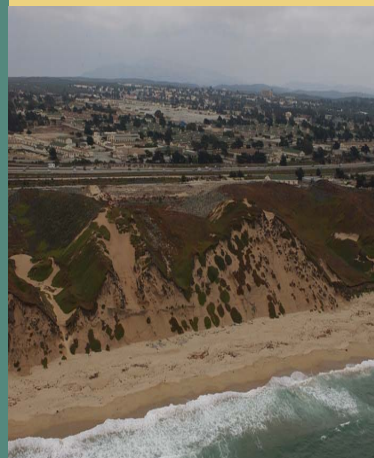


FORA Board Member Agencies

Carmel-by-the-Sea, City of Del Rey Oaks, City of Marina, City of Monterey, County of Monterey, City of Pacific Grove, City of Sand City, City of Salinas, City of Seaside

Ex-Officio Members

17th Congressional District, 27th State Assembly District, 15th State Senate District, California State University Monterey Bay, Marina Coast Water District, Monterey Peninsula Unified School District, Monterey Peninsula Community College, Monterey Salinas Transit, Transportation Agency for Monterey County, United States Army/Base Realignment & Closure Office, University of California Santa Cruz



FORA Hours

MONDAY — FRIDAY
8:00 A.M. — 5:00 P.M.

BOARD MEETINGS
2ND FRIDAY OF EACH MONTH
4:00 P.M. (TIME SUBJECT TO CHANGE)

FORA CONFERENCE FACILITY
102 13TH STREET, BLDG. 2925
MARINA, CALIFORNIA



FORT ORD REUSE AUTHORITY

Annual Report

JULY 1, 2005 — JUNE 30, 2006

CONTACT INFORMATION:

PHONE: 831-883-3672 FAX: 831-883-3675

OR VISIT www.fora.org

FOR MORE INFORMATION.



100 12TH STREET, BLDG. 2880, MARINA, CALIFORNIA, 93933

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Fort Ord Reuse Successes, Challenges, Opportunities



The Fort Ord Reuse Authority is a multi-jurisdictional organization created through State of California law to plan, finance, facilitate and otherwise oversee the economic recovery of the Monterey Region from the impacts of the 1994 closure of Fort Ord. The closure prompted dreams and plans for redeveloping the former Fort Ord for essential jobs and supportive housing. Over the past 12 years those concepts and designs have moved closer and closer to reality. Yes, there have been many moments of serious concern about when the economic redevelopment would be realized. Today, we happily witness the physical metamorphosis envisioned when the 1997 Base Reuse Plan was adopted to guide this exciting journey.

Since 1994, we've experienced successful establishment of educational facilities, such as California State University Monterey Bay, Golden Gate University, Monterey College of Law, York School, and the University of California. We are proud of our commitment to retain two-thirds of the former military base as recreational and preserved open space. This offers opportunities, plans, and facilities for improved beach access, trail systems for hiking and biking, equestrian areas, various sports facilities and preserved habitat.

We still have significant work ahead to finalize the Habitat Conservation Plan that will assure funding for long-term maintenance and preservation of endangered species, and we still have to determine when and how remaining required clean up of the former Fort Ord will occur. Both of these programs require substantial local and federal funds. Reuse of Fort Ord also demands replacing roads and transit facilities, water and sewer networks, and other utility systems, in conjunction with new development. The new roads we have built are already active travel networks between Peninsula communities and the Salinas Valley, yet costs to complete the road network still require expenditures of more than \$150 million in the coming 15 years. Additional capital improvements will be financed, as development occurs, through fees and loans. These challenges and the significant capital funding requirements, will continue to require commitment, innovation, flexibility, persistence and stewardship.

Following the success of the first two major housing redevelopments; (Seaside Highlands and the beautiful new homes developed by the military for their personnel and families in Ord Military Community), we now see emerging economic reinvestment activity with the Marina University Village, Marina Heights, East Garrison Village, Seaside Resort, planned Del Rey Oaks development, and a number of smaller projects. All of these planned developments contribute to economic sustainability within the Monterey Bay Region.

We remain optimistic about what we will accomplish this coming year, but are reminded daily that reuse of the former Fort Ord still has its many noteworthy challenges. The Fort Ord reuse will continue to have a regional focus that will ultimately produce significant economic, social, and community benefits for all of the Monterey Bay communities. This past year has demonstrated how much we can accomplish and the opportunities of the coming year offer an equal platform for achievement.



FORA FACT:

To date, FORA has completed

a population near 37,000 on the former Fort Ord in 10 years.

CAPITAL IMPROVEMENT PROGRAM



General Jim Moore Boulevard—Phase II

Fort Ord Reuse Authority
 • 100 12th Street • Building 2880 • Marina • California • 93933

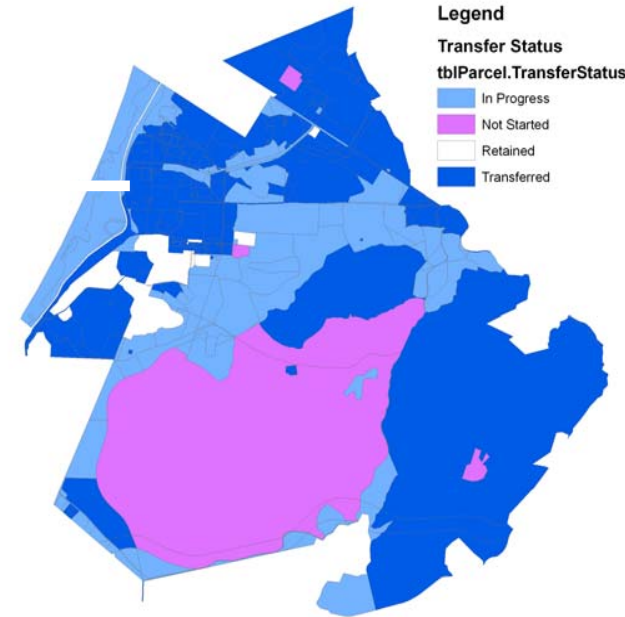
The Fort Ord Reuse Authority Capital Improvement Program (“CIP”) provides the details for the following activities:

- FORA’s capital obligations in six Base Reuse Plan categories of improvements;
 - ◆ Transportation and Transit
 - ◆ Habitat Management
 - ◆ Potable Water Augmentation
 - ◆ Storm Drainage System
 - ◆ Fire Fighting Enhancement
 - ◆ Building Removal
- The time placement for the design and construction and/or funding of these improvements/obligations within FORA’s life-time; and,
- The revenue sources expected to accommodate the project costs.

The CIP is reviewed annually and updated to reflect current development projection, and the associated revenue produced. Based on development forecasts received from land use jurisdictions, capital improvement projects are budgeted in the earliest fiscal year possible to accommodate base reuse and redevelopment. The annual review also includes updating the project costs to account for inflation. The current CIP can be found online at www.fora.org.

Over the last fiscal year, work within the transportation/transit category was predominantly focused along General Jim Moore Boulevard, a multi-phased project within the Cities of Seaside and Del Rey Oaks, and the US Army Residential Community Initiative in the Ord Military Community. Also, approximately 250 buildings have been removed — working to reduce the “ghost town” effect and make way for new jobs and housing. This building removal is achieving an 80% recycling rate, exceeding state law requirements.

Property Transfers



Over the past year FORA has transferred a total of 1,777 acres to local jurisdictions: 1,093 acres to the City of Marina, 326 acres to the City of Del Rey Oaks, and 358 acres to the County of Monterey. The US Army is currently processing deeds for portions of the County, Seaside and the City of Monterey. In the next year, FORA expects transfer of the remaining Economic Development Conveyance properties not impacted by Munitions and Explosives of Concern. These remaining clean properties are located in all the FORA land use jurisdictions.

Early Transfer/Environmental Services Cooperative Agreement

The Early Transfer/Environmental Services Cooperative Agreement (“ET/ESCA”) will provide for the US Army to transfer Economic Development Conveyance properties (3,500 acres) and the responsibility for removing Munitions and Explosives of Concern (“MEC”) to FORA. The Army will pay for the munitions cleanup and insurance to cover FORA’s remedial work. FORA has entered into an agreement with LFR Levine Fricke to do the actual MEC removal and regulatory compliance. FORA will be required by US Environmental Protection Agency and the California Department of Toxic Substance Control to meet the same standards for MEC as the US Army. FORA anticipates the removal to take 7 years from the execution of the ET/ESCA agreement, which is expected by the end of 2006.

General Jim Moore Boulevard, Phase I



The Notice of Completion for Phase I improvements to General Jim Moore Boulevard was filed in 2005. This project included the construction of retaining walls, earthwork and grading along this corridor (from Normandy Avenue to McClure Way) in preparation for future phases of work.



COMPLETED RETAINING WALL

General Jim Moore Boulevard, Phase II

Activity over the last fiscal year has included the installation of water lines; street light foundations; curb, gutter and sidewalk installation; and paving of the western south-bound lanes (from Normandy Avenue to McClure Way). Those two lanes were completed and traffic was diverted onto them in May 2006 to allow work to begin on the north-bound lanes. Current activity on the north-bound portion of the project includes the installation of storm water infiltrators, earthwork, grading and compaction. This Phase II project will be complete and fully opened to traffic later in 2006.



Southbound lanes of General Jim Blvd.

Looking forward

At their June 2006 meeting, the FORA Board approved the FY 2006/07 through 2021/22 CIP. This document was updated to include current development forecasts and inflated construction costs, among other factors. The Board’s approval of the CIP affirmed project time placement and financing. The next CIP project on the horizon is Phase III of the General Jim Moore Boulevard project, which continues where Phase II leaves off just south of McClure Way, the entrance to the Bayonet and Blackhorse Golf Courses in the City of Seaside. The project includes the continued widening of General Jim Moore Boulevard from a two-lane to a four-lane facility, realignment and widening of Coe Avenue at the General Jim Moore intersection, and ends south of the Coe intersection. An important component of this project is the installation of water, wastewater and recycled water facilities in the roadway to extend service to the south side of the former Fort Ord. This supports development on parcels within the cities of Del Rey Oaks, Monterey and portions of Seaside. Future phases are dependent on environmental clearances and funding availability.

Habitat Conservation Planning

In July 2005, the FORA Board of Directors decided to bifurcate the Habitat Conservation Plan (“HCP”) efforts to an approach that entails processing a California Department of Fish and Game (“CDFG”) 2081 Incidental Take Permit application concurrently with the Federal U.S. Fish and Wildlife Service (“USFWS”) HCP process. CDFG and USFWS agreed to this approach in August 2005. To implement this approach, Denise Duffy and Associates (“DD&A”), FORA’s Environmental Consultant, is preparing the 2081 Permit Environmental Impact Report (“PEIR”), an estimated 18-month process, and an Environmental Impact Statement (“EIS”) for USFWS approval of a basewide HCP, an estimated 30-month process. In

January 2006, Zander Associates, FORA’s Wildlife Biologists, gave revised Draft HCP Sections “3.0 Project Description/Covered Activities” and “4.0 Habitat Management Actions” to CDFG and USFWS staff for review. CDFG and USFWS began providing feedback to Zander Associates in May 2006. FORA staff expect the Draft PEIR process to continue on schedule for completion of an administrative draft by mid-October 2006. Another critical component for successful completion of the 2081 Permit process is funding assurances to CDFG that management responsibilities detailed in the CDFG HCP will be fulfilled. To satisfy this requirement, FORA will enter into habitat funding agreements with the Bureau of

Land Management, California State University Monterey Bay, and Monterey Peninsula College, all of which are major reserve owners on the former Fort Ord with habitat management responsibilities. The FORA Board has already approved a similar agreement with the University of California.



RED-LEGGED FROG

Moving ahead with the 2081 Permit/HCP approach will allow projects that may contain state-listed species to proceed in a timely manner. Those properties with evidence of federal species, such as Del Rey Oaks and East Garrison will be able

to move ahead since they and their developers have agreed to USFWS conditions designed to assure that appropriate instruments for protecting the California Tiger Salamander are in place.

This whole process will require a high degree of coordination between the federal and state regulatory agencies, FORA, habitat reserve owners, and FORA’s consultants. Between all the various agreements and approvals, habitat will be protected and provided for on the former Fort Ord for many years to come!

Imjin Office Park—FORA's New Home!

The existing FORA offices are located within the Marina University Village project area. FORA has agreed to relocate to a new location at the north-east corner of Imjin Parkway and 2nd Avenue, to facilitate the reuse of the current FORA office site. To do so FORA has entered into a coordinated partnership with the Imjin Office Park ("IOP") Partners (Carpenters Union, the Builders Exchange of the Central Coast, and Association of Monterey Bay Area Governments) to build an office complex. The site and building designs (and parcel maps) were processed and approved by the City of Marina in the past year. The new offices and conference facility will incorporate sustainable and "green" features, with construction scheduled to begin this summer. Building removal was completed this past year.



Capital Improvement Program (continued)

Landscaping and Irrigation

A Notice of Completion for the Landscaping and Irrigation on FORA's previously completed roadway projects (Reservation Road, Imjin Road and Imjin Parkway) was filed in 2005. Project components included the installation of a water conserving irrigation system and the planting of 136 coastal oak trees and native ground cover along these corridors.

Potable Water Augmentation

FORA has been actively working with its water and wastewater purveyor, Marina Coast Water District ("MCWD"), to implement a potable water augmentation project that will provide the additional

water resources required for the redevelopment program.

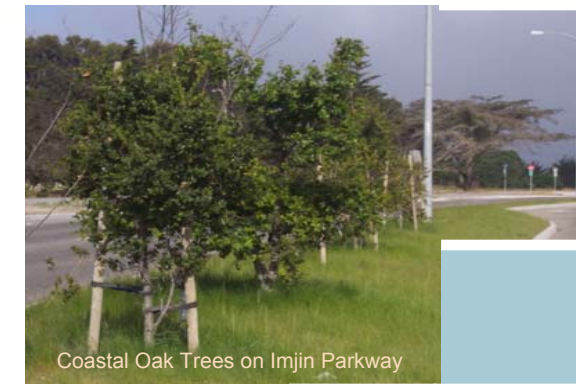
Over the last fiscal year, both the FORA and MCWD Boards of Directors approved the "Regional Urban Water Augmentation Project - Hybrid Alternative." The Hybrid Alternative includes two components: recycled water pipeline/booster stations and a desalination plant.

Since that approval, MCWD staff has moved ahead with their consultants to obtain environmental clearances and preliminary designs. MCWD is now on schedule to deliver recycled water in 2008 and desalinated water in 2009. The FORA CIP anticipates approximately \$37 million in CFD payments to MCWD to fund the majority of this effort.

Records of Survey

The transfer of former Fort Ord lands from the US Army, through FORA, to the land use jurisdictions is an important part of redevelopment. To effect the US Army property transfer process, records of survey and legal descriptions for each parcel must be prepared and filed with the Monterey County Surveyor's office. To expedite this process, FORA has negotiated with its consultants to prepare the records of survey and accompanying legal descriptions and complete the required filing. Over the last fiscal year, this work has been completed for parcels that fall within the Army's Findings of Suitabil-

ity for Transfer ("FOST") 8 and FOST 9 areas. In addition, FORA's consultants have been engaged to prepare records of survey and legal descriptions for parcels of land that fall within FOST 10 and Findings of Suitability for Early Transfer 5. Please refer to the section titled "Property Transfers" for further details on this process.



Coastal Oak Trees on Imjin Parkway

Environmental Restoration Burn

FORA staff, consultants and member fire agencies - [including Presidio of Monterey; cities of Monterey, Seaside and Marina; Salinas Rural Fire District; North County Fire District; and Bureau of Land Management ("BLM")] completed a habitat restoration & wildfire response training burn of approximately 120 acres over September 22-23 and October 26-27, 2005. Extensive planning included member fire agency preparation of an Incident Action Plan, BLM and California Conservation Corps' grading of additional firebreaks, and the Monterey Bay Unified Air Pollution Control District participating in planning and on-site review of the event. FORA initiated this burn as both a wildland fire suppression/response training exercise for local firefighters and a habitat restoration activity in conformance with conditions in the approved modification of the habitat management plan boundary for the Parker Flats and East Garrison areas of the former base. Initial biological review of the results this past Spring indicate success for the levels of species regeneration. The event was widely praised as a successful venture in joint public safety agency training.

Facilities District Revamp

In recognition of ongoing demand for below-market housing, especially the financial difficulty of producing homes at affordable prices, the FORA Board, working with California State University Monterey Bay ("CSUMB"), agreed to call an election of Community Facilities District ("CFD") voters. The election requested voters to reduce FORA impact fees for employers and providers of below-market housing who meet certain specified criteria. After voters passed the amendment in October 2005, the FORA Board adopted Resolution 05-15 and Ordinance 05-01, amending the CFD so that projects that meet certain affordability and other requirements for below-market housing may be pegged at either 1/20th of the current special tax rate, or at the rehabilitation rate, making it substantially easier to provide below-market housing on the former Fort Ord.

CSUMB will develop the North Campus Faculty Staff Housing Project (Phase I) over the next four years. The development qualifies as below-market housing for reduced FORA CFD fees. This FORA adjustment results in at least \$5 million in workforce housing assistance.

FY 2005 - 2006 Budget

"THE FORT ORD REUSE AUTHORITY HAS MAINTAINED A BALANCED BUDGET IN EACH OF ITS LAST SEVEN YEARS, AND REPAID INDEBTEDNESS FROM THE LATE 1990's."



FORA FINAL BUDGET

	OPERATIONS	CAPITAL PROJECTS	TOTALS
REVENUES	1,864,465	18,758,914	20,600,379
EXPENDITURES	2,218,089	23,977,419	26,195,508
NET REVENUES	(353,624)	(5,218,505)	(5,595,129)
BEGINNING BALANCES 7/1/05	1,377,792	5,739,597	7,117,389
ENDING BALANCES 6/30/06	1,024,168	521,092	1,545,260

Marina

"Marina's University Village project won a 2006 Monterey County Business Council Partnership Award for the cooperation developed both formally and informally by and between the Marina Community Partners members, the community, FORA, and City departments."

The Marina Redevelopment Agency received nearly 1,000 acres of former Fort Ord property in the last year from FORA. This property comprises Marina Heights, University Village and Cypress Knolls, among other smaller developments.

Marina Heights is a 1,050-residential unit 248-acre project in the northern portion of the former Fort Ord and is well underway with nearly all former military buildings removed. The developer for Marina Heights purchased the property from the City of Marina and Fort Ord Reuse Authority in May of 2006.

First phase grading and road and utility improvements are approved to begin in the Summer of 2006. Construction of the first 298 homes begins in late 2006.

The City of Marina expects to complete negotiations and entitlement processing of the 712-unit **Cypress Knolls Adult and Senior Service Community** in order for Phase I of the development to begin in early 2007.

FORA concurred in Marina's entitlements for **University Village** in July 2005, including the Tentative Map for Phase I, which includes 30 acres of regional retail, along with a Village Promenade (mixed use retail area) and live/work homes, and other single-family residences and affordable apartments. In November 2005, deconstruction of the first 120 buildings (out of 900) began and grading of Phase I was initiated in January of 2006.

The City of Marina is leasing property adjacent to the former Fort Ord stockade to **Las Animas Concrete, Inc.** for operation of a batch plant that will greatly aid the new developments and public improvements. Las Animas, is a subsidiary of Monterey Peninsula Engineering.



Seaside

Main Gate Retail Center

Seaside, with FORA participation, selected Clark Realty Capital, LLC/General Growth Properties, Inc. as developer for this central prime commercial site this past year. The developer and Seaside are moving ahead with project design of a contemporary lifestyle shopping center, which has generated considerable interest in the retail community. Seaside expects this location to become its premier identifiable former Fort Ord location, and begins the environmental, planning and design review process in the 2006-2007 year.

Hotel Resort Project

The Seaside Resort includes a recently approved 330 room, four-star hotel, 170 timeshare units, and 125 residential lots fronting the golf courses. Seaside processed design development plans and recently selected an operator for the visitor-serving components at the project. Construction of this well designed project is scheduled to begin in late 2006. An important component of the project is the provision for 41 affordable housing units.

Affordable Housing

In the past year, Seaside's Redevelopment Agency extended its exclusive negotiating rights agreement with the CHISPA Housing Organization to develop affordable housing on a parcel on Gigling Road between 6th and 7th Avenues. A source for the water allocation will need to be identified to make all phases of the proposed project a reality.

"The Seaside Resort will include a four-star hotel with 330 rooms, 170 time share units and 125 residential lots fronting the golf courses."

Seaside Highlands

This neighborhood is rapidly maturing and becoming an important contribution in the regional community. The beautiful homes and ideal location have made Seaside Highlands one of the most desirable neighborhoods on the Peninsula.



DEL REY OAKS

"Former Fort Ord property serves as the real estate resource offering great opportunities for Del Rey Oaks."

The final Dis-

position Agreement will be up for final consideration later in 2006 after the Environmental Impact Report is reviewed by the Council. The project is slated to contain a hotel, golf course, commercial/office center and a full range of market rate and below market housing, including low to moderate and workforce units.

The last fiscal year was a very positive one for the City of Del Rey Oaks. The 320 acres of the former Fort Ord was officially transferred to FORA for transfer to Del Rey Oaks. Del Rey Oaks selected a developer (Federal Development of Washington, D.C.) who presented preliminary project design plans to the City Council for review and comment. The Council unanimously endorsed the project. The developer selected his financial partner, JFR of New York, and a Disposition Agreement was negotiated between the two partners and Del Rey Oak's Redevelopment Agency.



MONTEREY



The Monterey portion of former Fort Ord property underwent processing for transfer this past year, and surveys are now underway for transfer in FY '07. Monterey coordinated the transfer details with FORA and the Army, with particular focus on protecting a small area with endangered plant life.

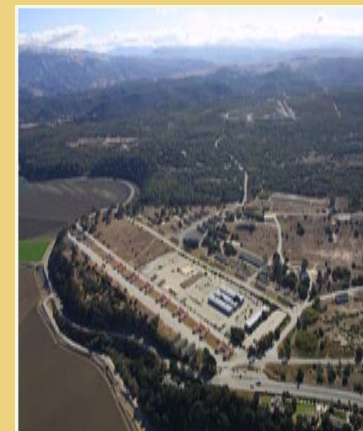
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"The City of Monterey plans to use its former Fort Ord properties to support existing industrial and future residential needs."

County of Monterey

"THE COUNTY OF MONTEREY HAS THE LARGEST JURISDICTIONAL AREA ON THE FORMER FORT ORD, TO BE USED FOR A WIDE RANGE OF ECONOMICALLY SUSTAINABLE PROJECTS."



East Garrison

Monterey County has entered into a Disposition and Development Agreement for the East Garrison area of Fort Ord, calling for the development of 1,400 homes, up to 70,000 square feet of commercial space, a County library, substation, and artist live/work, gallery and performance space. The arts habitat area will make extensive use of 20 historic buildings built during the Great Depression under the U.S. Works Progress Administration. This area is being nominated for designation as a National Historic District.

Monterey Horse Park

Monterey County approved an Exclusive Negotiating Rights Agreement and negotiations timeline leading to a Lease in Furtherance of Conveyance for property for Horse Park/Parker Flats property. The Monterey Horse Park Board achieved its first fund raising goal and anticipates significant future contributions.

Landfill Properties

Monterey County Supervisors Smith and Potter, with County staff, continued their dialogue with FORA regarding their proposed transfer of the closed landfill and adjacent properties to the Monterey County/Redevelopment Agency ("RDA"). Monterey County was active this past year in dialogue with the Marina Heights Developer and the City of Marina's proposal to utilize acreage on the closed landfill site for establishment of a sand gilia mitigation program required in the Marina Heights Environmental Impact Report.

Veteran's Cemetery

Monterey County staff and members of the Supervisors' Legislative Committee continued exploring mechanisms to facilitate development, operation and maintenance of the proposed Veteran's Cemetery. This effort has been widely supported by all elected officials and is coordinated with the City of Seaside and the FORA Board.