SUMMARY REPORT PURSUANT TO
CALIFORNIA GOVERNMENT CODE SECTIONS 52201 AND 53083
ON THE
PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS
BY AND BETWEEN THE
CITY OF RIALTO, AS SUCCESSOR AGENCY
TO THE FORMER RIALTO REDEVELOPMENT SUCCESSOR AGENCY
AND
AYALA & 210 PARTNERS, LLC

The following Summary Report sets forth certain details of the proposed Purchase and Sale Agreement and Joint Escrow Instructions and related agreements (Agreements) between the City of Rialto (City) and Ayala & 210 Partners, LLC (Purchaser). The purpose of the Agreements is to continue the redevelopment of the area around the former Rialto Municipal Airport (Airport). The Agreements require the City to sell and Purchaser to buy approximately 7.5 acres of land (Site), and require the Purchaser to construct site improvements to facilitate development of a commercial center including retail and hotel uses (Project) and public improvements (Public Improvements), which are integral to the Project.

The Agreements will replace the previous Option to Purchase and Develop Agreement which was executed in March 2017, and was subject to a previous Summary Report. The Agreements will become effective and replace Option to Purchase and Develop Agreement as discussed below.

BACKGROUND STATEMENT

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

I. **Identity of Purchaser**: This section provides the name and address of the Purchaser

II. **Salient Points of the Agreements**: This section includes a description of the Project and the major responsibilities imposed on the City and the Purchaser by the Agreements.

III. **Economic Incentives Provided and Cost of the Agreements to the City**: This section details economic incentives provided and the cost to the City associated with implementing the Agreements.

IV. **Estimated Fair Market Value of the Interests to be Conveyed**: This section estimates the fair market value of the interests to be conveyed taking into account the development requirements and conditions imposed on the Project.

V. **Consideration Received and Comparison with the Established Value of the Site**: This section describes the compensation and other public revenues and expenses that accrue to the City, and explains any difference between the compensation to be received and the established value of the Site.

VI. **Creation of Economic Opportunity and Public Purpose**: This section explains how the Agreements will assist in creating economic opportunity in the City.

VII. **Job Creation**: This section describes the number of permanent and temporary jobs created under the Agreements.

I. IDENTIY OF PURCHASER

The information on the two offices of the Purchaser is provided below:

Ayala & 210 Partners, LLC.
3415 S. Sepulveda Blvd. Suite 400
Los Angeles, CA 90034

Ayala & 210 Partners, LLC.
1130 N. Yucca Ave.
Rialto, CA 92376

II. SALIENT POINTS OF THE AGREEMENTS

A. Project Description

The Site is located in the northern portion of the City in the northeast corner of Renaissance Parkway and Ayala Drive. The area surrounding the property is currently zoned Freeway Incubator. The Site consists of six parcels in two ownerships having an approximate total area of 7.65 acres. The City owns three parcels and the Successor Agency owns three parcels.

The Agreements become effective after they are executed, and the City has acquired the parcels from the Successor Agency.

The I-210 Freeway has provided the City with new on/off ramps, improving access to several hundred acres of previously undeveloped land. The I-210 Freeway corridor is receiving additional economic development focus by the City. The continued redevelopment of the Airport area, of which the Site is a portion, will be a key development factor in determining the future development opportunities along the I-210 Freeway corridor.

The Site is undeveloped and lacks basic public improvements, including streets, curbs, gutters, sidewalks, storm drainage and street lighting and private utility improvements such as gas, electric, cable television and phone services.

The proposed Project must be divided into six parcels:

- Parcel 1 – Shall be developed as a Cracker Barrel or similar sit-down restaurant approved by the City in writing.
- Parcel 2 – Shall be developed as a Sonic Dive-In or other fast food restaurant approved by the City in writing.
- Parcels 3, 4 and 5 – Shall be developed as multi-tenant retail and restaurant uses or similar uses as approved by the City in writing
- Parcel 6 – Shall be developed as a mid-level hotel with a minimum of 100 rooms operated by Hilton, Ayres, Marriott, Sheraton, Radisson, Holiday Inn or other major hospitality chain operator approved by the City in writing

B. City Responsibilities

The Agreement requires the City to accept the following responsibilities:

1. The City must acquire the parcels owned by the Successor Agency.

2. The City must convey the Site to the Purchaser in exchange for the $3,300,000 Purchase Money Note (Note). Interest accrues at 4.0% per annum, but interest is forgiven if the Project is completed. The release prices for the parcels are set forth below:

Parcel 1	$1,038,000
Parcel 2	472,000
Parcel 3	437,000
Parcel 4	418,000
Parcel 5	301,000
Parcel 6	634,000

3. The City will provide the Purchaser with a construction loan (Construction Loan) of up to $3,700,000. The Construction Loan includes a cost increase contingency of $300,000. The Construction Loan is subordinate (junior) to the Note. The Construction Loan shall accrue interest at 6.0% per annum and includes Contingent Interest equal to 50% of the first $200,000 of Net Profits and 30% of Net Profits thereafter. Net Profits are equal to all revenues received by Purchaser reduced by all costs and expense incurred by Purchaser

4. The City has previously committed to provide funding for offsite infrastructure improvements.

C. Purchaser Responsibilities

The Agreement imposes the following additional responsibilities on the Purchaser:

1. The Purchaser shall purchase the Site from the City for an aggregate price of $3,300,000 utilizing the Purchase Money Note.

2. The Purchaser shall complete normal and customary due diligence investigations including title reviews, environmental site assessments, soil testing and development feasibility.

3. Purchaser shall commission and pay for an ALTA survey and submit applications for a Lot Line Adjustment or Parcel Map to create the designated conveyance parcels.

4. Purchaser shall pay for title insurance and all costs of closing.

5. Purchaser agrees to restrict the use of the parcels as follows:

    a. Parcel 1- Cracker Barrel or other sit down restaurant
    b. Parcel 2 – Sonic Drive-In or other fast food restaurant
    c. Parcel 6 – mid-level hotel operated by Hilton, Ayres, Marriott, Sheraton, Hyatt, Radisson, Holiday Inn or other major hospitality chain.
    d. Parcels 3, 4, 5 – Multi-tenant retail and restaurant uses

6. Purchaser will reserve a permanent easement across the Site for access and maintenance of an existing well.

7. Purchaser agrees to install the off-site improvements as set forth in Construction Reimbursement Agreement #1.

8. Purchaser agrees to install the onsite improvements utilizing the proceeds of the Construction Loan.

9. Purchaser agrees to pay prevailing wages for construction of the improvements installed with the Construction Loan

10. Purchaser agrees to pay the City Contingent Interest on the Construction Loan equal to 50% of first $200,000 of Net Profits and 30% of Net Profits thereafter.

11. Purchaser agrees to a Right of Reverter in the event Purchaser does not perform its obligations under the Agreements.

III. ECONOMIC INCENTIVES PROVIDED AND COST OF THE AGREEMENTS TO THE CITY

The City will provide several types of incentives to the Project. First, the City has reduced the purchase price to offset the additional costs to the Project by requiring the payment of prevailing wages for the onsite improvements. Second, the City is providing the Construction Loan to the project at a 6.0% interest rate. Finally, the City is selling the site to the Developer via the Note, which requires payments only as the parcels are sold, and the interest on the Note will be forgiven if the Developer completes the Project.

The latter two incentives do not constitute an actual out-of-pocket cost to the City. These are “foregone revenues” or “opportunity costs”. They represent the revenues that the City might have received had the Developer paid a market rate of interest on the Construction Loan, and if the interest on the Note was not forgiven. The land writedown amounts to $450,000. As noted below, the fair market value of the Site is $3,750,000 and the proposed sale price is $3,300,000. In recognition of these incentives, the Purchaser agreed to pay Contingent Interest.

The City has or will expend a total of $3,003,000 to acquire the Site from the Successor Agency and other parties. The City will also loan the Purchaser up to $3,700,000 for the onsite improvements plus interest. The onsite improvements and related costs are currently projected to cost $3,400,000. In addition the City has entered into a Reimbursement Agreement with the Purchaser for construction of portions of Renaissance Parkway and Ayala Drive and related infrastructure that are Development Impact Fee Program eligible. The Reimbursement Agreement has a total cost of $4,080,227. As shown below, assuming the City fully funds the Construction Loan, the total cost to the City amounts to $10,783,227.

	Total
Site Acquisition	$3,003,000
Onsite Improvement Construction Loan	3,700,000
Infrastructure Costs	4,080,227
Total City Costs	$10,783,227

The costs that the City has and will incur will be offset by the repayment on the Note and the Construction Loan, provided the Project is completed. Under the Agreement, the purchase price for the entire site is $3,300,000. Repayment of the Construction Loan will recoup the $3,700,000 investment plus an estimated $116,593 of interest. Based on current pro forma projections, Contingent Interest is estimated at $250,697. The City collects development impact fees from developers that are used to construct infrastructure throughout the City. Fees previously collected, to be collected from this and adjacent projects and RDA Funds will be used to reimburse the City. The total City revenue amounts to $11,447,517.

	Total
Site Disposition Proceeds	$3,300,000
Construction Loan Principal Repayment	3,700,000
Construction Loan Interest (estimate)	116,593
Contingent Interest (estimate)	250,697
Infrastructure Fees and RDA Funds	4,080,227
Total City Revenues	$11,447,517

On a net basis, the direct City revenues exceed City costs by $664,290.

IV. ESTIMATED FAIR MARKET VALUE OF THE INTERESTS TO BE CONVEYED

This section provides a review of the fair market value of the Site. The valuation is to be based on the assumption that near-term development is required and takes into account the development obligations required to prepare the property for sale.

The Site was appraised in it's as-is condition. In an appraisal dated, October 28, 2016, Curtis Rosenthal, Inc. (CRI) stated the value of five of the six parcels of the Site was $3,666,000, as of that date. CRI noted, however, that this value assumed that the various parcels were consolidated into a single developable parcel. Adding the sixth parcel to the Site increases the size of the Site by 7,431 square feet. The fair market value increases to $3,750,000.

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

Based on the Agreement, the City will be selling the Property for $3,300,000. The Agreements require the payment of prevailing wages for the onsite improvements and the offsite improvements. The land price was reduced to offset some of the costs associated with prevailing wages. The sale price is $450,000 less than the fair market value.

VI. CREATION OF ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE

The City has identified the Site as a potential site for future commercial uses, consistent with the Freeway Incubator Zone. However, the site lacks basic public improvements including streets, curbs gutters, sidewalks storm drainage and street lighting. The Site may lack private utility improvements such as gas, electric, cable and phone services. Completion of the Project will eliminate these deficiencies. It will also provide the City with new sit down restaurants and a hotel, amenities that are lacking in the City.

In addition the Project will generate significant general fund revenues for the City. The current assessed value of the Site is zero, and it currently generates no revenues for the City. Estimates of stabilized revenues are provided in Table 1. A review of a conceptual site plan indicates that the sit down restaurant could be approximately 17,486 square feet, the drive thru restaurants will have 2,720 square feet, retail uses 8,400 square feet and the hotel will have 108 rooms and be approximately 52,742 square feet. The assessed value of the project could be approximately $22.5 million, which would generate nearly $30,700 in annual property tax revenues to the City, as shown in Table 1.

To be conservative, taxable sales at the restaurants are estimated at $300 per square foot, $400 per square foot for the fast food restaurant and $200 per square foot for the retail space. The sales could be higher depending on the restaurant. At this sale productivity, annual sales are estimated at nearly $8.0 million, which generates $80,138 in annual sales tax revenues.

Finally based upon a market study of hotel demand, the 108 room hotel could have an average room rate (ADR) of $120.00 and average 74% occupancy. At that rate and occupancy, the gross revenues from the hotel would be approximately $3.5 million. The City's transient occupancy tax is 9.0%, which could generate over $315,000 per year in City revenues.

Overall, at project completion, the City could receive approximately $425,900 in annual revenues.

VII. JOB CREATION

The Project envisioned in these Agreements expands beyond the specific onsite and off site improvements covered by the Agreements. The Agreements require the sale of he properties to entities that will complete development of the Site. Employment estimates, therefore, contemplate completion of the entire project.

During the construction period for the site work and building construction it is estimated that there will be 93 temporary construction jobs. After completion of the buildings and at stabilized operation it is estimated that there will be 57 full time equivalent jobs on site. It is not possible at this time to what percentage of these jobs would be full time jobs versus part time jobs.

TABLE 1

COMPUTATION OF PUBLIC REVENUES
ACOSTA DEVELOPMENT SITE
RIALTO, CALIFORNIA

	Sq. Ft.[1]	Cost/SF[2]	Value
Property Taxes			
Sit down restaurants	17,486	$250.00	$4,371,500
Drive thru restaurants	2,720	$275.00	$748,000
Retail	8,400	$250.00	$2,100,000
Hotel	52,742	$290.00	$15,295,180
Total	81,348		**$22,514,680**
Annual Property Tax			$225,147
City Share at 13.64%			**$30,710**

	Sq. Ft.[1]	Sales/SF[2]	Taxable Sales
Sales Taxes			
Sit down restauants	17,486	$300.00	$5,245,800
Drive thru restaurants	2,720	$400.00	$1,088,000
Retail	8,400	$200.00	$1,680,000
Total			$8,013,800
City Share @ 1.0%			**$80,138**

	Rooms[1]	ADR[3]	Revenues[3]
Transient Occupancy Tax			
Hotel	108	$120.00	$3,500,500
City TOT @ 9.0%			**$315,045**

1. KMA estimate based on a preliminary site plan dated 9-19-2017
2. KMA estimate
3. Derived from "Market Study for Proposed Hotel in Rialto," Kallenberger Jones, 2015
   Revenue estimate assumes 74% occupancy