SUMMARY REPORT PREPARED PURSUANT TO
CALIFORNIA GOVERMNENT CODE SECTION 52201
ON A
DISPOSITION AND DEVELOPMENT AGREEMENT
BETWEEN
THE COUNTY OF SAN BERNARDINO
AND
D. THOMPSON PROPERTIES LLC

The following Summary Report has been prepared pursuant to the requirements imposed by California Government Code Section (Section) 52201. The report sets forth certain details of the proposed Disposition and Development Agreement (Agreement) by and between the following parties:

1. The County of San Bernardino (County); and

2. D. Thompson Properties LLC, an Oregon limited liability company (Developer).

The Redevelopment Agency of the County of San Bernardino (Former Agency) acquired approximately 14.25 acres of land located at the northeast corner of Cherry Avenue and Randall Avenue (Property) in the unincorporated area of the County of San Bernardino. Upon dissolution of redevelopment agencies in California, the Property was transferred to the San Bernardino County Successor Agency (Successor Agency), with the Successor Agency responsible for the disposition of the Property.

Under the Long Range Property Management Plan (LRPMP) approved by the California Department of Finance (DOF), the Successor Agency is authorized to transfer the Property to the County. Subsequently, the County is authorized to convey the Property to a Developer for economic development purposes for a project approved in the Redevelopment Plan for the San Sevaine Redevelopment Project Area (Project Area).

The Agreement provides for the Developer to purchase the Property from the County for $7.76 million, the appraised fair market value of the Property. The Developer is required to construct and operate a first class commercial truck and trailer dealership, and a full-service truck and trailer repair facility on the Property (Project). The Agreement requires the Developer to execute an operating covenant for the Property, which states that the Developer, through specified affiliated companies, will operate and maintain the facility for 10 years, and ensure that the facility is the point of sales location for several of the Developer's (and specified affiliated companies) activities in the County of San Bernardino and the State of California.

The Property was acquired with Property Tax Increment and Bond Proceed funds, which subject the proposed transaction to the reporting requirements imposed by Section 52201. Specifically, Section 52201 requires the public agency to prepare a report that summarizes the financial terms and economic development benefits associated with the proposed disposition of the Property.

The following Summary Report is based upon the information contained within the Agreement (and its ancillary documents, including the operating covenant), and is organized into the following seven sections:

I. **Salient Points of the Agreement**: This section summarizes the major responsibilities imposed on the Developer and the County by the Agreement.

II. **Cost of the Agreement to the Former Agency and the County**: This section details the total cost incurred by the Former Agency and by the Successor Agency to allow for the implementation of the Agreement.

III. **Estimated Value of the Interests to be Conveyed Determined at the Highest Use Permitted under the Property's Zoning**: This section estimates the values of the interests to be conveyed determined at the highest use permitted under the requirements imposed by the zoning in place on the Property.

IV. **Estimated Reuse Value of the Interests to be Conveyed**: This section summarizes the valuation estimate for the Property based on the required scope of development, and the other conditions and covenants required by the Agreement.

V. **Consideration Received and Comparison with the Established Value**: This section describes the compensation to be received by the County, and explains any difference between the compensation to be received and the established value of the Property.

VI. **Creation of Economic Opportunity and Public Purpose**: This section explains how the Agreement will assist in creating economic opportunity in the County of San Bernardino.

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

I. SALIENT POINTS OF THE AGREEMENT

A. Project Description

The Agreement requires the Developer to develop and operate the following Project over the 10-year term of the Operating Covenant:

1. The Property must be developed and operated as a first-class commercial truck and trailer dealership, leasing operation, and full-service truck and trailer repair facility (Improvements).

2. The Developer must maintain all interior and exterior improvements, including landscaping, in first-class condition.

3. The Improvements may operate under one or more of the Affiliated Companies as defined in the Agreement, or another entity that is consistent with the Operating Covenant, and acceptable to the County.

B. Summary of Financial Terms

The Agreement requires the Developer to purchase the Property from the County for a purchase price of $7,760,000. The Developer is required to deposit into escrow a good-faith deposit equal to $776,000 no later than the date specified in the Schedule of Performance attached to the Agreement.

C. Developer's Responsibilities

The Developer must fulfill the following responsibilities:

1. Financial Documents:

    a. All financing necessary to construct the Improvements, as approved by the County Financing Plan, must be closed, or evidenced by a binding commitment letter, prior to or simultaneously with the Closing Date for the acquisition of the Property. The Financing Plan must include:

        i. A detailed development budget;

ii. A 10-year operating pro forma;

iii. A Summary of Sources and Uses that includes the assumptions related to all debt and equity financing; the timing of the use of each financing source; and a breakdown of the costs that will be funded with each financing source;

iv. A copy of any updates to the commitment(s) for the lines of credit, loans, grants, or other financial assistance from external debt financing sources being used to assist in financing the construction of the Improvements;

v. A description of any joint ventures, partnerships or conveyances that the Developer proposes to enter into in order to provide equity funds for the Project; and

vi. A certified financial statement or other financial statement reasonably satisfactory to the County evidencing other sources of capital sufficient to demonstrate the Developer has adequate funds to complete the Project.

b. All equity contributions identified by the County-approved Financing Plan must be deposited by the Developer into a disbursement account held by Wells Fargo Bank, N.A. These funds must be used for the payment or reimbursement of approved development costs needed for the completion of the Improvements as shown in the Financing Plan.

c. The Developer must provide Payment and Performance Guarantees for the following corporation and individuals:

i. The Thompson Family Trust;

ii. David Thompson;

iii. Ann Thompson;

iv. TEC Equipment, Inc.;

v. The 2012 Business Trust; and

vi. The 2012 Properties Trust.

2. Development Plans:

   a. The Developer must submit a conceptual site plan and elevation drawings, as well as final construction plans as outlined in the Schedule of Performance attached to the Agreement.

   b. The Developer must obtain all necessary land use and governmental approvals.

3. Property Acquisition:

   a. The Developer must purchase the Property in its "as is" condition.

   b. The Developer must pay any real estate commissions in connection with the transaction contemplated by this Agreement. As proposed, the Developer must pay a $150,000 real estate commission to Heger Industrial, which must be deposited into escrow.

4. Construction:

   a. The Developer must obtain one labor and material bond for the construction of the Improvements in an amount equal to 100% of the scheduled cost of construction of the Improvements. The County must be named as a co-obligee on the bond.

   b. The Developer must begin construction and complete construction by the dates set forth in the Schedule of Performance attached to the Agreement

   c. The Developer must provide the County with quarterly progress reports regarding the status of the construction of the Improvements.

5. Operations:

   a. The Developer (and specified affiliated companies) must operate the Improvements in accordance with the Operating Covenant for 365 days per year, excluding holidays, for a term of at least 10 years.

   b. The operations must occur during typical business hours for similar facilities.

   c. The Developer must manage and maintain the Improvements, and pay all pertinent taxes.

d. The Developer must form a Buying Company.

6. Additional Provisions:

a. The Developer must execute the Agreement, the Operating Covenant, and any other documents and instruments required to be executed by the Agreement.

b. The Developer must fulfill the insurance requirements imposed by the Agreement.

c. Except for permitted transfers, the Developer may not assign all or any part of the Agreement or the Property without the County's written consent.

D. County Responsibilities

The Agreement imposes the following responsibilities on the County:

1. The County must convey the Property to the Developer for the purchase price of $7.76 million.

2. The County must approve or disapprove the Financing Plan within 15 days of submittal.

3. The County must perform all of the obligations required by the terms of the Agreement in a timely manner.

4. If the Agreement is terminated prior to the issuance of a Certificate of Completion of the Improvements, the County has the right to take possession of the Property and Improvements. The County must use its best efforts to promptly resell the Property, and as available, to disburse the sales proceeds as follows:

a. First, to reimburse the County for any reasonable costs incurred for managing or selling the Property;

b. Second, to reimburse the Developer up to the sum of the purchase price the Developer paid for the Property, plus the reasonable costs actually expended by the Developer in undertaking the construction of the portion of Improvements; and

c. Third, any remaining balance will be paid to the County.

5. Under a Developer Event of Default occurring after the issuance of a Certificate of Completion, the County has the right to repurchase the property in return for the following payments to the Developer:

    a. The Purchase Price paid to the County for the Property;

    b. Plus, the reasonable costs actually expended by the Developer in construction of the portion of the Improvements existing on the Property at the time of repurchase;

    c. Less, any gains or income withdrawn or made by the Developer from the Property or the Improvements;

    d. Less, the value of any unpaid liens or encumbrances on the Property which the County assumes or takes subject to such encumbrances.

II. COST OF THE AGREEMENT TO THE FORMER AGENCY AND THE COUNTY

The Property consists of 11 parcels that the Former Agency and Successor Agency assembled over a multi-year period. The following acquisition costs were incurred by the Former Agency and Successor Agency:

Assessor Parcel Number	Total Acquisition Cost
0231-021-76	$351,418
0231-021-48	$1,043,003
0231-021-82	$1,570,341
0231-021-83, 0231-021-84 [1]	$3,294,997
0231-021-24, 0231-021-32, 0231-021-54, 0231-021-55	$427,086
0231-021-25	$114,136
0231-021-57	$936,462
Total Property Acquisition Costs	$7,737,443

[1] The Former Agency utilized Bond Proceeds for the acquisition costs. The interest costs associated with these Bond Proceeds are included in the following table.

The Former Agency and Successor Agency incurred additional costs for services related to the demolition and maintenance of the Property, as well as accrued interest costs for the parcels purchased with Bond Proceeds. These costs are summarized as follows:

Demolition Costs	$200,936
Maintenance Costs	$77,000
Bond Interest Costs	$3,239,759
Total Additional Assemblage Costs	$3,517,695

As part of the negotiation of the Agreement and implementation of the Successor Agency's LRPMP, the County has also incurred transaction costs in the approximate amount of $175,000. These transaction costs include the costs for the negotiation and execution of required compensation agreements with other taxing entities, appraisal costs, legal costs, economic and financial consultant costs, and other administrative costs.

As such, the total costs incurred by the Former Agency, the Successor Agency, and the County are estimated at $11,430,138.

III. ESTIMATED VALUE OF THE INTERESTS TO BE CONVEYED DETERMINED AT THE HIGHEST USE PERMITTED UNDER THE PROPERTY'S ZONING

Section 52201 requires the County to identify the value of the interests being conveyed at the highest use permitted under the general plan and the zoning in place on the Property. The valuation must be based on the assumption that the Property is vacant, and that near-term development is required. The valuation does not take into consideration any extraordinary use, quality and/or income restrictions being imposed on the development by the County.

In a fair market value appraisal of the Property dated September 8, 2015, Wood & Associates set the As-Is market value of the Property at $7,760,000. This equates to approximately $13 per square foot of land area.

IV. ESTIMATED REUSE VALUE OF THE INTERESTS TO BE CONVEYED

The Agreement requires the Developer to purchase the Property for the appraised fair market value. However, the Developer will also be required to execute a 10-year Operating Covenant, which restricts the use of the Property to a commercial truck and trailer dealership and repair facility.

V. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE

The Developer will purchase the Property for $7.76 million, which is equal to the appraised value of the Property. As such, the County will receive compensation equal to the Property's fair market value at its highest and best use.

VI. CREATION OF ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE

Section 52200.2 states that "economic opportunity" means any of the following:

1. Development agreements that will create or retain at least one full-time equivalent, permanent job for every $35,000 of city, county or city/county investment in the project after full capacity and implementation.

2. Development agreements that increase property tax revenues to all property tax collecting entities. The agreement must result in at least a 15% increase in property tax revenue upon full implementation of the project when compared to the year prior to the property being acquired by the government entity.

3. The creation of affordable housing.

4. Projects that meet the goals in Chapter 728 of the Statutes of 2008, and have been included in an adopted sustainable communities strategy or alternative planning strategy or a project that specifically implements the goals of those adopted plans.

5. Transit priority projects as defined in Section 21555 of the Public Resources Code.

It should be noted that the purchase price being paid by the Developer for the Property is equal to the established fair market value at the highest use permitted by the Property's zoning, and that the County is not providing any direct financial assistance to the Project. However, the County has identified the provisions of the Agreement that comply with the definition of "economic opportunity" as defined in Section 52200.2:

A. Job Creation

The Project is projected to create 157 full-time equivalent (FTE) jobs at the Property upon completion and stabilization of the operations. It is anticipated that it will take approximately six years to reach full stabilization of operations and to meet the 157 FTE employment estimate. These jobs will occur in the following departments: service, parts, new truck sales, and administration/support. It is important to note that the Project will transfer some jobs from other locations in the County of San Bernardino. The Project is estimated to create a net increase of 101 FTE jobs within the County of San Bernardino. In addition, the Project will generate quality construction jobs.

B. Increase in Property Tax Revenues

The parcels that comprise Property were acquired over time by the Former Agency and Successor Agency. The assessed values of these parcels at the time of acquisition by the Former Agency or the Successor Agency are presented in the following table:

Assessor Parcel Number	Date of Purchase	Assessed Value
0231-021-76	July 14, 2008	$148,569
0231-021-48	March 6, 2009	$111,477
0231-021-82	September 3, 2009	$1,642,200
0231-021-83, 0231-021-84	September 3, 2009	$944,010
0231-021-24, 0231-021-32, 0231-021-54, 0231-021-55	June 30, 2011	$432,932
0231-021-25	July 28, 2011	$59,756
0231-021-57	March 15, 2012	$114,927
Total Assessed Value at Date of Purchase by the Former Agency or Successor Agency		$3,453,871

The sale of the Property to the Developer is estimated to cause the following increase in the property tax revenue:

Assessed Value at Date of Acquisition	$3,453,871	
Property Tax Rate	1.17%	
Estimated Property Tax Revenue		$40,400
Assessed Value after Sale to the Developer	$7,760,000	
Property Tax Rate	1.17%	
Estimated Property Tax Revenue		$90,800
Increase / (Decrease) in Property Tax Revenue		$50,400
% Change		125%

The Property generated approximately $40,400 in property tax revenue at the time the parcels were purchased by the Former Agency or the Successor Agency. Based on the purchase price to be paid by the Developer, the Property will generate approximately $90,800 in property tax revenue in its unimproved state. This equates to a $50,400, or approximately 125% increase. It is anticipated that the completion of the Project will further increase the Property's current assessed value. Thus, it can be concluded that the 15% increase in property taxes requirement set forth in Section 52200.2(b) will be satisfied.

C. Public Purpose

The Project will effectuate the objectives of the Redevelopment Plan by ameliorating blighting influences in the Project Area, including the elimination of underutilized or vacant lots, and increasing private investment and business development opportunities in the Project Area.