



Donald P. Wagner
Chairman

Melissa Fox
Vice Chairwoman

Jeffrey Lalloway
Director

Lynn Schott
Director

Christina Shea
Director

AGENDA

ORANGE COUNTY GREAT PARK BOARD REGULAR MEETING

June 27, 2017

2:00 PM

City Council Chamber
One Civic Center Plaza
Irvine, CA 92606

Speaker's Card/Request to Speak: If you would like to address the Board on a scheduled agenda item – including a Consent Calendar item, a Regular Business item, a Public Hearing item, or Public Comments – please complete the [Request to Speak Form](#). The card is at the table at the entrance to the City Council Chamber. Please identify on the card your name and the item on which you would like to speak and return to the Clerk of the Board. The [Request to Speak Form](#) assists the Chair in ensuring that all persons wishing to address the Board are recognized. It also ensures the accurate identification of meeting participants in the Board minutes. Your name will be called at the time the matter is heard by the Board. Board policy is to limit public testimony to up to three minutes per speaker depending on relevant circumstances (unless the time limit is extended by the Chair), which includes the presentation of electronic or audio visual information. Speakers may not yield their time to other persons.

Please take notice that the order of scheduled agenda items below and/or the time they are actually heard, considered and decided may be modified by the Chair or the Board during the course of the meeting, so please stay alert.

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

DIRECTOR, OCGP, REPORT

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the Great Park Board Agenda and staff
reports



BOARDMEMBER REPORTS

ADDITIONS AND DELETIONS

Additions to the agenda are limited by California Government Code Section 54954.2 of the Brown Act and for those items that arise after the posting of the Agenda and must be acted upon prior to the next Board meeting.

1. CONSENT CALENDAR

All matters listed under Consent Calendar are considered by the Assistant City Manager and the City Manager to be routine and enacted by one roll call vote. There will be no discussion of these items unless members of the Orange County Great Park Board request specific items to be removed from the Consent Calendar for separate discussion. Any member of the public may address the Board on items on the Consent Calendar. See information for Speaker's Card/Request to Speak on first page.

1.1 MINUTES

ACTION:

- 1) Approve the minutes of a regular meeting of the Orange County Great Park Board held on May 23, 2017.
- 2) Approve the minutes of a special joint meeting of the Irvine City Council and the Orange County Great Park Board held on June 13, 2017.

1.2 ***AMENDMENT TO FARMING LEASE BETWEEN CITY OF IRVINE AND EL TORO FARMS, LLC***

ACTION:

- 1) Recommend that the City Council approve a Twelfth Amendment to Farming Lease, authorizing a two-year lease extension with El Toro Farms, LLC.
- 2) Recommend that the City Council authorize the City Manager or his designee to execute the Twelfth Amendment to Farming Lease.

2. BOARD BUSINESS

2.1 ***EXCLUSIVE NEGOTIATING AGREEMENT WITH WILD RIVERS, LLC. FOR A WATER PARK AT THE ORANGE COUNTY GREAT PARK***

ACTION:

Recommend that the City Council approve the Exclusive Negotiating Agreement with Wild Rivers, LLC.

2.2 FEASIBILITY ANALYSIS FOR ORANGE COUNTY GREAT PARK GOLF COURSE

ACTION:

Affirm the Golf Course use at the Orange County Great Park or direct staff to engage FivePoint Communities in exploration of alternative uses by expanding the Cultural Terrace Joint Studies to include the area currently programmed for golf.

2.3 MODIFICATIONS TO GREAT PARK CONCEPTUAL DESIGN AND SPACE PLANNING

ACTION:

- 1) Recommend that the City Council approve a modification to the Boundary of the Great Park Improvement Area and direct staff to return to the Great Park Board and City Council with a budget and Letter Agreement making any modifications necessary to implement the City Council's direction.
- 2) Direct staff to process an application for a Master Plan Modification and General Plan Amendment to amend the Circulation Element to extend Great Park Boulevard through the Orange County Great Park.

2.4 FULL CIRCLE FARM CONCEPT AT THE ORANGE COUNTY GREAT PARK

ACTION:

Direct staff to negotiate an agreement allowing for the implementation of the Full Circle Farm at the Orange County Great Park and return to the Board for consideration.

PUBLIC COMMENTS (Limited to 3 minutes per speaker.)

Any member of the public may address the Board on items within the Orange County Great Park Board's subject matter jurisdiction but which are not listed on this agenda during Public Comments; however, no action may be taken on matters that are not part of the posted agenda. See information for Speaker's Card/Request to Speak on the first page.

ADJOURNMENT

NOTICE TO THE PUBLIC

LIVE BROADCASTING AND REBROADCASTING

Regular Orange County Great Park Board meetings are broadcast live every 4th Tuesday of the month at 2 p.m. and are replayed on Tuesdays at 2 p.m. (in weeks in which there is not a live Great Park Board meeting), Wednesdays at 8 a.m., Thursdays at 7 p.m., and Saturdays at 7 p.m. (in weeks in which there is not a live Orange County Great Park meeting) until the next Orange County Great Park Board meeting.

All broadcasts can be viewed on Cox Communications Local Access Channel 30 and U-Verse Channel 99. Orange County Great Park Board meetings are also available via live webcast and at any time for replaying through the City's ICTV webpage at cityofirvine.org/ictv. For more information, please contact the Clerk of the Board/City Clerk's Office at (949) 724-6205.

STAFF REPORTS

As a general rule, staff reports or other written documentation have been prepared or organized with respect to each item of business listed on the agenda. Copies of these materials are on file with the Clerk of the Board and are available for public inspection and copying once the agenda is publicly posted (at least 72 hours prior to a regular Orange County Great Park Board meeting). Staff reports can also be downloaded from the City's website at cityofirvine.org and ocgp.org beginning the Friday prior to the scheduled regular Orange County Great Park Board meeting on the 4th Tuesday of each month.

In addition, meetings can be viewed live at the time posted on the agenda and related staff reports can be opened and viewed simultaneously along with the streaming of the meeting. To view the meeting, go to cityofirvine.org/ictv.

If you have any questions regarding any item of business on the agenda for this meeting, or any of the staff reports or other documentation relating to any agenda item, please contact Clerk of the Board/City Clerk staff at (949)724-6205.

SUPPLEMENTAL MATERIAL RECEIVED AFTER THE POSTING OF THE AGENDA

Any supplemental writings or documents distributed to a majority of the Orange County Great Park Board regarding any item on this agenda after the posting of the agenda will be available for public review in the Clerk of the Board/City Clerk's Office, One Civic Center Plaza, Irvine, California, during normal business hours. In addition, such writings or documents will be made available for public review at the respective public meeting.

If you have any questions regarding any item of business on the agenda for this meeting, or any of the staff reports or other documentation relating to any agenda item, please contact Clerk of the Board/City Clerk staff at (949)724-6205.

SUBMITTAL OF INFORMATION BY MEMBERS OF THE PUBLIC FOR DISSEMINATION OR PRESENTATION AT PUBLIC MEETINGS

Media Types and Guidelines

1. Written Materials/Handouts:

Any member of the public who desires to submit documentation in hard copy form may do so prior to the meeting or at the time he/she addresses the Orange County Great Park Board. Please provide 15 copies of the information to be submitted and file with the Clerk of the Board at the time of arrival to the meeting. This information will be disseminated to the Orange County Great Park Board at the time testimony is given.

2. Large Displays/Maps/Renderings:

Any member of the public who desires to display freestanding large displays or renderings in conjunction with their public testimony is asked to notify the Clerk of the Board/City Clerk's Office at (949)724-6205 no later than 10 a.m. on the day of the scheduled meeting so that an easel can be made available, if necessary.

3. Electronic Documents/Audio-Visuals:

Any member of the public who desires to display information electronically in conjunction with their public testimony is asked to submit the information to the Public Information Office (PIO) no later than 10 a.m. on the day of the scheduled meeting. To facilitate your request contact the PIO Office at (949)724-6253 or the City Clerk's Office at (949)724-6205.

Information must be provided on CD, DVD, or VHS; or, emailed by 12:00 noon on the day of the scheduled meeting to pio@ci.irvine.ca.us. Members of the public will be asked to provide their name, identify the meeting and the agenda item to be addressed, and a daytime phone number.

The PIO office will notify the person submitting the information as soon as possible prior to the meeting if the information cannot be accessed or if the version provided is incompatible with the City's system. Every effort will be made by City staff to facilitate the presentation.

CITY SERVICES TO FACILITATE ACCESS TO PUBLIC MEETINGS

It is the intention of the City of Irvine to comply with the Americans With Disabilities Act (ADA) in all respects. If, as an attendee or a participant at this meeting, you will need special assistance beyond what is normally provided, the City of Irvine will attempt to accommodate you in every reasonable manner. Please contact the Clerk of the Board/City Clerk's Office at (949)724-6205.

Assisted listening devices are available at the meeting for individuals with hearing impairments. Notification 48 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting. (28 CFR 35. 102-35. 104 ADA Title II)

CHALLENGING BOARD DECISIONS

If a person wishes to challenge the validity or reasonableness of any Board action or decision in court, they may be limited to raising only those issues they or someone else raised at the meeting described in this notice, or in written correspondence delivered to the Orange County Great Park Corporation, at or prior to the meeting. In addition, judicial challenge may be limited or barred where the interested party has not sought and exhausted all available administrative remedies.

COMMUNICATION AND ELECTRONIC DEVICES

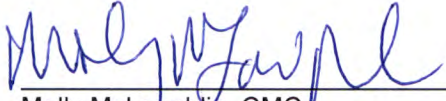
To minimize distractions, please be sure all personal communication and electronic devices are turned off or on silent mode.

MEETING SCHEDULE

Regular meetings of the Orange County Great Park Board are held on the fourth Tuesdays of each month at 2 p.m. Agendas are available at the following locations:

- Clerk of the Board/City Clerk's Office
- Police Department
- Front Entrance of City Hall
- University Park Center (Culver/Michelson)
- Walnut Village Center (Culver/Walnut)
- Northwood Town Center (Irvine Blvd./Yale)
- City's web page at cityofirvine.org
- Orange County Great Park's web page at ocgp.org

I hereby certify that the agenda for the Regular Orange County Great Park Board meeting was posted in accordance with law in the posting book located in the Public Safety Lobby of City Hall, One Civic Center Plaza, Irvine, California on June 22, 2017 by 8:00 PM as well as on the City's web page.


Molly McLaughlin, CMC
Secretary / Clerk of the Board

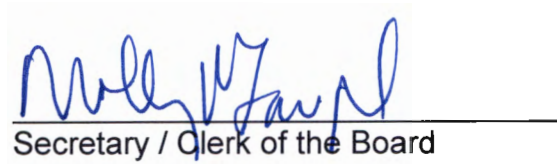
1.1



REQUEST FOR BOARD ACTION

MEETING DATE: JUNE 27, 2017

TITLE: MINUTES



Secretary / Clerk of the Board

RECOMMENDED ACTION:

- 1) Approve the minutes of a regular meeting of the Orange County Great Park Board held on May 23, 2017.
- 2) Approve the minutes of a special joint meeting of the Irvine City Council and the Orange County Great Park Board held on June 13, 2017.



MINUTES

ORANGE COUNTY GREAT PARK BOARD REGULAR MEETING

May 23, 2017

City Council Chamber
One Civic Center Plaza
Irvine, CA 92606

CALL TO ORDER

A regular meeting of the Orange County Great Park Board of Directors was called to order on May 23, 2017 at 2:05 p.m. in the City Council Chamber; Chairman Wagner presiding.

ROLL CALL

Present:	5	Director:	Jeffrey Lalloway*
		Director:	Lynn Schott
		Director:	Christina Shea
		Vice Chairwoman:	Melissa Fox
		Chairman:	Donald P. Wagner

* Director Lalloway arrived at 2:20 p.m.

PLEDGE OF ALLEGIANCE

Chairman Wagner led the Pledge of Allegiance.

DIRECTOR, OCGP, REPORT

Pete Carmichael, Director, Orange County Great Park, provided a brief update on construction progress, forward planning, and brief summary of the agenda items to be considered; and invited Laurie Hoffman, Director of Community Services to provide information on the upcoming “Walt and the Flying Bull Exhibition” opening June 3, 2017 at the Great Park Gallery.

BOARDMEMBER REPORTS

Vice Chairwoman Fox expressed her appreciation to staff for their efforts in working with Wild Rivers Waterpark on a 2019 opening season.

ADDITIONS AND DELETIONS

There were no additions or deletions to the agenda.

1. PRESENTATIONS

1.1 *Cultural Terrace Joint Studies Update*

Pete Carmichael, Director, Orange County Great Park, introduced Marty Borko, representing Gensler; and Vaughan Davies, representing AECOM, who provided an update on the Cultural Terrace Joint Studies.

Board discussion included: how components have been brought together and overall progress to date; noted that botanical gardens with identified locations were key components; questioned how visitors could move through the Great Park by other means other than driving based on aesthetics as well as environmental and parking concerns; noted that public outreach efforts were recently completed; and reiterated the different types of passive and active gardening activities at the Orange County Great Park.

2. CONSENT CALENDAR

ACTION: Moved by Vice Chairwoman Fox, seconded by Director Shea, and unanimously carried to approve Consent Calendar Item No. 1.1.

2.1 *MINUTES*

Prior to the vote, Anne Beehler, representing CNX, requested certain items be incorporated into the April 23, 2017 meeting minutes, to which City Manager Joyce noted that the minutes as presented were consistent with the City's Municipal Code.

ACTION:

Approved the minutes of a regular meeting of the Orange County Great Park Board held on April 25, 2017.

3. BOARD BUSINESS

3.1 PUBLIC OUTREACH RELATED TO FUTURE ORANGE COUNTY GREAT PARK AMENITIES

Craig Reem, Director of Public Affairs and Communications, and Timothy McLarney, President, True North, Inc., presented the staff report and responded to questions.

Board discussion included: expressing concern with potential discrepancies in the number of visitors at the Orange County Great Park and impacts on public outreach results; noted that a certain number of visitors were difficult to capture based on passive usage of the Great Park, such as biking and running, in comparison to events that required tickets; and questioned whether the estimated number of visitors should be increased.

Sandra Bolton, representing Pretend City, spoke in support of the addition of a children's museum.

Madelyn Hirneise, representing Families Forward, spoke in support of incorporating a non-profit village.

Don Croucher, representing California Fire Museum, spoke in support of a fire museum.

Andy Kinnon spoke in support of an amphitheater.

Pat Matz and Mel Chantz, Irvine residents; and Joyce Stanfield Perry, spoke in support of a cultural and natural history museum.

Sean Brody and Ranney Lochtefeld spoke in support of a surf facility.

The following individuals spoke in support of botanical gardens:

Katrina Kirkeby
Ann Lui
Mark Dorfman, Santa Ana resident
Kay Havens, Laguna Woods resident
Kay Matteson
Carol Chirpich, Lake Forest resident
Christine Comp, Irvine resident
Dana Duenzen, Irvine resident

Bob Kirkeby
Thitsada Kiefer
Betty Ferraro, Irvine resident

The following individuals spoke in support of a BMX bike facility:

Robert de Wilde
Blair Dickerson
Tim Lane
Trevor Cummings

Received and filed the presentation of the results of public outreach related to preferences for future Orange County Great Park amenities.

3.2 *FEASIBILITY ANALYSIS FOR ORANGE COUNTY GREAT PARK GOLF COURSE*

Laurie Hoffman, Director of Community Services, and Ed Getherall, representing National Golf Foundation, presented the staff report and responded to questions.

Patrick Strader, representing FivePoint Communities, spoke in support of a golf course at the Orange County Great Park.

Board discussion included: questioning the range in costs of proposed green fees; noted that the proposed golf course would fall into the middle tier category; suggested ways to decrease utility costs and water usage; questioned whether recycled water would be used; expressed concern about potential financial impacts to surrounding golf courses; noted a preference for passive space such as botanical gardens in lieu of a golf course; referenced data within the Parks Master Plan with respect to the desire for a golf course; suggested incorporating the reflection of military history and cultural differences into the golf course space; reiterated that the Parks Master Plan did not include Great Park amenities; noted the challenges with respect to the location of the proposed golf course; suggested that once built, deconstruction of the golf course would be simple if required; noted that no other proposals had been received for the designated area; reiterated that sustainability was necessary to operate and maintain the Great Park, with the golf course as a potential revenue stream; suggested a larger clubhouse; exploring comparative revenue models for botanical gardens in lieu of a golf course that could include food/beverage amenities as well as event space for indoor/outdoor meetings; and reiterated that a golf course was a major component of the cultural terrace.

Pete Carmichael, Director, Orange County Great Park, responded to the methodology used for capturing attendance at the Great Park.

ACTION: Moved by Councilmember Shea, seconded by Councilmember Fox, to:

Affirm the Golf Course use at the Orange County Great Park.

ACTION*: A substitute motion was made by Director Lalloway, seconded by Director Schott, and unanimously carried to:

Direct staff to meet and discuss alternatives with FivePoint Communities, with respect to the legal requirements, to conduct a study that explores the alternative use and financial feasibility of a botanical garden and other types of passive uses in lieu of a golf course at the Orange County Great Park, which would include the following considerations: 1) fees for more elaborate spaces; 2) no fees for other types of passive uses; and 3) an events center that would tie into indoor/outdoor meeting space and incorporate food/beverage accommodations as contemplated with the golf course model; and return to the Board at a date to be determined with the results of that study.

* The substitute motion carried and took precedence over the main motion; therefore, a vote was not taken on the main motion.

3.3 MODIFICATIONS TO GREAT PARK CONCEPTUAL DESIGN AND SPACE PLANNING

This item was removed from the agenda at the request of City Manager Joyce, who noted that consideration of the item would be premature given the action taken with respect to Item No. 3.2, and further noted that the item would return at a date to be determined.

The following individuals submitted Request to Speak slips but did not speak:

Mary Ellen Fuellmeman, Fountain Valley resident
Courtney Santos, Irvine resident

PUBLIC COMMENTS

Anne Beehler, representing Bryan Cave, LLP on behalf of Connected Nation Exchange, spoke in opposition to the Board and City Council's approval to enter into negotiations with 5 Bars, LLC for wireless services at the Orange County Great Park.

ADJOURNMENT

Moved by Director Shea, seconded by Vice Chairwoman Fox, and unanimously carried to adjourn the meeting at 4:49 p.m.

CHAIRMAN

SECRETARY/CLERK OF THE BOARD

June 27, 2017
DATE



MINUTES

SPECIAL JOINT MEETING OF THE IRVINE CITY COUNCIL AND THE ORANGE COUNTY GREAT PARK BOARD

June 13, 2017
City Council Chamber
One Civic Center Plaza
Irvine, CA 92606

CALL TO ORDER – SPECIAL JOINT MEETING

The special joint meeting of the Irvine City Council and the Orange County Great Park Board was called to order at 5:20 p.m. on June 13, 2017 in the City Council Chamber, Irvine Civic Center, One Civic Center Plaza, Irvine, California; Mayor/Chairman Wagner presiding.

ROLL CALL

Present:	5	Councilmember/Vice Chairwoman:	Melissa Fox
		Councilmember/Director:	Jeffrey Lalloway*
		Councilmember/Director:	Christina Shea
		Mayor Pro Tempore/Director:	Lynn Schott
		Mayor/Chairman:	Donald P. Wagner

* Councilmember/Director Lalloway arrived at 5:33 p.m.

4. CITY COUNCIL / BOARD BUSINESS

4.1 CITY OF IRVINE FISCAL YEAR 2017-18 BUDGET

Sean Joyce, City Manager; Kristin Griffith, Director of Financial Services; Manuel Gomez, Director of Public Works; and Pete Carmichael, Director, Orange County Great Park, presented the staff report and responded to questions.

City Manager Joyce noted the inclusion of an errata memo dated June 14, 2017 regarding Capital Improvement Financial Policies.

Russell Stein, Finance Commission Chairman, spoke about concerns raised by the Finance Commission and reiterated its recommendations to the City Council.

Ilya and Robert Tseglin spoke in support of funding an advocacy assistance program.

City Council/Board discussion included: acknowledging review of the proposed budget by the Finance Commission and its recommendations; expressed concern about using one-time funds to fill budget gaps; noted recent trends in consumer behavior based on flat sales tax revenue and suggested future budgets be reflective of these trends; expressed concern about underestimating the opening dates of new hotels; noted the increase in cost for services and need for additional infrastructure based on population growth; suggested increasing the threshold recommended by the Finance Commission for return-on-investment (ROI) analysis for large projects; expressed concern that the Asset Management Plan (AMP) and Systems Development Fund were not being funded; inquired about Orange County Great Park expenditures exceeding revenues in Fiscal Year 2022-23; suggested the City Manager work with staff to prioritize expenditures; discussed the application of generally accepted accounting principles (GAAP) to the City's budget process; questioned the appropriate level of contingency reserves; recommended study sessions to discuss the budget and existing policies in further detail; inquired about anticipated revenue from new hotels and sales tax; questioned allocation of sales tax from internet sales; suggested exploring new revenue streams to avoid higher taxes or reductions in services; noted the incorporation of school support, contingency reserves and pension liability funding in the proposed budget; reiterated upcoming transportation improvements; questioned the existing balance of Great Park Fund 180; requested a review of the City's Investment Policy; and noted that the budget could be modified at any time throughout the year by the City Council.

Sean Joyce, City Manager, responded to each of the Finance Commission recommendations; noted the advantages of consultant services to determine the City's proper allocation of sales tax; and addressed questions related to debt service at the Orange County Great Park.

Pete Carmichael, Director, Orange County Great Park, and Kristin Griffith, Director of Financial Services, provided additional clarification related to debt service at the Orange County Great Park.

ACTION: Moved by Councilmember/Director Lalloway, seconded by Mayor Pro Tempore/Director Schott, to:

- 1) Adopt the Fiscal Year 2017-18 Budget and Strategic Business Plan.
- 2) Adopt RESOLUTION NO. 17-43 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, ADOPTING AND APPROVING THE APPROPRIATIONS BUDGET AND FINANCIAL POLICIES FOR THE CITY OF IRVINE FOR FISCAL YEAR 2017-18
- 3) Adopt RESOLUTION NO. 17-44 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, ADOPTING THE ANNUAL APPROPRIATIONS LIMIT FOR FISCAL YEAR 2017-18
- 4) Adopt RESOLUTION NO. 17-45 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, AUTHORIZING FULL-TIME POSITIONS IN ACCORDANCE WITH THE PROVISIONS OF COMPENSATION RESOLUTIONS AND THE OPERATING BUDGET FOR THE 2017-18 FISCAL YEAR, AND SUPERSEDING RESOLUTION NO. 16-52, WHICH IS INCONSISTENT THEREWITH
- 5) Adopt RESOLUTION NO. 17-46 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, ESTABLISHING THE SALARY GRADE ORDER STRUCTURE AND SALARY RANGES FOR EMPLOYEES OF THE CITY OF IRVINE, AND SUPERSEDING RESOLUTION NO. 16-53, WHICH IS INCONSISTENT THEREWITH
- 6) Direct staff to take advantage of available savings by utilizing the Public Employees Retirement System's advance payment option for Fiscal Year 2017-18.
- 7) Receive and file the 2017-2022 Strategic Technology Plan.
- 8) Acting as the Orange County Great Park Board, recommend the City Council approve the Fiscal Year 2017-18 capital and operating budgets and anticipated contracts for the Orange County Great Park, as required by the Fiscal Transparency and Reforms Act.

- 9) Acting as the Irvine City Council, approve the Fiscal Year 2017-18 capital and operating budgets and anticipated contracts for the Orange County Great Park, as required by the Fiscal Transparency and Reforms Act.
- 10) Authorize the execution of a sole source contract with Aerophile California LLC for the annual maintenance, operation, and repair of the Great Park balloon.

As amended per the errata memo dated June 13, 2017 clarifying language in the City's Capital Improvement Finance Policies.

ACTION: A substitute motion was made by Councilmember/Vice Chairwoman Fox, seconded by Councilmember/Director Shea, to:

Defer the item to the June 27, 2017 meeting to include the recommendations from the Finance Commission, excluding Recommendation Nos. 5 (Technology Fund 579 Funding) and 8 (Return on Investment (ROI)/Cost Benefit Policy).

The motion failed as follows:

AYES: 2 COUNCILMEMBERS: Fox and Shea

NOES: 3 COUNCILMEMBERS: Lalloway, Schott and Wagner

ABSENT: 0 COUNCILMEMBERS: None

ACTION: Moved by Councilmember/Director Lalloway, seconded by Mayor Pro Tempore/Director Schott, and unanimously carried to:

- 1) Adopt the Fiscal Year 2017-18 Budget and Strategic Business Plan.
- 2) Adopt RESOLUTION NO. 17-43 - A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, ADOPTING AND APPROVING THE APPROPRIATIONS BUDGET AND FINANCIAL POLICIES FOR THE CITY OF IRVINE FOR FISCAL YEAR 2017-18
- 3) Adopt RESOLUTION NO. 17-44 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, ADOPTING THE ANNUAL APPROPRIATIONS LIMIT FOR FISCAL YEAR 2017-18
- 4) Adopt RESOLUTION NO. 17-45 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, AUTHORIZING FULL-TIME POSITIONS IN ACCORDANCE WITH THE PROVISIONS OF COMPENSATION

RESOLUTIONS AND THE OPERATING BUDGET FOR THE 2017-18 FISCAL YEAR, AND SUPERSEDING RESOLUTION NO. 16-52, WHICH IS INCONSISTENT THEREWITH

- 5) Adopt RESOLUTION NO. 17-46 – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, ESTABLISHING THE SALARY GRADE ORDER STRUCTURE AND SALARY RANGES FOR EMPLOYEES OF THE CITY OF IRVINE, AND SUPERSEDING RESOLUTION NO. 16-53, WHICH IS INCONSISTENT THEREWITH
- 6) Direct staff to take advantage of available savings by utilizing the Public Employees Retirement System's advance payment option for Fiscal Year 2017-18.
- 7) Receive and file the 2017-2022 Strategic Technology Plan.
- 8) Acting as the Orange County Great Park Board, recommend the City Council approve the Fiscal Year 2017-18 capital and operating budgets and anticipated contracts for the Orange County Great Park, as required by the Fiscal Transparency and Reforms Act.
- 9) Acting as the Irvine City Council, approve the Fiscal Year 2017-18 capital and operating budgets and anticipated contracts for the Orange County Great Park, as required by the Fiscal Transparency and Reforms Act.
- 10) Authorize the execution of a sole source contract with Aerophile California LLC for the annual maintenance, operation, and repair of the Great Park balloon. **(Contract No. 9816)**

As amended per the errata memo dated June 13, 2017 clarifying language in the City's Capital Improvement Finance Policies.

ADJOURNMENT - SPECIAL JOINT MEETING

Moved by Councilmember/Director Lalloway, seconded by Councilmember/Director Shea, and unanimously carried to adjourn the special joint meeting of the Irvine City Council with the Orange County Great Park Board of Directors at 7:27 p.m.

CHAIRMAN

June 27, 2017

SECRETARY/CLERK OF THE BOARD

1.2



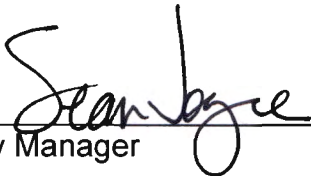
REQUEST FOR BOARD ACTION

MEETING DATE: JUNE 27, 2017

TITLE: AMENDMENT TO FARMING LEASE BETWEEN CITY OF IRVINE
AND EL TORO FARMS, LLC



Director, Community Development



City Manager

RECOMMENDED ACTION

1. Recommend that City Council approve a Twelfth Amendment to Farming Lease, authorizing a two-year lease extension with El Toro Farms, LLC.
2. Recommend that City Council authorize the City Manager or his designee to execute the Twelfth Amendment to Farming Lease.

EXECUTIVE SUMMARY

El Toro Farms, LLC leases City-owned property near the intersection of Barranca Parkway and Alton Parkway (Attachment 1). The subject property was formerly part of the El Toro Marine Base and is located in a portion of the future Wildlife Corridor. El Toro Farms, LLC has leased the property from the City since 2005 for the purpose of growing strawberry or vegetable crops (Attachment 2). The Farming Lease expires on June 30 (Attachment 3).

The subject property is also encumbered by the Second Agreement as Adjacent Landowner (ALA II) between the City and the adjacent landowner Heritage Fields that requires the City to vacate and convey this property to Heritage Fields upon commencement of construction of the Wildlife Corridor. Because this is anticipated to occur within the next two years, staff is recommending an extension to the Farming Lease with El Toro Farms, LLC with an option for early termination when development of the Wildlife Corridor begins (Attachment 4).

COMMISSION/BOARD/COMMITTEE RECOMMENDATION

Not applicable.

ANALYSIS

History

El Toro Farms, LLC has leased the subject property since the land was owned by the Navy and was part of the El Toro Marine Base prior to its closure. After the decommission of the base and the conveyance of the property to the City, El Toro Farms, LLC approached the City expressing interest in continuing to farm the land. In July 2005, the City and El Toro Farms, LLC entered into a Farming Lease. This Farming Lease has been amended eleven times over the past twelve years, extending the term and reducing the leased area from its original 65.8-acres to the current 26.33-acres, which are entirely located in a portion of what will become the Wildlife Corridor. The Farming Lease expires on June 30.

Conveyance of Land for Development of Wildlife Corridor

In accordance with the ALA II, the City is required to vacate and convey this property to Heritage Fields for construction of the Wildlife Corridor. This is anticipated to occur within the next two years. Upon receiving notice from Heritage Fields of commencement of development of the Wildlife Corridor, the City will give El Toro Farms, LLC a minimum of 30 days to vacate the property, then terminate the Farming Lease and transfer the property to Heritage Fields.

Proposed Lease Extension

The proposed lease amendment extends the Farming Lease for two years with an early termination option when development of the Wildlife Corridor begins. Upon termination of the Farming Lease, El Toro Farms, LLC is required to return the property in a cleared and graded condition free of debris. The lease rate is \$2,660 per month, which matches the current lease rate and is equivalent to other farming rates found in the area.

El Toro Farms, LLC has several farming leases for nearby properties owned by Heritage Fields and the City of Irvine. Due to the proximity of these various properties, there are economies of scale for El Toro Farms, LLC to continue farming this area while it remains undeveloped. Benefits to the City for extending this lease include continuing the receipt of monthly rent revenue and the avoidance of property maintenance and liability costs. Continued farming of the property will not impact future development of the Wildlife Corridor, as El Toro Farms, LLC is required to vacate the property and remove any improvements, at its cost, upon termination of the Farming Lease.

ALTERNATIVES CONSIDERED

The Board could recommend an approval of a one-year lease extension with El Toro Farms, LLC. Staff recommends a two-year extension because construction of the Wildlife Corridor is anticipated to begin within this timeframe. Should the Board wish to

recommend that City Council extend the Farming Lease for only one year, El Toro Farms, LLC has indicated that they would agree to a one-year extension.

FINANCIAL IMPACT

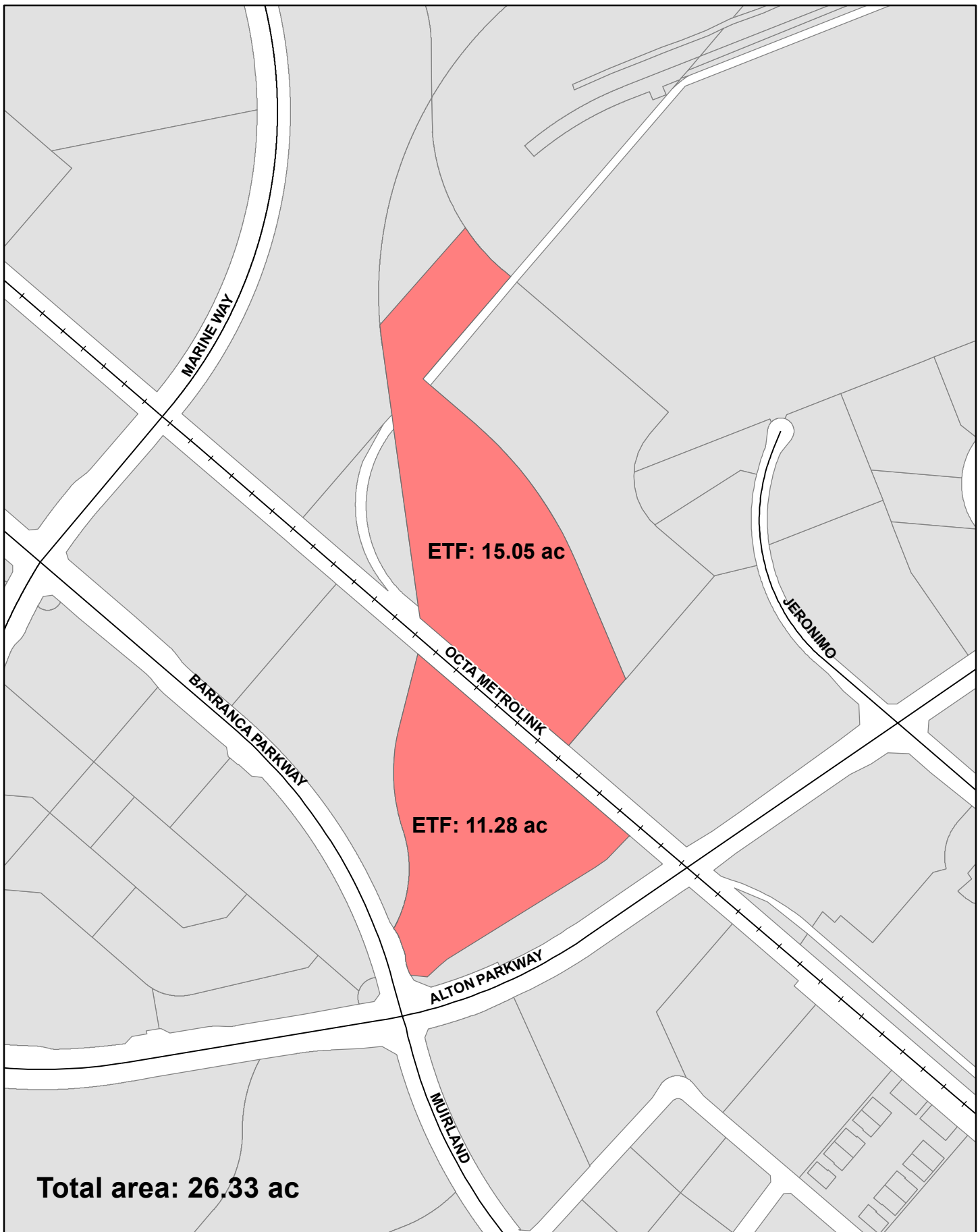
Revenue of \$2,660 per month would be generated from extending the Farming Lease, yielding \$31,920 in annual revenue to the Great Park Fund. This amount is included in the Great Park Fund Fiscal Year 2017-2018 Budget.

REPORT PREPARED BY Steve Holtz, Housing and Real Estate Administrator

ATTACHMENTS

- Attachment 1: Site Map
- Attachment 2: Farming Lease between the City of Irvine and El Toro Farms, LLC
- Attachment 3: Eleventh Amendment to Farming Lease
- Attachment 4: Proposed Twelfth Amendment to Farming Lease

SITE MAP



ORIGINAL

FARMING LEASE

THIS FARMING LEASE is made by and between the CITY OF IRVINE, a California charter city ("Lessor"), and EL TORO FARMS, LLC, a California limited liability company ("Lessee"), upon the following terms and conditions:

BASIC TERMS

1. Lessor: CITY OF IRVINE, a California charter city
2. Lessee: EL TORO FARMS, LLC, a California limited liability company
3. Premises: Those certain premises containing approximately 65.8 acres as shown on the site plan attached hereto as Exhibit "A" (i.e., the areas located within the dashed lines but excluding those portions identified as vegetables), subject to the provisions of Sections 1(d) and 1(e) below.
4. Permitted Use: Cultivating, irrigation, raising and harvesting of strawberry and vegetable fields/crops, and for no other use or purpose whatsoever.
5. Tradename: El Toro Farms
6. Commencement Date: July 13, 2005, the date upon which Lessor acquired fee title to the Premises (or, with respect to those portions of the Project that contain environmental conditions, a Lease (or sublease) in Furtherance of Conveyance from the Navy (or Heritage Fields, LLC, a Delaware limited liability company) leasing (or subleasing) such portions to Lessor).
7. Lease Term: From the above-written Commencement Date through June 30, 2006.
8. Basic Rent: \$ 17,546.67 per month
9. Security Deposit: \$ 17,546.67
10. Broker(s): None
11. Addresses for Payments and Notices:

City of Irvine

ATTACHMENT 2

5064

City Hall
One Civic Center Plaza
Irvine, CA 92606-9575
Attn: Acting City Manager
Phone: (949) 724-6246
Facsimile: (949) 724-6045
email address: sjoyce@ci.irvine.ca.us

The Basic Terms are an integral part of this Lease and each reference in this Lease to any of the Basic Terms shall be construed to incorporate all of the terms provided under such Basic Terms. In the event of any conflict between any Basic Terms and the balance of this Lease, the latter shall control. References to specific Lease Paragraphs are for convenience only and designate only some of the Paragraphs where references to the particular Basic Terms appear. The listing in the Basic Terms of monetary charges payable by Lessee is not an exhaustive list of all amounts payable by Lessee pursuant to this Lease.

STANDARD TERMS

El Toro Farms

R E C I T A L S :

A. The former United States Marine Corp Air Station El Toro (the "Base Property") was recently annexed to the City's boundaries, and is designated as Planning Areas 30 and 51. On May 27, 2003, the Irvine City Council approved the "Great Park" project for the Base Property, including general plan amendment 47782-GA and zone change 47785-ZC, for the non-aviation reuse of the Base Property.

B. The Great Park project plan (the "**Project**") provides that the Base Property may be developed at enhanced developmental intensities if the developers of the area enter into a development agreement with the City, and perform that development agreement by participating in a community facilities district and paying fees and dedicating lands in excess of the City's normal fee and dedication requirements, in order to facilitate the development of public park, public sports park, and public exposition areas within the Base Property.

C. On May 24, 2005, the Irvine City Council adopted Ordinance No. 05-10 [City adopted DA in 2003, amended in 2004, and again amended in 2005] approving a form of development agreement to allow enhanced developmental intensities within the Base Property (the "Great Park Development Agreement"). The Great Park Development Agreement requires, among other things, that the developer(s) signing it dedicate the following portions of the Base Property to the City for the development of the "Orange County Great Park": the "Corridor Sites," comprising approximately 408 acres and depicted as planning analysis zones ("PAZ") 20, 21, 22a and 22b on the overlay plan map attached hereto and incorporated herein as **Exhibit "A"** (the "Conceptual Overlay Plan"); the "Exposition Center South Site," comprising 156 acres and depicted as PAZ 13 on the Conceptual Overlay Plan; the "Park Site," comprising approximately 367 acres and depicted as PAZs 14, 15 and 16 on the Conceptual Overlay Plan; and the "Sports Park Site," consisting of approximately 165 acres and depicted as PAZ 12 on the Conceptual Overlay Plan. The "Corridor Sites," the "Exposition Center South Site," the "Park Site," and the "Sports Park Site" are hereinafter collectively referred to as the "Property," and the Property is more particularly described in the legal description attached hereto as **Exhibit "B"**.

D. The United States Department of the Navy ("DON"), as the owner of the Base Property, intends to sell the Base Property in four parcels to Heritage Fields, LLC, a Delaware limited liability company (the "Developer").

E. The Developer intends to sign the Great Park Development Agreement and convey to the City in fee those portions of the Property that the Developer intends to acquire in fee, which include the Premises (as defined below).

F. Tenant acknowledges and agrees that the City may be assigning its interest in this Lease to the Orange County Great Park Corporation, a California nonprofit public benefit corporation ("**OCGPC**"), in the near future.

G. Tenant currently has possession of that certain property described and set forth in Exhibit "C" (the "Premises") pursuant to a written lease agreement with the Navy (the "Existing Lease"). The Navy has sent Tenant a written notice terminating the Existing Lease effective as of June 30, 2005. Tenant desires to remain in possession of the Premises. City is willing to lease the Premises to Tenant, upon the terms and conditions contained herein.

L E A S E :

1. LEASE OF LEASED PREMISES.

(a) Lease to Lessee. Lessor hereby leases to Lessee the Premises as described in the Basic Terms and shown on the drawing attached as Exhibit "C" which is situated in the County of Orange, State of California, for the term and purposes, at the rental, and upon and subject to the covenants, conditions and reservations set forth in this Lease. The Premises are leased subject to all liens, encumbrances, covenants, conditions, restrictions, easements, reservations, rights, rights-of-way and other matters of record or apparent.

(b) Appurtenant Facilities. The Premises include all existing buildings, structures, and other improvements situated on the land described in Exhibit "C" and belonging to Lessor. Such buildings, structures and other improvements shall not be used for residential purposes unless otherwise agreed between Lessor and Lessee in writing.

(c) License to Use Roads. During the Term of this Lease, Lessor grants to Lessee and its employees, contractors and agents, a nonexclusive license and right to access, ingress and egress to and from the Premises over the roads owned by Lessor located on or directly adjacent to the Premises (the "Access Roads"). While exercising such right, Lessee shall be subject to and shall comply with the covenants, duties, and obligations of Lessee as set forth in this Lease including, without limitation, the indemnity obligations set forth in this Lease. Lessee accepts such license at its own risk and acknowledges and agrees that (i) Lessor does not warrant the condition, quality, safety, fitness or adequacy of the Access Roads (including intersections with public roads) or that the same are now or will be in good repair or otherwise fit for use, (ii) Lessor has no obligation to maintain, operate or inspect the condition, quality, safety, fitness or adequacy of any of the Access Roads which are covered by this Lease (and Lessee shall be responsible to maintain such roadways as may be necessary in connection with Lessee's use thereof), and (iii) Lessor shall have no liability to Lessee for any defects in, or defective condition of, such Access Roads whether or not such roads are maintained by Lessor (and Lessee hereby waives all claims relating thereto). The term of such license shall commence on the Commencement Date under the Lease and shall continue until the earlier to occur of the expiration or earlier termination of this Lease, or Lessee's abandonment of the Premises thereunder. Lessor reserves the right to adopt, modify and enforce reasonable rules governing the use of the Access Roads from time to time including any key-card, sticker or other identification or entrance system and hours of operation. Lessor may refuse to permit any person who violates such rules to use the Access Roads. Parking stickers, key cards or any other devices or forms of identification

or entry supplied by the operator shall remain the property of the operator. Such device must be displayed as requested and may not be mutilated in any manner. The serial number of any access identification device may not be obliterated. Lessor reserves the right to modify, alter or relocate the location of the Access Roads from time to time.

(d) Withdrawal of Land From Premises. Lessor may at any time and from time to time delete any field or parcel from the Premises as described in Section 11(g) below.

(e) LIFOC Areas. Lessee acknowledges and understands that portions of the Project will be retained by the Navy temporarily, identified in the Property Description in the GSA and Navy's bid documents as "IRP Sites" and "Compliance Sites," (such portion of the Project to be referred to herein as the "LIFOC Parcels") until all necessary environmental remediation action has been taken and the Navy has executed a Finding of Suitability to Transfer ("FOST"). Lessee acknowledges that a copy of the FOST has been provided to Lessee prior to the date of this Lease. Lessee further acknowledges that it has reviewed and is aware of the notifications and restrictions contained in the FOST and shall conduct its activities on and about the Project in accordance therewith. The LIFOC Parcels that affect the Premises are identified more particularly on Exhibit "C" attached hereto (if applicable). Until the issuance of a FOST, Lessor will not own fee title to the LIFOC Parcels, but only a Lease In Furtherance of Conveyance ("LIFOC"). Subject to the LIFOC, Lessor has the right to sublease the LIFOC Parcels and/or to grant others the right to otherwise use the LIFOC Parcels without the Navy's prior written consent; provided, however, that the Navy's prior written consent shall be required in connection with any sublease or other use of the LIFOC Parcels that involves the use of hazardous or toxic materials, including those of an explosive, flammable, or pyrotechnic nature. Lessee acknowledges that it has received and reviewed a copy of the LIFOC(s) affecting the Property, a copy of which is attached hereto as Exhibit "D", and that Lessee's use of the LIFOC Parcels that affect the Premises shall be subject to, and Lessee shall at all times comply with, the LIFOC. If, following the Commencement Date, additional LIFOC Parcels are identified that affect the Premises, Lessee shall, immediately upon notice from Lessor or the Navy, cease and desist from its use of such LIFOC Parcels until and unless the Navy consents, in writing, to Lessee's use thereof. If at anytime Lessor is notified by the Navy that Lessee's use of the LIFOC Parcels has not been authorized by the Navy or requires authorization from the Navy, or if Lessor determines (in its sole and absolute discretion) that Lessee's use of the LIFOC Parcels could result in any default by Lessor under any agreement with the Navy (or any federal, state or local governmental entity) or could create any adverse consequence for Lessor or its intended development of the Premises, then Lessee shall, immediately upon notice from Lessor, cease and desist from its use of the LIFOC Parcels and shall surrender possession of the LIFOC Parcels to Lessor in accordance with the terms of this Lease.

2. TERM.

(a) Term. The term of this Lease (the "Term") shall begin on the Commencement Date set forth in the Basic Terms and end on the date set forth in the Basic Terms unless sooner terminated as hereinafter provided.

3. RENTAL.

(a) Basic Rent. Lessor shall be entitled to and shall receive as basic rental for the use and occupancy of the Premises by Lessee, and Lessee agrees to pay to Lessor as and when due, without offset or deduction of any kind and without prior demand, the "Basic Rent" set forth in the Basic Terms.

(b) Additional Rent. Lessee shall pay to Lessor as and when due, without offset or deduction of any kind, all other amounts required to be paid to Lessor under this Lease, all of which shall be deemed additional rent.

(c) Late Payment. Any installment of rent accruing under the provisions of this Lease or any other payment due to Lessor under this Lease shall be paid on or before the due date. In the event that Lessee fails to pay to Lessor within ten (10) days of the date when due any amount owing to Lessor pursuant to the terms of this Lease, said late payment shall accrue interest as at the rate provided in Section 24(e) from the date due until the same shall have been fully paid. Lessee shall also pay to Lessor a \$250 processing fee for each late payment.

(d) CARE AND USE OF THE PREMISES. At all times during the Term of this Lease, Lessee shall at its sole cost and expense perform all of the following obligations:

(e) Obligation to Farm. Lessee shall prepare and plant the Premises with crops and cultivate, irrigate, raise and harvest each crop and otherwise use the Premises for growing crops, and for no other use or purpose whatsoever. Lessee shall not remove or withdraw any acreage then a part of the Premises from production of crops and Lessee shall not vary the types or proportions of crops of the respective fields or acreages without the prior written consent of Lessor. Lessee acknowledges that Lessor may have a variety of reasons for desiring a certain crop in certain areas, including but not limited to local political or community concerns, and that Lessor shall have the right to withhold its consent to any such change in its sole and absolute discretion;

(f) Only Authorized Crops. Lessee shall not use the fields or the parcels of the Premises for the growing of any crops other than the crops approved by Lessor;

(g) Good Management Practices. Lessee shall procure and supply all labor, tools, machinery, utilities and supplies necessary for the said work, and cultivate, irrigate, fertilize, grow, harvest, control pests, and do and perform all other acts and things which may be required to fully carry out the operations herein described, all of which shall be done and performed by Lessee at its sole cost and expense and without cost to or liability of Lessor, except as hereinafter provided, at the proper season and in a good husbandlike manner in accordance with best farming practices consistent with the area and the best management practices outlined by the Soil Conservation Service and as enforced by the Environmental Management Agency of the County of Orange;

(h) Maintain Drainage Facilities and Structures. Subject to the following provisions of this paragraph and ARTICLE 6 below, (i) Lessee shall keep all drains,

drainage outlets and other drainage structures, if any, upon the Premises in good condition and repair, and (ii) Lessee shall keep in good repair and open for the unrestricted flow of water and reasonably free of weeds and other growth all ditches and other drainage facilities in, upon and adjacent to the Premises. Notwithstanding the foregoing, Lessee acknowledges that certain drainage courses in, upon or adjacent to the Premises may not, for environmental reasons, be disturbed. Therefore, Lessee agrees that it shall not disturb (and shall protect from impact by Lessee's operations) those drainage courses, if any, that have been previously identified by the Navy or Government and such drainage courses as may from time to time be identified by Lessor;

(i) Minimize Soil Erosion. Lessee shall manage its irrigation water used for the Premises and otherwise control surface water in order to minimize soil erosion and silt run-off from the Premises. Lessor shall, at its sole discretion, determine whether Lessee is exercising reasonable care in the control of soil erosion and silt run-off. Lessee shall promptly implement, at Lessee's cost and expense, Lessor's requirements for such control which requirements shall include, without limitation the soil erosion practices set forth in Exhibit "E" attached to this Lease;

(j) Keep Free of Weeds. Subject to the provisions of Section 4(d) above and ARTICLE 6 below, Lessee shall keep the Premises reasonably free and clean of noxious weeds and other volunteer growth;

(k) No Improvements Without Lessor's Consent. Lessee shall not make or suffer to be made any changes, alterations, additions or improvements in, upon or about the Premises without the written consent of Lessor first obtained and Lessor shall not be called upon to make any additions, alterations, improvements or repairs in, on or about the Premises. "Alterations" shall mean any alterations, additions or improvements made in, on, about, under or contiguous to the Premises after the commencement of this Lease, including, but not limited to, installation of aboveground and below ground tanks or other underground containers used for other than water only. As a condition to any consent, Lessor may request that Lessee prepare a risk assessment that addresses any and all concerns of Lessor. The adequacy of the risk assessment shall be determined in Lessor's sole discretion;

(l) Protect Water Transmission and Other Utilities. Lessee shall protect in place and maintain in good condition, all in connection with Lessee's use of the Premises, any water transmission or other utility facilities located upon the Premises;

(m) Maintain Roadways. Lessee shall maintain any nonpublic access roads to the Premises used in connection with Lessee's use of the Premises (including the Access Road) in good condition in accordance with standards approved by Lessor;

(n) Repair. Lessee shall maintain and repair all improvements on the Premises, including all fences, and shall keep all such improvements in a good and safe condition, reasonable wear and tear excepted;

(o) Signs. Lessee shall not place or maintain any signs on the Premises without Lessor's prior written approval, which approval may be conditioned (as to number, location, size, color and design) or withheld in Lessor's sole and absolute discretion; and

(p) Intentionally Omitted.

(q) Special Conditions. Lessee shall comply with any special conditions that are set forth in Exhibit "E" attached hereto and by this reference incorporated herein.

4. INTENTIONALLY OMITTED.

5. LESSEE'S OPERATIONS.

(a) No Unauthorized Use. During the Term of this Lease, the Premises and all improvements constructed and maintained thereon shall be used by Lessee for the farming use specified in the Basic Terms and for no other use or purpose. No commercial wholesale or retail sales, including without limitation a roadside stand, shall be made upon the Premises without the prior written approval of Lessor which may be withheld by Lessor in its sole and absolute discretion. No overnight human occupancy or residential use is permitted on the Premises.

(b) Compliance With Laws.

(i) Compliance with General Laws. Lessee shall comply with all laws, statutes, orders, zoning restrictions, permits, ordinances, rules, regulations or requirements of any duly constituted public authority having jurisdiction over the Premises now in force or which may hereafter be in force (collectively, "Public Laws"), and all conditions, easements or restrictions now or hereafter encumbering the Premises. Lessee shall not commit any public or private nuisance or any other act or thing which might or would disturb the quiet enjoyment of any other lessee or Lessor or any occupant of nearby property or which might or would injure the reputation of the Premises.

(ii) Comply With Air Quality Requirements. Lessee shall at its sole cost and expense comply with all requirements of the South Coast Air Quality Management District ("SCAQMD") Rule 403 (governing fugitive dust emissions), including, if applicable, the requirements of any approved fugitive dust emission notification, control plan, acknowledgment, response, permit, agreement or other control measure filed, issued, obtained, prepared or agreed to by Lessor or Lessee for or otherwise applicable to the Premises ("Dust Control Measures"). If any further Dust Control Measure is required by SCAQMD or other applicable governmental agency for the Premises, Lessee shall at its sole cost prepare and implement such Dust Control Measure in accordance with Rule 403 and other applicable Public Laws, and in such event Lessee shall provide Lessor with a copy of such Dust Control Measure within ten (10) days of submission to, or issuance by, SCAQMD or other governmental agency.

(iii) Comply With Storm Water Regulations. Lessee shall at its sole cost and expense comply with and give all notices required by all Public Laws applicable to the control of soil erosion, water and/or waste discharge and silt run-off on or from the Premises, including the federal Clean Water Act, 33 U.S.C. §§1251 et seq., regulations and orders of the State Water Resources Control Board, regulations and orders of the Regional Water Quality Control Board, any Notice of Intent ("NOI") or Storm Water Pollution Prevention Plan ("SWPPP") applicable to the Premises, the Drainage Area Management Plan prepared by the County of Orange applicable to the Premises, any Total Maximum Daily Loads or related restrictions issued by federal, state or local authorities for the watershed in which the Premises are located, and any Water Quality Management Plan ("WQMP") applicable to the Premises, whether imposed on the owners or operators of land. The foregoing requirements shall include, if necessary, preparing and filing any NOI, SWPPP or WQMP required for Lessee's use of the Premises, and shall include, if applicable, compliance with all waste discharge requirements for construction dewatering as currently specified by the Regional Water Quality Control Board, Santa Ana Region.

(iv) Occupational Safety and Health Act. Lessee shall at its sole cost and expense comply with the requirements of the Occupational Safety and Health Act of 1970, 29 U.S.C., Section 651 et seq. and any analogous legislation in California, as well as Proposition 65, Cal. Health & Safety Code §§25249.6 et seq. (collectively, the "Act"), to the extent that the Act applies to the Premises and any activities thereon and without limiting the generality of the foregoing, Lessee covenants to maintain all working areas, all machinery, structures, electrical facilities and the like upon the Premises in a condition that fully complies with the requirements of the Act including such requirements as would be applicable with respect to agents, employees or contractors of Lessor who may from time to time be present upon the Premises.

(c) Use of Agricultural Chemicals. Lessee shall, at its sole cost and expense, comply with all Public Laws relating to Lessee's storage, application, use, removal, transportation and disposal of pesticide or weed control chemicals, agricultural fertilizers and other agricultural chemicals (collectively, "Agricultural Chemicals"), including but not limited to the regulations of the Department of Food and Agriculture of the State of California and the Agricultural Commission of the County of Orange, shall use and/or handle any Agricultural Chemicals in a safe, reasonable and lawful manner. Notwithstanding the foregoing, Lessee shall not permit or suffer placement, storage, disposal, discharge or use any "Prohibited Chemicals" (as defined below), and any chemicals included within the definition of "Prohibited Chemicals" shall not be considered "Agricultural Chemicals." In addition, and not by way of limitation of the foregoing, if Lessee's use of Agricultural Chemicals restricts or inhibits the use of the Premises or surrounding property for agricultural purposes after the expiration or termination of this Lease, whether because of restrictions under applicable law or because crops cannot reasonably and profitably be grown as a result thereof, then Lessee shall indemnify and hold Lessor harmless from all losses, damages, costs and expenses, including loss of revenues, suffered because of such restriction or inhibition. Lessee

acknowledges that the Premises may be situated proximate to urban and/or suburban areas and Lessee agrees to use extra precautions with regard to its use of Agricultural Chemicals to prevent such chemicals from affecting such areas. Lessee shall keep and maintain, during the Term of this Lease, accurate and complete records of the amount of, the time when, the location of, use of, the conditions under which use of and the type of Agricultural Chemicals are used by Lessee on, under, in or about the Premises, which records shall evidence Lessee's compliance with all such Public Laws. Lessor shall have the right to inspect such records and the Premises at any time and from time to time during the Term of this Lease and to audit Lessee's procedures to satisfy itself that Lessee is in compliance with its obligations with respect to such matters. Lessee shall provide Lessor, within two (2) business days after Lessee's receipt of same, with a copy of any notice received from any governmental agency that Lessee is not in compliance with any such law and with the description of the corrective action which Lessee has taken or proposes be taken to bring the noticed matter into compliance. For purposes of this Lease, the following chemicals shall be considered "Prohibited Chemicals:" (i) Diazanone; (ii) Chlorpyrifos; and (iii) so long as there exists at the time of Lessor's notice a reasonable alternative Agricultural Chemical for accomplishing the same objective, any other chemical from time to time identified by Lessor as posing a threat to persons or the environment.

(d) No Toxic Materials. Lessee shall not permit or suffer placement, storage, disposal or discharge of any Toxic Materials (as hereinafter defined) on, under or at the Premises and Lessee shall not erect, emplace or maintain any tank, vessel or container designed or suitable for holding Toxic Materials on or about the Premises without the prior written consent of Lessor which consent may be withheld or denied or made subject to conditions in the sole discretion of Lessor. Lessor shall not be liable to any third party as a result of giving or withholding its consent. Lessee shall, at its sole cost and expense and whether or not Lessor's consent has been obtained, also comply with all Public Laws relating to Lessee's storage, discharge, application, use and disposal of Toxic Materials on, under, in or about the Premises. As used in this Lease, the Term "Toxic Materials" means any "Prohibited Chemicals" (described above) and any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government (other than the Agricultural Chemicals referenced above), including, but not limited to, any material or substance which is (i) defined as a "hazardous waste", "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substances Account Act), (iii) defined as a "hazardous material" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated biphenyls, (viii) formaldehyde, (ix) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (x) designated as

a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33 U.S.C. Section 1251 et seq. (33 U.S.C. Section 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317), (xi) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903) ("CERCLA") or (xii) defined as "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601). Upon the discovery by Lessee of the presence of any Toxic Materials on, under, in or about the Premises, the Lessee shall promptly notify Lessor of such discovery in accordance with Section 25359.7 of the California Health and Safety Code and, within 30 days after such discovery, submit to Lessor a written plan setting forth a description of the action which Lessee proposes to take with respect thereto, including, without limitation, any proposed corrective work, the estimated time of completion, the person or persons to perform the work if other than Lessee and such other information as is relevant to the action to be taken. If Lessee does or proposes to discharge, apply, use, remove or dispose of any Toxic Materials on, under, in or about the Premises, Lessee shall notify Lessor in writing at least ten (10) days prior to such activity on, under, in or about the Premises, which notice shall set forth the action which Lessee proposes to take to comply with the storage, discharge, application, use, removal or disposal of the Toxic Materials in accordance with applicable Public Laws. Lessee's failure to do so shall constitute a default under this Lease. Lessor may, at any time or from time to time, require that Lessee conduct, at Lessee's sole cost and expense, reasonable monitoring activities with respect to Toxic Materials by Lessee on the Premises satisfactory to Lessor in its sole discretion. Lessee shall not clean up, remove, dispose of or discharge any Toxic Materials from the Premises including, without limitation, disposal through public or private sewers or drainage systems, without (i) obtaining Lessor's prior written consent to such proposed clean up, removal, disposal or discharge, (ii) obtaining all required governmental approvals for such clean up, removal, disposal or discharge, (iii) obtaining all governmental and private approvals for neutralizing and/or storage of such Toxic Materials after clean up, removal, disposal or discharge.

(e) Lessee to Give Lessor Notice of Environmental Issues. Lessee shall notify Lessor of and provide to Lessor a copy of the following environmental entitlements or inquiries related to the Premises: third party claims, notices of violation, notices to comply, citations, inquiries, reports filed pursuant to self-reporting requirements, reports filed pursuant to any governmental law or regulation relating to underground tanks or Toxic Materials. In the event of release of any Toxic Materials to the environment, Lessee will furnish to Lessor a copy of any and all reports, and correspondence with governmental agencies relating to the Premises. Upon request of Lessor, Lessee will furnish to Lessor a copy of any and all environmental entitlements or inquiries relating to the Premises, including, but not limited to all permit applications, permits and reports, including those which may be characterized as confidential. Lessee shall not take any remedial action related to Toxic Materials or underground tanks located in or about the Premises, and shall not enter into any settlement, consent decree or compromise in response to any claim related to toxic materials or underground tanks which shall be in any way connected with the Premises, without first notifying Lessor of Lessee's proposed action and affording Lessor a reasonable opportunity to appear, intervene, or otherwise

participate in any discussion or proceeding for the purpose of protecting Lessor's interests in the Premises.

(f) Lessee's Indemnity for Toxic Materials. Lessee hereby waives all claims and demands relating to, and agrees to defend, indemnify and hold Lessor and the Orange County Great Park Corporation, and their respective council members, officials, officers, employees, directors, shareholders, agents, representatives, attorneys and professional consultants, and its and their respective successors and assigns (collectively, the "Indemnified Parties") harmless from and against any and all losses, liabilities, general, special, consequential and/or incidental damages, injuries, costs, expenses and claims of any and every kind whatsoever (including without limitation, court costs, attorneys' fees, damages to any person (including the Indemnified Parties), the Premises, or other property or loss of rents due under this Lease) which at any time or from time to time, may be paid, incurred or suffered by, or asserted against them for, with respect to, or as a direct or indirect result of (i) breach by Lessee of the covenants set forth in this ARTICLE 6, or (ii) to the extent caused or allowed by Lessee or by any agent, representative, employee, contractor, invitee or licensee of Lessee, (A) any accident, overspray, or occurrence causing injury to any person or property including that of Lessor, either directly or indirectly, due to the use of Agricultural Chemicals on the Leased Premises, or (B) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission, or release from, onto or into the Premises, the land, the atmosphere, or any water course, body of water, sewer, or ground water of any Toxic Material or Agricultural Chemicals (including any Toxic Material, Agricultural Chemicals or other environmental conditions identified, described or disclosed within Sections 6(h) and (i) below); provided, however, that no Indemnified Party shall be entitled to indemnification hereunder to the extent any such claim is ultimately established by a court of competent jurisdiction to have been caused solely by the gross negligence or willful misconduct of such Indemnified Party. Lessor retains the right to (x) refuse Lessee's proffered defense of any action or proceeding brought against Lessor or the Indemnified Parties regarding which Lessee is obligated to indemnify as provided above, and (y) to select and direct independent legal counsel, and Lessee shall nevertheless pay all of Lessor's attorneys' fees and costs of litigation incurred in connection therewith. The provisions and undertakings and indemnifications in this ARTICLE 6 shall survive termination of this Lease. Payment shall not be a condition precedent to recovery under any indemnification in this Lease, and a finding of liability or an obligation to indemnify shall not be a condition precedent to the duty to defend.

(g) Lessor's Right to Require Environmental Audit. At any time during or after the Term of this Lease, Lessor may require Lessee to conduct an audit of its records and of the soil of the Leased premises at lessee's cost and expense to determine any conditions to the soil caused by application of agricultural chemicals or other Toxic Materials to the Premises by Lessee. Lessor may require Lessee to remove, neutralize or clean up any residual agricultural chemicals or Toxic Materials discovered or identified by such audit.

(h) Pre-Existing Environmental Conditions; Certain Duties of Lessee. Lessee has previously received and reviewed that certain Executive Summary of an

Environmental Baseline Survey for Lease ("EBS") and an excerpt from a Finding of Suitability to Lease ("FOSL") that were attached as Exhibits to the Existing Lease. The EBS sets forth certain, existing environmental conditions of the Premises as represented by the baseline survey, which has been previously conducted by the United States of America, acting by and through the Navy (collectively, the "Government"). Lessee acknowledges that it has reviewed and is aware of the notifications and restrictions contained in the FOSL and shall conduct its activities on and about the Premises in accordance therewith. Lessee acknowledges that the Project is an installation identified as a National Priorities List ("NPL") Site under CERCLA. Lessee acknowledges that the Government has previously provided Lessee with a copy of the Federal Facility Agreement ("FFA") entered into by the United States Environmental Protection Agency ("EPA") Region, the State of California, and the Government. Lessee agrees that should any conflict arise between the terms of such agreement as it presently exists or may be amended ("FFA" or "Interagency Agreement (IAG)") and the provisions of this Lease, the terms of the FFA or IAG will take precedence. Lessee further agrees that Lessor assumes no liability to Lessee or its sublessees or licensees should implementation of the FFA interfere with Lessee's or any sublessee's and/or licensee's use of the Premises. Lessee shall have no claim on account of any such interference against Lessor or any of Lessor's officers, agents, employees, contractors or subcontractors.

(i) Lessee acknowledges that the Government, EPA and the State, and their officers, agents, employees, contractors and subcontractors, have the right to enter upon the Premises for the purposes enumerated in this Section and for such other purposes consistent with any provisions of the environmental cleanup program (including but not limited to the BRAC Cleanup Plan, FFA, or IAG) and the Installation Restoration Program ("IRP"). In addition, Lessee acknowledges that access by Government may be required:

- (1) to conduct investigations and surveys, including, where necessary, drilling, soil and water sampling, test-pitting, testing soil borings and other activities related to the cleanup program;
- (2) to inspect field activities of Government and its contractors and subcontractors in implementing the cleanup program;
- (3) to conduct any test or survey required by EPA or applicable state equivalent relating to the implementation of the cleanup program;
- (4) to construct, operate, maintain or undertake any other response or remedial action as required or necessary under the cleanup program, including but not limited to monitoring wells, pumping wells and treatment facilities.

(ii) Lessee agrees to comply with the provisions of any health or safety plan in effect under the IRP or the FFA during the course of any of the above described response or remedial actions. Lessee and sublessee shall have no claim on account of such entries against the Lessor or any of Lessor's officers, agents,

employees, contractors or subcontractors. In addition, Lessee shall comply with all applicable Federal, state and local occupational safety and health regulations.

(iii) Lessee shall strictly comply with the hazardous waste permit requirements under the Resource Conservation and Recovery Act or its applicable state equivalent. Lessee must provide at its own expense such hazardous waste management facilities complying with all laws and regulations. Any violation of the requirements of this condition shall be deemed a material breach of this Lease.

(iv) Lessee shall not conduct or permit its sublessees to conduct any subsurface excavation, digging, drilling or other disturbance of the surface in or on the LIFOC Parcels.

(v) Lessee acknowledges that the existence on and within the Premises of known asbestos, asbestos-containing material (ACM), lead based paint (LBP), or polychlorinated biphenyls (PCBs) has been disclosed to Lessee and Lessee is fully aware of such existence.

(vi) Lessor shall not be responsible for any removal or containment of ACM, LBP or PCBs. Lessee shall not make any improvements or repairs that require the disturbance of or removal of asbestos.

(vii) Asbestos or ACM which during the period of this Lease becomes damaged or deteriorated through the passage of time, as the result of a natural disaster or as a consequence of Lessee's activities under this Lease, including but not limited to any emergency, will be abated by Lessee at its sole cost and expense. Lessee shall be responsible for monitoring the condition of existing asbestos and ACM on the Premises for deterioration or damage and accomplishing repairs or abatement.

(i) Potable Water; Groundwater. Lessee acknowledges that Lessor is not certain of the quality of the domestic water serving the Premises, including whether such water may be contaminated with certain Toxic Materials or Agricultural Chemicals and/or whether the use and consumption of such water by any party will be hazardous to such parties' health. As a result of the foregoing, Lessee agrees, at its sole cost and expense, to hire an outside consultant to perform testing of the domestic water serving the Premises on a quarterly basis for the purpose of determining the quality of such water and the extent of contamination, if any, of such domestic water. The character and amount of testing and all outside consultants performing such testing shall be subject to Lessor's prior written approval. Lessee shall promptly deliver the results of all such quarterly testing to Lessor for Lessor's review. If, at any time, the parties become aware of or discover that the domestic water serving the Premises is contaminated or may be harmful to any person using or consuming such water, Lessee shall take such actions and preventative measures that Lessor deems appropriate to prevent any person from accessing, drinking or otherwise using any contaminated water serving any portion of the Premises, including without limitation, the following: (i) Lessee shall disable any and all water lines, faucets, taps and similar items that may cause any party to come into contact

with such water unless Lessee first installs a water purification or other water control system approved by Lessor in its reasonable discretion, (ii) Lessee shall not use or access the groundwater, nor shall Lessee move, destroy or otherwise disturb or cause to be disturbed any existing groundwater monitoring well, soil vapor extraction ("SVE") well, or lysimeter and associated equipment; and (iii) Lessee shall take all additional actions and preventative measures that Lessor reasonably deems appropriate with respect to such contaminated water. Tenant hereby expressly waives, releases and relinquishes any and all claims, causes of action, rights and remedies Tenant may now or hereafter have against the Indemnified Parties, whether known or unknown, with respect to any past, present or future claimed or actual personal injuries, property damages or losses of any kind arising out of or in any way relating to the consumption or use of domestic water within the Premises (collectively, "**Water Claims**"), and Tenant shall defend, indemnify and hold harmless the Indemnified Parties with respect to any Water Claim raised by Tenant or any third party.

(j) Release of Indemnified Parties. In addition to anything contained in Section 6(f) above, Lessee hereby expressly waives, releases and relinquishes any and all claims, causes of action, rights and remedies Lessee may now or hereafter have against the Indemnified Parties, whether known or unknown, with respect to any past, present or future presence or existence of Toxic Materials or Agricultural Chemicals on, under or about the Premises (including, without limitation, in the groundwater underlying, and the domestic water serving, the Premises) or with respect to any past, present or future violations of any and all federal, state and local statutes, ordinances, rules, regulations, laws, guidance documents, judgments, governmental authorizations, or any other requirement of governmental authorities, as may presently exist or as may be amended or supplemented, or hereafter enacted or promulgated, relating to the presence, release, generation, use, handling, treatment, storage, release, transportation or disposal of Toxic Materials, or the protection of the environment or human, plant or animal health, including, without limitation, (i) any and all rights Lessee may now or hereafter have against any Indemnified Party or respecting the Premises under the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (CERCLA), as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C.A. §9613), as the same may be further amended or replaced by any similar law, rule or regulation; (ii) any and all rights Lessee may now or hereafter have against any Indemnified Party under any other Public Laws; and (iii) any and all claims, whether known or unknown, based on nuisance, trespass or any other common law or statutory provisions.

6. CONDITION OF THE PREMISES. Lessee hereby acknowledges that (a) Lessee has been in possession of the Premises for a lengthy period of time prior to the Commencement Date pursuant to the Existing Lease, (b) the Premises have been used for agricultural purposes and that pre- and/or post emergence weed control and/or pesticide chemicals and/or other agricultural chemicals have been applied to the Premises and/or land proximate to the Premises, (c) any buildings, trailers, mobile offices or homes or other structures located on the Premises may contain asbestos, polychlorinated biphenyls, formaldehyde or other Toxic Materials or may otherwise be structurally unsound or uninhabitable, (d) in connection with prior agricultural use of the Premises, pesticide chemicals (including DDT), agricultural fertilizers, fuels and other

economic poisons (as defined in California Food and Agricultural Code Section 12753) have been used in, on or about the Premises and use of such substances may not be permissible under Public Laws in effect as of the date of this Lease, (e) trichloroethylene ("TCE's") or other substances may be present in the subsurface soil or ground water on, under, in or about the vicinity of the Land as a result of discharge from military installations in the vicinity of the Premises, (f) Access Roads and other roadways and intersections between such Access Roads and public roads may not be maintained by Lessor and may not have been constructed to current public road standards, and Lessee shall be solely responsible for insuring that all persons using same in connection with Lessee's use of the Premises shall do so in a safe manner, (g) windrows on or adjacent to the Premises or roadways used for access to or from the Premises are not maintained by Lessor, and limbs may break and fall from such trees without notice, (h) use of adjacent property may cause or result in dust, Agricultural Chemicals, and/or water (both agricultural and storm runoff) to be deposited on the Premises, and (h) use by others of access roadways across the Premises may result in dust being deposited on the Premises. This Lease is made "AS IS" and is subject to and without liability to Lessor or the Indemnified Parties because of or resulting from any of the foregoing conditions, any other soil or ground water condition, or any structural or other defects or uninhabitability of any buildings, trailers, mobile offices or homes or structures located on the Premises, or any other condition of the Premises or adjacent property. It is understood and agreed that Lessee has made, or prior to the commencement of the Term of this Lease will make, its own tests and inspections to determine the suitability of the Premises and all appurtenant facilities for the agricultural purposes set forth in this Lease, including but not limited to tests and inspections to determine whether Agricultural Chemicals have been used on the Premises, and that Lessee has satisfied itself that such use, if any, has not and will not render the soil of the Premises unsuitable for the agricultural purposes set forth in this Lease or cause damage or injury to any agent, employee, contractor, invitee or licensee of Lessee or anyone else claiming under Lessee. Lessee is relying exclusively upon its own investigation and the reports, advice, opinions and recommendations of its agents and consultants and neither Lessor nor any agent of Lessor has made any representation or warranty with respect to the Premises or the Project or their condition, or with respect to the suitability thereof for the conduct of Lessee's business.

7. TAXES. As a further consideration for this Lease, Lessee agrees to pay all taxes, assessments (including, without limitation, change in ownership taxes or assessments), liens, bond obligations, license fees or taxes and any similar impositions in-lieu of other impositions and other charges of every description which during the Term of this Lease may be levied upon or assessed against all equipment, crops and personal property upon the Premises, owned by Lessee. In the event such charges levied upon or imposed upon such items are not assessed to Lessee, Lessee agrees to make payment to Lessor in the amount thereof within ten (10) days following delivery by Lessor to Lessee of a statement therefor. If any taxes or assessments are imposed in connection with the rentals or other charges payable to Lessor under this Lease, then such taxes or assessments shall be paid by Lessee; provided, however, that Lessee shall not in any event be required to pay any income or franchise tax of Lessor.

8. UTILITIES AND SERVICES. Lessee shall arrange for delivery of all necessary utilities as required by Lessee to be brought to the Premises at Lessee's sole cost and expense. Lessee shall be solely responsible for and shall promptly pay all charges for water, gas, electricity or any other utility used, consumed or provided in, furnished to or attributable to the

Premises at the rates charged by the supplying utility companies and/or Lessor. In furtherance of the foregoing, with respect to the delivery of water and sewer services to the Premises, upon the execution of this Lease, Tenant shall execute the Request For Interim Water and Sewer Service attached hereto as Exhibit "F" and deliver the same to Irvine Ranch Water District (the "IRWD"). Should Lessor elect to supply any or all of such utilities, Lessee agrees to purchase and pay for the same as additional rent as apportioned by Lessor. The rate to be charged to Lessor to Lessee shall not exceed the rate charged to Lessor by any supplying utility. Lessee shall reimburse Lessor within ten (10) days of billing for fixture charges and/or water tariffs, if applicable, which are charged to Lessor by local utility companies. Lessor will notify Lessee of this charge as soon as it becomes known. This charge will increase or decrease with current charges being levied against Lessor, the Premises or the Project by the local utility company, and will be due as additional rent. Lessee acknowledges that Lessor has made no representation or warranty with respect to the delivery, capacity and/or availability of any utilities to the Premises and, even though Lessor may own or operate certain utility lines and appurtenances located outside the Premises after it acquires the Project, any interruption, failure or termination of any utility services due to the application of applicable laws, the failure of any equipment, the performance of repairs, improvements or alterations in or around the Project, or any other cause whatsoever (a "Service Failure") shall not render Lessor liable to Lessee, constitute a constructive eviction of Lessee, give rise to an abatement of Basic Rent or additional rent, nor relieve Lessee from the obligation to fulfill any covenant or agreement contained in this Lease. Lessee shall bear all risk of loss or damage relating to a Service Failure. In no event shall Lessor be liable for any loss or damage, direct or indirect, special or consequential, including loss of business or theft of Lessee's property, arising out of or in connection with any Service Failure.

9. LIENS. Lessee agrees that it will pay or cause to be paid all costs of work done by it or caused to be done by it on the Premises which will or may result in a lien on the Premises, and Lessee shall keep the Premises free and clear of all mechanics' liens and other liens on account of work done for Lessee or persons claiming under Lessee. If such liens shall at any time be filed against any part of the Premises, then Lessee shall either cause any such lien to be discharged within thirty (30) days after the recording thereof, or if Lessee, in Lessee's discretion and in good faith determines that such lien should be contested, shall furnish a bond or other security as may be necessary or required to prevent any foreclosure proceedings against the Premises during the pendency of such contest. If Lessee shall fail to furnish such bond or security, then, in addition to any other right or remedy of Lessor resulting from Lessee's default, Lessor may, but shall not be obligated to, discharge the same either by paying the amount claimed to be due or by procuring the discharge of such lien by giving security or a bond or in such other manner as is, or may be, prescribed by law. Lessee shall reimburse and repay to Lessor, as additional rent, on demand, all sums disbursed or deposited by Lessor pursuant to the provisions of this ARTICLE 10, including all costs and expenses and attorneys' fees incurred by Lessor in connection therewith. Nothing contained herein shall imply any consent or agreement on the part of Lessor to subject Lessor's estate to liability under any mechanics' lien or other lien law.

Should any claims of lien be filed against any portion of the Premises or any action affecting title to any portion of the Premises be commenced, the party receiving notice of such lien or action shall forthwith give to the other party written notice thereof. Lessor or its representatives shall have the right to post and keep posted upon the Premises or any portion

thereof notices of nonresponsibility or such other notices that Lessor may deem proper for the protection of Lessor's interest in the Premises. Lessee shall, before commencement of any work that might result in such lien, give Lessor written notice of its intention to do so specifying the time of commencement of such work in sufficient time prior to such work to enable the posting of such notices.

10. RESERVATIONS; LESSEE'S TERMINATION RIGHT.

(a) Redevelopment Activities. Lessee acknowledges that the Project is being redeveloped in connection with its conversion from a former marine base to civilian use. Such redevelopment will involve extensive reconstruction and rehabilitation of buildings, roadways, public facilities and improvements, all of which will produce noise, dust and inconvenience to Lessee (e.g., road barricades). Lessor reserves the right to grant easements and rights of way in the future over, under and across the Premises and remainder of the Project in connection with the foregoing activities and the performance by Lessor or others of their current or future obligations relating to the investigation, remediation and removal of Toxic Materials. Lessee acknowledges that these activities will not constitute a nuisance and shall not be a basis for rental abatement or be deemed a violation of Lessee's right to quiet enjoyment of the Premises hereunder, subject to Lessee's right to terminate as provided in Section 11(i) below. Lessee shall not be entitled to any compensation or damages for loss of, or interference with, Lessee's business or use or access to the Premises resulting from the activities described in this paragraph. Lessee consents to the reasonable alteration by Lessor of the boundaries to the Premises in order that they comply, in Lessor's judgment, with the development of the Project.

(b) Right to Inspect Premises. Lessor reserves the right, by its agents and employees, to enter upon the Premises, any permanent or temporary office or structure on the Premises or any part thereof, at any time or times during the Term of this Lease, for the purpose of inspecting the same and all work and operations conducted thereon by Lessee, and of otherwise protecting Lessor's interest in and to the Premises, and Lessor shall have the right to maintain such notices on the Premises as maybe necessary to protect Lessor against loss or liability from mechanics' liens or otherwise.

(c) Right to Inspect and Use Irrigation Facilities. Lessor reserves the right at any time during the Term of this Lease to enter upon the Premises for the purpose of inspection, construction, installation, repair, restoration, replacement and operation of pipelines, ditches, water transmission or drainage facilities and other improvements thereon for the irrigation or drainage of the Premises and other land; provided, however, that the construction or installation of any new facilities serving other land shall be subject to compensation for damage to crops, if any.

(d) Mineral Rights. Lessor reserves all oil, gas and other minerals and substances in and under the Premises and the right, without joinder of or consent by Lessee, to enter into oil or gas leases affecting the Premises, or any part thereof, and the rights of Lessee herein at all times shall be subordinate to the rights of any lessee under any such oil or gas lease; and Lessor reserves the right to dedicate or convey any portion

of the Premises for street, highway, drainage, sewer, transmission lines or similar purposes, and any portion of the Premises so dedicated or so conveyed shall from the date thereof no longer be affected by this Lease or be part of the Premises.

(e) Water Rights. Lessor reserves any and all water rights or interests attributable to the Premises, no matter how acquired by Lessor, together with the right and power to explore, drill, redrill, remove from the Premises and store and/or to divert or otherwise utilize such water rights or interests on any other property owned or leased by Lessor, whether such water rights shall be riparian, overlying, appropriate, littoral, percolating, prescriptive, adjudicated, statutory or contractual. Lessor reserves the right to enter upon the Premises in the exercise of any such rights, subject to crop damage compensation.

(f) Right to Conduct Tests and Surveys. Lessor reserves the right to enter upon the Premises, or any part thereof, at any time during the Term of this Lease for the purpose of conducting soil tests and surveys, subject to crop damage compensation.

(g) Right to Cure Lessee's Default. In the event Lessee shall fail to properly care for the Premises or any buildings or crops on the Premises as hereinabove provided, then Lessor may, at its option, by its agents and employees, enter upon the Premises, or any part thereof, and without hindrance from or liability to Lessee, perform such work thereon as Lessor may deem necessary for the proper care thereof, and in such event Lessee agrees to pay to Lessor, upon demand, all costs and expenses incurred in such work, and any default in such payment shall constitute a breach of the covenants and conditions of this Lease. Notwithstanding anything contained herein to the contrary, Lessee shall permit Lessor or Lessor's agents to enter the Premises at any time, without prior notice, and, at Lessee's sole cost and expense, to inspect, monitor, take emergency or long-term remedial action, and/or discharge Lessee's obligations hereunder when Lessee has failed to do so, or take any other action to restore the Premises to its original condition.

(h) Withdrawal of Land. Lessor reserves the right at any time and from time to time, as provided in Section 1(d) above, to withdraw from the Premises any field or parcel within the Premises by delivery of not less than ten (10) days written notice to Lessee. As to the field or parcel identified in Lessor's notice, this Lease shall terminate as of the date specified in Lessor's notice. If the date specified is prior to the date crops on such field or parcel may be harvested, Lessor shall pay to Lessee Lessee's cultural costs for such crops (less any salvage value realized by Lessee for such crops); if the date specified is after the date such crops may be harvested, then no consideration whatsoever shall be payable to Lessee as a result of such termination.

(i) Lessee's Right to Terminate. In the event of an occurrence of a Material Change in Lease Conditions (as defined below), Lessee shall notify Lessor in writing of such occurrence and Lessor shall have the right, but not the obligation, to cure or otherwise remedy the Material Change in Lease Conditions. If Lessor elects not to cure or does not cure the Material Change in Lease Conditions within fifteen (15) days after receipt of written notice from Lessee, then Lessee shall have the right to terminate this

Lease by providing at least fifteen (15) days advance written notice to Lessor of Lessee's termination election. If Lessee delivers a written termination notice as provided herein, Lessee shall surrender the Premises to Lessor upon the termination date specified in Lessee's notice. If Lessee fails to surrender the Premises as required herein, this Lease shall remain in effect (including Lessee's obligation to pay Rent and perform all other obligations hereunder) until such time that Lessee so surrenders the Premises in compliance with this Lease. For purposes of this Lease, a "Material Change in Lease Conditions" means the occurrence of any one of the following: (a) the occurrence of a Service Failure that prevents Lessee from operating its business from the Premises (or a material portion thereof) for a continuous period of more than five (5) consecutive days (other than a Service Failure caused by Lessee).

(j) NONLIABILITY AND INDEMNIFICATION. Neither Lessor nor the other Indemnified Parties shall be liable for any loss, damage, injury, liability, claim, demand or cause of action of any kind or character to any person (including death) or property arising from, related to or caused by (a) any use of the Premises (including appurtenant facilities), Access Roads (including intersections with public roads), roads to the Premises, or any part thereof, (b) any condition of or defect in the soil or other feature of the Premises or any access roads used in connection therewith, or any building, structure or other improvement thereon or in any equipment or other facility located therein or thereon (including but not limited to the windrows on or adjacent to the Premises or any Access Roads or any other condition described in Section 7 (Condition of Premises) above), (c) any act or omission of Lessee, or of any of its agents, representatives, employees, contractors, customers, licensees or invitees, (d) any accident on the Premises or on any Access Roads to the Premises or any land owned by Lessor or any flood or any fire or other casualty thereon, (e) the failure of Lessee to maintain the Premises in safe condition, (f) the activities of any person (including Lessor and Lessor's agents) on any adjacent property whether or not the property is owned by Lessor or any other person, (g) any accident or damage on any adjacent property caused by acts or occurrences on the Premises, (h) any activity of Lessee for which Lessor has given its consent or withheld its consent, (i) water or other utilities supplied (or not supplied) by Lessor, or (j) any other cause whatsoever in connection with Lessee's use of the Premises or Lessee's operations under this Lease (collectively, the "Claims"), and Lessee, as a material part of the consideration of this Lease, hereby releases and waives on its behalf and on behalf of its successors and assigns all claims and demands against Lessor and the other Indemnified Parties for any such Claims. Lessee hereby agrees to indemnify, defend and hold Lessor and the other Indemnified Parties entirely free and harmless from all Claims of parties other than Lessee (including the Indemnified Parties) arising from or related to Lessee's use of the Premises, Lessee's operations under this Lease, or Lessee's breach of its obligations under this Lease, and from all costs, expenses and charges arising therefrom, including, without limitation, attorneys' fees and court costs incurred by Lessor or the other Indemnified Parties in connection therewith; provided, however, that Lessor retains the right to refuse Lessee's proffered defense of any action or proceeding brought against Lessor and to select and direct independent legal counsel, and Lessee shall nevertheless pay all of Lessor's attorneys' fees and costs of litigation incurred in connection therewith. Notwithstanding the foregoing, except with regard to the condition of the Premises and roadways (including intersections with public roads and

including windrows on and adjacent to the Premises and Access Roads) and the amount and condition of water or other utilities supplied by Lessor, as to which Lessor and the other Indemnified Parties shall have absolutely no liability, no Indemnified Party shall be entitled to indemnification hereunder to the extent any Claim is ultimately established by a court of competent jurisdiction to have been caused solely by the gross negligence or willful misconduct of such Indemnified Party. The waiver and indemnification in this ARTICLE 12 shall be in addition to, and shall not in any way limit, the waiver and indemnification contained in ARTICLE 6. The obligations of Lessee under this ARTICLE 12 and ARTICLE 6 shall survive the termination or expiration of this Lease. Payment shall not be a condition precedent to recovery under any indemnification in this Lease, and a forgoing of liability or an obligation to indemnify shall not be a condition precedent to the duty to defend.

11. INSURANCE.

(a) Liability Insurance. Lessee shall at its own expense, at all times during the Term of this Lease maintain in force for the joint benefit of Lessor and Lessee, with deductibles or self-insured retentions reasonably acceptable to Lessor, (i) commercial general liability insurance written on an "occurrence" policy form covering bodily injury, property damage, personal injury and advertising injury arising out of (directly or indirectly) all operations of Lessee or Lessee's use or occupancy of the Premises, with a combined single limit for bodily injury and property damage per occurrence of Five Million Dollars (\$5,000,000.00) or an amount equal to the limit from time to time carried by Lessee, whichever is greater, and (ii) owned, leased and non-owned automobile liability insurance covering use of all automobiles, trucks and other motor vehicles utilized by Lessee with a combined single limit for bodily injury and property damage per occurrence of Five Million Dollars (\$5,000,000.00) or an amount equal to the limit from time to time carried by Lessee, whichever is greater. The general liability policy shall include the following endorsements: (A) an ISO form CG 2010 (11/85) additional insured endorsement or its equivalent naming Lessor and its members, subsidiaries, partners and affiliated companies, and all of their respective officers, employees, directors, shareholders, agents, representatives and professional consultants, and all of their respective successors and assigns" as additional insureds with respect to liability or claims arising out of or resulting from the acts or omissions of Lessee or others performing acts on behalf of Lessee, and (B) a primary/non-contributing endorsement stating that insurance maintained by Lessee is primary and any insurance or self-insurance maintained by the additional insureds is excess and non-contributing with Lessee's insurance with respect to liability or claims arising out of or resulting from the acts or omissions of Lessee or others performing acts on behalf of Lessee. The general liability policy must also include the coverage typically provided by the Broad Form Comprehensive General Liability Endorsement, the broadest available form of coverage for contractual liability (including coverage for liability assumed under this Lease as an "insured contract" for the performance of Lessee's indemnity and hold harmless obligations under this Lease), and coverage for Products/Completed Operations, Fire Damage, Personal and Advertising Injury, and Medical Expense, and must contain Severability of Interest and Cross Liability clauses.

(b) Worker's Compensation Insurance. Lessee shall at its own expense, at all times during the Term of this Lease, maintain in force for the joint benefit of Lessor and Lessee, Worker's Compensation Insurance, including Employers Liability (at a minimum limit of One Million Dollars (\$1,000,000)) for all persons whom it employs. Such insurance shall be in strict compliance with the requirements of the most current and applicable worker's compensation insurance laws in effect from time to time. Such insurance must include a waiver of subrogation endorsement with respect to and for the benefit of Lessor and its divisions, subsidiaries, partners and affiliated companies, and all of their respective officers, employees, directors, shareholders, agents, representatives and professional consultants, and all of their respective successors and assigns."

(c) Casualty Insurance. Lessee shall at its own expense, at all times during the Term of this Lease, maintain in force insurance against fire, vandalism, malicious mischief and such other additional perils as maybe included in a standard "all risk" form, insuring all leased buildings, improvements and fixtures on the Premises, Lessee's leasehold improvements, trade fixtures, furnishings, equipment and other items of personal property of Lessee located at the Premises, in an amount equal to not less than their full replacement cost (with a guaranteed full replacement cost endorsement) and with deductibles or self-insured retentions reasonably acceptable to Lessor. Lessor shall be named as a loss payee as to improvements owned by Lessor.

(d) Insurance Policies/Evidence of Insurance. Except as specifically approved in writing by Lessor, each policy of insurance required to be maintained by Lessee under this Lease must be issued by carriers licensed and approved to do business in California, having a general policyholders rating of not less than "A" and a financial rating of not less than "X" in the most current Best's Key Rating Guide. Prior to conducting any operations under this Lease, and at all times during the Term of this Lease, Lessee shall provide to Lessor an original certificate(s) of insurance and original endorsements evidencing all insurance required hereunder. In addition, Lessor has the right to review certified policies as considered reasonably necessary by Lessor. Each certificate or policy of insurance shall indicate that coverage shall not be cancelled, modified or non-renewed except upon not less than thirty (30) days written notice to Lessor. Each policy, certificate and endorsement required hereunder shall be subject to the reasonable approval of Lessor.

(e) Waiver of Subrogation. Lessee hereby waives any rights it may have against Lessor and the other Indemnified Parties on account of any loss or damage occasioned to Lessee and arising from any liability, loss, damage or injury caused by fire and other perils and risks to the extent covered by Lessee's insurance carried or required to be carried pursuant to this Lease. Lessee's waiver under this paragraph is cumulative with other waivers by Lessee under this Lease.

12. DESTRUCTION. If, during the Term, any improvements on or constituting a part of the Premises are totally or partially destroyed, Lessee shall promptly restore such improvements to the same condition as they were in immediately before destruction, whether or not the insurance proceeds are sufficient to cover the actual cost of restoration. Such destruction shall not terminate this Lease and Lessee shall not be entitled to any rent abatement in relation

thereto. If then existing Public Laws do not permit the restoration, Lessee shall pay to Lessor the insurance proceeds payable (or which would have been payable had Lessee maintained the insurance required under this Lease) in relation to such improvements.

13. ASSIGNMENT AND SUBLETTING.

(a) General Provisions. Neither this Lease, nor any right or interest hereunder shall be encumbered, assigned, sublet, or otherwise transferred by Lessee without the prior written consent of Lessor which consent shall not be unreasonably withheld. If Lessee is a corporation, partnership or other entity and if the equity ownership interests of Lessee are not publicly traded on an established securities market, then any transfer, assignment or encumbrance of more than 25% of such equity interests shall constitute a transfer of this Lease which shall be proscribed by this Lease unless Lessee shall obtain the written consent of Lessor. It shall be reasonable for Lessor to withhold consent if the proposed assignee or sublessee does not prove to the satisfaction of Lessor that it has the experience and ability to operate the Premises as contemplated by this Lease, it has sufficient financial ability to carry out the obligations of Lessee under this Lease including, without limitation the ability to discharge the duties and obligations related to Toxic Materials and to pay the entire rent due under this Lease, it has a reputation for good faith performance of contracts, obligations and agreements, and it is willing to assume all of the duties and obligations of Lessee made under this Lease. No assignment, subletting or transfer of this Lease, or any right or interest herein, whether voluntary or involuntary, by bankruptcy, legal process, operation of law, or otherwise shall be effective or valid without such written consent, and any attempt by Lessee to assign, sublet, or otherwise transfer the Premises, or any part thereof, shall be void and shall confer no rights whatsoever. No assignment, subletting or transfer of this Lease shall serve to release Lessee. If Lessor should consent in writing to any assignment, subletting, or other transfer of this Lease, the same shall thereafter be and remain nontransferable except by and with such written consent, and none of the restrictions of this paragraph shall be thereby waived and the same shall apply to each successive transfer hereunder. Should Lessee attempt to assign this Lease or any interest therein, except as hereinabove provided, or to sublet the Premises or any part thereof, or should the interest of Lessee under this Lease be attached or levied upon or seized under legal process, or should Lessee be adjudged insolvent or bankrupt, then any of the foregoing events shall be deemed a breach of the conditions of this Lease, and in any such event Lessor may, at its option, terminate this Lease immediately by written notice, and upon such termination this Lease shall cease and end and shall thenceforth be of no further force or effect, except as otherwise hereinafter provided.

(b) Review Fee. If the Lessor consents to an assignment or transfer by Lessee on all or a portion of Lessee's interest under this Lease, Lessee shall pay, or cause to be paid, a transfer fee of \$1,500.00; provided, however, that such transfer fee shall not be payable upon Lessor's consent to a transfer or assignment of Lessee's interest hereunder as security for a loan.

(c) DEFAULT. The occurrence of any one or more of the following events shall be a default and a breach of this Lease by Lessee:

(d) Failure to Pay Rent. Lessee fails to pay any rent payment, or other sums due under this Lease within ten (10) days after the same shall be due and payable;

(e) Failure to Perform Other Obligations. Lessee fails to perform or observe any term, condition, covenant or obligation required to be performed or observed by it under this Lease (other than those otherwise specified as defaults in this ARTICLE 15) for a period of thirty (30) days (or such shorter time as provided in this Lease) after notice thereof from Lessor (unless such provision is required to be performed within a specified period of time without notice); provided, however, that if the term, condition, covenant or obligation to be performed by Lessee is of such nature that the same cannot reasonably be cured within thirty (30) days and if Lessee commences such performance within said thirty (30) day period and thereafter diligently undertakes to complete the same, then such failure shall not be a default of this Lease if it is cured within sixty (60) days following Lessor's notice;

(f) Abandonment. Lessee vacates or abandons, or fails to occupy the Premises or any substantial portion thereof for a period of thirty (30) days;

(g) Appointment of a Receiver. A trustee, disbursing agent, or receiver is appointed to take possession of substantially all of Lessee's assets in, on or about the Premises or of Lessee's interest under this Lease (and Lessee does not regain possession within sixty (60) days after such appointment); or Lessee makes an assignment for the benefit of creditors, or substantially all of Lessee's assets in, on or about the Premises or Lessee's interests in this Lease are attached or levied upon under execution (and Lessee does not discharge the same within sixty (60) days thereafter);

(h) Bankruptcy. A petition in bankruptcy, insolvency, or for protection from creditors, reorganization or rearrangement is filed by or against Lessee or any guarantor of Lessee's obligations under this Lease pursuant to any federal or state statute, and with respect to such petition filed against it, Lessee or such guarantor fails to secure a stay or discharge thereof within sixty (60) days after filing of the same;

(i) Assignment or Subletting. Any assignment, or subletting or other transfer for which the prior written consent of Lessor has not been obtained, which default shall occur immediately upon such event and shall not be curable by Lessee without written waiver by Lessor; and

(j) False Information. Discovery by Lessor of any false or misleading statement concerning financial information submitted by Lessee to Lessor in connection with obtaining this Lease or any other consent or agreement by Lessor, which default shall occur immediately upon such event and shall not be curable by Lessee without written waiver by Lessor.

14. REMEDIES.

(a) Lessor's Remedies. Upon occurrence of any event of default, Lessor shall have the following rights and remedies in addition to those allowed by law or in equity, any one or more of which may be exercised or not exercised without precluding Lessor

from exercising any other remedy provided in this Lease or otherwise allowed by law or in equity:

(i) Termination of Lease. Lessor may terminate this Lease and Lessee's right to possession of the Premises in the event any default is not fully cured within the cure period, if any, designated for such default. If Lessee has abandoned and vacated the Premises, the mere entry upon the Premises by Lessor in order to perform acts of maintenance, cure defaults, preserve the Premises or to attempt to relet the Premises or the appointment of a receiver in order to protect Lessor's interests under this Lease shall not be deemed a termination of Lessee's right to possession or a termination of this Lease unless Lessor has notified Lessee in writing that the Lease is terminated. Notification of any default under this Lease shall be in lieu of and not in addition to, any notice required under Section 1161 et seq., of the California Code of Civil Procedure. If Lessor terminates this Lease and Lessee's right to possession of the premises pursuant to this Section 17(a)(i), then, in addition to any other amounts recoverable under law or in equity, Lessor may recover from Lessee the sums provided under Section 1951.2 of the Civil Code of California; and

(ii) Continue Lease in Effect. Notwithstanding Lessor's right to termination of this Lease pursuant to Section 17(a)(i) Lessor may, at its option, even though Lessee has breached this Lease and abandoned the Premises, continue this Lease in full force and effect and not terminate Lessee's right to possession and enforce all of Lessor's rights and remedies under this Lease, including the right to recover rent as it becomes due under this Lease and exercise Lessor's other remedies in the manner provided by Section 1951.4 of the Civil Code of California.

(b) Remedies Cumulative. Any termination of this Lease as herein provided shall not relieve Lessee, or its successors and assigns, if any, from the payment of any sum or sums that shall then be or that shall thereafter become due and payable to Lessor hereunder, and any such termination shall not prevent Lessor from enforcing the payment of any such sum or sums by any remedy provided by law. All rights, options, and remedies of Lessor contained in this Lease shall be construed and held to be cumulative and not exclusive, and Lessor shall have the right to pursue any one or all of such remedies, or any other remedy or relief which may be provided by law, whether or not stated in this Lease.

15. EMINENT DOMAIN.

(a) Definition of Terms. The term "total taking" as used in this Article means the taking of the entire Premises under the power of eminent domain or a taking of so much of the Premises as to prevent or substantially impair the conduct of Lessee's business thereon. The term "partial taking" means the taking of a portion only of the Premises, which does not constitute a total taking as above defined.

(b) Total Taking. If during the Term hereof there shall be a total taking by public authority under the power of eminent domain, then the Leasehold estate of Lessee in and to the Premises shall cease and terminate as of the earlier of (i) the date the actual physical possession thereof shall be taken by the condemning authority, or (ii) the date the condemning authority takes title.

(c) Partial Taking. If during said Term there shall be a partial taking of the Premises, this Lease shall terminate as to the portion taken upon the earlier of (i) the date on which actual possession of said portion is taken pursuant to said eminent domain proceedings by the condemning authority, or (ii) the date the condemning authority takes title, but the Lease shall continue in force and effect as to the remainder of the Premises. The basic rental payable by Lessee for the balance of said Term shall be abated in the ratio that the square footage ground area of the portion taken bears to the total ground area of the Premises at the time of such taking.

(d) Allocation of Award. All compensation and damages awarded for the taking of the Premises or any portion thereof or settlement in lieu thereof shall, except as otherwise herein provided, belong to and be the sole property of Lessor, and Lessee shall not have any claim or be entitled to any award for diminution in value of its Leasehold hereunder or for the value of any unexpired Term of this Lease; provided, however, that Lessee shall be entitled to any award that may be made for the taking of crops or as a result of any alterations, modifications or repairs which may be reasonably required by Lessee in order to place the remaining portion of the Premises not so condemned in a suitable condition for the continuance of Lessee's tenancy. Lessee hereby assigns to Lessor any portion of the condemnation award or other payment made on account of a taking as is required to effect the provisions of this ARTICLE 18, and except as specifically provided in this Section 18(d), Lessee waives any claim to any condemnation award.

(e) Effect of Termination. If this Lease is terminated, in whole or in part, pursuant to any of the provisions of this ARTICLE, all rent payable by Lessee to Lessor hereunder and attributable to the Premises taken, shall be paid up to the termination date and the Lease shall thereupon terminate as to the Premises taken.

(f) Voluntary Conveyance. A voluntary conveyance by Lessor to a public utility, agency or authority under threat of a taking under the power of eminent domain in lieu of formal proceedings, whether or not such utility, agency or authority has adopted a resolution of necessity and whether or not Lessor may have initiated negotiations for the transfer, shall be deemed a taking within the meaning of this Article.

16. REMOVAL OF IMPROVEMENTS UPON TERMINATION. Upon the expiration or earlier termination of this Lease:

(a) Surrender. Lessee shall without further notice vacate and surrender to Lessor possession of the Premises together with all improvements thereon in as good a condition as when Lessee entered into possession of same pursuant to the Existing Lease and shall perform all post harvest actions required by good husbandry; provided, however

that if Lessee has complied with the provisions of this Lease including without limitation the provisions concerning good husbandry and prevention of erosion, then surrender of the Premises shall be subject to damage caused by natural elements;

(b) Title to Improvements. Except for improvements required by Lessor to be removed pursuant to Sections 19(d) and (e) below, all improvements on the Premises, including without limitation those installed or constructed by Lessee and all crops which are not then harvested, shall become the sole property of Lessor without the payment of any consideration therefor;

(c) Lessee's Rights to Remove of Personal Property. Lessee may remove from the Premises all personal property thereon belonging to Lessee; provided, however, that any of said personal property that is not removed by Lessee within thirty (30) days following said date of expiration or termination shall become the sole property of Lessor without the payment of consideration therefor;

(d) Lessee's Obligation to Remove Improvements and Personal Property. Notwithstanding the foregoing, Lessor may, at its option, prior to or within sixty (60) days after said date of expiration or termination, require Lessee to remove all or a portion of the improvements or personal property installed, constructed or existing on the Premises by or because of Lessee (including, without limitation, any and all irrigation lines and/or equipment, and above and below ground storage tanks), which removal shall be completed not later than thirty (30) days following said date of Lessor's notice to remove (but in no event shall such period expire prior to thirty (30) days after said date of expiration or termination), and in the event Lessee fails to so remove at Lessor's request, Lessor may effect such removal and the cost thereof, including interest at the rate provided in Section 24(e) from the date such cost is incurred, shall be paid by Lessee to Lessor;

(e) Clean Up. Lessee shall be responsible for clean up and removal of gravel placed upon the Premises by Lessee. Lessee is not responsible for removal of any pavement existing at the commencement of this Lease but is responsible for removal of all pavement and cement work done on the Premises during the Term of this Lease or any extension thereof;

(f) Lessee to Comply With Lease Provisions During Removal Period. Lessee shall during such removal period perform all of its obligations which this Lease except payment of rent (unless agreed to the contrary); and

17. HOLDING OVER. If Lessee holds over after the expiration or earlier termination of the Lease Term, Lessee shall become a tenant at sufferance only, upon the terms and conditions set forth in this Lease so far as applicable (including Lessee's obligation to pay all additional rent under this Lease), but at a Basic Rent rate equal to two hundred percent (200%) of the Basic Rent applicable to the Premises immediately prior to the date of such expiration or earlier termination. Acceptance by Lessor of rent after such expiration or earlier termination shall not constitute a consent to a hold over hereunder or result in an extension of this Lease. Lessee shall pay an entire month's Basic Rent calculated in accordance with this Section 20 for

any portion of a month it holds over and remains in possession of the Premises pursuant to this Section 20.

18. SUBORDINATION, ATTORNMENT AND ESTOPPEL CERTIFICATES.

(a) Subordination. This Lease is and shall be prior to any encumbrance recorded after the date of this Lease. If, however, a lender requires that this Lease be subordinate to any such encumbrance, this Lease shall be subordinate to that encumbrance if Lessor obtains from the lender a written agreement that provides substantially the following:

"As long as Lessee performs its obligations under this Lease, no foreclosure of, deed given in lieu of foreclosure of, or sale under the encumbrance, and no steps or procedures taken under the encumbrance, shall affect Lessee's rights under this Lease."

(b) Attornment. Lessee shall attorn to any purchaser at any foreclosure sale, or to any grantee or transferee designated in any deed given in lieu of foreclosure.

(c) Lessor's Right to Estoppel Certificates. If requested by a lender, Lessee shall within ten (10) days after notice execute and deliver to such lender, in recordable form, a certificate stating that this Lease is unmodified and in full force and effect (or in full force and effect as modified, and stating the modifications), the amount of rent, the dates to which rent has been paid and such other information as the lender shall reasonably require.

(d) Further Documents. Lessee shall promptly execute (in recordable form if so requested) a written agreement and any other documents or instruments required by the lender to accomplish the purposes of this ARTICLE. If Lessee fails to deliver any document or instrument required under this ARTICLE 21 within ten (10) days, Lessee irrevocably constitutes and appoints Lessor as its special attorney-in-fact to execute and deliver the certificate to such lender.

19. NOTICES. Any written notice given under this Lease, if not personally delivered to an officer or representative of either party hereto, shall be sent by certified mail with postage prepaid, directed to Lessor or to Lessee at the addresses set forth below. The service of any such notice shall be deemed complete at the time of such personal delivery or within five (5) days after the deposit thereof, so addressed and certified, in the United States mail. Either party may change the address for delivery of notices by delivery of a notice to the other as provided herein. Should Lessee constitute more than one person, personal delivery or the mailing of such notice to any one of such persons shall constitute complete service thereof upon all such persons.

20. RECORDING. Neither this Lease nor any memorandum of this Lease shall be recorded by Lessee without the prior written consent and approval of Lessor.

21. MISCELLANEOUS PROVISIONS.

(a) Successors and Assigns. Subject to the provisions restricting assignment and subletting, this Lease and the respective rights and obligations of the parties hereto shall inure to the benefit of and be binding upon the successors and assigns of the parties hereto as well as the parties themselves; provided, however, that Lessor, its successors and assigns shall be obligated to perform Lessor's covenants to be subject to the expressed or implied obligations under this Lease only during and in respect of their successive periods of ownership during the Term of this Lease.

(b) Force Majeure. This Lease and the obligation of Lessee to pay rent hereunder and perform all of Lessee's covenants and agreements hereunder shall not be impaired nor shall Lessor be in default hereunder because Lessor is unable to fulfill any of its obligations under this Lease, provided Lessor is prevented or delayed from so doing by any accident, breakage, repair, alteration, improvement, strike or labor troubles, moratorium, war, civil unrest, act of God, or any governmental preemption in connection with a national emergency, or by reason of law or any rule, order or regulation of any department or subdivision thereof of any governmental agency, or by reason of the conditions of supply and demand which have been or are affected by war, hostilities, drought or other emergency (collectively, "Force Majeure"). Except regarding Lessee's obligation to pay rent or other monetary amounts, which shall not be affected by Force Majeure, Lessee shall not be considered in default under this Lease to the extent Lessee's performance of its obligations under this Lease is prevented by Force Majeure.

(c) No Option. Submission of this instrument for examination or signature by Lessee does not constitute an offer or option to Lease, and it shall not be effective as a Lease or otherwise until execution and delivery by both Lessor and Lessee.

(d) Time is of the Essence. Time is of the Essence of this Lease in all circumstances where time is an element.

(e) Interest. Any sum due from Lessee to Lessor not paid when due shall bear interest from the date due until the date paid at the rate equal to the greater of ten percent (10%) per annum or five percent (5%) in excess of the discount rate of the Federal Reserve Bank of San Francisco in effect on the twenty-fifth (25th) day of the calendar month immediately prior to the event giving rise to the imposition of interest charges; provided, however, that such rate shall not exceed the maximum permitted by law. The payment of such amount shall not excuse or cure any default of Lessee under this Lease except as to the nonpayment of such amount.

(f) Authorized Signatory. If Lessee signs as a corporation, each person executing this Lease on behalf of Lessee does hereby covenant and warrant that Lessee is a duly authorized and existing corporation, that Lessee has and is qualified to do business in California, that the corporation has full right and authority to enter into this Lease, that each person executing this Lease on behalf of the corporation is authorized to do so, and that such execution is fully binding on the corporation. If Lessee signs as a partnership, joint venture, or sole proprietorship (each being herein called "entity") each person

executing on behalf of Lessee does hereby covenant and warrant that Lessee is a duly authorized and existing entity, that Lessee has full right and authority to enter into this Lease, that each person executing this Lease on behalf of the entity is authorized to do so, and that such execution is fully binding on the entity and its partners, joint venturers, or principal, as the case may be.

(g) Covenants and Conditions. Each provision of this Lease required to be performed by Lessee shall be deemed both a covenant and a condition.

(h) Attorneys' Fees. In the event of any proceeding arising out of or related to this Lease or the Premises, the prevailing party shall be entitled to recover from the losing party all of its costs and expenses incurred in connection with such proceeding, including court costs and reasonable attorneys' and experts' fees, whether or not such proceeding is prosecuted to judgment.

(i) Entire Agreement. This Lease, together with its exhibits and attachments referenced herein, which are incorporated herein by such reference and shall constitute a part of this Lease, constitutes the entire agreement between the parties hereto pertaining to the subject matter hereof, and the final, complete and exclusive expression of the terms and conditions of this Lease, all prior agreements, promises, representations, negotiations, and understandings of the parties hereto, oral or written, express or implied, are hereby superseded and merged herein, except for representations of financial condition of Lessee delivered to Lessor in connection with leasing of the Premises or consent to any matter upon which Lessor has relied.

(j) Severability. If any provision of this Lease as applied to any party or to any circumstance shall be adjudged by a court of competent jurisdiction to be void or unenforceable for any reason, the same shall not affect (to the maximum extent permissible by law) any other provision of this Lease, the application of such provision under circumstances different from those adjudged by the court, or the validity or enforceability of this Lease as whole.

(k) Waiver. No delay or omission in the exercise of any right or remedy of Lessor with regard to a default by Lessee shall impair such right or remedy or be construed as a waiver. No waiver by Lessor of any default by Lessee under any of the covenants or conditions of this Lease shall be construed or held to be a waiver of any succeeding or preceding default under the same or any other covenant or condition contained herein. Any waiver by Lessor of any default must be in writing.

(l) Captions, Number, Gender, and Joint and Several Liability. The paragraph, title or section headings of the various provisions of this Lease are intended solely for convenience of reference and shall not in any manner amplify, limit or modify or otherwise be used in the interpretation of any of such provisions. As used in this Lease, the masculine, feminine or neuter gender and the singular or plural number, shall be deemed to include the other whether the context so indicates or requires. If Lessee consists of more than one person or entity or if Lessee is a partnership, each such person

or entity and/or each general partner shall be bound jointly and severally by the terms, covenants and conditions of this Lease.

(m) Brokers. Lessee represents and warrants that it has not dealt with or employed a broker, agent or finder as its representative in the negotiation or obtaining of this Lease and Lessee hereby agrees to defend, indemnify and hold Lessor harmless from and against all costs, expenses or liability for compensation claim by any broker, agent or finder. Such indemnification shall include, without limitation, payment of all attorneys' fees expended by Lessor in connection with any claim by any broker, agent or finder claiming through Lessee.

(n) Interpretation. This Lease shall be construed fairly as to all parties and not in favor of or against any party regardless of which party prepared this Lease. This Lease and the rights of the parties hereunder shall be interpreted in accordance with the laws of the State of California. In the event of any dispute hereunder, it is agreed that the sole and exclusive venue shall be in a court of competent jurisdiction in Orange County, California, and the parties hereto agree to and do hereby submit to the jurisdiction of such court.

(o) Amendment. No amendment or addition, modification of or alteration of any provision contained in this Lease shall be effective unless fully set forth in writing and executed by Lessor and Lessee.

(p) Survival of Indemnities. The obligations (and waivers) of the indemnifying party under each and every indemnification, defense, hold harmless and waiver provision contained in this Lease shall survive the expiration or earlier termination of this Lease to and until the last to occur of (i) the last date permitted by law for the bringing of any claim or action with respect to which indemnification (or waiver) may be claimed by the benefited party under such provision, or (b) the date on which any claim or action for which indemnification (or waiver) may be claimed under such provision is fully and finally resolved and, if applicable, reimbursement or payment due thereunder has been paid in full.

(q) Waiver of Jury Trial. LESSOR AND LESSEE EACH ACKNOWLEDGES THAT IT IS AWARE OF AND HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHTS TO TRIAL BY JURY, AND EACH PARTY DOES HEREBY EXPRESSLY AND KNOWINGLY WAIVE AND RELEASE ALL SUCH RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER (AND/OR AGAINST ITS MEMBERS, OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR SUBSIDIARY OR AFFILIATED ENTITIES) ON OR WITH REGARD TO ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, LESSEES USE OR OCCUPANCY OF THE LEASED PREMISES, AND/OR ANY CLAIM OF INJURY OR DAMAGE.

(r) Lessee's Representatives. Lessee shall cause its employees, agents, representatives, contractors, invitees, licensees, subtenants, customers and all other persons entering the Premises under or pursuant to this Lease or in connection with Lessee's operations to comply with all of the obligations to be performed by Lessee hereunder.

22. Contingency. Lessor and Lessee acknowledge and agree that the terms and provisions of this Lease are expressly contingent upon Lessor obtaining fee title to the Premises (or, if applicable to portions of the Premises that contain, or may contain, environmental conditions, a LIFO from the Navy leasing such portions to Lessor or a sublease of the LIFO from Developer) on or before September 30, 2005 (the "Contingency Date"). If, on or before the Contingency Date, Lessor has not acquired fee title to the Project (or, with respect to those portions of the Project that contain environmental conditions, a LIFO from the Navy leasing such portions to Lessor or a sublease of the LIFO from Developer), then Lessor may terminate this Lease by providing written notice thereof to Lessee whereupon this Lease shall be null and void and of no force or effect.

23. Non-Interference With Government Operations. Lessee acknowledges that certain governmental agencies may conduct certain environmental cleanup, restoration and testing operations and activities on or about the Premises. Lessee shall not conduct operations or make any alterations that would interfere with or otherwise restrict such operations, environmental cleanup or restoration actions by Government, Environmental Protection Agency (EPA), state environmental regulators, or their contractors. Environmental cleanup, restoration or testing activities by these parties shall take priority over Lessee's use of the Premises in the event of any conflict. Lessee shall have no claim against Lessor on account of any entry by Government or any officer, agent, employee, contractor or subcontractor of Government.

IN WITNESS WHEREOF, each of the parties hereto has executed this Lease as of the day and year stated above.

"LESSOR"

CITY OF IRVINE,"
a California charter city

By: 

City Manager

"LESSEE"

EL TORO FARMS, LLC,
a California limited liability company

By: 

Name: Carl Lindgren

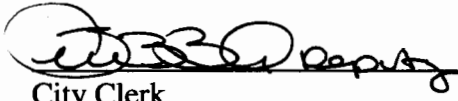
Title: Member

By: 

Name: MATT KAWAMURA

Title: MEMBER

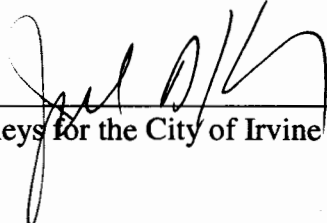
ATTEST:



City Clerk

APPROVED AS TO FORM:

RUTAN & TUCKER, LLP



Attorneys for the City of Irvine

Address:

City of Irvine
City Hall
One Civic Center Plaza
Irvine, CA 92623-9575
Attn: City Manager
Phone: (949) 724-6246
Facsimile: (949) 259-9350
email address: sjoyce@ci.irvine.ca.us

Address:

c/o El Toro Farms, LLC
11405 Jeffrey Road, Suite A
Irvine, CA 92620
Attn: Doug Circle, Matt Kawamura or Peter
Orr

EXHIBIT "A"
CONCEPTUAL OVERLAY PLAN

[To be attached]



Heritage Fields Conveyances & Dedications



City Conveyance Parcel Map Overlay for Heritage Fields

EXHIBIT "B"

PROPERTY DEPICTION

That certain real property situated in the County of Orange, State of California, including the following parcels:

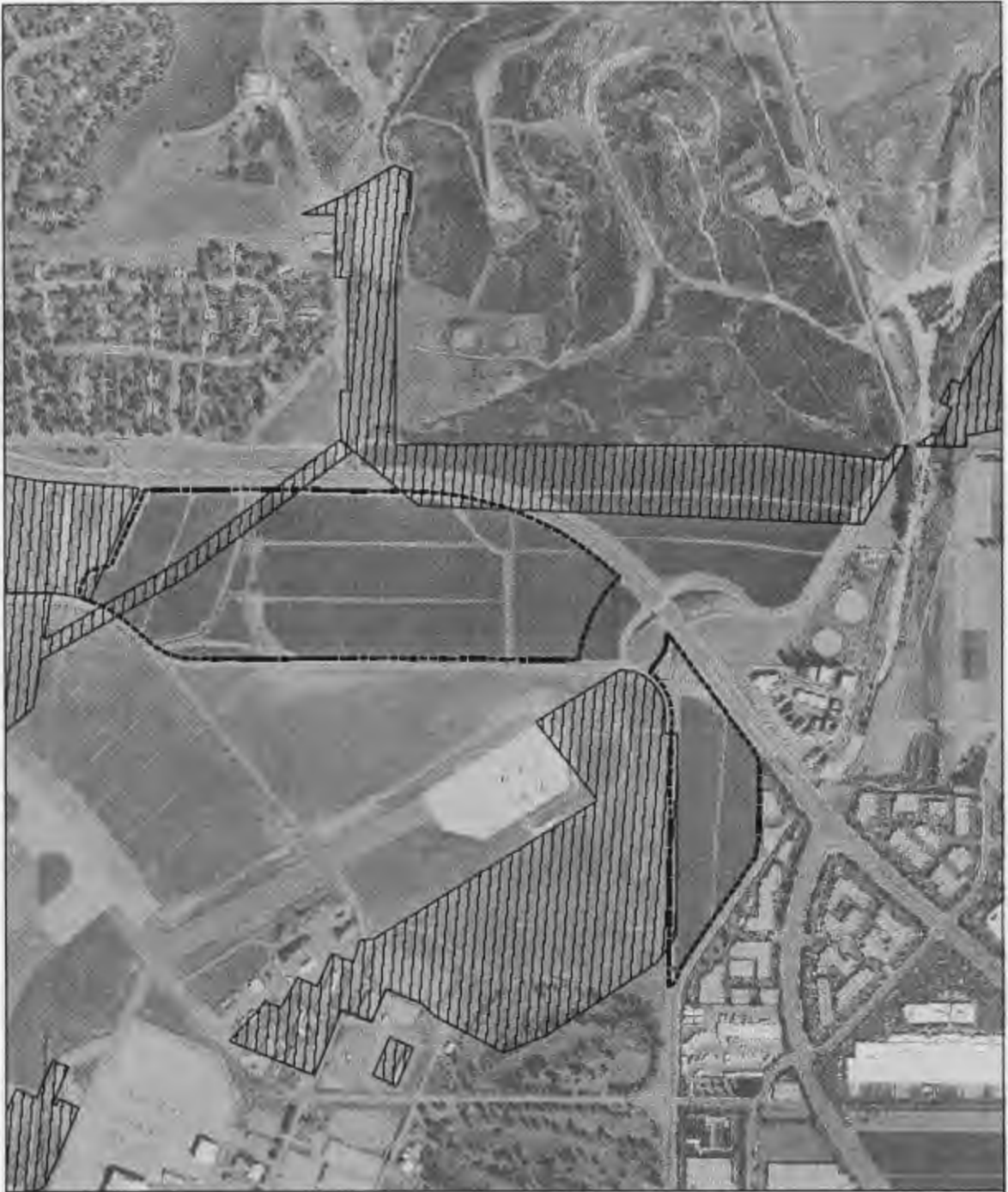
Parcel II-B, Parcel II-C, Parcel II-D, Parcel II-E, Parcel II-F, Parcel II-G, Parcel II-H, Parcel II-I, Parcel II-J, Parcel II-K, Parcel II-L, Parcel II-M, Parcel II-N, Parcel II-N, Parcel II-O, Parcel II-P, Parcel II-Q, Parcel II-R, Parcel II-S, Parcel II-T, Parcel II-U, Parcel II-V

EXHIBIT "C"

LIFOC PARCELS AND EL TORO FARMS, LLC SOUTH

[To be attached.]

codensea2projects_MVZL2H000000GISMapLIFOC_Exhibits.mxd (8. pdf)



HERITAGE FIELDS, LLC

EL TORO FARMS, LLC NORTH
WITH LIFO LIMITS



 LIFO LIMITS

7/06/05



EXHIBIT "C"



City of Irvine /
Orange County Great
Park Corporation

EL TORO FARMS, LLC SOUTH

7/06/05



EXHIBIT "D" LIFO

[To be attached.]

LEASE IN FURTHERANCE OF CONVEYANCE
BETWEEN
THE UNITED STATES OF AMERICA
AND
HERITAGE FIELDS LLC
FOR
MCAS EL TORO PARCEL 2

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LEASE IN FURTHERANCE OF CONVEYANCE
BETWEEN
THE UNITED STATES OF AMERICA
AND
HERITAGE FIELDS LLC
FOR
MCAS EL TORO PARCEL 2

THIS LEASE is made this _____ day of _____, 2005, by and between the **UNITED STATES OF AMERICA**, acting by and through the Department of the Navy (**Government**), and **HERITAGE FIELDS LLC**, (**Lessee**), purchaser of certain real property at the former Marine Corps Air Station, El Toro, Irvine California (hereinafter referred to as MCAS El Toro or the Installation).

RECITALS

A. The Government has closed the former Marine Corps Air Station El Toro (MCAS El Toro) pursuant to the Defense Base Closure and Realignment Act of 1990, Pub.L. 101-510), as amended (10 U.S.C. § 2687 note) (hereinafter referred to as DBCRA) and is selling portions of that property through a public sale, said portions identified in Exhibit A hereto and hereinafter referred to as the "Sale Property".

B. Lessee has purchased a portion of the Sale Property, known as Parcel 2, pursuant to Invitation for Bids No. 9PR-2004-188 (IFB). Government is in the process of remediating environmental sites within Parcel 2. Pursuant to said IFB, title to each such site will not be conveyed until site closure is attained and the Government issues a Finding of Suitability to Transfer (FOST) addressing each such site.

C. As consideration for the purchase of Parcel 2, Government will allow Lessee limited access and use of the environmental sites, hereinafter referred to as the Leased Premises, and identified in Exhibit A, in accordance with the terms and conditions of this Lease until Government issues a FOST addressing the Leased Premises and title has transferred.

D. Pending final disposition, 10 U.S.C. § 2667(f) authorizes the Government to lease real property located at a military installation closed under DBCRA.

E. In accordance with the National Environmental Policy Act (NEPA) of 1969, as amended, the Government prepared a Final Environmental Impact Statement

Gov't_____.

Lessee_____.

(EIS) for the disposal and reuse of the former MCAS El Toro. A NEPA Record of Decision regarding the disposal of MCAS El Toro was issued on 23 April 2002.

F. An Environmental Baseline Survey (EBS) has been prepared for MCAS El Toro as well as a Finding of Suitability to Lease (FOSL) in accordance with 10 U.S.C. § 2667(f)(3), and Department of Defense policy guidelines. The "Finding of Suitability to Lease for Carve-Out Areas Within Parcels I, II, and III, Former Marine Corps Air Station El Toro, dated August 3, 2004, concludes that activities allowed under this Lease, if conducted in accordance with the restrictions contained therein, are consistent with protection of human health and the environment. Cognizant state and federal regulatory agencies have concurred on the FOSL.

G. The Government has agreed to grant this Lease in furtherance of and pending conveyance by deed for Leased Premises to the Lessee and the Lessee has agreed to enter into this Lease.

MUTUAL UNDERSTANDINGS

NOW THEREFORE, in consideration of the terms, covenants, and conditions hereinafter set forth, Government and Lessee hereby agree as follows:

1. LEASED PREMISES:

Government does hereby lease, and demise to Lessee in furtherance of and pending conveyance, and Lessee does hereby hire from Government, the Leased Premises, identified in Exhibit A, together with all improvements and all personal property thereon together with right of ingress and egress to said Leased Premises.

2. TERM:

2.1. The term of this Lease shall be for or until, as applicable, the earlier of: (A) a period of fifty (50) years beginning on the date of execution of this Lease and ending on the 11th day of July, 2055; or (B) the effective date of conveyance by Quitclaim Deed of a portion of the Leased Premises, unless sooner terminated in accordance with the provisions of Article 14. The Lessee shall accept title to any portion of the Leased Premises within ten (10) calendar days following delivery by the Government of a Quitclaim Deed for such portion of the Leased Premises. The Government shall not deliver any such Quitclaim Deed for a portion of the Leased Premises prior to execution of a FOST for such portion of the Leased Premises.

2.2. This Lease shall automatically terminate upon conveyance by Quitclaim Deed with respect to any conveyed portion as if such date were the stated expiration date contained herein and neither party hereto shall have any further obligation under

this Lease with respect to such conveyed portion (other than any obligations which otherwise would survive termination of this Lease). All references to the Leased Premises shall be deemed to exclude such conveyed portions and this Lease shall continue in full force and effect with respect to the remainder of the Leased Premises.

3. CONSIDERATION:

In addition to partial consideration for this Lease in the form of the purchase of Parcel 2, Lessee agrees to provide protection and maintenance to the extent described in Article 12.

4. USE OF LEASED PREMISES:

4.1 The sole purpose for which Leased Premises may be used, in the absence of prior written approval by Government for any other use, is in accordance with projected state and local zoning and land plans for the Leased Premises, and in accordance with the restrictions described in Section 5 of the Finding of Suitability to Lease (FOSL), attached as Exhibit C to this Lease. Government hereby reserves to itself the exclusive use of, and right to access, those portions of the Leased Premises identified in Exhibit F, until such time as Government determines, in its sole discretion, that it no longer requires such exclusive access and use.

4.2 No known historic or archeological sites or materials exist on the Leased Premises. Should such sites or materials be encountered, Lessee shall stop work immediately and notify Government.

5. SUBLETTING:

5.1 Lessee may sublease the Leased Premises without the prior approval of Government. Any sublease that involves the use of hazardous or toxic materials, including those of an explosive, flammable, or pyrotechnic nature, as provided in 10 U.S.C. 2692, shall require prior Government approval. Such consent shall not be unreasonably withheld or delayed. Under no circumstance shall Lessee assign this Lease without the prior written approval of the Government.

5.2 For the purposes of Article 5 and this Lease, "sublease" shall include licenses, use and occupancy agreements, concession agreements and other similar agreements.

5.3 Any sublease granted by Lessee shall contain a copy of this Lease as an attachment and be subject to all terms and conditions of this Lease and shall terminate immediately upon the expiration or any earlier termination of this Lease, without any

liability on the part of Government to Lessee or any sub lessee. Under any sublease made, with or without consent, the sub lessee shall be deemed to have assumed all of the obligations of Lessee under this Lease. No sublease shall relieve Lessee of any of its obligations hereunder.

5.4 Upon execution of any sublease, a copy of such sublease shall immediately be furnished to Government. Should conflict arise between the provisions of this Lease and a provision of the sublease, the provisions of this Lease shall take precedence. Any sublease shall not be taken or construed to diminish or enlarge any of the rights or obligations of either of the parties under this Lease.

6. CONDITION OF PROPERTY:

Leased Premises shall be delivered to Lessee "AS IS", "WHERE IS". Government makes no warranty as to Leased Premises' usability generally or as to its fitness for any particular purpose. Any safety and/or health hazards identified shall be corrected, at Lessee's expense, prior to use and occupancy.

7. ENVIRONMENTAL BASELINE SURVEY AND FINDING OF SUITABILITY TO LEASE:

The Executive Summary of the Environmental Baseline Survey (EBS) and a Finding of Suitability to Lease (FOSL) are attached as Exhibits B and C, respectively, and made part of this Lease. Copies of the EBS and FOSL have been provided to Lessee and all documents referenced therein have been made available to Lessee. The EBS describes the environmental conditions on the Installation. The FOSL sets forth the basis for the Government's determination that Leased Premises are suitable for leasing. Lessee is hereby made aware of the notifications contained in the FOSL attached hereto as an exhibit and shall comply with Lease restrictions set forth therein.

8. ALTERATIONS:

8.1 Lessee shall not construct or make or permit its sublessees to construct or make any substantial alterations, additions, excavations, improvements to, installations upon or otherwise modify or alter Leased Premises in any way (collectively "Work"), including those which may adversely affect the cleanup, human health or the environment, without the prior written consent of Government. No consent shall be required for Work described in Exhibit D.

8.2 Lessee shall provide Government with prior written notification and a full description of all proposed Work on Leased Premises (other than work described in Exhibit D), a projected schedule and cost thereof, and an analysis as to how and why such Work will or will not adversely affect the environmental clean up of Leased

Premises, human health, or the environment. Lessee shall deliver such written notification to Government's representative as designated in Article 19 of this Lease.

8.3 In the event of termination of this lease pursuant to either subparagraph 14.1.2 or 14.1.3 of Article 14 of this Lease, Lessee shall abandon any Work in place, at which time title to such Work shall vest in the Government.

8.4 In the event of termination, revocation or surrender of this Lease, all personal property and trade fixtures of Lessee or any third person may be removed and Lessee shall repair any damages to Leased Premises resulting from such removal.

9. ACCESS BY GOVERNMENT:

In addition to access required under Article 13, at all reasonable times throughout the term of this Lease, Government shall be allowed access to Leased Premises for any purposes upon notice to Lessee. Government normally will give Lessee or any sublessee twenty-four (48) hour prior notice of its intention to enter Leased Premises, unless it determines the entry is required for safety, environmental, operations or security purposes. Lessee shall have no claim on account of any entries against Government or any officer, agent, employee, contractor or subcontractor of Government. All keys to the buildings and facilities occupied by Lessee or any sublessee shall be made available to Government upon request. Any access by Government will take into consideration its obligations under Article 33.

10. UTILITIES AND SERVICES:

10.1 Procurement of utilities, i.e., electricity, water, gas, steam, sewer, telephone and trash removal will be the responsibility of Lessee.

10.2 Lessee shall furnish the Government with any utilities maintained by Lessee that Government may require. In the event it does so, Government shall reimburse Lessee for the cost incurred in providing such utilities, which amount shall be agreed upon between the parties in advance.

11. NON-INTERFERENCE WITH GOVERNMENT OPERATIONS:

Lessee shall not conduct operations or make any alterations that would interfere with or otherwise restrict operations, environmental clean-up or restoration actions by Navy, Environmental Protection Agency (EPA), state environmental regulators, or their contractors. Environmental clean-up, restoration or testing activities by these parties shall take priority over Lessee's use of Leased Premises in the event of any conflict. However, Government and Lessee agree to coordinate to minimize potential conflicts

between necessary remediation of environmental contamination, including investigation and remedial actions, and Lessee's and sublessee's use of Leased Premises.

12. PROTECTION AND MAINTENANCE SERVICES:

12.1 Government shall not be required to furnish any services or facilities to Lessee or to make any repair or alteration in or to Leased Premises.

12.2 During the term of this Lease, debris, trash and other useless materials not generated by Government shall be promptly removed from Leased Premises.

12.3 Lessee shall provide or cause to be provided all security services necessary to assure security and safety within Leased Premises. Any crimes or other offenses, including traffic offenses and crimes and offenses involving damage to or theft of Government property, shall be reported to the appropriate authorities for their investigation and disposition and to Government as property owner.

12.4 Lessee shall take or cause to be taken, all reasonable fire protection precautions at Leased Premises consistent with the level of use on the property.

12.5 Lessee, at its own expense, is solely responsible for protection, maintenance, preservation and repair of Leased premises, with the exception of those areas reserved for Government use, as identified in Exhibit F. Government shall be solely responsible for protection, maintenance, preservation and repair of those portions of the Leased Premises identified in Exhibit F for the duration of any period of such exclusive use, as set forth in Article 4.

12.6 Lessee expressly agrees, at its own expense, to keep the Leased Premises in a safe, neat, clean, and orderly condition. Lessee shall provide a complete and proper arrangement for the adequate sanitary handling and disposal, acceptable to the Government of all trash, garbage, and other refuse caused as a result of Lessee's operations on the Leased Premises. Lessee shall provide and use suitable, covered receptacles for all garbage, trash and other refuse on or in connection with the Premises. Piling of boxes, cartons, barrels, or other similar items in an unsightly or unsafe manner, on or about the Premises, is prohibited. Government shall have the right to enter upon and inspect the Premises at anytime for cleanliness and safety activities.

13. ENVIRONMENTAL PROTECTION PROVISIONS:

13.1 Lessee, sublessees and contractors shall comply with all applicable Federal, state and local laws, regulations and standards that are or may become applicable to Lessee's activities on Leased Premises.

13.2 The Lessee or any sublessee shall be solely responsible for obtaining at its cost and expense any environmental permits required for its operations under the Lease, independent of any existing permits held by the Government. Any and all environmental permits required for any of Lessee's or sublessee's operations or activities would be subject to prior concurrence of Government. Lessee acknowledges that the Government will not consent to being named a secondary discharger or co-permittee for any operations or activities of the Lessee or any sublessee under the Lease. In the event the Government is named as a secondary discharger or co-permittee for any activity or operation of the Lessee or any sublessee, Government shall have the right to take reasonable actions necessary to prevent, suspend, or terminate such activity or operation, including terminating this Lease, without liability or penalty.

13.3 Government's rights under this Lease specifically include the right for Government officials to inspect upon reasonable notice Leased Premises for compliance with environmental, safety and occupational health laws and regulations, whether or not Government is responsible for enforcing them. Such inspections are without prejudice to the right of duly constituted enforcement officials to make such inspections. Government normally will give Lessee or sublessee twenty-four (24) hours prior notice of its intention to enter Leased Premises unless it determines the entry is required for safety, environmental, operations or security purposes. Lessee shall have no claim on account of any entries against the United States or any officer, agent, employee, contractor or subcontractor thereof.

13.4 Government has entered into a Federal Facility Agreement (FFA) for MCAS El Toro with the United States Environmental Protection Agency (USEPA) and the State of California (through the Department of Toxic Substances Control (DTSC) and Santa Ana Regional Water Quality Control Board) pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980 as amended. The Installation has been identified as a National Priorities List (NPL) Site under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) of 1980, as amended. Lessee acknowledges that Government has provided it with a copy of the installation Federal Facility Agreement (FFA) entered into by the United States Environmental Protection Agency (EPA) Region, the state equivalent and the Military Department, and Lessee agrees that should any conflict arise between the terms of such agreement as it presently exists or may be amended and the provisions of this Lease, the terms of the FFA will take precedence. Lessee further agrees that notwithstanding any other provision of this Lease, Government assumes no liability to Lessee or its sublessees or licensees should implementation of the FFA interfere with Lessee's or any sublessee's and licensee's use of Leased Premises. Lessee shall have no claim on account of any such interference against the United States or officer, agent, employee, contractor or subcontractor thereof, other than for abatement of rent, where applicable.

13.5 Government, EPA, DTSC, and the State and their officers, agents, employees, contractors and subcontractors, have the right, upon reasonable notice to Lessee and/or any sublessee, to enter upon Leased Premises for the purposes enumerated in this subparagraph and for such other purposes consistent with any provisions of the cleanup program (including but not limited to the BRAC Cleanup Plan, IRP, or FFA):

13.5.1 to conduct investigations and surveys, including, where necessary, drilling, soil and water sampling, testpitting, testing soil borings and other activities related to the cleanup program;

13.5.2 to inspect field activities of Government and its contractors and subcontractors in implementing the cleanup program;

13.5.3 to conduct any test or survey required by EPA or applicable state equivalent relating to the implementation of the cleanup program;

13.5.4 to construct, operate, maintain or undertake any other response or remedial action as required or necessary under the cleanup program, including but not limited to monitoring wells, pumping wells and treatment facilities.

13.6 Lessee shall comply with the provisions of any health or safety plan in effect under the IRP or the FFA during the course of any of the above described response or remedial actions. Any inspection, survey, investigation or other response or remedial action will, to the extent practicable, be coordinated with representatives designated by Lessee and any sublessee. Lessee and sublessee shall have no claim on account of such entries against the United States or any officer, agent, employee, contractor or subcontractor thereof. In addition, Lessee shall comply with all applicable Federal, state and local occupational safety and health regulations.

13.7 Lessee further agrees that in the event of any sublease of Leased Premises, Lessee shall provide to U.S. EPA and California EPA, DTSC by certified mail a copy of the agreement or sublease of Leased Premises (as the case may be) within fourteen (14) calendar days after the effective date of such transaction. Lessee may delete the financial terms and any other proprietary information from the copy of any agreement of sublease furnished pursuant to this condition.

13.8 Lessee shall strictly comply with the hazardous waste permit requirements under the Resource Conservation and Recovery Act or its applicable state equivalent and any other applicable laws, rules or regulations. Except as specifically authorized by Government in writing, Lessee must provide at its own expense such hazardous waste management facilities complying with all laws and regulations, as Lessee may need for such storage. Government hazardous waste management facilities will not be available

to Lessee. Any violation of the requirements of this condition shall be deemed a material breach of this Lease.

13.9 DoD component accumulation points for hazardous and other waste will not be used by Lessee or any sublessee. Neither Lessee nor any sublessee will permit its hazardous wastes to be commingled with hazardous waste of DoD Component.

13.10 Lessee shall have a Government-approved plan for responding to hazardous waste, fuel and other chemical spills prior to commencement of operations on Leased Premises. The contingency plan shall be consistent with the provisions of California Code of Regulations, Title 22, Chapter 15, Article 4 beginning with Section 66265.50. Such plan shall be independent of Installation plan and, except for initial fire response and/or spill containment, shall not rely on use of Installation personnel or equipment. Should Government provide any personnel or equipment whether for initial fire response and/or spill containment, or otherwise on request of Lessee, or because Lessee was not, in the opinion of Government, conducting timely cleanup actions, Lessee agrees to reimburse Government for its costs in association with such response or cleanup.

13.11 The presence of known asbestos-containing material (ACM), lead-based paint (LBP), polychlorinated biphenyls (PCBs), Potential Release Locations (PRLs), and radiological materials investigation locations is identified in the FOSL, attached as Exhibit C.

13.11.1 Access and occupancy of buildings/structures/facilities and sites identified in Exhibit C, sections 5.1 and 5.10, and in Exhibit E are prohibited without the prior written approval of the Government, except for short-term tours and emergency maintenance.

13.11.2 Buildings identified in Exhibit E may be occupied only after the lessee conducts all necessary surveys and abatement in accordance with all local, state, and federal requirements and has obtained the prior written approval of the Government.

13.11.3. The Lessee shall be responsible for the management of ACM, including but not limited to surveys, removal and/or demolition of structures containing ACM, in accordance with applicable federal, state and local laws and regulatory requirements.

13.11.4 If Lessee intends to demolish any facilities containing ACM, or to make any improvements or repairs that require the removal of asbestos, an appropriate asbestos disposal plan must be incorporated into the plans and specifications required under Article 8 and submitted to Government. The asbestos disposal plan will identify the proposed disposal site for the asbestos, or in the event the

site has not been identified, will provide for disposal at a licensed facility authorized to receive it.

13.11.5 ACM which during the period of this lease becomes damaged or deteriorated through the passage of time, as the result of a natural disaster or as a consequence of Lessee's activities under this Lease, including but not limited to any emergency, will be abated by Lessee at its sole cost and expense. In an emergency, Lessee will notify Government as soon as practicable of its emergency ACM responses. Lessee shall be responsible for monitoring the condition of existing ACM on Leased Premises for deterioration or damage and accomplishing repairs or abatement pursuant to the applicable conditions of this Lease.

13.12 LBP which during the period of this lease becomes damaged or deteriorated through the passage of time, as the result of a natural disaster or as a consequence of Lessee's activities under this Lease, including but not limited to any emergency, will be abated by Lessee at its sole cost and expense. In an emergency, Lessee will notify Government as soon as practicable of its emergency LBP responses. Lessee shall be responsible for monitoring the condition of existing LBP on Leased Premises for deterioration or damage and accomplishing repairs or abatement pursuant to the applicable conditions of this Lease.

13.12.1. Use of buildings/structures built prior to 1 January 1978 for residential purposes or any use involving children is prohibited without the prior written approval of the government.

13.12.2. Demolition of any facilities containing LBP, or any improvements or repairs that require the removal of LBP must have the prior written approval of the government. Lessee shall be responsible for the management of LBP, including surveys, removal, and/or demolition in accordance with applicable federal, state and local laws and regulatory requirements.

13.12.3. Lessee shall be responsible for conducting post-demolition sampling for and any necessary abatement of soil-lead hazards at target housing or residential real property.

13.13 Lessee shall relieve, indemnify, protect, defend and hold harmless Government from any costs, expenses, liabilities, fines or penalties resulting from discharges, emissions, spills, storage or disposal arising from Lessee's occupancy, use or operations, or any other action by Lessee or any sublessee giving rise to Government liability, civil or criminal, or any other action by Lessee or any sublessee giving rise or responsibility under Federal, state or local environmental laws. Lessee's obligations hereunder shall apply whenever Government incurs costs or liabilities for Lessee's activities or activities of any sublessee as provided hereunder. This provision shall survive the expiration or termination of this Lease.

13.14 Storage, treatment or disposal of toxic or hazardous materials on the Leased Premises is prohibited excepted as authorized by Government in accordance with 10 U.S.C. § 2692.

13.15 Lessee shall not conduct any subsurface excavation, digging, drilling or other disturbance of the ground surface without prior Government approval.

13.16 Lessee shall not install new groundwater wells of any type and shall not use contaminated groundwater without prior written Government approval.

13.17 Lessee shall not install any well that has the potential to affect plume migration.

13.18 Lessee shall not alter, disturb or remove groundwater monitoring wells, remedial action equipment (e.g. pumps), or associated utilities without prior written Government approval

13.19 Removal of or damage to security features (e.g. locks on monitoring wells, survey monuments, signs or monitoring equipment and associated pipelines and appurtenances is prohibited without prior written Government approval.

13.20 The following additional condition is specific to Carve Outs II-F and II-V (Sites 2 and 17 buffer zones), in accordance with The Navy's Final Interim Record of Decision, Operable Unit 2B Landfill Sites 2 and 17, Marine Corps Air Station El Toro, California, July 2000. A copy of the Record of Decision (ROD) can be obtained by contacting the El Toro Public Administrative Record Manager at (949) 726-5398:

13.20.1 The relevant restriction is that construction of structures within 1000 feet of the edge of the land fill is prohibited without prior DON approval. Therefore, construction of structures within Carve Outs IIF and IIV is prohibited without prior DON approval.

13.21 The following additional conditions are specific to Carve Out II-D (IRP Site 3) and II-H (IRP Site 5) and Anomaly Area 3:

13.21.1 Residential use of the sites and construction of day care centers on the sites is prohibited.

13.21.2 Construction of any structure, including placement of trailers is prohibited without the prior written approval of the DON and FFA signatories.

13.21.3 Removal of or damage to security features (e.g., locks on monitoring wells), survey monuments, signs, or monitoring equipment and associated pipelines and appurtenances is prohibited.

13.22 The following additional conditions are specific to Carve Out II-N (Site 24), in accordance with The Navy's Final Record of Decision, Operable Unit 1, Site 18 Regional Volatile Organic Compound Groundwater Plume Operable Unit 21 Site 24 – VOC Source Area, former Marine Corps Air Station El Toro, California, June 2002 (Site 24 ROD). A copy of the Record of Decision can be obtained by contacting the El Toro Public Administrative Record Manager at (949) 726-5398.

13.22.1 No new wells of any type shall be installed within the Site 24 Shallow Groundwater Plume or buffer zone without prior review and written approval from the DON, DTSC, U.S. EPA, and RWQCB. The Lessee shall also obtain permits for such wells as required by OCHA and IRWD

13.22.2 Extraction, injection, and monitoring wells and associated piping and equipment that are included in the remedial action shall not be altered, disturbed, or removed without the prior review and written approval from the DON, DTSC, U.S. EPA, RWQCB.

13.22.3 The DON, U.S. EPA, DTSC, RWQCB, and their authorized agents, employees, contractors and subcontractors shall have the right to enter upon the Site 24 portion of the Leased Premises to conduct investigations, tests, or surveys; inspect field activities; or construct, operate, and maintain the remedial action described in the ROD or undertake any other remedial response or remedial action as required or necessary under the cleanup program, including but not limited to monitoring well, pumping wells, and treatment facilities.

13.22.4 The Lessee and any future lessees must comply with all terms and conditions relating to land use restrictions set forth in the Site 24 ROD.

13.22.5 The Lessee and any future lessees must notify subsequent lessees of all land use restrictions and access provisions set forth in this Section 13.21.

14. TERMINATION:

14.1 Government shall have the right to terminate this Lease, in whole or in part, without liability, upon thirty (30) calendar days notice:

14.1.1 In the event of a national emergency as declared by the President or the Congress of the United States; or

14.1.2 In the event of breach by Lessee of any terms and conditions hereof. In the event of a breach involving the performance of any obligation, Lessee shall be afforded thirty (30) calendar days from the receipt of Government's notice of intent to terminate within which to complete the performance of the obligation or otherwise cure the breach and avoid termination of this Lease, unless Government determines that a shorter period is required for safety, environmental, operational or security purposes. In the event that Government shall elect to terminate this Lease on account of the breach by Lessee of any of the terms and conditions, Government shall be entitled to recover and Lessee shall pay to Government:

14.1.2(a) the costs incurred in reacquiring possession of the Leased Premises.

14.1.2(b) the costs incurred in performing any obligation on the part of Lessee to be performed hereunder.

14.1.2(c) An amount equal to the aggregate of any maintenance obligations and charges assumed hereunder and not paid or satisfied, which amounts shall be due and payable at the time when such obligations and charges would have accrued or become due and payable under this Lease.

14.1.3 In the event of failure by Lessee to take title to any portion of the Leased Premises within ten (10) calendar days following tender by the Government of a Quitclaim Deed for such portion of the Leased Premises

14.2 Lessee shall have the right to terminate this Lease upon thirty (30)-calendar days written notice to Government in the event of breach by Government of any of the terms and conditions hereof. In the event of a breach involving the performance of any obligation, Government shall be afforded sixty (60) calendar days from the receipt of Lessee's notice of intent to terminate within which to complete performance of the obligation or otherwise cure the breach and avoid termination of this Lease. Lessee shall also have the right to terminate this Lease in the event of damage to or destruction of all of the improvements on Leased Premises or such a substantial portion thereof as to render Leased Premises incapable of use for the purposes for which it is leased hereunder, provided:

14.2.1 Government either has not authorized or directed the repair, rebuilding or replacement of the improvements or has made no provision for payment for such repair, rebuilding or replacement by application of insurance proceeds or otherwise; and

14.2.2 That such damage or destruction was not occasioned by the fault or negligence of Lessee or any of its officers, agents, servants, employees, sublessees or

invitees, or by any failure or refusal on the part of Lessee to fully perform its obligations under this Lease.

14.2.3 If Government requires Lessee to vacate all or a substantial portion of Leased Premises pursuant to Article 15 of this Lease for a period in excess of thirty (30) calendar days, Lessee may terminate this Lease by written notice to Government given at any time while Lessee shall continue to be denied use of all or a substantial portion of Leased Premises. Lessee shall thereafter surrender possession of Leased Premises within fifteen (15) calendar days of such notice.

14.3 In the event this lease is terminated due to a breach, for any reason, by either party, in no way will Lessee be entitled to a refund of a portion of the purchase price of the associated sale parcel or other compensation.

15. ENVIRONMENTAL CONTAMINATION:

In the event environmental contamination is discovered on Leased Premises which creates, in Government's determination, an imminent and substantial endangerment to human health or the environment which necessitates evacuation of Leased Premises, and notwithstanding any other termination rights and procedures contained in this Lease, Lessee shall vacate or require any sublessee to vacate Leased Premises immediately upon notice from Government of the existence of such a condition. Exercise of this right by Government shall be without liability, except that Lessee shall not be responsible for the payment of consideration, during the period Leased Premises is vacated. The amount of deduction to be determined on a daily pro-rata basis. Government's exercise of this right herein to order the Leased Premises immediately vacated does not alone constitute a termination of the Lease, but such right may be exercised in conjunction with any other termination rights provided in this Lease or by law.

16. NON-ENVIRONMENTAL INDEMNIFICATION BY LESSEE:

Lessee shall at all times relieve, indemnify, protect, defend and hold harmless the United States of America, and all of its officers, agents and employees from any and all claims and demands, actions, proceedings, losses, liens, costs and judgments of any kind and nature whatsoever, including expenses incurred in defending against legal actions, for death or injury to persons or damage to property and for civil fines and penalties arising or growing out of, or in any manner connected with, the occupation or use of the Leased Premises by Lessee and the employees, agents, servants, guests, invitees, contractors and sublessees of Lessee. These include, but are not limited to, any fines, claims, demands and causes of action of every nature whatsoever which may be made upon, sustained or incurred by Government by reason of any breach, violation,

omission or non-performance of any term, covenant or condition hereof on the part of Lessee or the employees, agents, servants, guests, invitees and sublessees of Lessee. However, this indemnity shall not extend to damages due to the sole fault or negligence of Government or its contractors. This covenant shall survive the termination of this Lease for any injury or damage occurring after the commencement of term of the Lease.

17. INSURANCE:

17.1 Except to the extent of any obligation on the part of the Government to indemnify pursuant to Public law 102-484, Section 330, as amended, Lessee shall bear all risk of loss or damage to the Leased Premises, and for claims arising from any incident with respect to bodily injuries or death resulting there from, property damage, or both, suffered or alleged to have been suffered by any person or persons resulting from the operations of Lessee, sublessees, contractors and invitees under the terms of this Lease.

17.2 At the commencement of this Lease, Lessee shall obtain, from a reputable insurance company or companies, comprehensive general liability insurance. The insurance shall provide an amount not less than the minimum combined single limit of \$5,000,000.00 for any number of persons or claims arising from any one incident with respect to bodily injuries or death resulting there from, property damage or both, suffered or alleged to have been suffered by any person or persons resulting from the operations of Lessee, sublessees, contractors and invitees under the terms of this Lease. Lessee shall require its insurance company to furnish Government a copy of the policy or policies, or if acceptable to Government, certificates of insurance evidencing the purchase of such insurance. The minimum amount of liability insurance coverage is subject to revision by Government every three years or upon renewal or modification of this Lease.

17.3 As to those structures and improvements on Leased Premises constructed by or owned by Government, Lessee shall procure and maintain at Lessee's expense a standard fire and extended coverage insurance policy or policies on Leased Premises in the minimum amount of \$1,000,000.00, but not less than the amount required to demolish damaged or destroyed structures and improvements, remove debris and clear the Leased Premises. Lessee shall procure such insurance from a reputable company or companies. The insurance policy shall provide that in the event of loss there under, the proceeds of the policy or policies, at the election of Government, shall be payable to Lessee to be used solely for the demolition of damaged or destroyed structures and improvements, removal of debris and clearing of the Leased Premises or for repair, restoration, or replacement of the property damaged or destroyed. Any balance of the proceeds not required for such purposes shall be paid to Government. If Government does not elect, by notice in writing to the insurer within thirty (30) calendar days after the damage or destruction occurs, to have the proceeds paid to Lessee for the purposes herein above set forth, then such proceeds shall be paid to Government, provided

however that the insurer, after payment of any proceeds to Lessee in accordance with the provision of the policy or policies, shall have no obligation or liability with respect to the use or disposition of the proceeds by Lessee. Nothing herein contained shall be construed as an obligation upon Government to repair, restore or replace Leased Premises or any part thereof.

17.4 If and to the extent required by law, Lessee shall provide worker compensation or similar insurance in form and amounts required by law.

17.5 During the entire period this Lease shall be in effect, Lessee shall require its contractors or sublessees or any contractor performing work at Lessee's or sublessee's request on Leased Premises to carry and maintain the insurance required below:

17.5.1 Comprehensive general liability insurance, in an amount not less than \$1,000,000.00.

17.5.2 Worker compensation or similar insurance in form and amounts required by law.

17.6 All insurance which this Lease requires Lessee or sublessee to carry and maintain or cause to be carried or maintained shall be in such form, for such periods of time, and with such insurers as Government may reasonably require or approve. All policies or certificates issued by the respective insurers for public liability and property insurance will name Government as an additional insured, provide that any losses shall be payable notwithstanding any act or failure to act or negligence of Lessee or Government or any other person, provide that no cancellation, reduction in amount or material change in coverage thereof shall be effective until at least thirty (30) calendar days after receipt by Government of written notice thereof; provide that the insurer shall have no right of subrogation against Government; and be reasonably satisfactory to Government in all other respects. In no circumstances will Lessee be entitled to assign to any third party, rights of action that Lessee may have against Government.

17.7 Lessee and sublessees shall deliver or cause to be delivered promptly to Government a certificate of insurance evidencing the insurance required by this Lease and shall also deliver prior to expiration of any such policy, a certificate of insurance evidencing each renewal policy covering the same risks.

18. LABOR PROVISION:

During the term of this Lease, Lessee agrees as follows:

18.1 Lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Lessee shall take affirmative action to ensure that applicants are employed, and that employees are

treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rate of pay or other forms of compensation and selection for training, including apprenticeship. Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by Government setting forth the provisions of this nondiscrimination clause.

18.1.1 Lessee shall, in all solicitations or advertisements for employees placed at Leased Premises by or on behalf of Lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

18.1.2 Lessee shall send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding a notice to be provided by Government, advising the labor union or worker's representative of Lessee's commitments under this equal opportunity clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

18.1.3 Lessee shall comply with all provisions of Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and of the rules, regulations and relevant orders of the Secretary of Labor.

18.1.4 Lessee shall furnish all information and reports required by Executive order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and of the rules, regulations and relevant orders of the Secretary of Labor or pursuant thereto, and will permit access to his books, records and accounts by Government and the Secretary of Labor for purposes of investigating to ascertain compliance with such rules, regulations and orders.

18.1.5 In the event of Lessee's noncompliance with the equal opportunity clause of this Lease or with any of said rules, regulations or orders, this lease may be canceled, terminated or suspended in whole or in part and Lessee may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, as amended by Executive order 11375 of October 13, 1967, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, or by rule, regulation or order of the Secretary of Labor, or otherwise provided by law.

18.1.6 Lessee will include the above provisions in every sublease unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, as amended by

Executive Order 11375 of October 13, 1967, so that such provisions will be binding upon each sublessee. Lessee will take such action with respect to any sublessee as Government may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event Lessee becomes involved, or is threatened with litigation with sublessee as a result of such direction by Government, Lessee may request the United States to enter into such litigation to protect the interest of the United States.

18.2 This Lease, to the extent that it is a contract of a character specified in the Contract Work Hours and Safety Standards Act (40 U.S.C. 3703) and is not covered by the Walsh-Healy Public Contracts Act (41 U.S.C. 35-45), is subject to the following provisions and exceptions of said Contract Work Hours and Safety Standards Act and to all other provisions and exceptions of said law.

18.2.1 Lessee shall not require or permit any laborer or mechanic in any workweek in which he is employed on any work under this Lease to work in excess of 40 hours in such work week on work subject to the provisions of the Contract Work Hours and Safety Standards Act unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all such hours worked in excess of 40 hours in such work week. The "basic rate of pay", as used in this clause, shall be the amount paid per hour, exclusive of Lessee's contribution or cost for fringe benefits and any cash payment made in lieu of providing fringe benefits or the basic hourly rate contained in the wage determination, whichever is greater.

18.2.2 In the event of any violation of the provision of Article 18.2.1, Lessee shall be liable to any affected employee for any amounts due, and to the United States for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of Article 18.2.1 in the sum of ten \$10.00 for each calendar day on which such employee was required or permitted to be employed on such work in excess of the standard work week of 40 hours without payment of the overtime wages required by paragraph 18.2.1.

18.3 In connection with the performance of work required by this Lease, Lessee agrees not to employ any person undergoing a sentence of imprisonment at hard labor.

19. SUBMISSION OF NOTICES:

No notice, order, direction, determination, requirement, consent or approval under this Lease shall be of any effect unless made in writing and delivered to the addressees designated below. All correspondence, notices and claims concerning this Lease shall be directed to the addresses set out below or to such addresses as may from time to time be given by the parties. Such correspondence, notices and claims may be delivered by hand, express delivery, overnight courier or by prepaid registered or

certified mail, return receipt requested. The individuals so designated shall be the representatives of the parties and the points of contact during the period of this Lease, unless otherwise indicated by written notice of an individual party to the Lease to each party to the Lease.

If to Government:

Real Estate Contracting Officer
Base Realignment and Closure Program Management Office
1230 Columbia Street, Suite 1100
San Diego, CA 92101-8571

If to Lessee:

Lennar Homes of California, Inc.
25 Enterprise
Aliso Viejo, CA 92656
Attn: Robert Santos

20. AUDIT:

This Lease shall be subject to audit by any and all cognizant Government agencies. Lessee shall make available to such agencies for use in connection with such audits all records, which it maintains with respect to this Lease and copies of all reports, required to be filed hereunder. Government shall provide to Lessee reasonable documentation for all billings and assessments for costs incurred, and for any other Government demands for payment. In no event shall the provisions of this Article be construed to authorize or require the disclosure of documents protected from disclosure by the attorney-client privilege, or otherwise, the confidentiality of which is protected by state or federal law

21. AGREEMENT:

This Lease shall not be modified unless in writing and signed by both parties. No oral statements or representation made by, for or on behalf of either party shall be a part of this Lease. Should a conflict arise between the provisions of this Lease and any exhibit hereto, or any other agreement between Government and Lessee, the provisions of this Lease shall take precedence.

22. FAILURE TO INSIST ON COMPLIANCE:

The failure of Government to insist, in any one or more instances, upon performance of any of the terms, covenants or conditions of this Lease shall not be

construed as a waiver or relinquishment of Government's right to the future performance of any such terms, covenants or conditions and Lessee's obligations in respect to such future performance shall continue in full force and effect.

23. DISPUTES:

23.1 This lease is subject to the Contract Disputes Act of 1978, as amended (41 U.S.C. 601-613) (the Act).

23.2 Except as provided in the Act, all disputes arising under or relating to this lease shall be resolved under this clause.

23.3 "Claim", as used in this clause, means a written demand or written assertion by Lessee or Government seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of lease terms, or other relief arising under or relating to this Lease. A claim arising under this Lease, unlike a claim relating to this Lease, is a claim that can be resolved under a lease clause that provides for the relief sought by the claimant. However, a written demand or written assertion by Lessee seeking the payment of money exceeding \$100,000 is not a claim under the Act until certified as required by subparagraph 23.4 below. A voucher, invoice or other routine request for payment that is not in dispute when submitted, is not a claim under the Act. The submission may be converted to a claim under the Act, by complying with the submission and certification requirements of this clause, if it is disputed either as to liability or amount or is not acted upon in a reasonable time.

23.4 A claim by Lessee shall be made in writing and submitted within six (6) years after accrual of the claim, to the Government for a written decision.

23.4.1 Lessee shall provide the certification specified in subparagraph 23.4.3 of this clause when submitting any claim:

- (a) Exceeding \$100,000; or
- (b) Regardless of the amount claimed, when using:
 - (1) Arbitration conducted pursuant to 5 U.S.C. 575-580; or
 - (2) Any other alternative means of dispute resolution (ADR) technique that the agency elects to use in accordance with the Administrative Dispute Resolution Act (ADRA).

23.4.2 the certification requirement does not apply to issues in controversy that have not been submitted as all or part of a claim.

23.4.3 The certification shall state as follows: "I certify that the claim is made in good faith; that the supporting data are accurate and complete to the best of my knowledge and belief; that the amount requested accurately reflects the contract

adjustment for which Lessee believes Government is liable; and that I am duly authorized to certify the claim on behalf of Lessee."

23.4.4 The certification may be executed by any person duly authorized to bind Lessee with respect to the claim.

23.5 For Lessee claims of \$100,000 or less, the Government, must, if requested in writing by Lessee, render a decision within 60 calendar days of the request. For Lessee-certified claims over \$100,000, the Government, must, within 60 calendar days, decide the claim or notify Lessee of the date by which the decision will be made.

23.6 The Government's decision shall be final unless Lessee appeals or files a suit as provided in the Act.

23.7 At the time a claim by the Lessee is submitted to Government, or a claim by Government is presented to Lessee, the parties, by mutual consent, may agree to use ADR. When using arbitration conducted pursuant to 5 U.S.C. 575-580, or when using any other ADR technique that the agency elects to employ in accordance with the ADRA, any claim, regardless of amount, shall be accompanied by the certification described in Article 23.4.3 of this clause, and executed in accordance with paragraph 23.4.4 of this clause.

23.8 Government shall pay interest on the amount found due and unpaid by Government from (1) the date the Government receives the claim (properly certified if required), or (2) the date payment otherwise would be due, if that date is later, until the date of payment. With regard to claims having defective certifications, as defined in FAR 33.201, interest shall be paid from the date that the Government initially receives the claim. Simple interest on claims shall be paid at the rate, fixed by the Secretary of the Treasury, as provided in the Act, which is applicable to the period during which the Government receives the claim and then at the rate applicable for each 6-month period as fixed by the Treasury Secretary during the pendency of the claim.

23.9 Lessee shall proceed diligently with the performance of Lease, pending final resolution of any request for relief, claim, appeal or action arising under Lease, and comply with any decision of the Government.

24. COVENANT AGAINST CONTINGENT FEES:

Lessee warrants that no person or agency has been employed or retained to solicit or secure this Lease upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting bona fide employees or bona fide established commercial agencies maintained by Lessee for the purpose of securing business. For breach or violation of this warranty, Government shall have the right to annul this Lease without liability or in its discretion, to require Lessee to pay, in addition

to the rental or consideration, the full amount of such commission, percentage, brokerage or contingent fee.

25. LIENS:

Lessee shall promptly discharge or cause to be discharged any valid lien, right in rem, claim or demand of any kind, except one in favor of Government, which at any time may arise or exist with respect to the Leased Property or materials or equipment furnished therefore, or any part thereof, and if the same shall not be promptly discharged by Lessee, or should Lessee or sublessee be declared bankrupt or make an assignment on behalf of creditors, or should the leasehold estate be taken by execution, Government reserves the right to take immediate possession without any liability to Lessee or any sublessee. Lessee and any sublessee shall be responsible for any costs incurred by Government in securing clear title to its property.

26. TAXES:

Lessee shall pay to the proper authority, when and as the same become due and payable, all taxes, assessments and similar charges which, at any time during the term of this Lease, may be imposed upon Lessee with respect to Leased Premises. Title 10 United States Code, Section 2667(e) contains the consent of Congress to the Taxation of Lessee's interest in Leased Premises, whether or not the Leased Premises are in an area of exclusive federal jurisdiction. Should Congress consent to taxation of Government's interest in the property, this Lease will be renegotiated.

27. SUBJECT TO EXISTING AND FUTURE EASEMENTS AND RIGHTS-OF-WAY, AND TO CERTAIN POTENTIAL AIR NAVIGATION-RELATED RESTRICTIONS:

27.1 This Lease is subject to all outstanding easements and rights-of-way for location of any type of facility over, across, through, in and upon Leased Premises or any portion thereof and to the right of Government to grant such additional easements and rights-of-way over, across, in and upon Leased Premises as it shall determine to be in the public interest; provided that any such additional easement or right-of-way shall be conditioned on the assumption by the grantee thereof of liability to Lessee for such damages as Lessee shall suffer for property destroyed or property rendered unusable on account of the grantee's exercise of its rights there under. Such easements and rights of way shall include but not be limited to those for water, gas, electricity, telephone, sewer, pipelines, conduits and for any type of facility, including but not limited to those for communications, heating, cooling and power. There is hereby reserved to the holders of such easements and rights-of-way as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair or replacement of facilities located thereon, and to any Federal, state or local official engaged in the official inspection thereof, such

reasonable rights of ingress and egress over Leased Premises as shall be necessary for the performance of their duties with regard to such facilities.

27.2 The Government has constructed and installed roads, structures, facilities, pipelines, and conduits on Leased Premises. For purposes of this Article, these roads, structures, facilities, pipelines, and conduits shall be treated as if they were within, easements and rights of way, and Lessee shall not interfere with or otherwise disturb such government-owned improvements without the prior written consent of the Government. Lessee shall protect or relocate them in a manner satisfactory to Government should such protection or relocation be required as a result of Lessee's use of Leased Premises.

27.3 The outstanding easements and rights of way referenced in paragraph 27.1 of this Lease shall be deemed to include, but shall not be limited to, the following:

27.3.1 the rights of the FAA, including its officers, employees, agents, contractors and subcontractors, to exercise rights of ingress and egress over, across, in and upon Leased Premises, and such other easements and/or rights of way as set forth in such paragraph 27.1, for purposes of accessing Buildings 372, 378, 746, and 796 and the adjacent land around such building, as identified in Exhibits F and G, and for construction, installation, maintenance, operation, repair or replacement of facilities thereon. Notwithstanding Article 9 of this Lease, the FAA and its officers, employees, agents, contractors and subcontractors may exercise rights of ingress and egress, and may conduct activities involving construction, installation, maintenance, operation, repair or replacement of facilities on or in Building 372, 378, 746 and 796 and the adjacent land around such building, as identified in Exhibit F without providing prior notice to Lessee.

27.3.2 The rights of the Orange County Water District ("OCWD") and Irvine Ranch Water District ("IRWD"), including their officers, employees, agents, contractors and subcontractors, to exercise rights of ingress and egress over, across, in and upon Leased Premises, and such other easements and/or rights of way as set forth in such paragraph 27.1, for purposes of access and rights-of-way for the construction, operation, and maintenance of the CERCLA Component of the Modified Irvine Desalter Project (CCMI) set forth in Paragraph VI.A of the "Settlement Agreement Among the Settling Federal Agencies (SFA), OCWD, and IRWD in Regard to Former Marine Corps Air Station (MCAS) El Toro" dated September 1, 2001 ("Settlement Agreement"). The OCWD and IRWD and their officers, employees, agents, contractors and subcontractors may exercise rights of ingress and egress, and may conduct activities involving construction, operation, maintenance, repair or replacement of the CCMI upon and beneath the Leased Premises without providing prior notice to Lessee.

27.3.3 The rights of the OCWD and IRWD, including their officers, employees, agents, contractors and subcontractors, to exercise rights of ingress and

egress over, across, in and upon Leased Premises, and such other easements and/or rights of way as set forth in such paragraph 27.1, upon reasonable notice and so as not to unreasonably interfere with Lessee's operations or other use of the Leased Premises, to take soil samples for the purpose of confirming that no such current operations or use have resulted in the release of hazardous substances that could impact the CCMI treatment system.

28. ADMINISTRATION:

Except as otherwise provided for under this Lease, Government shall, under the direction of the Base Realignment and Closure Program Management Office have complete charge of the administration of this Lease, and shall exercise full supervision and general direction thereof insofar as the interests of Government are affected.

29. SURRENDER:

In the event the lease is terminated, Lessee shall quietly and peacefully remove itself and its personal property and trade fixtures from Leased Premises and surrender the possession thereof to Government. Government may, in its discretion, declare any personal property and trade fixtures that have not been removed from Leased Premises upon termination provided for above, as abandoned property upon an additional 30 calendar days notice.

30. INTEREST:

30.1 Notwithstanding any other provision of this Lease, unless paid within thirty (30) calendar days, all amounts that become payable by Lessee to Government under this Lease (net any applicable tax credit under the Internal Revenue Code) shall bear interest from the date due. The rate of interest will be the Current Value of Funds rate published by the Secretary of Treasury pursuant to 31 U.S.C. 3717 (Debt Collection Act of 1982).

30.1.1 Amounts shall be due upon the earliest of:

30.1.1(a) the date fixed pursuant to this Lease,

30.1.1(b) the date of the first written demand for payment,
Consistent with this Lease, including demand consequent upon default termination,

30.1.1(c) the date of transmittal by Government to Lessee of a
proposed supplemental agreement to confirm completed negotiations fixing the amount,

30.1.1(d) if this Lease provides for revision of prices, the date of written notice to Lessee stating the amount of refund payable in connection with a pricing proposal or in connection with a negotiated pricing agreement not confirmed by Lease supplement.

31. AVAILABILITY OF FUNDS:

The Government's obligations under this Lease are subject to the availability of funds appropriated for such purposes. Nothing in this Lease shall be interpreted to require obligations or payments by Government that would be in violation of the Anti-Deficiency Act (31 USC 1341).

32. APPLICABLE RULES AND REGULATIONS:

Lessee and any Sublessees shall comply with all Federal, State and local laws, regulations and standards that are applicable or may become applicable to Lessee's or Sublessee' activities on the Leased Premises. These include, but are not limited to, laws and regulations regarding the environment, construction of facilities, health, safety, food service, water supply, sanitation, use of pesticides, and licenses or permits to do business. Lessee and any Sublessee are responsible for obtaining and paying for permits required for its operations under the Lease.

33. QUIET POSSESSION:

Government covenants and agrees that Lessee, upon paying any charges hereunder provided for and observing and keeping all covenants, agreements, and conditions of this Lease on its part to be observed and kept, shall quietly have and enjoy Leased Premises during the term of this Lease without hindrance or molestation by anyone claiming by or through Government, subject, however, to the exceptions, reservations and conditions of this Lease.

34. GOVERNMENT APPROVAL:

Whenever this Lease requires Government approval or consent, such approval or consent shall not be unreasonably withheld or delayed.

35. **EXHIBITS:**

The following exhibits are attached hereto and incorporated by reference herein:

- A. Description of the Leased Premises
- B. Executive Summary of Environmental Baseline Survey
- C. Finding of Suitability to Lease
- D. Work Exempt from Government Consent
- E. Facilities Containing FAD ACM or Requiring ACM Survey Prior to Use or Occupancy
- F. Portion of Leased Premises Reserved for Government Use
- G. FAA Parcel

IN WITNESS WHEREOF, the parties hereto have, on the respective dates set forth below duly executed this Lease as of the day and year first above written.

THE UNITED STATES OF AMERICA
Acting by and through the Department of the Navy

By: _____

Date: _____

HERITAGE FIELDS LLC

By: _____

Title: _____

Date: _____

**Former Marine Corps Air Station El Toro
Lease in Furtherance of Conveyance
Parcel 2**

Exhibit "A"

EXHIBIT "A"
Description of "Property"

That certain real property situated in the County of Orange, State of California, including the following parcels, attached hereto and made a part hereof:

Parcel II-B
Parcel II-C
Parcel II-D
Parcel II-E
Parcel II-F
Parcel II-G
Parcel II-H
Parcel II-I
Parcel II-J
Parcel II-K
Parcel II-L
Parcel II-M
Parcel II-N
Parcel II-O
Parcel II-P
Parcel II-Q
Parcel II-R
Parcel II-S
Parcel II-T
Parcel II-U
Parcel II-V

PSOMAS

LEGAL DESCRIPTION

PARCEL II-B

In the City of Irvine, County of Orange, State of California, being that portion of Lot 273 of Block 154 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the southeasterly terminus of that certain course in the northeasterly boundary of said property described as "North 49°22'54" West 3556.41 feet" as shown on sheet 10 of said Record of Survey; thence South 27°48'02" West 2229.30 feet to the **True Point of Beginning**; thence South 33°07'51" East 151.14 feet; thence South 57°46'16" West 278.47 feet; thence North 32°13'44" West 419.88 feet; thence North 57°46'16" East 147.64; thence North 32°13'44" West 215.55 feet; thence South 57°46'16" West 153.93 feet; thence North 32°13'44" West 143.24 feet; thence North 57°46'16" East 153.93 feet; thence North 32°13'44" West 192.65 feet; thence North 57°46'16" East 339.45 feet; thence South 32°13'44" East 318.47 feet; thence South 57°46'16" West 138.07 feet; thence South 32°13'44" East 231.96 feet; thence South 57°46'16" West 72.92 feet; thence South 32°13'44" East 269.76 to the **True Point of Beginning**.

Containing 6.729 acres (293,103 square feet), more or less

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

As shown on exhibit attached hereto and made a part hereof.

PSOMAS

1
2 This real property description has been prepared by me or under my direction, in
3 conformance with the Professional Land Surveyor's Act.
4
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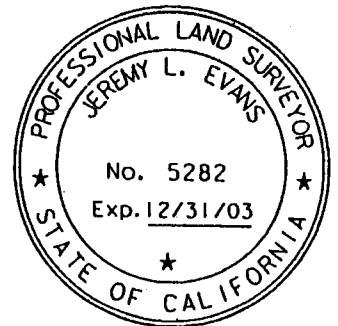
6 Jeremy L Evans

7 Jeremy L. Evans, P.L.S. 5282

2-4-2005

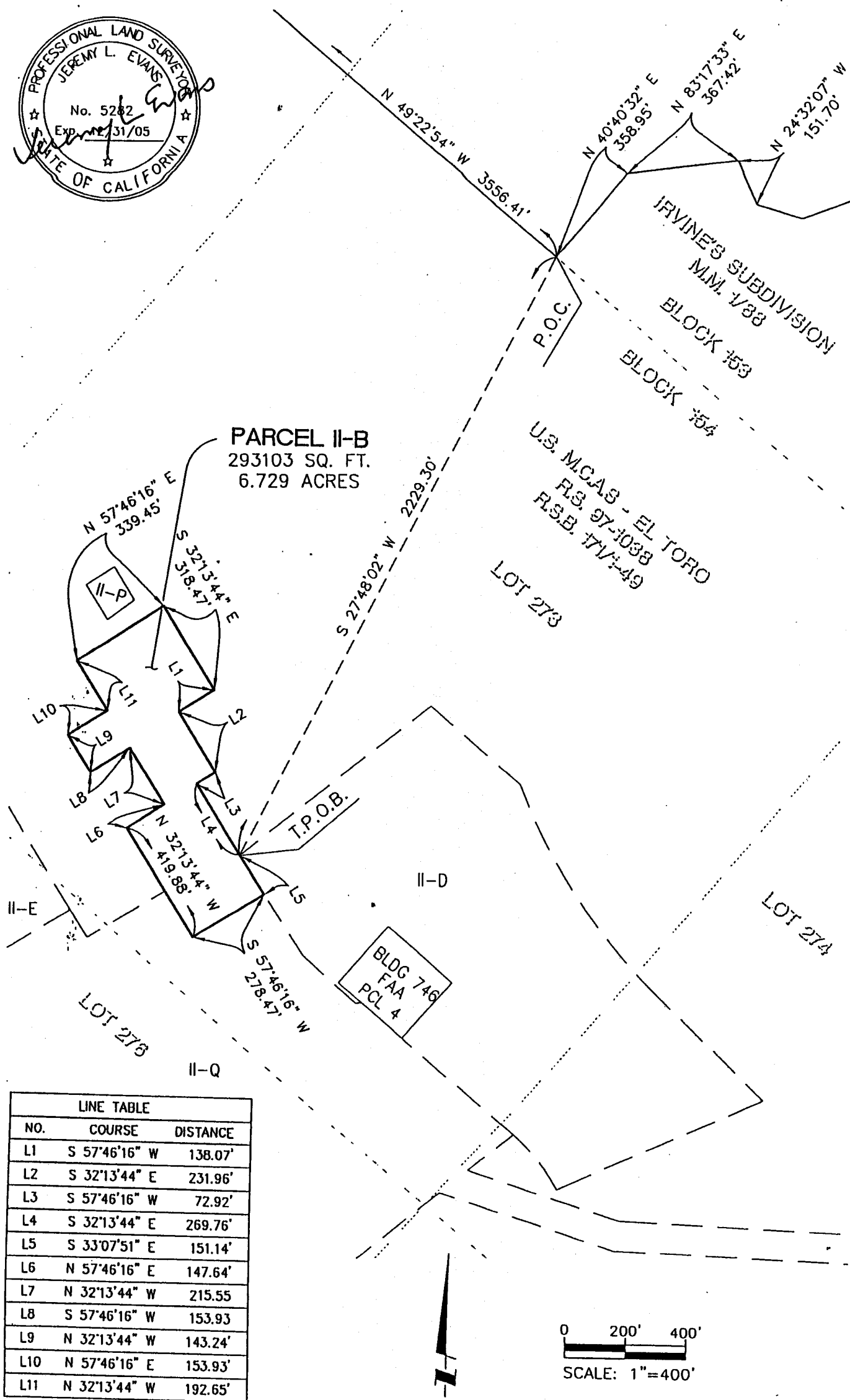
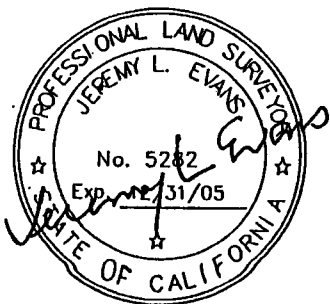
Date

8 Expires 12/31/05.
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30 REVIEWED BY CADASTRAL - RWS

EXHIBIT



LINE TABLE		
NO.	COURSE	DISTANCE
L1	S 57°46'16" W	138.07'
L2	S 32°13'44" E	231.96'
L3	S 57°46'16" W	72.92'
L4	S 32°13'44" E	269.76'
L5	S 33°07'51" E	151.14'
L6	N 57°46'16" E	147.64'
L7	N 32°13'44" W	215.55'
L8	S 57°46'16" W	153.93'
L9	N 32°13'44" W	143.24'
L10	N 57°46'16" E	153.93'
L11	N 32°13'44" W	192.65'

REVIEWED BY CADASTRAL-RWS

DESCRIPTION: That portion of Lot 273 of Block 154 in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 11/07/04
REV 2

SHEET 1 OF 1
PSOMAS
3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 400'
DRAFTED CHL
CHECKED J.E.
DATE OCT. 2004
JOB
NUMBER 2NORD60100 T7

PSOMAS

LEGAL DESCRIPTION

PARCEL II-C

In the City of Irvine, County of Orange, State of California, being that portion of lot 362 of Block 153 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the southeasterly terminus of that certain course in the northeasterly boundary of said property described as "North 49°22'54" West 3556.41 feet" as shown on sheet 10 of said Record of Survey; thence South 84°23'05" East 743.37 feet to the **True Point of Beginning**; thence North 65°43'54" East 138.01 feet; thence North 61°31'40" East 322.51 feet; thence North 53°48'35" East 387.83 feet; thence North 48°53'53" East 88.74 feet to the beginning of a non-tangent curve concave southwesterly having a radius of 200.00 feet, a radial line to said beginning bears North 15°57'52" West; thence easterly, southeasterly and southerly along said curve 426.23 feet through a central angle of 122°06'21" a radial to said point bears South 73°51'31" East; thence South 164.69 feet; thence South 12°40'49" East 102.50 feet; thence South 6°29'21" West 47.86 feet; thence South 78°08'55" West 54.78 feet to the beginning of a curve concave southeasterly having a radius of 230.00 feet; thence southwesterly along said curve 168.17 feet through a central angle of 41°53'36" to the beginning of a reverse curve concave northwesterly having a radius of 200.00 feet, a radial line to said beginning bears South 53°44'41" East; thence southwesterly along said curve 205.73 feet through a central angle of 58°56'15" to the beginning of a reverse curve concave southeasterly having a radius of 150.00 feet, a radial line to said beginning bears North 5°11'34" East; thence westerly and southwesterly along said curve 199.59 feet through a central angle of 76°14'22"; thence South 18°57'12" West 112.91 feet to the beginning of a curve concave northerly having a radius of 100.00 feet; thence southwesterly, westerly and northwesterly along said curve 220.13 feet through a central angle of 126°07'31"; thence North 34°55'17" West

PSOMAS

1 152.63 feet; thence North 45°39'31" West 164.62 feet; thence North 24°42'17" West
2 .259.30 feet to the True Point of Beginning.

3

4 Containing 13.318 acres (580,122 square feet), more or less

5

6 Subject to covenants, conditions and restrictions, rights-of-way and easements of record,
7 if any.

8

9 As shown on exhibit attached hereto and made a part hereof.

10

11 This real property description has been prepared by me or under my direction, in
12 conformance with the Professional Land Surveyor's Act.

13

14

15 Jeremy L. Evans

2-4-2005

16 Jeremy L. Evans, P.L.S. 5282

Date

17 Expires 12/31/05

18

19

20

21

22

23

24

25

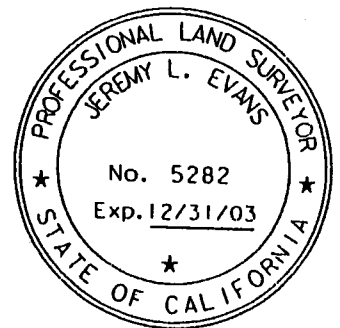
26

27

28

29

30 REVIEWED BY CADASTRAL - RWS



EXHIBIT

U.S. MCAS - EL TORO
R.S. 97-1038
R.S.B. 171/1-40

LOT 362

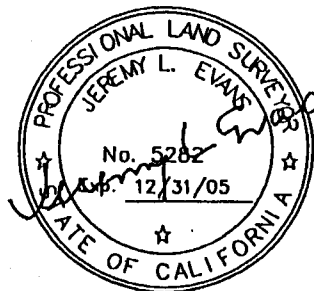
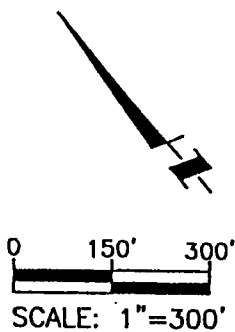
PARCEL II-C
580,122 SQ. FT.
13.318 ACRES

LOT 273

IRVINE'S SUBDIVISION
M.M. 1/88

BLOCK 153

BLOCK 154



REVIEWED BY CADASTRAL - RWS

DESCRIPTION: That portion of Block 153 in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1	11/07/04
REV 2	

PSOMAS
3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE	1" = 300'
DRAFTED	CHL
CHECKED	JLE
DATE	NOV, 2004
JOB NUMBER	2NOR060100 T7

PSOMAS

LEGAL DESCRIPTION

.PARCEL II-D

In the City of Irvine, County of Orange, State of California, being that portion of Lots 273 and 274 of Block 154 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the southeasterly terminus of that certain course in the northeasterly boundary of said property described as "North 49°22'54" West 3556.41 feet" as shown on sheet 10 of said Record of Survey; thence South 27°48'02" West 2229.30 feet to the **True Point of Beginning**; thence North 51°39'47" East 804.91 feet; thence South 49°47'05" East 388.30 feet to the beginning of a non-tangent curve concave northeasterly having a radius of 1860.00 feet, a radial line to said beginning of curve bears South 68°53'19" West; thence southeasterly along said curve 809.38 feet through a central angle of 24°55'56"; thence South 46°02'37" East 508.11 feet; thence South 64°12'47" West 748.02 feet to the beginning of a non-tangent curve concave southwesterly having a radius of 700.00 feet, a radial line to said beginning of said curve bears North 62°07'33" East; thence northwesterly along said curve 267.29 feet through a central angle of 21°52'40"; thence North 49°45'07" West 639.12 feet; thence South 83°39'35" West 20.27 feet; thence North 48°44'25" West 236.30 feet; thence North 33°07'51" West 388.10 feet to the **True Point of Beginning**.

Containing 28.286 acres (1,232,134 square feet), more or less

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

As shown on exhibit attached hereto and made a part hereof.

PSOMAS

This real property description has been prepared by me or under my direction, in conformance with the Professional Land Surveyor's Act.

Jeremy L Evans

Jeremy L. Evans, P.L.S. 5282

2-4-2005

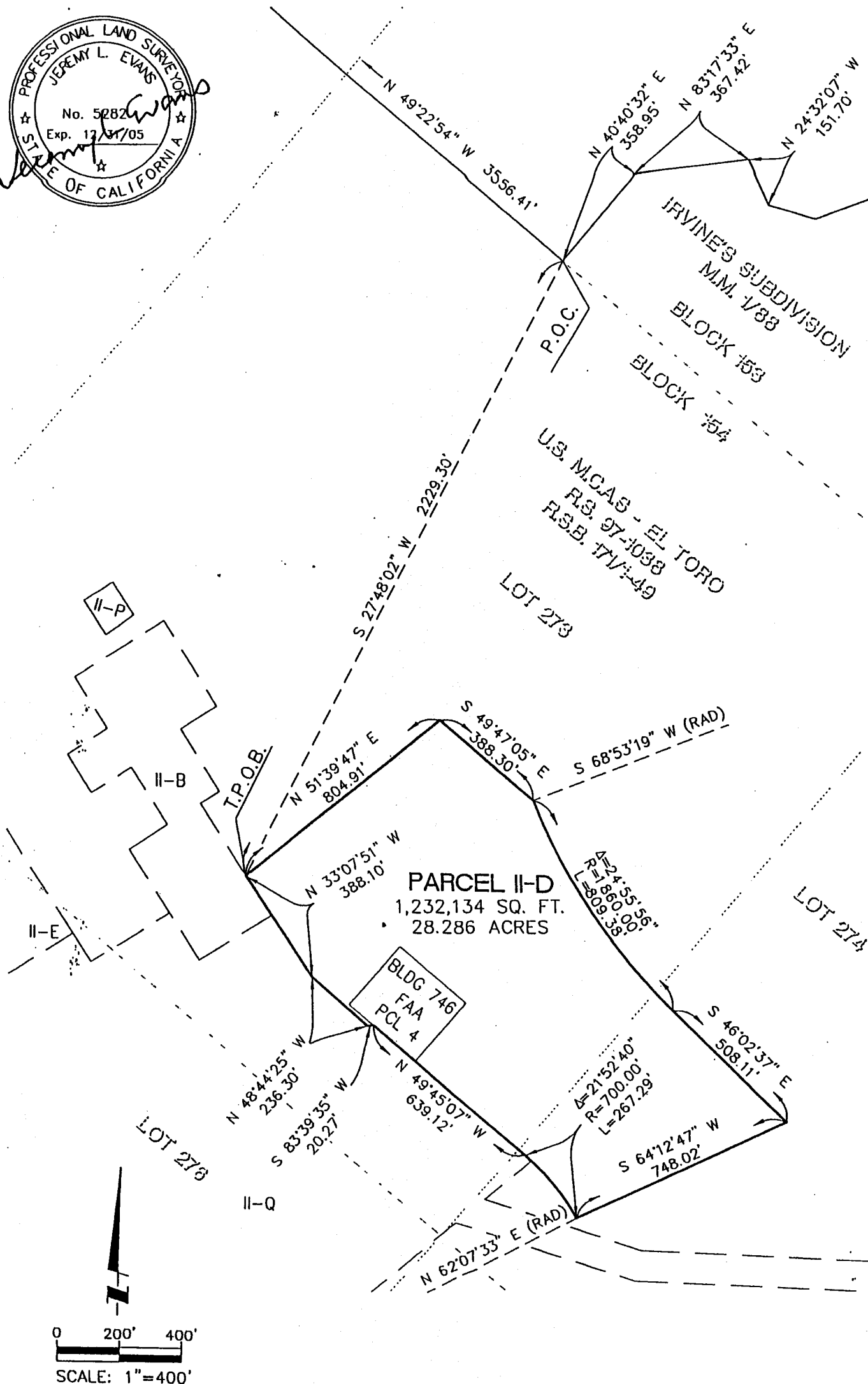
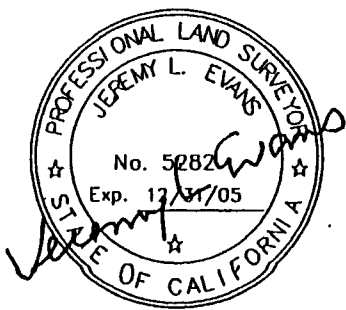
Date

Expires 12/31/05



REVIEWED BY CADASTRAL- RWS

EXHIBIT



REVIEWED BY CADASTRAL - RWS

DESCRIPTION: That portion of Lots 273 and 274 of Block 154 in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1	11/07/04
REV 2	

SHEET 1 OF 1

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 400'

DRAFTED CHL

CHECKED JLE

DATE OCT, 2004

JOB
NUMBER 2NOR060100 T7

PSOMAS

LEGAL DESCRIPTION

PARCEL II-E

In the City of Irvine, County of Orange, State of California, being that portion of Lot 272 of Block 141 and Lots 273 and 276 of Block 154 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the southeasterly terminus of that certain course in the northeasterly boundary of said property described as "North 49°22'54" West 3556.41 feet" as shown on sheet 10 of said Record of Survey; thence South 36°28'35" West 2693.05 feet to the **True Point of Beginning**; thence South 57°46'16" West 254.27 feet; thence North 32°01'02" West 1812.84 feet; thence North 57°46'16" East 515.47 feet; thence South 32°13'44" East 539.06 feet; thence South 57°46'16" West 380.78 feet; thence South 32°13'44" East 272.30 feet; thence North 57°46'16" East 112.89 feet; thence South 32°13'44" East 1001.46 feet to the **True Point of Beginning**.

Containing 13.052 acres (568,559 square feet), more or less

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

As shown on exhibit attached hereto and made a part hereof.

PSOMAS

This real property description has been prepared by me or under my direction, in
conformance with the Professional Land Surveyor's Act.

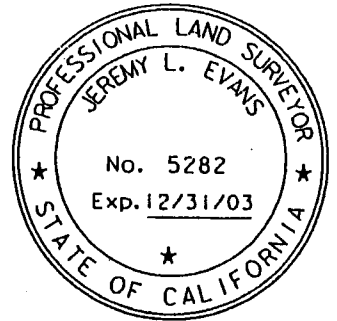
Jeremy L. Evans

Jeremy L. Evans, P.L.S. 5282

2-4-2005

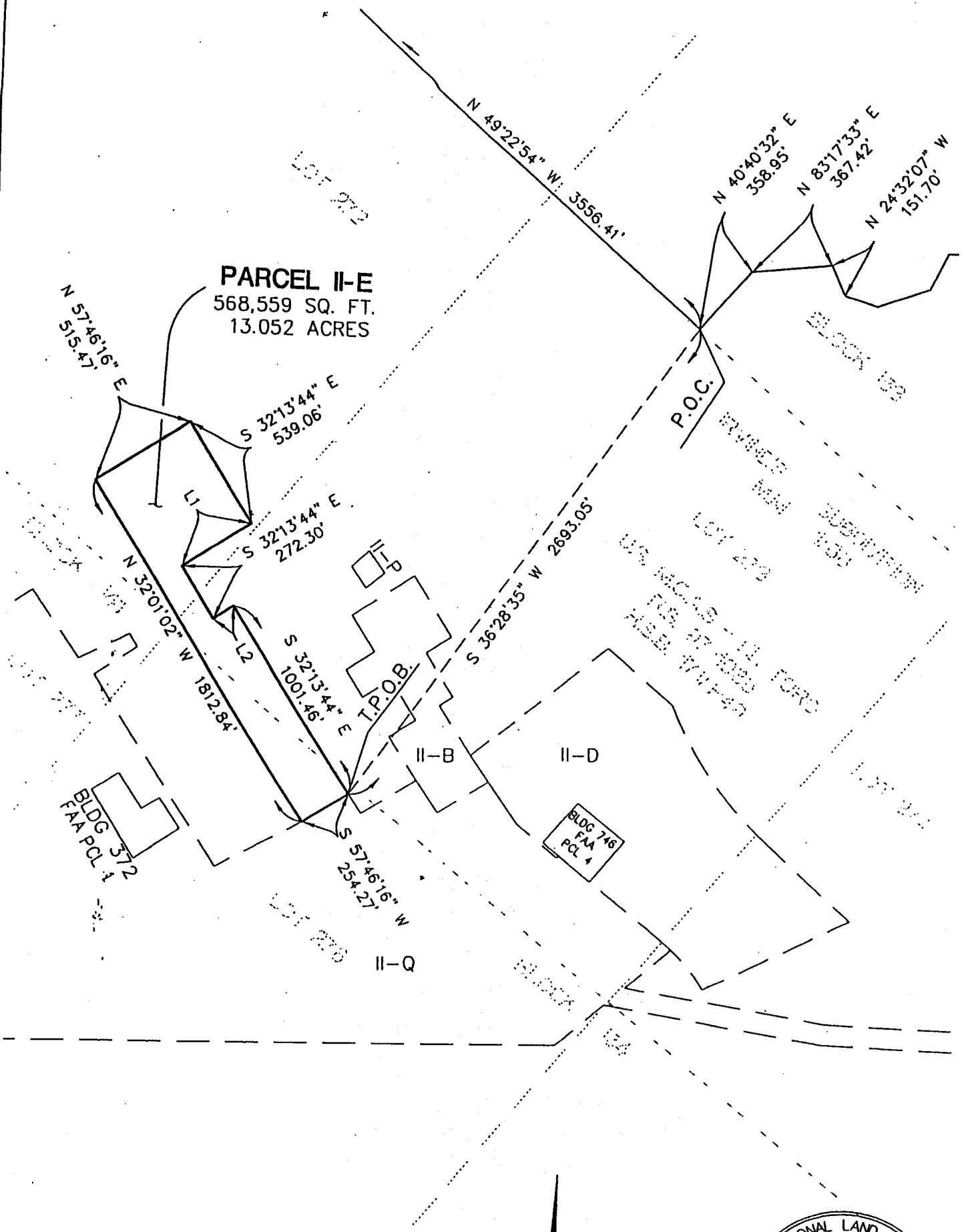
Date

Expires 12/31/05



REVIEWED BY CADASTRAL - RWS

EXHIBIT



LINE DATA		
No.	BEARING	DISTANCE
L1	S 57°46'16" W	380.78'
L2	N 57°46'16" E	112.89'

REVIED BY CADASTRAL- RWS

DESCRIPTION: Those portions of Lot 272 of Block 141 and portions of Lots 273 and 276 of Block 154 in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

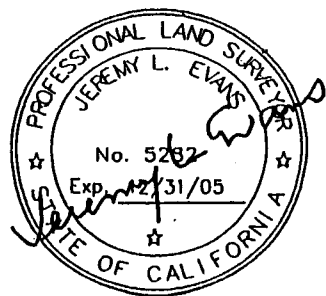
REV 1	11/07/04
REV 2	

SHEET 1 OF 1

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE	1" = 600'
DRAFTED	CHL
CHECKED	JLE
DATE	NOV, 2004
JOB NUMBER	2NOR06D100 T7



PSOMAS

LEGAL DESCRIPTION

PARCEL II-F

In the City of Irvine, County of Orange, State of California, being a portion of Block 153, Lot 274 of Block 154 and Lot 299 of Block 174 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the northwesterly terminus of that certain course in the line shown on said Record of Survey as "Department of Interior Survey Line" having a bearing and distance of "South 73°37'35" East 395.26 feet" as shown on sheet 10 of said Record of Survey; thence South 73°37'35" East along said line 120.53 feet to the **True Point of Beginning**; thence along said line the following 11 courses:

- 1) South 73°37'35" East 274.73 feet;
- 2) South 80°16'46" East 358.80 feet;
- 3) South 27°59'45" East 114.34 feet;
- 4) South 44°10'35" West 253.88 feet;
- 5) North 43°46'25" West 36.97 feet;
- 6) South 47°00'59" West 378.73 feet;
- 7) South 40°22'44" West 1009.86 feet;
- 8) South 49°37'06" East 2277.11 feet;
- 9) South 43°05'49" East 709.84 feet;
- 10) North 74°22'29" East 103.60 feet;
- 11) South 49°16'11" East 77.98 feet to the southeasterly line of said U.S. M.C.A.S El Toro property; thence leaving said "Department of Interior Survey Line" and along said southeasterly line South 70°30'52" West 549.50 feet; thence North 47°33'55" West 2699.53 feet; thence North 09°47'54" West 607.30 feet; thence North 37°49'30" East 46.49 feet; thence North 22°13'03" East 29.55 feet; thence

PSOMAS

1 North 40°22'44" East 233.74 feet; thence South 52°44'01" East 45.54 feet; thence
2 North 40°22'44" East 674.73 feet; thence North 46°14'38" West 80.06 feet; thence
3 North 41°05'24" East 375.14 feet; thence North 48°54'36" West 205.66 feet to the True
4 Point of Beginning.

5
6 Containing 41.544 acres (1,809,668 sq. ft.), more or less.

7
8 Subject to covenants, conditions and restrictions, rights-of-way and easements of record,
9 if any.

10
11 As shown on exhibit attached hereto and made a part hereof.

12
13 This real property description has been prepared by me or under my direction, in
14 conformance with the Professional Land Surveyor's Act.

15
16 Peter J. Fitzpatrick

17 Peter J. Fitzpatrick, P.L.S. 6777

2/20/05

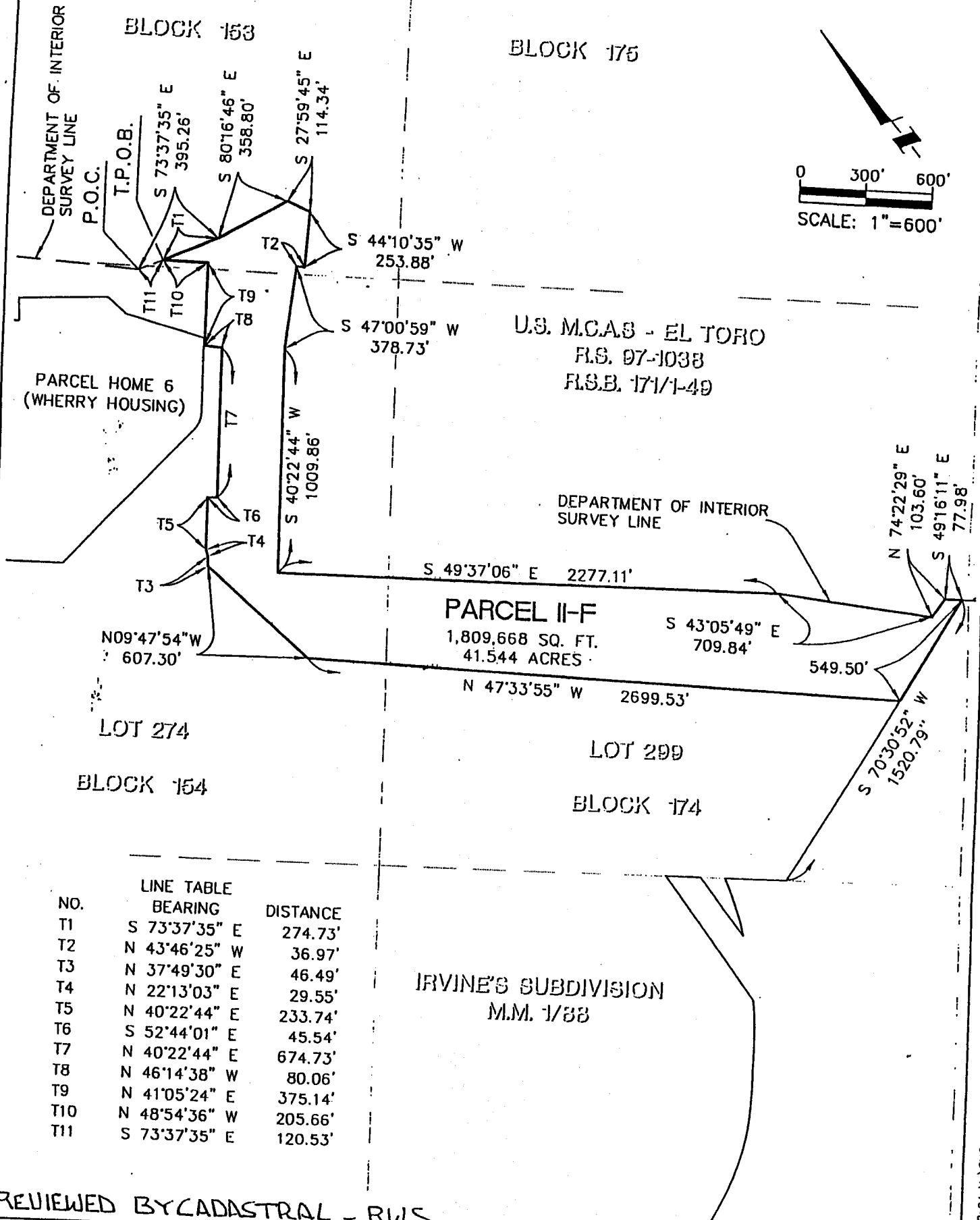
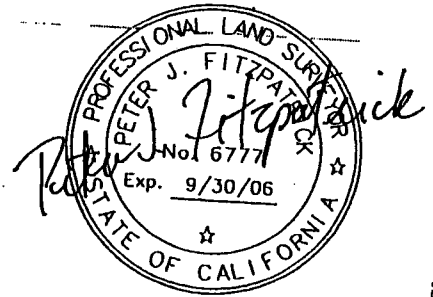
Date

18 Expires 9/30/06



30 REVIEWED BY CADASTRAL - RWS

EXHIBIT



REVIEWED BY CADASTRAL - RWS

DESCRIPTION: Those portions of Block 153, Lot 274 of Block 154 and Lot 299 of Block 174, in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 5/26/04
REV 2 1/14/05

SHEET 1 OF 1

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 600'

DRAFTED CHL

CHECKED P.J.F.

DATE DEC, 2004

JOB NUMBER 2NOR060100 T7

PSOMAS

LEGAL DESCRIPTION

PARCEL II-G

In the City of Irvine, County of Orange, State of California, being a portion of Lot 302 of Block 174 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at an angle point on the "U.S. M.C.A.S. - El Toro Boundary Line", said point being the northerly terminus of that certain course therein having a bearing and distance of "North 02°41'27" East 176.68 feet" as shown on sheet 11 of said Record of Survey; thence South 59°50'58" West 462.86 feet to the **True Point of Beginning**; thence North 50°41'23" West 211.80 feet; thence South 36°13'05" West 87.19 feet to the beginning of a curve concave northerly having a radius of 300.00 feet; thence southwesterly and westerly along said curve 327.00 feet through a central angle of 62° 27' 10"; thence North 81°19'45" West 73.75 feet; thence North 2°10'45" East 608.17 feet; thence South 81°15'00" East 605.20 feet; thence South 48°53'41" East 11.37 feet to the beginning of a curve concave westerly having a radius of 260.00 feet; thence southeasterly, southerly and southwesterly along said curve 400.26 feet through a central angle of 88°12'19"; thence South 39°18'37" W 133.40 feet to the **True Point of Beginning**.

Containing 7.746 acres (337,414 square feet), more or less.

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

As shown on exhibit attached hereto and made a part hereof.

PSOMAS

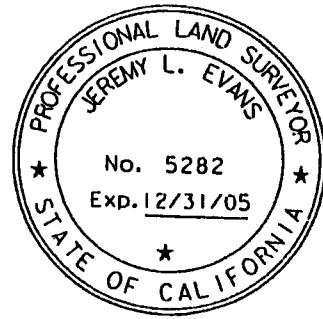
1
2 This real property description has been prepared by me or under my direction, in
3 conformance with the Professional Land Surveyor's Act.
4

5 Jeremy L Evans

6 Jeremy L. Evans, P.L.S. 5282

2-7-05

Date

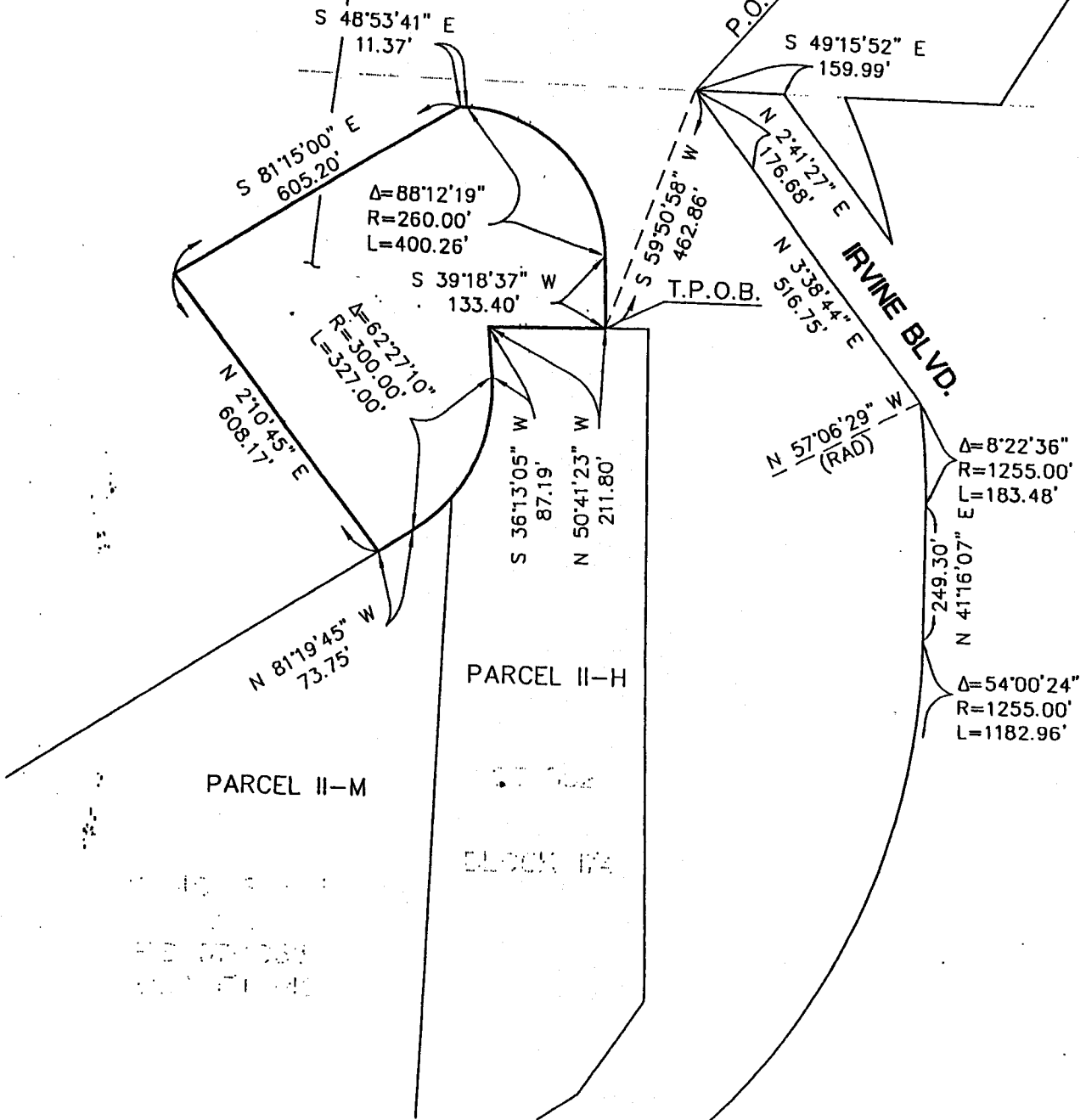


32 REVIEWED BY CADASTRAL - RWS
33

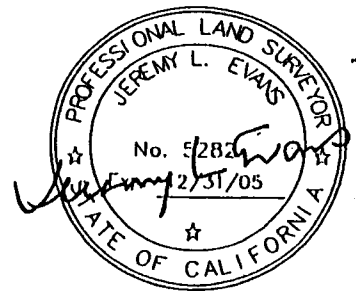
EXHIBIT

PARCEL II-G

337,414 SQ. FT.
7.746 ACRES



0 100' 200' 300'
SCALE: 1"=300'



REVIEWED BY CADASTRAL - RWS

DESCRIPTION: That portion of Lot 302 of Block 174, in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 12/23/04
REV 2

SHEET 1 OF 1

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 300'

DRAFTED CHL

CHECKED JLE

DATE DEC, 2004

JOB
NUMBER 2NOR060100 T7

PSOMAS

LEGAL DESCRIPTION

PARCEL II-H

In the City of Irvine, County of Orange, State of California, being a portion of Lot 302 of Block 174 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the northeasterly terminus of that certain course in the southeasterly boundary of said property described as "North 40°38'23" East 1487.57 feet" as shown on sheet 11 of said Record of Survey; thence North 12°32'12" East 194.30 feet to the **True Point of Beginning**; thence North 83°07'54" West 362.68 feet; thence North 43°34'33" East 1279.56 feet to the beginning of a non-tangent curve concave northwesterly having a radius of 300.00 feet, a radial line to said beginning of curve bears South 9°00'40" East; thence northeasterly along said curve 234.42 feet through a central angle of 44°46'16"; thence North 36°13'04" East 87.19 feet; thence South 50°41'23" East 288.86 feet; thence South 40°33'38" West 1217.22 feet; thence South 75°27'38" West 207.13 feet to the **True Point of Beginning**.

Containing 11.961 acres (521,007 square feet), more or less.

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

As shown on exhibit attached hereto and made a part hereof.

PSOMAS

1 This real property description has been prepared by me or under my direction, in
2 conformance with the Professional Land Surveyor's Act.

3
4 Jeremy L. Evans

5 Jeremy L. Evans, P.L.S. 5282

2-4-2005

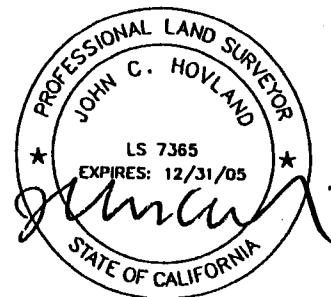
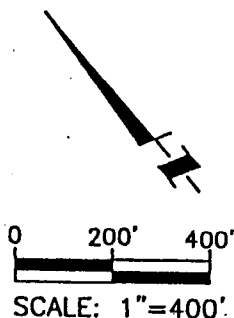
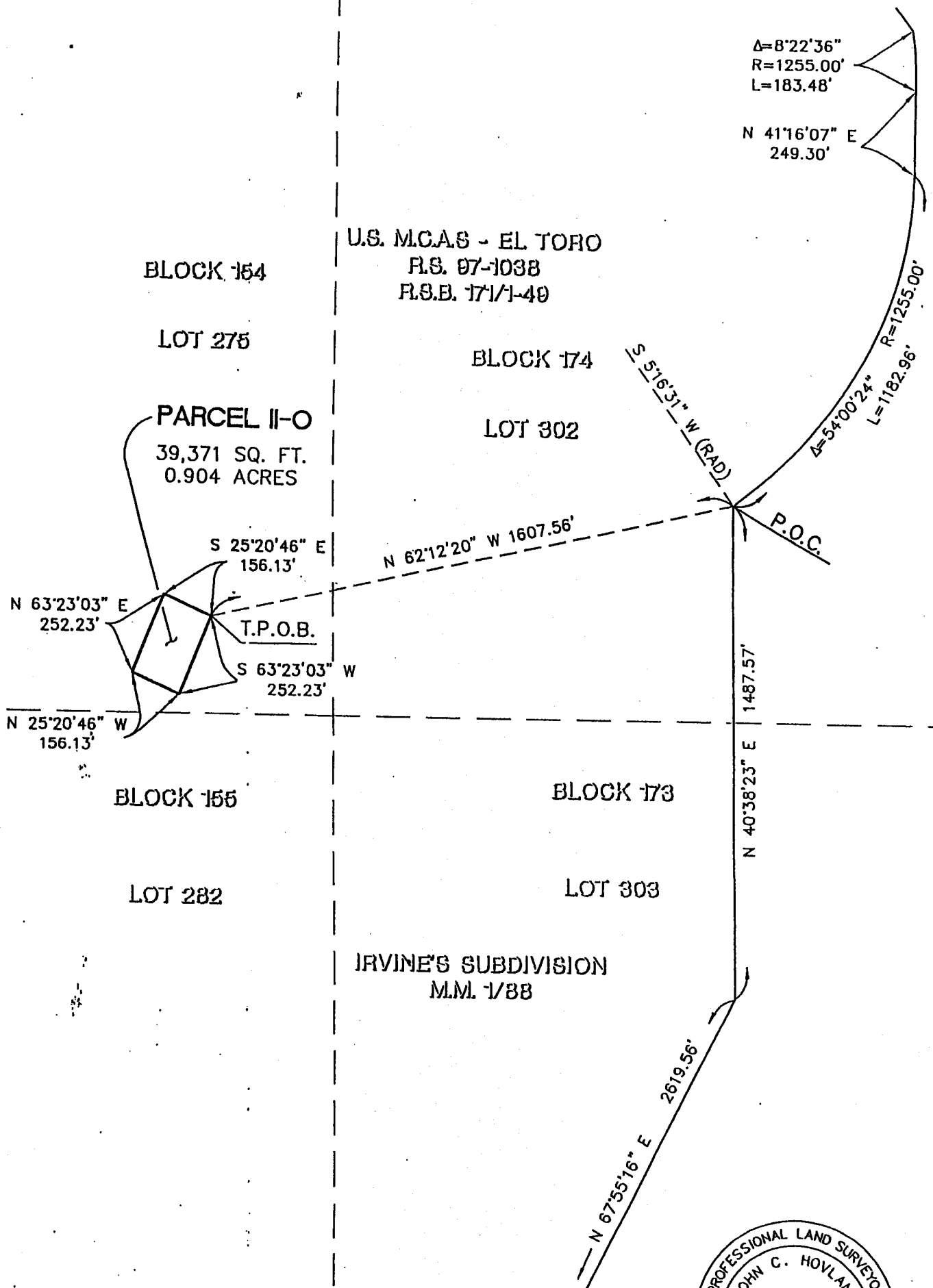
Date

6 Expires 12/13/05



29 REVIEWED BY CADASTRAL - RWS
30

EXHIBIT



REVIEWED BY CADASTRAL - RWS

DESCRIPTION: That portion of Lot 275 of Block 154, in the unincorporated territory of the County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 3/4/04
REV 2

SHEET 1 OF 1

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 400'

DRAFTED CHL

CHECKED JCH

DATE FEB, 2004

JOB

NUMBER 2NOR060100 T7

PSOMAS

LEGAL DESCRIPTION

PARCEL II-P

In the City of Irvine, County of Orange, State of California, being a portion of Lot 273 of Block 154 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the southeasterly terminus of that certain course in the northeasterly boundary of said property described as "North 49°22'54" West 3556.41 feet" as shown on sheet 10 of said Record of Survey; thence South 54°29'00" West 1796.17 feet to the **True Point of Beginning**; thence South 32°16'32" East 124.45 feet; thence South 54°46'29" West 109.86 feet; thence North 32°16'32" West 130.11 feet; thence North 57°43'28" East 109.72 feet to the **True Point of Beginning**.

Containing 0.321 acres (13,965 square feet), more or less

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

Refer to the exhibit attached hereto and made a part hereof.

This real property description has been prepared by me or under my direction, in conformance with the Professional Land Surveyor's Act.

Jeremy L. Evans

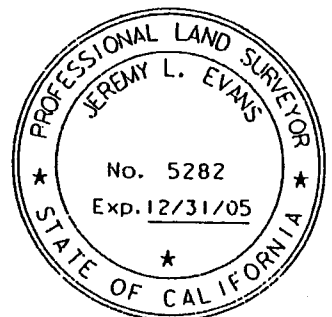
Jeremy L. Evans, P.L.S. 5282

Expires 12/31/05

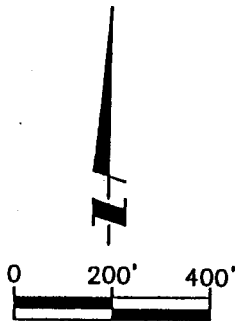
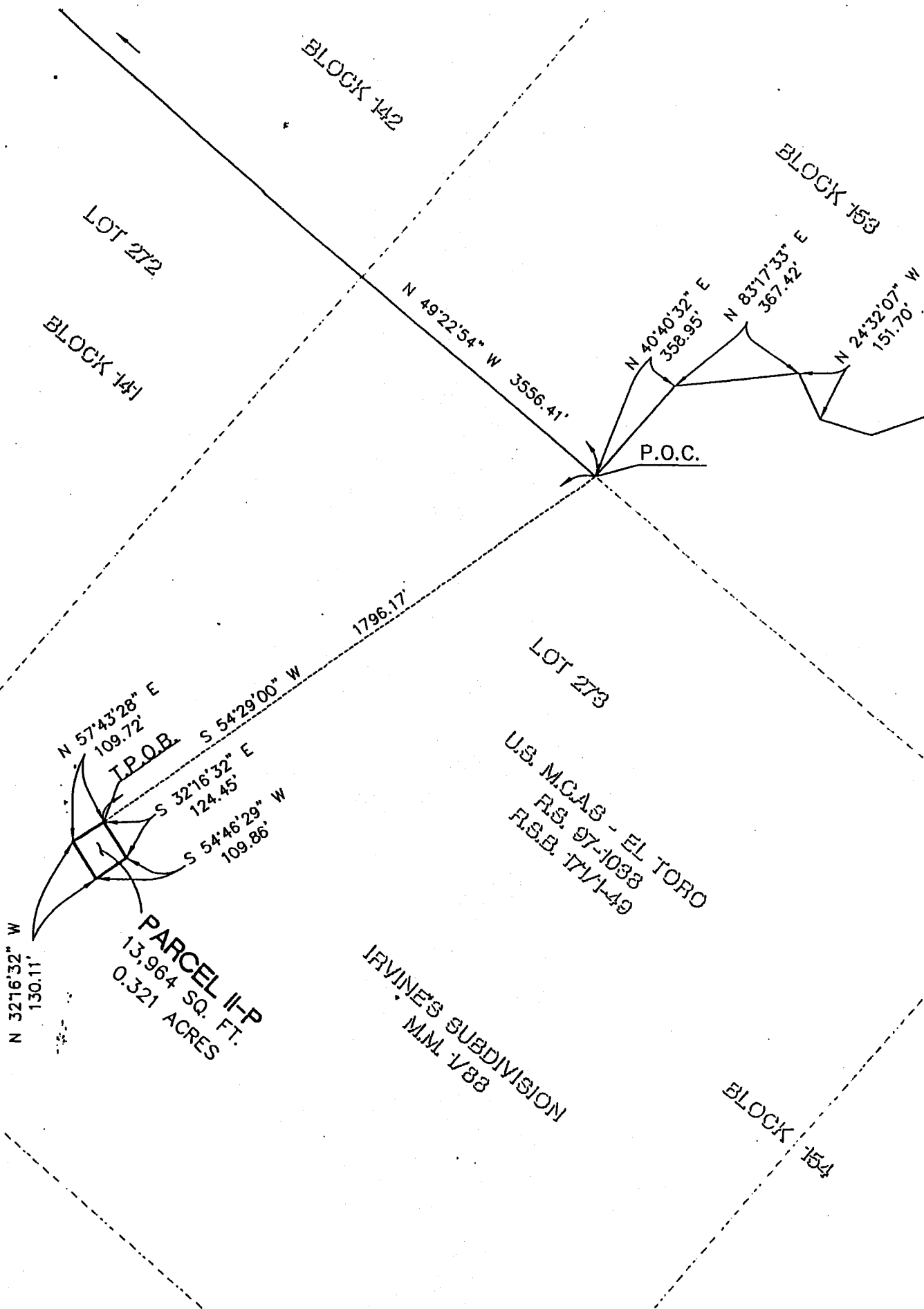
2-8-2005

Date

REVIEWED BY CADASTRAL - RWS

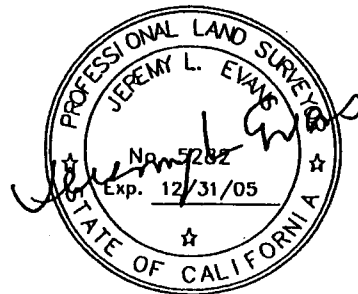


EXHIBIT



SCALE: 1"=400'

REVIEWED BY CADASTRAL - RWS



DESCRIPTION: That portion of Lot 273 of Block 154, in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1	5/26/04
REV 2	12/23/04

SHEET 1 OF 1

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8803

SCALE 1" = 400'

DRAFTED LCM

CHECKED JLE

DATE DEC, 2004

JOB

NUMBER 2NOR060100 17

PSOMAS

LEGAL DESCRIPTION

PARCEL II-Q

In the City of Irvine, County of Orange, State of California, being that portion of Lot 277 of Block 141 and Lots 273, 274, 275 and 276 of Block 154 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the southeasterly terminus of that certain course in the northeasterly boundary of said property described as "North 49°22'54" West 3556.41 feet" as shown on sheet 10 of said Record of Survey; thence South 24°31'01" West 2306.52 feet to the True Point of Beginning; thence South 33°07'51" East 236.96 feet; thence South 48°44'25" East 236.30 feet; thence North 83°39'35" East 20.27 feet; thence South 49°45'07" East 639.12 to the beginning of a curve concave southwesterly having a radius of 700.00 feet; thence southeasterly along said curve 27.98 feet though a central angle of 2°17'25" feet, a radial bearing to said point bears North 42°32'18" East; thence South 49°12'10" West 279.35 feet; thence South 79°18'27" East 927.04 feet; thence South 86°44'52" East 1242.24 feet; thence South 9°47'54" East 102.65 feet; thence North 86°44'52" West 1271.92 feet; thence North 79°18'27" West 1013.11 feet; thence South 49°12'10" West 294.82 feet; thence North 89°43'16" West 2661.43 feet; thence North 0°38'11" East 1918.79 feet; thence North 57°43'10" East 267.60 feet; thence South 35°18'40" East 366.47 feet; thence North 64°39'14" East 261.01 feet; thence South 32°16'50" East 67.80 feet; thence South 57°43'10" West 232.50 feet; thence South 32°16'50" East 1039.17 feet; thence North 62°29'27" East 459.83 feet; thence North 57°46'16" East 254.27 feet; thence South 32°13'44" East 107.30 feet; thence North 57°46'16" East 301.89 feet; thence South 32°13'44" East 179.46 feet; thence North 57°46'16" East 278.47 feet to the True Point of Beginning.

PSOMAS

1 Containing 88.815 acres (3,868,759 square feet), more or less

2
3 Subject to covenants, conditions and restrictions, rights-of-way and easements of record,
4 if any.

5
6 As shown on exhibit attached hereto and made a part hereof.

7
8 This real property description has been prepared by me or under my direction, in
9 conformance with the Professional Land Surveyor's Act.

10
11
12 Jeremy L. Evans

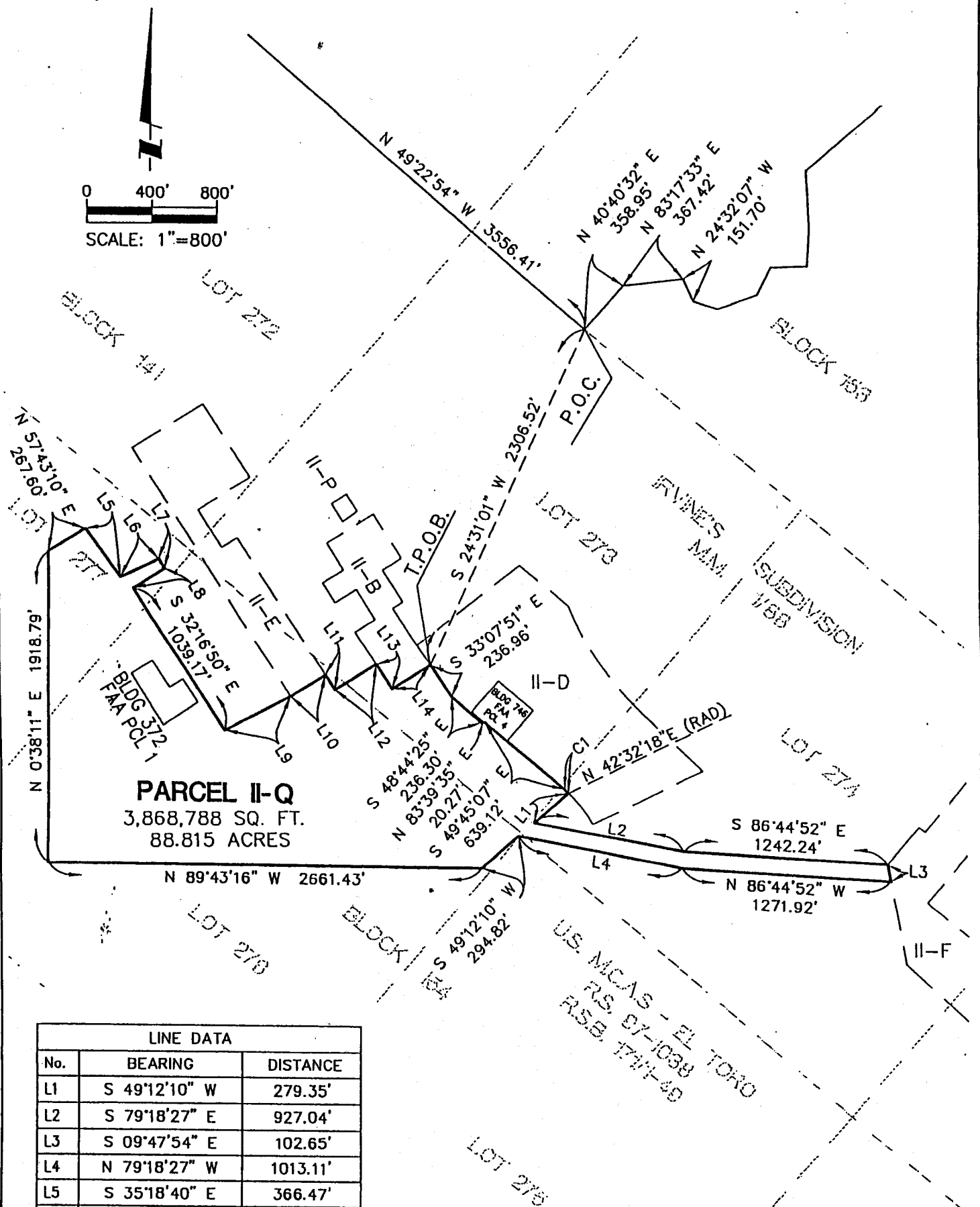
13 Jeremy L. Evans, P.L.S. 5282

2-4-2005
Date

14 Expires 12/31/05

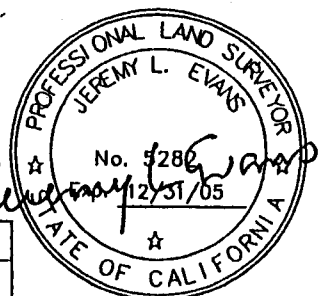


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29 REVIEWED BY CADASTRAL - RLS



LINE DATA		
No.	BEARING	DISTANCE
L1	S 49°12'10" W	279.35'
L2	S 79°18'27" E	927.04'
L3	S 09°47'54" E	102.65'
L4	N 79°18'27" W	1013.11'
L5	S 35°18'40" E	366.47'
L6	N 64°39'14" E	261.01'
L7	S 32°16'50" E	67.80'
L8	S 57°43'10" W	232.50'
L9	N 62°29'27" E	459.83'
L10	N 57°46'16" E	254.27'
L11	S 32°13'44" E	107.30'
L12	N 57°46'16" E	301.89'
L13	S 32°13'44" E	179.46'
L14	N 57°46'16" E	278.47'

CURVE DATA			
No.	DELTA	RADIUS	LENGTH
C1	2°17'25"	700.00'	27.98'



DESCRIPTION: That portions of Lots 273, 274, 275 and 276 of Block 154 and Lot 277 of Block 141 in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 11/07/04
REV 2

SHEET 1 OF 1

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 800'

DRAFTED CHL

CHECKED JLE

DATE OCT, 2004

JOB

NUMBER 2NOR060100 T7

PSOMAS

LEGAL DESCRIPTION

PARCEL II-R

In the unincorporated territory of the County of Orange, State of California, being a portion of Lot 282 of Block 155 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

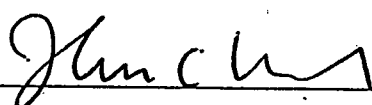
Commencing at an angle point on the "U.S. M.C.A.S. - El Toro Boundary Line", said point being the southwesterly terminus of that certain course therein having a bearing and distance of "North 40°38'23" East 1487.57 feet" as shown on sheet 11 of said Record of Survey; thence North 52°04'30" West 2216.95 feet to the **True Point of Beginning**; thence South 63°20'53" West 240.02 feet; thence North 26°39'07" West 221.12 feet; thence North 63°20'53" East 240.02 feet; thence South 26°39'07" East 221.12 feet to the **True Point of Beginning**.

Containing 1.218 acres, more or less.

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

Refer to the exhibit attached hereto and made a part hereof.

This real property description has been prepared by me or under my direction, in conformance with the Professional Land Surveyor's Act.



John C. Hovland, P.L.S. 7365

5/28/04

Date

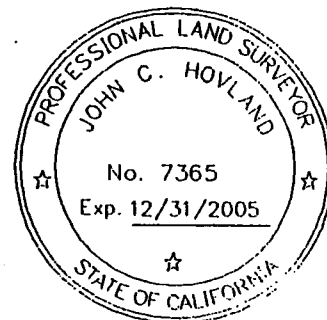
Expires 12/31/05

Page 1 of 1

M:\2NOR060100\survey\Task 7\Legals\Parcel II-R.doc

Last printed 3/1/2004 3:20 PM

REVIEWED BY CADASTRAL RWS



EXHIBIT

BLOCK 154

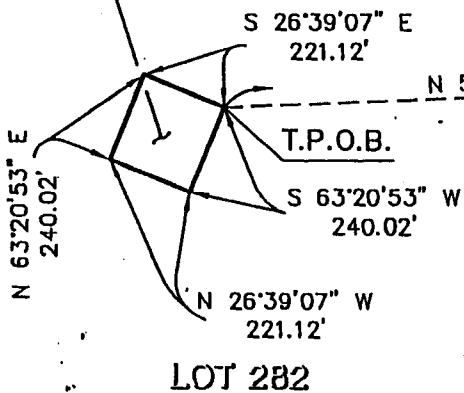
BLOCK 174

LOT 275

LOT 302

$\Delta = 54'00.24''$
 $R = 1255.00'$
 $L = 1182.96'$

PARCEL II-R
 53,073 SQ. FT.
 1.218 ACRES



LOT 282

U.S. MCAS - EL TORO
 F.S. 07-1038
 F.S.B. 171/1-49

BLOCK 155

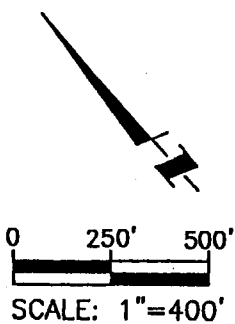
BLOCK 173

LOT 283

LOT 303

IRVINE'S SUBDIVISION
 M.M. 1/88

LOT 306



REVIEWED BY CADASTRAL - RWS

DESCRIPTION: That portion of Lot 282 of Block 155, in the unincorporated territory of the County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 5/26/04
 REV 2

SHEET 1 OF 1

PSOMAS

3187 Red Hill Avenue
 Suite 250
 Costa Mesa, CA 92626
 (714) 751-7373 Fax (714) 545-8883

SCALE 1" = 500'

DRAFTED CHL

CHECKED JCH

DATE FEB, 2004

JOB

NUMBER 2NOR060100 T7

PSOMAS

LEGAL DESCRIPTION

PARCEL II-S

In the City of Irvine, County of Orange, State of California, being a portion of Lot 282 of Block 155 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the northeasterly terminus of that certain course in the southeasterly boundary of said property described as "North 40°39'13" East 951.44 feet" as shown on sheet 8 of said Record of Survey; thence North 1°23'57" East 2808.46 feet to the **True Point of Beginning**; thence North 26°39'08" West 12.99 feet; thence North 21°33'14" East 32.02 feet; thence North 26°39'08" West 168.10 feet; thence North 63°20'52" East 153.89 feet; thence South 26°39'08" East 69.61 feet; thence North 63°20'52" East 182.64 feet; thence South 26°39'08" East 132.82 feet; thence South 63°20'52" West 360.41 feet to the **True Point of Beginning**.

Containing 1.285 acres (55,975 square feet), more or less.

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

As shown on the exhibit attached hereto and made a part hereof.

REVIEWED BY CADASTRAL - RWS

PSOMAS

This real property description has been prepared by me or under my direction, in conformance with the Professional Land Surveyor's Act.

Jeremy L. Evans

2-22-05

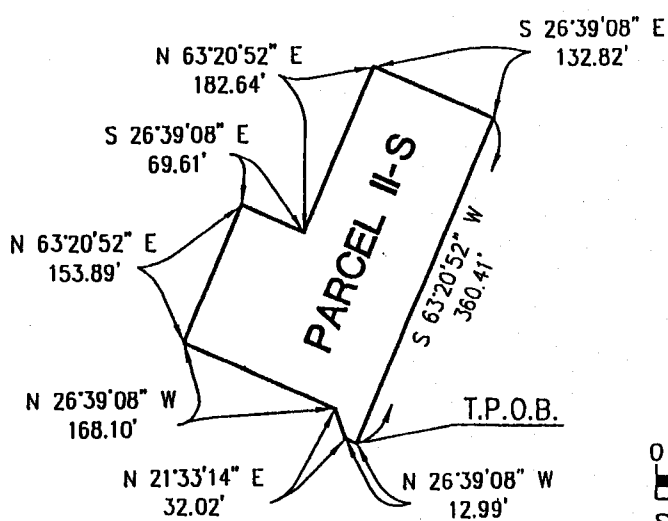
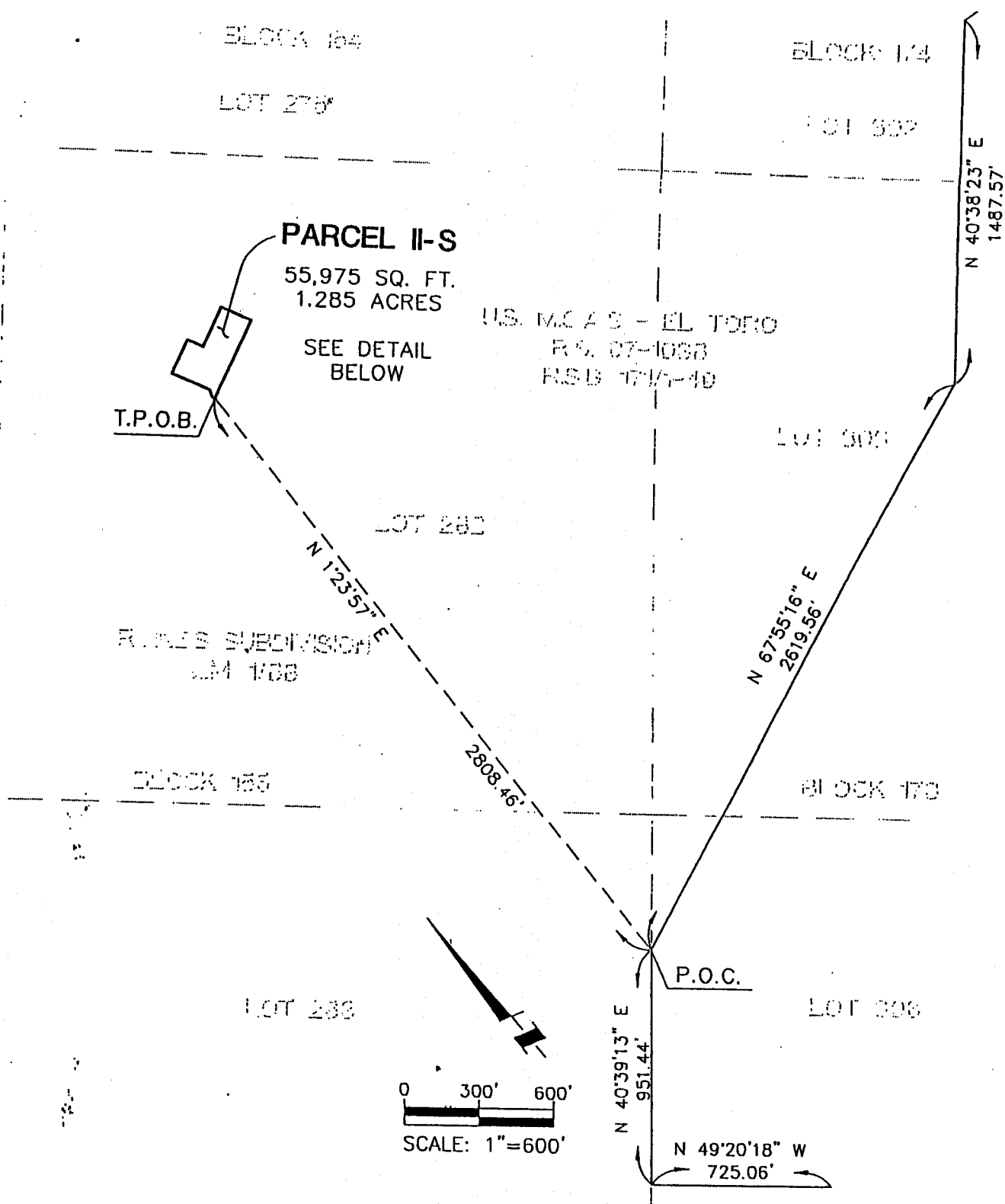
Jeremy L. Evans, P.L.S. 5282

Date



REVIEWED BY CADASTRAL - RWS

EXHIBIT



DETAIL

REVIEWED BY CADASTRAL - RWS

DESCRIPTION: That portion of Lot 282 of Block 155, in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1	01/04/05
REV 2	

SHEET 1 OF 1

P S O M A S

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8803

SCALE	AS NOTED
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DRAFTED CHL

CHECKED JE

DATE JAN, 2005

JOB
NUMBER 2N0R060100 T7

PSOMAS

LEGAL DESCRIPTION

PARCEL II-T

In the unincorporated territory of the County of Orange, State of California, being a portion of Lot 282 of Block 155 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at an angle point on the "U.S. M.C.A.S. - El Toro" boundary line, said point being the southwesterly terminus of that certain course therein having a bearing and distance of "North 67°55'16" East 2916.56 feet" as shown on sheet 8 of said Record of Survey; thence North 16°17'09" West 2869.98 feet to the **True Point of Beginning**; thence South 63°24'29" West 100.76 feet; thence North 26°35'31" West 39.55 feet; thence South 63°24'29" West 19.37 feet; thence North 26°35'31" West 119.83 feet; thence North 63°24'29" East 120.13 feet; thence South 26°35'31" East 159.38 feet to the **True Point of Beginning**.

Containing 0.422 acres (18,380 square feet), more or less.

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

Refer to the exhibit attached hereto and made a part hereof.

PSOMAS

1 This real property description has been prepared by me or under my direction, in
2 conformance with the Professional Land Surveyor's Act.

3
4 John C. Hovland

5 John C. Hovland, P.L.S. 7365

6 Expires 12/13/05

5/28/04

Date



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32 REVIEWED BY CADASTRAL — RWS

EXHIBIT



LOT 276

LOT 302

IRVINE'S SUBDIVISION
M.M. 1/88

U.S. MCAS - EL TORO
R.S. 97-1038
R.S.B. 171/1-49

LOT 303

PARCEL II-T LOT 282
18,380 SQ. FT.
0.422 ACRES

S 26°35'31" E
159.38'
T.P.O.B.

N 63°24'29" E
120.13'

N 26°35'31" W
119.83'

T3

T2

T1

N 16°17'09" W

BLOCK 165

LOT 283

N 67°55'16" E
2619.56'

BLOCK 173

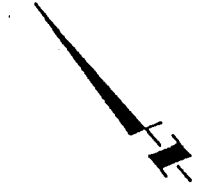
P.O.C.

LOT 306

N 40°39'13" E
951.44'

N 49°20'18" W
725.06'

LINE TABLE		
NO.	BEARING	DISTANCE
T1	S 63°24'29" W	100.76'
T2	N 26°35'31" W	39.55'
T3	S 63°24'29" W	19.37'



0 250' 500'
SCALE: 1"=500'

REVIEWED BY CADASTRAL-RUC

DESCRIPTION: That portion of Lot 282 of Block 155, in the unincorporated territory of the County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1	5/25/04
REV 2	

SHEET 1 OF 1

SCALE 1" = 500'

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

DRAFTED CHL

CHECKED JCH

DATE MAR, 2004

JOB

NUMBER 2NOR060100 T7

PSOMAS

LEGAL DESCRIPTION

PARCEL II-U

In the City of Irvine, County of Orange, State of California, being those portions of Lots 271 and Lots 272 of Block 141, Lot 273 of Block 154 and Block 153 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S." El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the southeasterly terminus of that certain course in the northeasterly boundary of said property described as "North 49°21'16" West 2640.69 feet" as shown on sheet 6 of said Record of Survey, said terminus also being the Southwest quarter corner of Block 142 of said Irvine's Subdivision; thence North 49°21'16" West 66.14 feet along said line, thence leaving said line South 40°12'23" West 64.43 feet to the **True Point of Beginning**; thence South 63°26'06" East 62.64 feet; thence South 56°18'36" East 215.69 feet; thence South 50°03'49" East 353.14 feet ; thence South 49°44'42" East 565.20 feet; thence South 49°22'55" East 1165.56 feet; thence South 50°07'02" East 599.05 feet; thence South 49°59'21" East 242.79 feet; thence South 50°00'01" East 412.30 feet; thence South 50°32'01" East 931.95 feet; thence South 50°37'23" East 1260.90 feet; thence South 24°06'36" West 38.09 feet; thence North 50°16'34" West 1271.07 feet; thence North 50°26'25" West 657.51 feet; thence North 50°13'41" West 684.11 feet; thence North 49°29'19" West 245.56 feet; thence North 50°07'02" West 599.19 feet; thence North 49°29'16" West 849.69 feet; thence North 49°53'15" West 1241.25 feet; thence North 56°18'36" West 215.69 feet; thence North 63°26'06" West 55.40 feet; thence North 40°12'23" East 28.98 feet to the **True Point of Beginning**.

Containing 3.901 acres (169,924 square feet), more or less

PSOMAS

1 Subject to covenants, conditions and restrictions, rights-of-way and easements of record,
2 .if any.

3
4 Refer to the exhibit attached hereto and made a part hereof.

5
6 This real property description has been prepared by me or under my direction, in
7 conformance with the Professional Land Surveyor's Act.

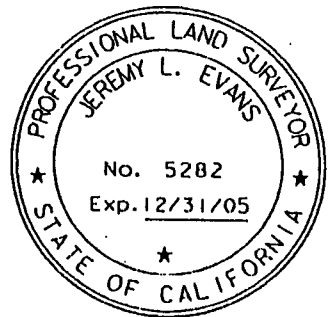
8
9 Jeremy L Evans

10 Jeremy L. Evans, P.L.S. 5282

1-8-2005

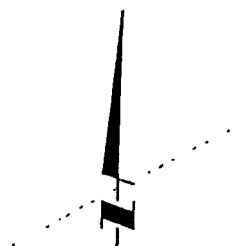
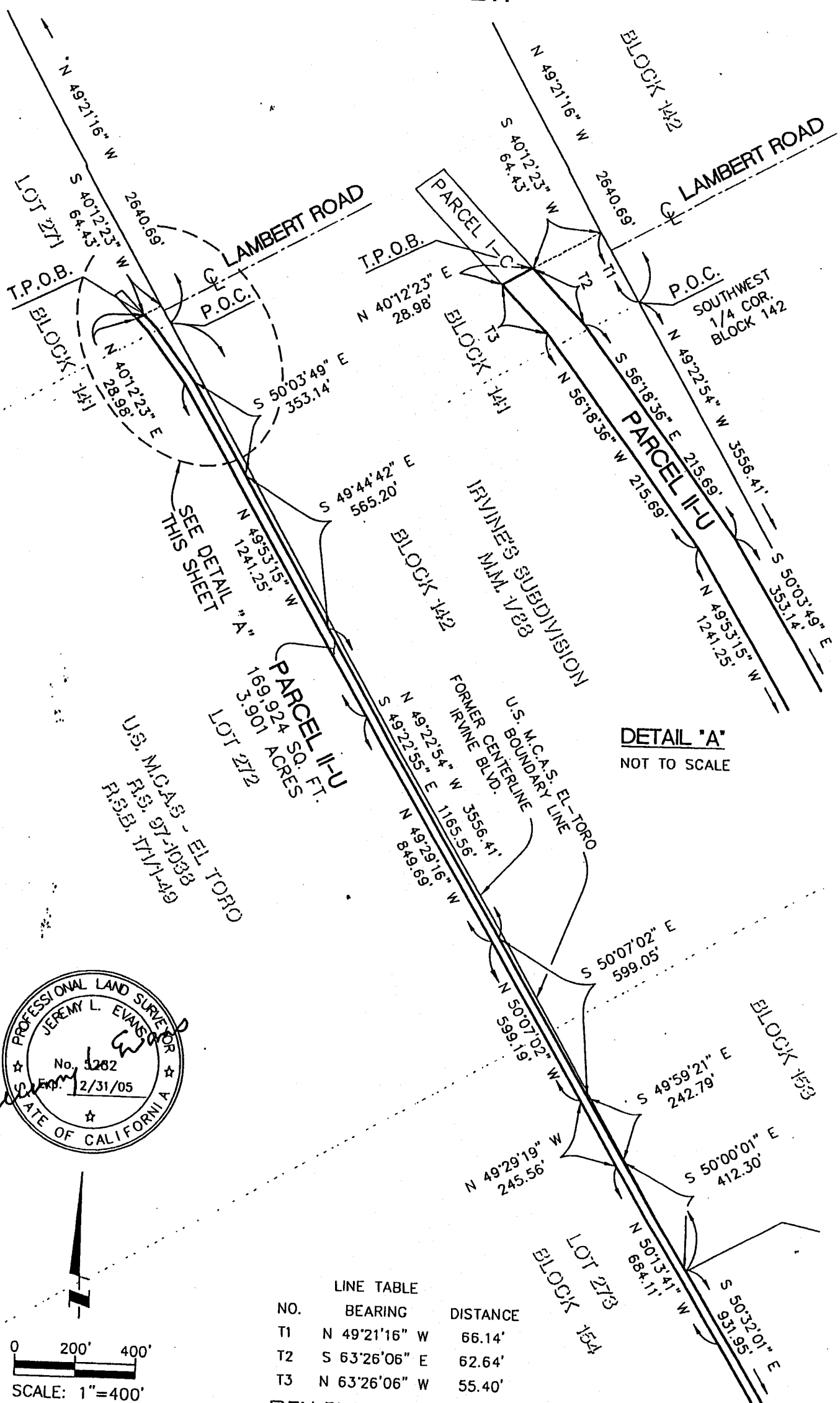
Date

11 Expires 12/31/05



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32 REVIEWED BY CADASTRAL- RWS

EXHIBIT



LINE TABLE		
NO.	BEARING	DISTANCE
T1	N 49°21'16" W	66.14'
T2	S 63°26'06" E	62.64'
T3	N 63°26'06" W	55.40'

REVIEWED BY CADASTRAL-RWS

SHEET 2

DESCRIPTION: Those portions of Lots 271 and 272 of Block 141, Lot 273 and 274 of Block 154, and Block 153 in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1	5/26/04
REV 2	12/23/04

SHEET 1 OF 2

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 400'

DRAFTED CHL

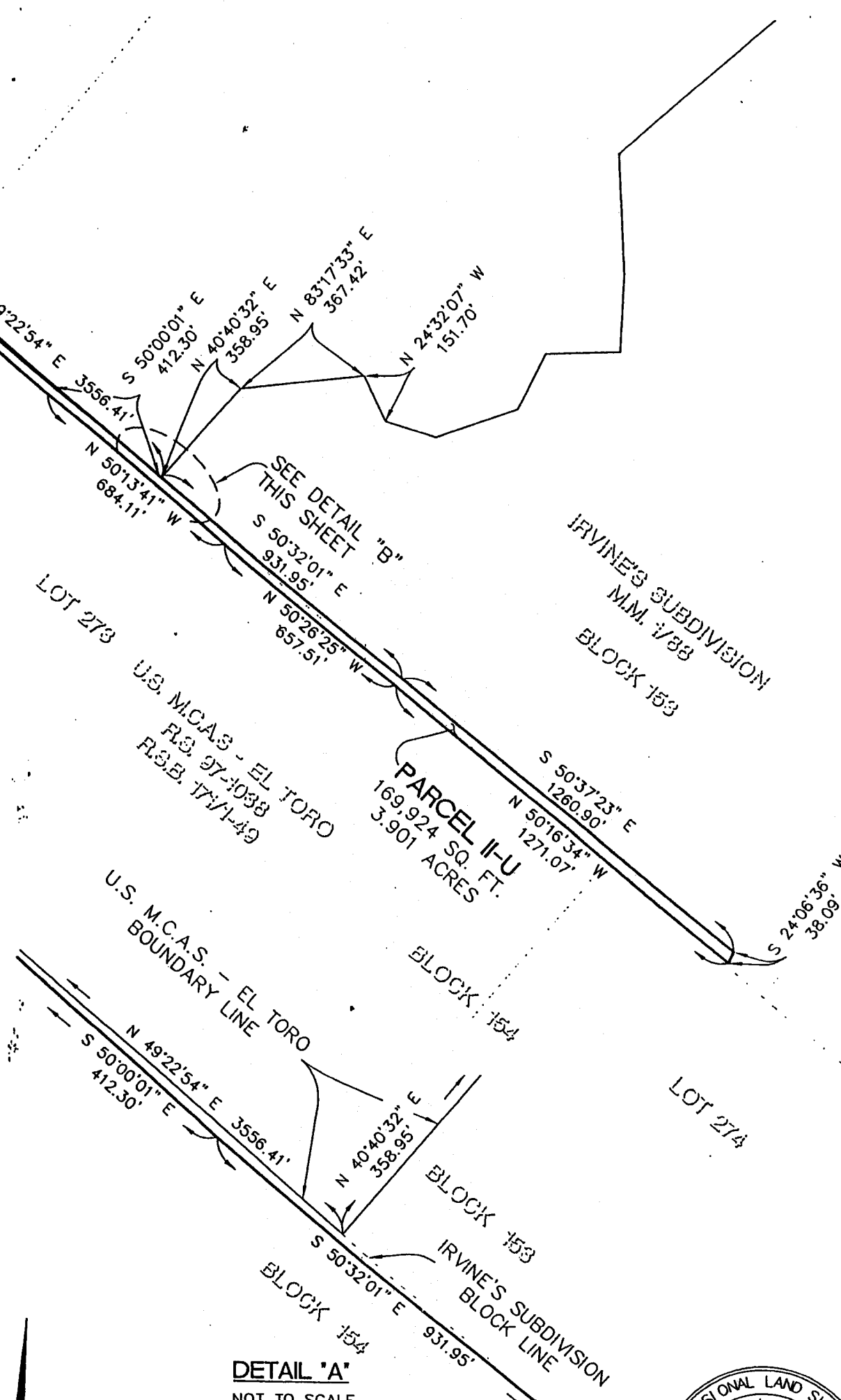
CHECKED JLE

DATE DEC, 2004

JOB
NUMBER 2NDR060100 T7

EXHIBIT

SHEET 1



DETAIL 'A'
NOT TO SCALE

REVIEWED BY CADASTRAL - RLJS

DESCRIPTION: That portion of Lots 271 and 272 of Block 141, Lots 273 and 274 of Block 154, and Block 153 in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, (filed in Book 1 Page 88, M.M.).

MCAS-EL TORO

REV 1 5/26/04
REV 2 12/23/04

SHEET 2 OF 2

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 00'

DRAFTED CHL
CHECKED JLE
DATE DEC. 2004
JOB
NUMBER 2NORD60100 T7

PSOMAS

LEGAL DESCRIPTION

PARCEL II-V

In the City of Irvine, County of Orange, State of California, being portions of Lot 300 of Block 174 and Lot 313 of Block 175 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Beginning at the intersection of the "Department of Interior Survey Line" as shown on sheet 13 on said Record of Survey with the southeasterly line of said Block 175; thence South 35°55'17" West 1775.84 feet along said southwesterly line; thence leaving said southwesterly line North 77°03'31" West 1372.06 feet; thence North 69°59'03" West 113.12 feet; thence North 60°13'02" West 187.23 feet to the beginning of a non-tangent curve concave westerly having a radius of 280.00 feet; a radial bearing to said beginning bears South 53°33'35" East; thence southwesterly along said curve 65.49 feet through a central angle of 13°24'01"; to a point on the southwesterly line of Lot 300; thence North 49°16'11" West 304.19 feet along said southwesterly line to the westerly terminus of that certain course in said "Department of Interior Survey Line" having a bearing and distance of "North 84°39'33" West 132.97 feet" as shown on sheet 13 of said Record of Survey; thence along said "Department of Interior Survey Line" the following 16 courses:

- 1) South 84°39'33" East 132.97 feet;
- 2) South 23°59'33" East 37.00 feet;
- 3) North 65°30'27" East 184.71 feet;
- 4) North 21°00'30" West 83.12 feet;
- 5) North 68°59'30" East 155.00 feet;
- 6) South 21°00'30" East 65.00 feet;
- 7) North 67°20'15" East 612.07 feet;

PSOMAS

- 8) North 88°45'15" East 78.87 feet;
- 9) North 64°40'15" East 290.62 feet;
- 10) North 44°40'15" East 34.25 feet;
- 11) North 75°55'15" East 257.59 feet;
- 12) North 55°15'15" East 103.32 feet;
- 13) North 79°45'15" East 265.63 feet;
- 14) North 78°20'15" East 165.87 feet;
- 15) North 82°25'15" East 320.43 feet;
- 16) North 76°05'15" East 476.64 feet to the point of beginning.

Containing 43.004 acres (1,873,279.13 sq. ft.), more or less.

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

As shown on exhibit attached hereto and made a part hereof.

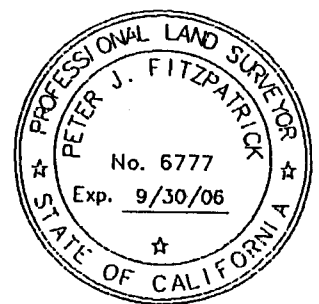
This real property description has been prepared by me or under my direction, in conformance with the Professional Land Surveyor's Act.

Peter J. Fitzpatrick

Peter J. Fitzpatrick, P.L.S. 6777

Expires 9/30/06

2/5/05
Date



REVIEWED BY CADASTRAL - RUS

EXHIBIT

LOT 364

LOT 313

BLOCK 175

U.S. MCAS - EL TORO
R.S. 97-1038
R.S.B. 171/1-49

P.O.B.

N 76°05'15" E
476.64'

N 82°25'15" E
320.43'

N 78°20'15" E
165.87'

N 79°45'15" E
265.63'

N 75°55'15" E
257.59'

N 55°15'15" E
103.32'

N 64°40'15" E
290.62'

N 44°40'15" E
34.25'

N 88°45'15" E
78.87'

PARCEL II-V

1,873,254 SQ. FT.
43.004 ACRES

DEPARTMENT OF INTERIOR
SURVEY LINE

LOT 299

N 65°30'27" E
184.71'

S 23°59'33" E
37.00'

S 84°39'33" E
132.97'

N 68°59'30" E
155.00'

S 21°00'30" E
65.00'

N 67°20'15" E
83.12'

N 21°00'30" W
83.12'

N 60°13'02" W
187.23'

N 77°03'31" W
1372.06'

N 69°59'03" W
113.12'

N 49°16'11" W
1921.10'

N 70°30'52" E
1520.79'

S 53°33'35" E
304.19'

S 40°09'34" E (RAD)
304.19'

NON-TANGENT
Δ=13°24'01"
R=280.00'
L=65.49'

45.06'

304.19'

45.06'

N 49°16'11" W 1921.10'

S 84°39'33" E
132.97'

N 70°30'52" E
1520.79'

45.06'

304.19'

45.06'

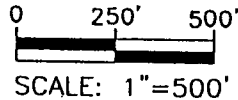
N 49°16'11" W 1921.10'

IRVINE'S SUBDIVISION
M.M. 1/88

BLOCK 174

LOT 300

SEE DETAIL
BELOW



SCALE: 1"=500'

DETAIL
NOT TO SCALE

REVIEWED BY CADASTRAL-RWS

DESCRIPTION: That portion of Lot 300 of Block 174 and Block 175, in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 12/23/04
REV 2

SHEET 1 OF 1

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 500'

DRAFTED CHL

CHECKED PJF

DATE DEC, 2004

JOB NUMBER 2NOR060100 17

EXECUTIVE SUMMARY

Background

This environmental baseline survey (EBS) for former Marine Corps Air Station (MCAS) El Toro, California, has been prepared for the Department of the Navy (DON), Southwest Division, Naval Facilities Engineering Command (SWDIV), as authorized by the Pacific Division, Naval Facilities Engineering Command (PACNAVFACENGCOM), under the Comprehensive Long-Term Environmental Action Navy (CLEAN II) Program, Contract Number N62742-94-D-0048, Contract Task Order (CTO) 104.

The EBS has been prepared to document the environmental condition of property at former MCAS El Toro and adjacent property resulting from the storage, release, treatment, and disposal of hazardous substances and petroleum products and their derivatives over the station's history. The EBS will establish a baseline for use by the DON in making decisions concerning property transactions. The intended reuse of Former MCAS El Toro is primarily recreational (Great Park) with some educational and commercial/light industrial development. Future use of the installation for aviation-related purposes is not anticipated. The preparation of an EBS is required by Department of Defense (DoD) policy before any property can be sold, leased, transferred, or acquired. The EBS can be used by the DON to assist in determining what remedial-type obligations, if any, the DON would retain under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S.C. (U.S.C.), Section 120(h) subsequent to transfer of the property. DON will utilize the EBS to determine, e.g., whether a given parcel can be or has been properly identified as "uncontaminated" in accordance with 42 U.S.C. Section 120(h)(4), or whether the Government can issue a covenant that all necessary remedial action has been taken with respect to a given parcel in accordance with 42 U.S.C. Section 120(h)(3). Guidance is also provided in the 1997 Base Reuse and Implementation Manual (BRIM) Sections F23 to F26 and F29 to F37.

The Community Environmental Response Facilitation Act (CERFA) amends Section 120(h) of CERCLA, and was enacted to facilitate the rapid return of uncontaminated properties to local communities during the Base Realignment and Closure (BRAC) process. CERFA provides a mechanism for identifying and documenting uncontaminated real property, or parcels thereof, that are suitable for transfer and reuse. Uncontaminated property refers to real property on which no hazardous substances and no petroleum products or their derivatives are known to have been released or disposed, including no migration of these substances from adjacent areas. In order to identify uncontaminated properties on military installations undergoing closure or realignment, an EBS is conducted and the results are documented in a report. DON received regulator concurrence on uncontaminated property identified and documented in the 1995 EBS and the Final Community Environmental Response Facilitation Act Report dated April 1, 1995, as required and defined under CERCLA 120(h)(4) (SWDIV 1995). The property now considered Parcel IV in its entirety was found to be uncontaminated in 1995, as well as other portions of Parcels I, II, III and V. This EBS incorporates the CERFA findings from the 1995 EBS and Final CERFA Report.

The findings of this EBS are based on existing environmental information related to past and present release or disposal of hazardous substances and petroleum products on the station. Furthermore, this EBS addresses cleanup-related comments received on the Draft Final and Final Environmental Impact Statement (EIS) for Disposal and Reuse of MCAS El Toro. These comments related to the cleanup program were responded to in the Final EIS (March 2002, Vol. 2), and were forwarded to the Base Environmental Coordinator (BEC) for coordination. Comments that are further addressed by this EBS include L12-13, L12-18, L12-21, L12-23, O1-8, O7-1, O7-2, O7-4, O11-10, O11-130, O11-283, O11-292, C2-2, C25-1, C41-2, C58-16 through -20, C58-24, C104-4, C105-5, C110-8, T2-2, T7-7, and T46-5 (see Appendix D).

Executive Summary

This EBS is being prepared as an update to the April 1995 EBS prepared for former MCAS El Toro in support of upcoming property transfer actions. The report updates the status of environmental factors and locations of concern (LOCs) identified in the 1995 EBS and presents information regarding new potential release locations (PRLs) identified since the 1995 EBS was submitted. Additionally, all buildings situated on former MCAS El Toro were visually inspected as part of this EBS, since the station was operational and could not facilitate the visual inspection of buildings and associated operations during the 1995 EBS. The findings of this EBS have been used to determine the Environmental Condition of Property (ECP) and assign Area Type categories to property to determine whether it is suitable for transfer. This report is intended to serve as a reference document for the DON to determine the existing and future environmental suitability of the property for transfer.

This EBS is based on existing environmental information related to the past and present storage, release, treatment, or disposal of hazardous substances or petroleum products on the installation. This EBS includes new information and data from studies, surveys, and investigations conducted since the publication of the 1995 EBS. Information contained within the 1995 EBS was verified, expanded, and/or updated, as necessary, within this document. The information presented in this EBS is complete and accurate as of March 2003. However, as investigation and remediation efforts under the Installation Restoration Program (IRP) and other environmental programs continue, the status of facilities and sites at former MCAS El Toro can be expected to change.

Boundaries of the Survey Area

Former MCAS El Toro is situated in south-central Orange County, California. The majority of the station is within an unincorporated area of Orange County; however, property within the south portion of the station is within the city of Irvine. The station, which currently comprises approximately 3,717 acres, is bordered on the east and southeast by the city of Lake Forest, to the southeast, south, and southwest by the city of Irvine, and to the west, north, and northeast by unincorporated portions of Orange County. Approximately 1,000 acres of the former station's maximum acreage (4,710 acres) have been transferred or are pending transfer and are not addressed within this EBS. In 1998, the Bake Parkway/Interstate 5 public highway expansion project resulted in the transfer of approximately 23 acres of property at the southeast corner of the station to the California Department of Transportation (Caltrans). In 2001, 896.7 acres of property in the northeast portion of the station were transferred to the Federal Aviation Administration (FAA). As these properties are no longer Navy property, they are not included within the survey area addressed by this EBS. In addition, 73.7 acres in the northeast portion of the station are pending transfer to the Federal Bureau of Investigation (FBI). All necessary environmental and property transfer documentation for the FBI transfer has been completed. This acreage is not included within the total station acreage and is not included within the study area addressed by this EBS. Based upon property transfers that have occurred and are pending, the amount of property addressed within this EBS is 3,717 acres.

Content of the Environmental Baseline Survey Report

This EBS is based on information obtained from the 1995 EBS and through a records search, interviews, and visual site inspections (VSIs) conducted in April-May 2002. The records search included a review of available Navy and other agency records within the station files, including environmental restoration and compliance reports, audits, surveys, and inspection reports; an analysis of aerial photographs; and a review of recorded chain-of-title documents for the property. Interviews with caretaker employees and visual and physical inspections of the station property and facilities were also conducted. Former employees were interviewed in support of previous

investigations; information from those reports has been incorporated into this EBS update, as appropriate.

A recorded chain-of-title search was conducted for the 1995 EBS for on-base parcels to determine prior ownership or uses that could reasonably have contributed to an environmental concern. The title search reviewed DoD acquisition of on-station parcels covering a period of at least 60 years (i.e., 1934 to 1994). Prior to government acquisition of the property, the area was primarily used for agricultural purposes. A review of the data obtained from the title search did not identify any areas of environmental concern related to property use prior to government acquisition.

This EBS also includes an assessment of the environmental condition of off-station properties immediately adjacent (contiguous) to or relatively near the station that could pose environmental concern and/or affect the subject property. Visual inspections of adjacent off-station properties were conducted from station property or public roads. Environmental databases maintained by federal and state agencies were also searched to identify sites of concern on adjacent properties.

Based on an analysis of the available data, LOCs were assigned ECP Area Type categories. Depending on the Area Types of the LOCs, property within former MCAS El Toro was classified into one of seven ECP Area Type categories:

- *ECP Area Type 1* - Areas where no release or disposal of hazardous substances or petroleum products has occurred (including no migration of these substances from adjacent areas).
- *ECP Area Type 2* - Areas where only release or disposal of petroleum products has occurred.
- *ECP Area Type 3* - Areas where release, disposal, and/or migration of hazardous substances have occurred, but at concentrations that do not require a removal or remedial action.
- *ECP Area Type 4* - Areas where release, disposal, and/or migration of hazardous substances have occurred, and all remedial actions necessary to protect human health and the environment have been taken.
- *ECP Area Type 5* - Areas where release, disposal, and/or migration of hazardous substances have occurred, removal and/or remedial actions are under way, but all required remedial actions have not yet been taken.
- *ECP Area Type 6* - Areas where release, disposal, and/or migration of hazardous substances have occurred, but required response actions have not yet been implemented.
- *ECP Area Type 7* - Areas that are unevaluated or require additional evaluation.

Category 2 addresses release or disposal of petroleum products only. A release of petroleum products would not prohibit the affected property's transfer under CERCLA Section 120(h). ECP Area Type 2 property has been divided into five subcategories in order to further define petroleum product releases. Area Types 2a through 2e correspond to Area Types 3 through 7, except the Area Type 2 definitions refer to petroleum products rather than hazardous substances. All Area Type 2 property is suitable for transfer regardless of subcategories. Category 2 definitions are as follows:

- *ECP Area Type 2a* - Facilities where release, disposal, and/or migration of petroleum products have occurred, but at concentrations that do not require a response action.
- *ECP Area Type 2b* - Facilities where release, disposal, and/or migration of petroleum products have occurred, and all response actions to protect human health and the environment have been taken.

- *ECP Area Type 2c* - Facilities where release, disposal, and/or migration of petroleum products have occurred, and response actions are underway, but all required response actions have not been completed.
- *ECP Area Type 2d* - Facilities where release, disposal, and/or migration of petroleum products have occurred, but required response actions have not yet been implemented.
- *ECP Area Type 2e* - Facilities that have never been evaluated or require additional investigation. Category 2e facilities include areas that may have had a release of petroleum products, but have had no sampling or field screening and require such investigations to confirm that a release has or has not occurred.

Areas where no past or present release or disposal of hazardous substances or petroleum products and their derivatives were identified are considered to be Category 1. Category 2 designations were assigned based on evidence of releases of petroleum products. Category 3 designations were based upon existing information (e.g., personnel interviews, VSIs, written records, reports) to document that contaminant levels, if present, are below action levels. Areas where known or suspected contamination has occurred were classified as Category 4 through 7 properties based upon existing documentation or VSIs.

Pursuant to U.S. Environmental Protection Agency (EPA) and DoD guidance, this EBS identifies property as uncontaminated, even if some limited quantity of hazardous substances or petroleum products were released or disposed in cases where the available information indicates that such release or disposal poses no threat to human health or the environment. Examples, as provided in the EPA guidance include usage of common household chemicals and storage of heating fuel in base housing areas, incidental releases of petroleum products on roadways and parking lots, and the routine licensed application of pesticides.

Property designated as Area Types 1 through 4 is suitable for property transfer. In general, a parcel that contains land that is deemed "unsuitable for transfer" (i.e., Area Types 5 and 6) may still be eligible for early transfer or lease (would require deferral of CERCLA covenant), provided that the intended future use is protective of human health and the environment, and with specified recommended restrictions on use of the property to protect human health and the environment or the environmental restoration process. Area Type 7 sites require further evaluation prior to determining suitability to transfer. Area types for property presented in this EBS may have changed since the designation in the 1995 EBS based upon the identification of new LOCs or based upon ongoing or completed response actions that have occurred since the 1995 EBS was published. All sites with hazardous substance or potential hazardous substance releases, disposal, and/or migration should be considered Area Types 5 through 7 until concurrence with a no further action finding is received.

Findings of the Environmental Baseline Survey Report

The following types of LOCs (with the exception of PRLs which are not considered LOCs) have been identified and have been assigned an ECP Area Type in order to determine the overall property categorization and suitability to transfer at former MCAS El Toro. The number of LOCs requiring no further action and the number of LOCs requiring further evaluation, implementation of response actions, or completion of ongoing response action are presented below:

- A total of 76 new PRLs were identified as a result of this 2003 EBS. Of these 76 sites, 15 sites require no further action and 61 sites require further evaluation for potential releases of waste to the environment. The one remaining site (the Airfield Operations Area/Runways) has been identified with a discrete "carve-out" area requiring further evaluation and the remaining portions of this site require no further action.

- A total of 92 Resource Conservation and Recovery Act (RCRA) Facility Assessment (RFA) sites are addressed within this EBS. Of these 92 RFA sites, 76 sites require no further action and 16 sites require further evaluation, implementation of response actions, or completion of ongoing response actions.
- A total of 64 temporary accumulation area (TAA) sites are addressed within this EBS. Of these 64 TAA sites, 19 of the sites require no further action and 45 sites require further evaluation, implementation of response actions, or completion of ongoing response actions.
- A total of 123 aerial photograph features/anomalies (APHO) sites are addressed within this EBS. Of these 123 APHO sites, 90 of the sites require no further action and 33 sites require further evaluation, implementation of response actions, or completion of ongoing response actions.
- A total of 21 IRP sites are addressed within this EBS. Of these 21 sites, 13 sites require no further action and 7 sites require implementation and completion of response actions. The remaining one site, IRP 24 requires no further action for the vadose zone portion and further action for the shallow groundwater unit.
- A total of 39 aboveground storage tank (AST) sites are addressed within this EBS. Of these 39 AST sites, 36 are suitable for transfer and 3 sites require further evaluation for releases of petroleum products and/or hazardous substances.
- A total of 401 underground storage tank (UST) sites are addressed within this EBS. Of these 401 UST sites, 356 are suitable for transfer and 45 sites require further evaluation or completion of response actions for releases of petroleum products or hazardous substances.
- A total of 55 oil/water separator (OWS) sites are addressed within this EBS. Of these 55 OWS sites, 44 of the sites require no further action and 11 sites require further evaluation for releases of hazardous substances or completion of ongoing response actions.
- A total of 29 wash rack sites are addressed within this EBS. Of these 29 wash rack sites, 26 sites require no further action and 3 sites require further evaluation, implementation of response actions, or completion of ongoing response actions.
- Eight silver recovery units (SRU) sites are addressed within this EBS. These eight sites are considered PRLs; of these eight sites, one requires no further action and seven require further evaluation to determine whether releases of hazardous substances have occurred.
- A total of 130 polychlorinated biphenyl (PCB) transformer locations are addressed within this EBS. These 130 transformer locations require no further action. In addition, six areas have been identified as PCB transformer/equipment storage areas or areas where PCBs have been detected. Of these six areas, two areas require no further action and four require further actions.
- A total of 18 miscellaneous LOCs are addressed within this EBS. Of these 18 miscellaneous LOCs, 12 require no further action and 6 require further evaluation for releases of hazardous substances or petroleum products.

Table ES-1 summarizes the types, number, and status of LOCs identified at former MCAS El Toro.

Based on the findings of this EBS, it has been determined that approximately 78 percent of the 3,717 acres of base property is environmentally suitable for transfer at this time. Figure ES-2 depicts the transferable and non-transferable property within former MCAS El Toro. Ongoing and future environmental investigations and response actions will cause the amount of property suitable for transfer to increase in the future.

Table ES-1: Location of Concern Status Table^(a)

STATUS	USTs	ASTs	OWSs	APHOs	SWMU (93)/ TAAAs (64)	Other MSC	PCB XFRMRs	IRP SITES	PRLs
TOTAL (1,022)	404	39	56	124	157	18	124	24	76
NFA (787)	356	36	45	90	96 ^(b)	12	124	13	15
% Complete (78)	88	92	79	73	61	67	100	54	20
In Review (36)	13	2	2	0	17	2	0	0	0
In Progress (199)	35	1	9	34	44	4	0	11	61

Notes: ^a The total number of LOCs listed include the following number of LOCs within parcels that have already been transferred: USTs -3; OWS-1; APHO-1; SWMU-1; IRP Sites -3. Therefore, the total number of LOCs addressed in this EBS is lower. SRUs are listed under MSC (3) and PRLs (8), and are counted in both categories due to PRLs addressing the entire facility.

^b Includes 3 SWMUs (104, 105, & 106) with NFA determinations pending results of radiological survey.

APHO = aerial photograph features/anomalies
AST = aboveground storage tank
IRP = Installation Restoration Program
MSC = miscellaneous
NFA = no further action
OWS = oil/water separator
PCB = polychlorinated biphenyl
PRL = Potential Release Location
SWMU = solid waste management unit
TAA = temporary accumulation area
UST = underground storage tank
XFRMR = transformer

Source: United States Marine Corps (USMC) 2003.

**Former Marine Corps Air Station El Toro
Lease in Furtherance of Conveyance**

Exhibit "C"

MCAS EL TORO LIFO - Finding of Suitability to Lease

EXHIBIT D

WORK EXEMPT FROM GOVERNMENT CONSENT

All work must be in accordance with Paragraph 13 of this Lease and the Finding of Suitability to Lease (FOSL). In the event of any conflict between this Exhibit D and Paragraph 13 of this Lease or the FOSL, the language of Paragraph 13 and/or the FOSL shall take precedence over the language of Exhibit D. If any such work involves any asbestos containing materials or lead based paint, prior Government approval of the work will be required. All work within the portion of the Leased Premises identified in Exhibit F (the VORTAC area) is subject to prior review, as provided in Paragraph 8.1 of this Lease.

For the leased premises, the following work may be accomplished without requesting prior Government approval:

Interior building improvements including:

- Wall & ceiling finishes/painting
- Carpeting/Flooring repair/replacement
- Lighting changes
- Plumbing changes
- HVAC repair/improvements
- Removal of partition walls.
- Construction of partition walls.

Exterior building improvements including:

- Exterior painting
- Building signage
- Roofing repair and replacement
- Window repair and replacement

Utilities: All maintenance, repair, and improvements required to provide utilities to the Leased Premises except activities that require digging or other disturbance of the ground surface

Roads and Grounds: All maintenance, repair and improvements required to maintain the roads and grounds of the Leased Premises, to include existing landscaping and existing irrigation systems, except those activities that require digging or other disturbance of the ground surface.

Former Marine Corps Air Station El Toro
Lease in Furtherance of Conveyance
Parcel 2

Exhibit "E"

**Facilities Containing FAD ACM or Requiring ACM Survey Prior to Use or
Occupancy**

130, 131, 133, 308, 380, 392, 390, 442, 447, 457, 552, 555, 556, 605, 606, 617,
618, 637, 658, 673, 673T3, 695, 696, 697, 698, 726, 734, 735, 748, 749, 752,
761, 763, 764, 772, 779, 796, 798, 840, 858, 860, 903, 914, 923, 1804

Former Marine Corps Air Station El Toro
Lease in Furtherance of Conveyance
Parcel 2

Exhibit "F"

Portion of Leased Premises Reserved for Government Use

The attached legal description and plat map, referred to as Parcel 1 (FAA Easement, Buildings 372 and 378), describes a portion of the Leased Premises reserved for Government use.

PSOMAS

LEGAL DESCRIPTION

PARCEL 1 (FAA Easement, Buildings 372 & 378)

In the unincorporated territory of the County of Orange, State of California, being a portion of Lot 276 of Block 154 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49 inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the southwest quarter corner of Block 142, said quarter corner being shown on said Record of Survey; thence along the northeasterly line of Lot 271, Block 141 of said Irvine's Subdivision, said line being also the former centerline of Irvine Boulevard, as shown on said Record of Survey, North 49°21'16" West 49.00 feet to the centerline of Lambert Road as shown on said Record of Survey; thence continuing North 49°21'16" West 17.14 feet along said centerline; thence leaving said centerline South 40°12'23" West 208.48 feet to the beginning of a curve concave northwesterly having a radius of 3776.61 feet; thence southwesterly along said curve 1107.25 feet through a central angle of 16°47'54" to the beginning of a reverse curve concave southeasterly having a radius of 1200.00 feet, a radial line to the beginning of said curve bears North 32°59'43" West; thence southwesterly & southerly along said curve 1193.90 feet through a central angle of 57°00'17"; thence SOUTH 1456.34 feet to the beginning of a curve concave northwesterly having a radius of 2400.00 feet; thence southerly & southwesterly along said curve 705.60 feet through a central angle of 16°50'42"; thence along a radial line of said curve South 73°09'18" East 1639.05 feet to the True Point of Beginning; thence North 57°43'59" East 150.69 feet; thence South 32°16'04" East 196.70 feet; thence North 57°34'38" East 97.59 feet; thence South 32°16'15" East 170.58 feet; thence South 56°31'32" West 255.06 feet; thence North 32°22'13" West 140.40 feet; thence North 58°41'16" East 2.34 feet; thence North 31°07'34" West 232.08 feet to the True Point of Beginning.

PSOMAS

1
2 .Containing 1.70 acres, more or less.
3

4 Subject to covenants, conditions, restrictions, rights-of-way and easements of record, if
5 any.
6

7 Refer to the exhibit attached hereto and made a part hereof.
8

9 This real property description has been prepared by me or under my direction, in
10 conformance with the Professional Land Surveyors' Act.
11

12 Jeremy L. Evans

13 Jeremy L. Evans, P.L.S. 5282

9-8-03

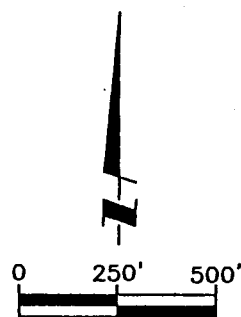
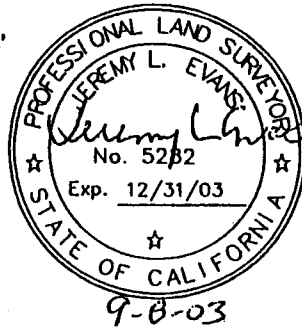
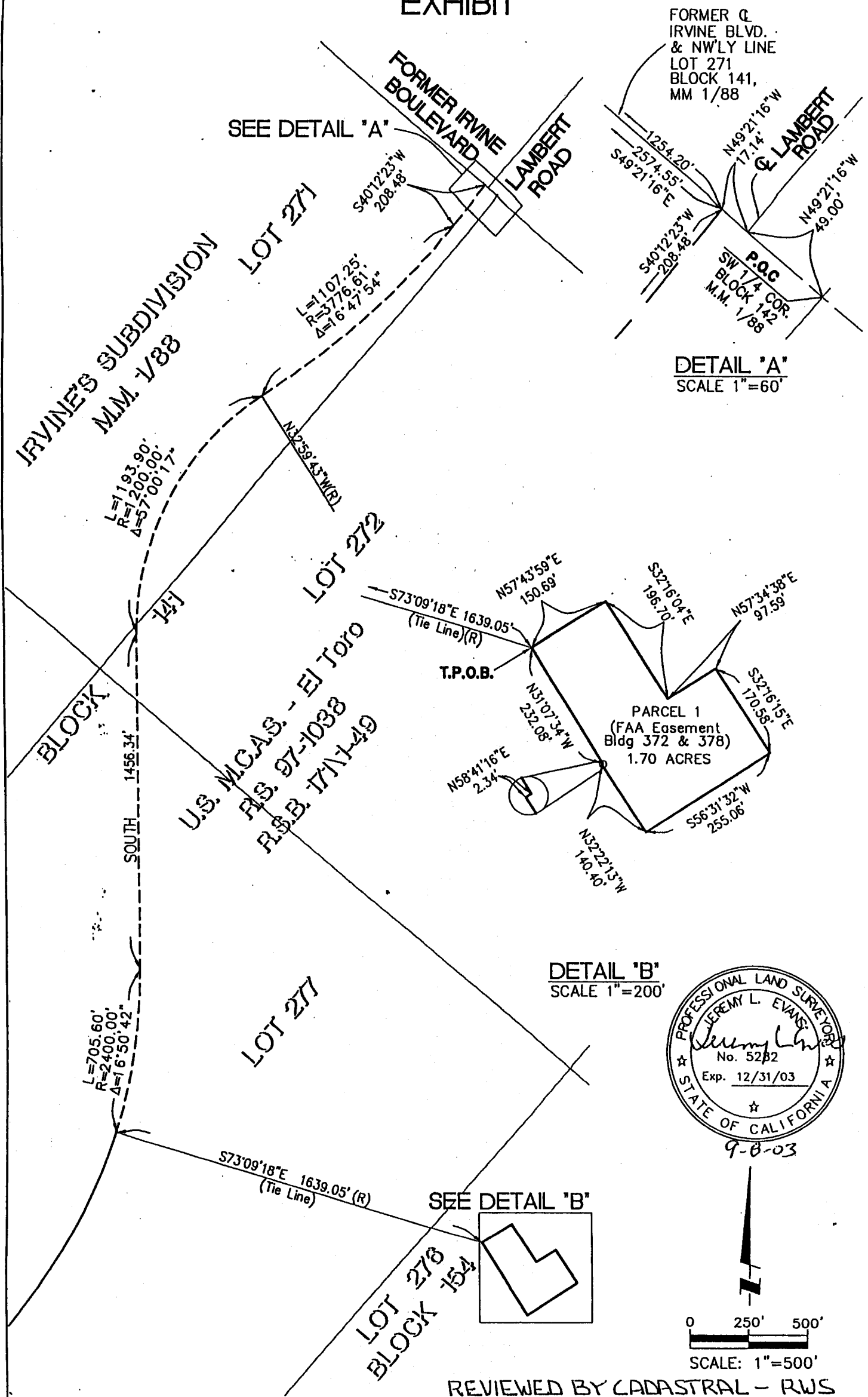
Date

15 Expires 12/31/03
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38 REVIEWED BY CADASTRAL- RWS

EXHIBIT



DESCRIPTION: That portion of Lot 276 of Block 154, in the unincorporated territory of the County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 8/28/03
REV 2

SHEET 1 OF 1

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 500'

DRAFTED SFB

CHECKED JLE

DATE JULY, 2003

JOB

NUMBER 2NOR060100 T4

Plotted 8/29/03 14:29:29 H:\2NOR060100\Survey\Design\JLE\Task-A\Parcel_372.dwg Chg:ym

Former Marine Corps Air Station El Toro
Lease in Furtherance of Conveyance
Parcel 3

All correspondence in connection
with this contract should include reference to:
N4769205RP05P45

LEASE IN FURTHERANCE OF CONVEYANCE
BETWEEN
THE UNITED STATES OF AMERICA
AND
HERITAGE FIELDS, LLC
FOR
MCAS EL TORO PARCEL 3

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LEASE IN FURTHERANCE OF CONVEYANCE
BETWEEN
THE UNITED STATES OF AMERICA
AND
HERITAGE FIELDS, LLC
FOR
MCAS EL TORO PARCEL 3

THIS LEASE is made this _____ day of _____, 2005, by and between the **UNITED STATES OF AMERICA**, acting by and through the Department of the Navy (**Government**), and **HERITAGE FIELDS, LLC, (Lessee)**, purchaser of certain real property at the former Marine Corps Air Station, El Toro, Irvine California (hereinafter referred to as MCAS El Toro or the Installation).

RECITALS

A. The Government has closed the former Marine Corps Air Station El Toro (MCAS El Toro) pursuant to the Defense Base Closure and Realignment Act of 1990, Pub.L. 101-510), as amended (10 U.S.C. § 2687 note) (hereinafter referred to as DBCRA) and is selling portions of that property through a public sale, said portions identified in Exhibit A hereto and hereinafter referred to as the "Sale Property".

B. Lessee has purchased a portion of the Sale Property, known as Parcel 3, pursuant to Invitation for Bids No. 9PR-2004-188 (IFB). Government is in the process of remediating environmental sites within Parcel 3. Pursuant to said IFB, title to each such site will not be conveyed until site closure is attained and the Government issues a Finding of Suitability to Transfer (FOST) addressing each such site.

C. As consideration for the purchase of Parcel 3, Government will allow Lessee limited access and use of the environmental sites, hereinafter referred to as the Leased Premises, and identified in Exhibit A, in accordance with the terms and conditions of this Lease until Government issues a FOST addressing the Leased Premises and title has transferred.

D. Pending final disposition, 10 U.S.C. § 2667(f) authorizes the Government to lease real property located at a military installation closed under DBCRA.

E. In accordance with the National Environmental Policy Act (NEPA) of 1969, as amended, the Government prepared a Final Environmental Impact Statement

Gov't_____.

Lessee_____.

(EIS) for the disposal and reuse of the former MCAS El Toro. A NEPA Record of Decision regarding the disposal of MCAS El Toro was issued on 23 April 2002.

F. An Environmental Baseline Survey (EBS) has been prepared for MCAS El Toro as well as a Finding of Suitability to Lease (FOSL) in accordance with 10 U.S.C. § 2667(f)(3), and Department of Defense policy guidelines. The "Finding of Suitability to Lease for Carve-Out Areas Within Parcels I, II, and III, Former Marine Corps Air Station El Toro, dated August 3, 2004, concludes that activities allowed under this Lease, if conducted in accordance with the restrictions contained therein, are consistent with protection of human health and the environment. Cognizant state and federal regulatory agencies have concurred on the FOSL.

G. The Government has agreed to grant this Lease in furtherance of and pending conveyance by deed for Leased Premises to the Lessee and the Lessee has agreed to enter into this Lease.

MUTUAL UNDERSTANDINGS

NOW THEREFORE, in consideration of the terms, covenants, and conditions hereinafter set forth, Government and Lessee hereby agree as follows:

1. LEASED PREMISES:

Government does hereby lease, and demise to Lessee in furtherance of and pending conveyance, and Lessee does hereby hire from Government, the Leased Premises, identified in Exhibit A, together with all improvements and all personal property thereon together with right of ingress and egress to said Leased Premises.

2. TERM:

2.1. The term of this Lease shall be for or until, as applicable, the earlier of: (A) a period of fifty (50) years beginning on the date of execution of this Lease and ending on the 11th day of July, 2055; or (B) the effective date of conveyance by Quitclaim Deed of a portion of the Leased Premises, unless sooner terminated in accordance with the provisions of Article 14. The Lessee shall accept title to any portion of the Leased Premises within ten (10) calendar days following delivery by the Government of a Quitclaim Deed for such portion of the Leased Premises. The Government shall not deliver any such Quitclaim Deed for a portion of the Leased Premises prior to execution of a FOST for such portion of the Leased Premises.

2.2. This Lease shall automatically terminate upon conveyance by Quitclaim Deed with respect to any conveyed portion as if such date were the stated expiration date contained herein and neither party hereto shall have any further obligation under

this Lease with respect to such conveyed portion (other than any obligations which otherwise would survive termination of this Lease). All references to the Leased Premises shall be deemed to exclude such conveyed portions and this Lease shall continue in full force and effect with respect to the remainder of the Leased Premises.

3. CONSIDERATION:

As consideration for this Lease, Lessee agrees to provide protection and maintenance to the extent described in Article 12.

4. USE OF LEASED PREMISES:

4.1 The sole purpose for which Leased Premises may be used, in the absence of prior written approval by Government for any other use, is in accordance with projected state and local zoning and land plans for the Leased Premises, and in accordance with the restrictions described in Section 5 of the Finding of Suitability to Lease (FOSL), attached as Exhibit C to this Lease. Government hereby reserves to itself the exclusive use of, and right to access, those portions of the Leased Premises identified in Exhibit F, until such time as Government determines, in its sole discretion, that it no longer requires such exclusive access and use.

4.2 No known historic or archeological sites or materials exist on the Leased Premises. Should such sites or materials be encountered, Lessee shall stop work immediately and notify Government.

5. SUBLETTING:

5.1 Lessee may sublease the Leased Premises without the prior approval of Government. Any sublease that involves the use of hazardous or toxic materials, including those of an explosive, flammable, or pyrotechnic nature, as provided in 10 U.S.C. 2692, shall require prior Government approval. Such consent shall not be unreasonably withheld or delayed. Under no circumstance shall Lessee assign this Lease without the prior written approval of the Government.

5.2 For the purposes of Article 5 and this Lease, "sublease" shall include licenses, use and occupancy agreements, concession agreements and other similar agreements.

5.3 Any sublease granted by Lessee shall contain a copy of this Lease as an attachment and be subject to all terms and conditions of this Lease and shall terminate immediately upon the expiration or any earlier termination of this Lease, without any liability on the part of Government to Lessee or any sub lessee. Under any sublease

made, with or without consent, the sub lessee shall be deemed to have assumed all of the obligations of Lessee under this Lease. No sublease shall relieve Lessee of any of its obligations hereunder.

5.4 Upon execution of any sublease, a copy of such sublease shall immediately be furnished to Government. Should conflict arise between the provisions of this Lease and a provision of the sublease, the provisions of this Lease shall take precedence. Any sublease shall not be taken or construed to diminish or enlarge any of the rights or obligations of either of the parties under this Lease.

6. CONDITION OF PROPERTY:

Leased Premises shall be delivered to Lessee "AS IS", "WHERE IS". Government makes no warranty as to Leased Premises' usability generally or as to its fitness for any particular purpose. Any safety and/or health hazards identified shall be corrected, at Lessee's expense, prior to use and occupancy.

7. ENVIRONMENTAL BASELINE SURVEY AND FINDING OF SUITABILITY TO LEASE:

The Executive Summary of the Environmental Baseline Survey (EBS) and a Finding of Suitability to Lease (FOSL) are attached as Exhibits B and C, respectively, and made part of this Lease. Copies of the EBS and FOSL have been provided to Lessee and all documents referenced therein have been made available to Lessee. The EBS describes the environmental conditions on the Installation. The FOSL sets forth the basis for the Government's determination that Leased Premises are suitable for leasing. Lessee is hereby made aware of the notifications contained in the FOSL attached hereto as an exhibit and shall comply with Lease restrictions set forth therein.

8. ALTERATIONS:

8.1 Lessee shall not construct or make or permit its sublessees to construct or make any substantial alterations, additions, excavations, improvements to, installations upon or otherwise modify or alter Leased Premises in any way (collectively "Work"), including those which may adversely affect the cleanup, human health or the environment, without the prior written consent of Government. No consent shall be required for Work described in Exhibit D.

8.2 Lessee shall provide Government with prior written notification and a full description of all proposed Work on Leased Premises (other than work described in Exhibit D), a projected schedule and cost thereof, and an analysis as to how and why such Work will or will not adversely affect the environmental clean up of Leased

Premises, human health, or the environment. Lessee shall deliver such written notification to Government's representative as designated in Article 19 of this Lease.

8.3 In the event of termination of this lease pursuant to either subparagraph 14.1.2 or 14.1.3 of Article 14 of this Lease, Lessee shall abandon any Work in place, at which time title to such Work shall vest in the Government.

8.4 In the event of termination, revocation or surrender of this Lease, all personal property and trade fixtures of Lessee or any third person may be removed and Lessee shall repair any damages to Leased Premises resulting from such removal.

9. ACCESS BY GOVERNMENT:

In addition to access required under Article 13, at all reasonable times throughout the term of this Lease, Government shall be allowed access to Leased Premises for any purposes upon notice to Lessee. Government normally will give Lessee or any sublessee twenty-four (48) hour prior notice of its intention to enter Leased Premises, unless it determines the entry is required for safety, environmental, operations or security purposes. Lessee shall have no claim on account of any entries against Government or any officer, agent, employee, contractor or subcontractor of Government. All keys to the buildings and facilities occupied by Lessee or any sublessee shall be made available to Government upon request. Any access by Government will take into consideration its obligations under Article 33.

10. UTILITIES AND SERVICES:

10.1 Procurement of utilities, i.e., electricity, water, gas, steam, sewer, telephone and trash removal will be the responsibility of Lessee.

10.2 Lessee shall furnish the Government with any utilities maintained by Lessee that Government may require. In the event it does so, Government shall reimburse Lessee for the cost incurred in providing such utilities, which amount shall be agreed upon between the parties in advance.

11. NON-INTERFERENCE WITH GOVERNMENT OPERATIONS:

Lessee shall not conduct operations or make any alterations that would interfere with or otherwise restrict operations, environmental clean-up or restoration actions by Navy, Environmental Protection Agency (EPA), state environmental regulators, or their contractors. Environmental clean-up, restoration or testing activities by these parties shall take priority over Lessee's use of Leased Premises in the event of any conflict. However, Government and Lessee agree to coordinate to minimize potential conflicts

between necessary remediation of environmental contamination, including investigation and remedial actions, and Lessee's and sublessee's use of Leased Premises.

12. PROTECTION AND MAINTENANCE SERVICES:

12.1 Government shall not be required to furnish any services or facilities to Lessee or to make any repair or alteration in or to Leased Premises.

12.2 During the term of this Lease, debris, trash and other useless materials not generated by Government shall be promptly removed from Leased Premises.

12.3 Lessee shall provide or cause to be provided all security services necessary to assure security and safety within Leased Premises. Any crimes or other offenses, including traffic offenses and crimes and offenses involving damage to or theft of Government property, shall be reported to the appropriate authorities for their investigation and disposition and to Government as property owner.

12.4 Lessee shall take or cause to be taken, all reasonable fire protection precautions at Leased Premises consistent with the level of use on the property.

12.5 Lessee, at its own expense, is solely responsible for protection, maintenance, preservation and repair of Leased premises, with the exception of those areas reserved for Government use, as identified in Exhibit F. Government shall be solely responsible for protection, maintenance, preservation and repair of those portions of the Leased Premises identified in Exhibit F for the duration of any period of such exclusive use, as set forth in Article 4.

12.6 Lessee expressly agrees, at its own expense, to keep the Leased Premises in a safe, neat, clean, and orderly condition. Lessee shall provide a complete and proper arrangement for the adequate sanitary handling and disposal, acceptable to the Government of all trash, garbage, and other refuse caused as a result of Lessee's operations on the Premises. Lessee shall provide and use suitable, covered receptacles for all garbage, trash and other refuse on or in connection with the Premises. Piling of boxes, cartons, barrels, or other similar items in an unsightly or unsafe manner, on or about the Leased Premises, is prohibited. Government shall have the right to enter upon and inspect the Premises at anytime for cleanliness and safety activities.

13. ENVIRONMENTAL PROTECTION PROVISIONS:

13.1 Lessee, sublessees and contractors shall comply with all applicable Federal, state and local laws, regulations and standards that are or may become applicable to Lessee's activities on Leased Premises.

13.2 The Lessee or any sublessee shall be solely responsible for obtaining at its cost and expense any environmental permits required for its operations under the Lease, independent of any existing permits held by the Government. Any and all environmental permits required for any of Lessee's or sublessee's operations or activities would be subject to prior concurrence of Government. Lessee acknowledges that the Government will not consent to being named a secondary discharger or co-permittee for any operations or activities of the Lessee or any sublessee under the Lease. In the event the Government is named as a secondary discharger or co-permittee for any activity or operation of the Lessee or any sublessee, Government shall have the right to take reasonable actions necessary to prevent, suspend, or terminate such activity or operation, including terminating this Lease, without liability or penalty.

13.3 Government's rights under this Lease specifically include the right for Government officials to inspect upon reasonable notice Leased Premises for compliance with environmental, safety and occupational health laws and regulations, whether or not Government is responsible for enforcing them. Such inspections are without prejudice to the right of duly constituted enforcement officials to make such inspections. Government normally will give Lessee or sublessee twenty-four (24) hours prior notice of its intention to enter Leased Premises unless it determines the entry is required for safety, environmental, operations or security purposes. Lessee shall have no claim on account of any entries against the United States or any officer, agent, employee, contractor or subcontractor thereof.

13.4 Government has entered into a Federal Facility Agreement (FFA) for MCAS El Toro with the United States Environmental Protection Agency (USEPA) and the State of California (through the Department of Toxic Substances Control (DTSC) and Santa Ana Regional Water Quality Control Board) pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) of 1980 as amended. The Installation has been identified as a National Priorities List (NPL) Site under the Comprehensive Environmental Response Compensation and Liability Act (CERCLA) of 1980, as amended. Lessee acknowledges that Government has provided it with a copy of the installation Federal Facility Agreement (FFA) entered into by the United States Environmental Protection Agency (EPA) Region, the state equivalent and the Military Department, and Lessee agrees that should any conflict arise between the terms of such agreement as it presently exists or may be amended and the provisions of this Lease, the terms of the FFA will take precedence. Lessee further agrees that notwithstanding any other provision of this Lease, Government assumes no liability to Lessee or its sublessees or licensees should implementation of the FFA interfere with Lessee's or any sublessee's and licensee's use of Leased Premises. Lessee shall have no claim on account of any such interference against the United States or officer, agent, employee, contractor or subcontractor thereof, other than for abatement of rent, where applicable.

13.5 Government, EPA, DTSC, and the State and their officers, agents, employees, contractors and subcontractors, have the right, upon reasonable notice to Lessee and/or any sublessee, to enter upon Leased Premises for the purposes enumerated in this subparagraph and for such other purposes consistent with any provisions of the cleanup program (including but not limited to the BRAC Cleanup Plan, IRP, or FFA):

13.5.1 to conduct investigations and surveys, including, where necessary, drilling, soil and water sampling, testpitting, testing soil borings and other activities related to the cleanup program;

13.5.2 to inspect field activities of Government and its contractors and subcontractors in implementing the cleanup program;

13.5.3 to conduct any test or survey required by EPA or applicable state equivalent relating to the implementation of the cleanup program;

13.5.4 to construct, operate, maintain or undertake any other response or remedial action as required or necessary under the cleanup program, including but not limited to monitoring wells, pumping wells and treatment facilities.

13.6 Lessee shall comply with the provisions of any health or safety plan in effect under the IRP or the FFA during the course of any of the above described response or remedial actions. Any inspection, survey, investigation or other response or remedial action will, to the extent practicable, be coordinated with representatives designated by Lessee and any sublessee. Lessee and sublessee shall have no claim on account of such entries against the United States or any officer, agent, employee, contractor or subcontractor thereof. In addition, Lessee shall comply with all applicable Federal, state and local occupational safety and health regulations.

13.7 Lessee further agrees that in the event of any sublease of Leased Premises, Lessee shall provide to U.S. EPA and California EPA, DTSC by certified mail a copy of the agreement or sublease of Leased Premises (as the case may be) within fourteen (14) calendar days after the effective date of such transaction. Lessee may delete the financial terms and any other proprietary information from the copy of any agreement of sublease furnished pursuant to this condition.

13.8 Lessee shall strictly comply with the hazardous waste permit requirements under the Resource Conservation and Recovery Act or its applicable state equivalent and any other applicable laws, rules or regulations. Except as specifically authorized by Government in writing, Lessee must provide at its own expense such hazardous waste management facilities complying with all laws and regulations, as Lessee may need for such storage. Government hazardous waste management facilities will not be available

to Lessee. Any violation of the requirements of this condition shall be deemed a material breach of this Lease.

13.9 DoD component accumulation points for hazardous and other waste will not be used by Lessee or any sublessee. Neither Lessee nor any sublessee will permit its hazardous wastes to be commingled with hazardous waste of DoD Component.

13.10 Lessee shall have a Government-approved plan for responding to hazardous waste, fuel and other chemical spills prior to commencement of operations on Leased Premises. The contingency plan shall be consistent with the provisions of California Code of Regulations, Title 22, Chapter 15, Article 4 beginning with Section 66265.50. Such plan shall be independent of Installation plan and, except for initial fire response and/or spill containment, shall not rely on use of Installation personnel or equipment. Should Government provide any personnel or equipment whether for initial fire response and/or spill containment, or otherwise on request of Lessee, or because Lessee was not, in the opinion of Government, conducting timely cleanup actions, Lessee agrees to reimburse Government for its costs in association with such response or cleanup.

13.11 The presence of known asbestos-containing material (ACM), lead-based paint (LBP), polychlorinated biphenyls (PCBs), Potential Release Locations (PRLs), and radiological materials investigation locations is identified in the FOSL, attached as Exhibit C.

13.11.1 Access and occupancy of buildings/structures/facilities and sites identified in Exhibit C, sections 5.1 and 5.10, and in Exhibit E are prohibited without the prior written approval of the Government, except for short-term tours and emergency maintenance.

13.11.2 Buildings identified in Exhibit E may be occupied only after the lessee conducts all necessary surveys and abatement in accordance with to all federal, state, and local laws, and regulatory requirements and has obtained the prior written approval of the Government.

13.11.3. The Lessee shall be responsible for the management of ACM, including, but not limited to, surveys, removal and/or demolition of structures containing ACM, in accordance with applicable regulatory requirements.

13.11.4 If Lessee intends to demolish any facilities containing ACM, or to make any improvements or repairs that require the removal of asbestos, an appropriate asbestos disposal plan must be incorporated into the plans and specifications required under Article 8 and submitted to Government. The asbestos disposal plan will identify the proposed disposal site for the asbestos, or in the event the site has not been identified, will provide for disposal at a licensed facility authorized to receive it.

13.11.5 ACM which during the period of this lease becomes damaged or deteriorated through the passage of time, as the result of a natural disaster or as a consequence of Lessee's activities under this Lease, including but not limited to any emergency, will be abated by Lessee at its sole cost and expense. In an emergency, Lessee will notify Government as soon as practicable of its emergency ACM responses. Lessee shall be responsible for monitoring the condition of existing ACM on Leased Premises for deterioration or damage and accomplishing repairs or abatement pursuant to the applicable conditions of this Lease.

13.12 LBP which during the period of this lease becomes damaged or deteriorated through the passage of time, as the result of a natural disaster or as a consequence of Lessee's activities under this Lease, including but not limited to any emergency, will be abated by Lessee at its sole cost and expense. In an emergency, Lessee will notify Government as soon as practicable of its emergency LBP responses. Lessee shall be responsible for monitoring the condition of existing LBP on Leased Premises for deterioration or damage and accomplishing repairs or abatement pursuant to the applicable conditions of this Lease.

13.12.1. Use of buildings/structures built prior to 1 January 1978 for residential purposes or any use involving children is prohibited without the prior written approval of the government.

13.12.2. Demolition of any facilities containing LBP, or any improvements or repairs that require the removal of LBP must have the prior written approval of the government. Lessee shall be responsible for the management of LBP, including surveys, removal, and/or demolition in accordance with federal, state and local laws and regulatory requirements.

13.12.3. Lessee shall be responsible for conducting post-demolition sampling for and any necessary abatement of soil-lead hazards at target housing or residential real property.

13.13 Lessee shall relieve, indemnify, protect, defend and hold harmless Government from any costs, expenses, liabilities, fines or penalties resulting from discharges, emissions, spills, storage or disposal arising from Lessee's occupancy, use or operations, or any other action by Lessee or any sublessee giving rise to Government liability, civil or criminal, or any other action by Lessee or any sublessee giving rise or responsibility under Federal, state or local environmental laws. Lessee's obligations hereunder shall apply whenever Government incurs costs or liabilities for Lessee's activities or activities of any sublessee as provided hereunder. This provision shall survive the expiration or termination of this Lease.

13.14 Storage, treatment or disposal of toxic or hazardous materials on the Leased Premises is prohibited excepted as authorized by Government in accordance with 10 U.S.C. § 2692.

13.15 Lessee shall not conduct any subsurface excavation, digging, drilling or other disturbance of the ground surface without prior Government approval.

13.16 Lessee shall not install new groundwater wells of any type and shall not use contaminated groundwater without prior written Government approval.

13.17 Lessee shall not install any well that has the potential to affect plume migration.

13.18 Lessee shall not alter, disturb or remove groundwater monitoring wells, remedial action equipment (e.g. pumps), or associated utilities without prior written Government approval

13.19 Removal of or damage to security features (e.g. locks on monitoring wells, survey monuments, signs or monitoring equipment and associated pipelines and appurtenances is prohibited without prior written Government approval.

13.20 Use or occupancy of IRP Sites 8, 11, and 12 within Carve Out III-B is prohibited pending completion of associated remedial/removal actions.

13.21 The following additional conditions are specific to Carve Out III-B (Site 24), in accordance with The Navy's Final Record of Decision, Operable Unit 1, Site 18 Regional Volatile Organic Compound Groundwater Plume Operable Unit 21 Site 24 VOC Source Area, former Marine Corps Air Station El Toro, California, June 2002 (Site 24 ROD). A copy of the Record of Decision can be obtained by contacting the El Toro Public Administrative Record Manager at (949) 726-5398.

13.21.1 No new wells of any type shall be installed within the Site 24 Shallow Groundwater Plume or buffer zone without prior review and written approval from the DON, DTSC, U.S. EPA, and RWQCB. The Lessee shall also obtain permits for such wells as required by OCHA and IRWD

13.21.2 Extraction, injection, and monitoring wells and associated piping and equipment that are included in the remedial action shall not be altered, disturbed, or removed without the prior review and written approval from the DON, DTSC, U.S. EPA, RWQCB.

13.21.3 The DON, U.S. EPA, DTSC, RWQCB, and their authorized agents, employees, contractors and subcontractors shall have the right to enter upon the Site 24 portion of the Leased Premises to conduct investigations, tests, or surveys;

inspect field activities; or construct, operate, and maintain the remedial action described in the ROD or undertake any other remedial response or remedial action as required or necessary under the cleanup program, including, but not limited to, monitoring wells, pumping wells, and treatment facilities.

13.21.4 The Lessee and any future lessees must comply with all terms and conditions relating to land use restrictions set forth in the Site 24 ROD.

13.21.5 The Lessee and any future lessees must notify subsequent lessees of all land use restrictions and access provisions set forth in this Section 13.21.

14. TERMINATION:

14.1 Government shall have the right to terminate this Lease, in whole or in part, without liability, upon thirty (30) calendar days notice:

14.1.1 In the event of a national emergency as declared by the President or the Congress of the United States; or

14.1.2 In the event of breach by Lessee of any terms and conditions hereof. In the event of a breach involving the performance of any obligation, Lessee shall be afforded thirty (30) calendar days from the receipt of Government's notice of intent to terminate within which to complete the performance of the obligation or to otherwise cure the breach and avoid termination of this Lease, unless Government determines that a shorter period is required for safety, environmental, operational, or security purposes. In the event that Government shall elect to terminate this Lease on account of the breach by Lessee of any of the terms and conditions, Government shall be entitled to recover and Lessee shall pay to Government:

14.1.2(a) the costs incurred in reacquiring possession of the Leased Premises.

14.1.2(b) the costs incurred in performing any obligation on the part of Lessee to be performed hereunder.

14.1.2(c) An amount equal to the aggregate of any maintenance obligations and charges assumed hereunder and not paid or satisfied, which amounts shall be due and payable at the time when such obligations and charges would have accrued or become due and payable under this Lease.

14.1.3 In the event of failure by Lessee to take title to any portion of the Leased Premises within ten (10) calendar days following tender by the Government of a Quitclaim Deed for such portion of the Leased Premises

14.2 Lessee shall have the right to terminate this Lease upon thirty (30)-calendar days written notice to Government in the event of breach by Government of any of the terms and conditions hereof. In the event of a breach involving the performance of any obligation, Government shall be afforded sixty (60) calendar days from the receipt of Lessee's notice of intent to terminate within which to complete performance of the obligation or otherwise cure the breach and avoid termination of this Lease. Lessee shall also have the right to terminate this Lease in the event of damage to or destruction of all of the improvements on Leased Premises or such a substantial portion thereof as to render Leased Premises incapable of use for the purposes for which it is leased hereunder, provided:

14.2.1 Government either has not authorized or directed the repair, rebuilding or replacement of the improvements or has made no provision for payment for such repair, rebuilding or replacement by application of insurance proceeds or otherwise; and

14.2.2 That such damage or destruction was not occasioned by the fault or negligence of Lessee or any of its officers, agents, servants, employees, sublessees or invitees, or by any failure or refusal on the part of Lessee to fully perform its obligations under this Lease.

14.2.3 If Government requires Lessee to vacate all or a substantial portion of Leased Premises pursuant to Article 15 of this Lease for a period in excess of thirty (30) calendar days, Lessee may terminate this Lease by written notice to Government given at any time while Lessee shall continue to be denied use of all or a substantial portion of Leased Premises. Lessee shall thereafter surrender possession of Leased Premises within fifteen (15) calendar days of such notice.

14.3 In the event this lease is terminated due to a breach, for any reason, by either party, in no way will Lessee be entitled to a refund of a portion of the purchase price of the associated sale parcel or other compensation.

15. ENVIRONMENTAL CONTAMINATION:

In the event environmental contamination is discovered on Leased Premises which creates, in Government's determination, an imminent and substantial endangerment to human health or the environment which necessitates evacuation of Leased Premises, and notwithstanding any other termination rights and procedures contained in this Lease, Lessee shall vacate or require any sublessee to vacate Leased Premises immediately upon notice from Government of the existence of such condition. Exercise of this right by Government shall be without liability, except that Lessee shall not be responsible for the payment of consideration during the period Leased Premises is vacated. The amount of deduction shall be determined on a daily pro-rata basis. Government's exercise of this right herein to order the Leased Premises immediately

vacated does not alone constitute a termination of the Lease, but such right may be exercised in conjunction with any other termination rights provided in this Lease or by law.

16. NON-ENVIRONMENTAL INDEMNIFICATION BY LESSEE:

Lessee shall at all times relieve, indemnify, protect, defend and hold harmless the United States of America, and all of its officers, agents and employees from any and all claims and demands, actions, proceedings, losses, liens, costs and judgments of any kind and nature whatsoever, including expenses incurred in defending against legal actions, for death or injury to persons or damage to property and for civil fines and penalties arising or growing out of, or in any manner connected with, the occupation or use of the Leased Premises by Lessee and the employees, agents, servants, guests, invitees, contractors and sublessees of Lessee. These include, but are not limited to, any fines, claims, demands and causes of action of every nature whatsoever which may be made upon, sustained or incurred by Government by reason of any breach, violation, omission or non-performance of any term, covenant or condition hereof on the part of Lessee or the employees, agents, servants, guests, invitees and sublessees of Lessee. However, this indemnity shall not extend to damages due to the sole fault or negligence of Government or its contractors. This covenant shall survive the termination of this Lease for any injury or damage occurring after the commencement of term of the Lease.

17. INSURANCE:

17.1 Except to the extent of any obligation on the part of the Government to indemnify pursuant to Public law 102-484, Section 330, as amended, Lessee shall bear all risk of loss or damage to the Leased Premises, and for claims arising from any incident with respect to bodily injuries or death resulting there from, property damage, or both, suffered or alleged to have been suffered by any person or persons resulting from the operations of Lessee, sublessees, contractors and invitees under the terms of this Lease.

17.2 At the commencement of this Lease, Lessee shall obtain, from a reputable insurance company or companies, comprehensive general liability insurance. The insurance shall provide an amount not less than the minimum combined single limit of \$5,000,000.00 for any number of persons or claims arising from any one incident with respect to bodily injuries or death resulting there from, property damage or both, suffered or alleged to have been suffered by any person or persons resulting from the operations of Lessee, sublessees, contractors and invitees under the terms of this Lease. Lessee shall require its insurance company to furnish Government a copy of the policy or policies, or if acceptable to Government, certificates of insurance evidencing the purchase of such insurance. The minimum amount of liability insurance coverage is

subject to revision by Government every three years or upon renewal or modification of this Lease.

17.3 As to those structures and improvements on Leased Premises constructed by or owned by Government, Lessee shall procure and maintain at Lessee's expense a standard fire and extended coverage insurance policy or policies on Leased Premises in the minimum amount of \$1,000,000.00, but not less than the amount required to demolish damaged or destroyed structures and improvements, remove debris, and clear the Leased Premises. Lessee shall procure such insurance from a reputable company or companies. The insurance policy shall provide that in the event of loss thereunder, the proceeds of the policy or policies, at the election of Government, shall be payable to Lessee to be used solely for the demolition of damaged or destroyed structures and improvements, removal of debris, and clearing of the Leased Premises or for repair, restoration, or replacement of the property damaged or destroyed. Any balance of the proceeds not required for such purposes shall be paid to Government. If Government does not elect, by notice in writing to the insurer within thirty (30) calendar days after the damage or destruction occurs, to have the proceeds paid to Lessee for the purposes herein above set forth, then such proceeds shall be paid to Government, provided however that the insurer, after payment of any proceeds to Lessee in accordance with the provision of the policy or policies, shall have no obligation or liability with respect to the use or disposition of the proceeds by Lessee. Nothing herein contained shall be construed as an obligation upon Government to repair, restore, or replace Leased Premises or any part thereof.

17.4 If and to the extent required by law, Lessee shall provide worker's compensation or similar insurance in form and amounts required by law.

17.5 During the entire period this Lease shall be in effect, Lessee shall require its contractors or sublessees or any contractor performing work at Lessee's or sublessee's request on Leased Premises to carry and maintain the insurance required below:

17.5.1 Comprehensive general liability insurance, in an amount not less than \$1,000,000.00.

17.5.2 Workmer's compensation or similar insurance in form and amounts required by law.

17.6 All insurance which this Lease requires Lessee or sublessee to carry and maintain or cause to be carried or maintained shall be in such form, for such periods of time, and with such insurers as Government may reasonably require or approve. All policies or certificates issued by the respective insurers for public liability and property insurance will name Government as an additional insured, provide that any losses shall be payable notwithstanding any act or failure to act or negligence of Lessee or Government or any other person, provide that no cancellation, reduction in amount or

material change in coverage thereof shall be effective until at least thirty (30) calendar days after receipt by Government of written notice thereof; provide that the insurer shall have no right of subrogation against Government; and be reasonably satisfactory to Government in all other respects. In no circumstances will Lessee be entitled to assign to any third party, rights of action that Lessee may have against Government.

17.7 Lessee and sublessees shall deliver or cause to be delivered promptly to Government a certificate of insurance evidencing the insurance required by this Lease and shall also deliver prior to expiration of any such policy, a certificate of insurance evidencing each renewal policy covering the same risks.

18. LABOR PROVISION:

During the term of this Lease, Lessee agrees as follows:

18.1 Lessee will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. Lessee shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising, layoff or termination, rate of pay or other forms of compensation and selection for training, including apprenticeship. Lessee agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by Government setting forth the provisions of this nondiscrimination clause.

18.1.1 Lessee shall, in all solicitations or advertisements for employees placed at Leased Premises by or on behalf of Lessee, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.

18.1.2 Lessee shall send to each labor union or representative of workers with which it has a collective bargaining agreement or other contract or understanding a notice to be provided by Government, advising the labor union or worker's representative of Lessee's commitments under this equal opportunity clause and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

18.1.3 Lessee shall comply with all provisions of Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, and of the rules, regulations and relevant orders of the Secretary of Labor.

18.1.4 Lessee shall furnish all information and reports required by Executive order 11246 of September 24, 1965, as amended by Executive Order 11375

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of October 13, 1967, and of the rules, regulations and relevant orders of the Secretary of Labor or pursuant thereto, and will permit access to his books, records and accounts by Government and the Secretary of Labor for purposes of investigating to ascertain compliance with such rules, regulations and orders.

18.1.5 In the event of Lessee's noncompliance with the equal opportunity clause of this Lease or with any of said rules, regulations or orders, this lease may be canceled, terminated or suspended in whole or in part and Lessee may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, as amended by Executive order 11375 of October 13, 1967, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, or by rule, regulation or order of the Secretary of Labor, or otherwise provided by law.

18.1.6 Lessee will include the above provisions in every sublease unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, as amended by Executive Order 11375 of October 13, 1967, so that such provisions will be binding upon each sublessee. Lessee will take such action with respect to any sublessee as Government may direct as a means of enforcing such provisions including sanctions for noncompliance; provided, however, that in the event Lessee becomes involved, or is threatened with litigation with sublessee as a result of such direction by Government, Lessee may request the United States to enter into such litigation to protect the interest of the United States.

18.2 This Lease, to the extent that it is a contract of a character specified in the Contract Work Hours and Safety Standards Act (40 U.S.C. 3703) and is not covered by the Walsh-Healy Public Contracts Act (41 U.S.C. 35-45), is subject to the following provisions and exceptions of said Contract Work Hours and Safety Standards Act and to all other provisions and exceptions of said law.

18.2.1 Lessee shall not require or permit any laborer or mechanic in any workweek in which he is employed on any work under this Lease to work in excess of 40 hours in such work week on work subject to the provisions of the Contract Work Hours and Safety Standards Act unless such laborer or mechanic receives compensation at a rate not less than one and one-half times his basic rate of pay for all such hours worked in excess of 40 hours in such work week. The "basic rate of pay", as used in this clause, shall be the amount paid per hour, exclusive of Lessee's contribution or cost for fringe benefits and any cash payment made in lieu of providing fringe benefits or the basic hourly rate contained in the wage determination, whichever is greater.

18.2.2 In the event of any violation of the provision of Article 18.2.1, Lessee shall be liable to any affected employee for any amounts due, and to the United

Gov't_____.

Lessee_____.

States for liquidated damages. Such liquidated damages shall be computed with respect to each individual laborer or mechanic employed in violation of the provisions of Article 18.2.1 in the sum of ten \$10.00 for each calendar day on which such employee was required or permitted to be employed on such work in excess of the standard work week of 40 hours without payment of the overtime wages required by paragraph 18.2.1.

18.3 In connection with the performance of work required by this Lease, Lessee agrees not to employ any person undergoing a sentence of imprisonment at hard labor.

19. SUBMISSION OF NOTICES:

No notice, order, direction, determination, requirement, consent or approval under this Lease shall be of any effect unless made in writing and delivered to the addressees designated below. All correspondence, notices and claims concerning this Lease shall be directed to the addresses set out below or to such addresses as may from time to time be given by the parties. Such correspondence, notices and claims may be delivered by hand, express delivery, overnight courier or by prepaid registered or certified mail, return receipt requested. The individuals so designated shall be the representatives of the parties and the points of contact during the period of this Lease, unless otherwise indicated by written notice of an individual party to the Lease to each party to the Lease.

If to Government:

Real Estate Contracting Officer
Base Realignment and Closure Program Management Office
1230 Columbia Street, Suite 1100
San Diego, CA 92101-8571

If to Lessee:

Lennar Homes of California, Inc.
25 Enterprise
Aliso Viejo, CA 92656
Attn: Robert Santos

20. AUDIT:

This Lease shall be subject to audit by any and all cognizant Government agencies. Lessee shall make available to such agencies for use in connection with such audits all records, which it maintains with respect to this Lease and copies of all reports, required to be filed hereunder. Government shall provide to Lessee reasonable

documentation for all billings and assessments for costs incurred, and for any other Government demands for payment. In no event shall the provisions of this Article be construed to authorize or require the disclosure of documents protected from disclosure by the attorney-client privilege, or otherwise, the confidentiality of which is protected by state or federal law

21. AGREEMENT:

This Lease shall not be modified unless in writing and signed by both parties. No oral statements or representation made by, for or on behalf of either party shall be a part of this Lease. Should a conflict arise between the provisions of this Lease and any exhibit hereto, or any other agreement between Government and Lessee, the provisions of this Lease shall take precedence.

22. FAILURE TO INSIST ON COMPLIANCE:

The failure of Government to insist, in any one or more instances, upon performance of any of the terms, covenants or conditions of this Lease shall not be construed as a waiver or relinquishment of Government's right to the future performance of any such terms, covenants or conditions and Lessee's obligations in respect to such future performance shall continue in full force and effect.

23. DISPUTES:

23.1 This lease is subject to the Contract Disputes Act of 1978, as amended (41 U.S.C. 601-613) (the Act).

23.2 Except as provided in the Act, all disputes arising under or relating to this lease shall be resolved under this clause.

23.3 "Claim", as used in this clause, means a written demand or written assertion by Lessee or Government seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of lease terms, or other relief arising under or relating to this Lease. A claim arising under this Lease, unlike a claim relating to this Lease, is a claim that can be resolved under a lease clause that provides for the relief sought by the claimant. However, a written demand or written assertion by Lessee seeking the payment of money exceeding \$100,000 is not a claim under the Act until certified as required by subparagraph 23.4 below. A voucher, invoice or other routine request for payment that is not in dispute when submitted, is not a claim under the Act. The submission may be converted to a claim under the Act, by complying with the submission and certification requirements of this clause, if it is disputed either as to liability or amount or is not acted upon in a reasonable time.

23.4 A claim by Lessee shall be made in writing and submitted within six (6) years after accrual of the claim, to the Government for a written decision.

23.4.1 Lessee shall provide the certification specified in subparagraph 23.4.3 of this clause when submitting any claim:

- (a) Exceeding \$100,000; or
- (b) Regardless of the amount claimed, when using:
 - (1) Arbitration conducted pursuant to 5 U.S.C. 575-580; or
 - (2) Any other alternative means of dispute resolution (ADR) technique that the agency elects to use in accordance with the Administrative Dispute Resolution Act (ADRA).

23.4.2 the certification requirement does not apply to issues in controversy that have not been submitted as all or part of a claim.

23.4.3 The certification shall state as follows: "I certify that the claim is made in good faith; that the supporting data are accurate and complete to the best of my knowledge and belief; that the amount requested accurately reflects the contract adjustment for which Lessee believes Government is liable; and that I am duly authorized to certify the claim on behalf of Lessee."

23.4.4 The certification may be executed by any person duly authorized to bind Lessee with respect to the claim.

23.5 For Lessee claims of \$100,000 or less, the Government, must, if requested in writing by Lessee, render a decision within 60 calendar days of the request. For Lessee-certified claims over \$100,000, the Government, must, within 60 calendar days, decide the claim or notify Lessee of the date by which the decision will be made.

23.6 The Government's decision shall be final unless Lessee appeals or files a suit as provided in the Act.

23.7 At the time a claim by the Lessee is submitted to the Government or a claim by Government is presented to Lessee, the parties, by mutual consent, may agree to use ADR. When using arbitration conducted pursuant to 5 U.S.C. 575-580, or when using any other ADR technique that the agency elects to employ in accordance with the ADRA, any claim, regardless of amount, shall be accompanied by the certification described in Article 23.4.3 of this clause, and executed in accordance with paragraph 23.4.4 of this clause.

23.8 Government shall pay interest on the amount found due and unpaid by Government from (1) the date the Government receives the claim (properly certified if required), or (2) the date payment otherwise would be due, if that date is later, until the

date of payment. With regard to claims having defective certifications, as defined in FAR 33.201, interest shall be paid from the date that the Government initially receives the claim. Simple interest on claims shall be paid at the rate, fixed by the Secretary of the Treasury, as provided in the Act, which is applicable to the period during which the Government receives the claim and then at the rate applicable for each 6-month period as fixed by the Treasury Secretary during the pendency of the claim.

23.9 Lessee shall proceed diligently with the performance of Lease, pending final resolution of any request for relief, claim, appeal or action arising under Lease, and comply with any decision of the Government.

24. COVENANT AGAINST CONTINGENT FEES:

Lessee warrants that no person or agency has been employed or retained to solicit or secure this Lease upon an agreement or understanding for a commission, percentage, brokerage or contingent fee, excepting bona fide employees or bona fide established commercial agencies maintained by Lessee for the purpose of securing business. For breach or violation of this warranty, Government shall have the right to annul this Lease without liability or in its discretion, to require Lessee to pay, in addition to the rental or consideration, the full amount of such commission, percentage, brokerage or contingent fee.

25. LIENS:

Lessee shall promptly discharge or cause to be discharged any valid lien, right in rem, claim or demand of any kind, except one in favor of Government, which at any time may arise or exist with respect to the Leased Property or materials or equipment furnished therefore, or any part thereof, and if the same shall not be promptly discharged by Lessee, or should Lessee or sublessee be declared bankrupt or make an assignment on behalf of creditors, or should the leasehold estate be taken by execution, Government reserves the right to take immediate possession without any liability to Lessee or any sublessee. Lessee and any sublessee shall be responsible for any costs incurred by Government in securing clear title to its property.

26. TAXES:

Lessee shall pay to the proper authority, when and as the same become due and payable, all taxes, assessments and similar charges which, at any time during the term of this Lease, may be imposed upon Lessee with respect to Leased Premises. Title 10 United States Code, Section 2667(e) contains the consent of Congress to the Taxation of Lessee's interest in Leased Premises, whether or not the Leased Premises are in an area of exclusive federal jurisdiction. Should Congress consent to taxation of Government's interest in the property, this Lease will be renegotiated.

**27. SUBJECT TO EXISTING AND FUTURE EASEMENTS AND RIGHTS-OF-WAY,
AND TO CERTAIN POTENTIAL AIR NAVIGATION-RELATED RESTRICTIONS:**

27.1 This Lease is subject to all outstanding easements and rights-of-way for location of any type of facility over, across, through, in and upon Leased Premises or any portion thereof and to the right of Government to grant such additional easements and rights-of-way over, across, through, in and upon Leased Premises as it shall determine to be in the public interest; provided that any such additional easement or right-of-way shall be conditioned on the assumption by the grantee thereof of liability to Lessee for such damages as Lessee shall suffer for property destroyed or property rendered unusable on account of the grantee's exercise of its rights there under. Such easements and rights of way shall include but not be limited to those for water, gas, electricity, telephone, sewer, pipelines, conduits and for any type of facility, including but not limited to those for communications, heating, cooling and power. There is hereby reserved to the holders of such easements and rights-of-way as are presently outstanding or which may hereafter be granted, to any workers officially engaged in the construction, installation, maintenance, operation, repair or replacement of facilities located thereon, and to any Federal, state or local official engaged in the official inspection thereof, such reasonable rights of ingress and egress over Leased Premises as shall be necessary for the performance of their duties with regard to such facilities.

27.2 The Government has constructed and installed roads, structures, facilities, pipelines, and conduits on Leased Premises. For purposes of this Article, these roads, structures, facilities, pipelines, and conduits shall be treated as if they were within easements and rights of way, and Lessee shall not interfere with or otherwise disturb such government-owned improvements without the prior written consent of the Government. Lessee shall protect or relocate them in a manner satisfactory to Government should such protection or relocation be required as a result of Lessee's use of Leased Premises.

27.3 The outstanding easements and rights of way referenced in paragraph 27.1 of this Lease shall be deemed to include, but shall not be limited to, the following:

27.3.1 The rights of the Orange County Water District (OCWD) and Irvine Ranch Water District (IRWD), including their officers, employees, agents, contractors, and subcontractors, to exercise rights of ingress and egress over, across, in, and upon Leased Premises, and such other easements, and/or rights of way as set forth in such paragraph 27.1, for purposes of access and rights-of-way for the construction, operation, and maintenance of the CERCLA Component of the Modified Irvine Desalter Project (CCMI) set forth in Paragraph VI.A of the "Settlement Agreement Among the Settling Federal Agencies (SFA), OCWD, and IRWD in Regard to Former Marine Corps Air Station (MCAS) El Toro dated September 1, 2001 ("Settlement Agreement"). The

OCWD and IRWD and their officers, employees, agents, contractors, and subcontractors may exercise rights of ingress and egress, and may conduct activities involving construction, operation, maintenance, repair, or replacement of the CCMI upon and beneath the Leased Premises without providing prior notice to Lessee.

27.3.2 The rights of OCWD and IRWD, including their officers, employees, agents, contractors, and subcontractors, to exercise rights of ingress and egress over, across, in and upon Leased Premises, and such other easements, and/or rights of way as set forth in such paragraph 27.1, upon reasonable notice, and so as not to unreasonably interfere with Lessee's operations or other use of the Leased Premises, to take soil samples for the purpose of confirming that no such current operations or use have resulted in the release of hazardous substances that could impact the CCMI treatment system.

28. ADMINISTRATION:

Except as otherwise provided for under this Lease, Government shall, under the direction of the Base Realignment and Closure Program Management Office, have complete charge of the administration of this Lease, and shall exercise full supervision and general direction thereof insofar as the interests of Government are affected.

29. SURRENDER:

In the event the lease is terminated, Lessee shall quietly and peacefully remove itself and its personal property and trade fixtures from Leased Premises and surrender the possession thereof to Government. Government may, in its discretion, declare any personal property and trade fixtures that have not been removed from Leased Premises upon termination provided for above, as abandoned property upon an additional 30 calendar days notice.

30. INTEREST:

30.1 Notwithstanding any other provision of this Lease, unless paid within thirty (30) calendar days, all amounts that become payable by Lessee to Government under this Lease (net any applicable tax credit under the Internal Revenue Code) shall bear interest from the date due. The rate of interest will be the Current Value of Funds rate published by the Secretary of Treasury pursuant to 31 U.S.C. 3717 (Debt Collection Act of 1982).

30.1.1 Amounts shall be due upon the earliest of:

30.1.1(a) the date fixed pursuant to this Lease,

30.1.1(b) the date of the first written demand for payment,
Consistent with this Lease, including demand consequent upon default termination,

30.1.1(c) the date of transmittal by Government to Lessee of a
proposed supplemental agreement to confirm completed negotiations fixing the amount,

30.1.1(d) if this Lease provides for revision of prices, the date of
written notice to Lessee stating the amount of refund payable in connection with a
pricing proposal or in connection with a negotiated pricing agreement not confirmed by
Lease supplement.

31. AVAILABILITY OF FUNDS:

The Government's obligations under this Lease are subject to the availability of funds appropriated for such purposes. Nothing in this Lease shall be interpreted to require obligations or payments by Government that would be in violation of the Anti-Deficiency Act (31 USC 1341).

32. APPLICABLE RULES AND REGULATIONS:

Lessee and any Sublessees shall comply with all Federal, State, and local laws, regulations, and standards that are applicable or may become applicable to Lessee's or Sublessee's activities on the Leased Premises. These include, but are not limited to, laws and regulations regarding the environment, construction of facilities, health, safety, food service, water supply, sanitation, use of pesticides, and licenses or permits to do business. Lessee and any Sublessee are responsible for obtaining and paying for permits required for its operations under the Lease.

33. QUIET POSSESSION:

Government covenants and agrees that Lessee, upon paying any charges hereunder provided for and observing and keeping all covenants, agreements, and conditions of this Lease on its part to be observed and kept, shall quietly have and enjoy Leased Premises during the term of this Lease without hindrance or molestation by anyone claiming by or through Government, subject, however, to the exceptions, reservations and conditions of this Lease.

34. GOVERNMENT APPROVAL:

Whenever this Lease requires Government approval or consent, such approval or consent shall not be unreasonably withheld or delayed.

35. EXHIBITS:

The following exhibits are attached hereto and incorporated by reference herein:

- A. Description of the Leased Premises
- B. Executive Summary of Environmental Baseline Survey
- C. Finding of Suitability to Lease
- D. Work Exempt from Government Consent
- E. Facilities Containing FAD ACM or Requiring ACM Survey Prior to Use or Occupancy
- F. Portion of Leased Premises Reserved for Government Use

Former Marine Corps Air Station El Toro
Lease in Furtherance of Conveyance
Parcel 3

All correspondence in connection
with this contract should include reference to:
N4769205RP05P45

IN WITNESS WHEREOF, the parties hereto have, on the respective dates set forth below duly executed this Lease as of the day and year first above written.

THE UNITED STATES OF AMERICA
Acting by and through the Department of the Navy

By: _____

Date _____

HERITAGE FIELDS, LLC

By: _____

Title: _____

Date: _____

**Former Marine Corps Air Station El Toro
Lease in Furtherance of Conveyance
Parcel 3**

Exhibit "A"

EXHIBIT "A"
Description of "Property"

That certain real property situated in the County of Orange, State of California, including the following parcels, described attached hereto and made a part hereof; excluding however, all real property described as Home 1 and Home 5

Included: Parcel III-B
Parcel III-C
Parcel III-D

Excluded: Home 1
Home 5

PSOMAS

LEGAL DESCRIPTION

PARCEL III-B

In the unincorporated territory of the County of Orange, State of California, being a portion of Lots 279, 280, 285 and 286 of Block 140 and Lots 281 and 284 of Block 155 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Beginning at the southwesterly terminus of that certain course in the northwesterly boundary of said property described as "North 40°39'31" East 5230.34 feet" as shown on sheet 4 of said Record of Survey; thence North 40°39'31" East 3072.31 feet along said line; thence leaving said line South 49°20'29" East 799.19 feet; thence North 40°39'31" East 88.33 feet; thence South 49°20'29" East 1185.57 feet; thence North 40°39'31" East 64.14 feet; thence South 47°28'22" East 501.80 feet to the beginning of a non-tangent curve concave northeasterly having a radius of 1000.00 feet, a radial line to said beginning of curve bears North 88°02'31" West; thence southeasterly along said curve 904.32 feet through a central angle of 51°48'49"; thence South 49°51'20" East 281.26 feet; thence North 42°16'45" East 235.22 feet to the beginning of a curve concave southeasterly having a radius 2500.00 feet; thence northeasterly along said curve 101.88 feet through a central angle of 2°20'06"; thence South 47°28'22" East 2361.69 feet; thence South 68°59'53" East 342.12 feet; thence South 0°57'09" West 105.32 feet to the beginning of a curve concave easterly having a radius of 120.00 feet; thence southerly and southeasterly along said curve 89.47 feet through a central angle 42°43'00"; thence South 22°33'33" West 432.82 feet; thence South 17°00'09" East 565.15 feet to the beginning of a non-tangent curve concave northwesterly having a radius of 1200.00 feet a radial line to said beginning of curve bears South 64°10'20" East; thence southwesterly along said curve 292.75 feet through a central curve of 13°58'40"; thence South 39°48'20" West 226.79 feet to the beginning of a curve concave southeasterly having a radius of 900.00 feet; thence southerly along said

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curve 605.19 feet through a central angle of $38^{\circ}31'40''$; thence South $1^{\circ}16'40''$ West
.129.84 feet to the beginning of a non-tangent curve concave southerly having a radius of
1600.00 feet, a radial line to said beginning of said curve bears North $1^{\circ}09'46''$ East;
thence easterly along said curve 201.16 feet through a central angle of $7^{\circ}12'12''$; thence
South $38^{\circ}25'50''$ West 251.55 feet; thence South $8^{\circ}02'01''$ West 336.30 feet; thence
South $39^{\circ}18'52''$ West 783.87 feet to the southwesterly boundary of said property; thence
North $49^{\circ}20'21''$ West 7709.08 feet along said property to the Point of Beginning.

Containing 512.600 acres (22,328,821 square feet), more or less

Subject to covenants, conditions and restrictions, rights-of-way and easements of record,
if any.

Refer to the exhibit attached hereto and made a part hereof.

This real property description has been prepared by me or under my direction, in
conformance with the Professional Land Surveyor's Act.



John C. Hovland, P.L.S. 7365

5/28/04

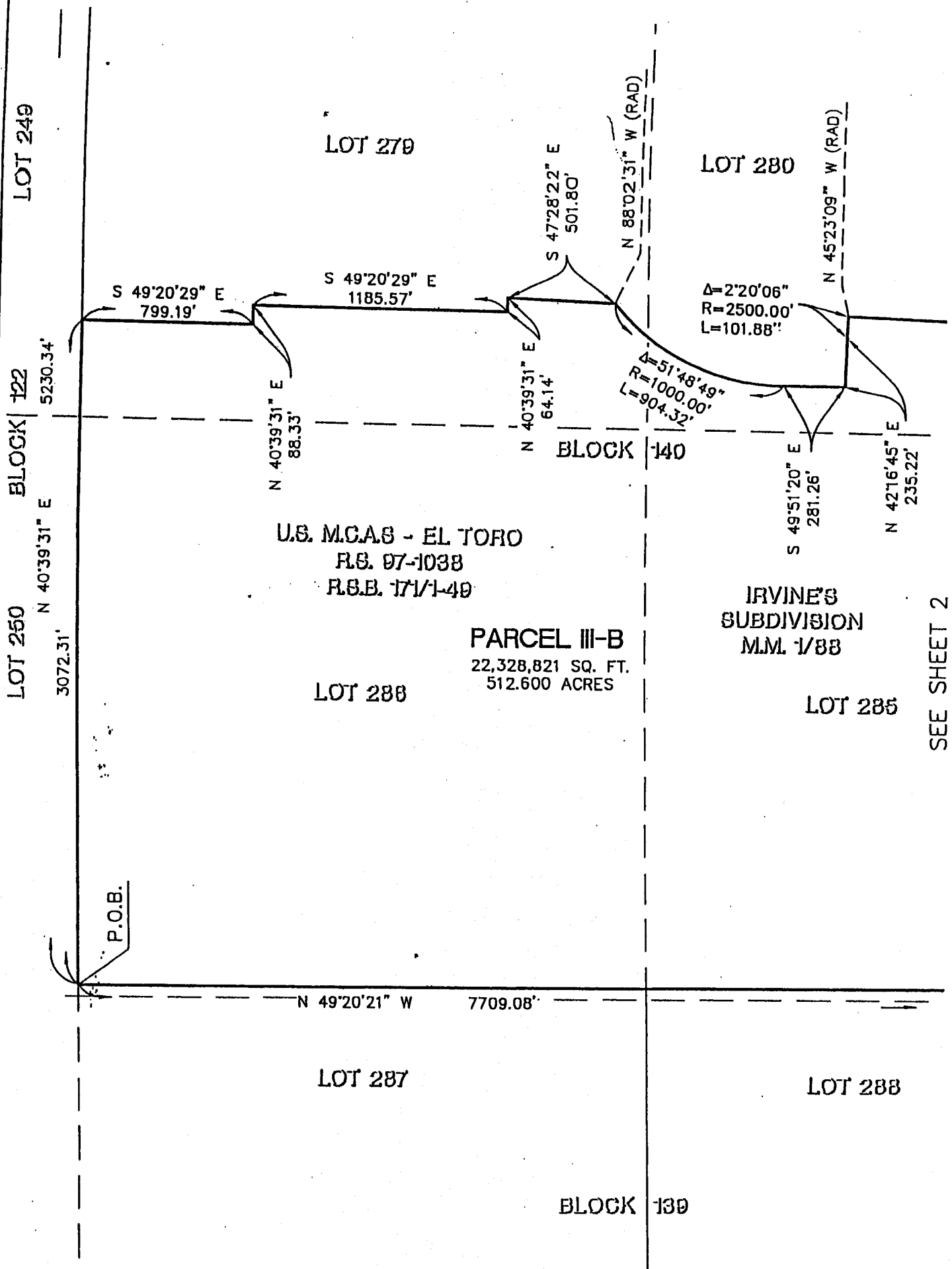
Date

Expires 12/13/05



REVIEWED BY CADASTRAL - RWS

EXHIBIT



REVIEWED BY CADASTRAL - RWS

DESCRIPTION: That portion of Lots 279, 280, 285 and 286 of Block 140 and Lots 281 and 284 of Block 155, in the unincorporated territory of the County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 5/26/04
REV 2

SHEET 1 OF 2

PSOMAS

3107 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-0003

SCALE 1" = 600'

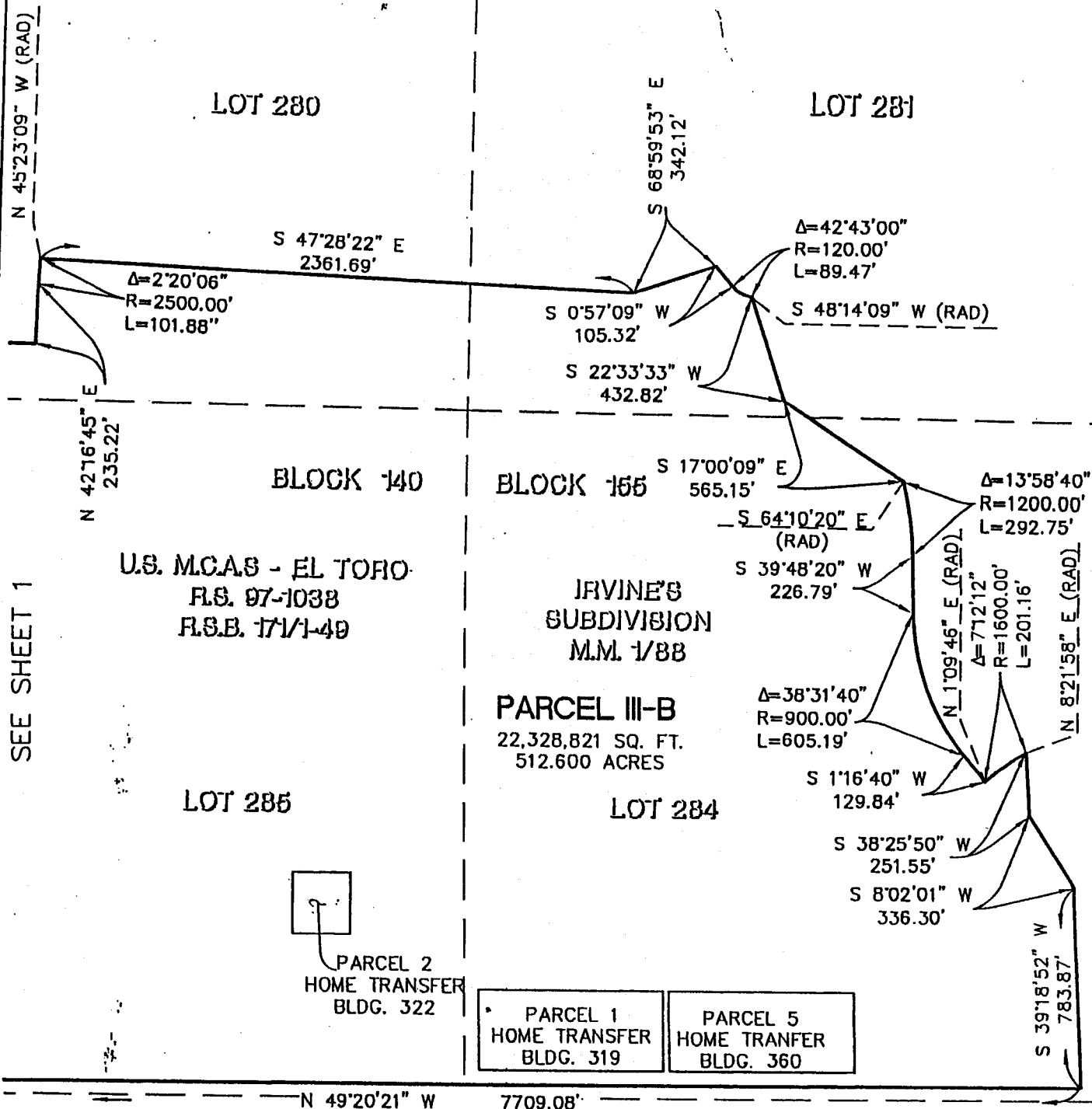
DRAFTED CHL

CHECKED JCH

DATE FEB, 2004

JOB NUMBER 2NOR060100 T7

EXHIBIT



SEE SHEET 1

REVIEWED BY CADASTRAL-RWS

DESCRIPTION: That portion of Lots 279, 280, 285 and 286 of Block 140 and Lots 281 and 284 of Block 155, in the unincorporated territory of the County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1	5/26/04
REV 2	

SHEET 2 OF 2

PSOMAS

3187 Red TIM Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 600'

DRAFTED CHL

CHECKED JCH

DATE FEB, 2004

JOB
NUMBER 2NOR06D100 T7



PSOMAS

LEGAL DESCRIPTION

•PARCEL III-C

In the City of Irvine, County of Orange, State of California, being a portion of Lot 279 of Block 140 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the southeasterly terminus of that certain course in the northwesterly boundary of said property described as "North 49°19'46" West 400.00 feet" as shown on sheet 4 of said Record of Survey; thence along said northwesterly line the following two courses:

1. South 40°36'53" West 217.80 feet;
2. South 40°39'31" West 1414.81 feet;

thence leaving said northwesterly line South 49°20'29" East 1849.04 feet to the **True Point of Beginning**; thence South 49°14'49" East 240.39 feet; thence South 40°45'11" West 147.68 feet; thence North 49°14'49" West 240.39 feet; thence North 40°45'11" East 147.68 feet to the **True Point of Beginning**.

Containing 0.815 acres (35,500 square feet), more or less

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

As shown on the exhibit attached hereto and made a part hereof.

PSOMAS

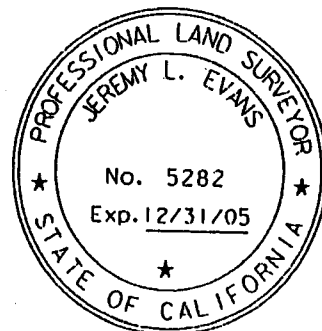
1 This real property description has been prepared by me or under my direction, in
2 conformance with the Professional Land Surveyor's Act.

3
4 Jeremy L. Evans

5 Jeremy L. Evans, P.L.S. 5282

2-5-2005

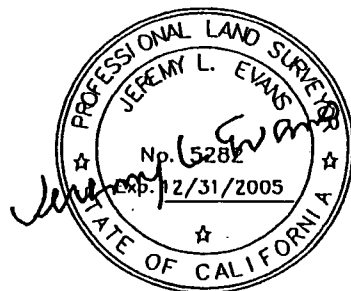
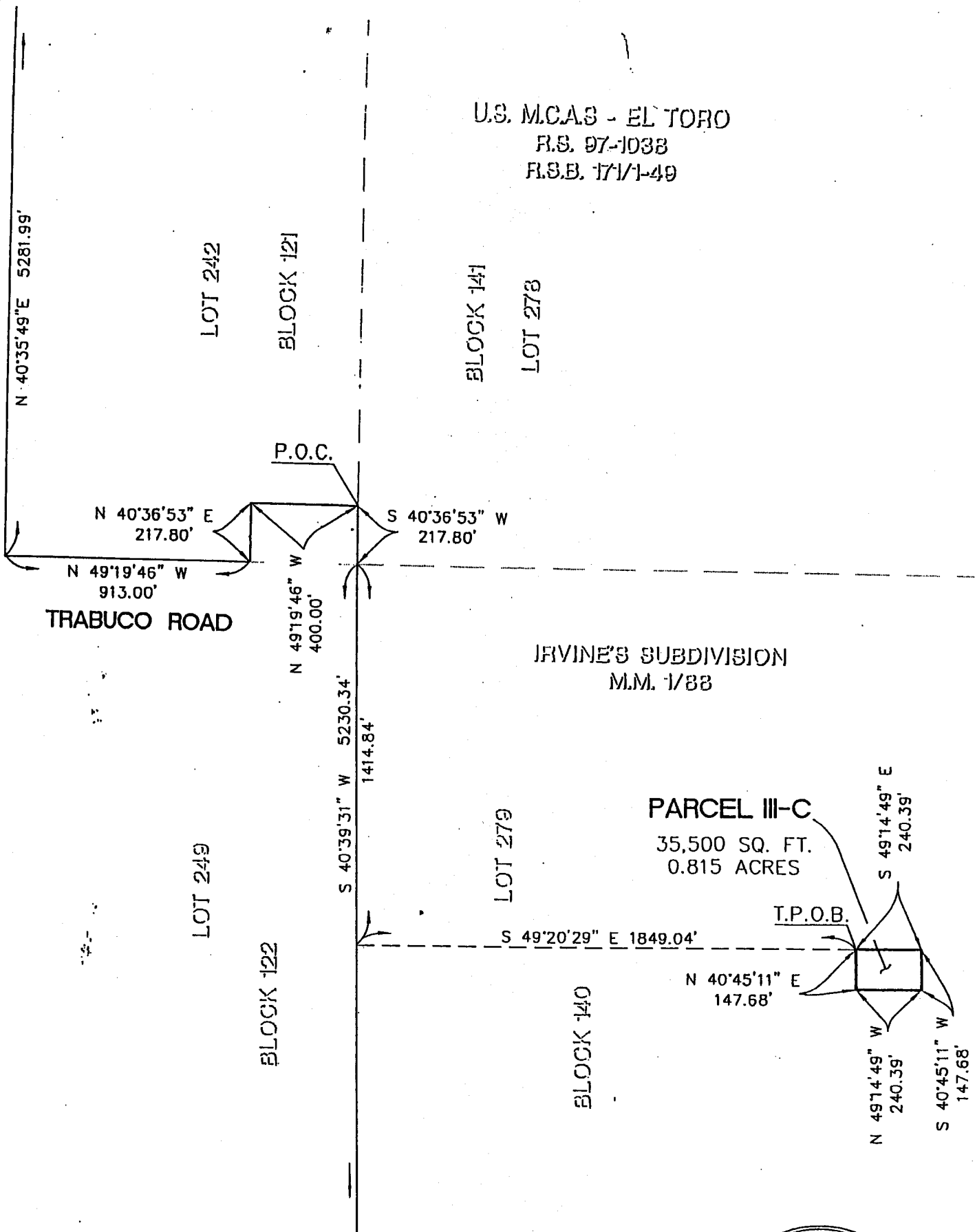
Date



29 REVIEWED BY CADASTRAL — RWS

EXHIBIT

U.S. MCAS - EL TORO
R.S. 97-1038
R.S.B. 171/1-49



REVIEWED BY CADASTRAL - RJS

DESCRIPTION: That portion of Lot 279 of Block 140, in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 12/23/2004
REV 2

SHEET 1 OF 1
PSOMAS
3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 500'
DRAFTED CHL
CHECKED JE
DATE DEC. 2004
JOB NUMBER 2NOR060100 T7

PSOMAS

LEGAL DESCRIPTION

.PARCEL III-D

In the City of Irvine, County of Orange, State of California, being a portion of Lot 279 of Block 140 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at the southeasterly terminus of that certain course in the northwesterly boundary of said property described as "North 49°19'46" West 400.00 feet" as shown on sheet 4 of said Record of Survey; thence along said northwesterly line the following two courses:

1. South 40°36'53" West 217.80 feet;

2. South 40°39'31" West 1732.63 feet;

thence leaving said northwesterly line South 49°20'29" East 1492.83 feet to the **True Point of Beginning**; thence South 49°14'49" East 238.45 feet; thence North 40°45'11" East 128.81 feet; thence South 49°14'49" East 278.65 feet; thence South 40°45'11" West 401.68 feet; thence North 47°28'22" West 24.73 feet; thence South 40°39'31" West 64.14 feet; thence North 49°20'29" West 492.48 feet; thence North 40°45'11" East 337.05 feet to the **True Point of Beginning**.

Containing 4.784 acres (208,389 square feet), more or less

Subject to covenants, conditions and restrictions, rights-of-way and easements of record, if any.

As shown on the exhibit attached hereto and made a part hereof.

PSOMAS

This real property description has been prepared by me or under my direction, in conformance with the Professional Land Surveyor's Act.

Jeremy L Evans

Jeremy L. Evans P.L.S. 5282

2-4-2005

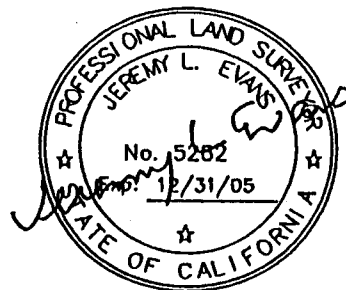
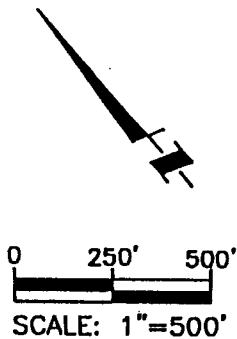
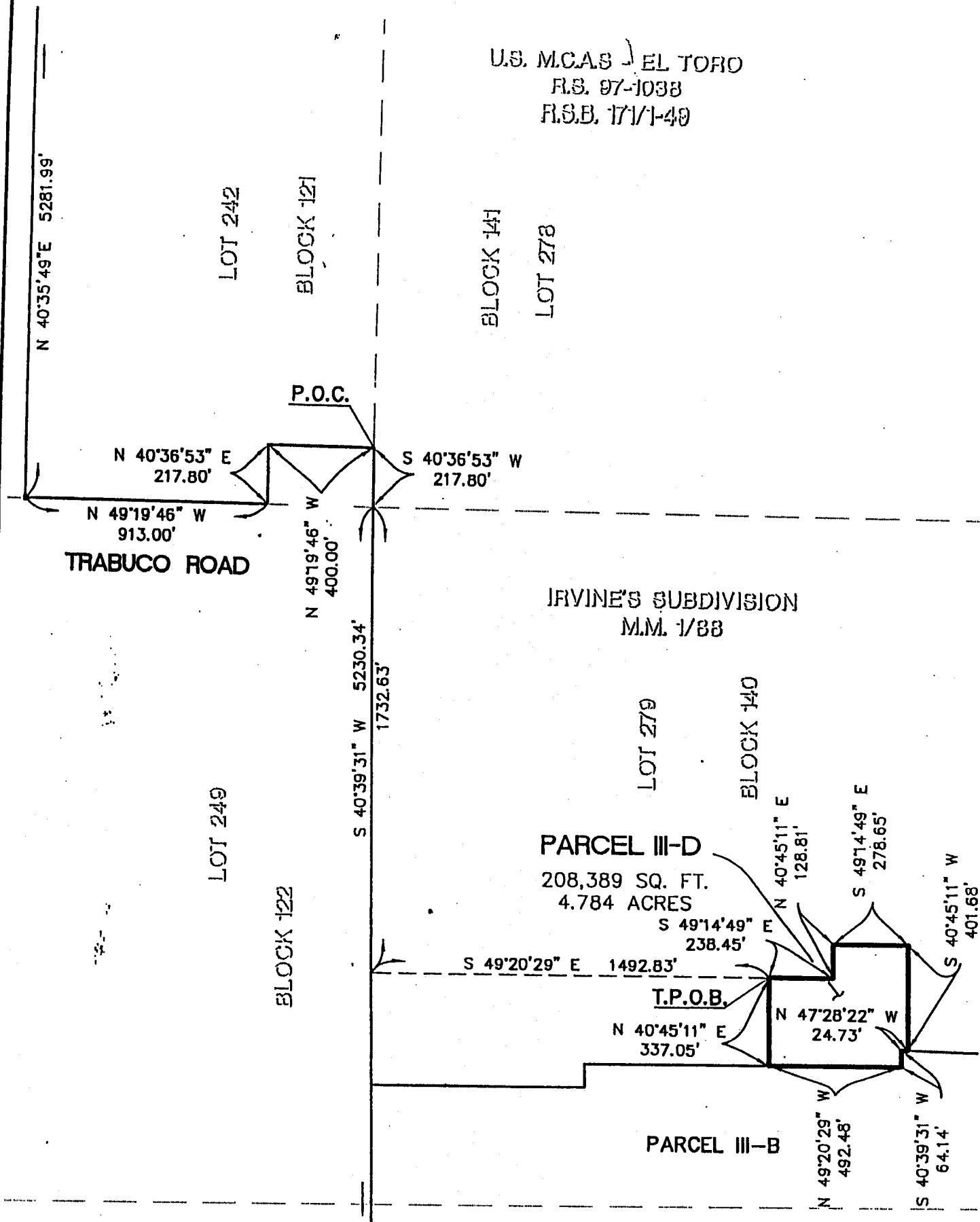
Date



REVIEWED BY CADASTRAL - RWS

EXHIBIT

U.S. MCAS EL TORO
R.S. 97-1038
R.S.B. 171/1-40



REVIEWED BY CADASTRAL - RWS

DESCRIPTION: That portion of Lot 279 of Block 140, in the City of Irvine, County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 12/23/2004
REV 2

SHEET 1 OF 1
PSOMAS
3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 945-8083

SCALE 1" = 500'
DRAFTED CHL
CHECKED JE
DATE DEC, 2004
JOB NUMBER 2NOR060100 T7

PSOMAS

LEGAL DESCRIPTION

EXHIBIT "A"

HOME 1 (Transfer, Bldg 319)

In the City of Irvine, County of Orange, State of California, being a portion of Lot 284 of Block 155 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at a point in that certain course in the U.S. M.C.A.S. El Toro boundary line as shown on sheet 5 of said Record of Survey 97-1038, having a bearing and distance of "North 49°20'21" West 10570.18 feet", said point lying distant thereon North 49°20'21" West 4504.11 from the southeasterly terminus of said course, said point being the True Point of Beginning; thence continuing along said course North 49°20'21" West 730.00 feet; thence North 40°31'30" East 418.01 feet; thence South 49°20'00" East 264.56 feet; thence South 40°40'00" West 50.07 feet; thence South 49°20'00" East 465.56 feet; thence South 40°31'30" West 367.87 feet to the True Point of Beginning.

Containing 6.469 acres, more or less.

Subject to covenants, conditions, restrictions, rights-of-way and easements of record, if any.

Refer to Exhibit "B" attached hereto and made a part hereof.

PSOMAS

1 This real property description has been prepared by me or under my direction, in
2 conformance with the Professional Land Surveyors' Act.

3
4
5 Kari J. Launen

6 Kari J. Launen, PLS 5679

7 PSOMAS

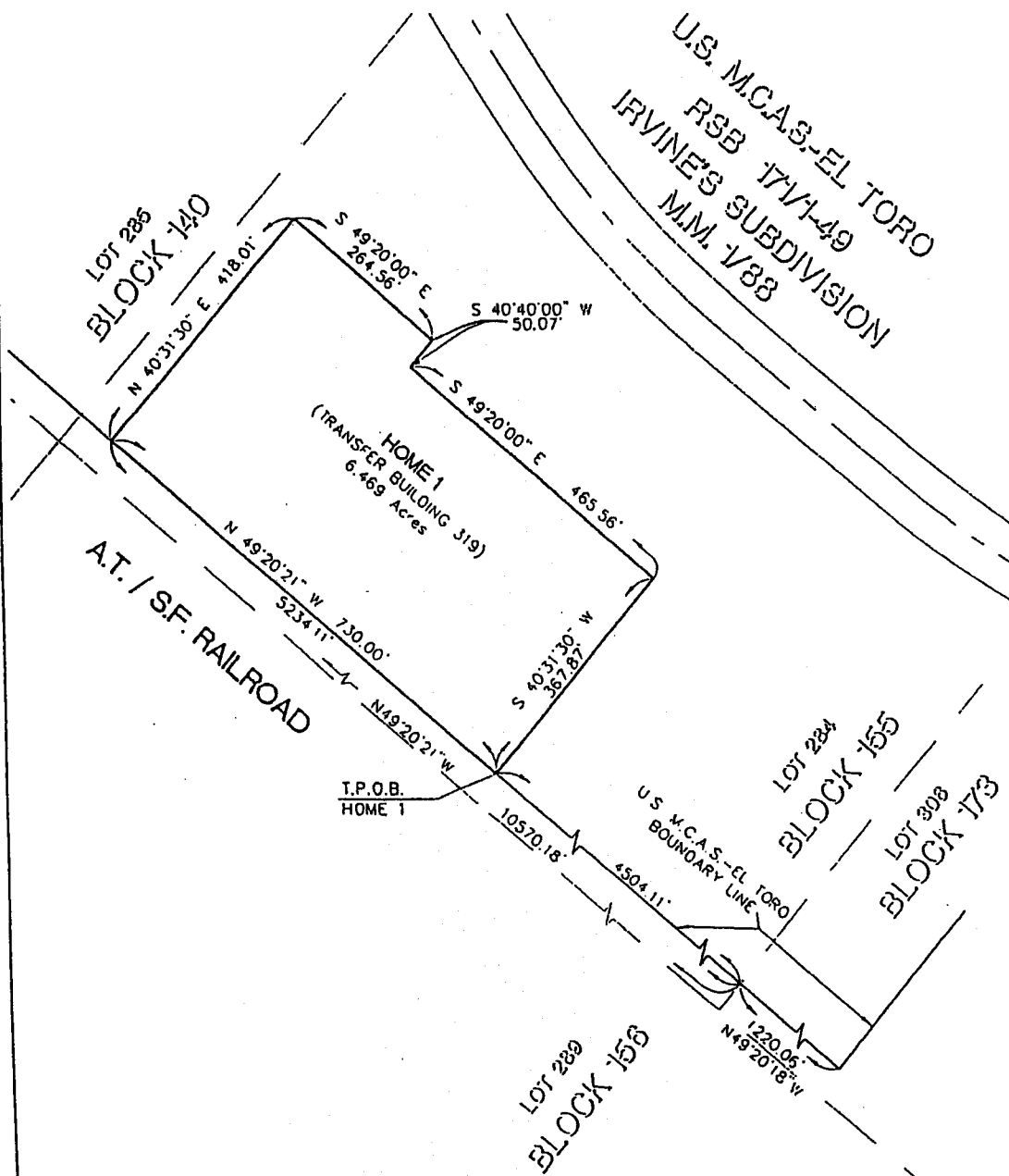
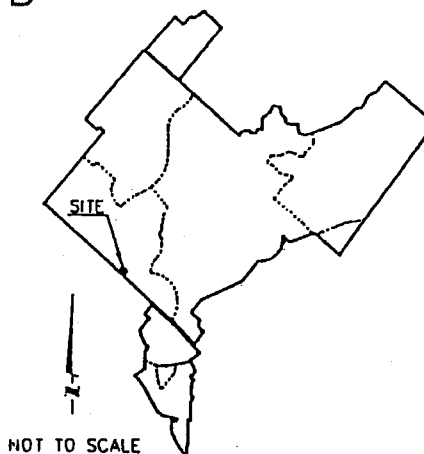
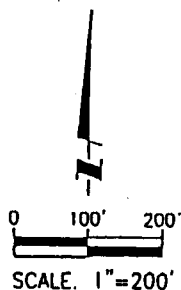
MAY 11, 2005

Date



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EXHIBIT "B"



DESCRIPTION: That portion of Lot 284 of Block 155, in the City of Irvine of the County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1	04/29/05
REV 2	05/09/05

SHEET 1 OF 1

PSOMAS

3841 Red Hill Avenue
Suite 150
Costa Mesa, CA 92626
(714) 750-1111 fax (714) 750-6881

SCALE 1" = 200'

DRAFTED	ROM
CHECKED	PJ
DATE	05/09/05
JOB NUMBER	2LE0504 TASK 1

PSOMAS

LEGAL DESCRIPTION

HOME 5 (Transfer, Bldg 360)

In the unincorporated territory of the County of Orange, State of California, being a portion of Lot 284 of Block 155 of Irvine's Subdivision, as shown on the map filed in Book 1, Page 88 of Miscellaneous Maps, records of said County, lying within the U.S. M.C.A.S. El Toro property, as shown on Record of Survey 97-1038, filed in Book 171, Pages 1 through 49, inclusive, of Records of Survey, records of said County, described as follows:

Commencing at a point in that certain course in the U.S. M.C.A.S. El Toro boundary line as shown on sheet 5 of said Record of Survey 97-1038, having a bearing and distance of "North 49°20'21" West 10570.18 feet", said point lying distant thereon North 49°20'21" West 3750.65 from the southeasterly terminus of said course; thence North 40°39'39" East 54.73 feet to the **True Point of Beginning**; thence North 49°14'50" West 730.01 feet; thence North 40°26'50" East 312.00 feet; thence South 49°14'50" East 730.01 feet; thence South 40°26'50" West 312.00 feet to the **True Point of Beginning**.

Containing 5.23 acres, more or less.

Subject to covenants, conditions, restrictions, rights-of-way and easements of record, if any.

Refer to the exhibit attached hereto and made a part hereof.

This real property description has been prepared by me or under my direction, in conformance with the Professional Land Surveyors' Act.

PSOMAS

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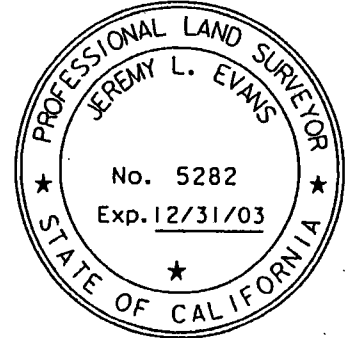
Jeremy L Evans

9-9-03

Jeremy Evans, P.L.S. 5282

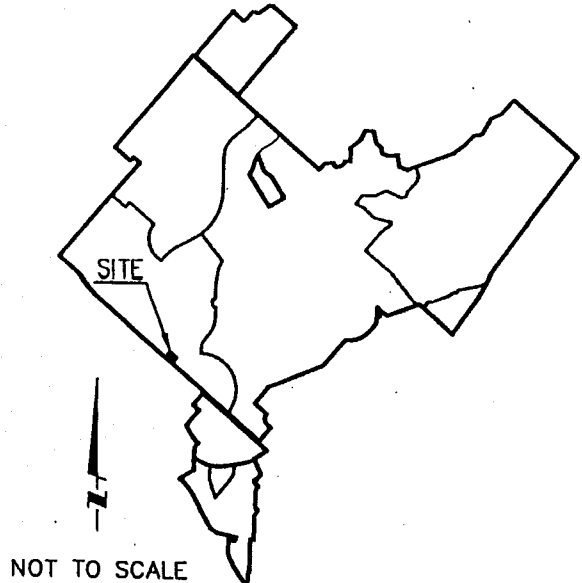
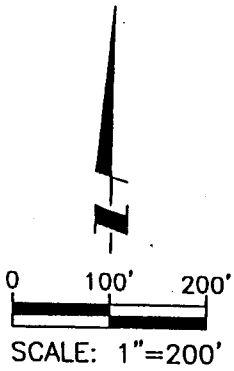
Date

License Expires 12/31/03



REVIEWED BY CADASTRAL - RWS

EXHIBIT



U.S. MCAS-EL TORO
RSB 17/1-49
IRVINE'S SUBDIVISION
M.M. 1/88

LOT 284

BLOCK 155

HOME 5
(TRANSFER BLDG 360)
5.23 Acres

N40°26'50"E
312.00'

S49°14'50"E
730.01'

N49°14'50"W
6819.53'

N49°20'21"W

A.T. / S.F. RAILROAD

T.P.O.B.

730.01'

730.01'

S40°26'50"W
312.00'

N40°39'39"E
54.73'

U.S. MCAS-EL TORO
BOUNDARY LINE

P.O.C.

3750.65'
10570.18'

N49°20'18"W
1220.06'

780.00'
N40°39'42"E

REVIEWED BY CADASTRAL - RWS

DESCRIPTION: That portion of Lot 284 of Block 155, in the unincorporated territory of the County of Orange, State of California, as shown on Irvine's Subdivision, filed in Book 1 Page 88, M.M.

MCAS-EL TORO

REV 1 8/30/03
REV 2

SHEET 1 OF 1

PSOMAS

3187 Red Hill Avenue
Suite 250
Costa Mesa, CA 92626
(714) 751-7373 Fax (714) 545-8883

SCALE 1" = 200'

DRAFTED SFB

CHECKED RMV

DATE August, 2003

JOB
NUMBER 2NOR060100 T5

EXECUTIVE SUMMARY

Background

This environmental baseline survey (EBS) for former Marine Corps Air Station (MCAS) El Toro, California, has been prepared for the Department of the Navy (DON), Southwest Division, Naval Facilities Engineering Command (SWDIV), as authorized by the Pacific Division, Naval Facilities Engineering Command (PACNAVFACENGCOM), under the Comprehensive Long-Term Environmental Action Navy (CLEAN II) Program, Contract Number N62742-94-D-0048, Contract Task Order (CTO) 104.

The EBS has been prepared to document the environmental condition of property at former MCAS El Toro and adjacent property resulting from the storage, release, treatment, and disposal of hazardous substances and petroleum products and their derivatives over the station's history. The EBS will establish a baseline for use by the DON in making decisions concerning property transactions. The intended reuse of Former MCAS El Toro is primarily recreational (Great Park) with some educational and commercial/light industrial development. Future use of the installation for aviation-related purposes is not anticipated. The preparation of an EBS is required by Department of Defense (DoD) policy before any property can be sold, leased, transferred, or acquired. The EBS can be used by the DON to assist in determining what remedial-type obligations, if any, the DON would retain under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42 U.S. Code (U.S.C.), Section 120(h) subsequent to transfer of the property. DON will utilize the EBS to determine, e.g., whether a given parcel can be or has been properly identified as "uncontaminated" in accordance with 42 U.S.C. Section 120(h)(4), or whether the Government can issue a covenant that all necessary remedial action has been taken with respect to a given parcel in accordance with 42 U.S.C. Section 120(h)(3). Guidance is also provided in the 1997 Base Reuse and Implementation Manual (BRIM) Sections F23 to F26 and F29 to F37.

The Community Environmental Response Facilitation Act (CERFA) amends Section 120(h) of CERCLA, and was enacted to facilitate the rapid return of uncontaminated properties to local communities during the Base Realignment and Closure (BRAC) process. CERFA provides a mechanism for identifying and documenting uncontaminated real property, or parcels thereof, that are suitable for transfer and reuse. Uncontaminated property refers to real property on which no hazardous substances and no petroleum products or their derivatives are known to have been released or disposed, including no migration of these substances from adjacent areas. In order to identify uncontaminated properties on military installations undergoing closure or realignment, an EBS is conducted and the results are documented in a report. DON received regulator concurrence on uncontaminated property identified and documented in the 1995 EBS and the Final Community Environmental Response Facilitation Act Report dated April 1, 1995, as required and defined under CERCLA 120(h)(4) (SWDIV 1995). The property now considered Parcel IV in its entirety was found to be uncontaminated in 1995, as well as other portions of Parcels I, II, III and V. This EBS incorporates the CERFA findings from the 1995 EBS and Final CERFA Report.

The findings of this EBS are based on existing environmental information related to past and present release or disposal of hazardous substances and petroleum products on the station. Furthermore, this EBS addresses cleanup-related comments received on the Draft Final and Final Environmental Impact Statement (EIS) for Disposal and Reuse of MCAS El Toro. These comments related to the cleanup program were responded to in the Final EIS (March 2002, Vol. 2), and were forwarded to the Base Environmental Coordinator (BEC) for coordination. Comments that are further addressed by this EBS include L12-13, L12-18, L12-21, L12-23, O1-8, O7-1, O7-2, O7-4, O11-10, O11-130, O11-283, O11-292, C2-2, C25-1, C41-2, C58-16 through -20, C58-24, C104-4, C105-5, C110-8, T2-2, T7-7, and T46-5 (see Appendix D).

Executive Summary

This EBS is being prepared as an update to the April 1995 EBS prepared for former MCAS El Toro in support of upcoming property transfer actions. The report updates the status of environmental factors and locations of concern (LOCs) identified in the 1995 EBS and presents information regarding new potential release locations (PRLs) identified since the 1995 EBS was submitted. Additionally, all buildings situated on former MCAS El Toro were visually inspected as part of this EBS, since the station was operational and could not facilitate the visual inspection of buildings and associated operations during the 1995 EBS. The findings of this EBS have been used to determine the Environmental Condition of Property (ECP) and assign Area Type categories to property to determine whether it is suitable for transfer. This report is intended to serve as a reference document for the DON to determine the existing and future environmental suitability of the property for transfer.

This EBS is based on existing environmental information related to the past and present storage, release, treatment, or disposal of hazardous substances or petroleum products on the installation. This EBS includes new information and data from studies, surveys, and investigations conducted since the publication of the 1995 EBS. Information contained within the 1995 EBS was verified, expanded, and/or updated, as necessary, within this document. The information presented in this EBS is complete and accurate as of March 2003. However, as investigation and remediation efforts under the Installation Restoration Program (IRP) and other environmental programs continue, the status of facilities and sites at former MCAS El Toro can be expected to change.

Boundaries of the Survey Area

Former MCAS El Toro is situated in south-central Orange County, California. The majority of the station is within an unincorporated area of Orange County; however, property within the south portion of the station is within the city of Irvine. The station, which currently comprises approximately 3,717 acres, is bordered on the east and southeast by the city of Lake Forest, to the southeast, south, and southwest by the city of Irvine, and to the west, north, and northeast by unincorporated portions of Orange County. Approximately 1,000 acres of the former station's maximum acreage (4,710 acres) have been transferred or are pending transfer and are not addressed within this EBS. In 1998, the Bake Parkway/Interstate 5 public highway expansion project resulted in the transfer of approximately 23 acres of property at the southeast corner of the station to the California Department of Transportation (Caltrans). In 2001, 896.7 acres of property in the northeast portion of the station were transferred to the Federal Aviation Administration (FAA). As these properties are no longer Navy property, they are not included within the survey area addressed by this EBS. In addition, 73.7 acres in the northeast portion of the station are pending transfer to the Federal Bureau of Investigation (FBI). All necessary environmental and property transfer documentation for the FBI transfer has been completed. This acreage is not included within the total station acreage and is not included within the study area addressed by this EBS. Based upon property transfers that have occurred and are pending, the amount of property addressed within this EBS is 3,717 acres.

Content of the Environmental Baseline Survey Report

This EBS is based on information obtained from the 1995 EBS and through a records search, interviews, and visual site inspections (VSIs) conducted in April-May 2002. The records search included a review of available Navy and other agency records within the station files, including environmental restoration and compliance reports, audits, surveys, and inspection reports; an analysis of aerial photographs; and a review of recorded chain-of-title documents for the property. Interviews with caretaker employees and visual and physical inspections of the station property and facilities were also conducted. Former employees were interviewed in support of previous

investigations; information from those reports has been incorporated into this EBS update, as appropriate.

A recorded chain-of-title search was conducted for the 1995 EBS for on-base parcels to determine prior ownership or uses that could reasonably have contributed to an environmental concern. The title search reviewed DoD acquisition of on-station parcels covering a period of at least 60 years (i.e., 1934 to 1994). Prior to government acquisition of the property, the area was primarily used for agricultural purposes. A review of the data obtained from the title search did not identify any areas of environmental concern related to property use prior to government acquisition.

This EBS also includes an assessment of the environmental condition of off-station properties immediately adjacent (contiguous) to or relatively near the station that could pose environmental concern and/or affect the subject property. Visual inspections of adjacent off-station properties were conducted from station property or public roads. Environmental databases maintained by federal and state agencies were also searched to identify sites of concern on adjacent properties.

Based on an analysis of the available data, LOCs were assigned ECP Area Type categories. Depending on the Area Types of the LOCs, property within former MCAS El Toro was classified into one of seven ECP Area Type categories:

- *ECP Area Type 1* - Areas where no release or disposal of hazardous substances or petroleum products has occurred (including no migration of these substances from adjacent areas).
- *ECP Area Type 2* - Areas where only release or disposal of petroleum products has occurred.
- *ECP Area Type 3* - Areas where release, disposal, and/or migration of hazardous substances have occurred, but at concentrations that do not require a removal or remedial action.
- *ECP Area Type 4* - Areas where release, disposal, and/or migration of hazardous substances have occurred, and all remedial actions necessary to protect human health and the environment have been taken.
- *ECP Area Type 5* - Areas where release, disposal, and/or migration of hazardous substances have occurred, removal and/or remedial actions are under way, but all required remedial actions have not yet been taken.
- *ECP Area Type 6* - Areas where release, disposal, and/or migration of hazardous substances have occurred, but required response actions have not yet been implemented.
- *ECP Area Type 7* - Areas that are unevaluated or require additional evaluation.

Category 2 addresses release or disposal of petroleum products only. A release of petroleum products would not prohibit the affected property's transfer under CERCLA Section 120(h). ECP Area Type 2 property has been divided into five subcategories in order to further define petroleum product releases. Area Types 2a through 2e correspond to Area Types 3 through 7, except the Area Type 2 definitions refer to petroleum products rather than hazardous substances. All Area Type 2 property is suitable for transfer regardless of subcategories. Category 2 definitions are as follows:

- *ECP Area Type 2a* - Facilities where release, disposal, and/or migration of petroleum products have occurred, but at concentrations that do not require a response action.
- *ECP Area Type 2b* - Facilities where release, disposal, and/or migration of petroleum products have occurred, and all response actions to protect human health and the environment have been taken.

Executive Summary

- *ECP Area Type 2c* - Facilities where release, disposal, and/or migration of petroleum products have occurred, and response actions are underway, but all required response actions have not been completed.
- *ECP Area Type 2d* - Facilities where release, disposal, and/or migration of petroleum products have occurred, but required response actions have not yet been implemented.
- *ECP Area Type 2e* - Facilities that have never been evaluated or require additional investigation. Category 2e facilities include areas that may have had a release of petroleum products, but have had no sampling or field screening and require such investigations to confirm that a release has or has not occurred.

Areas where no past or present release or disposal of hazardous substances or petroleum products and their derivatives were identified are considered to be Category 1. Category 2 designations were assigned based on evidence of releases of petroleum products. Category 3 designations were based upon existing information (e.g., personnel interviews, VSIs, written records, reports) to document that contaminant levels, if present, are below action levels. Areas where known or suspected contamination has occurred were classified as Category 4 through 7 properties based upon existing documentation or VSIs.

Pursuant to U.S. Environmental Protection Agency (EPA) and DoD guidance, this EBS identifies property as uncontaminated, even if some limited quantity of hazardous substances or petroleum products were released or disposed in cases where the available information indicates that such release or disposal poses no threat to human health or the environment. Examples, as provided in the EPA guidance include usage of common household chemicals and storage of heating fuel in base housing areas, incidental releases of petroleum products on roadways and parking lots, and the routine licensed application of pesticides.

Property designated as Area Types 1 through 4 is suitable for property transfer. In general, a parcel that contains land that is deemed "unsuitable for transfer" (i.e., Area Types 5 and 6) may still be eligible for early transfer or lease (would require deferral of CERCLA covenant), provided that the intended future use is protective of human health and the environment, and with specified recommended restrictions on use of the property to protect human health and the environment or the environmental restoration process. Area Type 7 sites require further evaluation prior to determining suitability to transfer. Area types for property presented in this EBS may have changed since the designation in the 1995 EBS based upon the identification of new LOCs or based upon ongoing or completed response actions that have occurred since the 1995 EBS was published. All sites with hazardous substance or potential hazardous substance releases, disposal, and/or migration should be considered Area Types 5 through 7 until concurrence with a no further action finding is received.

Findings of the Environmental Baseline Survey Report

The following types of LOCs (with the exception of PRLs which are not considered LOCs) have been identified and have been assigned an ECP Area Type in order to determine the overall property categorization and suitability to transfer at former MCAS El Toro. The number of LOCs requiring no further action and the number of LOCs requiring further evaluation, implementation of response actions, or completion of ongoing response action are presented below:

- A total of 76 new PRLs were identified as a result of this 2003 EBS. Of these 76 sites, 15 sites require no further action and 61 sites require further evaluation for potential releases of waste to the environment. The one remaining site (the Airfield Operations Area/Runways) has been identified with a discrete "carve-out" area requiring further evaluation and the remaining portions of this site require no further action.

- A total of 92 Resource Conservation and Recovery Act (RCRA) Facility Assessment (RFA) sites are addressed within this EBS. Of these 92 RFA sites, 76 sites require no further action and 16 sites require further evaluation, implementation of response actions, or completion of ongoing response actions.
- A total of 64 temporary accumulation area (TAA) sites are addressed within this EBS. Of these 64 TAA sites, 19 of the sites require no further action and 45 sites require further evaluation, implementation of response actions, or completion of ongoing response actions.
- A total of 123 aerial photograph features/anomalies (APHO) sites are addressed within this EBS. Of these 123 APHO sites, 90 of the sites require no further action and 33 sites require further evaluation, implementation of response actions, or completion of ongoing response actions.
- A total of 21 IRP sites are addressed within this EBS. Of these 21 sites, 13 sites require no further action and 7 sites require implementation and completion of response actions. The remaining one site, IRP 24 requires no further action for the vadose zone portion and further action for the shallow groundwater unit.
- A total of 39 aboveground storage tank (AST) sites are addressed within this EBS. Of these 39 AST sites, 36 are suitable for transfer and 3 sites require further evaluation for releases of petroleum products and/or hazardous substances.
- A total of 401 underground storage tank (UST) sites are addressed within this EBS. Of these 401 UST sites, 356 are suitable for transfer and 45 sites require further evaluation or completion of response actions for releases of petroleum products or hazardous substances.
- A total of 55 oil/water separator (OWS) sites are addressed within this EBS. Of these 55 OWS sites, 44 of the sites require no further action and 11 sites require further evaluation for releases of hazardous substances or completion of ongoing response actions.
- A total of 29 wash rack sites are addressed within this EBS. Of these 29 wash rack sites, 26 sites require no further action and 3 sites require further evaluation, implementation of response actions, or completion of ongoing response actions.
- Eight silver recovery units (SRU) sites are addressed within this EBS. These eight sites are considered PRLs; of these eight sites, one requires no further action and seven require further evaluation to determine whether releases of hazardous substances have occurred.
- A total of 130 polychlorinated biphenyl (PCB) transformer locations are addressed within this EBS. These 130 transformer locations require no further action. In addition, six areas have been identified as PCB transformer/equipment storage areas or areas where PCBs have been detected. Of these six areas, two areas require no further action and four require further actions.
- A total of 18 miscellaneous LOCs are addressed within this EBS. Of these 18 miscellaneous LOCs, 12 require no further action and 6 require further evaluation for releases of hazardous substances or petroleum products.

Table ES-1 summarizes the types, number, and status of LOCs identified at former MCAS El Toro.

Based on the findings of this EBS, it has been determined that approximately 78 percent of the 3,717 acres of base property is environmentally suitable for transfer at this time. Figure ES-2 depicts the transferable and non-transferable property within former MCAS El Toro. Ongoing and future environmental investigations and response actions will cause the amount of property suitable for transfer to increase in the future.

Executive Summary

Table ES-1: Location of Concern Status Table^(a)

STATUS	USTs	ASTs	OWSs	APHOs	SWMU (93)/ TAAs (64)	Other MSC	PCB XFRMRs	IRP SITES	PRLs
TOTAL (1,022)	404	39	56	124	157	18	124	24	76
NFA (787)	356	36	45	90	96 ^(b)	12	124	13	15
% Complete (78)	88	92	79	73	61	67	100	54	20
In Review (36)	13	2	2	0	17	2	0	0	0
In Progress (199)	35	1	9	34	44	4	0	11	61

Notes: ^a The total number of LOCs listed include the following number of LOCs within parcels that have already been transferred: USTs -3; OWS-1; APHO-1; SWMU-1; IRP Sites -3. Therefore, the total number of LOCs addressed in this EBS is lower. SRUs are listed under MSC (3) and PRLs (8), and are counted in both categories due to PRLs addressing the entire facility.

^b Includes 3 SWMUs (104, 105, & 106) with NFA determinations pending results of radiological survey.

APHO = aerial photograph features/anomalies

AST = aboveground storage tank

IRP = Installation Restoration Program

MSC = miscellaneous

NFA = no further action

OWS = oil/water separator

PCB = polychlorinated biphenyl

PRL = Potential Release Location

SWMU = solid waste management unit

TAA = temporary accumulation area

UST = underground storage tank

XFRMR = transformer

Source: United States Marine Corps (USMC) 2003.

**Former Marine Corps Air Station El Toro
Lease in Furtherance of Conveyance**

Exhibit "C"

MCAS EL TORO LIFOC – Finding of Suitability to Lease

EXHIBIT D

WORK EXEMPT FROM GOVERNMENT CONSENT

All work must be in accordance with Paragraph 13 of this Lease and the Finding of Suitability to Lease (FOSL). In the event of any conflict between this Exhibit D and Paragraph 13 of this Lease or the FOSL, the language of Paragraph 13 and/or the FOSL shall take precedence over the language of Exhibit D. If any such work involves any asbestos containing materials or lead based paint, prior Government approval of the work will be required. All work within the portion of the Leased Premises identified in Exhibit F (the VORTAC area) is subject to prior review, as provided in Paragraph 8.1 of this Lease.

For the leased premises, the following work may be accomplished without requesting prior Government approval:

Interior building improvements including:

- Wall & ceiling finishes/painting
- Carpeting/Flooring repair/replacement
- Lighting changes
- Plumbing changes
- HVAC repair/improvements
- Removal of partition walls.
- Construction of partition walls.

Exterior building improvements including:

- Exterior painting
- Building signage
- Roofing repair and replacement
- Window repair and replacement

Utilities: All maintenance, repair, and improvements required to provide utilities to the Leased Premises except activities that require digging or other disturbance of the ground surface

Roads and Grounds: All maintenance, repair and improvements required to maintain the roads and grounds of the Leased Premises, to include existing landscaping and existing irrigation systems, except those activities that require digging or other disturbance of the ground surface.

Former Marine Corps Air Station El Toro
Lease in Furtherance of Conveyance
Parcel 3

Exhibit "E"

**Facilities Containing FAD ACM or Requiring ACM Survey Prior to Use or
Occupancy**

28, 155, 244, 245, 296, 297, 306, 309, 311, 312, 314, 321, 322, 324, 325, 326,
335, 360, 369, 375, 379, 383, 388, 445, 496, 529, 599, 616, 671, 700, 725, 742,
758, 759, 760, 765, 769, 770, 771, 778, 789, 801, 825, 862, 865, 866, 867, 889,
926, 1595, 1601, 1703,

**Former Marine Corps Air Station El Toro
Lease in Furtherance of Conveyance**

Exhibit "F"

Portion of Leased Premises Reserved for Government Use

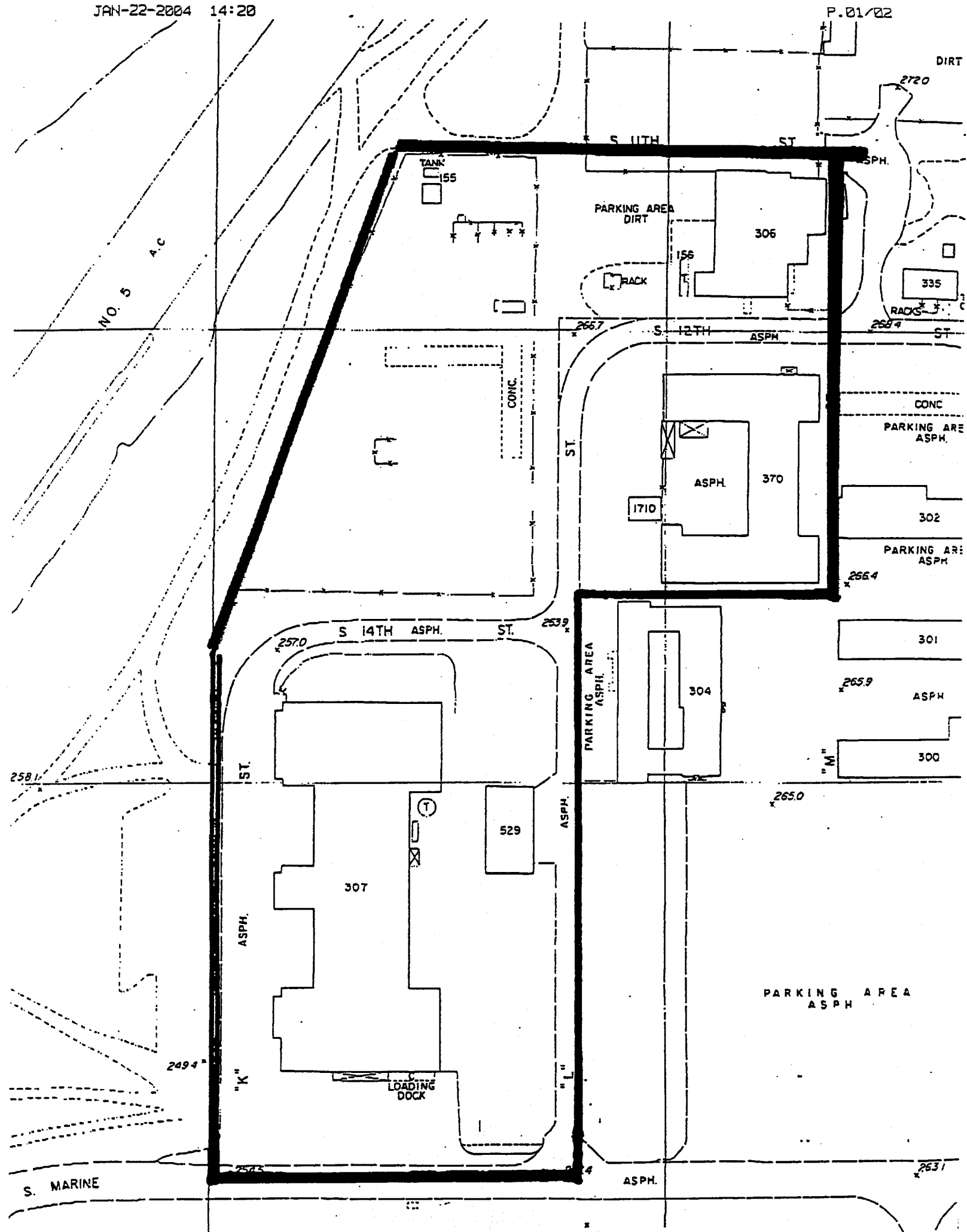


EXHIBIT "E"

ADDITIONAL CONDITIONS AND REQUIREMENTS

This Exhibit is an integral part of the Lease to which it is attached. Capitalized terms not otherwise defined in this Exhibit shall have the meanings given to such terms in the Lease. Lessee shall apply conservation measures and use the Premises, by following generally accepted local farming practices. Lessee shall in no manner substantially change the contour or condition of the land except for such changes as shall be reasonably necessary to improve the agricultural resources or protect the Project.

1. DESCRIPTION. The Premises is a part of the Project and is shown on Exhibit A attached to the Lease.

2. USE. Typical crops grown on the irrigable units are strawberries.

3. PLANTING SCHEDULE. Lessee shall plan and implement his planting schedule so that all crops are harvested and removed from the parcel by the termination date of the lease. There shall be no extension of the lease term for the purpose of harvesting crops.

4. CONSERVATION WORK. Conservation practices are intended to:

(1) Protect the ecological balance of the land to assure the continued productivity of the land while permitting economic returns to Lessee and Lessor. Protection of the Project's resources from deterioration by erosion, wildfire, noxious weeds, rodents, and pest infestations, or other detriments is considered part of the sound land management to be carried out by Lessee.

5. NON-REIMBURSABLE PROJECTS.

(1) IRRIGATION DITCHES. Lessee shall maintain all irrigation ditches essentially free of weeds, silt, and debris by Lessee at his own expense. All ditches shall be constructed at least 8 feet from utility poles, survey, monuments, and manholes. Lessee shall repair immediately all leaking irrigation ditches to prevent soil erosion and to provide unimpaired vehicle access between parcels. Borders and/or furrows shall be constructed as needed for an efficient distribution of irrigation water.

(2) DRAIN DITCHES. Project drainage ditches shall not be used by Lessee for supplying or discharging irrigation water.

(3) HARVESTED CROP STORAGE. Lessee may store harvested crops only in areas designated by Lessor.

(4) MECHANICAL METHODS FOR WEED CONTROL. If Lessee elects to control weeds by mechanical means such as mowing or discing, the operation shall be accomplished by Lessee at his own expense at least twice during the lease year. Once prior to the maturing of weed seeds, and once again to control late growing weeds. Mowing or discing shall be done to keep weeds below a 10-inch height year-round.

(5) AERIAL APPLICATION OF PESTICIDES OR FERTILIZERS. All aerial applications of pesticides and/or fertilizers or any other use of aircraft on the Premises is prohibited.

(6) MINIMUM TILLAGE. Lessee shall practice "minimum tillage" whereas practical and feasible for his farming operations. Lessee shall vary the depth of plowing from year to year to prevent a "plow forming and to facilitate water penetration. To reduce possible hazard to aircraft, tillage operations shall be scheduled to minimize the time during which soil will be subject to wind erosion and dust production.

(7) SOIL RIPPING AND DAMAGES TO ADJACENT PROPERTY. Soil ripping/chiseling is a very beneficial practice for enhancing water penetration and reducing toxic salt accumulations. Lessee shall be very careful when ripping/chiseling or slip plowing to avoid damaging improvements/utilities located on or adjacent to the Premises. Signs, poles, piezometer, survey markers, or structures adjacent to or included within the parcel shall not be damaged. Lessee shall be held liable for all damages to Lessor-owned structures, utilities, monuments, and improvements that result from activities on the Premises. Lessor shall bill Lessee for any and all expenses for repairing damage to Lessor's property or the Project that is attributed to the farming activities of Lessee.

(8) PEST MANAGEMENT. Lessee shall vigorously undertake to control by mechanical means or by pesticide/herbicide application all noxious and undesirable weeds and rodents, insects, and other pests on the parcel. The term "pesticide" includes herbicides, insecticides, fungicides, rodenticides, and algacides. Lessee shall be responsible for complying with all federal, state, and local environmental standards, including obtaining required permits.

(9) MOSQUITO ABATEMENT. In order to minimize mosquito breeding, Lessee shall not permit tail water or runoff to stand in ditches between irrigation operations. Lessee is responsible for the abatement of mosquitoes and if Lessor takes preventive measures on behalf of Lessee with respect to such abatement efforts shall be billed by Lessor for any and all mosquito control expenses incurred by Lessor and attributed to the farming activities of Lessee.

(10) ROAD DAMAGE PREVENTION. Lessee shall not maneuver "track-laying" or "spike-wheeled" vehicles over the Project's roads (including the Access Roads) unless road protective measures are taken. Lessee shall be billed by Lessor for any and all road damage repairs attributed to the activities of Lessee.

(11) DUST CONTROL. Lessee shall control excessive dust generated from farming and activities on the unpaved roads in the Premises through the application of water at his own expense.

(12) FIRE PREVENTION. Lessee shall comply with the Lessor's and the City of Irvine's fire control and prevention regulations. Lessee shall be liable for any fire damage to Lessor-owned structures and improvements and associated costs of fire suppression attributed to the activities of Lessee.

(a) EQUIPMENT. All engine driven equipment used by Lessee on the Premises shall be equipped with properly operating spark arresters, mufflers, and tailpipe

assemblies. In addition, any vehicle having a catalytic converter shall not be driven through areas of dry, combustible material due to the extreme heat generated by this device.

(b) STORAGE OF EQUIPMENT AND FLAMMABLE MATERIALS.

Equipment, fuel, and oil may be stored only in the designated "Lessee Storage Area". All flammables shall be surrounded by a 20-foot firebreak of bare disced soil.

(c) SPARK-PRODUCING EQUIPMENT. Arc, gas, TIG ("Heli-Arc")

welders shall be used only with a fire extinguisher in the "Lessee Storage Area" or for repairs on a specific piece of equipment parked on and surrounded by at least 50 of bare soil in all directions.

(d) CROP RESIDUE. Crop stubble or residue shall be disced into the soil

within two weeks after harvest. Grazing and fire shall not be used to eliminate residue. All parcels or portions thereof planted to cotton are subject to local county regulations concerning planting and "plow down" dates.

(13) DEBRIS REMOVAL. Lessee, at its own expense, shall dispose of all debris generated at his work sites to the satisfaction of Lessor. Within 30 days of being notified, Lessee shall correct any deficiency noted by Lessor.

(14) EROSION CONTROL. Lessee, at its own expense, shall apply prudent erosion control measures to reduce soil loss.

(15) FALLOW LAND MANAGEMENT. If Lessee elects to lay fallow any portion of the Premises for whatever reason(s), the area shall be disced frequently enough to maintain a "weed free" condition until the land is again cropped normally. All fallowing expenses and practices shall be borne by Lessee at its sole cost and expense.

(16) LICENSING AND IDENTIFICATION. Vehicles used by Lessee and associated lease employees, contractors, and agents shall meet California licensing requirements, California vehicle safety standards, and California vehicle insurance requirements. The lease document shall be presented when registering vehicles. All migrant farm workers shall be properly authorized to work in the United States and shall provide current employees full name, DL number or alien card number, list shall be signed and dated by Lessee.

(17) NO HUNTING. Hunting is not allowed on the Premises.

(18) PROTECTION OF HISTORIC/ARCHEOLOGICAL PROPERTY. Lessee shall not undertake any activity that may affect an identified historic or archaeological property, including excavation, construction, alteration or repairs of the Premises. Buried cultural materials may be present on and around the Premises. Lessee shall do nothing to disturb such cultural materials.

ELEVENTH AMENDMENT TO FARMING LEASE

THIS ELEVENTH AMENDMENT TO FARMING LEASE ("Amendment"), is made and entered into on June 30, 2016 ("Effective Date"), by and between the CITY OF IRVINE, a municipal corporation (the "Lessor"), and EL TORO FARMS, LLC, a California limited liability company ("Lessee").

Recitals

A. Lessor and Lessee entered into a Farming Lease Agreement dated July 12, 2005 (the "Lease") concerning certain real property located in the City of Irvine, California, within the site of the former Marine Corps Air Station, El Toro, currently known as the Orange County Great Park, as more particularly described in the Lease.

B. Pursuant to City Council action on October 14, 2014, the City Manager has the authority to act on behalf of the City to exercise up to two (2) renewal options of one (1) year each.

C. On or about June 30, 2015, Lessor exercised one (1) of the two (2) renewal options, extending the term of the Lease to June 30, 2016.

D. Lessor and Lessee desire to extend the term of the Lease for one (1) additional year such that it shall expire on June 30, 2017.

E. Lessor, by entering into this Amendment, desires to exercise the second of the two (2) renewal options, extending the term of the Lease to June 30, 2017.

NOW, THEREFORE the parties hereby amend the Lease as follows:

1. The foregoing Recitals are true and correct and are a substantive part of this Amendment.
2. Section 7 of the Basic Terms of the Lease is hereby amended as follows: The lease term shall commence on July 1, 2015 and terminate on June 30, 2017.
3. Lessee acknowledges that (i) on February 23, 2016, the Irvine City Council adopted a policy for pesticide use on City properties (the "Pesticide Policy"), (ii) Lessor has provided Lessee with a copy of the Pesticide Policy, and (iii) Lessee has read and understands the Pesticide Policy. Commencing at such time as Lessee harvests the current crops, all of Lessee's use of and operations on the Premises shall be conducted in compliance with the Pesticide Policy.
4. Except as provided in this Amendment, all other provisions of the Lease shall remain in full force and effect.



IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by and through their respective authorized officers, as of the date first above written.

CITY OF IRVINE,
A municipal corporation


Sean Joyce, City Manager

10-27-16
Date

EL TORO FARMS, LLC
A California Limited Liability Company

10-4-16
Date

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP


City Attorney

10-5-16
Date

ATTEST:


CITY CLERK OF THE CITY OF IRVINE

TWELFTH AMENDMENT TO FARMING LEASE

THIS TWELFTH AMENDMENT TO FARMING LEASE ("Amendment") is made and entered into on July 1, 2017 ("Effective Date"), by and between the CITY OF IRVINE, a California municipal corporation and charter city ("Lessor"), and EL TORO FARMS, LLC, a California limited liability company ("Lessee").

Recitals

- A. Lessor and Lessee entered into a Farming Lease Agreement dated July 13, 2005 ("Original Lease") concerning certain real property located in the City of Irvine, California, within the site of the former Marine Corps Air Station, El Toro, currently known as the Orange County Great Park, as more particularly described in the Lease.
- B. The Original Lease has been amended eleven (11) times (collectively "Lease").
- C. The most recent Amendment to the Lease ("Amendment 11") was entered into by the Parties on June 30, 2016. In Amendment 11, Lessor exercised the second of two (2) renewal options, extending the term of the Lease to June 30, 2017. The term of the Lease currently expires on June 30, 2017.
- D. Lessor and Lessee, by entering into this Agreement, desire to extend the term of the Lease an additional two (2) years from the Effective Date of this Twelfth Amendment, until July 1, 2019. Lessor and Lessee intend for either Party to have the authority to terminate the Lease at any time by providing at least thirty (30) days written notice to the other Party.

NOW, THEREFORE, the parties hereby amend the Lease as follows:

- 1. The foregoing Recitals are true and correct and are a substantial part of this Amendment.
- 2. The Original Lease and all amendments are hereby incorporated into this Amendment. All terms defined in the Lease shall have the same meaning in this Amendment as in the Lease. Except to the extent the Lease is modified by this Amendment, the remaining terms and provisions of the Lease shall remain unmodified and in full force and effect. In the event of a conflict between the terms of the Lease and the terms of this Amendment, the terms of this Amendment shall prevail.
- 3. Section 7 of the Basic Terms of the Original Lease is hereby amended as follows:

The term of this Lease shall begin on July 1, 2017 and shall terminate on July 1, 2019, unless terminated earlier by either Party in accordance with this Section 7. At any point during the term of the Lease, Lessor may terminate the Lease by providing at least 30-days written notice to Lessee and the Lease shall thereafter terminate 30 days from delivery of such notice. At any point during the term of the Lease, Lessee may

terminate the Lease by providing at least 30-days written notice to Lessor and the Lease shall thereafter terminate 30 days from delivery of such notice.

4. Lessee shall continue to pay Basic Rent in accordance with the terms of the Lease.
5. Section 10(h) of the Standard Terms of the Original Lease is hereby amended as follows:

(h) Withdrawal of Land. Lessor reserves the right at any time and from time, as provided in Section 1(d) above, to withdraw from the Premises any field or parcel within the Premises by delivery of not less than ten (10) days written notice to Lessee. As to the field or parcel identified in Lessor's notice, this Lease shall terminate as of the date specified in Lessor's notice. No consideration whatsoever shall be payable to Lessee as a result of such termination, regardless of whether the date specified is prior to the date crops on such field or parcel may be harvested or whether the date specified is after the date such crops may be harvested.

6. The second to last sentence of Section 5(f) of the Standard Terms of the Original Lease (regarding Lessee's Indemnity for Toxic Materials) is hereby amended as follows to include the underlined language, and the remaining terms and provisions of Section 5(f) of the Original Lease shall remain unmodified and in full force and effect:

The provisions and undertakings and indemnifications in this Section 5(f) shall survive termination and expiration of this Lease.

7. Lessee acknowledges that (i) on February 23, 2016, the Irvine City Council adopted a policy for pesticide use on City properties (the "Pesticide Policy"), (ii) Lessor has provided Lessee with a copy of the Pesticide Policy, and (iii) Lessee has read and understands the Pesticide Policy. Commencing at such time as Lessee harvests the current crops, all of Lessee's use of and operations on the Premises shall be conducted in compliance with the Pesticide Policy.
8. Lessee acknowledges that the Housing and Real Estate Administrator of the City of Irvine has the authority to act on behalf of Lessor for all purposes of this Lease, including, but not limited to, providing notice to terminate the Lease.
9. This Amendment embodies the entire understanding between Lessor and Lessee with respect to its subject matter and can be changed only by an instrument in writing signed by Lessor and Lessee.
10. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Amendment.
11. Each individual executing this Amendment represents that he or she is duly authorized to execute and deliver this Amendment and that the Amendment is binding on the Parties in accordance with its terms.

IN WITNESS WHEREOF, each of the parties hereto has executed this Lease as of the day and year stated above.

“LESSOR”

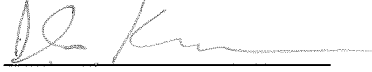
CITY OF IRVINE, a California municipal corporation and charter city

By: _____
Sean Joyce, City Manager

Date: _____

“LESSEE”

EL TORO FARMS, LLC, a California limited liability company

By: 

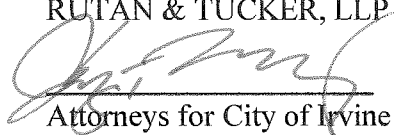
Name: A.G. KAWAMURA

Date: JUNE 7, 2017

ATTEST:

City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP


Attorneys for City of Irvine

Date

2.1



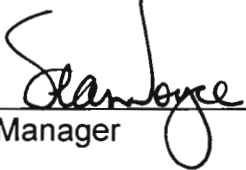
REQUEST FOR BOARD ACTION

MEETING DATE: JUNE 27, 2017

TITLE: EXCLUSIVE NEGOTIATING AGREEMENT WITH WILD RIVERS, LLC. FOR A WATER PARK AT THE ORANGE COUNTY GREAT PARK



Director, Orange County Great Park



City Manager

RECOMMENDED ACTION

Recommend that the City Council approve the attached Exclusive Negotiating Agreement with Wild Rivers, LLC.

EXECUTIVE SUMMARY

At the April 25, 2017 meeting of the Orange County Great Park Board, staff was directed to work with Wild Rivers to create a water park at the Orange County Great Park. The recommended first step in the process is an Exclusive Negotiating Agreement (ENA) between the two parties. An ENA is a common agreement for a City to enter into with a potential partner at the outset of a significant project like the proposed water park. It provides a period of exclusivity during which the requisite steps of site planning, lease negotiation, environmental review can be undertaken. The ENA also sets forth a time period for key milestones and a framework for reimbursement of City costs.

The ENA creates two periods with specific duties and deliverables. Period One would start upon approval of the ENA document and include preliminary site planning and development of a draft form of lease. Period One is expected to be complete in fall of this year. If the Period One deliverables are approved by the City Council, Period Two would commence and would include final draft Lease negotiation and entitlement and environmental review per the California Environmental Quality Act (CEQA). Period Two is expected to be complete by summer of 2018, but could last longer depending on the required depth and scope of the CEQA analysis. At the conclusion of ENA Period 2, if all deliverables meet with City Council approval, the site could then be made available to Wild Rivers via a lease and construction activities could commence. This sequence of events is consistent with the approach taken by the City for the Anaheim Ducks Community Ice Facility at the Great Park over the last two years.

The ENA also creates a system of deposits for reimbursement of City costs incurred for site planning, lease negotiation, and environmental review activities. The First Deposit is \$75,000 and would be due as a condition of effectiveness of the ENA and would cover Period 1 costs such as due diligence support and drafting the form of Lease document. The Second Deposit is for \$500,000 and would be due at the commencement of ENA period 2. It would cover the City's consultant costs for CEQA review and other activities scheduled to take place during the second period of the ENA. The Second Deposit would be returned to Developer in the event that the City and Wild Rivers do not enter into a Lease, unless such failure to reach agreement is the result of Developer default or City determination that the project is not environmentally or financially feasible.

The roadmap outlined in the ENA for creation of a water park at the Great Park was developed in consultation with representatives from Wild Rivers. The roadmap provides a means by which a water park could be constructed and opened in 2019. It is important to note that this is only an estimate based on information available today and the timeline could extend based on challenges encountered through site planning, lease negotiation and environmental review.

COMMISSION/BOARD/COMMITTEE RECOMMENDATION

Not applicable.

ANALYSIS

At its April 25 meeting, the Orange County Great Park Board directed staff to work directly with Wild Rivers to create a water park at the Orange County Great Park (the vote was 3-1-1, Councilmember Schott opposed, Councilmember Lalloway absent). An excerpt from the April 25 minutes is included as Attachment 1 to this report. Subsequent to Board direction, staff has met several times with representatives of Wild Rivers and its partner Bergman KPRS. Wild Rivers has begun developing a site plan in collaboration with the Cultural Terrace Joint Studies design team. Discussions have also focused on the roadmap for the development of a lease with the City and the requisite entitlement and environmental review per the California Environmental Quality Act (CEQA). This roadmap is summarized below based on information available today. Timeframes are an estimate, pending additional information regarding the site and required steps for environmental review.

June 2017	Exclusive Negotiating Agreement (ENA) proposal presented to City Council.
Fall 2017	Preliminary Draft Form of Lease presented to City Council.
Fall 2017	Waterpark conceptual site plan presented to City Council along with Cultural Terrace conceptual master plan developed through the Joint Studies with Heritage Fields.

Fall 2017	Entitlement and environmental review process initiated consisting of a modification to the Great Park Master Plan and CEQA review.
Summer 2018	Entitlement and CEQA review completed and presented to City Council for consideration (Review typically takes 9-12 months).
Summer 2018	Draft Lease presented to City Council.
Summer 2018	Waterpark site available for demolition and construction.
Summer 2019	Anticipated completion of construction. (Based on estimated 12-month construction timeline provided by Wild Rivers representatives)

The recommended first step in the process is an Exclusive Negotiating Agreement (ENA) between the City and Wild Rivers, LLC. An ENA is a common agreement for a City to enter into with a potential partner at the outset of a significant project like the proposed water park. The ENA provides negotiating certainty and exclusivity for both parties, and grants the developer the right to enter the site for inspections and due diligence. The ENA also provides a roadmap and approximate timeline for the due diligence, design work, environmental review, and transaction milestones for the proposed project. It defines the key duties and deliverables for the process as well as the timing and accountability for each party. The terms of the ENA are a product of negotiation between the City and Wild Rivers. The document was developed in consultation with and has been signed by Wild Rivers.

The ENA divides the development process into two periods. Period 1 would start upon approval of the ENA document and include preliminary lease negotiation and site planning. Period 2 would start at the conclusion of Period 1 and include CEQA review, final lease negotiation and site planning. A summary of the key activities to be undertaken during each period is outlined below.

ENA Period 1

- City provides property documents to developer
- Developer performs site inspections and due diligence
- Developer submits preliminary approval from debt and equity partners as well as description of process for final financing approval
- Reimbursement Agreement is prepared to cover cost of environmental review and other Period 2 activities
- Form of Lease is prepared
- Developer submits proposed development concept and site plan

At the completion of Period 1, anticipated to be in fall of this year, the form of Lease, the proposed site plan, the Reimbursement Agreement, and other deliverables will be brought forth for City Council consideration. If all of the Developer's obligations during Period 1 have been met, the City Council could direct that Period 2 begin with the commencement of its associated activities, as outlined below. It would be staff's intent to present the Wild

Rivers proposed site plan to the City Council at the same time as the Joint Studies conceptual master plan for the Cultural Terrace this fall. Although the Wild Rivers plan would likely be more advanced and have more detail than the plans for the rest of the Cultural Terrace at that point in time, a broader presentation of the proposed plan for the area would allow the City Council to make a more informed evaluation as to how the proposed water park would interface with the rest of the Cultural Terrace and other adjacent uses.

ENA Period 2

- CEQA review is conducted
- Developer submits application for land use entitlements
- Developer to provide commitment from qualified debt and equity providers
- City obtains appraisal of fair market value
- Proposed Lease document and CEQA environmental review are presented for City Council consideration

At the completion of Period 2, estimated to be in the summer of 2018, the draft Lease document and CEQA documentation would be brought for City Council consideration. If approved, the developer could then commence site preparation and construction of the water park.

The Great Park Master Plan does not include a Water Park as one of the contemplated uses. A modification to the Master Plan will be required to accommodate the new use and associated development square footage. Per CEQA, an environmental review of the project will also be required. The requisite scope of the CEQA review (i.e. an Addendum to the existing Environmental Impact Report (EIR), or development of a new Supplemental EIR) will be determined through the completion of an Initial Study Checklist, per CEQA standards, and will, in large part, determine the ultimate timeline for creation of the water park. The estimated timeline is 9 to 12 months to accommodate Master Plan modification and CEQA review.

Reimbursement of City Costs

As a condition of the effectiveness of the ENA, the developer must deliver a \$75,000 deposit (First Deposit) to the City. This deposit may be used by the City during Period 1 for consultants, attorneys, engineers, and other third party services undertaken to accommodate the City's responsibilities under the agreement. Prior to the end of Period 1, a Reimbursement Agreement will be presented for City Council consideration, requiring a \$500,000 deposit (Second Deposit) to cover City costs during Period 2. If City and Developer fail to reach an agreement and enter into a lease, the Second Deposit would be returned to developer, unless the failure to reach agreement was the result of Developer default, failure to negotiate in good faith, or determination by the City that the project is not environmentally or financially feasible.

ALTERNATIVES CONSIDERED

The Great Park Board could choose not to recommend that the City Council approve the ENA or direct staff to negotiate modifications to any of the terms of the ENA as deemed appropriate. The ENA provides a basis for due diligence, lease negotiation, and cost reimbursement but the Great Park Board may wish to pursue a relationship with Wild Rivers without the ENA if it felt that the document creates unnecessary or unreasonable commitments for the City or the Developer.

FINANCIAL IMPACT

The ENA includes a set of duties, incumbent on both City and Developer, associated with due diligence, site planning, lease negotiation, and environmental review. The Agreement provides for reimbursement of City costs, including consultant fees, for these activities through two deposits:

- Deposit One: \$75,000 to cover City costs during ENA Period 1 and
- Deposit Two: \$500,000 to cover City costs during ENA Period 2.

It is anticipated that these deposits will cover all City costs prior to the potential execution of a Lease. Deposit Two is refundable to the Developer, under certain conditions, if the parties do not enter into a lease. In this situation, the City's Period Two costs, estimated to be in the range of \$300,000 to \$500,000 would be paid by the City without reimbursement.

If the Water Park is approved and the City enters into a lease with Wild Rivers, there are likely to be positive financial impacts to the City by way of rent payments and collateral economic benefit through local sales and hotel tax. The water park also has potential financial benefit for the larger Great Park as a complementary use that drives visitation and user fees across the Park. These financial impacts will be better understood once lease terms have been negotiated and will be presented in more detail to the City Council as they become available.

REPORT PREPARED BY Pete Carmichael, Director, Orange County Great Park

ATTACHMENTS

1. Excerpt from April 25, 2017 Orange County Great Park Board Minutes
2. Exclusive Negotiating Agreement between the City of Irvine and Wild Rivers, LLC

2.2 SCOREBOARDS AND SPONSORSHIP AT THE GREAT PARK SPORTS COMPLEX

Pete Carmichael, Director of the Orange County Great Park, and Chris Koster, Manager of Great Park Planning & Development, presented the staff report and responded to questions.

Board discussion included: clarifying whether the recommended action would approve final designs of the scoreboards or if final approval would go through the Planning Commission.

ACTION: Moved by Vice Chairwoman Fox, seconded by Director Schott, unanimously carried by those members present (Director Lalloway absent) to:

ACTION:

- 1) Recommend that the City Council authorize the City Manager to execute Second Amendment to August 4, 2016 Letter Agreement Between the City of Irvine and Heritage Fields El Toro, LLC Regarding Expenditure of Quimby Funds for Additional Sports Park Improvements.
- 2) Recommend that the City Council approve a budget appropriation of \$517,175 from the unallocated Great Park Fund balance to the Capital Improvement Project Fund, Project No. 361616, Sports Park Subarea Improvements, for the recommended scoreboard design enhancements.

2.3 WATERPARK REQUEST FOR PROPOSALS RESPONSE AND NEXT STEPS

Pete Carmichael, Director, Orange County Great Park, and Steve Torelli, Senior Management Analyst, presented the staff report and responded to questions.

The following individuals spoke in favor of Wild Rivers Waterpark:

Brandon Lee
Burke Mucho
Connie Stone
Adam Bramwell
Tracy Collins
Adam Eldefrawy
Francisco Lazo
Dave Bergman

The following individuals spoke in support of a surfing facility at the Orange County Great Park:

Randy Lochefeld, Surfloch, LLC
Sean Brody, Surf Education Academy
Chris Heffner, Billabong
Michael Lebrun, E and M Company

Charles Webb, Founder of Stoke for Life Foundation, spoke in favor of a water feature at the Great Park.

Mike Riedel, Wild Rivers Waterpark, expressed concern about the Request for Proposals (RFP) process and information provided at the mandatory bid meeting, and spoke in opposition to reissuing an RFP.

Brandon Ripley, Western Whitewater, and Scott Shipley, S2O Design, spoke in support of Western Whitewater's proposal. Mr. Ripley also presented a video.

Board discussion included: noting the history of Wild Rivers Waterpark (Wild Rivers) as an icon in the City that provided a well-managed, safe and secure entertainment environment; expressed concern moving forward with combined uses without further studies; questioned a potential change in scope that may have differed from the RFP; expressed concern with approving a sole-source contract with Wild Rivers; clarified prior discussion included a desire to bringing forward new innovative waterpark features; and expressed concern with the potential for an unfair advantage through a repeated issuance of an RFP.

ACTION: Moved by Vice Chairwoman Fox, seconded by Director Shea, to:

Direct staff to cancel the Request for Proposals and work directly with Wild Rivers to create a waterpark at the Orange County Great Park.

The motion carried as follows:

AYES:	3	DIRECTORS:	Fox, Shea and Wagner
NOES:	1	DIRECTORS:	Schott
ABSENT:	1	DIRECTORS:	Lalloway

EXCLUSIVE NEGOTIATING AGREEMENT

THIS EXCLUSIVE NEGOTIATING AGREEMENT (the "Agreement") is entered into as of _____, 2017 (the "Effective Date"), by and between the **CITY OF IRVINE**, a chartered city and municipal corporation ("City"), and **WILD RIVERS IRVINE, LLC**, a California limited liability company ("Developer"). City and Developer may be individually referred to herein as a "Party" and collectively referred to herein as the "Parties".

RECITALS

The following recitals are a substantive part of this Agreement.

A. City is the owner of fee title or has a sub-leasehold interest in certain real property that has been designated for development of a metropolitan park known as the "Orange County Great Park," located in the City of Irvine, County of Orange, State of California (the "Great Park").

B. Developer is a California limited liability company whose principals have experience in owning and operating water parks.

C. Developer wishes to explore the possibility of developing and operating a waterpark (the "Proposed Development") within the area of the Great Park commonly referred to as the "Cultural Terrace," which comprises approximately two hundred fifty (250) acres. The Cultural Terrace portion of the Orange County Great Park is depicted in the Map attached hereto as Exhibit "A" and incorporated herein by this reference.

D. The purpose of this Agreement is to establish a period during which the Developer may perform studies and investigations and other due diligence activities within an approximately thirty (30) acre portion of the Cultural Terrace (the "Proposed Site") to determine the feasibility of the development of a Proposed Development, and City and Developer shall exclusively negotiate with each other to attempt to agree on terms on which City would lease the Proposed Site to Developer for Developer's development and operation of a Proposed Development (a "Ground Lease").

NOW THEREFORE, the Parties mutually agree as follows:

1. **Agreement to Negotiate, in Good Faith** City and Developer agree that for the term of the "Negotiating Period" (as defined in Section 2 hereof) each party shall diligently and in good faith attempt to negotiate the terms of a Ground Lease for Developer's development of a Proposed Development on the Proposed Site for consideration by the Irvine City Council (the "City Council"). City agrees to negotiate exclusively with Developer, and not to negotiate with any other person or entity, with regard to the lease or development of the Proposed Site during the Negotiating Period.

2. **Negotiating Period.** The initial term of the Negotiating Period shall be for the period from the Effective Date until December 31, 2017 ("Negotiating Period No. 1"). In the

event that prior to the end of Negotiating Period No. 1 Developer has performed all of its duties as required by Exhibit "B" attached hereto and incorporated herein by this reference, and the City Council has authorized an extension of the Negotiating Period and approved a "**Reimbursement Agreement**") (as defined in Section 4(b) below), the Term of the Negotiating Period shall be extended until December 31, 2018 ("**Negotiating Period No. 2**") to complete the negotiation and drafting of a Ground Lease and the environmental review required under the California Environmental Quality Act ("**CEQA**") for a Proposed Development and Ground Lease.

If by the end of Negotiating Period No. 1 Developer (i) has not performed all of its duties as required by Exhibit "B", (ii) the City Council has not authorized the extension of the Negotiating Period, or (iii) the City Council has not approved a Reimbursement Agreement then this Agreement shall automatically terminate without further written notice. If by the end of Negotiating Period No. 2 Developer has not performed all of its duties as required by Exhibit "C", then this Agreement shall automatically terminate without further written notice (except as the Negotiating Period may be extended pursuant to the terms of this Agreement). Upon such automatic termination and expiration of the Negotiating Period, both Parties knowingly agree that neither Party shall have any further rights or remedies as to the other, except as specifically set forth herein.

3. Duties During Negotiating Period. The Parties' respective duties during Negotiating Period No. 1 are set forth in Exhibit "B" which is attached hereto and incorporated herein. The Parties' respective duties during Negotiating Period No. 2 are set forth in Exhibit "C" which is attached hereto and incorporated herein. The duties of the Parties shall be carried out in accordance with the schedule attached hereto as Exhibit "D" and incorporated herein (the "**ENA Schedule**").

4. Deposit.

(a) As a condition to the effectiveness of this Agreement, Developer shall have delivered to City cash or a cashier's or certified check in the amount of Seventy-Five Thousand Dollars (\$75,000) (the "**Initial Deposit**") During Negotiating Period No. 1, the Initial Deposit may be drawn down and used by City for costs incurred by City for consultants, attorneys, engineers, appraisers, Navy consultants and other third party services undertaken at the direction of City in furtherance of City's responsibilities under this Agreement, including the costs incurred by City to negotiate and prepare this Agreement ("**Reimbursable Costs**"). Should the remaining balance of the Initial Deposit drop below Ten Thousand Dollars (\$10,000) at any time prior to the end of Negotiating Period No. 1, Developer shall promptly deliver to City cash or a cashier's or certified check in the amount necessary to bring the remaining balance to Ten Thousand Dollars (\$10,000). Should this Agreement terminate at the end of Negotiating Period No. 1, the remaining amount of the Initial Deposit will be returned to Developer. If this Agreement is not terminated at the end of Negotiating Period No. 1, at the commencement of Negotiating Period No. 2, any remaining amount of the Initial Deposit will be used to fund a portion of the initial balance required under the Reimbursement Agreement, and will be deemed to be part of the Second Deposit (as defined in subparagraph (b) below).

(b) Prior to the expiration of Negotiating Period No. 1, the Parties shall enter into an agreement which provides for Developer to deliver to City cash or a cashier's or certified

check in the amount of Five Hundred Thousand Dollars (\$500,000) (the "**Second Deposit**") for purposes of paying for Reimbursable Costs, including, without limitation, the costs incurred by City for an environmental consultant to prepare the documentation necessary to conduct the environmental review required under CEQA (the "**Reimbursement Agreement**"). In addition to other terms, the Reimbursement Agreement shall provide for (i) City to hold and retain the Second Deposit in a separate City account, (ii) Developer to deliver to City additional funds to be added to and become part of the Second Deposit if the sum of City's Reimbursable Costs exceeds ninety percent (90%) of the amount of the Second Deposit held by City, and (iii) City to return the Second Deposit to Developer if City and Developer fail to reach agreement on the terms of, and enter into, a Ground Lease by the expiration of Negotiating Period No. 2, as it may be extended pursuant to the terms of this Agreement, unless (a) such failure is as a result of Developer's default of its obligations under this Agreement, including Developer's failure to negotiate in good faith hereunder, or (b) City determines, based on the environmental review required under CEQA, that a Proposed Development is not environmentally or financially feasible. The Reimbursement Agreement shall further provide that at such time as (1) City and Developer enter into a Ground Lease, or (2) this Agreement is terminated, or Negotiating Period No. 2 expires, and Developer is not entitled to a return of the Second Deposit pursuant to the immediately preceding sentence, (x) all portions of the Second Deposit that are necessary to cover Reimbursable Costs shall be released to City, and (y) all portions of the Second Deposit that are not necessary to cover Reimbursable Costs shall be returned to Developer.

5. Due Diligence. Developer and its employees, contractors, agents, representatives, architects, engineers and consultants (collectively, the "**Developer Entities**"), at Developer's sole cost and expense, shall have the right to inspect the Proposed Site, make surveys and conduct such soils, engineering, hazardous or toxic material, pollution, seismic or other tests, studies and investigation as Developer may require (collectively, the "**Inspections**").

(c) Developer shall cause the Inspections to be conducted at times reasonably acceptable to City, upon not less than seventy-two (72) hours prior written notice to City in each instance, and in a manner that does not materially adversely affect the Proposed Site. City may have a representative present at any Inspections of the Proposed Site. In conducting its Inspections at the Proposed Site, Developer and the Developer Entities shall: (i) not damage any part of the Proposed Site or any personal property owned or held by any third party; (ii) promptly repair any damage to the Proposed Site resulting directly or indirectly from the entry by Developer or the Developer Entities or from any such Inspections; (iii) not injure or otherwise cause bodily harm to City, or its tenants, agents, guests, invitees, contractors and employees; (iv) comply with all applicable laws; (v) promptly pay when due the costs of all Inspections; and (vi) not permit any liens to attach to the Proposed Site by reason of the exercise of Developer's rights hereunder.

(d) Promptly upon completion of each Inspection, Developer shall cause the portion of the Proposed Site subject to such Inspection to be restored to the condition existing immediately prior to such Inspection. Developer shall provide City, at no additional charge, with copies of the results of each Inspection made by or for Developer concurrently with Developer's receipt of such results.

(e) Developer hereby indemnifies, defends, and holds harmless City and the Orange County Great Park Corporation and their respective officers, officials, members,

employees, directors, agents, representatives, contractors, and volunteers (collectively, the "City and City Personnel"), and the Proposed Site, free and harmless from and against any and all claims, damages, liabilities, demands, actions, liens, stop notices, losses, costs and expenses (including without limitation reasonable attorneys' fees and court costs) arising from or as a result of the conducting of Inspections, except to the extent caused by an indemnified party's gross negligence, recklessness or intentional misconduct.

(f) Developer's obligations under this Section 5 shall survive the expiration or termination of this Agreement.

6. Pre-Existing Environmental Conditions. Developer acknowledges that commencing in the 1940's, the Great Park was operated for over fifty (50) years as a military base, including as a "Master Jet Station." Throughout its operational years, the mission of the Great Park involved the operation and maintenance of military aircraft and ground-support equipment. A by-product of these activities was the generation of "Toxic Materials" (as defined below) at various locations. Since the late 1980's, the Department of the Navy ("DON"), which oversees both the United States Navy and Marine Corps, has undertaken environmental investigations, analysis, testing, and remediation activities in the Great Park to address past releases of Toxic Materials.

Developer acknowledges and agrees that numerous environmental documents pertain to the Great Park and the Proposed Site, including with respect to the presence of Toxic Materials. Many of such documents are a matter of record, however certain of the documents are available only upon request to the appropriate regulatory agencies, including the Department of Toxic Substances Control, the California Regional Water Quality Control Board, and the DON. Developer acknowledges and agrees that with respect to the Inspections Developer shall be bound by the terms, reservations, easements, covenants, conditions, restrictions and agreements set forth in such documents as they relate to the Proposed Site, and this Agreement and Developer's right to enter the Proposed Site and conduct Inspections shall be subject to and subordinate to such documents and restrictions, and any amendments thereto as may be made from time to time, and/or other remedial or related requirements as may be imposed on the Premises (collectively, the "**Environmental Restrictions**"). As used in this Agreement, the term "**Toxic Materials**" shall mean any substance, material, or waste which is or becomes regulated by any local governmental authority, the State of California, or the United States Government, including, without limitation, any material or substance which is (i) defined as a "hazardous waste", "extremely hazardous waste" or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140 of the California Health and Safety Code, Division 20, Chapter 6.5 (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 25316 of the California Health and Safety Code, Division 20, Chapter 6.8 (Carpenter-Presley-Tanner Hazardous Substances Account Act), (iii) defined as a "hazardous material" under Section 25501 of the California Health and Safety Code, Division 20, Chapter 6.95 (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code, Division 20, Chapter 6.7 (Underground Storage of Hazardous Substances), (v) petroleum, (vi) asbestos, (vii) polychlorinated biphenyls, (viii) formaldehyde, (ix) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Administrative Code, Division 4, Chapter 20, (x) designated as a "hazardous substance" pursuant to Section 311 of the Clean Water Act, 33

U.S.C. Section 1251 et seq. (33 U.S.C. Section 1321) or listed pursuant to Section 307 of the Clean Water Act (33 U.S.C. Section 1317), (xi) defined as a "hazardous waste" pursuant to Section 1004 of the Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq. (42 U.S.C. Section 6903) ("RCRA"), or (xii) defined as "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq. (42 U.S.C. Section 9601).

Developer further acknowledges and agrees that (i) a substantial majority of the Proposed Site remains under the ownership of the DON, and has been leased to Heritage Fields LLC, a Delaware limited liability company ("**Heritage Fields**"), by a Lease in Furtherance of Conveyance executed on July 12, 2005 (the "**LIFOC**"), (ii) concurrently with the execution of the LIFOC, Heritage Fields assigned and transferred all of its right, title and interest in and to the LIFOC with respect to the portions of the Proposed Site subject to the LIFOC (and certain other properties subject to the LIFOC) to City by an Assignment of Leases, which was recorded in the Official Records of Orange County on July 12, 2005 (the "**Assignment**"), (iii) each of the LIFOC and Assignment impose various restrictions and limitations on City's use of the Proposed Site, including restrictions on any intrusive or invasive testing or investigation (e.g., testing that breaks the surface of the ground), (iv) prior to conducting any Inspections on the Proposed Site, Developer shall coordinate with City so that City may obtain approval under the LIFOC and Assignment, if required, for the Inspections, and in conducting any Inspections, Developer agrees to and shall comply with all applicable terms of the LIFOC, Assignment, and all other applicable restrictions, (v) the Great Park project is an installation identified as a National Priorities List Site under CERCLA, (vi) the Government, EPA and the State, and their officers, agents, employees, contractors and subcontractors, have the right to enter upon the Proposed Site for the purposes consistent with any provisions of the environmental cleanup program (including, without limitation, the BRAC Cleanup Plan, FFA, and the Installation Restoration Program, and (vii) Developer shall not interfere with or damage any of the remediation equipment that may be located on or near the Proposed Site from time to time.

7. **Insurance.** Without limiting Developer's indemnification obligations under this Agreement, Developer shall procure and maintain, at its sole cost and for the duration of this Agreement, insurance coverage as provided below, against all claims for injuries against persons or damages to property which may arise from or in connection with the performance of the work hereunder by Developer and/or the Developer Entities, including without limitation Developer's conducting of the Inspections. In the event that Developer subcontracts any portion of the work, the contract between Developer and such subcontractor shall require the subcontractor to maintain the same policies of insurance that Developer is required to maintain pursuant to this Section.

A. **Comprehensive General Liability Insurance** which affords coverage at least as broad as Insurance Services Office "occurrence" form CG 00 01 including completed operations and contractual liability, with limits of liability of not less than \$1,000,000 per occurrence and \$2,000,000 annual aggregate for liability arising out of Developer's performance of this Agreement, including without limitation Developer's conducting of the Inspections. Such insurance shall be endorsed to:

- (1) Name the City and City Personnel as additional insured for claims arising out of Developer's performance of this Agreement, including without limitation Developer's conducting of the Inspections.
- (2) Provide that the insurance is primary and non-contributing with any other valid and collectible insurance or self-insurance available to City.

B. Automobile Liability Insurance with a limit of liability of not less than \$1,000,000 each occurrence and \$1,000,000 annual aggregate. Such insurance shall include coverage for all "owned," "hired" and "non-owned" vehicles, or coverage for "any auto." Such insurance shall be endorsed to:

- (1) Name the City and City Personnel as additional insureds for claims arising out of Developer's performance of this Agreement, including without limitation Developer's conducting of the Inspections.
- (2) Provide that the insurance is primary and non-contributing with any other valid and collectible insurance or self-insurance available to City.

C. Workers' Compensation Insurance in accordance with the Labor Code of California and covering all employees of the Developer providing any service in the performance of this Agreement. Such insurance shall be endorsed to:

- (1) Waive the insurer's right of subrogation against City and City Personnel.

D. Professional Liability Insurance with minimum limits of \$1,000,000 each claim. Covered professional services shall include all work performed under this Agreement and delete any exclusion that may potentially affect the work to be performed.

E. Evidence of Insurance: Developer shall provide to City a Certificate(s) of Insurance evidencing such coverage, together with copies of the required policy endorsements, no later than five (5) business days prior to commencement of service and at least fifteen (15) business days prior to the expiration of any policy. *Statements on an insurance certificate will not be accepted in lieu of the actual endorsements required.* Coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits, non-renewed, or materially changed for any reason, without thirty (30) days prior written notice thereof given by the insurer to City by U.S. mail, or by personal delivery, except for nonpayment of premiums, in which case ten (10) days prior notice shall be provided.

F. Acceptability of Insurers. Each policy shall be from a company with current A.M. Best's rating of A- VII or higher and authorized to do business in the State of California, or otherwise allowed to place insurance through surplus lines brokers under applicable provisions of the California Insurance Code or any federal law. Any other rating must be approved in writing by City.

G. Insurance of Subcontractors. Developer shall be responsible for causing subcontractors to maintain the same types and limits of coverage in compliance with this Agreement, including naming the City and City Personnel as additional insureds to the Subcontractor's policies.

8. No Predetermination of City Discretion. The Parties acknowledge and agree that nothing in this Agreement in any respect does or shall be construed to affect or prejudice the exercise of City's discretion concerning the designation of the Proposed Site and/or consideration of a Proposed Development or a Ground Lease, or any submittal by Developer with respect to either of the foregoing. The Parties do not intend this Agreement to be a Ground Lease, development agreement, purchase agreement or other agreement for the lease or other conveyance of land or the construction or development of improvements thereon. The Parties acknowledge and agree that they have not agreed upon the essential terms of the subject matter of a transaction, and that such essential terms will be the subject matter of further negotiations. Notwithstanding any submittals to be made by Developer hereunder, and/or any authorization by the City Council to extend the term of this Agreement to the Second Negotiating Period, the Parties acknowledge and agree that any final agreement, if an agreement is reached, would be in the form of a Ground Lease, and any such Ground Lease would not be effective until it has been considered and formally approved by the City Council and thereafter has been executed by authorized representatives of each of the Parties. Notwithstanding anything in this Agreement to the contrary, City does not intend by this Agreement to commit to a definite course of action with respect to the Proposed Site, a Proposed Development or a Ground Lease. City retains full discretion with respect to the Proposed Site, a Proposed Development and a Ground Lease, any CEQA determination with respect to a Proposed Development and Ground Lease, and any mitigation measures or alternatives to the Proposed Development pursuant to CEQA, including a decision not to proceed with the Proposed Site, a Proposed Development, or Ground Lease.

9. Costs and Expenses. Except as provided in Section 4 above, each Party shall be responsible for its own costs and expenses in connection with any activities and negotiations undertaken in connection with the performance of its obligations under this Agreement.

10. Lead Negotiators. The City Manager, or his or her designee, shall be the lead negotiator for the City with respect to the subject matter of this Agreement. The President of the Developer shall be the lead negotiator for the Developer with respect to the subject matter of this Agreement.

11. Change in Developer. The qualifications of Developer are of particular interest to City. Consequently, no person or entity, whether a voluntary or involuntary successor of Developer, shall acquire any rights or powers under this Agreement, nor shall Developer assign all or any part of this Agreement, without the prior written approval of City, which approval City may grant, withhold or deny at its sole and absolute discretion. Any other purported transfer, voluntarily or by operation of law, shall be absolutely null and void and shall confer no rights whatsoever upon any purported assignee or transferee.

12. City Cooperation. City agrees to cooperate with Developer in supplying financial institutions with appropriate information, if available and not otherwise privileged, to facilitate the obtaining of financing or commitments for financing for a Proposed Development. City shall also

cooperate with Developer's professional consultants and associates in providing them with any information and assistance reasonably within the capacity of City to provide in connection with the preparation of Developer's submissions to City pursuant to this Agreement or as required by state or local laws and regulations. This requirement does not obligate City to incur any monetary costs therefor.

13. Address for Notices. Any notices pursuant to this Agreement shall be in writing and sent (i) by Federal Express (or other established express delivery service which maintains delivery records), (ii) by hand delivery, or (iii) by certified or registered mail, postage prepaid, return receipt requested, to the following addresses:

To City:	City of Irvine 1 Civic Center Plaza Irvine, CA 92606 Attn.: City Manager
With a copy to:	City of Irvine 1 Civic Center Plaza Irvine, CA 92606 Attn.: Orange County Great Park Director
And to:	City of Irvine 1 Civic Center Plaza Irvine, CA 92606 Attn.: City Attorney
To Developer:	Mike Riedel Wild Rivers Irvine, LLC 150 Via Monte Doro Redondo Beach, CA 90277

Any Party may designate a different address for itself by notice similarly given. Any notice, demand or document so given, delivered or made by United States mail, shall be deemed to have been given seventy-two (72) hours after the same is deposited in the United States mail as registered or certified mail, addressed as above provided, with postage thereon fully prepaid. Any notice, demand or document delivered by overnight delivery service shall be deemed complete upon actual delivery or attempted delivery, provided such attempted delivery is made on a business day. Any such notice, demand or document not given by registered or certified mail or by overnight delivery service as aforesaid shall be deemed to be given, delivered or made upon receipt of the same by the Party to whom the same is to be given or delivered.

14. Default. Failure by either Party to negotiate in good faith or to perform any other of its duties as provided in this Agreement shall constitute an event of default under this Agreement. The non-defaulting Party shall give written notice of a default to the defaulting Party, specifying the nature of the default and the action required to cure the default. If the default remains uncured fifteen (15) days after the date of such notice, the non-defaulting Party may exercise the remedies set forth in Section 15 of this Agreement.

15. Remedies for Breach of Agreement. In the event of an uncured default under this Agreement, the sole remedies of the non-defaulting Party shall be (a) to terminate this Agreement, and (b) to institute an action for specific performance of this Agreement. Following the termination of this Agreement, neither Party shall have any further rights, remedies or obligations under this Agreement, except as specifically set forth herein. Neither Party shall have any liability to the other for monetary damages for the breach of this Agreement, or failure to reach agreement on a Ground Lease, and each Party hereby waives and releases any such rights or claims it may otherwise have at law or at equity. Furthermore, Developer knowingly agrees that it shall have no right to specific performance for conveyance of any right, title or interest in the Proposed Site or any portion thereof, and shall not file a lis pendens with respect to the Proposed Site or any portion thereof. The Parties' rights and obligations under this Section 15 shall survive the expiration or termination of this Agreement.

16. Attorney's Fees. In the event any action is taken by either Party to this Agreement to enforce this Agreement, the prevailing Party shall be entitled to recover from the other Party its actual attorneys' fees and costs. The Parties' rights and obligations under this Section 16 shall survive the expiration or termination of this Agreement.

17. Entire Agreement. This Agreement constitutes the entire understanding and agreement of the Parties, integrates all of the terms and conditions mentioned herein or incidental hereto, and supersedes all negotiations or previous agreements between the Parties or their predecessors in interest with respect to all or any part of the subject matter hereof.

18. Time of Essence. Time is of the essence of every portion of this Agreement in which time is a material part. In no event shall an incomplete submittal by Developer trigger any obligation of City to review and/or perform hereunder; provided, however that City shall notify Developer of an incomplete submittal as soon as is practicable and in no event later than the applicable time set forth for City's action on the particular item in question. Further, the time periods set forth herein are outside dates of performance. In the event a Party completes a performance item earlier than the time required hereunder, the time for the next performance obligation of a Party shall commence. Thus, the Parties agree that the requirements hereunder may occur and be completed in a shorter time frame than set forth herein.

19. Agreement Does Not Constitute Development Approval. City reserves final discretion and approval as to any Proposed Development and any Ground Lease and all proceedings and decisions in connection therewith. This Agreement shall not be construed as a grant of development rights or land use entitlements to construct a Proposed Development or any other project on the Proposed Site. All design, architectural, and building plans for any Proposed Development shall be subject to the review and approval of City. By its execution of this Agreement, City is not committing itself to or agreeing to undertake the disposition of the Proposed Site to Developer, or any other acts or activities requiring the subsequent independent exercise of discretion by City or any agency or department thereof.

20. Governing Law. This Agreement shall be construed in accordance with the laws of the State of California.

21. Amendments. This Agreement may not be altered, amended, changed, waived, terminated or modified in any respect or particular unless the same shall be in writing and signed by the Parties.

22. Implementation of Agreement. City shall maintain authority to implement this Agreement through the City Manager (or his or her duly authorized representative). City Manager shall have the authority to make approvals, waive provisions and/or enter into certain amendments of this Agreement on behalf of City so long as such actions do not materially or substantially change the substantive business terms of this Agreement, or add to the costs incurred or to be incurred by City as specified herein. Such amendments may include extensions of time to perform. All other material and/or substantive approvals, waivers, or amendments shall require the consideration, action and written consent of the City Council.

21. No Brokers. Each Party shall indemnify, defend, protect and hold harmless the other Party from and against any and all obligations or liabilities to pay any real estate broker's commission, finder's fee, or other compensation to any person or entity arising from or in connection with this Agreement which results from any act or agreement of such Party.

22. Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but which when taken together shall constitute one and the same instrument.

NOW THEREFORE, City and Developer have executed this Exclusive Negotiating Agreement as of the date first set forth above.

CITY:

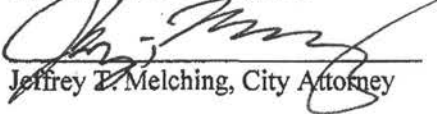
CITY OF IRVINE,
a chartered city and municipal corporation

By: _____
Donald P. Wagner, Mayor

ATTEST:

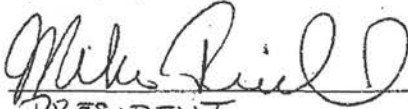
Molly McLaughlin, City Clerk

APPROVED AS TO FORM:
RUTAN & TUCKER, LLP


Jeffrey T. Melching, City Attorney

DEVELOPER:

WILD RIVERS IRVINE, LLC, a California limited
liability company

By: 
Its: PRESIDENT

By: _____
Its: _____

EXHIBIT "A"

MAP OF CULTURAL TERRACE

[To Be Attached]

MAP OF CULTURAL TERRACE

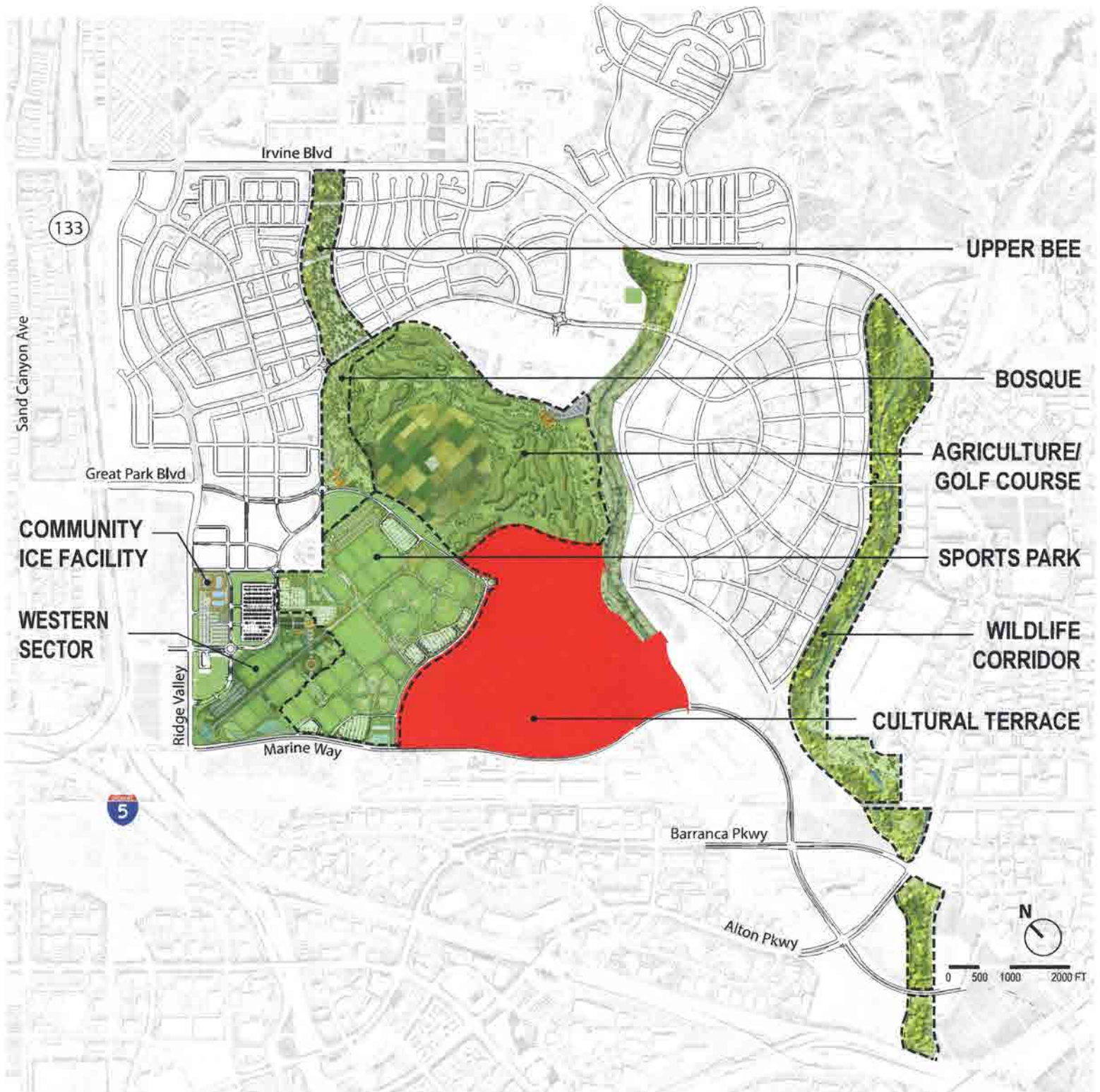


EXHIBIT "B"

NEGOTIATING PERIOD NO. 1 DUTIES

a. **Property Documents.** Within thirty (30) days after the Effective Date, City shall provide or cause to be provided to Developer all documents relating to the physical or environmental condition of the Proposed Site (including, but not limited to, environmental, property physical condition, geological studies, engineering and structural analyses, and geotechnical reports and soil tests and analyses) to the extent reasonably known to be in City's possession (except for such materials which have previously been provided to Developer). City shall provide any other documents relating to the Proposed Site which are in the possession of the City, at the request of the Developer.

b. **Identification of Proposed Site.** Within the first ten (10) days of Negotiating Period No. 1, City and Developer shall negotiate in good faith to identify the portion of the Cultural Terrace that will be designated as the Proposed Site.

c. **Developer Due Diligence.** Developer and the Developer Entities, at Developer's sole cost and expense, shall perform Inspections with respect to the Proposed Site, all in accordance with Section 5 of the Agreement.

d. **Title Report.** Within the first forty-five (45) days of Negotiating Period No. 1, City shall cause First American Title Company, or another title company reasonably acceptable to the Parties, to provide Developer with a current preliminary title report covering the Proposed Site, together with legible copies of all documents and instruments referred to in said title report, to the extent available from the title company. During Negotiating Period No. 1, Developer shall review the preliminary title report and documents.

e. **Developer Submission of Proposed Development Concept.** Prior to August 31, 2017, Developer shall submit to City the following (collectively, the "Development Concept"):

- (i) a proposed project description and concept drawings.
- (ii) a proposed site plan.
- (iii) a proposed initial construction schedule.
- (iv) an estimate of development costs for a Proposed Development.
- (v) a preliminary pro forma statement of project return for a Proposed Development.
- (vi) written approval of all due diligence items, including without limitation, the environmental condition of the Proposed Site, and physical condition of the Proposed Site.
- (vii) written approval of the preliminary title to the Proposed Site.

(viii) a detailed schedule for the parties' actions during Negotiating Period No. 2.

f. Negotiate and Attempt to Prepare Preliminary Draft Form of Ground Lease. City and Developer shall negotiate and attempt to prepare a preliminary draft form of Ground Lease.

g. Reimbursement Agreement. City and Developer shall negotiate and attempt to prepare a Reimbursement Agreement.

h. Debt and Equity Partner Approval. Developer shall obtain the written approval of the Proposed Development from Developer's debt and equity partners, and provide a description of the process for Developer to obtain final approval for debt and equity financing of the costs of the Proposed Development, including all contingencies and capital contribution requirements for Developer.

i. Extension of Negotiating Term. If the City Council determines that all of Developer's obligations under this Exhibit B have been performed prior to the end of Negotiating Period No. 1, and the City Council authorizes an extension, pursuant to its sole and absolute discretion, the Negotiating Period shall be extended as set forth in Section 2 of the Agreement. If the City Council does not determine that all of the Developer's obligations under this Exhibit B have been performed prior to the end of Negotiating Period No. 1, and/or the City Council does not authorize such an extension, the Agreement shall automatically terminate at the expiration of Negotiating Period No. 1.

EXHIBIT "C"

NEGOTIATING PERIOD NO. 2 DUTIES

a. **Negotiation and Attempt to Prepare Draft Ground Lease.** The Parties shall diligently negotiate and attempt to prepare a draft Ground Lease, based upon the terms and conditions contained in the Development Concept and in the preliminary draft form of Ground Lease.

b. **CEQA Requirements.** City shall prepare all documentation required pursuant to the California Environmental Quality Act of 1970, Public Resources Code Section 21000, *et seq.* Developer shall be responsible for the cost of all CEQA documentation.

c. **Application for Land Use Entitlements.** Developer shall make applications for all land use entitlements and approvals required for a Proposed Development.

d. **Financing Commitment.** Developer shall provide to City for City review and approval a preliminary commitment from qualified lenders and/or equity sources for construction and permanent financing for a Proposed Development.

f. **Appraisal.** City shall obtain an appraisal of the fair market value of the Proposed Site, and the fair rental value of the Proposed Site, with the conditions and requirements contemplated to be included in a proposed Ground Lease, from a reputable state-certified appraiser. The Developer shall be responsible for the cost of any such appraisal.

EXHIBIT "D"**ENA SCHEDULE**

Activity	Responsible Party	Date
Deliver 1 fully executed copy of Agreement to Developer	City	Within 10 days after City Council approval of this Agreement
<u>Negotiating Period No. 1</u>		
Identification of Portion of Cultural Terrace to be evaluated as the Proposed Site	City	Within first 10 days of Negotiating Period No. 1
Deliver Property Documents to Developer	City	Within first 30 days of Negotiating Period No. 1
Deliver Title Report to Developer	City, Title Company	Within first 45 days of Negotiating Period No. 1
Deliver Development Concept Submission to City	Developer	On or before August 31, 2017
City acknowledgement of submission of complete Development Concept	City	Prior to end of Negotiating Period No. 1
Developer and City negotiate and attempt to prepare Reimbursement Agreement	Developer and City	Prior to end of Negotiating Period No. 1
Developer and City negotiate and attempt to prepare preliminary draft form of Ground Lease.	Developer and City	Prior to end of Negotiating Period No. 1

<u>Negotiating Period No. 2</u>		
Continue negotiation and preparation of draft Ground Lease	City and Developer	Immediately upon commencement of Negotiating Period No. 2
Developer submits application for land use entitlements	Developer	Within 90 days prior to end of Negotiating Period No. 2
Developer submits evidence of financing commitments for a Proposed Development	Developer	Within 60 days prior to end of Negotiating Period No. 2
City obtains appraisal of fair market value and fair rental value of Proposed Site	City	Within 45 days prior to the end of Negotiating Period No. 2
City Council consideration of Ground Lease and environmental review under CEQA	City	Prior to end of Negotiating Period No. 2

2.2

RECEIVED
CITY OF IRVINE
CITY CLERK'S OFFICE


2017 JUN 15 PM 4: 04

Memo

RECEIVED

JUN 15 2017

CITY OF IRVINE
CITY MANAGER'S OFFICE

To: Sean Joyce, City Manager
From: Councilmember Melissa Fox 
Date: June 15, 2017
Re: **Request for Agenda Items 3.2 and 3.3 from the May 23, 2017 Orange County Great Park Board Meeting to be Placed on the June 27, 2017 Orange County Great Park Meeting Agenda**

At the Great Park Board meeting on May 23, 2017, we requested that a financial analysis be conducted on the feasibility of botanical gardens versus a golf course.

It has come to my attention from Orange County Great Park Director, Pete Carmichael that the financial consultant can be available on June 27, 2017 for questions and answers about the financial feasibilities of both potential uses. I would like to request that items 3.2 and 3.3 from the May 23, 2017 Great Park Board meeting are placed back on the Orange County Great Park agenda for June 27, 2017.

cc: City Council
Molly McLaughlin, City Clerk



REQUEST FOR BOARD ACTION

MEETING DATE: MAY 23, 2017

TITLE: FEASIBILITY ANALYSIS FOR ORANGE COUNTY GREAT PARK GOLF COURSE


Director of Community Services


City Manager

RECOMMENDED ACTION

Affirm the Golf Course use at the Orange County Great Park (Great Park) or direct staff to engage Five Point Communities (Five Point) in exploration of alternative uses by expanding the Cultural Terrace Joint Studies to include the area currently programmed for golf.

EXECUTIVE SUMMARY

On November 26, 2013, the City of Irvine and Heritage Fields El Toro, LLC (Heritage Fields) entered into the Second Agreement with the City of Irvine as Adjacent Landowner (ALA II) that provides for the construction of an 18-hole regulation golf course, clubhouse, and support facilities. Five Point retained Pro Forma Advisors LLC to conduct market research and develop a financial pro-forma for the proposed golf course. (June 2013 Market Summary Report is presented as Attachment 1.)

To provide the City with updated market data, the Orange County Great Park Board (Board) authorized staff at its October 25, 2016 meeting, to release a Request for Proposals for a market feasibility study for the Great Park Golf Course. The market feasibility study would also provide an evaluation of potential City operating strategies once the golf course is turned over, including opportunities for leased or outsourced operations. (October 25, 2016 Board Meeting minutes are provided as Attachment 2.)

The Board also directed staff to engage Five Point in determining its interest in revisiting the contractual obligation of building a golf course under the ALA II and its willingness to change or remove the golf course. (The City's letter to Five Point is presented as Attachment 3.) In response to the City's request, Five Point provided a response letter expressing a willingness to meet with the City of Irvine to discuss this topic. (Response letter from Five Point is presented as Attachment 4.) City staff have not pursued these discussions pending results of the feasibility study and further direction from the Board.

On January 24, 2017, the City Council approved a \$19,500 budget appropriation for a contract with the National Golf Foundation (NGF) to complete the market feasibility study for the Golf Course. (City Council meeting minutes are presented as Attachment 5.)

Consistent with Pro Forma Advisors' 2013 report, NGF's feasibility study, presented as Attachment 6, indicates that if a new 18-hole golf facility and support amenities were developed as proposed (with lighted golf range and full-service clubhouse), the new course is projected to host approximately 55,000 rounds of golf producing an estimated \$5.4 million in total facility revenue, and a net income of \$652,000 by the fourth year of operation. Although the introduction of the Great Park Golf Course into the local golf market may impact the market share of existing courses, the market data indicates strong support of golf at this (mid to upper-mid) price point.

COMMISSION/BOARD/COMMITTEE RECOMMENDATION

Not applicable, as this item was initiated by Board action and has not been remanded to a City Commission.

ANALYSIS

Background

The ALA II approved by the City Council on November 26, 2013 provides for the design and construction of 688 acres of the Great Park. The 688-Acre Great Park Improvement Area includes a Golf Course Subarea made up of a 188-acre, 18-hole, par-72 golf course with a practice range, 25,000 square foot clubhouse, maintenance yard, and other support facilities. Upon anticipated completion by spring 2019, the golf course will be transitioned to the City for operation.

At the October 25, 2016 Board meeting, direction was provided to staff to release a Request for Proposals for the market feasibility study for the Great Park golf course. The market feasibility project scope was defined to include updated data relative to the market trends, financial analysis, pricing, and supply and demand conditions. Its purpose was also to provide an evaluation of potential operating strategies once the golf course is turned over to the City, including opportunities for outsourced operation. Further Board action included direction for staff to engage Five Point in determining its interest in revisiting the ALA II contractual obligation to build a golf course and its willingness to change or remove the course.

At City Council direction, on October 31, 2016, a letter was sent from the City to Five Point, expressing the City's interest in exploring changes to the proposed Golf Course and requesting an exploratory meeting with Heritage Fields to discuss Golf Course Subarea modifications. The November 17, 2016 response letter from Five Point indicated a willingness to meet with City staff regarding program changes or alternate uses of the Golf Course Subarea.

On January 24, 2017, the Board and the City Council authorized a contract with NGF, and approved a \$19,500 budget appropriation for the market feasibility study. The scope of the study provides for a market feasibility analysis to be completed based on golf course plans developed during the design review process. Field activities included tours of the proposed Great Park golf course site, meetings and discussions with architects and planners involved

in the project, analysis of the area market, meetings with City of Irvine staff, and visits to several area golf facilities deemed to be potentially competitive with the proposed golf course. The consultant team also researched and analyzed market data, reviewed preliminary golf course plans and reviewed data and materials to aid in the understanding of the area golf market.

NGF's findings indicate there is a clear and demonstrated market support for a new public golf course at the Great Park with strong revenue generation potential. As potential site constraints (such as size, topography and water irrigation issues) are overcome through final design, the resulting golf facility should be very popular among golfers of all skill levels. The recommended market position for the new golf course is for resident and non-resident fees to be established in the upper-middle range using a bifurcated market positioning strategy considering prime and non-prime times. Cash flow projections indicate that the Golf Course, considering 55,000 rounds played annually, would generate an estimated net income of \$652,000 by year 4 of operations, including a dedication for capital reserves (5 percent of revenue) and contingency fund (5 percent of expenses). As is common with new golf courses, the City should anticipate a modest "grow-in" period of 1-4 years for rounds and revenue to stabilize.

There are 17 golf facilities within a 10-mile radius of the Great Park site; 10 of which are public courses. Five of these 10 public facilities are positioned at a "premium" price point and four are "value" priced. Only one public golf course within a 10-mile radius is positioned in the mid-range and the mid-range price point appears to be significantly undersupplied. In the 10-mile market area there are about 13 times as many golfing households per 18 holes of "standard" or mid-range price point as compared to national benchmark data. Although the introduction of the Great Park Golf Course into the local golf market may impact the market share of existing courses, the market data indicates strong support of golf at this (mid to upper-mid) price point. Local demographics and growth factors, economics, weather, location and tourism opportunities are positive market indicators specific to the Great Park location.

NGF has estimated the economic performance of the new City public golf course under the assumption of experienced professional management in place at the facility from its initial opening. As noted in NGF's financial pro-forma, expenditures include a provision for approximately \$150,000 annually for management fee expenses. This is a base management fee only. As is typical with management contract agreements, incentive fees may also be paid based on performance. In consideration of the complexities of operating a golf facility and the large food and beverage component, NGF recommends that the most viable operating structure for the City would be management by an experienced third-party golf management entity in the form of an operating lease or management contract.

ALTERNATIVES CONSIDERED

The information contained within the market feasibility report prepared by NGF may be used to guide and inform the Board and the City Council on decisions related to golf course operations. The Board may choose to proceed with the golf course as indicated within the ALA II or may direct staff to explore options through the Cultural Terrace Joint Studies given

Five Point's willingness to meet with the City on this matter. The golf course is contractually obligated in the ALA II and a change would require Five Point's consent. The Board may direct staff to seek additional information and conduct further market research in consideration of advancing the development of the golf course at the Great Park.

FINANCIAL IMPACT

According to the financial pro-forma provided by NGF (page 48 of the feasibility analysis), the City may realize a net income of \$630,000 by the fourth year of operation. Estimates do not include consideration of City staff costs or time associated with oversight of the third-party provider, or equipment and furnishings (startup costs) that may not be included within the development agreement. The projections are based on the assumption that the course would be managed by a third-party provider and that the golf course would be positioned in the upper middle range of the market, generating 55,000 annual rounds played by its fourth year of operation. Recommendations on market position, price point and rounds played is consistent with the analysis provided by Pro Forma Advisors LLC in 2013. The inclusion of the golf course was proposed and included in the ALA II as an economic means, through a positive cash flow, to offset projected losses at the Great Park Sports Complex.

As the table below shows, there is a difference in Pro Forma's net operating income projections of \$1,008,000 versus NGF's net operating income projections of \$630,000. Differences are attributable to variations in individual revenue metrics and capture of cost of sales. Refinement in actual expenses, including utility rates, and increased assumptions for contingencies (5 percent of expenses) and capital reserves (5 percent of revenue) is included in the NGF model.

Metric	Pro Forma (2013)	NGF (2017)
Green Fees	\$2,475,000	\$2,292,000
Cart Fees	\$550,000	\$736,000
Driving Range	\$320,000	\$233,000
Golf School	N/A	\$233,000
Merchandise	\$275,000	\$292,000
Snack Bar	\$330,000	\$525,000
Banquets	\$1,200,000	\$1,015,000
Rentals and Misc.	\$100,000	\$88,000
<i>Cost of Sales</i>	(\$682,000)	(\$1,580,000)
Total Revenue	\$4,568,000	\$4,256,000
Total Expenses	(\$3,410,000)	(\$3,203,000)
Capital Reserve	(\$150,000)	(\$271,000)
Contingency	N/A	(\$151,000)
Income	\$1,008,000	\$630,000

REPORT PREPARED BY Laurie Hoffman, Director of Community Services

ATTACHMENTS:

1. Pro Forma Advisors LLC June 2013 Market Summary Report
2. October 25, 2016 Orange County Great Park Board Meeting Minutes
3. October 31, 2016 City of Irvine letter to Five Point
4. November 17, 2016 Response letter from Five Point
5. January 24, 2017 Orange County Great Park and City Council Meeting Minutes
6. April 2017 National Golf Foundation Feasibility Study Report



Pro Forma
Advisors LLC

Summary Report:

Analysis of Market Support Great Park Golf Club

Irvine, California

Prepared for: **Five Point Communities**

Prepared by: **Pro Forma Advisors, LLC**

June 2013

PFAID: 10-486

Version: 1.0

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General Limiting Conditions

Certain information included in this report contains forward-looking estimates, projections and/or statements. Pro Forma Advisors LLC has based these projections, estimates and/or statements on expected future events. These forward-looking items include statements that reflect our existing beliefs and knowledge regarding the operating environment, existing trends, existing plans, objectives, goals, expectations, anticipations, results of operations, future performance and business plans.

Further, statements that include the words "may," "could," "should," "would," "believe," "expect," "anticipate," "estimate," "intend," "plan," "project," or other words or expressions of similar meaning have been utilized. These statements reflect our judgment on the date they are made and we undertake no duty to update such statements in the future.

No warranty or representation is made by Pro Forma Advisors that any of the projected values or results contained in this study will actually be achieved.

Although we believe that the expectations in these reports are reasonable, any or all of the estimates or projections in this report may prove to be incorrect. To the extent possible, we have attempted to verify and confirm estimates and assumptions used in this analysis. However, some assumptions inevitably will not materialize as a result of inaccurate assumptions or as a consequence of known or unknown risks and uncertainties and unanticipated events and circumstances, which may occur. Consequently, actual results achieved during the period covered by our analysis will vary from our estimates and the variations may be material. As such, Pro Forma Advisors accepts no liability in relation to the estimates provided herein.

In the production of this report, Pro Forma Advisors has served solely in the capacity of consultant and Pro Forma Advisors has not rendered any "expert" opinions and does not hold itself out as an "expert" (as the term "expert" is defined in Section 11 of the Securities Act of 1933).

This report is not to be used in conjunction with any public or private offering of securities, and may not be relied upon without the express written consent of Pro Forma Advisors.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions, and considerations.

I. Introduction

Five Point Communities is in the process of preparing a land use development program for the sports complex within The Great Park Neighborhoods, located on a portion of the 3,700-acre former El Toro MCAS. A component of the proposed sports complex is an 18-hole regulation length golf course--The Great Park Golf Club (GPGC). As envisioned, the GPGC would be a public access facility consisting of an 18-hole par-72 golf course, double-ended practice range, 25,000-square-foot clubhouse, and other support facilities.

As part of the overall planning process, Five Point Communities retained Pro Forma Advisors (PFA) to assist in the evaluation of market support and pro-forma financial performance of the golf complex. The following report contains an analysis of the Orange County public golf market and evaluates potential performance of the proposed project. While preliminary design work has been completed for the golf course, the project concept is in its early working stage and subject to modification. As such, the findings regarding course performance should be treated as preliminary, subject to refinement and modification as additional design work is completed.

The work program consisted of a number of tasks:

- ▶ Review of the project concept and property characteristics
- ▶ Analysis of Orange County golf market demand and supply conditions
- ▶ A survey of competitive golf courses in the region to document their characteristics and performance level
- ▶ Interviews with golf course management companies currently serving the market regarding their market observations and experience
- ▶ A review of operating expense profiles of similarly positioned golf courses
- ▶ Analysis of market share and market positioning
- ▶ Preparation of pro forma financial performance of GPGC

Following this Introduction, Section II presents a summary of findings and conclusions. Sections III through VI contain data and analysis regarding the golf market and subject property potentials.



II. Summary of Findings

Based on an assessment of current and anticipated future golf market conditions, subject site characteristics, and selected other factors and considerations, the findings regarding potential market support and financial performance of the Great Park Golf Club (GPGC) are summarized below. Substantiation and documentation of the findings are contained in subsequent sections of the report.

The GPGC Project

- ▶ The GPGC would be developed on the site of the former El Toro MCAS, within Orange County's Great Park. The golf course would be part of the proposed Great Park Sports Complex, a world-class multi-use facility designed to accommodate a range of high quality play fields and sporting venues.
- ▶ The GPGC site presents an outstanding property which is highly suitable for golf course development. Similar to the Oak Creek Golf Club and Tustin Ranch Golf Club sites in Irvine and Tustin, respectively, a high quality golf course can be developed on the subject property at a relatively affordable cost. The property is of sufficient size and configuration, with few constraints, to accommodate a quality 18-hole regulation length course.
- ▶ Regional access to the proposed golf course is outstanding as the site is located in the heart of Orange County. Local access also is very good, with nearby freeway interchanges serving the area.
- ▶ The preliminary concept for the golf course consists of the following elements:
 - 18-hole par-72 regulation length golf course (7,000+ yards)
 - Double-ended lighted golf practice range, with a minimum of 40 tee stations
 - Full service, 25,000-square-foot clubhouse with restaurant, banquet space, pro shop and cart storage
 - Maintenance yard and other support facilities

Golf Market Conditions

- ▶ Strong demand, coupled with limited supply, resulted in excellent financial performance for public golf courses operating in the orange County golf market during the 1980s and 1990s. This outstanding performance induced substantial expansion of the golf course inventory, particularly high-end daily fee golf courses, leading to moderate oversupply conditions and some market softness.
- ▶ While the Orange County golf market, not unlike most major metropolitan markets across the country, softened between 2002 and 2012, Orange County remains one of the most attractive golf markets in the country. Demographic characteristics are very favorable to golf participation (demand), climate accommodates year-round play, golf is routinely utilized in conducting business, and a strong visitor market is available.
- ▶ Most Orange County golf courses experienced declines of 12-15 percent in golf revenues (greens fees, cart rentals, and driving range) between 2008 and 2010, before stabilizing in 2011 and posting



Summary of Findings

modest improvement in 2012 and 2013. The improved performance, in part, is attributed to favorable weather conditions. Nonetheless, the market has clearly stabilized and demonstrated positive growth.

- ▶ While all segments of the golf market have been affected, much of the market softness is concentrated in the high-end daily fee and private club segments of the market. The mid-market daily fee segment (\$40-\$60 greens fees) has emerged as the most productive and resilient market positioning, with substantial depth and appeal to most golfers interested in maximizing the value of their golf experience.
- ▶ There are very limited opportunities to develop additional golf in Orange County, with the GPGC representing one of the few, and perhaps only, viable opportunity. While there are potential golf course sites available in the Inland Empire, due primarily to economic considerations, there are no golf projects likely to be developed in this region in the foreseeable term.
- ▶ Future mid- and long-term growth in regional golf demand will be influenced by population growth, the aging of the baby boom segment, propensities and frequency of play, and the health of the economy. Depending on projected demographic shifts, change in propensities to play golf, the future fee structure, changes in the inventory of courses, and other such factors, most models predict annualized growth between .5 and 1.5 percent over the mid- to long-term.

GPGC Projected Performance

- ▶ Based on the proposed GPGC development concept, locational and other characteristics of the subject site, current and anticipated future golf market conditions, and performance of similar positioned properties, performance for the GPGC has been projected.
- ▶ The projected performance of the golf course is predicated on a series of factors and assumptions, including the following:
 - The golf course is operated as a public-access daily fee golf course. The golf course is positioned to serve the upper-mid-market segment.
 - The course is maintained, operated, and managed by a professional golf course management firm on a fee-for-service basis.
 - Irrigation water is provided by the Irvine Ranch Water District. Consumption is estimated at 400 acre feet per year. The current rate for non-agricultural landscape use is \$550 per acre foot (\$1.27 per hundred cubic foot unit).
 - No resident greens fees discounts are offered to project or City of Irvine residents.
 - Golf carts and maintenance equipment are assumed to be leased, with lease payments treated as an annual operating expense.
 - A capital improvement reserve is funded annually for the future replacement of depreciating golf course and support facility capital improvements.
 - All monetary values are expressed in constant 2013 dollars.
- ▶ Stable year performance estimates for GPGC are as follows:



Summary of Findings

- Annual play at stabilization is projected at 55,000 rounds, of which 65-75% are expected to derive from golfers residing within a 20-minute drive time.
 - Standard 18-hole greens fees, excluding cart, are estimated at \$45 weekdays and \$65 weekends. A series of discounts would be offered to seniors and juniors, and reduced twilight and super-twilight rates would be offered. The average greens fees for total rounds is projected at \$45 per round.
 - Cart utilization is estimated at 75%. Cart rates are \$15 per golfer for 18-hole play and \$10 per golfer for twilight/super-twilight play, yielding an average cart revenue of \$10 per total round.
 - Ancillary revenue is generated from merchandise sales, golfer food and beverage sales, banquet and other special event food and beverage sales, and rentals and miscellaneous sources of income.
- Net operating income (earnings before interest, taxes, depreciation and amortization--EBITDA) at a stabilized play level, expressed in constant 2013 dollars, is projected at just over \$1 million, as shown in Table II-1. Stabilized play is expected within about three years of course opening.
 - The operating margin, defined as the ratio of net operating income to gross revenue, is projected at 19.2 percent. Similarly positioned golf courses in Southern California typically operate at margins ranging from 15 to 25 percent.
 - As golf is characterized as a fixed cost business, small changes in revenue have a large impact on net operating income. The following demonstrates the sensitivity of net operating income to minor changes in greens fees (rounds and average rate) assumptions.

GRGC Net Operating Income Sensitivity			
	Baseline	Downside	Upside
Annual Play	55,000	50,000	55,000
Average Greens Fees	\$45	\$45	\$50
Projected Income (\$000)			
Gross Revenue	\$5,250	\$4,920	\$5,525
Less: Cost of Sales	<u>682</u>	<u>655</u>	<u>682</u>
Gross Profit	\$4,568	\$4,265	\$4,843
Less: Operating Expenses	<u>\$3,560</u>	<u>3,550</u>	<u>3,570</u>
Net Operating Income	\$1,008	\$715	\$1,273

Table II-1: GRGC Projected Stable Year Net Operating Income (thousands of constant 2013 dollars)	
Gross Revenue	
Greens Fees	\$2,475
Cart Rental Fees	550
Practice Range	320
Merchandise Sales	275
Food & Beverage-Golfers	330
Food & Beverage-Banquet/Special Events	1,200
Miscellaneous	100
Total	\$5,250
Cost of Sales	
Merchandise	192
Food & Beverage	<u>490</u>
Subtotal	\$682
Gross Profit	\$4,568
Operating Expenses	
Course Maintenance	\$1,105
Golf Operations	615
Food & Beverage	690
Clubhouse Undistributed	250
General & Administrative	750
Capital Improvements Reserve	150
Total	\$3,560
Net Operating Income	\$1,008

III. Project Description and Market Area Characteristics

The following section presents a brief description of the proposed golf course project and general characteristics of the market area.

Project Description

The proposed Great Park Golf Club (GPGC) would be developed on the former El Toro MCAS within the Great Park Neighborhoods master planned residential community. The golf course would be a major component of the Great Park Sports Complex, a multi-use facility offering a broad range of world-class recreational uses.

The golf course is designed as an 18-hole, par-72 regulation length golf course measuring over 7,000 yards from the back tees. The course would be designed as a returning nine routing, with each nine offering two par-3, five par-4 and two par-5 holes. Numerous sets of tees will be offered to accommodate golfers of varying abilities.

A double-ended practice range would be developed, with a commercial tee line of 40-50 tees available for same day golfers and practice. A smaller tee line dedicated to instruction would be developed on the opposite end of the range. The range would be lighted for night use.

The course would be operated out of a large 25,000-square-foot clubhouse, consisting of a golf pro shop, golfer grill, special events areas, cart storage and other support areas. Special events/banquets with seating for as many as 250 guests would be accommodated.

Golf course irrigation is assumed to be provided by the Irvine Ranch Water District. Annual consumption is estimated at 400 acre feet. The water would be delivered to an on-course reservoir (water feature), from which it is pumped into the irrigation system. The current cost of water used for non-agricultural landscaping is \$1.27 per hundred cubic foot unit, or \$550 per acre foot. With pumping expenses, the cost of irrigation water is estimated as follows:

	Annual Amount
Irrigation Water (400 A.F. @ \$550)	\$220,000
Pumping Expenses (@ \$100)	40,000
Total Annual Irrigation Expenses	\$260,000



Project Description

Location and Access

The Great Park Golf Club property is located within Orange County's Great Park, in the City of Irvine, California. Located within two miles of the confluence of the Santa Ana (Interstate 5) and San Diego (Interstate 405) freeways, regional access to the property is excellent (see Figure III-1). The Interstate 5 and Interstate 405 freeways are two of the north-south transportation corridors serving Orange County.

Local access is very good as well (see Figure III-2). The Great Park is located near the intersection of Highway 133 (Laguna Freeway) and Trabuco Road. Highway 133 is a freeway extending from the San Joaquin Transportation Corridor on the south to the Eastern Transportation Corridor on the north, traversing both the San Diego and Santa Ana Freeways, about one mile north of the confluence of these two freeways. There is a Highway 133 freeway interchange at Irvine Boulevard, a primary north-south arterial located one mile east of Trabuco Road. From Highway 133, the Great Park is accessed by exiting the freeway at Irvine Boulevard, traveling north a short distance to Sand Canyon Avenue, west on Sand Canyon to Trabuco Road, and then south about one mile to the Great Park.

Alternatively, the Great Park can be reached by exiting Interstate 5 at Sand Canyon Avenue, traveling east one mile to Trabuco Road and then south about one mile to the Great Park.



Project Description

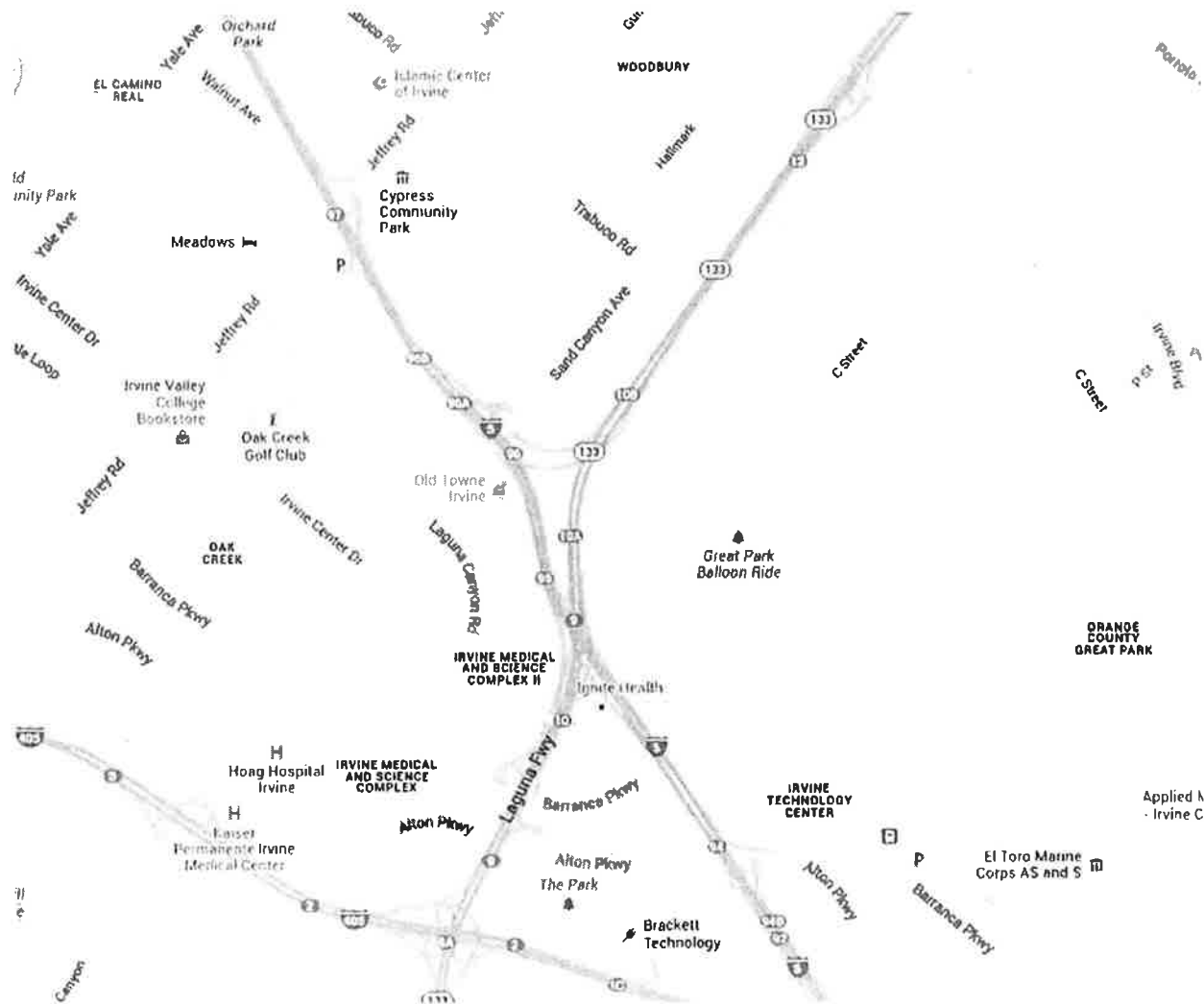


Figure III-2: Great Park Golf Club Local Access



Market Area Characteristics

Market Area Definition

The primary market area for a golf course is influenced by a number of factors including course quality, rate structure, transportation network and access, location and characteristics of competitive facilities, resident demographic attributes, and other such factors. In most urban markets, the primary market area, from which 65 to 75 percent of play is derived, is typically an area which represents approximately 20 to 30 minutes of driving time. Owing to the quality of the subject course, the location of the property, and the location of existing competitive golf courses, Pro Forma Advisors has defined the primary market area as corresponding to the area within about 15 miles of the subject. This area, representing about a 20- to 30-minute drive time from the subject, is illustrated in Figure III-3. As shown, the primary market area extends from Dana Point on the south to Costa Mesa/Santa Ana on the north, and from Irvine Coast on the west to the Santa Ana Mountain foothills on the east. The secondary market area, from which most of the remaining market support derives, is defined as the balance of the Orange County, corresponding to about a 30- to 60-minute drive time.

Demographic Characteristics

The Great Park is located in the heart of Orange County--nearly all of the 3.09 million County population lies within a 30- to 45-minute drive time. The comparative demographics of the population is shown below:

Table III-1: Orange County Demographic Summary		
	Orange County	California
Population (000)		
2000	2,846.3	33,871.6
2010	3,017.3	37,309.4
2020	3,198.3	40,643.6
2030	3,286.1	44,279.4
Average Annual Growth		
2000-2010	0.59%	0.97%
2010-2020	0.58%	0.86%
2020-2030	0.27%	0.86%
Median Age	36.2	35.3
Population 65+	11.9%	11.7
Median HH Income	\$75,760	\$61,630



Project Description

United States • CA • Orange Co

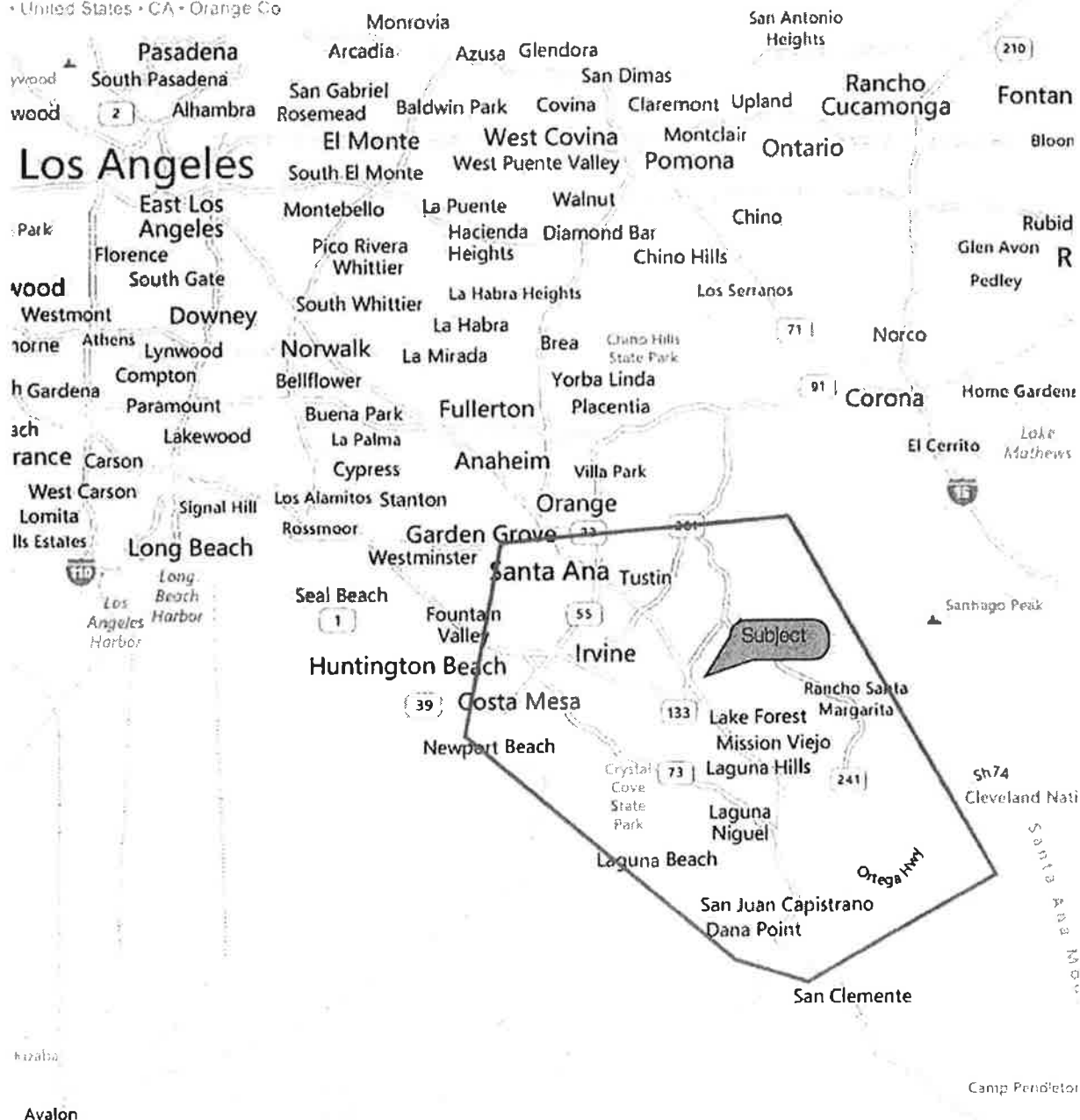


Figure III-3: Great Park Golf Club Primary Market Area



The population residing within an approximate 20-minute drive time of the subject site is just under 900,000, or about 30% of the countywide population. Between 20- and 30-minutes drive time, there is an additional 1.5 million population.

Orange County Population by Distance from Site		
Band	Population	% of Total
0-20 Minutes	900,000	29%
20-30 Minutes	1,500,000	49%
30+ Minutes	690,000	22%
Total	3,090,000	100%

The senior population is particularly important in estimating the demand for golf as the propensity and frequency of play both increase with age.

Orange County Senior Population				
Year	Population (000)			Average % Increase
	65-74	75-84	Total	
2000	148.7	98.0	246.7	---
2010	189.6	113.4	303.0	2.08%
2020	283.9	142.1	426.0	3.47%
2030	367.6	219.1	586.7	3.25%

Thus, while the total population in Orange County is projected to increase at an average rate well under 1 percent per year, the 65-84 year age cohort is projected to increase at an average annual compound rate of 3-4 percent.

Orange County Economic Conditions

Over the years Orange County has transitioned from primarily a bedroom suburban community serving Los Angeles County to a significant economic center. At this time there is a relatively even residential-employment balance.

In the past 10-15 years, Orange County's economy has undergone a fundamental restructuring caused primarily by defense downsizing during the 1990s. This restructuring is manifested by a steady decline in manufacturing employment at the same time employment in consumer and producer services have expanded.



Project Description

In general, Orange County's job growth has exceeded that of the U.S. consistently over the past 10-20 years. The rate of Orange County employment growth over the past 10-15 years has averaged slightly more than 2.0 percent annually, which has exceeded both U.S. and California employment growth.

The current April 2013 (preliminary) distribution of Orange County payroll employment by industry is summarized as follows:

Industry	Employment April 2013* (000)
Mineral Extraction/Farming	3.8
Construction	73.0
Manufacturing	158.7
Trade, Transportation & Public Utilities	243.8
Information Technology	24.5
Financial Activities	113.8
Professional Services	255.8
Education & Health Services	169.8
Leisure Services	184.5
Other Services	44.8
Government	<u>151.8</u>
Total Employment	1,424.3

*Payroll employment.

As with all major metropolitan areas of California, Orange County was significantly impacted by the severe economic downturn which commenced in the latter part of 2007. Total payroll employment declined from its peak level of 1.52 million in mid-2007 to a low point in March 2010 at 1.34 million, before rebounding sharply to its current level of 1.424 million. The unemployment rate reported in April 2013 is 5.7 percent, down considerably from the 10.0 percent peak recorded in January 2010, and significantly below the April 2013 California unemployment rate of 8.5 percent, and well under the 7.1 percent rate for the nation.

The current economy is relatively diversified, although high-tech industries and tourism represent the two main drivers of the economy. The Orange County economy clearly has stabilized, and the region presently is enjoying an extremely healthy economic recovery.



IV. Golf Market Overview

The following section presents a review and analysis of the national and regional golf market.

National Golf Market Trends

Nationwide, golf play increased steadily between the mid-1980s and 2000. As shown in Table IV-1, during this period, the total number of annual rounds played nationally increased at an average rate of 2.4 percent per year. Golf balls sold, perhaps the best indicator of play, increased at a similar rate (2.5 percent per year). This unprecedented growth in golf play was due to a number of factors including:

- An increase in the number of golfers,
- The increasing importance of golf-oriented real estate,
- Expansion of the golf tourism industry, and
- One of the longest economic expansions in the nation's history.

The increase in golf demand and the popularity of golf-related housing development during the 1990s stimulated extraordinary expansion of the national golf course inventory, primarily between 1995 and 2002, as summarized in Table IV-2. Over the full 1990-2010 period, the inventory of golf courses in the United States increased by 34 percent, while the U.S. population registered only a 24 percent gain, and golf demand (play) increased only 12 percent over this same period.

Right after the new century started, the first signs of industry problems surfaced, and have persisted for the past 10 years. While total golfers and rounds played are down industrywide, individual golf courses have experienced steeper declines in utilization, along with revenue contraction and falling net operating income, as the market totals are spread over an increased supply of facilities. Further, golf course transaction prices have declined precipitously, bankruptcies and foreclosures have become routine, and new golf course construction has virtually ceased while the number of courses closing now well exceeds new openings. The impact of market softness has been widespread and affected all segments of the market and all geographic areas.

The National Golf Foundation (NGF) reports that over the 2001-2011 period, annual golf play in the United States declined from 518 million to 449 million rounds, or over 13 percent, before rebounding somewhat in 2012. Golf ball sales, perhaps a better indicator of demand, declined by about 20-25 percent over this time period. The golf participation rate, after rising steadily through 2003, has fallen precipitously from 12.4 percent in 2004 to a current level estimated at only 9.2 percent. (It should be noted that the golfer participation rate is based on the number of golfers relative to the population over the age of 6 years old). Since 2007, the golf market has been significantly impacted by the national economic recession. Annual rounds in the U.S., according to industry reports, have declined by nearly 9 percent since 2007. Other independent sources indicate a much more severe contraction, which is borne out by golf ball sales and other market

Table IV-1: Indicators of U.S. Golf Demand (1985-2012)

Year	Rounds (millions)	Number of Golfers ¹ (millions)	Participation Rate ²	Golf Ball Sales ³ (millions of dozens)
1985	365	17.5	10.2	36.0
1990	400	27.8	13.5	42.0
1995	420	25.0	11.6	46.0
2000	518	28.8	11.7	52.2
2001	518	29.5	11.9	50.0
2002	502	29.5	12.0	46.7
2003	495	30.4	12.4	43.4
2004	499	29.5	11.5	43.4
2005	489	29.3	11.2	43.6
2006	493	29.4	11.2	44.0
2007	490	29.5	11.1	43.5
2008	481	28.6	10.7	42.2
2009	477	27.1	10.0	40.1
2010	466	26.1	9.6	-- ^{5/}
2011	460	25.5	9.2	-- ^{5/}
2012	488	25.7	9.0	-- ^{5/}
Average Annual Growth				
1985-1990	1.8%	9.7%	---	3.1%
1990-1995	1.0%	(2.1)%	---	1.8%
1995-2000	4.3%	2.9%	---	2.6%
Subtotal	2.4%	3.4%	---	2.5%
2000-2005	(1.1%)	0.3%	---	(3.5%)
2005-2010	(1.0%)	(2.3%)	---	(2.1%) ^{4/}
2010-2012	2.3%	(0.8%)	---	-- ^{5/}
^{1/} Represents golfers over 12 years of age. ^{2/} Estimated by PFA. ^{3/} Estimated by PFA based on "soft goods" sales recorded by Data Tech and golf ball manufacture sales. ^{4/} For period 2005-2009. ^{5/} Data for 2010-2012 not available in comparable format. Source: National Golf Foundation and Pro Forma Advisors LLC.				



Golf Market Overview

Table IV-2: Number of Golf Courses ¹ - U.S.				
Year	Average Annual Courses Added	Average Annual Courses Closed	Total Golf Courses ²	Average Annual Percent Change
1990	---	---	11,105	---
2002	315	15	14,725	2.96%
2006	120	60	14,968	0.80%
2007	115	95	14,988	0.13%
2008	70	105	14,953	(0.23%)
2009	50	100	14,903	(0.33%)
2010	45	110	14,838	(0.44%)
2011	35	140	14,733	(0.71%)
2012	14	155	14,592	(0.96%)
^{1/} 18-hole equivalents.				
^{2/} Includes courses added, less courses closed., 2006-2011				
Source: National Golf Foundation; and Pro Forma Advisors.				



indicators. Rounds nationally in the United States increased a rapid 5.7 percent in 2012, largely due to favorable weather in most parts of the country.

Since 2002, the construction of new courses has declined sharply, and the rate at which courses have closed has accelerated. Between 2006 and 2012, for example, the number of courses closed exceeded new course openings. New courses have been added to the inventory since 2006 at an annual rate of 70-75 courses per year, while course closings have averaged about 110 per year over this period. Despite the slowing expansion of new supply over the past five years, golf market conditions in most markets continued to deteriorate through 2010, although most markets experienced stabilization in 2011 and slight improvement in 2012 (weather adjusted).

Regional Market Trends

Golf demand in Southern California also has increased steadily over the past 10 to 20 years, with strong growth occurring since the mid- to late-1980s time period. Through the mid-1990s, there was relatively limited expansion of the inventory of golf facilities. In the early 1990s, the municipal golf courses and limited number of daily fee golf courses in Southern California were performing exceptionally well, with municipal golf course play exceeding 100,000 rounds at many Southern California courses and play on daily fee courses in the range of 60,000-80,000 annual rounds.

In response to increasing demand and a static supply situation, a number of golf courses were developed. The total number of public regulation length golf courses that have opened in Southern California since 1995 is summarized in Table IV-3.



Golf Market Overview

Table IV-3: Number of Regulation Length Public Golf Courses Opened by Year									
		Los	San	Inland		Santa		San Luis	
Year	Orange	Angeles	Diego	Empire¹	Ventura	Barbara	Kern	Obispo	Total
Up to 1995	21.0	40.5	33.0	44.5	12.5	6.5	7.0	5.0	170.0
1996	2.0	0.0	0.0	1.0	0.0	0.0	0.0	1.5	4.5
1997	1.0	0.0	0.0	1.0	0.0	0.0	0.0	1.0	3.0
1998	0.0	0.0	1.0	1.0	0.0	2.0	0.0	0.0	4.0
1999	2.5	1.0	2.0	2.0	2.0	0.0	1.0	1.0	13.5
2000	0.0	4.0	1.0	5.0	1.0	0.0	0.0	0.0	12.0
2001	3.0	0.0	1.0	1.0	1.0	0.0	0.0	0.0	7.0
2002	0.0	0.0	0.0	1.0	2.0	0.0	0.0	0.0	5.0
2003	0.0	1.0	0.5	1.0	0.0	0.0	0.0	0.0	2.5
2004	1.0	1.0	0.0	0.0	0.5	0.0	0.0	0.0	3.0
2005	0.0	0.0	1.0	0.0	0.5	0.0	0.0	1.0	3.0
2006	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2007	0.0	0.0	1.0	1.0	0.0	0.0	0.0	0.0	2.0
2008	0.0	0.0	0.0	2.0	0.5	0.0	0.0	0.0	3.0
2009	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2010	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2011	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2012	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	30.5	47.5	40.5	60.5	20.0	8.5	8.0	9.5	225.0
Change 1996-2012)									
Number	9.5	7.0	7.5	16.0	7.5	2.0	1.0	4.5	56.0
Percent	45%	17%	23%	36%	60%	31%	14%	90%	33%

¹Excludes Coachella Valley.



Golf Market Overview

As shown, these additions represent a 33 percent increase in the Southern California public golf course inventory. At the same time, six regulation length public golf courses have been closed in Southern California (Inland Empire and Orange County) over the past 6-7 years, reducing the net increase to 50 courses (29% net increase).

Orange County, with a current inventory of 28 regulation length public courses (closings include Green River 18-hole Orange Course, El Toro 18-hole course, and Ridgeline 9-hole course), represents 13.5% of the total inventory, while the County has accounted for over 17% of the additions to the inventory since 1995. There have been 9.5 new courses (18-hole equivalents) added to the golf course inventory in Orange County since 1995, providing many more options for residents of the region. No new golf courses have entered the Southern California golf market in the past four years, and none are expected to be added in the next 3-5 years. As noted, 2.5 regulation length golf courses in the County have closed over recent years.

All of the public golf course inventory expansion in Orange County was concentrated in the upper-mid and high-end course market segments such that the inventory of high quality public access courses increased from five courses in 1995 (Pelican Hill-36, Monarch Beach, Tustin Ranch, and Tijeras Creek) to 13 currently (see Table IV-4). There have been no new golf courses added to the inventory in Orange County since Arroyo Trabuco Golf Club opened in 2004.



Golf Market Overview

Table IV-4: Inventory of Orange County High Quality Daily Fee Golf Courses				
Course	# of Holes	Year Opened	Posted 18-Hole Greens Fees*	
			Weekday	Weekend
Monarch Beach	18	1983	\$185	\$210
Tustin Ranch	18	1989	110/55	160/90
Tijeras Creek	18	1990	95/60	120/80
Pelican Hill	36	1991	290	290
Coyote Hills	18	1996	70/55	90/75
Oak Creek	18	1996	130/79	175/115
Strawberry Farms	18	1997	110/75	160/115
Westridge	18	1999	58	86
Talega	18	2000	80/55	100/75
Mile Square	18	2001	38	60
Black Golf	18	2001	87/67	115/87
Arroyo Trabuco	18	2004	72/59	101/89
* Non-resident rates/resident rates. Rates include cart fee.				



Orange County Supply/Demand Conditions

There are 28 regulation length public access golf courses currently serving Orange County residents, generating an estimated 1,650,000 rounds annually. The inventory of public golf courses by market positioning is distributed as follows:

Orange County Inventory of Regulation Length Public Golf Courses				
Market Positioning	Greens Fees	Number of Courses	Percent Distribution	Average Annual Rounds/Course
Entry Level	Below \$30	9	32%	70,000
Mid-Market	\$30-\$45	8	29%	58,000
Upper-Mid Market	\$45-\$75	7	25%	52,000
High-End	\$75+	5	18%	<u>38,000</u>
Total	---	28	100%	59,000

In Orange County, a disproportionately large share of the current inventory of golf courses is concentrated in the upper-mid and high-end segments of the market. Conversely, there is a disproportionately low number of golf courses in the entry level and mid-market segments of the market. The availability of higher quality, affordable golf courses to the east in the Inland Empire provides additional capacity to golfers seeking more affordable greens fees.

The average play levels for the varying classes of courses are generally within a reasonable range for their market positioning, thus suggesting the market is near an equilibrium position. In particular, the mid-market and upper-mid market segments show reasonable market strength.

One indicator of golf market conditions is the ratio of population to golf courses. Table IV-5 presents the population per golf course ratio for Orange County compared with the State of California for two benchmark years--1990 and 2012. As shown, the current ratio for Orange County of 110,350 population per golf course is well above the statewide ratio of 76,020, indicating that there are fewer public golf courses supplied in Orange County relative to its population (demand) when compared with the State as a whole.

Suburban areas like Orange County typically require one 18-hole regulation length golf course per 100,000 population. Based on this demand factor, the County golf market is roughly in-balance at present, which is consistent with the overall health of the golf courses operating in the market. Again, though, the high end of the market is oversupplied, while the mid-market is undersupplied at present.



Table IV-5: Ratio of Orange County Population Per Golf Course						
	Population (millions)		Number of Public Access Golf Courses		Population per 18-hole Golf Course	
Year	Orange County	California	Orange County	California	Orange County	California
1990	2.41	29.32	19.5	330	123,590	88,900
2012	3.09	37.25	28.0	490	110,350	76,020
Increase (Decrease)						
Number	0.68	7.93	10.0	160	(13,240)	(12,880)
Percent	28.2%	27.1%	51.3%	48.5%	(10.7%)	(14.5%)

Golf Course Survey

Selected characteristics of a number of higher quality public access golf courses in Orange County is presented in Table IV-6. Courses surveyed include the following:

- ▶ Coyote Hills Golf Club, Fullerton
- ▶ Black Gold Golf Club, Yorba Linda
- ▶ Arroyo Trabuco Golf Club, Mission Viejo
- ▶ Strawberry Farms Golf Club, Irvine
- ▶ Oak Creek Golf Club, Irvine
- ▶ Westridge Golf Club, La Habra
- ▶ Tijeras Golf Club, Rancho Mission Viejo
- ▶ Tustin Ranch Golf Club, Tustin
- ▶ Talega Golf Club, San Clemente
- ▶ Mile Square Golf Course, Fountain Valley
- ▶ Anaheim Hills Golf Course, Anaheim
- ▶ Rancho San Joaquin Golf Course, Irvine



Table IV-6: Selected Characteristics of Orange County Regional Golf Courses

Course	Coyote Hills	Black Gold	Arroyo Trabuco	Strawberry Farms	Oak Creek	Westridge
Location	Fullerton	Yorba Linda	Mission Viejo	Irvine	Irvine	La Habra
Course Architect	Cal Olson	A. Hills	Lehman/O'Callahan	Jim Lipe	Tom Fazio	Pascuzzo/Graves
Owner	Coyote Hills Inv.	City of Yorba Linda	DMB	Jamison	The Irvine Company	Westridge Golf
Operator	American Golf	Kemper	Donovan	Jamison	Irvine Company	LMT Mgmt.
Year Opened	1996	2001	2004	1997	1996	1999
Number of Holes	18	18	18	18	18	18
Par	70	72	72	71	71	72
Course Length (back/middle)	6,510/6,007	6,856/6,439	7,011/6,602	6,712/6,287	6,834/6,515	6,600/5,885
Rating (back/middle)	71.1/68.6	73.1/71.6	73.7/71.3	72.7/70.4	71.9/70.3	72.7/68.8
Slope (back/middle)	128/120	133/130	134/129	134/129	127/123	135/126
Greens Fees (reg/club)						
18 Holes						
Weekday	\$70/55	\$87/67	\$72/59	\$110/75	\$130/79	\$58
Weekend	90/75	\$115/87	101/89	160/115	175/115	\$86
Twilight/9 Holes						
Weekday	45/40	\$55	57/48	75	75	\$44
Weekend	55/50	\$75	74/64	100	95	\$54
Super Twilight						
Weekday	30	\$39	40/35	50	55	\$34
Weekend	30	49	50/40	75	65	\$44
Seniors						
Weekday	49	\$52/43	55	65	85	\$44
Weekend	---	---	75	---	---	---
Estimated Avg. Rate	\$55	\$60	\$55	\$80	\$90	\$45
Annual Loyalty Card	\$249	---	\$135	\$395	\$219	---
Cart Fees (per player)	Included	Included	Included	Included	Included	Included
GPS Available	Included	Included	---	Yes	No	Yes
Range Balls Incl.	Yes	No	No	In WE rate	No	No
Facilities						
Clubhouse Size (s.f.)	20,000	20,000	18,000	7,000	10,000	15,000
Seating Capacity	230	200	300	350	75	485
Driving Range	Yes	Yes	Yes	Yes	Yes	Yes
# of Tees	45	22	35	35	65	35
Annual Rounds	54,000	50,000	55,000	44,000	48,000	60,000
% Twilight/9-Hole Play	20%	15%	15%	15%	12%	20%



Table IV-6 (continued): Selected Characteristics of Orange County Regional Golf Courses

Course	Tijeras Creek	Tustin Ranch	Talega	Mile Square	Anaheim Hills	San Joaquin
Location	Santa Margarita	Tustin	San Clemente	Fountain Valley	Anaheim	Irvine
Course Architect	Ted Robinson	Ted Robinson	Schmidt-Curley	Rainville	Richard Bigler	Wm. F. Bell
Owner	Pacific Mutual	Sanyo Foods	Talega Invest	Golf Partnership	Anaheim	American Golf
Operator	OB Sports	Crown	Talega Invest	Golf Partnership	Championship Golf Services	American Golf
Year Opened	1990	1989	2000	1969/2001 ^{1/}	1972	1970
Number of Holes	18	18	18	36	18	18
Par	72	72	72	72/72 ^{1/}	71	72
Length (back/middle)	6,918/6,547	6,803/6,446	6,951/6,583	6,629/6,460 ^{1/}	6,249/6,009	6,431/6,158
Rating (back/middle)	73.4/71.1	72.4/70.6	73.6/71.8	71.2/70.7 ^{1/}	69.6/68.4	70.8/69.7
Slope (back/middle)	136/129	129/124	137/130	126/119 ¹	117/114	128/125
Greens Fees (reg/club)						
18 Holes						
Weekday	\$95/60	\$110/55	\$80/55	\$34/38 ^{1/}	\$48/39	\$42
Weekend	120/80	160/90	100/75	\$48/60 ^{1/}	66/56	59
Twilight/9 Holes						
Weekday	75/50	75/45	60/45	\$19/21 ^{1/}	32/26	35
Weekend	95/70	90/65	80/65	\$25/31 ^{1/}	40/32	45
Super Twilight						
Weekday	\$45	30	45	---	20	27
Weekend	\$45	45	55	---	20	27
Seniors						
Weekday	60/50	68	65	---	\$36	29
Weekend	---	---	\$85	---	---	---
Estimated Avg. Rate	\$60	\$65	\$55	\$45	\$34	\$30
Annual Loyalty Card	\$149	\$480	\$250	---	\$175	---
Cart Fees (per player)	Included	\$20	Included	\$13 per person	Included	Included
GPS Available	No	Yes	Yes	No	Yes	No
Range Balls Incl	Yes	No	No	45%	100%	No
Facilities						
Clubhouse Size (s.f)	10,000	8,000	15,000	15,000	30,000	8,000
Seating Capacity	300	230	150	300	350	175
Driving Range	Yes	Yes	Yes	Yes	Yes	Yes
# of Tees	40	40	30	40	30	50
Annual Rounds	53,000	50,000	46,000	120,000	48,000	84,000
% Twilight/9-Hole Play	15%	10%	18%	20%	20%	25%



Golf Market Overview

Rounds and rates at golf courses surveyed is summarized in Table IV-7.

Table IV-7: Summary of Rounds and Rates at Orange County Courses Surveyed					
Golf	Standard Rates		Resident/Loyalty Club Rates		Annual
Course	Weekday	Weekend	Weekday	Weekend	Rounds
Coyote Hills	\$70	\$90	\$55	\$75	54,000
Black Gold	87	115	67	87	50,000
Arroyo Trabuco	72	101	59	89	55,000
Strawberry Farms	110	160	75	115	44,000
Oak Creek	130	175	79	115	48,000
Westridge	58	66	58	66	60,000
Tijeras Creek	95	120	60	80	53,000
Tustin Ranch	110	170	55	90	50,000
Talega	80	100	55	75	46,000
Mile Square	51	73	51	73	120,000
Anaheim Hills	48	66	39	56	48,000
Rancho San Joaquin	42	59	42	59	84,000



Based on a survey of a selected sample of the higher quality facilities serving the area, the following observations are offered.

- ▶ Entry level and mid-market public access golf courses in Orange County continue to operate at high volume, with the demand for these relatively affordable golf courses exceeding the existing supply.
- ▶ The upper-mid-market and high-end segments of the Orange County public golf market are highly competitive. There are numerous options available to regional golfers seeking a higher level golf experience at greens fees exceeding \$50 on weekdays and \$75 weekends.
- ▶ The regional public golf market, like virtually all other areas of Southern California, experienced a sharp downturn with the onset of the severe economic recession of 2007, although the market has clearly stabilized in 2012 and shown modest improvement in 2013. Even with the modest gains in the past two years, play levels at most golf courses in the region are still 10-15 percent below their levels achieved in the 2007-2008 period.
- ▶ There are a number of high quality golf options available to Orange County residents in the Inland Empire. These golf courses in the western Riverside and San Bernardino County area offer a high quality golf experience at greens fees which are discounted 30% to 50% compared with comparable Orange County courses.
- ▶ Over the past four years, posted weekday and weekend greens fees have generally remained unchanged, with some courses reducing, and some increasing, rates slightly.
- ▶ Numerous specials and other discounts have increased in importance in recent years, primarily related to weekday play. Increasingly, frequent player clubs and other loyalty programs have been offered which feature discounted greens fees.
- ▶ As a result, the average greens/cart fee declined slightly at most courses between 2001 and 2007, showing more pronounced declines in 2008-2012 period.
- ▶ Weekend play levels remain moderately strong. However, there is strong competition for golf play during weekdays.
- ▶ Many of the higher quality daily fee golf courses in the region offer an annual membership program. Typically, these courses offer a range of programs such as 7-day unlimited golf, weekday unlimited golf, single memberships, family memberships, and corporate memberships in an effort to tailor the offering to individual needs. At many courses, 50-100 such memberships are sold annually. Unlimited 7-day annual memberships are priced between \$3,000 and \$4,000 for single and \$4,000 to \$5,000 for couples/families. Weekday annual memberships typically are discounted about 40 percent.
- ▶ There also are numerous programs which require a nominal annual fee (less than \$200) which provide greens fee discounts. In effect, these are loyalty programs. Greens fee discounts generally range from 10 to 20 percent off posted rates at mid-market courses, and 25 to 50% at high-end courses. Discounts of 10 to 15 percent applied to merchandise and food and beverage sales also are offered.

V. Great Park Golf Club Market Potential

Based on the characteristics of the Great Park Golf Club and golf market considerations, potential performance for an 18-hole public access golf course within the Great Park in Irvine is presented below.

Market Positioning

There are 28 regulation length public access golf courses in Orange County serving a broad spectrum of the market, from entry level courses such as Willowick in Garden Grove to Pelican Hill on the Irvine Coast. As previously noted, the Orange County golf market, overall, is generally in-balance. Typically, 10-20 percent of the public golf course inventory is positioned to serve the high end of the market. In Orange County, 10-12 of the 28 golf course are classified as upper-mid or high-end daily fee courses, indicating that the high end segment of the golf market is over-served. At the same time, the entry level and mid-market segments of the public golf market are under-served at present. The under-served character of the market is evidenced by the high play levels on the municipal golf courses serving the market, which averages about 75,000 to 80,000 rounds per 18-hole golf course per year.

The notable strength in the Southern California golf market is the mid- to upper-mid daily fee market segment--those golf course which provide a quality golf experience at a relatively affordable price. These high value courses command 18-hole greens fees of \$35-\$45 on weekdays and \$50-60 on weekends, plus cart. Prime examples of Southern California golf courses developed over the past 15 years which are oriented toward the mid- to upper-mid market include:

Course	Location	Greens Fees (including cart)		Annual Rounds
		Weekday	Weekend	
Rustic Canyon	Moorpark	\$58	\$81	55,000
Encinitas Ranch	Encinitas	61	78	65,000
Goose Creek	Mira Loma	49	75	55,000
Arroyo Trabuco	Mission Viejo	59	89	60,000
The Vineyards	Escondido	49	65	55,000

The appropriate positioning for a golf course depends on numerous factors including, but not limited to, market demographics, competitive courses, development objectives, available funding, and support facility requirements. For the development of the Great Park Golf Club, an upper-mid-market positioning appears to be warranted. In effect, the golf course would be positioned similarly to regional golf courses such as Arroyo Trabuco, Black Gold, Coyote Hills and Tijeras Creek, and just below the higher end daily fee courses such as Oak Creek and Strawberry Farms. Over the past 10 years, this segment of the golf market has proven to be the most productive as it provides the greatest value to golfers, combining quality golf experience with relatively affordable pricing.



It is recommended that the Great Park Golf Club be positioned to serve the mid- to upper-mid public golf market segment. A greens fees structure of \$45 weekday (\$60 including cart) and \$65 weekend (\$80 including cart) is considered reasonable and attainable:

	Greens Fees (excluding cart)	
	Weekday	Weekend
18-Hole Standard	\$45	\$65
Senior	\$35	
Junior	\$20	\$25
Twilight	\$25	\$40
Super-Twilight	\$20	\$20

Carts would be optional, with an 18-hole fee of \$15 per golfer (\$10 for twilight and super-twilight).

Golf Course Utilization

Given the greens fees structure, stabilized annual play is projected at 55,000 rounds, expected to be reached within three years of opening. About 70% of play is expected to derive from residents of the primary market area (20-minute drive time), or just under 40,000 rounds per year. Most of the balance of the play would derive from Orange County residents outside the primary market area.



VI. Projected Financial Performance

Based on the data and analysis presented in earlier sections of the report, the following section contains projections of financial performance for the proposed Great Park Golf Club.

Operating Assumptions

Net operating income for the Great Park Golf Club is projected based on a series of underlying factors and assumptions. Subsequently, the economics of the golf course is tested by varying several of the key assumptions.

Projectwide Assumptions

The principal baseline projectwide assumptions are as follows:

- ▶ The course is operated as a public access course.
- ▶ The golf course is assumed to be owned by a public agency, and thus not subject to possessory interest property taxes.
- ▶ A state-of-the-art, double ended practice range is developed as part of the overall complex.
- ▶ The golf course is operated by a professional golf course management company under a fee-for-service operating agreement.
- ▶ All management, operating and maintenance is provided by golf course employees at the prevailing private sector compensation structure.
- ▶ The golf course is supported by a 25,000-square-foot clubhouse, which includes a covered 5,000-square foot pavilion and 5,000-square-foot cart storage component.
- ▶ The source of golf course irrigation water is the Irvine Ranch Water District. Consumption is estimated at 400 acre feet per year, and the water is priced at \$550 per acre foot (\$1.27 per CCF), the "base" rate for non-agricultural landscape uses.
- ▶ Operating expenses include cart lease payments and a maintenance equipment replacement reserve/lease payment allowance. No provision for depreciation, amortization or interest is included. An allowance for a typical golf course professional management fee is included.
- ▶ The food and beverage operation is under the full direction of the golf course operator.
- ▶ All revenue and expense factors shown in this documentation are expressed in constant 2013 dollars.

Project Revenues

The following revenue assumptions are considered reasonable and consistent with the preferred market positioning of the golf course. Note that all monetary values are expressed in constant 2013 dollars.



Annual Rounds

Annual total rounds, including complimentary play, are projected as follows (assumes no resident discounts are offered):

<u>Year</u>	<u>Annual Rounds</u>
1	50,000
2	53,000
3+	55,000

Paid rounds are expected to account for 95% of total rounds played.

Greens Fees

The average greens fees generated at a course reflects the posted greens fees, senior rates, other discount programs offered, and mix of play. The greens fees revenue per daily fee round is projected at \$45, based on a standard 18-hole greens fees structure of \$45 weekdays and \$65 weekends, excluding cart, and a senior rate of \$35, excluding cart.

Cart Revenue

Cart fees are \$15 per player for 18 holes and \$10 per player for twilight/9-hole play. Cart utilization is estimated at 70-80%, yielding average cart revenue of \$10 per round.

Practice Range

GRGC will feature a state-of-the-art, double-ended, golf practice range with 40 tee stations on one end for same-day golfers and practice, and 10-15 tee stations on the far end dedicated to instruction. With night lighting, gross revenue is projected at \$8,000 per tee station (40 stations) per year, or \$320,000 annually at stabilization.

Merchandise

Merchandise revenue is projected at \$5.00 per round.

Food and Beverage

Food and beverage revenue is projected at \$6 per golfer, plus \$1.2 million in banquet/special event and non-golfer revenue.

Other Miscellaneous Revenue

Revenue from club rentals, site fees, tournament fees, instruction, and the like is estimated at \$100,000 per year.

Cost of Sales

The cost of sales relates to the cost of retail merchandise and food and beverage purchased for resale:

Department	Percent of Revenue
Retail Merchandise	70%
Food and Beverage	32%

Operating Expenses

Operating expense projections reflect operation of the Great Park Golf Club by a typical national professional golf operator. Table VI-1 presents comparative operating expenses at selected high quality daily fee golf courses by major expense category. Note that food and beverage expenses have been excluded as these relate specifically to the type and magnitude of food service offered.

Pro Forma Advisors' estimate of stable-year operating expenses for the Great Park Golf Club, with appropriate adjustments, also are shown in the table. The estimated expenses include a provision for course capital replacement reserve and management fee.

The following briefly discusses the principal expenses.

Course Maintenance

Excluding water and maintenance equipment replacement reserves, annual course maintenance is projected at \$775,000 (\$43,000 per hole). This level is in line with comparable upper-mid-market daily fee courses in Southern California. The salaries reflect a full-time maintenance staff of about 14 and are consistent with the wage structure of multi-course professional operators in the region.

The total cost for course irrigation water and utilities are based on water consumption of 400 acre-feet of potable water at \$550 per acre-foot (\$1.27 per hundred cubic feet). In addition, pumping expenses of \$40,000 per year (\$100 per acre-foot) are included.

An expense allocation of \$75,000 for lease of maintenance equipment is consistent with maintaining a full complement of high quality maintenance equipment.



Financial Performance

	A	B	C	D	E	Great Park Golf Club Projected
Course Maintenance						
Salaries and Benefits	\$ 500	\$ 595	\$500	\$ 495	\$450	\$550
Services and Supplies	320	294	210	220	283	225
Water and Utilities	205	185	375	275	350	255
Maintenance Equipment	45	---	10	140	8	75
Subtotal	\$1,070	\$1,074	\$1,095	\$1,130	\$1,091	\$1,105
Golf Operations						
Salaries and Benefits ¹	\$165	\$ 250	\$130	\$ 245	\$131	\$200
Cart Leases	85	65	140	75	141	130
Outside Services	100	50	125	90	123	175
Practice Range	15	50	50	55	50	75
Services and Supplies	20	34	55	85	56	35
Subtotal	\$385	\$ 450	\$500	\$ 550	\$501	\$615
Clubhouse Undistributed	\$195	\$ 59	\$200	\$ 60	\$198	\$250
General and Administrative						
Salaries and Benefits	\$125	\$ 143	185	\$ 200	\$186	\$175
Insurance	60	4	45	30	46	50
Property Taxes	200	284	195	15	197	---
Advertising and Marketing	60	84	---	25	---	150
Credit Card	90		60		---	75
Services and Supplies	215	146	105	185	156	150
Base Management Fee	180	154	---	165	---	150
Subtotal	\$930	\$ 815	\$590	\$ 720	\$585	\$750
Course Capital Reserve	---	---	---	---	---	150
Total	\$2,580	\$2,397	\$2,385	\$2,460	\$2,375	\$2,870

Golf Operations

The Great Park Golf Club will provide a high level of customer service. Overall, Pro Forma Advisors has projected stable-year golf operations expenditures consistent of the average of the high-end daily fee courses shown. Again, the staffing and wage levels are consistent with experience at professionally managed courses.

Clubhouse Undistributed

Undistributed clubhouse expenses (utilities, landscape maintenance, janitorial, replacement reserves, maintenance supplies, and repairs) typically are in the range of \$10 per square foot of building area (including cart storage) per year. Undistributed expenses for the 25,000-square-foot clubhouse for GPGC are indicated at \$250,000, equal to \$10.00 per square foot per year.

Food and Beverage

Food and beverage operating expenses at comparable Southern California high-end daily fee courses typically represent 40 to 50 percent of gross food and beverage revenue. Pro Forma Advisors projects a ratio of 45 percent for GPGC, reflecting the substantial portion of revenue attributable to banquets and special events, where operating expense ratios are relatively low.

General and Administrative

- **Salaries and Benefits** - With a professional management company overseeing operations and providing specialized backup resources, Pro Forma Advisors projects on-site G&A payroll at \$175,000 annually.
- **Property Taxes** - As noted, this analysis assumes the course is owned by a public agency and operated under a fee-for-service management agreement. As such, the golf course would not be subject to possessory interest property taxes.
- **Insurance** - General liability and property insurance is projected at \$50,000 per year for the 18-hole facility and clubhouse. Typically, insurance ranges from \$40,000-\$75,000 per 18-hole course.
- **Advertising** - Pro Forma Advisors projects a \$150,000 annual advertising budget, equal to just under 3.0 percent of gross revenue.
- **Other Services and Supplies** - Other expenses are estimated at \$225,000 per year for supplies, printing, travel, entertainment, credit card fees, telephone, audit, data processing, and other similar expenses.
- **Management Fee** - Management fees (base plus incentive) for courses of this caliber generally range from \$120,000 to \$200,000 per year, or about 3-4 percent of gross revenue. Pro Forma Advisors has



included a base management fee of \$150,000 (FY2013 dollars) per year, equal to about 3.0 percent of stabilized gross revenue.

Course Capital Reserve

An allocation of \$150,000 per year for course replacement reserve (irrigation system, greens, tees, bunkers, water features, clubhouse, and support facilities), which equates to about 3.0 percent of gross revenue, is consistent with other high quality daily fee golf courses.

Stable Year Net Operating Income

Net operating income is defined as earnings before interest, taxes, depreciation and amortization (EBITDA). Allowances for cart lease and maintenance equipment lease/replacement reserve, and an overall capital improvement replacement reserve fund, are included in the analysis.

Based on the series of estimates and assumptions presented above, stable-year net operating income for the Great Park Golf Club is projected in Table VI-2. As shown, based on a stabilized play level of 55,000 rounds, stable-year net operating income is projected at just over \$1 million on gross revenue of \$5.25 million. The projected net operating income is expressed in constant 2013 dollars.

The operating margin, defined as the ratio of net operating income (EBITDA) to total gross revenue, is projected at 19.2 percent. Depending on the volume of food and beverage revenue, where operating margins tend to be lower than that for golf departments, operating ratios for similarly positioned golf courses in Southern California typically range from 15% to 25%.



Table VI-2: Great Park Golf Club Stabilized Net Operating Income (constant 2013 dollars)		(thousands of)
Gross Revenue	Greens Fees (55,000 @\$45.00)	\$2,475
	Cart Fees (@\$10.00)	550
	Practice Range	320
	Pro Shop/Merchandise (@\$5.00)	275
	Food & Beverage-Golfers (@\$6.00)	330
	Food & Beverage-Special Event/Banquet	1,200
	Other Miscellaneous	100
	Gross Revenue	\$5,250
Cost of Sales	Pro Shop/Merchandise (@70%)	\$192
	Food & Beverage (@32%)	490
	Subtotal Cost of Sales	\$682
Gross Profit	Gross Profit	\$4,568
Operating Expenses		
Course Maintenance	Salaries & Benefits	\$550
	Water & Utilities	225
	Services & Supplies	255
	Maintenance Equip. Replacement Reserve	75
	Subtotal Course Maintenance	\$1,105
Golf Operations	Pro Shop Staff	\$200
	Cart Lease/GPS lease	130
	Cart/Range/Outside Services	250
	Services & Supplies	35
	Subtotal Golf Operations	\$615
Food & Beverage	F&B Operating Expenses (@45%)	\$690
Clubhouse Undistributed	Clubhouse Undistributed (@\$10/sf)	\$250
General & Admin	Salaries & Benefits	\$175
	Insurance	50
	Property Taxes	225
	Other Services/Supplies	225
	Advertising & Promotion	150
	Base Management Fee	150
	Subtotal G&A	\$750
Capital Reserve	Capital Reserve	\$150
Total Expenses		\$3,560
Net Operating Income		\$1,008

Sensitivity Analysis

As golf is characterized as a fixed cost business, small changes in revenue have a large impact on net operating income. The following demonstrates the sensitivity of net operating income to minor changes in greens fees (rounds and average rate) assumptions.

	Baseline	Downside	Upside
Annual Play	55,000	50,000	55,000
Average Greens Fees	\$45	\$45	\$50
Projected Income (\$000)			
Gross Revenue	\$5,250	\$4,920	\$5,525
Less: Cost of Sales	682	655	682
Gross Profit	\$4,568	\$4,265	\$4,843
Less: Operating Expenses	<u>\$3,560</u>	<u>3,550</u>	<u>3,570</u>
Net Operating Income	\$1,008	\$715	\$1,273



MINUTES

Steven Choi
Chairman

Lynn Schott
Vice Chairwoman

Beth Krom
Director

Jeffrey Lalloway
Director

Christina Shea
Director

ORANGE COUNTY GREAT PARK BOARD REGULAR MEETING

October 25, 2016
City Council Chamber
One Civic Center Plaza
Irvine, CA 92606

CALL TO ORDER

A regular meeting of the Orange County Great Park Board of Directors was called to order on October 25, 2016 at 2:04 p.m. in the City Council Chamber; Chair Choi presiding.

ROLL CALL

Present:	5	Director:	Beth Krom
		Director:	Jeffrey Lalloway
		Director:	Christina Shea
		Vice Chairwoman:	Lynn Schott*
		Chairman:	Steven Choi

*Vice Chairwoman Schott arrived at 2:07 p.m.

PLEDGE OF ALLEGIANCE

Chairman Choi led the Pledge of Allegiance.

DIRECTOR, OCGP, REPORT

Pete Carmichael, Director, Orange County Great Park, provided a brief update on construction activity and permitting status at the Great Park, including progress of Sports Park Phase I and architectural plans for the Ice Facility. He also introduced Chris Koster, Manager of Great Park Planning and Development.

BOARDMEMBER REPORTS

There were no Director reports.

ADDITIONS AND DELETIONS

There were none.

1. CONSENT CALENDAR

ACTION: Moved by Director Shea, seconded by Director Lalloway, and unanimously carried to approve Consent Calendar Item Nos. 1.1 and 1.2.

1.1 MINUTES

ACTION:

Approved the minutes of the regular meeting of the Orange County Great Park Board held on October 25, 2016.

1.2 LETTER AGREEMENT WITH HERITAGE FIELDS EL TORO, LLC DOCUMENTING 688-ACRE BOUNDARY ADJUSTMENT

ACTION:

Recommended that the City Council approve and authorize the Mayor to execute a Letter Agreement between the City of Irvine and Heritage Fields El Toro, LLC documenting the boundary modification for the 688-acre Great Park Improvement Area previously approved by the City Council.

2. BOARD BUSINESS

2.1 ORANGE COUNTY GREAT PARK SPORTS COMPLEX FIELD ALLOCATION AND FEE POLICY

Ed Crofts, Community Services Manager, and Kim Mahon, Management Analyst II, presented the staff report and responded to questions.

Board discussion included: noting the approach taken to introduce community recommendations through the Sports Committee; questioned the fee structure for non-tournament and tournament permit fees and the

differences between fee categories; noted the inclusion of reduced fees for Irvine youth sports; importance of a proper cost recovery model and adjusting as needed to obtain optimal cost recovery; significance of preserving the intent of the Great Park to serve as a neighborhood park for nearby residents; and noted that the Great Park was a combination of a community, citywide and countywide park.

ACTION: Moved by Director Lalloway, seconded by Vice Chairwoman Schott, and unanimously carried to:

Recommend that the City Council adopt – A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE, CALIFORNIA, TO ADOPT THE ORANGE COUNTY GREAT PARK SPORTS COMPLEX FIELD ALLOCATION AND FEE POLICY

2.2 REQUEST FOR QUALIFICATIONS AND PROPOSALS FOR THE DESIGN, DEVELOPMENT, LEASE, AND OPERATION OF A WATERPARK AT THE ORANGE COUNTY GREAT PARK

Pete Carmichael, Director, Orange County Great Park, presented the staff report and responded to questions.

Courtney Santos, Irvine resident, spoke in favor of a waterpark at the Orange County Great Park.

Board discussion included: whether a site tour was a mandatory component of the Request for Proposals (RFP) process and if bidders would be disqualified if they did not participate; questioned the process for distributing the RFP; whether a suitable roadway system existed to handle ingress and egress; noted the importance of intelligent planning and not moving forward until the project was fully analyzed and vetted; expressed concern about a false expectation of immediate gratification; questioned the timeline associated with necessary infrastructure; noted the importance of being proactive and moving forward with the project; questioned qualification requirements; expressed concern about changing amenities and the impacts to the overall character of the Great Park; expressed concern about potential noise and traffic impacts; ability to reject all bids if City's needs were not met; expressed concern that bidders may not respond properly due to the lack of a specific site; evaluating proposals based on experience, financial ability, and public benefits brought forth by each entity; and exploring public/private partnerships.

ACTION: Moved by Director Shea, seconded by Director Lalloway, and unanimously carried to:

Approve and authorize staff to release a Request for Qualifications and Proposals for the Design, Development, Lease, and Operation of a waterpark at the Orange County Great Park, substantially in the form attached to the staff report.

2.3 REQUEST FOR PROPOSALS FOR DESIGN REVIEW SERVICES AND MARKET FEASIBILITY STUDY FOR THE ORANGE COUNTY GREAT PARK GOLF COURSE

Pete Carmichael, Director, Orange County Great Park, presented the staff report and responded to questions.

Board discussion included: concern with amount of land dedicated for the golf course; modifying the golf course to nine holes in an effort to allow more space for passive use; possibility of also using some of the land for the proposed waterpark; potential financial impacts to private golf courses in the City if a public golf course was built at the Great Park; whether concurrence from Five Point Communities (FivePoint) was required to remove or amend the golf course site; suggested continuing the item indefinitely while other features of the Great Park were completed to determine how the land could be best used; and questioned community interest for the golf course.

Jeffrey Melching, Board Counsel, noted that the City was contractually obligated under the Adjacent Landowner Agreement (ALA II) to move forward with the golf course and that mutual consent from both parties was required in order to remove a major design element.

ACTION: Moved by Director Krom, seconded by Vice Chairwoman Schott, to:

Continue the matter indefinitely and not proceed until such time as the Board is able to see how the balance of what is currently under development and is currently subject to Requests for Proposals proceeds.

Chairman Choi suggested amending the main motion to direct staff to confer with FivePoint to determine its interest and flexibility in adjusting the golf course to nine holes, and returning to the Board within six months, to which Director Krom stated her preference to keep her original motion intact.

Additional discussion included: lack of necessary infrastructure to access proposed amenities, further noting that the Marine Way expansion project has not yet been completed; commitment to the public engagement process; whether approval of an Request For Proposal (RFP) would provide staff with the tools needed to move forward with the evaluation process; whether approval of an RFP obligated the City to build the golf course; whether a formal process in the ALA II was required to change or remove an amenity; questioned whether discussion of amending or eliminating the golf course was allowed based how the item was agendaized, noting that discussion pertained to a feasibility study as opposed to a modification to the ALA II; and suggested that the motion moved by Director Krom be bifurcated.

Sean Joyce, City Manager, noted that if directed to do so, staff would approach FivePoint and inquire as to its interest in reconsidering its obligation with respect to the development of the golf course; and in addition, staff was seeking authority to move forward with the RFP to have the necessary resources available in the event that FivePoint was unwilling to reconsider its obligation.

ACTION: A substitute motion was made by Vice Chairwoman Schott, seconded by Director Lalloway, to:

- 1) Direct staff to engage Five Point Communities to determine its interest in revisiting the contractual obligation of building a golf course under the Adjacent Landowner Agreement II (ALA II) and its willingness to change or remove.
- 2) Approve and authorize staff to release a Request for Proposals for design review services and market feasibility study for the Orange County Great Park Golf Course, substantially in the form attached to the staff report.

The motion carried as follows:

AYES: 4 DIRECTORS: Krom, Lalloway, Schott and Choi

NOES: 1 DIRECTORS: Shea

ABSENT: 0 DIRECTORS: None

PUBLIC COMMENTS

Courtney Santos, Irvine resident, spoke in support of the public engagement process while also continuing to move forward with development of the Great Park.

John Forsyte, Pacific Symphony President, spoke of the company's plan to relocate its summer concert series to the Great Park in 2017.

Don Croucher, Orange County Fire Museum, provided an update regarding the request for a reaffirmation of five acres of land for a Fire Museum at the Great Park, and noted that an amended letter of request would be submitted to the Board in the near future.

Moved by Vice Chairwoman Schott, seconded by Director Lalloway, and unanimously carried to adjourn the meeting at 3:45 p.m.



SECRETARY/CLERK OF THE BOARD



CHAIRMAN



DATE



October 31, 2016

LJ Edgcomb
Five Point Communities Management, Inc.
25 Enterprise, Suite 300
Aliso Viejo, CA 92656

Re: Program Change to Golf Course Subarea at the Orange County Great Park

Dear ^W~~Mr. Edgcomb~~:

The Second Agreement with the City of Irvine as Adjacent Landowner (ALA II) provides for the construction of 688-acres of the Orange County Great Park, the Orange County Great Park Improvement Area (Improvement Area). Per the ALA II, the Improvement Area is to include an 18-hole Golf Course as more specifically described in the Exhibits to the ALA II.

The City may have an interest eliminating or significantly modifying the Golf Course Subarea as specified in the ALA II, and seeks to determine whether Heritage Fields El Toro, LLC is willing to discuss such a change. The City recognizes that significant modification or elimination of the Golf Course Subarea would likely constitute a Program Change as defined in Section 2(c) of the ALA II. As such, the City is requesting, by way of this letter, to schedule an exploratory meeting with Heritage Fields El Toro, LLC to discuss potential Golf Course Subarea modifications. Please let me know your availability for such a meeting.

Sincerely yours,

Pete Carmichael
Director, Orange County Great Park

c: Sean Joyce, City Manager
Jeffrey Melching, City Attorney



November 17, 2016

VIA FACSIMILE AND REGULAR MAIL

Pete Carmichael
Director, Orange County Great Park
City of Irvine
Once Civic Center Plaza
Irvine, CA 92623

Re: Letter dated October 31, 2016 regarding proposed Program Change to Golf Course Subarea at the Orange County Great Park

Dear Pete,

I'm in receipt of your letter referenced above, wherein you advise that the City may have an interest in eliminating or significantly modifying the 18-hole golf course to be constructed in the Golf Course Subarea pursuant to the ALA II. I have spoken with the FivePoint team, including Emile Haddad, CEO of FivePoint, regarding the City's request for a meeting to discuss potential changes to the Golf Course Subarea.

Given the importance of the continued development of the Orange County Great Park as an amenity to our residents, the City of Irvine and the region, we will of course be willing to meet with the City to listen to the program changes or alternate uses of the Golf Course Subarea the City may desire to explore and how these changes may interface with other portions of the OCGP and surrounding property. To that end, we would like the City to advise us which Councilmembers and staff from the City will participate in that meeting so we can determine who the appropriate participants are from our office.

With that said, we have spent significant time and made a financial investment in the design of the 18-hole golf course and related golf amenities (e.g., clubhouse, driving range, etc.) contemplated by the ALAII and we continue to do so at the present time. In addition, as you are aware, we have received several separate letters from the City regarding the timing for delivery of the various elements of the Great Park Improvements. So, we will continue to proceed with the design and development of the golf course amenity as contemplated under ALAII and expect the City to continue to process any plans and permits to allow the work to continue.

We look forward to hearing from you to schedule the City's desired exploratory meeting.

Very truly yours,

A handwritten signature in blue ink, appearing to read "LJ Edgcomb", with a stylized flourish at the end.

LJ Edgcomb

cc: Emile Haddad
Greg McWilliams
Mike Alvarado
Lynn Jochim
Debra Steel
Patrick Strader
Sean Joyce
Jeff Melching



MINUTES

ORANGE COUNTY GREAT PARK BOARD REGULAR MEETING

January 24, 2017
City Council Chamber
One Civic Center Plaza
Irvine, CA 92606

CALL TO ORDER

A regular meeting of the Orange County Great Park Board of Directors was called to order on January 24, 2017 at 2:03 p.m. in the City Council Chamber; Vice Chairwoman Schott presiding.

ROLL CALL

Present:	5	Director:	Melissa Fox
		Director:	Jeffrey Lalloway
		Director:	Christina Shea
		Director:	Donald P. Wagner
		Vice Chairwoman:	Lynn Schott

PLEDGE OF ALLEGIANCE

Vice Chairwoman Schott led the Pledge of Allegiance.

DIRECTOR, OCGP, REPORT

Pete Carmichael, Director, Orange County Great Park, provided a brief update on the 688-acre Sports Park development; Community Ice Facility; and future planning at the Orange County Great Park.

Board discussion included the status of a mountain bike path around the Orange County Great Park.

BOARDMEMBER REPORTS

There were no Director reports.

ADDITIONS AND DELETIONS

There were none.

1. CONSENT CALENDAR

ACTION: Moved by Director Lalloway, seconded by Director Shea, and unanimously carried to approve Consent Calendar Item Nos. 1.1 through 1.3. Consent Calendar Item No. 1.4 was removed for separate discussion.

1.1 MINUTES

ACTION:

Approved the minutes of the regular meeting of the Orange County Great Park Board held on November 22, 2016.

1.2 2017 ORANGE COUNTY GREAT PARK BOARD MEETING CALENDAR

ACTION:

Approved the proposed 2017 Orange County Great Park Board Meeting Calendar.

1.3 APPOINTMENT OF OFFICER - TREASURER/CHIEF FINANCIAL OFFICER

ACTION:

Adopted RESOLUTION NO. 17-01 - A RESOLUTION OF THE BOARD OF DIRECTORS OF THE ORANGE COUNTY GREAT PARK CORPORATION AMENDING RESOLUTION NO. 16-01 PERTAINING TO THE APPOINTMENT OF TREASURER/CHIEF FINANCIAL OFFICER

1.4 CONTRACT AWARD FOR MAINTENANCE OF LANDSCAPE AND ATHLETIC FACILITIES AT THE ORANGE COUNTY GREAT PARK

This item was removed for separate discussion at the request of Director Wagner, who questioned the parameters for placing routine contracts on the Consent Calendar and whether this particular contract met the criteria.

Board discussion included: questioning the rejected bid by the non-compliant bidder; requested that staff provide more detailed bid summaries prior to awarding contracts; whether the non-compliant bidder was currently working for the City or had done so in the past; potential impacts if the item was continued to a future meeting; suggested that

contracts over \$1 million not be placed on the agenda as a Consent Calendar item; questioned why only three proposals were received; questioned the bid review process; whether the two responsive bidders had the same level of experience and familiarity with the Great Park as BrightView Landscape, LLC; questioned criteria for deeming proposals as non-responsive, and the potential implications of doing so; suggested that staff return at the next Board meeting with all three proposals in their entirety; whether the City must select the lowest responsible bidder; exploring ways to work with bidders to avoid formatting issues; allowing bids to be submitted electronically; questioned the experience of the proposed landscape contractor and whether a five-year contract was standard; and questioned how references were verified.

Manuel Gomez, Director of Public Works, reviewed bidding process and procedures, number of interested responsive bidders, and how bidders are determined to be non-responsive.

Dennis Chiotti, Landscape Maintenance Superintendent, clarified that a formatting issue with Brightview's bid submittal had occurred, and reiterated that BrightView was the highest bidder.

Jeffrey Melching, Board Attorney, clarified that the City could require that proposals be submitted in a specific format; and further clarified that if this particular bid included such requirement, along with the requirement that proposals must reflect the very specific quantities included in the Request for Proposals (RFP), that the City would be within its authority to declare the bid as non-responsive. He also noted that the City would be within its rights to reject all bids and restart the process to seek better results.

ACTION: Moved by Director Fox, seconded by Director Shea, and unanimously carried to:

ACTION:

Continue the item until additional information was provided on the bidding process and resulting bids; and direct staff to include a summary and a comparison of the bids that were received.

2. BOARD BUSINESS

2.1 ANNUAL ELECTION OF ORANGE COUNTY GREAT PARK CORPORATION BOARD OF DIRECTORS CHAIRMAN/CHAIRWOMAN AND VICE CHAIRMAN/CHAIRWOMAN

Chairwoman Schott introduced Pete Carmichael, Director, Orange County Great Park, who opened the floor for nominations for the selection of the Chairman/Chairwoman for the ensuing year.

Director Lalloway nominated Vice Chairwoman Schott as Chairwoman, and Director Shea nominated Director Wagner to serve as Chairman, for the ensuing year.

Noting no additional nominations, Mr. Carmichael entertained a motion to close the nomination period.

ACTION: Moved by Vice Chairwoman Schott, seconded by Director Shea, and unanimously carried to close nominations for Chairman/Chairwoman.

ACTION: By a roll call vote, Director Wagner was selected as Chairman for the ensuing year by a vote of 3-2, with Vice Chairwoman Schott and Director Lalloway dissenting.

Chairman Wagner then opened the floor for nominations for the selection of the Vice Chairman/Vice Chairwoman for the ensuing year.

Director Lalloway nominated Director Schott, and Director Shea nominated Director Fox, to serve as Vice Chairwoman for the ensuing year.

ACTION: Moved by Director Shea, seconded by Chairman Wagner, and unanimously carried to close nominations for Vice Chairman/Chairwoman.

ACTION: By a roll call vote, Director Fox was selected as Vice Chairwoman by a vote of 3-2, with Directors Lalloway and Schott dissenting.

2.2 PLANNING FOR THE CULTURAL TERRACE DISTRICT AT THE ORANGE COUNTY GREAT PARK

Pete Carmichael, Director, Orange County Great Park, presented the staff report and responded to questions.

Patrick Strader, representing Heritage Fields, noted confidentiality concerns on behalf of his client, but clarified that Heritage Fields was willing to further negotiate to resolve the issue and ensure all interests were met.

Don Croucher, representing California Fire Museum, and Courtney Santos, Irvine resident, spoke in support of continuing with a joint study.

Board discussion included: concern with the limited progress on the Cultural Terrace since the Cultural Terrace Joint Studies Implementation Letter dated February 22, 2016 (Implementation Letter) was signed;

questioned concerns regarding the confidentiality clause and associated restrictions; advantages and disadvantages if the City conducted its own study; questioned whether a master developer had been proposed; reiterated compliance with the Second Adjacent Landowner Agreement (ALA II); noted that the best fiscal interest of residents should be a priority; whether the City Manager and/or City Attorney had been approached about the impasse; whether this issue, as well as any others, could be resolved by the next Board meeting; whether a scope of work had been agreed upon and if Heritage Fields was responsible for providing scopes of work for each vendor; questioned the terms of payment with respect to AECOM; and suggested looking at the existing agreement as well as what could be done parallel with the joint study.

Mr. Carmichael noted that the issue of the confidentiality clause was at an impasse between Heritage Fields and AECOM. Sean Joyce, City Manager, further noted that staff would continue to work with Heritage Fields and AECOM to try and resolve the issue while respecting all interests.

Jeffrey Melching, Board Counsel, noted that the idea of terminating the ALA II was not the item before the board; further noted that while the draft language in the confidentiality clause dated December 20 appeared to be very broad, additional progress could be made to resolve the issue between AECOM and Heritage Fields; and clarified provisions, including Exhibit I, in the Implementation Letter.

ACTION: Moved by Director Schott, seconded by Director Lalloway, to:

- 1) Direct staff to pursue a City-led planning analysis of the Cultural Terrace, in lieu of the Joint Studies approach, and recommend that the City Council authorize the Mayor to sign a contract amendment with AECOM, Inc., in the amount of \$650,000 for urban design and planning services related to planning for the Cultural Terrace.
- 2) Recommend that the City Council approve a budget adjustment appropriating funds in the amount of \$650,000 from the Orange County Great Park Fund 180 unallocated fund balance to the City Manager's Office Great Park Section 020 budget for Design Coordination Services (as described in recommendation 1).
- 3) Recommend that the City Council approve a budget adjustment appropriating funds in the amount of \$50,000 from the Orange County Great Park Fund 180 unallocated fund balance to the City Manager's Office Great Park Section 020 budget for Engineering Support Services related to planning for the Cultural Terrace.

ACTION*: A substitute motion was made by Vice Chairwoman Fox, seconded by Director Shea, to:

Continue the item for a 30-day period to finalize the agreement, and if at the end of the 30-day period a final conclusion could not be reached, the Board would discuss alternatives at that time.

* The substitute motion carried and takes precedence over the main motion; therefore, a vote was not taken on the main motion.

The motion carried as follows:

AYES: 3 DIRECTORS: Fox, Shea and Wagner

NOES: 2 DIRECTORS: Lalloway and Schott

ABSENT: 0 DIRECTORS: None

2.3 AWARD OF CONTRACT AND BUDGET APPROPRIATION FOR CONSULTANT SERVICES FOR GREAT PARK GOLF COURSE DESIGN REVIEW AND MARKET FEASIBILITY STUDY

Pete Carmichael, Director, Orange County Great Park, presented the staff report and responded to questions.

Board discussion included: questioning how public outreach could be conducted regarding the desire for a golf course based on the contractual agreement with Heritage Fields; suggested deferring the award of contract for the review and market feasibility study until the public outreach process had concluded; questioned what would occur if the study suggested not moving forward with a golf course and whether the City would have any flexibility; suggested a feasibility study to determine if a golf course would be a revenue driver for sustainability of the Great Park; questioned how much had been spent to date on design of the golf course; and whether Heritage Fields was open to refining the plan.

Mr. Carmichael noted that any change in the Second Adjacent Landowner Agreement (ALA II) required mutual consent by the City and Heritage Fields, and that neither of the contracts presented for consideration inhibited that obligation; and explained the Public Outreach Plan process.

Sean Joyce, City Manager, noted that while Heritage Fields was open to revising the plan for a golf course, staff required the services of a consultant should development of a golf course move forward.

Patrick Strader, representing Heritage Fields, noted that studies were conducted in years prior in support of a golf course; and provided an approximate cost for design plans to date.

ACTION: Moved by Director Shea, seconded by Vice Chairwoman Fox, and unanimously carried to:

- 1) Recommend that the City Council authorize the City Manager to sign a contract with Pascuzzo and Pate Golf Design in the amount of \$24,000 for design review services for the Orange County Great Park Golf Course.
- 2) Recommend that the City Council authorize the City Manager to execute a contract with National Golf Foundation, Inc., in the amount of \$19,500 for a market feasibility study for the Orange County Great Park Golf Course.
- 3) Recommend that the City Council approve a budget appropriation in the amount of \$43,500 from the Orange County Great Park Fund 180 unallocated fund balance for design review services and market feasibility study for Orange County Great Park Golf Course.

2.4 BUDGET ADJUSTMENT FOR ENHANCEMENTS TO SPORTS PARK SUBAREA OF THE ORANGE COUNTY GREAT PARK

Pete Carmichael, Director, Orange County Great Park, and Christopher Koster, Manager of Great Park Planning and Development presented the staff report.

There was no Board discussion.

ACTION: Moved by Director Lalloway, seconded by Director Shea, and unanimously carried to:

- 1) Recommend that the City Council authorize the City Manager to execute Amendment No. 1 to Letter Agreement Regarding the Use of Quimby Park-in-Lieu Funds for Sports Park Design Enhancements.
- 2) Recommend that the City Council approve a budget appropriation of \$92,176 in Quimby Park-in-Lieu Funds to the Capital Improvement Project Fund, Project No. 361616, Sports Park Subarea Improvements, for the recommended Sports Park design enhancements.

2.5 PRESENTATION BY PEDEGO ELECTRIC BIKES AS REQUESTED BY BOARDMEMBER FOX

Director Fox invited Bob Bibee, representing Pedego Electric Bikes, to provide an introduction to electric bikes and a proposal for the deployment of eco bike stations, modular electric bike storage and charging facilities, at the Orange County Great Park.

Board discussion included: potential of a bike rental program at the Orange County Great Park and determining whether electric bikes would be a good fit.

Received and filed presentation. No action was taken.

PUBLIC COMMENTS

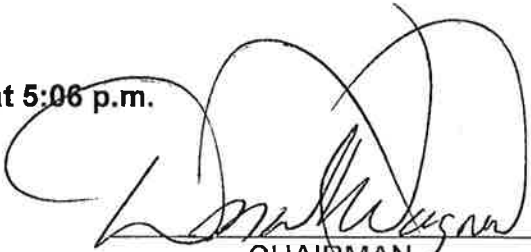
Don Croucher, representing the Orange County Fire Museum, and Mel Schantz, representing Blue Day Society, submitted Request to Speak cards but did not speak.

ADJOURNMENT

By consensus, the meeting was adjourned at 5:06 p.m.



SECRETARY/CLERK OF THE BOARD



CHAIRMAN

February 28, 2017

DATE

Feasibility Analysis and Business Plan Assistance for a Proposed New Public Golf Course at the Orange County Great Park in Irvine, California

Prepared For:

City of Irvine

1 Civic Center Plaza
Irvine, CA 92623

Prepared By:



501 N. Highway A1a
Jupiter, FL 33477
(561) 744-6006

April 2017

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General Limiting Conditions

This report is based on information that was current as of April, 2017. The assessment is based on conditions at the time of the analysis (e.g., economic and market conditions) and significant changes in those conditions may affect the relevance of the assessment. National Golf Foundation Consulting, Inc. ("NGF" or "NGF Consulting") has not undertaken any update of its research effort since such date. Because future events and circumstances, many of which cannot be predicted as of the date of this study, may affect the estimates contained therein, no warranty or representation is made by NGF Consulting that any of the projected values or results contained in this study will actually be achieved.

Although we believe that the expectations in this report are reasonable, any or all of the estimates contained herein could prove to be incorrect. To the extent possible, the NGF has attempted to verify and confirm all estimates and assumptions used in this analysis. However, some assumptions may not materialize as a result of known or unknown risks and/or unanticipated events. Consequently, actual results achieved by any new golf facility during the period covered by NGF projections may vary from our estimates and these variations may be material. As such, the National Golf Foundation accepts no liability in relation to the estimates provided herein.

To protect you and other clients, and to assure that the research results of NGF Consulting's work will continue to be accepted as objective and impartial by the business community, it is understood that our fee for the undertaking of this project is in no way dependent upon the specific conclusions reached or the nature of the advice given by us in our report to the City of Irvine.

Every reasonable effort will be exerted in order that the data contained in the written report reflects the most accurate and timely information possible, and is believed to be reliable. However, no responsibility will be assumed for inaccuracies in reporting by the client, client's agents, or any other data source used in preparing the report.

The client agrees that the report is not to be used in conjunction with any public or private offering of debt or equity securities or to otherwise induce investment without the prior written consent of NGF Consulting which may be conditioned upon client agreeing to pay an additional fee in an amount to be reasonably determined by NGF Consulting.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

Introduction and Executive Summary

PURPOSE

National Golf Foundation Consulting, Inc. (“NGF” or “NGF Consulting”) was retained by the City of Irvine, California (“City”) to assist in evaluating the feasibility of a proposed new 18-hole public golf course to be developed as part of the City’s Orange County Great Park (“Orange County GP” or “OCGP”). The City is considering factors such as appropriate market position, recommended amenities, target markets, etc., and the results of this market and financial analysis will be used to help determine the appropriate course of action.

BACKGROUND

The Orange County GP is a City-owned multi-purpose park located in Irvine, proximate to the intersection of Interstate-5 (I-5), I-405 and State Highway 133. The property is proposed to include many sports-related elements, including a yet-to-be developed 18-hole golf course and support amenities, to be referred to in this report as the Orange County Great Park Golf Course (“Orange County GPGC” or “OCGPGC”). The park and golf course would be owned by the City of Irvine, with the golf course operation likely to be in some form of private management structure such as a lease or management contract (more on this later). NGF understands that the proposed new golf course would be funded by the park developer in exchange for certain rights to develop adjacent parcels. As such, there will be no direct capital cost tied to the golf operation, either through City support or continuing capital cost reduction (debt service).

Under consideration for this report is the overall suitability of adding this new amenity to the OCGP, and the status of the greater Irvine / Orange County area public golf market as it relates to its ability to support the golf course. If developed, the golf course at OCGP will be operated as a public golf facility to be open and available for use by area residents and visitors on a daily fee basis. The golf facility is expected to include appropriate support elements that are expected to enhance the earning capability of the property, including a full-service clubhouse with banquet center, driving range, pro shop and golf academy that will include a substantial golf learning center component with lessons, clinics and golf schools for golfers of all skill levels. The purpose of this market and financial analysis is to provide the City with an evaluation of the local golf market and an estimate of the economic and use potential of the new golf course at OCGP if it were to be constructed as proposed, or under some modified plan of development.

The key issues evaluated in this report include:

- Appropriateness of the proposed new golf course at OCGP in light of the existing park layout and mix of services and amenities.
- Status of the local golf market and its ability to support a new golf course at OCGP.
- Economic potential of a new golf course at OCGP under several alternatives for development.
- Amount of annual expense that can be supported by the new golf course.
- The most appropriate management structure for the proposed new facility, in light of its economic potential and local market realities.

This NGF review was managed by Richard Singer, MBA, NGF's Senior Director of Consulting Services, and Ed Getherall, MBA, Director of Consulting Services. Field activities conducted in completion of this consultant's report included tours of the subject OCGP site, meetings and discussions with architects and planners involved in the project, analysis of the area market, meetings with City of Irvine staff, and visits to several other area golf facilities deemed to be potentially competitive with the subject OCGPGC as proposed. The team also collected materials to aid in the understanding of the area golf market, and reviewed of other materials and records related to OCGP and the City of Irvine.

OVERALL SUMMARY

In summary, the NGF finds that the proposed new public golf course at the subject Orange County Great Park appears to be a fiscally sound and complementary addition to the overall park offering. The OCGP is becoming a popular destination located in one of the country's strongest golf markets – Orange County, and NGF expects that a new good quality public golf course added to this park would have immediate regional market impact. The site selected for the proposed golf course poses some challenges due to size, topography and water/irrigation issues; however, the resulting golf facility should be very popular among golfers of all skill levels in this area if these potential site constraints can be overcome in the final design. The points listed below represent a brief summary of NGF findings on the proposal to add a new golf course, clubhouse and golf academy to OCGP. Full detail and elaboration of these items can be found in the attached full report. Key findings include:

- The OCGP offers a prime location for a new public golf course – with immediate proximity to growing golfer-rich neighborhoods and several key area freeways. This type of location tends to correlate to economically successful public golf facilities. The property immediately surrounding the proposed golf course site comprises park, residential and commercial elements that will be complementary and should add significantly to golf facility activity and revenue.
- The new golf course in OCGP is proposed to include a mix of amenities that should be very appealing to the local Irvine market, and NGF expects the design of the new golf course to include features commonly associated with successful golf courses. In preparing our activity and economic projections for the new course, NGF has assumed a very playable golf course that is not too difficult for beginners, yet not too easy for serious competitive golfers. This mix and broad appeal is possible at this site and is the “sweet spot” for economically successful public golf courses.
- The ancillary amenities proposed for this facility will add to the appeal of the course and help the City sell golf activity. In addition, the range, clubhouse and banquet amenities should produce considerable revenue on their own, helping to produce an economically successful City golf course.
- Proper management, operation and staffing will be a key to success at the new OCGPGC. The property will be very active and have a number of separate venues that will all have to be managed properly, and in coordination with the main golf program and the City of Irvine. The NGF expects that a management contract with an experienced golf management entity will offer the City the best chance for long-term success at any golf course developed at the OCGP site.

EXTERNAL ENVIRONMENT

A number of factors that are beyond the control of owners and operators have the potential to affect the performance of a golf course, either in the short term or long term. Below is a summary of NGF's key findings from our review of the external market environment in which Orange County Great Park Golf Course will operate.

Area Economy and Golf Demand/Supply

There are a number of factors relative to the local economy and overall golf demand-supply balance that speak to a stabilized and strengthening area golf market. These factors bode well for the potential success of the proposed new golf course at Great Park, and include:

- Demographic profile in Irvine/Orange County that is very favorable for high golf participation.
- Strong diversified area economy, with many large employers and low unemployment.
- Great Park will have its own micro-economy and plenty of on-site complementary uses and demand drivers for the golf club, restaurant & banquet facility.
- Golf rounds played per 18 holes that are among the highest in the country.
- Potential competitors – at both ends of the market – have proven records of high rounds activity and net revenues.
- This stable market should benefit from ever improving supply-demand ratios due to increasing population and no new golf course development likely in the foreseeable future (last Orange County course to open was in 2004).

Competitive Golf Market

NGF Consulting research indicates the following significant findings for the competitive market that Orange County Great Park Golf Club will operate in:

- While the competition is formidable at the top end of the market with Oak Creek, Strawberry Farms and Tustin Ranch, OCGPGC should be able to gain immediate market share with the NGF recommended market positioning (see below) and proximity to many demand drivers.
- NGF believes the three Irvine facilities – Oak Creek, Strawberry Farms, and Rancho San Joaquin – will be three most important competitors to the new golf course, with the latter facility more competitive for value-seeking golfers.
- The six competitive facilities profiled, comprising seven 18-hole courses, average ~60,000 annual rounds per 18 holes, a very high number for any market. The facilities comprise a mix of very high volume facilities at lower ADRs (Costa Mesa CC, Rancho San Joaquin) and high quality, lower volume clubs (Oak Creek, Strawberry, Tustin) with very high ADRs.
- No matter the operating model, it is apparent that quality golf clubs with the appropriate mix of amenities in the Irvine/Orange County market are very capable of generating very high top-line gross revenue figures.
- The Orange County public golf market is among the most active and stable in the country with respect to rounds per 18 holes, despite being down significantly from the peak in the late 1990s.

MARKET OPPORTUNITY CONCLUSION

The following bullets summarize what NGF views as the key justifications for our economic projections based on our understanding of the most important demand drivers - for golf, food & beverage, or both - for the new golf facility (more in body of report):

Key Demand Drivers

- Growing resident population in Irvine/Orange County, with demographic profile that is predictive of strong golf demand. Strong and diversified local economy, with low unemployment.
- Year-round golf climate, with little inventory lost to weather.
- A very high volume of tourists and business travelers to supplement demand from area residents. Irvine has 16 existing lodging properties and nearly 3,900 hotel rooms with an additional 1,200 rooms in short-term planning (not including potential Great Park hotels). Planning is underway for many more hotels in Orange County as a whole, according to Irvine's Atlas Hospitality Group.
- Favorable per capital supply numbers for public golf courses (i.e., high number of golfing households per 18 holes) in the primary trade area for OCGPGC, especially at standard/mid-tier price points. Continued population growth and the likelihood of no other new golf course development in OCGPGC's trade area - due to lack of land, high cost of development - mean supply-demand ratios will continue to become more favorable for existing golf courses.
- ***High rounds and very high gross revenue numbers, for both golf and food & beverage, have been proven achievable in this market***, at both low-mid market and high-end facilities (examples in body of report).
- Site visibility and accessibility from major roadways is very good. Accessibility will be improving with the new east entrance and better northbound access from I-5 after pending project allows direct access from the freeway exit onto Marine Way.
- Demand drivers for golf and/or food & beverage within Great Park itself include: ± 10,000 homes with buyers of favorable demographic profile for golf participation; two to four on-site hotels; Sports Campus; mixed-use Transit Oriented District (including existing Irvine Station for Amtrak & MetroLink); and Broadcom's new campus being constructed in Great Park Neighborhoods.
- The major arterials around Great Park are home to many office/business parks and a high volume of large corporations, including many in the financial & technology sectors. Proximate large employers include Canon USA, Alcon Labs, Option One and FedEx, as well as the Irvine branch of Cal State Fullerton and many hospitals, surgery centers and other medical establishments.

Potential Threats / Mitigating Factors Relative to Projections

While the NGF finds considerable evidence to support strong rounds and revenue production from the proposed new OCGPGC, there are mitigating factors that could reduce revenue and/or increase expenses at the new golf course. These include:

- New market entrants – although very unlikely, some other new public golf course could be added in the Orange County market.
- Regional economic recession – previous recessions have impacted the performance of public golf courses.

- Residential buildout and/or hotel development is at smaller scale than currently planned.
- Continued overall decline in golf participation – recent trends show declines in golf participation, especially among the younger generation.
- Water availability/cost – Water for irrigation is the “life blood” of a golf course operation, and anything that impacts the availability or cost of water will impact the golf facility operation. The recent California drought is an example of potential impact.

Recommended Market Positioning

NGF has recommended a market positioning for the proposed new Orange County Great Park Golf Course based on a number of factors, including:

- Review of the proposed golf course plan for OCGP
- Our detailed competitive market analysis, including the current supply-demand balance at various price points
- Interviews with area golf operators and others with knowledge of the local golf market
- The demographic and economic profile of the Irvine area and Orange County
- The proposed residential buildout and home prices for the OCGP Improvement Plan
- Expectation of additional demand drivers within the Great Park development site, including up to four hotels
- The City’s stated goals with respect to this being a golf facility where public purpose is integral to the overall vision (i.e., extensive junior program; resident, senior, junior discounts; home of UC Irvine golf; place for high school teams to play)

Based on our analysis of the factors above, NGF recommends a bifurcated market positioning strategy, with peak prime time 18-hole cart + green fee of \$67 for City residents, and \$97 for non-residents. This pricing would position the new golf course at Great Park between the high-end daily fee clubs Oak Creek, Strawberry Farms and Tustin Ranch, and lower fee facilities Rancho San Joaquin, Costa Mesa and Mile Square Golf Course in Fountain Valley. (We note that the pricing gap between Rancho San Joaquin/Costa Mesa CC and the proposed OCGPGC is smaller for resident rates).

FINANCIAL ANALYSIS

The NGF team prepared an analysis to show what the potential economic performance of the new OCGPGC could be if the facility were to be developed and operated as proposed. We feel that these projections represent a “fair estimate of performance” for this proposed addition based on our complete review of the market, site and projected OCGPGC operation. We note that this economic performance estimate was prepared to reflect the operation of the new golf facility in its entirety, assuming that all elements (golf course, range & clubhouse) are included from the opening of the course (expected in spring 2019).

NGF has made several assumptions in preparation of our financial analysis, which are detailed in the body of this report. Among the most significant of these assumptions is the expectation that the new City public golf course will have experienced professional management from its initial opening. NGF has assumed the inclusion of several primary revenue generators in the facility operation – sale of green and cart fees, concession sales (F&B, banquets), merchandise sales and a driving range.

The expenses needed to operate the facility have been assumed to include all costs required to run the golf and clubhouse operation on site, and do not include other “below-the-line” expenses that may be required such as additional City overhead, depreciation or capital cost reduction (debt service). This bottom line projection shows the net operating revenue available to the City to cover additional expenses that may be incurred.

NGF Projected Results (Year 1-5)

The results of the NGF review show that if a new 18-hole golf facility with appropriate support amenities were to be added to the OCGP, and developed as proposed in 2017 (with lighted range and full-service clubhouse), the new course is expected to host approximately 55,000+/- total paid rounds of golf producing an estimated \$5.4 million in total facility revenue by the fourth year of operation. As is common with new golf courses, the City should anticipate a modest “grow-in” period for rounds and revenue, and NGF has projected about 46,000 rounds and \$3.9 million in total revenue in the first year of operation. Considering all direct on-site expenses estimated for the new facility, including cost of sales and management fee, the net income available to the City of Irvine for capital reserve and contingencies is projected to be about \$272,000 in Year 1, growing to ~ \$1.0 million+/- by the fourth year of operation. This amount should be sufficient to safely cover the City-estimated five percent (5%) capital reserve and any estimated contingency. A summary of NGF projections is presented below:

Orange County Great Park Golf Course Summary of NGF Projections (Year 1 and Year 4/Stable)		
	Year 1	Year 4 (Stable)
Rounds	45,900	55,000
Total Golf Revenue	\$2,748,000	\$3,443,000
Total Concessions	\$712,000	\$892,000
Total Banquet Revenue	\$400,000	\$1,000,000
Total Facility Revenue	\$3,860,000	\$5,335,000
Less:		
Total COS	\$693,000	\$1,143,000
Total Operating Exp. (Incl. Mgt. Fee)	\$2,895,000	\$3,124,000
Operating Income (Loss)	\$272,000	\$1,068,000
Capital Reserve (5% of Revenue)	\$193,000	\$267,000
Contingency (5% of expense)	\$138,000	\$149,000
Net Income to City (Loss)	(\$59,000)	\$652,000

NGF RECOMMENDATIONS AND SUMMARY CONCLUSION

NGF Recommendations

Based on our review of the proposed development plan, the area market, and the subject site, NGF offers the following summary of key business plan recommendations:

- The City should employ professional management and work to ensure the highest level of customer service is always present at the new OCGPGC.
- The most appropriate market position for the new club is in the upper-middle range of fees, between higher fee courses like Oak Creek, Strawberry Farms and Tustin Ranch, and lower fee facilities Rancho San Joaquin, Costa Mesa and Mile Square. Discount for City resident golfers should be as high as \$30 for weekend riding rates.
- All golf activity should be on a daily fee basis, with no memberships offered to golfers other than loyalty programs and practice facility memberships.
- The driving range should be lighted for use at night.
- The facility should include several different venues for F&B service, ranging from on-course service and a small coffee shop, to full indoor sit-down banquets.
- The golf academy and overall programming (lessons, camps, schools, etc.) should be a high priority at the facility. Active programming will be consistent with industry best practices and the City's stated public purpose goals with respect to the new facility (e.g., strong junior program, accommodation for high schools, UC Irvine).
- Market OCGPGC extensively, emphasizing internet and other digital channels, and include a "grand opening" celebration and promotion. Supplement marketing strategies with an aggressive direct selling component that will target large outings, leagues, hotel alliances, and events/banquets.
- Emphasize internal yield management to move traditionally slow moving tee time inventory, minimizing reliance on third party tee time providers/discounters.

Summary Conclusion

NGF Consulting believes that there is clear and demonstrated potential market support for a new public golf facility at OCGP, and that the new facility, as proposed, should generate strong annual revenues based on well-established norms in this market. In addition, the NGF has documented that the golf revenue expected at the new OCGPGC will be greatly augmented by significant non-golf revenue from areas such as the grill, bar and banquet operations that could account for as much as 25% to 30% of total facility revenue. Our review also shows that operating a public golf course in Orange County will be very expensive, due to factors such as a high minimum wage, high cost for water, extensive F&B operation and the need to employ experienced contract management.

Given the high operating cost, the City will find that while total revenue will be robust, the net operating margin – representing income available to cover annual capital improvements and/or contingencies - will likely be about 15% to 20%. This margin should result in the golf facility providing significant annual income that the City can use to subsidize other Great Park non-revenue generating activities, while at the same time accommodating the City's stated public purpose goals with respect to the golf course. NGF cautions that City's economic interest in the facility will continue to be at risk for uncontrollable factors such as ongoing park area construction, operating strategies of competing golf courses, area economic changes, and weather events.

Subject Facility Review

The subject property is the 5,000+/- acre Orange County Great Park, a newer Irvine City park located on the former El Toro Marine Air Station (MAS) that closed in 1999. This converted military site is now planned to comprise several different elements including residential, commercial and a large 1,300+ acre park. The park section of the site is divided into phases, with the first 688-acre phase that will include the golf course currently under development. The lead developer has committed to building a comprehensive golf facility with 18-hole regulation-length golf course and all support amenities commonly associated with successful golf courses, such as a full-service clubhouse, driving range, golf academy and other features.

The facility will be owned and operated by the City of Irvine as a fully public golf course, with all activity open and available to all golfers on a daily fee basis, and discounted green fees for City residents. The golf course is expected to be planned in 2017, under construction and grow-in for most of 2018, and opened to the public by the spring of 2019.

SITE OVERVIEW

Location and Access

Orange County GP is located in Irvine and the heart of Orange County, approximately 15 miles southeast of Anaheim, 10 to 12 miles east of Costa Mesa and Newport Beach, and 9 miles north of Laguna Niguel. The park is located within a dense and growing portion of the County, with numerous residential and commercial projects that can be expected to feed golf demand to the new facility (more in next chapter). The immediate elements surrounding OCGP include moderate-density housing (apartments / townhomes) and considerable high-tech office space and other commercial elements (retail, lodging, warehousing, etc.), which increase in density in areas to the southeast (Laguna/Mission Viejo) and to the northwest (Irvine/Santa Ana).

Access to the facility will primarily follow the overall OCGP access, which includes entry to the park from three separate avenues – through Trabuco Rd (via Sand Canyon Ave.) to the west onto the newly developed “Great Park Blvd.” (will run through OCGP), from the south along Marine Way and from the east via Chinon Rd connection to Great Park Blvd. (development in 2018). The OCGP site has immediate proximity and convenient access to several major area freeway connectors, including Interstate-5 (I-5), I-405, Hwy 133 and Hwy 241. Each of these highways provides some immediate or convenient access to Sand Canyon Ave, which is a major 6-lane arterial for the growing area. There is also a proposal to add a new interchange from I-5 direct to Marine Way, allowing for easy access to OCGP and the golf course. During the NGF visit the consultants found the roadway infrastructure to be extremely convenient for the operation of a new public golf course, and this convenience should expand the market draw for the new facility. This location offers mostly positive findings for the City and OCGP in consideration of adding a golf course:

Positive Aspects

- **Accessibility** - The location is very accessible from a wide area, with multiple highways converging in the immediate vicinity and multiple access points into OCGP.
- **Location** – The OCGP is immediately proximate to several key drivers that are expected to produce considerable golf demand. This includes dense and upscale residential elements, high-tech offices and retail/lodging components.

Negative Aspects

- **Site** – The flat and simple site provides the basic infrastructure needed to produce a good quality golf course and support amenities, although artificial shaping and topography will be needed to maximize golf course appeal. The only existing site feature that must remain in place is the VHF Omni Directional Radio Range (VOR) and its 1,000-foot buffer that will be a work-around for the golf design.
- **Aesthetics** – Although the OCGP site has views in all directions of nearby mountains, some of the infrastructure and buildings of the former Marine Air Station (MAS) still exist, requiring additional “masking” through foliage, and other OCGP features to be added such as the wildlife corridor, cultural terrace, etc.

Local View



Google Earth image showing OCGP and its immediate surrounding elements, including the area's highways and main roads. This view shows the core of the OCGP that was formerly the airstrip and will be used for the new golf course. Much of the park's infrastructure is still under development in this view, including the key park entrances (at east, west and south) and the adjacent residential and commercial components that have yet to be developed in this photo.

Regional View



PROJECT DESCRIPTION – ORANGE COUNTY GREAT PARK GC

The property set aside for golf totals approximately 160+/- acres, and is proposed to be constructed by the site developer and turned over to the City of Irvine as a completed “turnkey” facility complete with all elements in place. In its initial concept, the City of Irvine is proposing to create a truly public golf facility, with design and services commensurate with mid-level public golf courses in the area and amenities and features to appeal to the widest segment of patrons, from beginners to seasoned players.

Inventory of Facilities – Orange County Great Park GC

Orange County Great Park Golf Course is proposed to include the following elements:

- 18-hole championship golf course
- 25,000 square foot (sf) clubhouse
- Driving range
- Golf Academy
- Practice greens and chipping area

- Cart barn
- Maintenance facility
- On-course services (restrooms, shelters, drinking stations)
- Parking

A basic description of each of the elements to be included in the facility as proposed in 2017 is presented below:

18-Hole Golf Course

At the time of this NGF analysis, the full OCGPGC was not fully designed and only a conceptual “bubble” plan for the project has been developed. In completion of this analysis the NGF has made several assumptions about what the ultimate golf course design will include. NGF has assumed that the OCGPGC will:

- Be a championship, par-72 golf course with at least 7,000 yards in length from its longest tee (“Championship” tee), a total of 4 to 6 tee positions on each hole, and a shortest course length of under 4,800 yards (“Forward” tee).
- Include an open, “meadows” design that will be a hybrid between a traditional open “links” course and a forest/parkland course. The golf course will include some trees and have modest difficulty, featuring wide fairways, larger greens (avg. 6,500 – 7,000 sf) and modest hazards (bunkers, water, out-of-bounds).
- Feature a golf course with a USGA slope rating of 122-125 for the middle tees, up to a max of 132-134 for the longest tee. This rating would make the course more difficult than average for most players, but not too extreme so as to make for an enjoyable round of golf, even for less skilled players.
- Be designed as a walkable golf course, with the 1st, 9th, 10th, and 18th holes all designed in immediate proximity to the clubhouse, but with additional holes in proximity to allow for 3-hole, 6-hole or 12-hole loops to be played if desired.
- Be an aesthetically pleasing golf course with appealing features such as a view of nearby mountains, attractive landscaping, attractive and informative signage, some water features and new trees planted on site.
- Include full cart path coverage on all 18 holes. However, the design may not include full coverage with a hard surface (concrete or asphalt), but may rather include a soft sand-based or crushed shell cart path system in select locations to add design appeal and alleviate environmental concerns.
- Include appropriate on-course services such as restrooms convenient to the front and back nine holes; as well as shelters and drinking fountains.

Overall, NGF expects the golf course at OCGP to feature a design and support amenities that will make it attractive to serious and highly skilled golfers, intermediate players and beginners. NGF also assumes a program of high quality maintenance that will provide outstanding conditions for at least 350+/- days per year (including some down time for applications). We expect that this design will place the new facility in the middle range of public golf courses in the Orange County market area, providing services clearly superior to lower-fee facilities but not to the level of the highest fee public-access golf facilities (more in market analysis section).

Clubhouse

OCGPGC is planned to include a full-service clubhouse with design and features matching the golf program and consistent with successful public golf courses. The plan presented to NGF includes a 20,000 to 25,000 sf clubhouse facility with a mix of indoor space (“under air”) and additional outdoor covered spaces for large gatherings. The plan includes a separate at-grade space for storage of power carts. NGF has assumed that the OCGPGC clubhouse will include:

- **Pro Shop** – approximately 1,300 sf, which is comparable to higher-quality public golf courses and should correspond to higher-than-average merchandise sales.
- **Mixed Grill** – Space for full-service casual with seating for up to 100+/- patrons.
- **Bar Area** – Separate bar area with outdoor overlook, multiple TVs and seating for up to 50+/- patrons at tables or at the bar.
- **Pavilion** – Full indoor banquet area totaling 5,000 sf with golf course views that can accommodate up to 250+/- for large banquets, parties and meetings.
- **Kitchen** – Full-service kitchen with space to support the mixed grill, bar and pavilion.
- **Restrooms/Locker Rooms** – Men’s and Women’s locker rooms with modest space for day lockers and toilet/sink facilities.
- **Meeting Room** – A conference room with up-to-date audio-visual (A/V) for hosting smaller private meetings.
- **Office Space** – Space for administrative offices, conference room and break room for employees.
- **Other** – Open space for lobbies and circulation.
- **Cart Storage** – A connected space of about 5,800 sf for storage of up to 80 carts.

The above-noted clubhouse program includes all elements commonly associated with successful public golf courses and should provide adequate support for the golf operation and add significantly to facility revenue. NGF has documented that food and beverage operations that cater to both golfers and non-golfers will produce stronger profits.

Driving Range / Practice Amenities

OCGPGC is planned to include extensive golf practice amenities that will support a significant emphasis on lessons, camps, schools and other new player development programming. The range facility will be located close to the OCGP Sports Campus, so as to help attract a wider range of customers than just golf course patrons (other sports users, parents, etc.). The current plan includes:

- A full driving range with approximately 35 stations and tees on both ends
- Lighting for night use
- Practice bunkers and chipping area
- Several practice greens
- Separate golf academy (more below)

This concept of extensive golf practice amenities has proven to be very successful in public golf and can be a key support for both direct (fees generated from patrons) and indirect (helps to sell facility and train new customers) revenue. In many ways, the design proposed for OCGPGC can allow the facility to function like a commercial driving range, attracting a significant base of customers separate from the golf course. As such, the NGF has assumed that additional features and amenities that correlate to success in this area will be present, such as high quality hitting surface, high quality golf balls, convenient access to range balls (through automated “swipe card” or “key” system), and separate range parking. Industry “standards” suggest that on-course driving ranges average around \$1.00 to \$1.50 per round in revenue, and NGF expects the range at OCGPGC, if designed as proposed, to vastly exceed this “standard.”

Golf Academy

The City is planning for OCGPGC to have an extensive golf learning center component. The current plan includes a separate range facility that could be a true “golf academy,” and contain a branded golf learning center (with lease to City). Facilities like this can support the public purpose of municipal golf through inclusion of lesson programs, golf schools, junior camps, junior programs, as well as support for scholastic and college teams. In addition, the golf academy could produce direct revenue of its own and help to increase the number of golfers in the area, ultimately leading to an increase in customers needed to demand additional rounds of golf at the course.

Maintenance Facilities and Equipment

The course developer has indicated that a full complement of golf course maintenance equipment will be included with the facility at turnover to the City. OCGPGC will be developed with the maintenance facilities needed to support an 18-hole public golf operation, such as:

- Maintenance compound
- Indoor storage for golf maintenance equipment (some in covered outdoor spaces)
- Chemical storage (meets State and Federal codes)
- Equipment wash area, with appropriate drainage meeting State and Federal codes
- Offices for key staff (superintendent, assistant, irrigation controls)
- Employee services (lockers, restrooms, break room)
- Separate entrance for deliveries and parking for maintenance employees

Parking

The NGF expects OCGPGC to include a total of at least 150 parking spaces, which is sufficient for most public golf courses on the majority of days, including busier weekends in season and/or during large golf events. On occasions where both the golf and restaurant businesses are full (e.g. during a banquet or non-golf party), there may be concerns about not having enough parking. NGF recommends a separate and convenient parking area for the driving range to help enhance activity and revenue at that location.

Site Analysis and Estimated Cost to Construct

As of early 2017 the final conceptual design and expected construction cost for the OCGPGC are under development, with final project cost yet to be established. Key site issues that NGF expects will impact the ultimate design and construction costs are noted below:

- Remediation of existing site infrastructure and remnants of the former MAS will be required. This includes both surface material and issues (former runway) and former MAS buildings, including those directly on the golf property and within view.
- The site is flat with no topographical or other elements to create an appealing golf course. As such, all of the design features that are typically associated with high quality golf, capable of commanding “above-median” market rates would have to be added to the site. This includes fill for mounding and hills (could come from on-site excavations), water features (ponds, streams) and all foliage needed to provide separation of holes (trees, bushes, landscaping).
- The general characteristics of the site, space available, topography, and soil/rock conditions will make construction of a golf course on this site more expensive than would otherwise be considered “standard.”
- The space identified for the clubhouse, driving range, staging and parking may be smaller than needed when considering the need for a full-length driving range (without netting), a 25,000 sf clubhouse and parking for the course and driving range.
- At present the site does not have access to irrigation water sources and new piping for this purpose will have to be installed. In the case of OCGPGC, two separate lines to provide water will be required – one for the reclaimed water from the Irvine Ranch Water District and a separate line for City potable water to be used on the greens.

ADDITIONAL ORANGE COUNTY GREAT PARK AMENITIES

The Orange County Great Park site is currently under development and will ultimately include a considerable footprint of features, amenities, services and residences. The full 5,000-acre site is being developed in phases, and will include open space and recreation sites, such as the proposed new golf course. In total, the OCGP project will include about 10,000 new residences, various commercial elements and at least 1,300 acres of open space or park property (including golf). A review of key elements included in the August 2016 OCGP Master Plan and the potential impact on a new public golf course to be included within this site is summarized in the section below.

Basic Infrastructure

There is a considerable amount of basic infrastructure being developed as part of the OCGP, and much of this will provide appropriate support for a new golf course. Key infrastructure of note by NGF includes:

- Several new roadways inside the park footprint, including the new Great Park Boulevard that will become an important, 4-lane thoroughfare through the heart of the park and provide immediate access to the golf course.
- At least three main access points to the park area, via Trabuco Rd (connecting to Great Park Blvd to the west), Marine Way and the new Chinon Rd to the east.

Recreational Amenities

The portion of the OCGP site that will be dedicated to recreation includes a wide variety of amenities and features, all of which are viewed by NGF as complementary and potentially supportive of the proposed new golf course. The park is planned to include (or already open):

- A Sports Campus with baseball, soccer, tennis and other fields and stadiums, all in immediate proximity to the proposed golf course, range and clubhouse.
- Community ice facility for hockey and other ice sports, and recently opened practice facilities for the Anaheim Ducks of the National Hockey League (NHL).
- Additional cultural / community features such as a cultural terrace, amphitheater, wildlife corridor, Bosque, and other open spaces.

All of these features will provide additional draw to the Great Park site and ultimately increase exposure for the new golf course. Visitors to these other attractions will create additional demand for non-golf services at the new facility, such as the various F&B operations.

Other Features of OCGP

The remaining features of the Great Park site include the upwards of 10,000+/- residential units that are either in planning, under construction or already opened. The NGF was told that at least 75% of this inventory (7,000+ units) will be occupied by the time the golf course opens in 2019. NGF anticipates at least three different hotel / lodging properties to be added within this development (or in immediate proximity), as well as other commercial elements (office, retail, industrial) and adjacent Transportation Oriented District, which already includes the Amtrak/MetroLink station. These elements should result in additional demand for both golf and non-golf services at the new facility.

Latest Site Schematic



The above image shows the design plan in early 2017, with golf course, driving range and clubhouse, all with entrance directly from the new Great Park Blvd. The schematic shows the proximity of the course to other park elements and adjacent housing that is expected to provide golf demand support for the facility.

PROPOSED OPERATIONAL STRUCTURE

The proposed new golf course will ultimately be owned by the City of Irvine, with the City responsible for the management and operation of the new facility. The City has expressed a clear desire to operate the new OCGPGC as a fully public golf facility, with all facilities, services and amenities open and available to the public. However, the direct implementation strategy to achieve this operational program has yet to be determined by the City, and several options will be considered. The NGF has provided a summary review of these options, along with a recommendation of the most desirable option given the City's stated goals, lack of previous golf facility experience and the competitive market landscape.

Structure Options

Below are descriptions of the most typical management/operational options for public agency golf courses. In our experience, there is no ideal operating scenario that fits all situations, and each public entity must arrive at its own unique approach to operation and maintenance. The most common management options are shown below (these are not intended to be exhaustive, as there are hybrids and variations thereof), presented in order from most direct City involvement to the least direct City involvement:

1. **Self-Operation.** Assumes the City is in direct control of the golf operation and maintenance with all City employees, reporting to a senior City of Irvine official. The key challenge in this structure is related to labor, both in the expense of staff and benefits, along with finding and retaining qualified personnel. The key advantage to this structure is direct City control of the operation for maximum benefit to the Community, while the disadvantage is mostly economic, as the City must absorb the risks associated with low revenue, high personnel costs and other rising expenses. This structure is not common in Southern California, and the only local examples of this structure include a few smaller, 9-hole operations or very low fee golf courses.
2. **Concession Agreements:** These are similar to lease agreements and can come in several types or combinations. Concessions may allow the City to shift some risk and payroll to a private entity. The key areas of operation include Pro Shop, Food and Beverage, and/or Maintenance and involve the City contracting for one, some, or all of these services. One subset of this concept includes multiple concessions, a system in which the City creates separate contract agreements for each facet of the operation. The most common concession agreements for municipal golf include:
 - a) **Contract for Pro Shop and Food / Beverage Services** involves direct City control of maintenance while contracting merchandise and F & B operations. This structure is in place with the City of San Diego at Torrey Pines and Balboa Park.
 - b) **Multiple Concessions** involves creating multiple agreements for separate entities for each facet of the golf operation (pro shop, F&B, and maintenance), usually managed by a senior City employee. This structure is in place with the City of Downey for Rio Hondo Golf Course, and was formerly in place for City of Burbank (DeBell GC, now an operating lease).

3. **Full-Service Management Contract.** This option involves the City of Irvine hiring a single, independent third-party to manage all aspects of the OCGPGC in exchange for a pre-determined fixed management fee - usually around 4-6% of gross revenue. In southern California, most fee-for-service management contracts are “hybrid contracts”, with a lower fixed fee plus an additional incentive (usually gross or net revenue-based) that allows the operator and City to share in the risk of the operation. The City earns all revenues, is responsible for all expenses (salaries, maintenance, liabilities, capital) and pays a management fee to an operator. Some advantages to this strategy are a shifting of labor expense from a public to a private structure, and the benefit of professional management, including access to national purchasing and marketing programs. The potential disadvantages are some loss of City control and the fixed fee for service, regardless of yearly variations in performance. Examples in this market area that involve a single entity operating the golf course via management fee are the cities of Yorba Linda (Black Gold), Anaheim (Dad Miller and Anaheim Hills), Carlsbad (Crossings), and Ventura (Olivas Links, Buenaventura).
4. **Operating Lease(s).** The City could lease OCGP to a private operator in exchange for an annual (or monthly / quarterly) lease payment. The lease could be established to include certain requirements, including capital investment in facility improvements, maintenance standards and/or restrictions on green fees. The advantage of this option is a total privatization of the golf operation and the shifting of economic risk away from the City and onto the private operator. The key disadvantage is the complete loss of City control on not just the operation, but likely policies, procedures and fees as well. This is perhaps the most common form of operation for municipal golf facilities in Southern California, and is the structure chosen by the cities of Costa Mesa, Long Beach (Skylinks, El Dorado Park, Heartwell), and Pasadena (Brookside), as well as L.A. County (vast majority of their 18 facilities).

Most Viable Considerations

Based on the review of the various operational considerations for Orange County Great Park, NGF has identified the two most viable options for the City to consider for implementation upon the opening of the golf course in 2019:

- **Operating Lease.** The City can create a new full-service lease agreement with an experienced golf management entity to provide services in exchange for a defined payment to the City, usually related to total revenue performance. The agreement can be crafted in such a way so as to preserve some public purpose for the golf facility and to ensure certain quality and conditions are met by the operator.
- **“Hybrid” Full-Service Management Contract.** Create a new full-service management contract with an experienced golf management company to provide services in exchange for a fixed management fee at the lower end of the range (under 4% of revenue), plus additional “at-risk” compensation based on net income performance. The NGF would envision that this new Hybrid agreement would include a provision for the vendor to earn additional management fees through enhanced facility performance and provide appropriate incentive to maintain proper conditions.
- **Separate Food and Beverage Concession.** The City can opt to create two separate agreements for OCGP operation: (1) hybrid management agreement (as noted above) for golf, pro shop and driving range; and (2) a separate concession agreement for food, beverage and banquet operations. The F&B concession would involve a private vendor paying 8-10% of total gross revenue to the City, or possibly as a sub-lease under a lease option.

NGF Recommendation

In consideration of the type of facility at OCGP, the large F&B profile and the intense competitive nature of the Orange County golf market, as well as the City's stated preference of preserving the course as a community benefit, we conclude that some form of contract management with an experienced third-party golf management entity is the most viable operating structure for the new OCGPGC.

The new facility has a chance to generate considerable revenue from ancillary activities (range, F&B, banquets) and employing an operator with experience and expertise in these areas, in addition to golf, can help to maximize the total economic performance of the OCGPGC and provide maximum benefit to the City of Irvine. By engaging in a management contract rather than a lease, the City will still be able to maintain some control over the facility operation, as well as maintain the public purpose facet of the facility. Some key terms/provisions that should be in the City's golf management agreement for OCGPGC include:

- A 3-5 year initial term with City option for renewal
- Compensation to the operator be a combination of a fixed + variable:
 - A fixed base management fee
 - A variable portion based on net revenue w/all revenues centers equal
- Additional incentive for the operator to maintain an active player development programming, with special focus on juniors
- City of Irvine maintains control (or final say) on golf all fees and charges
- Require the operator to employ a PGA Head Golf Professional and a GCSAA/Class-A superintendent
- Require the operator to employ senior staff with demonstrated expertise in F&B and banquet operations
- Defined standards for facility conditions (golf course, range, clubhouse) and customer service, with remedies for deficiencies
- A comprehensive monitoring system, using frequent customer satisfaction surveys, secret shoppers and City employment of regular (quarterly or semi-annual) independent inspections
- A requirement that the operator allow the City direct access to the point-of-sale (POS) with real-time reporting

Oversight and Staffing

The staffing required to operate the OCGPGC successfully will include four divisions of personnel, all to be located on-site at the subject facility. This includes staff for senior administration, golf operations, golf course maintenance and food & beverage operations. The staff noted below should be sufficient to yield the level of quality conditions and service needed to generate the revenue projected by NGF for the new facility. This staff structure includes personnel requirements on-site at OCGPGC only, and not any additional staff that may be required by the City of Irvine in administering the operation, either directly or through an allocation program. A summary of OCGPGC staffing with NGF-estimated full-time equivalents (FTEs):

- **Management / Admin. Staff (3.0 FTE)**
 - Facility General Manager (FT)
 - Office / Finance Assistant (FT)
 - Sales / Events Coordinator (PT + commission)
 - Clubhouse Maintenance (PT)
- **Golf Operations Staff (8.0 FTE)**
 - Head Golf Professional (FT)
 - Director of Instruction (PT + lessons)
 - Assistant Golf Professional (2 positions – PT+ lessons)
 - Additional Golf and Operations Staff (14-16 PT positions inside/outside)
 - Driving Range Attendants (3-4 PT positions)
 - Additional Contracted Instructors (not in OCGPGC payroll)
- **Golf Maintenance Staff (11.0 FTE)**
 - Golf Superintendent (FT)
 - Assistant Superintendent (FT)
 - Irrigation Specialist (FT)
 - Mechanic (FT)
 - Senior Grounds / Equipment Operator (FT)
 - Additional part-time maintenance staff (10-12 positions)
- **Food & Beverage Staff (7.0 FTE; does not include variable labor for banquets)**
 - F & B Manager (FT)
 - Head Chef (FT)
 - Additional Bar / Wait Staff (8-12 PT positions)
 - Additional Kitchen / Bus Staff (4-6 PT positions)

The “standard” golf facility in Southern California (12-month golf season) employed a total of 21 FTE personnel in 2015, with 10 in golf maintenance, 7 in pro shop/operations and another 4 for clubhouse/F & B. This level of staffing represents a reduction from 2009 figures as a result of declining income and the need to reduce expense. As a result, many golf operations around the country are operating with lean staff and OCGPGC will likely have to exceed the standards to provide the service and conditions needed to achieve the highest levels in this market. Based on the NGF projection for OCGP staffing, and in comparison to golf industry norms, we estimate that OCGPGC will operate with a staff that is approximately 8.0 FTEs higher than standard, largely due to a more extensive F&B/clubhouse operation.

Food and Beverage Considerations

A high quality food and beverage (F&B) operation correlates well with success in public golf. Traditionally, golf course F&B services do not produce a high volume of net revenue, but they do provide a service to golfers and help to produce a greater volume of golf fee revenue. One exception to the industry tradition of low net revenue is with golf facilities that include extensive banquet and non-golf F&B activity, as is common in this market and proposed for the OCGPGC. As such, the NGF expectation is for higher-than-standard F&B net income at OCGPGC.

Based on industry best practices and NGF's review of other public golf operations in the market area with successful food & beverage operations, the NGF offers the following recommended F&B program elements to be included at the new Irvine course, assuming the clubhouse size is available to accommodate these services:

- A snack bar or mixed grill
- An indoor bar area with multiple TVs mostly showing sports programs
- A small coffee shop
- Outdoor barbeque area
- Banquet area with capacity up to 250+/- patrons
- Bridal changing room
- Covered outdoor space for up to 140+/- for golf tournaments and outings

Other Operational Issues

Other key issues related to the OCGPGC that should be considered in the City's operating program that are expected to have direct impact on the new golf course addition:

- **Marketing** – Although this will be a public golf course in a prime location, the City should still plan on being very active in marketing the OCGPGC, especially through the use of technology, which is a clear industry best practice in successful public golf (see next bullet). The NGF recommends public golf course marketing budgets be at least 2.0% of total facility revenue, which could be as high as \$100,000 (\$5.0 million in revenue) for the new OCGPGC.
- **Technology/Website** – A key “best practice” in marketing public golf courses in 2017 is through extensive use of technology. The new OCGPGC will need to have a high quality website that is easily findable and navigable for customers. The new course should maintain aggressive email and mobile app programs to stay in touch with customers. All of these elements can be tied in with a modern POS system that allows golf operators to conduct advanced marketing and data mining. All of this technology is viewed by NGF as a basic requirement for any new public golf course, as this technology will be needed to operate and market the new facility.
- **Leagues and Organized Golf** – OCGPGC will need to become active in hosting organized golf events and league activity. The facility operator should make this a high priority, and work immediately upon opening to create a strong league-play environment, with a Men's Golf Association, Women's Golf Association and Senior Golf Associations (Men's and Ladies). Successful public golf courses also report an active tournament, outing and event calendar, and make promotion of these organized golf events a high priority in sales and marketing efforts.

- **Less Traditional Segments** – Increasing participation among less traditional golfer populations is generally about three groups – younger adults, women and minorities. We know that 50% of the population is female. We also know that about 40% of the Orange County population is non-Caucasian, and the median age in the metro region is younger than the nation as a whole. As a result, the longer-term future of public golf in this part of Southern California will be dependent on the ability of this golf facility to engage and grow these less traditional golfer segments.
- **Increasing Women’s Participation** – An extension of the issue noted above, this represents a major “industry best practice” and is recommended by NGF to every golf course we review. At present, women account for about 20% of golf participants, but 40% of beginners. There are many reasons why female golf participation is low, but increasing participation from women is one of the keys to maximizing revenue. The most common issues relate to golf course difficulty, retail selection, on-course services (restrooms, drinking fountains), F&B selection, and customer service. *Targeted programs, especially those with a social element such as “Wine & Nine”, can be especially effective at removing the intimidation factor for beginning female golfers.*
- **Millennials / Young Adults:** One of the major initiatives to grow activity that NGF recommends is specialized programming and events aimed at onboarding or simply increasing the patronage of young adults. National NGF research (*Golf & the Millennial Generation*) has shown this to be a key demographic in growing golf activity. This same research tells us that making golf “experiential” is one of the keys to attracting less engaged golfers from this generation. Events such as afternoon scrambles featuring golf, music, beverages, contests, etc. (think “Beers and Balls”) will be popular with young adults, and help into the latent demand for golf in this age segment.
- **Additional Rental and Services** – OCGPGC should provide services to help accommodate beginners and other less frequent golfers. One service that can help to increase the volume of golf rounds is to have a good quantity of high quality rental golf club sets available, and communicating this fact to potential customers. OCGP may need to have a mix of better quality rental sets and lower quality “loaner” clubs for use on the range by beginners. The key revenue sources for OCGPGC are green and cart fees, and rental sets help the facility to sell more rounds (*may be especially relevant if customers that travel via public transport at the TOD can be drawn to the golf course*). The rental sets themselves are not typically a strong direct profit center.

SUMMARY – ORANGE COUNTY GREAT PARK GOLF COURSE

A new 18-hole mid-to-upper market public golf course within the emerging Orange County Great Park appears to be a fiscally sound and complementary addition to the overall park offering. The OCGP is becoming a popular destination and is located in one of the country's strongest golf markets. Key findings from NGF Consulting's analysis of the proposed new Orange County Great Park Golf Course:

- The OCGP offers a prime location for a new public golf course. The site is in the heart of prosperous and growing areas of Orange County, and has immediate proximity and access to several key area freeways. This combination of golfer-rich local neighborhoods and easy access to freeways tends to correlate to economically successful public golf facilities.
- OCGPGC is proposed to include a mix of amenities that should be very appealing in the local Irvine market. The overall condition of the property selected for the golf course is good, but all of the key features commonly associated with high quality golf (shaping, trees, water, etc.) will have to be created for this site.
- The NGF expects the design of the new OCGPGC to include features commonly associated with successful golf courses, and we also assume a very playable golf course that is not too difficult for beginning golfers, yet not too easy for the serious competitive golfers. This mix and broad appeal is possible at this site and is the "sweet spot" for economically viable public golf courses.
- The ancillary amenities proposed for this facility will add to the appeal of the course and help the City sell golf activity. In addition, the range, clubhouse and banquet amenities should produce considerable revenue on their own, resulting in a facility that produces significant net operating income for the City.
- Proper management, operation and staffing will be a key to success at the new OCGPGC. The property will be very active and have a number of separate venues that will all have to be managed properly, and in coordination with the main golf program and the City of Irvine. The NGF expects that a management contract with an experienced golf management entity will offer the City the best chance for long-term success at any golf course developed at the OCGP site.
- The property immediately surrounding the proposed OCGPGC offers complementary uses that should add significantly to golf facility activity and revenue. This is for both the other recreational amenities within OCGP (e.g. proximate sports park), as well as the growing residential and commercial uses surrounding the OCGP site.

External Factors Affecting Golf in Orange County, CA

To assess the activity levels and potential market opportunities for Orange County Great Park Golf Course, the environment in which the facility operates must be understood. Therefore, it is helpful to examine local economic and demographic factors that have the potential to impact rounds played and fee tolerances. This overview will include an analysis of the area's demographics, as well as a brief discussion of local economic factors that can impact demand for golf. In the second part of this section we provide an overview of key golf market demand and supply indicators, as well as key competitors to OCGPGC.

BASIC DEMOGRAPHICS AND THE LOCAL ECONOMY

Below, we summarize the population, median age, and median household income trends for the 3-, 10-, and 15-mile markets around Orange County Great Park, as well as Orange County, the state of California and the United States. Followed that is a brief discussion of the local economy.

Demographic Analysis

The table in **Appendix B** summarizes key demographic measures and trends that relate to golf participation. NGF observations include:

- There are an estimated 64,000 people living within 3 miles of Orange County Great Park GC, 1.09 million within 10 miles, and more than 2.14 million residing within 15 miles. Annual population growth in the immediate 3-mile market was more than four times the national rate of growth between 2000 and 2010. Growth rates in the subject markets are expected to moderately outpace national rates through 2021. The 10-mile market is projected to add about 50,000 net new residents in the next five years.
- The local markets have relatively high percentages of Asian-Americans, especially the immediate 3-mile market, where 30% of residents are Asian-American. NGF research shows high golf participation rates among some Asian-American populations in southern California, particularly those at higher incomes.
- The Median Ages of all the subject markets are moderately lower than the national median of 38 years. In general, the propensity to play golf with greater frequency increases with age, making older markets more attractive to golf facility operators, all factors being equal.
- At just under \$90,000 in both the 3- and 10-mile trade areas, Median Household Income in this market is about 60% higher than the national median of \$56,106, and about 38% higher than the state median income. These high incomes are mitigated somewhat by the very high cost of living in the area. In general, higher income residents are more likely to participate in golf, and they play more frequently than lower income residents.

Key Climate and Economic Factors

Following are some key observations about climatic and economic characteristics of the Irvine/Orange County area that have the potential to affect demand for golf.

Climate

As with any outdoor recreation, golf demand is impacted by weather. NGF data estimates that almost all golf is played with temperatures between 50 and 90 degrees Fahrenheit. Irvine has an average summer temperature of 83 degrees, with an average of only 36 days annually with precipitation (less than 5.0 inches of rain annually from May through September). The winter months are warm, with a majority of days averaging 65 degrees. Irvine averages just 26 days annually with 90-degree temperatures or higher.

Climatological Data					
Month	Temperatures			Precipitation Inches	Average Length of Day (Hours)
	Average	High	Low		
Annual	62.4	75.4	49.4	12.9	12.6
January	54	67	40	2.6	10.7
February	55	68	43	2.7	11.4
March	57	69	44	2.3	12.4
April	60	73	48	1	13.5
May	64	75	52	0.3	14.4
June	67	79	56	0.1	14.8
July	71	84	59	-	14.6
August	72	85	59	0.1	13.8
September	71	84	57	0.2	12.8
October	66	79	52	0.4	11.7
November	59	74	44	1.2	10.8
December	54	68	41	2	10.4
Source: Weatherbase.com, Irvine, CA					

City of Irvine / Orange County Overview

Sources: Various local; City of Irvine; BLS; Census Bureau

Irvine is an affluent city in Orange County, California that covers approximately 66 square miles. The area has a high median household income and a strong median home value. The culturally diverse community is known for its high quality of life and as a great place to raise a family.

The City of Irvine has a considerable economy that can directly affect the demand for golf. Key aspects of the regional economy include:

- Irvine has a population of 260,000 residents, with an employment base of 235,100 people working in more than 17,000 Irvine businesses.
- Orange County, the third most populous county in California with nearly 3.2 million residents, features 42 miles of coastline and includes popular destinations such as Mission San Juan Capistrano, Main Street Pier in Huntington Beach, Disneyland, and Knott's Berry Farm. It is serviced by John Wayne Airport in Santa Ana, and also has close proximity to LAX, Ontario International Airport, and Long Beach Airport.

- The median home value is \$740,000 and the median household income is \$92,000, well above the national average of ~ \$56,000.
- Irvine's ethnic profile is made up of 45.31% Asian, 45.30% Caucasian, 4.5% multi-race, 3.0% African American and 1.5% other.
- Nearly 65% of Irvine residents age 25 or older have a bachelor's degree or higher, compare to the 28% national average.
- According to the State of California Employment Development Department, the unemployment rate for the Anaheim-Santa Ana-Irvine Metropolitan Division (Orange County) was 3.7%, compared to 5.2% for the state and 4.9% for the U.S. A year ago, the rate for Orange County was 4.1%
- The leading business sectors in Irvine are pharmaceutical, biotechnology, medical equipment and devices, computer hardware and software, semiconductors, financial services, automotive design, and communications. The top 10 employers are:
 - University of California, Irvine (19,625)
 - Irvine Unified School District (4,709)
 - Blizzard Entertainment Inc. (2,622)
 - Broadcom (2,604)
 - Edwards Lifesciences (2,575)
 - Parker Hannifin (2,400)
 - Nationstar Mortgage (1,556)
 - Glidewell Laboratories (1,538)
 - 24 Hour Fitness (1,426)
 - Thales Avionics (1,424)
- Irvine-based tech giant Broadcom announced in late 2014 it would move its headquarters to Great Park Neighborhoods after agreeing to buy land for a new 1.1 million-square-foot campus, with the option to expand up to 2 million square feet. Occupancy of the new campus is expected by late 2017 or early 2018.
- Irvine has the lowest rate of violent crime per capita of any city in the nation with a population of comparable size.
- Tourists and business travelers will be a key component of demand for the new golf course at Great Park. The City of Irvine has 16 lodging properties and nearly 3,900 hotel rooms, with an additional 1,200 rooms in short-term planning. ***In addition, up to four hotels may be built on-site at Great Park.*** Other key facts about area tourism:
 - A new report from the California Travel and Tourism Commission measures the economic impact of the 47.4 million people who visited Orange County in 2015, up 2.6% over 2014. Visitors spent \$9.8 billion, and tourism-related jobs were about 100,000.
 - Amusement parks are a key tourism driver; Knott's Berry Farm drew 5.5 million people in 2015, and Disneyland ~ 17 million.
 - Orange County jurisdictions collected \$246 million in hotel taxes in 2015. The top five: Anaheim (\$118 million), Newport Beach (\$20.4 million), Garden Grove (\$17.2 million), Dana Point (\$12.5 million) and Irvine (\$10.6 million).
 - Three new hotels with a total of 606 rooms opened in 2015, and 11 others –with a total of 2,365 rooms – were under construction. At the end of

2015, planning was underway for 25 more Orange County hotels with 4,200 rooms, according to Irvine's Atlas Hospitality Group.

- In 2015, the Anaheim Convention Center, the West Coast's largest, drew 1 million+ people, up 1.5 percent over 2014.
- The California Travel and Tourism Commission (Visit California) hiked its budget to \$110 million in 2015, up from \$60 million in 2014.

GOLF MARKET SUPPLY AND DEMAND INDICATORS

Below are some key NGF observations regarding national and local trends in golf supply and demand.

National Golf Industry Overview

While socio-demographic, financial and cultural headwinds certainly persist for golf, the industry continued its macro trend toward stabilization in 2014-2015. Golf's pay-for-play green fee revenues and other spending on the sport will always be vulnerable to outside forces such as weather and the economy, but the overall participation rate remains at $\pm 9\%$. The game remains popular and is fortunate to have a deep well of interested prospects.

Still, some socioeconomic and demographic trends continue to present challenges for golf operators. For instance, golf is having trouble attracting and retaining young adults (i.e., Millennials – see separate attachment); though this segment continues to account for a large percentage of annual play and spending, factors such as debt and competing recreational activities have suppressed golf demand from this segment. The smartest, best-managed and most innovative golf facilities will win market share and have the best opportunity for growth.

Key Trends

- **Participation** - The national golfer number (participation) appears to be continuing a stabilization trend, though there has been continued net attrition, primarily among occasional/less committed golfers. Overall, NGF survey research indicates that in 2015 there were 24.1 million people in the U.S. that played at least one round of golf in the prior year, about ± 1 million fewer than in 2012. However, the vast majority of "core" golfers remain in the game.
- **Rounds Played 2015-16 / Looking Ahead** – Despite poor weather that suppressed first-quarter play in 2015, rounds played nationally finished the year 1.8% ahead of 2014, according to Golf Datatech. The overall Pacific Region was up 2.7%, while the California sub-region was up 1.6% and Orange County up by 1.8%. The next couple of years should provide a stronger indication of whether playable day-adjusted rounds have stabilized. National rounds played in 2016 were up 0.6%, despite December rounds that were down 11.5%. The Pacific Region saw a rounds decrease of 1.6% in 2016, while the California sub-region was down by 1.4% and Orange County was **up** by 2.6%. *Due largely to an exceptionally rainy January and February, first quarter 2017 rounds played were down by 12.7% for the Pacific Region, and by 11.1% for Orange County.* See **Appendix C** for National Rounds Played Report through year-end 2016.

- **Golf Course Supply** - The correction in golf course supply continued in 2015 at a level comparable with the previous three years. According to NGF data, since the market correction in golf course supply began in 2006, there has been a cumulative net reduction of 679.5 golf courses (18HEQ), which represents a drop of about 5% off the peak supply year of 2005. For perspective, golf supply grew by 40% in the previous 20 years (1985-2005). We note that not all golf courses are closing due to competitive dynamics; rather, some golf courses – especially in geographies where developable land is at a premium – are closing because residential or commercial is a much “higher and better use”. Whatever the reasons, this much-needed move toward supply/demand equilibrium is expected to continue for the next several years.
- **Baby Boomer Effect** – As Baby Boomers age and retire over the next 15 years, we expect to see a measurable increase in total rounds played in the U.S. Boomers - born between 1946 and 1964 - are currently 51 to 69 years old. About 6 million of them are golfers; that’s about 1/4 of all golfers, and they currently play about 1/3 of all rounds. Boomers started turning 65 in 2011, and already about 1 million golfing Boomers have reached retirement age (though not all have retired). Both the Social Security Administration and Pew Research Center report that 10,000 or more Boomers retire every day. And 300,000 Boomer golfers will turn 65 each year for the next 15 years. Retired Boomers (age 65+) play about twice as much as younger, non-retired Boomers (40 rounds vs 21 rounds).

Other Measures of Health

Other perhaps equally important metrics to consider when measuring the health of, and prospects for, golf include: Engagement, Beginners, and Latent Demand.

Engagement: Several years ago NGF developed a scale to gauge participant engagement/passion for golf. NGF annual golfer survey research indicates that the number of engaged golfers has remained steady at 20 to 21 million for the past four years. But the proportion of engaged golfers has increased from 78% to 83% over this period. These engaged golfers are responsible for over 94% of rounds played, and 97% of equipment spend. Those who are more engaged are significantly more likely to continue playing.

Beginners: The number of beginners – about 2 million in 2015 - looks to be on the upswing again, more evidence of the participation bubble that began to build in 1997.

Latent Demand: It is also encouraging to know that overall interest in playing golf remains very high. NGF survey research indicates there is more than one prospect golfer for every existing golfer, or about 25 million strong.

Summary

Positive economic indicators, an increase in weather-adjusted rounds played, and the return of private equity funding to the industry are just a few of the under-reported developments in golf that tell the current story of the industry. The continued supply correction, though painful for some operators, will result in more favorable competitive situations in some markets. Finally, participation has historically tracked closely with Real Adjusted Household Income, suggesting that if income increases, there’s a likelihood that the golfer trajectory would increase with it.

Defining the OCGPGC Trade Area

A number of factors assist in determining the expected market area for a golf facility. In addition to the quantity, quality, and nature of existing competitive facilities in the area, the availability of highway and major thoroughfare infrastructure, traffic patterns, economic and demographic factors, and the propensity for golfers to travel to play golf all play a role in establishing the primary market area for a golf facility.

Based on these factors, as well as our knowledge of this market, interviews with area golf operators, and the expected high quality of the proposed golf course, NGF expects that the majority of play and demand for OCGPGC will come from Irvine and surrounding communities generally within a 10- to 15-mile range of the course, which approximates (depending on traffic) about a 20- to 30-minute drive time of the site. This market includes all or parts of such communities as Mission Viejo, Costa Mesa, Lake Forest, Laguna Hills, Tustin, Santa Ana, Anaheim, Orange, Yorba Linda and Laguna Niguel; the trade area extends eastward past the 241 to the Santa Ana Mountain foothills and westward to coastal communities such as Huntington Beach (north), Newport Beach, and Dana Point (south). A secondary trade area would extend into western Riverside (e.g., Corona) and San Bernardino counties.

Local Golf Demand

(Source: NGF Golf Demand Model and NGF Golf Market Analysis Platform)

Resident Golf Demand

The following is a summary of NGF observations regarding key golf demand measures for the local golf market. Supporting data can be found in **Appendix B** to this report.

- There are an estimated 75,100 golfers living within 10 miles of Orange County Great Park, with the potential to demand about 1.265 million rounds of golf each year. Overall, Orange County is home to an estimated 205,000 golfers, demanding about 3.35 million rounds of golf annually.
- NGF's Golf Demand model indicates that golf participation rates in the subject markets are just below the national household participation rate of 13.8%, while rounds played per household are about 10% to 15% lower than the U.S. benchmark. These numbers are largely attributable to the low percentages of Caucasian Americans in the subject markets compared to U.S. overall; ongoing NGF participation research has consistently shown White Americans with the highest golf participation rates. Additionally, golf course supply is a driver of demand, and the local markets have relatively low per capital supplies of golf courses. However, because of the dense population base, rounds played per 18 holes of golf are much higher than we observe in most markets.

Corporate / Organizational Market Demand

As we saw earlier in this section, the Irvine area is home to many large employers. These employers are potential customers, along with groups such as civic & fraternal organizations and churches, for organized activities such as outings and leagues, as well as for corporate meetings (breakfasts, etc.) and banquets. These types of activities are an important supplement to daily fee rounds for public golf courses, especially in today's hypercompetitive golf markets.

Visitor / Non-Local Golf Demand

Visitors (both leisure and business travelers) to the Orange County area significantly impact demand at area golf courses. According to a recently released report from the California Travel and Tourism Commission, Orange County drew nearly 48 million visitors in 2015. NGF research shows that roughly one-third of all golfers participate in the activity while traveling, playing about a round of golf for every two days of travel. Visiting golfers can be targeted by sales staff by creating relationships with nearby lodging properties such as the Courtyard by Marriott (north of Alton Pkwy), DoubleTree by Hilton (south of Barranca Pkwy), and La Quinta Inn & Suites, as well as those located further west toward John Wayne Airport.

Latent Demand

(Source: NGF Golf Demand Model and NGF Golf Market Analysis Platform)

People who express an interest in playing golf but have not yet started include former golfers and those who have never tried. The demographic profile of latent demand tends to be more female, younger, lower-income and non-Caucasian than the population as a whole. Surveys show these golf-interested non-golfers cite several barriers to entry in golf, including the cost and social aspects (no one to play with). The latent demand population is comparable to the golfer population, and NGF estimates as many as 143,000+ interested non-golfers in the 10-mile market around Orange County Great Park. Given golf's tenuous participation situation, all golf courses should have active programming aimed at inviting and "onboarding" prospective new golfers.

Local Golf Supply

The following are some summary NGF observations regarding key golf supply measures for the local golf market.

- There are 17 total golf facilities (10 public, none municipally owned) in OCGPGC's primary 10-mile trade area, 35 total facilities (22 public, including 3 municipal) within 15 miles, and 51 (32 public, 7 municipal) in Orange County overall.
- Five of the 10 public facilities in the 10-mile market are at an NGF-defined 'premium' price point (>\$70 peak riding fee), and four at 'value' price point (<\$40 peak riding fee). Only one public golf course is in the mid-range, which NGF defines as 'standard' (\$40 to \$70 peak riding fee). In the broader 15-mile ring, there is a higher proportion of mid-range facilities, though still more premium clubs.
- Ratio analysis based on national benchmarks shows that the subject markets have between 1.5 and 3 times as many golfing households available to support each 18 holes of public golf than the nation overall. As noted above, the mid-range price point appears to be significantly undersupplied; **for example, in the 10-mile market area there are about 13 times as many golfing households per 18 holes of 'standard' price point golf as compared to the national benchmark.**
- Overall, there are twelve public facilities in Orange County at NGF premium price point facilities, including five at \$100+ peak fees. The very top of the public market comprises Pelican Hill Golf Club at \$315 and Monarch Beach Golf Links at \$259, with Oak Creek, Strawberry Farms and Tustin Ranch comprising the next tier.
- Other than OCGPGC, the NGF facilities database shows no new golf courses either in planning or under construction (excluding renovations) in the local market area.

Based on the targeted market positioning of OCGPGC, NGF identified a subset of primary competitors for the proposed new club. These facilities, chosen based on factors such as price point, location, and amenities offered (e.g., banquet space), comprise one municipal golf course (Costa Mesa Country Club, leased to private operator) and five daily fee clubs:

- Arroyo Trabuco Golf Club – 18H Daily Fee – Mission Viejo
- Costa Mesa Country Club - 36H Municipal – Costa Mesa
- Oak Creek Golf Club – 18H Daily Fee – Irvine
- Rancho San Joaquin Golf Course - 18H Daily Fee – Irvine
- Strawberry Farms Golf Club – 18H Daily Fee – Irvine
- Tustin Ranch Golf Club - 18H Daily Fee – Tustin

A map illustrating the relative locations of OCGPGC and its primary competitors is shown below. Following the map, we provide summary operating information for these key competitors, as well as key findings regarding the competitive market with emphasis on determining OCGPGC's recommended market positioning and prospects for building market share.

Key Competitors – Operating and Metrics Comparison

The tables below show summary pricing and rounds played information for the courses listed above. The fees shown reflect non-discounted 'rack' rates. Twilight rates vary by time of the year.

Facility Summary Information - Expected Primary Competitors to OCGP Golf Course								
Golf Facility	Location	Type	Year Open	Par / Slope	Front Tee/ Back Tee	Location Relative Orange County Greater Park	Architect	Tee Stations
Oak Creek Golf Club	Irvine	DF-18H	1996	71 / 130	4,989 / 6,850	2.4 miles W/NW	Thomas Fazio	65
Arroyo Trabuco Golf Club	Mission Viejo	DF-18H	2004	72 / 129	5,045 / 7,011	10.2 miles S/SW	Casey O'Callaghan / Tom Lehman	50
Strawberry Farms Golf Club	Irvine	DF-18H	1997	71 / 128	4,832 / 6,700	4.2 miles W/SW	James W. Lipe, Jr.	30
Tustin Ranch Golf Club	Tustin	DF-18H	1989	72 / 129	5,263 / 6,842	5.6 miles N/NW	Ted Robinson	35
Rancho San Joaquin Golf Course	Irvine	DF-18H	1964	72 / 126	5,709 / 6,431	5.8 miles W	William F. Bell / Robert Muir Graves	64
Costa Mesa Country Club	Costa Mesa	MU-36H	1967			11.4 miles W		30
Los Logos Course		18H		72 / 126	5,907 / 6,589		William F. Bell / (R) Ronald Fream	
Mesa Linda Course		18H		70 / 118	4,591 / 5,538		William F. Bell / (R) Ronald Fream	
*Air miles from subject site, rounded to half-mile; actual driving distances will likely be greater. Type: DF – Daily Fee; MU – Municipal								

Summary Fee & Rounds Data – Expected Primary Competitors

Golf Facility	18-Hole Prime Time Green Fees & Carts Mon-Thurs / Fri / WE	Loyalty/Discount Program Green Fees & Carts Mon-Thurs / Fri / WE	18-Hole Twilight Green Fee & Carts Mon-Thurs / Fri / WE	18-Hole Senior Green Fee & Carts Mon-Thurs / Fri / WE	18-Hole Junior Green Fee Mon-Thurs / Fri / WE	Estimated Annual Rounds Played
Arroyo Trabuco Golf Club	\$85 / \$100 / \$115	\$62 / \$73 / \$93	\$50 / \$50 / \$50	\$65 / \$75 / NA	After 4pm \$20 / NA / NA	55,000
Oak Creek Golf Club	\$135 / \$180 / \$180	\$82 / \$115 / \$115	\$55 / \$65 / \$65	(55+) \$95 / \$95 / NA	\$85 / \$95 / \$95 Day of Play \$35	48,000
Strawberry Farms GC ¹	\$125 / \$175 / \$175	\$75 / \$78 / \$100	\$50 / \$75 / \$75	(60+) \$79 / NA / Sun \$99 (65+) \$69 / NA / Sun \$99	\$50 / \$60 / \$60 with paid adult	45,000
Tustin Ranch Golf Club ²	\$145 / \$165 / \$195	\$73 / \$94 / \$110	\$40 / \$40 / NA	NA	\$65 / \$65 after 11am Fri-Sun	50,000
Rancho San Joaquin Golf Course ³	\$45 / \$50 / \$65	\$35	\$29 / \$29 / \$29	\$35 / \$35 / NA	\$20 / \$20 / \$26	82,000
Costa Mesa Country Club ⁴						
Los Logos Course	\$47 / \$49 / \$61	NA	\$27 / \$28 / \$29	\$25 / NA / NA	NA	75,000
Mesa Linda Course	\$40 / \$44 / \$52	NA	N/A	\$23 / NA / NA	\$13 / NA / NA	70,000
<p>1. Strawberry Farms GC offers City of Irvine resident rates: \$85 Mon-Thurs and \$125 Fri-Sun</p> <p>2. Tustin Ranch Golf Club offers walking rates: \$120 Mon-Thurs, \$140 Fri and \$170 Sat., Sun., and Holidays; Twilight walking: \$80 Mon-Thurs, \$96 Fri-Sun & Holidays.</p> <p>3. Rancho San Joaquin offers walking rates: \$32 Mon-Thurs, \$37 Fri and \$52 WE and holidays; Twilight: \$25 Mon-Thurs, \$29 Fri and \$35 WE and holidays; Super Twilight walking \$22 Mon-Sun.</p> <p>4. Los Logos Course offers walking rates: \$33 Mon-Thurs, \$35 Fri and \$47 WE; Twilight: \$22 Mon-Thurs, \$26 Fri, \$30 WE; Super Twilight: \$16 Mon-Thurs, \$17 Fri, \$18 WE.</p> <p>NA = Program not offered/available</p>						

Annual Memberships / Loyalty Programs– Primary Competitors			
	Annual Membership	Loyalty Program	
Golf Facility	Single / Couple or Family	Single	Couple
Arroyo Trabuco Golf Club	NA	\$199	+\$109
Oak Creek Golf Club	\$8,900 / -	Players Club \$319 per person	
Strawberry Farms Golf Club	Only Junior memberships available (ages 11-17, standby only) \$3,750	2017 Players Card \$125 per person	
Tustin Ranch Golf Club	\$2,500 + \$385 monthly green fee* / \$3,000 + \$520 monthly green fee	\$595	+ \$350
Rancho San Joaquin Golf Course	NA	GOLFZING Card \$39.95 per person	
Costa Mesa Country Club	NA	NA	
*Tustin Ranch Golf Club membership does not include cart fees NA = Program not offered/available			

Summary Profiles – Key Competitors

(Source for rounds played, ave. rate information: NGF interviews with area operators; Pro Forma Advisors)

Tustin Ranch Golf Club

Tustin Ranch Golf Club is a high-end (peak fee \$195), scenic daily fee 18-hole facility managed by American Golf Corporation and located about 6 miles north of Great Park. It opened in 1989 and features a par 72 Ted Robinson designed golf course consistently rated by golfers as one of the best public facilities in Orange County. The Golf School at Tustin Ranch Golf Club has a full staff of instructors and is very active with lessons, programming, club fitting, demo days, etc. The 35-station range features both grass (Monday through Wednesday) and mats (Thursday through Sunday). Tustin has a full service restaurant, Player's Lounge, patio, and banquet space for up to 225 guests.

Tustin Ranch GC offers both an unlimited play Annual Membership, reduced green fee membership for \$595 annually, and a points-based loyalty program. Annual rounds for the facility are ±50,000, at an estimated average daily rate (ADR = total green/cart fees divided by total rounds) of about \$65.

Oak Creek Golf Club

Oak Creek is a high-end (peak fee \$180) Irvine daily fee 18-hole facility opened in 1996 by the Irvine Company. It is also a scenic course, featuring mountain views, several lakes, bull-nose carved bunkers and dense foliage, and is part of the Audubon Cooperative Sanctuary Program for Golf Courses. The par-71 Tom Fazio designed course features five sets of tees and is another highly rated Orange County golf course. Oak Creek has a large contingent of both staff and contracted instructors and, like Tustin, is very active with lessons, programming, club fitting (contracted through Cool Clubs of Scottsdale, AZ), and demo days. Oak Creek is known for its massive LED lighted 70-station grass driving range features both grass through Wednesday) and mats (Thursday through Sunday). Tustin has a Spanish-themed clubhouse with a full service restaurant and event space for up to 500 guests.

Oak Creek offers a Gold Annual Membership for \$8,900, which includes unlimited green fees and use of the practice facility; there is also a Junior Annual Membership (ages 7-18) for \$4,199. The facility also range memberships, as well as the Players Club loyalty program for an annual fee of \$319 (reduced for renewing members), which entitles holders to reduced green fees, in addition to other benefits such as pro shop merchandise discounts. Annual rounds for the facility are 45,000 to 50,000 rounds, at an estimated average daily rate of about \$90, which is the highest for the direct competitive set.

Strawberry Farms Golf Club

Strawberry Farms is another high-end (peak fee \$175) daily fee 18-hole facility located in the canyons of Irvine. The facility opened one year after Oak Creek in 1997; the par-71 layout features a 35-acre reservoir, large rolling greens, abundant wildlife, natural vegetation, scenic hills, granite boulders and natural waterfalls. Along with Tustin Ranch and Oak Creek, Strawberry Farms is one of the premier daily fee clubs in northern Orange County. There are five tees ranging in length from 4,832 yards to 6,700 yards. Strawberry has a 30-station range and full-service clubhouse, including the Farmhouse Grill restaurant. For banquets, a separate structure (Big Red Barn), which can accommodate 100 to 250 guests, is utilized. The Terrace Veranda accommodates up to 80 guests with additional seating available on the adjacent lawn.

Strawberry has an unlimited play Annual Membership only for juniors, and offers a Players Card loyalty program for \$125 annually. Estimated annual rounds are $\pm 45,000$, at an average rate of about \$80. Market sources tell NGF that Strawberry Farms is an \$8+ million gross revenue operation, including more than \$4 million in golf (green/cart/range), and about \$3 million in food & beverage.

Arroyo Trabuco Golf Club

Arroyo Trabuco is an 18-hole mid-to-high-end (non-member weekday peak fee of \$85, weekend \$115) links-style daily fee golf course designed by PGA Tour professional Tom Lehman and local golf course architect, Casey O'Callaghan. Set amidst canyons, Trabuco Creek, and The Reserve at Rancho Mission Viejo, the 240-acre club provides a scenic experience for golfers and other patrons. Arroyo Trabuco has five sets of tee boxes, playing from 5,045 to 7,000 yards; Trabuco Creek plays as a lateral hazard on seven holes and on-course lakes come into play on three holes.

Arroyo Trabuco has a 50-station range and full-service clubhouse, including O'Neill's Bar & Grill. The club has an outdoor Wedding Garden and Reception Patio featuring scenic overlooks, and a Private Bridal Suite. The Trabuco Ballroom (5,600 sf) provides seating for up to 240 people. Arroyo Trabuco does not offer an unlimited play membership, but offers a loyalty program for \$199 annually. Estimated annual rounds are $\pm 55,000$, at an average rate of about \$55.

Costa Mesa Country Club

The 36-hole Costa Mesa CC is a low-to-mid-market municipally owned/private leased public golf course, with peak riding green fees of \$51 (Mesa Linda) to \$61 (Los Lagos); reduced city resident rates are available for 60+ seniors, M-Th only. CMCC is more than 11 miles west of the Great Park site and lower end than what is proposed for the subject golf course, but provides a good example of the potential revenue generation in this market from an active golf and banquet provider. The shorter par-70 Mesa Linda course features three sets of tees, ranging from 4,564 yards to 5,547 yards. The par-72 Los Lagos course also has three tees, ranging from a very lengthy forward tee of nearly 6,000 yards to a back tee of 6,567. The courses are known to have high quality greens, though conditions of fairways, etc. are average.

Costa Mesa CC, opened in 1967, is one of the older public golf facilities in the market. It features a fairly extensive practice facility, including thirty night-lit range bays (ten set up for grass), two large putting greens and a chipping green. The club is a high-volume banquet provider, with two dedicated rooms, with a terrace overlooking a lake: the Los Lagos room seats 350 guests, and the Mesa Linda seats 185. These rooms are reportedly due to be updated later in 2017. The chipping green can be reserved for weddings and receptions. In addition to the banquet rooms, Costa Mesa CC has several other food & beverage venues:

- The 19th Hole, full service bar with several large screen televisions and an outdoor patio.
- A coffee shop (next to 19th Hole; each is near Los Lagos 18th hole and both courses' No. 1 tees.
- The Snack Shop, with full menu for breakfast and lunch, has two large flat screen televisions and an outdoor patio with golf course views.
- Tavern on the Green restaurant.

As noted, Costa Mesa CC is leased from the city by a private operator. Total gross revenues exceed \$7 million, including about \$1.5 million in food & beverage. Total lease/rent payments to the City of Costa Mesa were **\$2.27 million** in FY16. The lease agreement stipulated a minimum monthly rent of \$147,000 through FY17; percentage rents vary from 6% to 35%, depending on the revenue category, and minimum rents are adjusted every two years. The operator reports about 150,000 on its 36 holes, at an estimated average rate of about \$35; activity at its peak was close to 200,000 rounds in the middle and late 1990s. NGF believes that one of the key contributing factors to Costa Mesa's high activity levels and revenues is that the facility enjoys easy access from both the 405 and 55 freeways. (*We noted previously that excellent accessibility is a strength of the Great Park site*).

Rancho San Joaquin Golf Course

Rancho San Joaquin, located in Irvine, is an 18-hole low-to-mid-market daily fee golf course, with weekday/weekend riding fees of \$45/\$65 (there are several ways to get discounted golf, including \$35 riding rates through GOLFZING for a \$40 annual program fee). RSJ, opened in 1964 and managed by American Golf Corporation, also has a player development oriented program – the Players Club – that offers cart-only golf after 3 pm, free use of the range up to \$12 daily, and up to two instructional clinics per week. Like Costa Mesa CC, Rancho is a high volume provider, with estimated annual rounds of 80,000 to 85,000, at an average daily rate of about \$30.

The William Francis Bell-designed golf course opened in 1964; the par-72 layout plays to 6,400+ yards from the tips, and has a long forward tee of more than 5,700 yards. The course has rolling hills, gentle terrain and three different lakes as a back drop. Though it has wide fairways and accessible greens, many of the greens have severe undulations. RSJ's practice facility includes 60 mat stalls, six rentable short game areas, and three practice putting greens. All practice areas are lighted until 10 pm throughout the year for practice any time of day. The learning center includes a Junior Academy. RSJ does not have extensive banquet space, with capacity of 80 to 100 guests; outside caterers are permitted.

Significant Findings – Competitive Market

NGF Consulting research indicates the following significant findings for the competitive market that Orange County Great Park Golf Club will operate in:

- While the competition is formidable at the top end of the market with Oak Creek, Strawberry Farms and Tustin Ranch, OCGPGC should be able to gain immediate market share with the NGF recommended market positioning and proximity to many demand drivers. Our market analysis revealed a market niche for mid-to-high end public facility in this area.
- NGF believes the three Irvine facilities – Oak Creek, Strawberry Farms, and Rancho San Joaquin – will be three most important competitors to the new golf course, with the latter facility more competitive for value-seeking golfers. Only Strawberry offers a discount for Irvine residents (\$85 M-Th; \$125 Fri-Sun).
- The six competitive facilities profiled, comprising seven 18-hole courses, average ~60,000 annual rounds per 18 holes, a very high number for any market. The facilities comprise a mix of very high volume facilities at lower ADRs (Costa Mesa CC, Rancho San Joaquin) and high quality, lower volume clubs (Oak Creek, Strawberry, Tustin) with very high ADRs.

- No matter the operating model, it is apparent that quality golf clubs with the appropriate mix of amenities in the Irvine/Orange County market are very capable of generating very high top-line gross revenue figures.
- All of the subject facilities, to varying degrees, have very active/high volume driving range and food & beverage revenue centers.
- The Orange County public golf market is among the most active in the country with respect to rounds per 18 holes. Though average rounds at public facilities are still down significantly from their peak in the late 1990s, play seems to have stabilized over the last several years.
- Although various forms of green fee discounting are available to golfers in this market, the use of third party discounters to move slow-selling inventory is not as common as NGF has observed in most other markets across the U.S. Most clubs rely on internal yield management and loyalty programs to drive volume.
- Orange County public golf courses receive some secondary and tertiary competition from golf courses in western Riverside and San Bernardino counties (Inland Empire). However, this has abated somewhat in recent years due to a recent spate of golf course closures, as well as ongoing road construction on Highway 91. A total of 15 golf facilities, comprising 12 eighteen-hole equivalent golf courses, closed in Riverside County since 2003 (additional three in San Bernardino County, including Empire Lakes in 2016). All of the closures, with the exception Santa Rosa CC, were open to the public. The closure of Paradise Knolls in Riverside is pending.

EXTERNAL FACTORS SUMMARY

The Orange County / southern California public golf market, like nearly every other market across the U.S., suffered significant declines in average activity levels over the first decade plus of the 2000s, due to a combination of factors such as an oversupply of golf, regional/national economic recession, the aftereffects of September 11, and a general decline in golf participation, especially among young adults. However, the market has rebounded nicely in the last 3 or 4 years, and while average rounds per 18 holes are still well below their peak of the late 1990s, they remain among the highest in the country.

As we have documented, there are a number of factors relative to the local economy and overall golf demand-supply balance that speak to a stabilized and strengthening golf market in the Irvine / Orange County area. These factors bode well for the potential success of the proposed new golf course at Great Park, and include:

- Demographic profile in Irvine/Orange County that is very favorable for high golf participation.
- Strong diversified area economy, with many large employers and low unemployment.
- Great Park will have its own micro-economy and plenty of on-site complementary uses and demand drivers for the golf club, restaurant & banquet facility.
- Potential competitors – at both ends of the market – have proven records of high rounds activity and net revenues.

This stable market should benefit from ever improving supply-demand ratios due to increasing population and no new golf course development likely in the foreseeable future (last Orange County course to open was in 2004).

Market Opportunity Conclusion

In the next section, NGF provides financial projections for the new OCGPGC for its first five years of operation, based on the expected quality of the golf course and its support amenities, our comprehensive market analysis, the facility's recommended market positioning, and other factors. The following bullets summarize what NGF views as the key justifications for our economic projections based on our understanding of the most important demand drivers (for golf, food & beverage, or both) for the new golf facility.

POTENTIAL DEMAND DRIVERS

General

- Growing resident population in Irvine/Orange County, with demographic profile that is predictive of strong golf demand.
- Strong and diversified local economy, with low unemployment.
- Year-round golf climate, with little inventory lost to weather.
- A very high volume of tourists and business travelers to supplement demand from area residents. Irvine has 16 existing lodging properties and nearly 3,900 hotel rooms with an additional 1,200 rooms in short-term planning (not including potential Great Park hotels). Planning is underway for many more hotels in Orange County as a whole, according to Irvine's Atlas Hospitality Group.
- Favorable per capital supply numbers for public golf courses (i.e., high number of golfing households per 18 holes) in the primary trade area for OCGPGC, especially at standard/mid-tier price points which is where City of Irvine resident fees would be.
- Continued population growth and the likelihood of no other new golf course development in OCGPGC's trade area - due to lack of land, high cost of development - mean supply-demand ratios will continue to become more favorable for existing golf courses.
- ***High rounds and very high gross revenue numbers, for both golf and food & beverage, have been proven achievable in this market***, at both low-mid market and high-end facilities. Examples include:
 - Strawberry Farms is an \$8+ million gross revenue operation, generating more than \$4 million in golf (green/cart/range), and about \$3 million in food & beverage, on 45,000+ annual rounds.
 - Costa Mesa Country Club (36 holes) – on about 150,000 rounds, total gross revenues exceed \$7 million, including about \$5.5 million in golf, cart and range fees, and \$1.5 million in food & beverage. Total lease/rent payments alone to the City of Costa Mesa were \$2.27 million in FY16.
 - Mile Square Golf Course – operated privately via a 40-year lease agreement with Orange County, this 18-hole course with \$65 peak riding fees generates about \$8 million in total gross revenue, and contributes \$2 million+ each year in rents to the County.
 - Tustin Ranch GC is estimated to produce about \$3.2 million in total green fee revenue each year, and Oak Creek GC more than \$4 million.

- Site visibility and accessibility from major roadways is very good. Accessibility will be improving with the new east entrance and better northbound access from I-5 after pending project allows direct access from the freeway exit onto Marine Way.

Within Great Park

Potential on-site demand drivers for golf and/or food & beverage include:

- Up to 10,000 mid-to-high end homes with buyers of favorable demographic profile for golf participation. The majority will be built and sold by the time the golf course opens in the spring of 2019.
- Two hotels planned for the Cultural Terrace, and up to two additional for the area west of the sports campus and east of Sand Canyon.
- Other park uses, including Sports Campus and hotels, should support the food & beverage operation, supplementing demand from golfers and other area residents for events, banquets, etc.
- Mixed-use Transit Oriented District planned for north of Barranca Parkway; completion in 4-5 years. This includes the existing Irvine Station for Amtrak & MetroLink, which is the 4th busiest in the state.
- The golf course will be proximate to the Sports Campus, which will be fully completed in 2018. This could be a synergistic relationship, as the golf course draw parents to the driving range, learning center, F&B venues.

Other nearby Potential Demand Drivers:

- The major arterials around Great Park are home to many office/business parks and a high volume of large corporations, including many in the financial & technology sectors. Earlier we noted tech giant Broadcom's new campus being constructed in Great Park Neighborhoods.
- Other proximate large employers include Canon USA, Alcon Labs, Option One and FedEx. A local branch of Cal State Fullerton is also nearby.
- There is also a high concentration of hospitals, surgery centers and other medical establishments in the area immediately around Great Park. These include Specialty Surgical Center of Irvine, MSN-UCI Medical Group, Irvine Odyssey Medical Center, Kaiser Irvine, Hoag Hospital Irvine, and several Hoag Health Centers on Sand Canyon.

POTENTIAL THREATS / MITIGATING FACTORS RELATIVE TO PROJECTIONS

While the NGF finds considerable evidence to support strong rounds and revenue production from the proposed new OCGPGC, there are mitigating factors that could reduce revenue and/or increase expenses at the new golf course. These include:

- New market entrants – although very unlikely, some other new public golf course could be added in the Orange County market.
- Regional economic recession – previous recessions have impacted the performance of public golf courses.
- Residential buildout and/or hotel development is at smaller scale than currently planned.

- Continued overall decline in golf participation – recent trends show declines in golf participation, especially among the younger generation.
- Water availability/cost – Water for irrigation is the “life blood” of a golf course operation, and anything that impacts the availability or cost of water will impact the golf facility operation. The recent California drought is an example of potential impact.

RECOMMENDED MARKET POSITIONING

NGF has recommended a market positioning for the proposed new Orange County Great Park Golf Course based on a number of factors, including:

- Review of the proposed golf course plan for OCGP
- Our detailed competitive market analysis, including the current supply-demand balance at various price points
- Interviews with area golf operators and others with knowledge of the local golf market
- The demographic and economic profile of the Irvine area and Orange County
- The proposed residential buildout and home prices for the OCGP Improvement Plan
- Expectation of additional demand drivers within the Great Park development site, including up to four hotels
- The City’s stated goals with respect to this being a golf facility where public purpose is integral to the overall vision (i.e., extensive junior program; resident, senior, junior discounts; home of UC Irvine golf; place for high school teams to play)

As we observed earlier in the report, five of the ten public golf facilities in the 10-mile market are at an NGF-defined ‘premium’ price point (>\$70 peak riding fee), and four at ‘value’ price point (<\$40 peak riding fee). Only one public golf course (Rancho San Joaquin) is in the mid-range, which NGF defines as ‘standard’ (\$40 to \$70 peak riding fee). In the broader 15-mile ring, there is a higher proportion of mid-range facilities, though still more premium clubs.

Ratio analysis based on national benchmarks shows that the opportunity for a new public golf course in the Irvine market appears to be in the upper end of NGF’s defined ‘standard’ price point / lower end of our ‘premium’ price point. In the 15-mile trade area there are about 3 times as many golfing households per 18 holes of ‘standard’ price point golf compared to the national benchmark, and about 13 times as many in the 10-mile market. Conversely, premium price point facilities appear to be somewhat oversupplied.

Based on our analysis of the factors above, NGF recommends a bifurcated market positioning strategy, with peak prime time 18-hole cart + green fee of \$67 for City residents, and \$97 for non-residents. This pricing would position the new golf course at Great Park between the high-end daily fee clubs Oak Creek, Strawberry Farms and Tustin Ranch, and lower fee facilities Rancho San Joaquin, Costa Mesa and Mile Square Golf Course in Fountain Valley. (We note that the pricing gap between Rancho San Joaquin/Costa Mesa CC and the proposed OCGPGC is smaller for resident rates).

Projected Financial Performance and NGF Recommendations for City of Irvine

NGF Consulting has prepared an analysis to show what the potential economic performance of the new OCGPGC could be if the facility were to be developed and operated as proposed. In this section, we provide estimates of performance based on a set of assumptions that may or may not become reality. We feel that these projections represent a “fair estimate” of the economics of this proposed golf course based on our review of the market, site and projected OCGPGC operation. We note that this economic performance estimate was prepared to reflect the operation of the new golf facility in its entirety, assuming that all elements (golf course, range & clubhouse) are included from the opening of the course (expected in spring 2019).

ORANGE COUNTY GPGC FISCAL PERFORMANCE ASSUMPTIONS

NGF has estimated the economic performance of the new City public golf course under the assumption of experienced professional management in place at the facility from its initial opening. NGF has assumed the inclusion of several primary revenue generators in the facility operation – sale of green and cart fees, concession sales (F&B, banquets), merchandise sales and a driving range. The expenses needed to operate the facility have been assumed to include all costs required to run the golf and clubhouse operation on site, and do not include other “below-the-line” expenses that may be required such as additional City overhead, depreciation or capital cost reduction (debt service). This bottom line projection shows the net operating revenue available to the City to cover additional expenses that may be incurred.

In preparing our estimates of future performance, the NGF team has made several assumptions for input variables and external market conditions. We recognize that this estimate is prepared in early 2017 for a golf facility that is not expected to open before spring 2019, more than two years into the future. As such, the NGF estimates are made using current (2017) inputs and current market conditions. All financial estimates are prepared in 2017 dollars. A summary of NGF assumptions are detailed below:

Basic Assumptions

- The overall economic condition remains stable, without any sizable increase or decrease in the Orange County area economy, employment, or visitation.
- The OCGPGC will operate with service and conditions as described previously, placing the facility in the middle range of public golf courses in the greater Orange County, California market area.
- The OCGPGC will operate with a traditional mix of revenue centers common in public-access golf, with the predominance of golf activity derived from daily fee customers. Additional revenue from range and clubhouse will include participation from other patrons, not playing a round of golf.
- The new OCGPGC will be designed with convenient, returning “loops” for shortened golf play of 3, 6, 9 or 12 holes, all returning to the clubhouse vicinity.
- The new OCGPGC will be designed with convenient access via Great Park Blvd.

Activity and Revenue Assumptions

- NGF has estimated total rounds activity based on market findings, with OCGPGC rounds opening of 45,900 rounds in Year 1, growing to 55,000 rounds by the fourth year of operation. It is assumed that OCGPGC will offer a discounted rate for Irvine residents, which would account for 50% of total rounds. A summary of projected rounds by type through the first five years of operation is presented below:

Orange County Great Park Golf Course					
Year	Year 1	Year 2	Year 3	Year 4	Year 5
Resident Fees					
Weekdays	9,200	9,800	10,600	11,000	11,000
Weekend	6,300	6,700	7,300	7,600	7,600
Discount/Twilight	4,600	4,900	5,300	5,500	5,500
Junior	2,900	3,100	3,300	3,400	3,400
Non-Resident Fees					
Weekdays	5,500	5,900	6,400	6,600	6,600
Weekend	3,800	4,000	4,400	4,500	4,500
Discount/Twilight	2,800	2,900	3,200	3,300	3,300
Junior	1,700	1,800	2,000	2,100	2,100
Other					
Internet Discount/Specials	5,500	5,900	6,400	6,600	6,600
Tournament	1,800	2,000	2,100	2,200	2,200
Comp/Employee	900	1,000	1,100	1,100	1,100
Other	900	1,000	1,100	1,100	1,100
Total Rounds	45,900	49,000	53,200	55,000	55,000

- The NGF-recommended fee structure is presented below. This fee structure assumes a peak weekend/holiday non-resident green + cart fee at \$97.00 (\$67.00 for residents). NGF also assumes a consistent inflation in revenue inputs of 1.5% every year for all fees:

Orange County Great Park Golf Course					
Year	Year 1	Year 2	Year 3	Year 4	Year 5
Resident Fees					
Weekdays	\$37.00	\$37.56	\$38.12	\$38.69	\$39.27
Weekend	\$49.00	\$49.74	\$50.48	\$51.24	\$52.01
Discount/Twilight	\$22.00	\$22.33	\$22.66	\$23.00	\$23.35
Junior	\$17.00	\$17.26	\$17.51	\$17.78	\$18.04
Non-Resident Fees					
Weekdays	\$59.00	\$60.14	\$61.04	\$61.96	\$62.89
Weekend	\$79.00	\$80.19	\$81.39	\$82.61	\$83.85
Discount/Twilight	\$36.00	\$36.54	\$37.09	\$37.64	\$38.21
Junior	\$28.00	\$28.42	\$28.85	\$29.28	\$29.72
Internet/Disc./Specials/Promo	\$22.00	\$22.33	\$22.66	\$23.00	\$23.35
Tournament	\$49.00	\$49.74	\$50.48	\$51.24	\$52.01
Comp/Employee	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Other	\$22.00	\$22.33	\$22.66	\$23.00	\$23.35

- Additional revenue centers include the driving range, golf academy, merchandise, snack bar/grill concessions and other rentals. The NGF's market-based assumptions for per round income for these items is noted below, with 1.5% annual inflation:

Orange County Great Park Golf Course					
	Year 1	Year 2	Year 3	Year 4	Year 5
18-H Cart Fee (per Rider)	\$18.00	\$18.27	\$18.54	\$18.82	\$19.10
Driving Range	\$4.00	\$4.06	\$4.12	\$4.18	\$4.25
Golf School / Lessons	\$4.00	\$4.06	\$4.12	\$4.18	\$4.25
Merchandise Sales	\$5.00	\$5.08	\$5.15	\$5.23	\$5.31
F&B - Snack Bar	\$9.00	\$9.14	\$9.27	\$9.41	\$9.55
Rentals, Misc. & Other	\$1.50	\$1.52	\$1.55	\$1.57	\$1.59

- Additional revenue from banquets has been estimated at \$400,000 in year 1, increasing to \$600,000 in Year 2, \$800,000 in Year 3 and \$1.0 million in Year 4. This is a conservative estimate based on our market review of area golf facilities with comparable banquet space and services.

Expense Assumptions

NGF Consulting has prepared estimates of expenses for the 18-hole Orange County Great Park Golf Course under the ownership of the City of Irvine and the assumption of professional management by an experienced, third-party management entity.

Golf Course Maintenance Expenses

Golf course maintenance expenses (includes practice facility) have been estimated to be \$1,165,000 in the first full year of operation, growing at 2.5% per year to just over \$1,285,000 by the fifth year of operation. Overall, fixed golf course maintenance expenses are expected to conform to the following general schedule prepared by NGF Consulting.

Estimated Golf Course Maintenance Expense Orange County Great Park Golf Course	
Salaries & Wages	
<i>Full-Time Employees</i>	
Course Superintendent	\$90,000
1 Asst. Superintendent @ \$50,000	50,000
1 Mechanic @ \$40,000	40,000
1 Irrig. Tech @ \$40,000	40,000
1 Senior Maint.	35,000
Benefits & Taxes @ 33%	85,000
<i>Part-Time Labor</i>	
15,000 hours @ \$15.00/hr.	225,000
Total Salaries & Wages	\$565,000
Seed, Sod & Sand (incl. Top-Dress program)	\$100,000
Supplies (Chemicals & Fertilizer)	80,000
Miscellaneous (incl. Landscaping)	60,000
Utilities (Water)*	250,000
Other	45,000
Total Course Maintenance Expense	\$1,100,000
*Assumes water rate at 120,000+/- ccf @ avg. of \$1.65/ccf (combination of recycled and potable for greens) + additional power costs.	

General and Administrative Expenses

General and administrative expenses have been estimated to be \$655,000 in the first year of operation, growing at 2.5% per year to about \$700,000 by the fifth year of operation. The general, administrative, and fixed clubhouse expenses have been estimated based on the operation of a good quality municipal golf course.

Estimated Administrative & General Expense Orange County Great Park Golf Course	
Salaries & Wages	
<i>Full-Time Employees</i>	
Facility General Manager	\$115,000
Office / Finance Asst. Mgr.	65,000
Benefits & Taxes @ 33%	60,000
<i>Part-Time Labor</i>	
Clubhouse Maintenance, etc. (2,000 hours @ \$15.00/hr.)	30,000
Sales / Events Coordinator (2,000 @ \$15/hr. **)	30,000
Total Salaries & Wages	\$300,000
Services & Supplies	60,000
Advertising & Promotion	75,000
Insurance	60,000
Management Fee*	140,000
Other / Professional Services	20,000
Total Administrative & General Expense	\$655,000
*Base management fee only – does not include additional variable fees that could be earned through improved facility performance. **Sales positions earn additional commission income (in COS variable expenses).	

Golf/F&B Operations Expenses

Expenses to operate the golf and concession operation (includes practice facility) have been estimated to be \$1,140,000 in the first full year of operation with 2.5% annual inflation:

Estimated Golf / F&B Operations Expense Orange County Great Park Golf Course	
Salaries & Wages	
<i>Full-Time Employees</i>	
Head Golf Professional	\$80,000
1 Food & Beverage Manager @ \$60,000	60,000
1 Head Chef @ \$40,000	40,000
Benefits & Taxes @ 33%	60,000
<i>Part-Time Labor</i>	
Director of Instruction (2,000 hours @ \$20.00/hr.*)	\$40,000
2 Assistant Pros (3,000 hours @ \$20/hr.*)	60,000
Addl. Golf/Range Staff (15,000 hours @ \$15/hr.)	225,000
Additional Bar/Wait Staff (10,000 hours @ \$10/hr.*)	100,000
Additional Kitchen Staff (6,667 hours @ \$15/hr.)	100,000
Total Salaries & Wages	\$765,000
Golf Services & Supplies (incl. range)	\$125,000
F&B Supplies & Services (fixed)	100,000
Cart Lease	100,000
Other	50,000
Total Golf / F&B Operations Expense	\$1,140,000
*Positions can earn additional income through lessons fees and/or gratuities.	

Other Expenses / Details

Additional expenses associated with the operation of OCGPGC include items such as direct cost of items sold (COS), contracted labor and reserves / contingencies. The NGF has based our estimates in these areas on historical patterns established at U.S. golf facilities of this type.

- Cost of pro shop merchandise (COS) is assumed at 70% of total merchandise sales.
- Cost of basic food and beverage items (COS) is assumed at 40% of total sales. An estimate of 55% is used for direct costs on banquets, and this estimate includes a portion for additional expenses for contract banquet labor (servers, kitchen, etc.).
- Direct commissions for all golf instruction are estimated at 80% of total golf school/clinic/lesson revenue.
- NGF has assumed a large capital budget of five percent (5%) per year of total revenue as required per the City of Irvine's Rehabilitation Asset Management Plan to complete needed repairs that invariably come up in golf maintenance. These costs can be borne each year or saved up as a reserve over time.
- In keeping with the conservative posture taken for this feasibility study, NGF Consulting has assumed an operations reserve contingency expense to account for any possible unforeseen expenses, and / or cover any key capital upgrades. This contingency has been estimated to be five percent (5%) percent of all expenses, excluding cost of goods sold and management fee.

PRELIMINARY FINANCIAL ANALYSIS – 18-HOLE OPERATION

NGF has created a cash flow model for the City of Irvine's operation of a new 18-hole golf course at OCGP. As the exact timing is unclear, we have used a generic "Year 1-5" for our projections. The primary assumption that drives the NGF Consulting financial projections is that the new golf facility will be operated in similar fashion to other comparable golf facilities operating in the middle-range of public-access golf in this market.

Cash Flow Statement – 18-Hole Orange County Great Park GC

NGF Consulting has utilized the previously mentioned assumptions to create the cash flow statement in the following exhibit. Each category of revenue has been listed separately, and an estimate of the total facility average revenue per round provided. All figures have been rounded to the nearest \$1,000 for simplicity.

Projected Cash Flow Analysis
Orange County Great Park Golf Course
18-Hole Design

Year	Year 1	Year 2	Year 3	Year 4	Year 5
Revenue					
Daily Greens Fees	\$1,802,000	\$1,950,000	\$2,152,000	\$2,258,000	\$2,292,000
Cart Fees	\$578,000	\$627,000	\$691,000	\$725,000	\$736,000
Driving Range	184,000	199,000	219,000	230,000	233,000
Golf School / Lessons	184,000	199,000	219,000	230,000	233,000
Merchandise Sales	230,000	249,000	274,000	288,000	292,000
F&B - Snack Bar	413,000	448,000	493,000	518,000	525,000
F&B - Banquets	400,000	600,000	800,000	1,000,000	1,015,000
Rentals, Misc. & Other	69,000	75,000	82,000	86,000	88,000
Total Revenue	\$3,860,000	\$4,347,000	\$4,930,000	\$5,335,000	\$5,414,000
Less Cost of Sales: (COS)					
F&B	\$165,000	\$179,000	\$197,000	\$207,000	\$210,000
Banquets	220,000	330,000	440,000	550,000	558,000
Lessons	147,000	159,000	175,000	184,000	186,000
Merchandise	161,000	174,000	192,000	202,000	204,000
Total COS	\$693,000	\$842,000	\$1,004,000	\$1,143,000	\$1,158,000
Gross Margin	\$3,167,000	\$3,505,000	\$3,926,000	\$4,192,000	\$4,256,000
Golf Course Expenses					
Course Maintenance					
Total Payroll + Benefits	\$565,000	\$579,000	\$593,000	\$608,000	\$623,000
Services & Supplies	240,000	246,000	252,000	258,000	264,000
Utilities	250,000	256,000	262,000	269,000	276,000
Other	45,000	46,000	47,000	48,000	49,000
Subtotal Course Maintenance	\$1,100,000	\$1,127,000	\$1,154,000	\$1,183,000	\$1,212,000
Golf/F&B Operations					
Total Payroll + Benefits	\$765,000	\$784,000	\$804,000	\$824,000	\$845,000
Services & Supplies	125,000	128,000	131,000	134,000	137,000
Cart Lease	100,000	103,000	106,000	109,000	112,000
F&B Supplies & Services	100,000	103,000	106,000	109,000	112,000
Other	50,000	51,000	52,000	53,000	54,000
Subtotal Golf/F&B Operations	\$1,140,000	\$1,169,000	\$1,199,000	\$1,229,000	\$1,260,000
General & Admin.					
Total Payroll + Benefits	\$300,000	\$308,000	\$316,000	\$324,000	\$332,000
Services & Supplies	60,000	62,000	64,000	66,000	68,000
Insurance	60,000	62,000	64,000	66,000	68,000
Marketing	75,000	77,000	79,000	81,000	83,000
Other	20,000	21,000	22,000	23,000	24,000
Management Fee	140,000	144,000	148,000	152,000	156,000
Subtotal General & Admin.	\$655,000	\$674,000	\$693,000	\$712,000	\$731,000
Total Expenses	\$2,895,000	\$2,970,000	\$3,046,000	\$3,124,000	\$3,203,000
Operating Income (Loss)	\$272,000	\$535,000	\$880,000	\$1,068,000	\$1,053,000
Capital Reserve (5% of Revenue)	\$193,000	\$217,000	\$247,000	\$267,000	\$271,000
Contingency (5% of expense)	\$138,000	\$141,000	\$145,000	\$149,000	\$152,000
Net Income (Loss)	(\$59,000)	\$177,000	\$488,000	\$652,000	\$630,000

Cash Flow Results (Years 1-5)

The results of the NGF review show that if a new 18-hole golf facility with appropriate support amenities were to be added to the OCGP, and developed as proposed in 2017 (with lighted range and full-service clubhouse), we expect the facility to host approximately 55,000+/- total paid rounds of golf producing an estimated \$5.4 million in total facility revenue by the fourth year of operation. As is common with new golf courses, the City should anticipate a modest “ramp up” period for rounds and revenue, and NGF has projected about 46,000 rounds and \$3.9 million in total revenue in the first year of operation.

Considering all direct on-site expenses estimated for the new facility, including cost of sales and management fee, the net income available to the City of Irvine for capital reserve and contingencies is projected to be about \$272,000 in Year 1, growing to approximately \$1.0 million+/- by the fourth year of operation. This amount should be sufficient to safely cover the City-estimated five percent (5%) capital reserve and any estimated contingency.

NGF RECOMMENDATIONS AND SUMMARY CONCLUSION

NGF Recommendations

Based on our review of the OCGPGC proposal, the area market, the selected site and summary of estimated performance, the NGF offers the following summary of key business plan recommendations made to the City of Irvine in this report:

- The City should employ professional management and work to ensure the highest level of customer service is always present at the new OCGPGC.
- The most appropriate market position for the new club is in the upper-middle range of fees, between higher fee courses like Oak Creek, Strawberry Farms and Tustin Ranch, and lower fee facilities Rancho San Joaquin, Costa Mesa and Mile Square. Discount for City resident golfers should be as high as \$30 for weekend riding rates.
- All golf activity should be on a daily fee basis, with no pre-paid green fees or memberships offered to golfers other than loyalty programs and practice facility memberships.
- The driving range should be lighted for use at night.
- The facility should include several different venues for F&B service, ranging from on-course service and a small coffee shop, to full indoor sit-down banquets.
- Make the golf academy and overall programming (lessons, camps, schools, etc.) a high priority at the facility. Active programming will be consistent with industry best practices and the City's stated public purpose goals with respect to the new facility, which include a strong junior program, as well as accommodation for local high school golf teams and the UC Irvine team.
- Market OCGPGC extensively, emphasizing internet and other digital channels, and include a “grand opening” celebration and promotion.
- Supplement marketing strategies with an aggressive direct selling component that will target large outings, leagues, hotel alliances, and events/banquets.
- Emphasize internal yield management to move traditionally slow moving tee time inventory, minimizing reliance on third party tee time providers/discounters.

Summary Conclusion

NGF Consulting believes that there is clear and demonstrated potential market support for a new public golf facility at OCGP, and that the new facility, as proposed, should generate strong annual revenues based on well-established norms in this market. In addition, the NGF has documented that the golf revenue expected at the new OCGPGC will be greatly augmented by significant non-golf revenue from areas such as the grill, bar and banquet operations that could account for as much as 25% to 30% of total facility revenue. Our review also shows that operating a public golf course in Orange County will be very expensive, due to factors such as a high minimum wage, high cost for water, extensive F&B operation and the need to employ experienced contract management.

Given the high operating cost, the City will find that while total revenue will be robust, the net operating margin – representing income available to cover annual capital improvements and/or contingencies - will likely be about 15% to 20%. This margin should result in the golf facility providing significant annual income that the City can use to subsidize other Great Park non-revenue generating activities, while at the same time accommodating the City's stated public purpose goals with respect to the golf course. Having said that, NGF must caution that this is the golf business, and the owner's economic interest in the facility will continue to be at risk for uncontrollable factors such as ongoing park area construction, operating strategies of competing golf courses, area economic changes, and weather events

LIMITING CONDITIONS

The income estimates presented by NGF Consulting have been prepared based on existing and projected market conditions, the quality of the subject OCGPGC facility and the intended segment of the golf market toward which it is oriented. Particular focus was paid to the reality of mid-level public golf facility performance in the immediate local market where several public golf facilities are operating, including some with extensive banquet operations. Proper uses of these NGF estimated projections include:

- Establishing reasonable parameters for economic performance of the new course.
- Determining an appropriate level of operating expense that could be covered by direct revenue earned at the new facility, while also providing the level of service and condition that will be required to meet the demand.
- Establishing the basis for financing determinations.
- Providing guidelines for development cost determinations.

NGF Consulting is confident that our financial projections can be achieved at the subject facility. However, from a practical standpoint, those managing the facility will need to respond to variable market conditions as well as unforeseen changes that may occur between the preparation of these estimates in 2017 and the actual opening of the golf course in late 2019. Due to the fact that these conditions are more likely to change over time, NGF has limited its projections to the first five full years of OCGPGC operation. Nevertheless, we are confident that the facility will achieve similar results beyond the next five years of operation.

Market Share Conclusions

When considering projected market share, it is important to realize that the total activity and revenue from a new public golf course during the first years after development may be lower than the market opportunity appears to suggest. It is typical for an existing public golf facility to achieve only a portion of its total potential in the initial years after opening, even when market demand appears strong. Our estimates of performance for the new OCGPGC could change should the following conditions occur:

Stronger Performance	Weaker Performance
Future course closings	New course openings
Faster population growth than projected	Incorrect price levels
Positive regional publicity	Poor customer service
Lack of loyalty to existing courses	Low quality facility
Unforeseen surge in golf interest	Regional economic recession
Excellent yearly weather conditions	Poor yearly weather conditions

It is important to measure a newly developed golf course's likely performance in such a way as to help the City make financial decisions based on realistic expectations. It is obviously possible that either more or fewer golf rounds can be sold. We note that our projections for future performance of the new course anticipate strong market acceptance from the very early stages of the new addition.

Appendices

A: Golf Course Life Cycle

B: Local Demographic, Demand and Supply Data

C: National Rounds Played Report

APPENDIX A – GOLF COURSE LIFE CYCLE

GOLF COURSE ITEMS EXPECTED LIFE CYCLE

HOW LONG SHOULD PARTS OF THE GOLF COURSE LAST?

ITEM	YEARS	ITEM	YEARS
Greens (1)	15 – 30 years	Cart Paths – concrete	15 – 30 years
Bunker Sand	5 – 7 years	Practice Range Tees	5 – 10 years
Irrigation System	10 – 30 years	Tees	15 – 20 years
Irrigation Control System	10 – 15 years	Corrugated Metal Pipes	15 – 30 years
PVC Pipe (under pressure)	10 – 30 years	Bunker Drainage Pipes (3)	5 – 10 years
Pump Station	15 – 20 years	Mulch	1 – 3 years
Cart Paths – asphalt (2)	5 – 10 years (or longer)	Grass (4)	Varies

NOTES: (1) Several factors can weigh into the decision to replace greens: accumulation of layers on the surface of the original construction, the desire to convert to new grasses and response to changes in the game from an architectural standpoint (like the interaction between green speed and hole locations). (2) Assumes on-going maintenance beginning 1 – 2 years after installation. (3) Typically replaced because the sand is being changed — while the machinery is there to change sand, it's often a good time to replace the drainage pipes as well. (4) As new grasses enter the marketplace — for example, those that are more drought and disease tolerant — replanting may be appropriate, depending upon the site.

Component life spans can vary depending upon location of the golf course, quality of materials, original installation and past maintenance practices. We encourage golf course leaders to work with their golf course architect, superintendents and others to assess the longevity of their particular course's components.

The American Society of Golf Course Architects (ASGCA) thanks those at the USGA Green Section, Golf Course Builders Association of America, Golf Course Superintendents Association of America and various suppliers for their assistance in compiling this information.

The materials presented on this chart have been reviewed by the following Allied Associations of Golf:

For more information,
contact ASGCA at
262-786-5960 or
www.asgca.org



DATA COMPILED BY ASGCA, 125 NORTH EXECUTIVE DRIVE, SUITE 106, BROOKFIELD, WI 53005

APPENDIX B - LOCAL DEMOGRAPHIC, DEMAND AND SUPPLY DATA

Orange County Greater Park Golf Course	3 mile	10 mile	15 mile	Orange County	State of CA	U.S.
Summary Demographics						
Population 1990 Census	36,759	719,371	1,545,920	2,409,442	29,724,503	248,584,652
Population 2000 Census	32,588	915,983	1,882,611	2,846,297	33,871,650	281,399,034
CAGR 1990-2000	-1.20%	2.45%	1.99%	1.68%	1.31%	1.25%
Population 2010 Census	48,446	1,013,433	2,016,456	3,010,232	37,253,956	308,745,538
CAGR 2000-2010	4.04%	1.02%	0.69%	0.56%	0.96%	0.93%
Population Estimate 2016	63,865	1,091,304	2,145,991	3,197,012	39,383,430	322,736,220
Population 2021 Projected	67,899	1,140,972	2,241,555	3,336,635	41,491,003	335,779,240
CAGR 2016-2021	1.23%	0.89%	0.88%	0.86%	1.05%	0.80%
CAGR 2010-2021	3.12%	1.08%	0.97%	0.94%	0.98%	0.77%
Median HH Income	\$89,846	\$89,227	\$85,018	\$80,356	\$65,157	\$56,106
Median Age	37.8	37.2	37.4	37.7	36.4	38.0
Ethnicity						
White	56.8%	61.4%	60.0%	58.4%	55.7%	70.7%
African American	2.7%	2.0%	2.0%	2.1%	6.5%	13.3%
Asian	29.9%	18.7%	18.7%	19.8%	14.5%	5.6%
All Other	10.6%	17.9%	19.3%	19.7%	23.2%	10.5%
Hispanic Population						
Hispanic	15.6%	30.8%	33.9%	34.3%	38.3%	17.3%
Not Hispanic	84.4%	69.2%	66.1%	65.7%	61.7%	82.7%
CAGR = Compound Annual Growth Rate						
Orange County Greater Park Golf Course	3 mile	10 mile	15 mile	Orange County	State of CA	U.S.
Golf Demand Indicators						
Total Households	21,586	377,529	709,085	1,055,674	13,326,563	123,896,538
Number of Golfing Households	2,579	51,187	93,853	135,444	1,539,562	17,094,500
Projected Golfing Households (2021)	2,861	54,527	99,435	143,012	1,610,022	17,802,020
Projected Annual Growth Rate	2.10%	1.30%	1.20%	1.10%	0.90%	0.8%
Seasonal Golfing Households	15	512	1,214	1,582	42,550	737,636
Latent Demand/Interested Non-Golfers	9,641	143,586	263,743	390,995	4,580,380	37,346,480
Household Participation Rate	11.90%	13.60%	13.20%	12.80%	11.60%	13.8%
Number of Golfers	3,870	75,151	141,344	204,734	2,332,397	24,130,710
Rounds Potential (resident golfers)	67,659	1,265,374	2,307,411	3,347,266	40,204,841	465,791,320
Estimated Course Rounds (in-market supply)	50,256	773,623	1,799,671	2,637,997	45,359,536	465,791,320
Demand Indices						
Golfing Household Participation Rate	87	98	96	93	84	100
Seasonal Golfing Households	12	23	29	25	54	100
Latent Demand/Interested Non-Golfers	149	113	106	106	101	100
Rounds Potential per Household (resident golfers)	83	89	87	84	80	100

Orange County Greater Park Golf Course	3 mile	10 mile	15 mile	Orange County	State of CA	U.S.
Golf Supply						
<i>Golf Facilities</i>						
Total	1	17	35	51	890	15,204
Public	1	10	22	32	614	11,388
Public: Daily Fee	1	10	19	25	437	8,906
Public: Municipal	0	0	3	7	177	2,482
Private	0	7	13	19	276	3,816
<i>Public Golf Facilities by Price Point</i>						
Premium (>\$70)	1	5	10	12	165	1,363
Standard (\$40-\$70)	0	1	7	14	250	4,013
Value (<\$40)	0	4	5	6	199	6,012
<i>Golf Holes</i>						
Total	18	306	675	972	15,723	257,193
Public	18	180	423	603	10,494	187,614
Public: Daily Fee	18	180	351	459	7,452	146,124
Public: Municipal	0	0	72	144	3,042	41,490
Private	0	126	252	369	5,229	69,579
Non-Regulation (Executive & Par-3)	0	63	90	135	2,457	21,348
<i>Net Change</i>						
Net Change in Holes past 5 years	0	-27	-9	9	-648	-9,045
Percentage Total Holes Past 5 Yrs	0.00%	-8.10%	-1.30%	0.90%	-4.00%	-3.4%
Net Change in Holes past 10 Years	-18	-18	0	0	-576	-12,231
Percentage Total Holes Past 10 Yrs	-50.00%	-5.60%	0.00%	0.00%	-3.50%	-4.5%

Orange County Greater Park Golf Course	3 mile	10 mile	15 mile	Orange County	State of CA	U.S.
Supply-Demand Ratios						
<i>Households per 18 Holes</i>						
Total	21,586	22,208	18,909	19,550	15,257	8,671
Public	21,586	37,753	30,174	31,513	22,859	11,887
Public: Daily Fee	21,586	37,753	36,363	41,399	32,190	15,262
Public: Municipal	0	0	177,271	131,959	78,855	53,751
Private	0	53,933	50,649	51,496	45,875	32,052
Premium (>\$70)	21,586	62,922	64,462	81,206	69,773	74,930
Standard (\$40-\$70)	0	377,529	83,422	65,980	49,912	28,982
Value (<\$40)	0	125,843	177,271	234,594	106,613	27,566
<i>Golfing Households per 18 Holes</i>						
Total	2,579	3,011	2,503	2,508	1,763	1,196
Public	2,579	5,119	3,994	4,043	2,641	1,640
Public: Daily Fee	2,579	5,119	4,813	5,312	3,719	2,106
Public: Municipal	0	0	23,463	16,931	9,110	7,416
Private	0	7,312	6,704	6,607	5,300	4,422
Premium (>\$70)	2,579	8,531	8,532	10,419	8,061	10,338
Standard (\$40-\$70)	0	51,187	11,042	8,465	5,766	3,999
Value (<\$40)	0	17,062	23,463	30,099	12,316	3,803
<i>Household Indices</i>						
Total	246	254	216	223	174	100
Public	180	315	251	263	190	100
Private	0	166	156	159	142	100
Premium (>\$70)	29	86	88	110	95	100
Standard (\$40-\$70)	0	1,314	290	230	174	100
Value (<\$40)	0	439	619	819	372	100
<i>Golfing Household Indices</i>						
Total	213	249	207	207	146	100
Public	156	309	241	244	159	100
Private	0	164	150	148	119	100
Premium (>\$70)	25	84	84	103	79	100
Standard (\$40-\$70)	0	1,291	278	213	145	100
Value (<\$40)	0	432	594	762	312	100
<i>Rounds per 18 Holes</i>						
Rounds Potential (resident golfers)	67,659	74,434	61,531	61,986	46,027	32,599
Estimated Course Rounds (in-market supply)	50,256	45,507	47,991	48,852	51,928	32,599

APPENDIX C - NATIONAL ROUNDS PLAYED REPORT





National Golf Rounds Played Report

Page 2 of 2

December 2016

	DEC	YTD
PACIFIC	2.3%	-1.6%
CA	2.3%	-1.4%
Los Angeles	-1.0%	-0.8%
Orange County	2.3%	2.6%
Palm Springs	-1.8%	-3.6%
Sacramento	-1.2%	-8.3%
San Diego	4.1%	3.9%
San Francisco/Oakland	8.5%	-2.0%
HI	-2.2%	1.5%
OR	33.9%	-2.1%
Portland	16.1%	-4.9%
WA	-12.5%	-3.4%
Seattle	-10.2%	-4.1%
MOUNTAIN	12.2%	2.2%
AZ	8.9%	3.3%
Phoenix	9.1%	2.8%
CO	64.7%	6.5%
Denver	57.1%	4.1%
ID, WY, MT	-0.5%	-5.6%
NM	33.4%	1.7%
NV	8.7%	2.3%
Las Vegas	7.1%	1.8%
UT	18.1%	2.3%
WEST NORTH CENTRAL	-48.7%	1.1%
IA	-46.2%	3.2%
KS	-38.3%	3.3%
NE	-63.1%	-3.6%
ND, SD	NA	-4.4%
MN	-65.6%	4.9%
Minneapolis/St. Paul	-56.2%	1.9%
MO	-54.7%	-3.6%
St Louis	-57.9%	1.7%
Kansas City	-58.2%	4.7%

YTD		
UNITED STATES	-11.5%	0.6%
PUBLIC ACCESS	-12.0%	0.9%
PRIVATE	-10.2%	-0.6%

EAST NORTH CENTRAL	-74.5%	-0.7%
IL	-77.2%	-1.4%
Chicago	-79.3%	-1.9%
IN	-60.9%	9.8%
MI	-83.6%	-7.2%
Detroit	-85.8%	-2.9%
OH	-73.3%	6.2%
Cincinnati	-66.8%	2.4%
Cleveland	-78.8%	5.2%
Columbus	-80.9%	6.2%
WI	-77.1%	-8.0%
Milwaukee	-56.3%	-1.0%

SOUTH CENTRAL	-16.4%	2.9%
AL	-19.1%	-3.4%
Birmingham	-18.0%	5.2%
AR	-11.8%	0.6%
KY	-57.1%	1.8%
LA	-3.0%	-2.0%
MS	-17.1%	-2.9%
OK	-9.6%	6.8%
Oklahoma City	-4.0%	1.0%
TN	-25.3%	5.2%
Nashville	-21.2%	7.8%
TX	-14.6%	4.4%
Dallas/Ft. Worth	-21.2%	3.1%
Houston	0.5%	8.0%
San Antonio	-34.4%	6.1%

SOUTH ATLANTIC	-4.5%	-1.1%
DE, DC, MD	-42.8%	1.6%
Washington/Baltimore	-38.8%	1.5%
FL	2.8%	-5.6%
Jacksonville/Daytona	6.0%	-0.6%
Orlando	-12.1%	-7.7%
Tampa	-3.2%	-10.1%
Palm Beach	22.3%	-2.7%
Sarasota	-14.6%	-15.6%
Naples/Ft Myers	16.7%	-2.1%
Miami/Ft.Lauderdale	-4.8%	-1.0%
GA	-13.0%	10.8%
Atlanta	-16.0%	9.7%
NC	-6.1%	3.1%
Greensboro/Raleigh	-4.8%	4.0%
SC	-9.1%	-3.4%
Charleston	-8.3%	-3.8%
Hilton Head	-11.5%	-8.7%
Myrtle Beach	-14.4%	-3.5%
VA	-28.5%	1.7%
WV	-15.5%	1.9%
MID ATLANTIC	-61.3%	2.6%
NJ	-58.5%	3.0%
NY	-61.3%	2.7%
New York City	-56.2%	5.8%
PA	-62.9%	2.4%
Philadelphia	-51.7%	-3.7%
Pittsburgh	-84.3%	11.5%
NEW ENGLAND	-61.1%	5.2%
CT	-73.6%	-0.7%
Hartford	-75.7%	-0.5%
MA, RI	-55.5%	6.4%
Boston	-57.3%	7.4%
ME, NH, VT	-58.9%	7.5%

The percentages represent the differences in number of rounds played comparing December 2016 to December 2015.
For more information contact Golf Datatech, golfroundsplayed@golfdatatech.com or call 407-944-4116

2.3

RECEIVED
CITY OF IRVINE
CITY CLERK'S OFFICE


2017 JUN 15 PM 4: 04

Memo

RECEIVED

JUN 15 2017

CITY OF IRVINE
CITY MANAGER'S OFFICE

To: Sean Joyce, City Manager
From: Councilmember Melissa Fox 
Date: June 15, 2017
Re: **Request for Agenda Items 3.2 and 3.3 from the May 23, 2017 Orange County Great Park Board Meeting to be Placed on the June 27, 2017 Orange County Great Park Meeting Agenda**

At the Great Park Board meeting on May 23, 2017, we requested that a financial analysis be conducted on the feasibility of botanical gardens versus a golf course.

It has come to my attention from Orange County Great Park Director, Pete Carmichael that the financial consultant can be available on June 27, 2017 for questions and answers about the financial feasibilities of both potential uses. I would like to request that items 3.2 and 3.3 from the May 23, 2017 Great Park Board meeting are placed back on the Orange County Great Park agenda for June 27, 2017.

cc: City Council
Molly McLaughlin, City Clerk




REQUEST FOR BOARD ACTION

MEETING DATE: MAY 23, 2017

TITLE: MODIFICATIONS TO GREAT PARK CONCEPTUAL DESIGN AND SPACE PLANNING



Director, Orange County Great Park



City Manager

RECOMMENDED ACTION

1. Recommend that the City Council approve a modification to the Boundary of the Great Park Improvement Area and direct staff to return to the Great Park Board and City Council with a budget and Letter Agreement making any modifications necessary to implement the City Council's direction.
2. Direct staff to process an application for a Master Plan Modification and General Plan Amendment to amend the Circulation Element to extend Great Park Boulevard through the Orange County Great Park.

EXECUTIVE SUMMARY

The Second Agreement with City of Irvine as Adjacent Landowner (ALA II) between the City of Irvine and Heritage Fields, El Toro LLC (Heritage Fields) sets forth the programmatic and conceptual design for the development of 688 acres within the Orange County Great Park (Great Park). The ALA II recognized that the conceptual level design for these areas would be further developed through design refinements and amplifications to inform Heritage Fields' development of construction plans for improvements. Over the last six months, Heritage Fields, through its development manager, Five Point Communities (Five Point), has worked with City staff to refine the design for three of the primary undeveloped sub-areas: Bosque, Agriculture, and Golf Course. The design refinements are focused on improving connectivity and shifting the layout and location of several amenities. A brief summary of the proposed modifications is outlined below and shown in Attachments 1, 2, and 3.

1. Addition of two new pedestrian bridges over Great Park Boulevard.
2. Improved vehicular access into the Bosque, Agriculture area and Golf Course, including the addition of new parking lots close to visitor amenities.

3. Relocation of the Golf Course main entry drive, clubhouse, and driving range from the north part of the course, adjacent to the ARDA Transfer Site to the south side of the Course off of Great Park Boulevard.
4. Relocation of the Farm + Food Lab and dog park.

To accommodate the proposed design modifications outlined above, including the space necessary to land two pedestrian bridges and relocate several visitor amenities, a modification to the 688-acre boundary is recommended. An illustration of the recommended modification is provided in Attachment 4. This shift in the boundary would add approximately 25 acres to the Great Park Improvement Area, enlarging it from 688 acres to 713 acres. The incremental cost for grading and improvement of these 25 acres is estimated to be approximately \$1,000,000. This work would be the City's responsibility as part of the Cultural Terrace development if not for the proposed boundary shift pulling it into the Great Park Improvement Area covered by the ALA II. Staff is recommending that this additional cost be funded from the ALA II Additional Allowance Funds provided by Five Point and set aside for the Bosque Sub-area. If the recommended actions are approved by the Board and City Council, staff will work with Five Point to finalize the budget and return to the City Council for further direction on the expenditure and consideration of a Letter Agreement making any modifications necessary to the ALA II to implement the City Council's direction.

In addition to the design modifications outlined above, Five Point is proposing an extension of Great Park Boulevard from its current point of termination at the traffic circle in the center of the Park, across the northern portion of the Cultural Terrace to O Street in District 5 of the Great Park Neighborhoods. An illustration of the extension is provided in Attachment 3. The proposed extension would ultimately connect traffic from State Route 133, across the Great Park to Bake Parkway near Interstate 5. Any potential regional transportation impacts will require further evaluation, including a Modification to the Great Park Master Plan, and a General Plan Amendment.

COMMISSION/BOARD/COMMITTEE RECOMMENDATION

Not applicable.

ANALYSIS

On November 26, 2013, the City Council approved the ALA II between the City of Irvine and Heritage Fields. Exhibit B of the ALA II includes the "Orange County Great Park Improvement Area Concept Plans and Programming" (Design Package) that sets forth the concept plans and programming for the development of 688 acres within the Great Park. The ALA II subdivided the 688-acre Orange County Great Park Improvement Area into a number of sub-areas, including: Upper Bee, Bosque, Sports Park, Agriculture, Golf Course, and Wildlife Corridor.

The ALA II recognized that the Design Package concept plans would be further developed through design refinements and amplifications to inform Heritage Fields' development of

the construction plans for improvements. Such refinement or amplification was defined as a “Logical Evolution” per Section 2c of the ALA II. Over the last three years, Heritage Fields through Five Point, has been working with City staff on design refinements for the various 688-acre sub-areas. In March 2015, the refined design for the Upper Bee and upper portion of the Bosque sub-areas was presented to the City Council and the expenditure of Additional Allowance Funds was approved for specific enhancements. In September 2015, the refined design for the Sports Park was presented to the City Council and Additional Allowance Funds and Quimby Park-in-Lieu Funds were approved for enhancements to the Sports Park, such as upgraded spectator seating, batting cages, and additional restroom facilities.

The remaining 688-acre sub-areas for which design has yet to be finalized include the lower portion of the Bosque, the Agriculture Area, and the Golf Course. These three areas have been reconfigured as Great Park Boulevard was changed from a dead end turn-around at the entrance to the Great Park, as shown in the Design Package, to a continuous loop road circumnavigating the Sports Park. These roadway changes created a new set of challenges and opportunities for park design. Five Point has since worked with staff to address these changes through a series of proposed modifications to conceptual design and space planning presented in this report. The proposed modifications or Logical Evolutions fall into two primary categories: Connectivity, and Location and Layout of Amenities. These two categories are explained in more detail below and illustrated in Attachments 1, 2, and 3.

Connectivity

The 2015 modification to Great Park Boulevard, extending the street around the northeast corner of the Sports Park and connecting with Marine Way, improves vehicular circulation and access to the Park. That said, the road also creates a potential barrier to the off-street pedestrian and bicycle trail system and risks segmenting the Great Park. To address these challenges, Five Point has worked with staff to develop a set of solutions to improve connectivity:

- Pedestrian Bridges: The modified plan includes two new bridges spanning Great Park Boulevard. One bridge would connect the Upper and Lower Bosque areas near the Great Park entry, completing an uninterrupted trail from Irvine Boulevard to the Sports Park. The other bridge would extend the Timeline, linking the Sports Park to the Golf Course and the broader Great Park Trail network. The new bridges would greatly improve connectivity and accessibility to portions of the park separated by a roadway. It would also provide an opportunity to create distinctive architectural features. Staff will work with the Five Point design team to further define the bridge designs and return with options for Board consideration. The bridges would be funded through the Great Park-area Community Facilities District (CFD), which funds the construction of the associated roadway, Great Park Boulevard and Park-area trail network.
- Trails: The modified plan includes an expansion of the trail system within the Great Park. Development areas have been set back further from the road to allow room for off-street trails to connect the Bosque to the Agriculture and Golf areas and on to the eastern edge of the Great Park. This expanded trail area provides a

pedestrian-friendly green belt buffer from the roadway enhancing the aesthetics along the edge of Great Park Boulevard and improving trail linkages across the park.

- Vehicular Access and Parking: The plan includes improved access to the lower portion of the Bosque, Farm + Food Lab, and Agricultural Area with the addition of two new roadways and parking lots. A roadway in the Bosque area would allow for access from Great Park Boulevard near the park entryway and provide parking close to the dog park, trails and other amenities where previously none existed. A new roadway stemming from the primary traffic circle in the center of the Park provides access to an additional parking lot, the new Golf clubhouse location, and the new location for the Farm + Food Lab and Agriculture Area.

Location and Layout of Amenities

- Bosque: The expansion of Great Park Boulevard, the building restrictions around the Federal Aviation Administration (FAA) beacon and the required footprint for landing a new pedestrian bridge combine to create a significant space challenge in the Bosque area. The design package calls for several amenities in this area, including a dog park and the Farm + Food Lab, which are difficult to fit and function well within the constrained space.

To address these space constraints, the proposed plan calls for the relocation of the Farm + Food Lab to the east side of the Agriculture area. The new location sites the facility in close proximity to the Golf clubhouse, provides for a dedicated parking lot, and would be adjacent to the new bridge, trail system, and the Agriculture area. These adjacencies improve access and provide opportunity for integrated programming between the Farm + Food Lab, the Agriculture area, and create a direct connection to the activities in the Sports Park.

The dog park would shift to the east to provide additional space. The new location is adjacent to parking and trails for improved accessibility by both roadway and walking trails. The golf course maintenance facility is proposed for relocation to the west end of the golf course next to the Bosque allowing for shared use for the maintenance of the Bosque and Upper Bee out of one end of the facility and the golf course out of the other end. The relocation of these amenities creates additional open space in the Bosque, which is contemplated as passive, un-programmed green space to be used for pick-up games or quiet enjoyment. A viewing platform at the south end of the pedestrian bridge has been introduced to take advantage of the natural high point in the topography, overlooking the Sports Park.

The lower portion of the Bosque at Great Park Boulevard will be a primary entry point for visitors to the Great Park. The traffic circle at the intersection of Great Park Boulevard and Bosque Street and the proposed pedestrian bridge create a highly visible opportunity for public art or distinctive entry monumentation. Staff will work with Five Point to further develop the design for entry features in this area and will return to the Board and City Council with options for consideration.

- Agriculture Area: The Agriculture area, as contemplated in the design package, includes 70 acres of farming and agricultural uses, as well as trails linked to other parts of the park. In the proposed plan, the Agriculture Area remains at 70 acres but the shape of the area changes, pushing closer to the pedestrian bridge, parking, and the new location for the Farm + Food Lab.
- Golf Course: The Design Package includes a 188-acre, 18-hole golf course. The course was reduced to about 170 acres when the 688-acre boundary was modified in September 2015 to accommodate changes in roadway alignment. The proposed plan would increase the size of the golf course back to 188 acres and include three primary refinements.
 - Clubhouse: In March 2014, the Board directed staff to evaluate alternate locations for the golf clubhouse. The modified plan proposes relocation of the golf clubhouse from the north end of the course, adjacent to the ARDA Transfer site, to the south end of the course near Great Park Boulevard. This puts the clubhouse closer to the heart of the park and its primary arterial.
 - Driving Range: The driving range is also shifted to the south to maintain its connection to the clubhouse, parking and other proximate amenities.
 - Course Design: The design of the course itself has been refined to create a three, six, and nine-hole loop starting and ending at the new clubhouse location.

Extension of Great Park Boulevard

Five Point has proposed an extension of Great Park Boulevard from the traffic circle at the center of the Great Park to O Street (temporary street name) in the District 5 section of the Great Park Neighborhoods east of the park. The proposed street extension is shown in Attachment 3. The street would be four lanes with bicycle lanes to match the existing profile on Great Park Boulevard and would eventually link to Marine Way at the south end of the park. The proposed extension is bordered by the Cultural Terrace on the south, which will be further defined through the Joint Studies effort. The proposed extension completes a new linkage in the City's arterial roadway network with potentially significant regional impacts, eventually connecting circulation from State Route 133, across the Great Park to Bake Parkway near Interstate 5. As such, the change would require further evaluation, including a Modification to the Great Park Master Plan, as well as a General Plan Amendment to address changes to the Circulation Element.

688-acre Boundary Modification

The boundary of the 688-acre Great Park Improvement Area separating the Golf Course from the Cultural Terrace was originally approved with the Design Package in 2013. As the plans for the park, including the road network were refined, the boundary was adjusted and a modified boundary was approved by the City Council in September 2015.

The approved boundary line between the Cultural Terrace and the Golf Course in this area, as shown in Attachment 4, is somewhat arbitrary in that it is not tied to a roadway or landform like most of the other areas of the Park. The proposed plan shifts the boundary in this area (as illustrated in Attachment 4) creating the space to accommodate the other

design modifications outlined earlier in the report, including the footprint necessary for landing the pedestrian bridges, relocation of the Farm + Food Lab and dog park, and relocation of the golf course entry road, clubhouse, and driving range. The proposed shift would add 25 acres from the Cultural Terrace to the Great Park Improvement Area as outlined in the table below

Area	Current Acreage	Proposed Acreage
Great Park Improvement Area	688	713
Cultural Terrace	248	223

Based on the preliminary Joint Studies planning work on the Cultural Terrace, the Gensler and AECOM design team feels that the reduction from 248 to 223 acres still leaves more than enough room for the full complement of uses being studied for that area.

The cost associated with the grading and improvement of 25 additional acres is estimated at \$1,000,000. This work would be the City's responsibility as part of the Cultural Terrace development if not for the proposed boundary shift pulling it into the Great Park Improvement Area covered by the ALA II. Staff is recommending that the \$1,000,000 be funded through the Additional Allowance Funds provided by Five Point through the ALA II for the Bosque Sub-area, which has more than \$3,000,000 available. Should the Great Park Board and City Council approve the recommended actions, staff will work with Five Point and its design team to finalize the estimated budget number and draft a Letter Agreement making any modifications necessary to the ALA II to implement the City Council's direction. Staff will return to the Board for further direction regarding bridge design and park entry features, as well as opportunities for the expenditure of further Additional Allowance Funds for other design enhancements in the Bosque, Agricultural, and Golf Sub-areas.

ALTERNATIVES CONSIDERED

The Great Park Board could choose not to recommend that the City Council approve the boundary modification and choose not to direct staff to process the applications for the Great Park Boulevard extension. This would leave the Great Park Improvement Area and Cultural Terrace at their respective approved sizes. This would restrict the extra space allocation recommended for the features and space planning modifications outlined above, but would preserve the 248 acres for the Cultural Terrace, allowing for additional features to be developed there.

The Board could also direct staff to work with Five Point on any additional modifications or changes to the recommended design as it deems appropriate.

FINANCIAL IMPACT

The growth in the Great Park Improvement Area from 688 to 713 acres has an estimated cost of \$1,000,000 for the associated earthwork and site improvement. This work would be the City's responsibility as part of the Cultural Terrace development if not for the proposed boundary shift pulling the additional acreage into the Great Park Improvement Area covered by the ALA II. Staff is recommending that the \$1,000,000 be funded through the Additional Allowance Funds provided by Five Point through the ALA II for the Bosque Sub-area, which currently has over \$3,000,000 available. This would not require the expenditure of any additional City funds. Staff will return to the Great Park Board and City Council for consideration of a final budget number for this work once it is known.

There is also a cost associated with the two additional pedestrian bridges. If the recommended actions are approved, staff will work with Five Point to establish the cost for these bridges as engineering and design proceeds. Similar to the road under-crossings that have been built along the other portions of the Bosque and Upper Bee, allowing off-street trails to safely cross intersecting roadways, the proposed bridges would be funded through the CFD, which is targeted for funding the associated construction of Great Park Boulevard.

REPORT PREPARED BY Pete Carmichael, Director, Orange County Great Park

ATTACHMENTS

1. Map of Orange County Great Park, Highlighted Area of Proposed Changes
2. Map of Bosque, Agricultural, and golf Sub-areas as Currently Approved
3. Map of Bosque, Agricultural, and golf Sub-areas with Proposed Modifications
4. Illustration of Proposed Boundary adjustment



ORANGE COUNTY GREAT PARK SITE MAP

August 2016



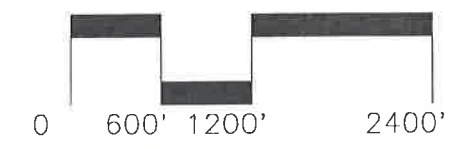
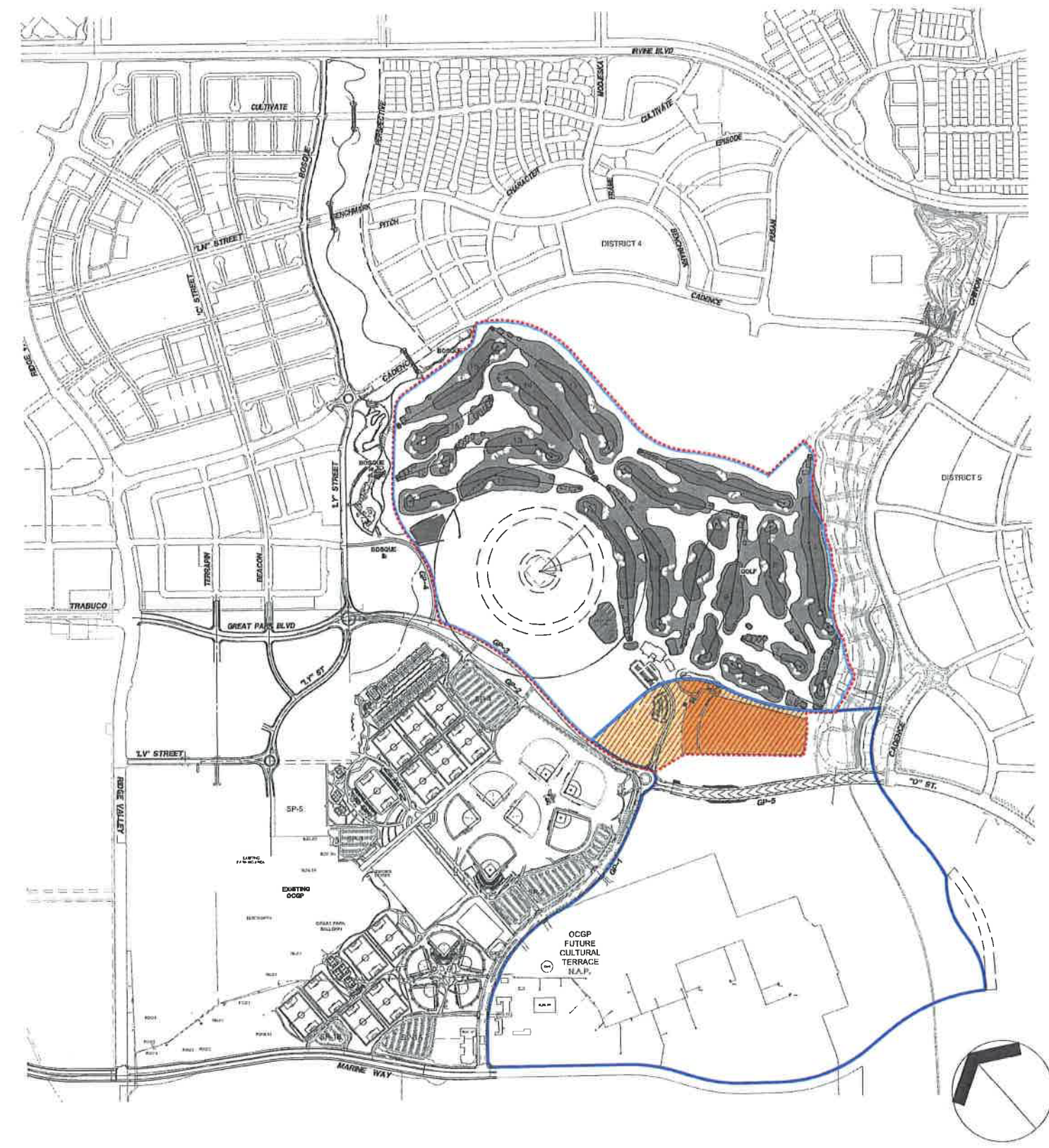
Map of Bosque, Agricultural, and Golf Sub-areas as Currently Approved



Map of Bosque, Agricultural, and Golf Sub-areas with Proposed Modifications

LEGEND

- EXISTING CULTURAL TERRACE BOUNDARY 264± AC.
- EXISTING GOLF/AGRICULTURE IMPROVEMENT BOUNDARY 241± AC.
- REVISED GOLF/AGRICULTURE IMPROVEMENT BOUNDARY 266± AC.
- EXPAND 19.5 + 1.2 + 10.5 = 25.2± AC.



REVIEWED & APPROVED BY				PREPARED BY		PREPARED FOR				ORANGE COUNTY GREAT PARK BOUNDARY ADJUSTMENT		SHEET 1	
NAME _____		DATE _____		NAME _____		DATE _____		<div><div> HUNSAKER & ASSOCIATES <small>PLANNING • ENGINEERING • SURVEYING Thousand Oaks • Irvine, CA 92618 • TEL: (714) 583-1010 • FAX: (714) 583-4733</small></div><div>Heritage Fields El Toro, LLC Great Park NEIGHBORHOODS.</div><div><div></div><div>FIVE POINT <small>COMMUNITIES</small></div></div></div>					
NAME _____		DATE _____		NAME _____		DATE _____							

2.4



REQUEST FOR BOARD ACTION

MEETING DATE: JUNE 27, 2017

TITLE: FULL CIRCLE FARM CONCEPT AT THE ORANGE COUNTY GREAT PARK

A blue ink signature of Peter Cane, written in a cursive style.

Director, Orange County Great Park

A black ink signature of Sean Joyce, written in a cursive style.

City Manager

RECOMMENDED ACTION

Direct staff to negotiate an agreement allowing for the implementation of the Full Circle Farm at the Orange County Great Park and return to the Board for consideration.

EXECUTIVE SUMMARY

The Orange County Great Park includes a 70-acre Agriculture area at the center of the Park as a component of the 688-acre Great Park Improvement Area. The City's long-standing agricultural lessee at the Great Park, A.G. Kawamura, has proposed an agricultural-based public amenity for the 70-acre area called the Full Circle Farm. The concept includes a mix of traditional row crops with more interactive features such as a farmer's market, culinary institute and café, urban agriculture and biofuel displays, and the Farm + Food Lab.

Mr. Kawamura is proposing to operate both Full Circle Farm and Farm + Food Lab within the Agricultural area of the Great Park through a ground lease or operating agreement with the City. Staff is seeking direction to engage in negotiations with Mr. Kawamura and representatives of his non-profit, Solutions for Urban Agriculture, to develop an agreement for implementation of the Full Circle Farm.

COMMISSION/BOARD/COMMITTEE RECOMMENDATION

Not applicable.

ANALYSIS

On November 26, 2013, the City Council approved the Second Agreement between the City of Irvine and Heritage Fields El Toro, LLC (ALA II). Exhibit B of the ALA II includes the "Orange County Great Park Improvement Area Concept Plans and Programming" (Design Package) that sets forth the concept plans and programming for the development of 688 acres within the Great Park. The ALA II subdivided the 688-acre Orange County Great Park Improvement Area into a number of subareas, including: Upper Bee, Bosque, Sports Park, Agriculture, Golf Course and Wildlife Corridor.

The Agriculture Subarea is a 70-acre parcel encircling the Federal Aviation Administration's (FAA) navigational beacon at the center of the park (site map of Agriculture Subarea included as Attachment 1). Agriculture was proposed as a component of the park at this location both to serve as a link to the agricultural heritage of the land, as well as, to serve as a buffer to development around the beacon. FAA regulations limit the construction of buildings, fences or other obstructions within 1,000 feet of the beacon.

Agriculture is a long-standing interim use at the Great Park. Orange County Produce and other agricultural lessees have farmed various parts of the park since prior to closure of the base. Agriculture has made productive use of the property with the flexibility to relocate on relatively short notice as park and neighborhood development has advanced across the former base. The Design Package anticipated that these existing agricultural parcels would be consolidated within the 70-acre Agricultural Subarea at the appropriate time in the Great Park development process.

A.G. Kawamura, owner of Orange County Produce and long-time lessee to the City, has expressed an interest in working with the City to design and implement an agricultural-based public amenity at the Great Park called Full Circle Farm (a summary of Full Circle Farm concept included as Attachment 2). The concept greatly expands on the traditional row crops, which have become a common site on the former base, to incorporate more interactive features to engage park visitors. Some of the key features of the proposed Full Circle Farm concept include:

- Farmer's market
- Incredible Edible Farm – a continued partnership with the Second Harvest Food Bank
- Culinary institute and cafe – incorporating a direct farm-to-table educational experience and cuisine
- Permaculture and biofuel displays
- Orchards
- Urban agriculture exhibits

The proposal also includes the co-location of the Farm + Food Lab in the area of the Full Circle Farm and outsourced Farm + Food Lab operations to capitalize on the complementary uses and opportunity for cross visitation. Mr. Kawamura has proposed that

both Full Circle Farm and Farm + Food Lab be operated by his non-profit, Solutions for Urban Agriculture (SFUA), through a lease or operating agreement with the City.

Staff is seeking direction from the Board to engage in more detailed negotiations with Mr. Kawamura and representatives of SFUA regarding the implementation of the Full Circle Farm at the Great Park. If so directed, staff will return to the Board for consideration of an implementation agreement.

ALTERNATIVES CONSIDERED

The Orange County Great Park Board could choose not to direct staff to negotiate with SFUA regarding the Full Circle Farm concept or direct staff to develop a Request for Proposals (RFP) seeking alternative parties to lease or operate within the Agriculture Subarea.

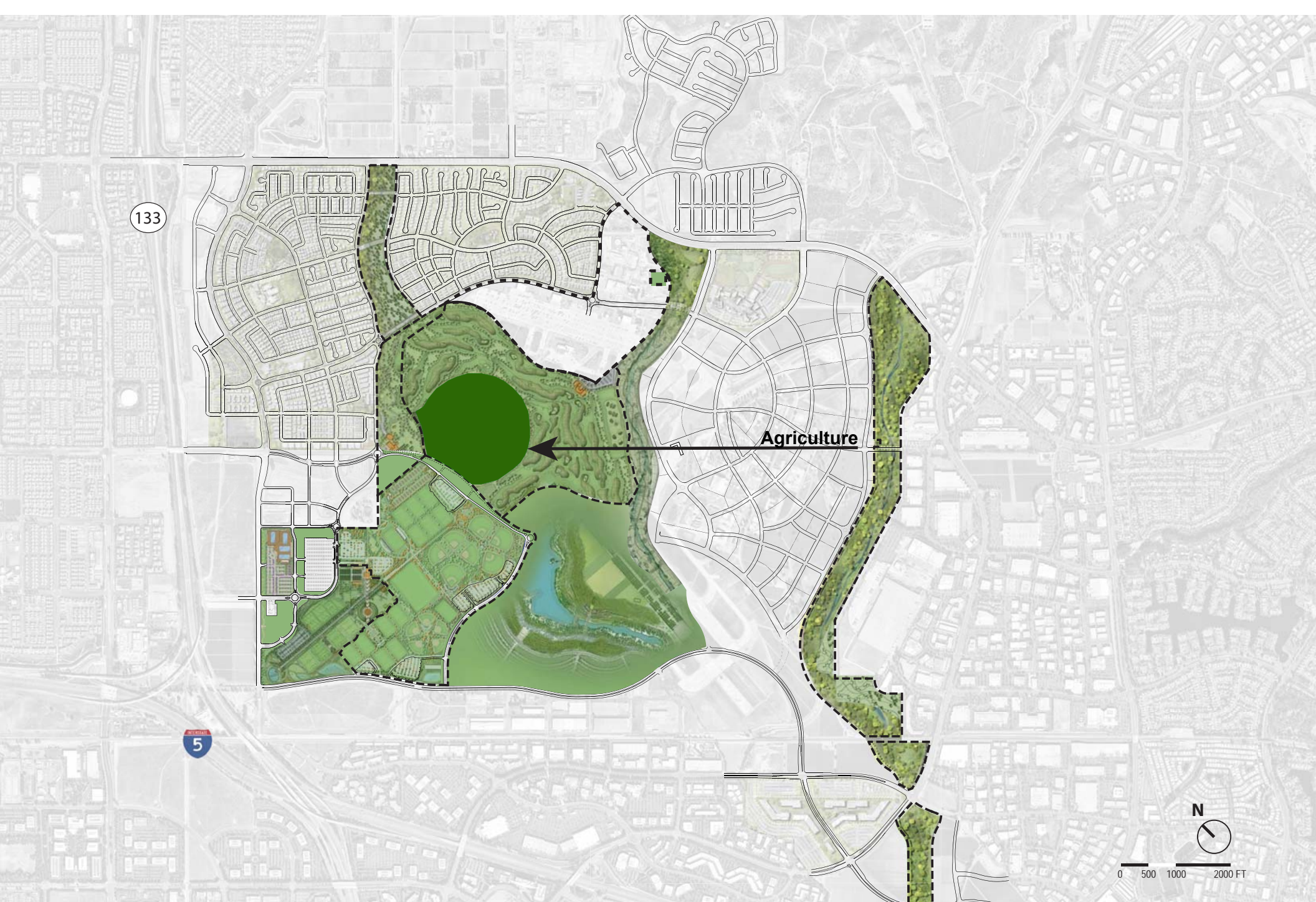
FINANCIAL IMPACT

The Full Circle Farm concept has the potential for positive financial impact to the City through lease payments, and as a complementary use that drives visitation and user fees elsewhere in the Great Park. If Full Circle Farm were to include the outsourced operation of the Farm + Food Lab, as proposed, there could be further positive financial impacts through reduction of City costs. These financial impacts will be better understood once an agreement has been developed through negotiations with representatives from SFUA.

REPORT PREPARED BY Pete Carmichael, Director, Orange County Great Park

ATTACHMENTS

1. Site map of Agriculture Subarea
2. Summary presentation of Full Circle Farm provided by Solutions for Urban Agriculture





SOLUTIONS
for **URBAN AG**

FULL CIRCLE FARM
OC GREAT PARK
JUNE 27, 2017

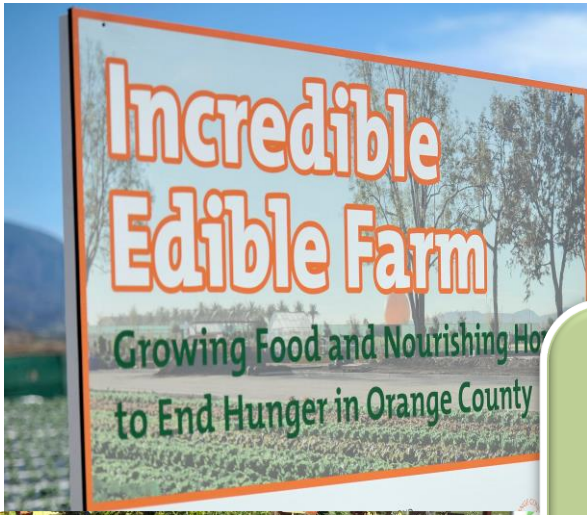
ATTACHMENT 2

SFUA Background

- Established in 1991 as a non-profit farming & educational programming organization
- Similarly aligned vision of financial & environmental sustainability
- Uniquely qualified Board & Executive team
 - Depth of experience in urban farming & program management (public & private)
 - Wealth of industry contacts
 - Years of successful fundraising experience (e.g. capital campaigns and program sponsorship)

Trends in Urban Agriculture

- Resurgence of interest in where our food comes from and how it's grown
- Local food production & purchases
- Public urban agriculture programming
- Agritourism & private programming
- Introduction of 'agrihoods' & commercial development with local food themes



**Incredible
Edible Farm
Partner**



Farm Lease Tenant

**SFUA'S OCGP
BACKGROUND**



**Veteran-to-
Farmer
Training**



**Farm + Food Lab
Development**



Community Gleaning



Farmers Market Development

Unique Site Attributes

Designated Agriculture Area



EXISTING PROGRAM ELEMENTS

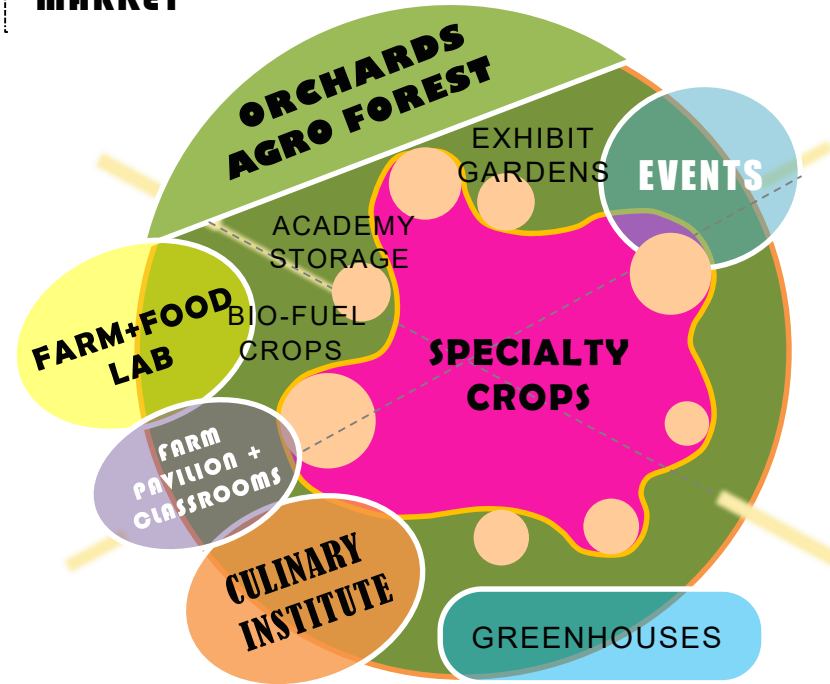
- FARMERS MARKET
- FARM + FOOD LAB
- INCREDIBLE EDIBLE FARM #2 (IEF2)

PROPOSED PROGRAM ELEMENTS

- ORCHARDS
- AGRO FOREST
- FARM ACADEMY
- ACADEMY SUB PLOTS
- CULINARY INSTITUTE
- GREENHOUSES
- EVENTS LAWN
- PERMACULTURE
- SPECIALTY CROPS
- BIO FUEL CROPS
- EXHIBIT GARDENS
- FARM PAVILION
- FULL CIRCLE WALK
- Note: no elements are location-specific

**FARMERS
MARKET**

IEF2



CONCEPT DESIGN & VISION



FARMING FOR THE FUTURE



**Incubator
Kitchen &
Culinary Training**



Farm-to-Table Café

NEW PROGRAM ELEMENTS



Permaculture



**Outdoor kitchen &
cooking classes**

OUTDOOR CAFE

FARM + FOOD LAB

EVENT LAWN

ORCHARDS

GREENHOUSES



PROMENADE

PERMACULTURE

AGRO-TOURISM



EVENT LAWN

FARM + FOOD LAB

ORCHARDS

GREENHOUSES

FARM STAND/
MARKET

AGRO-TOURISM

PROMENADE

CULINARY ARTS

DINING FRESH

Community Value of Full Circle Farm

Economic Value



Attracts residents and businesses, creates local jobs, prompts tourism and saves costs in a multitude of ways

Community Value



Improves resident satisfaction; is an effective binding agent for creating a rich culture and sense of “community”

Public Health Value



Provides access to locally, sustainably grown nutrient-dense food supply; provides therapeutic benefits to users

Educational Value



Creates awareness and encourages healthy eating and living habits

Environmental Value



Fosters conservation and stewardship; embraces sustainable agricultural practices

Strategic Partnership

- Implementation of proven public-private partnership model, efficiency/synergy with one managing entity
- Uniquely qualified Board & Executive team, capable of managing existing & new programmatic elements
- Reduction of City operating expenses through diverse revenue streams & philanthropic support
- Addition of exciting amenities that will contain both passive & active uses for visitors
- Accelerate establishment of OCGP as Southern California's premiere landmark in urban recreational life

Partnership Framework

- Outsourcing of Existing Operations:
 - Farm + Food Lab planning & management (in collaboration with UC Master Gardeners)
 - Incredible Edible Farm program management (in collaboration with Second Harvest Food Bank)
 - Farmers Market operation & management
- Addition of New Program Elements:
 - Lease & operation of inspirational 'Full Circle Farm' space (approximately 70 acres) that would look to include a diversity of educational and recreational programs available to the public
- SFUA seeks to negotiate a ground lease and/or operating agreement for this exciting new amenity