

Developer purchases 71 acres in New Model Colony in Ontario

By Liset Márquez, Staff Writer Created: 04/25/2010 07:58:00 PM PDT

ONTARIO - A Southern California developer and an East Coast investment firm have joined forces to buy a portion of the New Model Colony.

The venture will help the development clear its biggest barrier to getting construction started.

Irvine-based land developer Foremost Communities, Inc., has entered into a joint venture with a controlled affiliate of Starwood Capital Group Global, LLC, to form Forestar Land Partners, LLC.

Forestar purchased 71 acres from Meritage developers, which backed out of a deal to build 422 single-family homes in the northwestern portion of the New Model Colony plan.

"From a developer's standpoint, it's a wonderful place to be," Steve Cameron, president and founder of Foremost Communities Inc. said. "Developers like the

project because it has an airport, shopping experience and amazing schools in the city. From our standpoint people want to buy a home where they work."

The developer has indicated it wanted to start working on the community's infrastructure.

As the sole financial partner, the affiliate is providing an initial \$100 million of equity, and the leverage will provide the venture with the purchasing power of at least \$250 million for projects throughout Southern California, Cameron said.

The property at New Model Colony closed escrow April 12.

"I really like the New Model Colony," Cameron said. "I think the city has done a terrific job in developing a master planned community."

The general plan of the New Model

Colony called for 30,000 homes to be built. About 120,000 new residents are expected to move to the former dairy land in the coming decades.

In 1999, Ontario annexed 13 square miles of land that were once a part of the San Bernardino County Agricultural Preserve.

But Cameron said he is not blind to the fact that the sluggish economy and struggling housing market will be obstacles in the years to come.

Cameron would not disclose the details of the deal, but said the current market conditions allowed Forestar to afford it.

Some people believe the recent investment can only be good news.

"I think its great for New Model Colony and for New Model Colony builders. It shows that there is opportunity for future investments going forward," said Dave

Bartlett, vice president of Brookfield Homes, the master developer of Eden Glen.

At the corner of Riverside Drive and Milliken Avenue, Eden Glen is the first and only community in New Model Colony that has moved beyond the stage of architectural drawings.

But developers are not out of the woods yet.

Bartlett warns that the market in the Inland Empire is still a few years away from recovery.

"With the market right now, we're having a challenging time. We think we've reached the bottom but how long we're at or near the bottom, we don't know," he said.

This is Forestar's first official venture in the New Model Colony, but it's not the first time it's crossed Cameron's mind. Three years ago, he said he had expressed interest in the planned community. With patience, the opportunity presented itself.

Cameron said he doesn't want to stop there - he hopes to acquire more property in the future.

"New Model Colony is this huge doughnut hole in the development world with everything built around it," he said.

Foremost holds a general contractor's license and will serve as the development manager for the projects.

But it is too soon to determine if it will handle the land development or if it will ultimately decide to sell to a home builder. That decision is still several years away, Cameron said.

"The first thing we need to do is resolve with the city the grading, plumbing and getting the paperwork ready to go," he said, adding that those elements will be the focus for the next six to nine months.

Having developers discuss agreements with one another is not uncommon, said Jerry Blum, the city's planning director. He noted that those discussions are happening today because there are a lot of developers that appear to have let contracts lapse back to the bank or the individual property owner, Blum said.

In some cases, developers who bought land are rethinking their investments. Richland Communities is one of those, parting with some of those properties it had owned, Blum said.

"Any time there is someone who puts

enough interest in moving forward, that's a good sign," he said.

But none of the developments can move forward until the infrastructure is in place.

That step is going to be difficult, Blum said.

Several years ago, there was a consortium of developers backing the infrastructure of the master planned community.

"We were in a working agreement with the investors to start work with the city," Blum said.

The city had lined up 14 developers to fund those improvements, and they were a day or two away from signing the agreement, he said.

"It got held up because all of a sudden, the whole economy crashed and they didn't go through," Blum said. "We're in a position that some developers don't have the cash collateral to move forward with the infrastructure."

Blum said he has not had any contact with officials from Forestar.

"We welcome investors, but it's going to take a couple \$100 millions to start the infrastructure," Blum said.