

**SUMMARY REPORT PURSUANT TO
SECTION 33433
OF THE
CALIFORNIA HEALTH AND SAFETY CODE
ON
THE DISPOSITION AND DEVELOPMENT AGREEMENT
BY AND BETWEEN THE
CITY OF INGLEWOOD
AND
MURPHY'S BOWL, L.L.C.**

The following Summary Report has been prepared pursuant to Section 33433 of the California Health and Safety Code. The report sets forth certain details of the proposed Disposition and Development Agreement (Agreement) between the City of Inglewood (City) and Murphy's Bowl, L.L.C. (Developer). The site is approximately 27 acres located on the south side of West Century Boulevard and bounded by Yukon Avenue to the east, 103rd Street to the south, and Freeman Avenue to the west (Site). The Site is comprised of four parts, the Arena Site, the West Parking Garage Site, the East Transportation Site and the Hotel Site. The 27-acre site is a combination of City properties (13.21 acres), former redevelopment agency (now successor agency) properties (9.5 acres) and privately owned properties (4.99 acres).

BACKGROUND STATEMENT

The following Summary Report is based upon information contained within the Agreement, and is organized into the following seven sections:

- I. Salient Points of the Agreement:** This section includes a description of the project; and the major responsibilities imposed on the City and the Developer by the Agreement.
- II. Cost of the Agreement to the Agency:** This section details the total and net cost to the Agency associated with implementing the Agreement.
- III. Estimated Value of the Interests to be Conveyed Determined at the Highest Use Permitted Under the Redevelopment Plan:** This section estimates the value of the interests to be conveyed determined at the highest use permitted under the existing zoning and the requirements imposed by the Redevelopment Plan.
- IV. Estimated Reuse Value of the Interests to be Conveyed:** This section summarizes the valuation estimate for the Site based on the required use, and with the conditions and covenants required by the Agreement.

- V. Consideration Received and Comparison with the Established Value of the Site:** This section describes the compensation to be received by the City, and explains any difference between the compensation to be received and the established value of the Site.
- VI. Elimination of Blight:** This section describes the existing blighting conditions on the Site, and explains how the Agreement will assist in alleviating the blighting influence.
- VII. Conformance with the AB1290 Implementation Plan:** This section describes how the Agreement achieves goals identified in the City's adopted AB1290 Implementation Plan.

This Summary Report and the Agreement are to be made available for public inspection prior to the approval of the Agreement.

I. SALIENT POINTS OF THE AGREEMENT

A. Project Description

As noted above, the Site is divided into four parts, the Arena Site, the West Garage Site, The East Transportation Site and the Hotel Site.

The Arena Site is proposed to be used for an 18,000-fixed-seat arena suitable for National Basketball Association ("NBA") games, with capacity to add approximately 500 additional temporary seats for additional sports, entertainment or other events, as well as ancillary and incidental arena uses which is expected to include:(1) up to an approximately 85,000 square-foot team practice and athletic training facility; (2) up to approximately 71,000 square feet of LA Clippers team office space; (3) up to an approximately 25,000 square-foot sports medical clinic for team and potential general public use; (4) an outdoor plaza adjacent to the Arena with circulation and gathering space and landscaping along with an outdoor stage and basketball court (collectively, the "Plaza"); (5) up to approximately 63,000 square feet of retail, food and beverage, back of house services, security, storage, bag check, rest rooms, and other uses adjacent to the Plaza; (6) parking facilities with parking spaces for vehicles and bicycles; (7) one or two pedestrian bridges across adjacent rights-of-way; (8) various on-site signage, broadcast, filming, recording, transmission, production, and communications facilities and equipment; and (9) other associated public improvements.

The West Parking Garage Site is proposed to be used for a six-story, 3,110-space parking garage with entrances and exits on West Century Boulevard and South Prairie Avenue, including a new publicly accessible access road that would connect West 101st Street and West Century Boulevard on the western property boundary of the West Parking Garage Site.

The East Transportation Site is proposed to be used for a three-story structure on the south side of West Century Boulevard, east of the Arena Site. The first level of this structure would serve as a transportation hub, with bus staging for coach/buses, mini buses, and car spaces for

Transportation Network Company (TNC) drop-off/pick-up and queuing. The second and third levels of the structure would provide 365 parking spaces for arena and retail visitors and employees.

Collectively, the improvements on the Arena Site, West Garage Site and East Transportation Site are the Developer Improvements. The Developer Improvements are to be consistent with the Sports and Entertainment Complex Design Guidelines and Infrastructure Plan (SEC Development Guidelines).

The Hotel Site is proposed to be used for an up to 150-room limited service hotel and associated parking. It is expected that the Hotel Site will be developed by a third party.

B. City Responsibilities

The Agreement requires the City to accept the following responsibilities:

1. The Arena Site contains a number of private parcels that are not owned by the City. If deemed necessary by the City, it may, in its sole discretion, attempt, to acquire the private parcels through the use of eminent domain. However, the City is not obligated to acquire the parcels.
2. The City must sell the City Parcels to the Developer for \$66,250,000, which is the unimpaired fair market price based upon fair market appraisals of the various parcels. The price is subject to adjustment for any hazardous waste remediation and potential adjustment due to certain requirements of the FAA, Los Angeles World Airport (LAWA) and/or the various taxing entities pursuant to Redevelopment Dissolution Law (Taxing Entities). These adjustments were not taken into account in the fair market appraisals. The purchase price is also subject to adjustment if the closing does not occur by August 31, 2021.
3. The City will provide grant deeds for the Arena Site, West Garage Site, East Transportation Site and Hotel Site.
4. The City will pay one-half of the escrow fee, its share of the CLTA title insurance policy, and its share of any transfer fees or taxes.
5. In the event, the City determines, in its sole and absolute discretion to vacate certain rights-of-way within the Arena and West Garage Sites (Right of Way Areas), the City will provide title to the Right of Way Areas.
6. The City may also provide airspace easements for pedestrian bridges from the Site across Prairie Avenue and across Century Boulevard.

7. Certain City Parcels were acquired by the City, the former Inglewood Redevelopment Agency (Agency), partially with grant funds from the FAA, LAWA and certain tax increment funding from the Agency. The City shall be solely responsible for compliance with and satisfaction of the terms and conditions of: (i) any grant and/or funding agreements with FAA and LAWA (collectively, the "Grant Agreements"), including, without limitation, repayment obligations to FAA and LAWA as may be required under the Grant Agreements; and (ii) any payment obligations to the Taxing Entities pursuant to the Redevelopment Dissolution Law.
8. Within the times provided in the Schedule of Performance, the City shall perform the following preparatory work to the Project Site: (i) remove all construction materials, rubbish and debris and restore the Project Site to a clean and clear condition, ready for Developer's construction activities, and (ii) remove any and all improvements, fixtures, equipment and materials installed or deposited on the Project Site from and after the Effective Date.
9. The City shall (i) complete the Restoration Work within the times provided in the Schedule of Performance, at no cost or expense to Developer and (ii) decommission and relocate the City-owned and operated potable water well in accordance with the provisions of Section 702 of the Agreement, at Developer's sole cost and expense.
10. The City Manager will approve or disapprove the Evidence of Financing within 15 City business days of submission by Developer.
11. Promptly after completion of the applicable Improvements as evidenced by final inspection approvals by the City and any other applicable requirements, the City shall furnish Developer with a Release of Construction Covenants as to each of the Arena Site, the West Parking Garage Site, the East Transportation Site and the Hotel Site, as applicable, within ten (10) business days upon written request therefor by Developer.

C. Developer Responsibilities

The Agreement imposes the following additional responsibilities on the Developer:

1. The Developer must purchase the Site for \$66,250,000 subject to the following adjustments: (i) less any costs for hazardous waste remediation; and (ii) any purchase price modifications required by FAA, LAWA and/or the Taxing Entities as approved by the Developer. In the event the closing occurs after August 31, 2021, then the purchase price shall be \$68,237,500.
2. The Developer will acquire all private parcels acquired by the City and reimburse the City for all costs of acquisition.

3. The conveyance of the Site is contingent on the Developer performing the following activities:
 - a. The Developer shall have provided the City with Evidence of Financing, and the City shall have approved the Evidence of Financing.
 - b. The Developer shall have paid one-half of the escrow fee, its share of title insurance costs and its share of notary fees.
 - c. The Developer shall pay all reasonable direct and indirect costs incurred by the City in connection with the acquisition and conveyance of the private parcels.
 - d. The Developer shall have obtained the Subsequent Approvals (e.g. demolition permits, grading permits, determinations of consistency with the SEC Development Guidelines, final parcel and subdivision maps, etc.)
4. The Developer shall pay for the decommissioning and relocation of the potable water well on the Site.
5. The Developer will complete or cause to be completed the Developer Improvements described above under Project Description. During construction the Developer shall provide written reports on the progress of construction, as requested by the City.
6. The Developer shall not transfer the Site prior to Release of Construction Covenants (completion of the Developer Improvements) without the prior written approval of the City, which approval shall be given with 15 City-business days, provided that the transferee has the experience, character and financial capability to undertake the portion of the Project being transferred.
7. The Developer must submit an application for SEC Design Drawing Review and plans and drawings which include standards for site design, features and design elements for buildings and structures, landscaping, signage, and lighting, parking, loading and circulation and sustainability.
8. The Developer must submit an application for SEC Improvement Plan Drawing Review and plans and drawings which include improvements required to be provided for the Project, and includes, without limitation, wet and dry utilities, streets and sidewalks, and City water well relocation.
9. Prior to the commencement of construction and up until the issuance of the Release of Construction Covenants by the City for the Arena Site, a project identification sign shall be placed along the frontage of Site. The sign shall be at least 18 square feet and shall be easily seen by passing pedestrian and vehicular traffic.

10. The Developer has agreed to the Employment and Training Agreement through which it is the goal of the Developer to award at least 30% of the total value of funds awarded for contracts and subcontracts related to construction activities of the Project, to minority contractors (reflecting the makeup of the Inglewood Community) with at least 50% of the 30% being awarded to local qualified Inglewood businesses.
11. The Arena Site shall be subject to the Public Use Restriction which is generally described to include the following: 1) to provide the public with access to amusement, enjoyment and civic events and activities; 2) to accomplish other spectator sports, entertainment and civic events and activities related thereto; or such other reasonably related and incidental to arena uses, including without limitation, restaurant, food service and retail and other public serving uses, philanthropic activities, ancillary and administrative offices, plaza and concourse area uses, practice and training facilities, a sports medicine clinic and parking uses; pursuant to which, the Public Use Restriction shall be applicable to the former City Parcels comprising the Arena Site for a period of twenty (20) years and shall be applicable to the private parcels comprising the Arena Site an indefinite period. The Public Use Restriction shall not be interpreted to prohibit or restrict the use of the Arena Site for paid ticketed events.
12. The Developer shall be solely responsible for all necessary testing of the Site for Hazardous Materials. Upon acquisition, Developer shall be responsible for making the Project Site useable for the proposed development.
13. The Developer shall accept the obligations contained in the Grant Deeds associated with each parcel.

II. COST OF THE AGREEMENT TO THE AGENCY

This section is only applicable to the four properties that were purchased by the former Inglewood Redevelopment Agency. The four properties total 9.5 acres and are shown in the table below.

	<u>Acreage</u>	<u>Cost</u>
3700 W. Century Blvd.	5.12	\$5,690,000
3822 W, Century Blvd.	3.08	5,450,000
NEC Prairie Ave & W. 102 nd St.	0.20	\$236,000
10117 S. Prairie Ave.	<u>1.10</u>	<u>\$952,697</u>
Totals	9.50	\$12,328,697

These properties were acquired from the mid-1970s through the early 1990s. According to the Long Range Property Management Plan (LRMP), the total cost of acquisition of the properties

was \$12,328,697. There are no other costs that the Successor Agency (predecessor to the former Inglewood Redevelopment Agency) is responsible for as part of the Agreement.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN

Section 33433 of the California Health and Safety Code requires the City to identify the value of the interests being conveyed at the highest use allowed by the Site's zoning and the requirements imposed by the Redevelopment Plan. The valuation must be based on the assumption that near-term development is required.

Under the Agreement, the City will be conveying ten (10) properties to the Developer. The four (4) former agency properties discussed above and six (6) properties owned by the City. Appraisals were prepared by Cushman & Wakefield for the ten (10) properties. The combined value of the four Agency properties is \$27,850,000 and the six City properties are valued at \$38,400,000. Individual property sizes and valuations are provided in the table below.

	<u>Acreage</u>	<u>Value</u>
Site 1	5.12	\$15,400,000
Site 2	3.08	7,900,000
Site 3	0.20	700,000
Site 4	<u>1.10</u>	<u>3,850,000</u>
Agency Subtotal	9.50	\$27,850,000
Site 5	0.70	\$1,800,000
Site 6	4.42	12,500,000
Site 7	0.33	500,000
Site 8	3.71	10,300,000
Site 9	2.03	7,100,000
Site 10	<u>2.02</u>	<u>6,200,000</u>
City Subtotal	13.21	\$38,400,000
Project Total	22.71	\$66,250,000

The former Agency properties (called Sites in the Agreement) have a current market value of nearly \$28,000,000. The six City properties have a current market value of \$38,400,000. These market values are unimpaired values, meaning that there have been no adjustments for hazardous material cleanup or limitations or restrictions that might be placed on the properties by the FAA or LAWA.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

As discussed above, the City is conveying the Site to the Developer for \$66,250,000, subject to adjustments for hazardous material cleanup and restrictions placed upon the properties by the FAA or LAWA. The Appraisal Institute recognizes that the presence of hazardous materials or restrictions such as those imposed by the FAA or LAWA will reduce the fair market value of properties. The appraisals have explicitly assumed that the properties are “free and clear of any and all soil and/or site contamination and/or any other environmental hazard.” When the costs of such impairments are known, it is appropriate to deduct such costs from the unimpaired fair market value. Given this, the price that the City is receiving is equal to the fair market value, so it is concluded that the fair reuse value is equal to or greater than the fair market value.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE OF THE SITE

Under the Agreement, the City is conveying the City and Agency parcels to the Developer for \$66,250,000, which is equal to their fair market value. It is concluded that the City is receiving fair market value for its property.

In addition to the purchase price, the City will also receive substantial fiscal benefits as set forth in a City-approved Development Agreement between the City and the Developer . HR&A Advisors prepared an economic and fiscal impact analysis for the proposed project.¹ This report was peer reviewed by Keyser Marston Associates, Inc.² These analyses projected that the net annual fiscal benefit to the City could be between \$3.8 million and \$4.5 million depending upon whether maximum buildout is achieved or whether the development is somewhat less.

VI. ELIMINATION OF BLIGHT

The City and Agency had identified a number of blighting issues in the City which were identified in the City’s AB 1290 Implementation Plan. With respect to the area in which the Site is located, the Plan identified a prevalence of vacancies, underutilization of large portions of land, a general decline of taxable sales activity, a decline of assessed property values, and the general decline in non-residential building permit valuation.

Given these issues, the City has long pursued a sustained and comprehensive plan of economic redevelopment of this area. Despite such effort, these parcels have remained undeveloped. Proximity to nearby airports, especially Los Angeles International Airport, has played a substantial role regarding the lack of development on the Site. For nearly four

¹ HR&A Advisors, Inc., Economic and Fiscal Impact Report: Inglewood Basketball and Entertainment Center, May 2020.

² Keyser Marston Associates, Inc., “Peer Review – Economic and Fiscal Impact Report: Inglewood Basketball and Entertainment Center”, June 3, 2020.

decades, the City has undertaken efforts to eliminate uses of land within the Site that are incompatible with aircraft noise, and to convert those uses to economically viable and noise-compatible uses that would yield benefits to the City and its residents. The City has continuously invested in the beautification of and redevelopment along Century Boulevard and desires to continue those efforts by providing access to recreation to its residents in the form of spectator sports, specifically basketball. The Arena Site is calculated to promote the recreation and enjoyment of the public.

Therefore, it has been concluded that the proposed Project satisfies the blight elimination requirement imposed by Section 33433 of the Health and Safety Code.

VII. CONFORMANCE WITH THE AB1290 IMPLEMENTATION PLAN

For the this area the Agency proposed to focus its activities on eliminating physical and economic blight conditions caused by poor site conditions, stagnant economic development and parcels of inadequate size and shape. The specific goals and objectives were:

1. Increase employment opportunities for a diversified workforce;
2. Provide development assistance to commercial and industrial markets to better serve Project Area residents and patrons; and
3. Promote new and continuing private sector investment within the area to prevent the loss of and to facilitate the capture of commercial and industrial activities.

In addition to the significant public benefits included in the Development Agreement, the Project will materially increase property tax, ticket tax and sales tax revenues to the City, as well as create highly skilled jobs that pay prevailing wages and living wages and will employ a skilled and trained workforce. The HR&A Advisors report estimated that there would be between 6,900 and 7,000 jobs during construction and an incremental increase of between 1,124 and 1,408 onsite full time and part time jobs annually during operations.

Further, the Project promotes the City's image and identity as an independent community within the Los Angeles metropolitan area by facilitating the return of an NBA franchise to the City, known as the "City of Champions." The Project promotes the City's image and identity as a premier regional sports and entertainment center at the regional, national, and international level and complements the adjacent new development at Hollywood Park, including its National Football League stadium, creating a world-class sports and entertainment district for the recreational enjoyment of the public.

The Project provides benefits consistent with the goals of the AB1290 Implementation Plan.