

EXHIBIT 2

COVINA FORWARD REVENUE AND COST SUMMARY

The Covina Forward Project proposes to redevelop 10.25-acres at the northeast corner of Citrus Avenue and Covina Boulevard in the City of Covina, currently occupied by the abandoned KMART store. Participants in the project who have entered into a Non-Binding Memorandum of Understanding include:

- MLC Holdings Inc.
- Foothill Transit
- City of Covina

Current Site Use

The site of where the project is to be located presently includes:

- Two parcels of 10.0 acres currently occupied by the 88,500 square foot abandoned Kmart retail store. The property is owned by the Blackwin Trust of Hoffman Estates Illinois. MLC Holdings is in escrow to purchase the property.
- 0.25-acre parcel with a 2,186 square foot house that is being used by a religious group. The Property owner is Shree Durga Shiva Vishnu Temple. The use is designated as Institutional and is tax exempt.

Proposed Uses

The planned *Covina Forward* project includes both private and public uses:

- MLC Holdings Inc., a related company of Meritage Homes Corporation is proposing to build 117 townhomes on approximately with an average sales price of \$450,000.
- Foothill Transit is proposing to develop a Transit Center including a public bus facility and 400 space parking structure.
- 4,600 SF of retail and restaurant uses.
- City of Covina is proposing to build a 10,000 SF Community Event Center plus a 5,000 SF Business Incubator.

Current Revenues

The project site in its current condition provides annual property tax revenue to the City of Covina of \$13,936. This is based on an assessed valuation of \$9,038,012. The property taxes are generated as follows:

Existing Property Tax Revenue		
N.E.C. of Citrus Ave. & Covina Blvd.		
Property	AV \$	Tax \$
1162 N. Citrus Ave.	8,871,012	13,936
177 E. Covina Blvd.	167,215	-
Total	\$ 9,038,227	\$ 13,936

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The property at 177 E. Covina Boulevard is designated by the County Assessor as an institutional use and is therefore not subject to property taxation.

Currently there are no sales tax revenues collected by the City of Covina from the project site. The KMART store was open from 1988 to 2014 and the sales tax collected by the City of Covina was less than \$100,000 for the last four years of operation. The following table shows the source of sales tax revenues from calendar year 2014.

Existing Sales Tax Revenue (Calendar Year 2014)	
N.E.C. of Citrus Ave. & Covina Blvd.	
Property	City Sales Tax Revenue \$
1162 N. Citrus Ave.	-
177 E. Covina Blvd.	-
Total	\$

In addition to the existing property tax the City collects an estimated annual utility users tax of \$2,418. This estimate is based on the current 6.0% Utility Users Tax as applied to utility payments of residents and businesses within the Covina city limits. This rate is applied to electricity, natural gas, telephone including cell phones and cable television usage.

Total current revenues from the project site to the City of Covina are therefore approximately \$16,354.

Revenue Source	Revenue Amount \$
Property Tax	13,936
Utility Users Tax	2,418
Total Existing Revenues	16,354

Direct Economic Impact

Projected Revenues

If the site is developed as proposed, upon completion and occupancy, the stabilized revenues to the City of Covina are projected to be significantly higher than current revenues. The projected property taxes will be based on the MLC Holdings housing development, the retail and restaurant development and the office development. The Foothill Transit District parking structure and the Community Event Center are owned by governmental agencies and are therefore exempt from the payment of property taxes.

The projected property taxes are \$85,623:

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Projected Property Tax Revenue				
Covina Forward - N.E.C. of Citrus Ave. & Covina Blvd.				
Use	Units	Square Feet	Valuation \$	City Share \$
MLC Town Homes	117	N/A	52,650,000	83,852
Foothill Parking Structure	400	N/A	8,509,000	-
Retail/Restaurant	N/A	4,600 SF	1,150,000	1,771
Community Event Center/Incubator	N/A	15,000 SF	6,000,000	-
Total			\$ 68,309	\$ 85,623

Among the proposed uses of the redeveloped property are retail and restaurant. It is estimated that they will produce stabilized annual sales taxes to the City of Covina of \$15,100. The sources of the projected sales taxes are:

Projected Sales Tax Revenue				
Covina Forward - N.E.C. of Citrus Ave. & Covina Blvd.				
Use	Units	Square Feet	Sales Tax/sf	City Revenue
MLC Town Homes	117	N/A	N/A	\$ -
Foothill Parking Structure	400	N/A	N/A	\$ -
Retail	N/A	1,000	\$ 2.50	\$ 2,500
Restaurant	N/A	3,600	\$ 3.50	\$ 12,600
Community Event Center	N/A	10,000	N/A	N/A
Office	N/A	11,000	N/A	N/A
Total				\$ 15,100

The Utility Users Tax will apply to all non-governmental electricity, natural gas, telephone and cable television usage within the project area. The estimated stabilized Utility Users Tax will be \$28,770 annually. Following are the sources for the tax based on a 6.0% tax rate:

Projected Utility Users Tax Revenue	
Covina Forward - N.E.C. of Citrus Ave. & Covina Blvd.	
Source	Total Utility Users Tax \$
Electricity	
Residential	5,754
Commercial	2,249
Natural Gas	
Residential	1,719
Commercial	826
Telephone	
Residential	7,688
Commercial	678
Cable Television	
Residential	9,856
Total Utility Users Tax	\$ 28,770

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Detailed assumptions and calculations for the Utility Users Tax estimates are attached to this report. The total projected direct revenues to the City of Covina from the Covina Forward Project are therefore \$141,385.

Revenue Source	Revenue Amount \$
Property Tax	85,623
Sales Tax	15,100
Utility Users Tax	28,770
Total Projected Revenues	129,493

Indirect Economic Impact

The development of the proposed projects associated with *Covina Forward* will also produce indirect economic impact for Covina because several of the uses (Foothill Transit Center, Community Event Center and office development) will be more regional in nature and draw people from nearby communities such as Azusa, Glendora, San Dimas and West Covina. People residing in adjacent neighborhoods and communities will not only use the facilities contained in Covina Forward, but also purchase additional goods and services in nearby Covina stores, restaurants and fueling stations. The 117 new Townhomes will also bring more consumers of goods and services for nearby Covina businesses. The projected spending from residents of the new town homes is estimated to produce an additional \$39,000 in annual sales tax revenue. This indirect-multiplier effect could produce an additional \$90,000 to \$140,000 annually in sales tax revenue, along with assisting in new job creation for nearby Covina businesses. The increase in sales tax revenue will help offset the loss of sales tax revenue resulting from the closure of the Kmart store. The source of this information is Beacon Economics "Implan Economic Benefits."

In addition to sales tax revenues new jobs will result from the proposed projects including permanent jobs and employment during the construction of the projects. The following represents estimates for permanent job creation from the proposed projects. Sources for the following estimates include the SCAG Employment Density Study, HdL Retail /Restaurant data base, and the Chain Link Retail Advisor National Retail & Restaurant comparison of similar event centers.

Job Source	Projected Jobs
Foothill Transit	2-3
Retail/Restaurant	50-60
Community Event Center	30-35
Total Projected Jobs	82-98

Project Cost

The Covina Police Department has reviewed the development plan for Covina Forward and has determined that for other than security requirements for the Transit Center there will be no additional manpower or equipment required. The requirements for the Transit Center are being analyzed now. Security requirements for Covina Forward will be again reviewed by the Police

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Department at the end of one year after all new development is completed. No other additional city staff or equipment is expected to be required.

Summary

Total current annual revenues to the City of Covina from the project site are \$16,354. Total annual stabilized direct revenues to the City of Covina from the Covina Forward Project are anticipated to be \$129,493. In addition off site sales in Covina from new project residents are projected to be \$39,000 annually with an indirect economic multiplier of \$90,000 to \$140,000 annually for Covina economy New jobs resulting from the Covina Forward Project will be 82 to 98.

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COVINA FORWARD UTILITY USERS TAX CALCULATONS

I. Electricity Usage

A. Residential

Total Residential Units	117
Occupancy per Dwelling Unit	2.5
Los Angeles County Population 2014 (1)	10,116,705
Total Residential Electricity Usage LA County 2014 kWh (2)	20,758,188,651
Per Capita Electricity Usage 2014 kWh	2,051.872487
Electricity Usage per Dwelling Unit kWh	5129.681218
Average Rate /kWh Covina (3)	\$0.1598
Average Annual Electricity Bill Covina per Dwelling Unit	\$819.723059
Utility Users Tax @6.0 % Annual Per Dwelling Unit	\$49.183384
Total Annual Residential Utility Users Tax 117 Units @ 6.0%	\$5,754

B. Commercial

Total Non Residential Electricity Usage LA County 2014 kWh (4)	49,239,575,521
Total Non Residential Development LA County Square Feet	1,489,352,181
Non Residential Electricity Usage Per Square Foot kWh	33.0610692
Average Rate /kWh Covina (5)	\$0.1181
Electricity Cost Per Square Foot Annual Non Residential	\$3.904512
Total Project Taxable Non Residential Square Feet	9,600
Total Project Taxable Non Residential Electricity Cost	\$37,483
Total Utility Users Tax Non Residential Structures @ 6.0%	\$2,249

II. Natural Gas Usage

A. Residential

Total Residential Units	117
Occupancy per Dwelling Unit	2.5
Los Angeles County Population 2014 (1)	10,116,705

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Total Residential Gas Usage LA County 2014 Therms (6)	1,078,297,874
Per Capita Gas Usage 2014 Therms	106.5858769
Gas Usage per Dwelling Unit Therms	266.4646923
Average Cost Per Therm (7)	\$0.918790
Average Annual Gas Bill Cost Covina per Dwelling Unit	\$244.825095
Utility Users Tax @6.0 % Annual Per Dwelling Unit @ 6.0%	\$14.689506
Total Annual Residential Utility Users Tax 117 Units	\$1,719

B. Commercial

Total Non Residential Gas Usage LA County 2014 Therms (8)	1,779,247,294
Total Non Residential Development LA County Square Feet	1,489,352,181
Non Residential Gas Usage Per Square Foot Therms	1.194645106
Average Rate /Therm Covina (9)	\$1.2000
Gas Cost Per Square Foot Annual Non Residential	\$1.4336
Total Project Taxable Non Residential Square Feet	9,600
Total Project Taxable Non Residential Gas Cost	\$13,762
Total Utility Users Tax Non Residential Structures @ 6.0%	\$826

III. Telephone Usage

A. Residential

Total Residential Units	117
Average Monthly Residential Telephone Bill Per DU (10)	\$91.26
Average Annual Residential Telephone Bill Per DU	\$1,095
Project Annual Telephone Bill	\$128,129
Utility Users Tax @ 6.0%	\$7,688

B. Commercial

Total Commercial Units	6
Average Monthly Commercial Telephone Bill (11)	\$156.92
Average Annual Commercial Telephone Bill	\$1,883
Project Annual Telephone Bill	\$11,298
Utility Users Tax @ 6.0%	\$678

IV. Cable TV Usage

A. Residential

Total Residential Units	117
Average Monthly Residential Cable TV Bill (12)	\$99.10

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Average Annual Residential Telephone Bill	\$1,404
Project Annual Telephone Bill	\$164,268
Utility Users Tax @ 6.0%	\$9,856
Total UUT Residential	\$25,017
Total UUT Commercial	\$3,753
Total UUT	\$28,770

References:

- (1) US Census Bureau July 1, 2014
- (2) California Energy Consumption Data Management System
- (3) Electricity Local.com
- (4) California Energy Consumption Data Management System
- (5) Electricity Local.com
- (6) California Energy Consumption Data Management System
- (7) SoCalGas
- (8) California Energy Consumption Data Management System
- (9) Bureau of Labor Statistics Average Energy Price March 2016
- (10) Energy Information Administration 2014
- (11) Verizon/Frontier Communications Small Business Unit
- (12) Finance.Yahoo.com