FOR IMMEDIATE RELEASE: February 21, 2024

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# City Attorney Mara W. Elliott Sues Manchester Development Group for \$5 million Over Failing to Remediate Waste-contaminated Soil from City Site in Oak Park community

Manchester Pacific Gateway (MPG) and its subcontractors failed to clean up waste-contaminated soil containing construction waste from a massive downtown redevelopment project, despite repeated demands from the City to remediate the site, according to a lawsuit filed today by San Diego City Attorney Mara W. Elliott. City taxpayers have incurred more than \$5 million in costs and lost revenues to clean up the waste-contaminated soil and properly dispose of it at Miramar Landfill — money that the City's Attorney says MPG must now pay back.

"MPG's attempt to saddle development costs on City taxpayers while contaminating our environment is reprehensible," says Elliott. "Far away from the glitzy waterfront office towers Manchester developed live hundreds of thousands of hard-working San Diegans who pay their taxes, play by the rules, and deserve better than what they have received from this callous corporation."

The largest private waterfront development on the West Coast, the Manchester Pacific Gateway-Navy Broadway Complex project spans nearly 14 acres at Broadway and Harbor Drive on the North Embarcadero of the San Diego Bay. MPG won a 99-year lease to build the \$1.5 billion mixed-use project in 2006, which was stalled by legal delays.

Beginning in 2018, MPG and its subcontractors failed to abide by requirements to bring only "clean native soil" from the Gateway project to the City's inactive Chollas landfill, despite numerous directives from both the City and regulatory authorities that any soil brought to the site could not have waste. Instead, MPG continued to dump soil containing construction waste, including debris of wood, concrete, asphalt, metal, and plastic at the site, which has been closed for more than four decades. As a result, the Regional Water Quality Control Board (RWQCB) began taking enforcement action against the City, which could have led to administrative fines and criminal prosecution if the site was not remediated.

"MPG ignored our environmental laws, demonstrated a blatant disregard for regulatory directives and broke nearly every commitment made to the City leaders, leaving San Diego taxpayers to foot the bill for millions of dollars in cleanup costs," says City Attorney Elliott. "The City of San Diego will not tolerate that type of corporate misconduct."

The \$5 million sought by the City includes costs incurred to abate the waste-contaminated soil MPG illegally deposited, as well as the loss of landfill space at Miramar landfill, where the waste was ultimately landfilled.

City Attorney Elliott thanked Assistant City Attorney M. Travis Phelps, Lead Deputy City Attorneys Jenny K. Goodman and Nicole Denow, and Deputy City Attorney Grace Lowenberg, for their work preparing the City's case against Manchester.

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1 2 3 4 5 6 7 8	MARA W. ELLIOTT, City Attorney M. TRAVIS PHELPS, Assistant City Attorney JENNY K. GOODMAN, Lead Deputy City Atto California State Bar No. 177828 Office of the City Attorney 1200 Third Avenue, Suite 1100 San Diego, California 92101-4100 Telephone: (619) 533-5800 Facsimile: (619) 533-5856 JGoodman@sandiego.gov  Attorneys for Plaintiff CITY OF SAN DIEGO	Exempt from fees per Gov't Code § 6103 To the benefit of the City of San Diego
9	SUPERIOR COURT	Γ OF CALIFORNIA
10	COUNTY OF	SAN DIEGO
11 12	CITY OF SAN DIEGO, a Charter City and municipal corporation,	) Case No. ) PLAINTIFF CITY OF SAN DIEGO'S
13	Plaintiff, v.	) COMPLAINT FOR:
14 MANCHESTER PACIFIC GATEWAY, LLC;	) 1. BREACH OF WRITTEN ) CONTRACT ) 2. BREACH OF ORAL CONTRACT	
15 16	DEMOLITION & ENVIRONMENTAL SERVICE, INC.; and DOES 1 through 10, inclusive,	) 3. INDEMNITY/CONTRIBUTION ) 4. DECLARATORY RELIEF )
17	Defendants.	) )
18		) )
19		.)
20	INTROD	<u>UCTION</u>
21	1. This lawsuit seeks recovery for si	gnificant expenditures and damages the City of
22	San Diego incurred to abate environmental conta	mination that defendants caused and were
23	responsible to clean up. The Regional Water Qua	ality Control Board (Regional Board) issued a
24	Notice of Violation to the City requiring the City	to take action to clean up contaminated soil that
25	defendants brought to the City's closed Chollas I	•
26	expended to remedy the violation and to recover	additional monetary damages the City sustained
27	as a result of defendants' actions.	
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**PARTIES** 

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- 2. Plaintiff City of San Diego is a Charter City and municipal corporation with all the municipal powers, functions, rights, privileges, and immunities authorized to be granted to municipal corporations by the Constitution and laws of the State of California.
- 3. City is informed and believes, and based thereon, alleges that Defendant Manchester Pacific Gateway, LLC is a Delaware limited liability company registered and doing business in the State of California with a principal place of business in San Diego, California.
- 4. City is informed and believes, and based thereon, alleges that Defendant Manchester Financial Group is the sole member and/or managing member of Defendant Manchester Pacific Gateway, LLC. Both Manchester defendants are referred to collectively in this complaint as MPG.
- 5. City is informed and believes, and based thereon, alleges that MPG is the developer/lessee of a waterfront redevelopment project on the North Embarcadero in the City of San Diego commonly referred to as the Manchester Pacific Gateway-Navy Broadway Complex project (Project).
- 6. City is informed and believes, and based thereon, alleges Defendant AMG Demolition & Environmental Service, Inc. (AMG), is a California corporation with a principal place of business in San Diego, California. Defendant AMG is a contractor, subcontractor, affiliate and/or agent of MPG and was retained to provide demolition and environmental services at the Project site.
- 7. The true names and capacities, whether individual, corporate, associate, or otherwise of the defendants named herein as DOES 1 through 10, inclusive, are unknown to City, who therefore sues said defendants by such fictitious names. City will seek leave to amend this Complaint to state the true names and capacities of the fictitiously named defendants when the same are ascertained. City is informed and believes, and based thereon alleges, that such fictitiously named defendants are in some manner liable for the acts hereafter alleged.
- 8. City is informed and believes, and thereon alleges, that at all times mentioned in this Complaint, Defendants, and each of them, were and are agents, principals, representatives,

3563007 2 COMPLAINT contractors, subcontractors, affiliates, partners, trustees, associates, employers and employees of each other, all acting within the course and scope of such capacities, within the actual or apparent authority of such capacities.

# **JURISDICTION AND VENUE**

- 9. Under Article VI, § 10 of the California Constitution, subject matter jurisdiction is proper in the Superior Court of California, County of San Diego, State of California.
- 10. Venue is proper in this Court because certain wrongful acts which gave rise to City's injuries occurred in San Diego, California; Defendants each have a principal place of business in the City of San Diego, County of San Diego and/or do substantial business in San Diego, California at all relevant times.

# **FACTUAL ALLEGATIONS**

City is informed and believes, and based thereon, alleges:

- 11. This lawsuit stems from soil waste generated from defendant MPG's Manchester Pacific Gateway-Navy Broadway Complex project which is located along the waterfront at Broadway and Harbor Drive on the North Embarcadero of the San Diego Bay. The Project is the largest private waterfront development on the West Coast and spans nearly 14 acres. MPG agreed to develop the site pursuant to a 99-year lease agreement with the Navy, which included construction of the Navy's Regional Headquarters building on about 2.5 acres of the overall site. The remainder of the site consists of private development.
- 12. In or around May 2018, MPG's subcontractors and/or agents began showing up at the City's Miramar landfill to dispose of soil that it characterized as "clean native soil" from the Project site. The City did not accept clean soil at the Miramar landfill (except on a limited basis for cover soil) because the City was trying to prolong the capacity at the Miramar landfill, which is presently scheduled to close in 2031. There are typically many other options for disposal of clean soil.
- 13. MPG insisted it was entitled to soil disposal for free pursuant to the 1995 Landfill Ground Lease between the City and the Navy, which allows the Navy to dispose of certain Navy-generated waste from nearby Naval Installations at the Miramar landfill at no expense to 3563007

the Navy. The City disagreed with MPG's assertion it was entitled to free clean soil disposal at the Miramar landfill but agreed to take a limited amount of other construction waste from the Project site at the Miramar landfill to accommodate MPG. However, the City insisted that clean soil be disposed of elsewhere.

- 14. For several months, the City negotiated with MPG regarding "clean soil" disposal. Ultimately, the City agreed to allow MPG to deposit 130,000 cubic yards of "clean native soil" or "Waiver-10 soil" at its Chollas landfill. So long as the soil met the requirements for Waiver-10 or clean native soil, it could be used as cover soil at the otherwise inactive Chollas landfill.
- 15. In August 2018, the Regional Board issued a Solid Waste Waiver to MPG for the discharge of Tier 1 inert waste soil generated from its Project site pursuant to the Regional Board's Waiver-10 Program. The letter instructed the discharger (Manchester Financial Group) that the soil conditions must comply with the Waiver-10 requirements.
- Amongst other requirements, the Waiver-10 program, which was codified in Regional Board Order No. R9-2014-0041, requires the discharger (in this case MPG and AMG) to comply with all local, state, and federal laws and expressly prohibits the discharge of soils containing "free liquids," meaning liquid that readily separates from the solid portions of the soil. Applicable state laws include Regional Board WDR Order R9-2012-0001 which states that soils stockpiled and used for cover at a closed landfill shall not contain waste and California Code of Regulations Title 27 solid waste regulations which prohibit the deposit of any new waste at a closed landfill.
- 17. On or about November 7, 2018, defendant AMG, a contractor and/or agent for MPG, executed a Right of Entry permit (ROE) with the City to deliver Waiver-10 or clean native soil from the Project site at the Chollas landfill. The City agreed to waive any permit processing fees for the ROE because it believed that accepting clean soil at the closed Chollas landfill for cover soil in lieu of disposal at the Miramar landfill to preserve its future capacity was a public benefit which would justify the City waiving the associated processing fees.

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- 19. The Solid Waste Local Enforcement Agency (LEA) and the Regional Board directed the City to stop import of the soil on several occasions due to the waste and free liquids contained in the soil. Although defendants made some nominal efforts to remove trash and debris from the soil to resume import and appease the regulatory agencies, ultimately, they continued to bring non-compliant soil to the Chollas landfill. Defendants did not bring any further soil to the Chollas landfill after the regulatory agencies complained and the City shut down the import again in January 2019.
- 20. Between February 2019 and May 2019, the regulatory agencies issued five reports identifying violations, including a cease-and-desist order. The City tried to work with defendants to give them the opportunity to correct the violations. Defendants refused to acknowledge the soil did not meet the requirements for cover soil at the Chollas landfill and continued to assure the City that they had only delivered clean soil, despite the regulators' recurring, documented observations to the contrary.
- 21. In July 2019, the LEA issued a letter that explained that due to waste and physical contaminants observed in the soil imported from the MPG Project and diminished confidence that the Project was adhering to proper soil management protocols, the LEA directed that the following actions be completed to the satisfaction of the LEA: (i) an investigation of the soil imported from MPG's Project site, submission of a technical report detailing its condition, and

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preparation of a workplan and abatement of existing contaminants; or (ii) removal of all Project material and cessation of further soil import.

- 22. Throughout the summer and fall of 2019, the City continued to ask defendants to respond to the LEA's directives and remedy the violations. Although defendants repeatedly assured the City that they would fix the issues, defendants made no further remediation efforts.
- 23. Since defendants failed to take any responsibility for the waste soils they had delivered to Chollas landfill or to respond to the LEA's directives, the City was forced to hire consultants to investigate the soil imported from the MPG's Project site and to provide the soil investigation report the LEA required.
- 24. Following the City's submission of the soil investigation report, the Regional Board issued a Notice of Violation (NOV) to the City on November 12, 2020, requiring the City provide a corrective action plan (CAP) by January 27, 2021.
- 25. The NOV noted that the City's soil investigation report confirmed the existence of physical wastes including debris of wood, concrete asphalt, metal, and plastic in the imported soil. The NOV further stated that failure to comply will lead to formal enforcement action including, but not limited to, issuance of a Cleanup and Abatement Order, assessment of Administrative Liability, and referral to the State Attorney General or the District Attorney for injunctive relief or criminal prosecution.
- 26. The City immediately notified MPG and asked MPG to prepare the CAP, but MPG stalled claiming that they would work with the Regional Board to address the violation. However, MPG did not provide any draft of a CAP to the City or otherwise show that it was addressing the issues, thereby forcing the City to prepare its own CAP to meet the deadline that the Regional Board had set. The City submitted its CAP by the January 27, 2021 due date as required by the Regional Board's order. In compliance with the only feasible option the LEA presented, the CAP proposed removal of all MPG imported soil from the Chollas landfill and regrading and revegetation of the cover soil.
- 27. About three months later, after the Regional Board and the LEA had approved the City's CAP, MPG told the City it intended to propose a different corrective action plan at some 6

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unspecified future date. The City requested that MPG provide its plan in writing and in a form 2 acceptable for submission to the regulatory agencies. 3 Instead of proposing one of the options directed by the regulatory agencies, MPG's plan proposed to just bring in more "clean soil" to cover over the soil they had already 5 brought in and for which the regulatory agencies had already issued violation notices. 6 MPG assured the City the Regional Board would approve of the approach they 7 proposed. Although the City did not believe that MPG's plan addressed the violations, the City 8 reached out to the Regional Board to see if they would consider MPG's plan. On June 4, 2021, 9 the Regional Board sent an email saying MPG's plan was not viable. The City then moved forward to implement the City's already approved CAP. 10 30. 11 Between October 2021 and February 2022, the City had the non-qualifying soil from the Chollas landfill removed and completed site stabilization and hydroseeding. The City 12 had to dispose of the non-qualifying soil at the Miramar landfill at the City's sole expense 13 14 because defendants refused to implement the approved CAP and/or pay to remedy the violations 15 they caused. The City also had to regrade and revegetate the Chollas landfill cover soil to bring it back into compliance. 16 **17** 31. The City submitted a CAP completion report in March 2022. The City sent a 18 demand letter to MPG in May 2022 demanding that it reimburse the City for the expenses it had 19 incurred to prepare and implement the CAP to correct the problems MPG created. MPG did not 20 acknowledge their obligation to reimburse the City. 21 32. In September 2022, the Regional Board notified the City that it considered the violations remedied. The City again demanded that MPG pay for the damages it had caused and 22 23 which were now certain and had been incurred. 33. 24 The parties attempted to negotiate a resolution including via an agreement to

participate in a private, pre-litigation mediation. The parties entered into a tolling agreement in

March 2023 while they tried to mediate the dispute.

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1	34. In September 2023, the parties participated in a day-long private mediation but		
2	were unsuccessful in resolving the dispute. The parties mutually terminated the tolling agreement		
3	as of November 27, 2023.		
4	FIRST CAUSE OF ACTION		
5	BREACH OF WRITTEN CONTRACT		
6	(Against AMG)		
7	35. City incorporates paragraphs 1 through 34 above as if fully set forth herein.		
8	36. City issued a Right-of-Entry (ROE) permit to AMG, who was a subcontractor of		
9	MPG, effective between November 7, 2018, and September 11, 2019 (unless extended) allowing		
lo	AMG to deposit 130,000 cubic yards of clean native soil or Waiver-10 soil from the Project site		
11	to the closed Chollas landfill to be used solely as cover soil. The City waived its permit		
12	processing fees for this ROE expressly because it was trying to preserve capacity at the Miramar		
13	landfill. After AMG executed the ROE permit, the City allowed import to begin from the Project		
14	to the Chollas landfill.		
15	37. AMG imported soil between November 2018 and January 2019 that contained		
16	construction debris, free-standing liquids, and other improper waste materials. Soil in that		
ا7	condition did not meet the requirements for Waiver-10 or clean native soil allowed at the Chollas		
18	landfill. The regulatory agencies expressed concerns on several occasions prompting the City to		
19	stop import of the soil several times until the regulatory agency concerns could be addressed.		
20	38. The ROE provided that any unauthorized work shall be removed from the site and		
21	the City-owned property shall be put back to its condition on the Effective Date at AMG's sole		
22	cost and expense, subject to the City's satisfaction.		
23	39. The ROE also required AMG to defend, indemnify and hold the City harmless		
24	against any claims for damages or injuries to property arising from AMG's occupancy, use,		
25	development, maintenance, or restoration of the permit area. City had the right to elect to provide		
26	its own defense against any claims and AMG had an obligation to pay all reasonable costs		
27	thereof, including attorneys' fees.		
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- 41. The ROE prohibits AMG from allowing the illegal installation or storage of any regulated substances (which includes waste when used for landfill cover as occurred here) in or on the permit area.
- 42. AMG also agreed to protect, defend, indemnify and hold City harmless from any and all claims, costs and expenses related to environmental liabilities resulting from AMG's disposal of soil. AMG's obligations included without limitation, costs of environmental assessments, costs of regulatory remediation oversight, costs of remediation and removal, and any necessary City response costs.
- 43. The ROE required AMG to be responsible for the repair of any damage it caused to the permit area.
- 44. The Regional Board issued a Notice of Violation to the City on November 12, 2020, for the violations that occurred because of AMG's disposal of Project soil at the Chollas landfill, demanding a Corrective Action Plan to be submitted on or before January 27, 2021. Despite numerous efforts to obtain AMG's compliance to respond to the Regional Board's Notice of Violation, the City finally had to prepare its own Corrective Action Plan and submit it to the Regional Board for approval. The CAP called for removing the Project soil from the Chollas landfill and disposing of it elsewhere, as well as regrading and revegetating the Chollas landfill.
- 45. The Regional Board approved the City's CAP in February 2021; the LEA approved it in March 2021. The City implemented the CAP between October 2021 and February 2022 and submitted its CAP completion report to the regulators in March 2022. The Regional Board notified the City the violations were remedied in September 2022.
- 46. The City sent a demand letter to AMG in May 2022 seeking recovery of its costs and expenses incurred to defend and remediate the violations the Regional Board cited but AMG refused to make any payment whatsoever despite its obligations to do so under the ROE. This constitutes a breach of AMG's obligations under the ROE.

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# (Against MPG)

- 50. City incorporates paragraphs 1 through 34 above as if fully set forth herein.
- 51. After significant negotiations with MPG regarding where to take soil excavated from its Project site, the City and MPG agreed that MPG would export, and the City would accept, clean native soil or Waiver-10 soil at its closed Chollas landfill in lieu of that soil being brought to the Miramar landfill.
- 52. The City and MPG further agreed the City would accept the soil without charging the normal permit processing fees for the ROE because the City deemed the placement of soil at

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the Chollas landfill a public benefit as it would avoid impacting the capacity of the Miramar landfill.

- 53. But for MPG's representations and promises that the soil qualified as clean native soil and/or Waiver-10 soil, the City would not have allowed the soil to be deposited at the closed Chollas landfill. Indeed, only clean native soil and/or Waiver-10 soil could be deposited at the otherwise inactive Chollas landfill.
- 54. Once the City and MPG had reached an agreement on where to take the soil, MPG had defendant AMG carry out the soil exportation to the Chollas landfill.
- 55. MPG applied for and was enrolled into the Regional Board's Waiver-10 program which provided further justified reliance on MPG's promises that the soil was appropriate to use as cover soil at the inactive Chollas landfill.
- MPG breached its agreement with the City by failing to take corrective measures after the Regional Board issued a Notice of Violation and by failing to reimburse the City for its expenses incurred in correcting the violation. MPG caused soil that did not meet the Waiver-10 requirements to be deposited at the Chollas landfill and failed to remedy the violations after the Regional Board issued a Notice of Violation to the City. Even though the City gave MPG several opportunities to do so, MPG never remedied the violation and the City had no choice but to take corrective action after the Regional Board issued its Notice of Violation. The City appropriately demanded reimbursement once the Regional Board confirmed that the violation was corrected and MPG breached its agreement with the City by failing to reimburse the City for the expenses the City incurred to fix the problem that was solely created by MPG and its subcontractors.
- 57. City was damaged because it was forced to prepare a CAP and implement it to correct the violations MPG and AMG caused at the taxpayers' expense. City incurred over \$1,000,000 in out-of-pocket expenses to remedy the violations; the exact amount of which will be proven at trial. MPG's actions/inactions and promises were a substantial factor causing City's damages.

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58. City was further damaged because it had to remove the soil from the Chollas landfill and take it to the Miramar landfill which completely defeated the purpose of the agreement in the first place. The future capacity of the Miramar landfill has now been reduced by the amount of the soil the City had to transfer to it. City is entitled to collect the fees it would have otherwise been entitled to receive for disposal of the Project soil at the Miramar landfill but for its agreement with MPG to accept the soil at the otherwise inactive Chollas landfill. The total damages the City sustained exceeds \$5,000,000; the exact amount of which will be proven at trial.

THIRD CAUSE OF ACTION

EQUITABLE INDEMNITY AND CONTRIBUTION

# (Against All Defendants)

- 59. City incorporates paragraphs 1 through 34 above as if fully set forth herein.
- 60. Defendants MPG and AMG caused soil from MPG's Project site that did not qualify as clean native soil or Waiver-10 soil to be deposited at the inactive Chollas landfill. City did not request, order or direct the categorizing of the soil at the Project site, the removal of the soil from the Project site or the importation of the soil to the Chollas landfill. MPG and its subcontractors were solely in charge of the selection, categorization and importation of the soil.
- of the soil at the Chollas landfill. The City expressly advised MPG that any soil to be deposited at the Chollas landfill would need to comply with cover soil regulations. MPG applied for and received a Solid Waste Waiver for the discharge of Tier 1 inert waste soil generated from its Project site pursuant to the Regional Board's Waiver-10 Program. The letter instructed the discharger (Manchester Financial Group) that the soil conditions must comply with the Waiver-10 requirements to be used as cover soil at the closed landfill.
- 62. When the Regional Board issued a Notice of Violation to the City, neither MPG nor AMG took any steps to remedy the violations as directed by the regulatory agencies. As a result, the City was forced to incur an obligation for actions of others to resolve the violations.

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Recent City media releases can be accessed on the San Diego City Attorney's website: <a href="https://www.sandiego.gov/cityattorney">https://www.sandiego.gov/cityattorney</a> Ilow the City Attorney's Office on Instagram: <a href="San Diego City Attorney Mara W. Elliott (@sdcityattorney">San Diego City Attorney Mara W. Elliott (@sdcityattorney</a>) • Instagram photos and videos

1	4.		incurred herein; and
2	5.	For any other relief that the Court deems just and proper.	
3 D	ated: Febru	ary 22, 2024	MARA W. ELLIOTT, City Attorney
4			
5			By Jerry K Goodman
6			Jenny K. Goodman Lead Deputy City Attorney
7			Attorneys for Plaintiff City of San Diego
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