

Included in this packet you will find:

1. Proposal from the Harwell Real Estate Group for the development of 59 Acres in the northeastern quadrant of Kettering, CA into Little League Heights Town Center, signed by the President and CEO Mr. Magnus Magnuson
2. A Community Profile of Kettering CA
3. Additional Comments on the Harwell Real Estate Group and Kettering, CA
4. An aerial view of the proposed site
5. A site plan of the proposed development showing the location of the majors stores and the hotel, as well as the roadways and flood control channel
6. A rendering of what the proposed development would look like
7. Two photographs of a recently completed development on which Little League Heights Towne Center would be patterned.

You will analyze and the information provided as a group and formulate a counter proposal to the Harwell Real Estate group (Harwell) which you feel is financially equitable to both sides, and which will allow the project to take place with some give and take from both parties. After much discussion and negotiation you will reach a compromise with Harwell which you feel will be acceptable to the Mayor and Council of the City of Kettering CA.,

You will present your proposal to the Mayor and Council at the City Council meeting of June 18, 2016 at 6:00 p.m. in the City Hall Chambers (UH 252). The presentation will take approximately half an hour and you may include any charts, graphs, overheads, PowerPoints etc. you may choose in order to illustrate your points and persuade the Council that this agreement is in the best interests of the City, the community and Harwell. Prepare for questions from the elected officials. You may elect a spokesperson or you may share the presentation, a shared presentation is preferred.

Accompanying your presentation will be the Staff Report included in the City Council Agenda as well as the Resolution. You will not be required to attach any agreement, (although the motion of the resolution will be to adopt the attached agreement).

We still have four weeks left and not all the material has been covered, but with what we have covered so far you can get an early start begin on the backbone of the project, which are the deal points.

Feel free to ask questions and good luck.



Harwell

Real Estate Group

Re: Little League Heights Towne Center

Attention: Economic Development Director

The Little League Heights area of Kettering, CA represents one of the best areas of the city with growth that provides upper end residential opportunities. It is important to the rational growth that shopping amenities be provided to the existing and new residents of this important, but underserved area. Harwell Real Estate Group (HREG) is pleased to submit this proposal to develop a premier power center at the northeast corner of the city.

The mutual objective of HREG and the city is to ensure the Little League Heights Towne Center serves the Kettering community and captures the market not only in the short term, but also in a way that provides a regional retail "magnet" in Kettering for decades to follow. The Little League Heights Towne Center presents a singular opportunity to develop a special place that includes a wide variety of anchor stores, national retailers, a limited service hotel and restaurants. The development will be cohesive, well designed and beautifully planned to appeal to Kettering residents and shoppers from surrounding communities. In order to accomplish the development of the Little League Heights Towne Center in a manner that serves the best interests of the community, it will be necessary to establish a public-private partnership. We believe there are mutual benefits to the HREG and the City of Kettering, which we outline in this proposal.

Program for the Little League Heights Towne Center

1. The Site

The site is located on 59.62 acres, recently purchased by HREG at a cost of \$13.2 million (approximately \$5.00 per square foot). The plan would bring to the market area the widest variety of retail, restaurant and lodging opportunities. HREG is currently in discussion with a wide variety of retailers, hotel chains and restaurants for the site, but no leases have as yet been formalized. The buildings would consist of 635,675 square feet and include a tenant mix similar to Citrus Plaza in Redlands, CA with the exception

of the addition of a lodging facility. The lineup would include a junior department store such as Target, home improvement store such as Home Depot, apparel such as Nordstrom Rack, TJ Maxx, and Ross Dress for Less, shoes such as Fashion Bug and Famous Footware, electronics such as Best Buy and Circuit City, books such as Barnes and Noble, linens such as Bed Bath & Beyond, crafts such as Michaels, office supply such as Staples and other stores such as sporting goods and pet supply. The project would include a variety of restaurants such as Macaroni Grill, Chili's and Red Robin as well as a 120 roomed Hampton Inn.

Development Value

HREG Projects its preliminary estimated expenditures on the 635,675 square foot center at \$90.38 million. The two anchor stores will own or ground lease their pad, construct and fixturize their building and pay their prorata share of the onsite costs. Their estimated expenditures are \$28.4 million. Seven restaurants, totaling 29,500 square feet will ground lease their pads, construct and fixturize their stores and pay their prorata share of the on-site costs. The projected values for the restaurants are \$4.86 million. A Hampton Inn will ground lease their pad, construct a 120 room limited service hotel and pay their prorata share of the onsite costs. The projected value of the hotel is 9.6 million. The summary of the total development costs of \$123.57 million it should be noted, however, that the County Assessor actually will put the project on the tax rolls at approximately \$103 million. Therefore, the value based on costs is very conservative.

Tax Generation

1. Net New Property Taxes

The net new annual property taxes are based on the percentages of the 1% General Levy that is allocated to the City. We have been informed that the City's share is 19%. Applying that to the net new assessed value the net new property taxes are projected at \$195,700

2. Sales Taxes

The sales taxes generated by the two projects are substantially greater than the net new property taxes. The assumptions on the sales per square foot by type of retailer. The projected annual sales taxes are \$2.45 million.

3. Transient Occupancy Tax

Based upon a 65 % occupancy at an average daily rate of \$75.00 this 120 roomed hotel is expected to generate \$213,525 in new occupancy taxes

Job Generation, Annual Payroll and Economic Benefit

The Little League Heights Towne Center job generation and construction payroll are projected at 678 with \$30.5 million in wages. The permanent jobs are projected at 1,331. We estimate that annual payroll to be about \$26 million.

Project Economics

A number of factors play into the project economics. Those include the extensive costs to create the new Little League Drive, which has a cost of about \$4 million and the scour wall being required in the drainage channel, at a cost of about \$3.2 million. The development fees and permits are projected at \$4 million, a high cost per square foot (\$6.29). In addition, the anchor tenants require sale or lease terms that are substantially below market values, as they know they are the major draws to retail centers. With the various added cost our projected return on investment is 7.98%. That level does not meet our target of 10% and is not sufficient for us to proceed with the development, given the level of risk. The level of public assistance to achieve our required return on cost is \$17.5 million.

Project Summary

Size in Square Feet	635,770
Net New Property Taxes	\$ 195,700
Sales Taxes	\$ 2,450,000
Transient Occupancy Taxes	\$ 213,525
Total Tax Revenues	\$ 2,859,225
Public Assistance Required	\$ 17,500,000
Projected annual Service	\$ 1,527,462
Term	11.5 years
Level of Tax Revenues Required	50.0%

As seen by the chart the project could support the needed public assistance with approximately 50.0% of the project specific tax revenues for 11.5 years

Assistance Program to implement the Development Program for Little League Heights Towne Center

We suggest the \$17.5 million in required public assistance be funded through the City which would commit to assist the project through the sharing of the net new property taxes and a portion of the sales and transient occupancy taxes actually generated by the project. We propose that no more than 50% of the sales and

property taxes and a portion of the sales and transient occupancy taxes actually generated by the project. We propose that no more than 50% of the sales and occupancy tax revenues and 100% of the net new property tax revenues support the required infrastructure and permitting with the balance being retained by the City.

Should there be a shortfall in the revenue stream the city would make reduced reimbursements in order to maintain the City's income level from project tax revenue. We expect sales to grow at least at the 4% per annum. For that reason, we request that any shortfall amounts be reimbursed from future year tax revenues, the City would, therefore, never receive less than 50% of the sales tax generated from the Little League Heights Towne Center.

Tax Benefits to the City

The cumulative retained City sales and occupancy taxes retained during the reimbursement period is approximately 15 million. Thereafter the city will realize approximately \$2.9 million a year in sales, occupancy and property taxes at present value.

Conclusion

Our development team looks forward to meeting with you to discuss the proposal in greater detail. We will gladly provide any additional information you might require. We are committed to working with you, your staff and advisors to complete the pre-development process so that construction can commence and the city of Kettering can begin to reap the benefits of the Little League Heights Towne Center.

Sincerely,



Magnus Magnusson
President and Chief Executive Officer

Points to Ponder:

Harwell Real Estate Group:

- Harwell (HREG) is a sophisticated Real Estate Group out of Los Angeles with several lifestyle centers in their portfolio, (Citrus Plaza being one). They recently spent \$13.2 million purchasing the 59.62 acres for the development of Little League Towne Center. When they were purchasing the property did their due diligence not reveal the following:
- That Little League Drive would need to be improved to handle the increased traffic
- That the site is located in a flood plain, therefore a scour wall would be needed in the drainage channel in the event of a flood
- What the development fees and permits would be for such a development; these are posted online on the city's website
- Is it the taxpayer's responsibility to deliver an adequate return on investment for a private enterprise, or is up to market forces in a capitalist society?

The City of Kettering, CA:

- The city faces a \$1.6 million deficit in the coming fiscal year
- Cuts in services currently provided by the RDA may reduce this deficit to \$1.0 million if that is desirable
- A more attractive shopping experience within the city limits may reduce citizens going Citrus Plaza, and therefore reduce the \$700,000 in sales tax bleed as shoppers decide to shop at home, but this speculative
- The city needs to build up its pathetic reserve of \$500,000 to at least \$3 million in the next 11.5 years
- The city has an unemployment rate of 12.5 % which is 2.5% higher than the state average.
- The working population of Kettering would be 50,000 at full employment, however, there are 6,250 (12.5%) people currently out of work. A reduction in this number would be very beneficial politically for the elected officials.

Miscellaneous:

While HREG may not benefit directly from the County WIB, these incentives are useful tools to make this development easier to tenant. The WIB can therefore be viewed as an indirect incentive to HREG.

Community Profile:

The city of Kettering CA is a southern California community of about 200,000 people in a greater metropolitan community of close to one million. It is mostly a blue collar community with a median income of less than \$40,000, except for the northeast part of the city surrounding the university which is more affluent with a median income in excess of \$55,000. It is a relatively old city, in the context of Southern California, and in its heyday was the center of entertainment and shopping being the first in the region to construct an indoor shopping mall in the mid sixties, this mall has unfortunately become dated and has had to compete with newer malls in surrounding cities. In the last 10 years it has lost two of its four anchor department stores, a JC Penney which moved to another community and Gottschalks which went out of business. In addition the city has seen a serious bleed of sales tax dollars to newer, more fashionable lifestyle centers in neighboring communities such as Redlands and Rancho Cucamonga offering more up market stores not available in Kettering such as Bed, Bath and Beyond or Barnes and Noble Books, which are more attractive to the more affluent consumer in the region. In fact, the city has seen a steady decline of sales tax revenues since 2010 which currently equates to approximately \$700,000 per annum over the last two years.

Although still operating at break even, the city faces tough times in the future caused not only by the tough economic times which it is estimated will put the city in the red by approximately \$1.0 million in the coming fiscal year, but also with the elimination of Redevelopment Agencies throughout the state. Up until this time the Redevelopment Agency had been picking up the cost of one city planner at \$150,000, one human resources staffer at \$125,000, the cost of the city information call center at \$200,000 and a mayoral staffer at \$125,000.

The property in question had been in the former Little League Commons Redevelopment Project area, but with the elimination of RDA's the issue is now moot so there will be no Tax Increment from the project.

Although the city does not have its own Workforce Investment Board you do have a good relationship with the County Workforce Investment Board people which offer the same benefits.

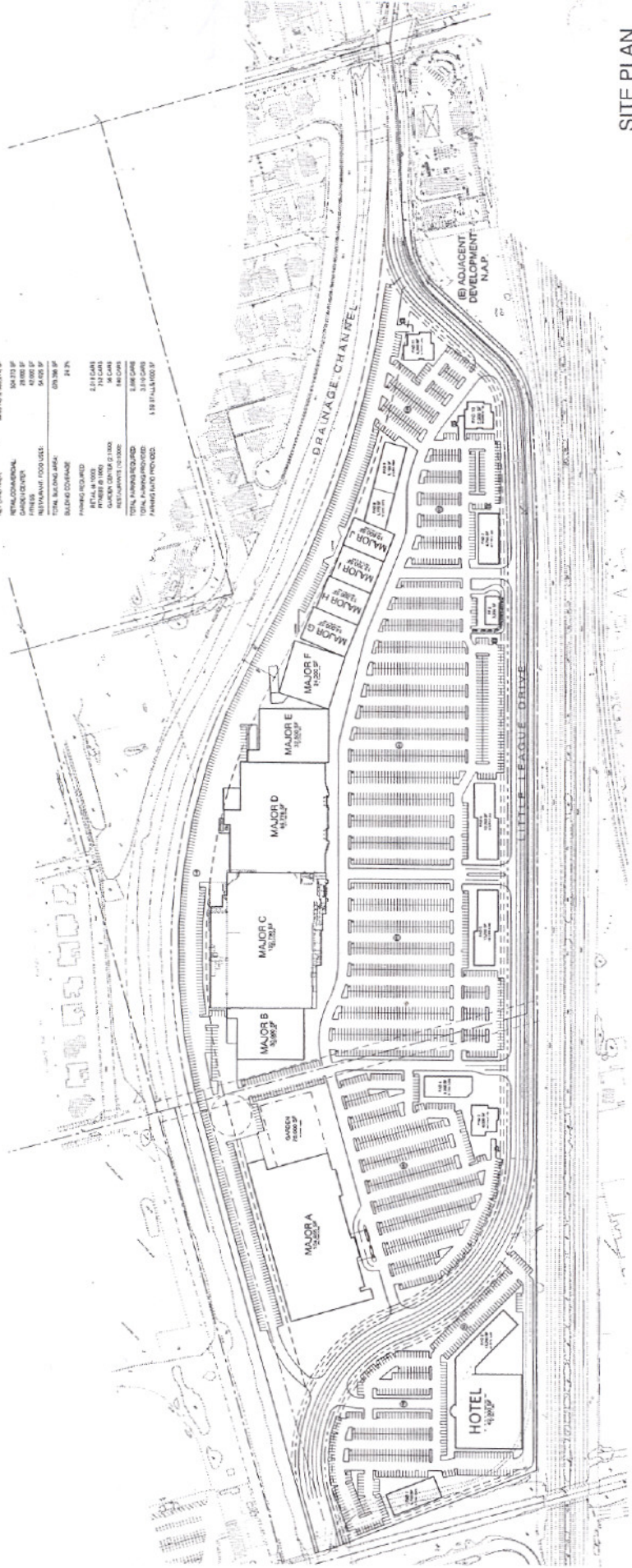
LITTLE LEAGUE HEIGHTS



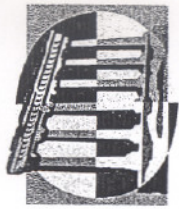
City of Kettering, CA
Founded In 1836

PROJECT SUMMARY

NET LAND AREA:	30.25 AC (2,052,144 SF)
RECREATIONAL:	34,275 SF
OFFICE:	1,000 SF
APARTMENTS:	4,000 SF
RESTAURANT FOOD USE:	54,000 SF
RESTAURANT:	54,000 SF
TOTAL BUILDING AREA:	69,275 SF
BUILDING COVERAGE:	24.7%
PARKING REQUIRED:	1,500 SPACES
RETAIL:	1,500 SPACES
APARTMENTS:	1,500 SPACES
OFFICE:	1,500 SPACES
RESTAURANT:	1,500 SPACES
TOTAL PARKING REQUIRED:	1,500 SPACES
RESTAURANT:	1,500 SPACES
OFFICE:	1,500 SPACES
RESTAURANT:	1,500 SPACES
TOTAL PARKING PROVIDED:	1,500 SPACES



SITE PLAN
SCHEME S
 08/11/11
 23 MAR 2012



Harwell
 Real Estate Group

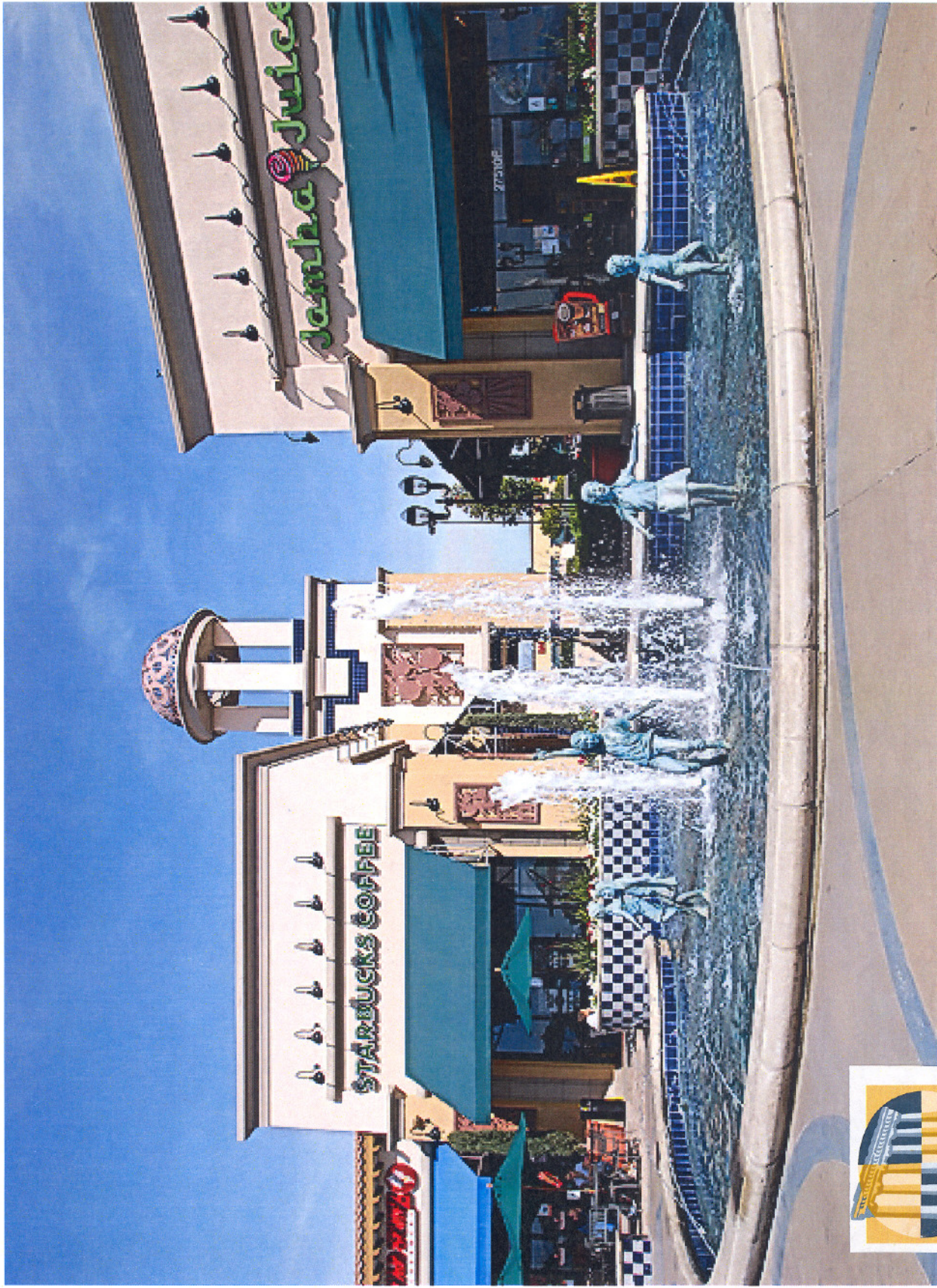
SCALE 1" = 80'-0"
 NORTH
 0 50' 100' 200'
 ALL DIMENSIONS ARE APPROXIMATE AND SUBJECT TO FIELD SURVEY AND RECORDS.
 THIS PLAN IS NOT TO BE USED FOR CONSTRUCTION WITHOUT THE APPROVAL OF THE ARCHITECT.



Little League Heights Town Center



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