MASON-McDUFFIE CO.
2101 SHATTUCK AVENUE , BERKELEY 4, CALIFORNIA

Sea Ranch Correspondence

October 11, 1963

Mr. Frederick Simpich, Jr., President
Oceanic Properties, Inc.
491 Kamakee Street
Honolulu 3, Hawaii

Dear Mr. Simpich:

Since our last meeting I have been away from my office much of the time. In spite of this, your real estate counseling service has been very much at work studying the proposed development of the Sea Ranch.

Prior to my leaving for the East, Mr. Griffin and Mr. Planchard met with me and we spent several hours reviewing the discussion that took place at the last meeting, and subsequently we have met and discussed the subject matter of Mr. Boeke's progress letters. On these occasions we all expressed concern over some of the tentative proposals that had been made regarding the development plan of the first 1,000 acres. I felt, however, that further on-the-ground study was required before we recorded our ideas, and although it was impossible for me to visit the property again, Mr. Griffin and Mr. Planchard spent considerable time at the Sea Ranch walking over the ground and checking the surrounding area.

We have likewise endeavored to keep current with the progress of developmental plans. Mr. Planchard spent some time in Mr. Halprin's and Mr. Esherick's offices this past week.

Several of the days since our last meeting I spent in Cherry Hills, New Jersey, chairmaning a meeting of the Community Builders Council of the Urban Land Institute. On that occasion, I took advantage of the opportunity to discuss some of the proposed development concepts for Sea Ranch with members of the Executive Committee of the Community Builders Council. Several of these gentlemen have had experience developing communities which involved one or more golf courses.

Frankly, the more we study and the more we discuss these two concepts, namely, all open shoreline space and cluster housing intermingled with the golf course, the more concerned we are with the economic feasibility of such a plan. While we appreciate the advantages of cluster housing, the desirability of openness, especially on the shoreline itself, and the advantages of a spectacular golf course, we believe that a much wider variety of offerings must be made to attract the largest possible market. This will require that some sites on the shoreline itself be sold and that the number of sites adjacent to "manicured" fairways be increased substantially.

Briefly then, we feel that the first 1,000 acre development should include some very tight "clusters" such as multiple unit dwellings, some loosely clustered city-sized lots, a great many fairway lots, and the possibility of some larger sites up to ten acres in size.

The sites for the very tight clusters should be located adjacent to the inn facilities, primarily on the strip between the highway and the beach, south of Black Point. These could well be set up as condominiums with possibly 100 to 200 units on ten to twenty acres. This land use would utilize a limited amount of shoreline to great advantage. The buyers of such units would be close to the central facilities of the inn and they would be attracted by the management facilities that could more easily be arranged at that location.

We feel that a more intimate relation must be established between the fairways and the lots in the golf course area, with some clusters of five or more units supplemented by lots of approximately one acre in size for the exclusive use of the owner. Fairway lots are attractive to buyers, as fairways provide open areas which someone else maintains.

We feel it would be desirable to provide some really spectacular shoreline sites between the golf course and the sea and on the strip of property which lies between the highway and the beach south of Black Point. Such sites will command the highest prices which, in turn, would attract expensive homes which would establish a quality "tone" for the entire development. We believe that, through careful architectural control, taking advantage of contours and limiting the number of such beach front sites, one can avoid the feeling of a "wall of residences."

The 1,000 acre schematic land plan presented at the September 18 meeting does not indicate any development in the area south of Black Point. We feel this should be included in the first unit, as it would provide some of the most scenic beach front sites in the entire development and we believe a not too costly access road, entering from the main highway near the southern end of the ranch, could provide some large acreage sites east of the highway.

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We think it would be desirable if some convenience shopping facilities were provided close to the inn. However, our on-the-ground study indicates that this area will be very "tight" if ample parking for the inn and golf course is to be provided. We suggest a study be made of the desirability of reserving some land for subsequent commercial development near the intersection of Annapolis Road and the main highway.

The first 1,000 acres, then, might be developed with 100 or more condominium units on ten to twenty acres near the inn, fairway sites averaging one acre on the 300 acres around the golf course, and sites from one to ten acres on the 600 acres above the highway, with some clusters developed as topography permits.

In regard to the location of the first cluster of model houses, we feel that the end of the first fairway is not too far from the inn. Consideration should also be given to models for the very tight cluster condominiums just south of the inn.

With regard to the cash flow analysis, we wish to emphasize again that we feel this project must be regarded as a pioneering effort that will be complicated by the fact of poor access from population centers and that any estimate of prices and volume of sales is an educated guess based on the experience of only remotely similar projects and our interpretation of these results. At the same time, it is our belief that there is a need for this type of development, and we are very pleased to be a part of such a sustained and well organized effort to accomplish this end.

The lot prices will be profoundly affected by whether Plan A or Plan B is used, and whether a portion of the property is developed with high density housing, and whether shoreline parcels are offered for sale. However, there are likely to be very few buyers indeed who will pay the $17,700 average lot price suggested in the cash flow analysis for sites other than for a few spectacular shoreline sites. Regardless of the size of the parcels, there are few buyers anywhere who will, or can afford to, invest heavily in single sites for part-time use. Our feeling is that under Plan A the average site should range from $3,000 to $12,000, with the few shoreline sites priced from $15,500 to $35,000. We think the average one to three acre site will sell for about $6,000. The above assumes that major improvements under Plan A are completed. We question, as you know, whether the development would be practical at all without such improvements, and if Plan B were used, we feel that lot prices would have to be substantially reduced and the marketing period extended many years.

We feel the cash flow analysis is unrealistic in the following respects:

1) The average lot price is substantially too high as noted above, but, of course,

it presupposes larger parcels than we suggest.

2) The lot prices would not be the same under Plan B as under Plan A.

3) The rate of sales is unduly high. In this regard, note Del Monte's rate of sale of 100 per year after 40 years of development and Timber Cove's experience of 38 sales in two and a half years. Our estimate of the time required to sell the first unit of 1,000 acres under Plan A is about five years, and we feel that a really intelligent estimate of the time required to develop the balance of the property can only be made after experience is gained by selling the first unit. However, if it is desirable to plan the time to sell the whole property, our guess as of this time, under Plan A, is 15 to 25 years.

4) The rate of sale over the several years of a sales program will not be the same for each quarter or for each year. Assuming a successful program, sales are likely to have an initial spurt with the opening and then move slowly and gradually accelerate as time passes. The rate of sales would be directly related to the extent of the sales promotion and advertising effort expended.

5) Promotion and sales costs are likely to be about 35% of sales instead of the substantially lower percentage indicated.

As to the question of whether financing sales will be affected by whether common areas are held in undivided interests or through membership in an association, it is our belief that any differences will be unimportant. In any event, the site that is purchased will have a value that is set by the market and we do not feel that it will make any difference to a lender whether this value arises out of the actual ownership of many square feet of land or whether it arises out of some smaller parcel with facilities which add to the value but are not directly owned by the individual.

We will continue to study the above matters and we are anticipating that we will receive more specific information from Mr. Halprin and from Mr. Esherick regarding their proposals. We would appreciate your keeping us advised of your ideas on these subjects and of matters which you wish us to consider.

Very truly yours,

Maurice G. Read

Maurice G. Read

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cc: Mr. Richard Macfarlane
Mr. Lawrence Halprin
Mr. Joseph Esherick
Mr. Frank Sarles
Mr. H. W. Budge
Mr. William C. Matthews

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