

The Agua Dulce Residential Project

Agua Dulce Town Council meeting

Wednesday May 8th, 2024

Agenda

- Disclosures from Public Works re grading bonds
 - Confirms RTG recently replaced the July 2022 Credit Suisse Letter of Credit with a cashiers check for \$2.27m
 - Indicates that RTG is planning to split up the ‘improvements’ on Phase 1 in order to build model homes with the goal of selling off the other lots for cash flow reasons
 - Confirms that RTG was issued a notice of violation for the unpermitted grading on the lot to the South of Tract 50385-01
 - Confirms RTG was issued a notice of violation by the Los Angeles Regional Water Quality Control Board in June 2023
- RTG May 2024 email to local business
- Summary

Dialogue regarding letter of credit validity

March 15th 2023

- Email within LA County Public Works and Treasurer and Tax Collector financial staff highlighting that Public Works had a letter of credit from Credit Suisse
- Noted the fact that Credit Suisse was failing and that they needed to re-rate the bank asap and that a replacement security may be required

• March 23rd 2023

- Confirmed that Credit Suisse parent company does not meet the minimum standards
- Need to identify the purpose of the Letter of Credit and notes that it is due to expire in just over 3 months on July 6th 2023

Dialogue regarding letter of credit validity

March 29th 2023

- Response from Public Works staff confirms that a permit to grade pads for 68 homes was issued.
 - There have been no on-site inspections to review the grading.
 - Some erosion control measures are in place and some minor dirt movement has been done.
 - The project will not be completed by July 2023 and the developer has not shared their schedule or submitted plans for any of the 68 homes.
 - There is no completion date for the rough grading covered by the letter of credit
- April 16th 2023
 - Public Works staff confirm that the bank now meets the minimum standards
 - There was no apparent follow up after the July 6th renewal date passed

Dialogue regarding LOC replacement

- February 21st 2024
 - Town Council agrees to request details from LA County and Credit Suisse regarding the validity of the 2022 Letter of Credit
- March 13th 2024
 - RTG advises LA County that they want to replace the letter of credit with a cashier's check for the rough grading bond.
 - RTG also requested a reduction in the amount of the rough grading bond on the basis that they have completed about 30% of the rough grading and wants a comparable reduction in the \$2.27m bond.
 - Sikand Engineering requests an in-person meeting on behalf of RTG to discuss bonding with LA County

Dialogue regarding LOC replacement

- March 13th 2024
 - Sikand requests meeting date of March 20th and advises RTG attendees will include Ruben Grigoryan, CEO of RTG Investment/Rutsog Invest
 - LA County confirms in-person meeting for March 20th at Public Works HQ in Alhambra
- March 14th 2024
 - RTG requests confirmation as to how the grading bond was calculated
 - Advises that RTG has been trying to determine if it is possible to recalculate how many cubic yards remain to be graded.

“We would appreciate it if you could work with us on this project in Agua Dulce, which is likely one of the biggest construction projects in California. As a result, some of our expenses will be directly to LA County, which pays you. At this time, we would like your cooperation to make our hard work not as difficult to serve the community and the local authorities.”

Dialogue regarding LOC replacement

- March 14th 2024
 - After some internal discussion, LA County determines that the grading bond should be for 100% of the agreed value in 2022 when the permit was issued
 - RTG representatives walk into the Lancaster Public Works office and walk up to the desk to ask questions about how to replace the grading letter of credit with cash. This causes some confusion since a meeting to do this had already been set for the following week on March 20th.
- March 20th 2024 – presumably RTG replaced the Letter of Credit with a \$2.27m cashiers check although disclosures do not confirm this (PRR request was made on March 19th 2024)

Dialogue regarding Phase 1 sub phasing

- January 10th 2024
 - Sikand Engineering approaches LA County referencing a late 2023 field meeting with RTG where Phase 1 improvements (water mains, roads, storm drains and sewers) could be divided into smaller construction phases. Requests a meeting with LA County to discuss the concept so that they can submit storm drain, street and sewer plans for the sub phases.
- January 11th 2024
 - LA County internal email rejects the phased rough grading proposal since the final map was recorded in 2002 based on the approved rough grading plan and the plan may not be revised to allow for phased rough grading.
 - The 'Precise Grading' plan may be phased to allow for the proposed model homes provided that Building and Safety and Regional Planning do not object

Dialogue regarding Phase 1 sub phasing

- February 15th 2024
 - Indicates that Sikand Engineering have reiterated their intent to submit plans to divide the Phase 1 construction into smaller construction phases.
 - Seeks clarification as to whether the County would review such phasing plans before the replacement Multiple Agreement and related improvement bonds are in place. LA County reiterates that these need to be in place
 - It is explained that Sikand/RTG wants to phase the improvements so that they can build the model homes in order to sell the undeveloped lots and create cash flow needed for the ultimate buildout.
 - It is characterized as being similar to the plan under review for Hunsaker (presumably related to the water pump station and storage tank).
 - LA County notes that **the proposed phasing would need to stand on its own.**

Dialogue regarding Notice of Violation

- April 12th 2023
 - Stockpiling of dirt etc. discussed at the Town Council meeting
- April 13th 2023
 - Notes that stockpiling of dirt has been observed on the lot to the South of the Tract and it is unclear whether this is related to the storm drain basins (PD 2546) although no storm drain permits have been issued
 - Highlights that this is a contentious project within the community
 - After a site visit, it was confirmed that the graded pad, temporary pond and stockpile were not approved on the initial grading plans for 3216-019-001. Any deviation from the plans need to go back to the Land Development Division Grading for revisions and approvals

Dialogue regarding Notice of Violation

- April 18th 2023
 - Town Council writes to LA County about unpermitted grading etc.
 - Director of Regional Planning forwards the letter to Joshua Huntington (Regional Planning) and Art Vander Vis (Public Works Land Use)
- April 25th 2023
 - Public Works confirms that 100,000 cubic yards of dirt has been stockpiled outside of the tract boundary and that Building and Safety issued a Notice of Violation in the previous week (the Regional Planning decision had been for a stop work order due to the extent of the unpermitted grading work).
 - Public Works notes that RTG had indicated that they may want to amend the grading permit work and suggests they have an internal discussion with Public Works, Regional Planning and County Counsel staff so **they can determine what RTG can actually propose without requesting something outside the project's approved entitlements and triggering a CEQA revision.**

Dialogue regarding Notice of Violation

- April 25th 2023
 - Regional Planning recommended that RTG provides a report explaining what they are proposing to do so that the County can determine the process that needs to be followed.
 - Regional Planning can evaluate the report with respect to whether a revised Exhibit A or an Addendum to the EIR will be required depending on how much the report deviates from the issued CUP.
 - An Addendum to the EIR and CUP modification will require a public hearing.
 - Regional Planning also noted several zoning violations during the meeting including stockpiling of graded soil without a permit, equipment storage and extending Valley Sage Road without a permit for which notices of violation will be issued.

Dialogue regarding Notice of Violation

- April 26th 2023
 - Regional Planning staff discussed the issue with management and they had directed Regional Planning staff to issue a stop work order on the project due to the extent of the grading permit exceedance.
- May 22nd 2023
 - RTG provides video to LA County showing how much of the dirt stock pile has been moved (estimated at 70%)
- May 23rd 2023
 - Regional Planning had become aware that there was no tribal monitor as required under the Mitigation measures of the EIR. RP requested RTG confirm that a tribal monitor has been retained and is being paid

Dialogue regarding Notice of Violation

- June 20th 2023
 - Email from RTG confirms money that had been owed to the San Fernando Band of Mission Indians for on-site observation has been paid

Dialogue regarding LA RWQCB Violation

- June 9th 2023
 - Hugh Marley, Assistant Executive Officer of the Los Angeles Regional Water Quality Control Board issues a notice of violation citing 'Failure to implement best management practices and maintain required documentation – RTG Investment LLC TR 50385 01 Valley Sage Road Agua Dulce CA 91390 (WDID No. 4 19C393975)'
 - Copied to several LA County Public Works staff involved with the project
- NOV notes that on-site visits occurred on January 30th 2023 and again on February 16th 2023
- On February 21st 2023 staff requested corrective action but no documentation was received and the violations were still present on February 28th 2023

Dialogue regarding LA RWQCB Violation

- The remedy requested includes
 - Revising the Storm Water Protection Plan to include all requirements, uploading the revised SWPP into SMARTS and retaining a copy of the updated SWPP onsite
 - Providing the REAP and weekly protections for the site
 - Implementing the updated SWPP and appropriate BMPs throughout the site.
- Documentary and photographic evidence of the measures taken are required by July 10th 2023 otherwise significant fines can be levied for failure to comply
- February 7th 2024
 - Sikand Engineering submits revised erosion and sediment control plans

RTG email from May 8th 2024

Good afternoon,

I trust you're doing well. We're currently engaged in the development of residential properties in Agua Dulce as part of a burgeoning new development venture. One of our primary focuses is fostering relationships with the local community and collaborating with small and medium-sized businesses. As it stands, the majority of our workforce comprises local professionals. During our recent discussions with the town council, your name came up as someone with expertise in marketing and business planning.

We'd like to extend an invitation for you to meet with our team members if you're interested in exploring potential collaboration opportunities in the realms of planning and marketing.

Sincerely,

RTG Investment

661 860 9407

Summary

- There is a question as to whether the developer has sufficient resources to undertake the project as it was approved in '94/'07
 - Designated biologist resigned in mid-2023 due to non-payment since 2022 and filed liens
 - Developer owed money to San Fernando Band of Mission Indians for on-site observation
 - Developer reps claimed to owe the pipeline subcontractor for work performed
 - KWC Engineering have mentioned 'contractual issues' with the developer
 - Now the developer wants to spilt up the Phase 1 improvements (water mains, storm drains, roads, storage tanks, pump stations) for cash flow reasons that need to 'stand on their own'