



DEVELOPERS
DIVERSIFIED
REALTY

August 14, 2001

Councilwoman Jackie Kell
Fifth Council District
City of Long Beach
333 W. Ocean Blvd.
Long Beach, CA 90802

Re: Queensway Bay -- Long Beach, CA

Dear Councilwoman Kell:

I am taking the opportunity to write to each of the members of the City Council in response to a recent article published in the Press-Telegram on August 6th regarding the Queensway Bay project. The subject article, a copy of which is attached, contains some mischaracterizations about the status of the project. I understand that Councilmember Grabinski has requested an audit of the status of the project. Therefore, I feel it is important that I comment on the recent press and set the record straight.

The headline and opening paragraph in the article present the angle that the developer is "scrambling" for tenants because two tenants have "dropped out". I am responsible for every aspect of the development of the Queensway Bay project, and I can assure you that we are not scrambling for tenants or otherwise in an emergency situation as the article seems to suggest. I find it overreaching for the Press-Telegram to present such a conclusion when in fact DDR is pleased and continuing to make progress on the leasing program for the project. We currently have 17 executed tenant leases for the project. Another group of key tenancies is under negotiations and their leases are also close to completion. That will put us at approximately 47% pre-leased and well on our way to meeting our financial underwriting requirements.

As for the two tenants that the article indicates have "dropped" out, it mischaracterizes the history and current situation regarding these use categories. It is true that Barnes & Noble terminated their lease some time ago. Since then, we have already identified and are in negotiations with another book retailer. We believe we will conclude a lease agreement with this prospective tenant. They would occupy the same position on the site plan previously intended for Barnes & Noble.

As for the discussion about IMAX, the article is quite misleading. The second paragraph reads, "...IMAX Theatres confirmed that they intentionally allowed their leases to expire...." This is inaccurate. We never had a lease with IMAX Theatres at the project.

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We did have a lease with Edwards Theatres to operate an IMAX-branded large screen theater. Edwards did not let the lease expire, they filed for bankruptcy over one year ago and the lease has since been invalidated. The Press-Telegram's information is not only incorrect and misleading, but it is one year old and hardly newsworthy. The Edwards bankruptcy situation has been widely covered by the media. To spin this as "dropping out" of the Queensway Bay project for anything other than what it is, Edwards bankruptcy, is simply misleading. Since Edwards departure as the IMAX operator, we have searched and are continuing our search for a new operator of a large screen format theater, whether it be operated under the IMAX brand or one of the other brands operating large format theaters. If such an operator is found, the large screen theater would be located in Building A-1 as it has always been contemplated on our plans.

The article also refers to our "financing partners" in the past tense as "previous financial partners". This is also inaccurate. Our equity partner has been and remains California Urban Investment Partners.

In summary, Developers Diversified is pleased with the leasing progress for Queensway Bay and believe we are well on our way to meeting our leasing and financial plan requirements and breaking ground on the project within the time period provide for under our Disposition and Development Agreement with the City of Long Beach. We are also well along in processing construction plans for permits for many of the project buildings. In short, we are moving forward with the project and making good progress. If you have any questions regarding the project or our progress, please don't hesitate to call me.

Sincerely yours,



Rod Chisessi
Director of Development,
Western States