activity of a commercial cannabis operation in any manner or capacity, other than as provided. Section 615100 of the Carson Municipal Code requires that each commercial cannabis operation shall apply for and enter into a development agreement with the City setting forth the terms and conditions under which the commercial cannabis operation will operate that are in addition to the requirements of Chapter 15, including, but not limited to, public outreach and education, community service, payment of fees and other charges as mutually agreed, and such other terms and conditions that will protect and promote the public health, safety, and welfare.

G. Public Hearings: Findings. In accordance with the requirements of the California Environmental Quality Act, appropriate studies, analyses, reports and documents were prepared and considered by the Planning Commission and the City Council. On \_\_\_\_\_, 2018 the Planning Commission held a duly noticed public hearing and **[RECOMMENDED / DID NOT RECOMMEND]** certification of a Mitigated Negative Declaration for the Project, and **[RECOMMENDED / DID NOT RECOMMEND]** that the City Council approve the Project. On \_\_\_\_\_, 2018, the City Council held a duly noticed public hearing on the Developer’s application for this Agreement, and after making appropriate findings; (i) certified, by Resolution No. \_\_\_\_\_, the Mitigated Negative Declaration for the Project; (ii) found on the basis of substantial evidence based on the entire administrative record, that this Agreement is consistent with all applicable plans, rules, regulations and official policies of the City, including the General Plan and Zoning; and (iii) introduced the Authorizing Ordinance. On \_\_\_\_\_, 2018, the City Council adopted the Authorizing Ordinance.

H. Cannabis Taxes and Alternative Minimum Payment. In November 2016, the City’s voters adopted Ordinance No. 16-1599 which imposed a tax on cannabis related business activities (“Tax Ordinance”). The Tax Ordinance provided that the City Council may impose the tax at a lower rate and establish exemptions, incentives or other reductions. In addition, the Tax Ordinance provided that the City Council reserved the authority to amend the Tax Ordinance to further the purposes and intent of the Tax Ordinance in any manner that does not increase a tax rate. On September 4, 2018, the City Council adopted Resolution No. 18-130 setting a tax rate on cannabis related business activities and establishing alternate minimum payments for commercial cannabis businesses governed by a development agreement (“Tax Resolution”). In accordance with the Tax Resolution and Pursuant to Article 5 (Public Benefits and Fees), Developer is required to pay a tax imposed upon Developer’s commercial cannabis operations engaged in manufacturing, distribution or testing at a rate of eighteen percent (18%) of proceeds, and engaged in cultivation at a rate of eighteen percent (18%) of proceeds as well as a flat rate of \$25 annually per square foot for space utilized as cultivation area.



I. Mutual Agreement. Based on the foregoing and subject to the terms and conditions set forth herein, Developer and City desire to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and having determined that the foregoing recitals are true and correct and should be, and hereby are, incorporated into this Agreement, the Parties agree as follows:

## 1. DEFINITIONS

The following words and phrases are used as defined terms throughout this Agreement. Each defined term shall have the meaning set forth below.

1.1 Anniversary Date. “Anniversary Date” means the date of the anniversary of each year following the Effective Date of this Agreement.

1.2 Annual Review. “Annual Review” means the annual review of the Developer’s performance of the Agreement in accordance with Article 9 of this Agreement and Government Code § 65865.1.

1.3 Applicable Law. “Applicable Law” means all statutes, rules, regulations, guidelines, actions, determinations, permits, orders, or requirements of the federal, State, County, City and local and regional government authorities and agencies having applicable jurisdiction, that apply to or govern the Site, the Project or the performance of the parties’ respective obligations hereunder, including any of the foregoing which concern health, safety, fire, environmental protection, labor relations, mitigation monitoring plans, building codes, zoning, non-discrimination, prevailing wages if applicable, and Department of Toxic Substances Control (“DTSC”) regulations. All references herein to Applicable Law include subsequent amendments or modifications thereof, unless otherwise specifically limited in this Agreement.

1.4 Applications. “Application(s)” means a complete application for the applicable land use or building approvals (such as a subdivision map, conditional use permit, building permit, etc.) meeting all of the terms of this Agreement, or where the terms of this Agreement do not address a particular permit, then meeting the terms of the current ordinances of the City; provided, however, that any additional or alternate requirements in those ordinances enacted after the date this Agreement is approved by the City Council which affect the Project application shall apply only to the extent permitted by this Agreement.

1.5 Assignment. All forms of use of the verb “assign” and the nouns “assignment” and “assignee” shall include all contexts of hypothecations, sales, conveyances, transfers, leases, and assignments.

1.6 Authorizing Ordinance. “Authorizing Ordinance” means Ordinance No. \_\_\_\_\_ approving this Agreement, introduced on \_\_\_\_\_ and adopted on \_\_\_\_\_.

1.7 Building Permit. “Building Permit,” with respect to any building or structure to be constructed on the Site, means a building permit for not less than the shell and core of such building or structure issued by the City’s Division of Building and Safety.

1.8 Cannabis. “Cannabis” means all parts of the plant *Cannabis sativa* Linnaeus, *Cannabis indica*, or *Cannabis ruderalis*, whether growing or not; the seeds thereof; the resin, whether crude or purified, extracted from any part of the plant; and every compound, manufacture, salt, derivative, mixture, or preparation of the plant, its seeds, or resin. “Cannabis” also means the separated resin, whether crude or purified, obtained from cannabis. “Cannabis” does not include the mature stalks of the plant, fiber produced from the stalks, oil or cake made from the seeds of the plant, any other compound, manufacture, salt, derivative, mixture, or preparation of the mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of the plant which is incapable of germination.

1.9 Cannabis concentrate. “Cannabis concentrate” means cannabis that has undergone a process to concentrate one or more active cannabinoids, thereby increasing the product's potency. Resin from granular trichomes from a cannabis plant is a concentrate for purposes of this division. A cannabis concentrate is not considered food, as defined by Section 109935 of the Health and Safety Code (and as amended), or a drug, as defined by Section 109925 of the Health and Safety Code (and as amended).

1.10 Cannabis products. “Cannabis products” means cannabis that has undergone a process whereby the plant material has been transformed into a concentrate, including but not limited to, concentrated cannabis, or an edible or topical product containing cannabis or concentrated cannabis and other ingredients.

1.11 Carson Municipal Code. “Carson Municipal Code” means the City’s Municipal Code as it existed on the date the City Council approves this Agreement and as it may be amended from time to time consistent with the terms of this Agreement.

1.12 CEQA. “CEQA” means the California Environmental Quality Act, Section 21000 *et seq.* of the California Public Resources Code and its implementing regulations and guidelines, including future amendments to or recodification thereof.

1.13 CEQA Completion Date. “CEQA Completion Date” means the later date of either: (i) 30 days after the Notice of Determination; or (ii) the date of the final settlement or resolution of any appeal, lawsuit or other action by a third party challenging the Development Approvals or the CEQA process.

1.14 Certificate of Compliance. “Certificate of Compliance” shall have the meaning set forth in Section 10.2 below.

1.15 Certificate of Occupancy. “Certificate of Occupancy,” with respect to a particular building or other work of improvement, means the final certificate of occupancy issued by the City with respect to such building or other work of

improvement. No Certificate of Occupancy shall be issued until all required covenants are recorded.

1.16 City. “City” means the City of Carson, California.

1.17 City Council. The “City Council” means the governing body of the City.

1.18 City’s Design Guidelines. “City’s Design Guidelines” means applicable design guidelines stated in the Carson Municipal Code, including but not limited to those guidelines articulated in the General Plan, or by City’s Planning Commission or Planning Division; Project-specific Design Guidelines shall govern for purposes of this Agreement over general City Design Guidelines.

1.19 City Manager. “City Manager” means the City Manager of City.

1.20 Claims or Litigation. “Claims or Litigation” means any challenge by adjacent owners or any other third parties (i) to the legality, validity or adequacy of the General Plan, Land Use Regulations, this Agreement, Development Approvals or other actions of the City pertaining to the Project, or (ii) seeking damages against the City as a consequence of the foregoing actions, for the taking or diminution in value of their property or for any other reason. “Claims or Litigation” shall also include any referendum involving the approval of this Agreement, any of the Entitlements or then Existing Development Approvals.

1.21 Commercial Cannabis Operation. “Commercial cannabis operation” or “commercial cannabis activity” includes the cultivation, possession, manufacture, distribution, processing, storing, laboratory testing, packaging, labeling, transportation, delivery, or wholesale (not retail sale) of cannabis and cannabis products; except, as applicable, as preempted by State law.

1.22 Commercial Cannabis Operation Permit. “Commercial cannabis operation permit” shall mean a City of Carson permit issued pursuant to the procedures provided for in Chapter 15 of Article VI of the Carson Municipal Code, and which shall allow the permit holder to operate a specific type of commercial cannabis operation in the City of Carson subject to the requirements of Chapter 15 of Article VI of the Carson Municipal Code, State law, and the specific permit.

1.23 Conditions of Approval. “Conditions of Approval” means those conditions to the Development of the Project imposed via this Agreement and attached hereto as **Exhibit “D”**.

1.24 Consumer Price Index. “Consumer Price Index” shall mean the same percentage increase as the Consumer Price Index for Los Angeles-Long Beach-Anaheim, California area for the preceding twelve month period.

1.25 Default. “Default” refers to any material default, breach, or violation of a provision of this Development Agreement as defined in Article 11

(Default, Remedies and Termination) below. “City Default” refers to a Default by the City, while “Developer Default” refers to a Default by the Developer.

1.26 Development. “Development” means the preparation of designs for, and improvement of, the Site for purposes of affecting the structures, improvements and facilities composing the Project including, without limitation: design, grading, the construction of infrastructure related to the Project, whether located within or outside the Site; the construction of structures and buildings; the installation of landscaping; and the operation, use and occupancy of, and the right to maintain, repair, or reconstruct, any private building, structure, improvement or facility after the construction and completion thereof, provided that such repair, or reconstruction takes place during the Term of this Agreement.

1.27 Development Agreement Statute. “Development Agreement Statute” means Sections 65864 through 65869.5 of the Government Code as it exists on the date the City Council approves this Agreement.

1.28 Development Approvals. “Development Approvals” means all Site-specific (meaning specifically applicable to the Site only and not generally applicable to some or all other properties within the City) plans, maps, permits, and entitlements to use of every kind and nature. Development Approvals include, but are not limited to, site plans, tentative and final subdivision maps, vesting tentative maps, variances, zoning designations, planned unit developments, conditional use permits, design overlay review permits, grading, building and other similar permits, the Site-specific provisions of general plans, environmental assessments, including environmental impact reports, and any amendments or modifications to those plans, maps, permits, assessments and entitlements. The term Development Approvals does not include rules, regulations, policies, and other enactments of general application within the City.

1.29 Development Impact Fees. “Development Impact Fees” means a monetary exaction other than a tax or special assessment that is charged by a local governmental agency to an applicant in connection with approval of a development project for the purpose of defraying all or a portion of the cost of public facilities related to the development project, pursuant to Gov. Code § 66000(b).

1.30 Development Plan. “Development Plan” means the Existing Development Approvals, Future Development Approvals and Existing Land Use Regulations.

1.31 Director. “Director” means the City’s Director of Community Development or equivalent official.

1.32 Distribution. “Distribution” means the procurement, sale, and transport of cannabis and cannabis products between entities licensed for and/or engaged in commercial cannabis activities.

1.33 Distributor. “Distributor” means a person engaged in distribution.

1.34 Edible. “Edible” means cannabis product that is intended to be used, in whole or in part, for human consumption, including, but not limited to, chewing gum, but excluding products set forth in Division 15 (commencing with Section 32501) of the Food and Agricultural Code. An edible cannabis product is not considered food, as defined by Section 109935 of the Health and Safety Code, or a drug, as defined by Section 109925 of the Health and Safety Code.

1.35 Effective Date. “Effective Date” means the latest of the following dates: (i) this Agreement becomes effective pursuant to the Development Agreement Statute; (ii) all necessary hearings have been held and the Existing Development Approvals, have been granted, including the CEQA Completion Date; (iii) this Agreement has been executed by both parties; and (iv) the periods in which to bring any Claim or Litigation have expired without any Claim or Litigation having been commenced or, if any Claim or Litigation has been commenced, the date on which the validity of this Agreement, the Entitlements and the Existing Development Approvals have been finally upheld and are free from any further judicial review.

1.36 Eligible Uses / Prohibited Uses. The Site shall be restricted in use to those uses permitted under the Scope of Development. Eligible Uses are permitted on the Site as part of the Project and include such uses as commercial cannabis manufacturing, distribution, testing and cultivation pursuant to Chapter 15 of Article VI of the Carson Municipal Code. Prohibited Uses are not permitted on the Site or as part of the Project and include such uses as transitional housing and retail cannabis sales. No use permit may be issued for a Prohibited Use.

1.37 Entitlements. As used herein, “Entitlements” shall mean receipt by Developer of all final Project entitlements, including without limitation all necessary governmental approvals, consents and permits to develop its Project (other than building permits) .

1.38 Existing Development Approvals. “Existing Development Approvals” means the Development Approvals which have been previously granted or are granted concurrent herewith, or will be granted pursuant hereto. The term “Existing Development Approvals” shall include Future Development Approvals after such Future Development Approvals are granted.

1.39 Existing Land Use Regulations. “Existing Land Use Regulations” or “Existing Regulations” means those Land Use Regulations applicable to the Site in effect on the date the City Council approves this Agreement.

1.40 Extraction. “Extraction” means the process of obtaining cannabis concentrates from cannabis plants, including but not limited to through the use of solvents like butane, alcohol or carbon dioxide.

1.41 Force Majeure. “Force Majeure” shall have the meaning set forth in Section 17.2 below.

1.42 Future Development Approvals. “Future Development Approvals” means those Development Approvals applicable to the Site approved by the City after the Effective Date such as, but not limited to, site plans, tentative and final subdivision maps, vesting tentative maps, variances, zoning designations, planned unit developments, conditional use permits, design overlay review permits, grading, building and other similar permits or more detailed planning or engineering Development Approvals. A list of specifically-anticipated and agreed-upon Future Development Approvals is attached hereto at **Exhibit “F”**.

1.43 Future Land Use Regulations. “Future Land Use Regulations” means Land Use Regulations enacted after the Effective Date of this Agreement.

1.44 General Plan. “General Plan” means the City’s General Plan as it exists on the date the City Council approves this Agreement.

1.45 Grading Permit. “Grading Permit” means a permit issued by the City’s Division of Building and Safety which allows the excavation or filling, or any combination thereof, of earth.

1.46 Land Use Regulations. “Land Use Regulations” means those ordinances, laws, statutes, rules, regulations, initiatives, policies, requirements, guidelines, constraints, codes or other actions of the City which affect, govern, or apply to the Site or the implementation of the Development Plan. Land Use Regulations include the ordinances and regulations adopted by the City which govern permitted uses of land, density and intensity of use and the design of buildings, applicable to the Site, including, but not limited to, the MND and MND Mitigation Measures, Zoning Ordinances, development moratoria, implementing growth management and phased development programs, ordinances establishing development exactions, subdivision and park codes, any other similar or related codes and building and improvements standards, mitigation measures required in order to lessen or compensate for the adverse impacts of a project on the environment and other public interests and concerns or similar matters. The term Land Use Regulations does not include, however, regulations relating to the conduct of business, professions, and occupations generally; taxes and assessments; regulations for the control and abatement of nuisances; building codes; encroachment and other permits and the conveyances of rights and interests which provide for the use of or entry upon public property; any exercise of the power of eminent domain; or similar matters.

1.47 Manufacture. “Manufacture” or “manufacturing” means to compound, blend, extract, infuse, or otherwise make or prepare a cannabis product; includes the activities of a manufacturer.

1.48 Manufacturer. “Manufacturer” means a person that conducts the production, preparation, propagation, or compounding of cannabis or cannabis products either directly or indirectly or by extraction methods, or independently by means of chemical synthesis, or by a combination of extraction and chemical synthesis at a fixed

location that packages or repackages cannabis or cannabis products or labels or relabels its container; includes the activity of manufacturing.

1.49 MND. “MND” means the Final Mitigated Negative Declaration for the Project which was certified by the City Council, after making appropriate findings, by Resolution No. \_\_\_\_\_ adopted on \_\_\_\_\_, 2018 as being in compliance with CEQA.

1.50 MND Mitigation Measures. “MND Mitigation Measures” means the mitigation measures imposed upon the Project pursuant to the MND and the Conditions of Approval thereof. The MND Mitigation Measures are attached hereto as **Exhibit “E”**.

1.51 Mortgage. “Mortgage” means a mortgage, deed of trust, sale and leaseback arrangement or other transaction in which all, or any portion of, or any interest in, the Site is pledged as security.

1.52 Mortgagee. “Mortgagee” refers to the holder of a beneficial interest under a Mortgage.

1.53 Mortgagee Successor. “Mortgagee Successor” means a Mortgagee or any third party who acquires fee title or any rights or interest in, or with respect to, the Site, or any portion thereof, through foreclosure, trustee’s sale, deed in lieu of foreclosure, lease termination, or otherwise from, or through, a Mortgagee. If a Mortgagee acquires fee title or any right or interest in, or with respect to, the Site, or any portion thereof, through foreclosure, trustee’s sale or by deed in lieu of foreclosure and such Mortgagee subsequently conveys fee title to such portion of the Site to a third party, then such third party shall be deemed a Mortgagee Successor.

1.54 Non-Defaulting Party. “Non-Defaulting Party” shall have the meaning set forth in Article 11 below.

1.55 Person. “Person” means any individual, firm, co-partnership, joint venture, association, corporation, limited liability company, estate, trust, business trust, receiver, syndicate, or any other group or combination acting as a unit.

1.56 Planning Commission. “Planning Commission” means the City’s Planning Commission.

1.57 Proceeds. “Proceeds” means total revenue and/or money received through the sale of goods and/or services before any deductions or allowances (e.g., rent, costs of goods sold, taxes).

1.58 Processing Fees. “Processing Fees” means (i) the City’s normal fees for processing tentative tracts, map review, plan checking, site review, site approval, administrative review, building permit (plumbing, mechanical, electrical, building), inspection and similar fees imposed to recover the City’s costs associated with processing, review and inspection of applications, plans, specifications, etc., and (ii) any

fees required pursuant to any Uniform Code. Developer is required to pay the City's normal and customary Processing Fees, which Fees are not subject to limitation hereunder except pursuant to the City's general police power authority.

1.59 Project. "Project" means the Development of the Site, pursuant to this Agreement, the MND and MND Mitigation Measures, and the Existing Land Use Regulations, as described more specifically in the Scope of Development, attached hereto as **Exhibit "C"** and incorporated herein by this reference.

1.60 Reservations of Authority. "Reservation of Authority" shall have the meaning set forth in Article 9 below.

1.61 Schedule of Performance. "Schedule of Performance" means the schedule attached hereto as **Exhibit "G"**.

1.62 Scope of Development. "Scope of Development" means the description of the Project and the manner in which it will be developed as set forth in **Exhibit "C"**.

1.63 Site. "Site" means the approximately 0.66 net acres in the City of Carson, legally described in the Legal Description attached hereto as **Exhibit "A"** and shown in the Site Map attached hereto as **Exhibit "B"**.

1.64 State. "State" means the State of California.

1.65 Taxes. "Taxes" means general or special taxes, including but not limited to ad valorem property taxes, sales taxes, transient occupancy taxes, utility taxes or business taxes of general applicability citywide which do not burden the Site disproportionately to similar types of development in the City and which are not imposed as a condition of approval of a development project. Taxes do not include Development Impact Fees or Processing Fees.

1.66 Testing. "Testing" or "testing laboratory" refers to a laboratory, facility, or entity that offers or performs tests on cannabis or cannabis products; includes the activity of laboratory testing.

1.67 Term. "Term" means that period of time during which this Agreement shall be in effect and bind the Parties, as defined in Section 3.1 below.

1.68 Transfer. "Transfer" shall have the meaning set forth in Article 12 below.

1.69 Zoning Code. "Zoning Code" means Article IX of the Carson Municipal Code as it existed on the date the City Council approves this Agreement except (i) as amended by any zone change relating to the Site approved concurrently with the approval of this Agreement, and (ii) as the same may be further amended from time to time consistent with this Agreement.





1.70 Other Definitions. Unless otherwise specified in this Agreement, other definitions relating to cannabis businesses, sales and proceeds shall bear the same meaning and definition as utilized in Chapter 15 of Article VI of the Carson Municipal Code. This includes, without limitation, the definitions for “retailer” (or “retail”), “adult use,” “delivery,” and “medical.”

## 2. **EXHIBITS.**

The following are the Exhibits to this Agreement:

- 2.1 Exhibit A Legal Description
- 2.2 Exhibit B Site Map
- 2.3 Exhibit C Scope of Development
- 2.4 Exhibit D Reserved
- 2.5 Exhibit E MND Mitigation Measures
- 2.6 Exhibit F List of Future Development Approvals
- 2.7 Exhibit G Schedule of Performance

## 3. **TERM.**

3.1 Term. The term of this Development Agreement (the “Term”) shall commence on the Effective Date and shall continue until Twenty (20) years from the Effective Date hereof.

3.2 Termination for Default. This Agreement may be terminated due to the occurrence of any Default in accordance with the procedures in Article 11.

3.3 Effective Date. See Section 1.35 above. If such a Claim or Litigation has been filed, then the Effective Date shall be the date that the Claim or Litigation has been successfully resolved in the City’s favor, and the time for any further judicial review has run. The City shall give Developer notice as to the date established as the Effective Date. Until the Effective Date, neither City nor Developer shall have any rights or obligations under this Agreement. The Effective Date is not otherwise tolled for any other Force Majeure as described in Section 17.2.

## 4. **DEVELOPMENT OF THE SITE; OPERATOR PERMITS.**

4.1 Right to Develop. During the Term, the Developer shall have a vested right to develop the Site (subject to Article 9 below) to the full extent permitted by the MND and MND Mitigation Measures, this Agreement and the Development Plan, which shall exclusively control the Development of the Site (including the uses of the Site, the density or intensity of use, architectural review, the maximum height and size



of proposed buildings, the provisions for reservation or dedication of land for public purposes and the design, improvement and construction standards and specifications applicable to the Project).

4.2 Developer Responsibility for DIF Amount. Developer shall be responsible for payment of one-time impact fees of \$2/square foot of gross building area. The Project contemplates two new buildings of up to 13,557 square feet total, which will be used for commercial cannabis operations including cultivation, manufacturing, and storage of residual materials from cannabis cultivation on 0.66 acres of land. Based on the square foot of the Project, Developer will be responsible for one-time development impact fees in the total amount of \$27,114 (the "DIF Amount"), provided that if the Project increases or decreases in size, the DIF Amount will be adjusted accordingly at the same rate. Developer shall submit payment of the DIF Amount prior to the issuance of building permits. No building permits shall be issued prior to the full payment of the DIF Amount. Any amounts deposited by Developer shall be used by the City to pay for increased accumulative Project impacts on the City's infrastructure, including but not limited to, any or all of the following: Traffic and circulation (roads, sidewalks, and signals); Public Safety (Fire and Sheriff's stations); Parks and open space (park land/improvements and trails and bikeways); Library; Noise (sound walls); Flood control and stormwater. Interest accruing upon any such deposit shall inure to and be created for the benefit of the City.

4.3 This Agreement to Govern Zoning. The City has determined that this Agreement is consistent with the General Plan and the Zoning Code. As such, this Agreement and its Exhibits shall be the primary documents governing the use and Development of the Site and, in the event of a conflict, shall prevail over any other Existing Land Use Regulations. Any zoning issues or requirements applicable to the Site that are not otherwise governed by this Agreement, the MND or the Development Plan shall be governed by the Existing Land Use Regulations.

4.4 Right To Future Approvals. Subject to the City's exercise of its police power authority as specified in Article 9 below, the Developer shall have a vested right: (i) to receive from the City all Future Development Approvals for the Site that are consistent with, and implement, the Development Plan and this Agreement; (ii) not to have such approvals be conditioned or delayed for reasons inconsistent with the Development Plan and this Agreement; and (iii) to Develop the Site in a manner consistent with such approvals in accordance with this Agreement. All Future Development Approvals for the Site, shall upon approval by the City, be vested in the same manner as provided in this Agreement for the Existing Land Use Regulations, for the term of this Agreement.

4.5 Project Description. Developer intends to develop the Site for permitted commercial cannabis business activities per the Carson Municipal Code, including the following business activities: 1) cultivation of cannabis; 2) manufacturing of cannabis products; and, 3) storage of residual materials from cannabis cultivation.



4.6 Obtaining and Maintaining Required Licenses. Developer shall require, warrant and ensure that all subtenants, lessees, and owners of any portion of the Site, as the case may be, at all times comply fully with all existing and future local rules (pursuant to the Carson Municipal Code) and all existing and future State rules applicable to commercial cannabis activities on the Site and shall ensure such compliance by all of Developer's employees, contractors, vendors, and members of the public invited or allowed access to the Site.

4.6.1 Developer shall require that all subtenants, lessees, and owners of any portion of the Site, as the case may be, promptly apply for and obtain all State and City licenses required for activities on the Site.

4.6.2 All commercial cannabis operation permit applicants seeking to establish a commercial cannabis operation at the Site shall be prescreened by Developer to ensure compliance with State laws and the Carson Municipal Code, including Chapter 15 of Article VI of the Carson Municipal Code. No commercial cannabis operation permit shall be issued by the City and become effective unless and until: (a) Developer has prescreened the applicant and submitted its approval in writing to the City, and (b) City has determined that the applicant and application meets all requirements of the Carson Municipal Code. City's determination shall be done administratively and the application may be approved administratively by the Director without further action or review of the City Council or the Cannabis Permit Committee (as understood by Chapter 15 of Article VI of the Carson Municipal Code). If the Director is unable to make the findings and determinations prerequisite to the granting of approval pursuant to this Section, the application shall be denied.

4.7 Renewal of Permits. The process described in Section 4.6 shall also govern the annual renewal of commercial cannabis operation permits.

4.8 Revocation and/or Suspension of Commercial Cannabis Operation Permits. Any commercial cannabis operation permit for any commercial cannabis activity at the Site may be revoked or suspended by the City Council, pursuant to written findings (made by adopted resolution after a public hearing held at a public meeting of the City Council) of any material violation of applicable State law or State rules, or of any material violation of Chapter 15 of Article VI of the Carson Municipal Code, or of any material violation of this Agreement (a material violation of this Agreement expressly includes, but is not limited to, failure to fully comply with any and all financial obligations owed to City pursuant to this Agreement), provided that at least thirty (30) days' written notice has been provided to the permit holder to cure the alleged violation. Such notice to cure does not preclude assessment by City of applicable financial penalties or interest. The permit holder shall have the right at the public hearing to present evidence to demonstrate that it is not in violation and to rebut any evidence. Conditions (if any) of suspension or revocation are at the discretion of the City Council and may include, but are not limited to, a prohibition on all owners, operators, managers and employees of the suspended or revoked commercial cannabis operation from operating within the City for a period of time set forth in writing and/or a

requirement (when operations may resume, if at all, pursuant to the City Council's determination) for the holder of the suspended or revoked permit to resubmit an application for a commercial cannabis operation permit pursuant to the requirements of Chapter 15 of Article VI of the Carson Municipal Code.

## 5. PUBLIC BENEFITS AND FEES.

5.1 Taxes. As consideration for City's approval and performance of its obligations set forth in this Agreement, and consistent with Chapter 13 of Article VI of the Carson Municipal Code, Developer shall guarantee and pay to City a cannabis tax due to the City from commercial cannabis operations at the Site. Except as provided herein, City cannabis tax collection and processing shall follow the procedures and processes provided for by Chapter 13 of Article VI of the Carson Municipal Code.

5.1.1 Term. "Term" for the cannabis tax on proceeds shall mean fiscal quarters. "Term" for the cannabis tax imposed on square foot of space utilized as cultivation area shall be annual.

5.1.2 Proceeds Tax. Cannabis tax owed on proceeds of commercial cannabis operations at the Site shall be determined using the following rates:

- (a) Manufacturing: 18%
- (b) Cultivation: 18%
- (c) Distribution: 18%
- (d) Testing: 18%

5.1.3 Square Footage Tax. Cannabis tax on cultivation shall also include an annual tax of \$25.00 per square foot for space utilized as cultivation area. Taxes imposed on cultivation area shall be adjusted annually on July 1st after the date of first tax remittance, and then July 1st of each succeeding year based on the Consumer Price Index; however, no adjustment shall decrease any tax imposed by this Agreement.

5.1.4 Consistency with State Changes. In the event of a decrease in the State cannabis tax rate or applicable sales tax rate, the foregoing tax amounts shall be increased automatically to an amount that would produce the same total tax obligation that would have been owed without the reductions, as determined by City. The increased amount shall be paid by Developer to City in accordance with this Section 5.1.

5.1.5 Obligation of Developer and Tenants (if any). Payment of taxes shall be the joint and several obligation of Developer and its tenants (if any). Developer may establish an escrow account to collect payments from its Tenants on a periodic basis. Developer shall be responsible for full payment to the City and any shortfall in the taxes. However, nothing herein shall prevent City from

pursuing any available remedies against the tenants under the Carson Municipal Code or Tax Resolution.

5.2 Local Hiring. A goal of City with respect to this Project and Site and other major projects and sites within City is to foster employment opportunities for Carson residents (“Local Hiring Program”). To that end, Developer covenants that with respect to the construction, operation and maintenance of the Project and Site, Developer shall make reasonable efforts to cause all solicitations, for full-time, part-time, new or replacement employment relating to the construction, operation and maintenance of the Project and Site, to be advertised in such a manner as to target local City residents, and Developer shall make other reasonable efforts at local employment outreach as City shall approve. Developer shall also notify City of jobs available at the Project and Site such that City may inform City residents of job availability at the Project and Site. Developer shall include in each lease or sale of any portion of the Site, as the case may be, this Local Hiring Program as a guideline for any subtenant, lessee, owner of any portion of the Site, or by any applicant licensed on any portion of the Site. Nothing in this Section shall require Developer to offer employment to individuals who are not otherwise qualified for such employment. Without limiting the generality of the foregoing, the provisions of this Section are not intended, and shall not be construed, to benefit or be enforceable by any person whatsoever other than City.

5.3 Social Justice Hiring. Developer and commercial cannabis operations at the Site shall promote equitable business ownership and employment opportunities at the Site in order to decrease disparities in life outcomes for marginalized communities and address the disproportionate impact of the war on drugs on those communities. To these ends, Developer and commercial cannabis operations at the Site shall engage in proactive efforts to hire partners and employees from marginalized communities and/or rehabilitated persons; seek to establish commercial cannabis operations that are diverse and inclusive; and, seek the hiring of otherwise qualified employees who have been arrested for or convicted of minor cannabis-related crimes that would not be considered crimes following the passage of the Adult Use of Marijuana Act (Proposition 64).

5.4 Local Tenancy Application Program. Developer shall implement a policy favoring or granting preferential application points, consistent with the Local Hiring provisions described above, to facilitate the leasing of space on the Site to residents of the City of Carson, including local tenants, lessees, and subtenants of any portion of the Site, as the case may be, to target residents of the City of Carson, by ensuring that local residents of the City are aware of Project and Site opportunities and have a fair opportunity to apply and compete for such operation space within the Project and Site.

5.5 Financing of Public Safety Services and Improvements. Developer acknowledges that City is considering the formation of one or more community facilities districts (“CFDs”) to fund public safety services and infrastructure necessary to serve the Project. Developer shall cooperate in the formation of such CFDs and shall agree to annex into such CFDs when requested by City. The CFDs will levy a

special tax on the Site property. The amount of the special tax shall be increased each year based on the percentage change in the Consumer Price Index with a maximum annual increase of five percent (5%) and a minimum annual increase of two percent (2%) per Fiscal Year. The CFD shall be formed in accordance with the City's Goals and Policies for Community Facilities District Financing, as may be amended from time to time. The CFD shall be formed henceforth by the City.

5.6 Audits; Reopener Provision. City shall have the right to conduct periodic audits of all commercial cannabis operations located at the Site pursuant to the Carson Municipal Code, at City's discretion and Developer's expense. At the City's sole discretion, between the end of the third year from the issuance of the first Certificate of Occupancy to the end of the sixth year from the issuance of the first Certificate of Occupancy, and thereafter every three years, City shall have the right to discuss and negotiate with Developer increases in the Annual Minimum Payments and the Baseline Tax. Factors to be included in such negotiations include but are not limited to: (i) changes in federal or State cannabis laws; (ii) changes in State cannabis tax rates, applicable sales tax rates, and/or methodology; and (iii) changes in the uses and occupancy of the Site. Developer shall both participate in as well as conclude such negotiations in good faith, and with the intent of providing adjustments in the Annual Minimum Payments and Taxes, when such adjustments are reasonably warranted so as to ensure full participation by the City in the economic success of the Site.

## 6. PROJECT CONSTRUCTION AND SCHEDULING.

6.1 Timing of Development. The Parties acknowledge that the substantial public benefits to be provided by the Developer to the City pursuant to this Agreement are in consideration for, and in reliance upon, assurances that the City will permit Development of the Site in accordance with the terms of this Agreement. Accordingly, the City shall not attempt to restrict or limit the Development of the Site in any manner that would conflict with the provisions of this Agreement or the Existing Development Approvals. The City acknowledges that the Developer cannot at this time predict the exact timing or rate at which the Site will be Developed. The timing and rate of Development depend on numerous factors such as market demand, commercial tenant availability, absorption, completion schedules and other factors, which are not within the control of the Developer or the City. It is the intent of the Parties to provide in this Agreement that the Developer shall have the vested right to Develop the Site in such order and at such rate and at such time as the Developer deems appropriate. Except as set forth in the following sentence, it is the intent of the Parties that no City moratorium or other similar limitation relating to the rate or timing of the Development of the Site or any portion thereof, whether adopted by initiative, referendum or otherwise, shall apply to the Site to the extent that such moratorium, referendum or other similar limitation is in conflict with this Agreement. Notwithstanding the foregoing, the Developer acknowledges that nothing herein is intended or shall be construed as (i) overriding any provision of the Existing Land Use Regulations; or (ii) restricting the City from exercising the powers described in Article 9 of this Agreement to regulate development of the Site; and, (iii) nothing in this Article 6 is intended to excuse or release the



Developer from any obligation set forth in this Agreement which is required to be performed on or before a specified calendar date or event.

6.2 Standard of Work. When the Developer is required by this Agreement and/or the Development Plan to construct any improvements which will be dedicated to the City or any other public agency, upon completion, and if required by applicable laws to do so, the Developer shall perform such work in the same manner and subject to the same construction standards as would be applicable to the City or such other public agency should it have undertaken such construction work. Developer is aware of the requirements of California Labor Code Sections 1720, *et seq.*, and 1770, *et seq.*, as well as California Code of Regulations, Title 8, Section 1600, *et seq.*, ("Prevailing Wage Laws"). In any case where the Developer performs the public improvements work, the Developer shall pay prevailing wages as required by the Prevailing Wage Laws, the City shall not be liable for any failure in Developer's payment of prevailing wages or legally-imposed penalties therefore, and Developer shall defend, indemnify and hold the City, its elected officials, officers, employees and agents free and harmless from any claim or liability (including reasonable attorneys' fees and court costs) arising out of any failure or alleged failure to comply with the Prevailing Wage Laws.

6.3 Prevailing Wages. Developer is aware of the requirements of California Labor Code Sections 1720, *et seq.*, and 1770, *et seq.*, as well as California Code of Regulations, Title 8, Section 1600, *et seq.*, ("Prevailing Wage Laws"). Developer shall pay prevailing wages as required by the Prevailing Wage Laws. To the extent that it is determined that Developer has not paid, or does not pay, prevailing wages required by Prevailing Wage Laws for any portion of the Project, Developer shall defend, indemnify and hold the City, its elected officials, officers, employees and agents free and harmless from any claim or liability (including reasonable attorneys' fees and court costs) arising out of any failure or alleged failure to comply with the Prevailing Wage Laws.

6.3.1 Developer acknowledges and agrees that should any third party, including but not limited to the Director of the Department of Industrial Relations ("DIR"), require Developer or any of its contractors or subcontractors to pay the general prevailing wage rates of per diem wages and overtime and holiday wages determined by the Director of the DIR under the Prevailing Wage Laws, then Developer shall defend, indemnify and hold the City, its elected officials, officers, employees and agents free and harmless from and against any such determinations, or actions (whether legal, equitable, or administrative in nature) or other proceedings, and shall assume all obligations and liabilities for the payment of such wages and for compliance with the provisions of the Prevailing Wage Law. The City makes no representation that any construction or Site uses to be undertaken by Developer are or are not subject to Prevailing Wage Law.



7. **PROCESSING OF REQUESTS AND APPLICATIONS FOR FUTURE DEVELOPMENT APPROVALS; OTHER GOVERNMENT PERMITS.**

7.1 Project Uses. The Project is hereby approved for Eligible Uses.

7.2 Future Development Approvals. The parties contemplate that Developer will be required to obtain certain Future Development Approvals that will be subject to the City's discretionary review. The provisions of this Agreement shall fully govern the process and authority for securing Future Development Approvals and supersede the otherwise applicable provisions of the Zoning Code.

7.2.1 Approval of Future Development Approvals shall be the responsibility of the Director, based upon an application submitted to the Director, and may be approved administratively without further action or review of the Planning Commission or City Council, while otherwise subject to Zoning Code requirements in existence as of the effective date of this Agreement.

7.2.2 Before action is taken on any Future Development Approval, including without limitation an application for any Project improvement or for the issuance of a permit for any sign, building, structure, or alteration of the exterior of a structure in the Project, plans and drawings of such Project improvement, sign, building or alteration proposed as part of the Future Development Approval shall be submitted, in such form and detail as the Director may prescribe, to the Director for approval.

7.2.3 In order to grant approval, the findings and determinations of the Director shall include that the Project improvement, as set forth in the proposed Future Development Approval, is based on the requirements included in this Agreement, the approved Scope of Development, Conditions of Approval, and MND.

7.2.4 If the Director is unable to make the findings and determinations prerequisite to the granting of approval pursuant to this Section, the application shall be denied.

7.2.5 Approval of a Future Development Approval, and the finding that such Future Development Approval conforms to the provisions of this Agreement, is hereby declared to be an administrative function. The Director has the authority and responsibility to perform this administrative function. The action thereon by the Director shall be final and conclusive.

7.3 Other Governmental Permits. The Developer shall apply in a timely manner for such other permits and approvals as may be required from other governmental or quasi-governmental agencies having jurisdiction over the Project as may be required for the development of, or provision of services to, the Project. The City shall cooperate with the Developer in its efforts to obtain such permits and approvals. The City and Developer shall cooperate and use reasonable efforts in coordinating the implementation of the Development Plan with other public agencies, if



any, having jurisdiction over the Site or the Project. Provided, however, that City makes no representations or warranties with respect to approvals required by any other governmental entity.

8. **AMENDMENT OF DEVELOPMENT AGREEMENT; OPERATING MEMORANDA.**

8.1 Initiation of Amendment. Either party may propose an amendment to this Agreement.

8.2 Procedure. Except as set forth in Section 8.4 below, the procedure for proposing and adopting an amendment to this Agreement shall be the same as the procedure required for entering into this Agreement in the first instance, and meet the requirements of the Development Agreement Statute.

8.3 Consent. Except as expressly provided in this Agreement, no amendment to all or any provision of this Agreement shall be effective unless set forth in writing and signed by duly authorized representatives of each of the Parties hereto and recorded in the Official Records of Los Angeles County.

8.4 Operating Memoranda.

8.4.1 Flexibility Necessary. The provisions of this Agreement require a close degree of cooperation between City and Developer. Refinements and further development and implementation of the Project may demonstrate that clarifications and minor modifications to refine this Agreement are appropriate. In addition, the Parties desire to retain a certain degree of flexibility with respect to those items covered in general terms under this Agreement. Therefore, from time to time, during the Term, the City Manager and Developer may agree to procedural or other minor modifications or clarifications to this Agreement, including without limitation, to implement changes to the Schedule of Performance. Such changes may be implemented through Operating Memoranda approved by the City Manager and Developer pursuant to Section 8.4.2, which after execution shall be attached to and form part of this Agreement and need not be recorded. Except as provided in this Section 8.4, all other modifications shall require an amendment to this Agreement.

8.4.2 Operating Memoranda. When and if Developer finds it necessary or appropriate to make changes to this Agreement pursuant to Section 8.4.1, the Parties shall effectuate such modifications through operating memoranda (“**Operating Memoranda**”) approved by the Parties in writing that reference this Section 8.4. Operating Memoranda are not amendments to this Agreement but mere ministerial clarifications, therefore public notices and hearings shall not be required. The City Attorney shall be authorized, upon consultation with Developer, to determine whether a requested clarification may be effectuated pursuant to this Section 8.4 or whether the requested clarification is of such character as to constitute an amendment to the Agreement which requires



compliance with the provisions of Sections 8.2 and 8.5. The authority to enter into any Operating Memoranda is hereby delegated to City Manager, and City Manager is hereby authorized to execute any Operating Memoranda hereunder without further City Council action.

8.5 Hearing Rights Protected. Notwithstanding the foregoing, City will process any change to this Agreement consistent with State law and will hold public hearings thereon if so required by State law and the parties expressly agree nothing herein is intended to deprive any party or person of due process of law.

8.6 Effect of Amendment to Development Agreement. Except as expressly set forth in any such amendment, an amendment to this Agreement will not alter, affect, impair, modify, waive, or otherwise impact any other rights, duties, or obligations of either party under this Agreement.

## 9. **RESERVATIONS OF AUTHORITY.**

9.1 Limitations, Reservations and Exceptions. Notwithstanding anything to the contrary set forth hereinabove, in addition to the MND and MND Mitigation Measures, this Agreement and the Development Plan, only the following Land Use Regulations adopted by City hereafter shall apply to and govern the Development of the Site ("Reservation of Authority"):

9.1.1 Future Regulations. Future Land Use Regulations which (i) are not in conflict with the Existing Land Use Regulations; (ii) would be applicable under the Development Agreement Statute; or (iii) have been consented to in writing by Developer (even if in conflict with the Existing Land Use Regulations).

9.1.2 State and Federal Laws and Regulations. Where State or federal laws or regulations, enacted after the date this Agreement is approved by the City Council, prevent or preclude compliance with one or more provisions of this Agreement, those provisions shall be modified, through revision or suspension, to the minimum extent necessary to comply with such State or federal laws or regulations.

9.1.3 Public Health and Safety/Uniform Codes.

(a) *Adoption Automatic Regarding Uniform Codes.* This Agreement shall not prevent the City from adopting future Land Use Regulations or amending Existing Land Use Regulations that are uniform codes and are based on recommendations of a multi-state professional organization and become applicable throughout the City, such as, but not limited to, the Uniform Building, Electrical, Plumbing, Mechanical, or Fire Codes ("Uniform Codes").

(b) *Adoption Regarding Public Health and Safety/Uniform Codes.* This Agreement shall not prevent the City from adopting Future Land Use Regulations respecting public health and safety to be applicable



throughout the City which directly result from findings by the City that failure to adopt such future Land Use Regulations would result in a condition injurious or detrimental to the public health and safety.

(c) *Adoption Automatic Regarding Regional Programs.* This Agreement shall not prevent the City from adopting Future Land Use Regulations or amending Existing Land Use Regulations that are regional codes and are based on recommendations of a county or regional organization and become applicable throughout the region, such as the Gateway Cities Council of Governments, with the exception of any Future Land Use Regulations or amendments to Existing Land Use Regulations that will otherwise prohibit the uses that are allowed by this Agreement.

9.1.4 Amendments to Codes for Local Conditions. Notwithstanding the foregoing, no construction within the Project shall be subject to any provision in any of the subsequent Uniform Construction Codes, adopted by the State of California, but modified by the City to make it more restrictive than the provisions of previous Uniform Construction Codes of the City, notwithstanding the fact that the City has the authority to adopt such more restrictive provision pursuant to the California Building Standards Law, including, but not limited to, Health and Safety Code § 18941.5, unless such amendment applies City-wide. The City shall give Developer prior written notice of the proposed adoption of such amendment and Developer shall have the right to present its objections to the amendment.

9.2 Regulation by Other Public Agencies. It is acknowledged by the Parties that other public agencies not within the control of the City possess authority to regulate aspects of the Development of the Site separately from, or jointly with, the City and this Agreement does not limit the reasonable authority of such other public agencies.

9.3 Fees, Taxes and Assessments. Notwithstanding any other provision herein to the contrary, the City retains the right: (i) to impose or modify Processing Fees as provided in Section 1.58, (ii) to impose or modify business licensing or other fees pertaining to the operation of businesses; (iii) to impose or modify taxes and assessments which apply City-wide such as utility taxes, sales taxes and transient occupancy taxes; (iv) to impose or modify fees and charges for City services such as electrical utility charges, water rates, and sewer rates; (v) to impose or modify a community wide or area-wide assessment district; and (vi) to impose or modify any fees, taxes or assessments similar to the foregoing.

## 10. ANNUAL REVIEW.

10.1 Annual Monitoring Review. Following commencement of construction (as demarcated by the commencement of actual Site grading), the City and the Developer shall review the performance of this Agreement, and the Development of the Project, on or about each anniversary of the Effective Date (the "Annual Review"). The cost of the Annual Review shall be borne by Developer and Developer shall pay a



reasonable deposit in an amount requested by City to pay for such review. As part of each Annual Review, within ten (10) days after each anniversary of this Agreement, the Developer shall deliver to the City all information reasonably requested by City (i) regarding the Developer's performance under this Agreement demonstrating that the Developer has complied in good faith with the terms of this Agreement and (ii) as required by the Existing Land Use Regulations.

10.1.1 The Director shall prepare and submit to Developer and thereafter to City Council a written report on the performance of the Project, and identify any deficiencies and explain why such deficiencies have occurred and the Developer's plan to correct them. If any deficiencies are noted, a public hearing shall be held before the City Council on the report to Council. The Developer's written response shall be included in the Director's report. The report to Council shall be made within 45 days of the anniversary date.

10.1.2 If the City determines that the Developer has substantially complied with the terms and conditions of this Agreement, the Annual Review shall be concluded. If the City finds and determines that the Developer has not substantially complied with the terms and conditions of this Agreement for the period under review, the City may declare a default by the Developer in accordance with Article 11.

10.2 Certificate of Compliance. If, at the conclusion of an Annual Review, the City finds that the Developer is in substantial compliance with this Agreement, the City shall, upon request by the Developer, issue a Certificate of Compliance to the Developer in a form approved by the City.

10.3 Failure to Conduct Annual Review. The failure of the City to conduct the Annual Review shall not be a Developer Default unless Developer fails to cooperate in providing necessary information.

## **11. DEFAULT, REMEDIES AND TERMINATION.**

11.1 Rights of Non-Defaulting Party after Default. The parties acknowledge that both parties shall have hereunder all legal and equitable remedies as provided by law following the occurrence of a Default or to enforce any covenant or agreement herein except as provided in Section 11.2 below. Before this Agreement may be terminated or action may be taken to obtain judicial relief the party seeking relief ("Non-Defaulting Party") shall comply with the notice and cure provisions of this Article 11.

11.2 No Recovery for Monetary Damages. The nature of a development agreement under the Development Agreement Statute is a very unusual contract for promoting a large development project facing many complex issues including geologic, environmental, finance, market, regulatory and other constantly evolving factors over a long time frame. The high level of uncertainty and risk involved justify the extraordinary commitments made to the Developer. However, the original

persons representing the parties and approving the transaction are only likely to be involved with the Project for a limited time in comparison to the over-all life of the Project. This can lead to confusion over time as to the intent of the parties in dealing with changed circumstances.

11.2.1 Accordingly, in this Agreement, the rights of enforcement are limited as follows (i) the remedy of monetary damages is not available to either party, and (ii) there is no shortcut to a mediation or arbitration procedure where a nonelected representative can arbitrarily determine land use development issues.

11.2.2 However, the parties shall have the equitable remedies of specific performance, injunctive and declaratory relief, or a mandate or other action determining that the City has exceeded its authority, and similar remedies, other than recovery of monetary damages, to enforce their rights under this Agreement. The Parties shall have the right to recover their attorney fees and costs pursuant to Section 16.8 in such action. Moreover, the Developer shall have the right to a public hearing before the City Council before any default can be established under this Agreement, as provided in Section 11.7.3.

### 11.3 Recovery of Monies Other Than Damages.

11.3.1 Restitution of Improper Exactions. In the event any actions, whether monetary or through the provision of land, good or services, are imposed on the Development of the Site other than those authorized pursuant to this Agreement, the Developer shall be entitled to recover from City restitution of all such improperly assessed exactions, either in kind or the value in-lieu of the exaction, together with interest thereon at the rate of the maximum rate provided by law per year from the date such exactions were provided to City to the date of restitution.

11.3.2 Monetary Default. In the event the Developer fails to perform any monetary obligation under this Agreement, City may sue for the payment of such sums to the extent due and payable. The Developer shall pay interest thereon at the higher of: (i) ten percent (10%) per annum, or (ii) the maximum rate permitted by law, from and after the due date of the monetary obligation until payment is actually received by the City.

11.3.3 Liquidated Damages for Unreasonable Delays. The Project's Schedule of Performance is attached hereto as Exhibit G. It is understood that the Schedule of Performance is subject to all of the terms and conditions set forth in the text of the Agreement. The summary of the items of performance in this Schedule of Performance is not intended to supersede or modify the more complete description in the text of this Agreement; in the event of any conflict or inconsistency between this Schedule of Performance and the text of the Agreement, the text shall govern.

The time periods set forth in this Schedule of Performance may be altered or amended only by written agreement signed by both Developer and City. A failure by either party to enforce a breach of any particular time provision shall not be construed as a waiver of any other time provision. The City Manager shall have authority to approve extensions of time without City Council action not to exceed a cumulative total of 180 days (subject to any force majeure).

Subject to any force majeure, if the Project is delayed such that Project completion (as demonstrated by issuance of a certificate of occupancy for all Project components) has not been accomplished by September 1, 2021, then Developer shall pay the City \$1,000,000.00 in liquidated damages for such delay or non-performance of the Project. The parties recognize that if Developer fails timely perform the Project, or fails to cooperatively undertake the immediate cure of any violation in a timely manner, the City and its residents will suffer damages, including without limitation the minimum tax revenue guarantees set forth herein, and that it is and will be impractical and extremely difficult to ascertain and determine the exact amount of damages that the City and its citizens will suffer. Therefore, the parties agree that the liquidated damages established herein represent a reasonable estimate of the amount of such damages for such specific violations, considering all of the circumstances existing on the date of this Agreement, including the relationship of the sums to the range of harm to City that reasonably could be anticipated and the anticipation that proof of actual damages would be costly or impractical. In placing their initials at the places provided, each party specifically confirms the accuracy of the statements made above and the fact that each party has had ample opportunity to consult with legal counsel and obtain an explanation of these liquidated damage provisions prior to entering this Agreement.

Developer Initials \_\_\_\_\_

City Initials \_\_\_\_\_

11.4 Compliance with the Claims Act. Compliance with this Article 11 shall constitute full compliance with the requirements of the Claims Act, Government Code § 900 et seq., pursuant to Government Code § 930.2 in any action brought by the Developer.

11.5 Notice and Opportunity to Cure. A Non-Defaulting Party in its discretion may elect to declare a Default under this Agreement in accordance with the procedures hereinafter set forth for any failure or breach of the other party ("Defaulting Party") to perform any material duty or obligation of the Defaulting Party under the terms of this Agreement. However, the Non-Defaulting Party must provide written notice to the Defaulting Party setting forth the nature of the breach or failure and the actions, if any, required by the Defaulting Party to cure such breach or failure. The Defaulting Party shall be deemed in Default under this Agreement, if the breach or failure can be cured, but the Defaulting Party has failed to take such actions and cure such default within thirty (30) days after the date of such notice or ten (10) days for monetary defaults (or such lesser time as may be specifically provided in this

Agreement). However, if such non-monetary Default cannot be cured within such thirty (30) day period, and if 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; and
- (b) Notifies the Non-Defaulting Party of the Defaulting Party's proposed cause of action to cure the default; and
- (c) Promptly commences to cure the default within the thirty (30) day period; and
- (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.

11.5.2 Notwithstanding the foregoing, the Defaulting Party shall be deemed in default under this Agreement if the breach or failure involves the payment of money but the Defaulting Party has failed to completely cure the monetary default within ten (10) days (or such lesser time as may be specifically provided in this Agreement) after the date of such notice.

#### 11.6 Dispute Resolution.

11.6.1 Meet & Confer. Prior to any party issuing a Default Notice hereunder, the Non-Defaulting Party shall inform the Defaulting Party either orally or in writing of the Default and request a meeting to meet and confer over the alleged default and how it might be corrected. The parties through their designated representatives shall meet within ten (10) days of the request therefore. The parties shall meet as often as may be necessary to correct the conditions of default, but after the initial meeting either party may also terminate the meet and confer process and proceed with the formal Default Notice.

11.6.2 Termination Notice. Upon receiving a Default Notice, should the Defaulting Party fail to timely cure any default, or fail to diligently pursue such cure as prescribed above, the Non-defaulting Party may, in its discretion, provide the Defaulting Party with a written notice of intent to terminate this Agreement ("Termination Notice"). The Termination Notice shall state that the Non-defaulting Party will elect to terminate this Agreement and state the reasons therefor (including a copy of any specific charges of default) and a description of the evidence upon which the decision to terminate is based. Once the Termination Notice has been issued, the Non-defaulting Party's election to terminate this Agreement will only be waived if (i) the Defaulting Party fully and completely

cures all defaults prior to the date of termination, or (ii) pursuant to Section 11.6.3 below.

11.6.3 Hearing Opportunity Prior to Termination. Prior to any termination, a termination hearing shall be conducted as provided herein (“Termination Hearing”). The Termination Hearing shall be scheduled as an open public hearing item at a regularly-scheduled City Council meeting within thirty (30) days of the Termination Notice, subject to any legal requirements including but not limited to the Ralph M. Brown Act, Government Code Sections 54950-54963. At said Termination Hearing, the Defaulting Party shall have the right to present evidence to demonstrate that it is not in default and to rebut any evidence presented in favor of termination. Based upon substantial evidence presented at the Termination Hearing, the Council may, by adopted resolution, act as follows:

- (a) Decide to terminate this Agreement.
- (b) Determine that the alleged Defaulting Party is innocent of a default and, accordingly, dismiss the Termination Notice and any charges of default; or
- (c) Impose conditions on a finding of default and a time for cure, such that Defaulting Party’s fulfillment of said conditions will waive or cure any default.

11.6.4 Findings of a default or a condition of default must be based upon substantial evidence supporting the following three findings: (i) that a default in fact occurred and has continued to exist without timely cure, (ii) that the Non-Defaulting Party’s performance has not excused the default; and (iii) that such default has, or will, cause a material breach of this Agreement and/or a substantial negative impact upon public health, safety and welfare, or the financial terms established in the Agreement, or such other interests arising from the Project. Notwithstanding the foregoing, nothing herein shall vest authority in the City Council to unilaterally change any material provision of the Agreement.

11.6.5 Following the decision of the City Council, any party dissatisfied with the decision may seek judicial relief consistent with this Article.

11.7 Waiver of Breach. By not challenging any (Existing or Future) Development Approval within 90 days of the action of City enacting the same, Developer shall be deemed to have waived any claim that any condition of approval is improper or that the action, as approved, constitutes a breach of the provisions of this Agreement. By recordation of a final map on all or any portion of the Site, or obtaining a building permit, the Developer shall be deemed to have waived any claim that any condition of approval is improper or that the action, as approved, constitutes a breach of the provisions of this Agreement for the subject portion of the Site.

11.8 Venue. In the event of any judicial action, venue shall be in the Superior Court of Los Angeles County.





## 12. ASSIGNMENT & BINDING SITE COVENANTS.

### 12.1 Right to Assign.

12.1.1 General. Neither party shall have the right to assign this Agreement or any interest or right thereunder without the prior written consent of the other party; however, notwithstanding the above, the Developer's assignment of its rights and obligations under this Agreement to another entity which is owned or controlled (directly or indirectly) by the Developer which assignee shall own, develop or operate the Site pursuant to the provisions of this Agreement, is permitted without the City's approval (a "Permitted Transfer"). The term "assignment" as used in this Agreement shall not include successors-in-interest to the City that may be created by operation of law.

As used in this Section, the term "transfer" shall include the transfer to any person or group of persons acting in concert of more than seventy percent (70%) of the present equity ownership and/or more than fifty percent (50%) of the voting control of the Developer (jointly and severally referred to herein as the "Trigger Percentages") or any general partner of the Developer in the aggregate, taking all transfers into account on a cumulative basis, except transfers of such ownership or control interest between members of the same immediate family, or transfers to a trust, testamentary or otherwise, in which the beneficiaries are limited to members of the transferor's immediate family. A transfer of interests (on a cumulative basis) in the equity ownership and/or voting control of the Developer in amounts less than the Trigger Percentages shall not constitute a transfer subject to the restrictions set forth herein. In the event the Developer or any general partner of the Developer or its successor is a corporation or trust, such transfer shall refer to the transfer of the issued and outstanding capital stock of the Developer, or of beneficial interests of such trust; in the event that Developer or any general partner of the Developer is a limited or general partnership, such transfer shall refer to the transfer of more than the Trigger Percentages in the limited or general partnership interest; in the event that the Developer or any general partner is a joint venture, such transfer shall refer to the transfer of more than the Trigger Percentages of such joint venture partner, taking all transfers into account on a cumulative basis.

Except for a Permitted Transfer, the Developer shall not transfer this Agreement or any of the Developer's rights hereunder, or any interest in the Site or in the improvements thereon, directly or indirectly, voluntarily or by operation of law, except as provided below, without the prior written approval of City, and if so purported to be transferred, the same shall be null and void. In considering whether it will grant approval to any transfer by Developer, which transfer requires City approval, City shall consider factors such as (i) the financial strength and capability of the proposed transferee to perform the obligations hereunder; and (ii) the proposed transferee's experience and expertise in the planning, financing, development, ownership, and operation of similar projects. In no event shall the City's approval of any transfer be unreasonably withheld or delayed.

In addition, no attempted assignment of any of the Developer's obligations hereunder which requires the City's approval shall be effective unless and until the successor party signs and delivers to the City an assumption agreement, in a form reasonably approved by the City, assuming such obligations. No consent or approval by City of any transfer requiring the City's approval shall constitute a further waiver of the provision of this Section 12.1.1 and, furthermore, the City's consent to a transfer shall not be deemed to release the Developer of liability for performance under this Agreement unless such release is specific and in writing executed by City. In no event shall the City's release of the Developer from liability under this Agreement upon a transfer be unreasonably withheld or delayed.

Notwithstanding any provision of this Agreement to the contrary, City approval of a Transfer or Assignment of any portion of the Site under this Agreement shall not be required in connection with any of the following (which shall also for purposes hereof be deemed a Permitted Transfer) provided that such person or entity transferee or assignee assumes in writing all of the Developer's obligations under this Agreement and notifies the City in writing of the same:

- (a) Any mortgage, deed of trust, sale/lease-back, or other form of conveyance for financing and any resulting foreclosure therefrom.
- (b) The granting of easements or dedications to any appropriate governmental agency or utility or permits to facilitate the development of the Site.
- (c) A sale or transfer resulting from, or in connection with, a reorganization as contemplated by the provisions of the Internal Revenue Code of 1986, as amended or otherwise, in which the ownership interests of a corporation are assigned directly or by operation of law to a person or persons, firm or corporation which acquires the control of the voting capital stock of such corporation or all or substantially all of the assets of such corporation.
- (d) A sale or transfer of less than the Trigger Percentages between members of the same immediate family, or transfers to a trust, testamentary or otherwise, in which the beneficiaries consist solely of immediate family members of the trustor or transfers to a corporation or partnership in which the immediate family members or shareholders of the transferor who owns at least ten percent (10%) of the present equity ownership and/or at least fifty percent (50%) of the voting control of Developer.
- (e) A transfer of common areas to a duly-organized Site Owners' Association.

- (f) Any transfer to an entity or entities in which the Developer retains a minimum of 51% of the ownership or beneficial interest and retains management and control of the transferee entity or entities.
- (g) Any transfer of interests in Owner for estate planning purposes to the heirs of Owner, provided that the heirs retain a minimum of 51% of the ownership or beneficial interest of the transferor entity and retain management and control of the transferee entity.

12.1.2 Subject to Terms of Agreement. Following any such Transfer or Assignment of any of the rights and interests of the Developer under this Agreement, in accordance with Section 12.1 above, the exercise, use and enjoyment of such rights and interests shall continue to be subject to the terms of this Agreement to the same extent as if the assignee or transferee were the Developer.

12.1.3 Release of Developer. Upon the written consent of the City to the complete assignment of this Agreement or the transfer of a portion of the Site and the express written assumption of the assigned obligations of the Developer under this Agreement by the assignee, the Developer shall be relieved of its legal duty from the assigned obligations under this Agreement with respect to the portion of the Site transferred, except to the extent the Developer is in Default under the terms of this Agreement prior to the transfer.

### 13. RELEASES AND INDEMNITIES.

13.1 The City's Release As To Actions Prior To Effective Date. The City forever discharges, releases and expressly waives as against the Developer and its attorneys and employees any and all claims, liens, demands, causes of action, excuses for nonperformance (including but not limited to claims and/or defenses of unenforceability, lack of consideration, and/or violation of public policy), losses, damages, and liabilities, known or unknown, suspected or unsuspected, liquidated or unliquidated, fixed or contingent, based in contract, tort, or other theories of direct and/or of agency liability (including but not limited to principles of respondent superior) that it has now or has had in the past, arising out of or relating to the Site, this Agreement or the Development Plan.

13.2 The Developer's Release As To Actions Prior To Effective Date. The Developer forever discharges, releases and expressly waives as against the City and its respective councils, boards, commissions, officers, attorneys and employees any and all claims, liens, demands, causes of action, excuses for nonperformance (including but not limited to claims and/or defenses of unenforceability, lack of consideration, and/or violation of public policy), losses, damages, and liabilities, known or unknown, suspected or unsuspected, liquidated or unliquidated, fixed or contingent, based in contract, tort or other theories of direct and/or of agency liability (including but not limited to principles of respondent superior) that they have now or have had in the past, arising out of or relating to this Agreement and the Development Plan.



13.3 Litigation Preventing Performance. The Parties acknowledge that: (i) in the future there may be challenges to legality, validity and adequacy of the General Plan, the Existing Development Approvals, Development Plan and/or this Agreement; and (ii) if successful, such challenges could delay or prevent the performance of this Agreement and the Development of the Site.

In addition to the other provisions of this Agreement, including, without limitation, the provisions of this Section 13.3, the City shall have no liability under this Agreement for any failure of the City to perform under this Agreement or the inability of the Developer to develop the Site as contemplated by the Development Plan or this Agreement as the result of a judicial determination that on the date this Agreement is approved by the City Council, or at any time thereafter, the Existing Land Use Regulations, the Development Approvals, this Agreement, or portions thereof, are invalid or inadequate or not in compliance with law.

13.4 Revision of Land Use Restrictions to Cure Litigation. If, for any reason, the Development Plan, Existing Development Approvals, this Agreement or any part thereof is hereafter judicially determined, as provided above, to not be in compliance with the State or Federal Constitution, laws or regulations and, if such noncompliance can be cured by an appropriate amendment thereof otherwise conforming to the provisions of this Agreement, then this Agreement shall remain in full force and effect to the extent permitted by law. The Development Plan, Existing Development Approvals and this Agreement shall be amended, as necessary, in order to comply with such judicial decision.

13.5 Participation in Litigation: Indemnity. The Developer shall defend, indemnify and hold the City, its elected officials, officers, employees and agents free and harmless from any and all actions, suits, claims, liabilities, losses, damages, penalties, obligations and expenses (including but not limited to attorneys' fees and costs) against the City for any such Claims or Litigation (as defined in Section 1.20) and shall be responsible for any judgment arising therefrom. The City shall provide the Developer with notice of the pendency of such action and shall request that the Developer defend such action. The Developer shall utilize the City Attorney's office, or at written direction of the City will use legal counsel of its choosing (in consultation with the City as appropriate), and shall reimburse the City for any necessary legal cost incurred by City. The Developer shall provide a deposit in the amount of 150% of the City's estimate, in its sole and absolute discretion, of the cost of litigation, including the cost of any award of attorneys' fees, and shall make additional deposits as requested by City to keep the deposit at such level. The City may ask for further security in the form of a deed of trust to land of equivalent value. If the Developer fails to provide or maintain the deposit, the City may abandon the action and the Developer shall pay all costs resulting therefrom and City shall have no liability to the Developer. The Developer's obligation to pay the cost of the action, including judgment, shall extend until judgment. After judgment in a trial court, the parties must mutually agree as to whether any appeal will be taken or defended. The Developer shall have the right, within the first 30 days of the service of the complaint or petition on the Developer, in its sole and absolute discretion, to determine that it does not want to defend any litigation



attacking this Agreement or the Development Approvals in which case the City shall allow the Developer to settle the litigation on whatever terms the Developer determines, in its sole and absolute discretion, but Developer shall confer with City before acting and cannot bind City. In that event, the Developer shall be liable for any costs incurred by the City up to the date of settlement but shall have no further obligation to the City beyond the payment of those costs. In the event of an appeal, or a settlement offer, the Parties shall confer in good faith as to how to proceed. Notwithstanding the Developer's indemnity for claims and litigation, the City retains the right to settle any litigation brought against it in its sole and absolute discretion and the Developer shall remain liable except as follows: (i) the settlement would reduce the scope of the Project by 10% or more, and (ii) the Developer opposes the settlement. In such case the City may still settle the litigation but shall then be responsible for its own litigation expense but shall bear no other liability to the Developer. Neither City nor Developer shall have any rights or obligations under this Section 13.5 prior to the Effective Date although Developer may, in its sole and unfettered discretion, assume the obligations if it chooses to do so.

13.6 Hold Harmless: Developer's Construction and Other Activities. The Developer shall defend, indemnify and hold the City, its elected officials, officers, employees and agents free and harmless from any and all claims, costs (including attorneys' fees) and liability for any damages, personal injury or death, which may arise, directly or indirectly, from the Developer's or the Developer's agents, contractors, subcontractors, agents, or employees' operations under this Agreement, whether such operations be by the Developer or by any of the Developer's agents, contractors or subcontractors or by any one or more persons directly or indirectly employed by or acting as agent for the Developer or any of the Developer's agents, contractors or subcontractors. Nothing herein is intended to make the Developer liable for the acts of the City's officers, employees, agents, contractors of subcontractors.

13.7 Survival of Indemnity Obligations. All indemnity provisions set forth in this Agreement shall survive termination of this Agreement for any reason other than the City's Default.

#### 14. INSURANCE.

14.1 Types of Insurance. In addition to the insurance requirements of Chapter 15 of Article VI of the Carson Municipal Code, the following insurance requirements apply:

14.1.1 Commercial General Liability Insurance. Prior to commencement and of construction by Developer on the Site, and for the Term of this Agreement, Developer shall at its sole cost and expense keep or cause to be kept in force commercial general liability ("CGL") insurance against liability for bodily injury or death and for property damage (all as defined by the policy or policies) arising from the use, occupancy, disuse or condition of the Site, providing limits of at least Five Million Dollars (\$5,000,000) bodily injury and property damage per



occurrence limit, Five Million Dollars (\$5,000,000) general aggregate limit, and Five Million Dollars (\$5,000,000) products-completed operations aggregate limit.

14.1.2 Builder's Risk Insurance. Prior to commencement and until completion of construction by Developer on the Site, Developer shall procure and shall maintain in force, or caused to be maintained in force, builder's risk insurance written on a "special causes of loss" form, on a replacement cost basis, including vandalism and malicious mischief, covering improvements in place and all material and equipment at the job site furnished under contract, but excluding contractor's, subcontractor's, and construction manager's tools and equipment and property owned by contractor's or subcontractor's employees.

14.1.3 Workers' Compensation. Developer shall also furnish or cause to be furnished to City evidence reasonably satisfactory to it that any contractor with whom Developer has contracted for the performance of any work for which Developer is responsible hereunder carries workers' compensation insurance as required by law.

14.1.4 Other Insurance. Developer may procure and maintain any insurance not required by this Agreement.

14.1.5 Insurance Policy Form, Sufficiency, Content and Insurer. All insurance required by express provisions hereof shall be carried only by insurance companies licensed and admitted to do business in California, rated "A" or better in the most recent edition of Best Rating Guide or in The Key Rating Guide and only if they are of a financial category Class VIII or better, unless waived by City. All such policies shall be nonassessable and shall contain language, to the extent commercially reasonably obtainable, to the effect that (i) any loss shall be payable notwithstanding any act of negligence of City or Developer that might otherwise result in the forfeiture of the insurance, (ii) the insurer waives the right of subrogation against City and against City's agents and representatives; (iii) the policies are primary and noncontributing with any insurance that may be carried by City; and (iv) the policies cannot be canceled or materially changed except after thirty (30) days' written notice (ten (10) days in the event of cancellation for non-payment of premium) by the insurer to City or City's designated representative. Developer shall furnish City with copies of all such policies promptly on receipt of them or with certificates evidencing the insurance. City shall be named as an additional insured on the commercial general liability insurance and on the builder's risk insurance (as its interest may appear) policies required to be procured by the terms of this Agreement. In the event the City's Risk Manager determines reasonably that the use, activities or condition of the Site, improvements or adjoining areas or ways, affected by such use of the Site under this Agreement creates a materially increased or decreased risk of loss to the City, Developer agrees that the minimum limits of the CGL and builder's risk insurance policies required by this Section 14.1 may be changed accordingly upon receipt of written notice from the City's Risk Manager; provided that such

increased limits are available at commercially reasonable premiums. Developer shall have the right to appeal such determination of increased limits to the City Council within thirty (30) days of receipt of notice from the City's Risk Manager.

14.2 Failure to Maintain Insurance and Proof of Compliance. Developer shall deliver to City, in the manner required for notices, copies of certificates of all insurance policies required hereunder together with evidence satisfactory to City of payment required for procurement and maintenance of each policy within the following time limits:

- (a) For insurance required above, within thirty (30) days after the Effective Date.
- (b) For any renewal or replacement of a policy already in existence, at least ten (10) days before the expiration or termination of the existing policy.

If Developer fails or refuses to procure or maintain insurance as required hereby or fails or refuses to furnish City with required proof that that insurance has been procured and is in force and paid for, such failure or refusal shall be a default hereunder.

**15. EFFECT OF AGREEMENT ON TITLE.**

15.1 Covenant Run with the Land. Subject to the provisions of Articles 12 and 16 and pursuant to the Development Agreement Statute:

(a) All of the provisions, agreements, rights, powers, standards, terms, covenants and obligations contained in this Agreement shall be binding upon the parties and their respective heirs, successors (by merger, consolidation, or otherwise) and assigns, devisees, administrators, representatives, lessees, and all other persons acquiring any rights or interests in the Site, or any portion thereof, whether by operation of laws or in any manner whatsoever and shall inure to the benefit of the parties and their respective heirs, successors (by merger, consolidation or otherwise) and assigns;

(b) All of the provisions of this Agreement shall be enforceable as equitable servitudes and constitute covenants running with the land pursuant to applicable law; and

(c) Each covenant to do or refrain from doing some act on the Site hereunder (i) is for the benefit of and is a burden upon every portion of the Site, (ii) runs with such lands, and (iii) is binding upon each party and each successive owner during its ownership of such properties or any portion thereof, and each person having any interest therein derived in any manner through any owner of such lands, or any portion thereof, and each other person succeeding to an interest in such lands.



## 16. MORTGAGEE PROTECTION.

16.1 Definitions. As used in this Section, the term “mortgage” shall include any mortgage, whether a leasehold mortgage or otherwise, deed of trust, or other security interest, or sale and lease-back, or any other form of conveyance for financing. The term “holder” shall include the holder of any such mortgage, deed of trust, or other security interest, or the lessor under a lease-back, or the grantee under any other conveyance for financing.

16.2 No Encumbrances Except Mortgages to Finance the Project. Notwithstanding the restrictions on transfer in Article 12, mortgages required for any reasonable method of financing of the construction of the improvements are permitted but only for the following: (i) for the purpose of securing loans of funds used or to be used for financing the acquisition of a separate lot(s) or parcel(s), (ii) for the construction of improvements thereon, in payment of interest and other financing costs, and (iii) for any other expenditures necessary and appropriate to develop, own or operate the Project under this Agreement, or for restructuring or refinancing any for same. No map permitted herein, even if for financing purposes, shall permit financing for other than purposes of developing, owning or operating the Project solely. The Developer (or any entity permitted to acquire title under this Agreement) may notify the City in advance of any future mortgage or any extensions or modifications thereof. Any lender which has so notified the City shall not be bound by any amendment, implementation, or modification to this Agreement without such lender giving its prior written consent thereto. In any event, the Developer shall promptly notify the City of any mortgage, encumbrance, or lien that has been created or attached thereto prior to completion of construction, whether by voluntary act of the Developer or otherwise.

16.3 Developer’s Breach Not Defeat Mortgage Lien. The Developer’s breach of any of the covenants or restrictions contained in this Agreement shall not defeat or render void the lien of any mortgage made in good faith and for value but, unless otherwise provided herein, the terms, conditions, covenants, restrictions, easements, and reservations of this Agreement shall be binding and effective against the holder of any such mortgage whose interest is acquired by foreclosure, trustee’s sale or otherwise.

16.4 Holder Not Obligated to Construct or Complete Improvements. The holder of any mortgage shall in no way be obligated by the provisions of this Agreement to construct or complete the improvements or to guarantee such construction or completion. Nothing in this Agreement shall be deemed or construed to permit or authorize any such holder to devote the Project or any portion thereof to any uses, or to construct any improvements thereon, other than those uses or improvements provided for or authorized by this Agreement.

16.5 Notice of Default to Mortgagee. Whenever the City shall deliver any notice or demand to the Developer with respect to any breach or default by the Developer hereunder, the City shall at the same time deliver a copy of such notice or demand to each holder of record of any mortgage who has previously made a written





request to the City therefor, or to the representative of such lender as may be identified in such a written request by the lender. No notice of default shall be effective as to the holder unless such notice is given.

16.6 Right to Cure. Each holder (insofar as the rights of City are concerned) shall have the right, at its option, within ninety (90) days after the receipt of the notice, and one hundred twenty (120) days after the Developer's cure rights have expired, whichever is later, to:

(a) Obtain possession, if necessary, and to commence and diligently pursue the cure until the same is completed, and

(b) Add the cost of said cure to the security interest debt and the lien or obligation on its security interest;

provided that, in the case of a default which cannot with diligence be remedied or cured within such cure periods referenced above in Section 11.5, such holder shall have additional time as reasonably necessary to remedy or cure such default.

In the event there is more than one such holder, the right to cure or remedy a breach or default of the Developer under this Section shall be exercised by the holder first in priority or as the holders may otherwise agree among themselves, but there shall be only one exercise of such right to cure and remedy a breach or default of the Developer under this Section.

No holder shall undertake or continue the construction or completion of the improvements on the Site (beyond the extent necessary to preserve or protect the improvements or construction already made) without first having expressly assumed the Developer's obligations to the City by written agreement satisfactory to City with respect to the Project or any portion thereof in which the holder has an interest. The holder must agree to complete, in the manner required by this Agreement, the improvements to which the lien or title of such holder relates, and submit evidence satisfactory to the City that it has the qualifications and financial responsibility necessary to perform such obligations.

16.7 City's Rights upon Failure of Holder to Complete Improvements.

In any case where one hundred eighty (180) days after default by the Developer in completion of construction of improvements on the Site under this Agreement, the holder of any mortgage creating a lien or encumbrance upon the Project or portion thereof has not exercised the option to construct afforded in this Section or, if it has exercised such option and has not proceeded diligently with construction, the City may, after ninety (90) days' notice to such holder and if such holder has not exercised such option to construct within said ninety (90) day period, purchase the mortgage, upon payment to the holder of an amount equal to the sum of the following:

(a) The unpaid mortgage, debt plus any accrued and unpaid interest (less all appropriate credits, including those resulting from collection and application of rentals and other income received during foreclosure proceedings, if any);



- (b) All expenses, incurred by the holder with respect to foreclosure, if any;
- (c) The net expenses (exclusive of general overhead), incurred by the holder as a direct result of the ownership or management of the applicable portion of the Project, such as insurance premiums or real estate taxes, if any;
- (d) The costs of any improvements made by such holder, if any; and
- (e) An amount equivalent to the interest that would have accrued on the aggregate of such amounts had all such amounts become part of the mortgage debt and such debt had continued in existence to the date of payment by the City.

If the City has not purchased the mortgage within ninety (90) days of the expiration of the ninety (90) days referred to above, then the right of the City to purchase shall expire.

In the event that the holder does not exercise its option to construct afforded in this Section, and if the City elects not to purchase the mortgage of holder, upon written request by the holder to the City, the City shall use reasonable efforts to assist the holder in selling the holder's interest to a qualified and responsible party or parties (as reasonably determined by City), who shall assume the obligations of making or completing the improvements required to be constructed by the Developer, or such other improvements in their stead as shall be satisfactory to the City. The proceeds of such a sale shall be applied first to the holder of those items specified in subparagraphs (a) through (e) hereinabove and any balance remaining thereafter shall be applied as follows:

- (1) First, to reimburse the City for all costs and expenses actually and reasonably incurred by the City, including, but not limited to, payroll expenses, management expenses, legal expenses, and others;
- (2) Second, to reimburse the City for all payments made by City to discharge any other encumbrances or liens on the applicable portion of the Project or to discharge or prevent from attaching or being made any subsequent encumbrances or liens due to obligations, defaults, or acts of the Developer, its successors or transferees;
- (3) Third, to reimburse the City for all costs and expenses actually and reasonably incurred by the City, in connection with its efforts assisting the holder in selling the holder's interest in accordance with this Section; and
- (4) Fourth, any balance remaining thereafter shall be paid to the Developer.

16.8 Right of City to Cure Mortgage Default. In the event of a default or breach by the Developer (or entity permitted to acquire title under this Section) prior to completion of the Project or the applicable portion thereof, and the holder of any such mortgage has not exercised its option to complete the development, the City may cure the default prior to completion of any foreclosure. In such event, the City shall be entitled to reimbursement from the Developer or other entity of all costs and expenses



incurred by the City in curing the default, to the extent permitted by law, as if such holder initiated such claim for reimbursement, including legal costs and attorneys' fees reasonably incurred, which right of reimbursement shall be secured by a lien upon the applicable portion of the Project to the extent of such costs and disbursements. Any such lien shall be subject to:

- (a) Any Mortgage; and
- (b) Any rights or interests provided in this Agreement for the protection of the holders of such Mortgages;

provided that nothing herein shall be deemed to impose upon the City any affirmative obligations (by the payment of money, construction or otherwise) with respect to the Project in the event of its enforcement of its lien.

16.9 Right of the City to Satisfy Other Liens on the Site After Conveyance of Title. After the conveyance of title and prior to completion of construction and development, and after the Developer has had a reasonable time to challenge, cure, or satisfy any liens or encumbrances on the Project, the City shall have the right to satisfy any such liens or encumbrances; provided, however, that nothing in this Agreement shall require the Developer to pay or make provision for the payment of any tax, assessment, lien or charge so long as the Developer in good faith shall contest the validity or amount thereof, and so long as such delay in payment shall not subject the Project or any portion thereof to forfeiture or sale.

## 17. MISCELLANEOUS.

17.1 Certificates of Compliance. Either party (or a Mortgagee under Article 16) may at any time deliver written notice to the other party requesting an Estoppel Certificate stating:

- (a) The Agreement is in full force and effect and is a binding obligation of the parties;
- (b) The Agreement has not been amended or modified either orally or in writing or, if so amended, identifying the amendments; and
- (c) There are no existing defaults under the Agreement to the actual knowledge of the party signing the Estoppel Certificate.

A party receiving a request for an Estoppel Certificate shall provide a signed certificate to the requesting party within thirty (30) days after receipt of the request. The Director may sign Estoppel Certificates on behalf of the City. An Estoppel Certificate may be relied on by assignees and Mortgagees.

17.2 Force Majeure. The time within which the Developer or the City shall be required to perform any act under this Agreement shall be extended by a period of time equal to the number of days during which performance of such act is delayed



due to war, insurrection, strikes, lock-outs, riots, floods, earthquakes, fires, casualties, natural disasters, acts of God, acts of the public enemy, epidemics, quarantine restrictions, freight embargoes, governmental restrictions on priority, initiative or referendum, moratoria, processing with governmental agencies other than the City, unusually severe weather, third party litigation as described in Section 13.3 above, or any other similar causes beyond the control or without the fault of the party claiming an extension of time to perform. An extension of time for any such cause shall be for the period of the enforced delay and shall commence to run from the time of the commencement of the cause, if written notice by the party claiming such extension is sent to the other party within thirty (30) days of knowledge of the commencement of the cause. Any act or failure to act on the part of a party shall not excuse performance by that party.

### 17.3 Interpretation.

17.3.1 Construction of Development Agreement. The language of this Agreement shall be construed as a whole and given its fair meaning. The captions of the sections and subsections are for convenience only and shall not influence construction. This Agreement shall be governed by the laws of the State of California. This Agreement shall not be deemed to constitute the surrender or abrogation of the City's governmental powers over the Site.

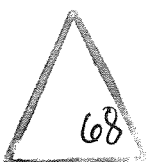
17.3.2 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter of this Agreement and this Agreement supersedes all previous negotiations, discussions, and agreements between the parties, and no parol evidence of any prior or other agreement shall be permitted to contradict or vary the terms of this Agreement.

17.3.3 Recitals. The recitals in this Agreement constitute part of this Agreement and each party shall be entitled to rely on the truth and accuracy of each recital as an inducement to enter into this Agreement.

17.3.4 Mutual Covenants. The covenants contained herein are mutual covenants and also constitute conditions to the concurrent or subsequent performance by the party benefitted thereby of the covenants to be performed hereunder by such benefitted party.

17.3.5 Severability. If any provision of this Agreement is adjudged invalid, void or unenforceable, that provision shall not affect, impair, or invalidate any other provision, unless such judgment affects a material part of this Agreement in which case the parties shall comply with the procedures set forth in Section 13.4 above.

17.4 Joint and Several Obligations. All obligations and liabilities of the Developer hereunder shall be joint and several among the obligees.



17.5 No Third Party Beneficiaries. There are no other third party beneficiaries and this Agreement is not intended, and shall not be construed, to benefit or be enforceable by any other person, excepting the parties hereto.

17.6 Notice.

17.6.1 To Developer. Any notice required or permitted to be given by the City to the Developer under this Development Agreement shall be in writing and delivered personally to the Developer or mailed, with postage fully prepaid, registered or certified mail, return receipt requested, addressed as follows:

Focal Strategic Investments, LLC

\_\_\_\_\_

Attn: Eric Son

With copies to:

\_\_\_\_\_

\_\_\_\_\_

Attn: \_\_\_\_\_

or such other address as the Developer may designate in writing to the City.

17.6.2 To the City. Any notice required or permitted to be given by the Developer to the City under this Development Agreement shall be in writing and delivered personally to the City Clerk or mailed with postage fully prepaid, registered or certified mail, return receipt requested, addressed as follows:

City of Carson  
701 E. Carson Street  
Carson, California 90745  
Attention: Community Development Director

With a copy to:

Sunny Soltani, City Attorney  
Aleshire & Wynder, LLP  
18881 Von Karman Avenue, Suite 1700  
Irvine, California 92612

or such other address as the City may designate in writing to the Developer.

Notices provided pursuant to this Section shall be deemed received at the date of delivery as shown on the affidavit of personal service or the Postal Service receipt.



17.7 Relationship of Parties. It is specifically understood and acknowledged by the parties that the Project is a private development, that neither party is acting as the agent of the other in any respect hereunder, and that each party is an independent contracting entity with respect to the terms, covenants, and conditions contained in this Agreement. The only relationship between the City and the Developer is that of a government entity regulating the development of private property and the owner of such private property.

17.8 Attorney's Fees. If either party to this Agreement is required to initiate or defend litigation against the other party, 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 reasonable attorney's fees. Attorney's fees shall include attorney's fees on any appeal, and, in addition, a party entitled to attorney's fees shall be entitled to all other reasonable costs for investigating such action, taking depositions and discovery and all other necessary costs the court allows which are incurred in such litigation. All such fees shall be deemed to have accrued on commencement of such action and shall be enforceable whether or not such action is prosecuted to a final judgment.

17.9 Further Actions and Instruments. Each of the parties shall cooperate with and provide reasonable assistance to the other to the extent necessary to implement this Agreement. Upon the request of either party at any time, the other party shall promptly execute, with acknowledgment or affidavit if reasonably required, and file or record such required instruments and writings and take any actions as may be reasonably necessary to implement this Agreement or to evidence or consummate the transactions contemplated by this Agreement.

17.10 Time of Essence. Time is of the essence in: (i) the performance of the provisions of this Agreement as to which time is an element; and (ii) the resolution of any dispute which may arise concerning the obligations of the Developer and the City as set forth in this Agreement.

17.11 Waiver. Failure by a party to insist upon the strict performance of any of the provisions of this Agreement by the other party, or the failure by a party to exercise its rights upon the default of the other party, shall not constitute a waiver of such party's right to insist and demand strict compliance by the other party with the terms of this Agreement thereafter.

17.12 Execution.

17.12.1 Counterparts. This Agreement may be executed by the parties in counterparts which counterparts shall be construed together and have the same effect as if all of the parties had executed the same instrument.

17.12.2 Recording. The City Clerk shall cause a copy of this Agreement to be executed by the City and recorded in the Official Records of Los Angeles County no later than ten (10) days after the date that the City Council approves



17.12.3 Authority to Execute. The persons executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to sign and deliver this Agreement on behalf of the party he or she represents, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, (iv) the entering into of this Agreement does not violate any provision of any other Agreement to which the party is bound and (v) there is no litigation or legal proceeding which would prevent the parties from entering into this Agreement.

IN WITNESS WHEREOF, the City and the Developer have executed this Agreement on

\_\_\_\_\_.

**CITY OF CARSON**

By: \_\_\_\_\_  
Albert Robles, Mayor

ATTEST:

\_\_\_\_\_  
Donesia Gause-Aldana, City Clerk

APPROVED AS TO FORM:  
ALESHIRE & WYNDER, LLP

\_\_\_\_\_  
Sunny K. Soltani, City Attorney

**FOCAL STRATEGIC INVESTMENTS, LLC**

By: \_\_\_\_\_  
Managing Member/Owner

By: \_\_\_\_\_  
Managing Member/Owner





STATE OF CALIFORNIA               )  
COUNTY OF LOS ANGELES      ) SS

On \_\_\_\_\_, \_\_\_\_\_, before me \_\_\_\_\_, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

Notary Signature

(SEAL)

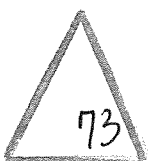
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On \_\_\_\_\_, \_\_\_\_\_, before me \_\_\_\_\_, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he/she executed the same in his/her authorized capacity, and that by his/her signature on the instrument, the person or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

Notary Signature



**EXHIBIT A**  
**LEGAL DESCRIPTION**  
**[TO BE INSERTED]**



3

EXHIBIT A  
LEGAL DESCRIPTION

THAT PORTION OF THE NORTH 3 ACRES OF THE SOUTH 12 ACRES (AREAS COMPUTED TO THE CENTER OF ADJOINING STREET), OF LOT 12 OF THE SOUTH GARDENA TRACT, IN THE CITY OF CARSON, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 43, PAGE 39 OF MISCELLANEOUS RECORDS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY, DESCRIBED AS FOLLOWS:

BEGINNING AT THE INTERSECTION OF THE NORTH LINE OF SAID NORTH 3 ACRES WITH THE WEST LINE OF MAIN STREET 60 FEET WIDE, AS SHOWN ON SAID MAP; THENCE ALONG SAID NORTH LINE, SOUTH 89°07'44" WEST 428.30 FEET; THENCE PARALLEL WITH SAID WEST LINE, SOUTH 0°52'35" EAST 69.75 FEET; THENCE NORTH 89°07'44" EAST 428.30 FEET TO SAID WEST LINE; THENCE ALONG SAID MAIN STREET, NORTH 0°52'35" WEST 69.75 FEET TO THE POINT OF BEGINNING.

EXCEPT THE EASTERLY 20 FEET THEREOF DEEDED TO THE STATE OF CALIFORNIA BY DEED RECORDED MAY 20, 1975 AS INSTRUMENT NO. 448 OF OFFICIAL RECORDS.

ALSO EXCEPT ALL CRUDE OIL, PETROLEUM, GAS, BREA, ASPHALTUM AND ALL OTHER KINDRED SUBSTANCES AND OTHER MINERALS UNDER AND IN SAID LAND, BUT WITH NO RIGHT TO ENTER UPON THE SURFACE OF THE TOP 500 FEET OF THE SUBSTANCES OF SAID LAND, AS RESERVED BY HENRY MILLER AND LILLIAN MILLER, AS TRUSTEES FOR HENRY MILLER AND LILLIAN MILLER, THE BENEFICIARIES UNDER THAT TRUST AGREEMENT DATED DECEMBER 14, 1978, BETWEEN HENRY MILLER AND LILLIAN MILLER, SETTLERS, AND HENRY MILLER AND LILLIAN MILLER, TRUSTEES, IN DEED RECORDED MAY 19, 1980 AS INSTRUMENT NO. 80-494145 OF OFFICIAL RECORDS

APN 7339-003-900

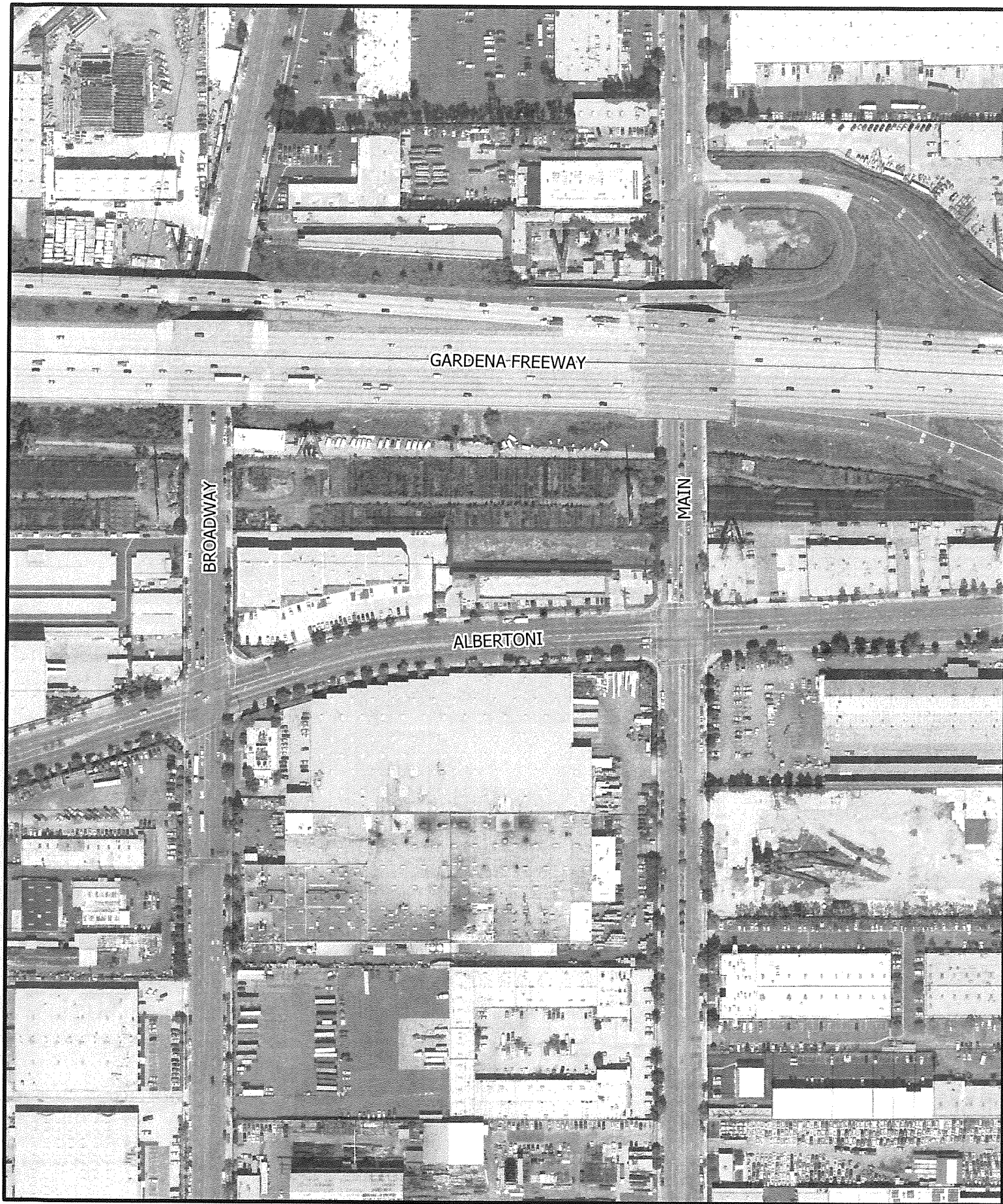


**EXHIBIT B**

**SITE MAP**

**[TO BE INSERTED]**





Location Map  
Focal Strategic Investments: 17505 South Main Street  
APN: 7339-003-900



## **EXHIBIT C**

### **SCOPE OF DEVELOPMENT**

#### **[TO BE COMPLETED]**

Developer shall develop the Site for permitted commercial cannabis use, pursuant to Chapter 15 of Article VI of the Carson Municipal Code, including the following business activities: 1) cultivation of cannabis; 2) manufacturing of cannabis products; and, 3) storage of residual materials from cannabis cultivation

Each permitted commercial cannabis operation at the Site shall prepare, for City inspection, an operations plan which shall be in conformance with the requirements of Carson Municipal Code and, at a minimum, provide the following:

- a) A list of the names, addresses, telephone numbers, and responsibilities of each owner and manager of the facility.
- b) The hours and days of operation for the facility.
- c) A site plan and floor plan of the facility denoting the layout of all areas of the commercial cannabis facility, including, as applicable, storage, cultivation, reception/waiting, manufacturing, and all ancillary support spaces.
- d) The commercial cannabis cultivation and manufacturing procedures to be utilized at the facility, including, as applicable, a description of how chemicals and fertilizers will be stored, handled, and used; extraction and infusion methods; the transportation process; inventory procedures; track and trace program and procedures; quality control procedures; and testing procedures.
- e) Procedures for identifying, managing, and disposing of contaminated, adulterated, deteriorated or excess commercial cannabis product.
- f) Procedures for inventory control to prevent diversion of commercial cannabis to noncommercial use, employee screening, storage of commercial cannabis, personnel policies, and recordkeeping procedures.
- g) An odor management plan detailing the steps that will be taken by Project and Site to ensure off-Site odors shall not result from activities on the Site. This requirement at a minimum means that all commercial cannabis operations at the Site shall be designed to provide sufficient odor-absorbing ventilation and exhaust systems so that any odor generated inside the location of a commercial cannabis operation is not detected outside the building, on adjacent properties or public rights-of-way, or within any other unit located within the same building as a commercial cannabis operation, if the use only occupies a portion of a building.

- h) Policies and procedures for adopting, monitoring, implementing, and enforcing all requirements of the Carson Municipal Code.
- i) Policies and procedures to control mold, mildew, dust, glare, heat, noise, noxious gasses, odor, smoke, traffic, vibration, or other impacts of cultivation, manufacture, delivery, or transporting of cannabis materials.
- j) Policies and procedures to control any hazards due to the use or storage of materials, processes, products, chemicals, fertilizers, or wastes.
- k) Policies and procedures to control and not disturb surrounding residential or commercial areas.



17505 S. MAIN ST.  
CARSON, CA 90248

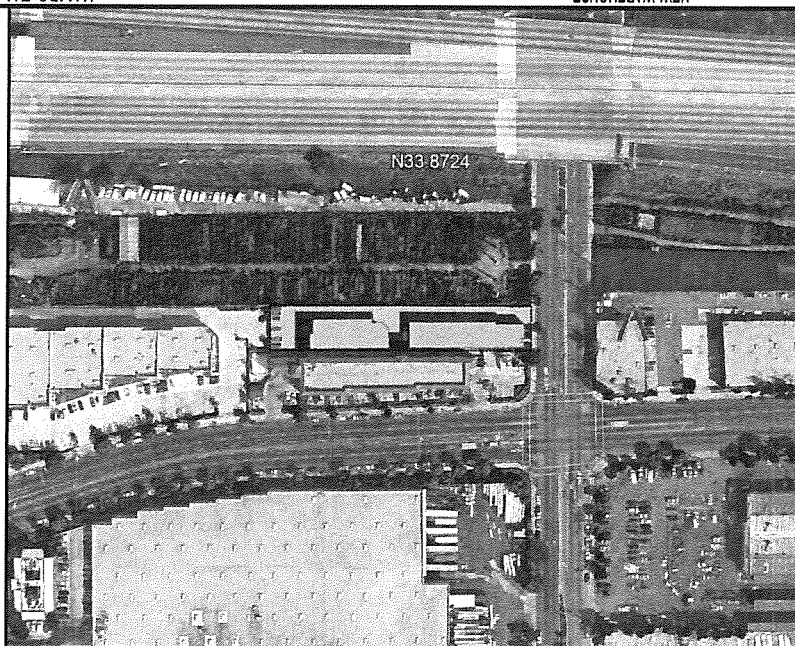
**LCONE ARCHITECTS**  
18 SWEET BAIN  
IRVINE, CA 92614  
949 863 7020  
fax 949 863 7029

NEW WAREHOUSE  
NEW WAREHOUSE AND PARKING  
17505 S MAIN ST  
CARSON CA 90248

TITLE SHEET  
SITE PLAN  
SCALE AS SHOWN

 $\text{H}_2\text{O}_2$ 

3/22/2018



## 1 ILLUSTRATIVE SITE PLAN

## PROJECT DIRECTORY

**OWNER:** FOCAL STRATEGIC INVESTMENTS LLC  
10000 VERDUGO PARKWAY  
SUITE 500 W 50TH ST FLOOR 35  
LOS ANGELES, CA 90033  
CONTACT: TIM KHA PARTNER  
949.420.0982

**ARCHITECT:** KAMPOS FALCONE ARCHITECTS  
15 SWEET RAIN  
BIVINE, CA 91814  
CONTACT: GEORGE FALCONE  
949.883.7020

## SHEET INDEX

STRUCTURAL  
A20 TITLE SHEET AND SITE PLAN  
A10 FLOOR PLANS  
A20 EXTERIOR ELEVATIONS  
A21 EXTERIOR COLORED

## BUILDING / CODE SUMMARY

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ELECTRICAL	-	305
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PROPERTY	-	309
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HEVA  
CALIFORNIA HEALTH CARE

.....

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**Figure 2**

718-283-1400

THE B.C. ELECTIONS

THESE RESULTS ARE ASSOCIATED WITH CHANGES IN A NUMBER OF OTHER FACTORS:

...CALCULATIONS:  
...AND BUILT ON THE CALCULATED FULL-SCALE TEST, CHANGES

**GROUP 96 • BULKY • LOW SPILLAGE • OCCUPANT PROTECTS**

100% OF EACH BULK ORDER  
ACCOMMODATE YOUR BULK ORDER

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2 SITE PLAN

80



**EXHIBIT D**

**RESERVED**



**EXHIBIT E**

**MND MITIGATION MEASURES**

**[ATTACHED]**



# Focal Strategies Cannabis Project

## Mitigation Monitoring and Reporting Program

### A. Introduction

This Mitigation Monitoring and Reporting Program (MMRP) has been prepared in accordance with Public Resources Code Section 21081.6 and CEQA Guidelines Section 15091(d), which require a public agency to adopt a program for monitoring or reporting on the changes it has required in the project or conditions of approval to substantially lessen significant environmental effects. Specifically, Public Resources Code Section 21081.6 states: "... the [lead] agency shall adopt a reporting or monitoring program for the changes made to the project or conditions of project approval, adopted in order to mitigate or avoid significant effects on the environment ... The ... program ... shall be designed to ensure compliance during project implementation." The City of Carson, specifically the Planning Division of the Community Development Department, is the Lead Agency for the proposed project.

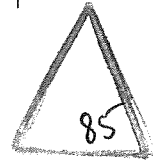
The MMRP describes the procedures for the implementation of all of the mitigation measures identified in the MND for the proposed project. Mitigation measures set forth in the MMRP are specific and enforceable and are capable of being fully implemented by the City of Carson, the various applicants, and/or other identified public agencies of responsibility.



## B. Mitigation Measures

Mitigation Measures		Monitoring Phase	Implementing Party	Enforcement Agency	Responsible Monitoring Agency
<b>BIOLOGICAL RESOURCES</b>					
<p><b>MM-BIO-1:</b> Any construction activities that occur during the nesting season (February 15 to August 31) shall require that all suitable habitat (i.e., trees and shrubs) be surveyed for the presence of nesting birds by a qualified biologist, retained by the Applicant as approved by the City of Carson before commencement of clearing and prior to grading permit issuance.</p> <p>A preconstruction survey by a qualified biologist shall be conducted within 50 feet of vegetation no more than 7 days prior to construction occurring and immediately before construction commences. If nests are observed, an appropriate buffer in compliance with the MBTA shall delineated, flagged, and avoided until the qualified biological monitor has verified that the young have fledged or the nest has otherwise become inactive.</p>		Pre-Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Planning Division
<b>CULTURAL RESOURCES</b>					
<p><b>MM CUL-1:</b> Prior to earth moving activities, a qualified archaeologist meeting the Secretary of the Interior's professional qualifications standards for archaeology shall be retained. The qualified archaeologist shall conduct cultural resources sensitivity training for all construction personnel. The training shall include a module provided by the qualified paleontologist. Construction personnel shall be informed of the types of cultural resources that may be encountered, and of the proper procedures to be enacted in the event of an inadvertent discovery. The responsible party shall ensure that construction personnel are made available for and attend the training and shall retain documentation demonstrating attendance.</p>		Pre-Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Planning Division
<p><b>MM CUL-2:</b> In the event of the discovery of historical, archaeological, or Native American cultural materials, the contractor shall immediately cease all work activities in the vicinity (within approximately 50 feet) of the discovery. After cessation of excavation, the contractor shall immediately contact the responsible party and shall not resume work until the qualified archaeologist has assessed the discovery and any recommended treatment has been fully implemented. If the qualified archaeologist determines that the discovery constitutes a significant resource under CEQA, avoidance shall be the preferred manner of mitigation. In</p>		Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Planning Division

Mitigation Measures		Monitoring Phase	Implementing Party	Enforcement Agency	Responsible Monitoring Agency
<p>the event that avoidance is demonstrated to be infeasible, a Cultural Resources Treatment Plan shall be prepared and implemented by a qualified archaeologist in consultation with the lead agency. The lead agency shall consult with appropriate Native American representatives in determining appropriate treatment for unearthed cultural resources if the resources are prehistoric or Native American in nature.</p> <p>Archaeological materials recovered during any investigation shall be curated at an accredited curatorial facility. The report(s) documenting the implementation of the Cultural Resources Treatment Plan shall be submitted to the lead agency and to the South Central Coastal Information Center.</p>					
<p><b>MM CUL-3:</b> Prior to the start of any earth moving activities, a qualified paleontologist meeting the Society of Vertebrate Paleontology's professional criteria shall be retained by the responsible party to prepare and implement a Paleontological Resources Mitigation and Monitoring Plan (Plan). The Plan shall address procedures and locations for paleontological resources monitoring; microscopic examination of samples where applicable; the evaluation, recovery, identification, and curation of fossils, and the preparation of a final mitigation report.</p>		Pre-Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Planning Division
<p><b>MM CUL-4:</b> Paleontological resources monitoring shall be conducted by qualified paleontological monitors, under the supervision of the qualified paleontologist, in areas specified by the Plan. Locations of monitoring will include areas where excavation may extend into Older Quaternary deposits based on geotechnical findings and construction design plans. In the event fossils are exposed during earth moving, the monitor shall have the authority to halt or redirect construction activities to other work areas so the find can be evaluated. At each fossil locality, field data forms shall be used to record pertinent geologic data, stratigraphic sections shall be measured, and appropriate sediment samples shall be collected and submitted for analysis. Based on observations of soil stratigraphy or other factors, and in consultation with the lead agency, the level of monitoring may be reduced.</p>		Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Planning Division
<p><b>MM CUL-5:</b> In the event that human remains are uncovered during project excavation, the contractor shall halt work in the vicinity (within 100 feet) of the find and contact the Los Angeles County Coroner in accordance with Health and</p>		Construction	Applicant	City of Carson Department of Community	City of Carson Department of Community

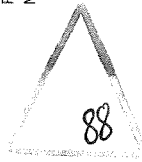


<b>Mitigation Measures</b>		<b>Monitoring Phase</b>	<b>Implementing Party</b>	<b>Enforcement Agency</b>	<b>Responsible Monitoring Agency</b>
Safety Code Section 7050.5. If the Coroner determines the remains are Native American in origin, the Coroner shall contact the Native American Heritage Commission. As provided in Public Resources Code Section 5097.98, the NAHC shall identify the person or persons believed to be most likely descended from the deceased Native American. The most likely descendant shall be afforded the opportunity to provide recommendations concerning the future disposition of the remains and any associated grave goods as provided in Public Resources Code 5097.98.				Development, Planning Division	Development, Planning Division
<b>GEOLOGY</b>					
<b>MM GEO-1:</b> Prior to the issuance of grading or building permits, the Applicant shall submit a geotechnical report, prepared by a registered civil engineer or certified engineering geologist, to the City of Carson, for review and approval. The project shall comply with the Uniform Building Code Chapter 18. Division 1 Section 1804.5 Liquefaction Potential and Soil Strength Loss. The geotechnical report shall assess potential consequences of any liquefaction and soil strength loss, estimation of settlement, lateral movement or reduction in foundation soil-bearing capacity, and discuss mitigation measures that may include building design consideration. Building design considerations shall include, but are not limited to: ground stabilization, selection of appropriate foundation type and depths, selection of appropriate structural systems to accommodate anticipated displacements or any combination of these measures..		Prior to Issuance of Grading or Building Permits	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Planning Division
<b>HAZARDS AND HAZARDOUS MATERIALS</b>					
<b>MM HAZ-1:</b> Prior to commencing operation of the cannabis cultivation facility (Certificate of Occupancy), the Applicant will be required to show the City proof of contract with a licensed hazardous waste hauler that will be responsible for removing all hazardous wastewater and solid waste generated at the project site.		Prior to Operation	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Planning Division
<b>MM HAZ-2:</b> Any and all equipment, facilities, connections and building components required for cannabis extraction shall be submitted to the Los Angeles County Fire Department for review and approval. Should extraction of cannabinoids be included in the building plans, no building permit shall be issued until the Los Angeles County Fire Department provides the City with written		Prior to Operation	Applicant	Los Angeles County Fire Department, City of Carson Department of	Los Angeles County Fire Department, City of Carson Department of Community

Mitigation Measures		Monitoring Phase	Implementing Party	Enforcement Agency	Responsible Monitoring Agency
authorization to issue the permit				Community Development, Planning Division	Development, Planning Division
<b>HYDROLOGY AND WATER QUALITY</b>					
<b>MM HYD-1:</b> Prior to final project design, a Low Impact Development (LID) Plan would be developed by the Applicant and submitted to the City of Carson for approval. The LID Plan is required because the project is classified as a "Planning Priority Project" per the CMC Ord. 96-1101, § 1 and must comply with requirements of Section 5809 Storm Water Pollution Control Measures for New Development and Redevelopment Projects. The project will result in 10,000 square feet or more of the impervious surfaces which was not subject to post-construction stormwater quality control requirements. Therefore, all stormwater runoff generated at the project site must be treated.		Prior to Final Project Design	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Planning Division
<b>NOISE</b>					
<b>MM NOISE-1:</b> Noise-generating equipment operated at the project site shall be equipped with the most effective noise control devices, i.e., mufflers, lagging, and/or motor enclosures. All equipment shall be properly maintained to ensure that no additional noise, due to worn or improperly maintained parts, would be generated.		Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Building and Safety Division
<b>MM NOISE-2:</b> The Applicant shall designate a construction relations officer to serve as a liaison with surrounding residents and property owners who is responsible for responding to any concerns regarding construction noise and vibration. The liaison's telephone number(s) shall be prominently displayed at the project site. Signs shall also be posted at the project site that includes permitted construction days and hours.		Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Building and Safety Division
<b>MM NOISE-3:</b> Construction and demolition activities shall be scheduled so as to avoid operating several heavy pieces of equipment simultaneously.		Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Building and Safety Division



Mitigation Measures		Monitoring Phase	Implementing Party	Enforcement Agency	Responsible Monitoring Agency
<b>MM NOISE-4:</b> The project shall provide a temporary 15-foot-tall construction barrier along property lines facing adjacent off-site commercial buildings and be equipped with noise blankets capable of achieving sound level reductions of at least 15 dBA between the project construction site and the off-site commercial uses. Temporary noise barriers shall be used to block the line-of-sight between the construction equipment and the noise-sensitive receptors. The temporary barrier shall remain in place until windows have been installed. Standard construction protective fencing with green screen or pedestrian barricades for protective walkways shall be installed along property lines facing streets or commercial buildings. All temporary barriers, fences, and walls shall have gate access as needed for construction activities, deliveries, and site access by construction personnel.		Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Building and Safety Division
<b>MM NOISE-5:</b> All stationary mechanical equipment shall be equipped with standard noise control devices such as sound attenuators, acoustics louvers, or sound screen/parapet walls. In addition, all stationary mechanical equipment shall be located greater than 110 feet from the property line. Equipment specifications, design, and location shall be submitted and reviewed during the Design Review process.		Pre-Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Building and Safety Division
<b>MM NOISE-6:</b> All loading and unloading areas shall be located greater than 110 feet from the property line. Design and location shall be submitted and reviewed during the Design Review process		Pre-Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Building and Safety Division
UTILITIES					
<b>MM UE-1:</b> Cannabis Soil, Plant Material, and Waste Management. Each Licensee shall prepare and submit a Cannabis Soil, Plant Material, and Solid Waste Management Plan for the cannabis site, which describes the type and amount of solid waste that would be generated. The Plan shall maximize to the extent practicable composting of soil and cannabis plant wasteon-site, and implement BMPs for solid waste handling. Transfer of cannabis plant waste material from the site shall only occur as allowed by state regulations, either through pre-treatmenton-site to render the waste acceptable to licensed landfill or composting facilities, or using a		Pre-Construction	Applicant	City of Carson Department of Community Development, Planning Division	City of Carson Department of Community Development, Building and Safety Division





Mitigation Measures	Monitoring Phase	Implementing Party	Enforcement Agency	Responsible Monitoring Agency
commercial hauler that meets state regulations for the treatment and disposal of cannabis waste.				

**EXHIBIT F**

**LIST OF FUTURE DEVELOPMENT APPROVALS**

**[TO BE INSERTED]**



Future Development Approvals may include the following:

- Site Plan and Design Review
- Tentative and final subdivision maps
- Variances
- Conditional Use Permits
- Grading, building and other similar permits
- Certificate of Occupancy
- Business License
- Environmental assessments
- Any amendments or modifications to those plans, maps, permits, and entitlements.



**EXHIBIT G**  
**SCHEDULE OF PERFORMANCE**  
**[TO BE INSERTED]**



FOCAL STRATEGIC INVESTMENTS, LLC

**SCHEDULE OF PERFORMANCE**

October 30, 2018

	<b><u>Item To Be Performed</u></b>	<b><u>Time For Performance / Responsible Party</u></b>	<b><u>Agreement Reference</u></b>
1.	Submit Planning applications for Administrative Review (DOR or other required Planning applications)	January 31, 2018 / Developer	
2.	Review and approval of Planning applications (permits required for, and specific to, individual tenants may be obtained at a later date based upon anticipated tenant occupancy)	May 31, 2018 / City	
3.	Effective Date of the Development Agreement	January 4, 2019	
4.	Submittal of the Site Plan and Design Review Application	30 days after Effective Date of the Development Agreement/Developer	
5.	Approval of the Site Plan and design Review Application	4 months from #4/City	
6.	Submittal of construction plans for City review	5 months from #5 / Developer (may submit prior to approval of Site Plan and Design Review applications with approval of a Hold Harmless agreement)	
7.	Issuance of Building / Grading Permits	4 months after #6 / City	
8.	Start of construction	15 days after #7/ Developer	
9.	Completion of construction	1 year after #8/ Developer	
10.	Start of operations	15 days after #9/ Developer	

It is understood that the foregoing Schedule of Performance is subject to all of the terms and conditions set forth in the text of the Agreement. The summary of the items of performance in this Schedule of Performance is not intended to supersede or modify the more complete description in the text; in the event of any conflict or inconsistency between this Schedule of Performance and the text of the Agreement, the text shall govern.



The time periods set forth in this Schedule of Performance may be altered or amended only by written agreement signed by both Developer and the City. A failure by either party to enforce a breach of any particular time provision shall not be construed as a waiver of any other time provision. The City Manager shall have the City approve extensions of time without City Council action not to exceed a cumulative total of 180 days.

