

Community Profile

City of Ontario, California

DEMOGRAPHIC, ECONOMIC & QUALITY OF LIFE DATA

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2001-2002



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Executive Summary

Ontario's future is almost limitless. Today, it is the hub city for Southern California's most dynamic industrial expansion. Tomorrow, the City has the potential of becoming a high tech, professional and corporate office center similar to that at Route 55 and MacArthur Boulevard in Orange County. The upscale homes planned for the City's New Model Colony give it the opportunity to develop a labor force of upper income technicians, professionals and executives. Those workers, plus the enormous potential of Ontario International Airport (ONT), the City's location near several major research institutions, and the land set aside for office complexes provide high paying operations the incentives to locate within the community.

As the hot spot for regional economic development and the potential center for high-end development, Ontario was clearly Southern California's economic success story of the 1990's. In the past two decades, the City's competitive advantages have lured numerous companies. Retail sales have exploded. Industrial real estate absorption continues to set records. As a result, the City is currently the key player in the economic development of the fast growing Inland Empire.

Location Advantages

Ontario's employment, retail sales and industrial real estate absorption are soaring because its extraordinary array of location advantages make it Southern California's least expensive place to conduct business. For decades, Southern California has grown outward along its transportation corridors. As each successive ring of development has become saturated, costs and congestion have increased, pushing people and firms still farther out. At different times, this "spill over" process has made the San Fernando Valley and Orange County metaphors for Southern California's energy and growth. Today, that mantle is falling on the Inland Empire's western edge, roughly bounded by the I-15 freeway.

Ontario is the current center of this phenomenon. It is the closest area to Los Angeles County that still has major tracts of flat, inexpensive, undeveloped industrial and commercial land. The facilities built here are either new, or almost so, with most of the oldest dating from 1985. Importantly, the City has been zoned to isolate its newer manufacturing and distribution areas from incompatible residential, retail, office and educational uses. This minimizes land use, dust, noise and traffic issues.

Ontario-based companies find themselves along the I-10 and Route 60, where they meet the I-15. Both industrial firms and regional retailers (including the 1.7 million square-foot Ontario Mills Mall) are thus directly connected to Los Angeles, Orange and San Diego Counties, plus the balance of the Inland Empire. Nationally, it puts the City's manufacturers and distributors along the land routes that transport people and goods between Southern California and most of the United States. The tracks of the Union Pacific-Southern Pacific and Burlington Northern-Santa Fe (BNSF) Railroads use these same corridors providing Ontario firms with excellent rail access.

Logistics Capabilities

Beyond location, Ontario provides access to a wide array of logistics capabilities. Ontario International Airport (ONT) is centrally located in the City. Firms moving small packages find UPS's Western Regional hub and Federal Express's new Inland Empire facility at ONT.

Companies using “less than load” trucking firms find the Southern California hubs for Consolidated Freight and Watkins Motor Freight adjacent to Ontario in Mira Loma, Yellow Freight next to BNSF’s huge rail yard in San Bernardino and Roadway Express in Bloomington.

Multi-Skilled Labor Force

For companies concerned with labor costs, Ontario offers access to workers who will generally work for less to avoid long commutes to Los Angeles and Orange Counties. Many are of Hispanic background, a culture with a strong work ethic. Some workers are technical graduates of the five community colleges near the City, including Chaffey College with a branch in downtown Ontario. In addition, the Baldy View Regional Occupation Program, the University of California at Riverside (UCR) Extension, and numerous private institutes offer training programs in skills ranging from plastic and machine tool skills, to computer programming and logistics management. These advantages have made Ontario the blue-collar job center of the Inland Empire.

Planned Development

Despite its rapid development, Ontario’s complete story remains untold. In 1998, 8,200 acres south of Ontario was annexed into the City. Today, this area is being planned as an upscale, broadband friendly New Model Colony where homes and pathways are in close proximity to parks, retail centers, health facilities and schools, including a multi-jurisdictional college campus and associated high technology business park. In particular, Ontario’s New Model Colony will provide the opportunity for highly paid technicians, professionals and executives migrating to the Inland Empire to avoid the very high cost of upscale housing in the coastal counties. Already, the City can offer firms access to the sites it has preserved for the development of office towers.

Ontario International Airport (ONT)

Southern California’s newest, most convenient airport is Ontario International Airport (ONT). ‘Closer to home’ for many Southern California residents, ONT features a spacious and modern terminal complex – providing executives, professionals, advanced technicians and investors immediate access to flights across the country or around the world. With the death of the proposed El Toro airport in Orange County and the restrictions being placed on LAX’s growth, the benefits of ONT cannot be over-emphasized.

Proximity to Colleges and Universities

An array of top colleges and universities are within 30 minutes of Ontario: Cal Poly Pomona, the state university’s premier engineering college; the University of California at Riverside, a center of engineering, agricultural genomics, environmental and information research; Harvey Mudd College, the nation’s top private undergraduate school of science and engineering; Cal State San Bernardino with its highly rated Graduate School of Management; Loma Linda University Medical School, an internationally known research facility; Keck Graduate School of Applied Life Science, endowed with \$50 million to train a generation of executives in biotechnology and management; and the University of La Verne School of Law located in Ontario.

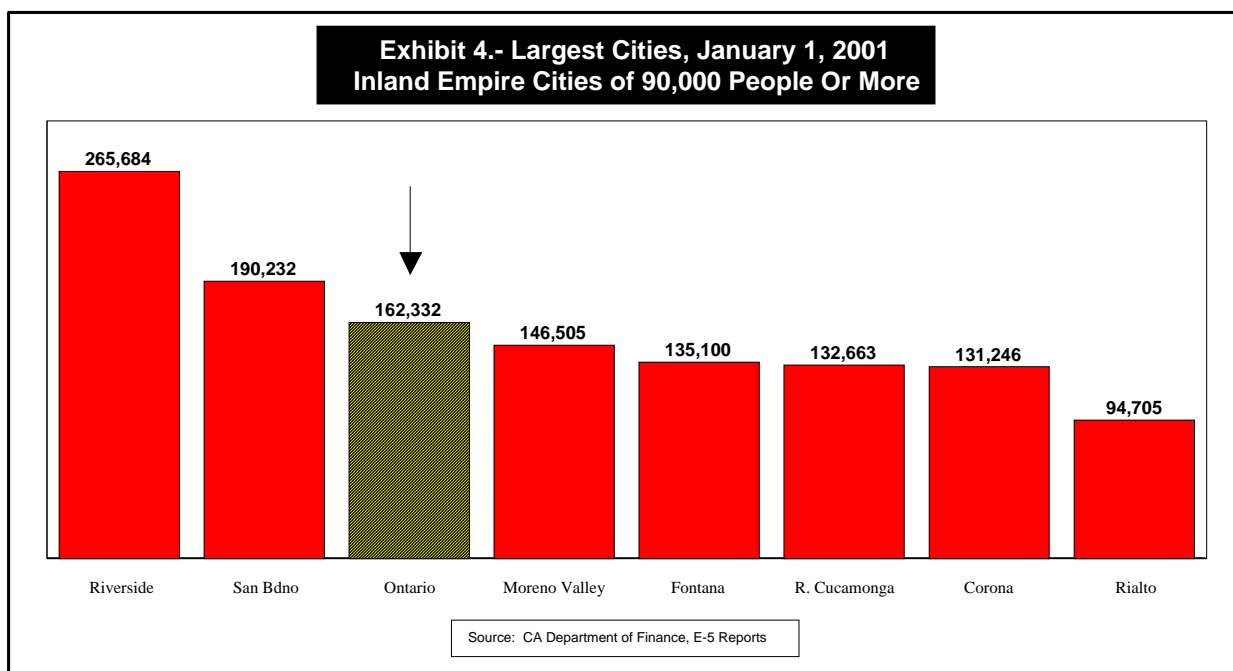
This combination of factors provides Ontario with an extraordinary opportunity to become a very prosperous community.

Demographic Profile

Ontario's demographic profile reveals a growing, ethnically diverse City where young families are raising children and doing moderately well economically.

For over 20 years and largely as a result of its location, Ontario has been one of Southern California's fastest growing places. As a result, the major demographic changes impacting the Southland are resonating in the City.

Population: From 1990-2001, Ontario added 29,153 people to reach a total population of 162,332, making it the Inland Empire's third largest city after Riverside (265,684) and San Bernardino (190,232). The City's 1990-2001 growth rate was the fastest of these three: Ontario (21.9%), Riverside (17.3%), San Bernardino (15.5%).



The City's population will again surge when development begins on the 8,200-acre New Model Colony. As planned, the upscale residential development, is expected to add about 100,000 middle and upper-middle class residents to Ontario. Ultimately, it is likely that the Ontario will become San Bernardino County's most populated city.

Age: Ontario is a very young City with a median age of 27.6 years. That is 2.7 years less than the median age of San Bernardino County (30.3), the youngest of the five Southern California counties. Its largest population groups were young people 0-9 (20.2%) and 10-19 (17.4%), followed by their parents in ages 25-34 (16.9%) and 35-44 (15.4%). In 2000, only 11.4% of Ontario's population was over 55. It was 15.4% for San Bernardino County.

Ontario Is Very Young: 2000 Mean Age Was 27.6!
 San Bernardino County (30.3), Riverside County (33.1)
 Los Angeles (32.0), Orange County (33.3), San Diego (33.2)
 -U.S. Census Bureau-

Family Status: Consistent with its younger people, the largest share of Ontario's households are married couples with minor children at home, 36.0%. That is more than San Bernardino (31.0%), Riverside (28.6%), Los Angeles (25.9%) Orange (29.1%) and San Diego (24.8%) counties.

Income: Ontario families have modest incomes. In 2001, their \$52,736 median income was somewhat above that of San Bernardino County as a whole (\$49,259). In 2001, Ontario's average household income reached \$63,111, and its per capita income was \$19,184. The City's 2001 total personal income was estimated at \$3.11 billion, fifth among the 48 Inland Empire cities.

Exhibit 5.-Household Income Distribution, 2001 Ontario & San Bernardino County				
Income Range	Ontario		San Bernardino County	
	Families	Percent	Families	Percent
\$ 0,000-\$14,999	3,053	6.2%	41,541	7.9%
\$15,000-\$29,999	8,460	17.1%	105,710	20.0%
\$30,000-\$44,999	9,343	18.9%	94,644	17.9%
\$45,000-\$59,999	7,793	15.8%	81,575	15.4%
\$60,000-\$74,999	8,798	17.8%	77,930	14.7%
\$75,000-\$99,999	2,973	6.0%	29,490	5.6%
\$100,000 and up	8,923	18.1%	97,714	18.5%
Total	49,344	100.0%	528,604	100.0%
Median household income	\$52,736		\$49,259	
Total Income (000)	\$3,114,139		\$33,750,718	
Average Household Income	\$63,111		\$63,849	
Per Capita Income	\$19,184		\$20,972	

1 Estimates allow for changes in CPI, population real income.

2 Assumes stable relative income levels & 15.0% change in average family purchasing power since 1989.

Source: U.S. Census, 1990, Economics & Politics, Inc. estimates 2001.

Note: Fresh data from the 2000 Census should be available in September 2002.

In 2001, it is estimated that three groups of Ontario's households had roughly equal shares of its income:

- 22.3% at \$100,000 & up
- 22.0% from \$60,000-\$74,999
- 21.2% from \$15,000-\$29,999.

San Bernardino County's heaviest concentration, 24.4%, was in the \$15,000-\$29,999, followed by 21.0% in the \$100,000 and up bracket.

Ethnicity: Like many Southern California cities, Ontario is ethnically diverse and becoming more so. In 2000, 59.9% of City residents culturally defined themselves as Hispanic, up from 41.5% in 1990. The number of Latinos rose 39,372. From 1990-2000, the City's White population fell from 47.1% to 26.6% as the number declined by 20,712. There were small increases in the City's African American (6.9% to 7.2%, up 2,072 people) and Asian (3.7% to 4.1%, up 1,478 people) populations. In 2000, Ontario was more diverse than San Bernardino County where the ethnic figures were: Hispanic (39.2%), White (44.0%), African American (8.8%), Asian (4.8%).

Residential Markets

For Ontario, the residential real estate story is more one of the future than the recent past.

Data on housing affordability in Southern California's coastal counties shows that large numbers of middle and upper-middle class technicians, professionals and executives are being priced out of homeownership.

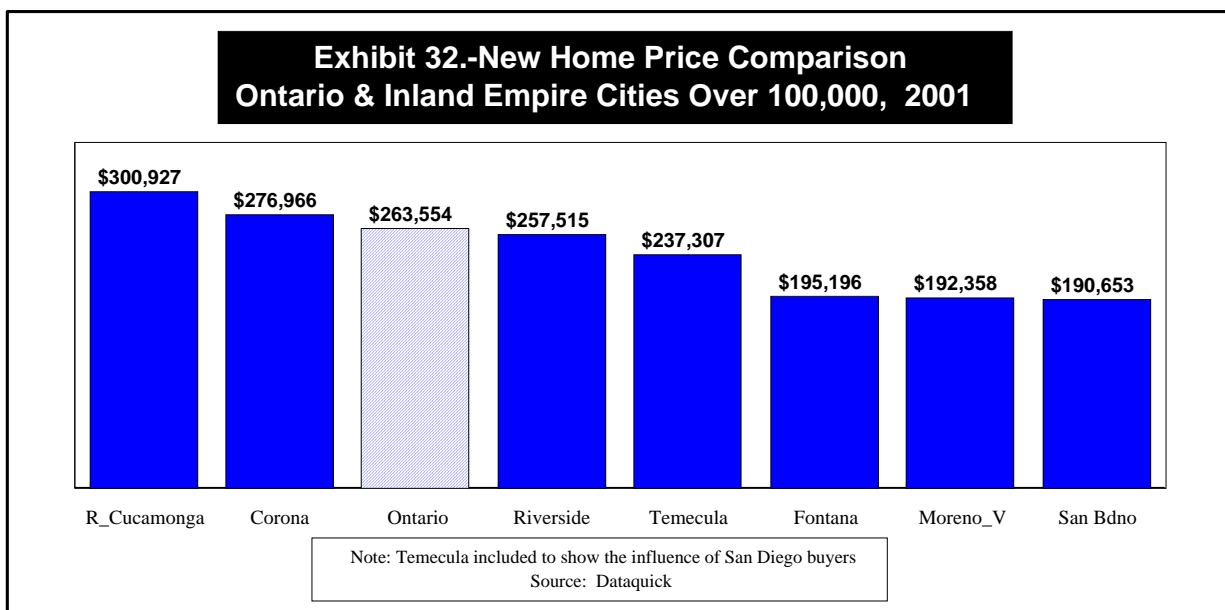
Housing affordability is 25% in Orange County and 35% in Los Angeles County at their median income levels.

The lack of affordability in these counties is forcing them to look inland to acquire upscale homes at prices they can afford. They are thus migrating to the upscale neighborhoods being built in Inland Empire communities near to coastal counties.

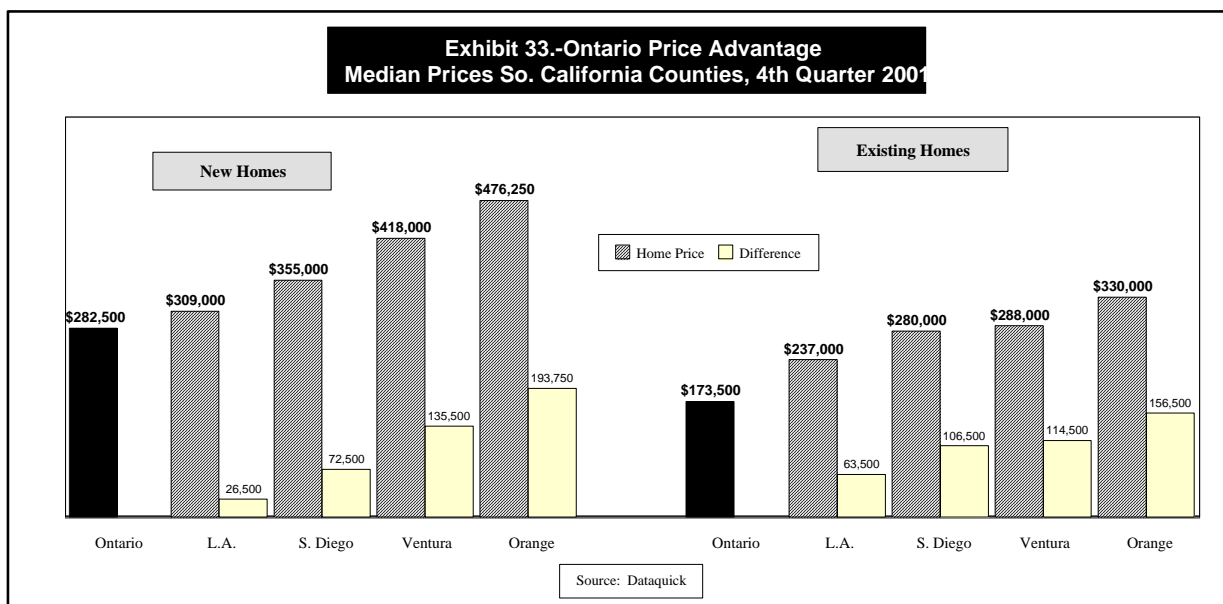
Looking ahead to when development begins in Ontario's New Model Colony, these market conditions provide the foundation for a very upscale strategy. This means that there will be a market for the upscale developments planned for the New Model Colony.

Given the City's desire to add high tech, professional and corporate office operations to its economy, these data mean that it will be in a position to use the New Model Colony to attract people with the skills that these firms require.

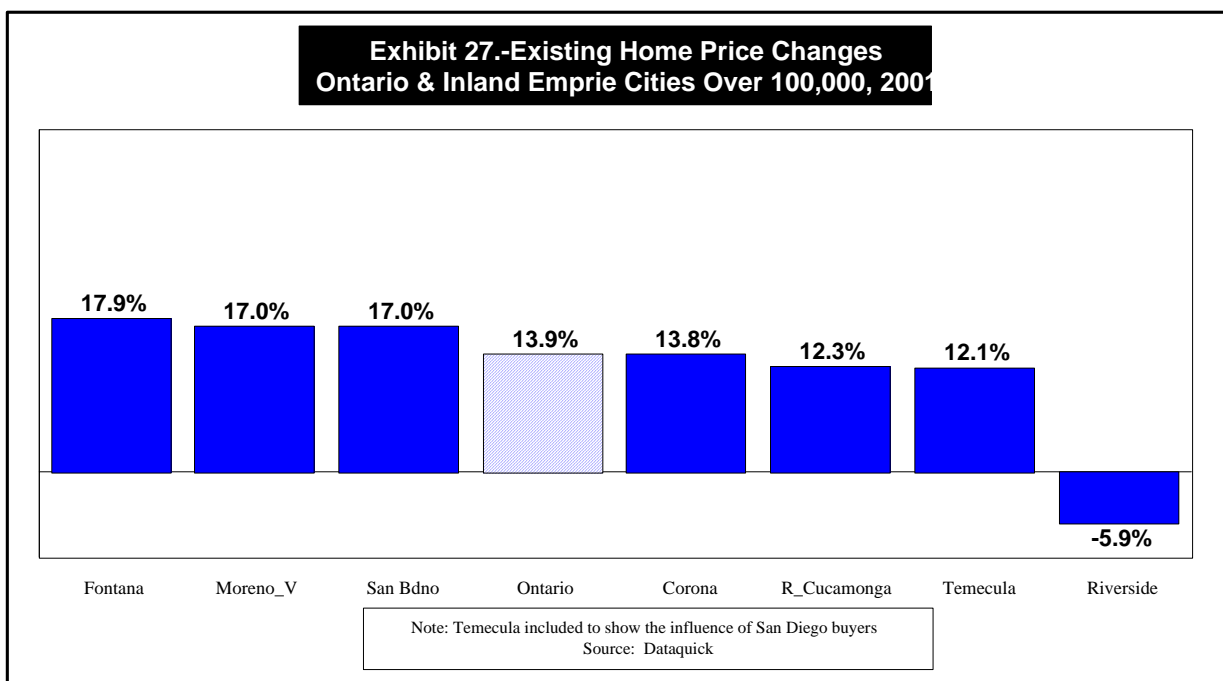
A key fact supporting this approach is the \$263,554 median price of Ontario's new homes in 2001. This price applied to the 195 in-fill homes built during the year and was the region's third highest behind the aggressive Rancho Cucamonga (\$300,927) and Corona (\$276,966) markets.



The homes sold in the City in fourth quarter 2001 had an even higher median price of \$282,546. Even this high median price was attractive to coastal county buyers as it was \$26,500 less expensive than Los Angeles County (\$309,000) and \$193,750 below Orange County (\$476,250).



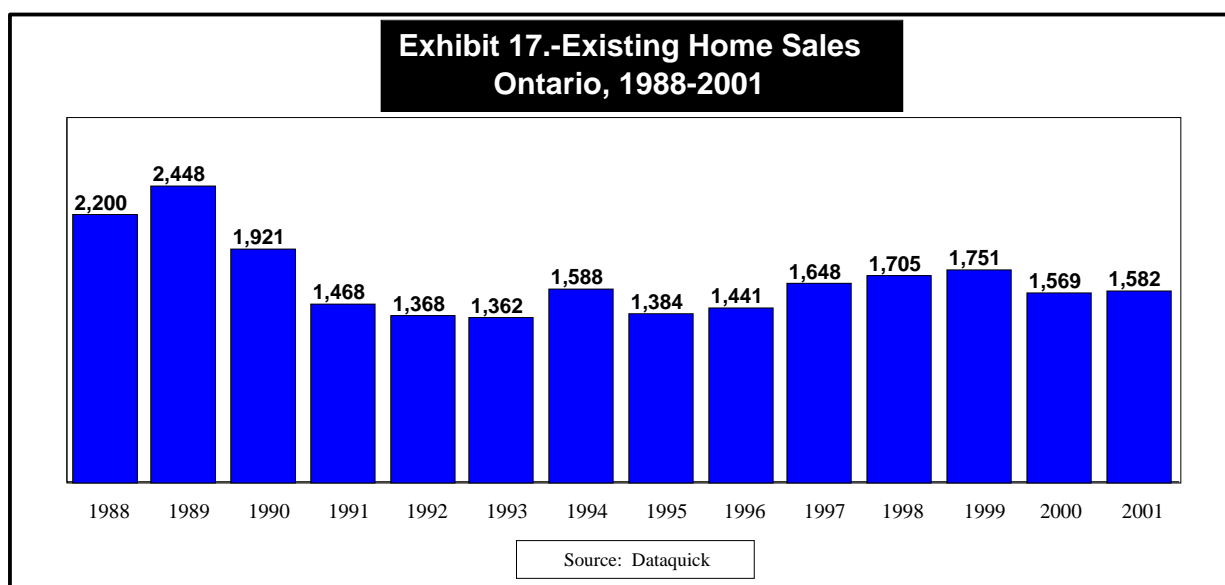
In the existing home market, Ontario's median price in 2001 was \$165,992. This is up 13.9% from 2000.



In 2001, geography clearly played a role in the median prices of existing homes in the Inland Empire's various large markets. The highest prices were found in the markets nearest to the coastal counties along the various transportation routes into the area.

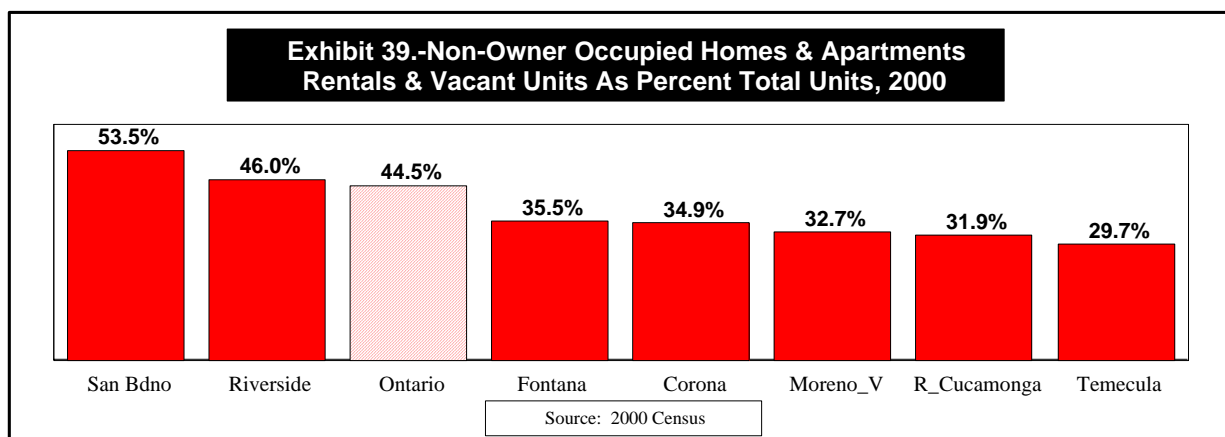
Looking at recent history, Ontario's home sales have reflected its status as an older, more affordable and developed inland community. They also show the influence of Southern California's job picture.

When the development wave hit the Inland Empire, Ontario was among the first cities affected with most of its residential land developed by 1989. That year, existing home sales were a record 2,448 units; new home sales were a strong 501 units. In the early 1990's, Ontario's housing sales plunged when the recession clobbered the Southland's real estate markets. Its existing home sales fell to just 1,362 units in 1993, new home sales declined to 106 units in 1991. Southern California's economy began recovering in 1994, but the inland home markets did not recover until 1997. By 1999, Ontario's existing home sales were up to 1,751 units before tailing off to 1,582 in 2001. New, in-fill home sales hit 235 units in 1999 before slowing to 195 units in 2001.



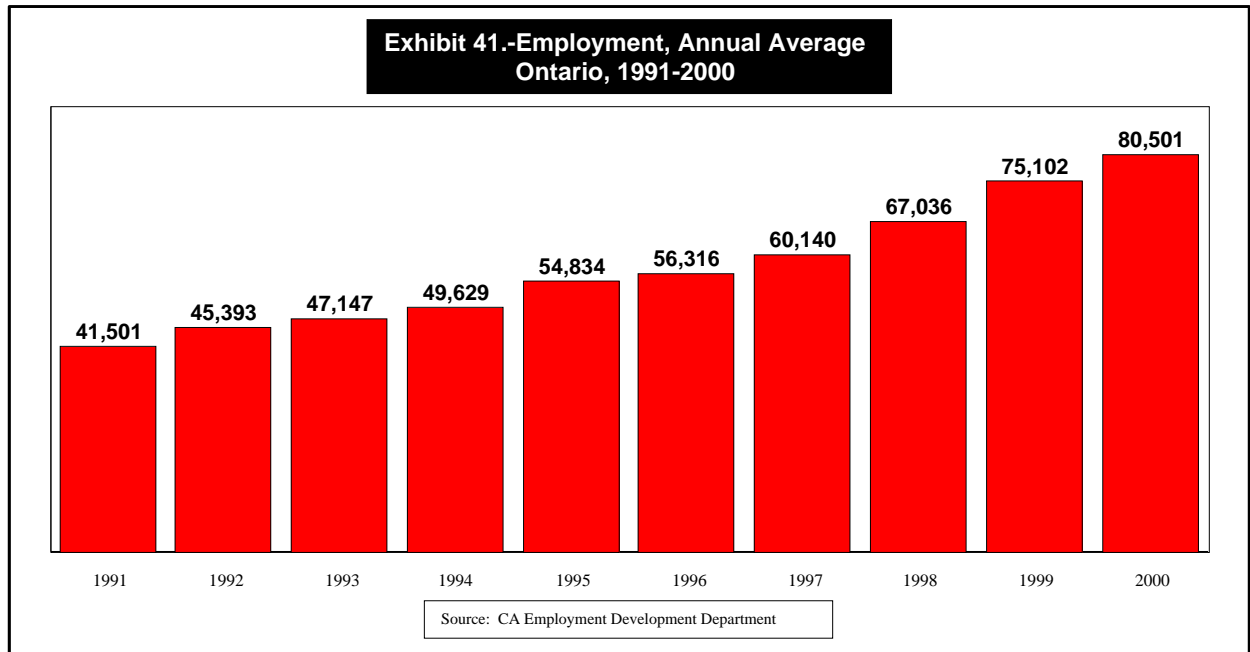
Looking at more general housing issues from 1990-2000, Ontario's housing stock grew by 2,646 units, up 6.2%. In this period, the population increased by 27,463 people, indicating that density is increasing.

In 2000, 44.5% of the City's dwellings were either multi-family units or single family rentals. Only San Bernardino (46.5%) and Riverside (54.0%) had higher shares.

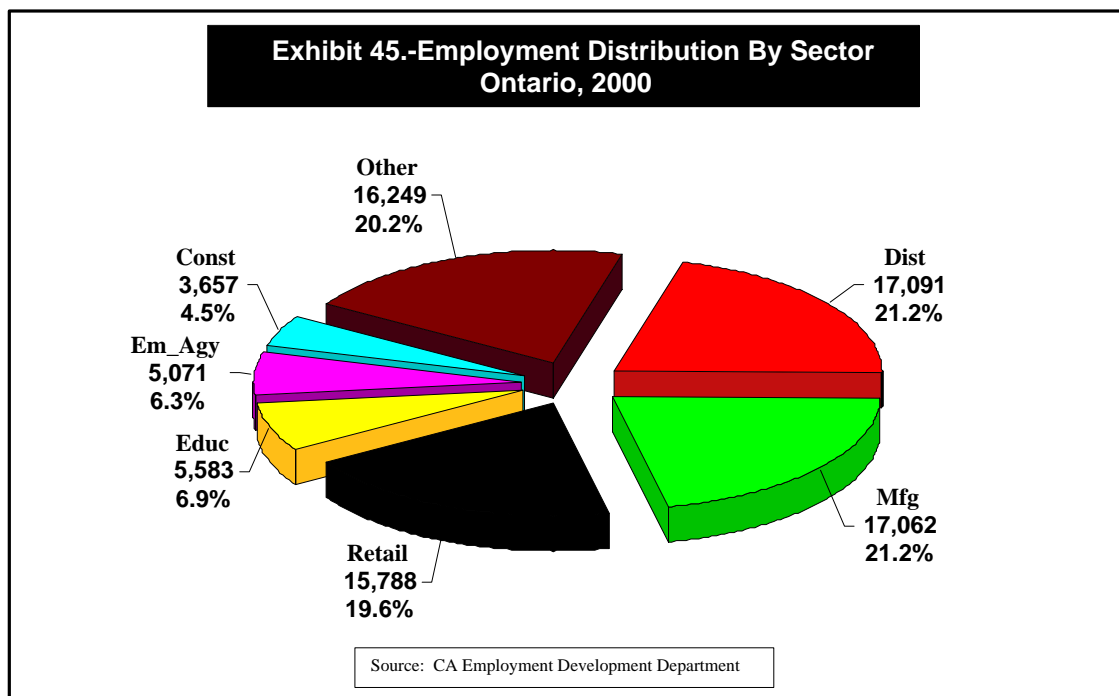


Employment and Payroll

Ontario has become the Inland Empire's principal center for job growth due to its extraordinary array of location advantages. Between 1991-2000, Ontario's employment nearly doubled from 41,501 to 80,501, up 39,000 jobs. This gain of 94.0% was during a time when employment in the rapidly growing Inland Empire expanded by just 36.2%.

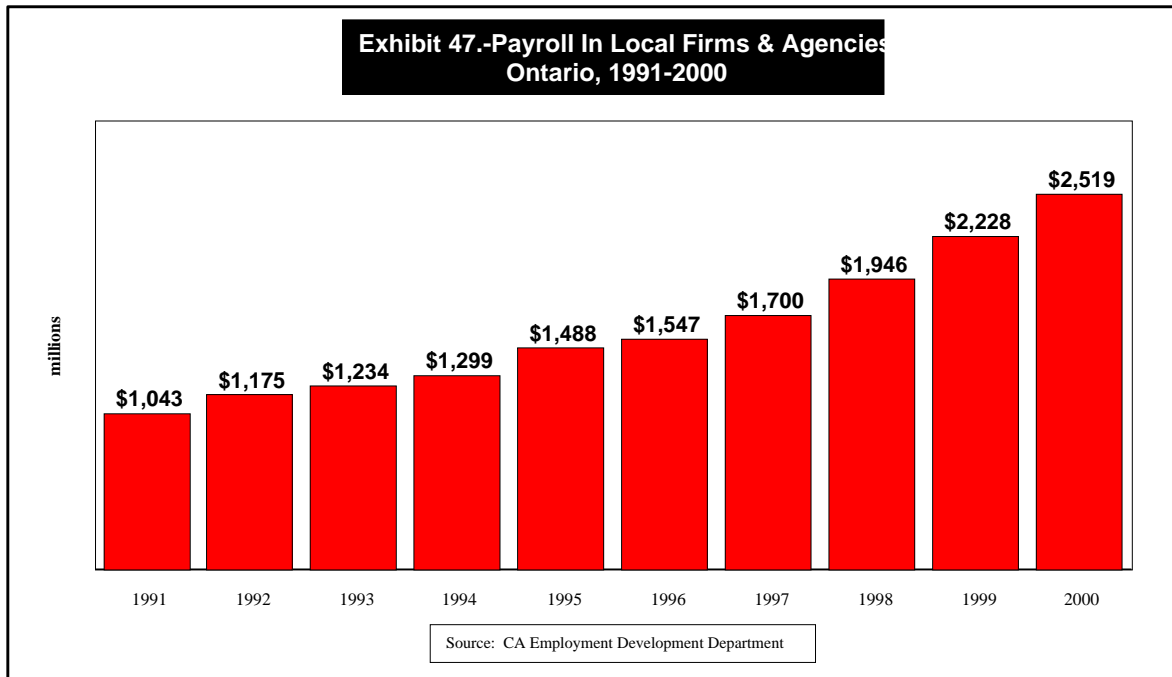


In 2000, the Ontario's largest sectors were distribution and transportation with 17,091 jobs and manufacturing with 17,062.

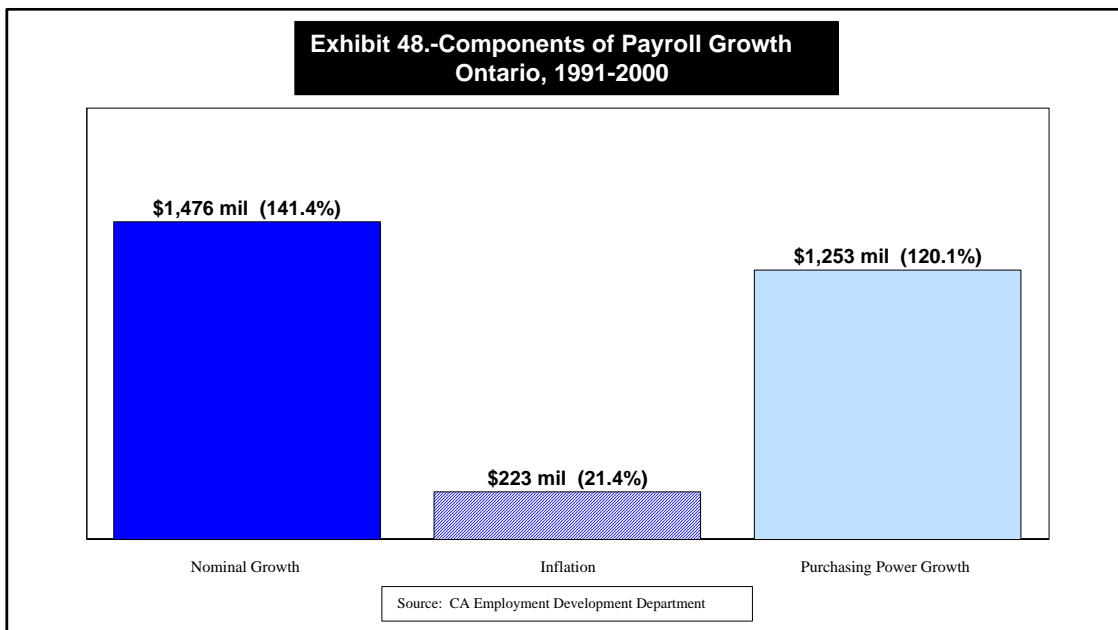


From 1991-2000, distribution and transportation, and manufacturing provided 52.6% of the City's job growth, with the first adding 12,152 workers and manufacturing adding 8,366. From 1991-2000, they went from accounting for 32.9% of Ontario's jobs to 42.4%. Significantly, these two large and fast growing sectors are primarily funded by money from clients outside of the Inland Empire.

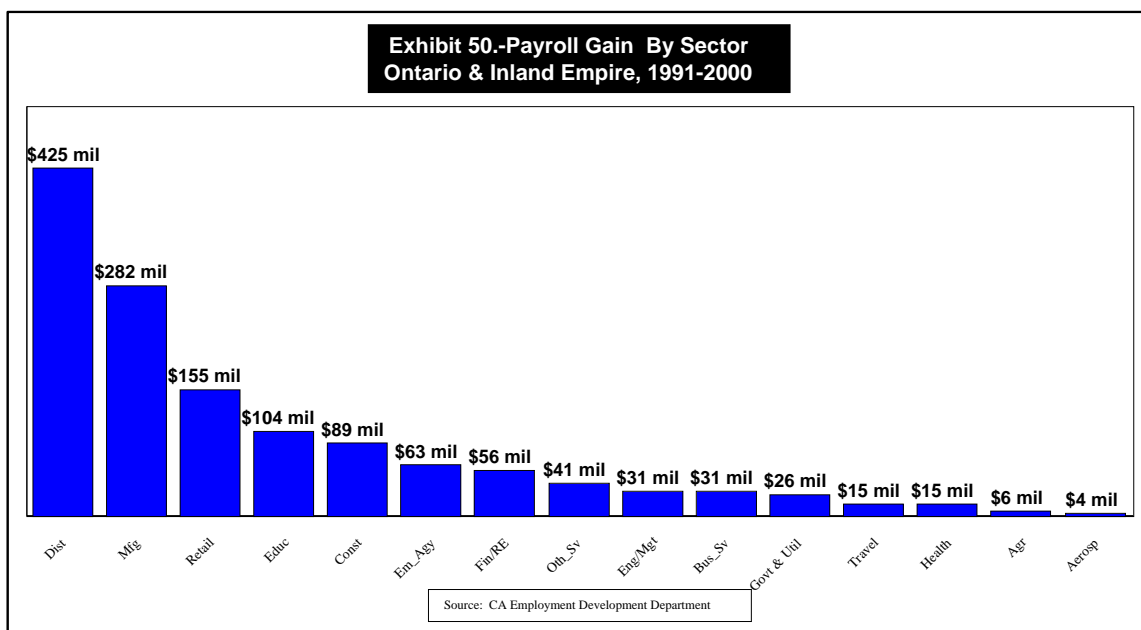
The payroll expended by firms located in Ontario behaved similarly to employment, though its growth was more aggressive. From 1991-2000, payrolls more than doubled from \$1.1 billion to \$2.5 billion, a gain of \$1.5 billion or 141.4%.



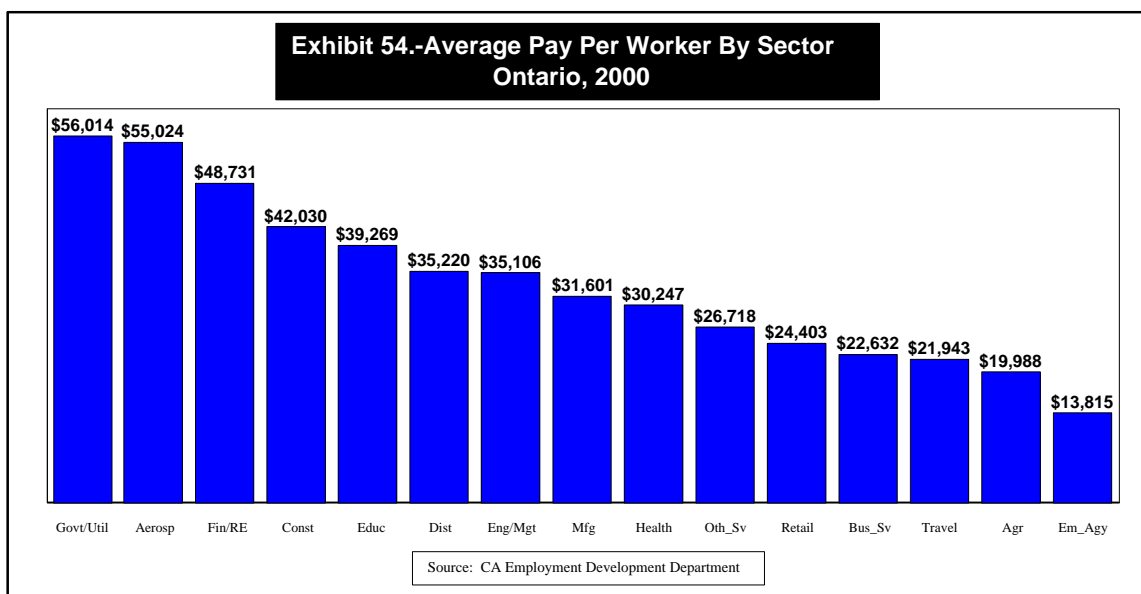
When adjustment is made for the 21.4% increase in Southern California prices, the payroll's purchasing power was up 120.1%.



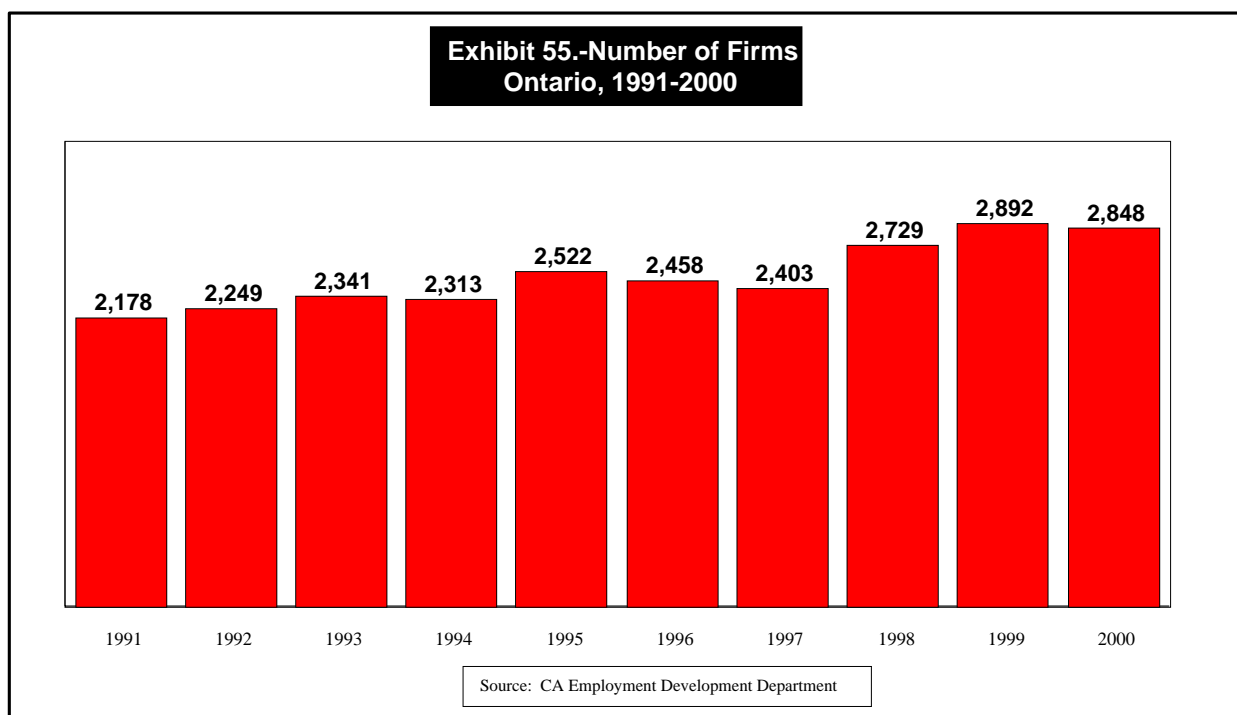
Ontario payroll growth was also dominated by a tripling of the distribution & transportation payroll (*up \$425 million*) and a doubling of the manufacturing payroll (*up \$282 million*). Together, they accounted for 52.6% of the city's increase from 1991-2000. In 2000, the distribution & transportation sector had the largest payroll at \$602 million. Manufacturing was second at \$539 million. Retail trade was third at \$385 million, largely due to Ontario Mills Mall and adjacent developments.



In 2000, Ontario's best paying sectors included government & utilities (\$56,014), aerospace (\$55,024), finance, insurance & real estate (\$48,731), education (\$39,269) and engineering & management (\$35,106). Most Ontario jobs are in distribution which averaged \$35,220 and manufacturing at \$31,601. The relatively high pay of distribution workers is consistent with the requirement that they maintain and operate robotic equipment and information technology.



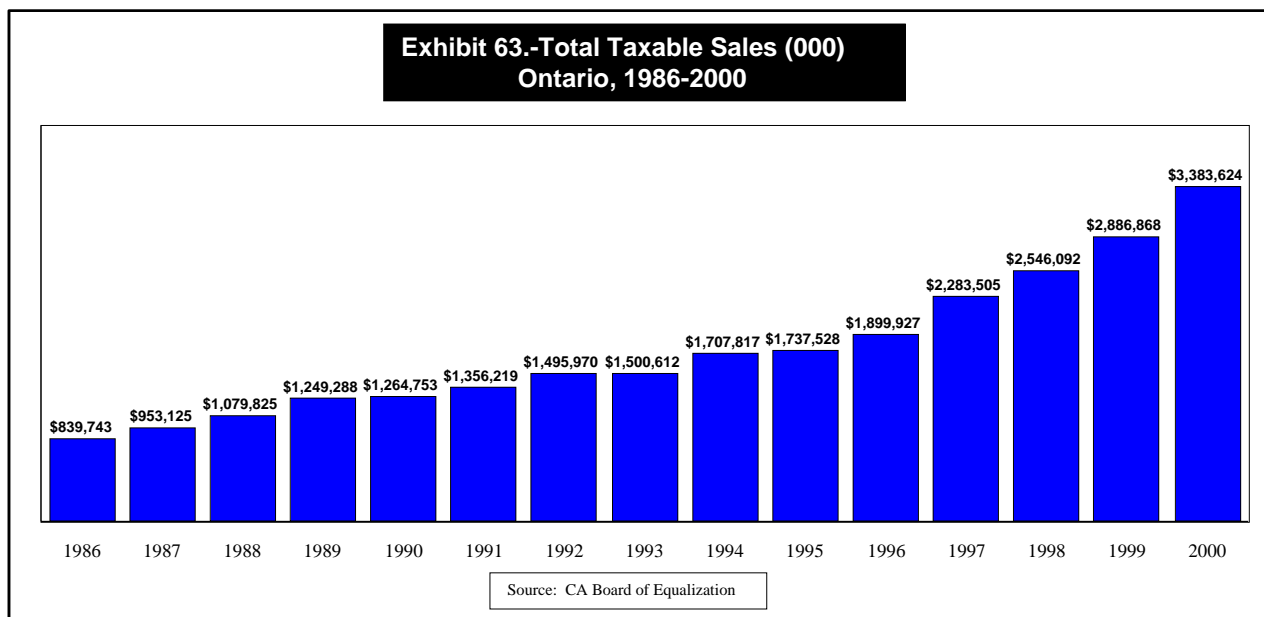
From 1991-2000, the number of firms with payroll in Ontario grew from 2,178 to 2,848 or 30.8%. This growth is only an “impression” of actual growth as it omits the numerous home office and entrepreneurial firms with no payroll. Two sectors accounted for 59.9% of Ontario's new firms: 271 in distribution & transportation and 130 in manufacturing.



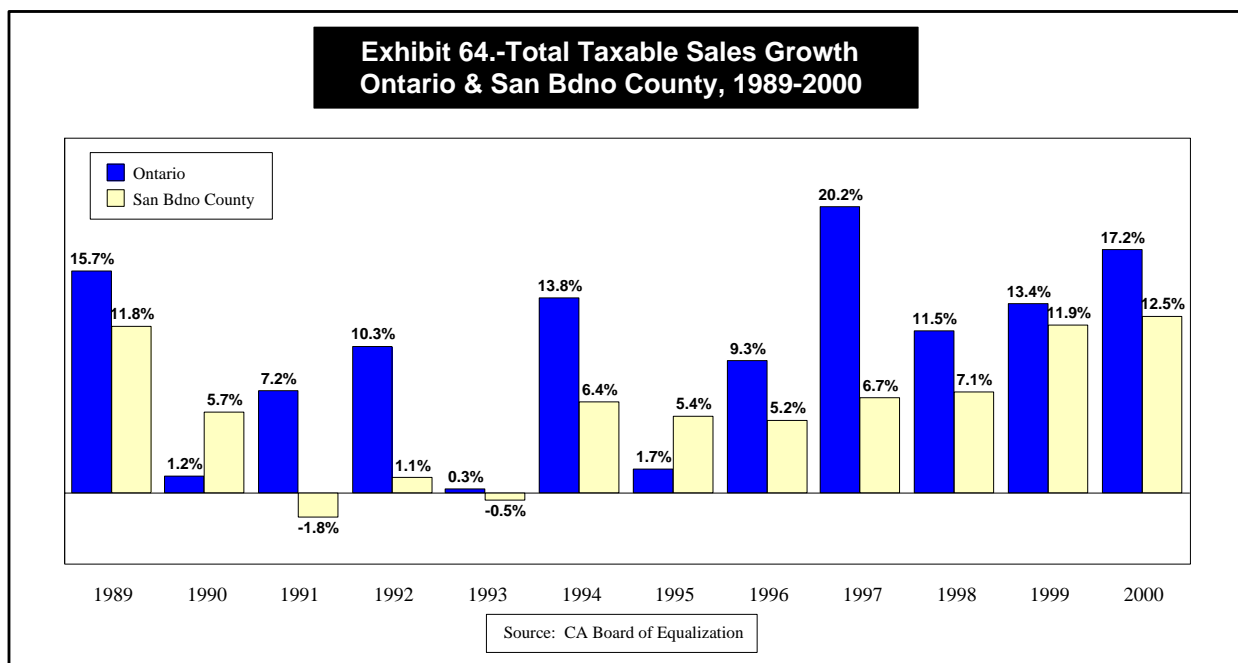
Like other Inland Empire cities, Ontario's economy is dominated by small companies - though the average employment level had a large increase from 19.1 in 1991 to 28.3 in 2000. In 2000, the only sectors averaging over 50 employees were in education, employment agencies, government & utilities and aerospace. Otherwise, the firms were small with the highest average in manufacturing (41.9).

Taxable Retail Trade

With a growing number of local manufacturers and distributors selling directly to retail customers, Ontario Mills Mall in full bloom and successful automotive franchises, Ontario's taxable retail sales continue to set records as the highest in the Inland Empire.



Total Taxable Sales: In 2000, Ontario's total taxable sales reached \$3.4 billion, up \$497 million or 17.2% for the year. The City's growth rate has exceeded that of San Bernardino County in eight of the past ten years. In 2000, Ontario's retail sales surpassed Riverside (\$3.2 billion) to rank first in the Inland Empire, even though its population ranked only third (162,332).



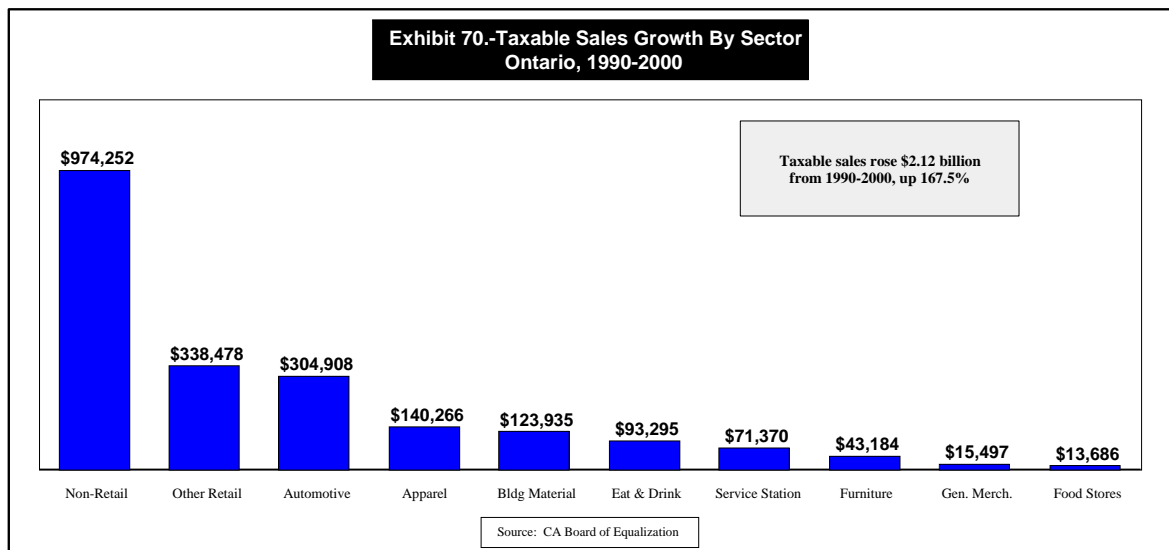
Per Capita Trade: Given the importance of retail sales tax to California municipalities, taxable retail sales *per capita* is a barometer of a community's ability to provide services to its population. From 1990-2000, Ontario's sales per capita have more than doubled (124.2%), the fastest increase among the region's major cities. In 2000, its \$20,953 in per capita sales was 93.7% higher than the \$10,134 average for San Bernardino County up from 20.2% in 1990.

Exhibit 67.-Taxable Sales Per Capita, 1990-2000 Inland Empire Cities Of Over 100,000 People							
Year	Ontario	Corona	San Bdn	Riverside	R. Cucamonga	Fontana	Moreno Vly
1990	\$9,347	\$10,082	\$11,319	\$9,780	\$4,606	\$6,668	\$3,307
1991	9,765	8,946	10,490	8,734	4,922	6,355	3,347
1992	10,587	8,605	9,800	8,598	5,193	6,381	3,798
1993	10,452	8,760	9,232	8,484	5,582	6,090	4,147
1994	11,753	9,501	9,483	8,866	5,971	6,241	4,303
1995	11,879	10,038	9,568	8,867	6,600	6,620	4,410
1996	12,886	10,391	9,773	9,288	7,005	6,794	4,350
1997	15,232	10,764	9,901	9,610	7,557	6,305	4,390
1998	16,627	10,981	10,526	10,335	8,122	6,902	4,576
1999	18,319	12,227	11,503	11,365	8,808	7,362	4,900
2000	20,953	13,485	12,414	12,298	8,920	7,959	5,422
1990-2000	124.2%	33.8%	9.7%	25.7%	93.7%	19.4%	64.0%
2000 Pop.	162,332	131,246	190,232	265,684	132,663	135,100	146,505

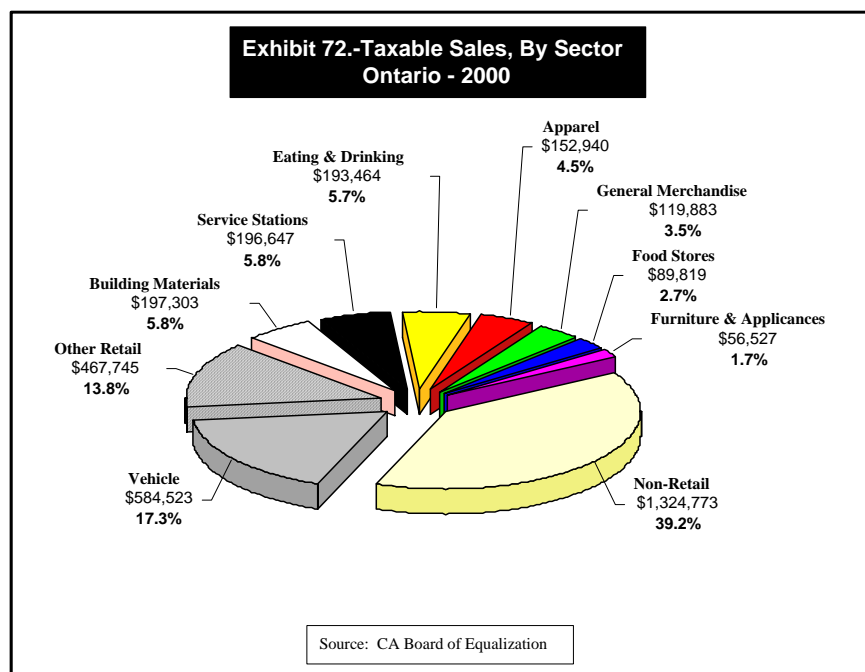
Source: CA Board of Equalization

Among the Inland Empire's 48 cities, only Palm Desert (\$29,081), Montclair (\$28,281) and Temecula (\$23,637) had higher per capita sales.

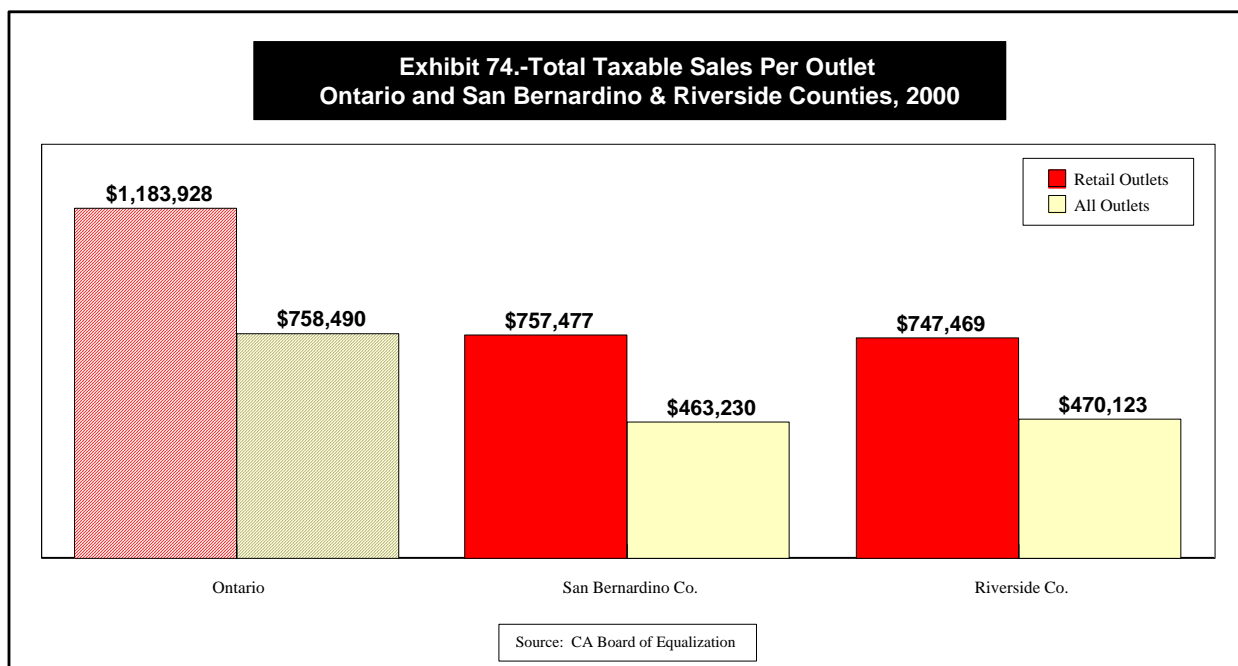
Growth of Trade: From 1990-2000, Ontario's trade sales more than doubled from \$1.3 billion to \$3.4 billion, a gain of \$2.1 billion or 167.5%. The largest share of this increase, 46.0% or \$974 million, came from retail sales increases sales by non-retail outlets. These included a large numbers of manufacturers and distributors selling directly to the public. During the decade, this group went from 27.7% to 39.7% of the city taxable sales.



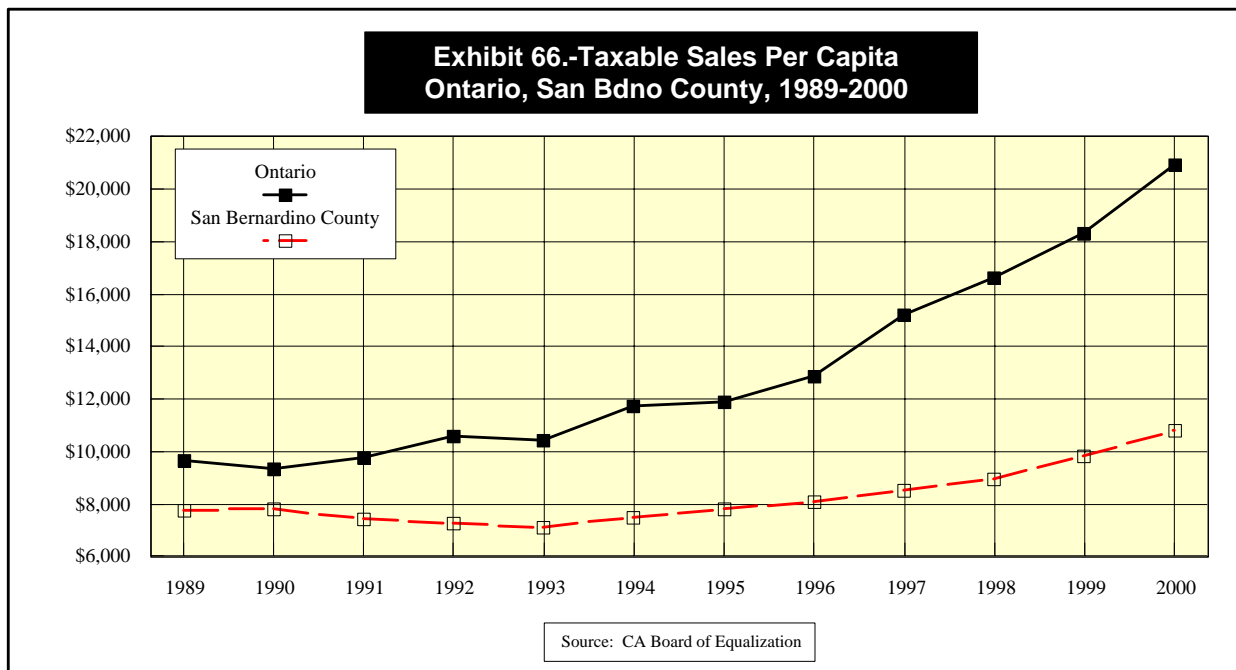
Two sectors associated with Ontario Mills Mall accounted for 22.6% or \$479 million of the sales gains: other retailers (*mostly specialty shops around anchor tenants*) grew by \$339 million; apparel stores expanded over 10-fold from \$13 million to \$153 million. Combined they went from 11.2% to 17.2% of the City's retail trade. Interestingly, though automotive sales more than doubled (*up \$305 million*), the City's dependence on sales from this source fell from 22.1% to 17.7% due to the faster growth in the above sectors.



Taxable Sales Per Outlet: Ontario's retail outlets generally outperformed those in Inland Empire counties in 2000. City retail stores averaged \$1,183,928 in sales, or over \$425,000 more than the \$757,477 average for San Bernardino County and \$747,469 average for Riverside County.

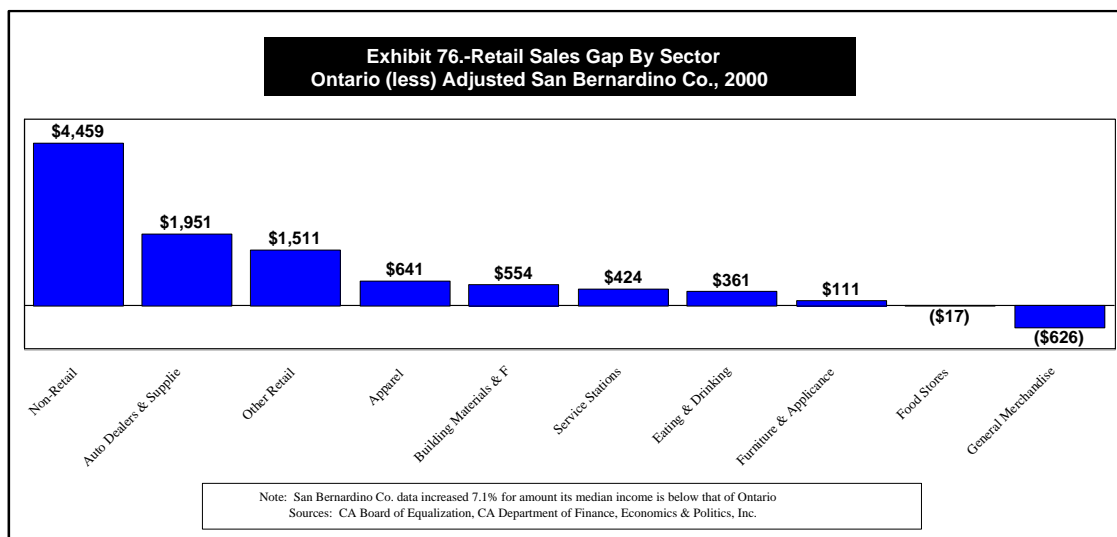


Taxable Sales Per Capita: Ontario's 2000 per capita taxable sales level of \$20,953 was well above San Bernardino County's \$10,134 making the City's per capita sales 93.7% higher. To a small extent, this difference was because City residents had 7.1% more income than the county generally.



Retail Sales Gap By Sector: This difference makes it possible to determine the sectors in which City per capita trade is so high that money must be coming from residents in other communities. Ontario's ability to draw sales from surrounding areas is nearly universal.

Ontario's largest per capita sales advantage compared to the county was \$4,459 in non-retail due to its well developed industrial sectors. Large advantages existed in automotive (\$1,951), other retail stores (\$1,511) and apparel (\$641) as the city's auto centers and Ontario Mills Mall captured trade from residents of other communities.



Industrial Real Estate

Ontario continues to have the hottest industrial real estate market in Southern California. This has been the case since industrial sites began disappearing in the coastal counties during the 1980's. As a result, developers were forced to seek flat, industrial zoned land along transportation corridors in the Inland Empire. Almost immediately, they found that sites in Ontario offered them the best combination of these attributes. Today, the City is the hub of a booming inland manufacturing and distribution economy.

From 1994 to October 2001, the Inland Empire's industrial real estate market has boomed. Altogether, the Inland Empire Economic Partnership (*IEEP*) reports that 894 firms have either opened new operations or changed locations to expand. Of these, Ontario's location advantages alone allowed it to account for 240 companies or 26.9% of the total. Not counting secondary impacts or later growth, these companies indicated that upon opening they would add 18,669 jobs into the community's economic base. This was 24.6% of the total jobs announced by firms moving to or within the Inland Empire.

Exhibit 85.-Major Firms Purchasing Space For Expansion Ontario, 1994 to October 2001						
Sector	Firms	Percent	Jobs	Workers	Percent	Workers/Firm
Manufacturing	88	36.7%	Manufacturing	7,535	40.4%	85.6
Distribution	130	54.2%	Distribution	10,060	53.9%	77.4
Service	22	9.2%	Service	1,073	5.7%	48.8
Federal Agencies	0	0.0%	Federal Agencies	0	0.0%	NA
Total	240	100.0%	Total	18,669	100.0%	77.8
Source	Firms	Percent	Other	Square Feet	Percent	Feet/Worker
Migrate from LA/OR	62	25.8%	Manufacturing	8,189,786	25.6%	1,087
New Growth	79	32.9%	Distribution	23,275,617	72.9%	2,314
New To Inl. Empire	141	58.8%	Service	477,458	1.5%	445
Expand Locally	99	41.3%	Federal Agencies	0	0.0%	NA
Total	240	100.0%	Total	31,942,861	100.0%	1,711

Sources: CB Commercial, Grubb & Ellis, Cushman Wakefield, Lee & Associates, Collins Fuller, Daily Bulletin, Press Enterprise, San Bernardino County Sun, Inland Empire Economic Partnership, Economics & Politics, Inc.

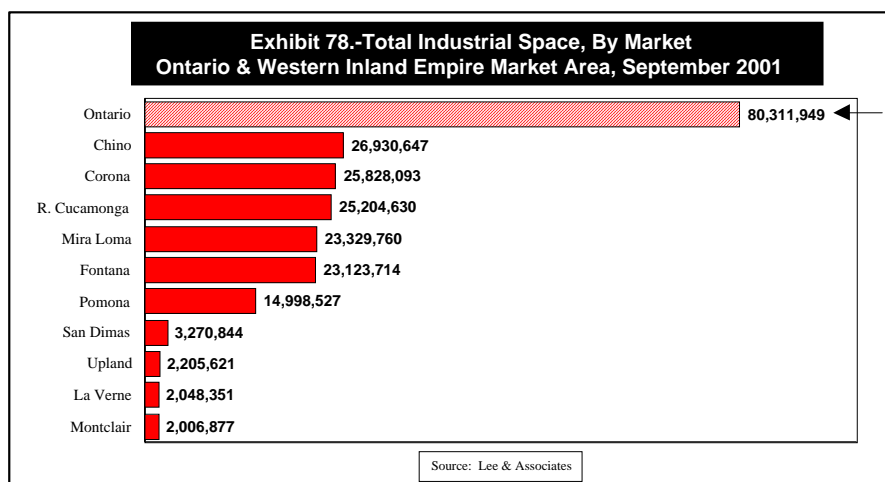
Of the 240 firms expanding in Ontario, 88 or 37% were manufacturers compared to 55% for the Inland Empire. Another 130 or 54% were distributors compared to 34% for the inland region. The other 22 or 9% were large office firms, about the same as the region. The City's manufacturing firms averaged 1,087 square feet of space per worker, a little more than the Inland Empire average of 993. Its distributors used 2,314 feet of space, well above the region's average of 1,992. Its office firms used 445 square feet per worker compared to the area's 262. The city's manufacturers averaged 86 workers against the region's 71. Its distributors averaged 77 employees versus the area's 90.

Sixty-two of these 240 operations migrated to Ontario after leaving locations in Los Angeles or Orange counties. Another 79 were either new to Southern California or expansions of Southland firms. The other 99 firms either moved from within Ontario or from elsewhere in the Inland Empire.

Location Advantages: It is not surprising to find Ontario getting the lion's share of the Inland Empire's expanding firms. These companies are coming to Ontario, in part, because it is located next to Los Angeles County. In addition, the City offers modern facilities at reasonable lease rates. Its labor costs are very competitive. Moreover, it offers uncongested access to logistics centers such as Ontario International Airport (ONT) with its huge UPS hub. From a planning standpoint, industrial firms find that they are located next to one another with good freeway access. They are isolated from incompatible uses such as schools, retail outlets or residential neighborhoods. The City's staff has been organized to aggressively assist companies in expanding into the community.

Absorption: The City's location advantages have caused its industrial space absorption to continue to reach all time highs. For the 4-quarters ended in June 2001, Ontario saw 3.8 million square feet of space absorbed by users, the third highest level on record despite the recession.

Market Conditions: In July 2001, Lee & Associates estimated that the city had 80.3 million square feet of manufacturing & distribution space, representing 35.0% of the western Inland Empire market's inventory of space. In fact, Ontario's supply of space was triple that of either Corona, Chino or Rancho Cucamonga, the next three largest markets.

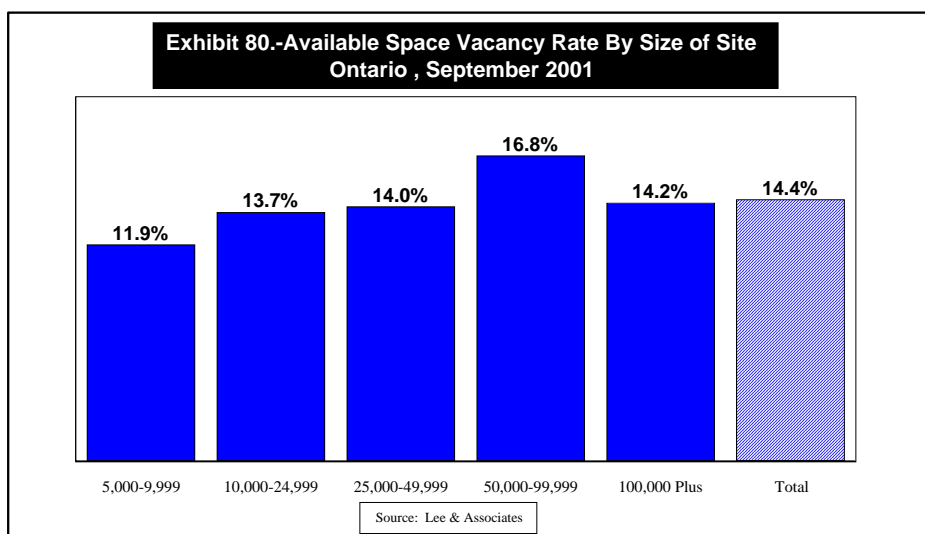


Industrial Space Available: In September 2001, 11.5 million square feet of Ontario's industrial space was vacant or becoming available representing 14.4% of the City's inventory. This was the greatest amount of available space in the Inland Empire and double that of next largest levels in Rancho Cucamonga, Chino and Fontana.

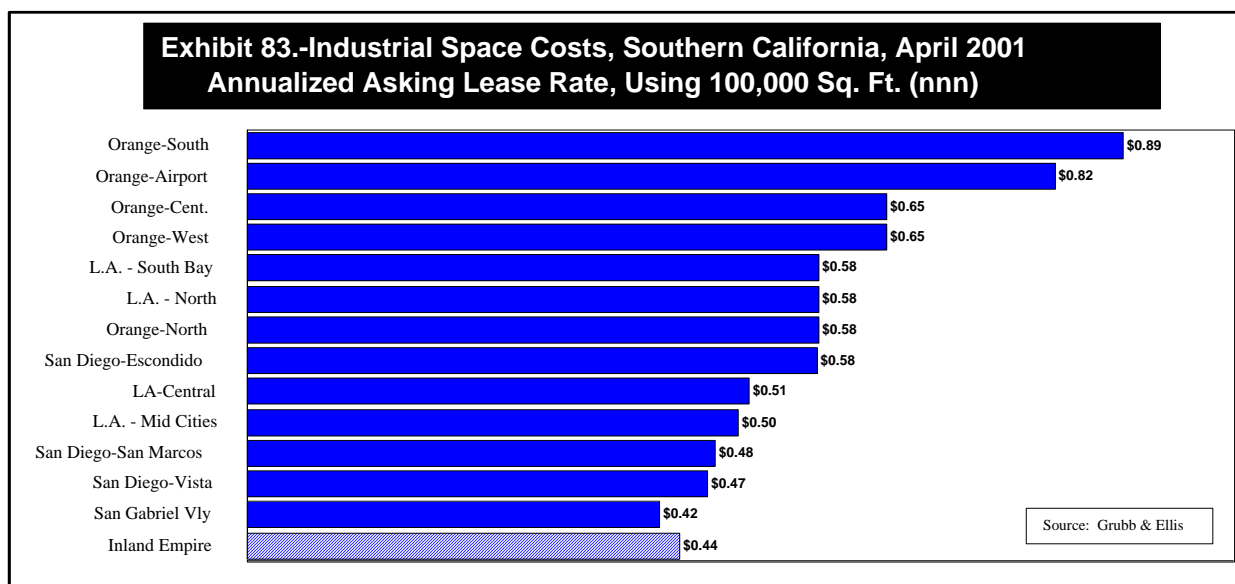
Exhibit 79.-Industrial Sites Vacant Or With Available Space Ontario, September 2001					
Size Range	Base		Available	Share	Available Rate
5,000-9,999	1,877,664	2.3%	223,266	1.9%	11.9%
10,000-24,999	4,869,903	6.1%	665,044	5.8%	13.7%
25,000-49,999	7,089,551	8.8%	991,736	8.6%	14.0%
50,000-99,999	9,462,950	11.8%	1,588,384	13.8%	16.8%
100,000 Plus	57,011,881	71.0%	8,077,085	70.0%	14.2%
Total	80,311,949	100.0%	11,545,515	100.0%	14.4%

Source: Lee & Associates

Having unoccupied inventory is important to economic development as it means that there is room for firms wishing to locate in the city. Fortunately, 8.0 million feet of Ontario's available space was in structures of 100,000 or more square feet sought after size by distributors, and 1.6 million was in buildings of 50,000-99,999 square feet often desired by manufacturers.



Pricing: Ontario's space is both less expensive and newer than space in competing coastal county markets. These are two reasons firms are migrating to the city. Thus, Grubb & Ellis reports that the average asking rate for Ontario's industrial space was \$0.44 a square foot triple net in 2001.



Only older space in Los Angeles County's San Gabriel market was less expensive (\$0.42). In San Diego County, the least expensive was in Vista at \$0.47. In Orange County, the cheapest market is in the northern area at \$0.58. Space with access to a major airport varied from \$0.82 in Orange County to \$0.58 in Los Angeles County.

Commercial Office Market

Perhaps the most overlooked aspect of Ontario and the Inland Empire is the possibilities they hold for corporate offices, large professional firms, high technology companies and sophisticated call centers.

While these types of firms are finding very high costs and difficulty retaining employees elsewhere in California, the City and region offer a stable environment with the infrastructure and workers required by such operations. In particular, the inland migration of technicians, professionals and executives remains largely unrecognized outside of the region. It is an extraordinarily important side effect of the extremely high home prices now found in Southern California's coastal counties, with only 25% of Orange County families able to qualify to buy a home and just 35% in Los Angeles County.

Already, a 2000 study found that the inland region was home to 3,180 high technology and professional firms in such fields as architecture and engineering (836), computer systems (341), design work (252), medical equipment (184), advanced plastics (159), semiconductors (125), electronic and precision equipment (109) and instruments (102). In addition, some seven large calls centers moved into the area in 2000-2001. In this environment, it is important to understand the dynamics of the area's office market.

Ontario International Airport (ONT): In addition to a growing upper end labor force, these companies are tapping into such important advantages as Ontario International Airport (ONT), the second largest airport in Southern California and one that is increasingly seen as an alternative by executives wishing to avoid the delays and extreme congestion of LAX. With two new passenger terminals, a new freeway off-ramp and large new parking facilities, ONT is easy to use. Its volume of 6.7 million passengers in 2001 was off just 0.6% from 2000, despite the events of September 11.

Broadband: Companies locating in offices within Ontario are not only within minutes of the airport, they also have access to the fastest in broadband communications from either fiber optic or wireless carriers. When the New Model Colony is built, every house and company in that area will have access to this capability.

Colleges and Universities: Companies locating in Ontario are within minutes from the researchers, interns and graduates of 16 major colleges and universities. These are not light-weight institutions. Impressive engineering and biotechnical work is conducted at Harvey Mudd College and Keck Graduate School of Applied Life Sciences. Cal Poly Pomona trains the largest number of undergraduate engineers in the Western states. University of California, Riverside is a research center in biotechnology, environmental science, engineering and information technology. Loma Linda University is one of the world's top medical schools. Cal State San Bernardino has an outstanding Graduate School of Business. The list includes nationally known private, liberal arts schools like the Claremont Colleges, and the University of Redlands. The University of La Verne School of Law is in Ontario.

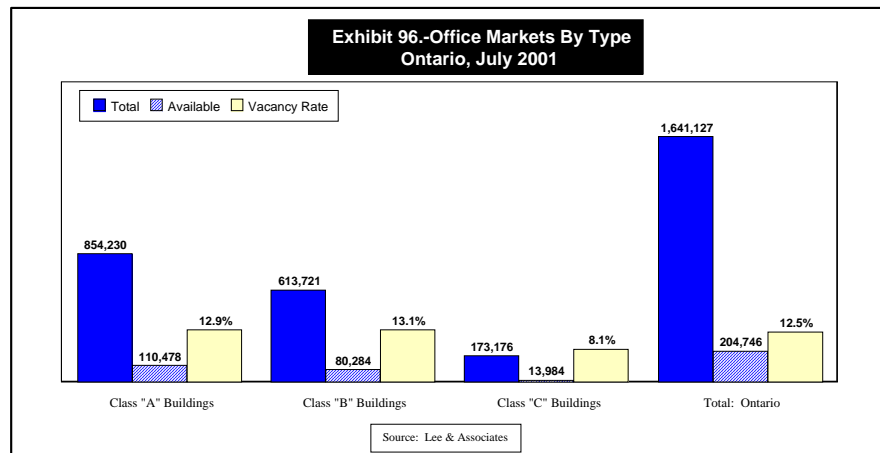
Office Inventory: Currently, Lee & Associates estimates that the region has 12.0 million square feet of office space in four markets: Ontario has 29 buildings and 1.6 million square feet of space (13.6%). Nearby Rancho Cucamonga has 55 buildings and 1.7 million feet (14.0%).

Lease Rates: Grubb & Ellis reports that the average lease cost for Ontario-Rancho Cucamonga's office space was \$1.73 per square foot per month. This is less expensive than such competitive areas as the \$1.99 in north Orange County and the San Gabriel Valley or the \$2.18 in San Diego County's San Marcos area. It also far less expensive than areas with airport access such as the \$3.21 in West Los Angeles, \$3.19 in University City San Diego or \$2.83 in South Orange County. Ontario is a bargain despite offering space that is within minutes of an uncongested airport.

Exhibit 93.-Lease Rate, Asking, Monthly Class A Buildings, Southern California, 2001			
Market	Price	Market	Price
West Los Angeles	\$3.21	Downtown Los Angeles	\$2.10
University City (SD)	\$3.19	Central Orange Co.	\$2.01
John Wayne Airport	\$2.83	San Marcos (SD)	\$2.00
Rancho Bernardo	\$2.68	San Gabriel Valley	\$1.99
South Orange Co.	\$2.50	Orange-North	\$1.99
Mission Valley	\$2.47	Temecula	\$1.75
Burbank-Glendale-Pasadena	\$2.44	Riverside	\$1.73
South Bay	\$2.32	Ontario & Rancho Cucamonga	\$1.73
North Los Angeles	\$2.30	Victor Valley	\$1.61
San Diego Downtown	\$2.23	San Bernardino	\$1.43
Vista (SD)	\$2.18	Wilshire	\$1.35
West Los Angeles	\$3.21		

Source: Grubb & Ellis

Office Availability: Grubb & Ellis, using its methodology, reports that the Inland Empire had 14.3 million square feet of space at the end of 2001. Of this, 2.1 million square feet was available, a 14.7% vacancy rate down from 25.6% in 1990. Looking at the details of Ontario's office market, Lee & Associates reports that Class "A" space (*new, technologically advanced*) represents 854,230 square feet of the City's 1.6 million in inventory with 110,478 feet available in July 2001 for a 12.9% vacancy rate. Class "B" space (*somewhat older, high quality*) includes 613,721 square feet with 80,284 feet available for a 13.1% vacancy rate. Class "C" space (*older space or less expensive tilt up*) is made up of 173,176 square feet with 13,984 feet available for a 8.1% vacancy rate.

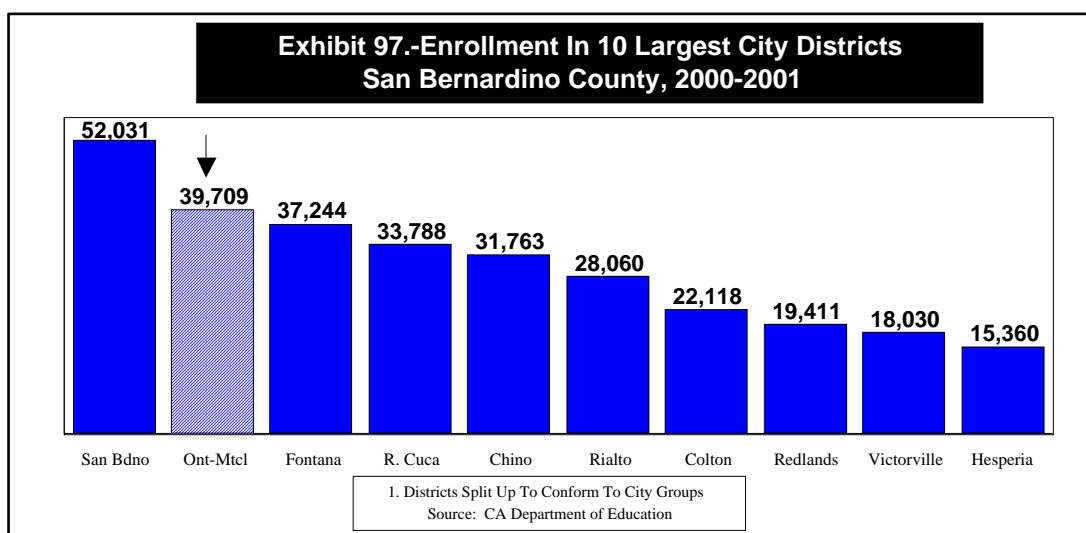


Absorption and Vacancies: Until recently, the Ontario and Inland Empire office markets were not seen as alternatives to those in Los Angeles and Orange counties. This was the case as the coastal markets still had high vacancy rates and low lease rates due to previous periods of overbuilding and recession. In 1998-2000, this began to change. It is the reason that the Inland Empire's markets are now a bargain. When combined with the other inland region's other assets, it is why the area's office absorption is now positive and its vacancy rates have sharply declined.

Quality of Life

Economic development does not take place in a vacuum. Among the important factors impacting a community's prosperity are its school system, its parks, and the success of its law enforcement agencies. As a city in transition, Ontario has a young population and a significant number of non-native English speakers. As a mature city, it offers residents a very large number and variety of family oriented parks. And, the city has seen its crime rate plunge 38.7% since 1994.

Education: Ontario's young people attend classes in three school districts. High school students attend either Ontario High School or Chaffey High School in the Chaffey Union High School District. Elementary and middle school students go to schools in either the very large Ontario-Montclair Elementary District or the smaller Mountain View Elementary District. Total enrollment in the combined cities of Ontario and Montclair was 39,709 in academic year 2001, second behind San Bernardino-Highland (52,031) in San Bernardino County.



In academic year 2000, 94.8% of Ontario high school students completed school. The state average was 97.2% and San Bernardino County average was 96.9%. For the Class of 2000, 16.2% completed the courses required by UC and CSU. This was up from 15.3% in 1999. The county average was 24.3% and the state's was 34.8%.

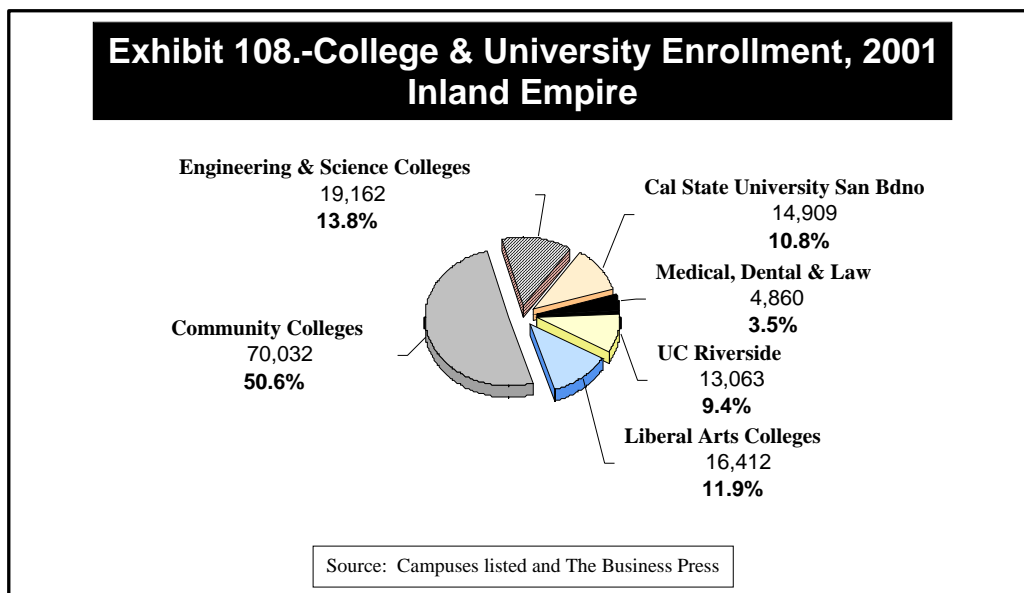
On pupil assessment tests, the performance of Ontario's high school students has been generally modest. Those city seniors taking the Scholastic Assessment Test (SAT) in 2000 averaged 943, up from 920 in 1999 and sixth among San Bernardino County's 10 urban areas. The county's average score was 965, the state average was 1,015. Using 10th graders as an example of Ontario's high school students, the city's teens scored in the middle of San Bernardino County's 11 large urban areas on the Stanford-9 subject matter assessment tests.

Ontario's elementary students were among the strongest in San Bernardino County if they attended Mountain View Elementary District. For instance, 5th graders outperformed that state and national average on all four tests in their grade. The opposite was true of the Ontario-Montclair Elementary District where students finished among the lowest in the county.

College and University Enrollment: Ontario is near 22 public and private colleges with a total of 138,438 students. There are 19,162 students (13.8%) at three top schools of science and engineering: Cal Poly Pomona, plus Claremont's Harvey Mudd College and Keck Graduate Institute of Applied Life Sciences. Another 70,032 students (50.6%) go to five comprehensive community colleges, including Chaffey College with an outreach center in Ontario.

There are 13,063 (9.4%) undergraduates and graduate students at the University of California, Riverside, one of the nation's premier biomedical, agricultural and environmental research institutions. 14,909 students (10.8%) attend Cal State San Bernardino while 4,860 medical and dental students (3.5%) attend Loma Linda University Medical Center, one of the nation's top medical and dental schools, or the Western University of Health Sciences in Pomona.

16,412 students (11.9%) go to several prestigious private liberal arts colleges in or near Ontario including: Claremont Colleges, University of Redlands, University of La Verne, La Sierra University and California Baptist University. The University of La Verne School of Law will soon be relocated to downtown Ontario.



Recreation: Ontario has an extensive system of parks and recreation areas. This includes 19 developed parks with 198 acres owned by the City and 6 developed parks with 178 acres owned by other agencies. The latter include San Bernardino County's 150 acre Cucamonga-Guasti Regional Park and Lake, and the 15 acre portion of the extensive West Cucamonga Creek Trail System owned by the San Bernardino County Flood Control District. The trail system forms a continuous green area including the City's "D" Street and John Galvin Parks.

In addition, City residents have access to partially developed City park land (26 acres), extensive City green belts (125 acres), and City school sports facilities (302.7 acres). As a result, Ontario's 162,332 people can use 829.7 acres of park and recreation land, an enviable ratio of 195.7 people per acre.

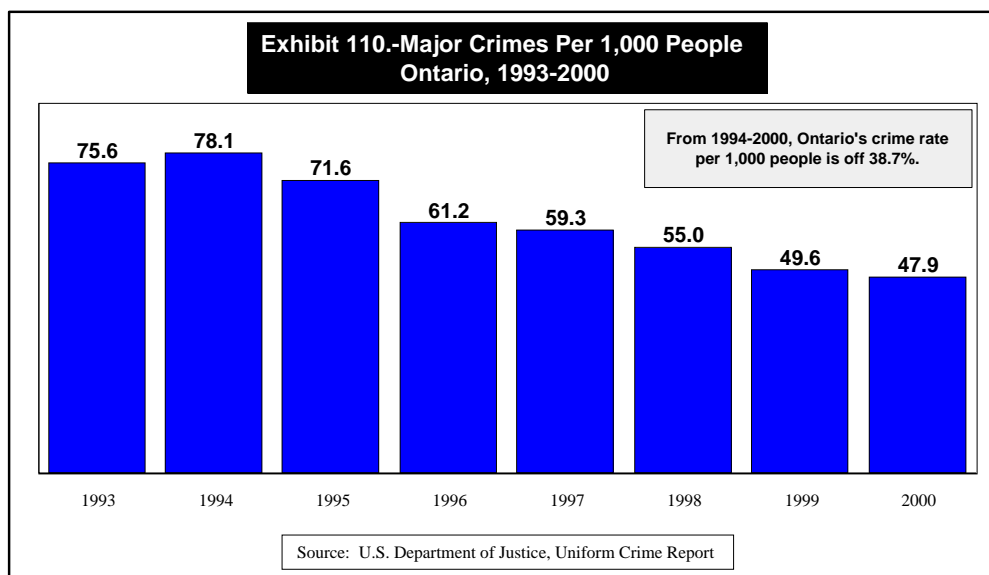
Ontario's recreational areas support a wide variety of family and sports activities. There is an extensive network of soccer, baseball, tennis and basketball fields and courts, many lighted. Nearly every park has picnic facilities and tot lots. There are areas for joggers, cyclists and equestrians. There are several neighborhood swimming pools, as well as lakes providing boating and fishing.

Ontario also has a 2,500 seat stadium baseball stadium, an outdoor concert bowl and several community auditoriums. Within 45 minutes of Ontario, residents have access to a wide array of recreation and sports activities including auto racing at the California Speedway, hiking and skiing in the San Gabriel and San Bernardino Mountains, surfing on the Pacific Ocean and direct access to the Mojave Desert.

Ontario is moving aggressively on several high-profile projects to better meet the community's cultural and recreational needs. Projects include a large new Soccer Sports Complex, Teen Center, Senior Center, and City Library renovation and expansion.

Public Safety: Ontario has become a significantly safer city in recent years. From 1994-2000, its crime rate per 1,000 residents has decreased 38.7% according to the U.S. Department of Justice.

In this period, the number of total crimes fell by 31.8% even though the City's population grew by 11.1%. According to the Justice Department, the major crime rate per 1,000 dropped 36.5% in this period; the property crime rate fell 39.1%.



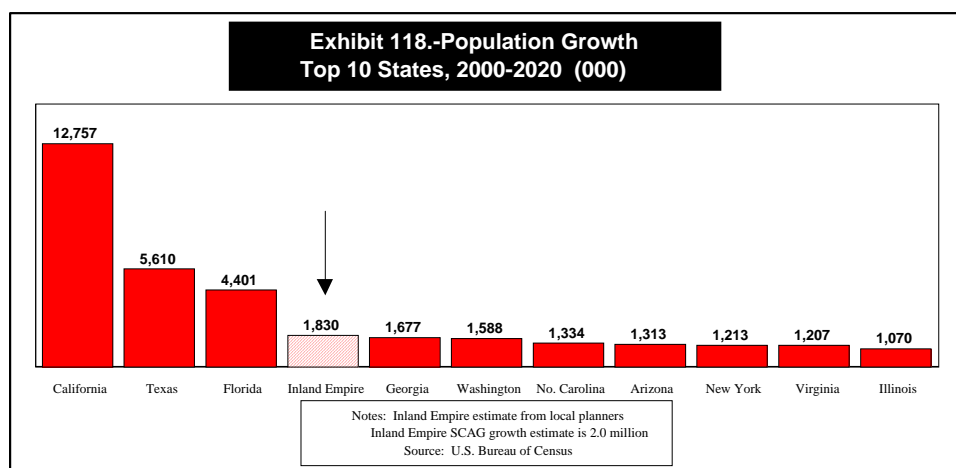
In 2000, Ontario's major crime rate was the fourth lowest among the 8 large cities of the Inland Empire, with an average of 7.0 crimes per 1,000 people. Of the cities with over 100,000 people, only Fontana, Corona and Rancho Cucamonga had less major crime. Ontario's average of 40.9 property crimes per 1,000 people fell to third highest among the 8 cities, far below the 68.6 in Pomona. Ontario's total crime rate of 47.9 incidents per 1,000 residents also fell to third in the region, well behind Pomona's 77.6.

The City is currently building a new high-tech Ontario Police Headquarters, including advanced crime tracking equipment and a helicopter pad.

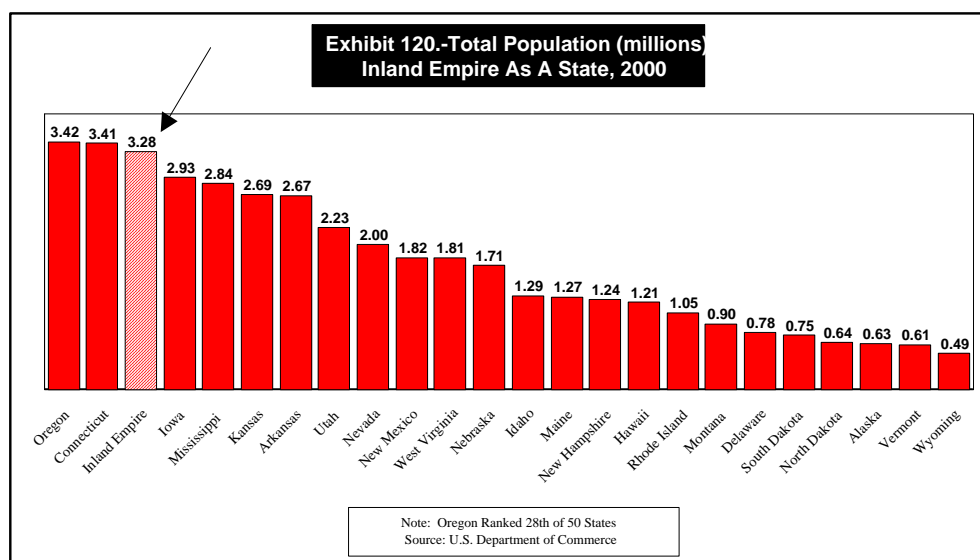
Inland Empire Market Place

For years, Ontario has had the most aggressively growing economy of the rapidly expanding Inland Empire. Its strengths are the region's strengths – plus it has the added benefit of two freeway connections directly to Los Angeles County (I-10 and I-210).

In the next decade, it is predicted that the Inland Empire will be California's fastest growing urban area in absolute and percentage terms, adding 1.8 million people from 2000-2020 to reach 5.0 million. It will add more people than all but California, Texas and Florida.



As a separate state, the Inland Empire's 2000 population of 3.28 million people would have exceeded 21 states after Connecticut (3.41 million) and Oregon (3.42 million).

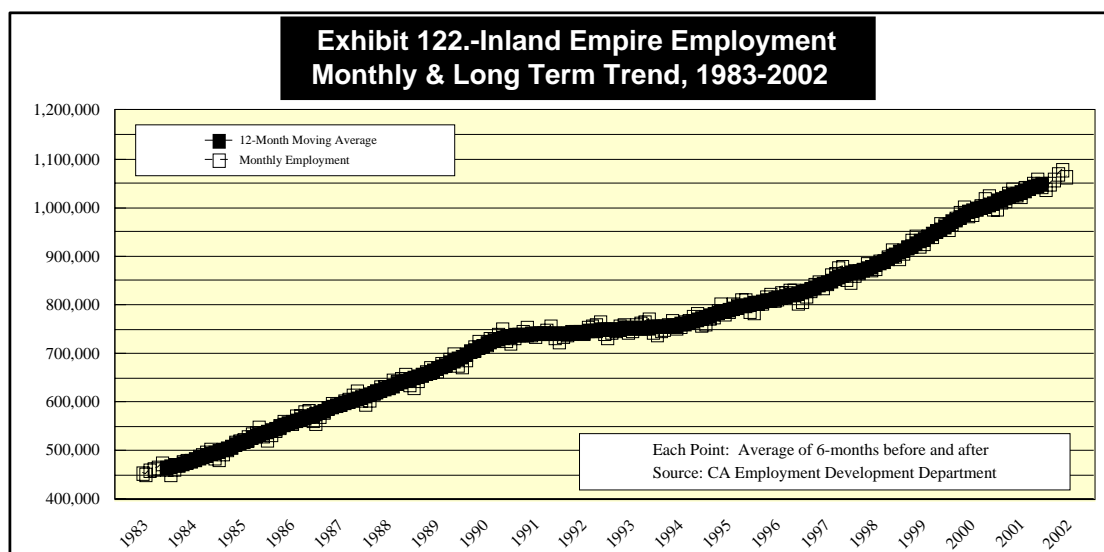


In 1999, the Inland Empire's \$71 billion in total personal income tied Kansas and exceeded 19 states.

Economists forecast the Inland Empire's rapid expansion based upon their understanding of how geography and economic behavior interact in Southern California. Since World War II, the Southland has grown outward from downtown Los Angeles and San Diego. At various times, places like the San Fernando Valley and Orange County in the north, and suburban San Diego County in the south have been centers of the region's growth. Inevitably, once coastal county congestion caused land and space costs to rise, development would be forced into the Inland Empire. That time is now.

Southern California's Job Creation Leader: This pattern underlies the Inland Empire's employment performance in the 1990's. In this period, Southern California lost 500,000 jobs with the end of the Cold War. However, there was no period when the Inland Empire's employment did not grow.

As a result, from 1990-2001, the region was Southern California's job creating engine adding 313,833 jobs. In this period, San Diego County added 255,233 jobs, Orange County 246,450 and Los Angeles County is still down 44,942 jobs. In 2001, the Inland Empire added 38,950 jobs to lead California.



Inexpensive Land: At its core, the development of the Inland Empire is occurring because it is the last region of the Southland with large amounts of undeveloped land along developed transportation corridors. This creates a location advantage for residential, industrial and commercial developers.

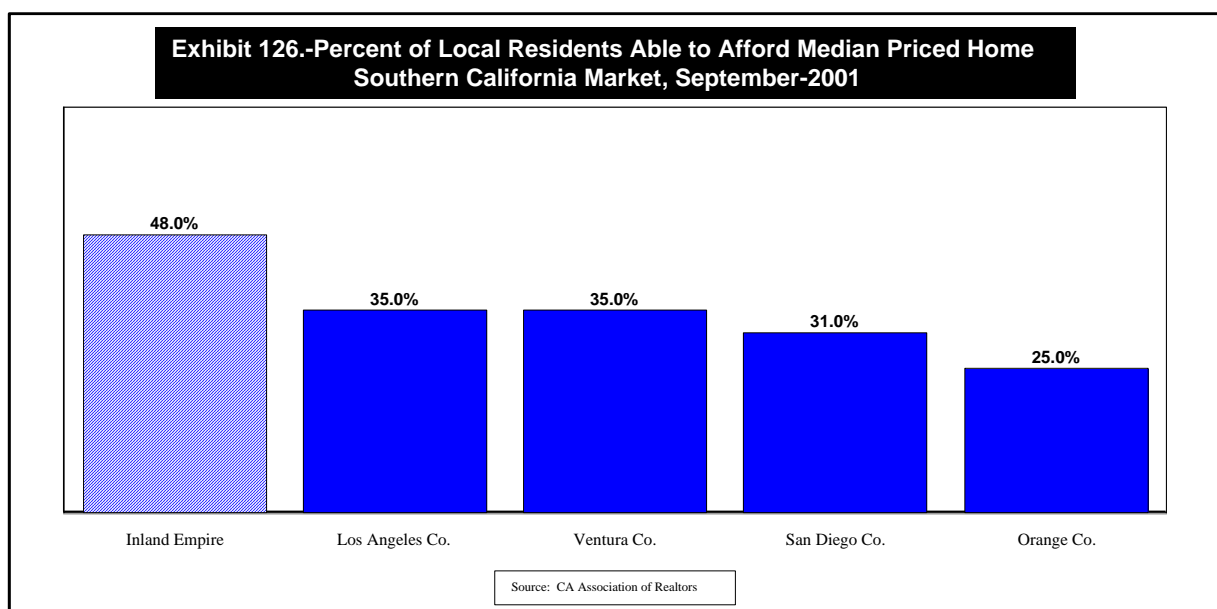
Land is cheaper in the Inland Empire and the homes and buildings constructed on it sell or lease for substantially less than in neighboring Orange, San Diego and Los Angeles counties.

This is why Ontario has been the focus of industrial and residential developers for some time, and is beginning to receive attention from commercial office developers today.

Cost Advantages: The Inland Empire's rapid population growth has created a second, less obvious advantage for firms locating in cities like Ontario. People are willing to work for less to avoid commuting to coastal counties.

A study of over 500 occupations common to each part of Southern California found that Inland Empire firms had an average labor cost advantage of 5.2% compared to Los Angeles County, 5.4% to Orange County and 2.0% to San Diego County. Importantly, for high-end jobs paying an average of over \$55,000 in the coastal counties, the Inland Empire offers an even greater savings: 12.1% versus Los Angeles County, 10.3% to Orange County and 6.5% to San Diego County.

This last set of facts is important because the high residential prices in coastal counties are causing an accelerating migration of technicians, professionals and executives to the inland region.



As it becomes increasingly difficult for these people to commute to work, their employers will ultimately have to follow them to the region. These forecasts are in keeping with Ontario's strategies for developing upscale homes in the New Model Colony and a high end to its economy. Ontario International Airport's success in expanding its menu of direct flights across the nation will also further these objectives.

Synopsis

Ontario's economic picture is one of the most optimistic found in Southern California.

The City's location advantages have led to a powerful surge in employment, payroll and retail sales. These forces are providing the City the wherewithal to undertake the greatest period of investment and reinvestment in Ontario in the City's history including new community facilities, programs and neighborhood improvements. At the same time, the availability of land for the New Model Colony provides Ontario the opportunity to define its future with new upscale neighborhoods.

The expansion of Ontario International Airport (ONT) and the energy being poured into it by the City and the new leadership of the Los Angeles World Airports are starting to payoff. And, there is a growing realization that the City's potential for upscale housing, high-end workers, airport growth and office expansion can allow it to create a base of high tech, professional and corporate office operations like those that have congregated at the junction of Route 55 and MacArthur Boulevard in Orange County.

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