

**ECONOMIC OPPORTUNITY
SUMMARY REPORT PURSUANT TO
CALIFORNIA GOVERNMENT CODE
SECTIONS 52200 – 52201 REGARDING
A DISPOSITION AND DEVELOPMENT
AGREEMENT BY AND BETWEEN THE
CITY OF ONTARIO
AND
A BLOCK, LLC.**

The following Economic Opportunity Summary Report has been prepared pursuant to Sections 52200 - 52201 of the California Government Code. The report sets forth certain details of the proposed Disposition and Development Agreement (“Agreement”) between the City of Ontario (“City”) and A Block, LLC. (“Developer”). The site is approximately 3.123 acres located at the 100 Block North Euclid Avenue in the City of Ontario, California (“Property”).

BACKGROUND STATEMENT

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

- I. **Terms of Agreement:** This section includes a description of the Project; and the obligations imposed on the City and the Developer by the Agreement.
- II. **Cost of the Agreement to the City:** This section details the total cost to the City associated with implementing the Agreement.
- III. **Estimated Value of the Interests to be Conveyed Determined at the Highest Use Permitted Under the General 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 General Plan.
- IV. **Estimated Fair Market Value of the Interest to be Conveyed:** This section summarized the valuation estimate for the City Property based on the required use.
- V. **Consideration Received:** This section describes the compensation to be received by the City.
- VI. **Creation of Economic Opportunity:** This section describes the how the Project will asset in the creation of economic opportunity.

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

I. TERMS OF THE AGREEMENT

A. Project Description

The Property is located on the northeast corner of Euclid Avenue and Holt Boulevard and encompasses slightly over 3 acres. The current land use is mixed-use commercial and falls within the Downtown Mixed Use zoning district – MU-1. The Property is presently improved with an approximately 5,000 square foot commercial building (Boney’s Market), 23,000 square foot historic commercial building (Yangtze), a 7,725 square foot historic commercial building (Lerch), a 15,570 square foot historic commercial building (Citizen National Bank), and 7 vacant parcels utilized as public parking lots.

The Project incorporates the structural retrofitting and adaptive reuse of three existing historic structures and one non-historic building on the Property, and construction of additional multi-story, mixed-use residential and retail commercial uses totaling approximately 156 residential dwelling units, and approximately 35,000 square feet of ground floor commercial/retail/service space fronting on Euclid Avenue, B Street, Lemon Avenue, and Holt Boulevard (“Project”). The Project will be phased over a five-year period with the adaptive reuse of the historic structures being completed in Phases 1 and 2 and the construction of the new commercial and residential development in Phases 3 and 4.

The Developer will also be required to build all associated on and off-site improvements, including but not limited to all hardscape, landscaping, and public street improvements.

B. City Responsibilities

The Agreement requires the City to accept the following responsibilities:

1. The City will sell the Property to the Developer for \$1.00.
2. The City will Loan the Developer \$19,000,000 to finance Phase 1 construction of the Project at the prime annual interest rate, with a ceiling of 8% and floor of 5%.
3. The City must work in good faith with the Developer to issue a Certificate of Appropriateness and other necessary entitlements from the Community Development Agency and other City Departments for the proposed uses.

C. Developer Responsibilities

The Agreement imposes the following responsibilities on the Developer:

1. The Developer must accept conveyance of the Property from the City under the terms of the Agreement, including paying \$1.00 for the Property.

2. The Developer must preserve and retain the historic context of three historic buildings and obtain a Certificate of Appropriateness, Adaptive Reuse Plan, and other necessary entitlements from the Community Development Agency and other City Departments for the proposed uses.
3. The Developer must develop the Project with 156 high-quality, for sale multi-family residential units and approximately 35,000 square feet of retail and commercial space.
4. The Developer must accept the Construction Covenant, which requires Developer to complete the Project by the dates set forth in the Schedule of Performance
5. The Developer must pay back the \$19,000,000 loan intended to finance Phase 1 construction of the Project at the prime annual interest rate, with a ceiling of 8% and floor of 5%, no later than 5 years from the initial draw down of funds.

II. COST OF THE AGREEMENT TO THE CITY

The Property was purchased for \$4,565,000. The City paid for the preparation of an Environment Impact Report for an estimated cost of \$100,000. The City paid \$65,000 for the preparation of a Historic Structures Report (“HSR”) prepared by a state certified architect. The City incurred relocation costs, site clearance costs, in addition to costs to maintain the property over the last several years. The City also incurred the cost of preparing the necessary studies, a land valuation report and the necessary agreements to facilitate the disposition and development of the Property.

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

Section 52201 of the California Government Code requires the City to identify the value of the interests being conveyed at the highest use allowed by the Property's zoning and the requirements imposed by the General Plan.

Pursuant to an appraisal prepared by R.P. Laurain & Associates., for the subject Property, the appraiser arrived at a negative Opinion of Value. The negative value was derived from recent comparable land and building values coupled with the Developer’s overall Project costs supported by HSR. The HSR included an analysis of the historic nature of the buildings as well as the structural integrity of the buildings and an engineer’s cost estimate to retrofit the buildings to allow for the Developer’s proposed use. The proposed rehabilitation/historic preservation and new improvement costs exceed the current market value of the Property by \$10,760,000.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

As discussed above, the property is being conveyed to the Developer as a negative value due to the substantial improvement costs to restore the building to current building codes. With improvement costs estimated at \$19,000,000 for the adaptive re-use of three existing structures and approximately \$70,000,000 for the balance of the Project, the estimated

reuse value of the interests to be conveyed are significantly higher than present fair market value.

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

Under the Agreement, the City is conveying the Property for \$1.00. The Developer is making a significant investment in the Historic Downtown Ontario which will not only generate new jobs but also raise property taxes for which the City will receive its share of property tax revenues generated by the Project.

Based on the sale price and estimated value of the Property, the City is not selling the Property below the fair market value estimated by an independent appraiser.

VI. CREATION OF ECONOMIC OPPORTUNITY

The City has determined that the proposed development would fulfill goals and objectives defined in the City's adopted General Plan and create economic opportunities and benefits to the City including but not limited to the following:

1. The City will benefit from the interest accrued on the \$19,000,00 loan.
2. The City anticipates that the mixed-use Project will generate significant increases in property tax. The estimated assessed value of property at the conclusion of construction is estimated to be approximately \$89,500,000. The increase in property valuation will generate approximately \$895,580 in additional property tax revenues to the City.
3. During construction, the Project will create approximately over 150 full-time jobs for skilled workers across various trades. In addition, over 75 full-time permanent jobs will be added after completion and stabilization of the Project's various residential and commercial components. This not only enhances the existing uses in the area, but also injects additional economic vitality into our community by providing diverse employment opportunities.
4. Generating substantial revenue for the City through additional local sales tax revenue which may be used by the City for the funding of necessary public services and facilities, including but not limited to, public safety services and facilities, public improvements and recreational opportunities that otherwise may not be available to the community for many years.
5. Implementation of the Agreement helps to remove blighting influences within the area by improving the physical appearance of the area. The Property currently includes multiple vacant and underutilized buildings that are designated as a local historic landmark. The Property also has several underutilized vacant lots. In its current condition and use, the Property is attractive to vandalism and illegal dumping. This will be removed and replaced by a new modern Project.