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March 8, 2007

Ms. Debra Kurita
Executive Director
Alameda Reuse and Redevelopment Authority
Alameda Point/NAS Alameda
950 W. Mall Square- Building 1
Alameda, CA 94501-5012

RE: Responses to Alameda Point Master Developer Follow-up Questions

Dear Ms. Kurita:

Enclosed please find SunCal's responses to the Alameda Point Master Developer Follow-up Questions generated from the Alameda Reuse and Redevelopment Authority Meeting on February 7, 2007. We are very enthusiastic about this opportunity and believe that SunCal is well qualified to serve as the Master Developer to help the City and the AARA realize the vision of Alameda Point.

SunCal is committed to the vision for development of Alameda Point outlined in the PDC and to the collaborative process that will be needed to produce a Master Development Plan to bring that vision to life.

Enclosed please find our detailed information for your review. If you have any questions or require additional information, please do not hesitate to contact me directly at 818-444-1600. We appreciate your consideration and look forward to working with you on this exciting opportunity.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amy Freilich', is written over a horizontal line.

Amy Freilich
Senior Vice President of Acquisitions and Entitlements

RESPONSES TO ARRA-DIRECTED FOLLOW-UP QUESTIONS

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

SunCal and its personnel have extensive experience in all aspects of military base closures and development, dealings with military forces, including the Navy, as well as remediation and redevelopment of Superfund sites, including military bases.

Military Bases and Base Closure

As noted in SunCal's Statement of Qualifications, SunCal worked closely with the Navy on its acquisition of Oak Knoll, closing on the \$100.5 million purchase price for Oak Knoll within 120 days following confirmation of SunCal's successful bid. With respect to base remediation and development, specific SunCal personnel assigned to the Alameda Point project collectively have over 35 years of experience working with the Navy and other Department of Defense and local agencies on the development, improvement and redevelopment of military bases.

A partial list of the military bases SunCal personnel have worked on includes:

Alameda Naval Air Station	Crows Landing
Treasure Island Naval Base	Pearl Harbor
Naval Weapons Station	Fort Shafter
Concord	Presidio of San Francisco
Mare Island	Hamilton Air Force Base
McClellan Air Force Base	El Toro Naval Air Station
Mather Air Force Base	Oak Knoll Naval Hospital
Beale Air Force Base	Camp Pendleton
Castle Air Force Base	Travis AFB
Ford Ord	Norton AFB
Moffett Field NAS	Sharpe Army depot
Fallon NAS	March AFB
Tracy Defense Depot	Edwards AFB
Sierra Defense Depot	MCAS, Tustin
Naval Base Guam	
Naval Base Subic Bay	

Brownfield and Superfund Sites

SunCal's Statement of Qualifications discussed several SunCal projects with major environmental remediation components. The remediation processes for three of these projects are discussed in greater detail below:

Amerige Heights, Fullerton, California

SunCal developed Amerige Heights, an award winning, neo-traditional in-fill community in the City of Fullerton, which required extensive remediation for redevelopment as residential/mixed use. This 270 acre site was formerly home to Hughes Electronics and employed up to 16,000 people. The site contained approximately 2.5 million square feet of buildings consisting of 8 multi-floor concrete buildings, seven high-bay steel structures and various support structures and transmission towers. Due to its historical industrial land use, the project required asbestos abatement, universal waste collection, demolition, soil remediation and site clearing of a former aerospace manufacturing facility.

The asbestos abatement consisted of the following approximate quantities: 600,000 square feet of roofing, 15,000 linear feet of pipe insulation, 500,000 square feet of floor tiles, 1,000 linear feet of window caulking and 8,000 square feet of boiler insulation, and other materials for a total of 1,300,000 square feet. All universal wastes were properly packaged and disposed including poly-chlorinated biphenyls (PCB) transformers, PCB ballasts, mercury vials, refrigerant gases, HID lights, florescent light tubes, various batteries, and other types of hazardous materials.

The project required excavation of more than 80,000 cubic yards of contaminated soil, to a depth of 75 feet below grade. Soils were segregated into different classifications based on pre-established thresholds allowing most of the soil to remain on site. Approximately 4,000 cubic yards of soil was transported offsite for proper disposal.

SunCal encouraged the recycling of all structural materials to the extent possible and made every attempt to recycle metal, wood and concrete items. SunCal processed and stockpiled approximately 300,000 tons of concrete and asphalt for crushing into a base product for reuse.

Porta Bella, Santa Clarita, California

SunCal is developing Porta Bella, on approximately 1,000 acres in Santa Clarita, California. This mixed use development is located upon a site requiring extensive remediation due to the historic presence on the site of a Whitaker/Bermite munitions factory. Existing environmental insurance along with developer equity will be utilized to achieve site remediation to

State Department of Toxic Substance Control (DTSC) standards. Environmental problems at the site include the presence of perchlorate (a rocket fuel component hazardous to human health) in soil and groundwater. The project is under the oversight of DTSC, and required remediation includes ex-situ treatment (excavation of impacted soil and treatment with additives that promote its degradation) and pumping of groundwater wells. Development will require extensive soil treatment and will likely include development restrictions in certain portions of the site. SunCal is working closely with the City, its development partners and DTSC to assure the orderly removal of hazardous materials and development of the site.

Oak Knoll, Oakland, California

Oak Knoll is a 183 acre site in the City of Oakland (Oakland Hills) and comprises the former Oak Knoll Naval Hospital in Oakland. The property consists of 183 acres of developed land on which over 80 structures remain. Hazardous waste remediation of asbestos, lead based paint, pesticides and other hazardous materials will be performed concurrently with demolition of existing facilities. As part of SunCal's acquisition of the property, which took place within 4 months of bid award, SunCal negotiated the acquisition of and purchased a \$20 million environmental insurance policy from AIG.

Other Brownfield and Superfund Experience

SunCal personnel assigned to Alameda Point have extensive experience in brownfield redevelopment projects with remediation requirements. This experience includes project management and oversight of hazardous material clean-up, negotiation of environmental insurance, legal and agency regulatory compliance and environmental engineering.

For example, Jim Winzler, SunCal's Alameda Point project engineer, has extensive experience in remediation efforts and infrastructure improvement projects at numerous superfund sites including:

- Moffett Field
- Concord NWS
- Lawrence Livermore Laboratory (Site 300)
- Del Norte Pesticide Storage
- Coast Wood Preserving
- Edwards AFB
- Fort Ord
- Pearl Harbor
- Naval Computer & Telecommunications Area Eastern Pacific

Kim Luu, who will manage the environmental remediation at Alameda Point for SunCal, is a California-State registered Professional Engineer, with extensive experience in environmental engineering, including environmental assessment and investigation, remediation system design and implementation, preparation of human health risk assessments, and negotiation with regulatory agencies for case closures.

Ms. Luu's experience includes work on the following projects pertaining to remediation and redevelopment:

- El Toro Naval Air Station: Performed background review of contamination and selection of remedial technology to provide cost estimate to remediate site for redevelopment purposes.
- Norco Superfund Site: Performed soil gas sampling at a school for a Superfund project to assess health risk due to vapor intrusion from chlorinated solvents in soil.
- General Remediation:
 - Prepared remedial action work plan for removal of pesticide-impacted soil on 144-acre proposed residential development. Worked with DTSC to obtain regulatory buy-off on remedial approach.
 - Investigated soil and ground water contamination at an undeveloped residential site, including investigations to assess potential contamination by leaking gasoline/diesel and fertilizer underground storage tanks. Worked on design of in-situ treatment using oxygen releasing compounds to remediate total petroleum hydrocarbons and benzene, toluene, ethylbenzene, and xylenes and obtained buy-off from Department of Environmental Health for remedial approach. Conducted groundwater sampling. Performed background research of historical site uses and review of permits held for chemical use and storage. Reviewed grading plans, historic and current aerial photographs, and prior reports to evaluate potential locations of contaminant presence.
 - Supervised asbestos removal projects in the field, working with Cities of Banning and San Bernardino.
 - Performed/oversaw all phases of remediation system installations, including Two-Phase™ Remediation using high vacuum soil vapor extraction systems at an aerospace parts manufacturing facility and dry cleaners.

Resumes for Mr. Winzler and Ms. Luu are attached (Attachment 1) in this submittal as an addendum to the original resumes included in SunCal's Statement of Qualifications package.

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

SunCal is committed to working hand in hand with the City of Alameda to promote and achieve sustainability in its development of Alameda Point. SunCal has a long history of employing sustainable planning principles and open space preservation in its master-planned communities.

From employing dual pipe water systems to provide recycled water and to minimize potable water usage (and thus electrical demand), to creating wetlands and setting aside significant open space, SunCal employs green techniques in all of its master planned communities. In addition, SunCal works with its builders, including through use of design guidelines, to achieve sustainable communities. In its internal company-wide seminar on climate change held last week, SunCal focused on actions SunCal will take in the coming year to implement LEEDs and other sustainable development policies, including continuing our landscape nursery efforts, exploring means of orienting lots at our development communities to maximize the potential for solar heating and lighting, and exploring cost efficient means of delivering solar energy for master plan community facilities, such as street lighting and clubhouse facilities. SunCal is also exploring means of enhancing its project design to minimize green house gas emissions, such as reducing vehicle trip demand through transit accessibility, requiring energy star efficient appliances in all homes, and the like.

Among SunCal's many sustainable activities, its master plans feature significant dedication of open space in a variety of locations. By clustering homes and mixing of uses, SunCal is able to preserve open space and areas of sensitive biological concern. Our landscaping plans emphasize landscaping using native vegetation. In addition, our siting of parks, bikeways and walkways in proximity to public schools and residential areas promotes physical activity and community interaction. SunCal's preservation and construction of open space and park areas reduces impervious surfaces, thereby reduce heat and electrical demand associated with air conditioning within communities they develop. Other SunCal initiatives, such as bioswales and natural drainage and retention basins are designed to prevent flooding using natural means and to

promote aquifer recharge. SunCal also constructs environmentally sensitive basins that capture and clean runoff prior to reaching storm drains to assure better quality water supply. In all of these ways, SunCal is committed to green development.

SunCal intends to incorporate and expand these same progressive environmental concepts in the development and construction of Alameda Point. SunCal anticipates that the project when designed will qualify for the Leadership in Energy and Environmental Design (“LEED”) Neighborhood Development Program, as do other projects currently underway at SunCal.

The new LEED Neighborhood Development guidelines are consistent with the goals of the City, its residents and the policies employed by SunCal in many of its communities. Key among these criteria is “smart location and linkage,” “neighborhood pattern and design,” “green construction and technology” and “innovation and design process.”

SunCal applies smart location and linkage by designing and locating residential and commercial components of its projects in proximity to each other and to transit, where available, to promote walkability, bicycle use and access to public transportation to reduce vehicle trips. Additionally, clustering homes and locating residential and commercial components away from biologically sensitive areas to maximize preserved open space and natural resources are key principles of smart growth.

By selecting Calthorpe & Associates, renowned for its industry leading contributions to traditional neighborhood design and sustainability, SunCal has committed itself to applying smart location and linkage principles to Alameda Point, namely, providing interconnectivity, diversity (including a mix of uses and housing types to the extent consistent with City of Alameda ordinances), a balance of uses and sustainability in the design of Alameda Point.

With respect to “neighborhood pattern and design” SunCal’s business model as a master developer allows development and sale of lots to a variety of national and regional builders. As such, SunCal is uniquely qualified to assure that housing will feature varied lot designs and orientation to create a unique feel and presence on each street (a LEED Neighborhood Development guideline).

In addition, as a master developer of over 70 projects, SunCal has extensive expertise in meeting the construction and technology requirements of the LEED Neighborhood Development standards,

including controlling soil erosion, waterway sedimentation and airborne dust generation through the creation and implementation of an Erosion and Sedimentation Control Plan, and using recycled aggregate base, asphalt, and concrete wherever possible for roadways, parking lots, sidewalks and curbs.

With respect to “innovation and project design,” SunCal proposes to adaptively reuse historic buildings for commercial, and, if permitted, residential uses.

While SunCal typically does not construct houses or buildings, through strict architectural design and construction standards for all structures in our communities, SunCal encourages its builders to utilize a whole-house system approach to green buildings. Incorporating these concepts into design and construction standards results in an integrated approach to green buildings and helps steer the designs away from expensive green solutions toward cost effective solutions. This approach can actually reduce construction, operating, and life cycle costs compared to standard practices in the home building industry.

Lastly, SunCal will construct commercial development within the project consistent with LEED requirements.

SunCal is committed to these principles, as evidenced by our many communities. However, SunCal is also mindful of the costs associated with LEED compliance. Because of amortization, depreciation and lower operating costs, the cost for LEED rated construction of new commercial buildings has been proven to have minimal costs over conventional construction. However, it is generally agreed in the industry that residential LEED construction increases construction costs from 3 to 6 percent, an amount not recaptured by the traditional developer and builder. Thus, sustainability imposes a cost either to future home purchasers (increasing the cost of housing) or requires subsidy by the developer or the community. SunCal is committed to working with the City to seek solutions that allow for development at Alameda Point of an affordable and sustainable community by seeking to implement green techniques wherever feasible, and by seeking grant funding, tax credits and other sources of funding to maximize green development where feasible at reduced cost to future residents.

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

SunCal and Lehman Brothers have an approximate \$660 million equity fund that is fully discretionary. This fund was closed in 2006 and has substantial remaining capacity. With debt, this fund has approximate purchasing power of close to \$2 billion. The fund has an investment committee which approves all transactions. This fund was raised to invest almost exclusively in land and land related investments and is the largest discretionary fund ever raised of this nature.

SunCal has an impressive track record in funding and closing large transactions. Some recent examples include:

PROPERTY	ACREAGE	PRICE	TIME FROM CONTRACT TO CLOSE OF ESCROW
Albuquerque, NM	57,000 acres	\$260m	18 Weeks
10,000 Santa Monica Blvd, Los Angeles, CA	2.45 acres	\$110m	8 Weeks
Oak Knoll Naval hospital, Oakland, CA	167 acres	\$100.5m	20 Weeks
Ritter Ranch, Bakersfield California	6,000 acres	\$58 million	4 Weeks

In addition, in its 70 year history, SunCal has never abandoned a project once it has closed escrow on a transaction.

Upon request, we will provide the City on a non-public basis with documentation of our financial capability.

It is anticipated that internal equity will be used to fund initial predevelopment and entitlement efforts. SunCal has discretionary funds

available to close the transaction and fund pre-development activities; however, SunCal may choose to bring in an equity partner as well as customary acquisition and development financing.

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

SunCal has assumed for purposes of its analysis, the payment of the initial \$108.5 million purchase price set forth in the ARRA/Navy term sheet. SunCal concurs with the majority of the terms of the term sheet, particularly with respect to hazardous material clean up responsibilities. While we have not completed our due diligence, modifications that SunCal would likely seek consist of the following:

- Reduction in the required payment of \$78,115 per unit constructed following sale of residential units in excess of 1390 units, particularly to address the fact that current City settlement agreement requirements impose a 25% affordable housing requirement. We would seek to remove the requirement for such payment from all affordable units constructed after the 1390th unit (so that, at a minimum, there would be no purchase price over the \$108.5 million purchase price for land required for affordable housing development).
- In light of continuing uncertainty regarding historic preservation feasibility and alternatives, we would seek confirmation of a revised Memorandum of Agreement between the Navy and the SHPO (and other relevant parties) and completion of the Section 106 process as a condition precedent to closing.
- In order to assure a uniform master development of Alameda Point and to assure that SunCal receives the benefit of the entitlement expenditure it will undertake for the property, SunCal will seek agreement to actively entitle Phase 3 of the project in exchange for the Navy's agreement to provide a right of first offer to SunCal at fair market value (based upon achieved entitlement).
- Modification of the June 30, 2015 date upon which unpaid amounts of the Cash Consideration are due to the date which is 10 years from the date of execution of the term sheet. This will allow the development to proceed over a 10 year time frame, consistent with the original intent of the agreement and the phasing plan developed by SunCal for the project.

- Application of funds, if any, remaining from \$40.3 million to be expended for Phase 1 hazardous materials remediation and environmental insurance to Phase 2 clean up costs as agreed by ARRA and the Navy.

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

As indicated in our initial response to the RFQ, SunCal is committed to the PDC as the framework for development of Alameda Point and particularly to the mixed use, sustainability, transit and pedestrian friendly elements of the proposed plan. SunCal acknowledges the serious traffic issues faced by Alamedans and is committed to using project's resources to mitigate the impacts of Alameda Point development on the roadway system. SunCal has selected Peter Calthorpe, of Calthorpe & Associates, who is at the forefront of traditional neighborhood design and sustainable development nationwide, to assist SunCal in bringing that vision to reality.

At the same time, SunCal recognizes that the PDC is a preliminary document. During the RFQ process, we have already begun to understand that there are many competing visions for Alameda Point among the citizenry of Alameda. We also have learned that there are many competing constraints associated with development of the property, which SunCal intends to address through its community outreach and design development process.

For example, Measure A, by limiting residential growth within the City, effectively acts as a traffic deterrent, minimizing the number of trips through the tubes. At the same time, it precludes adaptive reuse of many of the residential structures within the historic district. In addition, there is a goal of retail development and activation of the marina in the PDC, yet there is not enough residential density at the site, given Measure A constraints, to achieve these goals. Finally, Measure A, by constraining the development of multifamily residential, restricts the ability to develop a diverse, multi-income community, instead, the community will be a community of extremes, with 25% affordable housing and the remainder affordable only to high income individuals.

There are methods consistent with Measure A to rectify most of these issues. For example, a development that creates jobs and provides improved transit solutions for residents and employees will solve many traffic issues while also activating the former base for retail and mixed-use

development. An office campus in particular, providing affordable employee housing as part of the overall development may well be part of the solution. We anticipate that we will bring a number of creative solutions and challenges to the City of Alameda and its residents as we begin the joint process of exploring development opportunities at Alameda Point.

Consistent with our long held practices, SunCal intends, if selected, to begin a direct and honest dialogue with the community to find solutions for these competing interests acceptable to the majority. We believe that the collaboration among the community, the City and the Developer will enhance the goals expressed in the PDC and allow us all to take pride in developing a viable, attractive and environmentally sensitive new addition to the City of Alameda.

SunCal's plans for environmental remediation of the site are based upon and consistent with the approaches identified in the City's planning documents and studies. We expect to work closely with the Navy and the City's environmental consultant to further define and carry out the remediation effort.

Question 6: Please discuss the impacts of Measure A on maximizing "green" development and ensuring an economically viable project at Alameda Point.

As noted in response to Question 2 above, and as set forth in the LEED Neighborhood design standards, the key elements to green and sustainable communities are smart growth, linkages, good planning and diversity. Walkable communities clearly reflect smart growth principles, by reducing traffic and its negative affects on the environment. The key design strategy is to have multiple destinations close at hand, such as shops, grocery, restaurants, parks, schools, and other civic institutions. Density is one of the key elements in creating the critical mass required for retail to flourish in a small market area. Local shops need a strong local population or they become part of a 'drive to' strip. The limitations of Measure A affect the City's ability to maximize the design principles that allow for this effect.

Similarly, transit requires concentration of housing and people to operate efficiently. For obvious reasons, higher density housing supports transit in ways that lower density development does not. Key here is developing the demand that justifies frequent service. Without frequent service few people will find transit convenient. This is a fundamental feedback loop that defines a successful transit oriented community.

Finally diversity in planned use, housing options, and population are key elements of green building. Mixed use communities are the only ones that can offer alternates to the car, whether by bike, walk, transit, or carpool. It is essential that local errands can be accomplished in the neighborhood, on the way to or from the transit stop or along the way to other local destinations. Diversity in the population is also important in order to support the variety of institutions and services that make a complete community. Seniors, singles, empty nesters, families, all with a wide range of incomes, can contribute to the vitality and diversity of a true green, pedestrian friendly community. In order to have such variety, each neighborhood requires a range of housing to match: from single family to townhomes and including live/work, condos and apartments.

There are multiple design constraints that currently exist due to limitations of Measure A such as: No multi family dwelling units, limiting a single household to 2,000 square feet of land, no more than two attached units, mixed use of buildings with more than two residential units located above retail, and limiting the adaptive reuse of non-residential buildings. Exempting the Alameda point development from measure A would directly benefit the project in the following ways:

- Product diversity
- Affordable Housing
 - Conversion of historic buildings to apartments
 - More cost effective options of developing affordable housing at Alameda point
- Historic Adaptive reuse
 - Flexibility of use of historic buildings
 - May allow for a variety of usages for the historic buildings
- Housing over Retail
 - Reduction in environmental remediation costs
 - Remediate to retail standards and not residential standards
 - More effective use of waterfront development

As previously indicated, SunCal has proposed a 6-8 month community planning process. During this process, we believe that the issues raised by Measure A and its impact on sustainable development should be discussed by the public, local elected officials, and the developer so that the community is cognizant of the impact of Measure A on the goals of sustainability, preservation of historic structures and transit services. Thereafter, we must work together with the community to create a plan or alternative plans that address these items, with the goal of resolving these

sometimes competing agendas by means suitable to the Alameda community.

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

A preliminary implementation schedule has been prepared for the project. A detailed baseline schedule will be prepared during the Due Diligence phase of the project and the baseline schedule will be updated on a monthly basis. The preliminary implementation schedule is attached (Attachment 3).

Key milestone dates reflected in the preliminary schedule assume a selection will be made in late March 2007.

<u>Milestone</u>	<u>Date</u>
Initial Agreements with ARRA completed:	3/28/07
Complete Due Diligence Phase	6/12/07
Community Planning Process Begins	3/29/07
Complete Entitlement	5/26/09
Start HAZMAT Cleanup	5/27/09
Start Improvement Plans	5/27/09
Start Residential Construction	6/01/10
Start Commercial/Office Construction	6/01/10

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

SunCal is proposing to work closely with the City and the community stakeholders to advance the PDC into a master plan which maximizes the benefits to the community within the framework of financial viability. At the present time the PDC and SunCal envision a mixed-use project. As such, the financial aspects of the project will not be “driven” by any individual component or proposed land use. The feasibility of the project will likely be greatly influenced by phasing the commercial development of the site either in advance of, or in concert with the residential components of the project.

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

SunCal anticipates utilizing tax exempt financing in connection with the project, including for construction of public infrastructure and affordable housing. The extent to which tax increment will be utilized is not known at this time, and requires significant further analysis, including development of a proposed project plan, understanding of the City's and the ARRA's requirements, and understanding the level of affordable housing required for the project (i.e., is greater than 25% affordable housing required on the site?) SunCal understands that a core principle established by the ARRA and the City is the achievement of revenue neutrality and agrees to maintain that as a core principle in negotiations. In addition, SunCal anticipates that the CIC will require SunCal to justify its use of tax increment and to utilize such funds for purposes consistent with state redevelopment law requirements.

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

Our land transactions are generally underwritten to provide an Internal Rate of Return in the range of 20% – 25% on a leveraged basis. This range may be adjusted upwards or downwards depending upon the inherent risk in the transaction. Some of those risks include entitlement, development and market risk.

Our significant experience with these types of projects allow us to price out a significant amount of risk relative to our competitors due to our superior knowledge and internal data relating to development, construction, entitlement probability and time frames, etc.

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

SunCal recognizes that transportation issues are one of the primary constraints facing the City, the community and the developer in the development of Alameda Point. SunCal believes the real solution to Alameda's transportation issues is not a technology-first solution, but rather a regional governance solution. Only after the regional participants meet and reach resolution on broad measures can technology be selected and applied to solve the identified problems.

SunCal's experience in the City of Oakland and with Caltrans on a statewide basis allows us a unique opportunity to assist in this discussion. SunCal is committed to proactively engaging the region (including the City of Alameda, the City of Oakland, Alameda County, Caltrans and transit providers) to resolve transportation problems exacerbated by the Alameda Point development, such as the Broadway/Jackson solution. In addition, the SunCal team brings expertise in transit oriented development, including development of multi-modal transportation centers and corridors, CEQA and NEPA environmental analysis, parking requirements, TDM program development and mixed-use development at transit stations. This experience will assist SunCal in its evaluation of the various station area plans and transportation solutions.

More specifically, we understand that development at Alameda Point requires 2 types of transportation solutions. First, the a.m. and p.m. peak access to and from the mainland must be addressed. Second, intra-island transportation is critical both to activate the retail and commercial developments at Alameda Point, to provide access to mainland ferry service and to provide access by Alameda Point residents and employees to the primary commercial, retail and cultural activity centers on the island. We are in support of the concept of the eco-pass and TDM planning and programming to encourage transit usage and we intend to work closely with the City in its development of these programs.

At the same time, we recognize that the proposed Alameda Point development will be phased in over time and will not initially have the density required to support transit. An immediate and expensive solution will not have the required initial patronage and will not achieve priority funding.

We believe that solutions to transportation problems should be flexible rather than fixed so that they can grow and develop over time as patronage grows.

In addition to creating a pedestrian and bicycle friendly environment at Alameda Point, we would propose to start transit service to Alameda Point with shuttle service, including, if feasible, service utilizing electric or bio-fuel propelled vehicles, and providing access to current bus lines utilizing the tube and ferry service to and from the major existing corridors and centers of Alameda. Over time, this shuttle service might grow to full bus service or even fixed rail service for some or all of these routes. For example, the City of Los Angeles and other major international cities have discovered that rapid bus service utilizing clean burning fuels is far more versatile and far less expensive than fixed rail solutions.

Although the solutions cannot be fully described at this time, SunCal is committed to working closely with the City and other regional actors to develop a plan that maximizes use of transportation solutions other than the single occupancy vehicle in connection with its development of Alameda Point.

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

SunCal typically offers these solutions as part of their master planned communities, which means that telecommunications services will be an integral part of SunCal's overall master planned solution. While SunCal cannot commit to an agreement with Alameda Power & Telecom (AP&T) without understanding the details and reviewing its own contractual obligations, SunCal is certainly open to engaging in dialogue with the City and AP&T to seek an agreement that is acceptable to all of the parties

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

As noted in our response to Question 5 above, there are many competing interests to be resolved in addressing development at Alameda Point. The letter from the Alameda Architectural Preservation Society ably sets forth its concern that the Naval Air Station Alameda Historic District and its various subdistricts be preserved in a manner that does not threaten the district's National Register eligibility. As noted, there is concern that the current PDC, which focuses on achieving sufficient single family and duplex housing to meet the numerous financial demands of the project, requires too much land and therefore demands too much loss of historic fabric without proper analysis.

The Alameda Point project provides an opportunity for great contrast—new and creative approaches to sustainability are required, while acknowledging and preserving, to the extent feasible, the historic district at the base. This requires a team sensitive to historic preservation concerns and capable of an imaginative and technically efficient adaptive reuse program.

SunCal and its development team have experience in addressing historic rehabilitation at numerous locations. For example, SunCal has

undertaken to preserve a national register eligible historic golf clubhouse and officers club (Club Knoll) at its Oak Knoll development. Amy Freilich, a member of SunCal's development team, has extensive historic preservation experience, including serving for 6 years on the Board of Directors of the LA Conservancy, the nation's largest membership conservation organization, with two years of services as its Vice President for Advocacy. In this position, Ms Freilich engaged in strategy and negotiation for numerous high profile conservancy preservation efforts. In addition, in her private practice, she has worked to preserve the Del Mar train station in Pasadena, Ca, Union Station in downtown Los Angeles, Santa Anita Raceway in Arcadia, California and the national register eligible/landmark blimp hangars at Marine Base Air Station, Tustin. Her experience in rail transit projects throughout the Los Angeles basin has included Section 106 compliance and evaluation of alternatives to preserve historic structures.

Other SunCal staff has expertise in historic rehabilitation and use of historic and new market tax credits. For example, Mr. Winzler has extensive experience in the restoration and adaptive reuse of historic structures, including

- Bill Graham Civic Auditorium - San Francisco
- The Rotunda - Oakland
- Oakland City Hall - Oakland
- Bloomingdale's - San Francisco

In addition, SunCal's personnel have been involved in the renovation of over 100 structures at military and former military bases including aircraft hangars, barracks, officers' quarters, office buildings, medical facilities, refueling facilities, and bunkers.

SunCal is committed to utilizing this expertise to pursue alternatives that expand the ability to adaptively reuse existing buildings of significance within the district. At the same time, we recognize that redevelopment of the historic district must meet market realities. Redevelopment must be economically feasible, taking into account available tax credits and other subsidies. Redevelopment must also be consistent with existing laws (including Measure A and public trust doctrine, as applicable). SunCal is committed to pursuing tax credits and other funding sources, as well as creatively investigating a range of uses to facilitate redevelopment of the historic district.

To that end, we propose that the Section 106 alternatives process and consultation efforts be expedited and be carried out coterminous with the

entitlement effort SunCal will undertake if it is the selected developer. Only through understanding and evaluation of various alternatives will a plan meeting competing needs be developed. At Alameda Point, in addition to carrying out adaptive reuse, SunCal will craft design and builder guidelines to direct redevelopment and use of historic structures consistent with the agreed upon framework. As part of this process, we plan to evaluate preservation and consolidation of the “Big Whites”.

Finally, although it does not warrant primary significance in past studies, SunCal is committed to the overall landscape and open space area design that organizes the various districts at the base, and particularly, its City beautiful movement inspired axial theme with parade grounds and park spaces crossing on a central axis. In addition to seeking to maintain national register eligibility for the district, SunCal intends to preserve and enhance these features in future development of the site.

RESPONSES TO SPECIFIC QUESTIONS

Question 1: Please describe how SunCal’s financial partnering may affect the decision making process for capital calls under dynamic market conditions.

As we briefly discussed at the February 7, 2007 meeting of the ARRA, SunCal establishes the capital requirements and obtains funding commitments for any particular project prior to making commitments to Sellers such as ARRA. Simply put, SunCal’s ability to continue its growth is dependent on its ability to fulfill the commitments it has made. SunCal does not enter into transactions without having the necessary capital in place and a legally binding commitment from equity partners to provide the agreed upon capital.

However, as we also briefly discussed at the ARRA meeting, we continually “scrub” every project in our company every six months. In these reviews we identify issues that were not anticipated in the original underwriting and revise the project business plan accordingly.

Where the project varies from the original pro forma it typically involves factors outside our control and we look at creative ways to assure the project is successful, both as a project which we can point to as another example of a SunCal Community, and as a project which returns industry accepted returns to our financial partners, with a clear understanding that entitlement and development risks drive return requirements.

A very good example of this is our Bickford Ranch Project in Placer

County. We purchased the project from a public homebuilder who agreed to buy back the Active Adult portion of the project. Due to changing market conditions the public homebuilder chose, as a result of issues facing all public home builders, to not go forward with the transaction.

Rather than back out of the project, SunCal is working with the County to convert a proposed golf course to open space and to convert the active adult component of the project to non active adult as the active adult market is well served by several other local projects (two Del Webb projects are in close proximity to Bickford Ranch). With these changes SunCal has improved the project from a sustainability standpoint, and while the returns achieved by our financial partners are somewhat diminished, the decreased development risk from delivering a better product outweighs the diminished return.

Question 2: Please describe SunCal's existing relationship with commercial builders and others who may be involved in implementing the non-residential portions of the Alameda Point development, including the adaptive reuse.

First as noted above, we believe bringing a major corporate user to locate a corporate campus on the Alameda Point Project, by creating a jobs housing balance, is a creative part of solving the transportation issues facing the City.

SunCal has extensive experience in working with major corporations to locate them at or near our projects. For example we are currently working with Tesla Motors, the electric car manufacturer, to locate their first manufacturing facility on the industrial campus in our Albuquerque New Mexico project. This facility will not only provide over 400 jobs initially, but the jobs will be near the housing, thereby avoiding trips across the limited number of bridges crossing the Rio Grande to get to the current jobs center of downtown Albuquerque.

SunCal has extensive commercial holdings in California and Nevada with over 350 acres in our over 70 active projects. This translates to the development of in excess of 10 million square feet of every variety of commercial industrial and retail space. As a result we have relationships with numerous commercial developers in the development of the commercial portions of our master planned communities.

SunCal uses a variety of structures to develop the commercial portions of its communities. Oftentimes it will sell the land to a commercial developer and allow that developer to complete the project due to a particular

expertise a commercial developer may have. However, in such instances SunCal maintains strict control over design guidelines and users.

In some instances SunCal joint ventures with a commercial developer and retains a financial interest in the venture, again maintaining architectural control and approval of tenants.

Finally, SunCal often will develop the commercial center directly allowing direct communication and negotiation with the end user.

TEAM EXPERIENCE

William L. Myers, President, Northern California Region

Mr. William Myers is the President of the Northern California Region for SunCal Companies. He has extensive experience in the acquisition, development and sale of large residential planned developments, having participated in the development of some of California's most prestigious planned communities.

Prior to joining SunCal, Mr. Myers practiced real estate law for 20 years. Most recently, he was managing partner of Realty Law LLP, a law firm specializing in all aspects of transactional real estate, including acquisitions, sales, financing and leasing of master-planned communities, and negotiations of complex joint-venture arrangements for commercial and residential development projects. Mr. Myers' financing background includes experience in conventional and off-balance-sheet financing, credit leases, and structured finance and securitizations.

Mr. Myers also has extensive experience in the environmental aspects of real estate, including preparation and execution of comprehensive site response strategies, managing and directing complex environmental remedial investigations, feasibility studies and risk assessments, and coordinating communications among key community, financial and governmental stakeholders.

Amy Freilich, Senior Vice President of Acquisitions and Entitlements

Ms. Amy Freilich is the Senior Vice President of Acquisitions and Entitlements for SunCal Companies, supervising all aspects of the organization's land use strategy.

Ms. Freilich has two decades of experience as lead land-use and real estate counsel to a variety of public agency and private developer clients, specializing in environmental quality act compliance, public bidding procedure, design-build and turnkey structuring. Prior to joining SunCal, Ms. Freilich was involved in numerous major acquisition and entitlement projects throughout Southern California, including Staples Center in downtown Los Angeles (home to the Los Angeles Kings, Lakers and Clippers), the Grand Avenue Project, the Marine Corps Air Station in Tustin, the Home Depot Center in Carson, and several other retail, office and residential projects. Ms. Freilich also developed and led the transit-oriented joint development program for the LA-to-Pasadena Gold Line Authority.

Ms. Freilich holds a B.A. with honors in Public Policy from The University of Chicago and a J.D. *cum laude* from Harvard Law School.

Pat Keliher, Vice President - Operations

Mr. Pat Keliher is the Vice President of Operations for SunCal Companies, and the current program manager for its Oak Knoll development project in Oakland. Mr. Keliher has a broad range of experience in providing real estate, construction, operational services, corporate strategy, corporate infrastructure, and hands-on management. In his current role, Mr. Keliher's responsibilities include community and political outreach, project planning, entitlements, and fiscal responsibilities for the Oak Knoll project.

Mr. Keliher has an undergraduate degree in mechanical engineering from California Polytechnic University at San Luis Obispo. He has also been a licensed California General Contractor for more than 15 years and sits on the executive board of The Better Housing Coalition.

Michael A. Perata, Vice President – Acquisitions

Mr. Michael Perata is responsible for land acquisitions and project due diligence for the Northern California Region of SunCal Companies. He directs SunCal's efforts to acquire properties where the company can enhance value by applying its unique design and management best practices. In this role, Mr. Perata has overseen the acquisition of more than 5,000 acres across Northern California and Nevada.

Prior to joining SunCal, Mr. Perata operated his own development company and also held executive-level positions in finance, operations and land acquisitions with public and private homebuilders.

Mr. Perata holds both a Bachelor of Arts and a Masters in business-related subjects from University of Phoenix. He is also a member of the Urban Land Institute.

James Winzler, Senior Project Engineer

Mr. Winzler has extensive experience managing projects at active and inactive military bases, including NAS Alameda. With over 30 years of managing the planning, design, permitting, and construction of over 100 waterfront projects in San Francisco Bay and throughout the Western United States, Mr. Winzler brings critical development expertise to the Alameda Point Team. Mr. Winzler has experience managing all types of transportation improvement projects, working with regulatory agencies, and overseeing geotechnical issues including bay mud settlement.

Mr. Winzler is a licensed professional engineer with over 30 years of experience in residential, commercial, and mixed use development. Mr. Winzler has been responsible for projects ranging in size from 100 acres to 25,000 acres.

Kim Luu, Land Acquisition Analyst

Ms. Kim Luu is a land acquisition analyst with SunCal Companies, where she performs due diligence prior to property acquisition and assesses project internal rate of return and profit margin.

Prior to joining SunCal, Ms. Luu worked as an environmental consultant, working extensively on remediation projects under the oversight of various regulatory agencies including Department of Environmental Health (DEH), Department of Toxic Substances Control (DTSC), and Regional Water Resources Control Board (Water Board), and several counties and cities (Riverside Counties, Cities of San Bernardino, Banning, Santa Monica). Ms. Luu worked on the El Toro Naval Air Station redevelopment project, reviewing environmental reports and estimating costs for site cleanup. She has worked on a Superfund project, collecting soil gas samples to assess vapor intrusion from subsurface chlorinated solvents.

In addition, she has performed numerous environmental site assessments to assess risk of environmental impact from historical activities, subsurface site investigations to delineate the extent of contamination, and designed remediation systems to treat impacted soil and ground water including soil vapor extraction systems, in-situ chemical oxidation, and oxygen releasing compounds. She has managed and overseen construction of all phases of remediation system installations at soil/ground water impacted sites, from permit acquisition to equipment procurement.

Ms. Luu holds a B.S. from The University of California at Los Angeles, *magna cum laude*, and a Masters in Engineering from the Massachusetts Institute of Technology in Civil and Environmental Engineering.










Posted by Jon Lansner at August 9, 2006 04:01 AM Orange County Register
blogs.ocregister.com/lansner/archives/2006/08/builder_start_walking_on_deals.html

Builders walk on land deals










Builder profits previously were dulled by the cost of prospective buyers walking away from deals. Now it's the builders themselves axing contracts and denting profits. Recent profit snapshots from several publicly owned homebuilders from across the nation describe steep costs incurred for choosing not to build on properties that they signed up to develop. Here's a handful ...

- [Standard Pacific](#) from Irvine reports: "a pre-tax charge of approximately \$16.3 million related to the write-off of deposits and capitalized pre-acquisition costs for abandoned or uncertain projects." ([RELEASE HERE](#))
- [Hovnanian](#) from New Jersey: "We are also renegotiating a significant number of our land option contracts, and we are likely to incur walk-away costs in conjunction with some of these situations. Although a certain amount of such costs are factored into our guidance for the fourth quarter, we cannot quantify the exact amount or reserve for them until each contract renegotiation is finalized, thus creating an additional variable in our forecasts." ([RELEASE HERE](#))
- [D.R. Horton](#) from Texas: "Earnings for the quarter ended June 30, 2006 reflect a pre-tax charge of \$57.2 million (\$0.11 per diluted share) to write off earnest money and pre-acquisition costs related to land option contracts." ([RELEASE HERE](#))
- [NVR](#) from Virginia: "Gross margins were negatively impacted by land deposit write-downs of approximately \$26,000,000, primarily in the Washington market." ([RELEASE HERE](#))
- [Pulte](#) from Michigan: "Homebuilding pretax income for the second quarter of 2006 is inclusive of approximately \$62 million of charges resulting from adjustments to land inventory and land held for sale, and the write-off of deposits and pre-acquisition costs associated with land transactions the Company no longer plans to pursue.
- [Centex](#) from Texas: "Also affecting the home building operating margin was a \$23 million loss from land related operations, including the write off of \$36 million of option deposits and pre-acquisition costs." ([RELEASE HERE](#))
- [Lennar](#) from Miami: "\$21.8 million in write-offs of option deposits and pre-acquisition costs related to land under option that the Company does not intend to purchase." ([RELEASE HERE](#))

ID	Task Name	Duration	Start	Finish	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
					'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19
1	ALAMEDA POINT	1 day?	Tue 1/9/07	Tue 1/9/07														
2																		
3																		
4																		
5	INITIAL AGREEMENTS WITH CITY	10 days	Thu 3/15/07	Wed 3/28/07														
6																		
7	DUE DILIGENCE PHASE	54 days	Thu 3/29/07	Tue 6/12/07														
8	Planning Studies	22 days	Thu 3/29/07	Fri 4/27/07														
9	Infrastructure Studies	22 days	Wed 4/11/07	Thu 5/10/07														
10	Haz/Mat Studies	22 days	Wed 4/11/07	Thu 5/10/07														
11	Phasing Studies	10 days	Fri 5/11/07	Thu 5/24/07														
12	Transportation Studies	32 days	Thu 3/29/07	Fri 5/11/07														
13	Landscape Studies	5 days	Fri 5/4/07	Thu 5/10/07														
14	Commercial/Office Studies	32 days	Thu 3/29/07	Fri 5/11/07														
15	Marina Study	32 days	Thu 3/29/07	Fri 5/11/07														
16	Ferry Service Study	32 days	Thu 3/29/07	Fri 5/11/07														
17	Structural Studies	32 days	Thu 3/29/07	Fri 5/11/07														
18	Marketing Studies	32 days	Thu 3/29/07	Fri 5/11/07														
19	Cash Flow/IRR Studies	32 days	Mon 4/30/07	Tue 6/12/07														
20	Community Outreach	32 days	Thu 3/29/07	Fri 5/11/07														
21	Implementation Plan	5 days	Fri 5/25/07	Thu 5/31/07														
22																		
23	ENTITLEMENT PHASE	518 days	Fri 6/1/07	Tue 5/26/09														
24	Field Surveys	44 days	Fri 6/1/07	Wed 8/1/07														
25	ALTA Survey	44 days	Fri 6/1/07	Wed 8/1/07														
26	Boundary Survey	44 days	Fri 6/1/07	Wed 8/1/07														
27	Topographic Survey	44 days	Fri 6/1/07	Wed 8/1/07														
28	Utility Surveys	44 days	Fri 6/1/07	Wed 8/1/07														
29	Hydrographic Surveys	44 days	Fri 6/1/07	Wed 8/1/07														
30	Underwater Surveys	44 days	Fri 6/1/07	Wed 8/1/07														
31	Building Haz/Mat Surveys	44 days	Fri 6/1/07	Wed 8/1/07														

Project: ARRA Schedule - Revised for Date: Thu 3/8/07	Task		Milestone		External Tasks	
	Split		Summary		External Milestone	
	Progress		Project Summary		Deadline	

ID	Task Name	Duration	Start	Finish	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
					'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19
32	Flow Testing	44 days	Fri 6/1/07	Wed 8/1/07														
33	Bulkhead Structural Survey	44 days	Fri 6/1/07	Wed 8/1/07														
34	Planning Studies	88 days	Fri 6/1/07	Tue 10/2/07														
35	Master plan	88 days	Fri 6/1/07	Tue 10/2/07														
36	Haz/Mat Planning	352 days	Fri 6/1/07	Mon 10/6/08														
37	Infrastructure Planning	44 days	Wed 10/3/07	Mon 12/3/07														
38	Water Master Plan	44 days	Wed 10/3/07	Mon 12/3/07														
39	Sewer Master Plan	44 days	Wed 10/3/07	Mon 12/3/07														
40	Drainage Master Plan	44 days	Wed 10/3/07	Mon 12/3/07														
41	Street Master Plan	44 days	Wed 10/3/07	Mon 12/3/07														
42	Ferry Master Plan	44 days	Wed 10/3/07	Mon 12/3/07														
43	Marina Master Plan	44 days	Wed 10/3/07	Mon 12/3/07														
44	Geotechnical Investigation	66 days	Fri 6/1/07	Fri 8/31/07														
45	Historic Structures master Plan	66 days	Fri 6/1/07	Fri 8/31/07														
46	Tentative Map	110 days	Tue 12/4/07	Mon 5/5/08														
47	Specific Plan	110 days	Tue 5/6/08	Mon 10/6/08														
48	EIR	166 days	Tue 10/7/08	Tue 5/26/09														
49																		
50	IMPROVEMENT PLANS	858 days	Wed 5/27/09	Fri 9/7/12														
51	Residential Phase 1 - 400 Homes	264 days	Wed 5/27/09	Mon 5/31/10														
52	Residential Phase 2 - 400 Homes	198 days	Tue 6/1/10	Thu 3/3/11														
53	Residential Phase 3 - 290 Homes	198 days	Fri 3/4/11	Tue 12/6/11														
54	Residential Phase 4 - 290 Homes	198 days	Wed 12/7/11	Fri 9/7/12														
55	Commercial/Office Phase 1	198 days	Wed 5/27/09	Fri 2/26/10														
56	Commercial office Phase 2	198 days	Mon 3/1/10	Wed 12/1/10														
57	Commercial office Phase 3	198 days	Thu 12/2/10	Mon 9/5/11														
58	Commercial Office Phase 4	198 days	Tue 9/6/11	Thu 6/7/12														
59	Ferry Terminal	264 days	Wed 5/27/09	Mon 5/31/10														
60	Marina	264 days	Wed 5/27/09	Mon 5/31/10														
61																		
62	CONSTRUCTION PHASE	2376 days	Wed 5/27/09	Wed 7/4/18														

Project: ARRA Schedule - Revised for Date: Thu 3/8/07	Task		Milestone		External Tasks	
	Split		Summary		External Milestone	
	Progress		Project Summary		Deadline	

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					'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17	'18	'19
63	HAZ/Mat	528 days	Wed 5/27/09	Fri 6/3/11														
64	Geotech Consolidation	200 days	Wed 5/27/09	Tue 3/2/10														
65	Residential Phase 1	528 days	Tue 6/1/10	Thu 6/7/12														
66	Residential Phase 2 - 400 homes	528 days	Fri 6/8/12	Tue 6/17/14														
67	Residential Phase 3 - 290 Homes	528 days	Wed 6/18/14	Fri 6/24/16														
68	Residential Phase 4 - 290 Homes	528 days	Mon 6/27/16	Wed 7/4/18														
69	Commercial/Office Phase 1	528 days	Tue 6/1/10	Thu 6/7/12														
70	Commercial office Phase 2	528 days	Fri 6/8/12	Tue 6/17/14														
71	Commercial Office Phase 3	528 days	Wed 6/18/14	Fri 6/24/16														
72	Commercial Office Phase 4	528 days	Mon 6/27/16	Wed 7/4/18														
73	Marina Phase 1 - 250 slips	528 days	Tue 6/1/10	Thu 6/7/12														
74	Marina Phase 2 - 250 slips	528 days	Fri 6/8/12	Tue 6/17/14														
75	Marina Phase 3 - 250 slips	528 days	Wed 6/18/14	Fri 6/24/16														
76	Ferry Terminal	528 days	Tue 6/1/10	Thu 6/7/12														

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	Split		Summary		External Milestone	
	Progress		Project Summary		Deadline	