

## Major Development Activity in Southern California

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Kurt Stevenson is the regional manager for LNR Property Holdings. His region covers Arizona, California and Nevada and manages approximately 44 projects worth an estimated \$1.8B in activity (before the acquisitions of El Toro and Newhall Land and Farming Co.)

LNR Property Holdings originally was a division of Lennar, the homebuilder based in Miami, Florida. In the mid to late 80s, LNR was spun off from Lennar and set up as a separate division. By 1997 the company was a public company, and in February 2005 the company was taken private once again. Today, LNR is a company that specializes in forming joint ventures with developers, providing a source of developable lots to Lennar, and in providing capital sources to developers.

LNR main sources of business are Military Base Reuse development, Joint Ventures and as an equity provider to builders. In the military base reuse development area they currently have projects on former bases ranging from 200 acres to thousands of acres. Last year the joint ventures area acquired the Newhall Land and Farming Company for approximately \$1.0B to provide Lennar with developable homesites. The Newhall project is 36,000 acres and is expected to yield 27,000 homesites and, as Mr. Stevenson put it, "tons of commercial!"

One of the projects cited as an example of a joint venture development, was a project in Whittier, California of the redevelopment of the Whitwood Mall on Whittier Blvd. This example was carried out with Steven Hopkins of Hopkins development and removed an enclosed mall and replaced it with a life style center. Another project mentioned is the reuse of a former landfill site along the 405 freeway in Carson, California. This site is also being done with Hopkins development.

Two of the military base reuse projects currently underway by LNR is the Mare Island redevelopment in San Francisco Bay and the El Toro Marine Air Station in Irvine, California. The Mare Island project is 5,000 acres and was used for the last 150 years as a naval shipyard. The project started in 1995 and cost the company about \$10.0m a year to hold. Title wasn't passed to LNR until March 2004, 9 years later. One of the obligations on the developer is to install \$260.0M of new infrastructure. The island is improved with approximately 700 buildings, 600 of which have some form of historical significance. An unknown environmental hazard that the company faces is the quantity of live ordinance that is under water around the site, and the amount of fuel and oil from the ships that was dumped across the island over the years.

The El Toro Marine Base will be a simple matter for development in comparison to Mare Island. The land area is similar, but the entire base has been master planned by the city of Irvine, and there is a limited amount of environmental concerns. At full buildout the project should have approximately 3,300 housing units, 400-500 acres of commercial and R&D uses, an

education and sports zone and a great park. Timing, at this point in the due diligence stage (LNR has yet to take title) the only thing known for sure is that it is estimated that it will take 2½ to 3 years to grind up the concrete runways of the former base.

Steve Hopkins, the principal of Hopkins development specializes in public/private partnerships. This line of business began in 1981 with a project in the city of Maywood, where a closed hospital and some other commercial structures were demolished and replaced with a neighborhood shopping center. The largest problems cited by Mr. Hopkins in finding a suitable development partner and/or funding source is a partner with vision or a bank that understands the development process.

The latest project is a joint venture with LNR that will see a former landfill site in the city of Carson redeveloped with either a 1,200,000 million square foot retail project that will include 700 residential units and a hotel, or with an NFL stadium and 500,000 square feet of retail space. The challenges facing the development of this 157-acre site include the compaction of the former landfill. The current plan is to compact the landfill, then cap the site with 8 to 10 feet of clay. On top of this the developer will construct a platform set on piles driven through the clay and compacted landfill. The new development will be constructed on the platform.