

THE PRESS-ENTERPRISE

REAL ESTATE: New Model Colony prepares for housing rebound

BY LESLIE BERKMAN STAFF WRITER Published: 15 October 2011

When the housing market rebounds, Ontario's New Model Colony, one of Southern California's most anticipated master planned developments, is expected to leap forward after having stalled with the economy.

Only one community in the New Model Colony, Brookfield Homes' Edenglen planned for 584 houses, so far is under construction, because enough

infrastructure to support it was completed before the economic downturn.



City officials and land owners say more neighborhoods will sprout when there is assurance of reinvigorated buyer demand that is robust enough to justify the huge expense of carving a multifaceted development larger than many cities out of former dairy farm land.

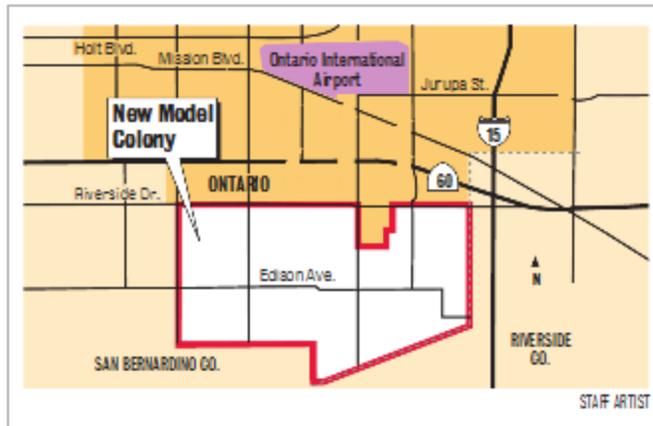
New Model Colony in Ontario

Expected to take shape over several decades, the New Model Colony consists of 8,200 acres planned for 47,000 homes and 36 million square feet of commercial and business development. A 355-acre Great Park is envisioned as its centerpiece. It will add an estimated 163,000 residents to [Ontario](#), essentially doubling the city's current population of 164,000 and tripling its jobs.

The biggest challenge is the estimated \$1 billion cost of providing the infrastructure backbone — access to water, sewers, flood control channels and major roads — required to support the development.

Seven years ago when the Inland housing market was booming, cost was not an issue for developers who were eager to finance large amounts of infrastructure up front so homes could be built as quickly as

possible to satisfy the public's seemingly insatiable appetite for new homes. Two reservoirs, water wells to fill them, and two major water mains were completed by 2007, which is about when the housing market swooned and construction of new infrastructure stopped.



Still, the coalition of land owners that had formed to expedite development of the eastern half of the New Model Colony survived. Some members vanished when their land holdings were foreclosed on. They were replaced by developers who bought acreage discounted to produce houses priced to fit the post-[recession](#) budgets of home buyers.

“Even with the downturn in the economy, we have continued our design efforts for the streets and utilities,” said Darren McCleve, regional vice president for Lewis Operating Corp. and administrator of the eastern New Model Colony builder coalition of which Lewis is one of 15 members. The coalition so far has invested \$95 million in building and designing infrastructure.

“Some of the plans for infrastructure are shovel ready,” said Ontario development director Otto Kroutil.

The New Model Colony's attraction for land investors, developers and ultimately home builders is its prime location surrounded by existing development and freeways that will connect future homebuyers to employment hubs in Ontario, [Los Angeles](#) and [Orange](#) County. The area previously was skipped over by development because it was in an agricultural preserve.

“You have this land basically surrounded by housing, businesses, commercial and freeways. It is a great spot. We know it is going to be a winner. The question is when,” said Les Whittlesey, a founding principal at Whittlesey Doyle, a major land broker in the former dairy lands.

‘tale of two cities’

The prospects for development in the New Model Colony differ by geography — with roughly the eastern half poised to be developed ahead of the western half.

“It is a tale of two cities,” said Tom Dallape, a principal with the Hoffman Group, another brokerage active in the dairy lands.

Dallape figures that in the past 24 months about 750 acres changed ownership in the New Model Colony. He said most of the land sold on the west side was to long-term investors while land on the [east](#) side was purchased by developers who intend within the next three years to convert it into finished lots for sale to home builders. The different time frame for development is reflected in land prices, Dallape said, with land on the east side selling for as much as \$170,000 an acre, and land on the west side selling for up to \$110,000 an acre.

On the east side brokers say all of the bank-repossessed land is back in the hands of financially solvent developers.

Another positive sign for the New Model Colony is continued home building in nearby Eastvale, a new city that already has emerged from dairy lands. Although housing sales are the slowest in decades, Eastvale stands out for having the most home construction in the Inland Empire.

“When they run out of land in Eastvale is when you will see the New Model Colony gather some steam,” Dallape said. He predicted that by the end of 2012 most of Eastvale’s actively selling new home communities will be built out, prompting home builders to hunt for other close by opportunities.

Developers on the eastern side of the New Model Colony meanwhile are negotiating with the city on a plan to phase in the infrastructure in more affordable chunks.

Ontario Planning Director Jerry Blum said originally the city and the developers in the eastern New Model City coalition “envisioned one build all the way through” of the first 10,000 to 13,000 homes in tandem with \$150 million worth of supporting infrastructure. But with another \$100 million in infrastructure still required for the first phase and the likelihood that home sales will occur much more slowly than previously anticipated, the developers cannot afford to make such a large investment all at once, he said.

“Phasing is very important in this market, so you are not overbuilding infrastructure and creating a lot of costs up front before you have revenue coming in,” said Dave Bartlett, vice president of land entitlement for Brookfield Residential. McCleve said the builder coalition’s main objective is to build an additional 4.5

miles to 5 miles of water line to tie into the city's existing water system, a project he estimated could cost up to \$35 million.

"We would build the backbone water line and then the individual property owners would construct their projects as the market dictated," McCleve said. R.C. Cisakowski, president of RCCD Inc, an [Anaheim Hills](#) developer that owns or manages land planned for more than 1,300 residential lots in various parts of the New Model Colony's east side, said he expects that home building on the land could begin in three to five years, depending on the location and what happens with the economy.

Smaller homes

"It is a kind of a new reality. Anybody in the market today has had to learn to operate at a slower sales pace," said Brian Geis, vice president for Brookfield Homes. Over the last four years, Brookfield has sold about 300 single-family homes in New Model Colony's Edenglen at the southeast border of Ontario.

Catering to a more price-conscious buyer, Geis said Brookfield redesigned houses at Edenglen so they are smaller, more functional and loaded with energy conserving features. When Edenglen opened in April 2007, its homes were up to 3,800 square feet and prices were as high as the low \$600,000s. But at the Edenglen neighborhood called GreenDoor that opened last weekend, houses range in size from 1,710 to 2,054 square feet and are priced from \$294,000 to \$320,000.

Brookfield plans to build another village at the intersection of Edison and Archibald Avenues, about a mile and a half southwest of Edenglen, starting in 2014, said Bartlett.

Before that, homes could be available for sale on some of the acreage that Foremost Communities purchased in the New Model Colony near the intersection of [Riverside](#) Drive and Archibald Avenue and about two miles west of Edenglen..

Foremost Communities is processing plans with the city of Ontario in anticipation of selling graded lots to a builder next year for construction of 187 move-up homes, according to Foremost President Steve Cameron. He said the single family houses could be supplied with city water by building a short pipeline connection at a cost of \$2 million to \$3 million.

Home sales in the new community could start in 2013, Cameron said, by which time he expects the flow of foreclosed homes into the resale market will have diminished significantly and residential construction in Eastvale will be substantially completed.

Nobody questions that a wave of home building eventually will wash over the New Model Colony.

“Southern California despite the bad economy is still the place to be for a lot of folks,” said Kroutil. “It has no place to grow but here on the western end of the Inland Empire.”