CITY OF ONTARIO

Agenda Report

July 7, 2026

SECTION:
CONSENT CALENDAR

Department: Financial Services Prepared By: Matthew Hernandez Staff Member Presenting: Armen Harkalyan, Executive Director of Finance Approved By:	Submitted To: Council/OHA Approved: ____________________ Continued To: ____________________ Denied: ____________________ Item No: 10

SUBJECT: **APPROVAL OF THE DEVELOPMENT IMPACT FEE CREDIT AGREEMENT (FILE NO. PDIF22-002) AND MEMORANDUM OF AGREEMENT BETWEEN THE CITY OF ONTARIO AND PROLOGIS LP FOR INFRASTRUCTURE CONSTRUCTION ASSOCIATED WITH PARCEL MAP 20273, LOCATED BETWEEN GROVE AVENUE, CARPENTER AVENUE, EUCALYPTUS AVENUE, AND MERRILL AVENUE, WITHIN THE MERRILL COMMERCE CENTER SPECIFIC PLAN**

RECOMMENDATION: That the City Council approve the Development Impact Fee Credit Agreement (File No. PDIF22-002) and Memorandum of Agreement between the City of Ontario and Prologis LP, located east of Grove Avenue, south of Eucalyptus Avenue, north of Merrill Avenue, and west of Carpenter Avenue, within the Merrill Commerce Center Specific Plan, and authorize the City Manager to execute the Agreement.

THE FOLLOWING COUNCIL GOALS ARE BEING ACHIEVED:
Invest in the Growth and Evolution of the City's Economy
Operate in a Businesslike Manner
Invest in the City's Infrastructure (Water, Streets, Sewers, Parks, Storm Drains and Public Facilities)
Ensure the Development of a Well Planned, Balanced, and Self-Sustaining Community in Ontario Ranch

FISCAL IMPACT: Approval of the proposed Development Impact Fee (“DIF”) Credit Agreement (File No. PDIF22-002) will result in no fiscal impact to the City’s General Fund. The Development Plan and related conditions of approval (“COA”) require Developer to construct fiber optic, sewer, storm drain, streets, and water infrastructure improvements with an estimated cost of $108,964,578 and limited to a total maximum eligible DIF credits of $93,778,032 due to the cost sharing agreement between Euclid Land Venture LLC and Prologis LP. The proposed DIF Agreement defines the amount of DIF credit and reimbursement the Developer may be eligible to receive. The Developer is conditioned to construct these infrastructure improvements from Grove Avenue to Carpenter Avenue alongside Eucalyptus Avenue and Merrill Avenue, including Walker Avenue, Baker Avenue, and Vineyard Avenue, that are included in the City’s DIF Program and the City’s Capital Improvement Program. The DIF credit the Developer will receive upon completion of the infrastructure improvements may be exchanged for a refund of DIF fees that were paid by the

Developer (up to the Developer’s maximum DIF obligation) in the respective DIF category.

The Memorandum of Agreement (MOA) has no fiscal impact to the City's General Fund. The request states in addition to the repayment of Development Impact Fees from the DIF Credit Program, the City will pay for the difference between the construction costs incurred and the original refund conditioned in the DIF Credit Agreement limited to that respective DIF category. The payment will be made from the collection of Development Impact Fees from northern development sites benefitting from the infrastructure built. The current estimated difference between construction costs and Development Impact Fees paid is $76,712,282 and is still subject to an audit and review by the City. Through a preliminary review, the City will honor one half or $38,356,141 of this amount. Whereas the remaining payment amount of $38,356,141 is contingent on the audit and review.

BACKGROUND & ANALYSIS: On May 4, 2021, the City Council approved the Development Agreement (File No. PDA18-004) for Parcel Map 20273. In accordance with the Development Agreement and related conditions, the Developer is required to construct DIF Program infrastructure to serve Parcel Map 20273. Improvements include installation of fiber optics, sewer, storm drain, streets, and water facilities from Grove Avenue to Carpenter Avenue alongside Eucalyptus Avenue and Merrill Avenue, including Walker Avenue, Baker Avenue, and Vineyard Avenue.

Pursuant to the City's adopted DIF Credit and/or Reimbursement policies, construction of DIF Program facilities requires the Developer and the City to enter into a DIF Credit and/or Reimbursement Agreement, which specifies the infrastructure to be constructed by the Developer and includes an estimate of the maximum DIF credit that may be applied in the applicable Regional/Local DIF categories. These infrastructure improvements are within the Ontario Ranch fiber optics, sewer, storm drain, street, and water system categories. Since the maximum eligible costs in the Agreement for the required infrastructure exceeds the Developer’s DIF obligation, the Developer is eligible to receive DIF Credit under the proposed Agreement.

The proposed Agreement complies with the City's DIF policies and conforms with the approved Development Plan and associated COA. Under the provisions of the City's DIF Program, the City Manager is authorized to execute this Agreement upon approval by the City Council.

On April 15, 2025, City Council gave the authorization to establish an implement a redemption program for unused New Model Colony Development Impact Fee (DIF) Certificates in accordance with underlying agreements and applicable law.

In the case of Prologis LP, there was a considerable amount of infrastructure built on behalf of the City on the Southwest side of the Ontario Ranch. Given the benefit to all the infrastructure constructed will provide to adjacent and northern projects, the City is proposing that the Council use Development Impact Fees collected from nearby beneficiaries to reimburse Prologis LP for a portion of the construction cost building on behalf of the City.