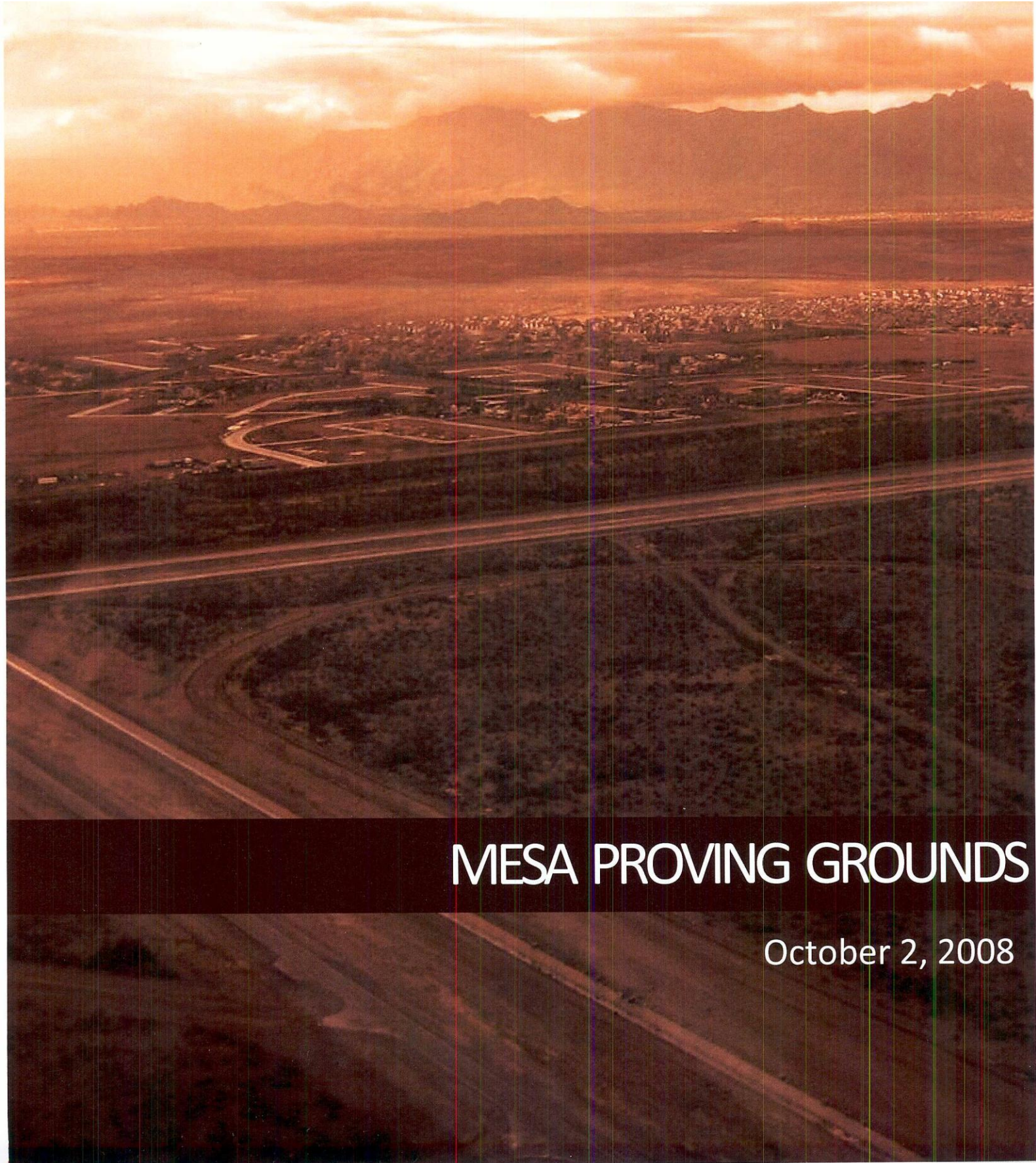


• Narrative



MESA PROVING GROUNDS

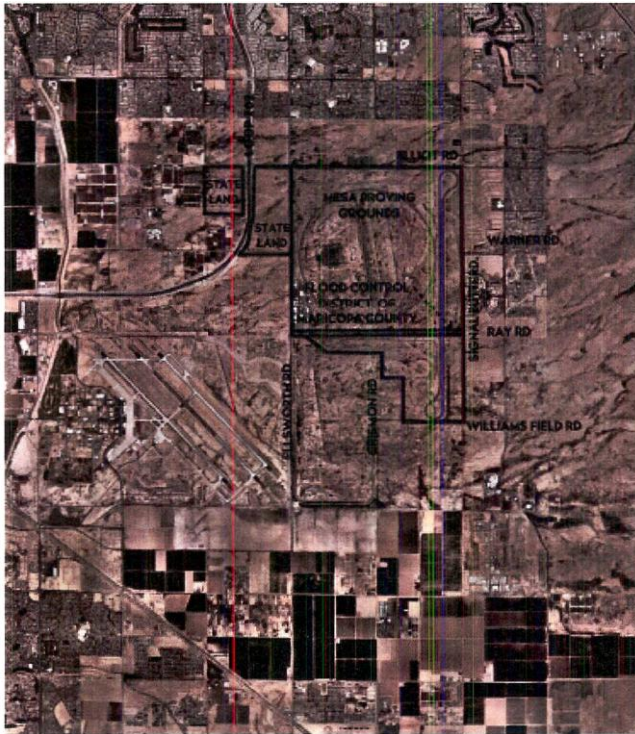
October 2, 2008



Mesa Proving Grounds Rezoning Application Project Narrative

DMB Mesa Proving Grounds LLC, a Delaware limited liability company ("DMB"), is the owner of approximately 3,200 acres of land located at the southeast corner of Elliot and Ellsworth Roads ("Mesa Proving Grounds"). In addition, the Flood Control District of Maricopa County ("FCDMC") is the owner of approximately ten (10) acres of land located along the Ray Road alignment between Ellsworth and Signal Butte Roads (the "FCDMC Parcel"). Collectively, Mesa Proving Grounds and the FCDMC Parcel are referred to as the "Property." Additionally, the Arizona State Land Department, the manager of 434 acres of State of Arizona Trust Land located adjacent to the Property (the "ASLD Parcel"), has given DMB permission to plan the ASLD Parcel in conjunction with the Property. ¹

Figure 1 - Location Map



¹ The ASLD Parcel will be auctioned in the future to facilitate the development and may or may not be developed in conjunction with Mesa Proving Grounds.

I. BACKGROUND

The Property is located within an important area of the Southeast Valley that is considered by the City of Mesa (the "City") as a critical future employment area primarily due to the existence of the Phoenix-Mesa Gateway Airport (the "Airport") and excellent proximity to significant regional freeway systems, both existing and planned. DMB embraces the notion that this area is an employment hub and supports the desire of the City to expand the operations of the Airport. Further, it is clear that the Airport is the focal point and will create a magnet for the growth of the area as a regional employment and destination area. Recent developments relative to the need for additional commercial flight capacity in the Phoenix metropolitan area indicate that the Airport will serve as a future commercial reliever to Sky Harbor. Additional uses will include cargo operations as well as general aviation. The Airport Authority is currently in the process of updating the Airport Master Plan and has projected that commercial flights could exceed 2.2 million annual passengers by the year 2027. Given the current refinement to planning efforts in the Williams Gateway Area (the "Gateway Area"²), there could be a shift in emphasis of the operations of the Airport and DMB is planning the Property accordingly.

II. REQUEST

DMB is requesting to annex into the City and rezone the Property from Maricopa County Rural43, with a Special Use Permit for a proving ground, to the Planned Community District (the "PC District"). The PC District will include a Community Plan (the "CP") that divides the Property into Development Units (the "DUs") and provides specific regulatory processes and standards that will govern development of the Property. The PC District allows the framework to develop a community in a manner that will complement and enhance the surrounding development, provides the structure for guiding the form of future development, meets the goals of the City and provides the ability to change and adapt over time to stay economically competitive. The rezoning will establish the planning structure for Mesa Proving Grounds by providing the regulatory framework for future development. DMB has also filed a request to amend the Mesa 2025 General Plan (the "General Plan") Land Use Plan from the existing land use designations of Community Commercial, Mixed/Use Employment, Mixed Use/Residential, Medium Density Residential, Business Park and Office to the Mixed-Use/Community ("MUC") land use designation as the first step in the planning process for development of the Property.

² The Williams Gateway Area is an approximately thirty-two (32) mile area surrounding the Airport within the City of Mesa.

Figure 2 - Existing Zoning Map

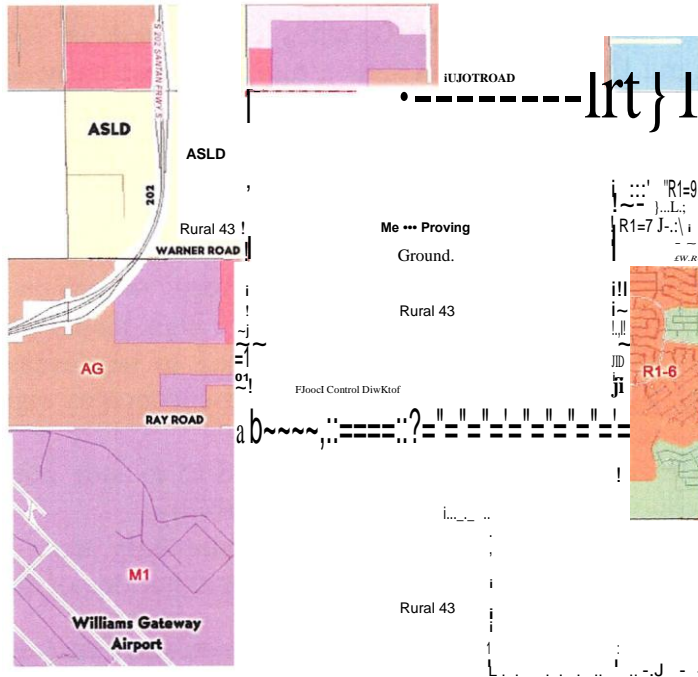
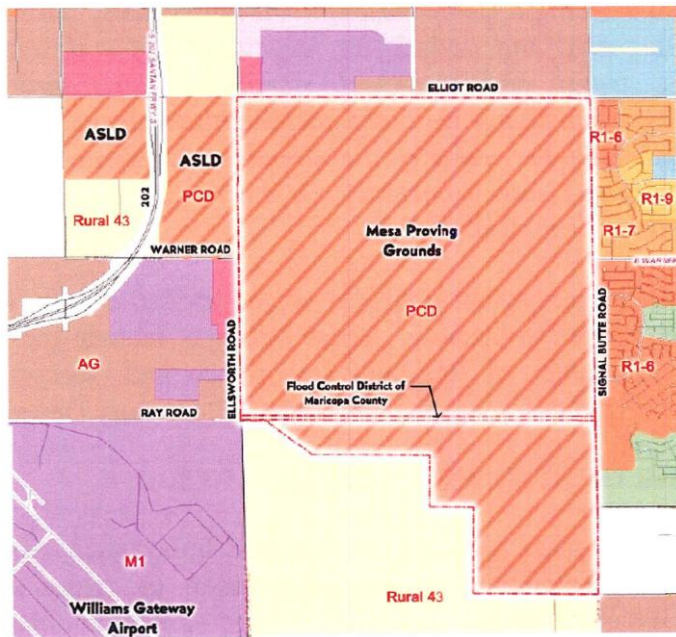


Figure 3 . Proposed Zoning Map



III. VISION

The planning process for Mesa Proving Grounds commenced in 2007 with an extensive community outreach and listening process. As a result of these early efforts, DMB identified four (4) basic themes, all of which were shared goals as articulated by the City, residents and stakeholders. These messages were also consistent with the employment goals established in the General Plan and the Urban Land Institute Study for the Gateway Area ("ULI Study"). The four (4) goals are as follows:

1. Mesa Proving Grounds should meet and exceed the job creation goals of the City by focusing on the creation and attraction of high quality jobs.
2. Mesa Proving Grounds should be designed to be developed in a manner that supports the operation of the Airport and encourages expansion and growth of Airport operations.
3. Mesa Proving Grounds should be planned to include notions of adaptability to new technologies and principles of sustainability.
4. Mesa Proving Grounds should be a community that is both adaptable and responds to market trends over a development horizon of decades.

With these goals in mind, a vision for Mesa Proving Grounds was developed as follows:

Mesa Proving Grounds will serve as a catalyst for the Phoenix-Mesa Gateway Airport area in becoming a Center of Regional Importance. This will be achieved through the integrated and holistic implementation of a desert urban lifestyle which includes travel and transport, commerce, entertainment, education, recreation, culture and living well. In partnership with the City of Mesa, Mesa Proving Grounds will be based on development practices that are financially sound, market sensitive, environmentally responsive and design oriented to create 21st Century Desert Urbanism.

Within this Vision, two (2) important concepts are embedded therein that best describe what Mesa Proving Grounds aspires to become. These concepts include the idea that Mesa Proving Grounds will become a Center of Regional Importance and, secondly, that Mesa Proving Grounds will be characterized as a place that connotes 21st Century Desert Urbanism.

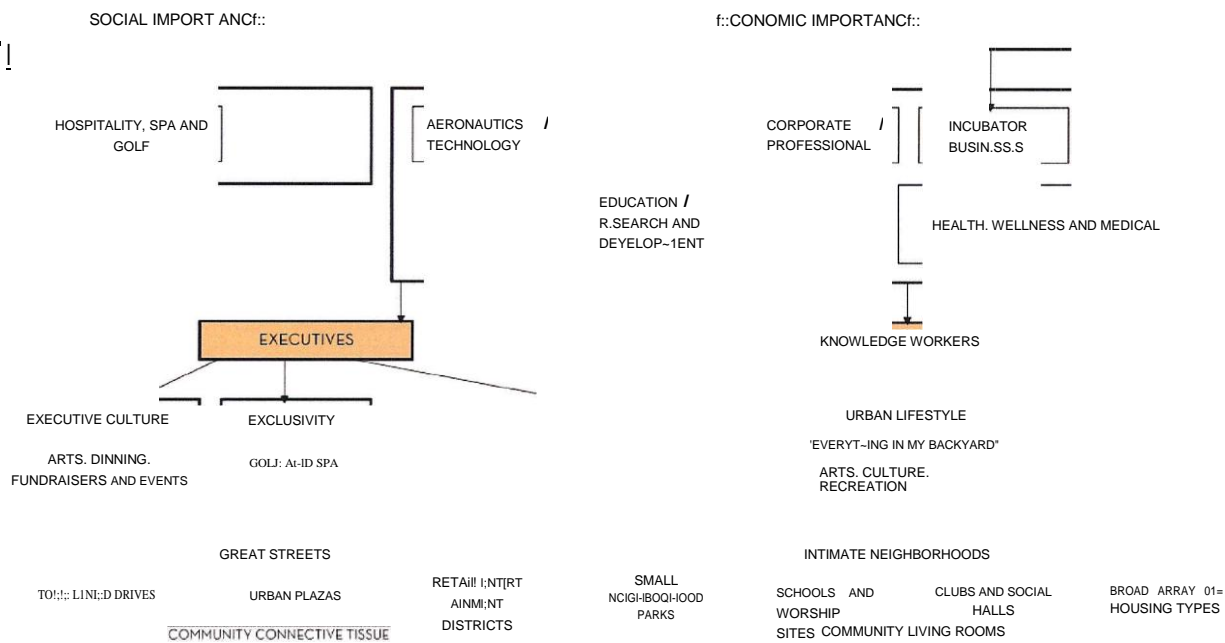
A. CENTER OF REGIONAL IMPORTANCE

In describing what makes a place a Center of Regional Importance, it is necessary to consider both economic and social elements. Given the desire to create significant employment opportunities, it is necessary to attract the right types of economic clusters such as aeronautics and technology, education and research and development, corporate and professional, health and wellness, and incubator businesses. These types of highly sought after businesses typically locate in areas where a base of knowledge workers are present and in areas that corporate leaders want to reside. In order to attract both of these groups, Mesa Proving Grounds will need to be the type of place in which these groups will choose to locate. The strategy and challenge then is

to create a physical and social environment that includes the elements that these two (2) groups desire including active, urban environments with easy access to jobs, housing, amenities, civic and cultural opportunities as well as areas for exclusive living and executive culture. In order to develop a center of regional importance, DMB will partner with industry experts to implement the development of the key community elements.

Figure 4 - Center of Regional Importance

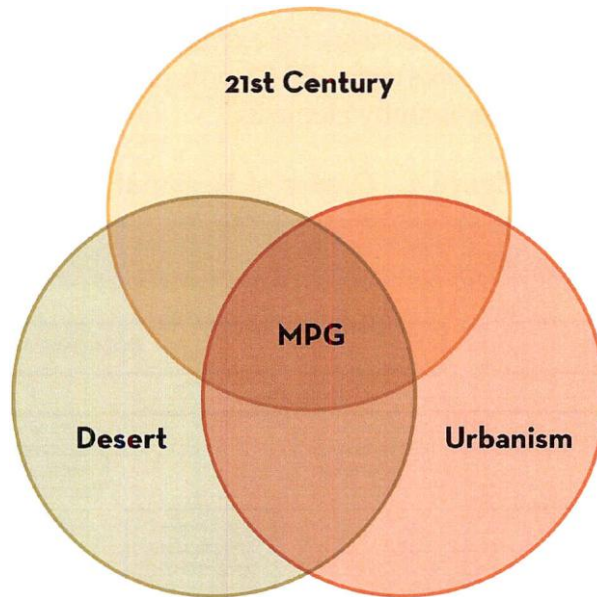
CENTER OF REGIONAL IMPORTANCE



B. 21ST CENTURY DESERT URBANISM

21st Century Desert Urbanism is a unique term that has been created to articulate the notions and development parameters and principles that are descriptive of the type of development envisioned for Mesa Proving Grounds. The component parts of 21st Century Desert Urbanism can be described below and include those elements that will help to create an environment that contributes to the ideas articulated in the Center of Regional Importance matrix:

Figure 5 - 21st Century Desert Urbanism



21st Century

- Transformation at the speed of technology; the form of development, the building structure and the social structure are designed to allow transformation to happen as quickly as possible
- Integration of elements, systems and ideas; integration of typical land uses, infrastructure, transportation, recreational, employment and educational systems
- High performance and artful simplicity
- Connected society, communications; transportation network; air transport; conference center (idea exchange)
- Knowledge and learning place
- Living Well Over Time
- Practical and sensible place to live and/or work in terms of costs and convenience

Desert

- An enduring place that capitalizes on location and climate, shaping life for generations
- The importance of shade and shadow
- The importance of water
- Site orientation
- Vegetation

Urbanism

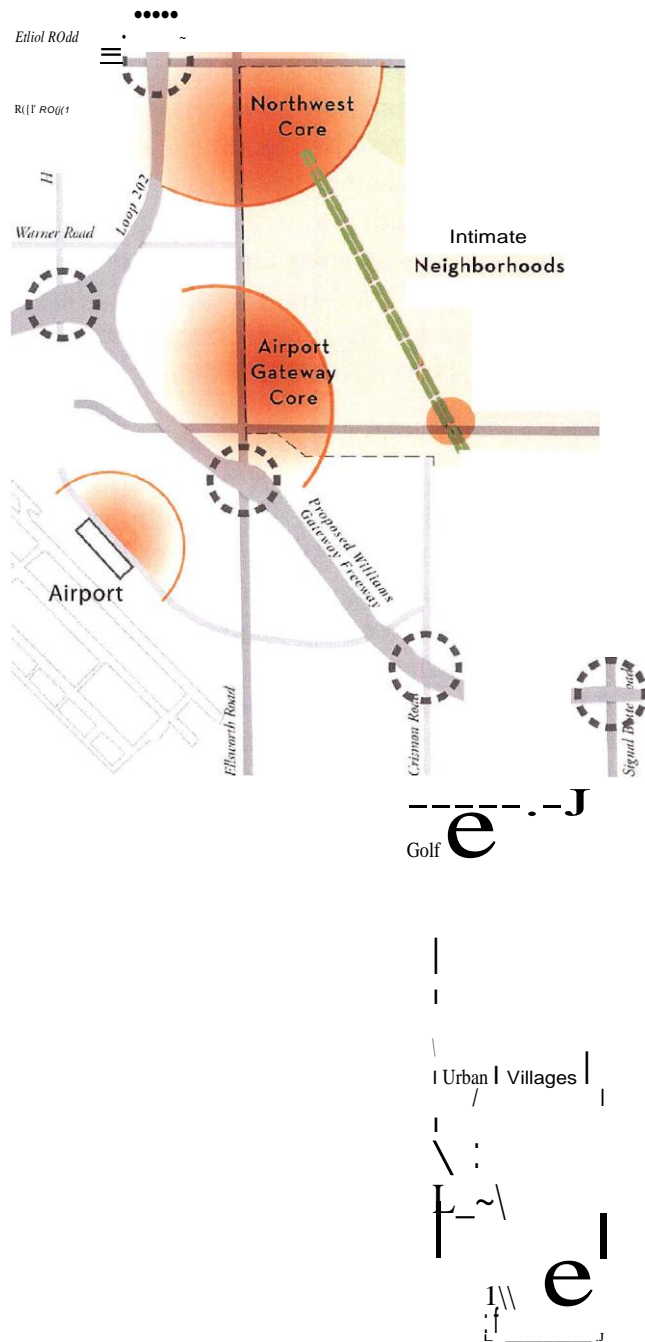
- Vibrant life; 24-hour entertainment district; always new people to engage in conversation; many civic and cultural events
- "Everything in my backyard"; convenient and desirous shopping, recreational and educational opportunities; entertainment, resorts, arts, cultural and civic venues; rejuvenating spiritual and relation facilities; ample employment opportunities; easy access to destinations via the airport; easy access to the Phoenix Metro area
- Everything placed with intention to maximize the synergy of uses
- Tight pedestrian-oriented (walkable) settings, narrow streets, clever infrastructure and drainage solutions provide a framework and urban setting that increases the intensity of the experience. This urban intensity ensures the success of a greater number of divergent uses to thrive economically, adding to the richness of life at Mesa Proving Grounds

Taken together, the vision for Mesa Proving Grounds involves the creation of a place that will attract the type and quantity of knowledge driven, high quality jobs, businesses, and amenities that will be the catalyst for the positive growth of the area in general and the Airport specifically. Mesa Proving Grounds will be a mixed-used community with sound planning principles that will allow for adaptation in the future, and to create a community that lives well over time. Mesa Proving Grounds is intended to include the integration of a variety of employment, commercial, residential, recreational, educational, civic and open space uses that will result in the development of a coordinated high performance community with lasting and growing economic value. Additionally, it is anticipated that the development form for Mesa Proving Grounds will generally be more urban than suburban in character, and over time, will include significant intensity (both vertically and horizontally).

IV. PLANNING FRAMEWORK

In the physical planning of Mesa Proving Grounds, a planning framework has been created and is articulated within the Chassis Plan depicted as Figure 6. Within the Chassis Plan, several key features have been identified, including multiple centers, convention/resort/hospitality, urban open space system, urban villages, connected transportation system, Great Streets, and sustainability. Individually, these elements can be successfully developed; however, when combined, these elements provide a foundation for a community which is able to evolve and live well over time.

Figure 6 - Chassis Plan



A.
 Multiple
 Centers

DMB envisions that "urban cores" will develop on the Property in specific locations that will take advantage of access points along both the Loop 202 and the future Williams Gateway Freeway and will be the area where much of the employment uses locate. An urban core is a dense, intense area of land which ultimately is intended to integrate uses both horizontally and vertically. An urban core is generally comprised of public or semi-public uses on the ground floor with buildings tight to the street to hold the urban form. Parking and open space uses are generally screened from the public view. The ultimate height of structures in urban cores will be limited by Federal Aviation Administration restrictions or other height parameters as outlined in the CPo Urban cores will be developed as mixed-use centers in order to encourage live-work scenarios. The opportunity to create urban living

opportunities in the heart of these centers will provide a special and unique environment that encourages vibrant lifestyles that cater to an appropriate balance of commerce, living, entertainment and recreation uses.

B. Convention/Resort/Hospitality

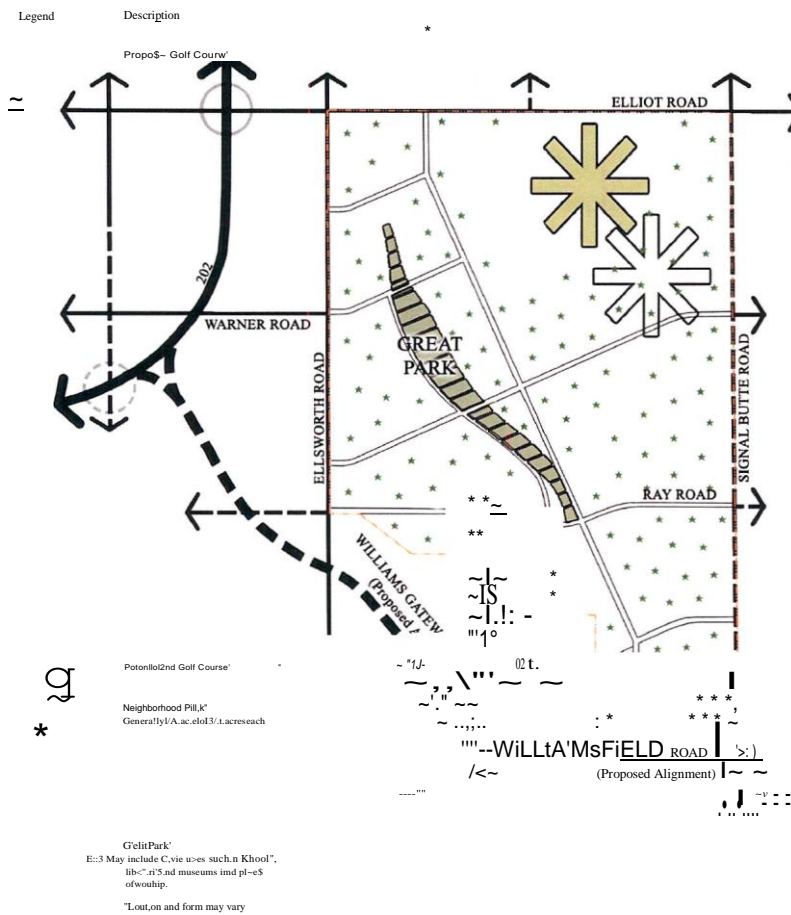
A resort and hospitality component will assist in creating a signature place in the area and will provide several important synergies with both the urban core and other adjacent areas. The

resort/hospitality area will also have significant synergy with the Airport by providing a destination area for travelers who will utilize the Airport as a transportation hub, thus providing further stimulation for the growth of the Airport as a commercial reliever.

C. *Urban Open Space System*

Creation of a legendary community is not possible without a significant amount of thought and attention to the recreational and open space systems. DMB's approach to this at Mesa Proving Grounds is to create an open space system that responds to a desert urban environment, links the various development units and provides the venue for gathering spots that unify and become special places. Park and open space areas include a Great Park that serves as a central gathering spot and as a social hub for the community, but which also provides connectivity for the various areas of the community. Additionally, multiple small neighborhood parks and plazas provide close spaces to serve the needs of residents and workers. This open space system will have an appropriate combination of active and passive areas and be designed with the strategic placement and use of shade and landscaping while providing spaces for civic and other gathering places. The urban open space system will be appropriately sized to meet the needs of residents, employees and employers.

Figure 7 - Open Space Plan



D. Urban Villages/Intimate Neighborhoods

In order to provide for the range of housing opportunities necessary for the success of the community as an employment center, it is anticipated that residential neighborhoods will be planned as a series of urban villages. These area will provide for a range of residential living options and densities all designed in a manner that encourages walkability and connections with other portions of the Property. It is anticipated that the residences within the urban villages will be between one (1) and four (4) stories in height and be located in the central portions of the Property.

Within the villages, there will be centralized social spaces such as neighborhood parks and religious and educational facilities. The intent of the residential village is to provide a variety of residential options throughout the Property with the common element of strong and vibrant social settings to provide the richness of community life. It is envisioned that the residential component will be designed and planned to attract future residents who are drawn to the area given its proximity to high quality jobs, ASU Polytechnic and other institutions of higher education in the area, the Airport and other regional amenities that are easily accessible.

E. Connected Transportation System/Great Streets

The provision of a connected, multi-modal transportation system characterized by Great Streets provides one of the key cornerstones for the development of the Property. Not only is Mesa Proving Grounds intended to be connected with the region via the existing and proposed freeway system, the surrounding arterial grid system, the Airport and ASU Polytechnic, the transportation system has been planned to allow for the infusion of a seamless multi-modal transportation system that provides the highest levels of connectivity throughout the community. The vision anticipates the inclusion of a connected bicycle, pedestrian and other methods of transport that will encourage the use of non-motorized transportation methods. The goal is to minimize the amount of motorized vehicle miles traveled by providing a higher intensity, mixed-use land use pattern rather than the traditional separation of uses. The transportation system will capitalize on this mix of uses by providing accessibility opportunities throughout the Property. Specifically, roads will be designed for people and placemaking in addition to a mechanism to move cars. While transit opportunities may not be plausible at the earliest stages of the project, the planning framework and associated standards can be developed to easily integrate alternate forms of transportation methods over many decades of development.

Figure 8 - Pedestrian/Bicycle Circulation

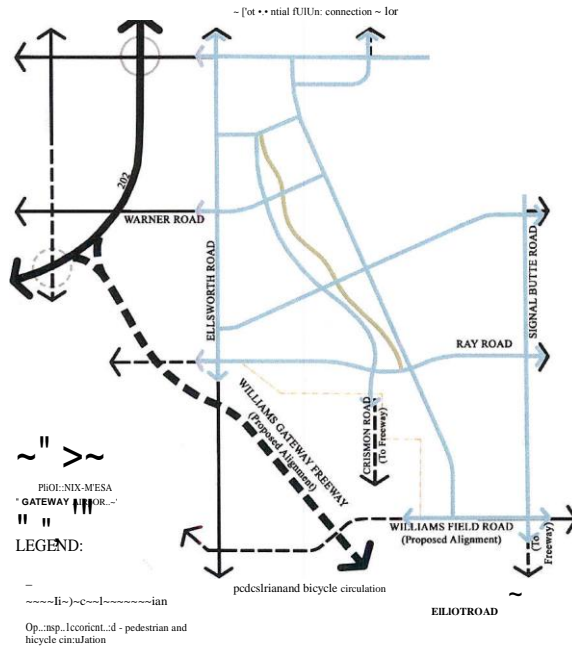
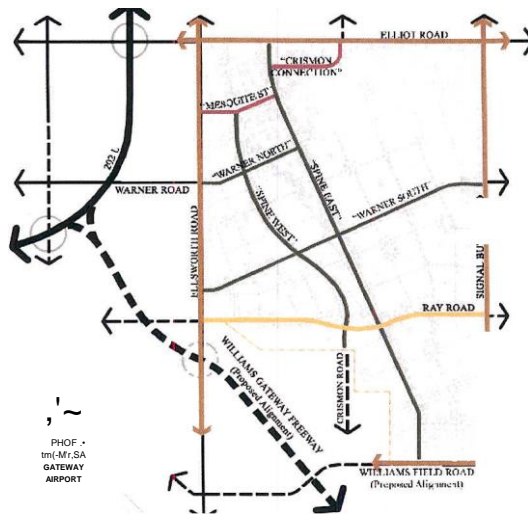


Figure 9 - Roadway Hierarchy Plan



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F. Sustainability

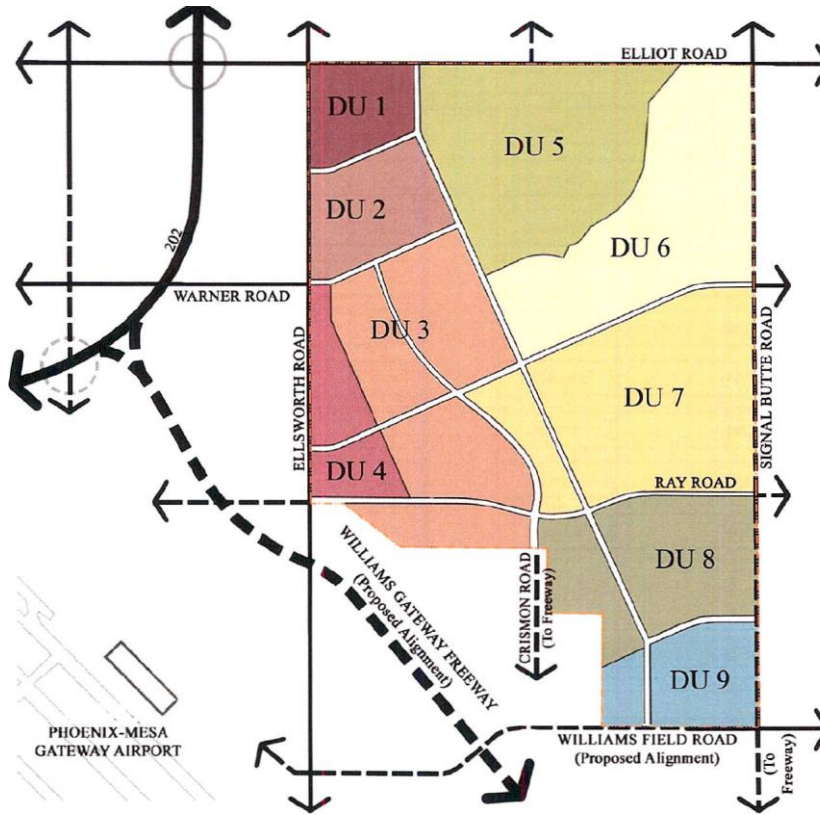
The planning framework has been designed to create 21st Century Desert Urbanism. Specifically, this will occur through the use of energy efficient building materials, building and street orientation, the use of landscaping and shade structures, and the strategic placement of open space throughout the community. In addition, the planning framework for Mesa Proving Grounds includes the recycling of existing facilities and improvements, use of shaded streets and walkways to encourage pedestrian activities and alternative to vehicle use, the integration of a storm water management system to reduce the waster usage in public landscaped areas, and the development of a non-potable irrigation infrastructure system to reduce the demand for potable water. The implementation of these planning concepts will allow the community to live well over time.

V. COMMUNITY PLAN

In accordance with the purposes of the PC District ordinance, the Mesa Proving Grounds PC District and CP have been developed to implement the vision for the Property. As part of the PC District zoning, the CP will guide the planning and development of the Property through a hybrid type form based code, which describes and focuses on the form of structures rather than solely on the permitted uses.

In order to implement the development of the key community elements, and pursuant to the PC District ordinance, the CP divides the Property into nine (9) Development Units ("DUs") and establishes a Land Use Budget (the "Budget"), which provides a cap for residential density and non-residential intensity. Additionally, the CP establishes Land Use Groups ("LUGs") and General Development Standards, both of which serve as the regulatory parameters for the Property. The LUGs provide guidelines to all of the key community elements that affect the character of the development, including the location and form of the development. Each of these items has been developed in conjunction with the vision of the project in mind.

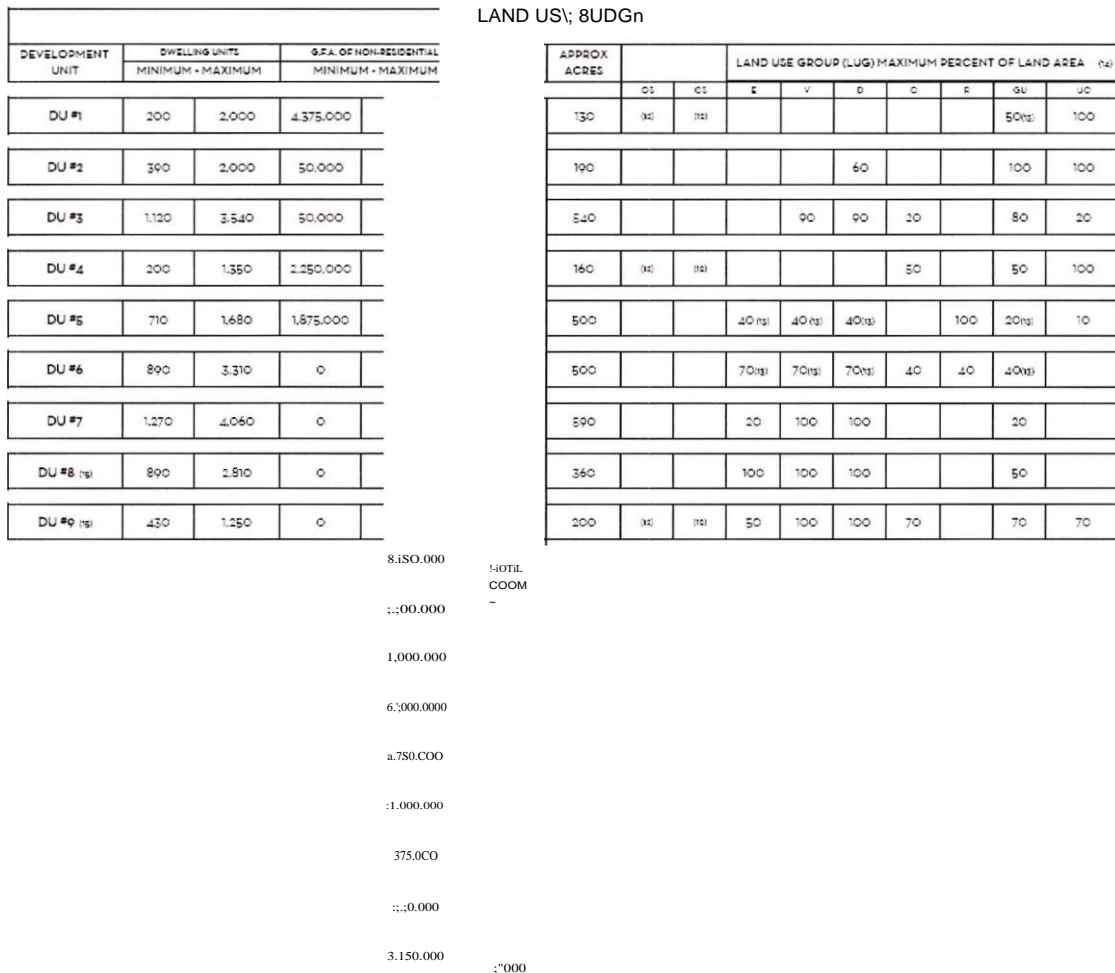
Figure 10 - Development Unit Plan



A. *Development Units/Land Use Budget*

As shown in the Budget, the rezoning request includes 20 million square feet of non-residential uses and 15,000 dwelling units. These residential units and non-residential intensities are further allocated to the nine (9) DUs. Together, the DUs and the Budget identify and allocate the intensity and density of both non-residential and residential uses on the Property. An overview of the Development Unit Plan and the Budget depict urban cores within DUs 1, 2 (Northwest Core), and 4 (Gateway Core), urban villages and districts, open space and civic uses within DU 3, 7, 8 and 9, a resort core within DU 5, and residential and office uses within DU 6.

Figure 11 - Budget



Notes regarding the Land Use Budget are contained within the Community Plan

B. Land Use Groups

As part of the CP, LUGs are established which define allowable uses, form and standards within each particular LUG. The CP establishes nine (9) LUGs as noted below.

Open Space: Open space and open space recreational uses, including golf, neighborhood parks and plazas.

Civic Space: Civic uses, places of worship, schools and open spaces such as the great park that will include these and other cultural and art facilities such as theaters, galleries, and museums.

Estate: Single-family attached and detached homes and estate scaled multifamily. The residences are generally one (1) and two (2) stories in height.

Village: Single-family attached and detached homes residentially scaled multifamily and commercial and mixed uses which are primarily residential in scale. The buildings are generally one (1) to three (3) stories in height.

District: Multi-family and minor mixed-use neighborhoods with commercial uses such as grocery and convenience as well as live-work units. The buildings are generally one (1) to four (4) stories in height.

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Regional Center/Campus: Buildings dominated by the landscape of parking settings in a formalized (grid) arrangement, which may include self-contained employment, big box retail, educational campuses, and high-tech manufacturing facilities. The form and massing of these uses will taper to match the adjacent uses unless fronting on a perimeter arterial. Building height will be limited by applicable regulations of the FAA.

Retreat: Buildings will be arranged randomly in the landscaping and are generally dominated by the landscape setting rather than the urban fabric. Uses will include resorts, spas, hotels, recreation clubs, and garden offices. The form and massing of these uses taper to match the adjacent uses. Building height will be limited by applicable regulations of the FAA.

General Urban: Multi-family and mixed-use neighborhoods with standalone commercial! employment uses holding the urban form of the street edge. Building heights are generally one (1) to seven (7) stories, although buildings up to two (2) stories in mass will be used to add to the urban setting.

Urban Core: The most intense use generally incorporating public or semi-public uses on the ground floor with the buildings tight to the street to hold the urban form. Parking and open space uses are generally screened from the public view and building height is generally only limited by the FAA. Single story structures, up to two (2) stories in mass will add to the urban setting.

The CP also identifies what DUs each of the LUGs can be located within. The chassis plan and the Development Unit layout provide the framework used to allocate and locate the various LUGs. The CP provides guidelines to all of the elements that affect the character of urban development within each LUG, including permitted uses and development standards for street sections, drainage and infrastructure requirements, parking, lighting, signage, open space forms, and setbacks (the "Development Standards").

C. *Process/Procedure*

In addition to establishing the development standards for Mesa proving grounds, the CP also describes and prescribes the planning process and procedures as the more detailed levels of planning are implemented. After approval of the CP, the next step in the planning process is to prepare a Development Unit Plan ("DUP") for each of the nine (9) DUs. The DUP process will provide refinement and more specific information regarding pedestrian corridors, common areas, public facilities, landscaping, signage, lighting, the design character, and conformance to master plans.

Following approval of the DUP, the next step is the processing of site plans and/or subdivision plats which requires more finite details of the specific development, including uses and all site and structures. In order for the DUPs, site plans, and subdivision plats to be approved,

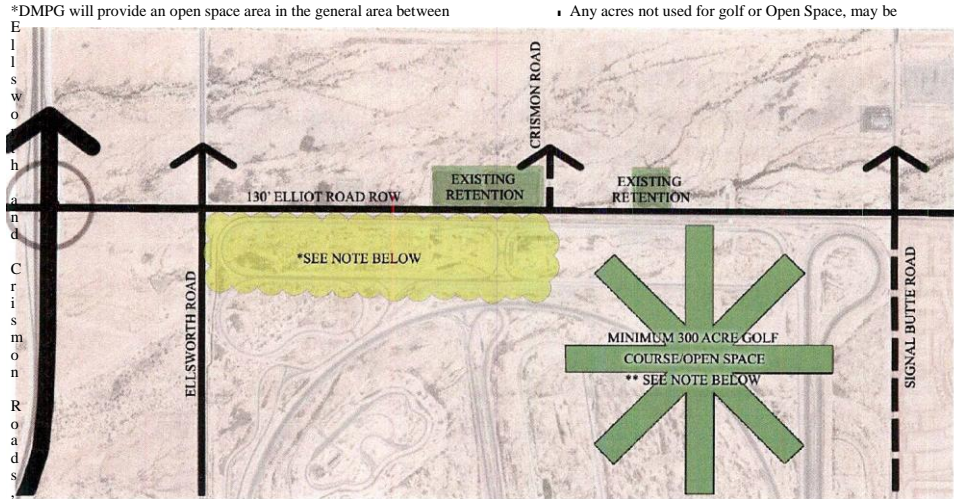
compliance with the General Development Standards and Design Guidelines approved with the PC District zoning must be demonstrated.

It is recognized that Mesa Proving Grounds will be much more urban in character than most areas of the City and that the applicable City processes will need to be responsive to the development. The current City Subdivision Regulations and Engineering Standards will for the most part be applicable to development of Mesa Proving Grounds; however, it is understood that provisions of the Subdivision Regulations and Engineering Standards may be in conflict with the purposes and intent of the CP and the PC District. Accordingly, the City and DMB have established a mutual understanding for an equitable working relationship between public and private interests to the end that both independent and mutual objectives can be achieved in the development of the community. Specifically, the City has agreed to monitor the established processes and will create ways to improve the timeliness of the process as appropriate and necessary. The City will also consider modifications to the Subdivision Regulations to allow for changes to the processes and procedures utilized for land divisions. Additionally, the City Engineer will consider modifications to the Engineering Standards Manual to allow for appropriate development on the Property in keeping with the vision, goals and objectives of the CPo

D. Airport Compatibility

Given the importance of the Airport to the region, the planning framework pays special attention to implementation measures intended to ensure compatibility with the Airport, specifically in DUs 1, 2 and 5. The ULI Study has indicated that development including open space, commercial, industrial, and intense urban areas are some of the land uses most compatible with adjacent airport operations. An urban core will be located at the intersection of Elliot and Ellsworth Roads, within DU 1. Another core location is at the intersection of Ray and Ellsworth Roads, referred to as DU 4, which is located close to the planned future Airport terminal. These areas are intended for higher intensity employment and mixed uses. Structures with noise sensitive uses in these DUs will typically be constructed in a manner that minimizes noise impacts. Additionally, high density residential, golf and hospitality uses are located in the northern portion of the Property within DUs 1, 2 and 5. These types of developments are intended to facilitate the creation of a vibrant, dynamic environment that is intended to be a catalyst for the type of employment sought for the area as well as the environment that will assist in the growth of the Airport. Additionally, disclosure requirements, building height restrictions, and a restriction on the uses within DUs 1,5, and 6 will be utilized.

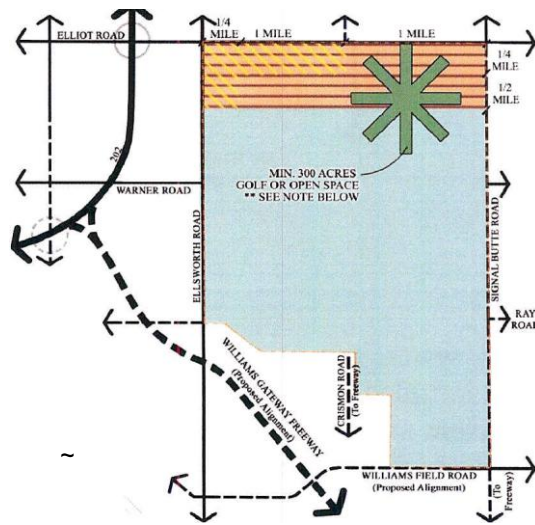
Figure 12 - Overflight Regulations



south of Elliot Road, as depicted on the attached map. The area shall be a minimum of 75 feet in width and 660 feet in length running parallel and adjacent to Elliot Road. The exact location and configuration of such area will be determined at the time of the Development Unit Plan approval for this portion of Mesa Proving Grounds. Uses of such area may include open space, landscaping, parking, roadway or drainage.

developed with uses consistent with the Mixed Use Employment and use category of the Mesa 2025 General Plan.

Figure 13 - Airport Compatibility



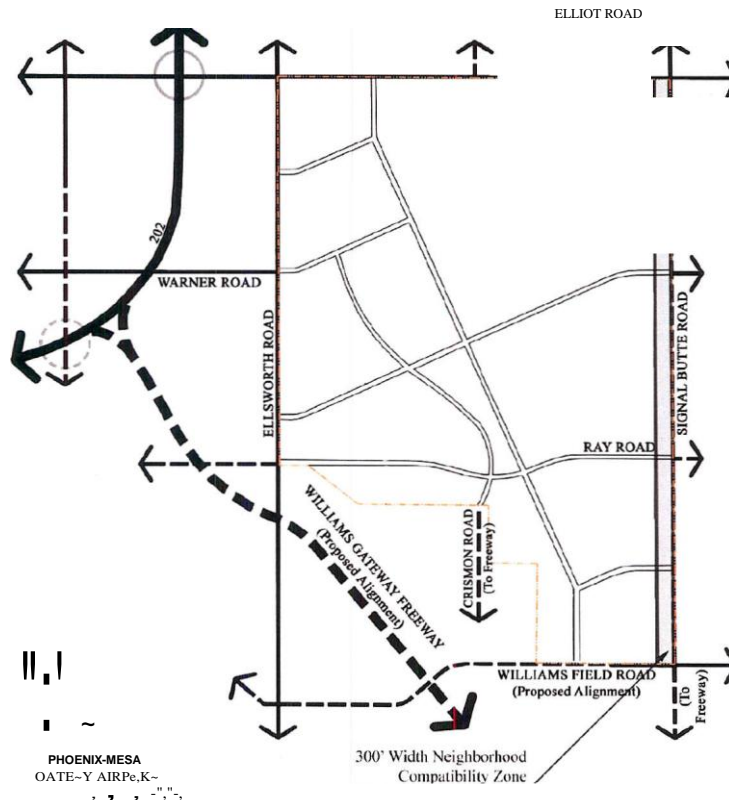
LEGEND
 - Sound Attenuation, Aviation Easement & Enhanced Notification
 - - - No Single Family Detached Residential
 - - - Aviation Easement & Enhanced Notification
 - - - ISO Height Limit
 * All subject to restrictions per FAA Part 71 Regulations

• Any acres not used for golf or Open Space, may be developed with uses consistent with the Mixed Use Employment land use category of the Mesa 2025 General Plan.

E. Neighborhood Compatibility

Compatibility with adjacent residential areas is also a key consideration and has been addressed by the inclusion of neighborhood compatibility restrictions for those areas of Mesa Proving Grounds adjacent to existing neighborhoods. Specifically, there are building height limitations within a 300 foot wide area adjacent to the eastern boundary of the Property within DDs 6, 7, 8, and 9.

Figure 14 - Neighborhood Compatibility Plan



F. Infrastructure

Infrastructure, including water, sewer, non-potable water, and drainage are addressed within master plans for each topic and included in the Appendix of the CPO. The Master Developer will provide the necessary infrastructure to meet the needs of future residents and employment uses. Processes have been established which will allow for the future review and approval of modified conditions which may be appropriately applied within the community. As required in the PC District ordinance, a development agreement will be entered into between the City and DMB to address infrastructure obligations of the parties.

G. *Open Space*

With regards to parks, recreation and open space, DMB is committed to providing the appropriate amount of open space and parks in the community. The cornerstone of a successful community is typically an accessible open space system. Mesa Proving Grounds will have a centralized great park with multiple connections to neighborhood parks and smaller public venues throughout the community. An open space system is depicted on the Open Space Plan.

In regards to the desert setting, there are several elements set forth in the CP which address development that is responsive to the environment. First, in the intense urban cores of DUs 1, 2, and 4, open space design, tree lined streets, the orientation of buildings and street scenes will promote shading and encourage a pedestrian environment within the desert setting. Second, is the use of landscaping throughout the community, by requiring landscape materials sensitive to water usage, the placement of landscaping, and the incorporation of a non-potable irrigation system. Third, is the ability to take advantage of the mountain views. This includes the orientation of buildings, particularly within DUs 1, 2, 4, and 5, by following the street grid set forth in the Master Transportation Plan. Finally, is the use of colors as established in the Design Guidelines throughout the community. Specifically, the color palettes will allow and encourage the use of trees and accents found in the natural desert landscape.

VI. EVOLUTION OF DEVELOPMENT

A successful 21st century community needs to incorporate the ability to move at the speed of ever changing technology and the market and to be a point of destination. The CP has been crafted to provide the City with assurances of the type of development that will occur while allowing the ability to respond to a dynamic economic market and ever changing technology in a timely manner. The LUGs and Budget have been created in such a way as to establish the permitted uses in specific areas thus having the entitlements in place so the potential employers and commercial users have the assurances required to commence the site plan and building design phase of a project. For example, in DU 1, office, retail, employment, open space, civic, resort, and some types of residential are the permitted uses. This scenario provides the City with assurances that the intensity and density of an urban core will be sufficient while providing DMB with the flexibility to market the area to a variety of users and to be able to quickly address and respond to the market in order to meet the employment and residential goals of development in this area of the City. Additionally, the variety and location of residential uses, including highdensity residential in DUs 1,2, and 4, and primarily single-family within DUs 3, 6, 7, and 8, will allow DMB to respond to the changing dynamics and demographics of a wide variety of individuals and families.

While Mesa Proving Grounds is anticipated to be an intense urban area, specifically in DUs 1,2, and 4, this reality will take shape over many years. Initial development may be of a less intense scale but is intended to be developed such that it can evolve, change and intensify over time as the area gains in stature and significance. The initial challenge is to begin the development in a manner that sets the stage for the future development as envisioned. The starting point for the

creation of this place must be based on the market as well as with uses that function as a destination.

Figure 15 - Conceptual Evolution of the Northwest Core

Conceptual Evolution of the Northwest Core

1.



2.



3.



4.



Hospitality use(s) and resort will provide both the catalyst for a new community as well as include a use that historically provides a solid tax basis to the City. The potential for a destination resort, specifically within DU 5, may also encourage development of other hospitality uses that typically locate next to destination resorts and convention facilities and in areas with surrounding attractions such as golf courses. Accordingly, a golf course is proposed for development within DU 5, in conjunction with the proposed destination resort. Retail and entertainment uses are also allowed within DUs 1 and 5 to compliment these uses.

As the community is developed with hospitality and commercial uses, the natural evolution of development is to integrate residential uses. Mesa Proving Grounds is envisioned to include a variety of residential options, ranging from executive housing around the golf course, to multifamily housing in the urban core, to more traditional suburban housing, with the appropriate transitions from the non-residential to residential uses and the integration of commercial, civic and open space. The implementation of a development phasing that starts with hospitality will allow DMB to both build on the success of a destination resort and golf course and to be

positioned to attract the type of corporations and businesses which utilize knowledge driven employment, that being employees with specialized and technical backgrounds and degrees.

The PC District ordinance was drafted with the understanding that projects of this magnitude are developed over many years including the construction of the infrastructure. In addition to the planning framework, master plans for water, sewer, non-potable water, transportation, and drainage are included in the Mesa Proving Grounds PC District to establish the overall plan for the community as development occurs and the infrastructure is completed.

Mesa Proving Grounds is a very large, complex and intricate project that antICIpatEs a development schedule on the commercial side that will last approximately forty (40) years and the residential development aspects of the project are planned to last approximately twenty (20) years. With a project of this magnitude, it is difficult to anticipate the actual timeliness of each component of the community since the ability to absorb will be largely based on the market. Realistically, the timing and phasing of development will be dictated by numerous economic forces and outside factors that are impossible to anticipate today. It will be imperative that all development maintain a flexible schedule so that appropriate projects can be brought to the market at the optimal time. Initially, it is anticipated that construction will commence in 2009 and that the earliest stages of development will include commercial, residential, hospitality and the infrastructure to serve those uses. Specifically, this includes development within DDs 1, 2, and 5, followed by some of the neighborhood villages in DDs 6 and 7, and the Gateway Core in DD4.

Development Phasing Schedule

Mesa Proving Grounds is a very large, complex and intricate project that antICIpatEs a development schedule on the commercial side that will last approximately forty (40) years. The residential development aspects of the project are planned to last approximately twenty (20) years. With a project of this magnitude, it is difficult to anticipate the actual timelines since the ability to absorb will be based on the market. Below is an estimate of overall phasing, commencement and completion dates. Realistically, the timing and phasing of development will be dictated by numerous economic forces and outside factors that are impossible to anticipate today. It will be imperative that all development maintain a flexible schedule so that appropriate projects can be brought to the market at the optimal time. For the purposes of the PCD, suggestions of any timing shall be considered as estimates only.

Currently, Mesa Proving Grounds is planning for limited construction and demolition to begin in 2009. The following is an estimate of the year that development, within each of the development units, will commence and be completed. The commencement and completion dates will likely change as the project is developed.

<u>DEVELOPMENT UNIT</u>	<u>COMMENCEMENT</u>	<u>COMPLETION</u>
DU 1	2012	2040
DU2	2012	2040
DU3	2012	2020
DU4	2015	2040
DU5	2010	2040
DU6	2012	2040
DU7	2016	2025
DU8	2019	2030
DU9	2020	2040

VII. JUSTIFICATION OF PC DISTRICT

Included in the PC District ordinance is a list of nine (9) purpose and intent statements for any property to be zoned PC District. Following are the purposes and an explanation as to how the proposed development of Mesa Proving Grounds meets or exceeds them:

- A. Accommodate large scale, unified and comprehensively planned developments that encourage and promote innovative and sustainable residential and non-residential land uses.*

Mesa Proving Grounds is unique as it is the largest single owned property within the Gateway Area and therefore plays a significant role in influencing growth in the area and shaping the quality of development that will occur. The Gateway Area is destined to become a major urban center within the Phoenix metropolitan area and the most significant employment hub for the entire Southeast Valley. The City has been a leader guiding and shaping this area to become a regional employment area that attracts high quality jobs as well as becoming a premier location for people to live. Mesa Proving Grounds is situated in the heart of the Gateway Area and will be one of the major catalysts for development and redevelopment throughout this location.

In order to realize the employment aspirations for Mesa Proving Grounds, implementation of a strong economic development effort is necessary. Specifically, to attract the type of employment desired for the area, it will be critical to create a place of high quality that employers, knowledge based workers and residents will want to locate. The development of 3,200 acres in this particular area of the City has the potential to dramatically assist with the long-term economic growth of the City. The proposed development of Mesa Proving Grounds over the next thirtyfive (35) to forty (40) years is estimated to generate approximately 50,000 direct and approximately 22,000 indirect jobs due to the creation of an urban environment that complements the range of adjacent uses in the Gateway Area.

B. Allow flexibility for innovative and high quality development while meeting the goals of the Mesa General Plan and establishing planning and development control parameters tailored to the opportunities and constraints of the property.

The PC District zoning and accompanying CP provide the flexibility to develop an upscale, high quality development for which DMB is known. The PC District zoning allows DMB to consider the unique characteristics of Mesa Proving Grounds and the required CP and DDPs provide the City with assurances that Mesa Proving Grounds will be developed in accordance with the vision, Council policy direction, and economic goals. The vision statement for Mesa Proving Grounds, set forth above, best summarizes this sentiment. Collectively, the vision, design guidelines, development standards, and processes create a useable document for both the City and the Master Developer to implement a high quality, sustainable, innovative urban, mixed use community.

As set forth above, the CP divides the Property into nine (9) DDs and the Budget depicts the initial allocation of resort rooms, residential, and non-residential land uses allowed within the Property by DDs. The document is crafted so as to implement a system of processes and requirements to accommodate large scale, unified and comprehensively planned development to quickly address and respond to potential users. The comprehensive nature of the CP enables it to be the primary regulatory planning document that directs development of the Property.

The next level of planning for the Property requires review and approval of DDs for the various portions of the Property. Additional detail as to land use, transportation systems, open space, community facilities, etc. will be accommodated in that particular portion of the community in a phased manner. Additional land plans, design guidelines and other details are provided to further encourage and promote innovative and sustainable residential and non-residential land uses. The CP is a living document with an established set of rules and requirements.

C. Provide for development that is sensitive to its location in the Sonoran Desert, that conserves scarce energy resources, and that utilizes technologies, materials and designs that are sustainable.

Mesa Proving Grounds is envisioned to be a development that takes into account smart growth planning principles that ultimately will make the project more sustainable. These principles include the appropriate placement and concentration of density and intensity in the urban cores, DDs 1, 2, and 4, to encourage walkability and use of alternative modes of transportation, orientation of streets and structures to take maximum advantage of active and passive solar solutions, providing a mix of uses, sustainable materials, shade incorporated into building and neighborhood design, landscape palette, and other planning, architecture and landscape techniques. DMB's goal is to incorporate measures that are environmentally viable and which are replicable to other contexts.

A major component of the overall planning and design effort for Mesa Proving Grounds includes the careful integration of parks and open space. Based on the conceptual planning framework established, the overall park system for Mesa Proving Grounds will provide links throughout the

community. Because of the urban nature of the development and the fact that there are few natural features, the open space design is critical for creating a successful community. The open space will be organized in a hierarchical manner to serve the wide range of uses and users throughout the community. Major goals for the open space programming include providing recreation, social gathering spaces, connection to nature, and community linkage and access. The open space system will be programmed so that residents will be within convenient walking distance to open space anywhere in the community.

The Amended Standards, Design Guidelines and the vision for the Property lay the foundation for the City and DMB to work together in allowing for the latest technologies and materials to be used to develop the Property. The CP provides for the flexibility to propose innovative, high quality design standards to the City staff for review and approval. The partnership and adaptable regulatory framework provide enable future technologies and new materials to be considered for the Property. DMB is committed to creating a development that responds to the goals established by the City, while providing for methods of development that conserves resources and is sensitive to its location within the Sonoran Desert.

D. Encourage a creative and high quality approach in the utilization of land and resources, and the design of buildings and landscape, in order to accomplish efficient, aesthetic, and desirable development that may be characterized by special features of the geography, topography, size or shape of a particular property and that provides for adequate public amenities and facilities.

The CP allows the ability to create a unique regulatory framework that can be applied to properties with the goal of creating a community that responds to the needs of residents and employees in the area. The CP also provides the necessary planning processes and flexibility to ensure that future development will be consistent with the overall vision for Mesa Proving Grounds yet will be flexible enough to respond to dynamic and changing conditions over the next thirty five (35) to forty (40) years.

The PC District zoning and CP provide regulations that will address aesthetics, architecture, and landscaping. The vision, the Budget, Design Guidelines, subsequent DU design guidelines, site plan approval processes, Development Standards and other regulatory sections combined, provide the tools to create an urban mixed use environment that shares spaces and resources. This document creates the framework to develop a community that mixes uses which encourages a creative and high quality approach in the utilization of land and resources, and the design of buildings and landscape, in order to accomplish efficient, aesthetic, and desirable development.

Due to the historic use of the Property as a vehicular proving ground, there exists little to no natural features; however, the views from the Property to the adjacent mountain ranges provide a positive aspect of the natural setting. Uses such as golf course, resort and hospitality, and residential components of the community will be located and positioned to take advantage of the adjacent view corridors and the surrounding natural beauty. Additionally, the park and open space network, a critical component of the community, will provide multiple opportunities for recreation. The centerpiece of the open space system will be the great park, a gathering place to

accommodate a range of uses and functions that will emphasize health, wellness, recreation, culture and community. The great park will develop as adjacent properties develop. At a certain threshold, the great park will expand to accommodate other developments not directly adjacent to the location of the great park. The great park, depicted on the Open Space Plan, will evolve over time changing with the recreational, educational and cultural needs of the residents of the community

E. Ensure that areas designated Mixed Use/ Community in the Mesa General Plan develop with one or more villages or urban cores that contain an appropriate variety and mix of employment, office, retail, medical, educational, community services, tourism, entertainment, open space, recreational and residential uses to provide a central focus and sense of place within the community.

Based on the guiding principles set forth in the Vision section above, the planning framework of the community organization has six (6) main components: multiple centers, convention/resort/hospitality, urban open space system, urban villages, connected transportation system, and sustainability. Together, these components form the physical organization of the community and provide the basis for the development of the community for years to come. It is anticipated that there could be up to three (3) urban cores, within DUs 1,4, and 9, envisioned as compact, mixed-use environments that promote development that focuses on higher intensity office employment and residential uses along with numerous complimentary uses. There will be villages organized in the appropriate locations to provide a neighborhood environment that compliments the more intense and dense urban cores. The villages are envisioned as walkable environments that include traditional neighborhoods as well as mixed-use centers with shopping, education, and recreation opportunities in addition to the range of residential uses. Pursuant to the Development Schedule, the urban core within DU 1 is one of the first areas of Mesa Proving Grounds anticipated to be developed with an estimated commencement of construction in the year 2010.

The DUP and the Budget, along with the allowed LUGs ensure that areas designated Mixed Use/Community in the Mesa General Plan develop with one or more villages or urban cores that contain an appropriate variety and mix of employment, office, retail, medical, educational, community services, tourism, entertainment, open space, recreational and residential uses to provide a central focus and sense of place within the community.

F. Ensure that residential neighborhoods utilize a variety of housing types and densities that contain parks and schools that are located within convenient walking or bicycling distance from all homes, neighborhood village centers with shops, restaurants, service users, schools and other civic uses that provide each neighborhood an individual identity and foster community interaction.

In order to provide for the diverse range of housing opportunities necessary for the success of Mesa Proving Grounds, there is the potential for dense, urban residential buildings with greater heights and mixture of uses within the urban cores, DUs 1 and 4 than other areas of the

community, DUs 3, 6, 7, and 8. High density residential uses are intended to be integrated both horizontally and vertically within the urban cores and have readily accessible employment opportunities as well as being spatially near goods, services, educational and civic opportunities. It is also anticipated that residential neighborhoods will be planned as a series of villages. These villages are intended to provide for a range of residential living options and densities all designed in a manner that encourages walkability and connections with other portions of Mesa Proving Grounds. It is envisioned that the residential component will attract future employees who are drawn to the area given its proximity to jobs, the Airport, ASU Polytechnic, and other amenities that are readily and easily accessible. The DUs and the Budget, along with the LUGs describe the ranges of residential uses. The individual DU design guidelines and phasing of DUs will determine the variety of housing types and create a network of residential neighborhoods connected to services and educational facilities through a multi-modal transportation network. The urban villages will be located in areas of the community to provide the surrounding residential neighborhoods a gathering place and a place that provides goods and services for the immediate neighborhoods.

G. Ensure that demand on streets, utilities and other public infrastructure do not exceed the capacity of existing or planned facilities, and ensure that development will accommodate new and future technologies for utilities and other public infrastructure.

The provision of connected, multi-modal transportation system provides one of the key cornerstones for the development of the Property. Not only is Mesa Proving Grounds intended to be connected with the region via the freeway system, the surrounding arterial grid system, the Airport and ASU Polytechnic, it will also be internally connected. The design and plan will include connected transit, bicycle, pedestrian and potentially other methods of transport that will encourage the use of non-vehicular modes of transportation. The goal is to minimize the amount of vehicle miles traveled by providing a higher intensity, mixed-use land use pattern rather than the traditional separation of uses. The transportation system will capitalize on this mix of uses by providing accessibility opportunities specifically; roads will be designed for people and placemaking rather than merely as a mechanism to move cars. These improvements ensure a plan that does not overburden the transportation system. This design philosophy promotes walking, biking and other non-mechanized movement through the Property. The community design will establish central nodes for the urban cores and urban districts to capitalize on their location for mixing the appropriate uses and making them easily accessible by pedestrians and bicycles. Furthermore, as the community grows and a sufficient density and intensity is established, the community will be able to support a rubber wheeled transit system for travel within the community and potential links to the Airport, ASU Polytechnic and other properties in the area. The goal of the community design and function is to create a multi-modal system for the community.

In addition, the PC District requires master plans for water, wastewater, drainage, transportation and other public infrastructure which are provided throughout the community. Master plans as well as an off-site waste water study and master non-potable water plan. The non-potable water

plan identifies how the Master Developer will accommodate future technology in the conservation and reuse of storm water. These master plans will ensure the densities and intensities planned for the Property do not negatively impact surrounding and regional public infrastructure. The master plans will be reviewed and approved as part of the CP and will be updated, as necessary, through the DUP process and any major amendments to the CP. This requirement ensures that demand on public infrastructure do not exceed capacity. As for other new and future technologies, the General Development Standards, Design Guidelines and the vision for the Property outlined within the CP lay the foundation for the City and the Master Developer to work together in allowing for the latest technologies and materials to be used to develop the site.

H. Provide reasonable assurances to the City and land developer that the proposed development may be planned and carried out in one or more phases over an extended period, in accord with an approved Community Plan.

Mesa Proving Grounds is a very large, complex and intricate project that will be developed and evolve over a thirty five (35) to forty (40) year time period. With a project of this magnitude, it is difficult to anticipate the actual timelines based on the fact that many aspects of the development will be dictated by numerous economic forces and outside factors that are impossible to thoroughly anticipate in the initial planning stages. Accordingly, it is imperative that the governing development standards provide flexibility so that appropriate projects can be brought to the market at the optimal time. DMB has worked with staff on infrastructure planning to accommodate the anticipated phases of the Property and created a Phasing Schedule. DMB is anticipating initial development to occur in the northern portion of the Property with the resort, golf course, and urban core in DUs 1 and 5. This first phase will provide a significant base of employment, hospitality and open space amenities described in the vision. DMB has proposed a framework within the CP to respond quickly to the market and opportunities that are not readily available on surrounding properties or competing communities. A substantial marketing effort will begin once entitlements for the Property are secured from the City. The development agreement may address certain aspects of the infrastructure phasing to ensure the Property meets this intent and purpose of the PC District.

In addition to the CP, DMB understands that it is important for the orderly development of the Property over the next thirty five (35) to forty (40) years to establish a cohesive concept and enforceable structure for project governance, including potentially codes covenants and restrictions as well as homeowner associations. In this context, DMB will create the appropriate entities empowered to administer the governance processes, enforce architectural and landscape design standards, and create the framework for ownership and management of various aspects of the community throughout the development of Mesa Proving Grounds and into the future. This may include the creation of several associations charged with the authority and responsibility to maintain the integrity of the community as well as the common areas of the community, and to operate and maintain specific areas of the community such as residential and non-residential. Once a critical mass of residents and employers are located within Mesa Proving Grounds, there

is the potential for the creation of entities to organize the social and philanthropic aspects of most DMB communities.

I. Provide for cohesive development patterns that integrate well with surrounding development and encourage a variety of transportation options.

The Property has been envisioned to provide a more efficient and sustainable land use pattern than contemplated in the existing General Plan. While increased intensities and densities are contemplated, they are planned to be designed in a fashion that will encourage use of alternative forms of transportation and which encourages walkability within the community. Mesa Proving Grounds is anticipated to ultimately be developed with urban cores and multiple urban districts that are anticipated to include a mix of uses at higher intensities. Residential uses in and around these areas are intended to be higher density which will encourage walking making this a true "live, work, play" environment.

The Airport and Neighborhood Compatibility section of the CP ensures that the Property develops with surrounding development and influences in mind. The CP establishes a framework to address the Property's locational advantage within the Gateway Area and establishes the land use groups for each DU with a minimum and maximum range and general development standards that allow the City's goals to be met by creating land uses and development standards that are compatible. This integrated land use approach will be proactive and evolve over time. The framework creates an advantage for DMB to develop the Property consistent with the vision of for the community. This vision is consistent with the City's goals for the area and its future potential a regional employment core for the Southeast Valley.

VIII. CONFORMANCE WITH CITY POLICIES, GOALS AND OBJECTIVES

Many of the policies, goals and objectives of the General Plan, the ULI Study, the Mesa Gateway Strategic Development Plan (the "Gateway Area Plan"), and the PC District Ordinance are met with the rezoning of Mesa Proving Grounds to the PC District zoning. Four (4) of the policies, goals and objectives from these policy documents are addressed below:

A. Employment Goals

The City has recognized the employment potential of the Gateway Area and has identified very aggressive goals relative to the creation of strong economic centers within the City, including the designation of the area surrounding the Airport as an economic hub. It is also noted that the creation of high quality jobs within this area is an important goal. Furthermore, the General Plan envisions this area to become the 2nd urban center of the City with a mixture of residential, commercial, employment, recreation and public uses. DMB shares this vision with the City and based the aforementioned goals and planning framework for the Property in alliance with the stated goals and objectives of the City. To reiterate, it is DMB's contention that the established goals to be implemented through the planning framework established with the PC District zoning will result in the attraction of high quality jobs that will occupy less land over the next thirty-five

(35) to forty (40) years. The proposed office uses, given the overall intensity of these uses, will generate more jobs per acre. Specifically, the shift from low employment generating business park uses to higher intensity offices and hospitality uses will create the opportunity for industrial and Business Park uses to develop on other property in the area already designated for such uses. The result is an appropriate and efficient land use plan from a regional perspective as well as assisting with the employment goals of the City for the Gateway Area.

B. Enhancement of Airport

The City has a long standing history of supporting and promoting the viability of the Airport. Given the critical nature of the Airport to the region and Mesa Proving Grounds, specifically, DMB has carefully and strategically developed the planning framework that acknowledges and respects the Airport operations and plans for uses and intensities that are compatible. The creation of a vibrant, dynamic environment will be a catalyst for the type of employment sought for the area as well as the environment that will assist in the growth of the Airport. The urban core will be located at the intersection of Elliot and Ellsworth Roads within DU 1 and is intended for higher intensity employment and mixed uses, and the noise sensitive uses will be constructed to mitigate and minimize noise impacts. Additionally, golf and resort uses are located south of Elliot Road within PU 5. Finally, as required by the Airport and City of Mesa, and as defined in CP, there will be disclosure requirements, sound attenuation measures and restrictions on the types of residential uses located at the northern boundary of the Property and an avigation easement across the Property.

C. Airport Master Plan

The Airport Authority is in the process of updating the Master Plan for the Airport (the "Airport Plan"). The purpose of the Airport Plan is principally to evaluate the aviation demands of the area and incorporate such into the projected operations and growth for the Airport. DMB has followed the update to the Airport Plan closely and provided input as requested in order to encourage the growth of the Airport as a reliever for Sky Harbor.

D. Gateway Area Plan

The Gateway Area Plan is a concept which has not been approved and implemented by the City Council, but if approved, is intended to assist the City in guiding the future growth of the area and provide direction to large and small vacant properties within the area. The stated vision of the Gateway Area Plan is *to be an internationally recognized destination for those looking for a sustainable place in which to live, work, learn and recreate. It will provide industries with an economically efficient business climate and its workforce and residents with access to the global resources desired of knowledge based economy.* The Gateway Area Plan continues to be refined as it proceeds through the public input process and DMB is committed to continuing to work with staff to ensure the planning framework for Mesa Proving Grounds is generally consistent with the stated goals and policies of the Gateway Area Plan

IX. PROJECT GOVERNANCE

Governance of the Property will rest upon a foundation of recorded covenants and restrictions (the "Covenants") which will bind all present and future owners within the Property. The Covenants are intended to preserve, continue and maintain the character of development of the Property with its special characteristics and environment. The Covenants are also intended to establish a comprehensive plan for and uphold the quality of all future architecture, development and land uses within the Property and are intended to create a developmental culture of the highest quality land use and development. In addition to containing the standards and guidelines for development, operation, use, and maintenance of various areas within the Property, associations and other entities will be established to vest governance roles and responsibilities in ways and at levels most appropriate to accomplishing the community objectives and development vision for the Property.

X. DEVELOPMENT AGREEMENT

Pursuant to the PC District ordinance, a Pre-annexation Development Agreement ("PAD A") will be entered into between the City and DMB. The provisions of the PADA are intended to establish, among other things, the zoning for the Property, the infrastructure obligations of the City and DMB, and the hierarchy of the governing documents.

XI. SUMMARY

The PC District zoning, the CP, and supporting master plans demonstrate that the vision for the community meets the purpose, intent and requirements of the MUC land use designation of the General Plan. In addition, the regulatory framework established in the CP and the supporting master plans meet the intent and purpose of the PC District ordinance. The use of the PC District will allow DMB and the City to plan the Property to encourage a dynamic mixture of uses. In addition, DMB and the City have an opportunity to plan a significant parcel of land in the Southeast Valley with the innovative integration of uses horizontally and vertically.

