



# CITY OF REDDING

OFFICE OF THE CITY MANAGER

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December 10, 2015

A-080-050

Donald Levenson  
LD&C, Inc.  
1901 Avenue of the Stars, Suite 200  
Los Angeles, CA 90067

Dear Mr. Levenson:

This letter is in response to our meeting on December 2, 2015, regarding the Costco project at the northeast corner of the Interstate 5 / Oasis Road interchange.

As you know, I was distressed and dismayed when you stated that you have now concluded that you will not be able to proceed with a purchase and sale agreement with Costco unless you are first able to negotiate and execute a development agreement with the City of Redding that covers all of your remaining property in the Oasis Road area. The City of Redding, Costco, and you have been working on the Costco project in earnest since 2013. The matrix of project responsibilities that you, Costco, and the City of Redding jointly developed in 2013 never included a development agreement as a prerequisite for the Costco project to proceed to construction. A development agreement has never been identified as a requirement for you to proceed with your real estate transaction with Costco. This is a significant deviation at the last minute that has the potential to quash the Costco transaction. I would like to strongly encourage you again, just as I strongly encouraged you on December 2, 2015, to focus your efforts on completing the Costco real estate transaction. The successful development of the new Costco store is an important project for our community and for LD&C, Inc. It will greatly enhance the value of your remaining property. Please refocus your efforts and work with Costco to consummate the real estate transaction as quickly as possible before Costco becomes frustrated and terminates the transaction. That would not be a good outcome for you, the City of Redding, or Costco. It is in our best interest to work together to successfully complete the Costco project.

The City of Redding is willing and committed to work with you on the entitlements for the remainder of your property in the Oasis Road area. The development of this area will benefit our community and you. However, Costco needs to be your primary focus right now. The City of Redding is willing to work with you on a plan to develop the remainder of your property in the Oasis Road area after you consummate a new purchase and sale agreement with Costco and complete the real estate transaction.

It would be virtually impossible to complete and execute the draft development agreement that you created for your remaining property prior to the February 2016 deadline that Costco has established for your real estate transaction. You just provided the draft development agreement to the City of Redding on December 2, 2015. The development agreement is incomplete and includes numerous provisions that would not be acceptable to the City of Redding. Many of the provisions are not realistic from the City of Redding's perspective. Here are just a few examples of some of those provisions:

- Per your proposal, the City of Redding would be required to pursue a municipal bond issue to generate \$8 million in net bond proceeds to finance infrastructure in the Oasis Road area. The source of repayment would be future sales tax revenue associated with future development in the Oasis Road area. This revenue may or not materialize. The City of Redding and its taxpayers cannot assume that risk.
- Per your proposal, the City of Redding would be required to utilize \$12 million of Citywide Traffic Impact Fees to finance infrastructure in the Oasis Road area. This is not legally possible. This would be in conflict with the comprehensive mitigation fee act study that was utilized to legally justify the Citywide Traffic Impact Fee program. That study indicates that the City of Redding could only utilize up to \$4 million of Citywide Traffic Impact Fees in the Oasis Road area.
- Per your proposal, it appears as if the City of Redding would be required to provide an additional \$12 million to finance infrastructure in the Oasis Road area if the City of Redding cannot secure a TIGER grant in 2016. No funding source is identified. The City of Redding does not have \$12 million of discretionary General Fund resources available for this purpose.
- Per your proposal, the City of Redding would be required to reimburse you for expenses that you have incurred since 2005 for various traffic and infrastructure studies. These appear to be the same expenses that were the subject of litigation between you, TY Lin, and the City of Redding that culminated in a settlement agreement in November 2014. The City of Redding is not interested in re-visiting this issue. The City of Redding would expect you to abide by the terms of the settlement agreement that you previously accepted.
- Per your proposal, the City of Redding would be required to reimburse you up to \$400,000 for consultants and lobbyists that you have utilized in the past in an effort to obtain infrastructure funding. It is unlikely that the City of Redding would be amenable to this request.

There are several other provisions in your draft development agreement that would be problematic. However, the five examples above adequately illustrate why it would be virtually impossible to negotiate and execute a development agreement prior to the February 2016 deadline established by Costco.

Please honor the spirit and intent of the agreements that the City of Redding, Costco, and you developed in 2013. Please focus 100 percent of your efforts on completing the Costco real estate transaction. Please do not use the Costco transaction as a way to leverage the City of Redding to agree to a development agreement for the remainder of your property at the last minute. The Costco project will benefit you and the community. There is a clear path forward that you, Costco, and the City of Redding agreed to follow in 2013. We need to follow that path in order to meet the February 2016 deadline established by Costco.

Sincerely,



Kurt Starman  
City Manager

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c: Honorable Mayor and Council Members  
Barry Tippin, Assistant City Manager  
Brian Crane, Public Work Director  
Larry Vaupel, Development Services Director  
Mike Dobrota, Vice President, Northwest Atlantic Partners