

MAY 27-28, 2008

# OC POST IRVINE WORLD NEWS

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# Will housing woes delay Great Park?

BY JEFF COLLINS STAFF WRITER

The Great Park, billed as the first great metropolitan park of the 21st century, relies on one source for about a third of its \$1.2 billion construction budget: Lennar Corp.

The Miami-based homebuilder already provided \$200 million in fees to the city of Irvine – enough cash to keep Great Park development going for several years, officials said.

But some critics fear that the housing slump could imperil the next big chunk of cash needed for the park: \$201 million worth of bonds to pay for infrastructure.

Lennar originally planned to be selling homes by now in its Great Parks Neighborhoods.

But homes aren't selling, so Lennar's not building – at least not until late 2010, at the earliest.

So will the delays affect the park?

Lennar and Great Park officials insist they will not.

And, they add, Lennar has shifted its plans from building homes to building the Lifelong Learning District, a nonresidential project consisting of educational buildings and commercial space. The company expects to break ground late this year or early next year, said Emile Haddad, Lennar's chief investment officer.

"We are in excellent shape," said Larry Agran, an Irvine councilman and chairman of the Great Park board. "... Do we wish things were better for Lennar? Of course we do. Does their problematic situation cause problems for us? The answer is no."

But critics argue that the park is behind schedule, delayed by a housing slump

that makes it impossible to build, much less sell, new homes right now. The slump hampers the ability to build infrastructure and generate tax revenue, said Dick Sim, a former Great Park board member. "When housing slows down, it affects everything," said Sim, a former Irvine Co. executive.

## **BOND DILEMMA**

Still to be determined, however, is the creation of a new taxing district that will generate the \$201 million to pay for shared infrastructure like roads, utilities and sewers. Bonds will be issued to raise the cash, and a Mello Roos tax on future property owners will pay them off over the years. But Sim, the former park board member, is skeptical that bonds can be issued in time to keep infrastructure construction on track.

"If you don't have water and sewer and roads for circulation, how are you going to build anything?" Sim asked.

But Walter Hahn, an Irvine real estate consultant, said he believes that once the housing market returns, homes will sell briskly in Lennar's Great Park Neighborhoods, which he called a "golden" property.

In five years, Hahn said, "they'll be turning dirt like crazy in the Great Park."

### **Lennar's woes**

Like most homebuilders, Lennar has gone from record earnings to huge losses, reporting \$2.2 billion in red ink over the past 1 1/2 years. Its stock price plummeted from \$56 per share in February 2007 to \$20 and under this year.

In its latest quarterly filing, Lennar reported sales and revenue declines of 57% and 62%.

Still, some analysts say that Lennar is well positioned to survive the slump. The firm has reduced its debt, lowered construction costs and improved profit margins. Cash on the company's balance sheet increased to more than \$ 1 billion at the end of February, up from \$642 million Nov. 30.

### **Separate tracks**

Lennar and Great Park officials insist that Lennar's private development and the development of the Great Park are independent of each other. The Great Park has plenty of cash, officials say. And it's on schedule – although its development plan has been reconfigured to conform to changes Lennar has made. According to park figures, the park had spent \$54.7 million as of Feb. 29. The budget also includes funds to demolish 43 buildings, although demolition of the former air base's runways has been halted because the park makes money leasing out space, said Kurt Mowery, the park's finance manager. **DID YOU KNOW?** The park's proposed 2008-09 budget includes \$45 million for park development in the next year, one-third of it for design work and just less than half for a proposed wildlife corridor and for the first portion of the 27-acre Preview Park.

**Key figures**

**\$ 1.2 billion**

Projected cost of building the Great Park

**3,625**

Number of homes in Lennar's Great Park Neighborhoods, formerly Heritage Fields

**\$200 million**

Development fees Lennar paid to Irvine

**\$20 1 million**

Amount to be raised from bonds to pay for infrastructure. Repaid from future Mello Roos taxes.

**\$ 1 04 million**

Projected available cash as of June 30 (less projected spending in 2008-09)

**ON THE COVER** This lot in Irvine was planned for residential and commercial development. > **OC POST**



On the tarmac of El Toro Marine base, Lennar Corp. is building dozens of homes for research and development. > **OC POST**

Construction is in the demo stage in this area of the Great Park planned for residential development.  
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