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From the Los Angeles Times

U.S. housing crisis stifles Great park

Irvine and home builder Lennar are in talks about revising the landmark agreement to build the promised recreational area.

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The depressed housing market appears to have another target in its sights: Irvine's would-be [Great Park](#).

Nearly three years after the city approved a massive residential and commercial development at the closed El Toro Marine base in exchange for a grand park in the heart of suburban Orange County, Irvine officials and struggling home builder [Lennar Corp.](#) are in talks about revising the landmark agreement.

No homes or businesses have been built. No grassy fields have been planted. And the runways -- so hated by opponents of a proposed regional airport at the base -- still sit mostly intact.

Designers are planning a dramatic landscape of lakes, orchards, athletic fields, museums and a rugged, man-made canyon in what they promise will be one of the nation's largest municipal parks. In a mailer in 2003, city officials boasted that "children will be playing in the county's largest sports park" by summer 2008.

But for now, no timeline exists for when each park feature will be developed. Most of the future park's 1,347 acres remain off limits to the public, with a balloon ride and a visitor's center being the only public facilities -- although a 27-acre "preview park" is under construction.

"To have nothing more than a balloon and the possibility of a 27-acre park is disappointing," said county Supervisor Bill Campbell, whose district includes Irvine. "They're spending a lot on engineers, PR people and other things, and they're not delivering."

When Lennar and Irvine officials signed the deal in the summer of 2005 to develop the Great Park, city officials heralded it as an innovative way to fund the swift construction of the \$1.1-billion park without dipping into public coffers.

The key was a plan that would trade home building for parks money. Lennar would get the right to build thousands of homes as well as millions of square feet of commercial, industrial and office space on the former base. It would pay \$200 million in development fees and donate the land for the park. A redevelopment agency and a community facilities district bond together would capture at least \$400 million from the increased value generated by the new homes.

The idea seemed smart when California's housing market was red hot. But as the sub-prime mortgage business imploded, home prices plummeted and developers -- already saddled with a glut of inventory -- backed away from starting new projects. Today, the formula for funding the Great Park is a major problem.

Lennar has built no homes at El Toro, despite plans to have hundreds ready this summer. And the amount of money available is only \$104 million.

"Some of us have felt we've needed a Plan B all along," said Don Dressler, an Irvine finance commissioner. "If Lennar's position is sustained, then we'll have to rethink the sources of funding for the park."

Park officials say the housing market will not hinder their work in the long term. "For a project this size, this is actually moving very aggressively forward," said Sharon Landers, the park's interim CEO. "What we've done is really unusual: While we're designing a park, we've already begun construction."

Still, officials are pursuing state and federal grants. And now, Lennar has begun to rethink some of its promises.

Lennar officials first suggested specific changes to the development agreement late last year, Landers said. Lennar said only that discussions have been ongoing.

Although both sides declined to discuss specifics, a Lennar official confirmed that recent topics include the firm's obligation to open a 45-hole golf course by this summer and the public financing for constructing the park. No work has started on the course.

Emile Haddad, chief investment officer for Lennar, which is based in Florida, called the talks "fine tuning."

"Land deals of this size are always alive," he said.

But Lennar is on shaky financial ground, posting an \$88.2-million first-quarter loss last month, and rumors swirl that it is for sale. The company is abandoning joint ventures nationwide. In a telephone news conference last month, executives reported that they had reduced the number of joint ventures from 260 at the end of 2006 to 180 this year and planned to pull out of more.

Haddad said there were no plans to pull out of [Heritage Fields LLC](#), the joint venture formed by Lennar and four investors to develop El Toro. The project is different in that the other four investors are insulated from the woes of the housing market, he said.

Meanwhile, Lennar is struggling to fulfill several points of the agreement.

The demolition and recycling of hundreds of acres of runways has been halted, with only about 2% of the work done.

The promised golf course remains on the design board.

And Lennar continues to change its plans. Instead of starting with a high-end development of single-family homes, the first construction will be a mixed-use commercial, educational and residential complex called the Lifelong Learning District, Haddad said.

Recently, Haddad had said that the public financing of infrastructure costs through a community facilities bond was being reconsidered. But Lennar late Friday abruptly filed plans that are a key precursor for forming the bond district.

Lennar plans to break ground on some part of the development by the end of this year, Haddad said.

Word that the city and the developer are reexamining the deal has renewed local and state officials' concerns about the lack of progress six years after voters approved a measure preventing the base from becoming an airport.

State Assemblyman Todd Spitzer (R-Orange), who as an Orange County supervisor was one of the chief architects of the deal to turn El Toro into a park, said there should be "strict scrutiny about modifying the terms of that deal." He urged Irvine to devise a funding plan that was not dependent on housing development.

Spitzer blasted the city for not building recreation facilities that could be used by the public, while wasting money on "a ridiculous, oversized balloon and free rides."

"Why not produce something so that people can actually get their hands dirty and sweat a little bit?" he said. "Let's get some ball fields. Tear down the gates. Let people know they have access to the property."

The bulk of the \$52 million the city has spent to date has gone to hire a team of dozens of design, engineering and public relations consultants, to build the balloon ride and to pay administrative staff. An additional \$65 million has been budgeted to spend by the end of June but is unlikely to be used up. Fifteen percent of the park's design has been completed, Landers said.

Over the next year, workers will surround the tethered balloon site with the preview park, including five acres of grass, shade trees, benches and tables. Officials are planning musical performances, visual-arts displays and family events for this summer, when they hope to have grass planted.

Lennar has completed one major requirement by paying Irvine the \$200 million in development fees. But the city is also depending on the creation of a community facilities district on Lennar's land to raise an additional \$200 million for shared infrastructure.

If the district isn't formed by July 2009, Irvine may require Lennar to pay up to \$60 million to reimburse the city for the shortfall, the agreement states.

The results of an annual review of Lennar's fulfillment of the agreement will be presented to the City Council this month. The city can declare Lennar in default if it has not complied.

City officials remain passionate about the park despite the funding stalemate.

Declared Michael Pinto, the park board's vice chairman: "What we've accomplished with the park in the short period of time since we've owned the land is astonishing."

But Irvine Councilwoman Christina Shea said that she was concerned about Lennar's dedication.

"If they cannot move forward, they need to tell us that," she said. "Negotiating terms of deals needs to stop until we know what they're up to."

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Great Park plans largely unrealized

The development plan includes homes, a golf course, retail, educational and business districts anchored by an extensive park system. So far, only the balloon ride has been built.

■ Approved housing (3,625 units) ■ Education, R&D, institutional, retail



Source: Lennar Corp.

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Great Park plans largely unrealized

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Nearly three years after the city of Irvine approved a massive residential and commercial development project there, the hangars and runways are still intact at the former El Toro Marine Corps Air Station. Home builder Lennar was supposed to build a Great Park in exchange for the development, but with the recent economic downturn no homes have been built and the promised 45-hole golf course is on hold.











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