



**AGENDA**  
**CITY OF NORCO**  
**SPECIAL MEETING**  
**CITY COUNCIL/NORCO REDEVELOPMENT AGENCY**  
**CITY COUNCIL CHAMBERS**  
**2820 CLARK AVENUE, NORCO, CA 92860**  
**APRIL 13, 2011**

---

1. CALL TO ORDER: 5:00 p.m.
2. ROLL CALL:
  - Mayor Berwin Hanna
  - Mayor Pro Tem Kevin Bash
  - Council Member Kathy Azevedo
  - Council Member Greg Newton
  - Council Member Harvey C. Sullivan
3. PLEDGE OF ALLEGIANCE: Council Member Newton
4. PUBLIC COMMENTS OR QUESTIONS -- THIS IS THE TIME WHEN PERSONS IN THE AUDIENCE WISHING TO ADDRESS THE CITY COUNCIL REGARDING MATTERS ON THE AGENDA MAY SPEAK.
5. JOINT CITY COUNCIL/NORCO REDEVELOPMENT AGENCY PUBLIC HEARING:
  - A. Consideration of a Purchase and Sale Agreement between the City of Norco and the Norco Redevelopment Agency Related to the Silverlakes Property

*In order to facilitate the redevelopment of the Silverlakes Property (the "Property") and the creation of the Silverlakes Sports and Equestrian Park the Norco Redevelopment Agency ("Agency") is proposing to sell to the City of Norco ("City"), and the City will purchase from the Agency the Property. As the owner of the Property the City will be able to more efficiently effectuate the development of required flood mitigation and public infrastructure improvements, monitor and manage recreational usage and scheduling of the Project, and ensure the long-term stability of ownership and control of the Property.*

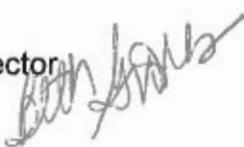
**Recommended Actions:**

- A. **Adopt CRA Resolution No. 2011-\_\_\_, making and approving certain findings and approvals under Section 33433 of the California health and Safety Code for the sale of the Silverlakes Property.**
  - B. **Adopt CRA Resolution No. 2011-\_\_\_, making and approving certain findings and approvals under Section 33679 of the California health and Safety Code for the sale of the Silverlakes Property.**
  - C. **Adopt Resolution No. 2011-\_\_\_, approving a Purchase and Sale Agreement related to the sale of the Silverlakes Property to the City of Norco.**
  - D. **Adopt CRA Resolution No. 2011-\_\_\_, approving a Purchase and Sale Agreement related to the sale of the Silverlakes Property to the City of Norco.**
6. ADJOURNMENT:

*In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Clerk's office, (951) 270-5623. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting (28 CFR 35.102-35.104 ADA Title II). Staff reports are on file in the Office of the City Clerk. Any writings or documents provided to a majority of the City Council regarding any item on this agenda will be available for public inspection at the Administration Counter in City Hall, located at 2870 Clark Avenue.*

## CITY OF NORCO STAFF REPORT

TO: Chairman and Members of the City of Norco Redevelopment Agency

FROM: Beth Groves, Executive Director 

DATE: April 13, 2011

SUBJECT: Summary 33433 Report regarding the Agency owned Silverlakes property

RECOMMENDATION: Hold a public hearing, and absent substantive public comment to the contrary, adopt a resolution accepting the findings of the Summary 33433 Report pursuant to the California Health and Safety Code Section 33433 pertaining to the sale of Silverlakes to the City so that Balboa Management Group, LLC, in cooperation with the City of Norco and City of Norco Redevelopment Agency, can move forward with the development of the Silverlakes Equestrian and Sports Park.

**SUMMARY:** In January of 2008, the City Council/Norco Redevelopment Agency ("City/Agency") approved a Memorandum of Understanding ("MOU") with Balboa Management Group, LLC ("Balboa") outlining the roles, expectations, goals and responsibilities of the parties related to the proposed development of a recreation and park facility on the Silverlakes site ("Silverlakes", "Property"). Subsequently, on March 4, 2009 the City/Agency approved Conditional Use Permit No. 2008-09 ("CUP") and certified the project EIR. Since that time, active negotiations have been underway which have resulted in the formulation of a purchase and sale agreement between the Redevelopment Agency (as the property owner) and the City, and a ground lease between the City and Balboa. California Health and Safety Code Section 33433 requires that prior to the sale or lease of Agency property for development a Summary 33433 report be prepared. This Summary 33433 report must identify:

- The costs to the agency (if any) of the lease; consideration the agency will receive under the sale or lease;
- The estimated fair market value to be conveyed through the sale or lease;
- The fair market value of the interest in the property to be conveyed at its highest and best use permitted;
- The estimated fair market value of the interest in the property to be conveyed in consideration of any terms or conditions imposed through the lease;
- If consideration received is less than fair market value at the highest and best use permitted, an explanation of the reasons why;
- An explanation of how the sale or lease of the property will assist in the elimination of blight.

Approval of this report by the City/Agency will allow the transaction between the City/Agency and Balboa to proceed and redevelopment of the Silverlakes Equestrian and Sports Park ("Project") to commence.

**BACKGROUND/ANALYSIS:** Pursuant to California Health and Safety Code Section 33433 a Summary 33433 report has been prepared for the purchase and sale transaction between the City of Norco and the City of Norco Redevelopment Agency. As discussed in the report, it is estimated that as of the anticipated transfer date the Agency will have incurred costs associated with the acquisition, financing, and maintenance of Silverlakes totaling \$9,394,620.

The Appraisal for the Property provided an opinion of value of \$5,301,000 for fee simple interest in the Property. As discussed in the 33433 report, development of the Project will require the construction of certain flood mitigation improvements, and public infrastructure improvements that are estimated to cost \$1,500,000, and \$5,900,000 respectively. These costs directly reduce the effective appraised value of the property, and as such the estimated value of the interest to be conveyed is \$-2,099,000.

Through the purchase and sale agreement the City will provide consideration of \$1 to the Agency for the Property, which is greater than the interest being conveyed of \$-2,099,000 in consideration of the flood mitigation improvements and public infrastructure improvements required for development of Project.

The sale of the Property to the City will ultimately assist in the elimination of economic blight as it will lead to the development of Silverlakes into an amenity which is anticipated to attract more than one million residents and visitors to Silverlakes and the City annually, promoting economic activity, and commercial growth within the City. A report titled "Silverlakes Equestrian Park Market Analysis" prepared on the Project in January of 2009 estimated that the Project will attract approximately 550,000 visitors in year one, growing to greater than 950,000 visitors by year five, resulting in \$37 million in direct expenditures in the City in year one of Project operation, growing to \$64 million in year five, and increasing thereafter.

That attached Summary Report, pursuant to Section 33433 of California Redevelopment Law was made available for public inspection along with a copy of the purchase and sale agreement as required by California Redevelopment Law.

**FISCAL IMPACT:** Based on the 33433 and 33679 reports prepared related to the proposed Agreement, it is estimated the that Agreement will result in the use of Agency funds for land acquisition, interest, maintenance, and other related expenses totaling \$9,394,619.

The direct fiscal impact to the City through the Agreement is comprised of the \$1 in consideration paid for the Property, plus ongoing maintenance of the Property. Maintenance of the Property since 2002 has totaled approximately \$230,000, or approximately \$29,000 per year. Should the City and Balboa enter into a ground lease

for the Property, it is anticipated that the City will no longer be responsible for such maintenance costs for the duration of the lease.

If Silverlakes is redeveloped for the Silverlakes Equestrian and Sports Park as proposed, the ultimate fiscal impact to the City will depend on the cost to the City of flood mitigation improvements and public improvements required to develop the Project. While the Agreement does not require the City to construct such improvements, the redevelopment of the Property for the Project would require such improvements prior to redevelopment. These improvements are anticipated to include certain flood mitigation improvements estimated to cost \$1,500,000, and certain roadway, sewer, gas, water, and other public improvements estimated to costs \$5,900,000. Funding sources for these improvements are expected to include revenues to be generated from the lease of the Property, utility revenues, and incremental sales tax revenues resulting from the Project. As a result of these revenues, and the economic activity anticipated to be generated by the Project, the development of the Silverlakes Equestrian and Sports Park is expected to result in a net positive fiscal impact for the City of Norco.

/bj-78201

Attachments: Summary 33433 Report

CRA Resolution No. 2011-\_\_

**SUMMARY REPORT PURSUANT TO SECTION 33433 OF THE CALIFORNIA COMMUNITY REDEVELOPMENT LAW IN CONNECTION WITH A PURCHASE AND SALE AGREEMENT BY AND BETWEEN THE CITY OF NORCO REDEVELOPMENT AGENCY AND THE CITY OF NORCO**

**I. BACKGROUND**

Section 33433 of the Community Redevelopment Law of the State of California (California Health and Safety Code, Sections 33000 et. seq.) provides that before any property owned by a Redevelopment Agency acquired in whole or in part, directly or indirectly, with tax increment funds, is sold or leased for development pursuant to the redevelopment plan, the proposed sale or lease must first be approved by resolution of the legislative body after a legally noticed 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 shall be available for public inspection prior to the public hearing.

Pursuant to Section 33433, the summary report must include the following information:

- The cost of the agreement to the agency including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the agency plus the expected interest on any loans or bonds to finance the agreement;
- The estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the plan;
- 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;
- The purchase price or present value of the lease payments which the lessor will be required to make during the term of the lease. If the sale price or total lease amount 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 agency shall provide as part of the summary an explanation of the reasons for the difference; and
- An explanation of why the sale or lease of the property will assist in the elimination of blight, with reference to all supporting facts and materials relied upon in making this explanation.

This report outlines the pertinent points of the proposed Purchase and Sale Agreement ("Agreement") by and between the City of Norco Redevelopment Agency ("Agency") and the City of Norco ("City"), pursuant to which the Agency will sell to the City approximately 122 contiguous acres of land in the City of Norco, County of Riverside, State of California, commonly known as Silverlakes ("Property") identified by County of Riverside Assessor Parcel Numbers 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-011-7, and 152-070-002-9. The City then intends to lease the Property through a ground lease to Balboa Management Group, LLC ("Balboa") which will undertake the redevelopment and management thereof as a public park with recreation uses including an equestrian facility, soccer fields and other sports and related amenities ("Silverlakes Sports and Equestrian Park" or "Project").

## II. REPORT ORGANIZATION

This report is based upon information in the proposed Agreement and is organized into the following seven sections:

- **Summary of the Proposed Agreement** – This section includes a description of the Project, and pertinent responsibilities of the Agency and the City;
- **Cost of the Proposed Agreement to the Agency** – This section summarizes the costs of the Agreement to the Agency for costs associated with the Agreement between the Agency and the City;
- **Estimated Value of the Interest to be Conveyed Determined at the Highest and Best Use Permitted Under the Redevelopment Plan** – This section estimates the value of the interest to be conveyed, determined at the highest and best use permitted under the Redevelopment Plan for Redevelopment Project Area No. 1 ("Project Area");
- **Estimated Reuse Value of the Interest to be Conveyed** – This section summarizes the estimated value of the interest to be conveyed given the requirements within the Agreement;
- **Consideration Received and Comparison with the Established Value** – This section includes a description of the consideration to be paid by the City to the Agency, and explains any difference between the consideration to be received and the estimated value of the interest to be conveyed determined at the highest and best use permitted under the Redevelopment Plan;
- **Elimination of Blight** – This section describes how the Agreement will assist in the elimination of blight and the supporting facts and materials;
- **Conformance with the AB1290 Five-Year Implementation Plan** – This section describes how the Agreement is in conformance and achieves the goals identified in the Agency's adopted AB1290 Implementation Plan.

## III. SUMMARY OF THE PROPOSED AGREEMENT

### A. Project Description

As previously described, through the Agreement the Agency intends to sell the Property to the City. The City in turn intends to lease the Property to Balboa to implement the Project. The Agreement evaluated herein does not require the City to lease the Property, or ensure the Project is developed; however information about the Project is included for reference. The Project consists of the redevelopment of the Property into a public park with recreation uses including an equestrian facility, soccer fields and other sports and related amenities. As currently proposed, Project amenities will include:

33433 Report  
Silverlakes Purchase & Sale Agreement  
April 13, 2011

- Up to six sand rings for horseback riding or sand sports
- Up to 12 225' x 360' artificial turf fields
- Lighting for 12 or more fields
- Up to 13 225' x 360' natural turf fields
- All sewer, gas, electrical, irrigation, water, and associated infrastructure
- Portable and permanent bathrooms
- A large freeway sign
- A multi-purpose building or covered arena with a foot print of up to ±135,000 square feet
- Circulation roads and parking for 2,283 vehicles.

**B. City Responsibilities Under the Agreement**

The Agreement requires that the City complete the following activities:

1. The City will purchase the Property from the Agency for consideration of \$1.
2. The City will make the site available for redevelopment into a recreational facility as described above in Section III. A. Project Description.

**C. Agency Responsibilities Under the Agreement**

Under the Agreement, the Agency is responsible for the following activities:

1. The Agency will sell the Property and all rights and obligations appurtenant thereto to the City.

**IV. COST OF THE PROPOSED AGREEMENT TO THE AGENCY**

The Agency's cost under the agreement is comprised of the original cost of acquiring the land, the interest expense over the period held, and Property maintenance activities completed by or on behalf of and funded by the Agency to date. The City purchased the Property on June 14, 2002 with a \$5,500,000 loan from the Agency funded by the Agency's 2001 Tax Allocation Refunding Bonds. On June 16, 2004 the City transferred title to the Property to the Agency as repayment of the loan.

In addition to the original land purchase price of \$5,506,586, the Agency paid for site clearing activities beginning in June of 2005 totaling \$142,420, fencing in June of 2005 totaling \$80,000, clearing by goats in July of 2006 totaling \$7,000, back taxes totaling \$120,998 and an estimated \$3,537,616 in accrued interest through April 13, 2011. Total Agency expenditures related to the Property including expected interest paid as of the anticipated transfer date is estimated to be \$9,394,620. Under the Agreement the City will pay the Agency consideration of \$1.00.

As such, the total cost of the proposed transaction to the Agency including all holding, maintenance, and interest expense is estimated to total \$9,394,619.

**V. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED DETERMINED AT THE HIGHEST AND BEST USE PERMITTED UNDER THE REDEVELOPMENT PLAN**

The Property is outside the Project Area (the only project area of the Agency) and as such use of the Property is not specifically addressed in the Redevelopment Plan. The highest and best use contemplated and evaluated is the highest and best use to the City and Agency, permitted under anticipated City zoning code, in consideration of a deed restriction, and in consideration of all other governmental restrictions on the Property. The highest and best use to the Agency and City permitted under the Redevelopment Plan is determined to be the same as and equal to the fair market value of the Property utilized for the Project. Additional discussion of the determination highest and best use of the Property and the resulting Property value can be found in the Broker's Opinion of Value prepared for the Property by Kosmont Realty Corp. dated March 22, 2011.

One factor limiting acceptable uses of the Property, and therefore the valuation of the Property is a deed restriction ("Deed Restriction") that was placed on the property as a term of the City's acquisition in 2002. Among other terms, the Deed Restriction states the following:

*"No portion of the Property described in this quitclaim deed shall be used by the City, or by any successor in interest to the City, or any other public agency or private party, for any purpose other than for public park, recreational and open space purposes, save and except for the construction of a public road way which is to be permitted across the extreme northernmost boundary of the Property, encroaching no more than 100' into said Property at any location. The property shall not be used for residential purposes (other than public camp grounds) or for commercial purposes (other than for common park related activities such as refreshment stands, horse boarding stables, and other park related concession operations to serve park users which are commonly granted by cities in California.)"*

The highest and best use of the Property is therefore restricted to a public park, recreational, and/or open space use in conformance with the zoning for the Property.

On January 11, 2007, an appraisal ("Appraisal") of the Property was prepared by Himes and Himes, Inc. which estimated the value of the Property in "as is" condition to be \$6,608,000. The Appraisal assumed that the use of a ten acre portion of the Property for commercial development would be acceptable under the Deed Restriction. The opinion of value of the land under a commercial use was \$4.00 per square foot. The remainder of the property was appraised as open space, and an opinion of value as open space of \$1.00 per square foot was provided. It may be considered unlikely that commercial use of any portion of the Property would be permitted under the Deed Restriction, and the City intends to validate that conclusion in a subsequent court validation action. Based on the foregoing, the entire Property or 121.7 acres of land (per the Appraisal) should be valued at \$1.00 per square foot, or \$5,301,000 (rounded to the nearest thousand pursuant to the Appraisal methodology). The appraisal was completed approximately four years ago, and based on real estate valuation trends, this valuation likely represents a conservative (higher) valuation for the purposes of this 33433 analysis, but remains subject to adjustment based on the additional considerations described below.

In December of 2010, and subsequent to the preparation of the Appraisal, a significant weather event resulted in major inundation and flooding of the Property. The level of inundation was significantly greater than outcomes predicted by previous engineering studies prepared for the Property. Had the Project already been developed as proposed, the flooding of the Property would likely have resulted in several million dollars, to tens of millions of dollars in damages to the proposed Project improvements, and potentially the Public Infrastructure Improvements. Further, without investment in considerable improvements ("Flood Mitigation Improvements") to help reduce the potential risk of damages from similar weather events both on and proximate to the Property, similar future weather events would predictably result in damages of similar or greater scale.

With the actual knowledge of the potential threat of flooding from another similar or larger weather event in the future, development of the Project and Property as originally proposed is no longer financeable or insurable. In order to further the economic benefit and utilization of the Property for development of the Project as desired, considerable Flood Mitigation Improvements must now be completed both on and proximate to the Property prior to use of the Property for the proposed Project. These required Flood Mitigation Improvements are estimated to cost \$1,500,000 and directly reduce the appraised value discussed above.

In addition to the required Flood Mitigation Improvements, the propose use of the Property for the Project is contingent on the construction of the Public Infrastructure Improvements. These improvements including certain roadway, sewer, gas, water, and other public improvements are estimated to costs \$5,900,000 in addition to the Flood Mitigation Improvements, and also directly reduce the appraised value discussed above.

Under the Agreement, the Agency will sell the Property to the City in its current "as is" condition. However, as discussed as condition precedent to the development of the Property for the Project, the Flood Mitigation Improvements and Public Infrastructure Improvements must be completed, and this directly impairs the value of the interest being conveyed.

The value of the interest to be conveyed determined at the highest and best use is determined to be the value pursuant to the Appraisal less the costs of the Flood Mitigation Improvements and the Public Infrastructure Improvements. As such, the current value of the interest to be conveyed determined at the highest and best use is determined to be the value pursuant to the Appraisal (\$5,301,000), less the estimated \$1,500,000 cost of the required Flood Mitigation Improvements, less the estimated \$5,900,000 cost of the required Public Infrastructure Improvements, or a net total of \$-2,099,000.

## **VI. ESTIMATED REUSE VALUE OF THE INTEREST TO BE CONVEYED**

The proposed reuse of the Property for the Project is the highest and best use to the Agency and City of the Property permitted. Therefore, the estimated reuse value of the interest to be conveyed is determined to be the same as the estimated value of the interest to be conveyed determined at the highest and best use permitted, or \$-2,099,000.

## **VII. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTABLISHED VALUE**

Under the proposed Agreement and in consideration of the required Flood Mitigation Improvements, and the Public Infrastructure Improvements, the City will purchase the property from the Agency for \$1 (one-dollar). This value is greater than the established reuse value of the interest to be conveyed of \$-2,099,000, and similarly greater than the estimated fair market value of the interest to be conveyed under the highest and best use to the Agency and City of \$-2,099,000.

## **VIII. ELIMINATION OF BLIGHT**

The Agreement will help eliminate economic blight within the Project Area. The Mid-Term Update of the Five Year Implementation Plan 2005-2009 for Redevelopment Project Area No. 1 found that several physical, economic, and public infrastructure blighting conditions remain within the Project Area. Of the remaining blighting conditions, implementation of the Agreement will ultimately help eliminate several economic blighting conditions including abnormally high business vacancies, low lease rates or high number of abandoned buildings, and a serious lack of commercial facilities. Implementation of the Agreement will help eliminate these conditions as it will lead to the development of the Property into an amenity which is ultimately anticipated to attract more than one million residents and visitors to the Property and City annually, promoting economic activity, and commercial growth within the City. Further, a report titled "Silverlakes Equestrian Park Market Analysis" prepared on the Project in January of 2009 estimated that the Project will attract approximately 550,000 visitors in year one, growing to greater than 950,000 visitors by year five, resulting in \$37 million in direct expenditures in the City in year one of Project operation, growing to \$64 million in year five, and increasing thereafter.

## **IX. CONFORMANCE WITH THE AB1290 FIVE-YEAR IMPLEMENTATION PLAN**

While the Property is not in the Project Area, the Agreement is in conformance with the Mid-Term Update of the 2005-2009 Five Year Implementation Plan. The mid-term update of the plan indicates that one of the accomplishments of the Agency has been the continued promotion of the development of the Property into a world class equestrian and sports recreational facility. This Agreement helps to ensure that the development of the Property into a world class equestrian and sports recreational facility occurs. Additionally, one of the stated goals of the plan is to encourage economic development. As discussed in Section VIII Elimination of Blight above, it is anticipated the Project will ultimately attract more than one million residents and visitors to the Property and City annually, directly generating economic activity within the Project Area.

/bj-78204

## **CRA RESOLUTION NO. 2011-\_\_\_\_\_**

### **RESOLUTION OF THE CITY OF NORCO REDEVELOPMENT AGENCY MAKING AND APPROVING CERTAIN FINDINGS AND APPROVALS UNDER SECTION 33433 OF THE CALIFORNIA HEALTH AND SAFETY CODE FOR THE SALE OF SILVERLAKES**

WHEREAS, on January 2, 1980 the City Council of the City of Norco ("City Council") adopted Ordinance No. 434 establishing the City of Norco Redevelopment Agency ("Agency"); and

WHEREAS, the Agency is a redevelopment agency formed, existing and exercising its powers pursuant to California Community Redevelopment Law, Health and Safety Code Section 33000 *et seq.* (the "law"); and

WHEREAS, by Ordinance No. 458, adopted on July 15, 1981, the City Council established the Redevelopment Project Area No. 1 ("Project Area") and adopted the Redevelopment Plan for the Project Area (as subsequently amended, "Redevelopment Plan"); and

WHEREAS, the Agency is responsible for implementation of the Redevelopment Plan for the Project Area, and the Redevelopment Plan sets forth a plan for redevelopment of the Project Area; and

WHEREAS, the goals for the Redevelopment Plan generally include the alleviation of blighting conditions, specifically including abnormally high business vacancies, low lease rates or high number of abandoned buildings, and a serious lack of commercial facilities; and

WHEREAS, in 2004 the Agency obtained fee title to approximately 122 contiguous acres of land in the City of Norco, County of Riverside, State of California, commonly known as Silverlakes ("Property") identified by County of Riverside Assessor Parcel Numbers 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-011-7, and 152-070-002-9; and

WHEREAS, the productive economic use of the Property will benefit the Project Area; and

WHEREAS, the Agency is authorized to convey interest in real property under Sections 33431 and 33433 of the Health and Safety Code upon the consent of the Agency in furtherance of the implementation of the Redevelopment Plan; and

WHEREAS, the Agency is interested in selling the Property to the City of Norco ("City") to further the Agency's goals of ameliorating blight in the Project Area; and

WHEREAS, the City is interested in purchasing the Property for the purposes of furthering the goals of the Redevelopment Plan and the productive economic use of the Property by leasing the Property to a third-party to facilitate the redevelopment and management thereof as a public park with recreation uses including an equestrian facility, soccer fields and other sports and related amenities; and

WHEREAS, the Agency is interested in selling the Property through a purchase and sale agreement ("Agreement") the terms and conditions of which the Agency and the City have diligently negotiated; and

WHEREAS, the sale of the Property pursuant to the Agreement furthers the goals of the Agency set forth in the Redevelopment Plan; and

WHEREAS, the Agency has duly considered all of the terms and conditions of the proposed Agreement and believes that the sale of the Property pursuant to the Agreement is in the best interests of the City and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements; and

WHEREAS, pursuant to California Health and Safety Code Section 33433 prior to entering into the Agreement providing for the sale of the Premises to the City, the Agency prepared a summary report ("33433 Report") of the proposed Agreement and transaction in accordance with Section 33433 of the Law; and

WHEREAS, the Agency has placed on file a copy of the Agreement, and the 33433 Report prepared in accordance with the Law, and has made the Agreement and the 33433 Report available for public inspection and copying pursuant to Section 33433 of the Law. The 33433 Report is incorporated into this Resolution by this reference; and

WHEREAS, a public hearing of the Agency on the proposed Agreement, held on April 13, 2011 was duly noticed in accordance with the requirements of Health and Safety Code Sections 33431 and 33433; and

WHEREAS, pursuant to the 33433 Report, the cost of the Agreement to the Agency is estimated to be \$9,394,619, the value of the interest to be conveyed determined at the highest and best use to the Agency and City permitted under the redevelopment plan and the reuse value is estimated to be \$-2,099,000, and the consideration received by the Agency of \$1 is greater than both.

NOW THEREFORE, BE IT RESOLVED that the Agency hereby accepts that the above recitals are accurate and have served together with the Staff Report and the 33433 Report, as the basis for the findings and approvals set forth in this Resolution; and

BE IT FURTHER RESOLVED that the Agency hereby accepts the 33433 Report which provide supplemental information regarding the Agreement; and

BE IT FURTHER RESOLVED that the Agency hereby finds that the sale of the Property will assist in the elimination of blight, is consistent with the Redevelopment Plan for the Project Area and that the consideration provided to the Agency is not less than the fair market value at its highest and best use to the Agency and City in accordance with the Redevelopment Plan; and

BE IT FURTHER RESOLVED, that this Resolution shall take effect from and after its date of passage, approval and adoption; and

BE IT FURTHER RESOLVED that the Agency Secretary shall certify to the adoption of this Resolution.

PASSED, APPROVED AND ADOPTED by the Norco Redevelopment Agency at a special meeting held on April 13, 2011.

\_\_\_\_\_  
Chairman, Norco Redevelopment Agency

ATTEST:

\_\_\_\_\_  
Brenda K. Jacobs, CMC, Secretary  
Norco Redevelopment Agency

April 13, 2011

I, Brenda K. Jacobs, Secretary of the Norco Redevelopment Agency, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the Norco Redevelopment Agency at a special meeting thereof held on April 13, 2011 by the following vote of the Norco Redevelopment Agency:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Norco Redevelopment Agency on April 13, 2011.

---

Brenda Jacobs, CMC, Secretary  
Norco Redevelopment Agency

/bj-78202

## CITY OF NORCO STAFF REPORT

TO: Chairman and Members of the City of Norco Redevelopment Agency

FROM: Beth Groves, Executive Director 

DATE: April 13, 2011

SUBJECT: Summary 33679 Report regarding the Agency owned Silverlakes property

RECOMMENDATION: Hold a public hearing, and absent substantive public comment to the contrary, adopt a resolution accepting the findings of the Summary 33679 Report pursuant to the California Health and Safety Code Section 33679 pertaining to the sale of Silverlakes to the City so that Balboa Management Group, LLC, in cooperation with the City of Norco and City of Norco Redevelopment Agency, can move forward with the development of the Silverlakes Equestrian and Sports Park

**SUMMARY:** In January of 2008, the City Council/Norco Redevelopment Agency ("City/Agency") approved a Memorandum of Understanding ("MOU") with Balboa Management Group, LLC ("Balboa") outlining the roles, expectations, goals and responsibilities of the parties related to the proposed development of a recreation and park facility on the Silverlakes property ("Silverlakes", "Property"). Subsequently, on March 4, 2009 the City/Agency approved Conditional Use Permit No. 2008-09 ("CUP") and certified the project EIR. Since that time, active negotiations have been underway which have resulted in the formulation of a purchase and sale agreement between the Redevelopment Agency (as the property owner) and the City, and a ground lease between the City and Balboa. California Health and Safety Code Section 33679 requires that before an agency commits to use agency tax increment funds for the purpose of paying for all or part of the value of the land for, and the cost of installation and construction of certain publicly-owned improvements such as a publicly-owned building, the legislative body shall hold a public hearing. A summary report that describes and contains specific financing elements of the proposed transaction shall be available for public inspection prior to the public hearing. The summary report shall contain estimates of the amount of agency tax increment funding "Agency funds" to be used to pay for such land and construction of any publicly-owned building, including interest payments, set forth the facts supporting the determinations required to be made by the legislative body pursuant to Section 33445, and set forth the redevelopment purpose for which such taxes are being used to pay for the land and construction of such publicly-owned building. Approval of this report by the City/Agency will allow the transaction between the City/Agency and Balboa to proceed and redevelopment of the Silverlakes Equestrian and Sports Park ("Project") to commence.

**BACKGROUND/ANALYSIS:** Pursuant to California Health and Safety Code Section 33679 a Summary 33679 report has been prepared which identifies the Agency's financial contributions in the transaction involving the Property. It is estimated that as of the anticipated transfer date, a total of \$9,394,619 in Agency Funds will be utilized for the acquisition, maintenance and financing of the Property.

As part of the proposed Project, Balboa anticipates paying for and constructing a multi-purpose building on the Property. Should the multi-purpose building and other constructed facilities and improvements (e.g., rest rooms, maintenance/equipment storage buildings) survive the duration of the proposed ground lease, title to the multi-purpose building and other facilities will revert to the City. While the multi-purpose building and other ancillary structures may ultimately be a publicly-owned building no Agency Funds will be directly used for their construction.

The use of Agency Funds will benefit the Redevelopment Project Area No. 1 ("Project Area") as it will lead to the development of the Property into an amenity which is ultimately anticipated to attract more than one million residents and visitors to the Property and City annually, promoting economic activity, and commercial growth within the Project Area. A report titled "Silverlakes Equestrian Park Market Analysis" prepared on the Project in January of 2009 estimated that the Project will attract approximately 550,000 visitors in year one, growing to greater than 950,000 visitors by year five, resulting in \$37 million in direct expenditures in the City in year one of Project operation, growing to \$64 million in year five, and increasing thereafter.

Agency Funds are being utilized for the acquisition and financing of the Property as there are no other reasonable alternative financing options. The City extensively sought out other financing sources including the use of the City's General Fund, park funds, grants, and other opportunities. The City found that other funds were not available, and/or insufficient to support the development of the Property into a park, and found that Agency Funds in conjunction with the use of private investment through the sale of the Property to the City, and ground lease to Balboa represent the best source of funds for the acquisition and financing of the Property, and ultimately development of the Project.

The use of Agency Funds will help eliminate economic blight within the Project Area. The Mid-Term Update of the Five Year Implementation Plan 2005-2009 for Redevelopment Project Area No. 1 found that several physical, economic, and public infrastructure blighting conditions remain within the Project Area. Of the remaining blighting conditions, the sale will ultimately help eliminate several economic blighting conditions including abnormally high business vacancies, low lease rates or high number of abandoned buildings, and a serious lack of commercial facilities. The use of Agency Funds provides for the sale to the City and ground lease to Balboa and will help eliminate these conditions as it will lead to the development of the Property into an amenity which as previously discussed, is ultimately anticipated to attract more than one million residents and visitors to the Property and City annually, promoting economic activity, and commercial growth within the City.

While the Property is not in the Project Area, the sale is in conformance with the Mid-Term Update of the 2005-2009 Five Year Implementation Plan. The mid-term update of the plan indicates that one of the accomplishments of the Agency has been the continued promotion of the development of the Property into a world class equestrian oriented recreational facility. The sale helps to ensure that the development of a world class equestrian oriented recreational facility on the Property occurs. Additionally, one of the stated goals of the plan is to encourage economic development. As discussed above in Section V Benefit to the Project Area, and Section VII Elimination of Blight, it is anticipated that the Project will ultimately attract more than one million residents and visitors to the Property and City annually, directly generating economic activity development within Redevelopment Project Area No.1.

That attached Summary Report, pursuant to Section 33679 of California Redevelopment Law was made available for public inspection along with a copy of the lease as required by California Redevelopment Law.

**FISCAL IMPACT:** Based on the 33433 and 33679 reports prepared related to the proposed Agreement, it is estimated the that Agreement will result in the use of Agency funds for land acquisition, interest, maintenance, and other related expenses totaling \$9,394,619.

The direct fiscal impact to the City through the Agreement is comprised of the \$1 in consideration paid for the Property, plus ongoing maintenance of the Property. Maintenance of the Property since 2002 has totaled approximately \$230,000, or approximately \$29,000 per year. Should the City and Balboa enter into a ground lease for the Property, it is anticipated that the City will no longer be responsible for such maintenance costs for the duration of the lease.

If Silverlakes is redeveloped for the Silverlakes Equestrian and Sports Park as proposed, the ultimate fiscal impact to the City will depend on the cost to the City of flood mitigation improvements and public improvements required to develop the Project. While the Agreement does not require the City to construct such improvements, the redevelopment of the Property for the Project would require such improvements prior to redevelopment. These improvements are anticipated to include certain flood mitigation improvements estimated to cost \$1,500,000, and certain roadway, sewer, gas, water, and other public improvements estimated to costs \$5,900,000. Funding sources for these improvements are expected to include revenues to be generated from the lease of the Property, utility revenues, and incremental sales tax revenues resulting from the Project. As a result of these revenues, and the economic activity anticipated to be generated by the Project, the development of the Silverlakes Equestrian and Sports Park is expected to result in a net positive fiscal impact for the City of Norco.

/bj-78200

Attachments: Summary 33679 Report

CRA Resolution No. 2011-\_\_

**SUMMARY REPORT PURSUANT TO SECTION 33679 OF THE CALIFORNIA COMMUNITY REDEVELOPMENT LAW IN CONNECTION WITH A PURCHASE AND SALE AGREEMENT BY AND BETWEEN THE CITY OF NORCO REDEVELOPMENT AGENCY AND THE CITY OF NORCO**

**I. BACKGROUND**

This summary report has been prepared by the City of Norco Redevelopment Agency ("Agency") pursuant to Section 33679 of the California Health and Safety Code regarding the use of Agency tax increment funds (the "Agency Funds") for the acquisition and financing of the approximately 122 contiguous acres of land in the City of Norco ("City"), County of Riverside, State of California, commonly known as Silverlakes ("Property") identified by County of Riverside Assessor Parcel Numbers 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-011-7, and 152-070-002-9.

Section 33679 of the Community Redevelopment Law of the State of California (California Health and Safety Code, Sections 33000 et. seq.) provides that before an agency commits to use agency tax increment funds for the for the purpose of paying for all or part of the value of the land for, and the cost of the installation and construction of certain publicly-owned improvements such as a publicly-owned building, the legislative body shall hold a public hearing. A summary report that describes and contains specific financing elements of the proposed transaction shall be available for public inspection prior to the public hearing. The summary report shall contain estimates of the amount of agency tax increment funding to be used to pay for such land and construction of any publicly-owned building, including interest payments, set forth the facts supporting the determinations required to be made by the legislative body pursuant to Section 33445, and set forth the redevelopment purpose for which such taxes are being used to pay for the land and construction of such publicly-owned building.

This report outlines the pertinent points of the proposed Purchase and Sale Agreement ("Agreement") by and between the Agency and the City pursuant to which the Agency will sell the Property to the City. The City then intends to lease the Property through a ground lease to Balboa Management Group, LLC ("Balboa") which will undertake the redevelopment and management of the Property as a public park with recreation uses including an equestrian facility, soccer fields and other sports and related amenities ("Silverlakes Sports and Equestrian Park" or "Project").

**II. REPORT ORGANIZATION**

This report is based upon information in the proposed Agreement and is organized into the following six sections:

- **Summary of the Proposed Agreement** – This section includes a description of the Agreement and the Project;
- **Estimate of Total Agency Funds Utilized** – This section includes an estimate of the amount of Agency Funds to be used to pay for the acquisition and financing of the Property;

- **Benefit to Project Area** – This section discusses the redevelopment purpose for which Agency Funds are being used how the acquisition and financing of the Property benefits the project area or the immediate neighborhood in which the Project is located;
- **No Reasonable Alternative Financing Options** – This section discusses how no other reasonable means of financing the acquisition of the Property exists for the community;
- **Elimination of Blight** – This section describes the existing conditions on the Property and includes an explanation of how use of Agency Funds for the acquisition and financing of the Property will assist in the elimination of blight and the supporting facts and materials;
- **Conformance with the AB1290 Five-Year Implementation Plan** – This section describes how the Agreement is in conformance and achieves the goals identified in the Agency's adopted AB1290 Implementation Plan.

### III. SUMMARY OF THE PROPOSED AGREEMENT

As previously described, through the Agreement the Agency intends to sell the Property to the City. The City in turn intends to lease the Property to Balboa to implement the Project. The Agreement evaluated herein does not require the City to lease the Property, or ensure the Project is developed; however information about the Project is included for reference. The Project consists of the redevelopment of the Property into a public park with recreation uses including an equestrian facility, soccer fields and other sports and related amenities. As currently proposed Project amenities will include:

- Up to six sand rings for horseback riding or sand sports
- Up to 12 225' x 360' artificial turf fields
- Lighting for 12 or more fields
- Up to 13 225' x 360' natural turf fields
- All sewer, gas, electrical, irrigation, water, and associated infrastructure
- Portable and permanent bathrooms
- A large freeway sign
- A multi-purpose building or covered arena with a foot print of up to ±135,000 square feet
- Circulation roads and parking for 2,283 vehicles.

At the end of the term of the proposed lease between the City and Balboa, these proposed improvements may become publically owned. As Agency funds and the Agency's sale of the Property to the City facilitates this transaction, and thus the transaction may ultimately result in the delivery of public facilities and improvements supported by Agency funds, this 33679 report was prepared.

### IV. ESTIMATE OF TOTAL AGENCY FUNDS UTILIZED

The total amount of Agency Funds utilized under the agreement is comprised of the cost of acquiring the land, the interest expense over the period held, and Property maintenance activities completed by or on behalf of and funded by the Agency to date less consideration to be paid by the City. The City purchased the Property on June 14, 2002 with a \$5,500,000 loan from the Agency funded by the Agency's 2001 Tax Allocation Refunding Bonds. On June 16, 2004 the City transferred title to the Property to the Agency as repayment of the loan.

In addition to the original land purchase price of \$5,506,586, the Agency paid for site clearing activities beginning in June of 2005 totaling \$142,420, fencing in June of 2005 totaling \$80,000, clearing by goats in July of 2006 totaling \$7,000, back taxes totaling \$120,998 and an estimated \$3,537,616 in accrued interest through April 13, 2011. Total Agency expenditures related to the Property including expected interest paid as of the anticipated transfer date is estimated to be \$9,394,620.

Under the Agreement the City will pay consideration to the Agency of \$1. The value of Agency Funds to be used under the Agreement is the difference between the total Agency expenditures related to the Property of \$9,394,620 and the value of consideration received by the Agency under the Agreement of \$1. As such, the total value of Agency Funds utilized for the acquisition and financing of the Property as of the anticipated transfer date is \$9,394,619.

As part of the proposed Silverlakes Sports and Equestrian Park, Balboa anticipates paying for and constructing a multi-purpose building on the Property. Should the multi-purpose building and other constructed facilities (e.g., rest rooms, maintenance/equipment storage buildings) survive the duration of the Agreement, title to the multi-purpose building and other facilities will revert to the Agency at the end of the term of the Agreement. While the multi-purpose building and other ancillary structures and improvements may ultimately be publicly owned, no Agency Funds will be used for their construction.

## **V. BENEFIT TO PROJECT AREA**

The use of Agency Funds will benefit the Redevelopment Project Area No. 1 ("Project Area") as it will lead to the development of the Property into an amenity which is ultimately anticipated to attract more than one million residents and visitors to the Property and City annually, promoting economic activity, and commercial growth within the Project Area. Further, a report titled "Silverlakes Equestrian Park Market Analysis" prepared on the Project in January of 2009 estimated that the Project will attract approximately 550,000 visitors in year one, growing to greater than 950,000 visitors by year five, resulting in \$37 million in direct expenditures in the City in year one of Project operation, growing to \$64 million in year five, and increasing thereafter.

## **VI. NO REASONABLE ALTERNATIVE FINANCING OPTIONS**

Agency Funds for the acquisition and financing of the Property are being utilized as there are no other reasonable alternative financing options. The City extensively sought out other financing sources including the use of the City's General Fund, park funds, grants, and other opportunities. The City found that other funds were not available, and/or insufficient to support the development of the Property into a park, and found that Agency Funds in conjunction with

the use of private investment ultimately facilitated through the Agreement represent the best source of funds for the acquisition and financing the Property, and ultimate development of the Project.

#### **VII. ELIMINATION OF BLIGHT**

The use of Agency Funds will help eliminate economic blight within the Project Area. The Mid-Term Update of the Five Year Implementation Plan 2005-2009 for Redevelopment Project Area No. 1 found that several physical, economic, and public infrastructure blighting conditions remain within the Project Area. Of the remaining blighting conditions, implementation of the Agreement will ultimately help eliminate several economic blighting conditions including abnormally high business vacancies, low lease rates or high number of abandoned buildings, and a serious lack of commercial facilities. The use of Agency Funds provides for the implementation of the Agreement and will help eliminate these conditions as it will lead to the development of the Property into an amenity which as previously discussed, is ultimately anticipated to attract more than one million residents and visitors to the Property and City annually, promoting economic activity, and commercial growth within the City. Further, a report titled "Silverlakes Equestrian Park Market Analysis" prepared on the Project in January of 2009 estimated that the Project will attract approximately 550,000 visitors in year one, growing to greater than 950,000 visitors by year five, resulting in \$37 million in direct expenditures in the City in year one of Project operation, growing to \$64 million in year five, and increasing thereafter.

#### **VIII. CONFORMANCE WITH THE AB1290 FIVE-YEAR IMPLEMENTATION PLAN**

While the Property is not in the Project Area, the Agreement is in conformance with the Mid-Term Update of the 2005-2009 Five Year Implementation Plan. The mid-term update of the plan indicates that one of the accomplishments of the Agency has been the continued promotion of the development of the Property into a world class equestrian and sports recreational facility. This Agreement helps to ensure that the development of a world class equestrian and sports recreational facility on the Property occurs. Additionally, one of the stated goals of the plan is to encourage economic development. As discussed above in Section V Benefit to the Project Area, and Section VII Elimination of Blight, it is anticipated the Project will ultimately attract more than one million residents and visitors to the Property and City annually, directly generating economic activity development within Redevelopment Project Area No.1.

/bj-78205

## **CRA RESOLUTION NO. 2011-\_\_\_\_\_**

### **RESOLUTION OF THE CITY OF NORCO REDEVELOPMENT AGENCY MAKING AND APPROVING CERTAIN FINDINGS AND APPROVALS UNDER SECTION 33679 OF THE CALIFORNIA HEALTH AND SAFETY CODE FOR THE SALE OF SILVERLAKES**

WHEREAS, on January 2, 1980 the City Council of the City of Norco ("City Council") adopted Ordinance No. 434 establishing the City of Norco Redevelopment Agency ("Agency"); and

WHEREAS, the Agency is a redevelopment agency formed, existing and exercising its powers pursuant to California Community Redevelopment Law, Health and Safety Code Section 33000 *et seq.* (the "law"); and

WHEREAS, by Ordinance No. 458, adopted on July 15, 1981, the City Council established the Redevelopment Project Area No. 1 ("Project Area") and adopted the Redevelopment Plan for the Project Area (as subsequently amended, "Redevelopment Plan"); and

WHEREAS, the Agency is responsible for implementation of the Redevelopment Plan for the Project Area, and the Redevelopment Plan sets forth a plan for redevelopment of the Project Area; and

WHEREAS, the goals for the Redevelopment Plan generally include the alleviation of blighting conditions, specifically including abnormally high business vacancies, low lease rates or high number of abandoned buildings, and a serious lack of commercial facilities; and

WHEREAS, in 2004 the Agency obtained fee title to approximately 122 contiguous acres of land in the City of Norco, County of Riverside, State of California, commonly known as Silverlakes ("Property") identified by County of Riverside Assessor Parcel Numbers 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-011-7, and 152-070-002-9; and

WHEREAS, the productive economic use of the Property will benefit the Project Area; and

WHEREAS, the Agency is authorized to convey interest in real property under Sections 33431 and 33433 of the Health and Safety Code upon the consent of the Agency in furtherance of the implementation of the Redevelopment Plan; and

WHEREAS, the Agency is interested in selling the Property to the City of Norco ("City") to further the Agency's goals of ameliorating blight in the Project Area; and

WHEREAS, the City is interested in purchasing the Property for the purposes of furthering the goals of the Redevelopment Plan and the productive economic use of the Property by leasing the Property to a third-party to facilitate the redevelopment and management thereof as a public park with recreation uses including an equestrian facility, soccer fields and other sports and related amenities ("Project"); and

WHEREAS, the Agency is interested in selling the Property through a purchase and sale agreement ("Agreement") the terms and conditions of which the Agency and the City have diligently negotiated; and

WHEREAS, the sale of the Property pursuant to the Agreement furthers the goals of the Agency set forth in the Redevelopment Plan; and

WHEREAS, the Agency has duly considered all of the terms and conditions of the proposed Agreement and believes that the sale of the Property pursuant to the Agreement is in the best interests of the City and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements; and

WHEREAS, the Agreement may ultimately facilitate the lease of the Property and development of the Project, the development of which may include multi-purpose building and other constructed facilities and improvements (e.g., rest rooms, maintenance/equipment storage buildings); and

WHEREAS, while Agency funds will not be directly used for the construction of these improvements, and these improvements will not be publicly owned during the term of the proposed lease; at the end of the proposed lease the improvements may become publicly owned; and

WHEREAS, Agency funds and the Agency's sale of the Property to the City facilitates development of the Project, and thus the transaction may ultimately result in the delivery of public facilities and improvements supported by Agency funds; and

WHEREAS, pursuant to California Health and Safety Code Section 33679 prior to the Agency committing to use agency tax increment funds for the purpose of paying for all or part of the value of the land for, and the cost of installation and construction of certain publicly-owned improvements such as a publicly-owned building, the legislative body shall hold a public hearing, and prior to the hearing shall prepare and provide a summary report that (i) estimates of the amount of the taxes proposed to be used to pay for the land and construction of any publicly owned building, including interest payments, (ii) sets forth the facts supporting the determinations required to be made by the legislative body pursuant to Section 33445 or the findings required to be made by the legislative body pursuant to Section 33445.1, and (iii) Sets forth the redevelopment purpose for which the taxes are being used to pay for the land and construction of the publicly owned building; and

WHEREAS, the Agency has placed on file a copy of the Agreement, and the 33679 Report prepared in accordance with the Law, and has made the Agreement and the 33679 Report available for public inspection and copying pursuant to Section 33679 of the Law. The 33679 Report is incorporated into this Resolution by this reference; and

WHEREAS, a public hearing of the Agency on the proposed Agreement, held on April 13, 2011 was duly noticed in accordance with the requirements of Health and Safety Code Sections 33679; and

WHEREAS, pursuant to the 33679 Report, Agency funds totaling an estimated \$9,394,619 will be utilized pursuant to the Agreement, the Agreement will benefit the Project Area by promoting economic activity, and commercial growth, and no other reasonable financing options were available.

NOW THEREFORE, BE IT RESOLVED that the Agency hereby accepts that the above recitals are accurate and have served together with the Staff Report and the 33679 Report, as the basis for the findings and approvals set forth in this Resolution; and

BE IT FURTHER RESOLVED that the Agency hereby accepts the 33679 Report which provides supplemental information regarding the Agreement; and

BE IT FURTHER RESOLVED, that this Resolution shall take effect from and after its date of passage, approval and adoption; and

BE IT FURTHER RESOLVED that the Agency Secretary shall certify to the adoption of this Resolution.

PASSED, APPROVED AND ADOPTED by the Norco Redevelopment Agency at a special meeting held on April 13, 2011.

\_\_\_\_\_  
Chairman, Norco Redevelopment Agency

ATTEST:

\_\_\_\_\_  
Brenda Jacobs, CMC, Secretary  
Norco Redevelopment Agency

April 13, 2011

I, Brenda Jacobs, Secretary of the Norco Redevelopment Agency, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the Norco Redevelopment Agency at a special meeting thereof held on April 13, 2011 by the following vote of the Norco Redevelopment Agency:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Norco Redevelopment Agency on April 13, 2011.

---

Brenda Jacobs, CMC, Secretary  
Norco Redevelopment Agency

/bj-78203

## CITY OF NORCO STAFF REPORT

TO: Honorable Mayor and Members of the City Council/  
Chairman and Members of the City of Norco Redevelopment  
Agency

FROM: Beth Groves, City Manager/Executive Director 

DATE: April 13, 2011

SUBJECT: Purchase and Sale of Silverlakes

RECOMMENDATION: Adopt **Resolution No. 2011-\_\_\_** and **CRA Resolution No. 2011-\_\_\_**, authorizing the execution of the Purchase and Sale Agreement for Silverlakes by which the Agency will sell the Silverlakes Property to the City.

**SUMMARY:** In January of 2008, the City Council/Norco Redevelopment Agency ("City/Agency") approved a Memorandum of Understanding ("MOU") with Belstarr Sports Management, LLC ("Belstarr") to proceed with development of a recreation and park facility on the Silverlakes site ("Silverlakes", "Property"). This MOU outlined the roles, expectations, goals and responsibilities of the parties. Subsequently, on March 4, 2009 the City/Agency approved Conditional Use Permit No. 2008-09 ("CUP") and certified the project EIR.

Since that time, active negotiations have been underway which have resulted in the formulation of a purchase and sale agreement ("Agreement") between the Redevelopment Agency (as the property owner) and the City, a ground lease between the City and Balboa Management Group, LLC ("Balboa"). For reference, Balboa is a separate legal entity from Belstarr, but includes the same key management team that will execute Belstarr's vision and plan. Ultimately the City intends to lease the Property to Balboa which will undertake the redevelopment and management thereof as a public park with recreational uses including an equestrian facility, soccer fields and other sports and related amenities ("Silverlakes Sports and Equestrian Park" or "Project").

In order to facilitate the redevelopment of the Property and the creation of the Silverlakes Sports and Equestrian Park the Agency will sell to the City and the City will purchase from the Agency the Property. As the owner of the Property the City will be able to more efficiently effectuate the development of required flood mitigation and public infrastructure improvements, monitor and manage recreational usage and scheduling of the Project, and ensure the long-term stability of ownership and control of the Property.

**BACKGROUND/ANALYSIS:** The City purchased the Property on June 14, 2002 with a \$5,500,000 loan from the Agency funded by the Agency's 2001 Tax Allocation Refunding Bonds. On June 16, 2004 the City transferred title to the Property to the Agency as repayment of the loan. Since acquisition the City has been working to identify preferred uses and financing sources for the Property. The City's efforts have included a thorough and exhaustive evaluation including the input of a variety of stakeholders, community committees and residents.

Based on this evaluation, in 2007 the City determined that the most efficient way to effectuate the master planning efforts for the redevelopment of the Property as a park would be to put the Property out to bid through a RFP process, and to select a developer/operator of a public park with facilities that were acceptable to Norco's requirements as an equestrian community. Further, it was expected that a qualified proposal from the private sector could deliver innovative redevelopment options for the Property which meet the City's goals of creating an outstanding multi-purpose recreational facility with numerous community benefits.

After conducting an extensive search for qualified applicants and reviewing the resulting submittals, the City selected Belstarr, which proposed a full service project with equestrian and sports field facilities. Belstarr is an affiliate of Blenheim EquiSports which currently operates world class equestrian and recreation facilities in San Juan Capistrano and Del Mar, California. Among other activities, these facilities host some of the more prominent show-jumping and dressage exhibitions in California, including 14 Grand Prix events annually.

Shortly after the selection process was completed, the City and Belstarr entered into an MOU regarding redevelopment of the Property.

The redevelopment of the Property for the Project is anticipated to result in the creation of a valuable recreational amenity to the City and community. Redevelopment of the Property as proposed is also expected to serve as a driver of economic activity within the City, and the Redevelopment Project Area No. 1. It is estimated that the development of the Silverlakes Sports and Equestrian Park will result in \$37 million in direct expenditures in the City in year one of Project operation, growing to \$64 million in year five, and increasing thereafter. These revenues will include expenditures for goods and services including food, gas, lodging, pet and animal supplies, and sporting good supplies.

As introduced above, in order to facilitate the redevelopment of the Property and the creation of the Silverlakes Sports and Equestrian Park, the Agency will sell to the City, and the City will purchase from the Agency the Property. As an owner of the Property the City will be able to more efficiently effectuate the construction of required flood mitigation and public infrastructure improvements, monitor and manage recreational usage and scheduling of the Project, and ensure the long-term stability of ownership and control of the Property.

The resolution and Agreement presented for approval by the City of Norco and City of Norco Redevelopment Agency would effectuate the Purchase and Sale of Silverlakes between the City and Agency, transferring ownership from the Agency to the City.

**FISCAL IMPACT:** Based on the 33433 and 33679 reports prepared related to the proposed Agreement, it is estimated that the Agreement will result in the use of Agency funds for land acquisition, interest, maintenance, and other related expenses totaling \$9,394,619.

The direct fiscal impact to the City through the Agreement is comprised of the \$1 in consideration paid for the Property, plus ongoing maintenance of the Property. Maintenance of the Property since 2002 has totaled approximately \$230,000, or approximately \$29,000 per year. Should the City and Balboa enter into a ground lease for the Property, it is anticipated that the City will no longer be responsible for such maintenance costs for the duration of the lease.

If Silverlakes is redeveloped for the Silverlakes Equestrian and Sports Park as proposed, the ultimate fiscal impact to the City will depend on the cost to the City of flood mitigation improvements and public improvements required to develop the Project. While the Agreement does not require the City to construct such improvements, the redevelopment of the Property for the Project would require such improvements prior to redevelopment. These improvements are anticipated to include certain flood mitigation improvements estimated to cost \$1,500,000, and certain roadway, sewer, gas, water, and other public improvements estimated to cost \$5,900,000. Funding sources for these improvements are expected to include revenues to be generated from the lease of the Property, utility revenues, and incremental sales tax revenues resulting from the Project. As a result of these revenues, and the economic activity anticipated to be generated by the Project, the development of the Silverlakes Equestrian and Sports Park is expected to result in a net positive fiscal impact for the City of Norco.

/bj-78206

Attachments: Purchase and Sale Agreement  
Resolution No. 2011-\_\_\_\_  
CRA Resolution No. 2011-\_\_\_\_

## PURCHASE AND SALE AGREEMENT

This Purchase and Sale Agreement ("Agreement"), dated this 13th day of April, 2011, is entered into by and between the Norco Redevelopment Agency, on one hand ("Seller"), and City of Norco on the other hand ("Buyer").

### RECITALS

A. Seller is the owner of that certain real property ("Seller's Property") consisting of approximately 122 acres of vacant land, commonly known as Silverlakes, Riverside County Assessor Parcel Numbers 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-011-7 and 152-070-002-9 located north of downtown Norco, between Hamner Avenue and the I-15, immediately north of the Santa Ana River, and lies between the cities of Eastvale, and Norco and serves as a buffer between the two. .

B. Subject to the terms and conditions set forth in this Agreement, Seller desires to sell and Buyer desires to purchase of Seller's Property as described on **Exhibit A** attached hereto (the "Property") and made a part hereof.

C. The Property is subject to a deed restriction limits its use to public park and recreation, such use being within the authority of jurisdiction of Buyer.

### AGREEMENT

#### ARTICLE I

1.1 Sale and Purchase. Subject to the terms and conditions set forth in this Agreement, Seller agrees to sell the Property to Buyer and Buyer agrees to purchase the Property from Seller.

1.2 Purchase Price. Based upon a negative residual land use value as set forth in the Brokers Opinion of Value, attached hereto as Exhibit "B", and in consideration of Buyer relieving Seller of the on-going improvements and maintenance obligations related to the ownership of the Property, the total purchase price for the Property shall be one dollar (\$1.00), (the "Purchase Price"), receipt of which is hereby acknowledged by the Seller..

1.3 Condition of Title. At Closing, Seller shall convey to Buyer good and marketable title in fee simple to the Property subject only to all easements, restrictions, or covenants of record which do not interfere with the use of the Property for the purposes, including, without limitation, current, non-delinquent real property taxes (the "Permitted Exceptions").

## ARTICLE II REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of Seller True and Correct. Seller hereby represents and warrants to Buyer that the following facts are true and correct as of the date hereof.

(a) Power and Authority. Seller has the legal power, right and authority to enter into this Agreement and the instruments, referenced herein, and to consummate the transactions contemplated hereby. The individuals executing this Agreement and the instruments referenced herein on behalf of the Seller have the legal power, right and actual authority to bind Seller to the terms and conditions hereof and thereof. Furthermore, Seller warrants that it has good and marketable title to the Property.

(b) Requisite Action. All requisite action has been taken by Seller in connection with the entering into of this Agreement, the instruments referenced herein, and the consummation of the transactions contemplated hereby.

(c) Validity. This Agreement and all documents required hereby to be executed by Seller are and shall be valid, legally binding obligations of and enforceable against Seller in accordance with their terms subject only to applicable bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles affecting or limiting the rights of contracting parties generally. Neither the execution nor delivery of this Agreement and documents referenced herein, nor the consummation of the transactions contemplated herein, conflict with or result in the material breach of any terms or provisions of any contract, loan, or other agreement or instrument to which Seller is a party or affecting the Property. All consents, approvals and authorizations necessary for the execution of this Agreement and the consummation of the transactions contemplated herein by Seller have been or will be obtained. Seller has not sold, conveyed or entered into any contract for the sale of all or any portion of the Property or any rights incident thereto, nor do there exist any rights of first refusal or options to purchase the Property or any rights incident thereto.

(d) Recitals. The information contained in the Recitals is true and correct.

(e) Lawsuits and Claims. To Seller's actual knowledge, without any duty of inquiry or investigation, there are no pending actions, lawsuits, claims or judicial, municipal or administrative proceedings affecting all or any portion of the Property or in which Seller is a party by reason of Seller's ownership of the Property. To Seller's knowledge, there are no threatened or contemplated actions, lawsuits, claims or proceedings nor the existence of any facts which might give rise to such actions, lawsuits, claims or proceedings. During the Escrow period, Seller will not commence or defend any action with respect to the Property except upon such terms as are mutually acceptable to Seller and Buyer.

(f) Condition of Property. Seller has not received notice of any violation of applicable governmental regulations relating to the Property, any existing or contemplated plan to widen or modify any street or highway contiguous to the Property (other than the Grading and Improvements contemplated by this Agreement) or any other plan, study or effort of any applicable governmental authorities relating to the Property.

(g) Taxes and Assessments. Seller has provided to Buyer all relevant information in its possession concerning real property taxes and any special assessments or bonds which may be levied against the Property as a result of any existing public improvements or work, activities or improvements done to the Property by Seller.

(h) Hazardous Materials. To Seller's actual knowledge, without any duty of inquiry or investigation, all operations or activities upon, or use or occupancy of the Property by Seller or any current occupant or user thereof are in compliance with all state, federal and local laws and regulations governing or in any way relating to the generation, handling, manufacturing, treatment, storage, use, transportation, spillage, leakage, dumping, discharge or disposal (whether accidental or intentional) of any toxic or hazardous substances, materials or wastes, including, without limitation, any hazardous material (as such terms are commonly defined or employed in accordance with applicable federal, state or local laws, codes, ordinances, rules and regulations). To the Seller's actual knowledge, without any duty of inquiry or investigation, there is not present upon the Property, or on any portion thereof, underground storage tanks, any hazardous material or any structures, fixtures, equipment or other objects or materials containing any hazardous material in violation of any applicable environmental law.

(i) Changes. Seller shall promptly notify Buyer of any material, adverse change in any condition with respect to the Property or of any event or circumstance which makes any representation of warranty of Seller under this Agreement untrue or any covenant of Buyer under this Agreement incapable or less likely of being performed, it being understood that Seller's obligation to provide notice to Buyer shall in no way relieve Seller of any liability for a breach by Seller of any of its representations, warranties or covenants under this Agreement.

(j) General Representation. No representation, warranty or statement of Seller in this Agreement or in any document, certificate of schedule prepared by Seller and to be furnished to Buyer pursuant to the terms of this Agreement contains any untrue statement of material fact.

Except for the representations and warranties explicitly set forth above, Buyer hereby releases Seller, Seller's affiliates, officers, directors, partners, employees, and agents, and their respective heirs, successors, personal representatives and assigns, from and against any and all claims which Buyer may have and which arise out of or are in any way connected with this Agreement and the Property, including, without limitation, every physical and environmental condition of the Property. BUYER EXPRESSLY WAIVES ITS RIGHTS GRANTED UNDER CALIFORNIA CIVIL CODE SECTION 1542 AND UNDER ANY PROVISION OF LAW THAT PROVIDES A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT BUYER DOES NOT KNOW OR SUSPECT TO EXIST IN ITS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY IT MUST HAVE MATERIALLY AFFECTED ITS AGREEMENT TO RELEASE SELLER. BUYER HEREBY AGREES, REPRESENTS AND WARRANTS THAT BUYER REALIZES AND ACKNOWLEDGES THAT FACTUAL MATTERS NOW UNKNOWN TO BUYER MAY HAVE GIVEN OR MAY HEREAFTER GIVE RISE TO CLAIMS WHICH ARE PRESENTLY UNKNOWN, UNANTICIPATED AND UNSUSPECTED, AND BUYER FURTHER AGREES, REPRESENTS AND WARRANTS THAT THE WAIVERS AND RELEASES HEREIN HAVE BEEN NEGOTIATED AND AGREED UPON IN LIGHT OF THAT REALIZATION, AND THAT BUYER NEVERTHELESS HEREBY INTENDS TO RELEASE, DISCHARGE AND ACQUIT SELLER FROM ANY SUCH UNKNOWN CLAIMS, AND THAT SUCH WAIVERS

AND RELEASES FORM A MATERIAL PORTION OF THE CONSIDERATION GIVEN TO SELLER BY BUYER IN EXCHANGE FOR SELLER'S PERFORMANCE UNDER THIS AGREEMENT. BUYER HAS CONSULTED WITH LEGAL COUNSEL CONCERNING THE EFFECTS OF THIS WAIVER AND RELEASE ON BUYER'S RIGHTS AND REMEDIES RELATED TO THE PROPERTY.

Initials:

Buyer:

Seller:

2.2 Representations of Buyer. Buyer is validly existing as a California Community Redevelopment Agency and has performed all acts and obtained all approvals and consents, in each case as necessary to offer to purchase and to purchase the Property. Buyer has the full authority and power to comply with all of its obligations set forth in this Agreement.

### **ARTICLE III COVENANTS OF SELLER AND BUYER**

3.1 License to Enter. Seller hereby agrees that Buyer and/or its agents, representatives, contractors and subcontractors may, following the Opening Date and prior to the Closing Date, conduct its own reasonable engineering studies, environmental assessment, soil and compaction tests and other tests and studies on the Property provided that (i) such activities do not impair the drainage of the Property; (ii) such activities do not interfere with the Grading(as hereinafter defined) or the construction of Buyer's Improvements (as hereinafter defined); and (iii) Buyer shall be responsible for any damage caused thereby to the Property. Buyer shall be responsible for any liability, cost, claim, damage or injury caused by such entry and shall keep the Property free of any and all liens arising therefrom. Buyer shall indemnify and hold Seller harmless and defend Seller from and against such liability, loss, judgment, cost, claim, damage or injury, including but not limited to attorneys' fees and costs, arising out of or in connection with entry or testing on the Property by Buyer or its agents, representatives, contractors or subcontractors.

### **ARTICLE IV MISCELLANEOUS PROVISIONS**

4.1 Incorporation of Exhibits. All exhibits attached hereto and referred to herein are incorporated in this Agreement as though fully set forth herein.

4.2 Attorneys' Fees. In any legal proceeding between Buyer and Seller seeking enforcement of or attempting to construe any of the terms and provisions of this Agreement, or in connection with any of the property described herein, including, without limitation, insolvency, bankruptcy, arbitration, declaratory relief or other litigation, the prevailing party in such action shall be awarded, in addition to damages, injunctive or other relief, its reasonable costs and expenses, including, without limitation, service of process, filing fees, court and court reporter costs, investigation costs, expert witness fees and the cost of any bonds, and reasonable attorneys' fee.

4.3 Notices. All notices required or permitted by this Agreement shall be in writing and may be delivered in person (by hand delivery or professional messenger service) to either party or may be sent by registered or certified mail, with postage prepaid, return receipt requested or delivered by Express Mail of the U.S. Postal Service or Federal Express or any other courier service guaranteeing overnight delivery, charges prepaid, addressed as follows:

If to Buyer at:

City of Norco  
2870 Clark Avenue  
Norco, California 92860

With a copy to:

John R. Harper  
Harper & Burns LLP  
453 S. Glassell Street  
Orange, California 92866

If to Seller at:

City of Norco Redevelopment Agency  
2870 Clark Avenue  
4733 Westchester Drive  
Woodland Hills, California 91364

With a Copy To:

John R. Harper  
Harper & Burns LLP  
453 S. Glassell Street  
Orange, California 92866

Any such notice sent by registered or certified mail, return receipt requested, shall be deemed to have been duly given and received seventy-two (72) hours after the same is so addressed and mailed in Los Angeles, Orange, San Bernardino or Riverside Counties with postage prepaid. Notices delivered by overnight service shall be deemed to have been given twenty-four (24) hours after delivery of the same, charges prepaid, to the U.S. Postal Service or private courier. Any notice or other document sent by any other manner shall be effective only upon actual receipt thereof. Any party may change its address for purposes of this Section by giving notice to the other party and to Escrow Holder as herein provided.

4.4 Successors and Assigns. This Agreement shall be binding upon and shall inure to the benefit of each of the parties hereto and their respective successors and permitted assigns.

4.5 Relationship of Parties. The relationship of the parties to this Agreement shall be solely that of Buyer and Seller, and nothing herein contained shall be construed otherwise.

4.6 Governing Law. This Agreement shall be governed by, interpreted under, and construed and enforced in accordance with the internal laws of the State of California.

4.7 Entire Agreement: Amendment. This Agreement contains all of the agreements of the parties hereto with respect to the matters contained herein and no prior or contemporaneous agreement or understanding, oral or written, pertaining to any such matters shall be effective for any purpose. No provision of this Agreement may be modified, waived, amended or added to except if in writing and signed by the party against which the enforcement of such modification, waiver, amendment or addition is or may be sought.

4.8 Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine or neuter, singular or plural, as the identity of the parties may require.

4.9 Headings. The headings of this Agreement are for purposes of reference only and shall not limit or define the meaning of the provisions of this Agreement.

4.10 Severability. If any paragraph, section, sentence, clause or phrase contained in this Agreement shall become illegal, null or void, against public policy, or otherwise unenforceable, for any reason, or shall be held by any court of competent jurisdiction to be illegal, null or void, against public policy, or otherwise unenforceable, the remaining paragraphs, sections, sentences, clauses or phrases contained in this Agreement shall not be affected thereby.

4.11 Waiver. The waiver of any breach of any provision hereunder by Buyer or Seller shall not be deemed to be a waiver of any preceding or subsequent breach hereunder. No failure or delay of any party in the exercise of any right given hereunder shall constitute a waiver thereof nor shall any partial exercise of any right preclude further exercise thereof.

4.12 Further Assurances. Seller and Buyer each agree to do such further acts and things and to execute and deliver such additional agreements and instruments as the other may reasonably require to consummate, evidence or confirm the sale or any other agreement contained herein in the manner contemplated hereby.

4.13 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which shall constitute one and the same instrument.

4.14 Time of Essence. Time is of the essence in this Agreement as to all dates and time periods set forth herein.

4.15 Recitals. The provisions of the recitals of this Agreement shall constitute operative and enforceable provisions of this Agreement.

*[Remainder of page intentionally left blank – signature page follows]*

IN WITNESS WHEREOF, this Agreement has been executed by the parties on the dates set forth under their respective signatures below, notwithstanding that this Agreement is dated for convenience and reference as of the date and year first written above.

**BUYER:**

CITY OF NORCO

**SELLER:**

NORCO REDEVELOPMENT AGENCY

By: \_\_\_\_\_  
Mayor

By: \_\_\_\_\_  
Chairman

Dated: April 13, 2011

Dated: April 13, 2011

**EXHIBIT A  
LEGAL DESCRIPTION**

***Assessor's Parcel No: 152-060-004-0:***

Parcel 1: That portion of Lot Q of Fuller Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 16, Pages 94 through 97 of maps, in the office of the County Recorder of said county, described as follows:

Beginning at the most Southerly corner of that certain parcel of land as conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, by deed filed for recorded July 18, 1951 as shown by map on filed in Book 1288, Page 238, of maps, records of Riverside County, California;

Thence Southerly  $0^{\circ}10'45''$  East on the Easterly line of State Highway right of way line a distance of 521.67 feet to the Northwesterly corner of that certain parcel of land conveyed to Wildan P. Thomas by deed recorded July 25, 1956 in Book 1948, Page 490, records of Riverside County, California; thence Easterly along the Northerly line of said Thomas Parcel of land to a point in the Easterly line of said Lot Q; thence Northerly along said Easterly line of Lot Q to the Southeast corner of that certain parcel of land conveyed to Steve Polopolus and Diana Polopolus, husband and wife, by deed for recorded, October 18, 1956 in Book 1987, Page 367, records of Riverside County, California; thence Southerly  $63^{\circ}18'15''$  West along the South line of said Hoover and Polopolus Parcels of land to the point of beginning.

Excepting therefrom that portion of Lot Q of Fuller Rancho as shown by map on file in Book 16, Pages 94 through 97 of maps, records of Riverside County, California, described as follows:

Beginning at the Southwest corner of that certain parcel of land conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, as shown by map on file in Book 1288, Page 238 of maps, records of Riverside County, California; thence South  $0^{\circ}10'45''$  East along the Easterly line of State Highway, a distance of 21.67 feet; thence Northerly  $89^{\circ}61'43''$  East, a distance of 500.00 feet; thence Northerly  $0^{\circ}10'45''$  West a distance of 271.51 feet to the Southerly line of said parcel conveyed to Earle F. Hoover, et ux; thence Southerly  $63^{\circ}18'15''$  West along the Southerly line of said parcel conveyed to Earle F. Hoover, et ux, a distance of 558.79 feet to the point of beginning.

Parcel 2:

All that portion of Lot Q Fuller Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 16, Pages 94 through 97 of maps, in the office of the County Recorder of said county, described as follows:

Beginning at the Southwest corner of that certain parcel of land conveyed to Earle F. Hoover and Dorothy L. Hoover, husband and wife, as shown by map on file in Book 1288, Page 238 of maps, records of Riverside County, California; thence South  $0^{\circ}10'45''$  East along the Easterly line of State Highway, a distance of 21.67 feet; thence Northerly  $89^{\circ}51'43''$  East, a distance of 500.00 feet; thence Northerly  $0^{\circ}10'45''$  West a distance of 271.51 feet to the Southerly line of said parcel conveyed to Earle F. Hoover, et ux., a distance of 558.79 feet to the point of beginning.

**EXHIBIT A  
LEGAL DESCRIPTION**

**Assessor's Parcel No: 152-060-011-6:**

That portion of the Southeast of the Northwest quarter and the Southwest quarter of the Northwest quarter of fractional Sectional 31, Township 2 South, Range 6 West, as per map of the Jurupa Rancho, in the City of Norco, County of Riverside, State of California, as shown by map on file in Book 9, Page 33 of maps, in the office of the County Recorder of San Bernardino County, California, which lies Westerly of the following described line:

Beginning at the North quarter corner of said fractional section said corner being marked by a 4 inch by a 4 inch stake as set by parnley and finkle in 1889 and as shown on licensed survey map on file in Book 10, Page 35 of maps, records of survey, records of Riverside County, California; thence South  $0^{\circ}07'14''$  East along the North and South centerline of said fractional section, 1324.58 feet to a 3/4 inch iron pipe marking the Northeast corner of the Southeast quarter of the Northwest quarter of said fractional section; thence South  $89^{\circ}35'15''$  West 1.11 feet, to a 3/4 inch iron pipe; thence South  $0^{\circ}52'35''$  West 1.13 feet, to a 2 inch by 2 inch stake; thence South  $89^{\circ}26'05''$  East 28.20 feet; to a 2 inch stake; thence South  $30^{\circ}49'10''$  West, 321.76 feet to a 3/4 inch iron pipe set on the East and West centerline of said fractional section, at a point which bears South  $89^{\circ}43'33''$  West 221.40 feet from a 1 1/2 inch iron pipe marking the center of said fractional section, as said center of fractional section 31 was re-established and shown on said licensed survey map.

Excepting therefrom the Northerly 30.00 feet.

Also excepting therefrom that portion thereof conveyed to the State of California by final order of condemnation recorded September 10, 1986 as Instrument/file No. 220516 of Official Records of Riverside County, California.

Also excepting therefrom that portion of said land conveyed to K. Hovnanian Companies of Southern California, Inc., a California Corporation by grant deed recorded March 16, 2000 as Instrument No. 2000-096935 of Official Records.

**Assessor's Parcel No: 152-070-001-8:**

The Southerly 664.2 feet of Lot Q of Fuller Rancho, City of Norco, County of Riverside, State of California, County as shown by map on file in Book 16, Pages 94 through 97 of maps, in the office of the County Recorder of said county, California, described as follows:

The Northerly line of said parcel being parallel with the Southerly line of Lot "Q", excepting therefrom that portion conveyed to the State of California by deed from Motor Transit Terminal Corporation recorded November 29, 1941 as shown by map on file in Book 525. Page 160 of maps, records of Riverside County, California.

**EXHIBIT A  
LEGAL DESCRIPTION**

**Assessor's Parcel No: 152-070-011-7**

The Northeast quarter of the Southwest quarter of Section 31, Township 2 South, Range 6 West, San Bernardino Meridian, in the City of Norco, County of Riverside, State of California, as shown by sectionized survey of the Jurupa Rancho, records of San Bernardino County, California

Excepting therefrom that portion thereof conveyed to the State of California by final order of condemnation recorded September 10, 1986 as Instrument/File No. 220516 of Official Records of Riverside County, California.

Also excepting therefrom that portion of said land conveyed to K. Hovnanian Companies of Southern California Inc., a California Corporation by grant deed recorded March 16, 2000 as Instrument No. 2000-096935 of Official Records.

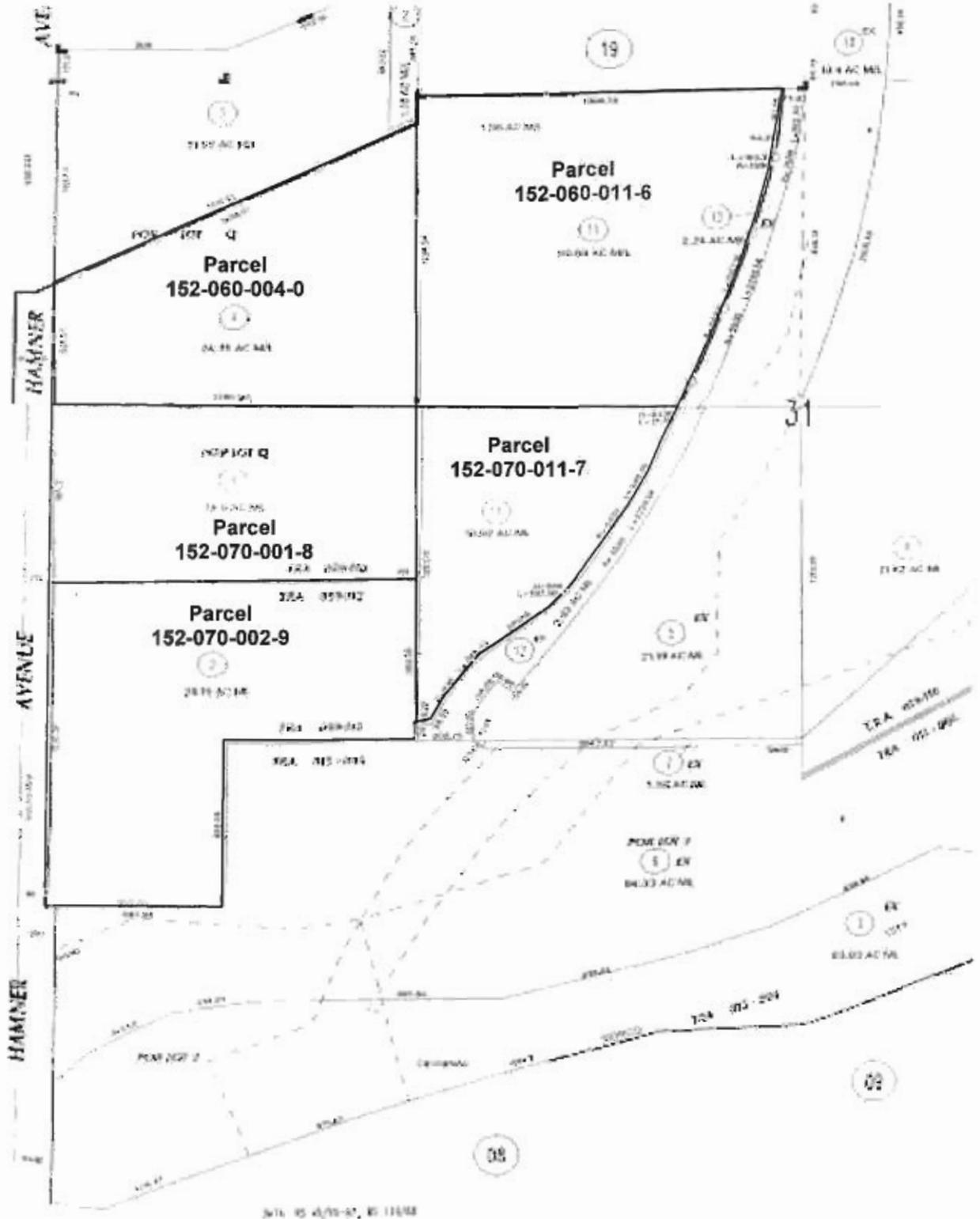
**Assessor's Parcel No: 152-070-002-9:**

The South half of the Northwest quarter of the Southwest quarter and the Northwest quarter of the Southwest quarter of the Southwest quarter of Section 31, Township 2 South, Range 6 West, as shown by sectionized survey of the Jurupa Rancho, in the City of Norco, County of Riverside, State of California, as per map recorded in Book 9, Page 33 of maps, in the office of the County Recorder of San Bernardino County.

Except the Westerly 60.00 feet of the South half of the Northwest quarter of the Southwest quarter and the Northwest quarter of the Southwest quarter of the Southwest quarter of said Section 31.

EXHIBIT A  
LEGAL DESCRIPTION

Continued



**EXHIBIT B**  
**BROKERS OPINION OF VALUE**



March 22, 2011

Beth Groves  
Executive Director  
Norco Redevelopment Agency  
2870 Clark Avenue  
Norco, CA 92860

**Re: Brokers Opinion of Value – “Silverlakes” Property**

At the request of the City of Norco Redevelopment Agency (“Agency”) Kosmont Realty Corp. (“Kosmont”) has prepared a brokers opinion of value for approximately 121.7 contiguous acres of land in the City of Norco (“City”), County of Riverside, State of California, commonly known as Silverlakes (“Property”) identified by County of Riverside Assessor Parcel Numbers 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-011-7, and 152-070-002-9. Kosmont has reviewed pertinent information about the Property, including restrictions on development and use, an appraisal prepared January 11, 2007 (“Appraisal”), and plans and a market analysis and economic impact report for the proposed future use of the Property.

Through its evaluation, Kosmont prepared an opinion of value based on two potential future uses. The first potential use evaluated was passive open space which Kosmont determined to be the use which results in the highest residual land value, and technically the highest and best use. The second potential use evaluated was the proposed use as a public park with recreation uses including an equestrian facility, soccer fields and other sports and related amenities (“Proposed Use”). Kosmont determined that while this use results in a lower residual land value it will likely result in greater overall economic value to the Agency and City.

As discussed in detail herein, Kosmont provides an opinion of value for the property of \$5,301,000 if utilized for passive open space, and a value of (\$2,099,000) if utilized for the Proposed Use. However, based on Kosmont’s review of the market analysis and economic impact report for the Proposed Use, as well as other pertinent market information and fundamental economic factors; Kosmont concludes that the net value to the City and ultimately the Agency under the Proposed Use will likely be greater than the net economic value to the Agency and City as passive Open Space.

## General Property Information

As introduced above, the Property is comprised of five parcels totaling approximately 121.7 acres. The Property is located north of downtown Norco, between Hamner Avenue and the I-15, immediately north of the Santa Ana River, and lies between the cities of Eastvale, and Norco and serves as a buffer between the two. The Property was transferred to the Agency in June of 2004, and has since been held by the Agency for future redevelopment. It is zoned "Park" and as will be discussed below, is subject to a deed restriction ("Deed Restriction") that primarily requires its use to be for public park, recreational and/or open space. Additionally, as discussed below, the Property is subject to flooding during significant weather events, and requires flood mitigation improvements to reduce the risks and impacts from the same.

A discussion of impairments to the value of the Property, the Appraisal prepared for the property in 2007, Kosmont's opinion of the value of the property, and the economic benefits of the Proposed Use follow.

## Impairments to Value

The Property has two significant impairments to value; (i) a deed restriction ("Deed Restriction") imposed on it by Federal decree limiting its future use, and (ii) the Property lies in a flood hazard inundation zone. The Deed Restriction limits use of the Property to public park, recreational, and/or open space, and severely impairs the value of the Property. Among other terms, the Deed Restriction states the following:

*"No portion of the Property described in this quitclaim deed shall be used by the City, or by any successor in interest to the City, or any other public agency or private party, for any purpose other than for public park, recreational and open space purposes, save and except for the construction of a public road way which is to be permitted across the extreme northernmost boundary of the Property, encroaching no more than 100' into said Property at any location. The property shall not be used for residential purposes (other than public camp grounds) or for commercial purposes (other than for common park related activities such as refreshment stands, horse boarding stables, and other park related concession operations to serve park users which are commonly granted by cities in California.)"*

As a result of further research of the Deed Restriction, Kosmont concludes that the covenant on uses covers the entire Property and therefore limits use of the entire Property to a public park, recreational, and/or open space uses.

The second major impairment on the Property is its location within a flood hazard inundation zone. In December of 2010, a significant weather event resulted in major inundation and flooding of the Property. The level of inundation was significantly greater than outcomes predicted by previous engineering studies prepared for the Property. Had the Proposed Use already been in place, the flooding of the Property would likely have resulted in several million dollars, to tens of millions of dollars in damages to the improvements associated with the Proposed Use. Further, without considerable investment in improvements to reduce the potential risk of damages from similar weather

events in the future, which are estimated to cost \$1,500,000, the Property would be likely be subject to recurrent weather events of similar or greater scale.

### **Appraisal**

As part of its evaluation, Kosmont reviewed the January 11, 2007 Appraisal prepared for the Property by Himes and Himes, Inc. The Appraisal estimated the value of the Property to be \$6,608,000, but was reliant upon the assumption that a ten-acre portion of the northeast corner of the property could be utilized for a commercial/retail development. Subsequent to the Appraisal, and as discussed above, it was determined that it is improbable that such commercial use of the Property would be allowed under the Deed Restriction. As such, the opinions of value estimated herein are based on the use of the premises being limited to a public park, recreational, and/or open space.

The estimated value determined in the Appraisal was calculated by ascribing \$4.00 to each square foot of commercial/retail land area, and \$1.00 to each square foot of open space land area. Assuming (i) that no commercial development would be permitted, (ii) a value of \$1.00 per square foot of open space, and (iii) a total land area of 121.7 acres, the total appraised value would be approximately \$5.3 million.

### **Opinion of Value - Open Space Use**

Based on the information evaluated, it is Kosmont's conclusion that the permitted use which results in the greatest residual land value and highest and best use is technically passive open space. In determining an opinion of value, Kosmont reviewed values obtained for open space and land preserves in recent transactions, as well as the estimated value under the Appraisal. These transactions include the following:

Hollywood Sign Preserve - In 2010 a conservation group purchased approximately 138 acres of land surrounding the "Hollywood" sign in Los Angeles for \$12.5 million, or approximately \$2.08 per square foot. The land was slated for development into homes and the value was dependant on compensating the former land owner for potential development value. The property is notably irregular and hilly.

Upper Filiorum Reserve - In 2009 a consortium purchased approximately 191 acres on the Palos Verdes Peninsula for preservation as open space. The property is irregular and hilly and was acquired for approximately \$6.5 million, or approximately \$0.78 per square foot.

Tejon Ranch Conservation Easement - In 2010 the State of California Wildlife Conservation Board approved the purchase of a conservation easement on 62,000 acres of land in Tejon Ranch. The easement protects the wild land from development but allows animal grazing and other similar uses. The cost of the conservation easement (not fee simple interest) was approximately \$15.8 million, or less than \$0.01 per square foot.

Appraisal Sales Comparables - The 2007 Appraisal included an evaluation of five sales comparables ranging from \$0.27 to \$1.87 per square foot with most weight given to values ranging from \$0.50 to \$1.00 per square foot, and a final determination of value of \$1.00 per square foot of open space.

In consideration of the above transactions and valuations, Kosmont concludes that the value ascribed to open space in the Appraisal of \$1.00 per square foot most likely reflects the value of the Property as open space. Additionally, in consideration of the Deed Restriction, use of the Property as open space is likely the technically highest and best use.

As discussed further below, uses other than passive open space, including the Proposed Use would likely require the construction of flood mitigation improvements which would directly reduce the supportable value for the Property. If the Property were used as open space, while some service roads or other similar minor improvements might be made, the Property would not be redeveloped with any significant improvements or public amenities. As such, it is unlikely that use of the Property for open space would justify or result in the construction of flood mitigation improvements. Therefore the residual value as open space is not impaired by the cost of flood mitigation improvements, and is the primary reason that use as open space technically results in the highest and best use.

#### **Opinion of Value - Proposed Use**

The Proposed Use of the Property is for a public park with recreation uses including an equestrian facility, soccer fields and other sports and related amenities. Improvements to the Property are anticipated to include the following:

- Up to six sand rings for horseback riding or sand sports
- Up to 12 225' x 360' artificial turf fields
- Lighting for 12 or more fields
- Up to 13 225' x 360' natural turf fields
  - Sewer, gas, electrical, irrigation, water improvements and associated infrastructure
- Portable and permanent bathrooms
- A large freeway sign
  - A multi-purpose building or covered arena with a footprint of up to ±135,000 square feet
- Circulation roads and parking for approximately 2,000 vehicles

These improvements are anticipated to cost in excess of \$20,000,000 to complete, and without flood mitigation improvements, the Property would be subject to costly damage from future flooding events. Additionally, it is Kosmont's understanding that without flood mitigation improvements significant amenities including the artificial turf fields and other building improvements are uninsurable. Therefore the redevelopment of the Property into the Proposed Use is conditional on the prior installation of flood mitigation improvements. Improvements required to mitigate impacts from potential floods are estimated to cost \$1,500,000.

Additionally, development into the Proposed Use is contingent upon the construction of certain roadway, sewer, gas, water, and other public improvements. These public improvements are estimated to cost \$5,900,000 in addition to the flood mitigation improvements.

Without considering the cost of the required flood mitigation improvements or the public infrastructure improvements, it is estimated that the value of the Property under the Proposed Use is the same as the value under an open space use, or \$1.00 per square foot. The transactions evaluated above include transactions with potential uses similar in nature to both the passive open space and Proposed Use alternatives and support this valuation. Additionally, an up to 99-year ground lease for the Property for the Proposed Use was recently negotiated in an arms-length transaction supporting this valuation. Payments required in the ground lease have a present value of \$5,301,001, or approximately \$1.00 square foot, and due to the long term of the ground lease, the present value of the payments is considered virtually equivalent to fee simple interest.

However, execution of the ground lease, and development of the Property for the Proposed Use is contingent upon the construction of both the flood mitigation improvements and the public improvements. As discussed previously, it is estimated that the total cost of the required flood mitigation improvements will be \$1,500,000, and the cost of the required public improvements will be \$5,900,000. The cost of these improvements directly reduces the supportable land value for the Property under the Proposed Use. As (i) the estimated value of the Property with the flood mitigation and public improvements in place is \$5,301,000, (ii) the flood mitigation improvements are estimated to cost \$1,500,000, and (iii) the public infrastructure improvements are estimated to cost \$5,900,000; the residual land value of the Property under the Proposed Use is estimated to be \$5,301,000 less \$7,400,000 for the flood mitigation and public infrastructure improvements or (\$2,099,000).

### **Economic Benefit of Proposed Use**

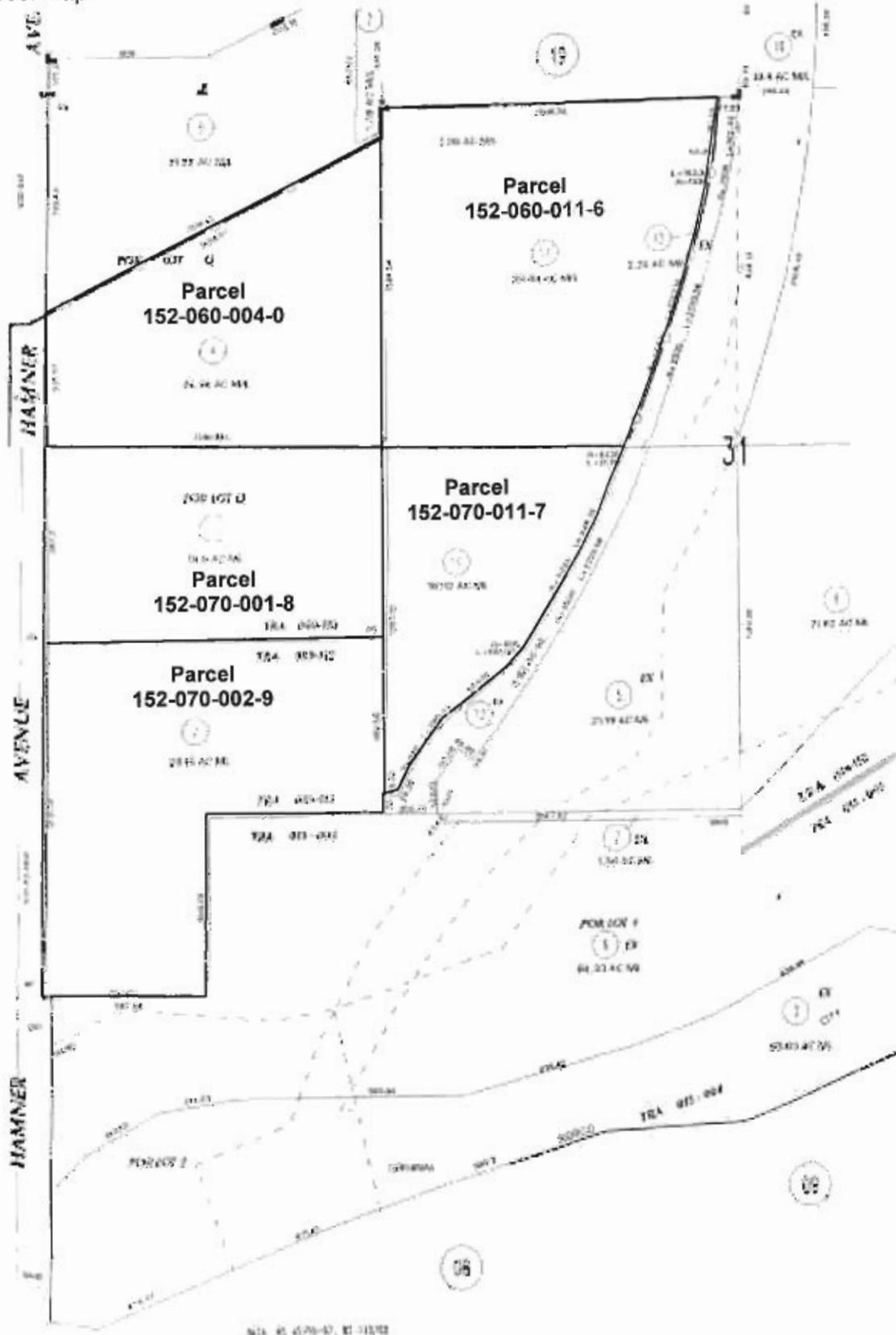
As part of its evaluation Kosmont reviewed the market analysis and economic impact report for the Proposed Use titled "Silverlakes Equestrian Park Market Analysis" dated January 2009 ("Market Analysis"). The Market Analysis estimated that the Project will attract approximately 550,000 visitors in year one, growing to greater than 950,000 visitors by year five. It also estimated that this influx of visitors will result in \$37 million in direct expenditures in the City in the first year of operations, growing to \$64 million in the fifth year, and increasing thereafter. This will support broad economic activity within the City, and result in increases in City lodging tax, sales tax, and ultimately property tax receipts. Therefore, while the opinion of value of the Property for the Proposed Use of (\$2,099,000) is less than the residual land value of the Property as open space of \$5,301,000; the net economic value of the Property to the City and ultimately the Agency is likely greater under the Proposed Use than as open space.



Aerial Property Map



Parcel Map



## **RESOLUTION NO. 2011-\_\_\_\_\_**

### **RESOLUTION OF THE CITY COUNCIL OF THE CITY OF NORCO, CALIFORNIA, APPROVING A PURCHASE AND SALE AGREEMENT RELATED TO THE SALE OF SILVERLAKES TO THE CITY OF NORCO**

WHEREAS, in 2004 the City of Norco Redevelopment Agency obtained fee title to approximately 122 contiguous acres of land in the City of Norco, County of Riverside, State of California, commonly known as Silverlakes ("Property") identified by County of Riverside Assessor Parcel Numbers 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-011-7, and 152-070-002-9; and

WHEREAS, the City of Norco ("City") is interested in purchasing the Property for the purposes of furthering the productive economic use of the Property by leasing the Property to a third-party to facilitate the redevelopment and management thereof as a public park with recreation uses including an equestrian facility, soccer fields and other sports and related amenities ("Project"); and

WHEREAS, the City Council of the City of Norco ("City Council") has determined that the purchase of the Property will help facilitate the development of the Project on the Property; and

WHEREAS, the City Council has previously determined and hereby reaffirms that it is in the public interest of the City to acquire the Property.

NOW THEREFORE, BE IT RESOLVED that the City Council hereby accepts that the above recitals are accurate and have served together with the Staff Report and the Agreement as the basis for the findings and approvals set forth in this Resolution; and

BE IT FURTHER RESOLVED that the City Council does hereby authorize and agree to purchase the Property from the Agency pursuant to the terms and conditions of the Agreement; and

BE IT FURTHER RESOLVED that the City Council hereby approves the execution of the Agreement; and

BE IT FURTHER RESOLVED that this Resolution shall take effect from and after its date of passage, approval and adoption; and

BE IT FURTHER RESOLVED that the City Clerk shall certify to the adoption of this Resolution.

PASSED AND APPROVED by the City Council of the City of Norco, California, at a special meeting held on April 13, 2011.

---

Mayor of the City of Norco, California

ATTEST:

---

Brenda K. Jacobs, CMC, City Clerk  
City of Norco, California

I, Brenda K. Jacobs, City Clerk of the City of Norco, California, do hereby certify that the foregoing Resolution was adopted by the City Council of the City of Norco at a special meeting thereof held on the April 13, 2011, by the following vote of the City Council:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of Norco on April 13, 2011.

---

Brenda Jacobs, CMC, City Clerk  
City of Norco, California

/bj-78208

## **CRA RESOLUTION NO.2011- \_\_\_\_\_**

### **RESOLUTION OF THE CITY OF NORCO REDEVELOPMENT AGENCY APPROVING A PURCHASE AND SALE AGREEMENT RELATED TO THE SALE OF SILVERLAKES TO THE CITY OF NORCO**

WHEREAS, on January 2, 1980 the City Council of the City of Norco ("City Council") adopted Ordinance No. 434 establishing the City of Norco Redevelopment Agency ("Agency"); and

WHEREAS, the Agency is a redevelopment agency formed, existing and exercising its powers pursuant to California Community Redevelopment Law, Health and Safety Code Section 33000 *et seq.* (the "law"); and

WHEREAS, by Ordinance No. 458, adopted on July 15, 1981, the City Council established the Redevelopment Project Area No. 1 ("Project Area") and adopted the Redevelopment Plan for the Project Area (as subsequently amended, "Redevelopment Plan"); and

WHEREAS, the Agency is responsible for implementation of the Redevelopment Plan for the Project Area, and the Redevelopment Plan sets forth a plan for redevelopment of the Project Area; and

WHEREAS, the goals for the Redevelopment Plan generally include the alleviation of blighting conditions, specifically including abnormally high business vacancies, low lease rates or high number of abandoned buildings, and a serious lack of commercial facilities; and

WHEREAS, in 2004 the Agency obtained fee title to approximately 122 contiguous acres of land in the City of Norco, County of Riverside, State of California, commonly known as Silverlakes ("Property") identified by County of Riverside Assessor Parcel Numbers 152-060-004-0, 152-060-011-6, 152-070-001-8, 152-070-011-7, and 152-070-002-9; and

WHEREAS, the productive economic use of the Property will benefit the Project Area; and

WHEREAS, the Agency is authorized to convey interest in real property under Sections 33431 and 33433 of the Health and Safety Code upon the consent of the Agency in furtherance of the implementation of the Redevelopment Plan; and

WHEREAS, the Agency is interested in selling the Property to the City of Norco ("City") to further the Agency's goals of ameliorating blight in the Project Area; and

WHEREAS, the City is interested in purchasing the Property for the purposes of furthering the goals of the Redevelopment Plan and the productive economic use of the Property by leasing the Property to a third-party to facilitate the redevelopment and management thereof as a public park with recreation uses including an equestrian facility, soccer fields and other sports and related amenities ("Project"); and

WHEREAS, the Agency is interested in selling the Property through a purchase and sale agreement by and between the Agency and City ("Agreement") the terms and conditions of which the Agency and the City have diligently negotiated; and

WHEREAS, the sale of the Property pursuant to the Agreement furthers the goals of the Agency set forth in the Redevelopment Plan; and

WHEREAS, the Agency has duly considered all of the terms and conditions of the proposed Agreement and believes that the sale of the Property pursuant to the Agreement is in the best interests of the City and the health, safety, and welfare of its residents, and in accord with the public purposes and provisions of applicable state and local laws and requirements; and

WHEREAS, the Agreement may ultimately facilitate the lease of the Property and development of the Project, the development of which may include multi-purpose building and other constructed facilities and improvements (e.g., rest rooms, maintenance/equipment storage buildings); and

WHEREAS, the Agency has made appropriate findings pursuant to Health and Safety Code Sections 33433 and 33679.

NOW THEREFORE, BE IT RESOLVED that the Agency hereby accepts that the above recitals are accurate and have served together with the Staff Report and the Agreement as the basis for the findings and approvals set forth in this Resolution; and

BE IT FURTHER RESOLVED that the Agency does hereby authorize and agree to the sale of the Property to the City pursuant to the terms and conditions of the Agreement; and

BE IT FURTHER RESOLVED that the Agency hereby approves the execution of the Agreement; and

BE IT FURTHER RESOLVED that this Resolution shall take effect from and after its date of passage, approval and adoption; and

BE IT FURTHER RESOLVED that the Agency Secretary shall certify to the adoption of this Resolution.

PASSED, APPROVED AND ADOPTED by the Norco Redevelopment Agency at a special meeting held on April 13, 2011.

\_\_\_\_\_  
Chairman, Norco Redevelopment Agency

ATTEST:

\_\_\_\_\_  
Brenda Jacobs, CMC, Secretary  
Norco Redevelopment Agency

I, Brenda Jacobs, Secretary of the Norco Redevelopment Agency, do hereby certify that the foregoing Resolution was regularly introduced and adopted by the Norco Redevelopment Agency at a special meeting thereof held on April 13, 2011 by the following vote of the Norco Redevelopment Agency:

AYES:

NOES:

ABSENT:

ABSTAIN:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the Norco Redevelopment Agency on April 13, 2011.

\_\_\_\_\_  
Brenda Jacobs, CMC, Secretary  
Norco Redevelopment Agency

/bj-78207