

**SUMMARY REPORT
PURSUANT TO HEALTH AND SAFETY CODE SECTION 33433
FOR
THE CONDITIONAL PROPERTY DISPOSITION AGREEMENT BETWEEN
THE CITY OF REDLANDS AND SHOWPROP REDLANDS LLC**

This summary report (“Summary Report”) for the proposed sale of property purchased with property tax increment funds, without soliciting competitive bids, has been prepared by the Redevelopment Agency of the City of Redlands (“Agency”) pursuant to Health and Safety Code Sections 33431 and 33433. This Summary Report sets forth certain details of the proposed Conditional Property Disposition Agreement (“Agreement”) between the Agency and Showprop Redlands LLC (“Buyer”). Pursuant to the Agreement, the Agency proposes to sell to the Buyer certain real property located at 330 North Third Street (County of San Bernardino Assessor’s Parcel Nos. 0169-281-47, 48, 49 and 50) (“Property”). The Property is located in the Agency’s Redlands Redevelopment Project Area (“Project Area”) and within the Town Center Historic (“TC-H”) land use district of the City of Redlands’ Specific Plan No. 45 (“Downtown Specific Plan”).

California Health and Safety Code Section 33433 requires that if a redevelopment agency wishes to sell or lease property to which it holds title, and if that property was acquired in whole or in part with property tax increment funds, the agency must first secure approval of the proposed sale or lease agreement from the local legislative body after a public hearing.

A copy of the proposed sale or lease agreement and a summary report that describes and contains specific financing elements of the proposed transaction must be made available for public inspection prior to the public hearing. As required by Section 33433, the following information shall be included in the summary report:

1. The cost of the agreement to the agency, including land acquisition costs, clearance costs, the costs of any improvements to be provided by the agency, and the expected interest on any loan or bonds used to finance the agreement;
2. The estimated value of the interest to be conveyed or leased, determined at the highest and best use permitted under the redevelopment plan;
3. The estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease, together with the purchase price or sum of the lease payments that the lessor will be required to make during the term of the lease; and
4. An explanation describing how the sale or lease of property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this determination.

If the sale price or sum of the lease payments is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use consistent

with the redevelopment plan, then the summary report must explain the reasons for the difference.

This Summary Report describes the principal terms of the Agreement proposed to be entered into by the Agency and the Buyer for the possible sale of the Property. This Summary Report is being prepared because tax increment funds from the Agency were used to acquire the Property. This Summary Report is based upon information regarding the proposed sale of the Property; addresses the requirements relative to Health and Safety Code Section 33433; and is organized into the following sections:

- A. BACKGROUND - This section provides for background information regarding to the proposed sale of the Property.
- B. PRINCIPAL TERMS OF THE PROPOSED TRANSACTION - This section includes a description of the principal terms of the proposed agreement associated with the possible sale of the Property.
- C. FINANCIAL SUMMARY - This section describes the overall cost to the Agency for acquiring the Property proposed to be purchased under the proposed Agreement, including land assembly costs (acquisition, relocation, site clearance and demolition), title and closing costs.
- D. VALUE OF INTEREST TO BE CONVEYED - This section describes the estimated value of the property interest to be conveyed, determined at the highest and best use permitted under the Project Area Plan, and at the use and with the conditions, covenants, and any costs required by the proposed conveyance.
- E. BLIGHT ELIMINATION - This section describes the existing or former blighting conditions on the Property, and explains how the Agency's proposed sale of the Property will help eliminate blight.
- F. REDEVELOPMENT PURPOSE - This section describes the redevelopment purpose for which redevelopment tax increment funds associated with the Agency's purchase of the Property, and subsequent proposed sale of the Property will be, or have been, used.

This Summary Report sets forth certain details of the proposed sale of the Property by the Agency to the Buyer. A copy of the proposed Agreement is attached to and made a part of this Summary Report (see Attachment "A"). This Summary Report is made available for public inspection and copying on the date that the first notice of the joint public hearing is published, which is June 6, 2011. The joint Agency Board/City Council public hearing relating to the proposed sale of the Property is scheduled for June 21, 2011 at 6:00 p.m., in the City Council Chambers, at 35 Cajon Street, Redlands, CA.

A. BACKGROUND

On September 5, 2006, the Agency entered into an agreement to purchase the Property from Mr. Howard P. Floyd. The Property was purchased with tax increment funds. The Property is located at 330 North Third Street; south of Shopper's Lane, West of Third Street, and is comprised of four parcels totaling approximately 20,159 square feet in size. The Property is generally flat and

contains an 18,792 square foot masonry and steel framed warehouse building (Packinghouse) constructed in 1912. The Packinghouse is vacant and has been unused for several years. There is no parking on the Property.

B. PRINCIPAL TERMS OF THE PROPOSED TRANSACTION

1. Buyer Responsibilities.

Under the proposed Agreement, the Buyer has the following responsibilities:

- a. Payment to the Agency in the amount of Two Hundred Sixty Thousand Dollars (\$260,000) (the "Purchase Price");
- b. Payment of all usual fees, charges and costs chargeable by the escrow agent for escrow services, including the costs of the title policy and the documentary transfer taxes, if any;
- c. Secure or cause to be secured any and all land use and other entitlements, permits and approvals which may be required by the City and any other governmental agency having jurisdiction over the Property, including all required environmental review pursuant to CEQA in connection with any development project applications submitted by the Buyer (the "Project");
- d. Incorporate such elements of the Packinghouse into the Project if reasonably feasible to do so without substantial cost;
- e. In the event demolition of the Packinghouse is proposed, design the Project with characteristics, and/or replicated elements, of an early twentieth century packinghouse, and contract with an Agency-approved deconstruction company to salvage and save certain flooring, support timbers and other wooden elements, including roofing, of the Packinghouse as requested by the Agency, and make available such salvaged elements to the deconstruction company;
- f. If a Substituted Project (as defined in the Agreement) is proposed, no demolition permits shall be sought or approved for the demolition of the Packinghouse;
- g. If approved by the City, develop and construct the Project, or any Substituted Project, substantially in accordance with and any drawings, plans and documents submitted to and approved by the City, and any plans, drawings and documents submitted by the Buyer to the City and the Agency;
- h. Other Buyer obligations as set forth in the Agreement.

2. Agency Responsibilities

Under the Agreement, the Agency has the following responsibilities:

- a. Sell the Property "as-is" to the Buyer;
- b. The Agency and the City retain the absolute sole discretion to (i) modify the Project and any Substituted Project as necessary to comply with CEQA; (ii) select other feasible alternatives to avoid significant impacts; (iii) balance the benefits of the Project or any Substituted Project against any significant impacts prior to taking final action on the Project or any Substituted Project if such significant impacts cannot be avoided; and/or (iv) determine not to

- proceed with the Project or any Substituted Project, or if conditions precedent to Closing of Escrow are not satisfied, with sale of the Property to the Buyer;
- c. Encourage the exploration of the adaptive reuse of the Packinghouse in connection with the development of the Project;
 - d. Option to repurchase the Property in the amount of Two Hundred Eight Thousand Dollars (\$208,000);
 - e. Other Agency obligations as set forth in the Agreement.

C. FINANCIAL SUMMARY

1. Property Acquisition. The Agency acquired the Property in December, 2006 for the amount of Nine Hundred Forty Thousand Dollars (\$940,000).
2. Relocation. The Agency will not incur any relocation costs.
3. Demolition and Asbestos Removal. The Agency will not incur any demolition or asbestos removal costs.
4. Title and Closing Fees. The Buyer will pay any and all fees necessary in connection with its purchase of the Property.
5. Total Agency Costs. Total Agency costs including Property acquisition, relocation, demolition/asbestos removal, title/closing fees and miscellaneous costs associated with the conveyance of the Property are approximately \$1,125,000.

D. VALUE OF INTEREST TO BE CONVEYED

Highest and Best Use. The Agency acquired the Property on December 22, 2006. Property values have declined substantially since that time.

In July of 2010, the Property's fee simple market value was appraised at \$320,000. At that time, the Property's highest and best use was encumbered only by development standards included in the TC-H District, which allow a variety of retail, office, specialty and restaurant-entertainment activities that serve the community and attract visitors from the region.

The proposed sale of the Property is subject to the Agreement which prohibits 25 specific uses, allows the Buyer to remove the Packinghouse from the Property only if the property is developed with a specialty grocery store for Sprouts, Trader Joe's, Gilson's, Jensen's, Whole Foods, Henry's, Bristol Farms, or Flower/Sun Flower and if such a development cannot be arranged, the Buyer must utilize the existing Packinghouse for another permitted occupancy. The Buyer is also under a time obligation to commence construction, or demolition of the existing structure, within 12 months of closing escrow.

Given these additional requirements, which further restrict legally permissible uses of the Property since it was appraised in 2010; it is the Agency's opinion that the sale price of \$260,000 is not less than the fair market value of the Property at its highest and best use.

Fair Reuse Value.

The reuse value of the Property is a function of the benefits or restrictions contained in the Agreement. There are no special benefits that inure to the Buyer as a result of this transaction pursuant to the Agreement. There are, however, several major restrictions. The first major restriction is the List of Prohibited Uses that will not be allowed on the Property. These consist of the following:

- a. Automobile and motorcycle sales (new)
- b. Auto parts and accessories
- c. Drive-thru restaurants
- d. Erotic books and paraphernalia
- e. Nurseries, garden supplies
- f. Automotive repair services (e.g. brake, muffler, painting)
- g. Automotive service stations
- h. Drive-thru, non-financial
- i. Massage parlor
- j. Pest control
- k. Tattoo parlor
- l. Thrift store
- m. Bed and breakfast
- n. Single family, detached
- o. Auto and truck rental
- p. Camper, mobile home sales and service
- q. Citrus packing house
- r. Equipment rental
- s. Farm supplies
- t. Food processing and storage
- u. Furniture re-upholstery
- v. Machinery, equipment, supplies
- w. Plumbing, heating, refrigeration service and supplies
- x. Radio and transmitter towers
- y. Tire retreading
- z. Van and storage
- aa. Veterinary clinic, animal boarding
- bb. Warehouses and contractor storage yards

The second major restriction is that the Packinghouse may only be demolished to build a new food market on the Property, specifically including only a Sprouts, Trader Joe's, Gelson's, Jensen's, Whole Foods, Henry's, Bristol Farms, or New Flower/Sun Flower. If the Buyer either is unable or unwilling to secure one of these businesses as a tenant on the Property; the Buyer is required to retain the existing Packinghouse and remodel it for use by another permitted occupant. The cost of remodeling the Packinghouse would be extremely costly and would likely exceed the cost of new construction given the substandard condition of all aspects of the Packinghouse which is currently uninhabitable.

The third major restriction is that the Buyer must commence construction of any proposed development project within 12 months of closing of escrow.

The fourth major restriction is that the City has the option to repurchase the Property at a discount of twenty percent (20%) of the original selling price of \$260,000 under certain circumstances should the Buyer fail to commence construction, subject to the expiration of the notice and cure period described in the Agreement.

The result of these important restrictions and the absence of any special benefits or rezoning clearly illustrate that the transaction value (sale price) is not less than the fair reuse value of the Property at the use and with the covenants, condition and criteria authorized by the sale.

F. ELIMINATION OF BLIGHT

The Packinghouse is vacant and has been unused for several years. Electrical wiring has been removed and the interior has been vandalized. The foundation exhibits signs of earthquake damage. The concrete warehouse floor, supported by wooden beams is cracked in several places. Further, the Packinghouse and the Property are sources of litter, a deteriorating structure, and attracted some homeless that have broken into and utilized the Packinghouse. The Packinghouse was previously approved for demolition by a private party in 1999, by the City's Historic and Scenic Preservation Commission.

The proposed sale of the Property represents an opportunity to address and alleviate blight within the Project Area. The sale of the Property to the Buyer would eliminate blight by allowing for the eventual redevelopment of the Property consistent with the City of Redlands' General Plan and the Agency's Redevelopment Plan.

G. REDEVELOPMENT PURPOSE

As described, the proposed conveyance of the Property will help further the following objectives of the Plan and the Implementation Plan:

1. Objective 1.2 Promote land uses that create local employment opportunities for Redlands residents, simulate local economic development and reduce the need for local residents to commute to jobs outside the City;
2. Objective 2.1 Create a Service Commercial Area that encourages the development of vacant land and underused properties for business development;
3. Objective 4.1 Emphasize rehabilitation and adaptive reuse of historic buildings and contributing buildings to the Santa Fe Depot District, developing new activities that contribute to downtown economic vitality;
4. Objective 4.3 Encourage the preservation of other significant historic resources that exist throughout the Plan Area and have viable uses; and
5. Goal #5. Improve the accessibility, traffic flow, and parking availability within commercial areas.

Attachment A: Conditional Property Disposition Agreement.