

REGULAR MEETING OF THE
CONCORD CITY COUNCIL/
CITY COUNCIL SITTING AS THE
LOCAL REUSE AUTHORITY
GREAT PARK PROJECT – FORMER
EL TORO MARINE CORPS
AIR STATION
IRVINE, CALIFORNIA
WEDNESDAY, JUNE 17, 2015

The Concord City Council met in a regular meeting at the Great Park Project (former El Toro Marine Corps Air Station) in Irvine, CA at 10:11 a.m. on Wednesday, June 17, 2015, with Mayor Grayson presiding. Minutes follow in abbreviated form per Resolution 3361 and Council Minutes of September 26, 1966.

ROLL CALL

COUNCILMEMBERS PRESENT: Edi Birsan, Laura Hoffmeister, Tim Grayson

STAFF PRESENT: Valerie Barone, City Manager; Michael Wright, Executive Director of Local Reuse Authority

**MEMBERS OF THE PUBLIC
WHO ADDRESSED THE COUNCIL:** None.

PUBLIC COMMENT PERIOD

INSPECTION OF REAL PROPERTY

I. Opening of Public Meeting – 10:11 am

Mayor Grayson convened the Public Meeting, with Councilmembers Grayson, Hoffmeister, and Birsan present. Community members Mary Jo Rossi, Brian Holt, and Rosanne Nieto joined the tour. Valerie Barone and Michael Wright represented City staff. Dahlia Chazan, planning consultant joined and has prepared these minutes.

1. Meeting with Councilwoman Shea (Also Chair of Great Park Corporation Board of Directors)
2. Councilwoman Shea gave an overview of her experience with the Great Park Project. Following are key points from that discussion:
3. The transition from military base to the current project was a long one, starting with the announced base closure in 1993. There was significant controversy over future land uses at the base, including a campaign to convert it into a new airport to serve Orange County. Ultimately, in 2001, the voters of Orange County approved Measure W, which called for the base to be converted into a regional park with multi-use development surrounding it. Following this vote, the City of Irvine annexed the land. The regional park was branded as the Orange County Great Park.
4. The former base was divided into four parcels by the U.S. Navy to be auctioned to create the Orange County Great Park and surrounding development.
5. In Councilwoman Shea's view, the City of Irvine benefitted when Lennar was awarded the contract to purchase all four parcels by the U.S. Navy, for a price of \$650 million, because it allowed the whole site to be masterplanned together. This is consistent with the history of Irvine, which is a masterplanned community developed by the Irvine Corporation.

6. Following Lennar's purchase of the four parcels constituting the base, Lennar conveyed the 1,400 acres designated for the Great Park to the City of Irvine, and retained the land designated as surrounding 'Great Park Neighborhoods'. In addition, Lennar gave the City of Irvine \$200 million in seed money to initiate development of the Great Park.
7. Following the dissolution of Redevelopment Agencies by the State of California, and the expenditure of much of the \$200 million in seed money, the City of Irvine did not have a clear path to completion of the Great Park. Negotiations with Lennar resulted in an agreement in which Lennar's plan was modified to include the development of additional housing within the original developed-area footprint in exchange for implementing 688 acres of the Great Park plan. The value associated with building additional homes supported construction of the sports park portion of the Great Park plan. Following construction of this portion of the Great Park, it will be turned over to the City of Irvine.
8. The following summary of the City of Irvine's financial arrangement with Lennar (doing business in El Toro as Heritage Fields El Toro LLC) has been prepared in consultation with Lennar staff:

Heritage Fields El Toro, LLC purchased the Former MCAS El Toro from the US Department of Navy in 2005. Concurrent with the acquisition, the Developer entered into a Development Agreement with the City of Irvine, granting it vested development rights for its project. In consideration for the vested rights granted under the Development Agreement, the Developer agreed to pay the City \$200M in Developer Fees and donate roughly 1,200 acres of land to be developed by City as the Orange County Great Park. These fees and the land dedication offset Quimby Act requirements and several other standard City impact fees. The Development Agreement also contemplated the formation of a CFD to fund and build approximately \$201M of Joint Backbone Infrastructure (i.e., infrastructure jointly serving the public Orange County Great Park and the adjacent private development).

Since Heritage Fields El Toro LLC (Lennar) purchased the four separate parcels of land auctioned by the Navy, the City and Heritage Fields (Lennar) agreed to amend the Development Agreement to, among other things, transfer responsibility to construct the Joint Backbone Infrastructure to Heritage Fields (Lennar) (instead of the City), and to have the costs reimbursed by the CFD as it had planned to be when the City was responsible to construct the Joint Backbone. As part of the Development Agreement amendment, the City and Heritage Fields (Lennar), agreed to a "waterfall" financial arrangement where each year, CFD special taxes would fund in the following priority the following uses: first, a Park Maintenance Amount, second, Joint Backbone Infrastructure funded either through bond proceeds or special taxes, third, an additional Park Maintenance Amount (funded for approximately 40 to 50 years), lastly, the special taxes beyond this amount are split by the City and Heritage Fields (Lennar). The split at the back end of the waterfall to which Heritage Fields (Lennar) is entitled must still be used to fund public improvements authorized under the CFD/Mello-Roos Act, not private uses. In addition, Heritage Fields (Lennar) builds and sells finished home sites on the 2,000 acres that remain in its ownership (rather than City ownership as is the case for the Great Park). These 2,000 acres are the basis of the business plan and, other than Mello-Roos and other public benefits, which are considerable, the City does not participate in the financial proceeds of the private development.

9. Lennar is currently working on revisions to the design of the remainder of the Great Park, generally consistent with the original approach, and will then work with the City to determine if future development can support implementation. This latter portion of the Great Park is slated to be the Cultural Terrace. The expectation is that cultural uses will be public-private partnerships, with the City's contribution in the form of reduced lease rates for the properties.

10. As a lesson learned, she identified the approach of having the developer construct the park and then return it to the community as a better approach than the City taking on the leadership of park implementation. Lennar representative Emile Haddad noted that the original arrangement was in part an artifact of the Navy's approach to auctioning the base in four separate parcels. If four different developers had purchased the parcels, it would have been impractical for them to collaborate on the implementation of the Great Park plan. Similarly, the City would have benefitted more from creation of an up-front public amenity provided by Lennar, as opposed to the seed money received in this case.
11. Local hire was not specified in the agreement, although Lennar's practice is to hire locally; in terms of hiring of vertical developers, it was viewed as primarily an issue for the Council to ensure there was support for a competitive process for selection of vertical developers.
12. Affordable housing is required to represent 15% of the project, with a distribution among the different income levels specified. All of the affordable housing is expected to be rental, which is largely driven by market conditions. Also, the City of Irvine is providing below-market ownership housing via homes that purchased inexpensively by a City-initiated land trust during the recession and restricted to low-income owners in perpetuity.
13. During the recession, Lennar did undergo some restructuring, but did not appear to reduce commitment to seeing the project through.
14. Changes to the plan for the Great Park have been to make it more practical and buildable. They have not reduced the overall size of the Great Park.
15. Decisions about development of the Great Park Neighborhoods goes through the City's regular planning process, including review by the Planning Commission. The City Council delegates negotiations with Lennar about Great Park Neighborhoods to a subcommittee of the Council, which is then supported by the Planning Commission and City staff to prepare agreements. There has not been a dedicated advisory body, although input from the community has been solicited.
16. Many decisions about development at the Great Park go directly to the City Council, or to the City Council sitting as the Great Park Committee. This is generally working well.
17. Meeting with Emile Haddad (CEO of Five Points Communities, a Lennar-affiliated company implementing the Great Park/Great Park Neighborhoods projects), Lynn Jochim, Great Park Neighborhoods project director, and other Lennar/Five Points staff
18. Following are key points of interest from this meeting:
19. Mr. Haddad has been working on large land development deals for 30 years, including a focus on redevelopment of closed military bases.
20. Lennar worked closely with its investors to pursue the auction when the Navy sold the land. Those investors now form the board from which they request approval for investments.
21. Lennar is currently working on two neighborhoods:
22. Pavilion Park: 8 builders; 10 product types; Lennar constructing 30% of total development. This neighborhood is mostly complete and all of the approximately 1,000 homes have been sold.
23. Beacon Park: 10 builders; 15 product types across a wider range of densities; 4 of the product types being constructed by Lennar; includes a K-8 school which Lennar is funding and will seek reimbursement from the State of California. This neighborhood is under construction and will have over 1,000 homes upon completion.

24. In addition to the neighborhoods, Lennar is collaborating with the Irvine Company on the construction of a new High School.
25. In response to the City of Irvine's desire to retain Broadcom, a top employer in the City, Lennar negotiated a deal with the company to build a corporate campus of approximately 2 million square feet. This will ultimately house approximately 8,000 jobs.
26. Lennar is currently constructing the 688 acres of the Great Park, of which the sports complex is 175 acres. This project includes removal of the runway, and is currently ahead of schedule. The sports complex is expected to include both professional and recreational facilities, as well as retail and hotel uses. All of this will be handed over to the City. Operations and maintenance will be supported by a community facilities district (CDF), and professional sports tenants will lease from the City. Lennar's contribution is the completion of the vertical development.
27. Development at the Great Park is under a cap of average daily vehicle trips, so as long as development can be shown to be consistent with that cap, changes to the land use program can be made (subject to regular approval processes and CEQA).
28. Vertical developers are selected based on their experience with the relevant product types. They primarily work with national/publicly-owned development companies, although some of those are local, having started out doing vertical development for the Irvine Company.
29. Lennar focuses on providing a mix of uses, housing for different generations, levels of affordability, and types of development. Specifically, the company is interested in mixing affordable housing with market-rate housing.
30. Timing of completion of development (such as the first phase) depends on market cycles.
31. Lennar, if selected, would create a local team to focus on Concord, with an office of 40 to 50 people. The first order of business would be to complete negotiations with the Navy, which would be completed by senior staff. Following that would be the design and implementation of the plan. These senior people would be supported by lobbyists connected with government at all levels, from local/regional to national, as well as legal, environmental, and remediation experts.
32. Regional parks experience: At Windermere, Lennar worked with the East Bay Regional Parks District on the establishment of a new park. In El Toro, Lennar is working immediately adjacent to the Limestone Canyon Regional Park, and is creating a wildlife corridor to connect the Cleveland National Forest to the beach.
33. In the Great Parks Neighborhoods, the local parks are operated by the homeowners' association (HOA), and are accessible to the public. Each has a different theme, and all will be connected via a paseo.
34. Beyond the two neighborhoods complete/under construction, Lennar is currently negotiating with the City of Irvine about development at the Irvine Amtrak station, as well as for possible office park uses near the upcoming Broadcom headquarters and a multi-disciplinary science center for UC Irvine.
35. As grading was starting, existing large trees on the site were boxed and stored off-site to be returned when development began. This has allowed new neighborhoods to have some mature trees.
36. As each neighborhood is developed, they have the builders create all the model homes on one block, around a park, so potential homebuyers can walk from home to home to compare them.
37. Public Meeting Recessed - 1:17 pm
38. Public Meeting Reopened - 1:32 pm

II. Meeting with Mayor Choi and Planning Commission Chair Kuo

Mayor Choi and Planning Commission Chair Kuo responded to questions about the project and gave some background based on their experience.

The Mayor emphasized that it has worked out that Lennar received all four parcels in the Navy's auction and that the City has thus far been pleased with how the project has come out. The housing has been consistent with expectations, and Lennar has gone a step further in some ways by adding bicycle trails and providing some larger lot sizes than were expected. There was not much challenge in incorporating the villages into Irvine as a whole because the whole city is set up as a series of villages similar to those created by Lennar.



Chair Kuo emphasized that Lennar often responded to requests from the City with agreement, and suggestions for a new or different way to achieve the same end.

III. Van/Walking Tour of Great Park Neighborhoods

On the tour, participants had a chance to view the nearly-complete Pavilion Park neighborhood, as well as the under-construction Beacon Park neighborhood. In both cases, Lennar has/will develop a meeting space that serves as a facility for marketing the homes, and then turns it over to the community as meeting space. Each neighborhood has a theme. Pavilion Park's theme is agriculture. The lots are from 4,000 to 7,000 square feet, and all homes are solar-ready, including orientation of the streets. The neighborhood is served with reclaimed water for landscaping. Home prices are comparable to the rest of Irvine. Beacon Park will have a K-8 school, and a wider range of home types, including more high-density and attached housing than Pavilion Park.



Following were a few highlights of the tour:

1. Single story homes – these are the first in Irvine in recent years and are part of the effort to create a multi-generational place.
2. Single family homes
3. Senior affordable housing under construction. Units are for low- and moderate-income residents.



4. Mature trees, removed from the site prior to grading and returned as construction was coming to a close.

5. The runways from the former air base have been removed and ground up and are stockpiled to serve as future road bed. And metal components from the former air base are incorporated in the Pavilion Park.



6. Bicycles are provided with each home purchase.



7. Play areas designed for exploration.



IV. Meeting with Mayor Pro-tem Lalloway and Tom Neilsen (former head of the Irvine Company)

Mayor Pro-tem Lalloway responded to questions about his experience with the El Toro project. He noted that throughout the process of going from the original Great Park plan to the current progress on the Great Park and Great Park Neighborhoods there has been a focus on retaining the key features of the project. The community strongly supports the Great Park and wants to see it built, so that has helped to generate support for neighborhood development. The Great Park has been very visible in the community, with substantial outreach, and a non-profit created to provide community support.



In negotiating with the Lennar he found one of the biggest challenges was to really develop an understanding of the project, and particularly the financial deal that was being proposed. Talking with experts about how the deal was structured was very helpful.

He also noted that he has been impressed by Lennar's vision and creativity, including how the new homes and commercial areas fit with one another and relate to the Great Park.

Affordable housing is a struggle in Irvine because of the high home prices. For this reason they focus on rentals, including them in projects throughout the city so they are not concentrated in one place. They have not had a particular focus on any one type of affordable housing, except that now they are starting to look specifically at housing for veterans.

Staffing to support the Great Park Neighborhoods portion of the project has been via the City's planning and design staff, while the Great Park has been staffed by a separate CEO.

Asked about local hire, the Mayor Pro-tem responded that his focus has been on getting the best bid at the best price. For the most part with builders this has meant they have some kind of local presence, but it is not a requirement.

Mr. Neilsen responded to a question about Lennar's strengths and weaknesses to say that the company's creativity has been a real strength, and that he could not off the top of his head think of a weakness but was not familiar with the entire company.



By order of the Mayor, the meeting was adjourned at 4:02 p.m.



TIMOTHY S. GRAYSON
MAYOR



JOELLE FOCKLER, CMC
CITY CLERK