



LOWE ENTERPRISES
RESPONSE TO
CITY OF NEWPORT BEACH
REQUEST FOR QUALIFICATIONS NO. 13-16
CITY HALL RE-USE PROJECT



Submitted by:
Lowe Enterprises
11777 San Vicente Boulevard, Suite 900
Los Angeles, California 90049
310.820.6661

November 20, 2012



November 20, 2012

Dave Kiff
City Manager
City of Newport Beach
3300 Newport Blvd
Newport Beach, CA 92663

Re: RFQ No. 13-16 City Hall Re-Use Project

Dear Mr. Kiff,

Enclosed is a Qualifications Package from Lowe Enterprises for the Newport Beach City Hall Re-Use Project. Lowe has extensive experience in hospitality development as well as obtaining entitlements in challenging coastal locations and believes strongly that our expertise in these areas can be utilized effectively to create a landmark hotel property, The Newport Beach Gateway.

Lowe brings with it a forty year history of hospitality and mixed use development. Lowe is currently partnering with the Cuningham Group, an award winning Architecture firm founded in 1968, on an urban hotel/mixed use project in Culver City following an RFP from the City. Lowe believes that the Cuningham Group is a perfect fit to help drive the design of the The Gateway. Together, we feel strongly that this team gives us several unique competitive advantages which would significantly benefit the City Hall Re-Use Project. To highlight briefly the key strengths of the Lowe team:

Experience partnering with public agencies – The Newport Beach project will require immense collaboration with stakeholders at the City and as well as local homeowners. Lowe’s history of partnering with public agencies provide it with an effective platform in Newport Beach. Lowe’s past experiences include working with the University of California at Estancia La Jolla and with San Diego County at its Operations Center in North County. Lowe was also recently selected by Culver City to develop a mixed use project at the Exposition Line transit station.

Experience with securing entitlements along the California Coast – While the approved zoning and Local Coastal Plan provide a streamlined entitlement process for the City Hall Re-Use Project, it remains critical to utilize a development team with extensive experience in obtaining Coastal Commission entitlements and working with local jurisdictions to perfect those entitlements once in place. Lowe’s experience at the Hotel Del Coronado and Terranea Resort give it an exceptional understanding of the complex process in obtaining approvals a final Coastal Development Permit in coastal environments.



Extensive coastal hospitality experience – Lowe has an impressive portfolio of current and recently held hotel properties along the Southern California coast. These include the Hotel Del Coronado, L’Auberge Del Mar, Estancia La Jolla and Terranea Resort. This development and operating experience give Lowe a unique perspective on what it takes to be successful in this market.

Local presence – Lowe’s headquarters are located in West Los Angeles. Given the proximity of Newport Beach to the Lowe main office and the importance of the project to the firm, the project would receive considerable attention from senior management. Lowe also has diverse local resources within its team that it can deploy on this project.

Project team immediate availability – Lowe’s development team that delivered Terranea Resort remains intact and is available to start working immediately on the Newport Beach project. This includes Terranea’s Senior Vice President in charge of development as well as the two Vice President assistant project managers.

Thank you for your consideration of our Qualifications Package. We hope that an understanding of our extensive credentials will open the door to participate in the Request for Proposal. We believe this is an incredible opportunity and we would be honored to work with the City of Newport Beach to deliver the Newport Gateway.

Please feel free to contact me at any time during the proposal evaluation period with any questions. I can be reached at 310-571-4291 or mwalker@loweenterprises.com.

Sincerely,

Matthew H. Walker
Executive Vice President



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INTRODUCTION

Lowe Enterprises is pleased to submit this response to Request for Qualifications to the City of Newport Beach for the City Hall Complex Re-Use Project. Lowe envisions an upscale, independent, boutique hotel catering to the needs of City of Newport Beach, its local residents, Newport Beach visitors, boaters, beachgoers, bikers, pedestrians and future hotel guests. Lowe's initial underwriting and creative efforts have resulted in great excitement about the remarkable potential for this project that will serve as the Gateway to Newport Beach.

Lowe is a longtime Southern California-based developer and operator with national experience and a preference for challenging projects in supply-constrained markets. Lowe Hospitality Group, with both its development arm and hospitality operating subsidiary, is uniquely qualified to take on the incredibly complex task of planning, developing and operating a world-class boutique hotel near the California coast. Lowe's unparalleled experience in California's coastal zone, with the development of Terranea Resort in Rancho Palos Verdes and the renovation and expansion of the Hotel Del Coronado in Coronado, has given the firm an excellent foundation of institutional knowledge which would be invaluable in Newport Beach.

Redeveloping the City Hall site into a Southern California landmark will require creativity, vision, patience and perseverance as well as the ability to work with in partnership with government leaders to benefit both public and private interests. Lowe Enterprises has the capability and ingenuity necessary to make this project successful. We look forward to presenting our vision for the project to the City and working together to develop the Newport Beach Gateway. We thank the City for the opportunity to participate in this process.



THE DEVELOPMENT TEAM

Lowe has assembled a Southern California-based team especially suited to re-develop the City Hall site in partnership with the City of Newport Beach. Principals of Lowe Enterprises and Cuningham Group Architects have extensive experience delivering projects in Southern California that capture the City's vision, satisfy their goals and exceed their expectations.

LOWE ENTERPRISES

Lowe Enterprises is an award-winning, nationally recognized real estate firm dedicated to building value in real estate by creating innovative and lasting environments where people live, work and play. Lowe Enterprises strives to be the leading real estate services company, widely recognized by the industry for its client service, extraordinary people and core values. Founded in 1972 by Chairman and CEO Robert J. Lowe, the firm is a diversified, vertically-integrated, national real estate organization active in commercial, hospitality and residential property development, investment, and management. Lowe is headquartered in Los Angeles and maintains regional offices in Orange County, San Diego, San Mateo, Philadelphia, Denver and Washington, D.C. Lowe is privately owned, with a group of thirty-four active employee shareholders, an executive staff of 150, and a total employment of over 10,000 associates.

The mission of Lowe Enterprises is to serve its clients and investors by generating maximum value from real property assets, to provide its customers with the highest level of services, to provide its associates with rewarding career opportunities and to contribute to the communities in which it operates. Lowe believes the best way to fulfill this mission is to align its interests with those of its clients, stakeholders and investors, and to maintain direct responsibility for the services provided to its customers. Accordingly, Lowe applies its proven capabilities to the acquisition, financing, development, management, marketing and disposition of real property.

Lowe Enterprises, Inc. operates through three divisions:

Lowe Hospitality Group is responsible for Lowe's hotel and resort investment, development and management activities. Lowe's hospitality management subsidiary, Destination Hotels and Resorts, was recently ranked the fourth largest independent hotel management company in the U.S. by a leading hospitality industry publication and currently manages 40 distinctive hotels and luxury resorts and 18 golf courses throughout the U.S., including more than 9,600 hotel rooms. The firm's development subsidiary, Lowe Destination Development, currently has \$500 million of resort and planned community projects underway.

Lowe Enterprises Real Estate Group directs the investment, development and property management of the firm's commercial, mixed use and residential projects throughout the U.S. including the development of more than \$1 billion of commercial projects currently in planning or development.



Lowe Enterprises Investors directs Lowe's capital and investment activities, including more than \$2.1 billion in assets currently under management for institutional and pension fund clients. Clients include public pension funds, insurance companies, international institutions and high net worth investors.

Since inception, Lowe Enterprises has been responsible for developing, acquiring or managing over \$17.5 billion in real estate assets nationwide and is associated with several well-known California landmarks including the famous Hotel del Coronado in Coronado and Terranea in Rancho Palos Verdes.

The firm's executives are experienced in a wide array of property types. Their backgrounds include investment, development, finance, law, asset management, property management, marketing, planning and construction. This matrix of property type expertise and professional training has enabled the firm to outperform the market in several real estate cycles.

Virtually all of Lowe's senior executives have extensive hands-on experience at the property level. Lowe's project experience includes project financing, bond financing, ground-leases, environmental remediation, historical building sensitivity, hazardous material demolition and sustainable design. Lowe's organizational philosophy is to combine highly experienced executives with diverse disciplines into management teams tailored to the specific needs of its clients and projects. In every project Lowe undertakes, it strives to provide the best quality product while adhering to cost-efficient and fast-track execution.

The Lowe team that would be specifically dedicated to the Newport Beach City Hall Complex Re-Use Project is locally based, has a firm understanding of the current market, and is eager to better understand City's vision for the project. It is Lowe's continued focus to provide an integrated and inclusive approach to development involving the stakeholders early and often; this is essential for a successful and well-received end product. Southern California is our home and we take great pride in creating enjoyable, memorable and successful developments.



ROBERT J. LOWE, JR.,

**CO-PRESIDENT OF LOWE ENTERPRISES
CHIEF EXECUTIVE OFFICER OF LOWE HOSPITALITY GROUP**

In addition to his expanding duties as President of Lowe Enterprises and a member of the firm's Executive Committee, Mr. Lowe oversees operations of Destination Hotels & Resorts, Lowe's hospitality operations company. With more than 30 independent luxury and upscale hotels and resorts and over 7,000 rooms under management, Destination is one of the largest independent hospitality management companies in the country.

He also oversees Lowe Destination Development, responsible for hospitality development, with well over \$3 billion in projects over the last decade. Some of the hotels and resorts operated by DH&R include L'Auberge Del Mar, in Del Mar, CA, Sunriver Resort, near Bend, OR, Vail Cascade, in Vail, CO, and Royal Palms Resort and Spa, in Phoenix, AZ.

Previously, Mr. Lowe was with Copley Real Estate Advisors where he was involved in acquisition, asset management and portfolio management. He is past Trustee and President of the Palisades Presbyterian Church and serves on the Board of Managers of the Palisades-Malibu YMCA.

Education: Stanford University, AB; University of California, Los Angeles, MBA



ROBERT J. LOWE, JR. PROJECT EXPERIENCE

- Boardwalk Inn - 93-room hotel addition to the Wild Dunes Resort in Isle of Palms, SC
- Hotel Del Coronado - restoration of historic 692-room hotel and design and entitlement of expansion plan
- The Reserve - 250-unit golf course community in Indian Wells, CA
- Estancia La Jolla Hotel & Spa- 210-room hotel in La Jolla, CA developed in partnership with the University of California
- Terranea Resort - 102-acre coastal resort includes 360-room hotel, oceanfront bungalows and 82 for-sale villas and casitas, located in Rancho Palos Verdes, CA
- Suncadia Resort - 6,300 acre resort in Roslyn, WA with a 183-unit Lodge offering individually owned guestrooms, as well as 18-room inn and three golf courses
- Stowe Mountain Lodge, a 372-unit luxury hotel and private residence club at the base of the Stowe Mountain Resort in Vermont



MATTHEW H. WALKER
EXECUTIVE VICE PRESIDENT
LOWE DESTINATION DEVELOPMENT

In addition to providing general strategic direction for the company, Mr. Walker is responsible for business development efforts and oversight of real estate sales and marketing activities. Mr. Walker joined Lowe Enterprises in 2000 and is a shareholder in the firm.

Since 2005, Mr. Walker has directed the company's real estate sales and marketing activities. These include successful sales launches at the Village at Wild Dunes near Charleston, South Carolina; Terranea Resort in Rancho Palos Verdes, California; the Lodge at Suncadia and the Resort at Squaw Creek which at the time was the most successful mountain sales launch in US history. During Mr. Walker's tenure, Lowe projects have completed more than \$400 million in resort and second home real estate sales. Mr. Walker is a licensed real estate salesperson.

Prior to working for Lowe, Mr. Walker was a licensed architect in San Francisco and Los Angeles. Among the buildings in which Mr. Walker has been involved are the Olympic Club Lakeside Clubhouse and Orpheum Theater in San Francisco, Oakland City Center and numerous private homes in Southern California.

He is actively involved in the Urban Land Institute as the Vice Chair of the Recreation Development Council Silver Flight. He has taught an MBA real estate development course at UCLA and has lectured about architecture and real estate at several universities.

Education: Cornell University, BA; University of California, Los Angeles, MBA

MATTHEW H. WALKER PROJECT EXPERIENCE

- Terranea Resort - 102-acre coastal resort includes 360-room hotel, oceanfront bungalows and 82 for-sale villas and casitas, located in Rancho Palos Verdes, CA
- Suncadia Resort - 6,300 acre resort in Roslyn, WA with a 183-unit Lodge offering individually owned guestrooms, as well as 18-room inn and three golf courses
- Stowe Mountain Lodge, a 372-unit luxury hotel and private residence club at the base of the Stowe Mountain Resort in Vermont
- Grizzly Ranch, a 1,000-acre private golf course community north of Lake Tahoe.
- The Resort at Squaw Creek - a 404-room luxury resort hotel adjacent to the Squaw Valley Ski Resort in Lake Tahoe



MICHAEL S. TANDE
SENIOR VICE PRESIDENT
LOWE DESTINATION DEVELOPMENT

Mr. Tande is responsible for the development management of the Base Village at Snowmass, Colo. Mr. Tande's 20+ years of construction and development experience include office, industrial, retail and hospitality projects. He recently managed the development of Terranea Resort in Rancho Palos Verdes, CA, Suncadia Resort in Roslyn, WA, and the Estancia La Jolla Hotel and Spa in La Jolla, CA

PROJECT EXPERIENCE

- Snowmass Base Village - 1 million square foot ski resort base village development and redevelopment including one existing and one planned hotel, 550 completed or planned condominiums and a mix of retail and restaurants.
- Estancia La Jolla Hotel & Spa- 210-room hotel in La Jolla, CA developed in partnership with the University of California
- Terranea Resort - 102-acre coastal resort includes 360-room hotel, oceanfront bungalows and 82 for-sale villas and casitas, located in Rancho Palos Verdes, CA
- Suncadia Resort - 6,300 acre resort in Roslyn, WA with a 183-unit Lodge offering individually owned guestrooms, as well as 18-room inn and three golf courses



PAUL F. ALLEN
VICE PRESIDENT
LOWE DESTINATION DEVELOPMENT

Mr. Allen is currently focused on business development and the acquisition of distressed hotels, resorts, and second home residential communities. Previously as Vice President of Lowe Destination Development he served as the Assistant Development Manager for Terranea Resort in Rancho Palos Verdes, California where he was involved with every aspect of the development of the Resort and oversaw the addition of retail space after opening. Also while with Lowe, he was involved in the underwriting, financial analysis and capital raising efforts for development projects and worked on The Reserve in Palm Desert, California and the renovation of the Hotel del Coronado in San Diego.

Education: University of California, Berkeley, BA; Stanford Graduate School of Business, MBA

PROJECT EXPERIENCE

- Hotel Del Coronado - restoration of historic 692-room hotel and design and entitlement of expansion plan
- The Reserve - 250-unit golf course community in Indian Wells, CA
- Estancia La Jolla Hotel & Spa- 210-room hotel in La Jolla, CA developed in partnership with the University of California
- Terranea Resort - 102-acre coastal resort includes 360-room hotel, oceanfront bungalows and 82 for-sale villas and casitas, located in Rancho Palos Verdes, CA



DESTINATION HOTELS & RESORTS

Lowe's hospitality management subsidiary, Destination Hotels & Resorts, specializes in managing independent, full-service, luxury and upscale hotels, resorts and golf clubs that offer exceptional amenities, including conference facilities, spas, dining and award-winning golf courses. Each property is unique and distinctive, offering a full range of guest services from recreation to conference planning. Destination Hotels & Resorts also distinguishes itself through community stewardship and a strong commitment to maintaining and preserving the natural beauty and historical significance of each of its properties and their respective communities by investing back in them. The fourth largest hospitality management company in the United States (*Hotel Business*) with 40 independent, luxury and upscale hotels, resorts and golf clubs, the company's portfolio features more than 9,600 guest rooms, 18 golf courses and 16 full-service spas. Destination Hotels & Resorts properties are located in key metropolitan and resort markets including Washington, D.C., Chicago, Denver, San Diego, Los Angeles, Aspen, Austin, Phoenix, Portland, Santa Fe, Palm Springs, Maui and Lake Tahoe.

Several current properties within the Destination portfolio are ocean-oriented:

- Terranea Resort, Rancho Palos Verdes, CA
- L'Auberge Del Mar, Del Mar, CA
- Paradise Point Resort, San Diego, CA
- Destination Resorts Hawaii, Wailea, Maui
- Wild Dunes Resort, Charleston, SC



CUNINGHAM GROUP ARCHITECTURE

Cunningham Group Architecture, Inc. has earned an outstanding reputation for creating and delivering excellence in architecture, interior design and urban design in the places where people live, learn, worship, work, heal, plan and play. Since John Cunningham, FAIA founded the firm in 1968, it has focused on a working model of team architecture that is highly inclusive and incorporates extensive client, consultant, engineer and contractor participation. This philosophy has led to the design of award-winning projects and a solid reputation for collaboration. Cunningham Group provides the resources of a large firm while the studio approach – focused on key market areas and client types – provides a dedicated, specialized team of professionals for each client and project.

From its offices in Los Angeles, Minneapolis, Las Vegas, Biloxi, Denver, Seoul and Beijing, Cunningham Group is dedicated to delivering inspired and sustainable design solutions for its clients, its communities and the planet.

Services

The following disciplines can be included in Cunningham Group design teams depending on specific project requirements and client desires.

Architecture

Cunningham Group provides a team-based approach to architecture that achieves design excellence using a collaborative process. By applying a diverse set of creative talents, Cunningham Group channels the energy and imagination of clients, staff, and other team members to create architecture that is both practical and meaningful. This approach best serves clients who seek high-quality architectural design that makes optimum use of resources, and who seek a design process that respects, articulates, and fulfills their values and goals.

Interior Design

Cunningham Group's interior designers work as part of an integrated team focused on specific client and project types. Regularly combining their skill-sets, knowledge-base, and market expertise with the firm's other design professionals not only increases team efficiency but also has allowed the firm to provide solutions that capture the unique spirit of each place.

Urban Design

Cunningham Group provides a range of urban design and planning services for both private and public clients. The goal of the firm's work is to increase investor confidence in a given area by improving the



public realm, access and connectivity, and the quality of the built environment. Design solutions are both strategic and physical and emerge from the underlying patterns and traditions of a place.

Landscape Architecture

Cunningham Group's goal is to create places that respect the natural world and enhance the quality of people's lives. The firm focuses on the creation of engaging, sustainable and livable environments, whether in the public domain or for private clients. The landscape architecture projects the firm has completed have helped to define strategies for neighborhood revitalization and economic development organized around beautiful public spaces with an emphasis on transit and mixed-use.

Green and Sustainable Design

While design excellence through collaboration is always the firm's goal, the development of green solutions for clients and the planet is also a priority. Cunningham Group believes each project should be designed for the betterment of the community and society as a whole, and sustainability and green design are a natural extension of core ideologies.

For more than a decade, Cunningham Group has been focusing on research and education for the firm's staff to keep pace with the issues affecting the planet while making practical applications in the profession. In 1997, the firm was commissioned by the National Council of Architectural Registration Boards (NCARB) to write the first monograph on Sustainable Design. This document is still used by architects as part of fulfillment of their continuing education obligations.

Cunningham Group not only wrote "the book" on sustainability, they put it into practice. The firm's K-12 school in downtown Minneapolis, which was designed prior to the implementation of the LEED® program, was one of the first truly sustainable schools in the country. If it were to be certified today, it would likely achieve a platinum rating. With LEED as one of the tools we use to guide the design and with more than 51 LEED accredited professionals at all levels of the organization, Cunningham Group currently has more than three million square feet of space designed to LEED criteria. The firm is also active in the U.S. Green Building Council and members of the staff are involved in the Emerging Green Builders as well as a number of local and regional eco organizations.

Current LEED Projects

Cunningham Group is currently working on several sustainable projects which will be LEED® certified at either the Silver, Gold, or Platinum level upon completion and final commissioning.

Four completed LEED projects include the LEED Silver certified St. Jerome Parish in Westchester, California—the first LEED certified building in the Archdiocese of Los Angeles; LEED CI Nilan Johnson Lewis Offices; the LEED certified Watertown-Mayer Elementary School; and the LEED Gold certified San Joaquin Bank Branch.

Green and sustainable practices building upon LEED principles are the basis of the firm's work on all of our current projects. One recent example has resulted from the master planning and implementation of our work for Epic Systems, one of the largest electronic health record companies in the U.S. The Epic corporate campus includes: 2,076 geothermal wells; on-site retention ponds; bio-swales; utilization of occupancy and daylight sensors; regionally manufactured and sourced materials; more than 300,000



square feet (over 7 acres) of green roof featuring a narrow stream and undulating landscape; and 1,300 photovoltaic panels over parking erected in 2011 and nearly 9,000 built in 2012.

Vision

Sustainability means a great deal more than simply a checklist for LEED points. It is a commitment to the ideas of creating a better environment at all scales: value to the owner/client, the stewardship of our planet, the health of the population and particularly those who use the project, the vitality of our neighborhoods, the teaching points of the building we place on the site and the enjoyment the Project could bring to its occupants and visitors.

Hospitality Design

Throughout its 40-plus year history of designing hospitality resorts and destinations, Cunningham Group's stature in the industry has grown significantly. The firm's success in designing creative and profitable hospitality and resort environments has led to multiple industry awards and recognition along with repeat work from our clients. Cunningham Group is proud to include among its clients such established hospitality brands as Hilton, Marriott, Sheraton, Radisson, Holiday Inn as well as numerous independent and boutique brands.

Cunningham Group's portfolio of completed projects represents a full array of hotels, convention and conference centers, restaurants, retail venues, parking structures and support facilities that comprise hospitality and resort destinations. The firm provides a full range of architectural and interior design services from concept master planning, schematic design, design development, and construction documentation to on-site construction administration. Cunningham Group's experience allows the firm to offer its clients the professional design expertise essential for creating environments that attract guests, increase profitability and encourage repeat visits.

Project Approach

Cunningham Group, and especially the people selected for this potential project, loves the challenges and opportunities involved in designing successful hospitality projects. The firm has built a substantial expertise in this type of work over its 44 years of practice, especially here in Southern California where Cunningham has planned, designed and built numerous hotels over the past few years.

Cunningham Group is a diverse firm of over 240 people, bringing international expertise in all different types of hospitality projects from boutique hotels to destination resorts.



The firm's mission is to design places where people come together to live, work and play. Cuningham is in the business of social engineering and finding innovative ways of building successful, sustainable communities by utilizing:

- **place-making principles** that synthesize the **connectivity** of buildings, blocks, streets and public realm to create **livable** and **sustainable** urban destinations.
- **community-based approach** that engages stakeholders with a range of collaborative techniques and methods. Listening to a variety of viewpoints and then combine them into a common framework of understanding.
- **proven project management**, delivery and coordination with neighborhood associations, city departments, steering committees and task force structures. We are able to coordinate land use planning, entitlements, permit issuance and inspections.



LOWE ENTERPRISES REPRESENTATIVE HOSPITALITY PROJECT EXPERIENCE

TERRANEA RESORT RANCHO PALOS VERDES

PROJECT ELEMENTS

- 102 oceanfront acres
- 360 room hotel
- 20 Bungalows
- 82 oceanfront Villas & Casitas
- 135,000 SF indoor & outdoor meeting and event space
- 25,000 SF oceanfront spa
- 9-hole Links golf course

DEVELOPMENT TIMELINE

- Acquisition: 2004
- Entitlement: 1997-2004
- Construction Start: 2007
- Completion: 2009

SERVICES PROVIDED

- Acquisition
- Entitlement
- Financing
- Design Supervision
- Development
- Construction Management
- Hospitality Operation
- Real Estate sales



Terranea Resort opened its doors in June 2009, completing the transformation from an abandoned family theme park (Marine Land) to a world-class 102 acre oceanfront resort. The Mediterranean-styled 582-room resort is set on 102-acres that span the coastline atop the bluffs in Rancho Palos Verdes, CA. Ten years and \$480 million in the making, Terranea is comprised of a 360-room hotel, 20 bungalows, 50 oceanfront casitas and 32 ocean view villas. The resort’s amenities include The Links at Terranea, a dramatic oceanfront 9-hole golf course; The Spa at Terranea with 25 treatment rooms; three ocean view pools; a secluded beach cove and a collection of eight distinctive restaurants, bars and lounges. The Resort also offers a children’s center with interactive nature programs and several miles of scenic bluff-top trails that connect to miles of off-property coastal trails.

Entitlement, planning and development efforts for Terranea Resort were coordinated with the City of Rancho Palos Verdes and the California Coastal Commission. Given the property’s prominent location and environmentally sensitive nature, the City of Rancho Palos Verdes, area residents, naturalists and environmentalists were keenly interested in the plan for the property. Lowe worked closely with these constituencies to develop a plan that could be embraced by all parties while still proving to be economically feasible.

Terranea Resort has performed very well despite opening in the midst of an extremely challenging economic environment. The Resort has seen an increased demand in both group and leisure travel business. Over the last year, the resort has hosted a number of high profile conferences, including the *Wall Street Journal's* recent "All Things Digital" conference. Terranea was also the site of a televised wedding on ABC's *The Bachelor*. Terranea continues to be operated through Lowe’s hospitality management subsidiary, Destination Hotels & Resorts.



TERRANEA RESORT

Following ten years of entitlement, planning and development efforts, Terranea opened its doors in June 2009, completing the transformation from an abandoned family theme park (Marine Land) to a world class 102 acre oceanfront resort.

In 1998, Lowe was hired as an entitlement consultant on the Terranea project with an option to purchase the land upon entitlement approval. Given the property's prominent location and environmentally sensitive nature, the project encountered strong opposition from the City of Rancho Palos Verdes, area residents, naturalists and environmentalists from the onset of its involvement. Lowe spent more than three years working closely and proactively with these constituencies addressing their respective concerns and developing a plan that could be embraced by all parties while still proving to be economically feasible.

During this time, the company held 28 public hearings and countless community meetings until Rancho Palos Verdes residents and city leaders were won over by the financial, environmental and public benefits of Terranea and its compelling design. In August 2002, Lowe submitted a development plan to the City of Rancho Palos Verdes which won unanimous approval in a 5-0 vote. However, the vote was appealed to the California Coastal Commission, a standard procedure used to establish the Commission's jurisdiction.

After eight years of delicate negotiations with the City and numerous stakeholders, including five years of concurrent dealings with the California Coastal Commission, Lowe received the required grading permits and broke ground in June 2007 and opened in June of 2009. The project brings substantial public and ecological benefits through an extensive network of walking trails, a public golf course, dining venues, a spa, public parking and a ten acre natural habitat preserve, all of which will be enjoyed for many generations to come.



**ESTANCIA LA JOLLA HOTEL & CONFERENCE CENTER
LA JOLLA, CALIFORNIA**

PROJECT ELEMENTS

- 210-room hotel
- 26,000 sf conference center
- 9,000 square foot spa
- AAA Four Diamond rating

DEVELOPMENT COST

\$58.5 million

DEVELOPMENT TIMELINE

- Selection: August 1999
- Completion: June 2004

SERVICES PROVIDED

- Entitlement
- Development Management
- Construction Management
- Property Management



Lowe was selected by the University of California through a public RFP process to develop and manage this \$60.8 million hotel and conference center on 9.5 acres in La Jolla, California. Through a landowner/ground lessee relationship, Lowe Destination Development and the University of California partnered together to conceptualize and design a facility that would both suit the lodging and conference needs of the University and, in order to ensure viability of the hotel as an investment, attract outside business. Following the design, Lowe worked closely with the University to complete the approval process, both formally with the City of San Diego and The California Coastal Commission and informally with the hotel's neighbors.

The 210-room Estancia La Jolla Hotel & Spa debuted in the summer of 2004. The hotel features 26,000 square feet of state-of-the-art IACC conference facilities, a 9,000 square foot full-service spa and fitness center and multiple restaurants and lounges. Estancia La Jolla Hotel & Spa was listed on the "Hot List" of the best new hotels in the world for 2005 by Conde Nast Traveler. Lowe's hospitality subsidiary continues to manage the property.

The project team included McCarthy Construction, Hill Glazier Architects (now known as HKS) and Babey, Moulton, Jue & Booth (now BAMO) interior design.

The property was sold to Pacific Hospitality Group in late 2011



ESTANCIA LA JOLLA HOTEL & SPA

Through an RFP process in 1999, the University of California San Diego selected Lowe Enterprises to develop and manage the Estancia Hotel & Spa in La Jolla, California subject to a 65-year ground lease. Although the property was already entitled and had an approved development plan, Lowe concluded that the project's existing design and layout were not optimal for the positioning of the property in the La Jolla market or sensitive to the heritage of the property. While the approved plans were for a large box hotel, Lowe believed that it could take advantage of the warm climate in the area by designing a campus style resort and conference center that embraced open space between buildings. The new design laid out nine buildings on 9.5 acres with a California-rancho style architecture and setting.

Through Lowe's extensive experience entitling projects in Southern California and addressing local community concerns upfront, the project was approved by the City of San Diego and various La Jolla municipalities. Since Lowe worked directly with the California Coastal Commission staff members to address their concerns prior to the official Commission approval process, the final approval was quick. The local community supported and approved the new plan and vision that today is Estancia La Jolla Hotel & Spa.



L'AUBERGE DEL MAR DEL MAR, CALIFORNIA

PROJECT ELEMENTS

- 120 guest rooms
- Luxury spa with 11 treatment rooms
- 12,000 SF meeting and event space
- Gourmet restaurant

DEVELOPMENT TIMELINE

- Inception: 1994
- Renovation 2008

SERVICES PROVIDED

- Acquisition
- Asset Management
- Property Management/Operations
- Repositioning
- Development Management
- Construction Management



L'Auberge Del Mar Resort and Spa is a Four Diamond boutique retreat steps from Del Mar Beach. The property includes 120 beautiful luxury rooms including 8 suites, the Spa at L'Auberge with 11 treatment rooms, fitness center, two tennis courts, an outdoor pool and Jacuzzi. Lowe acquired the hotel on behalf of a pension fund client in 1994. The firm's hospitality management subsidiary, Destination Hotels & Resorts (DH&R) manages the hotel. The guest rooms, corridors, meeting spaces, restaurants and lounge were renovated upon Lowe's acquisition to reposition the property as a high-quality coastal retreat. In 2008, a more extensive \$25 million renovation was completed. Lowe strategically selected renowned designers with fresh and appropriate visions, including Barclay Butera and Andre Kikoski, to create a new product and an experience to support ultra-luxury positioning in a relaxed and upscale coastal environment. The hotel was closed for seven months during the renovation and re-opened to exceptionally high acclaim and a new market positioning that will help drive a \$150 ADR increase. Lowe worked closely with the City Council, the Design Review Board and the community to ensure all aspects of the remodel fit within the existing Specific Plan.



L'AUBERGE DEL MAR RESORT AND SPA

Within Lowe's portfolio, L'Auberge Del Mar is the property that is most comparable in terms of size, concept and market positioning to Lowe's vision for the Newport Beach hotel. Located steps from Del Mar Beach in Southern California is L'Auberge Del Mar Resort and Spa, a luxurious Four Diamond boutique retreat. Lowe Enterprises Investment Management acquired the property in August 1994 on behalf of a pension fund client and Destination Hotels & Resorts manages the hotel. The hotel features 120 beautiful luxury rooms including eight suites. In 2008, Lowe undertook a \$25 million redevelopment of the property. Lowe strategically selected renowned designers with fresh and appropriate visions, including Barclay Butera and Andre Kikoski, to create a new product and an experience supportive of an ultra-luxury positioning in a relaxed and upscale coastal environment. The hotel was completely shut down for seven months during the renovation and was re-opened to exceptionally high acclaim and a new market positioning helped drive a \$150 average daily rate increase. Lowe worked hand in hand with the City Council, the Design Review Board and the community to ensure all aspects of the remodel fit within the existing Specific Plan. L'Auberge Del Mar now serves as a hub of activity for the community as well as its guests and is the centerpiece of Del Mar Village.



HOTEL DEL CORONADO CORONADO, CA

SUMMARY

Rooms:	688
Acquisition:	1997
Disposition:	2003

PROJECT ELEMENTS

- Overall improvement and enhancement of the property
- Masterplan development and processing

SERVICES PROVIDED

- Acquisition
- Leasing
- Repositioning
- Redevelopment
- Property Management
- Construction Management
- Disposition



Built in 1888, the Hotel Del Coronado is a National Historic Landmark and is recognized worldwide as a premier beachfront resort. When Lowe acquired the iconic hotel on behalf of a pension fund client in 1997 it was in poor condition and underperforming in the market. Lowe created a plan to restore and reposition this one-of-a-kind property.

Lowe implemented a comprehensive \$70 million repositioning plan to preserve and restore the historic hotel's character, including a capital improvement plan to correct seismic issues, update the outmoded HVAC system, add a conference center, expand the spa and fitness center, relocate and improve entrances, add subterranean parking and correct myriad other infrastructure deficiencies. In addition, Lowe created an expansion plan to add a 20,000 square foot conference center and 230 new guest accommodations in five new structures. In addition to structural improvements, significant open space and perimeter enhancements improved pedestrian circulation and public beach access creating a stronger connection between the hotel, Coronado's downtown and the beach.

Lowe successfully processed and obtained approval for its expansion plan, selling the property in 2003 with entitlements in place.



HOTEL DEL CORONADO

The Hotel del Coronado opened in 1888 and since then has undergone substantial renovation and modernization under several different owners. While the basic integrity of the original historic building had been preserved, over the decades the setting had been compromised by ill-conceived or poorly executed expansion plans. Lowe purchased the hotel in 1997 for \$330 million with the intention of restoring and repositioning what indeed is a one of a kind hospitality asset. This program, implemented from 1998 to 2001 represented an investment of \$70 million and was executed concurrent with the entitlement process for a 20 year master plan to expand the resort. Relying on Lowe's experience working with local communities, governments and advocacy groups in Southern California on entitlements, Lowe seized the opportunity to add value to the Hotel del Coronado by securing these entitlements.

The project's objectives were to preserve and restore the hotel's historic character, re-establish and improve the property's relationship with the beach, enhance the site's appearance and ensure the hotel's economic viability into the future. These objectives were achieved through a careful and integrated design process aimed at enhancing and improving guestroom inventory and guest amenities, adding a new conference center, relocating and expanding the spa and fitness center, relocating and improving entrances, adding subterranean parking structures and restoring significant historical elements of the hotel. In addition to structural improvements, significant open space and perimeter enhancements improved pedestrian circulation and public beach access creating a stronger connection between the hotel, Coronado's downtown and the beach.

The City of Coronado has an established Local Coastal Plan, which was approved by the California Coastal Commission and gives the City full jurisdiction over local coastal project approvals. Even though the approvals for this project went through the City of Coronado, Lowe was sensitive to the California Coastal Commission's core objectives and potential concerns and proactively built support within the Commission to ensure the plan's approval in the event of an appeal. Lowe had to overcome the community's sensitivity to change and the lack of trust that had developed under prior ownership. Several aspects of the plan were specific to public benefits such as the improvements in public access and increasing the amount of open space. Due in part to Lowe's credentials, reputation as a quality developer with significant experience in Southern California and our known responsiveness to the local communities, the entitlements were approved. Lowe completed the \$70 million renovation in 2001 and sold the property with the newly secured entitlements in 2003. Lowe restored a historic asset and successfully secured entitlements for one of the nation's most famed resorts in one of the nation's most challenging entitlement environments.



**ROYAL PALMS RESORT & SPA
PHOENIX, ARIZONA**

PROJECT ELEMENTS

- 119 guest rooms, casitas and villas
- Four-star Alvalora spa
- 20,000 SF meeting and event space
- Gourmet restaurant

DEVELOPMENT TIMELINE

- Inception: 1998
- Spa Development: 2002
- Montavista Development: 2007

SERVICES PROVIDED

- Acquisition
- Asset Management
- Property Management/Operations
- Repositioning/Redevelopment
- Development Management
- Construction Management



Built in 1926 as a private residence at the foot of the Camelback Mountains, the Four-Diamond Royal Palms Resort and Spa is a historic Arizona landmark that Lowe acquired on behalf of an investment client in 1998. The boutique property includes 119 guestrooms, casitas and villas. Lowe implemented an extensive renovation of the property, enlisting the aid of more than 20 renowned architects and designers each assigned a portion of the resort to restore or recreate, resulting in an authentic desert retreat reflecting the property’s historic roots. Renovation and expansion efforts continued with the addition of the Alvalora Spa and the \$12 million development of Montavista, an enclave of Mediterranean inspired guestrooms and suites. The property is consistently ranked among the top hotels in the U.S. by leading industry publications.



GROUND LEASE PROJECTS

Lowe Enterprises has extensive experience with Ground Lease projects, including but not limited to the following projects:

Select Development Experience with Ground Leases

- CityVista, Washington, DC - Lowe negotiated a Ground Lease with the District of Columbia which included design, construction, and stabilization provisions. Lowe working with the District of Columbia was successfully able to design, finance, construct and lease 244 apartments and 120,000 SF of retail, selling both components in 2010.
- Estancia La Jolla - Lowe negotiated a Ground Lease with The Regents of the University of California which included design, construction and stabilization provisions. Lowe successfully delivered the Estancia La Jolla a 210 room luxury hotel and resort, selling the hotel in 2011
- Brea Place - Lowe negotiated a Ground Lease with the Brea, California Redevelopment Agency which included design, construction and stabilization provisions. Lowe successfully delivered Brea Place a 229room Embassy Suites with 40,000 SF Retail, selling both components in 1995.

Select Acquisition Experience with Ground Lease

- Chevy Chase Pavilion - Lowe purchased Improvements from Sibag in 1998 on a Ground Lease to Washington Metropolitan Area Transit Authority (WMATA). Improvements included 198room Embassy Suites Hotel, 197,640 SF Office, and 140,740 SF Retail. Lowe repositioned the property and sold all three components in 2005, but retained management of the Embassy Suites.
- 1101 Connecticut Avenue - On behalf of an institutional client, Lowe purchased 174,690 SF Office building located directly above WMATA's Farragut North Station, one of the metro system's busiest stations. Lowe renegotiated certain aspects of the ground lease and repositioned the property. Lowe sold the asset in 2005.
- 12121 Wilshire, Los Angeles, CA - Lowe purchased on behalf of a client a 289,724 SF Office building from TIAA in 1999 on a Ground Lease to a local California Family. Lowe repositioned the property and sold it in 2005.



PUBLIC PRIVATE PARTNERSHIP EXPERIENCE

Extensive Public Experience

The Lowe organization has completed and/or entered into public-private ventures with a variety of public entities including the University of California, Berkeley; University of California, San Diego; District of Columbia; Brea Olinda School District; Los Angeles County Metropolitan Transportation Authority; Government Services Administration (GSA), City of Los Angeles and Culver City, California.

Lowe's public private partnership projects include:

- **San Diego County Operations Center** - a 1,090,000 square foot, \$500 million multi-phased office campus in the Kearny Mesa area of San Diego. The highly successful first phase of this project has been completed and has earned a great deal of recognition for its innovative sustainable programs. The first phase has been certified LEED Gold, and was named the SDG&E Energy Leader for new construction in 2011. The phased approach to the development has prevented disruption of County Services. The project is being financed through a combination of county general funds, certificates of participation, and revenue from the sale to Lowe of an adjacent 19.5 acre parcel.
- **Washington National** - Lowe was selected to serve as developer of this a 500,000 square foot mixed-use, urban infill project at the phase 1 terminus of the Expo line in Culver City. The project will comprise a dynamic mix of hotel, multifamily, office and retail uses at the five-acre transit station property. The development will serve as a gateway linking two historic downtown areas of Culver City.
- **El Toro Marine Base** - Lowe was selected by Orange County to create the masterplan for a 100-acre mixed-used development on the site of the former Marine Corps Air Base in Irvine. Lowe will aid the County in developing a development plan that provides the highest and best use for the parcel which will include creating an infrastructure phasing plan and securing entitlements. The site is located between the planned Orange County Great Park Master Plan and the Orange County Transportation Authority Metrolink.
- **Compton Senior Center** - Lowe's assignment for the City of Compton was named "Real Estate Deal of the Year" by the California Daily Journal, based in part on Lowe's ability to complete the transaction in advance of redevelopment agency changes. Lowe has begun construction of a 30,000 square foot senior center with 300-space parking facility.
- **University of California, Berkeley Community Health Campus** - Lowe has been selected by The University of California Berkeley to develop a Community Health Campus. The site has the potential for up to 420,000 GSF of new buildings, with the first phase consisting of up to 160,000 GSF. The first phase is expected to serve the School of Public Health's faculty office, administrative, seminar and library needs, as well as retail uses on the ground floor. The Community Health Campus is expected to be funded from a variety of sources including gifts, campus funds and state bond funds. The University staff and Lowe team are currently focused on completing the design for the project.



- **City Vista, Washington DC Mixed Use-** Lowe successfully competed for the rights to redevelop a 1.3 million square foot mixed-use urban complex on a major site owned by the District of Columbia. Lowe was the Master Developer for the project, orchestrating the design team, residential development partner, grocery anchor tenant, GC and equity sources. Lowe's development program included a mix of community serving retail and amenities, including a full-service Safeway; neighborhood retail, 244 rental and 441 for-sale residential dwellings that included a 20% affordable unit component. Lowe was determined to provide enough density to create vibrancy in an otherwise transitional neighborhood. The project was broken into ground floor retail, a 50,000 square foot central park and courtyard, and major elements at key corners. The apartment complex was the fastest leasing property in Washington DC in 2009, and the condos were the fastest selling in the first half of 2009. Awards earned by the project include "Highest Sales Pace for a Mid-Atlantic Condominium Community for 2011" and "Best Mid-Atlantic Neighborhood Impact Condominium Community of 2007" from Delta Associates, "Best Real Estate Deals of 2008 for Multifamily Sales/Development" and "Best Real Estate Deals of 2005 for Financing" from the Washington Business Journal, and Readers Choice for "Best Designed Residential Development of 2008" from the Washington City Paper. CityVista allocated 35% of its development budget to hiring local business and started 51% of new jobs created by the project with District residents. CityVista was a financial success for the ownership group and a top quality, award-winning addition that led the

revitalization of the community. The ownership group included Bundy Development Corporation, CIM Group, and the Neighborhood Development Company. The District of Columbia, through the Deputy Mayor's Office of Planning and Economic Development, remains the ground lessor on the rental portion of the project and continues to oversee the affordable housing component of the project.



REFERENCES

FINANCIAL/LENDER REFERENCES

1. Wells Fargo Bank, N.A.
Michael F. Marino, SVP
11601 Wilshire Blvd. 17th Floor
Los Angeles, CA 90025
(3103) 444-7609
marino@wellsfargo.com
2. Bank of America, N.A.
Marchell Hilliard, SVP
Global Commercial Banking
CA9-193-11-07
333 South Hope Street
Los Angeles, CA 90071
(213) 621-4837
marchell.hilliard@baml.com
3. US Bank, NA
Wayne Brander, SVP
U.S. Bank Tower
Commercial Real Estate
633 W. Fifth Street, 30th Floor
Los Angeles, CA 90071
(213) 615 - 6611
wayne.brandner@usbank.com



PUBLIC SECTOR REFERENCES

1. Government Agency: San Francisco Redevelopment Agency
Contact Name: Catherine Reilly, Assistant Project Manager
Phone: 415-749-2516
Description of Project and Services: 500 Terry Francois
Lowe acquired a partially developed site in the 303-acre Mission Bay redevelopment, completed the development of a 260,000 SF office property and 1400 stall parking structure. Services provided include acquisition, financing, design, construction management and development management.
Project start: 2006
Completion: Office building completed on schedule in 2008. Parking structure completed on schedule in 2009.
Approximate Project Cost: \$150 million

2. Government Agency: City of Los Angeles
Contact Name: Todd Borzi, Chief Inspector, Metro Residential Division
Phone: 213-252-3076
Description of Project and Services: Howard Hughes Center
Lowe developed a total of four office buildings at the Howard Hughes Center totaling just over 1 million SF, with multiple parking structures providing 2800 spaces. Services provided by Lowe include design, construction management and development management.
Project Start: 1998
Completion: All buildings were completed on schedule with the final completed in 2002
Approximate Project Cost: \$260 million

3. Government Agency: City of Rancho Palos Verdes
Contact Name: Larry Clark (Former Mayor / Coastal Commissioner)
Phone Number: 310-653-1786
Description of Project and Services: Terranea Resort
Lowe worked closely with the City of Rancho Palos Verdes when development the masterplan for Terranea Resort. The Resort generates significant TOT income for the city and has been warmly welcomed by the location community which enjoys the public access elements of the property.
Project start: 2007
Completion: Completed on time in 2009
Approximate Project Cost: \$480 million



- 4. Government Agency: County of San Diego
Contact: John Kross, Deputy Director
Phone Number: 858-694-2291
Alternate Number: 858-735-8495 (mobile)
Description of Project and Services: San Diego County Operations Center
Lowe is currently developing a \$450 million, 920,000 SF office campus to serve as the San Diego County Operations Center
Project Start: 2008
Completion Date: Under construction ahead of schedule and under budget
Approximate Project Cost: \$450 million

- 5. Government Agency: County of San Diego
Contact: Jeff Redlitz, Project Manager
Phone Number: 858-694-8834
Description of Project and Services: San Diego County Operations Center
Lowe is currently developing a \$450 million, 920,000 SF office campus to serve as the San Diego County Operations Center.
Project Start: 2008
Completion Date: Under construction ahead of schedule and under budget
Approximate Project Cost: \$450 million



CUNINGHAM GROUP REPRESENTATIVE PROJECT EXPERIENCE

THE REDBURY HOLLYWOOD, CALIFORNIA

Client

CIM Group

Scope of Services

Architecture

Project Size

57 Units

1.14 Acre Site

155 Parking Spaces on 3 Levels



Cunningham Group successfully completed this dramatic urban infill project in the heart of Hollywood. The tight site fronting historic Vine Street was originally occupied by a large post office built in the 1940's. The façade of the post office was used as inspiration for the ground floor and the upper floors follow that classic warehouse style.

The project was first designed as a condominium project with some units serving as an extended-stay, full-service hotel rooms. The project, which changed owners during construction, ultimately was completed as a luxury, boutique hotel where every guest room has a kitchen and large bathroom with integral closet.

A grand staircase connects the ground floor full-service restaurant to the second level lounge bar and exterior courtyard. The courtyard, designed as a gathering space with access to the club in the evening is fast becoming one of Hollywood's hot spots.

The project announces itself in the complexity of Hollywood with its strong red façade, inviting guests to "paint the town red". The Redbury opened in September 2010.



**RESIDENCE INN BY MARRIOTT
LONG BEACH, CALIFORNIA**

Client

Ensemble Real Estate, LLC

Scope of Services

Construction Administration
Architecture

Project Size

128,000 Square Feet

178 Rooms

11 Stories

161 Parking Spaces



Located across from the historic Queen Mary on Queensway, the Residence Inn by Marriott Long Beach Downtown is a 178-room, 128,000-square-foot, 11-story waterfront high-rise hotel.

The hotel is designed as an “extended stay” option for families on weeklong vacations and business travelers on long-term projects. This new Residence Inn features elegant, iconic bay windows with city views.

Cunningham Group’s intent is to create a well-detailed, smooth contemporary design with clean lines. The project will include standard Residence Inn by Marriott amenities such as an outdoor pool with solar heating, spa, barbecue pit, fireplace, guest laundry, and exercise room. Also included are an all-purpose “Sport Court” for basketball, tennis, and volleyball games, and bike storage. Each suite will have fully equipped kitchenettes.



**SHERATON MIRAMAR
SANTA MONICA, CALIFORNIA**

Client

Fujita Corporation

Scope of Services

Master Planning

Architecture

Interior Design

Project Size

32 Luxury Bungalows, Conference Facilities,
Restaurant, Health Club

Construction Cost

\$4 Million



To restore the ambience of a glamorous bygone era when movie stars stayed at this one-time mansion, Cuningham Group worked with Sheraton on the redevelopment and master planning of this five-acre landmark property. The complete redesign of public spaces included the main lobby, a themed restaurant, 21,000 square feet of conference and meeting facilities and new administrative areas.

Thirty-two new luxury bungalows with French doors opening onto private patios are situated around a centrally located pool. A new bi-level health club and spa features exercise and weight stations, whirlpools and saunas.

The hotel is currently known as the Fairmont Miramar Hotel.



**SHERATON SOHO URBAN PROTOTYPE
NATIONWIDE**

Client

Starwood Hotels & Resorts
Worldwide, Inc.

Scope of Services

Architecture
Exterior Lighting

Project Size

Varies By Location

Construction Cost

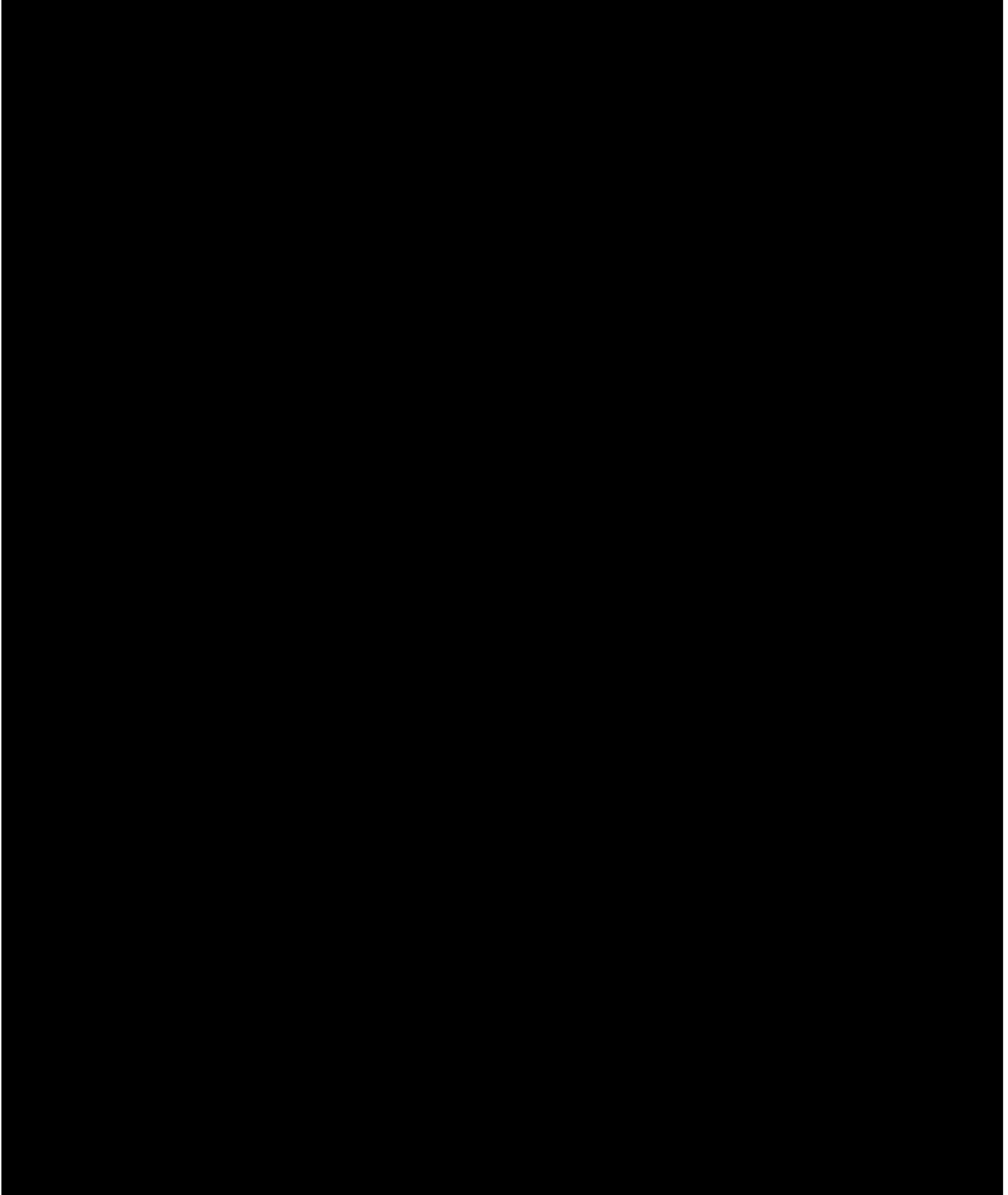
Varies By Location

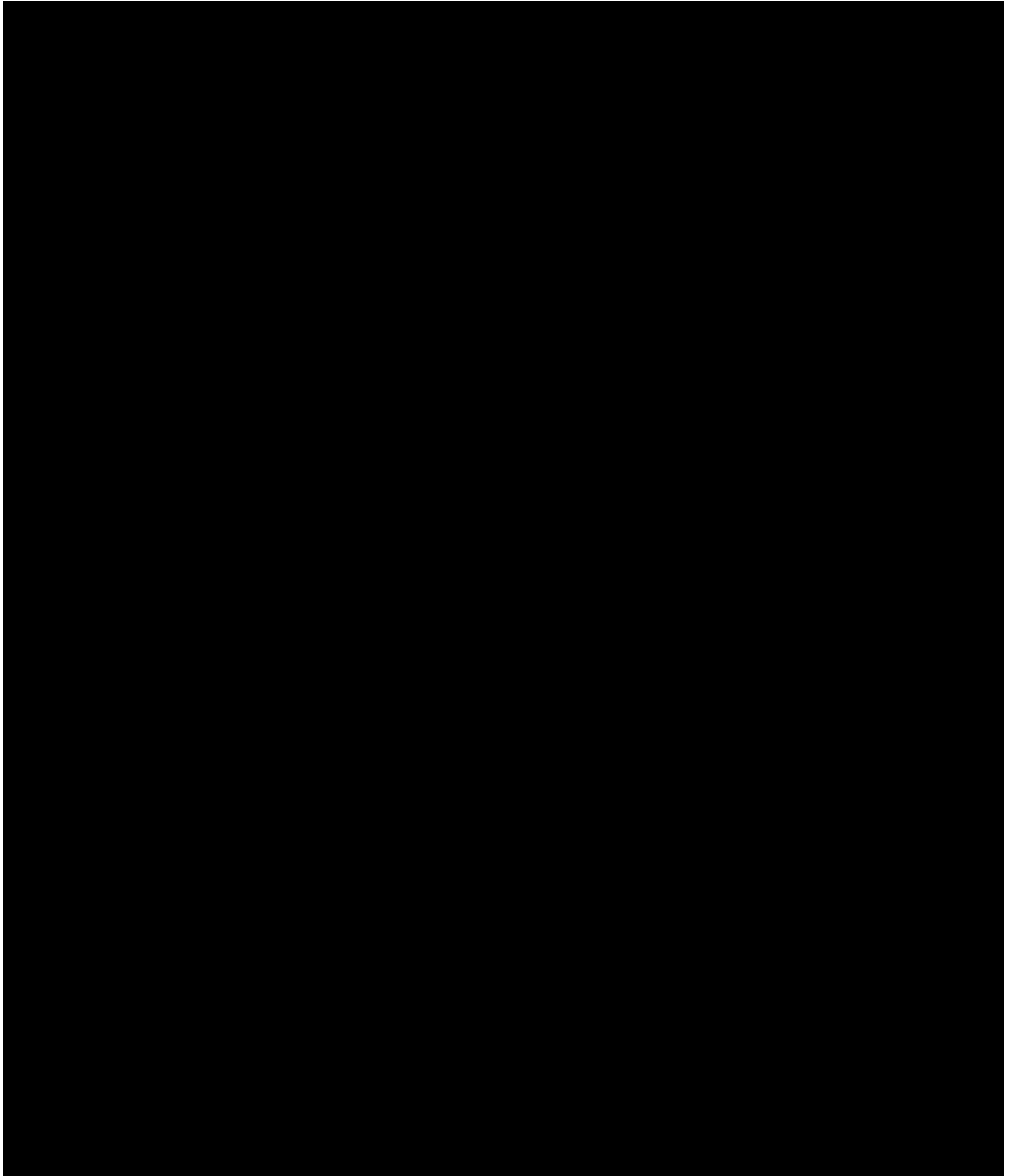


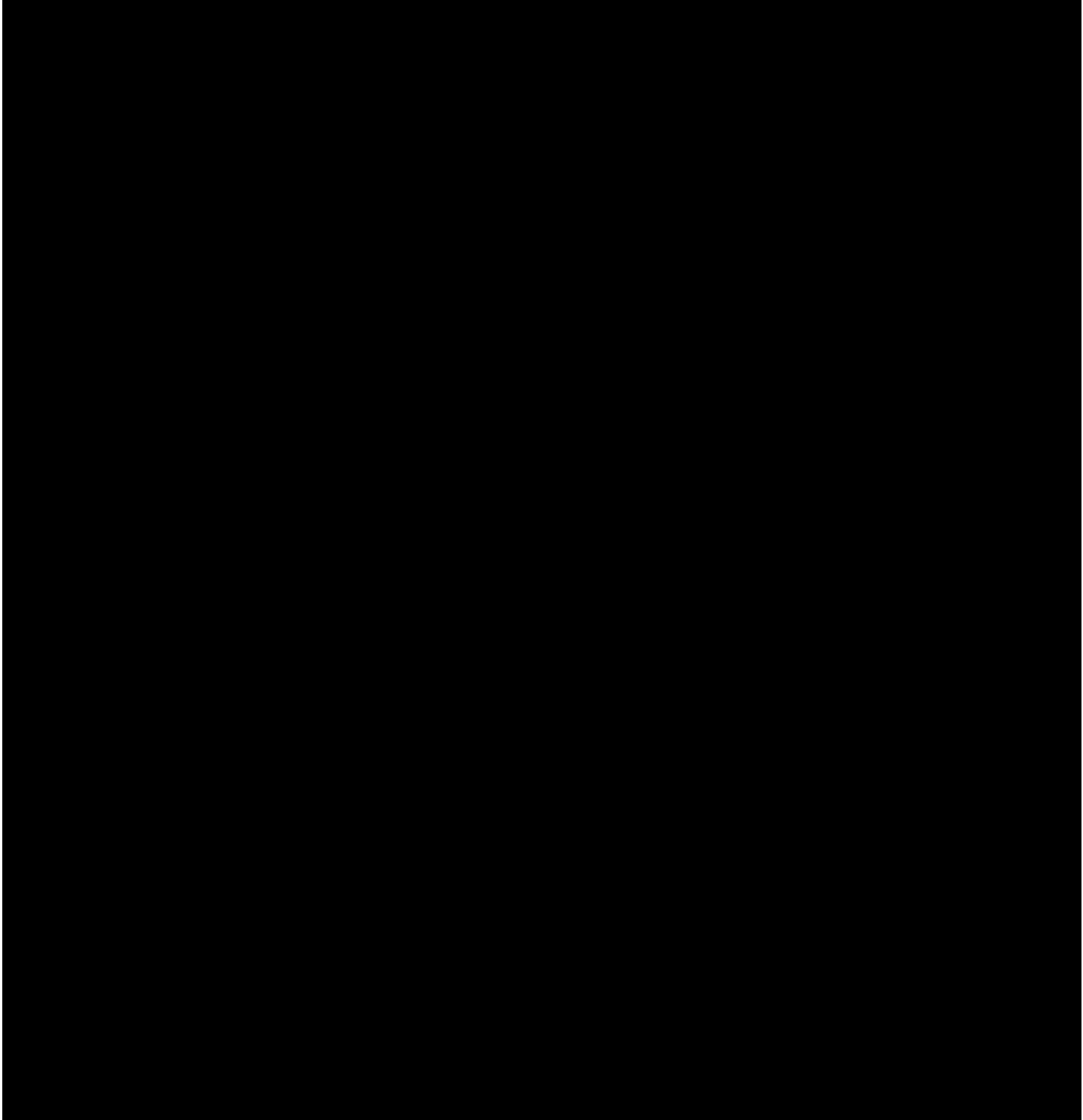
Cunningham won a design competition to create the exterior of the new Sheraton Soho prototype hotel for Starwood. Starwood intends to launch a new development program aimed at hotel markets seeking upscale accommodations at midscale prices.

The hotel design is expandable from 150 to 250 rooms and features dramatic porte cochere entrances; a signature cobblestone courtyard; a fireplace welcoming guests at the entrance; the Sheraton Fitness Center and pool; luxurious guestrooms; restaurant and lounge, with seating for up to 40 (expandable with the adjacent Multi-Purpose room); and a 24-hour business center.

Starwood is currently marketing the new Sheraton Soho Hotel prototype to hotel developers around the nation.









HOTEL DEVELOPMENT APPROACH AND CONCEPTING

Introduction

Lowe approaches a new hotel development with three primary considerations when formulating the hotel concept - the location, the place and the experience. Each is critical to success of the hotel. Below is an explanation of how Lowe anticipates the Newport Beach hotel will react to its location, place and experience.

The Location

Great hotels, like great pieces of real estate, are driven by great locations. For Lowe, selection of the right site in the right location is critical. Lowe's ocean oriented hotels have all benefited from irreplaceable locations. Terranea sits on a 100 acre peninsula in Rancho Palos Verdes with views of the sunrise and sunset over the Pacific. L'Auberge Del Mar is at the edge of a classic California beach town perched above the ocean from its bluff top setting. Lowe's Paradise Point Resort is perhaps the most unique location of all, its own island in the middle of Mission Bay, surrounded by a wealth of recreational activities and minutes from San Diego.

The hotel site in Newport Beach contains many of the attributes of a great site as well. It serves as the gateway to the Balboa Peninsula, blocks from the Pacific Ocean on one side and Newport Bay on the other. It is a location in the heart of it all.

Understanding the location also means recognizing the market conditions including the competitive supply and the performance of comparable properties. Newport Beach is a world renowned market with strong performance in rate and occupancy which will support a uniquely positioned upscale boutique property for which there are no immediate competitors.

The Place

Lowe approaches the development of the physical place of its hotels and resorts with exceptional care and creativity. At Lowe's Estancia La Jolla property, it was important to honor the history of the site by renovating old adobe structures into the lobby, check-in building, restaurant and learning center within a campus setting. At Terranea, preserving the ocean view at every point on the property was paramount, as was creating a resort that was friendly and lively in its public spaces while secluded and peaceful in the private areas.

Lowe demands that its public spaces clearly convey and define the property's personality in the consumer's mind. We want to ensure that every space is designed differently, and that each space carries elements and offerings that are original and intimate. We also require elements that evoke a desire to return to the property as well as spaces which will make the property famous and a hub of social activity.

At this preliminary stage, Lowe envisions the Newport Beach hotel to be conceived as a beach house on a grand scale. The architecture would be modern with clean lines and bold, fresh materials. The hotel would also have a strong residential feel, with public spaces designed to be more like intimate rooms in a house.

The Experience

For any hotel, the guest experience is paramount. Lowe anticipates that the Newport Beach hotel would feature professional, unobtrusive service and an unquestionable commitment to the consumer. Lowe is a vertically integrated developer and operator of high quality hotels and resorts. This means we must begin with the end in mind. From the time we conceive of a property, we must focus on how it will function for our



operating partners at Destination Hotels & Resorts. We are also highly aware of the economic impact of our development decisions, and we believe strongly that our vertical integration provides our investors and partners with the greatest long term value at the property level.

PROJECT APPROACH

Engaging public input and managing public outreach

During the approval process of a development project, it is absolutely critical that developers engage key stakeholders and the public in an effort to identify important issues and address those issues as responsibly as possible. At each of its recent coastal development projects – Terranea, Estancia La Jolla and the Hotel Del Coronado – Lowe completed both formal and informal outreach to the public. These included public forums to gather ideas, roundtable meetings with important stakeholder groups, meetings with relevant homeowner associations and coordination with City officials. In Newport Beach, this level of outreach will be essential at building community support for the project.

Planning and Design

A core philosophy for Lowe is to design projects which are of exceptional quality, which maintain a distinct individual character and which respond to the local context and market forces. By creating lasting structures in the public domain, developers have a responsibility to great design. Moreover, well planned and designed projects contribute to the overall success of the project and often improve the bottom line economic value. The selection of the right design partners is paramount in the success of any development project. Lowe has been fortunate to work with world class design teams and has several planners, architects and landscape architects who have worked on multiple projects during the last 40 years. Lowe would likely utilize a firm with whom the firm has completed prior work.

Project approvals

Lowe believes that the process for obtaining project approvals is most effectively accomplished by senior members within the firm who can reinforce the firm's vision, commitment and credibility. Hands on participation from Lowe executives in public meetings and staff discussions are essential. A byproduct of this effort is that Lowe forges deep relationships with the cities and jurisdictions in which it is involved. In addition, Lowe has strong relationships with members of the California Coastal Commission. During this process, Lowe also utilizes the resources of trusted land use counsel. This project approval philosophy has been a part of every Lowe entitlement project, including the Hotel Del Coronado and Terranea.

Financing

Lowe has a long history of strong partnerships with debt and equity partners. Lowe's capital raising typically occurs through the parent company or through Lowe Enterprises Investors, Lowe's investment management subsidiary which is partially owned by Guardian Life Insurance Company. Debt financing is secured through dedicated senior executives within Lowe. Depending on the circumstances, Lowe engages third party resources to assist in securing debt and equity financing.



Development/construction

Lowe has deep talent in development and construction with experienced senior managers, most of whom have been with the firm for at least 15 years. While Lowe has formed a diverse range of relationships with construction firms, Lowe will typically engage the services of general contractors early in the process in order to partner with them and the design team to result in the most coordinated project possible while also addressing cost issues early on. This approach also better integrates value engineering earlier in the process when the impact on design, cost and schedule is minimized.



PROJECT MANAGEMENT

All members of the Lowe team maintain Los Angeles area offices for ease of site visits and meeting attendance. In addition, Lowe proposes establishing an on-site office at the Newport Beach property for the project management team.

Lowe's approach to project management is quite straightforward; select the most qualified associates to manage the project, support them with highly experienced senior executives, provide them with the most cost effective capital tailored for the project and empower them to make decisions.

Lowe, as master developer, would be fully responsible for the following:

- Direct coordination with the City throughout the entire development process
- Selection and management of the design team, all consultants and contractors
- Preparation of the development schedule, program, financial and construction plan
- Securing all planning and entitlement approvals in conjunction with City staff
- Coordination of financing team, financing options and bond sales
- Weekly project meetings and preparation of monthly project reports and funding requests
- Oversight of all construction, FF&E installation and move coordination and operations



PUBLIC ENGAGEMENT

Community support will be vital to the successful development of the Newport Beach Gateway Hotel. Throughout the process Lowe will engage area businesses, residents, community organizations and government entities in a dialogue about the scope of the proposed development; from massing and initial design concepts to the mix of public serving uses.

Lowe will immediately develop a community outreach plan that identifies the development's key constituencies. These will include, but not be limited to, existing nearby businesses, neighborhood groups and Newport Beach area civic and business organizations. This will provide the foundation of a comprehensive contact list of all of the organizations and stakeholders to be targeted for a broad communications program throughout the term of the project.

The plan will also include a timeline for conducting a series of public outreach meetings, a mail and email communications program, creation of a web site, one-on-one meetings with key stakeholders and other communication tools. Through these many communication channels the team will provide updates on the development's progress, respond to community comments, and report on important milestones from the start of the project's planning through to the ground breaking and grand opening.

The City will be advised of all community meetings and briefed on the outcomes. Lowe will designate a community liaison to be the primary point of contact for the city, residents and local businesses.

As part of the project planning and outreach, Lowe may include outside experts to help guide public input such as architects and tourism and leasing consultants. They may participate in public meetings and/or Lowe may provide their insights through written communications. Successful hospitality destinations have to appeal to both residents and visitors. Understanding and creating the right mix of tenants at the outset and a complementary architectural design and connectivity plan will ensure the project fits seamlessly within the existing context of the area and bring new customers to the Gateway and to the surrounding businesses.

Terranea Resort Community Outreach

Lowe's development of Terranea Resort on the Southern California coast provides an excellent example of this process in action and a template for how Lowe would approach the Newport Beach City Hall redevelopment. At the onset of developing Terranea, Lowe realized there were some fairly significant regulatory hurdles to be overcome. Given California's sensitivity to the ecology and environment that defines the coastline, coupled with a high demand for visitor-serving amenities, Lowe understood that it would face significant scrutiny and input from State, County and local regulatory agencies. While it was essential to engage and gain consensus amongst these stakeholder groups early in the process, the success of Terranea is directly tied to the support of the local community.

To guide the team through the dynamic approvals process at Terranea, Lowe developed a narrative to describe its motivation, design intent, amenities and important ecological gestures; almost like a mission statement.

The narrative was simple: Lowe wanted to build a beautiful resort to fit California's historic lineage of iconic coastal hotels. Terranea would be founded on context, culture and community; a rich historical, architectural and ecological context, a strong cultural connection to seaside living, and a diverse and eclectic community with a passionate commitment to the land and sea.



Guided by this vision, the public and regulatory agencies began to understand Lowe's development process and its desire to achieve consensus. Lowe's goals were similar to those of the community and through a healthy, well-informed dialogue, both the stakeholder groups and the community shared in Lowe's passion for the project. The result is a well-conceived project that incorporates the needs of the community and requirements of various approvals agencies while meeting the long term financial goals of the development.



CONCEPTUAL FINANCING APPROACH

Conventional Private Development

Below is summary of the sources of capital in Lowe's base case economic proposal for conventional private development of the hotel.

- **Senior Debt** - Lowe will aggressively seek construction financing and is optimistic that the recovering market will improve the availability and terms of such capital. Lowe has assumed a 50% construction loan on the project.
- **Equity** - A Lowe entity partnering with one of its institutional investors will provide the equity necessary for the opportunity.

ATTACHMENT A: PROPOSER INFORMATION FORM

Instructions: Complete the form below and remit as part of your Proposal as Attachment A.

PROPOSER INFORMATION

PROPOSER/CONSULTANT/ NAME: Lowe Enterprises, Inc.

ADDRESS FOR NOTICES: 11777 SAN VICENTE BLVD
Suite 900
Los Angeles, CA 90049

MAIN CONTACT (NAME AND TITLE): MATTHEW WALKER Executive Vice President

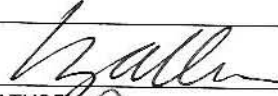
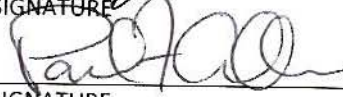
CONTACT NUMBERS: TELEPHONE: 310-571-4291 FAX: 310-207-1132

E-MAIL ADDRESS: mwalker@loweenterprises.com

FIRM SIGNATURE AUTHORIZATION AND CERTIFICATION

Per the California Corporate Code, Business and Professions Code, the Consultant's Bylaws/Operating Agreement and/or the attached Board Resolution (if applicable), I/we hereby verify that I/we am/are (an) authorized signatory(ies) for the aforementioned Consultant and as such am/are authorized to sign and bind the Consultant in contract with the City of Newport Beach.

1. CONSULTANT AUTHORIZED SIGNATORY(IES):

	<u>MATTHEW H. WALKER</u>	<u>EVP</u>	<u>11/20/12</u>
SIGNATURE	PRINT NAME	TITLE	DATE
	<u>PAUL F. ALLEN</u>	<u>VICE PRESIDENT</u>	<u>11/20/12</u>
SIGNATURE	PRINT NAME	TITLE	DATE

2. SIGNATURE AUTHORIZATION IS PROVIDED IN ACCORDANCE WITH:

- Proposer's Bylaws/ Operating Agreement Section _____ Copy Attached
- Board Resolution Copy Attached
- Corporate or Business and Professions Code**

**If Consultant is a corporation, two (2) authorized signatories will be required on all documents submitted, unless specified in the organization's Bylaws or corporate resolution.

IMPORTANT NOTE: If the signature authorization status of any individual changes during the term of the contract, it is the responsibility of the Consultant to contact the City Administrator for the Consultant regarding the change and to complete and submit a new Signature Authorization Form. Incorrect information on file may delay the processing of any of the documents submitted.

ATTACHMENT A: PROPOSER INFORMATION FORM

Instructions: Complete the form below and remit as part of your Proposal as Attachment A.

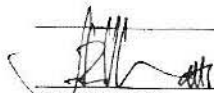
PROPOSER INFORMATION

PROPOSER/CONSULTANT/ NAME: Cunningham Group Architecture, Inc.
ADDRESS FOR NOTICES: 8665 Hayden Place
Culver City, CA 90232
MAIN CONTACT (NAME AND TITLE): Jonathan Watts, Principal, Director of Design and Brand
CONTACT NUMBERS: TELEPHONE: 310-895-2200 FAX: 310-895-2199
E-MAIL ADDRESS: jwatts@cunningham.com

FIRM SIGNATURE AUTHORIZATION AND CERTIFICATION

Per the California Corporate Code, Business and Professions Code, the Consultant's Bylaws/Operating Agreement and/or the attached Board Resolution (if applicable), I/we hereby verify that I/we am/are (an) authorized signatory(ies) for the aforementioned Consultant and as such am/are authorized to sign and bind the Consultant in contract with the City of Newport Beach.

1. CONSULTANT AUTHORIZED SIGNATORY(IES):

	Jonathan Watts, Principal, Director of Design and Brand		11/20/12
SIGNATURE	PRINT NAME	TITLE	DATE
SIGNATURE	PRINT NAME	TITLE	DATE

2. SIGNATURE AUTHORIZATION IS PROVIDED IN ACCORDANCE WITH:

- Proposer's Bylaws/ Operating Agreement Section _____ Copy Attached
 Board Resolution Copy Attached
 Corporate or Business and Professions Code**

**If Consultant is a corporation, two (2) authorized signatories will be required on all documents submitted, unless specified in the organization's Bylaws or corporate resolution.

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ATTACHMENT B: STATEMENT OF DISCLOSURE

Instructions: Each submittal must be accompanied by a signed Statement of Disclosure. This form must be completed, signed, dated and submitted by all persons proposed to serve as a Consultant Team Member.

Consultants and proposed Consultant Team Members must disclose any and all business activities, relationships and/or business positions currently or previously held with City employees, City Council members, City commissioners, or City advisory boards/committees within the last five (5) years.

The City has determined that all persons seeking to serve as a Consultant to the City shall complete truthfully, sign, date and submit this Disclosure Statement prior to performing any consultant work or services for the District.

I, MATTHEW WALKER [NAME OF PROPOSER], hereby certify the following:

I have no reportable business activities, relationships and/or business positions with any City employees, City Council members, City commissioners, or City advisory boards/committees within the last five (5) years.

My reportable business activities, relationships and/or business positions within the last five (5) years with City employees, City Council members, City commissioners, or City advisory boards/committees (please provide a description of the business activity, relationship or business position, relevant dates, job titles, positions held, etc.):

The foregoing certifications are true and correct. I make this certification under penalty of perjury under the laws of the State of California.

Signature of Consultant



Signature Date

11/20/12

Printed Name and Title

MATTHEW WALKER - EXECUTIVE VICE PRESIDENT

[If necessary, attach a separate sheet(s) detailing each instance]

ATTACHMENT B: STATEMENT OF DISCLOSURE

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The City has determined that all persons seeking to serve as a Consultant to the City shall complete truthfully, sign, date and submit this Disclosure Statement prior to performing any consultant work or services for the District.

I, Robert J. Lowe, Jr. [NAME OF PROPOSER], hereby certify the following:

I have no reportable business activities, relationships and/or business positions with any City employees, City Council members, City commissioners, or City advisory boards/committees within the last five (5) years.

My reportable business activities, relationships and/or business positions within the last five (5) years with City employees, City Council members, City commissioners, or City advisory boards/committees (please provide a description of the business activity, relationship or business position, relevant dates, job titles, positions held, etc.):

The foregoing certifications are true and correct. I make this certification under penalty of perjury under the laws of the State of California.

Signature of Consultant

 11/20/11

Signature Date

Robert J. Lowe, Jr - Co President of Lowe

Printed Name and Title

[If necessary, attach a separate sheet(s) detailing each instance]

ATTACHMENT B: STATEMENT OF DISCLOSURE

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The City has determined that all persons seeking to serve as a Consultant to the City shall complete truthfully, sign, date and submit this Disclosure Statement prior to performing any consultant work or services for the District.

I, MICHAEL TANDE [NAME OF PROPOSER], hereby certify the following:

I have no reportable business activities, relationships and/or business positions with any City employees, City Council members, City commissioners, or City advisory boards/committees within the last five (5) years.

My reportable business activities, relationships and/or business positions within the last five (5) years with City employees, City Council members, City commissioners, or City advisory boards/committees (please provide a description of the business activity, relationship or business position, relevant dates, job titles, positions held, etc.):

The foregoing certifications are true and correct. I make this certification under penalty of perjury under the laws of the State of California.

Signature of Consultant

Michael S. Tande

Signature Date

11/20/12

Printed Name and Title

Michael S. TANDE - Senior Vice President

[If necessary, attach a separate sheet(s) detailing each instance]

ATTACHMENT B: STATEMENT OF DISCLOSURE

Instructions: Each submittal must be accompanied by a signed Statement of Disclosure. This form must be completed, signed, dated and submitted by all persons proposed to serve as a Consultant Team Member.

Consultants and proposed Consultant Team Members must disclose any and all business activities, relationships and/or business positions currently or previously held with City employees, City Council members, City commissioners, or City advisory boards/committees within the last five (5) years.

The City has determined that all persons seeking to serve as a Consultant to the City shall complete truthfully, sign, date and submit this Disclosure Statement prior to performing any consultant work or services for the District.

I, PAUL F. ALLEN [NAME OF PROPOSER], hereby certify the following:

I have no reportable business activities, relationships and/or business positions with any City employees, City Council members, City commissioners, or City advisory boards/committees within the last five (5) years.

My reportable business activities, relationships and/or business positions within the last five (5) years with City employees, City Council members, City commissioners, or City advisory boards/committees (please provide a description of the business activity, relationship or business position, relevant dates, job titles, positions held, etc.):

The foregoing certifications are true and correct. I make this certification under penalty of perjury under the laws of the State of California.

Signature of Consultant

Paul F. Allen

Signature Date

11/20/12

Printed Name and Title

PAUL F. ALLEN - VICE PRESIDENT

[If necessary, attach a separate sheet(s) detailing each instance]

ATTACHMENT B: STATEMENT OF DISCLOSURE

Instructions: Each submittal must be accompanied by a signed Statement of Disclosure. This form must be completed, signed, dated and submitted by all persons proposed to serve as a Consultant Team Member.

Consultants and proposed Consultant Team Members must disclose any and all business activities, relationships and/or business positions currently or previously held with City employees, City Council members, City commissioners, or City advisory boards/committees within the last five (5) years.

The City has determined that all persons seeking to serve as a Consultant to the City shall complete truthfully, sign, date and submit this Disclosure Statement prior to performing any consultant work or services for the District.


I, Jonathan Watts [NAME OF PROPOSER], hereby certify the following:

- I have no reportable business activities, relationships and/or business positions with any City employees, City Council members, City commissioners, or City advisory boards/committees within the last five (5) years.
- My reportable business activities, relationships and/or business positions within the last five (5) years with City employees, City Council members, City commissioners, or City advisory boards/committees (please provide a description of the business activity, relationship or business position, relevant dates, job titles, positions held, etc.):

N/A

The foregoing certifications are true and correct. I make this certification under penalty of perjury under the laws of the State of California.

Signature of Consultant



Signature Date

November 20, 2012

Printed Name and Title

Jonathan Watts, Principal, Director of Design and Brand

[If necessary, attach a separate sheet(s) detailing each instance]