

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: March 16, 2021

To: City Council

From: Enrique C. Zaldivar, P.E.
Director and General Manager
LA Sanitation and Environment



Subject: **COUNCIL MOTION 18-0555 ON THE CLEAN WATER CAMPUS AND
PROCUREMENT OF PROPERTY LOCATED AT 323 N. SAN
FERNANDO ROAD- LINCOLN HEIGHTS-CD1**

This report is in response to the direction contained in Council File No. 18-0555 for LASAN, in conjunction with other City departments, to engage with the Goodwill Southern California (Goodwill) to develop a non-binding term sheet with fiscal impact for joint use of the City owned Humboldt site located in Council District 1 at 303 North San Fernando Road (APNs 5447- 007-900 and 5447-007-901) and the adjacent Goodwill site (APN 5447-007-009).

RECOMMENDATIONS

1. AUTHORIZE LA Sanitation and Environment (“LASAN”) and Department of General Services (“GSD”) to negotiate and execute a purchase and sale agreement (“PSA”) with Goodwill Southern California (“Goodwill”) to acquire the property located at 323 N. San Fernando Road, (APN 5447-007-009, “Goodwill Site”), per Council Motion 18-0555, for the not to exceed amount of \$6,050,000 plus \$15,000 in transaction costs.
2. AUTHORIZE GSD to execute a License Agreement for 148 parking spaces for Goodwill to park their vehicles at the Goodwill Site pre-construction for a period of 1 year from the date of purchase.
3. AUTHORIZE LASAN to enter into an exclusive negotiation with a qualified Development Team (described below) as a Goodwill condition of the PSA, for a 12 month period to determine if mutually agreeable terms can be reached on the design, construction, and maintenance of the CWC Building on the Project Site under a performance-based contract.
4. REQUEST the Office of the Controller, upon instructions from the Director and General Manager of LASAN, to create a new appropriation in the Wastewater System Commercial Paper A Construction Fund No. Fund 70W, Department 50, Appropriation Unit TBD, in the amount of \$6,065,000.

Summary

In Council File Number 18-0555, the City Council directed LASAN, in collaboration with other City departments and Goodwill, to identify opportunities to maximize development opportunities at the Goodwill Site and the City-owned property at 303 North San Fernando Road (APNs 5447-007-900 and 5447-007-901, “the City Site”) located in Council District 1. Together, the “Goodwill Site” and the “City Site” comprise “the Project Site.”

Following a period of extensive analysis and negotiation with Goodwill, and as described further below, LASAN concluded that it would be in the best interests of the City to purchase the Goodwill Site and, together with GSD, provisionally negotiate with Goodwill the terms of purchase, including purchase price and other conditions required by Goodwill as follows:

- (1) Purchase the Goodwill Site for a price of Six Million Fifty Thousand Dollars (\$6,050,000),
- (2) Provide Goodwill continued use of the Goodwill Site for parking at no cost for a period of one (1) year after close of escrow for up to 148 parking spaces, and
- (3) Negotiate, on an exclusive basis, with a qualified “Development Team” consisting of Atwater Infrastructure Partners LLC, Goodwill, Lowe Enterprises, Swinerton, and Johnson Controls to deliver the new Clean Water Campus Building (“CWC Building”) for a period that will expire twelve (12) months after close of escrow (subject to mutually agreed extension).

If an exclusive negotiating agreement (“ENA”) is successfully negotiated between the parties during the exclusive negotiating period, then LASAN will seek Board of Public Works’ approval of that agreement. This request would include approval of LASAN’s findings that the ENA could be negotiated with the Development Team on a sole-source basis because Goodwill conditioned its sale in part on an exclusive negotiating right. Neither the terms or approval of any exclusive negotiating agreement are thus part of this request.

LASAN and GSD’s informal discussions with Goodwill have advanced to a sufficient degree that the terms of the PSA and License Agreement are reasonably developed. The key terms of both the PSA and License agreement are summarized in this report.

Purchasing the Goodwill Site will provide the additional space needed to accommodate all of LASAN’s required building square footage and parking needs. The CWC Building is expected to result in several community benefits.

The proposed transaction structure for project delivery is not part of this request, as it will be decided during the exclusive negotiating period. If a recommended project agreement and transaction structure is formalized, it will be subject to later City approvals.

As currently composed, the Development team consists of high-quality, reputable firms who are capable of delivering the CWC Building as proposed. During or at the conclusion of the exclusive negotiating period, should LASAN recommend a project agreement with the Development Team, then the Board of Public Works, as the awarding authority, will again need to approve and make findings for any award of that project agreement to the Development Team on a sole-source basis. At that time, LASAN will be in a position to confirm if proceeding with the Development Team would result in a lower cost, higher quality facility that may be delivered faster than it could under a traditional procurement or render a different procurement undesirable.

The plan of finance will be negotiated during the exclusive negotiating period and subject to approval by the City. The financing structure that has been initially proposed by the Development Team consists of a 100% tax exempt bond financing. During the ENA period, LASAN intends to set an affordability ceiling. The affordability ceiling will be subject to Board of Public Works approval and will be the maximum annual payment that will be made for all design, construction, financing, operations and maintenance costs.

If, at the conclusion of the exclusive negotiating period, the City and the Development Team do not reach a mutually agreeable project agreement, then the City has unfettered ability to use the purchased land and procure the project under a different delivery method than what may be discussed with the Development Team since the acquisition of the Goodwill Site takes place up front.

Project Background

Since 2002, LASAN has leased the privately owned, 64,820 square foot facility at 2714 Media Center Drive in Los Angeles (“Media Center”). In December 2015, LASAN initiated work to develop a new headquarters, referred to as the CWC Building, at the City Site.

LASAN’s technical consultant, Arcadis, performed a workplace relocation strategy and site study which concluded that: (i) LASAN has a projected staffing requirement of approximately 500 staff that require space, technology, and facilities such as laboratories not currently available at the Media Center; (ii) the CWC Building would need to be approximately 159,000 square feet to accommodate LASAN’s requirements; and (iii) the City Site can accommodate the CWC Building, but parking is constrained to approximately 300 of the required 500 parking stalls due to the unusual site layout. LASAN’s financial consultant, Project Finance Advisory, Ltd., performed quantitative and qualitative analysis which concluded that a public private partnership (“P3”) delivery of the CWC Building would provide benefits including cost savings to LASAN compared to a traditional delivery approach.

On March 12, 2018, the City received an unsolicited offer from the Development Team. The unsolicited offer contemplated a lot line adjustment and development of the Goodwill Site and

City Site as a single project that would include the CWC Building, a new Goodwill retail store, and parking. The contemplated delivery model and exclusive negotiation was expected to expedite delivery of the CWC Building, meet parking needs, and partner with a local stakeholder to develop a unified community plan.

Due to the shared interest of creating additional parking and fostering community revitalization, the City Council passed a motion on June 13, 2018 directing LASAN to explore a partnership with Goodwill to deliver a joint project (CF #18-0555).

On April 17, 2019, the Municipal Facilities Committee directed LASAN to form a Clean Water Campus Working Group (“CWC Working Group”) comprised of LASAN, City Administrative Officer (“CAO”), Chief Legislative Analyst (“CLA”), Mayor’s Office, and Council District 1 to develop a non-binding term sheet with Goodwill and evaluate parking options. The recommendations included in this request are reflective of the outcomes of LASAN’s analysis to date.

Initial discussions and design charrettes between Goodwill and the CWC Working Group contemplated constructing a CWC Building, at grade Goodwill retail store, below grade parking, and above grade parking on the City Site. The City Site was found to have insufficient capacity to accommodate all the parking needs of LASAN, Goodwill, and any potential additional parking.

LASAN performed extensive analysis of different alternatives (described in detail in the attachment to this report), and ultimately determined that the only method to achieve the full facility and parking needs for LASAN on a cost-effective basis, retain optionality to provide additional parking, and to deliver a comprehensive community development plan is by utilizing both the City Site and Goodwill Site.

Goodwill’s Sale Rationale

Goodwill is a non-profit, social enterprise organization whose mission is to support disadvantaged people in finding stable employment. Goodwill is motivated to sell the Goodwill Site to generate revenue that will support its mission. As a condition of sale, Goodwill requires the right for the Development Team to enter into an exclusive negotiation with LASAN to design, construct, potentially finance, and operate the CWC Building and associated parking on the Project Site through a P3 with the City. This offer is acceptable based on the analysis that has been performed, including the finding that the Development Team is comprised of highly qualified, well-regarded firms who have successfully delivered similar projects in the past.

If a transaction is consummated, Goodwill will lead efforts around public affairs, government relations and will also have an on-going support role in the operations and maintenance management agreements with the professional building operator. This is intended to provide

workforce development opportunities at the CWC Building to align with Goodwill's mission to support people with significant barriers to employment find a stable job.

Purchase Price of Goodwill Site

Both the City and Goodwill conducted site appraisals to evaluate the potential purchase price of the Goodwill Site. In informal discussions, the parties have agreed in principle to a sale price and terms, which are summarized in the following section.

LASAN's advisors performed an economic impact study of the land purchase in March 2020. This assessment identified several benefits that are summarized below.

- Acquisition of the Goodwill Site will allow additional parking capacity to support the CWC Building and potentially other adjacent projects if the City or external parties choose to fund additional parking spaces. Delivering an additional 200 parking spaces at the Project site beyond LASAN's needs has a total estimated cost implication of \$29.4+ million. Legal restrictions apply to the use of LASAN's special funds for this purpose, therefore, an external source of funding will be required if this additional parking is to become part of the CWC Building. If 3rd party funding to cover the additional parking cost is identified, it will need to be guaranteed to be provided during the construction period by a credit-worthy source acceptable to LASAN.
- Acquisition of the Goodwill Site provides for more cost-effective parking and, under some circumstances, lower total costs to LASAN and the City, even when the additional costs of land acquisition are considered.
- If funded, the additional parking capacity that would be available with the acquisition of the Goodwill Site could help support the development of between 50,000 and 85,000 square feet of commercial development on adjacent sites.
- The supported development will provide ongoing jobs, income, and economic activity benefits in the City as well as one-time construction-related economic benefits.
- The potential payment to Goodwill for the Goodwill Site could help catalyze the development of an 85-unit affordable housing project.
- The expected outcomes supported by the City acquisition of the Goodwill Site would support City policy goals.

A non-binding term sheet ("Goodwill Site Term Sheet") was developed during informal negotiations between LASAN, Goodwill, and Goodwill's real estate attorney (Sheppard Mullin) for the acquisition of the Goodwill Site. The Goodwill Site Term Sheet is intended to become the basis of the PSA and is included as Attachment 3.

The following is a summary of key terms in the attached Goodwill Site Term Sheet.

1. **Purchase Price for Goodwill Site:** a purchase price of \$6,050,000 has been informally agreed between LASAN, GSD and Goodwill, pending appropriate approvals.
2. **Closing Date:** close of escrow is expected to take place approximately 30 business days following conclusion of the CEQA process and receipt of required approvals of CEQA and the PSA by the City Council.
3. **Goodwill Parking License Agreement on Goodwill Site:** City will allow Goodwill to continue to park 148 cars on the Goodwill Site for one (1) year post close of escrow at no cost.
4. **Exclusive Negotiating Right:** as a condition of sale, Goodwill requires the right to exclusively negotiate with the City to design, construct, and maintain the CWC Building on the Project Site under a performance-based contract to provide potential workforce development opportunities and a share of development fees, with such right to expire one year following close of escrow subject to mutually agreed extension. As stated above, approval of an ENA will be sought from the Board of Public Works.

Purchase of Goodwill Site

The agreed price for the purchase of the Goodwill site is \$6,050,000 to be paid from Sewer Construction Maintenance (“SCM”) funds. Additional closing costs of up to \$15,000 are also expected to be required from the same fund.

Environmental Matters

A Phase I Environmental Assessment Report was prepared for both the City and Goodwill properties on May 25, 2016 and identified the potential for contamination based on the previous use of the properties and historical records. It recommended a Phase II assessment. A Phase II Environmental Assessment Report was prepared on September 24, 2018. The Phase II Assessment conducted multiple soil and soil vapor samples across both properties at multiple depths, testing for volatile organic compounds (“VOCs”), petroleum products, and metals. There was no detection of either VOCs or petroleum at levels above regulatory thresholds. Lead was detected at four locations at shallow depths that would require the surface soil in that area to be removed and disposed of properly. Groundwater under the site was tested and contained concentrations of petroleum, chromium, cobalt, nickel, and vanadium above regulatory thresholds. Since these contaminants were not found in the soil, they probably did not originate from these properties, but the report recommended future groundwater testing be performed to confirm this.

A CEQA review is currently underway. Because the intended use of the Goodwill Site (for the CWC building) is well known, CEQA requires that said use be analyzed at the time of property

acquisition. Consequently, LASAN anticipates that on or before seeking Council approval of the PSA, CEQA review/clearance will be presented to Council for its consideration and approval.¹ The close of escrow related to the PSA cannot be completed without CEQA review and approval being completed.

Recommendations

1. AUTHORIZE LASAN and GSD to negotiate and execute a PSA with Goodwill Southern California (“Goodwill”) to acquire the property located at 323 N. San Fernando Road, (APN 5447-007-009, “Goodwill Site”), per Council Motion 18-0555, for the not to exceed amount of \$6,050,000 plus \$15,000 in transaction costs.
2. AUTHORIZE GSD to execute a License Agreement for 148 parking spaces for Goodwill to park their vehicles at the Goodwill Site pre-construction for a period of 1 year from the date of purchase.
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4. REQUEST the Office of the Controller, upon instructions from the Director and General Manager of LASAN, to create a new appropriation in the Wastewater System Commercial Paper A Construction Fund No. Fund 70W, Department 50, Appropriation Unit TBD, in the amount of \$6,065,000.

Attachments:

Attachment 1: Project Site Location and Layout

Attachment 2: Options Analyzed by LASAN

Attachment 3: Goodwill Site Term Sheet and License Agreement Term Sheet

¹ Two Council approvals are associated with this property: (1) the first Council approval, which is the subject of this report, is approval to negotiate and execute the PSA; and separately, (2) CEQA approval will be needed to effectuate the sale. CEQA approval is a separate approval action and will be accompanied by a separate report. The timing of when LASAN will be making its recommendation regarding CEQA is not yet clear, although Council's CEQA approval will be necessary and will be a condition of closing escrow on the purchase and sale.

Attachment 1: Project Site Location and Layout



Figure 1 Aerial View of Project Site Location

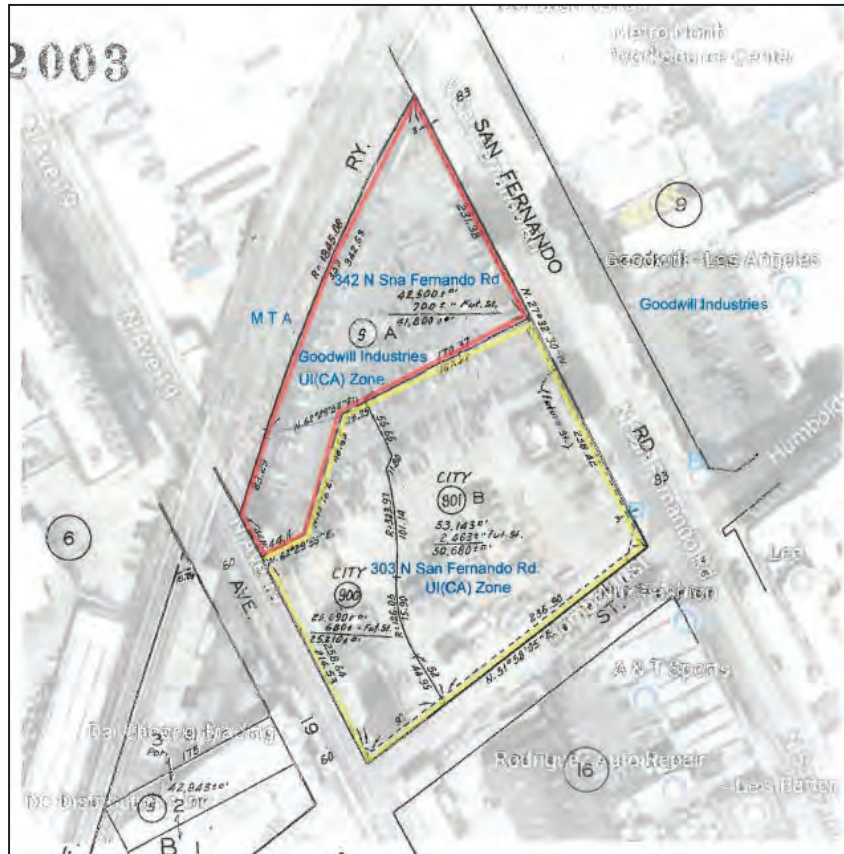


Figure 2 City Site (yellow) and Goodwill Site (red)



Figure 3 From left to right LA River, Lincoln Heights Jail, Project Site, Goodwill Headquarters (342 N. San Fernando Road)

Attachment 2: Options Analyzed

Alternatives Explored to Purchasing Goodwill Site

Four options were evaluated to meet LASAN's staff needs:

- **Option 0 - No build Option:** the no build option would keep LASAN at the Media Center, would not meet current or staffing projections, and likely require additional improvements to Media Center
- **Option 1 - CWC Standalone Option:** this option would involve constructing the CWC Building and parking entirely on the City Site with no use of the Goodwill Site. Parking alternatives for the standalone option included:
 - a. 2 levels subgrade parking would partially meet LASAN parking needs, but no additional parking for other potential City needs available
 - b. 3 levels underground would meet parking partially meet needs for LASAN, but come at additional construction cost with no additional parking available for other potential City needs
 - c. 4 levels underground parking would meet the needs of LASAN at additional construction cost, but no additional parking available for other potential City needs
- **Option 2 - Goodwill Retail Store Partnership:** Lot line adjustment to jointly develop CWC Building, Goodwill Retail and Parking Structure. Limited space for additional other potential City needs parking. **Goodwill is no longer interested in having a retail store at the Project site, therefore this option is removed from consideration.**
- **Option 3 – Goodwill Partnership:** Purchase the Goodwill Site to accommodate full LASAN parking needs and potentially additional parking for other potential City needs. Parking alternatives for Option 3 included:
 - a. LASAN parking only with no additional parking to realize value engineering cost savings by relocating below grade parking to above grade; or
 - b. LASAN and additional parking with construction of below grade parking and additional above grade parking to accommodate approximately 200 parking stalls (if funded) for other potential City needs Project or City use without significant site development (i.e. need for more than two stories below grade or more than 75' tall parking structure).

A summary of the parking configurations of the options are shown in the following table.

Table 1: Proposed Configurations

	Levels of subterranean Parking	Above Grade parking Structure	Total Parking Spaces	Notes
Standalone Option 1a	2	No	230	City site only, partially meet LASAN parking needs, but no additional parking for other potential City needs available
Standalone Option 1b	3	No	320	City site only, better meets LASAN parking need, no other potential City needs parking available
Standalone Option 1c	4	No	410	City site only, meets LASAN parking needs at significant cost for subterranean parking
Option 2	Removed from consideration			
Goodwill Partnership Option 3a	1	Yes	540	Combined City and Goodwill Site, CWC Building and LASAN parking, no other potential City needs parking
Goodwill Partnership Option 3b	2	Yes	740	Combined City and Goodwill Site, CWC Building and parking for LASAN and other potential City needs

A less attractive option for a complete parking solution is for LASAN to deliver the CWC Building on the City Site only. While this is a viable option, it would significantly limit LASAN parking due to site constraints and will not provide sufficient parking for other potential City needs.

The following table summarizes the pros and cons of the two viable options:

	Option 1 - Standalone Option	Option 3 - Goodwill Partnership Option
Pros	<ul style="list-style-type: none"> Competitive design competition, drives price and design innovation Contained to LASAN parcel, no need for land transfer or acquisition 	<ul style="list-style-type: none"> Partnership with local stakeholder and holistic approach to neighborhood development Achieves complete onsite parking solution for LASAN and City May save time compared to LASAN procurement due to direct negotiation Establishing an affordability ceiling
Cons	<ul style="list-style-type: none"> Parking limited to 230 spaces on site – a potential mitigation is the development of additional below grade parking at a cost of \$19 to \$42 million depending on number of subterranean parking levels Does not facilitate partnership with local stakeholder and holistic approach to neighborhood development (design charrette indicated Goodwill cannot achieve their program without use of City property) – no mitigation 	<ul style="list-style-type: none"> Lack of competitive tension (design and cost) – a potential mitigation is establishment of an affordability ceiling that Goodwill must meet Site acquisition cost – cost to acquire Goodwill Site is offset by benefits to achieve full parking solution for LASAN and other potential City needs Additional complexity to negotiate PSA, ENA and potential parking lease – mitigated by preliminary term sheets presented in this report

Benefits of the DBFOM approach include:

- Contractual obligation ensures proper long-term maintenance which avoids deferred maintenance obligation.
- Performance based contract provides LASAN with a known, maximum price over the long term, with the ability to reduce / deduct payments if building does not meet specified performance criteria.
- Shown to reduce cost and delivery time by including design, construction and maintenance members into a focused effort to reduce total project costs over time.

Quantitative analysis was performed on these options. Option 1a CWC Standalone Option on City Site is the lowest cost option, but it does not provide a complete parking solution for LASAN and does not provide parking for other potential parking needs. Option 3a meets all of the needs of LASAN and has the 2nd lowest cost, making it the most attractive solution on a value for money basis.

Attachment 3: Goodwill Site Term Sheet and License Agreement Term Sheet

PURCHASE AND SALE TERM SHEET

Parties: City of Los Angeles, a municipal corporation, acting by and through its Department of General Services and Bureau of Sanitation (“**City**” or “**Buyer**”) and Goodwill Industries of Southern California, a California corporation which is a tax-exempt charitable organization pursuant to Internal Revenue Code Section 501(c)(3) (“**Seller**”).

Property: Approximately 42,500 square foot parcel located in the 300 block of North San Fernando Road, City and County of Los Angeles, California, presently used as a surface parking lot (APN No. 5447-007-009).

Purchase Price: Six Million Fifty Thousand Dollars (\$6,050,000).

Payment of Purchase Price: All cash upon the Close of Escrow (as defined below).

Purchase and Sale Agreement: The Property shall be purchased and sold in accordance with a definitive purchase and sale agreement which is mutually acceptable to the City and Seller and not inconsistent with this Term Sheet (the “**Purchase and Sale Agreement**”). Following approval by the City Municipal Facilities Committee to proceed with the purchase of the Property upon the terms and conditions contained in this Term Sheet (“**MFC Authorization**”), Buyer and Seller shall negotiate and endeavor to agree upon the Purchase and Sale Agreement.

Execution and Delivery of Purchase and Sale Agreement: Within ten (10) business days after the City has completed any necessary review and approvals under the California Environmental Quality Act (“**CEQA Review**”) and the City has obtained all remaining required approvals for both CEQA and the City’s acquisition of the Property including, as needed, approvals from the City of Los Angeles Board of Public Works, the Los Angeles City Council (including any associated Committees) and the Mayor of the City of Los Angeles (collectively, the “**City Approvals**”), the City and the Seller shall execute and deliver the Purchase and Sale Agreement and open an escrow (the “**Escrow**”) with Commonwealth Land Title Company (the “**Title Company**”) for the consummation of the purchase and sale of the Property. The parties shall not proceed with the purchase and sale of the Property unless the CEQA Review has been completed and all City Approvals have been received.

Closing Date: The closing of the purchase and sale of the Property (the “**Close of Escrow**”) shall take place thirty (30) business days following the execution and delivery of the Purchase and Sale Agreement and opening of Escrow. The Close of Escrow shall occur through the Escrow opened by the parties with the Title Company upon execution of the Purchase and Sale Agreement.

Buyer’s Due Diligence: Buyer shall complete, at Buyer’s sole cost and expense, Buyer’s due diligence review and approval of the Property within sixty (60) days following MFC Authorization (the “**Due Diligence Review Period**”). Buyer’s due diligence review and approval of Property may include, without limitation, Buyer’s review of the condition of title to the Property, the results of the Phase I ESA and any and all other inspections, investigations and studies already undertaken by or for the benefit of Buyer as well as any and all further non-invasive inspections, investigations and studies of the Property which Buyer may elect to make or obtain at Buyer’s cost and expense in order to confirm the suitability of the Property for the purpose and use contemplated

by Buyer. Seller agrees that Buyer may carry out further Phase II ESA or other invasive testing, subject to obtaining Seller's consent, not to be unreasonably withheld but subject to any customary conditions associated with such testing. Seller shall deliver to Buyer (or make available to Buyer at Seller's offices), for Buyer's review and copying at Buyer's expense, copies of all non-confidential reports, studies or assessments relevant to the current condition of the Property.

Conditions to Close of Escrow: The Close of Escrow shall be subject to the satisfaction (or written waiver by the benefitted party) of the following conditions:

(a) Delivery at the Close of Escrow of an ALTA Extended Coverage Owner's Title Insurance Policy (the "**Title Policy**") issued by the Title Company in the amount of the Purchase Price insuring Buyer's fee title to the Property subject only to the Permitted Title Exceptions (as defined below), including such endorsements as Buyer may reasonably request or require prior to the expiration of the Due Diligence Review Period, including, without limitation, Deletion of Arbitration, Same as Survey (e.g. ALTA 25-06), Zoning/Zoning-Completed Structure (e.g. ALTA 3.1/3.1-06, as applicable) and Comprehensive/Restrictions, Encroachments and Minerals (e.g. ALTA 9.2). Buyer must obtain prior to the expiration of the Due Diligence Review Period the Title Company's preliminary agreement to issue any and all other endorsements requested or required by Buyer, and Seller shall not be obligated to incur any expense or liability for the issuance of any such endorsements other than to provide a normal, customary or reasonably required owner's affidavit and/or seller's statement.

(b) The representations and warranties made by the parties in the Purchase and Sale Agreement shall continue to be true and correct in all material respects.

(c) No material damage, destruction or condemnation of the Property (by any person or entity other than Buyer, Buyer related authorities, or Buyer's agents or employees) shall have occurred since the execution and delivery of the Purchase and Sale Agreement and no material adverse change in the Property's physical condition or compliance with law shall have occurred since the execution and delivery of the Purchase and Sale Agreement (it being understood that the discovery of a pre-existing condition after the execution and delivery of the Purchase and Sale Agreement shall not constitute damage, destruction, condemnation or a change in condition or compliance with law of the Property).

(d) There shall be no default in the performance of Buyer's or Seller's obligations under the Purchase and Sale Agreement.

Condition of Title: Title to the Property to be conveyed to Buyer by grant deed upon the Close of Escrow subject only to: (a) all matters of title of record or which would be apparent from an inspection and/or survey of the Property and approved (or deemed approved) by Buyer prior to the expiration of the Due Diligence Review Period (Seller shall clear title and cause the Title Company to remove from the Title Policy any liens securing monetary obligations (other than non-delinquent property taxes and assessments) created or consented to by Seller); (b) the Seller Parking Rights (as defined below); (c) the Exclusive Negotiating Right (as defined below); (d) all zoning and other applicable laws, ordinances, restrictions and regulations of governmental entities affecting the Property; (e) all matters created by or arising through Buyer; and (f) subject to the

terms of any endorsements to the Title Policy, all exceptions and exclusions in the Title Policy form (collectively, the “**Permitted Title Exceptions**”).

Possession: Possession of the Property shall be delivered to Buyer upon the Close of Escrow free and clear of any rights to possession of other parties except the Seller Parking Rights.

Closing Costs: Seller shall pay: (i) the basic premium for a CLTA standard coverage policy of title insurance with respect to the Title Policy; (ii) one-half (1/2) of all Escrow fees and Escrow costs; (iii) documentary transfer taxes and other transfer taxes imposed upon the recordation of the grant deed, if any (see R&T 11922); and (iv) all legal and professional fees and fees of other consultants incurred by Seller. Buyer shall pay: (a) the costs of the Title Policy in excess of the basic premium for a CLTA standard coverage policy of title insurance, the cost of any endorsements and the cost of any survey required to obtain ALTA extended title insurance coverage; (b) the costs of all inspections, investigation and studies of the Property which Buyer may elect to make or obtain; (c) one-half (1/2) of all Escrow fees and Escrow costs; and (d) all legal and professional fees and fees of other consultants incurred by Buyer. Any other the closing costs and expenses shall be allocated between Buyer and Seller in accordance with the custom and practice for the sale of commercial real property in the County of Los Angeles.

Broker: Buyer and Seller shall each represent and warrant to the other that it has not engaged any real estate broker in connection with the transaction who is entitled to a commission for the sale of the Property. Buyer and Seller shall each indemnify the other against any claim for a broker’s commission arising out of a breach of such representation and warranty.

Prorations: Real property taxes and assessments, if any, with respect to the Property, utilities and other operating expenses of the Property shall be prorated as of the Close of Escrow based upon a thirty (30) day month or other appropriate period and the parties’ period of ownership.

Condition of Property; Representations and Warranties: Prior to the Close of Escrow, Seller shall have all risk of loss with respect to the Property (other than loss arising out of the actions of Buyer or Buyer’s agents, contractors and employees). Except for Seller’s express representations and warranties set forth in the Purchase and Sale Agreement, the Property shall be sold “As-Is”. Seller shall make no representations and warranties regarding the condition of the Property and Seller shall make no other representations and warranties besides Seller’s authorization to execute and deliver the Purchase and Sale Agreement and consummate the sale, that Seller is not a foreign person as defined in Section 1445 of the Internal Revenue Code and, to Seller’s present actual knowledge, the absence of pending litigation. Notwithstanding any lack of representations and warranties or “as is” language, Buyer is not waiving, releasing or indemnifying Seller re Seller’s (or any third party’s) gross negligence, willful misconduct or fraud, in general, or matters that pertain to environmental laws, including hazardous waste or materials, in particular.

Seller Parking Covenant: Seller shall be granted the right to continue to utilize, at no cost or expense to Seller, one hundred forty-eight (148) parking spaces on the Property for a period of one (1) year following the Close of Escrow (the “**Seller Parking Right**”). Upon the Close of Escrow, Buyer and Seller shall (a) execute and record a covenant on title to the Property to evidence the Seller Parking Right in a form and content mutually acceptable to Buyer and Seller

and attached as an exhibit to the Purchase and Sale Agreement and (b) execute and deliver a parking license agreement governing the Seller Parking Right substantially in form and content attached as Exhibit A.

Exclusive Negotiating Right: Buyer shall grant to Seller's development group comprised of Seller, Atwater Infrastructure Partners, LLC, Lowe Enterprises, Swinerton Builders and Johnson Controls, Inc. (collectively, the "**Seller Development Group**") an exclusive right for a period of one (1) year following the Close of Escrow (the "**Exclusive Negotiating Right**") for the Seller Development Group to negotiate and enter into a mutually acceptable agreement(s) with Buyer for the Seller Development Group to develop on the Property and the Buyer's adjacent site at 303 North San Fernando Road an approximately one hundred fifty nine thousand (159,000) square foot building for occupancy by the Los Angeles City Bureau of Sanitation ("**LASAN**") with a parking facility containing up to seven hundred (700) parking stalls (collectively, the "**LASAN Project**"), subject to obtaining necessary City Approvals to execute a formal exclusive negotiating agreement. The Exclusive Negotiating Right may be extended by the mutual written agreement of Buyer and Seller from time to time executed by LASAN Director or his/her designee on behalf of Buyer, following approval of each extension by the City of Los Angeles Board of Public Works or City Council (if required), for one period of no more than one hundred eighty (180) business days. Upon the Close of Escrow, Buyer and Seller shall execute and record a covenant on title to the Property to evidence the Exclusive Negotiating Right in form and content mutually acceptable to Buyer and Seller and attached as an exhibit to the Purchase and Sale Agreement. Such recorded covenant evidencing the Exclusive Negotiating Right shall include its automatic termination absent a recorded extension; provided, however, that, notwithstanding the foregoing, the Seller Development Group will promptly provide to Buyer a release, in form and substance satisfactory to Buyer and suitable for recording, terminating the Exclusive Negotiating Right on expiration or earlier termination. For the duration of the Exclusive Negotiating Right, Buyer shall not negotiate with any person or entity other than Seller or the Seller Development Group for purposes of entering into an agreement for the LASAN Project, or solicit or entertain bids or proposals to do so. Seller acknowledges that Buyer may, from time to time, be contacted by the other developers or other parties regarding the LASAN Project, and that such contact shall not be considered to be a breach of the Exclusive Negotiating Right so long as Buyer does not initiate the contact and indicates to such other developers or other parties that Buyer has agreed to the Exclusive Negotiating Right with Seller and that Buyer is unable to discuss these negotiations, or entertain any offers or proposals, or to negotiate with any other developer or other parties with respect to development of the LASAN until the Exclusive Negotiating Right expires.

THE ABOVE TERM SHEET IDENTIFIES THE GENERAL TERMS AND CONCEPT FOR THE PROPOSED SALE OF THE SUBJECT PROPERTY AND IS ONLY INTENDED TO BE USED AS A VEHICLE TO FACILITATE FURTHER DISCUSSION. IT IS NOT IN ANY WAY INTENDED TO CONSTITUTE AN OFFER OF ANY KIND BY SELLER NOR IS SELLER OBLIGATING ITSELF TO ANY OF THE TERMS OR CONDITIONS OUTLINED ABOVE.

EXHIBIT A – FORM OF PARKING LICENSE AGREEMENT

PARKING LICENSE AGREEMENT

THIS PARKING LICENSE AGREEMENT (this “**License**”) dated effective as of _____, 20__ (“**Effective Date**”), is between CITY OF LOS ANGELES, a municipal corporation, acting by and through its Department of General Services (“**City**”), and GOODWILL INDUSTRIES OF CALIFORNIA, a California corporation (“**Goodwill**” or “**Licensee**”).

A. City owns certain real property consisting of an existing paved parking lot located on a portion of the 303 N. San Fernando Road, Los Angeles, California (APNs) 5447-007-900 and 5447-007-901 and the 300 block of North San Fernando Road, Los Angeles, California (APN No. 5447-007-009) (the “**Parking Lot**”).

B. City desires to grant to Goodwill an exclusive license to park a minimum of 148 vehicles on the existing paved parking lot within the Parking Lot and a non-exclusive license to access the Parking Lot to park such vehicles, and Goodwill desires to accept such license thereof, on the terms and conditions below.

ACCORDINGLY, the parties hereby agree as follows:

1. As of the Effective Date, City hereby grants to Goodwill an exclusive license to park a minimum of one hundred and forty eight (148) full-sized vehicles on the Parking Lot in such location or locations on the Parking Lot as City shall designate and/or change from time to time upon not less than thirty (30) days prior written notice (“**Parking Spaces**”) and a non-exclusive license to access the Parking Lot to park such vehicles. Goodwill agrees to use Parking Lot jointly with City during the term of this License and subject to City’s reasonable and non-discriminatory rules and regulations, provided Goodwill shall be entitled to park a minimum of 148 vehicles. In this regard: (a) Goodwill acknowledges and agrees that City’s use of the Parking Lot may include without limitation due diligence inspections, investigations, studies, including without limitation both invasive and non-invasive testing, in connection with City’s anticipated and/or proposed operation, possession, use and occupancy of the Parking Lot for City’s “LASAN Project” (that is, an approximately one hundred fifty nine thousand (159,000) square foot building for occupancy by the Los Angeles City Bureau of Sanitation (LASAN) with a parking facility containing up to seven hundred (700) parking stalls, including without limitation its design, redesign, development, redevelopment, construction, reconstruction, expansion, contraction, operation, possession, use, reuse, occupancy, maintenance and repair; and (b) City acknowledges and agrees that the Parking Spaces are required in order for Goodwill to occupy and operate from Goodwill’s facilities located at 213 N. San Fernando Road, Los Angeles, 900031, pursuant to City ordinances and regulations.

2. Consideration for this License is included, whether in whole or in part, in Goodwill’s obligations, liabilities and duties under the Purchase and Sale Agreement dated [REDACTED] (“**Purchase and Sale Agreement**”).

3. The term of this License shall be for a period of one (1) year following the close of escrow under the Purchase and Sale Agreement .

4. Goodwill shall, at its sole cost, maintain or pay for the maintenance of (the portion of) the Parking Lot (used for parking, including without limitation access thereto for ingress, egress and otherwise) in good condition and repair (reasonable wear and tear, damage caused by City or any of City's employees, agents, contractors or invitees, as applicable and casualty excepted).

5. City is not obligated under this License to provide any security for the Parking Lot or the contents contained therein, including without limitation parked vehicles, the contents thereof, and/or the driver(s), passenger(s) and/or other occupant(s) thereof. Except for the negligence or willful misconduct of the City or any of City's employees, agents, contractors or invitees on the Parking Lot, City is not obligated to repair or compensate Goodwill or any other person or entity for or with respect to any damage to property (including without limitation vehicles and/or the contents thereof) or injury to person (including without limitation drivers, passengers and other occupants or users of vehicles), including death, caused by casualty or otherwise, whether or not insured.

6. Goodwill shall, at all times during the term hereof and at Goodwill's sole cost and expense, maintain in full force and effect a comprehensive general liability insurance policy with a liability amount not less than \$1,000,000 combined single limit for bodily injury and property damage, as more particularly described on Exhibit A attached hereto. City shall be designated as an additional insured on the policy. Goodwill shall furnish to City, prior to Goodwill's use of the Parking Lot for the purposes contemplated herein, a certificate of insurance evidencing such coverage.

7. Except for the active negligence or willful misconduct of City, or any of its boards, officers, agents, employees, assigns or successors in interest, Goodwill undertakes and agrees to defend, indemnify and hold harmless City and any of its boards, officers, agents, employees, assigns and successors in interest from and against all suits and causes of action, claims, demands, losses, liabilities, damages, costs and expenses, including, but not limited to, reasonable attorneys' fees (both in house and outside counsel) and cost of litigation (including all actual litigation costs incurred by City, including but not limited to, costs of experts and consultants), damages or liability of any nature whatsoever, for death or injury to any person, including Goodwill's employees and agents, or damage or destruction of any property of either party hereto or of third parties, arising in any manner by reason and to the extent of the negligent acts, errors, omissions or willful misconduct incident to the use of the Parking Lot pursuant to this License by Goodwill. Rights and remedies available to City under this provision are cumulative of those provided for elsewhere in this License and those allowed under the laws of the United States, the State of California, and City. The provisions of this Section 7 shall survive expiration or termination of this License.

8. This License together with the Purchase and Sale Agreement constitutes the entire understanding between the parties hereto with respect to the subject matter hereof and thereof. Any prior correspondence, memoranda or agreements are replaced in total by this License and the Purchase and Sale Agreement. This License may be amended or modified only by a written instrument signed by Goodwill and City.

9. Any notice or other communication required or permitted to be given in connection with this License shall be in writing. Such notice shall be personally served, sent prepaid by registered or certified mail with return receipt requested, or sent by reputable overnight delivery service, such as Federal Express, and shall be deemed given: (i) if personally served, when delivered to the party to whom such notice is addressed; (ii) if given by registered or certified mail with return receipt requested, on the date of execution of the return receipt; or (iii) if sent by

reputable overnight delivery service, such as Federal Express, when received or receipt is refused. Notices shall be addressed to the party to whom such notice is to be given at the address for notices set forth below, or as a party shall otherwise direct in writing to each other party delivered or sent in accordance with this Section.

If to City:

CITY OF LOS ANGELES
c/o Department of General Services
Real Estate Services Division
Suite 201, City Hall South, 111 East First Street
Los Angeles, California 90012

With a copy to:

BUREAU OF SANITATION
Attn: Ali Poosti
2174 Media Center Drive
Los Angeles, California 90065

With a copy to:

OFFICE OF THE CITY ATTORNEY
Attn: Adena Hopenstand
200 N. Main Street, 7th Floor
City Hall East, Room 700
Los Angeles, California 90012

If to Goodwill:

GOODWILL INDUSTRIES OF CALIFORNIA
Attn: Patrick McClenahan
342 N. San Fernando Road
Los Angeles, California 90031

With a copy to:

Attn: Kathleen, C. Johnson Esq.
54963 Southern Hills
La Quinta, CA 92253

10. This License is not assignable.

11. This License shall be governed by, interpreted under, and construed and enforceable with, the laws of the State of California.

12. This License may be executed in two or more counterparts, each of which shall be deemed original, and all of which together shall constitute one and the same instrument. City and Goodwill agree that facsimile and electronic signatures may be used in place of original signatures on this License or any document delivered pursuant hereto. All parties to this License intend to be bound by the signatures on the faxed or e-mailed document, are aware that the other party or

parties will rely on the faxed or e-mailed signatures, and hereby waive any defenses to the enforcement of the terms of this License based on the form of signature.

13. Possessory Interest. Licensee, by executing this License and accepting the benefits of this License, understands that a property right may be created known as “possessory interest” and is subject to property taxation. Licensee will be subject to the property taxes upon such right. Licensee acknowledges that notice required by Revenue and Taxation Code section 107.6 has been provided.

14. Ordinance Mandate Provisions.

14.1 Child Support Assignment Orders. This License is subject to section 10.10 of the Los Angeles Administrative Code (“**LAAC**”), which regards Child Support Assignment Orders. Pursuant to section 10.10, Goodwill (and any subcontractor of Goodwill providing services to City under this License) shall fully comply with all applicable state and federal employment reporting requirements for Goodwill’s or its subcontractor’s employees. Moreover, Goodwill (and any subcontractor of Goodwill providing services to City under this License) shall certify all of the following: (1) that its principal owners are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (2) that it will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code sections 5230 et seq.; and (3) that it will maintain such compliance throughout the term of this License. The failure of Goodwill or its subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment, or the failure of any its principal owners to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally shall constitute a default under this License. Failure of Goodwill, its subcontractor, or any principal owner to cure such default within ninety (90) days of notice of the default given to Goodwill by City shall subject this License to termination.

14.2 Service Contract Worker Retention Ordinance. This License is subject to the Service Contract Worker Retention Ordinance (“**SCWRO**”) (LAAC sections 10.36 et seq.). The SCWRO requires that, unless specific exemptions apply, all employers (as defined) under contracts that are primarily for the furnishing of services to or for the City of Los Angeles and that involve an expenditure or receipt in excess of \$25,000.00 and a contract term of at least three (3) months shall provide retention by a successor contractor for a ninety-day (90-day) transition period of the employees who have been employed for the preceding twelve (12) months or more by the terminated contractor or subcontractor, if any, as provided for in the SCWRO. Under the provisions of LAAC section 10.36.3(c), City has the authority, under appropriate circumstances, to terminate this License and otherwise pursue legal remedies that may be available if City determines that the subject contractor violated the provisions of the SCWRO.

14.3 Living Wage Ordinance.

14.3.1 General Provisions: Living Wage Policy. This License is subject to the Living Wage Ordinance (“**LWO**”) (LAAC sections 10.37 et seq.). The LWO requires that, unless specific exemptions apply, it covers any employees of licensees of City property who render services on the licensed property if any of the following applies: (a) the services are rendered on premises at least a portion of which are visited by substantial numbers of the public on a frequent basis; (b) any of the services could feasibly be performed by City employees if the awarding authority had the requisite financial and staffing resources; or (c) the designated administrative agency of the City of Los Angeles has determined in writing that coverage would

further the proprietary interests of the City of Los Angeles. Employees covered by the LWO are required to be paid not less than a minimum initial wage rate, as adjusted each year. The LWO also requires that employees be provided with at least twelve (12) compensated days off per year for sick leave, vacation, or personal necessity at the employee's request, and at least ten (10) additional days per year of uncompensated time pursuant to LAAC section 10.37.2(b). The LWO requires employers to inform employees of their possible right to the federal Earned Income Tax Credit ("**EITC**") and to make available the forms required to secure advance EITC payments from the employer pursuant to LAAC section 10.37.4. Goodwill shall permit access to work sites for authorized City representatives to review the operation, payroll, and related documents, and to provide certified copies of the relevant records upon request by the City. Whether or not subject to the LWO, Goodwill shall not retaliate against any employee claiming noncompliance with the provisions of the LWO. Additionally, pursuant to LAAC section 10.37.6(c), Goodwill agrees to comply with federal law prohibiting retaliation for union organizing.

14.3.2 Living Wage Coverage Determination. This License, as a public license, is subject to the LWO. Goodwill, although subject to the LWO, may be exempt from most of the requirements of the LWO if Goodwill qualifies for such exemption under the provisions of the LWO. Determinations as to whether an employer or employee is exempt from coverage under the LWO are not final, but are subject to review and revision as additional facts are examined or other interpretations of the law are considered. Applications for exemption must be renewed every two (2) years. To the extent Goodwill claims non-coverage or exemption from the provisions of the LWO, the burden shall be on Goodwill to prove such non-coverage or exemption and, where applicable, renew such exemption.

14.3.3 Compliance, Termination Provisions, and Other Remedies. If Goodwill is not initially exempt from the LWO, Goodwill shall comply with all of the provisions of the LWO, including payment to employees at the minimum wage rates, effective on the Effective Date of this License, and shall execute a Declaration of Compliance Form contemporaneously with the execution of this License. If Goodwill is initially exempt from the LWO but later no longer qualifies for any exemption, Goodwill shall, at such time as Goodwill is no longer exempt, comply with the provisions of the LWO and execute the then-currently used Declaration of Compliance Form, or such form as the LWO requires. Under the provisions of section 10.37.6(c), violation of the LWO shall constitute a material breach of this License, and City shall be entitled to terminate this License and otherwise pursue legal remedies that may be available, including those set forth in the LWO, if City determines that Goodwill violated the provisions of the LWO. The procedures and time periods provided in the LWO shall apply to any violation or alleged violation of the LWO. Nothing in this License shall be construed to extend the time periods or limit the remedies provided in the LWO.

14.4 Non-Discrimination.

14.4.1 Non-Discrimination in Use of Property. There shall be no discrimination against or segregation of any person or group of persons on account of race, religion, national origin, ancestry, sex, sexual orientation, age, physical handicap, marital status, domestic partner status, or medical condition in the license, sublicense, transfer, use, occupancy, tenure, or enjoyment of the Parking Lot (or any part of the Parking Lot) or any operations or activities conducted on the Parking Lot or any part of the Parking Lot; nor shall Goodwill or any person claiming under or through Goodwill establish or permit any such practice or practices of discrimination or segregation with reference to the selection, location, number, use, or occupancy of licensees, sublicensees, or assignees of the Parking Lot. Any assignment or transfer that may

be permitted under this License shall also be subject to the non-discrimination clauses contained in this Section 14.4.

14.4.2 Non-Discrimination in Employment. In the performance of this License, Goodwill agrees not to discriminate against any employee or applicant for employment because of the employee's or applicant's race, religion, national origin, ancestry, sex, sexual orientation, age, physical handicap, marital status, domestic partner status, or medical condition.

14.4.3 Equal Employment Practices. In the performance of this License, Goodwill agrees to comply with LAAC section 10.8.3 (Equal Employment Practices Provisions). By way of specification but not limitation, pursuant to LAAC sections 10.8.3.E and 10.8.3.F, Goodwill's failure to comply with the Equal Employment Practices Provisions may be deemed a material breach of this License. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard has been given to Goodwill. Upon a finding duly made that Goodwill has failed to comply with the Equal Employment Practices Provisions, this License may be forthwith terminated.

14.4.4 Affirmative Action Program. In the performance of this License, Goodwill agrees to comply with LAAC section 10.8.4 (Affirmative Action Program Provisions). By way of specification but not limitation, pursuant to LAAC sections 10.8.4.E and 10.8.4.F, Goodwill's failure to comply with the Affirmative Action Program Provisions may be deemed to be a material breach of this License. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard has been given to Goodwill. Upon a finding duly made that Goodwill has failed to comply with the Affirmative Action Program Provisions, this License may be forthwith terminated.

14.4.5 Equal Benefits Ordinance. In the performance of this License, Goodwill agrees to comply with LAAC section 10.8.2.1 (Equal Benefits Ordinance). By way of specification but not limitation, pursuant to LAAC section 10.8.2.1.c, Goodwill's failure to comply with the Equal Benefits Ordinance may be deemed to be a material breach of this License. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard has been given to Goodwill. Upon a finding duly made that Goodwill has failed to comply with the Equal Benefits Ordinance, this License may be forthwith terminated.

14.5 Contractor Responsibility Ordinance.

14.5.1 General Provisions; Contractor Responsibility Policy. This License is subject to the Contractor Responsibility Ordinance ("**CRO**") (LAAC sections 10.40 et seq.) and the rules and regulations promulgated pursuant thereto, as they may be updated. The CRO requires that, unless specific exemptions apply as specified in LAAC section 10.40.4(a), licensees of City property who render services on the licensed premises are covered by the CRO if any of the following applies: (a) the services are rendered on premises at least a portion of which are visited by substantial numbers of the public on a frequent basis; (b) any of the services could feasibly be performed by City employees if the awarding authority had the requisite financial and staffing resources; or (c) the designated administrative agency of the City of Los Angeles has determined in writing that coverage would further the proprietary interests of the City of Los Angeles. Licensees of City property who are not exempt pursuant to LAAC section 10.40.4, unless subject to the CRO solely due to an amendment to an existing license, are required to have completed a questionnaire ("**Questionnaire**") signed under penalty of perjury designed to assist the City in determining whether the licensee is one that has the necessary quality, fitness,

and capacity to perform the work set forth in the contract. All licensees of City property who are covered by the CRO, including those subject to the CRO due to an amendment, are required to perform all of the following:

(1) Comply with all applicable federal, state, and local laws and regulations in the performance of the license, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws that affect employees;

(2) Notify the awarding authority within thirty (30) days after receiving notification that any government agency has initiated an investigation that may result in a finding that the licensee did not comply with Section 14.5.1(1) above in the performance of the license;

(3) Notify the awarding authority within thirty (30) days of all findings by a government agency or court of competent jurisdiction that the licensee has violated Section 14.5.1(1) above in the performance of the license;

(4) Complete a Pledge of Compliance attesting under penalty of perjury to compliance with Section 14.5.1(1) above in the performance of the license;

(5) Ensure within thirty (30) days (or such shorter time as may be required by the awarding authority) that any subcontractor working on the license submit to the awarding authority a Pledge of Compliance attesting under penalty of perjury to compliance with Section 14.5.1(1) above in the performance of the license; and

(6) Ensure that any subcontractor working on the license comply with the requirements of Section 14.5.1(2) and (3) above in the performance of the license.

Goodwill shall ensure that their subcontractors meet the criteria for responsibility set forth in the CRO and any rules and regulations promulgated thereto. Goodwill may not use any subcontractor that has been determined or found to be a non-responsible contractor by City. The listing of non-responsible contractors may be accessed on the internet at <http://www.lacity.org/bidresp>. Subject to approval by the awarding authority, Goodwill may substitute a non-responsible subcontractor with another subcontractor with no change in the consideration for this License. Goodwill shall submit to City a Pledge of Compliance for each subcontractor listed by the Goodwill in its Questionnaire, as performing work on this License within thirty (30) days of the Effective Date of this License, unless City requires, in its sole discretion, the submission of a Pledge of Compliance within a shorter time period. Goodwill's signature on this License shall constitute a declaration under penalty of perjury that Goodwill shall comply with the Pledge of Compliance.

14.5.2 Updates of Information. Goodwill shall perform all of the following:

(1) Notify the awarding authority within thirty (30) days of receiving notice that any governmental agency has initiated an investigation that may

result in a finding that Goodwill did not comply with applicable federal, state, or local law in the performance of this License, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws that affect employees;

(2) Notify the awarding authority within thirty (30) days of receiving notice of any findings by a government agency or court of competent jurisdiction that Goodwill violated applicable federal, state, or local law in the performance of this License, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws that affect employees; and

(3) Notify the awarding authority within thirty (30) days of becoming aware of any information (e.g., investigations or findings) regarding its subcontractor's violations of applicable federal, state, or local law in the performance of this License, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws that affect employees.

Updates of information contained in Goodwill's responses to the Questionnaire must be submitted to the awarding authority within thirty (30) days of any change to the responses if the change would affect Goodwill's fitness and ability to continue performing under this License. Notwithstanding the foregoing, Goodwill shall not be required to provide updates to the Questionnaire if Goodwill became subject to the CRO solely due to an amendment to an existing lease or license. Goodwill shall cooperate in any investigation pursuant to the CRO by providing such information as requested by City. Goodwill agrees that City may keep the identity of any complainant confidential. Goodwill shall ensure that subcontractors who perform work on this License abide by these same updating requirements, including the following:

(1) Notify the awarding authority within thirty (30) days of receiving notice that any government agency has initiated an investigation that may result in a finding that the subcontractor did not comply with applicable federal, state, or local law in the performance of this License, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws that affect employees; and

(2) Notify the awarding authority within thirty (30) calendar days of receiving notice of any finding by a government agency or court of competent jurisdiction that subcontractor violated applicable federal, state, or local law in the performance of this License, including but not limited to laws regarding health and safety, labor and employment, wage and hour, and licensing laws that affect employees

The requirement that Goodwill provide Questionnaire responses (and updates to such responses) does not apply to subcontractors.

14.5.3 Compliance, Termination Provisions, and Other Remedies. If Goodwill is not exempt from the CRO, Goodwill shall comply with all of the provisions of the CRO and this License. Failure to comply with the same—including, without limitation, requirements to provide complete and accurate Questionnaire responses, to provide updates to responses, and to correct deficiencies within ten (10) days of notice by City—shall constitute a material breach of

this License, and City shall be entitled to terminate this License and otherwise pursue any available legal remedies, including those set forth in the CRO. Nothing in this License shall be construed to extend the time periods or limit the remedies provided in the CRO.

14.6 Tax Registration Certificates and Tax Payments. This Section 14.6 is applicable where Goodwill is engaged in business within the City of Los Angeles and is required to obtain a Tax Registration Certificate (“**TRC**”) pursuant to one or more of the following articles of chapter II of the Los Angeles Municipal Code (collectively, “**Tax Ordinances**”): article 1 (Business Tax Ordinance) [sections 21.00 et seq.], article 1.3 (Commercial Goodwill Occupancy Tax) [sections 21.3.1 et seq.], article 1.7 (Transient Occupancy Tax) [sections 21.7.1 et seq.], article 1.11 (Payroll Expense Tax) [sections 21.11.1 et seq.], or article 1.15 (Parking Occupancy Tax) [sections 21.15.1 et seq.]. Prior to the Effective Date of this License, or the effective date of any extension of the term or renewal of this License, Goodwill shall provide proof satisfactory to City that Goodwill has the required TRCs and is not then-currently delinquent in any tax payment required under the Tax Ordinances. City may terminate this License upon thirty (30) days’ prior written notice to Goodwill if City determines that Goodwill failed to have the required TRCs or was delinquent in any tax payment required under the Tax Ordinances at the time of entering into, extending the Term of, or renewing this License. City may also terminate this License upon ninety (90) days’ prior written notice to Goodwill at any time during the term of this License if Goodwill fails to maintain the required TRCs or becomes delinquent in tax payments required under the Tax Ordinances, and Goodwill fails to cure such deficiencies within the ninety (90) day period.

14.7 Slavery Disclosure Ordinance. This License is subject to the applicable provisions of the Slavery Disclosure Ordinance (“**SDO**”) (LAAC sections 10.41 et seq.). Unless exempt in accordance with the SDO, Goodwill certifies that it has complied with the applicable provisions of the SDO. Under LAAC section 10.41.2(b), City has the authority, under appropriate circumstances, to terminate this License and pursue available legal remedies if City determines that Goodwill failed to complete fully and accurately the SDO affidavit or otherwise violated any SDO provision.

14.8 Use of Criminal History for Consideration of Employment Applications. This License is subject to LAAC sections 10.48 et seq., which regards the use of criminal history for consideration of employment applications. Goodwill shall fully comply with LAAC sections 10.48 et seq. City shall have the right to terminate this License at any time if City determines that Goodwill failed to comply fully with LAAC sections 10.48 et seq.

14.9 Border Wall Contracting. This License is subject to LAAC sections 10.50 et seq., which regards Disclosure of Border Wall Contracting. Goodwill shall complete fully and accurately an affidavit listing all Border Wall Bids and Border Wall Contracts (as those terms are defined in LAAC section 10.50.1). City shall have the right to terminate this License at any time if it determines that Goodwill failed to complete fully and accurately the affidavit and disclose all Border Wall Bids and Border Wall Contracts.

14.10 Ordinance Language Governs. This Section 14 of this License is provided only as a convenience to Goodwill and City; in the event of a discrepancy between this Section 14 and the applicable ordinance language, as amended, the language of the ordinance shall govern. Goodwill understands and agrees that the ordinances may be amended in the future and that all such amendments shall apply to this License.

[Signatures follow.]

City and Goodwill have executed this License as of the Effective Date first above written.

CITY: CITY OF LOS ANGELES,
a municipal corporation, acting by and through
its Department of General Services

By: _____

APPROVED AS TO FORM AND LEGALITY:
MICHAEL N. FEUER, City Attorney

By: _____
_____, Deputy City Attorney

DATE: _____

ATTEST:

By: _____
Deputy

DATE: _____


GOODWILL: GOODWILL INDUSTRIES OF CALIFORNIA,
a California corporation

By: _____
Name: _____
Its: _____

CITY OF LOS ANGELES
INTER-DEPARTMENTAL CORRESPONDENCE

Date: April 15, 2021

To: City Council

From: Enrique C. Zaldivar, P.E. 
Director and General Manager
LA Sanitation and Environment

**ADDENDUM TO THE LASAN REPORT FOR THE PROCUREMENT OF THE
PROPERTY LOCATED AT 323 N. SAN FERNANDO ROAD, LINCOLN HEIGHTS
(CD1)**

**RESPONSE TO MUNICIPAL FACILITIES COMMITTEE (MFC) QUESTIONS FROM
MARCH 25, 2021 MFC MEETING**

Los Angeles Sanitation and Environment ("LASAN") has provided this addendum to the LASAN report for the procurement of the property located at 323 N. San Fernando road in Lincoln Heights, Council District 1 to respond to questions received on the Clean Water Campus Building project following the March 25, 2021 MFC Meeting. All defined terms have the meanings described in the report from the March 25 meeting.

1. With regard to SCM's potential support for the purchase of the property, has LASAN's Financial Management Division (FMD) and/or LASAN's project consultant, PFAL, provided a financial assessment of the SCM and its ability to finance the purchase of the property and subsequent project-oriented costs? Please provide the full financial model for verification.

It is confirmed that expenditure for the Clean Water Campus project is provided for as a capital expenditure for new facilities for over \$100 million in the Wastewater Program's Capital Improvement Plan. LASAN will coordinate closely with FMD during the negotiation process with the Developer Team to arrive at an annual cost (be it debt service and/or performance-based rent) that is affordable.

Separately from the question of project affordability, City's consultant, PFAL, did a cost comparison of different delivery models and concluded in 2018 that DBFOM had

potential for best value delivery; PFAL also considered the implications of a developer-led financing vs a city-led financing.

2. Please provide the rationale for proposing SCM commercial paper instead of available cash for the purchase.

It is a normal practice to debt finance new infrastructure and reserve cash for O&M and rehab of existing infrastructure. This spreads the investment over current and future customers who will benefit from the investment.

3. Please provide a breakdown of position authority counts by classification that would be placed at CWC site? Distinguish between current position authorities (filled & vacant) and planned growth.

The figures below are from August 2019 to reflect anticipated staffing by the completion of CWC project. These numbers were agreed with CAO, however, it is anticipated that over the 50-year building life, additional staff and resources would be housed in the CWC Building due to growth related to present and future programs among other factors.

Projected Staff and City Vehicles Assigned to Clean Water Campus

Division	Staff					City Vehicles			
	Current Staff		Exp. Growth	No Less Than	CAO OK	Current City Vehicles	Exp. Growth	No Less Than	CAO OK
	Media Center	Other Location							
Clean Water North Collection System Division (CWNCSD)	30	-	4	34	34	11	3	14	14
Clean Water South Collection System Division (CWSCSD)	3	-	0	3	3	0	2	2	2
Information & Control System Division (ICSD)*	25	10	10	45	45	5	1	6	6
Industrial Waste Management Division (IWMD)	137	-	15	152	152	31	4	35	35
Wastewater Engineering Services Division (WESD)	75	-	5	80	80	3	2	5	5
Watershed Protection Division (WPD)	68	14	84	166	96	25	31	56	34
Vanpool Van						3	1	4	4
TOTAL	338	24	118	480	410	78	44	122	100

*ICSD would like to host the "primary" Data Center for the Clean Water network at CWC. Therefore, additional seven staff requested for FY 20/21 and seven contractors will be stationed at CWC.

Required Parking Spaces

	BOS est.	CAO
Projected No. of employees at CWC	480	410
Estm. number taking mass transit if Dash is provided (10%)	48	41
Estm. number taking Carpools/Vanpools (10%)	48	41
Remaining number of personal vehicles	384	328
No. of City fleet vehicles (from table above)	122	100
Total parking spaces required at CWC Building	506	428
Visitors	10	10
Events	20	20
TOTAL	536	458

4. Where are the current position authorities currently located? What's the staff capacity of the current location/s and its current annual cost?

See response to Q3 for current positions count.

The current lease costs of the Media Center are approximately \$1.5 million annually. This figure excludes the cost of certain utilities, tenant improvements and major maintenance costs for which LASAN is responsible under the terms of the triple-net lease that the City has with the building owner. In 2002, when LASAN moved into the Media Center, approximately \$5.3 million was spent on tenant improvements. The current value of this expense is \$7.5 million in today's dollars.

The projected annual cost of the CWC Building exceeds the current annual rent at the Media Center. However, additional cost is unavoidable because staying at the Media Center is an unacceptable solution. Careful consideration has been given to LASAN's facility requirements and how to meet them in the most cost-effective way. LASAN has determined that delivering the CWC Building at the Project Site using a DBFOM delivery will provide the best value for money.

Simply put, the Media Center facilities do not meet the current or future needs of LASAN. Staying at the Media Center is not an acceptable option because of the significant capacity constraints that are already impacting LASAN staff. The main project drivers to develop the new CWC Building are:

- There is insufficient capacity for current staff at the Media Center, and no capacity to accommodate growth in staff.
- Need for a facility that meets the technology and programmatic requirements to deliver LASAN services that cannot be accommodated at the current Media Center Building.
- Provide a safe working environment for all staff in ADA-compliant facilities.
- Meet parking demands of staff and provide secure facilities for fleet vehicles.
- Equitable workforce and service restoration.



Crowded working conditions and limited space require staff to store documents in walkways and on top of desks and cabinets in the Media Center.



Due to lack of space, break rooms have been repurposed as office space.

	Media Center Building (existing)
Headcount	338
Divisions	5 (WESD, WCSO, IWMD, WPD, and ICSD)
Square feet	64,820
Parking	200
Laboratories	None
Specialized Usage	Does not meet the current specialized usage requirements
Technology	Does not provide current technology needs
Public Usage	None
Sustainable and Water/Energy Efficiency Usage	None
LEED Certification	No
Location	Media Center Dr.
Ownership	Leased by LASAN

An important consideration is that there are material policy and economic benefits to delivering the CWC Building at the Project Site:

- The City-owned Site has several constraints that will limit its development by any other party. The unusual site configuration, significant setback requirements from the rail line, and the presence of an odor control facility and North East Interceptor Sewer (NEIS) major drop structure with considerable associated safety concerns make the site exceptionally challenging from a development perspective.
- Without investment by LASAN, the parcel is unlikely to be developed by another party for the foreseeable future due to the site's significant constraints.
- The CWC Building, together with the development alternatives that Goodwill is planning to advance that include affordable housing, will advance policy objectives of delivering meaningful improvements to a part of the City where growth and development are badly needed.

5. Please provide the cost analysis that compared constructing 540 parking spaces versus 740.

The cost of the additional parking spaces is a function of the site layout and constraints, including the unusual site layout, the existing odor control facility, the major interceptor sewer drop structure, and the required set back from rail line. Previously provided cost estimates were prepared by LASAN's consultant, Arcadis, using a top-down, conservative comparison of costs between two different development options at the conceptual design stage, and we anticipate that the estimate will change. LASAN

recommends providing an updated estimate to the City, to be prepared by the developer once the site layout has been optimized.

This rough estimate methodology has yielded a construction cost indication of \$23.4 million. Once soft costs are included (design, financing, etc.) the total estimate increases to \$29.4 million. Annualized, these costs are approximately \$[1.95] million per year for 30 years.

6. Will LASAN use some of the more expensive parking spaces if 740 are constructed? If so, how many?

LASAN expects to use 540 parking spaces for staff and fleet needs. LASAN has a preference to use subterranean parking for security purposes with overflow parking to be provided in the parking structure. All Additional Parking beyond LASAN's needs are expected to be in the above grade parking structure. If the design and zoning laws dictate that an additional subterranean level is needed, then the cost of parking both below and above grades will be prorated and equally shared between parties.

7. How far out can the City push the April 30 date on making a decision on the 200 spaces?

LASAN and the Developer have identified an alternative that the parties wish to explore during their exclusive negotiation. As part of the negotiations with the Developer, the Developer will price an option that delivers a parking structure that can have additional levels added following construction completion at a later date. This alternative will allow sufficient parking to be delivered for LASAN and retain the optionality for another party to build Additional Parking for a known price at a time of the City's choosing. This cost estimate will be shared with the City for their consideration and therefore allows the decision for constructing Additional Parking to a later date.

It is preferable, but not necessary, for the City to provide an indication of interest in funding the Additional Parking by August 2021 as further described in below in the response to Q8.

8. Is it possible for the Goodwill Partnership to provide the City with preliminary designs/estimated costs with and without the additional 200 spaces?

Rough estimates can be provided now, however, LASAN recommends working through options with the developer as part of the negotiations process as described above.

The City should be aware that if the City requests the Development Team to design two scopes and accompanying cost estimates (even if characterized as an alternate or optional scope), this comes with potentially greater City costs and additional time (to negotiate and evaluate dual proposals and concepts) and greater Development Team costs and possibly time, since the preparation of an additional design will require

additional design work to be performed by the Developer Team. We believe any additional expense can be avoided if the City provides an indication by August 2021 as recommended in the response to Q7.

9. Has the negotiating team offered to purchase the Goodwill Property without the 1 year ENA?

Yes. Goodwill has declined this offer on a number of occasions. The right to negotiate exclusively is a condition of the City being able to purchase the Goodwill Property and develop the full desired CWC project.

10. Will Goodwill potentially or is Goodwill requiring a management fee in the final agreement?

Not to our knowledge. However, it should be noted that operations and maintenance expertise is part of the development team's offering. Goodwill sees the opportunity for their trainees from their job training and creation program to participate and gain hands-on experience at the CWC. Similarly, LASAN recognizes that participating in developing job-critical skills is a benefit to the entire community with the added assurance of have operations and maintenance responsibility resting with a highly qualified firm. Performance specifications are being developed by LASAN's advisory team.

11. How much has LASAN expended to date on consultants and staff working on this project?

A budget of \$4,470,670 has been set by LASAN for all consulting work that has been approved by BPW. All work has been within the approved budget.