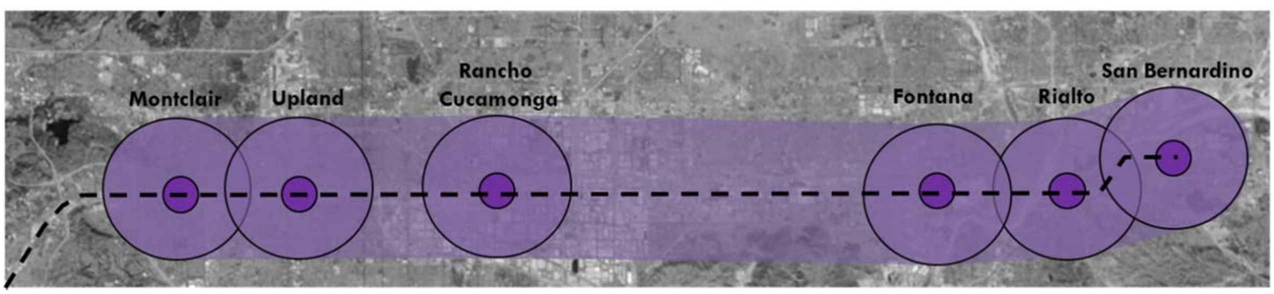
Executive Summary of the ARRIVE Corridor Market Assessment Briefing Book



August 20, 2014

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SOUTHERN CALIFORNIA ASSOCIATION of GOVERNMENTS

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EXECUTIVE SUMMARY

Introduction

The San Bernardino County Advanced Regional Rail Integrated Vision – East (ARRIVE) is a land use vision and strategy created to explore the possibility of transitioning the San Bernardino Metrolink line into a fully integrated transit-oriented development (TOD)/regional rail corridor.

The ARRIVE land use vision and strategy seeks to focus future growth near the San Bernardino Metrolink line, and especially in the vicinity of the six Metrolink stations located within San Bernardino County to improve mobility, better link people with employment, commercial, and residential centers, and create well-designed walkable neighborhoods with a mix of services. The San Bernardino Metrolink line was opened to Pomona in 1992 and extended to San Bernardino in 1993, providing a direct passenger rail link between San Bernardino cities and Downtown Los Angeles. The six San Bernardino Metrolink stations are located in the cities of Montclair, Upland, Rancho Cucamonga, Fontana, Rialto, and San Bernardino.

Background

San Bernardino County and Riverside County were, historically, the agriculture regions of Southern California, but have been the primary areas of suburban residential growth for the last 40 years. The availability of affordable land and connectivity via freeway infrastructure made San Bernardino County a desirable location for new residential development (particularly for families with members working in Southern California's major employment centers looking for affordable housing).

Located inland from Los Angeles and Orange Counties, San Bernardino and Riverside Counties' burgeoning population and economy earned the area the name the "Inland Empire." San Bernardino County's agricultural lands were first converted to residential subdivisions, but overtime San Bernardino County became a magnet for industrial, warehousing, and logistics businesses. Increasing population and employment create demand for additional services and, in the past 20 years, the region's economy has matured into a growing urban ecosystem. The region saw meteoric growth during the last economic boom from 2000-2007 and as a result, suffered significant economic consequences after the sub-prime lending crisis and the Great Recession that followed.

Project

The Inland Empire's economy is recovering from the recession and is projected to be one of the nation's fastest growing economies over the next six years[1]. Through the ARRIVE Corridor Land Use Vision and Strategy, SCAG and SANBAG are leading a pioneering regional cooperation effort to manage growth in a manner that is sustainable over the long term, leverages existing and oncoming transportation infrastructure, and seeks to create value by building communities that adequately address issues of mobility, economic health, and livability.

HR&A Advisors was retained by the Southern California Association of Governments (SCAG) and the San Bernardino Association of Governments (SANBAG) as part of a multi-disciplinary team led by Gruen Associates to define an overall vision and implementation strategy for the ARRIVE corridor. The engagement includes three key elements: (1) An analysis of existing conditions and market opportunities, which feeds into (2) a Technical Assistance Panel (TAP) workshop organized by the Urban Land Institute (ULI), and finally (3) a set of actionable implementation recommendations.

[1] 2020 Economic Forecasts, IHS Global Insight, June 2014. Presented to the United States Conference of Mayors.

The subsequent sections include an analysis of market conditions and opportunities. In this task HR&A analyzed the economic and market conditions along the ARRIVE Corridor and within the immediate vicinity of the six stations within the corridor to establish an informed understanding of the development opportunities and challenges presented.

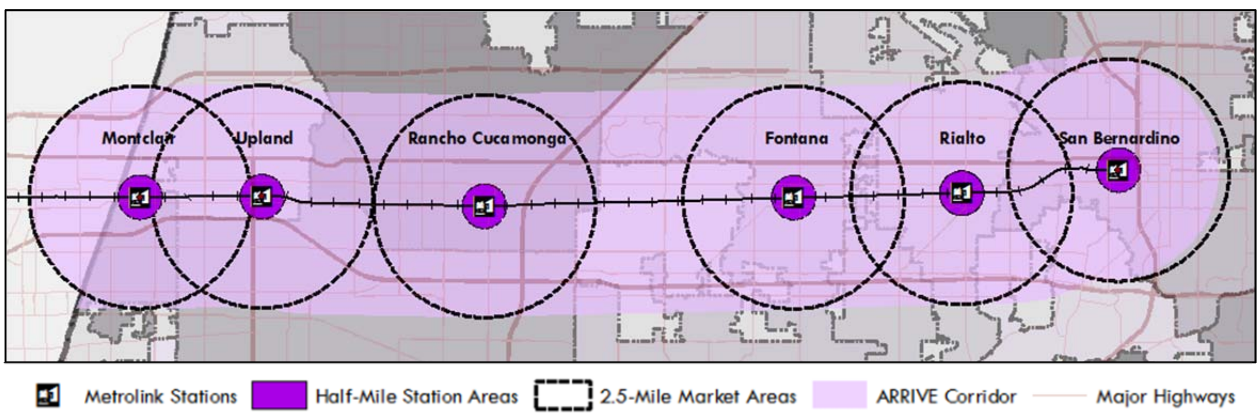
ARRIVE Corridor Analysis Geographies

For purposes of this analysis, we evaluate the market context at three key levels of geography as shown in Figure ES-1:

- Corridor-wide analysis – Covering a 5-mile band (2.5-mile buffer on each side of the tracks) surrounding Metrolink alignment in San Bernardino County, henceforth referred to as the 'ARRIVE Corridor'.
- Station Market Area analysis– Covering a 2.5-mile radius from each station representing their primary market area, referred to as the '2.5-Mile Market Area'.
- TOD opportunity area analysis – Covering a 0.5-mile radius from each station representing the potential TOD area, referred to as the 'Half-Mile Station Area'.

Note that there is overlap between several of the 2.5-Mile Market Areas, primarily in Montclair and Upland. In order to be consistent, the 2.5-Mile Market Area analysis does not make adjustments for the overlaps. However, any market area overlaps are taken into consideration in estimating market demand and potential capture in the station areas.

Figure ES-1



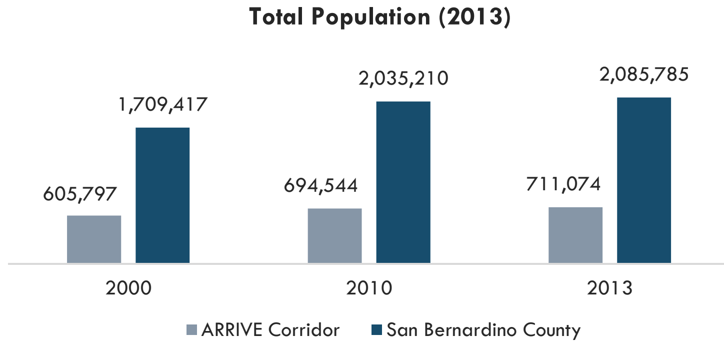
Source: ESRI

Demographics and Employment

Population and Households

As shown in Figure ES-2, San Bernardino County has a population of 2.1 million persons in 622,000 households as per 2013 estimates. With a population of 711,000 persons in 196,000 households, **the ARRIVE Corridor accounts for approximately one third of the County's population and households.**

Figure ES-2



Source: ESRI

As a more established area, the ARRIVE Corridor had a lower annual population growth rate of 1.24 percent relative to the County's 1.54 percent between 2000 and 2013.

Population is distributed throughout the Corridor with concentrations near the I-10 and I-210 Freeways. Figures ES-3 and ES-4 present population in the 2.5-Mile Market Areas and the Half Mile Station Areas. In the 2.5-Mile Market Areas, Upland has the most population, followed by Fontana and Rialto. With the exception of Rancho Cucamonga, all 2.5-Mile Market Areas contain populations between 100,000 and 150,000. Due to overlaps, the Montclair and Upland markets combined, contain a population of approximately 220,000.

- The Half-Mile Station Areas represent a modest share, between 1 and 6 percent, of their 2.5-Mile Market Area population. In terms of area, the Half-Mile Station area is only 4 percent of the 2.5-Mile Market Area. The lower population density is in part due to the historic industrial/commercial nature of the areas near rail access.
- Figure ES-5 presents growth in population from 2000-2013 in the 2.5-Mile Market Areas. As shown, Rancho Cucamonga and Fontana have achieved the highest growth rates between 2000 and 2013.

Figure ES-3

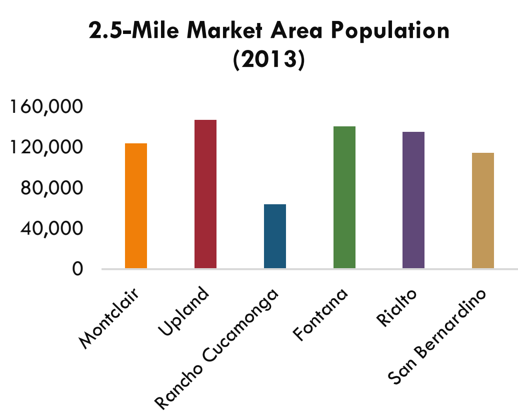
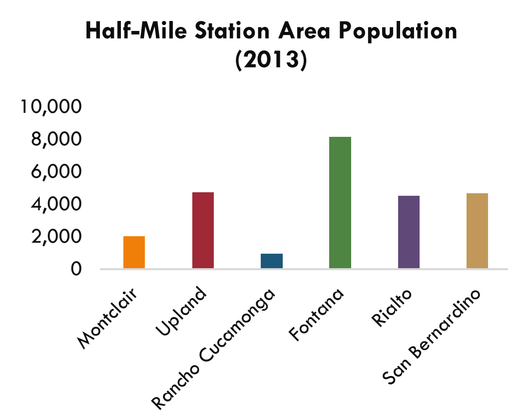
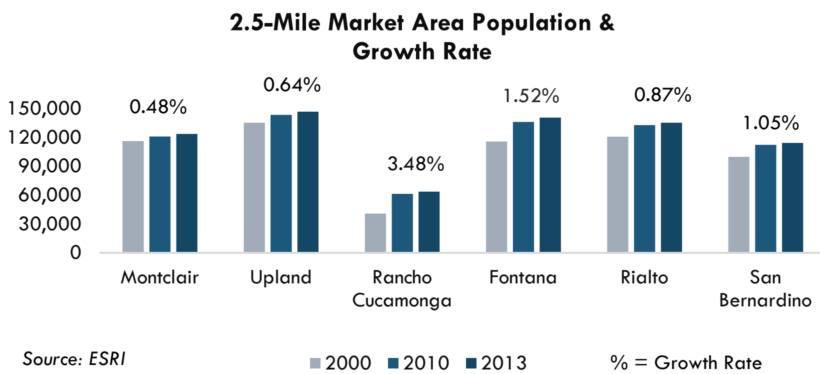


Figure ES-4



Source: ESRI

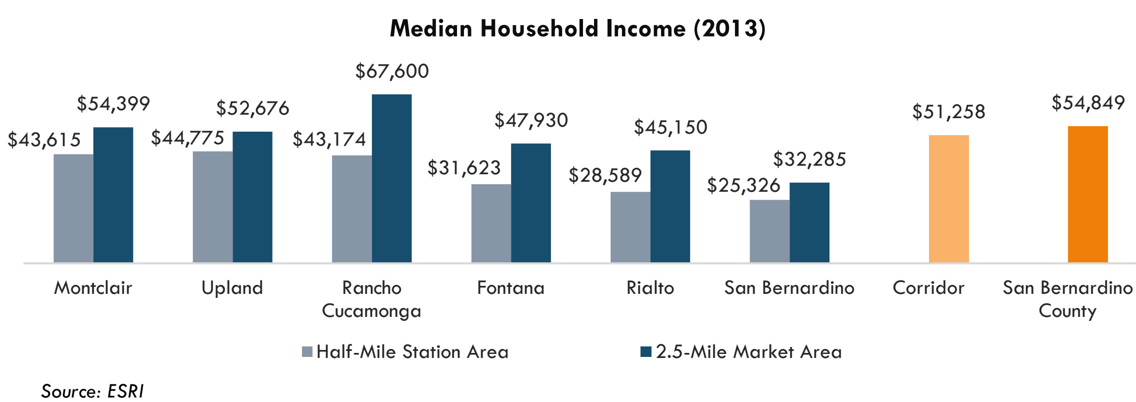
Figure ES-5



Income

In San Bernardino County, the median household income is approximately $55,000, 10 percent lower than the California median household income of $61,400[2]. ARRIVE Corridor's median income is $51,000, 6 percent lower than the County's, again, likely a result of being an older built out community adjacent to mostly industrial and commercial uses. As shown in Figure ES-6, **median incomes generally decrease as one moves eastward along the ARRIVE Corridor**, with Rancho Cucamonga as the key exception. Rancho Cucamonga was a major area of growth in the last decade and currently has the highest median household income of $68,000, 20 percent above the County average.

Figure ES-6

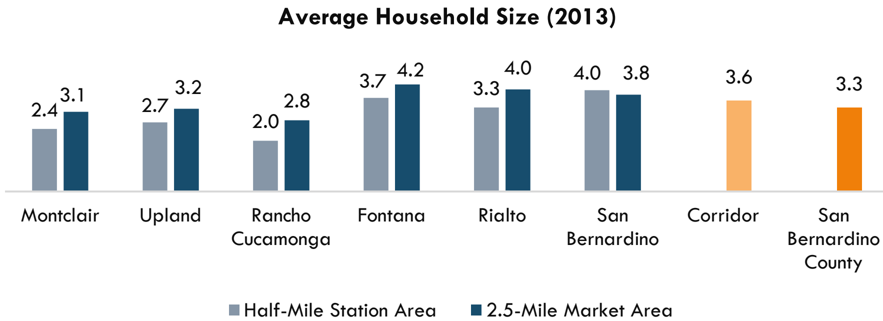


Average Household Size

As shown in Figure ES-7, the average household size is a fairly high, 3.6 persons per household in the ARRIVE Corridor, reflecting the number of large families residing within the Corridor. Average household sizes are greater in more easterly market areas than the more established western areas.

[2] ACS 2007-2012 5-Year Estimates

Figure ES-7

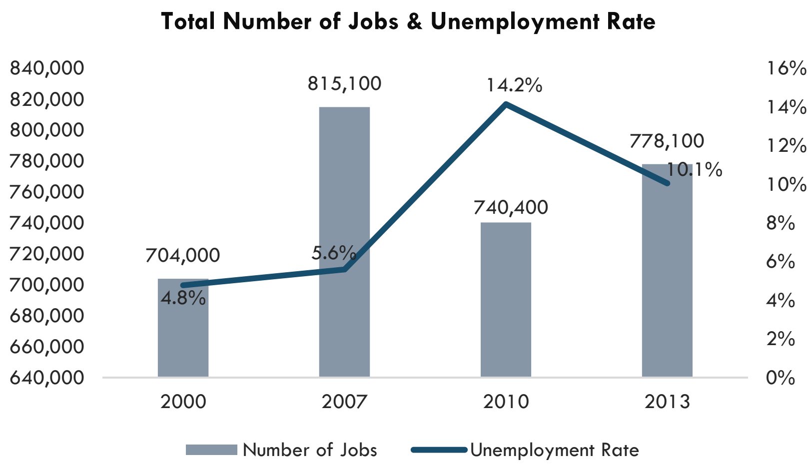


Source: ESRI

Employment

San Bernardino County was severely impacted by the recent recession. The regional economy is still in recovery. As shown in Figure ES-8, the county-wide unemployment rate peaked at 14 percent in 2010. Since 2010, the unemployment rate has dropped, but is still higher than pre-2007 levels.

Figure ES-8

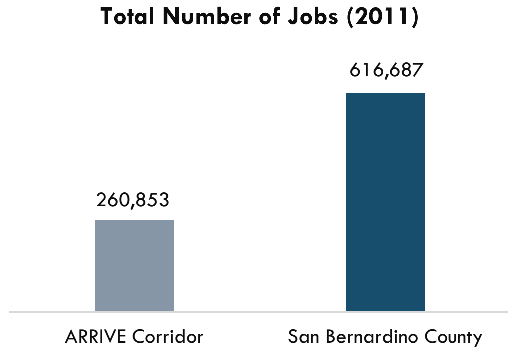


Source: California EDD

Since 2000, the largest employment sector in San Bernardino County has consistently been Government, followed by Retail Trade and Health Care & Social Assistance. Professional, Scientific & Technical Services experienced the highest compounded growth rate of 5 percent from 2000-2012, while Transportation, Warehousing & Utilities and Health Care & Social Assistance were the second fastest growing industries with 3 percent annual growth rates. Construction and Manufacturing jobs experienced the most significant decreases in number of jobs after the recession.

As shown in Figure ES-9, **30 percent of the population in San Bernardino County, and 40 percent of the County's jobs are located within the ARRIVE Corridor.** Within the ARRIVE Corridor, the greatest share of employment is in the Retail Trade, Educational Services and Health Care & Social Assistance sectors.

Figure ES-9



Source: LEHD OnTheMap

As shown in Figure ES-10 and Figure ES-11, Rancho Cucamonga has the greatest concentration of jobs across the ARRIVE Corridor. This includes significant regional employment concentrations in the City of Ontario.

Figure ES-10

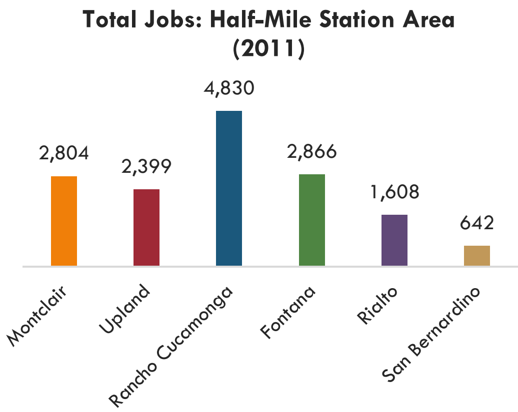
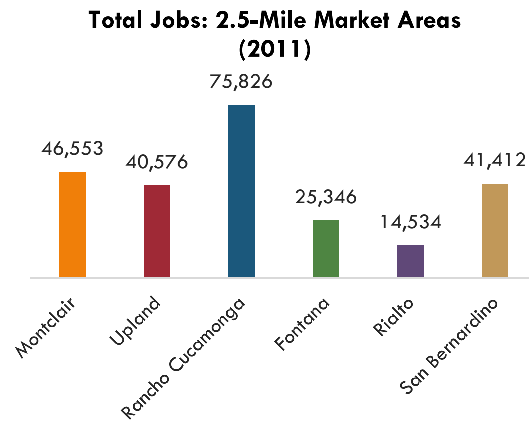


Figure ES-11



Source: LEHD OnTheMap

Regional Real Estate Analysis

Residential

San Bernardino County's residential market was significantly impacted by the last recession and is only now beginning to recover. The Inland Empire counties, San Bernardino and Riverside, have the most available developable land in Southern California and a significant amount of housing was built at the start of the decade in San Bernardino County. As the economy contracted and housing prices began to slide downward, the counties of San Bernardino and Riverside were left with a large number homes with mortgages higher than the value of the property, and significant new home inventories. San Bernardino County's June 2014 foreclosure rate, 0.17 percent of homes, has decreased since the recession, but is still twice the national average of 0.08 percent.

- The housing market 'boom and bust' is reflected in Figure ES-12 and Figure ES-13. Between 2004 and 2013, 52,000 new homes were sold in the County, and 80 percent of these were sold in the four years between 2004 and 2008.
- County-wide single family home prices fell by more than 50 percent between the peak (2007) and lowest point (2009). Prices have not recovered back to peak levels, but have increased 40 percent since the lowest point in 2009.
- County-wide multi-family home prices fell for a longer time period and by a greater amount, 60 percent from their peak (2007) to the lowest point in 2011. However, multi-family properties make up only 11 percent of new sales and 6 percent of resales.

Figure ES-12

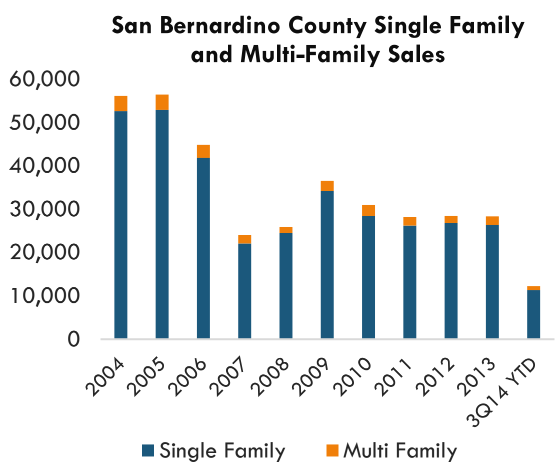
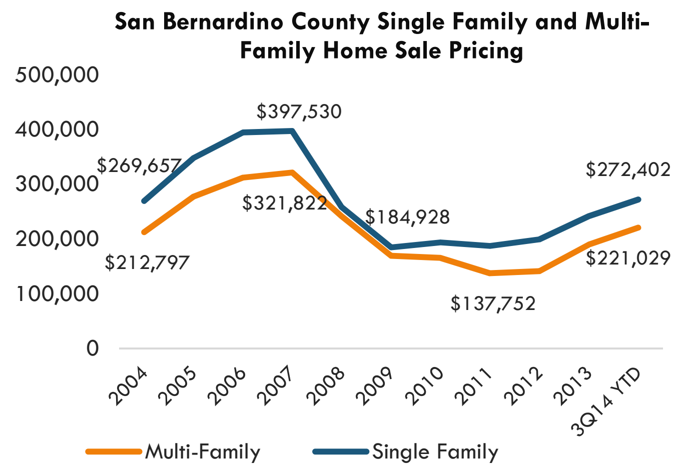


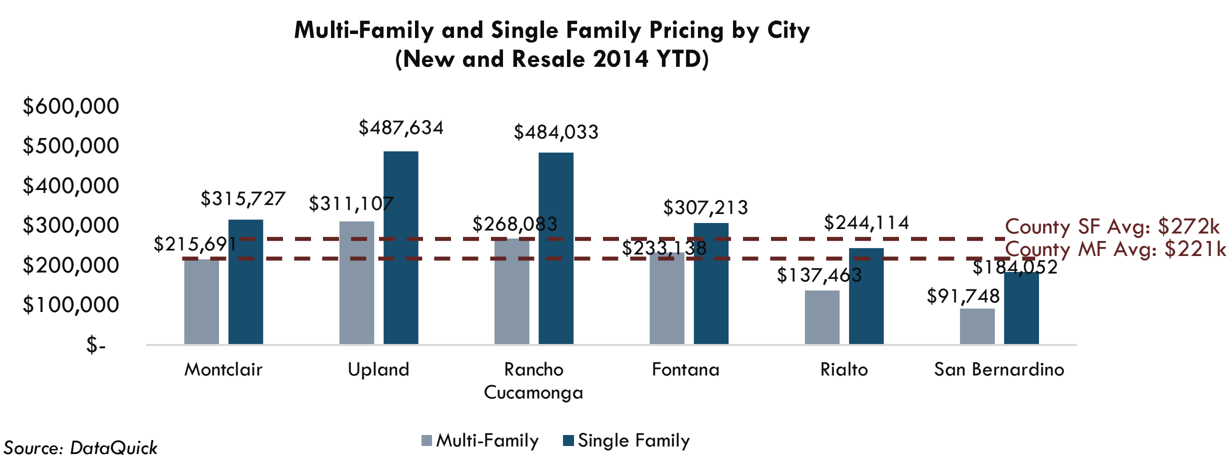
Figure ES-13



Source: DataQuick

ARRIVE Corridor sales and prices have followed a similar pattern to the County, but as shown in Figure ES-14, home prices by city are substantially higher than County-wide averages in almost all ARRIVE Corridor cities. Upland and Rancho Cucamonga's single family unit prices are 80 percent higher than the county average and their multi-family sale prices are 20 to 40 percent higher than the County average. The City of San Bernardino is the only exception, with substantially lower home values than the County average.

Figure ES-14

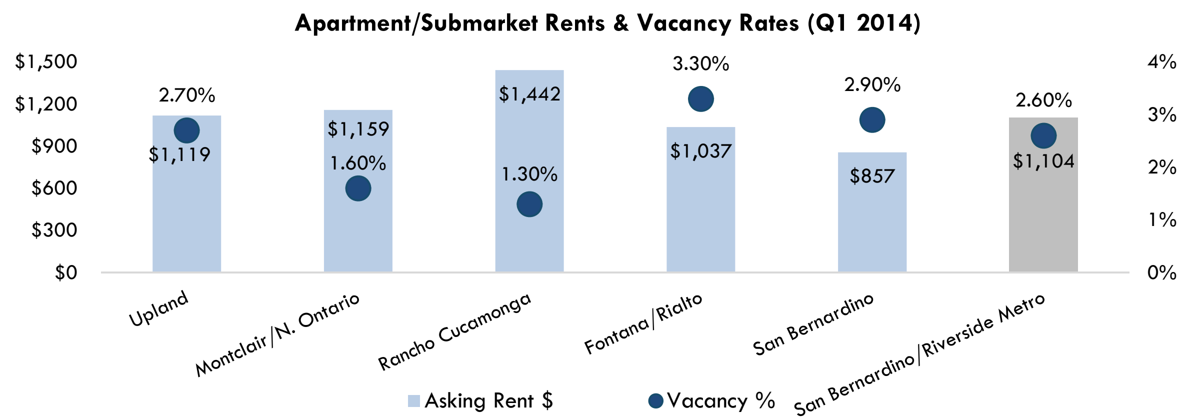


Source: DataQuick

The current rental residential market is performing much better than the for-sale residential market. However this is largely a result of the rental market being temporarily buoyed by the current issues facing the for-sale residential market: previous owners of foreclosed homes were pushed into the rental market and those who want to be homeowners are having difficulty qualifying for loans.

As shown in Figure ES-15, San Bernardino-Riverside region apartment vacancies fell from highs of 8 percent in 2009 and are currently 2.6 percent. The region's current average apartment rent is $1,104. The Rancho Cucamonga submarket rent is 34 percent higher than the County and the San Bernardino submarket rent is 22 percent below the market, but other submarkets are in line with the San Bernardino-Riverside region average.

Figure ES-15



Source: REIS Q1 2014

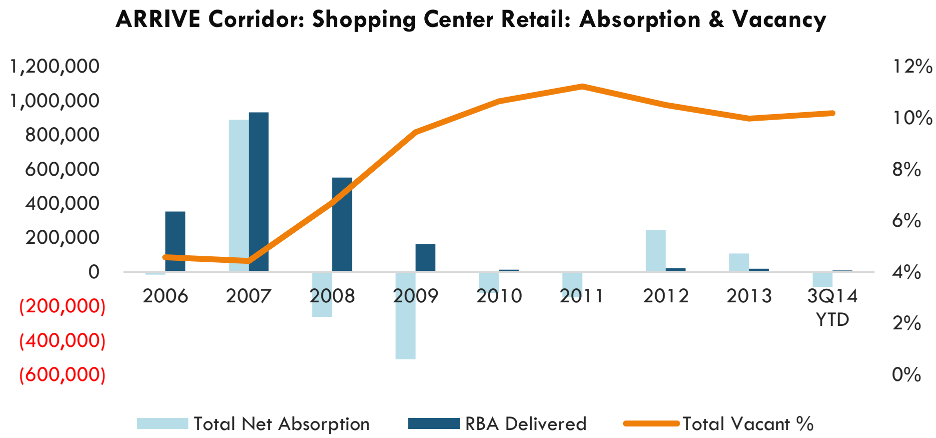
Retail

San Bernardino County's retail market was hit particularly hard during the recession, due to a substantial drop in consumer spending. The Inland Empire had higher levels of unemployment relative to other Southern California counties during the recession. Layoffs, reductions in hours, as well as the contraction in home equity all contributed to a substantial drop in consumer spending in the Inland Empire.

The ARRIVE Corridor contains 41 million SF of retail. The majority, 26 million SF, is located in shopping centers. The ARRIVE Corridor represents 45 percent of total shopping center retail space county-wide. **When considering only major shopping centers, such as super-regional, regional, lifestyle, and power centers, the ARRIVE Corridor includes 52 percent of shopping center retail in San Bernardino County.**

Similar to the County, ARRIVE Corridor retail was significantly impacted by the recession. As shown in Figure ES-16, vacancy rates more than doubled between 2007 and 2009. The ARRIVE Corridor's shopping center performance was particularly challenged due to delivery of 700,000 SF of new space between 2008 and 2009, in the midst of the recession, which has yet to be fully absorbed.

Figure ES-16



Source: CoStar

As shown in Figure ES-17 and Figure ES-18, the Rancho Cucamonga 2.5-Mile Market Area has the greatest amount of shopping center retail and also demands the highest rental rate along the ARRIVE Corridor. This is largely due to the inclusion of some of the major regional shopping destinations such as Ontario Mills and Victoria Gardens.

With the exceptions of Rancho Cucamonga and Fontana, the ARRIVE Corridor Market Areas have high shopping center vacancies. Areas that are not major retail centers get overbuilt with retail due to a tendency to build new centers rather than reinvest in existing centers.

Figure ES-17

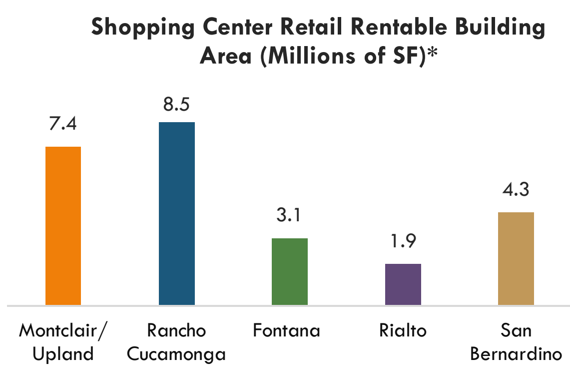
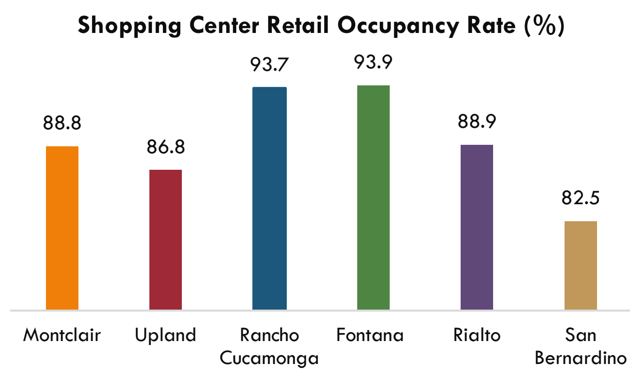


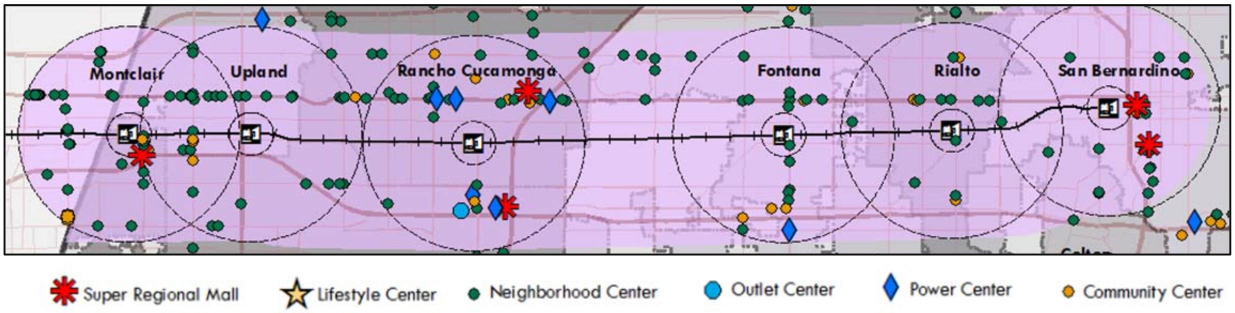
Figure ES-18



**Note: The Montclair and Upland 2.5-Mile Market Areas have significant overlap so they have been combined for purposes of this analysis. Totals do not represent cumulative stock due to market area overlaps.*
Source: CoStar, 2014

As shown in Figure ES-19, there is an abundance of retail along the ARRIVE Corridor, mostly along the Foothill Boulevard Corridor and along the I-10 and I-210 freeways. There is concentration of regional destination retail in the Rancho Cucamonga/Ontario market, as well as in the San Bernardino market. While, the Rancho Cucamonga/Ontario market has maintained occupancy and rent levels, other regional retail clusters have not performed very well. Particularly, the underperforming Carousel Mall in San Bernardino is a significant contributor to that market's low occupancy rates.

Figure ES-19



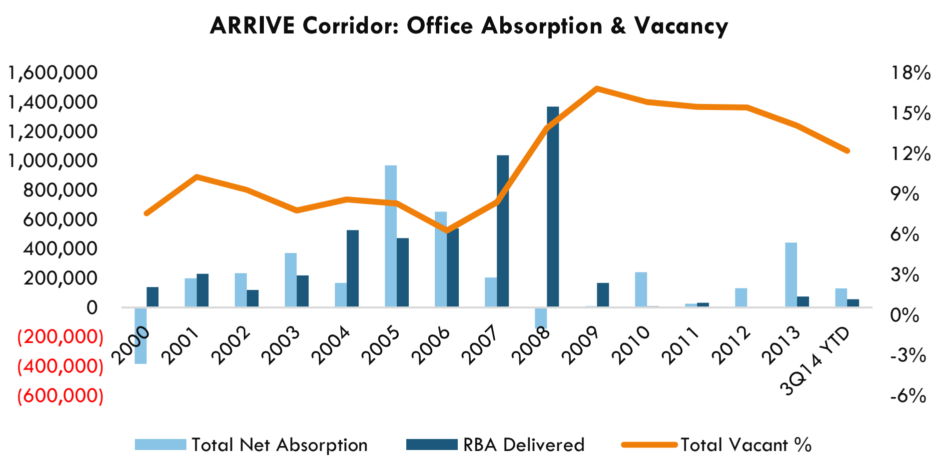
Source: ESRI

Office

The Inland Empire was historically a relatively smaller office employment center compared to Los Angeles and Orange Counties, with many of its residents commuting to Los Angeles and Orange County for work. However, with the significant population growth that occurred in the Inland Empire since 2000, San Bernardino County has become a major center of activity with growing employment uses and offices. With 20.8 million SF of office space, the ARRIVE Corridor represents 55 percent of total office space county-wide.

As shown in Figure ES-20, absorption was strong pre-2007 in the ARRIVE Corridor, but tenants vacated space and the area was overbuilt between 2007 and 2008. This increased vacancies from 6 percent in 2006 to 17 percent in 2009. Lease rates peaked at $24.17/SF in 2008 and fell to a low of $17.78/SF in 2012. While vacancies have decreased substantially and are currently at 12.2 percent, lease rates have barely increased since 2012.

Figure ES-20



Source: CoStar

As shown in Figure ES-21 and Figure ES-22, almost 40 percent of the office space within the Corridor is concentrated in the Rancho Cucamonga 2.5-Mile Market Area. This is due to the concentration of office clusters around the Ontario Airport and the I-15 corridor. This area also has the highest vacancies, as a substantial amount of rentable space was added prior to the recession which has not yet been absorbed. Market Areas with smaller amounts of rentable space, Montclair/Upland, Fontana, and Rialto, have fairly strong occupancy rates, with occupancies hovering around 90 percent. However, the areas with the greatest amount of space, Rancho Cucamonga and San Bernardino, have high vacancy rates.

Figure ES-21

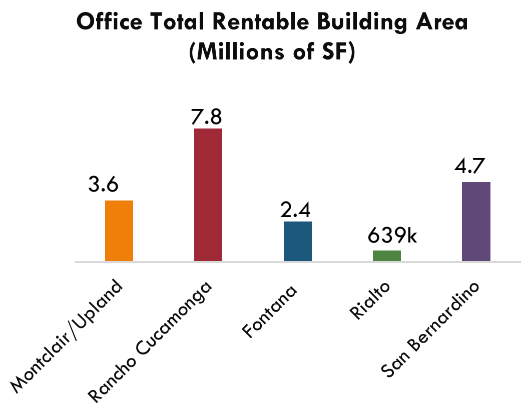
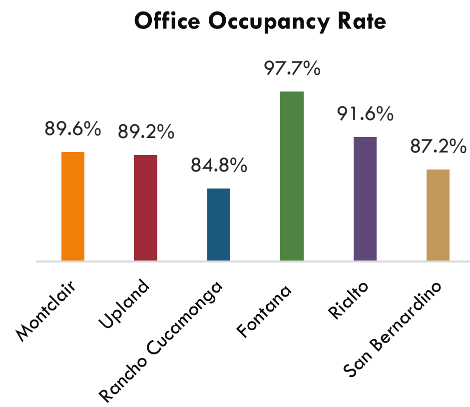


Figure ES-22



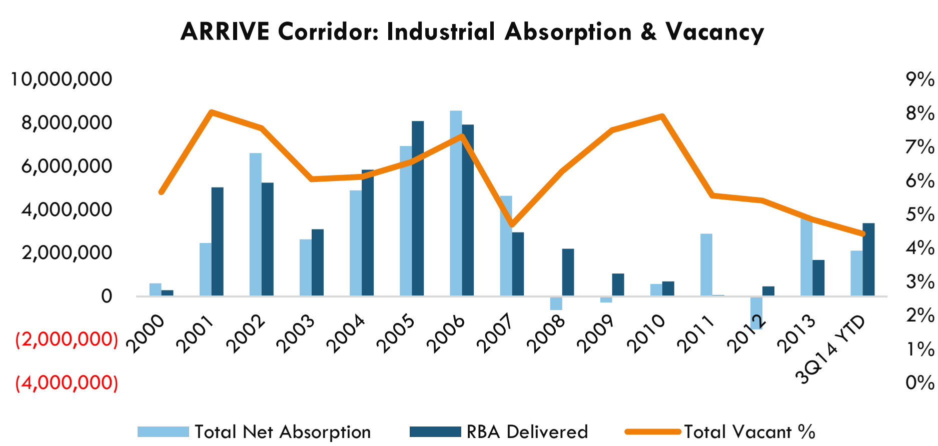
Note: The Montclair and Upland 2.5-Mile Market Areas have significant overlap so they have been combined for purposes of this analysis. Totals do not represent cumulative stock due to market area overlaps.
Source: CoStar, 2014

Industrial

Due to the proximity of the Ports of Los Angeles and Long Beach, as well as the affordable land for industrial development, San Bernardino County is a desirable industrial location and remains a strong industrial market.

With 124 million square feet, the ARRIVE Corridor makes up 37 percent of the County's industrial inventory. A majority of the industrial inventory in the County is concentrated in the Ontario Airport and I-15 Corridor areas. Industrial stock in the Corridor has a lower vacancy rate and similar lease rate to the County. Although absorption dropped substantially after 2007, as shown in Figure ES-23, it is gradually picking back up.

Figure ES-23



Source: CoStar

As shown in Figure ES-24 and Figure ES-25, with exception of the Fontana and San Bernardino Market Areas, all of the ARRIVE Corridor submarkets have strong occupancy rates of approximately 95 percent or higher. Montclair and Upland each have lease rates that are almost 80 percent higher than the Corridor-wide averages.

Figure ES-24

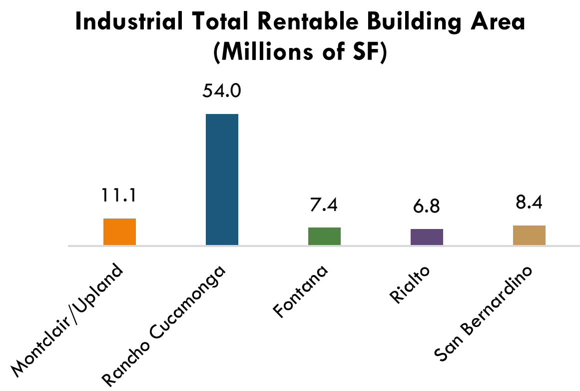
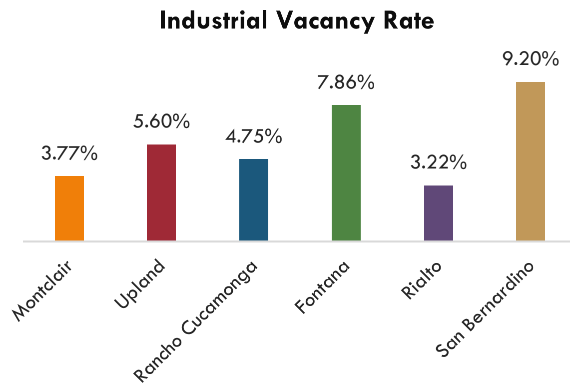


Figure ES-25



Note: The Montclair and Upland 2.5-Mile Market Areas have significant overlap so they have been combined for purposes of this analysis. Totals do not represent cumulative stock due to market area overlaps.
Source: CoStar, 2014

Development Opportunities, Challenges, and Baseline Demand Estimates by Station Area

The following sections provide baseline estimates of market demand within the Half-Mile Station Areas between now and 2035 as well as a summary of the key opportunities and challenges related to viable TOD at each of the six stations. HR&A's market demand estimates are based on SCAG growth forecasts within the ARRIVE Corridor, and potential capture of that growth in the Half-Mile Station Areas over the analysis period. The capture estimates consider a number of specific market issues including:

- Competitive market conditions in the context of each Station Area;
- Availability of developable parcels within a half mile of the stations;
- Planned and proposed projects and current market vacancies;
- Character of each Station Area in terms of their current and future mix of uses; and
- Assumptions related to shifts in the share of corridor-wide growth capture at each station area over time.

It should be noted that the base demand estimates evaluate demand under current transit and policy conditions. This potential can be further enhanced by mitigating existing barriers to development, which include but are not limited to:

- The need to enhance development capacity by recycling and repositioning underutilized properties;
- Revisiting land use policy considerations;
- Public realm, connectivity and environmental quality improvements;
- And finally, the continued enhancement of transit quality and services.

Subsequent stages of this study, including the ULI TAP, will be focused on exploring strategies to address these existing barriers to development and unlocking the potential for transformative change in the ARRIVE Corridor over the long term.

Montclair

The Montclair Metrolink station is located on the northern edge of Montclair's commercial core. Currently the Half-Mile Station Area is primarily commercial, but the City of Montclair has developed the North Montclair Downtown Specific Plan (NMDSP), as an implementation tool to accommodate future growth in a dense, mixed-use environment close to transit.

The NMDSP looks to connect the Montclair Transit Center with the Montclair Plaza, a super-regional center that is the focal point of Montclair's existing commercial area. The Montclair Plaza was recently purchased by the CIM group with the intention of adding urban mixed-use elements to the center. The NMDSP permits densities of 40 to 60 units per acre in the Town Center and 30 to 50 units per acre in other mixed-use zones.

As presented in Figure ES-26, the baseline demand estimates project strong growth in residential demand in the Montclair Half-Mile Station Area. While there is limited demand for net new retail due to the abundance of existing supply, there may still be potential to relocate retail into the Station Area, and reposition existing retail centers with a more relevant mix of uses.

Figure ES-26
Montclair Demand Summary

Land Use	Current Recapture	2014-2020	2020-2035	Total*
Residential		200 - 400 units	700 - 1,400 units	900 - 1,900 units
Office		0 SF	44k - 107k SF	44k - 107k SF
Retail		0 SF	69,000 SF	69,000 SF
Industrial		5k - 12k SF	22k - 52k SF	27k - 64k SF

**Totals may not add due to rounding.*

Source: HR&A Advisors

Montclair Station Area Opportunities and Challenges

Opportunities

- Regionally identified as an important retail destination, but existing developments are aging and in need of reinvestment.
- CIM Group's repositioning (and reinvestment) of the Montclair Plaza can be a significant catalyst.
- NMDSP provides a cohesive vision for the future transformation of the area, with policy measures to implement.
- The Gold Line Extension IIB could provide significantly enhanced transit services.
- Potential to be repositioned with a greater mix of entertainment and recreation uses with a regional draw.
- Current vacant properties will likely be developed with relatively dense product. There are a number of larger shopping centers with large parking lots that, in the mid to long term (10 -15 years), have the potential to be developed at even higher density (FAR of 2.5 or more).
- Could likely support additional suburban office in the mid to long term.

Challenges

- Market limitations to achieving significant density on some of the near term opportunities. This is likely to change in the mid to long term and needs careful consideration as the area transitions.
- Funding has not yet been allocated for the Gold Line extension.
- Most properties are not publicly held and may require incentives for private development, especially in the absence of Tax Increment Financing (TIF).

Upland

The Upland Metrolink station is located within close proximity of the small historic downtown retail district. The walkable historic downtown presents a tremendous opportunity to grow into a viable TOD over time. The Half-Mile Station Area includes residential and limited industrial uses.

There is strong demand for residential units in Upland, but capture rates reflect the limited infill development potential within the Half-Mile Station Area. As shown in Figure ES-27, similar to Montclair, there is limited support for net new retail. However, there are opportunities to reposition and redevelop existing retail centers in the area.

Figure ES-27
Upland Demand Summary

Land Use	Current Recapture	2014-2020	2020-2035	Total*
Residential		200 - 400 units	400 - 700 units	600 - 1,200 units
Office		7k - 13k SF	55k - 111k SF	62k - 124k SF
Retail		940 SF	42,000 SF	43,000 SF
Industrial		10k - 24k SF	41k - 95k SF	51k - 119k SF

**Totals may not add due to rounding.*

Source: HR&A Advisors

Upland Station Area Opportunities and Challenges

Opportunities

- Presence of a walkable downtown district within close proximity of the station.
- With the highest single family and multi-family prices within the ARRIVE Corridor, Upland is clearly a desirable residential location.
- The market can support residential mixed-use in the near to mid-term.
- Industrial properties to the east of Downtown present potential redevelopment opportunities.
- Upland has a small concentration of suburban offices that could be supplemented in the long term, as the market grows and current occupancies improve.
- There is a vacant 9.5-acre property just south of the Station Area. (It should be noted that there are current plans for a mid-density 209 residential unit development on this site).

Challenges

- There is limited available land within the Half-Mile Station Area.
- Historic Downtown Upland faces strong competition from Montclair and other new destinations, and could benefit from a stronger, more diverse mix of tenants.

Rancho Cucamonga

During the last decade, the city of Rancho Cucamonga experienced the greatest amount of household growth within the ARRIVE Corridor. The importance of the Rancho Cucamonga Metrolink Station is underscored by its proximity to the region's most significant employment centers, retail destinations and transportation hubs. These include The Ontario Airport and the surrounding commercial and industrial areas, the Ontario Mills and Victoria Gardens super regional shopping centers, and industrial uses along the I-15 Freeway corridor to the east. The 2.5-Mile Market Area contains the largest share of employment within the ARRIVE Corridor. The Half-Mile Station Area is predominantly commercial in nature and more than a fourth of the Half-Mile Station Area consists of the Empire Lakes Golf Course. There is a proposal by the current owner of the Golf Course to redevelop the property into a master planned community, presenting a major opportunity to catalyze potential TOD with a mix of employment and residential uses.

While there is still substantial land available for development outside the Half-Mile and 2.5-Mile Market areas in Rancho Cucamonga, the Empire Lakes redevelopment represents a major opportunity for capturing future residential growth closer to the Metrolink Station. As a result the baseline demand estimates, presented in Figure ES-28, project substantial residential growth within the Half-Mile Station Area. The demand analysis also reflects the strong performance of industrial and office uses within the Half-Mile Station Area, building on its strong competitive position for these uses. There is an abundance of regional-serving retail in the area; future retail demand is generated from both new employees and residents and will be focused in neighborhood/community serving retail.

Figure ES-28
Rancho Cucamonga Demand Summary

Land Use	Current Recapture	2014-2020	2020-2035	Total
Residential		500 - 1,400 units	800 - 2,500 units	1,300 - 3,900 units
Office		0 SF	60k - 130k SF	60k - 130k SF
Retail	40,000 SF	21,000 SF	45,000 SF	106,000 SF
Industrial		30k - 61k SF	167k - 334k SF	197k - 395k SF

Source: HR&A Advisors

Rancho Cucamonga Station Area Opportunities and Challenges

Opportunities

- The Rancho Cucamonga station is located in the midst of a significant concentration of office and industrial employment as well as within relatively close proximity to the Ontario Airport and other regional retail destinations. Enhancing secondary, multi-modal connections will be an important success factor.
- Rancho Cucamonga is already identified in the region as a highly desirable residential community.
- Redevelopment of the Empire Lakes golf course presents significant opportunities to catalyze viable TOD with a diverse mix of new residential development. Design considerations should include strong connections to the Metrolink Station.
- Industrial uses directly across the street from the station are older and may be repositioned to destination urban dining and retail uses.

Challenges

- Almost all of the supportable new development will be absorbed by the Empire Lakes Redevelopment project and new development may not occur until the Empire Lakes is absorbed.
- There is a significant amount of retail in the competitive market area that will compete with new developments in the Half-Mile Station Area.

Fontana

The Fontana Metrolink Station is located in the southern portion of historic Downtown Fontana. The Half-Mile Station Area includes the majority of the historic Downtown Fontana commercial district. The area includes a mix of retail, cultural, and civic uses, in addition to residential and a few industrial uses. There are a number of higher density residential developments within close proximity of the Metrolink station including a notable concentration of senior housing, proactively encouraged by the City to locate in the area.

Although the Fontana Half-Mile Station Area will compete with new and existing residential developments near the I-210, given increased scarcity of land in the more westerly communities over the mid to long term, it is well positioned to capture a significant amount of new residential growth projected for the ARRIVE Corridor. New household growth will support new retail. However, the area will face competition from the retail concentrations in nearby Rancho Cucamonga, especially in regional serving and destination retail. Given the station's proximity to the historic Downtown and relatively strong performance of office uses in the area, there is potential to add more residential-servicing small scale offices, and educational offices over time. A summary of baseline demand estimates for the Fontana Half-Mile Station area is presented in Figure ES-29 below.

Figure ES-29
Fontana Demand Summary

Land Use	Current Recapture	2014-2020	2020-2035	Total
Residential		200 - 500 units	400 - 1,000 units	600 - 1,500 units
Office		12k - 25k SF	43k-87k SF	56k - 113k SF
Retail	47k SF	6k SF	40k SF	92k SF
Industrial		6k - 18k SF	24k - 72k SF	30k - 90k SF

**Totals may not add due to rounding.*
Source: HR&A Advisors

Fontana Station Area Opportunities and Challenges

Opportunities

- Fontana is the next major area of growth along the ARRIVE Corridor. As land becomes increasingly scarce in the westerly cities, there will be greater opportunity to locate new growth closer to the station areas.
- There is potential for infill development opportunities with increasing density once the city's current available vacant land is absorbed.
- Existing precedent for high density residential in the area through recently developed senior housing located within close proximity of the station.
- Throughout the city, retail and office uses are performing fairly well. However, much of the retail is located outside of the Half-Mile Station Area.

Challenges

- The demise of Redevelopment and Tax Increment Financing has made it challenging for the city to continue to invest in its Downtown and move forward interest in denser mixed-use development.
- The current focus of growth in Fontana is close the I-210 freeway.
- Current real estate price points are lower than nearby cities.

Rialto

The Rialto Metrolink station is located in the southwestern portion of Downtown Rialto. The Half-Mile Station Area includes a revitalized commercial district, civic uses, and residential neighborhoods with interspersed vacant parcels.

Rialto is expected to capture an increasing amount of the ARRIVE Corridor's residential growth in later years, once Rancho Cucamonga and Fontana are fully developed. However, the Half-Mile Station Area will compete with the large amounts of available vacant land near the I-210, as well as throughout other parts of the city. New household growth and the limited competitive retail near the station area provide support for significant net new retail in the future. In addition to residential and retail, as shown in Figure ES-30, there is also support for some office and industrial uses within the Half-Mile Station Area over time.

Figure ES-30
Rialto Demand Summary

Land Use	Current Recapture	2014-2020	2020-2035	Total
Residential		100 - 200 units	400 - 700 units	500 - 900 units
Office		20k - 30k SF	71k - 107k SF	91K - 137k SF
Retail	33,000 SF	15,300 SF	45,100 SF	93,000 SF
Industrial		13k - 26k SF	52k - 103k SF	65k - 130K SF

Source: HR&A Advisors

Rialto Station Are Opportunities and Challenges

Opportunities

- Downtown Rialto has the charm and available land to support a dynamic mixed-use environment.
- As Rancho Cucamonga and Fontana become fully developed there will be greater interest in development opportunities within Rialto.

Challenges

- Rialto is perceived to be isolated from growth areas, with relatively lower home prices.
- The Rialto market will improve as San Bernardino employment centers grow stronger.
- Constrained public funding sources.

San Bernardino

The San Bernardino Half-Mile Station Area includes a 168-acre BNSF intermodal yard that operates around the clock just north of the Metrolink station, bifurcating the area. This intermodal facility is of national significance and is one of the major nodes in the logistics and distribution chain for goods moving to and from the Ports of Los Angeles and Long Beach.

The station, which is served by AMTRAK and Metrolink, includes a restored depot building, the historic Santa Fe Depot, which also houses SANBAG offices. There is a shopping center and a number of vacant parcels within the immediate vicinity of the station, but otherwise the area is comprised of aging residential neighborhoods on either side. The Half-Mile Station Area has the lowest median household income relative to the other ARRIVE Corridor station areas. Downtown San Bernardino and the Civic Center are within the 2.5-Mile Market Area to the east of the station across the I-215 Freeway.

The San Bernardino 2.5-Mile Market Area is expected to capture a growing share of ARRIVE Corridor household growth in future years, but it is unlikely that much of this capture will occur in the Half-Mile

Station Area due to adjacencies with heavy freight rail activity and environmental concerns. The Station Area is well positioned to capture a significant share of projected future growth in industrial and logistics uses across the ARRIVE Corridor. The 2.5-Mile Market Area has a strong industrial market; there was limited negative net absorption in the industrial market through the recession and vacancy rates have stayed relatively low. The Half-Mile Station Area also includes San Bernardino Valley College, presenting the opportunity to build on the themes of education and job training. There is expected to be limited capture of office and retail growth in the Station Area. As shown in Figure ES-31, baseline demand estimates support the City's efforts to concentrate newer residential and non-industrial growth closer to the future transit center in the downtown area, leveraging the convergence of an extension of Metrolink, a new Bus Rapid Transit line and the future Redlands Rail line.

Figure ES-31
San Bernardino Demand Summary

Land Use	Current Recapture	2014-2020	2020-2035	Total
Residential		60 - 100 units	150 - 300 units	200 - 400 units
Office		0 - 9k SF	0 - 36k SF	0 - 44k SF
Retail	16,000 SF	5,300 SF	16,300 SF	37,100 SF
Industrial		47k - 109k SF	171k - 399k SF	218k - 509k SF

Source: HR&A Advisors

San Bernardino Station Area Opportunities and Challenges

Opportunities

- There are numerous vacant parcels available for development.
- The San Bernardino Valley College within the Half-Mile Station Area may be a good connection to make to the station area. There may be potential for training sites connected to the college.
- The BNSF intermodal station may be a draw for certain industrial users, including domestic manufacturers.
- Public realm and connectivity improvements are planned to create safer connections between the neighborhoods bifurcated by rail activities and improved access to the station.

Challenges

- The City's focus is on developing Downtown San Bernardino and leveraging the future convergence of multi-modal transit with the future downtown San Bernardino Metrolink station.
- There are economically distressed neighborhoods in the Station Area.
- San Bernardino has especially challenged local market conditions, with a slow post-recession recovery.
- Rail activities and resultant environmental quality are a challenge for adjacent uses.

Key Takeaways

1. In the regional context, abundant land in San Bernardino County serviced by the regional freeway network has provided tremendous cost advantage to locate land intensive industrial, logistics and distribution uses as well as relatively affordable housing for workers in Los Angeles and Orange Counties.

2. San Bernardino County experienced significant residential growth in the last decade, but was severely hit by the subprime mortgage crisis and the recession that followed. The market is slowly recovering. As the economy continues to recover, and existing vacant real estate stock gets absorbed, we should see an increase in new development activity over the next five years.

3. The economic recovery shows that the region continues to maintain a strong competitive position for industrial and warehousing uses, showing a relatively rapid recovery in that sector compared to office uses. Existing housing inventories continue to be absorbed but prices are just now reaching a point that justifies new construction. There is a significant oversupply of retail space and it is unlikely that substantial net new retail supply will be added in the near term.

4. As vacant land is absorbed by new development, growth along the ARRIVE Corridor continues to move eastward. Following this trend, the lack of available land for greenfield development in Upland and Montclair has pushed much of the new growth during the last economic cycle to Rancho Cucamonga and Fontana. As those communities run out of land, one can anticipate growth spurts in Rialto and beyond. While residential currently tends to locate in areas closer to the foothills along the I-210 freeway, there are opportunities to build additional amenities in the historic downtown and commercial areas near the Metrolink stations to capture this growth.

5. While the ARRIVE Corridor accounts for 30 percent of the County's residents, it contains 40 percent of the County's jobs. Metrolink provides robust commuter rail service, but current operations are designed to transport workers from San Bernardino County to Downtown Los Angeles. Although the ARRIVE Corridor has a significant concentration of jobs near the Metrolink line, Metrolink service does not support intra-regional commuting. As it is common practice for commuters to drive a reasonable distance to access commuter rail, the proximity to Metrolink is not currently seen as a significant amenity.

6. Based on SCAG projections, San Bernardino County will add approximately 195,000 households between now and 2035. Of this regional growth approximately 30,000 households are going to be located within the ARRIVE Corridor. The ARRIVE Strategy and Land Use vision is an opportunity to focus a significant share of this growth near improved transit, employment and retail services.

7. Current barriers to attract new development, especially any significant share of new residential growth in the station areas include:

    a. Station areas are mostly developed with industrial/commercial uses with limited availability of vacant land
    b. Availability of vacant freeway connected land elsewhere along the corridor, outside of the Half Mile Station Areas

c. Environmental concerns and general perception of the station areas as not suitable for residential
d. Transit service is not robust to provide intra-regional transportation options
e. Soft market in the near term
f. Lack of traditional redevelopment tools, like the use of Tax Increment Financing
g. Competition among the communities along the corridor

8. There are a number of transit system and infrastructure improvements in the works that could provide significant competitive advantages to the areas surrounding the Metrolink stations. These include:
    a. Proposed double tracking of the Metrolink line
    b. Use of low emission locomotives by Metrolink that may allow for increased intra-regional mobility
    c. Additional transit improvements such as the:
        i. Proposed extension of the Goldline light rail system to Montclair,
        ii. The SbX Bus Rapid Transit System, and
        iii. Redland Rail will create a more robust transit network supporting intra-regional mobility.

9. Repositioning of underperforming commercial centers is one of the key opportunities in the ARRIVE Corridor. The ARRIVE Corridor contains 45 percent of the countywide shopping center inventory. Certain stations, such as Rancho Cucamonga and Rialto, also include aging industrial that is less functional than modern industrial. Many of the underperforming commercial locations provide excellent opportunities to be repurposed into denser mixed use over time.

10. With anticipated growth in San Bernardino County, all of the station areas include several development and redevelopment opportunities. Strategies for each station area must consider the areas' growth trajectory, land use mix, and specific constraints:
    a. Historical Downtown Upland and the planned North Montclair Specific Plan provide key anchors for vibrant mixed-use communities. Strategies in these areas need to focus on redevelopment opportunities and recycling of land into denser uses. While there is limited support for net new retail development in these areas, these areas have fairly high residential prices and there are a number of underperforming centers that may be successfully repositioned as mixed-use developments.
    b. The cities of Rancho Cucamonga and Fontana are in a 'boom' stage of residential growth. In the growing communities of Rancho Cucamonga and Fontana, strategies need to ensure that available land near station areas are developed at appropriate transit supportive densities over time, and are supported by high quality urban amenities with excellent regional connections, to attract a greater share of their cities' growth.
    c. Rialto has a charming, revitalized downtown district with available vacant land within the district for development. The San Bernardino Station Area also has vacant available land and, as San Bernardino County growth kicks into high gear again, it will be located in the heart of the county seat. Policy and financial incentives in Rialto and San Bernardino need to address oncoming growth in the future with a combination of infill and new development that complement surrounding uses.

Across the country, there has been a move back to urban areas. People are increasingly seeking walkability, social connectedness, improved mobility, easy access to cultural and retail options, and authenticity. This is true across the country, but can also be seen in the Inland Empire through the success of the recent Claremont Villages expansion project. Many of the San Bernardino Metrolink station areas have the right bones to build communities that meet these needs as well. If additional residential opportunities and amenities are added in a walkable, urban framework, we believe, that in time, the Metrolink Station Areas can be transformed into true regional, transit-supportive destinations.