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REQUEST FOR BOARD ACTION

BOARD MEETING DATE: JULY 27, 2006

TITLE: **CONDITIONAL ACCEPTANCE OF GREAT PARK BALLOON FROM HERITAGE FIELDS TO THE CITY OF IRVINE**


Chief Executive Officer

ACTION:

Receive and file.

EXECUTIVE SUMMARY

At the July 11, 2006 Irvine City Council meeting, Heritage Fields El Toro LLC (Lennar) presented an offer to provide a balloon for the Orange County Great Park (Attachment 1). Lennar's offer encompasses delivery and installation of the balloon and all its basic facilities (pad foundation, utilities, launching system, and winch) for a not-to-exceed total gift of \$1.9 million. In addition, Lennar has pledged an additional gift of \$300,000 per year for three years for balloon-related community advertising to help offset any operating cost deficits.

At its July 25, 2006 meeting City Council may conditionally accept the Lennar balloon donation subject to resolution of all relevant issues and authorize the City Manager to provide comments to Lennar in connection with its negotiations with the balloon provider and return to the City Council with an agreement for acceptance of the donation for the Council's approval. As this staff report is being prepared prior to the City Council meeting, staff will update the Orange County Great Park Board on the Council's action at the meeting.

In order to facilitate the utilization of the balloon in the event the gift is accepted, the Great Park Design Studio is moving forward with conceptual plans for a site to locate the balloon within the City property. The balloon ride concept is an integral part of the winning design competition plan that was selected by the Orange County Great Park Corporation. In the event that the gift is accepted, the Orange County Great Park Corporation will be responsible for any related structures or requirements necessary to make it available for public operation and for costs associated with its operation.

STATEMENT OF THE ISSUES

Issue 1: Heritage Fields El Toro LLC Balloon Gift

At its July 11, 2006 meeting, the Irvine City Council received an offer from Heritage Fields El Toro LLC (Lennar) to provide a balloon for the Orange County Great Park. The proposed operation will consist of a tethered, helium-filled balloon, approximately 105 feet in height, with an attached gondola capable of carrying up to thirty people. The operator will load passengers, ascend to approximately 500 feet, and then return to the launch site. The balloon ride will last approximately 15 to 20 minutes. A data sheet with basic information regarding the balloon, gondola, and operating system is included at Attachment 2. Lennar has offered to provide for the delivery and installation of the balloon and all its basic facilities (pad foundation, utilities, launching system, and winch) for a not-to-exceed total gift of \$1.9 million. Furthermore, Lennar has pledged an additional \$300,000 per year for three years for balloon-related community advertising to help offset any operating cost deficits. In the event that the gift is accepted, the Orange County Great Park Corporation will be responsible for any related structures or requirements necessary to make it available for public operation and for costs of operation.

Lennar is negotiating an assignable contract with a balloon provider to facilitate its gift. The City and the Orange County Great Park Corporation will both provide Lennar with comments on the contract language so as to ensure that the contract will meet City standards once assigned. Gafcon, the Project Manager for the Great Park Design Studio, is serving as the Corporation's representative to coordinate with Lennar and the City on the development of the balloon site. The coordination effort will include negotiations with Lennar and the balloon provider, working with the Navy on issues relating to development adjacent to any environmental remediation sites, coordinating with the FAA on issues related to flying the balloon in general and specifically flying in proximity to the navigation aids, and conforming to requirements from the State of California regarding permitting for the balloon ride.

Issue 2: Conditional Acceptance

Prior to accepting the balloon donation, the City must resolve a number of issues including installation parameters, delivery schedule, operational costs and issues, liability insurance, and safety requirements.

- a. Installation Parameters – The supporting infrastructure necessary to make the gift operational includes not only the balloon and its operating mechanism but also parking, site lighting, security fencing, bathrooms, and ticketing facilities. The additional site development costs are estimated to range from \$300,000 to \$500,000. Based on discussions with Lennar, this supporting infrastructure would need to be paid for by the Orange County Great Park Corporation. Staff will work to clarify these additional costs and return to the Orange County Great Park

Corporation Board and the City Council with a recommendation on funding options and budget increases if necessary.

- b. Delivery Schedule – The time schedule for delivery of the balloon needs to be detailed to include preliminary site preparation, project construction, balloon delivery, and operational testing. A specific issue has been raised regarding potential delays in US Customs processing that may affect the delivery of the balloon to the Great Park. Determining responsibility for delivery of the balloon to the site as well as for all the site improvements will be important. Staff, the balloon provider, and Lennar will collaborate to clarify specific roles and responsibilities with regard to the delivery of a functioning balloon ride.
- c. Operational Costs and Issues – The balloon requires a trained pilot and staff to operate. Preliminary cost estimates range from \$400,000 to \$800,000 per year to operate and maintain the balloon once installed. The balloon provider has indicated its willingness to contract to operate the balloon but the parameters and costs of this operation need to be clarified. The Lennar pledge of \$300,000 for community related advertising is not expected to cover the projected operating expenses. The potential for revenues, such as ticket sales from balloon rides, needs to be examined and verified. City staff, the balloon provider, and Lennar will collaborate to clarify operational costs, responsibilities, and revenue opportunities. The cost of operations will be the responsibility of the Orange County Great Park Corporation. Staff will identify requirements for additional operational funds and present to the Orange County Great Park Board and City Council, if a budget amendment is required, for approval.
- d. Liability Insurance, Indemnification and Dispute Resolution – Insurance and indemnification are potentially significant issues with regard to the operation of the balloon by the Orange County Great Park Corporation following acceptance of the gift. The balloon operator has indicated that its contract to operate the balloon will include some level of insurance. A specific issue has been raised in the draft contract language regarding the applicable law in dispute resolution. Inserting a standard arbitration clause will be an important point in negotiation. Staff, the balloon provider, and Lennar will negotiate to develop an operating agreement with appropriate insurance, indemnity and dispute resolution provisions.
- e. Safety Concerns – The balloon equipment needs to meet Underwriters Laboratories listing criteria, or equivalent, as well as any State licensing and FAA requirements prior to operation. In addition, the operation of the balloon will need public safety review and approval. Safety issues with regard to operating in Santa Ana wind conditions must also be examined and clarified. Staff, the balloon provider, and Lennar will collaborate on the equipment specifications and operational parameters.

Issue 3: Site Location

The Great Park Design Studio is moving forward with conceptual plans for a site to locate the balloon within the Great Park property. The site selection criteria include a location that can serve as a permanent site for the balloon, an open area fitting the operational parameters of the balloon, a site in close proximity to utilities, ease of public access, and sufficient area for future additional amenity features. The Design Studio will return to the Board with a recommended site location and amenity package as soon as possible. Staff will analyze the cost for construction documents and return to the Board with a budget recommendation.

ALTERNATIVE CONSIDERED

None.

FISCAL IMPACT

The additional expenses involved with the site preparation, development, or operation of the balloon have not been included in the Great Park Corporation's budget for this fiscal year. The Corporation will need to request additional funding to meet these obligations. However, as the balloon ride concept is an integral part of the Great Park Plan, the expenditure is consistent with the overall development program.

Report prepared by: Glen Worthington, Manager of Planning, Orange County Great Park Corporation

Reviewed by: Colleen Clark, Deputy Chief Executive Officer, Orange County Great Park Corporation

Attachments:

1. Lennar balloon donation letter
2. Balloon data sheet

cc

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July 11, 2006

Honorable Beth Krom
Mayor, City of Irvine
1 Civic Center Drive
Irvine, CA 92623-9575

Re: Remarks to the Irvine City Council

Dear Mayor Krom and Members of the City Council:

I appear before you tonight on behalf of Lennar, LNR and our partners to make a very special proposal.

Let me first say that Lennar and our partners are very proud of the partnership we have with the City of Irvine for the development of the former Marine Corps Air Station at El Toro. Together, we are transforming this site into a great metropolitan park and a model 21st Century community.

The city's selection of Ken Smith and his Great Park Design Studio has brought creativity and imagination to the Great Park project. Tonight, I am here to tell you how Lennar, LNR and our partners would like to help bring to fruition one of the exciting early ideas from the Great Park Design Studio: The proposal for an enormous lighter-than-air balloon as the iconic symbol of the Great Park and the surrounding community as development proceeds.

This balloon proposed by the Design Studio would rise over the site of the Great Park and be seen for miles, announcing to the surrounding communities and to visitors "Here is the Great Park." It would be nearly 105 feet tall with a 72-foot diameter - so large that it would fill this City Council chamber. It would be tethered to the ground by a cable that would allow it to rise to a height of 500 feet, and then return safely to the ground.

The proposed balloon would have a gondola beneath it which would hold up to 30 passengers, affording visitors an exciting opportunity to float over the site of the Great Park as it is being developed. Passengers would observe the transformation of the former military base into the environment of a park. They would appreciate the foresight and planning that are making this project possible.

The Design Studio has suggested that the proposed balloon be orange in color, to attract attention from miles around, to symbolize the Park as a feature for all of Orange County, and to recall the agricultural background of Irvine in the orange groves that once covered much of this area.



The balloon would also pay homage to the heritage of the Great Park site as a military airfield. Observation balloons were the first military aircraft, used for reconnaissance purposes in the late 1700's.

To make this design concept a reality, therefore, and in recognition of the partnership that we have with the City of Irvine, Lennar and LNR along with the Heritage Fields partners are offering to acquire such a balloon and give it to the City of Irvine and to the Orange County Great Park Corporation for use in the Great Park. The gift would include the cost of delivery and basic installation of the balloon, at a cost of up to \$1.9 million. The actual cost of the balloon and its components are currently estimated to be well below this amount.

The Great Park Design Studio has conducted research of balloon firms with both a proven safety record and the experience to install, operate and maintain such a balloon. Based on that research, a firm can be selected and the process started immediately. If the City Council accepts this offer, we will execute a purchase contract for the balloon and set things in motion so that the balloon could be operating over the Great Park prior to the end of this year.

Subject to further discussions with the City of Irvine and the Orange County Great Park Corporation, we are also prepared to pledge \$300,000 a year for three years for balloon-related community advertising to help offset any operating cost deficits in the early years.

This timing of the launch will be fortuitous because it will coincide with the launch of a new identity for our development of the surrounding community, when we will change the name given to us by the Navy - Heritage Fields - to a new identity that will complement the Great Park and enhance the synergistic relationship our partnership has created. We look forward to this next step as a partner with the City of Irvine and the Orange County Great Park Corporation.

Thank you for the opportunity to make this offer.

Sincerely,

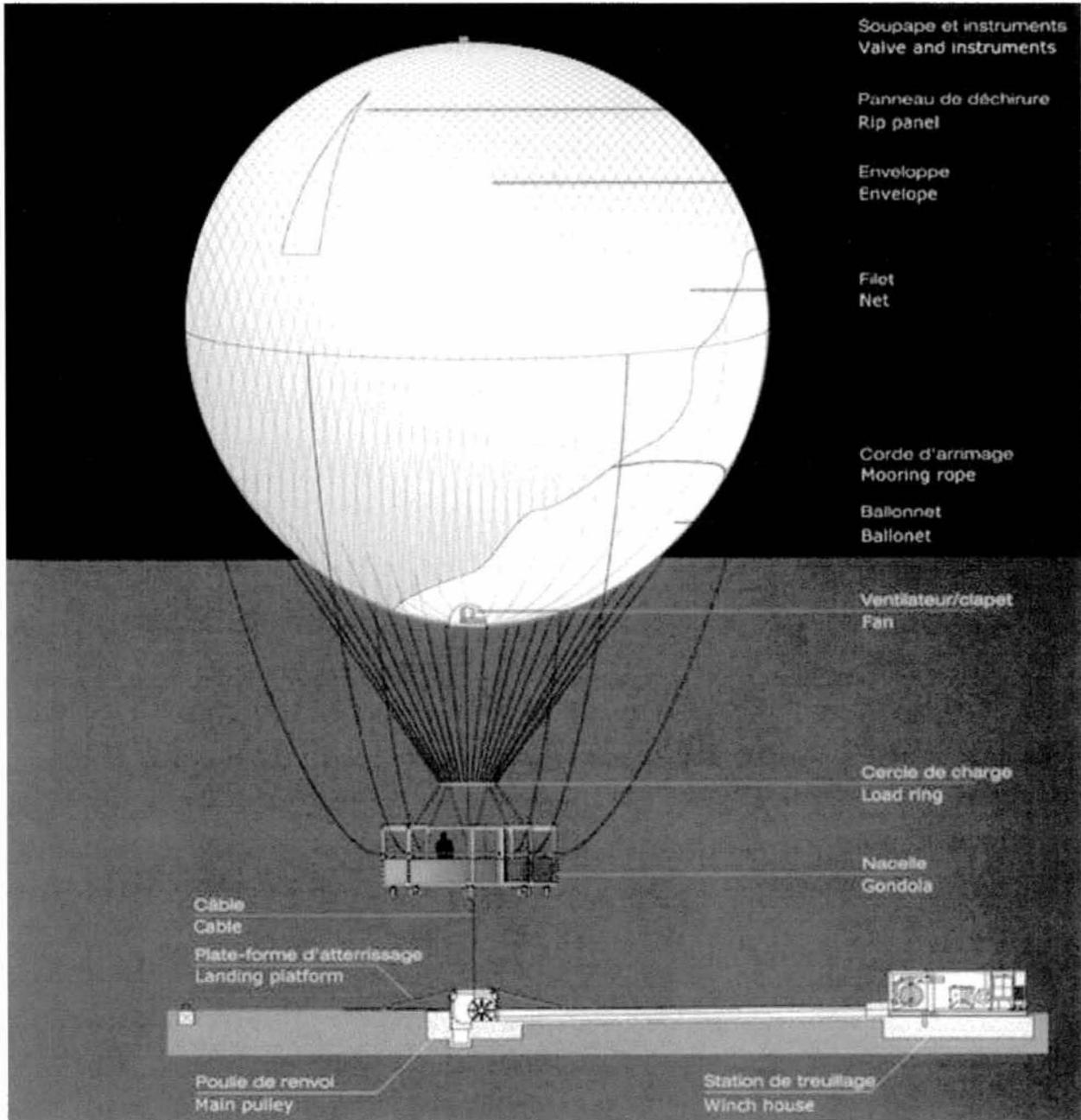


Robert L. Santos
President
Heritage Fields Land Division

cc:

Councilmember Larry Agran
Councilmember Stephen Choi
Mayor Pro Tem Sukhee Kang
Councilmember Christina Shea

BALLOON DATA SHEET



BALLOON DATA SHEET

Balloon

Total height of System: 105 feet
Envelope's diameter: 72 feet
Envelope's Volume: 210,000 cubic feet
Nominal lift: 10,560 lbs.
Helium loss: less than 2,470 cubic feet/month
Useful Pressure in the Envelope: up to 900Pa

Gondola

Made of composite materials and Aluminum
Exterior Diameter: 19 feet
Floor Area: 140 square feet
Weight: 1,870 lbs.

Cable

Diameter: approximately 0.9 inch
Resistance: 99,000 lbs.
Useful Length: up to 984 feet

Landing Platform

Diameter: 31.5 feet

Remote Winch House

Dimensions: 13.1 feet x 7.2 feet x 5 feet high
Weight: 6 tons
Power: 45 Kw
Speed Ascent: approximately 164 feet/minute
Speed Decent: approximately 131 feet/minute