

CRA/LA, A DESIGNATED LOCAL AUTHORITY
(Successor Agency to the Community Redevelopment Agency of the City of Los Angeles, CA)

M E M O R A N D U M

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DATE: OCTOBER 6, 2016

TO: GOVERNING BOARD

FROM: STEVE VALENZUELA, CHIEF EXECUTIVE OFFICER

STAFF: BARRON MCCOY, CHIEF OPERATING OFFICER
DANIEL KAHN, SENIOR REAL ESTATE DEVELOPMENT AGENT

SUBJECT: IMPLEMENTATION OF SETTLEMENT AGREEMENT: 3900 W. JEFFERSON BOULEVARD – EXCLUSIVE NEGOTIATING AGREEMENT. Exclusive Negotiating Agreement with M&A Gabae, Arman Gabay and the Charles Company for the development of a project that includes, at a minimum, Class A office and retail space on CRA/LA-owned property located at 3900-3914 West Jefferson Boulevard in the Mid-City Recovery Redevelopment Project Area.

RECOMMENDATION

That the Governing Board, subject to Oversight Board approval, authorize the Chief Executive Officer or designee to execute an Exclusive Negotiating Agreement with M&A Gabae, Arman Gabay and the Charles Company for the development of a project that includes, at a minimum, Class A office and retail space on CRA/LA-owned property located at 3900-3914 West Jefferson Boulevard.

SUMMARY

In 2010, The Community Redevelopment Agency of the City of Los Angeles ("Former Agency") entered into a settlement agreement with M&A Gabae, Arman Gabay, and The Charles Company (collectively "Gabae") relating to development of the Slauson Central Shopping Center located at 940-1040 E. Slauson Avenue. In the settlement agreement, the Former Agency agreed to provide a First Opportunity to Negotiate ("FON") for the redevelopment of the property located at 3900-3914 W. Jefferson Boulevard (the "Property") in the Mid-City Recovery Redevelopment Project Area.

Although the settlement agreement between the Former Agency and Gabae was executed in 2010, the Former Agency and Gabae did not reach consensus on the terms of an ENA. In addition, the California Supreme Court stay of AB X1-26 and X1-27 in August of 2011 prohibited the Former Agency from entering into new agreements. After the Supreme Court ruling and the enactment of the dissolution legislation, implementation of this component of the settlement agreement was incorporated into the Long Range Property Management Plan (LRPMP) in the Retain to Fulfill an Enforceable Obligation category. The approved LRPMP acknowledges this obligation as Asset ID No. 87.

Pursuant to the settlement agreement, CRA/LA staff negotiated the ENA with Gabae and is recommending approval by the Governing Board. The terms of the ENA are below and adhere to the settlement agreement.

1. Negotiation Period: 180 days, with two 90-day options to extend with mutual agreement;
2. Purpose: Negotiation of a Disposition and Development Agreement ("DDA") for the development of a commercial office building at the Property;

3. Sales Price: Property will be sold at its fair reuse value;

The “reuse value” is akin to fair market value except that it is based on a particular proposed use for the property. It is the highest price in dollar terms that the site would be expected to bring for the specified purpose in a competitive market under the reuse conditions established by CRA/LA, with the buyer (Gabaee) and seller (CRA/LA) each acting prudently and knowledgeably, assuming the price is not affected by undue stimulus. An essential element in the estimate of reuse value is the assumption that the conveyance of the site will result in near-term development, not speculation, with strict limitations on the use of the property.

4. Financial Assistance: No direct financial assistance or other subsidy will be provided by CRA/LA;
5. CRA/LA Policies: The development will be subject to all applicable CRA/LA policies;
6. Community Benefits: A community benefits package will be negotiated and provided;
7. Scope of Development: The development will include, at a minimum, Class A office space and retail space in an amount of square footage to be determined, and vehicle parking as required by the City’s Municipal Code;
8. Schedule of Performance: A schedule of performance that requires commencement of construction, subject to Force Majeure and City building department delays, within 12 months of approval and full execution of a DDA and completion of construction within 24 months of the commencement of construction.

The settlement agreement provides that the Governing Board retains its full discretion to approve or disapprove staff’s recommendation. If the Governing Board approves the ENA, the matter must be approved by the Oversight Board and DOF to be effective. If the Governing Board disapproves staff’s recommendation, the LRPMP indicates that the Property will be transferred to the City of Los Angeles as a housing asset.

PREVIOUS ACTIONS

December 17, 2008 – City Council approval of November 6, 2008, Former Agency’s action

November 6, 2008 – Former Agency approval of acquisition of real property located at 3900-3914 West Jefferson Boulevard

DISCUSSION & BACKGROUND

Pursuant to the *Settlement Agreement, Release of Claims and Right of First Refusal Related to the Slauson Central Project (August 2010)* (the “Settlement Agreement”) by and between The Community Redevelopment Agency of the City of Los Angeles, California, (“Former Agency”) and M&A Gabaee, a California Limited Partnership, Arman Gabay and The Charles Company (collectively “Gabaee”), CRA/LA shall provide Gabaee with a first opportunity to negotiate an Exclusive Negotiating Agreement (“ENA”) for the development of a project that includes Class A office and retail space on CRA/LA-owned property located at 3900-3914 West Jefferson Boulevard in the Mid-City Recovery Redevelopment Project Area (“Project Area”) (Attachment A – Location Map). Gabaee has exercised the first opportunity to negotiate an ENA and is proposing, as required by the Settlement Agreement, to build a project that, at a minimum, includes Class A office and retail space. As set forth in the Settlement Agreement, if the terms

of the ENA are satisfactory and consistent with the Settlement Agreement, CRA/LA staff shall recommend approval of the ENA by the CRA/LA Governing Board. The CRA/LA Governing Board shall retain its full discretion to approve, not approve or take any other action it deems appropriate in regards to its consideration of the ENA, as long as such action is not inconsistent with the terms of the Settlement Agreement.

Pursuant to the Settlement Agreement, the ENA shall be in a form similar to other ENA's that CRA/LA has entered into for development projects. Among other terms, the ENA shall contain the following: (i) Term: the ENA shall be for a period of 180 days with two 90-day options to extend, with mutual agreement of the parties; (ii) Purpose: the negotiation of a Disposition and Development Agreement ("DDA") for the development of a commercial office building at the Property; (iii) Sales Price: the Property will be sold at its fair reuse value; (iv) Financial Assistance: no financial assistance or other subsidy will be provided by CRA/LA unless CRA/LA determines in its sole discretion to do so; (v) CRA/LA Policies: the development will be subject to all applicable CRA/LA policies; (vi) Community Benefits: a community benefits package will be provided; (vii) Scope of Development: the development will include, at a minimum, Class A office space and retail space in an amount of square footage to be determined, and vehicle parking as required by the City's Municipal Code; and (viii) Schedule of Performance: a schedule of performance that requires commencement of construction subject to Force Majeure and City building department delays, within 12 months of approval and full execution of a DDA and completion of construction within 24 months of the commencement of construction.

Pursuant to the Settlement Agreement, Gabaee shall be responsible for all costs it incurs in regards to the negotiation and performance of the ENA, including, but not limited to consultant and legal costs. Gabaee shall perform, or reimburse CRA/LA for its performance of such additional environmental review and documentation as required by the California Environmental Quality Act and as necessary for the consideration of the DDA by the CRA/LA Governing Board.

Pursuant to the Settlement Agreement, if the necessary authorization is provided to enter into the ENA with Gabaee and if the parties reach agreement on a DDA within the ENA negotiation period, CRA/LA staff will submit the proposed agreement to the CRA/LA Governing Board for consideration. Consideration of the proposed agreement shall be in compliance with all applicable statutes, rules or administrative procedures. The CRA/LA Governing Board shall retain its full discretion to approve, not approve or take any other action in regard to the DDA, as long as it is not inconsistent with the Settlement Agreement.

If the parties are unable to reach agreement on the terms of a DDA within the ENA negotiation period, or any extension thereof, or if the CRA/LA Governing Board, Oversight Board, or DOF does not approve any such agreement, then the parties have no further duties or obligations or any recourse against the other in regards to the DDA or the Property. Except as may be provided in the Settlement Agreement or the ENA, Gabaee shall not challenge in any manner, including, but not limited to the filing of a legal action, the actions of CRA/LA in the solicitation, selection or retention of a new developer purchaser for the DDA or the Property.

SOURCE OF FUNDS

No funding is being requested for this item.

ROPS AND ADMINISTRATIVE BUDGET IMPACT

The Successor Agency staffing costs associated with this item are characterized as specific program implementation activities. Pursuant to H&SC Section 34171(b), employee costs associated with specific program implementation activities are excluded from the administrative

cost cap and are eligible for RPTTF funding. Should the ENA negotiations result in an approved DDA, there will be administrative costs associated with the implementation of the DDA and CRA/LA policies, including the labor compliance monitoring (i.e. prevailing wage).

ENVIRONMENTAL REVIEW

This proposed action does not constitute a Project pursuant to the California Environmental Quality Act (CEQA).

By:

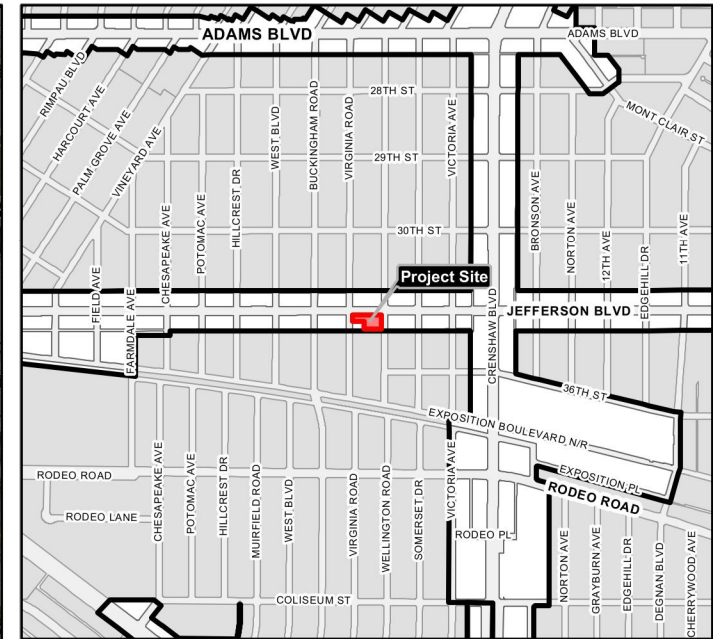


Steve Valenzuela
Chief Executive Officer

There is no conflict of interest known to me which exists with regard to any CRA/LA officer or employee concerning this action.

ATTACHMENTS

- Attachment A – Location Map
- Attachment B – Exclusive Negotiating Agreement
- Attachment C – Settlement Agreement



Project Area: Mid-City

Address: 3900 W Jefferson Boulevard

Parcel SqFt: 25,332

Zoning: CM

Site Description: Vacant concrete/asphalt lot(s) with perimeter fence(s)



Attachment B

EXCLUSIVE NEGOTIATING AGREEMENT BY AND BETWEEN CRA/LA AND M & A GABAE

This Exclusive Negotiating Agreement (this "Agreement") is entered into as of _____, 2016 by and between **CRA/LA**, a Designated Local Authority ("CRA/LA") and **M & A Gabae**, a California Limited Partnership, **Arman Gabay** and the **Charles Company**. M & A Gabae, Arman Gabay and the Charles Company are sometimes collectively referred to herein as the "Developer," and CRA/LA and the Developer are sometimes referred to herein collectively as the "Parties," and singularly as a "Party."

RECITALS

A. WHEREAS, the Community Redevelopment Agency of the City of Los Angeles, California (the "Former Agency") was dissolved on February 1, 2012, pursuant to California Health & Safety Code Section 34172. In accordance with California Health & Safety Code Section 34173(d)(3), CRA/LA was formed to serve as the successor agency of the Former Agency. In accordance with California Health & Safety Code Section 34175(b) all property and assets of the Former Agency were transferred to CRA/LA. As the successor-in-interest to the Former Agency, CRA/LA assumed all enforceable obligations and assets of the Former Agency.

B. WHEREAS, the Former Agency entered into a Settlement Agreement, Release of Claims and Right of First Refusal with Developer dated as of January 31, 2011 (the "Settlement Agreement") requiring the Former Agency to provide the Developer with a first opportunity to negotiate an Exclusive Negotiating Agreement ("ENA") for the development of a Class A commercial office building at the property located at 3900-3924 W. Jefferson Boulevard (APN Nos. 5046-004-900, -901 and -902) as shown on the map attached to this Agreement as Exhibit A (the "Site").

C. WHEREAS, the CRA/LA remains responsible for implementation of the Redevelopment Plan for the Mid-City Recovery Redevelopment Project adopted by the City Council of the City of Los Angeles ("City") by Ordinance No. 171064 on May 10, 1996 (the "Redevelopment Plan"). The Redevelopment Plan affects and controls development and use of all real property located within an area within the City of Los Angeles, California, more particularly described and set forth in the Redevelopment Plan.

D. WHEREAS, the purpose of this Agreement is to establish procedures and standards for the negotiation by CRA/LA and the Developer of a Disposition and

Development Agreement (the "DDA") for the development of a Class A office building with retail space (the "Project") on the Site.

E. If CRA/LA and the Developer successfully negotiate the terms of a DDA during the Negotiating Period, (defined in Section 1.2), the draft DDA will be presented to the CRA/LA Governing Board for consideration. As more fully set forth in Section 3.1 below, this Agreement in itself does not grant the Developer or any successor the right to redevelop the Site.

WITH REFERENCE TO THE FACTS RECITED ABOVE, the Parties agree as follows:

ARTICLE 1. EXCLUSIVE NEGOTIATIONS RIGHT

Section 1.1 Good Faith Negotiations. During the Negotiating Period, CRA/LA and the Developer shall diligently and in good faith negotiate the terms of a DDA for the development of the Project on the Site, and shall cooperate in conducting such Project feasibility activities as each Party reasonably deems appropriate. During the Negotiating Period, the Parties shall use good faith efforts necessary to facilitate the negotiation of a mutually satisfactory DDA.

Among the issues to be addressed in the negotiations are the total development costs of the Project, the nature and amount of financial investment in the Project by the Developer, remediation of any adverse Site conditions, the Developer's responsibility to obtain entitlements and any environmental clearances, the development schedule for the Project, financing of the Project, marketing and management of the Project, design and aesthetic considerations of the Project, Site layout, preliminary design and architectural concepts and plans, the quality and type of construction, the provision of public improvements related to the Project, and a community benefits package.

As part of the negotiations under this Agreement, the Parties shall each make available such additional staffing, consultants and other resources as may be required for the timely resolution of issues which may arise during negotiations and for the expeditious review of documents to be prepared by or on behalf of either Party. It is anticipated that, except as CRA/LA may otherwise determine, negotiations and other meetings between the Parties during the Negotiating Period of this Agreement will take place at CRA/LA's offices or other locations in Los Angeles, and draft documents will be prepared by CRA/LA or its attorneys and consultants and provided to Developer and its attorneys and consultants for review and comment. During the Negotiating Period of this Agreement, the Parties agree to participate in meetings, as reasonably requested by either Party.

Each Party acknowledges and agrees that the other Party shall be deemed to be acting in good faith so long as it makes reasonable efforts to attend scheduled meetings, directs its consultants to cooperate with the other Party, provides information necessary to the negotiations to the other Party, and uses commercially reasonable efforts to review and return with comments all correspondence, reports, documents, or draft agreements received from the other Party that require such comments.

Section 1.2 Negotiating Period. The negotiating period under this Agreement (the "Negotiating Period") shall commence on the Effective Date (defined in Section 3.4) and terminate at 5:00 p.m. on the one hundred eightieth (180th) day thereafter. The Agreement may be extended for two (2) 90-day periods from the date of this Agreement, with mutual agreement of the Parties. Further, if a DDA has not been executed by the Parties (or by CRA/LA and a party related to the Developer and approved by CRA/LA) by the expiration of the Negotiating Period, then this Agreement shall terminate and neither Party shall have any further rights or obligations under this Agreement, except as set forth in Sections 1.4, 3.2, 3.5, and 3.11.

Notwithstanding the foregoing, if the Developer signs and submits to CRA/LA a DDA approved as to form and content by the CRA/LA Chief Executive Officer or designee within the Negotiating Period, the Negotiating Period will automatically be extended by a period of one hundred eighty (180) days to permit the CRA/LA Governing Board, CRA/LA Oversight Board and DOF to take the steps necessary to consider (i.e. approve or disapprove) the proposed DDA.

If a DDA is executed by both Parties, then upon such execution, this Agreement shall terminate as of the effective Date of the DDA, and all rights and obligations of the Parties shall be as set forth in the executed DDA.

This Agreement may also be terminated if the Parties agree in writing that a successful consummation of the negotiations is impossible.

Section 1.3 Exclusive Negotiations. During the Negotiating Period, CRA/LA shall not negotiate with any person or entity, other than the Developer or related party approved by CRA/LA, regarding development of the Site or any portion thereof, or solicit or entertain bids or proposals to do so.

Section 1.4 Good Faith and CRA/LA Consultant Costs Deposit. The Developer acknowledges that CRA/LA shall expend substantial resources in the negotiation and performance of the tasks in the DDA. Concurrently with the full execution of this Agreement by CRA/LA and the Developer, the Developer shall submit to CRA/LA as a good faith and consultant cost reimbursement deposit, the sum of Fifty Thousand Dollars (\$50,000) (the "Deposit") to pay for CRA/LA's reasonable costs and expenses actually paid to third parties in negotiating and preparing the DDA. Such costs may include, but are not limited to fees and services of economic consultants and attorneys, selected by CRA/LA, relating to the Project and the preparation of the DDA ("Consultant Costs"), but shall exclude CRA/LA staff costs. Developer shall provide the Deposit in the form of a wire transfer or check into an interest bearing account that is controlled by CRA/LA.

The Developer shall increase the deposit upon CRA/LA's reasonable request if in the opinion of CRA/LA the existing amount of the deposit will be insufficient to pay reasonably anticipated Consultant Costs. CRA/LA will not expend funds beyond the deposit without first providing written notice to Developer including an estimate of additional costs not to exceed a specific dollar amount. Developer's written agreement to

additional costs is required before work is commenced. Failure of the Developer to promptly increase the deposit upon CRA/LA's reasonable request shall be a basis for terminating this Agreement.

To the extent CRA/LA incurs less than Fifty Thousand Dollars (\$50,000) in Consultant Costs by the end of the Negotiating Period and a DDA has not been entered into and Developer has negotiated in good faith and is not in breach of this Agreement, CRA/LA shall return the unexpended balance of the Deposit to the Developer along with an accounting of the costs incurred by CRA/LA.

If this Agreement is terminated by CRA/LA (pursuant to Section 3.6) at any time due to a breach of the Developer's obligation to negotiate in good faith, then the entire balance of the Deposit shall be retained by CRA/LA, as more fully provided in Section 3.7.

Section 1.5 DDA Terms and Conditions. The essential terms and conditions of the DDA to be negotiated and drafted pursuant to this Agreement shall be guided by the following requirements and conditions:

A. The negotiations shall be based on and guided by, and the DDA shall incorporate, the objectives, parameters, development requirements, terms and conditions and other requirements set forth in the Settlement Agreement:

1. Sales Price. The Site will be sold at its fair reuse value.
2. Financial Assistance. No financial assistance or other subsidy will be provided by CRA/LA.
3. CRA/LA Policies. The Project will be subject to all applicable CRA/LA policies.
4. Scope of Development. The Project will include, at a minimum, Class A office and retail space with the amount of square footage to be determined by the Parties, and vehicle parking as required by City Municipal Code (the "Scope of Development"). Further, the Scope of Development shall set forth design parameters for the Site.
5. Schedule of Performance. A Schedule of Performance that requires commencement of construction, subject to Force Majeure and governmental and/or judicial delays, within twelve (12) months after full execution of the DDA; and, completion of construction within twenty-four (24) months after the commencement of construction will be included in the DDA. Further, the Schedule of Performance shall contain a requirement for the submission of plans to CRA/LA for its approval and the respective times in which CRA/LA and the Developer are obligated to perform their respective obligations.

B. The DDA shall be subject to the following policies and requirements of the CRA/LA, copies of which are attached to this Agreement as Exhibit B:

1. Prevailing Wage Policy;
2. Living Wage Policy;
3. Contractor Responsibility Policy;
4. Service Contractor Retention Policy;
5. Equal Benefits Policy;
6. Public Art Policy;
7. Equal Opportunity and Nondiscrimination;
8. CRA/LA Standard Insurance Requirements; and
9. Any and all other applicable and customary CRA/LA policies.

C. The DDA shall include a sources and uses budget and a feasible method of financing, reasonably demonstrating to CRA/LA the availability of all funds needed to complete the Project. The DDA shall require the submittal of documentation of all proposed construction loans and Developer equity needed to carry out the proposed method of financing. Developer shall advise CRA/LA of any material change in the method of proposed financing.

D. The DDA shall set forth conditions precedent to CRA/LA's conveyance of the Site to the Developer.

E. The DDA shall prohibit, without written CRA/LA consent, which consent will not be unreasonably withheld, any assignments or transfers by the Developer until completion of any construction required by the DDA. Such prohibited assignments or transferred shall exclude any assignment of a security interest in the Site for financing purposes and any intra-company transfer or assignment where the principals of the assignee are substantially the same as the assignor.

F. The DDA shall set forth use restrictions relating to the Project, which use restrictions may be set forth in a covenant to be recorded against the Site.

G. The DDA shall incorporate the applicable provisions of CRA/LA's Standard Terms and Conditions which are attached to this Agreement as Exhibit C.

Section 1.6 ENA Costs. Developer shall be responsible for its own costs in regards to the negotiation and performance of the ENA, including, but not limited to consultant and legal costs. Pursuant to Section 1.4, Developer shall reimburse CRA/LA for its performance of environmental review described in Section 2.4.

Section 1.7 Consideration of DDA. If the Parties reach agreement on a DDA within the ENA negotiation period, then CRA/LA staff will submit the proposed agreement to the CRA/LA Governing Board for consideration. Consideration of the proposed agreement shall be in compliance with all noticing requirements of the California Health & Safety Code, Government Code and any other applicable statutes, rules, or administrative procedures. The CRA/LA Governing Board shall retain its full discretion to approve, not approve, or take any other action in regards to the DDA, as long as it is not inconsistent with the Settlement Agreement. Should the CRA/LA Governing Board approve the DDA, then it will be submitted to the Oversight Board for review and approval. The Oversight Board shall retain its full discretion to approve, not approve or take any other action in regards to the DDA. If the DDA is approved by the CRA/LA Governing Board and the Oversight Board, it shall be submitted to DOF for review and approval. If the DDA is approved by DOF, then Developer shall, with the exception of gross negligence or willful misconduct of CRA/LA, defend and indemnify CRA/LA against any challenges regarding the approval of the DDA, the environmental review and documentation and/or any other agreements entered by the parties in regard to the DDA or the Project.

Section 1.8 Failure of Agreement. If, after working together in good faith, the Parties are unable to reach agreement on the terms of a DDA within the ENA negotiation period, or any extension thereof, or if the CRA/LA Governing Board or the Oversight Board or DOF does not approve any such agreement, then the Parties have no further duties or obligations or any recourse against the other in regards to the DDA or the Project.

Section 1.9 Identification of Negotiating Representatives. The Developer's representatives to negotiate the DDA with CRA/LA are AJ Jaranilla and John Carroll. CRA/LA's representative to negotiate the DDA with the Developer is Barron McCoy, Chief Operating Officer. Either Party may designate a substitute representative and consultant by giving written notice to the other Party of the name of such substitute representative.

ARTICLE 2. NEGOTIATION TASKS

Section 2.1 Overview. To facilitate negotiation of the DDA, the Parties shall use good faith efforts to accomplish the tasks set forth herein by the timeframe set forth herein so as to support negotiation and execution of a mutually acceptable DDA prior to the expiration of the Negotiating Period.

Section 2.2 Reports. The Developer shall provide CRA/LA with copies of all final reports, studies, analyses, correspondence, schematic design drawings, and similar documents, prepared or commissioned by the Developer with respect to this Agreement and the Project, promptly upon their completion. CRA/LA shall provide the Developer with copies of all reports, studies, analyses, correspondence, and similar documents prepared or commissioned by CRA/LA with respect to this Agreement and the Project, promptly upon their completion. Nothing in this Section

2.2 obligates CRA/LA to undertake any studies or analyses. Any document provided to any Party pursuant to this section shall be without warranty.

While desiring to preserve its rights with respect to treatment of certain information on a confidential or proprietary basis, the Developer acknowledges that CRA/LA will need sufficient, detailed information about the proposed Project to make informed decisions about the content and approval of the DDA.

All documents and reports submitted to CRA/LA pursuant to this Agreement shall become the property of CRA/LA, and will be subject to the California Public Records Act (Government Code Section 6250 et seq.) as provided below. All documents submitted to CRA/LA are "public records" and may be subject to public disclosure. If an exemption to the California Public Records Act applies, Developer may seek to shield certain portions of its documents and reports from disclosure by justifiably marking such documents as "Confidential," "Trade Secrets" or "Proprietary."

CRA/LA shall notify the Developer of any requests for documents marked "Confidential," "Trade Secrets" or "Proprietary" by the Developer. In the event CRA/LA is required to defend an action under the California Public Records Act with regard to a request for disclosure of any of the documents or reports marked "Confidential," "Trade Secrets" or "Proprietary" by Developer, Developer agrees to defend and indemnify CRA/LA from all costs and expenses of such defense, including reasonable attorney's fees of CRA/LA or attorney's fees awarded by a court arising out of such action.

Section 2.3 Test and Surveys. During the Negotiation Period, the Developer may conduct such test, surveys, and other analyses of the Site as the Developer deems necessary to determine the feasibility of the Project, and shall complete such tests, surveys and other analyses reasonably promptly within the Negotiating Period. CRA/LA shall provide to Developer, its agents, and its representatives the right to enter onto the Site and to conduct such tests, surveys, and other procedures (the "Tests") after entering into a right of entry agreement with CRA/LA. The Developer shall indemnify and hold harmless CRA/LA from any loss, cost, or damage (including, without limitation, reasonable attorney's fees) but excluding any loss, cost, or damage arising from CRA/LA's gross negligence or willful misconduct, arising out of any such entry on the Site by Developer, its agents, or its representatives. In connection with such Tests and Site access, Developer or its consultants/contractors shall present CRA/LA with evidence of a general liability insurance policy in an amount of at least two million dollars (\$2,000,000), naming CRA/LA as an additional insured. The insurance policy shall cover all liability and property damage arising from the Developer's, its agents', or its representatives' presence on the Site during Tests.

Section 2.4 Environmental Review. Within one hundred twenty (120) days following the Effective Date of this Agreement, the Developer shall prepare and submit to CRA/LA such plans, specifications, drawings, and other information, as specified by CRA/LA, that are reasonably necessary to perform the environmental

review process, if any, required by the CEQA (and, if necessary, the National Environmental Policy Act ("NEPA")), for the Project, and to prepare all environmental documentation required by CEQA. As Lead Agency, CRA/LA shall supervise and direct Developer's consultants in the preparation of such plans, specifications, drawings, and other information, as specified by CRA/LA, that are reasonably necessary to perform the environmental review process for the Project, and to prepare all required environmental documentation.

Section 2.5 Planning Approvals. The Developer acknowledges that the Project may require approvals and entitlements from the City. During the Negotiating Period, the Developer shall submit conceptual site plans and preliminary designs for the Project to CRA/LA and the appropriate City departments for their informal review, within the time set forth in the Schedule of Performance.

Section 2.6 Financial Proforma Analysis. Within ninety (90) days following the Effective Date of this Agreement, the Developer shall provide CRA/LA with a detailed financial proforma analysis for the Project identifying all matters typically contained in such proformas, including without limitation, a detailed development cost budget and a detailed operating income and expense estimate. The financial proforma will be used to evidence the financial feasibility of the Project.

Section 2.7 Financing Commitments. The Developer shall exercise good faith efforts to provide CRA/LA, prior to entering into a DDA, with executed written commitments (containing usual and customary conditions) for construction and permanent financing for the Project.

Section 2.8 CRA/LA Board Meetings. Developer may be required to participate in public meetings with CRA/LA staff or CRA/LA Governing and Oversight Boards and agrees to participate in such meetings as requested by CRA/LA staff.

Section 2.9 Schedule of Performance. The Developer and CRA/LA agree to negotiate a detailed Schedule of Performance to be incorporated into the DDA for the Project which shall include but not be limited to: the date for the submittal of construction plans to CRA/LA, the date for the commencement of construction of the Project, and the date for completion of construction and the opening of the Project.

Section 2.10 Progress Reports. Upon reasonable notice, as from time-to-time requested by CRA/LA, the Developer shall make progress reports including financing and leasing activities, advising CRA/LA on studies being made, and matters being evaluated by the Developer with respect to this Agreement and the Project. Notwithstanding the foregoing, the Developer shall not be required to make such written reports more frequently than once each month.

ARTICLE 3. GENERAL PROVISIONS

Section 3.1 Limitation on Effect of Agreement. This Agreement shall not obligate either Party to enter into a DDA or to enter into any particular DDA. CRA/LA and Developer do not intend this Agreement to be a purchase agreement, ground lease, license, option or similar contract. By execution of this Agreement, CRA/LA is not committing itself to or agreeing to undertake acquisition, disposition, or exercise of control over any property nor is the Developer committing itself to undertake the acquisition of any property. Execution of this Agreement by CRA/LA and the Developer is merely an agreement to conduct a period of good faith exclusive negotiations and preparing recommendations to the CRA/LA Governing Board and Oversight Board in accordance with the terms hereof, reserving for subsequent CRA/LA Governing Board, Oversight Board, and DOF action the final discretion and approval regarding the execution of a DDA and all proceedings and decisions in connection therewith. Any DDA resulting from negotiations pursuant to this Agreement shall become effective only if and after such DDA has been considered and approved by the CRA/LA Governing Board, the Oversight Board and DOF following conduct of all legally required procedures. Each Party assumes the risk that, notwithstanding this Agreement and good faith negotiations, the Parties may not enter into a DDA due to the Parties' failure to agree upon essential terms of a transaction. Except as expressly provided in this Agreement, the Parties agree that neither Party shall have any obligations or duties hereunder and no liability whatsoever in the event that, after negotiating in good faith during the Negotiating Period, the Parties fail to execute a DDA.

Section 3.2 Developer to Indemnify CRA/LA. Except for the gross negligence or willful misconduct of CRA/LA, the Developer undertakes and agrees to defend, indemnify, and hold harmless CRA/LA from and against all suits and causes of action, claims, losses, demands and expenses, including, but not limited to, reasonable attorney's fees and costs of litigation, damage or liability of any nature whatsoever, arising in any manner by reason of or incident to the performance of this Agreement on the part of the Developer or any contractor or subcontractor of Developer, whether or not contributed to by an act or omission of CRA/LA.

Except for the gross negligence or willful misconduct of CRA/LA, Developer shall further indemnify, defend, and hold CRA/LA, its members, officers, employees, agents, including its Governing Board and Oversight Board, and successors and assigns harmless against all suits and causes of action, claims, costs, and liability, including, but not limited to, reasonable attorney's fees and costs of any litigation, or arbitration or mediation, if any, brought by a third party (1) challenging the validity, legality or enforceability of this Agreement or (2) seeking damages which may arise directly or indirectly from the negotiation, formation, execution, enforcement or termination of this Agreement, or which are incident to the performance of the activities contemplated in this Agreement. Developer shall pay immediately upon CRA/LA's demand any amounts owing under this indemnity. The duty of Developer to indemnify includes the duty to defend CRA/LA or, at CRA/LA's choosing, to pay CRA/LA's costs of its defense in any court action, administrative action, or other

proceeding brought by any third party arising from the development of the Site. CRA/LA shall have the right to reasonably approve any attorneys retained by the Developer to defend CRA/LA pursuant to this Section 3.2 and shall have the right to approve any settlement or compromise. The Developer's duty to indemnify CRA/LA shall survive the termination of this Agreement.

Section 3.3 Notices. Formal notices, demands and communications between the Parties shall be sufficiently given if, and shall not be deemed given unless, dispatched by certified mail, postage prepaid, return receipt requested, or sent by express delivery or overnight courier service, to the office of the Parties shown or such other addresses as the Parties may designate in writing from time to time:

CRA/LA:	CRA/LA, a Designated Local Authority 448 S. Hill Street, Suite 1200 Los Angeles, CA 90013 Attn: Chief Executive Officer
With copy to:	CRA/LA, a Designated Local Authority 448 S. Hill Street, Suite 1200 Los Angeles, CA 90013 Attn: CRA/LA Legal Counsel
Developer:	M & A Gabae, a California limited partnership 9034 West Sunset Boulevard West Hollywood, CA 90069 Attn: Arman Gabay
With copy to:	Giltner Realty Advisors 9034 W. Sunset Boulevard West Hollywood, CA 90069 Attn: John Carroll

and

Paul Rohrer, Esq.
Loeb & Loeb LLC
10100 Santa Monica Boulevard
Suite 2200
Los Angeles, CA 90067

Such written notices, demands and communications shall be effective on the date shown on the delivery receipt as the date delivered or the date on which delivery was refused.

Section 3.4 Effective Date. The Effective Date of this Agreement shall be the later of the date this Agreement is executed by the Developer and by CRA/LA.

Section 3.5 Costs and Expenses. The Developer shall be responsible for its own costs and expenses in connection with any activities and negotiations undertaken in connection with this Agreement, and the performance of its obligations under this Agreement.

Section 3.6 No Commissions. CRA/LA shall not be liable for any real estate commissions or brokerage fees that may arise from this Agreement or any DDA that may result from this Agreement. CRA/LA represents that it has engaged no broker, agent, or finder in connection with this transaction, The Developer shall defend and hold CRA/LA harmless from any claims by any broker, agent, or finder retained by the Developer.

Section 3.7 Default and Remedies.

(a) Default. Failure by either Party to negotiate in good faith, failure by Developer to accomplish the tasks listed in Article 2 within the time set forth therein, or the failure of the Developer to perform any of its indemnification obligations as provided in this Agreement shall constitute an event of default hereunder. The non-defaulting Party shall give written notice of a default to the defaulting Party, specifying the nature of the default and the required action to cure the default. If a default remains uncured thirty (30) days after receipt by the defaulting Party of such notice, the non-defaulting Party may exercise the remedies set forth in subsection (b); provided, however, that if the default is not reasonably susceptible to cure within this thirty (30) day period, then, provided that the Party in default shall commence to cure such default upon receipt of such written notice and shall continue to diligently pursue such cure to completion, the cure period shall be extended by the amount of time reasonably necessary to cure such default.

(b) Remedies.

1. In the event of an uncured default by CRA/LA, the Developer's sole remedy shall be to terminate this Agreement, upon which the Developer shall be entitled to the return of the remaining balance of the Deposit and any interest earned thereon. Following such termination and the return of the balance of the Deposit and any interest earned thereon, neither Party shall have any further right, remedy or obligation under this Agreement, except that the Developer's indemnification obligation pursuant to Section 3.2 shall survive such termination.

2. In the event of an uncured default by the Developer, the CRA/LA's sole remedy shall be to terminate this Agreement and to retain the Deposit, and any interest earned thereon. Following such termination, neither Party shall have any right, remedy or obligation under this Agreement, except that the Developer's indemnification obligation pursuant to Section 3.2 shall survive such termination.

Except as expressly provided in this Agreement, neither Party shall have any liability to the other for damages or otherwise for any default, nor shall either Party

have any other claims with respect to performance under this Agreement. Each Party specifically waives and releases any such rights or claims it may otherwise have at law or in equity and expressly waives any rights to consequential damages or specific performance from the other Party under this Agreement.

Section 3.8 Waiver of Default. Except as otherwise expressly provided in this Agreement, any failure or delay by either Party in asserting any of its rights or remedies as to any Default shall not operate as a waiver of said Default or of any rights or remedies in connection therewith or of any subsequent Default or any rights or remedies in connection therewith, or deprive such party of its right to institute and maintain any actions or proceedings which it may deem necessary to protect, assert or enforce any such rights or remedies.

Section 3.9 Assignment. This Agreement may not be assigned nor may there be any material change in the management or ownership of the Developer without the prior written approval of CRA/LA, which may withhold approval in its sole and absolute discretion. Notwithstanding the foregoing, any intra-company transfer or assignment where the principals of the assignee are substantially the same as the assignor shall be excluded from this prohibited from the provisions of this Section 3.8

Section 3.10 Conflict of Interests. No member, official or employee of CRA/LA shall have any personal interest, direct or indirect, in this Agreement nor shall any such member, official or employee participate in any decision relating to the Agreement which affects his or her personal interests or the interests of any corporation, partnership or association in which he, or she is directly or indirectly, interested.

Section 3.11 Warranty Against Payment of Consideration for Agreement. The Developer warrants that it has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Agreement. The Parties understand and agree that Developer has retained legal counsel and consultants in connection with this Agreement, and that such is not a violation of this Section 3.11.

Section 3.12 Nonliability of Officials, Officers, Members, and Employees. No member, official, officer, or employee of CRA/LA or Developer, or any successor in interest, shall be personally liable to the other Party, in the event of any default or breach by such Party or for any amounts which may become due to that party or to his successor, or on any obligations under the terms of this Agreement.

Section 3.13 Developer's Obligation to Refrain from Discrimination. The Developer covenants and agrees for itself, its successors, its assigns and every successor in interest to the Site or any part thereof, that there shall be no discrimination against or segregation of any person, or group of persons, on account of race, color, religion, creed, national origin, ancestry, sex, sexual orientation, age, disability, medical condition, or marital status, in the sale, lease, sublease, transfer, use, occupancy, tenure or enjoyment of the Site nor shall Developer, itself or any person claiming under or through it, establish or permit such practice or practices of

discrimination or segregation with reference to the selection, location, number, use or occupancy of tenants, lessees, subtenants, subleases, or venders of the Site.

Section 3.14 Developer's Obligation Toward Equal Opportunity. Developer will not discriminate against any employees or applicant for employment because of race, color, religion, creed, national origin, ancestry, sex, sexual orientation, age, disability, medical condition, or marital status. Developer will conform to the CRA/LA's Equal Opportunity Policies regarding fairness in hiring.

Section 3.15 No Attorneys' Fees. The prevailing Party in any action to enforce this Agreement shall not be entitled to recover reasonable attorneys' fees and costs from the other Party (including fees and costs in any subsequent action or proceeding to enforce or interpret any judgment entered pursuant to an action on this Agreement). Each party shall bear its own costs and fees.

Section 3.16 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 3.17 Neutral Interpretation. This Agreement is the product of the negotiations between the parties, and in the interpretation and/or enforcement hereof is not to be interpreted more strongly in favor of one party or the other.

Section 3.18 Entire Agreement. This Agreement constitutes the entire agreement of the Parties regarding the Project.

Section 3.19 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

Signature Page Follows

AS OF THE DATE FIRST WRITTEN ABOVE, the Parties evidence their agreement to the terms of this Agreement by signing below:

Executed at Los Angeles, California.

CRA/LA

CRA/La, a Designated Local Authority

By: _____
Estevan Valenzuela
Chief Executive Officer

Date: _____

APPROVED AS TO FORM:
Thomas H. Webber

By: _____
CRA/LA Legal Counsel

DEVELOPER

By: _____
ALMAN GABAY

Its: _____

Date: _____ *09/06/16*

Attachment C

**SETTLEMENT AGREEENT, RELEASE OF CLAIMS
AND RIGHT OF FIRST REFUSAL
Related to the Slauson Central Retail Project
(August 2010)**

This Settlement Agreement, Release of Claims and Right of First Refusal ("Agreement") is entered into as of July 31, 2010, by and between The Community Redevelopment Agency of the City of Los Angeles, California ("CRA/LA") and M&A Gabace, a California Limited Partnership, Arman Gabay and The Charles Company (collectively "Gabace").

RECITALS

A. In December 2003, CRA/LA entered into a Disposition and Development Agreement ("DDA") with Slauson Central, LLC, for the development of the Slauson Central Retail Plaza (the "Slauson Retail Project"). The site of the Slauson Retail Project is a 6.6 acre site at Central Avenue and Slauson Avenue ("Slauson Retail Project Site").

B. To assemble the property for the Slauson Retail Project Site, CRA/LA filed Complaints in Eminent Domain to acquire Gabace's real property located at 1040 East Slauson Avenue ("Gabace Property") and Kramer Metals, Inc.'s ("Kramer") at 944-101 East Slauson Avenue. Judgment was entered in the Gabace case in favor of the CRA/LA in September 2007, the Court of Appeal confirmed the Superior Court's ruling in July 2009 and the California Supreme Court denied Gabace's Petition for Review in September 2009. Judgment in the Kramer case was entered in May 2008, the appeal was denied in April 2010, and the Petition for Review was denied by the California Supreme Court in July 2010.

C. CRA/LA, as required by California condemnation law, deposited \$2.65 million, the market value of Gabace's Property as determined by CRA/LA, with the Superior Court. The deposit was subsequently increased to \$3,649,000 by the CRA/LA. In 2010, Gabace withdrew all of the deposited funds with the exception of \$350,000 which was withheld by the CRA/LA to remediate hazardous materials on the Gabace Property. CRA/LA intends to withdraw the \$350,000 and deposit the funds into a separate account for the remediation of the Gabace Property; however, such withdrawal is not intended to constitute a waiver of any right the CRA/LA has in regard to the remediation of the Gabace Property. Gabace's withdrawal of the eminent domain deposit with the Superior Court has effectively terminated Gabace's right to challenge the CRA/LA's right to take Gabace's Property by eminent domain under California Eminent Domain Law and Gabace has relinquished any right to further challenge the CRA/LA's eminent domain action for the Gabace Property.

D. In December 2007, CRA/LA approved an amendment to the DDA ("Amended DDA"), which, among other things, extended the time of performance to develop the Retail Project. The City Council of the City of Los Angeles ("City") approved the Amended DDA in February 2008.

E. In March 2008, Gabace and Kramer filed a Petition for Writ of Mandate in Los Angeles Superior Court (Case No.BS113612) challenging CRA/LA's and the City Council's

DUPLICATE ORIGINAL

Contract No. 503583

approval of the Amended DDA on the grounds, among others, that the approvals violated the requirements of the California Environmental Quality Act ("CEQA") (the "CEQA Case"). The CEQA Case is before Judge John Torribio, but has been stayed.

F. In August 2008, CRA/LA approved an Amended and Restated Disposition and Development Agreement ("ARDDA") and adopted an Addendum to the 2003 Mitigated Negative Declaration ("MND"). The City Council approved the ARDDA and Addendum to the MND on August 15, 2008. Gabae and Kramer thereafter amended their Petition in the CEQA Case to challenge the actions of CRA/LA and the City Council.

G. On August 28, 2008, Gabae and Kramer filed a Petition for Writ of Mandate in Los Angeles Superior Court (Case No. BS116648) seeking an order to compel CRA/LA to provide additional documents responsive to requests made pursuant to the California Public Records Act (Government Code Section 6250 et seq.) (the "PRA Case"). Judge James Chalfant granted the Petition on February 20, 2009 and issued the Peremptory Writ of Mandate on March 13, 2009 ordering the CRA/LA to further search its records for documents responsive to the PRA request.

H. In June 2009, Judge Chalfant granted Gabae's and Kramer's motion for attorney's fees as a prevailing party in the PRA Case and awarded \$145,000, which was subsequently paid by CRA/LA. In October 2009, Gabae and Kramer filed a second motion for attorney's fees related to their motions challenging the CRA/LA's compliance with the Peremptory Writ. The motion sought \$70,000 in additional attorney's fees, was heard by Judge O'Brien on July 29, 2010, and Judge O'Brien awarded Gabae and Kramer \$20,000 in additional attorney's fees. The CRA/LA paid the additional \$20,000 in attorney's fees on or about October 22, 2010. .

I. In August 2009, Judge Chalfant ordered CRA/LA to provide Gabae's and Kramer's attorney, The Silverstein Law Firm ("Silverstein"), access to the CRA/LA's electronic back-up disaster recovery tapes ("Disaster Recovery Tapes") to search for certain documents related to the Slauson Retail Project. Silverstein thereafter accessed the Disaster Recovery Tapes and made copies of documents contained on the tapes, but did not disclose to CRA/LA the contents of the copies.

J. On March 3, 2009, Gabae and Kramer filed an Amended Petition for Writ of Mandate in Los Angeles Superior Court (Case No. BS117561) challenging the City Council's approval of the ARDDA and Addendum to the MND on the grounds, among others, that its actions failed to comply with requirements of the Ralph M. Brown Act (Government Code Section 54950 et seq.) (the "Brown Act Case"). On February 23, 2010, Judge Chalfant entered judgment granting, in part, the Amended Petition and invalidating the City Council's approvals. On March 10, 2010, the Superior Court issued the Peremptory Writ of Mandate which orders the City Council to take certain actions related to its meetings. On June 2, 2010, the City Council set aside its approval of the ARDDA and its certification of review and consideration of the Addendum to the MND. On July 9, 2010, the City Council re-approved the ARDDA and again certified review and consideration of the environmental effects of the Slauson Retail Project as identified in the Addendum to the MND.

K. In June 2010, Gabae and Kramer filed a motion for further orders related to the Peremptory Writ of Mandate issued in the Brown Act Case. The motion is scheduled to be heard by Judge Chalfant on August 19, 2010.

L. This Agreement is entered into with the intent of resolving all issues between Gabae and CRA/LA related to the Slauson Retail Project, the CEQA Case and the PRA Case (collectively the two cases shall be referred to as "the Litigation"). This Agreement is an agreement to compromise and settle claims and is not an admission of liability or the validity of any party's claims.

THEREFORE, in consideration of the mutual covenants, promises, and representations, and in full and final satisfaction of all claims asserted or that could have been asserted in the Litigation, Gabae and CRA/LA agree as follows:

I. CRA/LA OBLIGATIONS.

A. CRA/LA Payment of \$300,000 to Gabae.

Within ten (10) days¹ of the full execution of this Agreement, CRA/LA shall pay to Gabae the amount of \$300,000 (the "Settlement Payment"). The Settlement Payment shall be made by check, made payable to M&A Gabae, a California limited partnership, attention Arman Gabay and sent by first class mail to the address set forth in Section III(A) hereinbelow, entitled "Notices".

Gabae understands and acknowledges that the Settlement Payment is a compromise and settlement for any liability of CRA/LA and/or the City for attorney's fees, except as to the fees previously paid in the PRA Case, and all other costs, including, but not limited to consultant and witness fees, incurred in the Litigation and for the release of claims as set forth hereinbelow. Gabae acknowledges that he is not entitled to any additional attorney's fees, costs of any kind or damages of any nature in the Litigation, except as provided in this Agreement. Upon receipt of the Settlement Payment and in addition to the release of claims, set forth in Section II(B) hereinbelow Gabae agrees not to pursue any claim or cause of action for attorney's fees and/or costs of any kind in the Litigation provided that there has been no fraudulent action by CRA/LA confirmed and adjudged by a court of competent jurisdiction.

B. Right of First Refusal for the Slauson Retail Project.

CRA/LA shall provide Gabae with a right of first refusal to develop or complete the development of the Slauson Retail Project in the event the ARDDA is terminated or invalidated prior to completion of the development of the Slauson Retail Project or Slauson Central, LLC, is unable to complete the development of the project under the terms of the ARDDA. The right of first refusal shall be subject to the following terms:

¹ Unless otherwise specified, the term "days" shall refer to calendar days.

- (1) **CRA/LA Notification:** Within ten (10) business days of the termination or invalidation of the ARDDA or a determination that Slauson Central, LLC, is unable to complete the Slauson Retail Project, CRA/LA shall provide Gabae with written notice of the triggering of the right of first refusal. The notice shall be sent by First Class Mail and facsimile to Gabae as set forth hereinbelow in Section III(A).
- (2) **Gabae Response:** Gabae will have thirty (30) days of the date of CRA/LA's notice to inform CRA/LA that it will exercise the right of first refusal to develop or complete the development of the Slauson Retail Project. In such case, Gabae shall send a written notification by First Class Mail and by facsimile to the CRA/LA as set forth in the Notices section hereinbelow. If Gabae does not provide CRA/LA with such written notification within the 30 day period, CRA/LA shall send a second notice to Gabae by First Class Mail and by facsimile with a copy to John Carroll at Giltner Realty Advisors. If Gabae does not provide CRA/LA with such written notification within 10 business days of such second notice, then it will be conclusively deemed that Gabae is not exercising the right of first refusal and that any rights Gabae may have under this Agreement with respect to the development or completion of development of the Slauson Retail Project shall be waived.
- (3) **Negotiation of ENA:** Upon Gabae's provision of notice to exercise the right of first refusal, CRA/LA and Gabae shall negotiate in good faith the terms and conditions of an Exclusive Negotiating Agreement ("ENA") for the development of completion of development for the Slauson Retail Project. The ENA negotiation period shall be ninety (90) days and shall commence on the date of Gabae's notification to exercise the right of first refusal. If the parties reach agreement on the terms of the ENA within the ENA negotiation period, then the CRA/LA will, within forty-five (45) days of completion of the ENA negotiations, submit the ENA to the CRA/LA Board of Commissioners ("Board") for consideration. CRA/LA staff shall, assuming that agreement on the terms of the ENA are satisfactory and consistent with the requirements of this Agreement, recommend the approval of the ENA. The CRA/LA Board shall retain its full discretion to approve, not approve or take any other action in regards to its consideration of the ENA, as long as such action is not inconsistent with the terms of this Agreement. Should the CRA/LA Board approve the ENA, then it will be transmitted to the City Council for review and approval. The City Council shall retain its full discretion to approve, not approve or take any other action in regards to its consideration of the ENA.
- (4) **ENA Terms:** The ENA shall be in a form similar to other ENAs that CRA/LA has entered for development projects. Among other terms, the ENA shall contain the following: (i) Term--the ENA shall be for a period of 180 days with two (2) 90-day options to extend the term, (ii) Purpose--the ENA will be, at the discretion of CRA/LA, for the negotiation of Assignment and Assumption Agreement to complete the development of the Slauson Retail Project pursuant to the ARDDA, for the negotiation of a new DDA, or for the negotiation of an amendment to the ARDDA ("Slauson Retail Project Agreement"), (iii) Sales Price--the Slauson Retail Project Site will be sold at its fair reuse value, (iv) Financial Assistance--no financial

assistance or other subsidy beyond the difference between the fair market value of the property and the fair reuse value will be provided by CRA/LA or the City, (v) CRA/LA Policies—development of the Slauson Retail Project will be subject to all applicable CRA/LA policies, (vi) Community Benefits—a community benefits package similar to, but not to exceed, that set forth in the ARDDA, (vii) Tenant Mix—the development will include, at a minimum, a grocery store, retail space of a similar size as set forth in the ARDDA, and vehicle parking as required by the City's Municipal Code, (viii) Schedule of Performance—a schedule of performance that requires the commencement of construction subject to Force Majeure and City building department approval delays within twelve 12 months of approval and full execution of the Slauson Retail Project Agreement and completion of construction within 18 months of the commencement of construction and (ix) Hazardous Materials Remediation—Gabaec to comply with all environmental/hazardous materials remediation on the Slauson Retail Project Site as required by CRA/LA and other government regulators. CRA/LA to provide to Gabaec any funding that has been set aside for such purpose (i.e. as mentioned in Recital C above).

- (5) **ENA Costs:** Gabaec shall be responsible for all costs it incurs in regards to the negotiation and performance of the ENA, including, but not limited to consultant and legal costs. Gabaec shall perform, or reimburse CRA/LA for its performance of, such additional environmental review and documentation as required by CEQA and as necessary for the consideration of the Slauson Retail Project Agreement by the CRA/LA Board and City Council; however, Gabaec shall not be obligated to pay any CRA/LA administrative costs if Gabaec pays directly for or performs the additional environmental review and documentation.
- (6) **Slauson Retail Project Agreement:** If the parties reach agreement on a Slauson Retail Project Agreement within the ENA negotiation period, then CRA/LA will submit the agreement to the CRA/LA Board for consideration. Consideration of the Slauson Retail Project Agreement shall be in compliance with all noticing requirements of the California Health & Safety Code, Government Code and any other applicable statutes, rules or administrative procedures. The CRA/LA Board shall retain its full discretion to approve, not approve or take any other action in regards to the Slauson Retail Project Agreement, as long as it is not inconsistent with this Agreement. Should the CRA/LA Board approve the Slauson Retail Project Agreement, then it will be submitted to the City Council for review and approval. The City Council shall retain its full discretion to approve, not approve or take any other action in regards to the Slauson Retail Project Agreement. If the Slauson Retail Project Agreement is approved by the CRA/LA Board and the City Council, then Gabaec shall, with the exceptions of gross negligence or willful misconduct of the CRA/LA or City and any challenge by Slauson Central, LLC, defend and indemnify CRA/LA and the City against any challenges regarding the approval of the Slauson Retail Project Agreement, the environmental review and documentation and/or any other agreements entered by the parties in regard to the Slauson Retail Project or Slauson Retail Project Site. Notwithstanding the foregoing, Gabaec shall not be required to indemnify the CRA/LA against any legal challenges brought by Slauson Central,

LLC, Regency Centers, Concerned Citizens of South Central Los Angeles or Curtis Fralin related to any termination of the DDA or ARDDA with Slauson Central, LLC and the potential transaction with Gabace for the Slauson Retail Project. In addition, in the event the CRA/LA terminates the DDA or ARDDA with Slauson Central, LLC, the CRA/LA shall indemnify Gabace against any legal challenge brought by Slauson Central, LLC, Regency Centers, Concerned Citizens of South Central Los Angeles or Curtis Fralin related to any termination of the DDA or ARDDA with Slauson Central, LLC and or any legal challenge from Slauson Central, LLC, Regency Centers, Concerned Citizens of South Central Los Angeles or Curtis Fralin with respect to the potential transaction with Gabace for the Slauson Retail Project.

- (7) **Failure of Agreement:** If the parties are unable to reach agreement on the terms of a Slauson Retail Project Agreement within the ENA negotiation period, or any extension thereof, or if the CRA/LA Board or the City Council do not approve any such agreement, then the parties have no further duties or obligations or any recourse against the other in regards to the Slauson Retail Project Agreement, the Slauson Retail Project or the Slauson Retail Project Site. CRA/LA may thereafter seek another developer for the Slauson Retail Project or other development of the Slauson Retail Project Site. Except as may be provided herein and the ENA, Gabace shall not challenge in any manner, including, but not limited to the filing of a legal action, the actions of CRA/LA or the City Council in the solicitation, selection or retention of a new developer for the Slauson Retail Project or other development of the Slauson Retail Project Site.

C. ENA for Jefferson Street Development.

CRA/LA shall provide Gabace with a first opportunity to negotiate an ENA ("FON") for the development of a commercial office building on CRA/LA-owned property at 3990-3991 Jefferson Street in Mid-Cities Redevelopment Project Area ("Jefferson Street Property"). The FON shall be subject to the following terms:

- (1) **Notification:** CRA/LA shall provide written notice to Gabace of the triggering of the FON upon the occurrence of (i) a determination that CRA/LA intends to issue a Request for Proposals ("RFP") or Request for Qualification ("RFQ") for development of the Jefferson Street Property, (ii) the receipt of an inquiry by CRA/LA from a developer or other interested party regarding the purchase or development of the Jefferson Street Property, or (iii) a determination that CRA/LA desires to sell or otherwise transfer to another party or use the Jefferson Street Property (collectively "Triggering Events"). Alternatively, Gabace, at any time prior to the occurrence of any of the Triggering Events, may provide written notice to CRA/LA that it is exercising the FON.
- (2) **Gabace Response:** Gabace will have thirty (30) days from the date of CRA/LA's notice to inform CRA/LA that it is exercising the FON for development of the Jefferson Street Property. In such case, Gabace shall send written notification to the CRA/LA as provided in Section III(A) hereinbelow. If Gabace does not provide

CRA/LA with such written notification within the 30 day period, CRA/LA shall send a second notice to Gabae by First Class Mail and by facsimile with a copy to John Carroll at Giltner Realty Advisors. If Gabae does not provide CRA/LA with such written notification within 10 business days of such second notice, then it will be conclusively deemed that Gabae is not exercising the FON and that any rights Gabae may have under this Agreement in regards to the purchase or development of the Jefferson Street Property shall be waived.

- (3) **Negotiation of ENA:** Upon Gabae's provision of notice to exercise the FON for the development of the Jefferson Street Property, CRA/LA and Gabae shall commence negotiations in good faith on the terms and conditions of an ENA for the development of the Jefferson Street Property. The ENA negotiation period shall be ninety (90) days and shall commence on the date of Gabae's notification to exercise the FON. If the parties reach agreement on the terms of the ENA within the ENA negotiation period, then CRA will, within forty-five (45) days of completion of the ENA negotiations, submit the ENA to the CRA/LA Board for consideration. CRA/LA staff shall, assuming the agreement on the terms of the ENA are satisfactory and consistent with the requirements of this Agreement, recommend the approval of ENA. The CRA/LA Board shall retain its full discretion to approve, not approve or take any other action in regards to its consideration of the ENA, as long as such action is not inconsistent with the terms of this Agreement. Should the CRA/LA Board approve the ENA, then it will be transmitted to the City Council for review and approval. The City Council shall retain its full discretion to approve, not approve or take any other action in regards to its consideration of the ENA.
- (4) **ENA Terms:** The ENA shall be in a form similar to other ENA's that CRA/LA has entered for development projects. Among other terms, the ENA shall contain the following: (i) **Term**—the ENA shall be for a period of 180 days with two (2) 90-day options to extend, (ii) **Purpose**—the negotiation of a DDA for the development of a commercial office building at the Jefferson Street Property ("Jefferson Street Property DDA"), (iii) **Sales Price**—the property will be sold at its fair reuse value, (iv) **Financial Assistance**—no financial assistance or other subsidy will be provided by CRA/LA or the City unless CRA/LA determines in its sole discretion to do so., (v) **CRA/LA Policies**—the development will be subject to all applicable CRA/LA policies, (vi) **Community Benefits**—a community benefits package will be provided, (vii) **Scope of Development**—the development will include, at a minimum, Class A office space and retail space in amount of square footage to be determined, and vehicle parking as required by the City's Municipal Code, and (viii) **Schedule of Performance**—a schedule of performance that requires commencement of construction subject to Force Majeure and City building department delays, within twelve (12) months of approval and full execution of a DDA and completion of construction within twenty-four (24) months of the commencement of construction
- (5) **ENA Costs:** Gabae shall be responsible for all costs it incurs in regards to the negotiation and performance of the ENA, including, but not limited to consultant and legal costs. Gabae shall perform, or reimburse CRA/LA for its performance of, such

additional environmental review and documentation as required by CEQA and as necessary for the consideration of the Jefferson Street Property DDA by the CRA/LA Board of Commissioners and City Council; however, Gabae shall not be obligated to pay any CRA/LA administrative costs if Gabae pays directly for or performs the additional environmental review and documentation.

(6) Consideration of Jefferson Street Property DDA: If the parties reach agreement on a Jefferson Street Property DDA within the ENA negotiation period, then CRA/LA will submit the proposed agreement to the CRA/LA Board for consideration. Consideration of the proposed agreement shall be in compliance with all noticing requirements of the California Health & Safety Code, Government Code and any other applicable statutes, rules or administrative procedures. The CRA/LA Board shall retain its full discretion to approve, not approve or take any other action in regards to the Jefferson Street Property DDA, as long as it is not inconsistent with this Agreement. Should the CRA/LA Board approve the Jefferson Street Property DDA, then it will be submitted to the City Council for review and approval. The City Council shall retain its full discretion to approve, not approve or take any other action in regards to the Jefferson Street Property DDA, as long as it is not inconsistent with this Agreement. If the Jefferson Street Property DDA is approved by the CRA/LA Board and the City Council, then Gabae shall, with the exceptions of gross negligence or willful misconduct of the CRA/LA or City, defend and indemnify CRA/LA and the City against any challenges regarding the approval of the Jefferson Street Property DDA, the environmental review and documentation and/or any other agreements entered by the parties in regard to the Jefferson Street Property DDA or the Jefferson Street Property.

(7) Failure of Agreement: If the parties are unable to reach agreement on the terms of a Jefferson Street Property DDA within the ENA negotiation period, or any extension thereof, or if the CRA/LA Board or the City Council do not approve any such agreement, then the parties have no further duties or obligations or any recourse against the other in regards to the Jefferson Street Property DDA or the Jefferson Street Property. CRA/LA may thereafter seek another developer or purchaser for the Jefferson Street Property DDA or Jefferson Street Property. Except as may be provided in this Agreement or the ENA, Gabae shall not challenge in any manner, including, but not limited to the filing of a legal action, the actions of CRA/LA or the City Council in the solicitation, selection or retention of a new developer or purchaser for the Jefferson Street Property DDA or the Jefferson Street Property.

II. GABAE OBLIGATIONS.

A. Dismissal of Pending Litigation.

Within five (5) business days of receipt of the Settlement Payment, Gabae shall file Requests for Dismissal, with prejudice, of its actions, causes of action and remedies sought against CRA/LA and the City in the CEQA Case, and the PRA Case. Gabae shall provide

CRA/LA and the City, as appropriate, conformed copies of the filed Requests for Dismissal. Gabae shall not file or pursue any actions for the award of attorney's fees in the Litigation.

B. Release of Claims.

Upon receipt of the Settlement Payment, Gabae releases CRA/LA and the City from any claims it has or may have in regard to the Slauson Retail Project, the Slauson Retail Project Site or any related matter, including, but not limited to CRA/LA's withdrawal of funds on deposit with the Superior Court for the remediation of the Gabae Property. Gabae shall not file or pursue any action against CRA/LA or the City in regards to the Slauson Retail Project or the Slauson Retail Project Site, including, not limited to the CRA/LA's or City's approval of the ARDDA, environmental documents, land use entitlements for the project, any other project documents or approvals and any amendments/restatements thereof, and the proposed amendments to the Council District Nine Corridors South of the Santa Monica Freeway Recovery Redevelopment Project Area Redevelopment Plan. Gabae releases the CRA/LA for any claim for attorney's fees and costs of any kind in the Litigation and the City for any claim for attorney's fees and costs of any kind in the PRA Case and the CEQA Case.

C. Prohibition of Aiding/Abetting.

Gabae shall not aid or abet any party to any pending litigation or potential litigation against CRA/LA and/or the City or any individual or entity challenging in any manner the Slauson Retail Project or the Slauson Retail Project Site, including, but not limited to Kramer and SCFAF. Such prohibition includes, but is not limited to, the provision of funding, in-kind services, documents, information or advice by Gabae and his agents, representatives, contractors and lawyers.

D. Use of Disaster Recovery Tapes.

Gabae shall not use or disclose any document, data or information contained on the copy(ies) of the Disaster Recovery Tapes retained by Silverstein unless compelled to do so by court order. Gabae shall also instruct Silverstein not to use or disclose any document, data or information contained on the copy(ies) of the Disaster Recovery Tapes unless compelled to do so by court order. Gabae shall, with the consent of Kramer, instruct Silverstein to return to him all copies of the Disaster Recovery Tapes and all copies of documents, data and information obtained from the Disaster Recovery Tapes. Gabae shall hold the tapes and copies in confidence as custodian and shall not allow the use or copying thereof except as compelled by court order. Breach of this provision shall be punished by payment to CRA/LA of \$2,000 per use or disclosure of the Disaster Recovery Tapes or any document, data or information contained thereon and by any other remedy or sanction permitted by law, including injunctive relief and an award of attorney's fees.

III. GENERAL PROVISIONS.

A. Notices.

Any notices or other document required to be provided pursuant to this Agreement shall be sent to the parties at the following address, or any subsequent address or person provided by those parties in writing:

Gabae:

Arman Gabay
The Charles Company
9034 West Sunset Boulevard
West Hollywood, California 90069

John Carroll
Giltner Realty Advisors
9034 West Sunset Boulevard
West Hollywood, California 90069

CRA/LA:

Calvin E. Hollis
Chief Operating Officer, Real Estate and Development
The Community Redevelopment Agency of
the City of Los Angeles, California
1200 West 7th Street, Suite 500
Los Angeles, California 90017

CRA/LA General Counsel
The Community Redevelopment Agency of
the City of Los Angeles, California
1200 West 7th Street, Suite 500
Los Angeles, California 90017

B. Entire Agreement.

This Agreement contains the entire agreement and understanding of the parties concerning the subject matter hereof and supersedes all prior and contemporaneous discussions, understandings, negotiations, agreements, representations, conditions, warranties, covenants and all other communications between the parties, whether written or oral, relating to the subject matter.

C. Construction of Agreement.

Each party cooperated in the drafting and preparation of this Agreement, and, accordingly, the normal rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

D. Amendments.

This Agreement may be modified or amended only by written agreement executed by the parties. No provision herein may be waived unless in writing and signed by the party so waiving its rights under the identified provision. Waiver of any one provision herein shall not be deemed to be a waiver of any other provision herein.

E. Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original.

F. Public Disclosure.

Upon full execution of this Agreement, the parties understand and acknowledge that this Agreement may be subject to disclosure by the CRA/LA as a public record in accordance with applicable law and upon a specific request for such record; provided, however, that nothing herein shall constitute a waiver of any provision of applicable law specifying documents or things not subject to disclosure as public records.

G. Severability.

If any provision of this Agreement be prohibited, invalid or unenforceable under applicable law, then the validity, legality and enforceability of the remaining portions of this Agreement shall not in any manner be affected or impaired thereby.

H. Attorney's Fees.

Except as set forth in Paragraph II(D) above, in any action arising under this Agreement or brought to interpret this Agreement, the prevailing party shall not be entitled to any costs and expenses of suit, including attorney's fees. Each party shall bear its own costs and attorney's fees.

I. Agents, Successor in Interest.

This Agreement shall be binding on the parties and shall inure to the benefit of their respective employees, agents, officers, heirs, legal representatives, assigns and successors in interest.

J. Effective Date.

The effective date of this Agreement shall be the date of its full execution by the appropriate representatives of the parties hereto.

INWITNESS WHEREOF, CRA/LA and Gabace have executed this Agreement as of the effective date hereof.

M&A Gabae, a California Limited Partnership

By: Sancam, Inc., General Partner

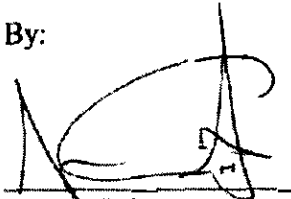
By:



Arman Gabay
Vice President

The Charles Company

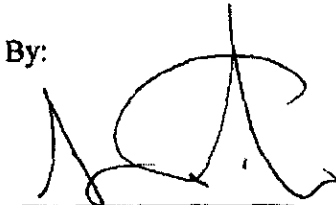
By:



Arman Gabay
Partner

Arman Gabay

By:



Arman Gabay

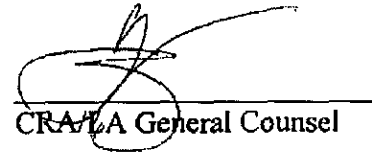
The Community Redevelopment
Agency of the City of Los Angeles



Calvin E. Hollis
Chief Operating Officer
Real Estate and Development

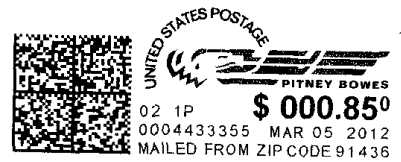
Approved as to form:

Carmen A. Trutanich
City Attorney



CRA/LA General Counsel

LAW OFFICES OF
GAINES & STACEY LLP
16633 VENTURA BOULEVARD, SUITE 1220
ENCINO, CA 91436-1872



Nelson Rising, Chair
CRA/LA
1200 W. 7th Street, 2nd Floor
Los Angeles, CA 90017