

Developer offers to finance, build part of Irvine's Great Park

By **Alejandro Lazo**

The housing market's resurgence could jump-start one of Southern California's most ambitious but long-stymied projects: Irvine's Great Park.

Conceived more than a decade ago — and designed to span twice the size of New York City's [Central Park](#) — the project has encountered one disaster after another, including the housing market collapse, the bankruptcy of lender Lehman Bros. and the elimination of the state's redevelopment agencies.

The slow pace of work has inspired sharp criticism, in part because Irvine spent almost all of the project's initial allocation of \$200 million on marketing, concerts, fairs and planning. Now, with the housing market in a healthy recovery, the project's developer has offered to finance and build a big chunk of the park in exchange for the city nearly doubling the number of homes he can build.

"The way out of the economic mess is going to be public-private partnerships," said Emile Haddad, chief executive of FivePoint Communities, the city's development partner. "This is an excellent example."

Haddad has offered to build 688 acres of the park for \$174 million, in exchange for City Council approval of an additional 4,600 homes. He already has approval to build about 4,900.

The city would get a 176-acre sports complex — more than twice the size of Disneyland — a 45-acre park area known as the Bosque area, a 227-acre golf course, a 35-acre canyon and a 178-acre wildlife corridor set aside as a natural reserve.

Jeff Lalloway, chair of Great Park Corp. and Irvine's mayor pro tem, said he believes that the city and Haddad will strike a deal, though he has some concerns about the long-term operating costs of the park.

"I am generally confident," Lalloway said.

For now, the first phase of Haddad's Great Park Neighborhoods, one of the region's largest residential developments, has begun sales on the northern edge of the future park. More than 700 homes are planned for this phase. In the first weekend the Pavilion Park neighborhood opened, an estimated 28,000 people toured model homes by eight home builders, according to FivePoint.

Proceeds from the sale of homes will help finance the park. Much of the infrastructure needed — such as sewers and streets — would be shared between the park and the housing development and would be FivePoint's responsibility to install.

Situated on the site of the former Marine Corps Air Station El Toro, the park site is now mostly a series of fenced-in, aging military structures and old runways. Only a fraction of the park has been built, including a free balloon ride and some other facilities.

Gov. Jerry Brown's elimination of redevelopment agencies — which local jurisdictions could use to redirect state property taxes to local projects — killed an estimated \$1.4 billion in funding for the Great Park. The city has spent nearly all the \$200 million that it received from the project's original developer, home builder Lennar Corp.

That leaves few options for financing Irvine's original vision. Those advocating for the city to cut a deal with Haddad include Guy Lemmon, a longtime proponent of youth sports in the Irvine area.

"There is nobody else who is going to write a check remotely close to that," Lemmon said. "So to me, it's the right place at the right time under the right set of circumstances."

Demand for homes in Orange County has been strong this year, with the Irvine area leading the way. The housing developments owned by Irvine Co., situated mostly around the city of Irvine, posted a more than 12% year-over-year gain in new single-family housing starts, according to MetroStudy.

But the Southern California housing rebound has cooled in recent months after a rapid run-up in prices over the last year. Although the Great Park Neighborhoods has long been considered a marquee project, expectations should be tempered, economist Gerd-Ulf Krueger said. Keeping the home prices reasonable will be key.

"It has to basically cater to the middle class in Orange County," Krueger said.

But the middle class will have to pony up at least \$700,000 for the most affordable homes in the first phase, offered by Lennar in a neighborhood called Roundtree. Homes offered by Ryland Homes in the Melrose neighborhood start around the \$1.5-million mark. The homes are a departure from the Spanish and California-style homes typical of Irvine: an American Heritage style, with large front porches and classic angles, ranging from less than 2,000 square feet to more than 4,000.

The new neighborhood includes a park of its own, already built with sports facilities, a community garden, a pool and more than 150 trees transplanted from the former Marine Corps base. The goal is to build a community with the feel of a classic American neighborhood, not a cookie-cutter subdivision.

The new homes are the first to be offered since the long-running Great Park drama began in 2002, when voters opted for a city park over an airport at the site of the old El Toro Marine base. In July 2005, Miami home builder Lennar bought the El Toro Marine base and signed a deal with Irvine to build the park.

The company and its investors borrowed \$775 million from New York investment bank Lehman Bros. to finance the purchase of the land. Lennar added about \$700 million from its own funds and from investors.

But when the housing market tanked, the residential part of the project was put on hold. The subsequent economic fallout also delayed the construction of the retail and office space. In September 2008, Lehman filed for bankruptcy, throwing the project into further turmoil.

FivePoint Communities was created in summer 2009, and Haddad, who had served as Lennar's chief investment officer, was named CEO. Irvine and FivePoint struck a substantially amended deal that raised the number of homes in the project. Since then, the city has moved forward with a modest development of the park, turning a 225-acre western portion into lawns, exhibition space, sports fields, farmland, citrus groves and a wildlife corridor.

In 2011, Haddad struck a deal with State Street Bank & Trust Co. and other investors that slated \$400 million in new cash and credit for the project. Earlier, Lehman had sold the \$775-million Great Park mortgage to State Street for a deeply discounted \$153 million. Now, after several stops and starts, the developer appears to be the park's best hope.