

## **RESPONSE TO QUESTIONS**

*From February 7th Meeting to Select New Master Developer—  
Alameda Point*

Submitted to:  
City of Alameda  
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Submitted by:  
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## RESPONSE TO QUESTIONS

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### **1. Please describe your firm's experience with military base closure and dealings with the Navy, and the remediation and redevelopment of Superfund sites.**

Since 1997, Lennar has been involved in the remediation and redevelopment of military bases under the United States Department of Defense's (DOD's) Base Realignment and Closure (BRAC) program. Lennar, either individually or with others, has partnered with local communities to redevelop former DOD facilities such as Mare Island Naval Shipyard in Vallejo, California (Resource Conservation and Recovery Act [RCRA] Corrective Action Site); Hunters Point Naval Shipyard (Superfund) and Treasure Island Naval Station (Hunters Point Annex Superfund Site) in San Francisco, California; Tustin Marine Corps Helicopter Station in Tustin, California (RCRA Corrective Action Site); and El Toro Marine Corps Air Station in Irvine, California (Superfund Site).

Both El Toro Marine Corps Air Station (MCAS) and Tustin Marine Corps Helicopter Station (Tustin) were Navy auction sites. EL Toro MCAS included transfer of approximately 3,700 acres, which are planned for commercial and retail reuse (approximately three million square feet), about 3,400 home sites, a college campus and more than 1,300 acres of public land that will be known as the Great Park. Tustin included approximately 220 acres of relatively clean property that is being redeveloped for residential and commercial purposes. Lennar is the managing partner for development at both of these sites.

Upon closing escrow at El Toro MCAS, Lennar, acting as the managing partner of Heritage Fields, LLC (HF), requested that the non-contaminated portions of the property be de-listed (i.e., removed from the Superfund or National Priorities List [NPL]). The USEPA responded with the concept of a clarification letter for those portions. In March 2006, the USEPA sent HF a letter approving the "clarification" approach which will characterize parcels that "did not contain hazardous wastes" as "not part of the NPL." The area of the clarified non-NPL parcels totals 934 acres and comprises the outlying portions that are slated for the first residential development. As additional parcels are transferred, HF will pursue further de-listings.

In 2002, Lennar led negotiations with the Navy for the early transfer of a 650-acre portion of the former Mare Island Naval Shipyard (Mare Island), with Lennar retaining the responsibility for environmental cleanup, preservation of hundreds of historic resources, and redevelopment of a mixed-use community with approximately seven million square feet of commercial space, 1,400 homes and recreational land uses. In addition, Lennar is participating in negotiations with the Navy to transfer the remaining portions of Mare Island, which is scheduled to be completed in 2008. At Tustin (with Navy-retained remediation), a Finding of Suitability for Early Transfer (FOSET) is now circulating for public comment, with transfer expected to be completed in late-Spring 2007. Finally, Lennar has formally requested an early transfer with privatized remediation of two relatively small portions of El Toro that is expected to be completed early next year.

At Hunters Point Naval Shipyard, Lennar is participating in the environmental cleanup program as a partner with other stakeholders. Under the Conveyance Agreement between the Navy and the San Francisco Redevelopment Agency (SFRA), the Navy committed to working under a Collaborative Partnership approach with the SFRA and their master developer (Lennar) to expedite the characterization, remediation and conveyance of the Hunters Point Naval Shipyard. The Navy retains its discretion to select final remedies for cleanup at the site, but Lennar and the SFRA, as future owners of the property, assist the Navy, as the current owner of the Hunters Point Naval Shipyard, in finding the most effective and efficient solutions to environmental remediation and conveyance issues.

On each of these projects, Lennar conducts regular meetings and coordinates closely with local, state and federal regulators. In addition, Lennar participates in the monthly public meetings of the Navy-sponsored Restoration Advisory Board.

As a result of this extensive experience, Lennar is more than just a known quantity to the Navy; the company is a proven and credible partner. Lennar's partnerships with the Navy and local reuse authorities have resulted in significant progress and investment at every base, including the following:

**Mare Island:** More than 50 percent of Lennar's portion of Mare Island (approximately 300 acres) has been approved for reuse by state regulators. Lennar and its partner have completed the formation of a community facilities district, created approximately 1,800 jobs, leased approximately two million square feet of commercial space, completed multiple land and building sales to end users, renovated multiple historic buildings, invested more than \$90 million on infrastructure improvements, and sold more than 230 homes. We are well on our way to achieving the goals of the Mare Island reuse plan which provides for 6,000 to 8,000 jobs, seven million square feet of commercial space, 1,400 new homes, historic preservation, and the creation of dedicated parks and open space areas.

**Hunters Point:** The Redevelopment Agency approved the Disposition and Development Agreement and transferred the property. Lennar and its partners have completed the formation of a community facilities district and commenced with the construction for Phase I including deconstruction and demolition, grading, paving and installation of infrastructure. The development will include 1,600 residential homes, 25 acres of recreation and open space, and roughly 20,000 square feet of commercial and retail space.

**Treasure Island:** The Term Sheet and Development Plan were endorsed by the San Francisco Board of Supervisors and the Treasure Island/Yerba Buena Island Citizen's Advisory Board at the end of 2006. The development concept includes 6,000 new homes, 235,000 square feet of new commercial and retail uses, adaptive reuse of historic buildings, 420 new hotel rooms, and approximately 300 acres of new parks and public open space. Active negotiations are underway with the Navy for the conveyance of property to the City of San Francisco and structure of the conveyance will likely include an early transfer with privatized cleanup of the Base.

**El Toro:** Lennar and its partners worked with USEPA, which resulted in a letter that declared key portions of the base (more than half of the property) were not a part of the NPL site—without going through the formal “de-listing” process in the federal register. An Amended Plan is expected to create approximately \$1.4 billion in revenues for the City of Irvine. The development plan contemplates more than 3,400 homes, 3.1 million square feet commercial/retail space, the creation of a 1,300 acre park and recreational area, and a college campus.

Lennar believes that an excellent working relationship with the Navy will continue to be a key factor in the timely and successful redevelopment of Alameda Point. Over the course of a decade, Lennar has established a proven track record of working with the Navy, and we would encourage representatives of the ARRA to contact the Navy and inquire about Lennar’s performance.

**2. Please describe your firm’s experience in green building and your conceptual approach to green building at Alameda Point. Please also describe any positive or negative impacts that making Alameda Point a 100 percent green project would have on project economics.**

Lennar is taking a leadership role in the application of green building and sustainable practices in the Bay Area. From a comprehensive recycling program on Mare Island involving the onsite processing of old concrete for use in new roads, to the commitment to install solar power systems in new homes built in the Bay Area, to a historic agreement with the San Francisco Public Utilities Commission to create San Francisco’s first neighborhood powered entirely by clean, reliable, public power, Lennar recognizes the important role of green building and sustainability in the creation of new and mixed-use communities.

Lennar’s commitment to, and promotion of, sustainable ideals is a key component of the redevelopment effort at Treasure Island. Lennar prepared a Sustainability Plan that outlines the long-term vision for the community and provides a framework of strategies and mechanisms to transform Treasure Island from a brownfield site into a model of sustainability. When completed, it will be one of the most sustainable developments in the San Francisco Bay Area, with more than 50 percent of its energy drawn from renewable sources. The plan is focused on 10 key areas:

- Site Design and Land Use
- Landscape and Biodiversity
- Transportation
- Energy
- Water & Wastewater
- Solid Waste
- Materials
- Health, Safety and Security
- Community and Society
- Economic Development and Viability

For each focus area, the Plan describes the existing conditions and lays out a series of goals, strategies and targets to improve the projects’ sustainability performance. The plan is built around the “triple bottom line” approach to sustainability, and the focus areas and strategies identified in the Plan reflect the three pillars of environmental, social and economic sustainability.

To measure the success of the sustainability program, the redevelopment of Treasure Island will participate in the Leadership in Energy and Environmental Design (“LEED”) Neighborhood Development (“ND”) program. Lennar and our development partners are committed to achieving a LEED ND Gold Certification for the community development and are striving to achieve a Platinum Certification.

In addition, through close collaboration with the City of San Francisco's Department of the Environment, Lennar has developed a series of Green Building Specifications that will apply to all new buildings constructed at Treasure Island. These Green Building specifications use the LEED rating system as a baseline, but they have been specifically tailored to meet the City's priorities for sustainable design.

A copy of the Sustainability Plan is being provided under separate cover. We believe this Plan sets a benchmark for Sustainable Planning and Development and provides the opportunity to redevelop Treasure Island as one of the most sustainable communities in the United States.

By including sustainability as a key element in the early stages of the master planning process, the economic impact of making Alameda Point a “Green Community” can be reduced significantly. The master plan should ensure that:

- Resources are used efficiently and replenished over time;
- The sun, wind, climate and tree canopy are assets to the project;
- Green spaces are just outside the doorstep;
- Transit options are available to reduce the dependency on auto trips;
- Streets are designed for walking and biking;
- People of all ages, life stages, income levels, and backgrounds are welcome;
- Neighbors can live, work, shop and play within their own community;
- Educational, recreational and cultural opportunities exist; and
- The local economy is nurtured.

With the assistance of key stakeholders from the community, we believe these goals are achievable, and the incorporation of sustainable concepts into the master planning process can be achieved with minimal economic impact.

As to the built environment, we have estimated that at Treasure Island, there is a premium associated with implementing the Green Building Specifications outlined above that ranges from 2.5 to 5 percent of the overall development cost. These include costs for such items as incorporating photovoltaic systems into the buildings, and premiums associated with the use of rapidly renewable resources, and resources certified by agencies such as the Forest Stewardship Council. This effect may vary at Alameda Point based on the Green Specifications associated with the project.

**3. How can the ARRA be assured that your firm will make necessary investments consistently and on a timely basis as needed? Please describe your firm's internal process for making development and investment decisions. Also, please provide documentation of your firm's commitment and recommended mechanisms for assuring the availability of capital for property acquisition, developer and City predevelopment costs, environmental remediation, and development.**

Lennar has an established track record of investing substantial and sustained capital in its base reuse projects. To date, Lennar and its partners have invested more than \$90 million in Mare Island, \$50 million in Hunters Point and more than \$11 million in Treasure Island (pre-entitlement). These investments are approved by a Corporate Investment Committee (CIC) which meets regularly for the purpose of reviewing the development status of each community, the related financials and releasing money to the venture. This committee is comprised of individuals with extensive base reuse experience who understand the nature of these long-term projects.

As a publicly traded company, listed on the New York Stock Exchange for more than three decades, Lennar's financials are a matter of public record. Lennar's Annual Report for fiscal year 2006, and its Form 10-K filing (which are available for review and download at [www.lennar.com](http://www.lennar.com)), show that the company has more than adequate financial resources to fund the Alameda Point redevelopment. If selected, similar to Lennar's other base reuse projects, during the negotiating period, an implementation schedule could be developed with the City which would provide benchmarks for Lennar's investment in the project.

Finally, Lennar encourages representatives of the ARRA to contact the cities of Vallejo, San Francisco, and/or Irvine to ask about Lennar's investment in Mare Island, Hunters Point and El Toro, respectively. Provided below is a list of references familiar with Lennar's base reuse investment:

**Mare Island**

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City of Vallejo  
Assistant City Manager/Community Development  
555 Santa Clara Street  
Vallejo, CA 94590  
(707) 648-4575  
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**El Toro/Heritage Fields**

Tina Christiansen  
Director of Redevelopment, City of Irvine  
Community Development Department  
City of Irvine  
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Irvine, CA 92623-9575  
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**Hunters Point/Treasure Island**

Michael Cohen  
City of San Francisco—Mayor's Office of Economic and Workforce Development  
Base Reuse and Real Estate Development Division, Director  
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San Francisco, CA 94102-4689  
(415) 554-6969  
[michael.cohen@sfgov.org](mailto:michael.cohen@sfgov.org)

**4. In what ways would you expect the business terms contained in the draft conveyance term sheet between the ARRA and Navy be changed to improve the feasibility of the project?**

Lennar has stated that it agrees with many, but not all, of the business terms contained in the conveyance term sheet between the ARRA and the Navy. The terms provide that the Navy will receive \$108.5 million for the Phase I & II portions of Alameda Point and that this consideration will be paid via Environmental Services totaling \$40.3 million and a Cash Consideration of \$68.2 million plus interest. These business terms provide for an “early transfer” of the Phase I property and a pay as you go approach to the development of the site. Lennar feels that the underlying premise of this transaction structure is a reasonable approach to the project and represents a simple and straight-forward method of providing consideration to the Navy. However, the challenge associated with the terms outlined above is two-fold.

*First*, the data used to develop the overall consideration value of \$108.5 million needs to be updated. For example, we understand the infrastructure costs and the revenue assumptions are now almost three years old. To ensure the value contained in the conveyance term sheet represents the appropriate consideration for the property, the assumptions used to calculate the \$108.5 million consideration should be updated to 2007 values—reflecting the significant construction cost increases that have occurred over the past few years and the leveling off of price appreciation in the residential market. In addition, rates of absorption and accounting for multiple business cycles should be reflected in the economic model.

*Second*, the entitlement process may result in a different development program and related set of project economics than are set forth in the current PDC and related proforma. The conveyance term sheet includes provisions to address the potential loss of development sites; however, the provisions are limited to two specific areas subject to historic preservation concerns and do not address other factors which may limit development at the site. To account for this uncertainty, we suggest a provision that allows for final adjustment of the consideration value at the time the DDA is approved by the ARRA Board.

**5. How does your firm's vision conform to or vary from the goals of the PDC, the need for environmental remediation, and the constraints of Measure A?**

We believe that our vision for Alameda Point will be the result of a community based planning process. The 1996 Reuse Plan was the first step in that process, and it serves as a “visioning” document designed to guide the actions necessary to incorporate the Base into the City and convert the facility to civilian reuse. The PDC was designed to build on the policy foundation established by the Reuse Plan and to serve two primary functions: (i) focus community attention and discussion on the difficult issues and trade-offs that will be necessary to redevelop the base, and (ii) inform future plans that will need to be prepared by the Master Developer. The final step in the process—“the vision”—will be a master plan prepared with significant community input and which builds on the 1996 Reuse Plan and PDC.

We are committed to the goals of the PDC because we believe they represent a sound basis for a well-planned, balanced, sustainable community:

- New neighborhoods with parks, pedestrian pathways, and neighborhood centers;
- Affordable housing;
- Opportunities for job generating uses, including industrial, light manufacturing, bio-tech and “green” businesses, marina and maritime related business, R&D and office space, and other commercial opportunities;
- Community retail shops and services, both on a larger scale at a centralized location and on a small scale integrated into the residential areas;
- Parks, open spaces, and protected water areas that provide passive and active recreation opportunities, including a regional sports complex;
- An innovative transit program that makes Alameda Point the area of the City with the highest level of transit ridership. This includes a program that provides “Day-One” incentives for transit use and clean transit options, which grow and evolve over time to meet the needs of the residents;
- Integration and preservation of significant historic resources into the overall fabric of the community.

A final master plan that includes these goals must be developed in a manner that incorporates the best practices of sustainable design. In addition, the final master plan must address the limitations imposed on the property by the environmental remediation program, as well as other constraints such as the Tidelands Trust, the Wildlife Refuge, and the geotechnical condition of the property. We also acknowledge that any plan must conform to applicable laws, including Measure A, but that alternative options must be evaluated as part of the environmental review (CEQA) process.

At Lennar, our business is building communities, with a particular focus on military base reuse. Our customers are the people who will live and work in the community—they may be a current resident of Alameda looking to relocate to Alameda Point, or perhaps a new resident to Alameda that is looking for the unique quality of life found only in Alameda. Because our customer is the person who lives and works in the community, it is important to us that the communities we develop be livable places that are integrated into the existing urban fabric and create a diverse employment base. We seek to provide places where people want to live, work and play, and to develop these communities in a manner that minimizes the impact and footprint on the environment.

**6. Please discuss the impacts of Measure A on maximizing “green” development and ensuring an economically viable project at Alameda Point.**

Measure A restricts new residential development to one or two units per building, and each unit must have a minimum lot area of 2,000 square feet. As a result, market rate apartment buildings, condominiums, townhomes, and residential over retail would not be provided at Alameda Point in a Measure A compliant land use plan. From a sustainability and economic viability perspective, this limitation on density poses significant challenges.

*First*, access to and from Alameda, and more specifically Alameda Point, is widely acknowledged as one of the most significant development issues to overcome. Reducing the use of automobiles and providing viable transit options—buses, ferries and perhaps light rail—will be a key element of any sustainability program for the Point. Typically, the land planning process would place higher density uses near major transit hubs, thereby providing convenient access to transit to the greatest number of residents. By limiting the density, the residential uses are spread out over a wider geographic area and access to transit options becomes more difficult and is inconsistent with a significant element of green building practices.

*Second*, the ability to deliver affordable housing is greatly impacted by the provisions of Measure A. Most affordable housing projects developed in the Bay Area are multi-family developments because the costs associated with constructing these types of buildings are significantly less on a per unit basis than the costs associated with construction of single family homes or duplexes. By increasing the affordable housing development costs, there are fewer funds available to provide other public amenities, such as parks and open space.

*Third*, the options for historic preservation and adaptive reuse are significantly impacted by the inability to use these structures and facilities for multi-family housing, condominiums, or loft-type housing.

*Fourth*, limiting the residential development program to low-density single family homes and duplexes constrains the residential development program to areas that require minimal environmental remediation. If the opportunity were available to develop multi-family housing that had parking on the first level and residential units above, additional development sites may be made available providing greater flexibility in the overall land use plan.

**7. Please describe your firm's expected timeline for development, including plan refinement, entitlements, groundbreaking, and project phasing.**

Refinement of the Preliminary Development Concept (PDC) will be the first step taken by Lennar in the entitlement process. Given the significant number of land planning issues that require additional input from the community and direction from the ARRA Board, we believe that the Master Planning process will require approximately six months to complete. During the final stages of the master planning process, Lennar will work with the City to issue a RFP for the selection of an EIR consultant, who will prepare a project specific Environmental Impact Report to support the development plan for Alameda Point. Based on our experience with the CEQA at our military base reuse projects, we know the process is extensive, valuable and one in which the public will take great interest. For a project of this size and complexity, we typically estimate the CEQA process will take 18 to 24 months. We will aggressively look for opportunities to shorten this timeline, but based on the estimates outlined above, we feel that the initial groundbreaking for the infrastructure systems needed to support the development could occur within 24 to 30 months.

With regard to how we would phase the project, our experience at several other military installations indicates that project phasing is typically dictated by the environmental cleanup program. As areas are remediated, Lennar will begin development. It is common practice for our team to develop plans in parallel to completion of the remediation and to submit tentative plans for review once environmental clearance is eminent or has been received from the agencies. Our goal will be to phase the project in a manner that will allow residential and commercial uses to develop simultaneously and to allow continued use of existing facilities by the residents and businesses already located at Alameda Point.

**8. Please describe the economic relationship between the residential and commercial aspects of the development project—e.g., will residential values “drive” the project?**

The Alameda Point development project will be driven by the environmental, entitlement and infrastructure timelines specific to the project. The project cannot rely on only one aspect of development. Both the residential and commercial portions of the community will be critical to achieving a balance of uses which will increase livability and drive market demand.

While residential values have the potential to “drive” the project to completion, the commercial aspect will be a requirement for the project to be successful. Retail development will rely on a certain “mass” of residential development (some of which already exists in Alameda) in order to be viable. The office component of the development will be able to progress as land availability and space demand occurs.

**9. How does your firm envision utilizing tax increment financing, and what assurances will the CIC receive that tax increment will be used only as necessary?**

Every financing option will be analyzed as a part of the development of Alameda Point. Tax increment financing will be used only as necessary and only as land values will support it. At this point in the due diligence period, all financing options must be fully considered and should be utilized where possible to make the project viable.

**10. What is your internal rate of return (IRR) goal for the Alameda Point project and on what is that rate based?**

The internal rate of return (IRR) goal for the Alameda Point project is based on the inherent risks, unknowns and lengthy timeline (multiple business cycles) of the project. A large up-front investment will be required before any significant returns will be realized. Lennar's internal rate of return goal for the Alameda Point project would be a minimum of 25 percent, which is consistent with the significant risk and unknown economic factors associated with military base reuse.

**11. Please describe the nature and timing of your firm's proposed transit services for Alameda Point.**

When looking at transportation services for Alameda Point, we need to consider both the supply and demand for transportation services.

In terms of the demand, our final land use plan will consider those land use features which reduce the demand for transportation services. Housing opportunities will be balanced to the degree possible with jobs and other opportunities that exist or will be created at both Alameda Point and the overall City of Alameda. Opportunities to reduce auto ownership and increase transit utilization will be directly considered in establishing Transit Oriented Development (TOD) patterns. Supplementing TOD will be the establishment of free energy efficient shuttles servicing both Alameda Point as well as the City. In addition, we will establish a multimodal transportation terminal that will service the local and regional needs of Alameda Point

On the supply side, the Lennar team has a unique opportunity to capitalize on our proposed developments throughout the Bay Area. A key element of our plans at Treasure Island, Hunters Point Shipyard, Candlestick Point and Mare Island is the utilization of waterborne ferry transportation. We imagine a system of ferries that transverse the bay from our properties and other terminals, which will transport both residents and other users from Alameda Point to regional destinations including connections to other transit services. Lennar has already begun implementing this vision on Mare Island where the company is actively involved in negotiations with Vallejo Baylink Ferry to relocate and enhance its existing facilities on the island for the purpose of establishing direct service from Mare Island to other Bay Area locations.

In addition to waterborne transportation, we intend to work with regional transportation providers, including BART, AC Transit and others to provide increased accessibility to transit as well as the regional highway system. Our team of experts has worked extensively on local and regional issues in this regard. Further, we will challenge our team to explore Intelligent Transportation Systems (ITS) approaches to increase the supply of transportation services, as well as modify the demand for services.

**12. Will you work with Alameda Power & Telecom (AP&T) to enter into preferred provider marketing agreements for telecommunications services, including bulk serving arrangements to provide telecommunications services on a universal basis at Alameda Point?**

Lennar understands the important role Alameda Power and Telecom (AP&T) plays in providing telecommunications to a large majority of residents in Alameda. Lennar will work with AP&T and enter into a preferred marketing agreement to the extent allowable by law and best management practices. Lennar is also well-versed in public utilities and managed the telecommunications system on Mare Island for several years after the Navy left. In addition, the company has worked closely with San Francisco Public Utilities Commission on both the Hunters Point and Treasure Island projects.

**13. Please describe your approach to addressing the historic preservation concerns expressed by the Alameda Architectural Preservation Society.**

Lennar has reviewed the letter written by the Alameda Architectural Preservation Society (AAPS) and invited the AAPS on a tour of Mare Island, which was conducted on March 3, 2007. The informational meeting provided several members of the AAPS with an overview and history of the development of Mare Island, the Historic Project Guidelines which shape redevelopment at the Base, and a tour of the historic resources and cultural landscapes.

Lennar has devoted the past five years to developing the Mare Island Specific Plan, which was adopted in December 2005. Subsequent to the adoption of the Specific Plan, the City of Vallejo and Lennar entered into an agreement with the National Historic Trust and Vallejo Heritage Preservation to amend the Historic Project Guidelines of the Specific Plan. Pursuant to the agreement, Lennar amended the Historic Project Guidelines to preserve additional resources and to require extensive research and analysis prior to undertaking any demolition. In addition, Lennar has committed \$2 million dollars to a revolving rehabilitation loan for individual users to upgrade historic resources. Furthermore, financial assistance has been provided to the Architectural Heritage and Landmarks Commission (AHLC) to further educate the AHLC and the community regarding historic preservation.

Lennar has devoted a large amount of time and effort to address the concerns of the community regarding historic resources at Mare Island, and we believe we have created a good balance. We understand that the beauty of the Alameda Naval Air Station, and other military installations, is in part reliant upon preservation of its history and context and finding the appropriate balance and flexibility of historic preservation within the redevelopment process. Our approach would be to work closely with the Alameda Architectural Preservation Society, the City and state and federal stakeholders to review every resource and evaluate its compatibility with the reuse plan and contribution to the community. The goal would be to maximize reuse and expedite rehabilitation.

## TEAM-SPECIFIC QUESTIONS—LENNAR

### **1. How can Alameda be assured that the Alameda Point project will continue to be a top priority for Lennar through multiple business cycles, and that capital will be allocated to allow development to proceed as expeditiously as possible?**

Military base reuse is an existing line of business for Lennar to which the company has committed more than \$1 billion over the past decade and established dedicated and specialized teams. Lennar understands that military base reuse projects demand a long-term approach, and the company has a proven track record of allocating sustained and substantial capital to these projects. To date, in the Bay Area, Lennar and its partners have invested more than \$90 million in Mare Island, \$50 million in Hunters Point and more than \$11 million in Treasure Island (pre-entitlement).

In the case of Mare Island, Hunters Point and Treasure Island, the environmental cleanup, infrastructure improvement, entitlement and build-out of these bases will take approximately 10 to 15 years. As a result, Lennar's economic models anticipate multiple business cycles throughout the lifespan of each project. One of Lennar's greatest strengths is the company's institutional understanding of the time, capital and resources that are required to implement military base reuse projects. This understanding is just one of the many reasons that Lennar is entering its second decade in the military base reuse business.

### **2. Please provide information regarding legal or regulatory proceedings or negotiations regarding the historic preservation program at Mare Island, and the outcomes or current status of those proceedings.**

The Mare Island Historic District encompasses approximately 65 percent of the Mare Island Naval Shipyard and contains 661 buildings and structures, 502 of which were described as contributing elements in the National Register listing, including 12 historic landscape areas, and one archeological site. 392 of the existing resources are located within Lennar's area and are slated for additional development under the Mare Island Specific Plan. This area is widely recognized as one of the most significant and complex collection of historic resources in the United States.

Lennar, working with the National Park Service, the State of California Historic Preservation Office, the City of Vallejo, the United States Navy, the local Architectural Historic Landmarks Commission and the Vallejo Historic Preservation Society, participated in a five-year public process related to the updating of the Mare Island Specific Plan, which included numerous public meetings, workshops and site tours. During this process, Lennar surveyed and inventoried more than 500 resources on Mare Island. At the conclusion of this process, the Specific Plan was approved by the City of Vallejo's Architectural Heritage and Landmarks Commission and Planning Commission and was unanimously adopted by the Vallejo City Council in December 2005. The adopted Specific Plan led to the retention of more than 100 additional historic

resources and approximately 1.5 million square feet than were proposed by the City of Vallejo and the U.S. Navy. During the Specific Plan process, the National Historic Trust and Vallejo Heritage Preservation Society raised concerns about the Plan to the City of Vallejo and Lennar. As a result, Lennar and the City dedicated several more months to negotiating with the parties of interest. These negotiations resulted in an agreement that outlined specific terms relative to the historic preservation process—no legal action was brought against Lennar. The terms of the agreement required that the Historic Project Guidelines for the Specific Plan be revised to include additional structures for preservation and to require further analysis, documentation, and approval by the AHLC prior to any demolition of a historic resource. Lennar is working with the City of Vallejo to revise the Specific Plan to address all the issues raised in the agreement and the Historic Project Guidelines will be brought before the Architectural Heritage and Landmarks Commission for their review this spring.

For more information regarding the Mare Island Specific Plan process, Lennar encourages representatives of the ARRA to contact Michelle Hightower with the Planning Division at the City of Vallejo at (707) 648-4506.

## ATTACHMENTS

### Mare Island Conversion Wins Praise

by Rachel Raskin-Zrihen, *Times-Herald* staff writer

Mare Island Naval Shipyard's conversion to civilian use is going "tremendously well," said a visiting federal agent sent Thursday to check on the project's progress.

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Tony Gallegos, regional director of the Office of Economic Adjustment, toured Mare Island and several other former Bay Area military bases Wednesday and Thursday. He will report his findings to the Secretary of Defense's Office in Washington, D.C.

"We're here getting an update on what the city's doing with Mare Island, and from our perspective, it's tremendous," Gallegos said. "There's a lot of development going on all over the island. There doesn't seem to be any place on the island where something isn't happening."

He said his agency's "mission is to provide technical and financial assistance to communities dealing with the closure or realignment of military bases."

Gallegos, who's been following the Mare Island conversion "from the beginning," said he's impressed with the pace at which it is coming back.

"The progress that's been made just since last year is significant," he said, crediting much of that to the vision of development partner Lennar Mare Island and Vallejo Mayor Tony Intintoli.

"Lennar has been a huge asset," Gallegos said. "The re-use plan's diversity is smart planning. The important thing is that the citizens like the plan. But it also needs to be realistic, and I get the sense that in Mare Island's case, it is. And a lot of that has to do with the leadership of Mayor Intintoli.

"When base closures are announced, there's a lot of opposition by citizens and elected officials. But Mayor Intintoli realized that the city needed to see it as an opportunity and act on that. That's leadership. And Vallejo is in a position to take advantage of the market forces at work in the Bay Area. It's an ideal location."

Vallejo's new city manager, Roger Kemp, accompanied the group, as did members of the city's Mare Island conversion team. After several self-guided and historical tours of the Island, Kemp said, he's impressed.

"[Gallegos and his team] are going to be using elements of what we're doing on Mare Island as a model for other military base conversions," he added.

Also along on Thursday's tour were several presidential management fellows—part of a two-year federal program for which "the best and brightest" of the nation's graduate students compete to participate, Gallegos said. They were along "to see how communities respond to base closures and how important it is for local leadership to be involved," Gallegos said.

Intintoli credits the diverse collection of community members involved in the decision-making process for how well things on Mare Island are going.

“We were in a crisis situation, facing a huge change in how we as a city were going to define ourselves, and everyone had ideas. You just do what you’re called upon to do,” Intintoli said. “We’re not where I’d like to be with it, but considering how far we’ve come in just six years, we’re doing quite well.”

When consensus can’t be reached after a base closure, the recovery process slows way down, Gallegos said.

What becomes of former military bases depends a lot on what the community wants and what’s realistic for the area, he said.

“For instance, the first idea for Mare Island was for it to stay a shipyard,” Gallegos said. “But the Urban Land Institute assessed the idea and determined there really is no shipbuilding industry in the U.S., and no demand for it. So using that as the basis for a reuse plan made no sense,” Gallegos said.

Amanda Leiker of Sacramento, one of those fellows, lived in Vallejo as a child. “I’ve been here before, and it’s really exciting to see how far it’s come in just the past year and half,” she said. “It seems like something is happening all the time. It’s exciting to see it all coming together.”

#### **Mayor Newsom Lauds Historic SFPUC Agreement to Bring Renewable, Public Power to New Hunters Point Shipyard Development**

*SFPUC Approves Agreement with Lennar BVHP to Provide Clean, Reliable, Affordable Power to New Homes and Businesses at Former Naval Shipyard*

Mayor Gavin Newsom today hailed the approval Tuesday afternoon by the members of the San Francisco Public Utilities Commission (SFPUC) of a historic agreement to create San Francisco’s first neighborhood powered entirely by clean, reliable, public power. The approval of the agreement between the SFPUC and Lennar BVHP to create a new “Green Public Power Community” follows the announcement in August of the City’s proposal to be the direct power provider to the more than 1,600 new residential units and 300,000 square feet of commercial and retail space under construction on a 93-acre parcel at a site of the former Hunters Point Naval Shipyard. Under the agreement, the SFPUC will deliver reliable, 100% renewable and cost-competitive power to new residents and businesses of the current and future developments through its extensive hydropower, solar and other renewable energy generation projects.

*Communications and Public Outreach*  
December 14, 2006; updated December 22, 2006  
[http://sfwater.org/detail.cfm/MC\\_ID/18/MSC\\_ID/114/C\\_ID/3269](http://sfwater.org/detail.cfm/MC_ID/18/MSC_ID/114/C_ID/3269)  
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“Just four months ago we announced a proposal that reflected our clean energy vision. Today we have an agreement that shows our clean energy leadership,” said Mayor Newsom. “The City and Lennar are partnering to bring clean, reliable, affordable public power to a community too long blighted by toxic industries and polluting power plants.”

The SFPUC currently provides reliable, clean, reasonably-priced power to many of San Francisco's most vital public services and facilities—MUNI, San Francisco International Airport, San Francisco General Hospital, more than 20,000 streetlights and more. The SFPUC has also been a leader in solar development, operating and maintaining the nation's largest municipal rooftop solar facility in the nation at Moscone Convention Center, along with projects in operation or in the works at the Southeast Wastewater Treatment Plant, Norcal Recycling Facility at Pier 96, San Francisco International Airport and more.

“San Franciscans already rely on the water and power we deliver every day,” said SFPUC General Manager Susan Leal. “Our growing portfolio of clean hydropower, solar and other renewable energies allows us to continue powering the City's vital municipal services and bring clean, reliable, affordable energy to the new neighborhood at Hunters Point.”

Initially, the Green Public Power Community at Hunters Point will be powered by the SFPUC's extensive hydro and solar power portfolio. As new technologies, such as thin-film solar, fuel cell and tidal energy, become available commercially, this and other future Green Power Communities will be first in line for power from these programs. The City will procure and provide energy services to the community and ensure that rates charged to residents and businesses in the new neighborhood are the same or lower than current retail and commercial electric rates.

“Green power is vital for our future, not just for Hunters Point, but for San Francisco,” said District 10 Supervisor Sophie Maxwell. “I am so proud to say that the Southeast Community is truly at the cutting edge of clean energy and environmental leadership for the Bay Area.”

“This is an exciting day for San Francisco,” said Board of Supervisors President Aaron Peskin. “Having the SFPUC and Lennar create an entirely green powered community at the new Hunters Point development will put San Francisco on the map as a leader in renewable energy.”

Under the Green Public Power Community agreement for Hunters Point, the SFPUC and Lennar BVHP will share costs of constructing the necessary electrical transmission and distribution infrastructure within the development, with Lennar BVHP deeding the infrastructure to the City. Lennar BVHP will contribute \$2 million towards the cost of providing renewable energy to customers in the new neighborhood, possibly allocated towards the construction of rooftop solar facilities within the development. The total initial cost to the SFPUC Power Enterprise will be \$12 million, with the investment recouped from ratepayers over future years. The SFPUC previously notified Pacific Gas & Electric—the owner of the City's electric distribution network—of its intention to serve as the primary provider of power to the Hunters Point development. PG&E also mounted a bid to be the power provider for the development, but Lennar BVHP elected to negotiate the agreement with the SFPUC.

“Lennar BVHP has been committed to creating an environmentally friendly community at Hunters Point from the beginning,” said Kofi Bonner, President of Lennar Corporation, Northern California. “Our partnership with the City will provide green power directly to the community's residents and businesses and will help make this new Hunters Point community an environmental showcase for the nation.”

## **New Bay Area Luxury Homes Powered with Solar Energy**

### *Builder Lennar To Include Systems In Its High-end Housing*

by Barbara E. Hernandez

Lennar, one of the nation's biggest home builders, plans to install solar power systems in all its new homes in the Bay Area, representatives for the company said this week.

Lennar made the announcement at its high-end, all-solar development in the Milano housing community in Danville. Three projects in San Ramon set to open this year also will be solar-powered.

"Every home in Milano will come with a solar package," said Peter Beucke, vice president of the Bay Area division of Lennar. "It's now a standard inclusion in our homes."

Lennar also is planning one of the largest solar communities, 650 homes, in two developments in Roseville.

Lennar is involved with the New Solar Homes Partnership, part of California's Solar Initiative to install 400 megawatts of solar power in the next decade. To promote solar energy, the California Energy Commission offers incentives of \$2.60 a watt for systems on new homes. Homeowners also are eligible for a one-time \$2,000 federal tax credit.

"Historically, we've seen a low participation with solar in new-home construction. It's been less than 2 percent," said David Hochschild, who co-heads the solar homes partnership.

"The state builds around 150,000 homes a year. If we can get more builders interested, we could see as many as half of new homes being solar in five years," Hochschild said.

Bill Kelly, general manager of the new-homes division of SunPower, the San Jose provider of solar equipment that is also part of the partnership, said Lennar was "investigating solar for the Sacramento and Bay Area divisions last year and decided about six months ago to make a huge investment. I think the New Solar Homes Partnership and the California Energy Commission incentives were part of the mix of getting Lennar to consider solar power."

Les Lifter, vice president of marketing for Lennar, declined to say what the system costs on each house in Milano, but experts estimated the 2.3-kilowatt solar-power systems placed on the development's 77 homes probably cost \$12,000 to \$15,000 each—cheaper than a typical residential system because of scale and volume.

Dan Ruble, a solar electric consultant for Diablo Solar Services in Martinez, said a similar system for a residential homeowner would cost about \$20,000 with a rebate.

Prices for the Milano houses range from \$1.3 million to \$1.5 million. Most of the solar systems integrated into new homes occurs in the higher-end markets of the Bay Area.

"We've got to make solar accessible and affordable for home buyers at all income levels to be successful here," Hochschild said.

Paul Moreno, spokesman for Pacific Gas & Electric, said homeowners who create more power than they use will receive a credit on their bill.

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