

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Scott C. Stiles From: Kathy Bailor
Dept: City Manager Dept: City Clerk
Subject: CONSIDERATION OF OPTIONS FOR THE LOTUS PLAZA PROJECT
(GALLERIA PROJECT) AT 10080 AND 10189 GARDEN GROVE
BOULEVARD Date: December 8, 2015

At the November 24, 2015, meeting, the City Council requested that this matter be brought back for consideration.

KATHY BAILOR, CMC
City Clerk's Office

Attachment: November 24, 2015, agenda report and attachments

Approved for Agenda listing

Scott C. Stiles
City Manager

City of Garden Grove**INTER-DEPARTMENT MEMORANDUM**

To: Scott Stiles
Dept: City Manager
Subject: CONSIDERATION OF OPTIONS FOR
THE LOTUS PLAZA PROJECT
(GALLERIA PROJECT) 10080 AND
10189 GARDEN GROVE BOULEVARD

From: Karl Hill
Dept: Community Development
Date: November 24, 2015

OBJECTIVE

For the City Council to consider options and provide direction on the issued Notice and Order to effectuate abatement action on the Lotus Plaza Project construction site at 10080 and 10189 Garden Grove Boulevard.

BACKGROUND

At the regular City Council meeting of November 10, 2015, the City Council requested for Staff to return with the opportunity to consider enforcement of the pending Notice and Order issued July 2, 2013 on the above site.

The City Council received a written status update on May 26, 2015, which included prior status updates; a project time-line history; and correspondence from Cathay Bank, Hoag Foundation, and a prospective Developer: Brooks Street. Since the meeting of May 26, 2015, it was anticipated that involved parties concerning the Lotus Plaza development, would have shown certain progress to assure the City that the project was moving forward. Recently, as reported to the City, a Purchase and Sales Agreement (PSA) had been reached between the prospective Developer, Brooks Street, and Cathay Bank to begin the process to renew the project. That action was to be followed by agreement(s) between these two entities and the Hoag Foundation. To date, it is the City's understanding that no further agreement and/or action has occurred to move the project forward. Therefore, at this time, no entitlement package has been submitted to the City for further consideration in order to renew the project.

DISCUSSION

Due to inaction on the part of the parties involved, it is suggested that City Council consider additional information and/or input that may be provided by the parties involved in this matter along with the following options:

- Authorize commencement of a court action to enforce the Notice and Order to have a court abate the nuisance and appoint a receiver to ensure removal of all structures on the site; or

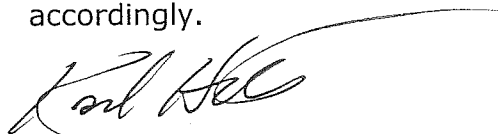
- Allow all parties involved more time to continue to work through the issues concerning the pending agreements to allow the project to move forward; or
- Consider an alternative approach by setting incremental deadlines for certain actions to occur, and subsequent to failing to meet such deadlines, take the appropriate action to have the structures removed.

FINANCIAL IMPACTS

Commencement of an action will cost the City an estimated \$6,000 to \$ 10,000 dollars. However, the costs can increase depending on the parties' cooperation or opposition to the action.

RECOMMENDATION

It is recommended that the City Council consider the matter, including any additional input, testimony or other information/material, and direct staff accordingly.



KARL HILL
Acting Community Development Director

- Attachment 1: Administrative Board of Appeals Resolution No. 002-13
- Attachment 2: Notice and Order dated July 2, 2013
- Attachment 3: Notice and Order Extension dated November 7, 2014
- Attachment 4: Request to provide evidence of agreements and applications to move project forward, dated September 11, 2015
- Attachment 5: Status Update dated May 26, 2015 with accompanying attachments

File: PUD-107-05-council memo direction 11-2015

Recommended for Approval



Scott C. Stiles
City Manager

RESOLUTION NO. 002-13

A RESOLUTION OF THE ADMINISTRATIVE BOARD OF APPEALS OF THE CITY OF GARDEN GROVE, CALIFORNIA, DENYING THE APPEAL OF CATHAY GENERAL BANCORP, INC. OF THE GARDEN GROVE BUILDING OFFICIAL'S JULY 2, 2013 NOTICE AND ORDER RE: BOARDING UP / DEMMOLITION OF ABANDONED CONSTRUCTION PERTAINING TO THE GARDEN GROVE GALLERIA PROJECT LOCATED AT 10080 & 10180 GARDEN GROVE BOULEVARD

WHEREAS, on July 2, 2013, pursuant to the provisions of the 2009 International Property Maintenance Code (as adopted pursuant to Section 18.04.010 of the Garden Grove Municipal Code), the Building Official of the City of Garden Grove issued a Notice and Order to Emlen W. Hoag Foundation, Garden Grove Galleria, LLC, and Cathay General Bancorp, Inc. (the "Notice and Order") related to the Garden Grove Galleria Project located at 10080 and 10180 Garden Grove Boulevard in the City of Garden Grove, which directed that the abandoned construction site thereon be boarded up for future repair for a period not to exceed one year and that the structure thereon be demolished if construction was not recommenced within that one year period; and

WHEREAS, on July 18, 2013, Cathay General Bancorp, Inc. filed an appeal of the Building Official's July 2, 2013 Notice and Order and requested a hearing on its appeal before Administrative Board of Appeals of the City of Garden Grove; and

WHEREAS, on October 30, 2013, a hearing before the Administrative Board of Appeals of the City of Garden Grove was held at which the Administrative Board of Appeals considered testimony and evidence related to the July 2, 2013 Notice and Order and Cathay General Bancorp, Inc.'s appeal of the Notice and Order pursuant to the relevant provisions of the Garden Grove Municipal Code, the 2009 International Property Maintenance Code, and Resolution 001-13 of the Administrative Board of Appeals of the City of Garden Grove; and

WHEREAS, Cathay General Bancorp, Inc. and all other persons with an interest in the subject matter of the appeal were afforded an opportunity to be heard and present evidence to the Administrative Board of Appeals of the City of Garden Grove;

NOW, THEREFORE, THE ADMINISTRATIVE BOARD OF APPEALS OF THE CITY OF GARDEN GROVE, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE, AND ORDER AS FOLLOWS:

SECTION 1. The Administrative Board of Appeals of the City of Garden Grove hereby makes the following findings of fact:

1. Construction on the development project commonly known as the Garden Grove Galleria, which is located at 10080 and 10180 Garden Grove Boulevard in the City of Garden Grove (hereinafter the "Project"), commenced shortly after issuance of Building Permits 88685 through 88688 in January of 2007;
2. Construction activity at the Project site ceased in approximately July 2009, which is when the City conducted its last inspection of the progress of the construction work at the Project site;
3. The City was formally informed that construction activity on the Project ceased via correspondence dated March 22, 2010, which advised that the Project experienced a "stop to work due to the economic climate and the funding from Cathay Bank", and which requested an extension of Building Permits 88685 through 88688.
4. The City granted the March 22, 2010 request for an extension of Building Permits 88685 through 88688 for a period of 180 days, and thereafter granted four additional requests for extensions of those Building Permits in September 2010, March 2011, August 2011 and February 2012. Construction activity at the Project Site did not recommence during the period the Building Permits were extended.
5. On September 1, 2012, Building Permits 88685 through 88688 expired.
6. On July 2, 2013, the Building Official issued a Notice and Order to Emlen W. Hoag Foundation, Garden Grove Galleria, LLC, and Cathay General Bancorp, Inc. directing that the Project site be boarded for future repair for a period not to exceed one year from the date of the Notice and Order and that the uncompleted structures on the Project site be demolished if construction was not recommenced within that one-year period.
7. Section 110.1 of the 2009 International Property Maintenance Code directs and authorizes the City's Building Official to order the demolition and removal of any structure, normal construction of which has ceased for a period in excess of two years. Alternatively, that section authorizes the Building Official to order that such a structure be boarded up for future repair for a period not to exceed one year.
8. Normal construction activity on the Project site has ceased for a period in excess of two years.
9. The provisions of the IPMC fully apply to the Project and the Project site.
10. The Building Official correctly interpreted the intent of the IPMC in issuance of the Notice and Order.

11. The Building Official has determined that measures in place at the Project site as of October 30, 2013, specifically, the maintenance of fencing, gates, and utilization of a full time security company to monitor the Project site, satisfy the requirements of the Notice and Order and IPMC to "board up" the structure for future repair and that the property be secured from entry.

SECTION 2. Based on the findings of fact referenced herein and after consideration of all relevant testimony and evidence submitted at the October 30, 2013 meeting of the Administrative Board of Appeals of the City of Garden Grove, the July 2, 2013 Notice and Order of the Building Official of the City of Garden Grove is hereby affirmed, and the appeal filed by Cathay General Bancorp, Inc. on July 18, 2013, is hereby denied in its entirety.

SECTION 3. The Building Official is directed to provide notice of the decision of the Administrative Board of Appeals and of this Resolution to Appellant, Cathay General Bancorp, Inc. within seven (7) days of the date this Resolution is adopted.

SECTION 4. This Resolution shall become final effective immediately.

Adopted this 30th day of October, 2013.



CITY OF GARDEN GROVE

July 2, 2013

Bruce A. Broadwater
Mayor

Dina Nguyen
Mayor Pro Tem

Steven R. Jones
Council Member

Christopher V. Phan
Council Member

Kris Beard
Council Member

VIA CERTIFIED MAIL,
RETURN RECEIPT REQUESTED & U.S. MAIL

Garden Grove Galleria, LLC
c/o Theodore Yoon
886 Fallen Leaf Road
Arcadia, CA 91006

Cathay General Bancorp, Inc.
c/o Perry Oei
9650 Flair Drive
El Monte, CA 91731

The Emlen W. Hoag Foundation, Inc.
c/o William Brinckloe, Jr.
9841 Irvine Center Drive, #220
Irvine, CA 92618

Re: **Notice and Order of Building Official re Boarding**
Up/Demolition of Abandoned Construction: Garden Grove
Galleria Project;
10080 & 10180 Garden Grove Boulevard, Garden Grove, CA

Gentlepersons:

As you know, normal construction on the Garden Grove Galleria Project located at 10080 & 10180 Garden Grove Boulevard (the "Project") ceased in 2009. The building permits issued for the Project (Permit Nos. 88685 - 88688) expired in November of 2012. In its current condition, the Project constitutes blight in the community, negatively impacts property values, and if allowed to remain unfinished, the Project's construction site will likely become unsafe, an attractive nuisance, and a harborage for vagrants and criminals.

This correspondence will serve as the City's written notice and order, pursuant to the provisions of the 2009 International Property Maintenance Code ("IPMC"), which is adopted by Garden Grove Municipal Code section 18.04.010, that the Project must be boarded up for future repair as set forth in this notice. IPMC section 110.1 states in relevant part:

"[w]here there has been a cessation of normal construction of any structure for a period of more than two years, the code official shall order the owner [of the structure] to demolish and

remove such structure, or [to] board up [the structure] for future repair. Boarding up the building for future repair shall not extend beyond one year"


Pursuant to IPMC section 110.1, you are hereby ordered to board the Project for future repair for a period not to exceed one year from the date of this notice, unless that period is extended, in writing, by the Building Official. In the event that construction on the Project does not recommence within one year of the date of this notice, you are hereby ordered to demolish and remove any and all structures and materials related to the construction of the Project to the satisfaction of the Building Official. In the meantime, you must take steps to ensure that the Property remains secured from entry and advise the City of the measures taken to comply with this order. Further, please be advised that nothing in this Notice and Order shall preclude the City from instituting other enforcement action with regard to the site, including requiring earlier repair or demolition of the building, should the City determine that the structure is dangerous or the property is otherwise in violation of the Garden Grove Municipal Code or its adopted building standards codes.

As mentioned above, all previously issued building and other permits related to the Project have expired. Accordingly, prior to commencement of any construction on the Project you must first secure any necessary permits and submit updated plans as may be required by the Building Official. Please be advised that resumption of construction activities may require new discretionary land use approvals.

Pursuant to the provisions of the IPMC, you have the right to appeal this order to the City's designated Board of Appeals. (See, IPMC §111 et seq.) Any appeal must be in writing and must be filed within 20 days of the date of this notice. If you have any questions about the actions required by this notice, or wish to discuss the Project in greater detail, please do not hesitate to contact the undersigned.

Respectfully,

Community Development Department
Susan Emery, Director



Rodrigo Victoria
Building Official

cc: City Attorney
City Manager

**CITY OF GARDEN GROVE**

November 7, 2014

VIA CERTIFIED MAIL,
RETURN RECEIPT REQUESTED & US MAIL

The Emlen W. Hoag Foundation, Inc.
Attn: William A. Grant, II, President
9860 Larson Avenue
Garden Grove, CA 92844-1630

Re: **July 2, 2013 Notice and Order of Building Official re**
Boarding Up/Demolition of Abandoned Construction:
Garden Grove Galleria Project at 10080 & 10180 Garden
Grove Boulevard, Garden Grove, CA

Mr. Brinckloe:

This correspondence is in reference to the July 2, 2013 Notice and Order pertaining to the Garden Grove Galleria Project located at 10080 & 10180 Garden Grove Boulevard (the "Project"), a copy of which is enclosed herewith. The Emlen W. Hoag Foundation, Inc. ("Hoag Foundation") is the owner of the subject property.

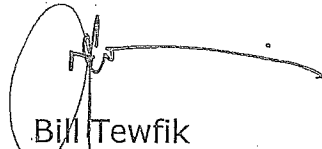
In accordance with Section 110.1 of the International Property Maintenance Code, adopted pursuant to Section 18.04.010 of the Garden Grove Municipal Code, the July 2, 2013 Notice and Order required (a) that the Project be boarded up for future repair for a period not to exceed one year from the date of the Notice and Order and (b) that, in the event that construction of the Project did not recommence within one year of the date of the Notice and Order, all structures and materials relating to construction of the Project be demolished and removed.

It has been well over one year from the date of the Notice and Order and construction of the Project has not recommenced. Further, as of the date of this letter, no application has even been submitted by or on behalf of Hoag Foundation for land use entitlements and permits needed to facilitate commencement of construction of the Project.

Assuming that a complete application package for the necessary land use entitlements needed to facilitate recommencement of construction of the Project has not been submitted to the City by or on behalf Hoag Foundation by December 1, 2014, Hoag Foundation is hereby directed to comply with the July 2, 2013 Notice and Order and Section 110.1 of the International Property Maintenance Code and promptly commence and pursue to completion the demolition and removal of all structures and materials relating to construction of the Project.

Respectfully,

Susan Emery
Assistant City Manager and Director of Community Development



Bill Tewfik
Building Official

cc: City Attorney
City Manager

William Brinckloe, Jr.
9841 Irvine Center Drive, #220
Irvine, CA 92618

William A. Grant, II, DVM
Community Veterinary Hospital, Inc.
13200 Euclid Street
Garden Grove, CA 92843

Garden Grove Galleria, LLC
c/o Theodore Yoon
886 Fallen Leaf Road
Arcadia, CA 91006

Cathay General Bancorp, Inc.
c/o Perry Oei
9650 Flair Drive
El Monte, CA 91731

Enclosure



CITY OF GARDEN GROVE

September 11, 2015

714-741-5100

VIA EMAIL AND FIRST CLASS MAIL

Lisa L. Kim
 SVP, General Counsel & Secretary
 Cathay Bank
 Corporate Center
 9650 Flair Drive
 El Monte, CA 91731

Bao Nguyen
 Mayor

Steven R. Jones
 Mayor Pro Tem

Christopher V. Phan
 Council Member

Phat Bui
 Council Member

Kris Beard
 Council Member

Re: Property Owned by The Emlen W. Hoag Foundation Located at 10080
 and 10180 Garden Grove Boulevard, Garden Grove, California

Dear Ms. Kim:

Thank you for attending the City of Garden Grove City Council meeting of August 25, 2015, wherein you informed the City Council that Cathay Bank and Brooks Street were very close to finalizing a Purchase and Sale Agreement ("PSA") to facilitate development of the unfinished construction on the above-referenced property. Although you had mentioned that the parties were days from finalizing the PSA, we have not received confirmation of the same. In our telephone conversation on Tuesday, September 8, 2015, you indicated that you would call me on Thursday, September 10, 2015, to provide me with confirmation.

Based on the representations provided to the City Council on August 25, 2015, and earlier this week, the City is hereby requesting that Cathay Bank provide evidence of the PSA with Brooks Street by Tuesday, September 15, 2015. In order to maintain the momentum, we also ask that Cathay Bank, Brooks Street, and the Hoag Foundation provide the City evidence of a tri-party agreement permitting Brooks Street to proceed with development of the property by Friday, September 25, 2015 with application(s) for entitlements filed by October 9, 2015. The entitlement application(s) will require the signature of the Hoag Foundation as property owner.

Note that this letter is not intended to constitute an extension of time for compliance under the July 2, 2013, Notice and Order. The Notice and Order remains in full force and effect, and the City reserves the right to enforce it at any time. Provided the above timelines are met, however, the City will entertain entering into a tolling agreement pertaining to enforcement of the July 2, 2013, Notice and Order.

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Mayor & City Council Members From: Allan Roeder
Dept: Dept: City Manager
Subject: STATUS REPORT ON THE LOTUS Date: May 26, 2015
 PLAZA PROJECT (GALLERIA
 PROJECT), 10080 AND 10189
 GARDEN GROVE BOULEVARD

Background

At the regular City Council meeting of March 24, 2015, the City Council received an update on the progress involving Cathay Bank and the Hoag Foundation towards development of the subject property. Copies of the staff reports for that City Council presentation as well as the earlier City Council request to review options for the site are attached as background for you and members of the public.

At the conclusion of the presentation of March 24, 2015, the City Council requested that this subject be brought back on agenda in 60 days for an update. The City Council additionally requested a Closed Session for legal advisement as to options available to the City as they pertain to the current condition of 10080 and 10189 Garden Grove Boulevard. The Closed Session regarding legal options was subsequently held at the regular City Council meeting of April 14, 2015.

On May 19, 2015, representatives of the Hoag Foundation and City staff received a presentation and status update from Cathay Bank and its selected developer, Brooks Street (Lucas, Austin & Alexander LLC). As City Council will recall, representatives of Brooks Street addressed the City Council at your March 24th meeting regarding its experience & qualifications to undertake this project. At the presentation held on May 19, 2015, Brooks Street shared in more specific terms the status of its investigation of the site as well as the introduction of a new member of its team, LABHolding, Inc. Mr. Shaheen Sadeghi of LABHolding, Inc. provided an extensive overview of the commercial & open space concepts for the site. The concepts presented were generally well received by all parties with the recognition that considerably greater detail is needed. Brooks Street is working in concert with LABHolding, Inc. to prepare information for presentation to the City Council and the public at your May 26, 2015 meeting.


All parties are continuing to communicate and work collaboratively to create a project that will not only be successful but which the Garden Grove community can be proud of. Based on the presentation of May 19, 2015, we are at the stage where Brooks Street will begin meeting with City staff in an effort to document required

STATUS REPORT ON THE LOTUS PLAZA PROJECT (GALLERIA PROJECT), 10080 AND
10189 GARDEN GROVE BOULEVARD

May 26, 2015

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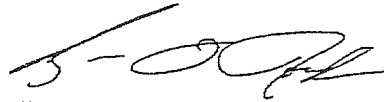
land use approvals and a timetable for formal submission. Representatives of the Hoag Foundation, Cathay Bank and Brooks Street will be in attendance at your meeting to address any questions the City Council may have regarding progress to date.



ALLAN ROEDER
Interim City Manager

Cc. City Attorney, Community Development Director

Approved for Agenda listing



Allan L. Roeder
Interim City Manager

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Mayor & City Council Members From: Allan Roeder
Dept: Dept: City Manager
Subject: STATUS REPORT ON THE LOTUS Date: March 24, 2015
 PLAZA PROJECT (GALLERIA
 PROJECT), 10080 AND 10189
 GARDEN GROVE BOULEVARD

BACKGROUND

At your regular meeting of February 24, 2015 at the request of Mayor Nguyen, the City Council received a report on the status of the existing building structure at the above, subject location. A copy of the staff report and written input from Cathay Bank and the Emlen W. Hoag Foundation were submitted to the City Council and the public at that meeting (please see attached Exhibit A).

Representatives of both the Hoag Foundation and Cathay Bank addressed the City Council and the community in terms of their respective efforts to move forward with a new project for the site. The attached materials provide a comprehensive summary of what was presented to the public in terms of what has transpired to date and some of the challenges remaining ahead. Following questions and deliberations by the City Council, it was requested that this matter be brought back to the City Council in 30 days for a status report as to progress made.

On Tuesday March 17, 2015, representatives of Cathay Bank, Board members and representatives of the Hoag Foundation and representatives from the City Attorney's Office, Development Services Department and City Manager's Department met to discuss the progress to date. Over the past 30 days, Cathay Bank advised that it has actively solicited proposals for the site. They indicate that they are down to a few finalists and expect to select the preferred developer within 2 weeks. As a demonstration of the level of effort taken over the past 30 days, a presentation was made (please see attached Exhibit B) by one of the finalists, Brooks Street (Lucas, Austin & Alexander LLC). It is important to bear in mind that this is not a specific proposal and any graphic representations, milestones and/or illustrative detail in Exhibit B is for purposes of expressing Brooks Street's experience in undertaking a project of this nature.

STATUS REPORT ON THE LOTUS PLAZA PROJECT (GALLERIA PROJECT), 10080 AND
10189 GARDEN GROVE BOULEVARD

March 24, 2015

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In summary, the meeting was valuable in terms of learning of the progress made over the past 30 days and keeping the lines of communication open between the Foundation, the City and Cathay Bank. It bears noting, however, that there are still significant concerns over the mixed use zoning for the site, the retail component, parking and related factors. The Foundation has commissioned a market analysis to assist in guiding its prospective deliberations and has agreed to share that analysis with the City.

Representatives of the Hoag Foundation and Cathay Bank will be in attendance at the City Council meeting to speak to their progress to date and to answer questions of the City Council.



ALLAN ROEDER
Interim City Manager

Attachments:

- Exhibit A – Request to Review Options for Lotus Plaza Project/Galleria Project
- Exhibit B – Brooks Street Presentation

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Mayor & City Council Members From: Allan Roeder
Dept: Dept: City Manager
Subject: REQUEST TO REVIEW OPTIONS Date: February 24, 2015
FOR LOTUS PLAZA
PROJECT/GALLERIA PROJECT
LOCATED AT 10080 AND 10180
GARDEN GROVE BOULEVARD

Summary

At the regular City Council meeting of February 10, 2015, Mayor Nguyen requested that the above subject project be brought back before the City Council with a staff presentation as to options for removing the "steel skeleton" on the subject site. As the City Council is aware, this location has a significant history leading up to its current condition. To better put matters in perspective, staff has prepared the attached "Timeline for Emlen W. Hoag Foundation Project" for the benefit of the City Council and the public.

City staff had previously scheduled a meeting with representatives of the Hoag Foundation and Cathay Bank to discuss the status of the site. That meeting took place on February 13, 2015 and focused on many of the topics of interest to the City Council and the community. Overall it was a very candid conversation that concluded with an expression of interest by all parties to attempt to move matters forward. To that end, representatives of the Hoag Foundation and Cathay Bank are expected to be in attendance at your meeting of February 24, 2015 to address the City Council.

Staff will be prepared at your meeting to generally discuss options available to the City, the Hoag Foundation and Cathay Bank. Elimination of the structure as it currently exists may occur under a limited range of scenarios as generally noted in the following:

1. Construction of a project utilizing the existing structure that conforms to the existing General Plan and Zoning for the Site, subject to Planning Commission and/or City Council approval of a new Site Plan and other required land use entitlements.

REQUEST TO REVIEW OPTIONS FOR LOTUS PLAZA PROJECT/GALLERIA PROJECT
LOCATED AT 10080 AND 10180 GARDEN GROVE BOULEVARD
February 24, 2015
Page 2

2. Construct a project utilizing the existing structure that requires a General Plan, Zone Change, and/or Zoning Code amendments, subject to City Council approval of the necessary /desired General Plan and/or Zoning amendments and a new Site Plan and other required land use entitlements.
3. Full or partial demolition of the existing structure in conjunction with construction of an entirely different project on the Site, subject to Planning Commission and City Council approval of all required General Plan or Zoning amendments and required land use entitlements.
4. Full demolition of the existing structure prior to consideration and/or approval of a replacement project.

As I believe you will hear at your meeting, there are conflicting interests for the site due to market conditions, a desire to utilize what has already been invested in the site and the City's General Plan goals. At this point in time, it is unclear whether those competing interests can be reconciled and, if so, in what fashion, at what cost, and in what length of time?

Any options under discussion will need to take all of these factors into consideration.



ALLAN ROEDER
Interim City Manager

Attachment: Timeline for Emlen W. Hoag Foundation Project

Timeline for Emlen W. Hoag Foundation Project

At 10080 and 10180 Garden Grove Boulevard

Galleria Project 2004-2011

Lotus Plaza Project 2011 – 2014

- 2004 **REVIEW OF CONCEPTUAL PLANS.** Planning staff begins working on review of Design Development plans for the Galleria project with Architect Sungjun Yoo. By October 2004, regular meetings are occurring with Planning, Engineering, Building and Fire staff to review Galleria project and work on outstanding issues.
- May 6, 2005 **NEIGHBORHOOD MEETING** held at the Boys & Girls Club Gymnasium at 9680 Larson Street to discuss the Garden Grove Galleria mixed-use project.
- May 19, 2005 **PLANNING COMMISSION APPROVES SITE PLAN.** The Galleria project is presented to Planning Commission and a public hearing is held. Planning Commission votes 5 - 1 to adopt the Mitigated Negative Declaration and to approve the Site Plan and to recommend to City Council the approval of the General Plan Amendment, Mixed Use Planned Unit Development, and a Development Agreement. [SP-368-05, PUD-107-05, GPA-2-05(A)]
- June 28, 2005 **CITY COUNCIL MEETING.** The Galleria project is heard by City Council, a public hearing is held and all interested parties were given an opportunity to be heard and the proposal was given due and careful consideration.
- July 12, 2005 **CITY COUNCIL ADOPTS ORDINANCES APPROVING GPA, PUD, & DA.** The City Council adopts ordinances approving the Planned Unit Development (PUD-107-05) which changes the zoning designation from C-3 (Heavy Commercial) to Mixed Use PUD, approving the General Plan Amendment [GPA-2-05(A)] changing the land use designation from Heavy Commercial (HC) to Mixed Use (MU), and approving a Development Agreement for the Garden Grove Galleria, LLC.
- January 10, 2007 **PERMITS ISSUED.** The City issued Building Permits numbered 88685 through 88688 for the Galleria Project.
- July 20, 2009 **LAST INSPECTION.** The last building inspection by the City in relation to the Galleria project was conducted on July 20, 2009.

- February 2010 **GG GALLERIA LLC, FILES LAWSUIT.** The Garden Grove Galleria, LLC, files a lawsuit against Cathay Bank.
- March 22, 2010 **GALLERIA DEVELOPER STOPS WORK.** Garden Grove Galleria, LLC advises the City that they had temporarily stopped work on the Project, citing "the economic climate and funding from Cathay Bank".
- March 23, 2010 **CITY GRANTS FIRST BUILDING PERMIT EXTENSION.** Garden Grove Galleria requests a 180-Day extension of the Building permits which is granted by the Building Department. (SUBSEQUENT EXTENSIONS were requested on September 13, 2010, March 7, 2011, August 5, 2011, and February 15, 2012. All these requests were granted by the Building Department.
- September 2011 **GG GALLERIA, LLC, TERMINATES LEASE AND ABANDONS PROJECT.** The Hoag Foundation is served a Notice of Default and Right to Terminate Garden Grove Galleria's ground lease. Garden Grove Galleria, LLC, notifies the Hoag Foundation that it is abandoning the property and giving possession to the Hoag Foundation.
- January 2012 **NEW MIXED USE ZONING FOR PROPERTY.** The City Council adopts an ordinance approving new Mixed Use Zones throughout the City. The subject property is rezoned to Garden Grove Mixed Use 1 (GGMU1) which allows for 42 residential units per acre with a mandatory commercial component of 0.3 FAR (Floor Area Ratio).
- January 2012 **REVISED PROJECT (Lotus Plaza) FROM NEW ARCHITECT AND DEVELOPER.** A new architect and developer for the Hoag Foundation submits design development plans for a revised project. The developer, Tri-Millennium Homes, and their architect, Mahmoud Gharachedaghi, propose 144 residential units and 53,000 sq. ft. of commercial floor area.
- February 22, 2012 **FINAL NOTICE OF EXTENSION ISSUED BY BUILDING DEPARTMENT.** The final notice of extension is issued by the City on February 15, 2015 for the Galleria project. The final notice specifies that Building Permits will expire on September 1, 2012, unless work on the Project recommences and inspections are requested by that date.
- February 2012 **MEETINGS BETWEEN CITY STAFF AND LOTUS PLAZA ARCHITECT AND DEVELOPER.**
- August 31, 2012 **JURY VERDICT FOR GARDEN GROVE GALLERIA.** Jury verdict in favor of Garden Grove Galleria, LLC, and against Cathay Bank. Jury awards GG Galleria the amount of its investment. The judgment is appealed.

- September 1, 2012 **BUILDING PERMITS EXPIRED.**
- July 2, 2013 **NOTICE AND ORDER ISSUED BY CITY BUILDING OFFICIAL.** Given the lack of construction activity, a Notice and Order was issued. The Notice and Order required that the Project site be boarded for future repair for a period not to exceed one year from the date of the Notice and Order, and that the Project be demolished in the event that construction on the Project did not recommence within the one-year period.
- October 30, 2013 **BOARD OF APPEALS MEETING – CATHAY BANK APPEAL IS DENIED.** Cathay General Bankcorp, Inc. (Cathay Bank) appealed the July 2, 2013 Notice and Order. The Garden Grove Administrative Board of Appeals met on October 30, 2013, held and closed a public hearing, and adopted a Resolution to deny the appeal.
- End of 2013 – 2014 **ONGOING MEETINGS AND REVIEW OF LOTUS PLAZA PROJECT.** Lotus Plaza project goes through process of committee technical review.
- May 2014 **MEETING WITH HOAG FOUNDATION BOARD AND ATTORNEY.** Susan Emery and Erin Webb meet with members of the HOAG Foundation Board and their attorney, Bill Brinckloe.
- July 2014 **CITY AGREES TO GPA TO AMEND DU PER ACRE/NATIVE AMERICAN TRIBAL NOTIFICATIONS ARE SENT/DRAFT OF NEW INITIAL STUDY – MITIGATED NEGATIVE DECLARATION IS SUBMITTED/HOAG FOUNDATION AGREES TO 12-FOOT LOT LINE ADJUSTMENT.** Through committee review process, City agrees to allow General Plan Amendment to change density from 42 du per acre to 50 du per acre (50 du is the density approved and being built at the Brookhurst Triangle also in the GGMU-1 zone). Because of GPA, notification is required to be sent to the Native American Tribal Council. Notices are sent and the representatives have 4 months to respond with an end date of November 17, 2014. This will delay the noticing for any public hearing.
- September 2014 **TECHNICAL REVIEW OF TRAFFIC TECHNICAL MEMO AND PROPOSED DROP-OFF.**
- October 29, 2014 **LETTER FROM HOAG FOUNDATION ARCHITECT STATING LOTUS PLAZA IS NOT A VIABLE PROJECT.** The architect states that the project is under parked based on his review of City requirements including the Housing Element and the commercial component is not viable. He states the project has little chance for success.
- November 3, 2014 **PHONE CONVERSATION WITH LOTUS PLAZA ARCHITECT ABOUT HOAG CONCERNS.** HOAG Foundation is not in agreement with the 10% reduction in

parking provided by the zoning code. The architect is working to minimize this to a 4% reduction. Also, HOAG asked him to inquire if the City would allow a waiver from the required commercial FAR of .3; they would like the amount of commercial space reduced.

- November 7, 2014 LETTER FROM CITY ATTORNEY EXTENDING NOTICE & ORDER DEADLINE TO 12/1/14.
- November 24, 2014 LETTER FROM CATHAY BANK ATTORNEY THAT A DRAFT TRI-PARTY AGREEMENT HAD BEEN RECEIVED AND REQUESTING A 45-DAY EXTENSION OF THE 12/1/14 DEADLINE FOR THE NOTICE & ORDER.
- January 9, 2015 LETTER FROM ATTORNEY FOR HOAG FOUNDATION THAT THE BOARD DISAPPROVED THE LOTUS PLAZA PROJECT.



CATHAY BANK

VIA EMAIL AND PERSONAL DELIVERY

February 20, 2015

Honorable Mayor Bao Nguyen
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Mayor ProTem Steve Jones
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Councilman Christopher Phan
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Councilman Phat Bui
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Councilman Kris Beard
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Mr. Allan L. Roeder
Interim City Mgr. – City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

Ms. Erin Webb
Senior Planner
City of Garden Grove – Comm. Dev. Dept.
11222 Acacia Parkway
Garden Grove, CA 92840

James H. Eggart, Esq.
Thomas R. Nixon, Esq.
Woodruff Spradlin & Smart
555 Anton Blvd., Suite 1200
Costa Mesa, CA 92626

Re: 10800 and 10180 Garden Grove Boulevard, Garden Grove, CA (the "Property")

Dear Sirs and Madam,

Cathay Bank, the current lender on the leasehold interest of the Property, appreciates this opportunity to provide to the Garden Grove City Council and affiliated parties, a brief background and current status of the Property. As you are aware, the Emlen W. Hoag Foundation, a California non-profit corporation ("Hoag Foundation"), the fee owner of the Property, as Landlord and Garden Grove Galleria, LLC, a California limited liability company ("GGG"), as Tenant, entered into a Ground Lease dated March 18, 2004, as amended (the "Ground Lease"), pursuant to which Hoag Foundation leased to GGG the Property. Under the GGG Ground Lease, the original proposed project was to construct a mixed-use residential and retail development, containing sixty-six (66) condominiums and approximately one hundred thousand (100,000) square feet of retail floor area, which was commonly known as the "Garden Grove Galleria" (the "GGG Project").

On October 30, 2007, Cathay Bank, along with two other participant banks (with Cathay Bank as the lead bank), made a loan to GGG in the original principal amount of \$42,500,000.00 (the "Loan"). The Loan was made pursuant to a Construction Loan Agreement dated as of October 30, 2007 (the "Loan Agreement"). The Loan was secured by that certain Construction Deed of Trust dated as of October 30, 2007 (the "Deed of Trust") encumbering GGG's rights and interest under the GGG Ground Lease as security for the Loan and wherein GGG assigned to Cathay Bank all of the right, title and interest of GGG in and to all leases, rental agreements, tenant improvement, construction and reimbursements agreements involving or relating to the Property as security for the Loan.

In connection with the Loan, Hoag Foundation, Cathay Bank and GGG entered into a Ground Lease Consent, Estoppel Certificate and Agreement dated November 7, 2007 (the "Ground Lease Consent"). The Note, the Loan Agreement, the Deed of Trust, the Assignment of Leases, the Ground Lease Consent and any and all other agreements, documents or instruments entered into by GGG and Cathay Bank in connection with the Loan are collectively referred to as the "Loan Documents".

Thereafter, disputes arose between GGG and Cathay Bank over their respective rights and obligations pursuant to the Loan Documents, which culminated in the filing of a lawsuit in February 2010 by GGG against Cathay Bank in the Superior Court of the State of California in and for the County of Orange captioned *Garden Grove Galleria, LLC v. Cathay Bank, et al.* (Case No. 30-2010-00342212), as well as the filing of Cathay Bank's cross-complaint against GGG and the guarantors in April 2010 (the "Lawsuit"). On or about August 31, 2012, the jury issued a verdict on the complaint in favor of GGG and against Cathay Bank and awarded damages in favor of GGG in the sum of \$11,275,000.00. On or about January 14, 2013, the Court, in the cross-complaint, ruled against Cathay Bank, including its motion to be permitted to judicially foreclose under the Deed of Trust. Judgment was subsequently entered in the Lawsuit on February 24, 2014 ("Judgment"). Cathay Bank obtained a statutory appeal bond and filed an appeal of the Judgment in July 2014 in the Court of Appeal of the State of California, Fourth Appellate District, Division Three; Appeal No. G050395 (the "Appeal"), which is pending as of this writing. Cathay Bank's appellate brief was filed on November 6, 2014. GGG's respondent's appellate brief was filed on or about January 26, 2015. Cathay Bank's reply brief is due to be filed on or before March 19, 2015. Oral argument has not yet been set by the Court of Appeal.

On September 17, 2012, Hoag Foundation, in the manner provided in the GGG Ground Lease, served on GGG and Cathay Bank Three Day Notices to Cure or Quit. On October 9, 2012, Hoag Foundation and Cathay Bank entered into a Reinstatement and Cure Agreement (the "Cure Agreement"). In the Cure Agreement, Cathay Bank agreed, among others, to cure the monetary defaults of GGG pursuant to the GGG Ground Lease. In consideration for the covenants and agreements of Cathay Bank, in the Cure Agreement, Hoag Foundation agreed in the Cure Agreement to reinstate the GGG Ground Lease.

On July 2, 2013, the City of Garden Grove (the "City") served Hoag Foundation, Cathay Bank and GGG with written notice regarding the GGG Project contending, among other things,

that the partially completed improvements on the Property constitute blight, and the Property is unsafe and an attractive nuisance. As a result, the City gave Hoag Foundation, Cathay Bank and GGG one year to commence construction of the GGG Project or, if that did not occur, to commence the demolition and removal of the existing partially-completed improvements on the Property. The City subsequently extended the demolition deadline to August 16, 2014. Thereafter, Hoag Foundation received correspondence from the City to Hoag Foundation, upon which Cathay Bank and GGG were copied, dated November 7, 2014, directing the partially completed improvements on the Property be demolished if by December 1, 2014 a "complete application package for the necessary land use entitlements needed to facilitate recommencement of construction of the Project has not been submitted to the City ..." In a letter to the City from Cathay Bank dated November 24, 2014, Cathay Bank requested the City to grant a forty-five (45) day extension of the demolition deadline. The City has not yet responded to the extension request of Cathay Bank.

During this period of time, Cathay Bank sought a developer that might be acceptable to Hoag Foundation to complete the GGG Project, but taking into account that the real estate and economic environment had materially changed subsequent to the start of the GGG Project. With this in mind, Cathay Bank had numerous communications with Tri-Millennium Homes, Inc. ("TMH") about the nature of the GGG Project. TMH also had communications with Hoag Foundation concerning changes to the GGG Project.

Ultimately, Cathay Bank and TMH entered into a Purchase and Sale Agreement and Joint Escrow Instructions, dated April 16, 2014 (the "PSA"). In the PSA, Cathay Bank agreed to sell, and TMH agreed to purchase, certain assets, including the right to enter into a new ground lease with Hoag Foundation. In connection with the PSA, Cathay Bank and TMH requested Hoag Foundation to enter into a new ground lease of the Property with TMH, or an affiliate of TMH, as TMH proposed to construct a retail/apartment development on the Property to be known as "Garden Grove Lotus Plaza" (the "TMH Project").

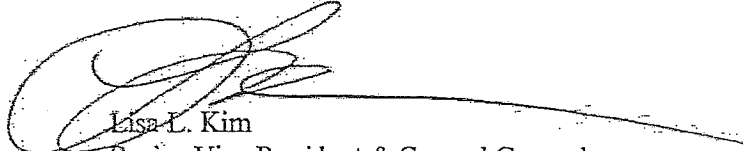
Thereafter, Hoag Foundation, Cathay Bank and TMH began negotiations of a Tri-Party Agreement ("TPA"), which, among other things, would grant TMH a new ground lease at closing of the PSA and TPA. However, prior to Hoag Foundation and the parties completing negotiations for the TPA, on or about December 18, 2014, Hoag Foundation voted to disapprove the TMH Project.

Since then, Cathay Bank has been and is actively working to identify other potential purchasers/developers of the GGG Project, with the cooperation of Hoag Foundation. Once this occurs, it is Cathay Bank's goal to enter into a purchase agreement with the buyer/developer, negotiate a tri-party agreement with such party and Hoag Foundation, and then consummate the transaction so that construction of the building on the Property can be completed. The prospective buyer/developer will need to entitle the Property for whatever project is ultimately agreed upon among the parties, including the City. Cathay Bank has to date received a letter of intent by an interested buyer/developer as well as received numerous inquiries from other mixed use developers and have been showing the site to numerous but capable developers. One of the challenging issues that the prospective developers have indicated to both Cathay Bank and Hoag

Foundation is the required retail component of the project. The City requires at least 40,000 square feet of retail space. Since the inception of the GGG Project and the current market trend for residential units, the mixed used/retail concept may pose certain challenges for all parties. Cathay Bank and Hoag Foundation are diligently pursuing the best feasible development project for the Property and will continue to work with each other and the City. In the next few months a buyer/developer will be selected by Cathay Bank and Hoag Foundation who we hope will be compatible with working with the City to obtain entitlements to complete the project. It is Cathay Bank and Hoag Foundation's goal to construct a building that the City of Garden Grove and the Hoag Foundation will be proud to have in its City for a very long time.

On behalf of Cathay Bank, we appreciate this opportunity to meet with the City and answer any questions you may have. You may also contact me at (626) 279-3297 or lisa.kim@cathaybank.com.

Respectfully submitted,



Lisa L. Kim
Senior Vice President & General Counsel
of Cathay Bank

cc: Mr. Bill Grant
Mr. Scott Weimer
William Brinckloe, Esq.
Mr. Heng W. Chen

THE EMLLEN W. HOAG FOUNDATION

**9860 Larson Avenue
Garden Grove, California 92844**

February 20, 2015

Mr. Allan L. Roeder
Interim City Manager
City Manager's Office
City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840

Re: Property Owned by The Emlen W. Hoag Foundation ("Hoag Foundation") and Located at 10080 & 10180 Garden Grove Boulevard, Garden Grove, California (the "Property")

Dear Mr. Roeder:

Hoag Foundation appreciates the efforts of the City of Garden Grove in establishing the meeting among the representatives of the City, Hoag Foundation and Cathay Bank on February 13, 2015. Hoag Foundation believes the meeting was very productive and informative.

In the meeting you advised the City Council requested the status of the Property and the partially constructed improvements thereon be addressed at the City Council meeting on February 24, 2015. The City Council instructed City staff to advise as to the options of the City. The purpose of this letter is to provide the City with the input of Hoag Foundation.

I. ABOUT HOAG FOUNDATION.

Hoag Foundation is a charitable foundation that was formed in 1951 for the benefit of the children of Garden Grove. The Board of Trustees for Hoag Foundation administers the operations of Hoag Foundation. The Board of Trustees are volunteers and members of the community.

Hoag Foundation owns approximately 11 acres of property. The property consists of 2 parcels, a 3-acre parcel on Garden Grove Boulevard, which is referred to as the Property in this letter. Hoag Foundation also owns an 8-acre parcel to the south of the Property, upon which the Boys & Girls Club of Garden Grove ("BGCGG") main facility is located. In addition, the 8-acre parcel contains KiwanisLand, an approximate 5-acre park, and the Lions Club building.

II. HISTORY OF THE PROPERTY.

Historically, Hoag Foundation ground leased the Property and used the rent to support the BGCGG. In 2003, Hoag Foundation entered into a 99-year Ground Lease of the Property with Garden Grove Galleria ("GGG"). Pursuant to the Ground Lease, GGG was to construct a mixed-use high-end retail and luxury residential project on the Property. The retail component consisted of a 2-story shopping center containing a total of 125,983 square feet. The residential component consisted of 66 condominiums.

Mr. Allan L. Roeder
Interim City Manager
City of Garden Grove
February 20, 2015
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In connection with the construction of the GGG project, GGG obtained a loan from Cathay Bank. In January 2010, Cathay Bank ceased funding the construction loan. When construction halted numerous lawsuits were filed and litigation ensued, which took approximately 4 years to resolve. Ultimately, GGG was awarded a judgment against Cathay Bank for approximately \$11,275,000. The GGG judgment is currently being appealed by Cathay Bank.

GGG maintains that it no longer has any leasehold or other interest in the Property and has "walked away" from the Property. Cathay Bank is endeavoring to locate a replacement developer to enter into a new ground lease with Hoag Foundation and complete the partially constructed improvements. Hoag Foundation is cooperating with Cathay Bank in connection with Cathay Bank's efforts to locate a replacement developer. However, Hoag Foundation has final approval over both any new ground lease of the Property and the proposed development.

III. OBJECTIVES OF HOAG FOUNDATION.

Hoag Foundation is willing to cooperate with both Cathay Bank and the City in an effort to have a project developed on the Property that benefits Hoag Foundation and the City on a long-term basis. Hoag Foundation recently disapproved a development proposal for the Property based upon concerns regarding whether parking would be sufficient and the resulting negative impact on the community.

Additionally, pursuant to the zoning requirements of the City, the developer was required to have a minimum of 40,000 square feet of commercial/retail space. Hoag Foundation had serious reservations as to whether the retail component would be successful due to, among other things, the fact that retail patrons would have to park in a parking garage.

Although the decision to disapprove the proposed project was difficult for the Board of Trustees, the Board concluded it was in the best long-term interest of both Hoag Foundation and the community for the project not to proceed. Hoag Foundation is aware the partially constructed improvements on the Property are an eyesore and detract from the community.

Hoag Foundation is also cognizant of the fact that the City issued a demolition Notice and Order on July 2, 2013. Pursuant to the Notice and Order, the partially constructed improvements were to be demolished by December 1, 2014. As the City is aware, both Hoag Foundation and Cathay Bank have requested a reasonable extension of the demolition deadline.

It is the position of Hoag Foundation, if a developer and development plan for the modification of the partially constructed improvements cannot be identified within a reasonable period of time, the improvements should be demolished. Hoag Foundation agrees with the strong sentiment and consensus in the City that either a project must move forward in an expeditious manner, or the partially constructed improvements should be demolished.

IV. CHALLENGES INVOLVING THE PROJECT.

In connection with Hoag Foundation's efforts to cooperate with Cathay Bank in locating a new developer, Hoag Foundation has met with various developer representatives. Additionally, Hoag Foundation has referred to Cathay Bank all developers and interested parties who have contacted Hoag Foundation.

Mr. Allan L. Roeder
Interim City Manager
City of Garden Grove
February 20, 2015
Page 3

From the discussions with the various representatives of developers and interested parties, there are certain issues that have been identified, which constitute major hurdles to the completion of any project on the Property. As members of the community and in view of the significant cooperation of the City in the past, the Board of Trustees of Hoag Foundation believes it is appropriate to disclose to the City and its constituents issues of concern.

A. DESIGN CONSTRAINTS. One of the primary constraints faced by developers is how to adapt the existing improvements for a different development. The steel structure of the building has been erected, and the adjacent concrete parking garage is approximately 50% complete. As a result, it is difficult for any developer to adapt the existing improvements for a different use such as apartments and/or to add parking.

Hoag Foundation has also been advised the GGG project would not be constructed today. This is because land values in Garden Grove are not sufficiently high to justify the construction of a steel high-rise, mixed-use development building. Also, there is not sufficient demand for retail space, especially in a high-rise building with a parking garage, to support retail uses.

For example, Lennar Homes' A-Town project in the Platinum Triangle in the City of Anaheim was to contain 11 high-rises, including 2 mixed-use, residential and retail 35-story towers. Lennar Homes is in the process of significantly revising the A-Town development plan with the tallest buildings being 6-story residential. Furthermore, the office and retail components are to be significantly reduced.

Several other developers of projects in the Platinum Triangle have modified their development plans to remove or significantly reduce any office and/or retail component. It appears residential housing is in demand and the most expanding segment of the Orange County real estate market as compared to office and/or retail uses.

B. ZONING ISSUES. The overall consensus of the development community and the architectural consultant engaged by Hoag Foundation is that it will be extremely challenging for retail uses to be successful on the Property as part of a mixed-use development. This is because consumers in Orange County have consistently demonstrated an aversion to patronizing retail establishment where the consumer must park in a parking garage.

Examples of the foregoing are the Triangle Square project in Costa Mesa and the Kaleidoscope project in Mission Viejo. Upon opening, Triangle Square had many nationally-recognized retail tenants as well as a grocery store. Ultimately, all of the initial tenants ceased operations due to the fact that there was not sufficient patronage. The foregoing appears to be primarily attributable to the fact that consumers had to park in a parking garage.

As noted above, pursuant to the zoning ordinance of the City, the minimum required retail space is 40,000 square feet. Although the first floor could be developed with 40,000 square feet of retail, this would force consumers to park on the second floor or above, which is less than ideal. If the 40,000 square feet of retail is divided between the first and second floors, Hoag Foundation has been advised it is questionable whether either or both the first and second floor retail space would be successful.

Mr. Allan L. Roeder
Interim City Manager
City of Garden Grove
February 20, 2015
Page 4

Hoag Foundation respectfully submits that the City might consider revisiting the mixed-use zoning ordinance of the City. This is because numerous developers have advised Hoag Foundation that retail space in the project will not be successful. Hoag Foundation believes that vacant retail space in the project would substantially detract from any residential component and be counterproductive to the intent of mixed-use zoning and the revitalization of Garden Grove Boulevard.

An Orange County residential apartment developer has advised Hoag Foundation it would be interested in adapting the partially constructed improvements for apartments, provided there is no requirement to construct retail/commercial space. However, even if the City approved the adaption of the partially constructed improvements for apartments only, there are other challenges that would have to be overcome, including parking and access issues.

Perhaps, a Commercial Market Analysis should be performed in an effort to ascertain the viability of any commercial/retail space in the project. It is the understanding of Hoag Foundation that, in connection with developers' requests for the modification of existing entitlements involving a reduction of the required retail/commercial space, other Orange County cities have required a Commercial Market Analysis to be performed.

C. CONSTRUCTION ISSUES. Several developers have advised Hoag Foundation it may be a challenge for a developer to locate a construction company and structural engineer who are willing to certify the construction of the improvements on the Property. This is because of the uncertainty created by the cessation of construction and/or as a result of having to adapt the partially constructed improvements. Additionally, the general contractor and structural engineer for GGG are no longer in business.

All of the entitlements and building permits for the GGG project have terminated. Thus, it will be necessary to obtain new entitlements and building permits for any proposed project. Additionally, all of the plans and specifications will have to be updated, as the Uniform Building Code has changed since the GGG project was initially approved.

Although there may have been millions of dollars spent on the partially constructed improvements, they may have no value (or a negative value, if the cost to demolish is more than the scrap value), unless a developer can adapt the improvements for a use that is acceptable to the City and Hoag Foundation. Additionally, any developer must ascertain whether the cost to complete construction of the improvements versus the ultimate value of and the projected return from the project upon completion will make economic sense.

V. REQUESTS/RECOMMENDATIONS OF HOAG FOUNDATION.

In the February 13 meeting with the City, Cathay Bank's representatives requested the City to grant an extension of the December 1, 2014 demolition Notice and Order deadline to December 31, 2015. Cathay Bank requested the extension to provide time for Cathay Bank to identify a developer and development plan that is acceptable to the City and Hoag Foundation.

You responded the City may be willing to agree to a reasonable extension of the demolition Notice and Order deadline. However, you noted, as a condition to any extension of the demolition Notice and Order deadline, the City may require Cathay Bank to enter into a written agreement with the City.

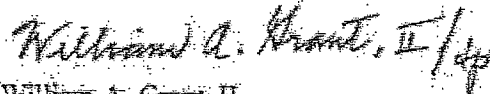
Mr. Allan L. Roeder
Interim City Manager
City of Garden Grove
February 20, 2015
Page 5

You suggested that in consideration for the City agreeing to an extension of the demolition Notice and Order deadline, Cathay Bank agree in writing to reasonable milestones and/or conditions that must be satisfied by a specified date. If the milestones and/or conditions are not satisfied by the date specified, Cathay Bank would consent and agree to the demolition of the partially constructed improvements. Furthermore, Cathay Bank would be required to post a bond with the City for the estimated demolition cost.

Hoag Foundation is completely supportive of your suggestion. Although Hoag Foundation is willing to cooperate with Cathay Bank, Hoag Foundation believes there must be a date by which either the project proceeds, or the partially completed improvements are demolished. Furthermore, in connection with any extension of the demolition deadline, Hoag Foundation is willing to enter into a written agreement with the City and Cathay Bank consenting to the demolition of the partially constructed improvements, if the benchmarks are not achieved.

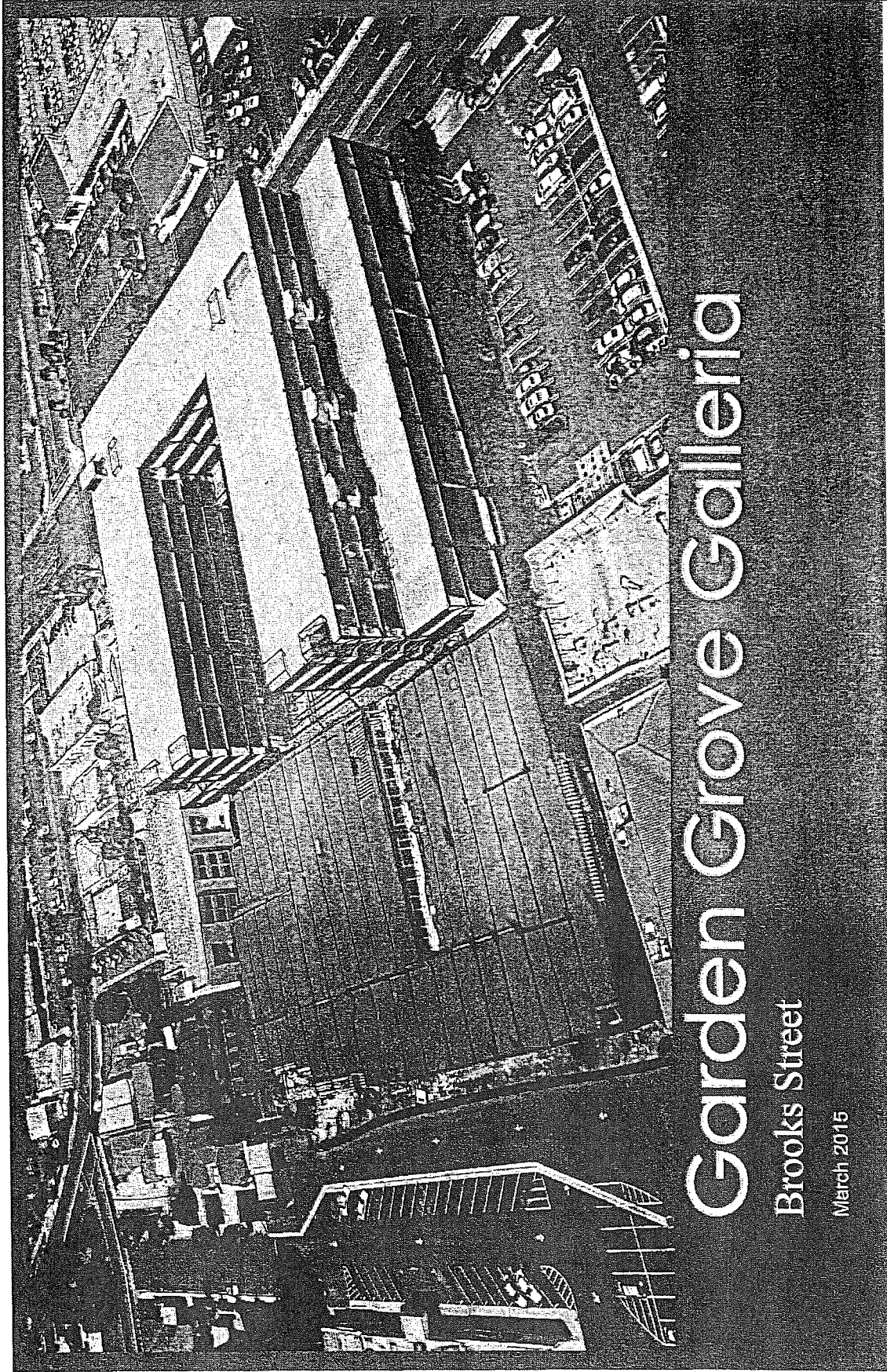
Hoag Foundation's representatives will be present at the City Council meeting on February 24, 2015, to answer any questions and provide any additional information requested by the City. Hoag Foundation appreciates the City's consideration of this letter.

Very truly yours,



William A. Grant, II
President
The Emlen W. Hoag Foundation

cc: Hoag Foundation Board of Trustees (via email)
Ms. Pat Halberstadt, The Boys & Girls Club of Garden Grove (via email)
William B. Bruckloe, Jr., Esq. (via email)
Ms. Erin Webb (via email)
Thomas F. Nixon, Esq. (via email)
James H. Eggart, Esq. (via email)
Mr. Heng W. Chen, Cathay Bank (via email)
Lisa L. Kim, Esq., Cathay Bank (via email)



Garden Grove Galleria

Brooks Street

March 2015

B R O O K S
S T R E E T

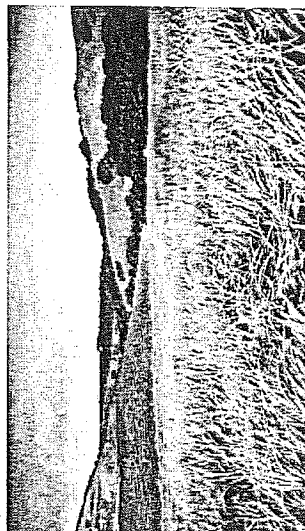
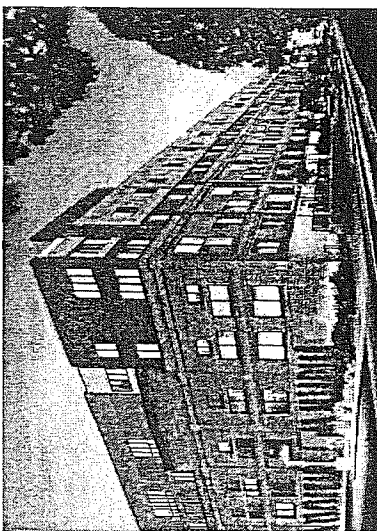
About Brooks Street

Who We Are

- Founded in 2002, Brooks Street is a fully-integrated real estate company with over \$1 billion of real estate under active management in California.
- The company manages a diverse range of projects, including homebuilding, urban infill, adaptive reuse, mixed-use, hospitality and master planned communities.

The Company

- Brooks Street's management team consists of experienced real estate professionals with a proven track record in acquisitions, entitlements, land development, and construction.
- The company employs approximately 40 associates with headquarters in Newport Beach and an office in Orinda, California.
- Brooks Street's development platform includes full accounting, human resources, sales, marketing, construction and customer service support with rigorous policies and procedures.



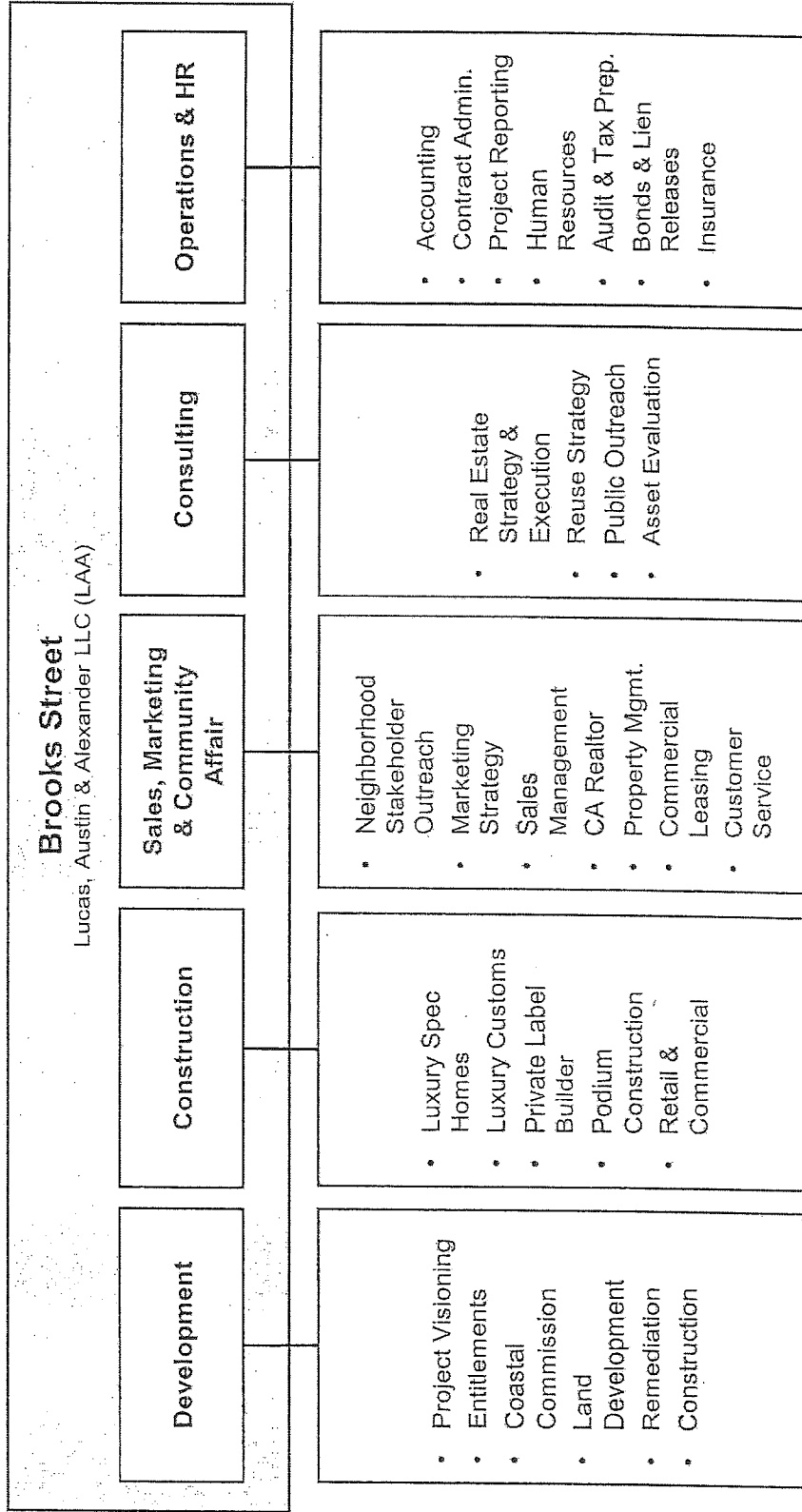
Our Principles for Success

1. Location: Brooks Street focuses on premier locations such as those near the coast and proximate to gateway employment, entertainment, shopping, and educational centers. Brooks Street has successfully managed projects through out the western United States.
2. Experience: The company's management team brings extensive operational expertise from former leadership positions with public and private companies, including Lennar, Lowe Enterprises, Pacific Bay Homes (a Ford Motor Company subsidiary), Shea Homes, Centex Homes, and CityView.
3. Partnerships: Brooks Street has successfully built long-term relationships with capital partners, financial institutions, public agencies and other project stakeholders which has resulted in many repeat deals. The reputations of both the company and individuals has always remained at the core of every deal, and Brooks Street prides itself on successfully demonstrating its commitment to honesty, transparency, and integrity.
4. Underwriting: Brooks Street utilizes a rigorous underwriting process that incorporates multiple disciplines, including detailed market analytics, risk assessments, and financial scenarios. Every deal is evaluated critically by a formal Investment Underwriting Committee that includes principals and key members of the management team.

CONFIDENTIAL

B R O O K S
S T R E E T

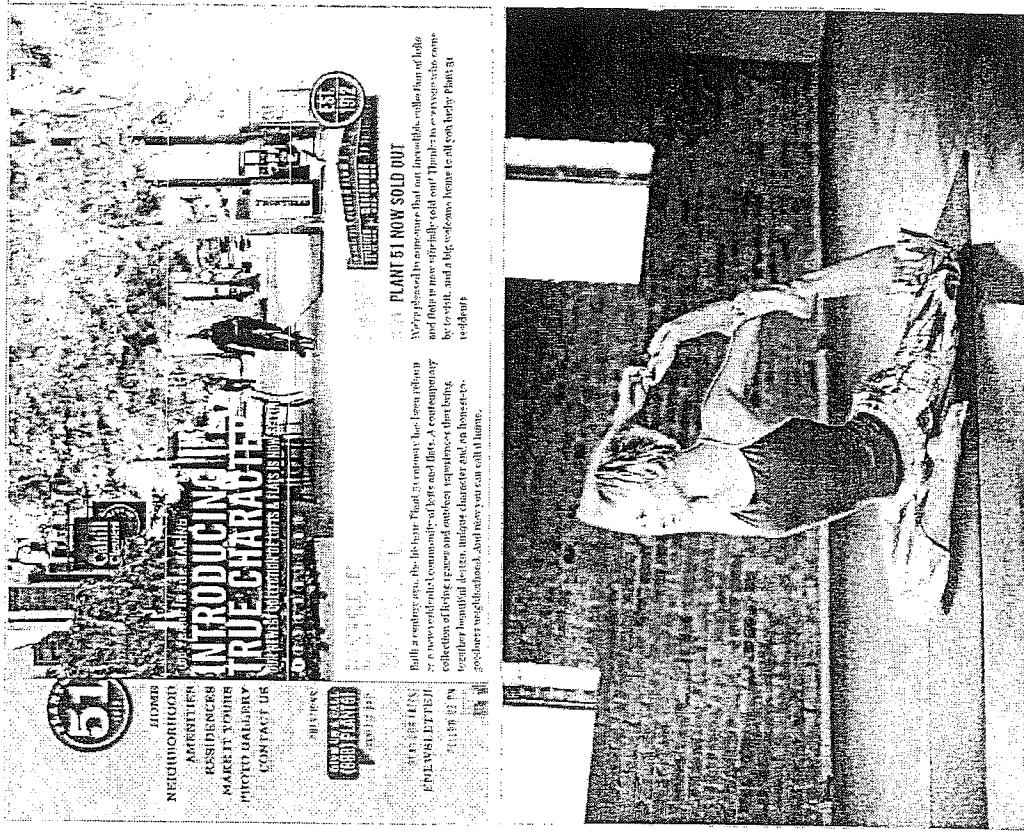
Company Organization



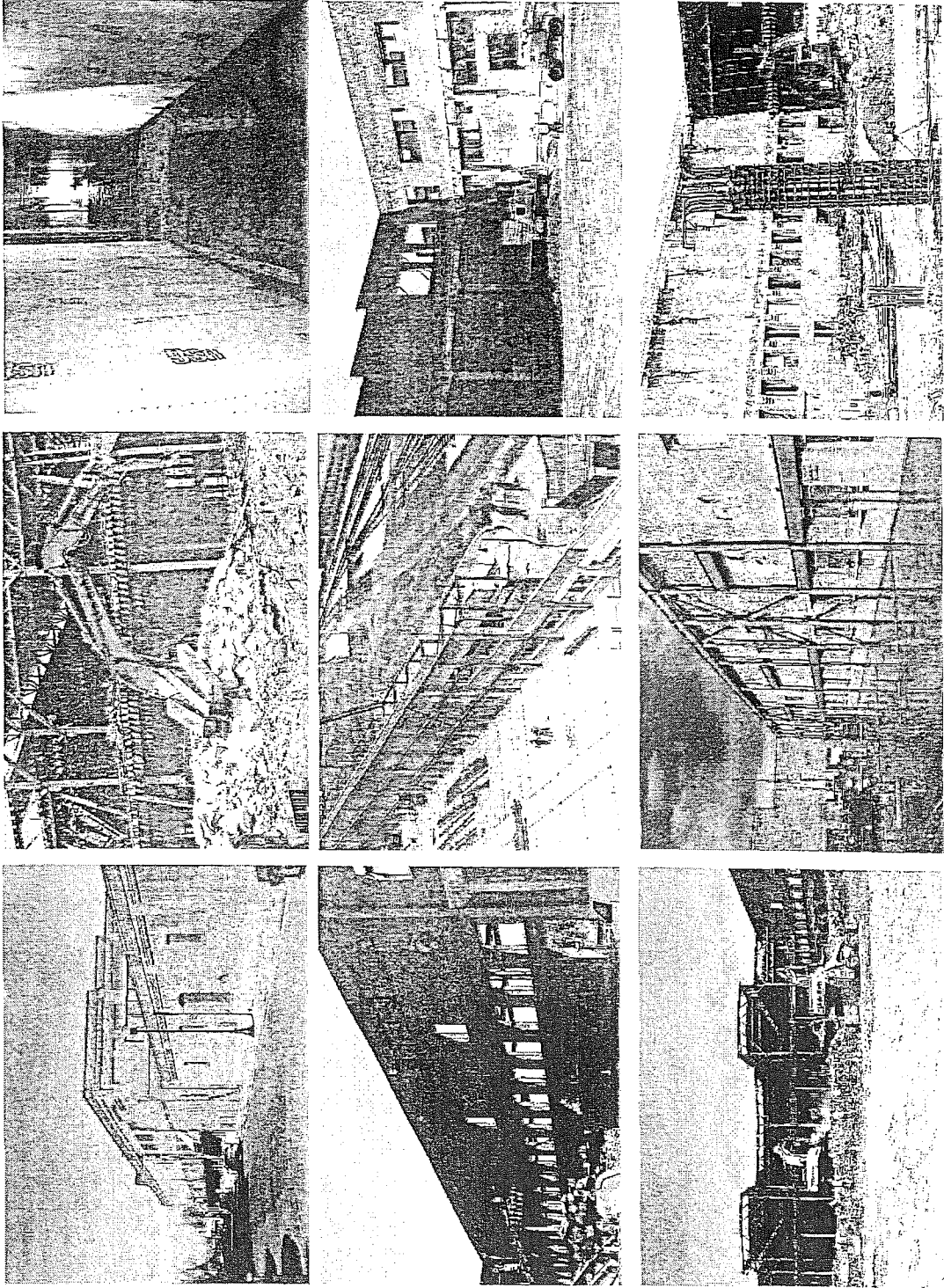
PRECEDENT PROJECT – BACK FROM THE DEAD

Plant 51 – San Jose, California

- Distressed asset from Centex Portfolio.
- Rehabilitation of old commercial building into residential.
- Project was partially demolished with some structural upgrades started but not completed. Brooks Street restarted project after 3 years of dormancy.
- Brooks Street took over the development and modified the plan to fit surrounding urban lifestyle.
- Urban lifestyle amenities
 - Yoga studio
 - Bike kitchen
 - Transit
- Best selling project in San Jose ('11)

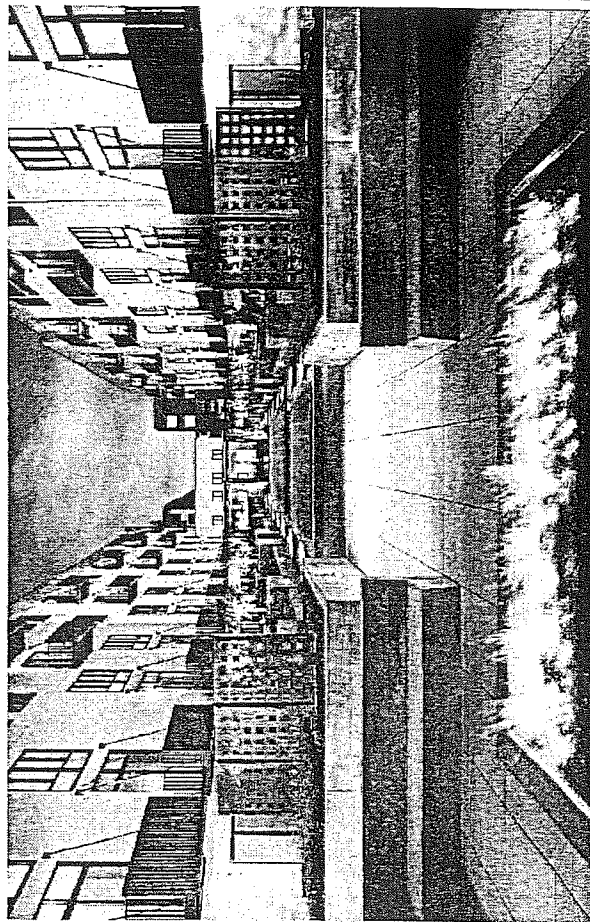
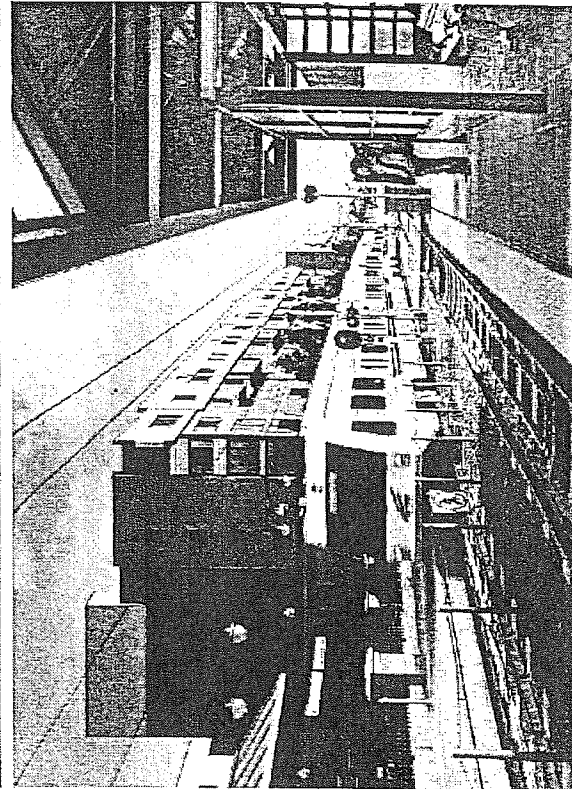
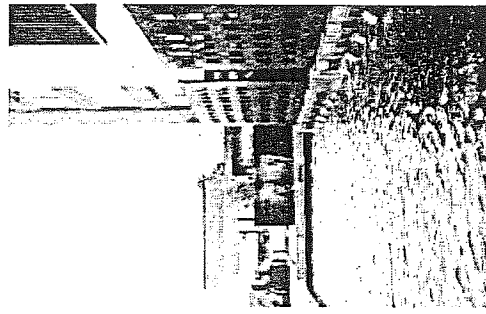
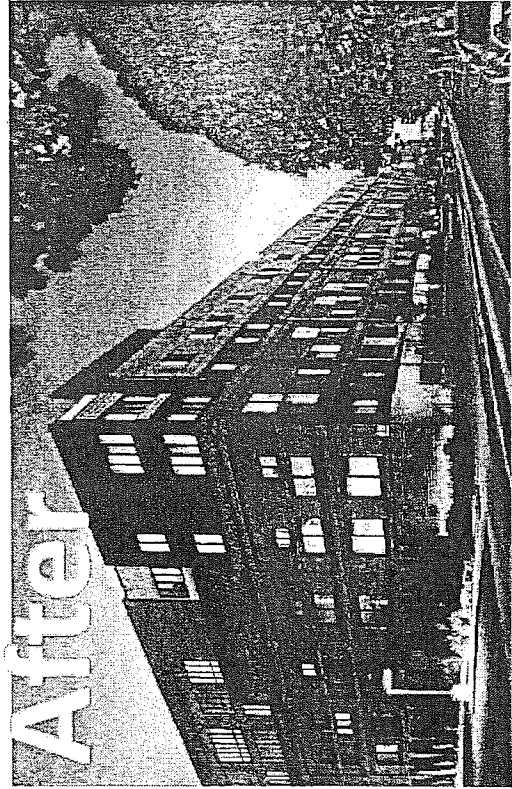


BROOKS
STREET

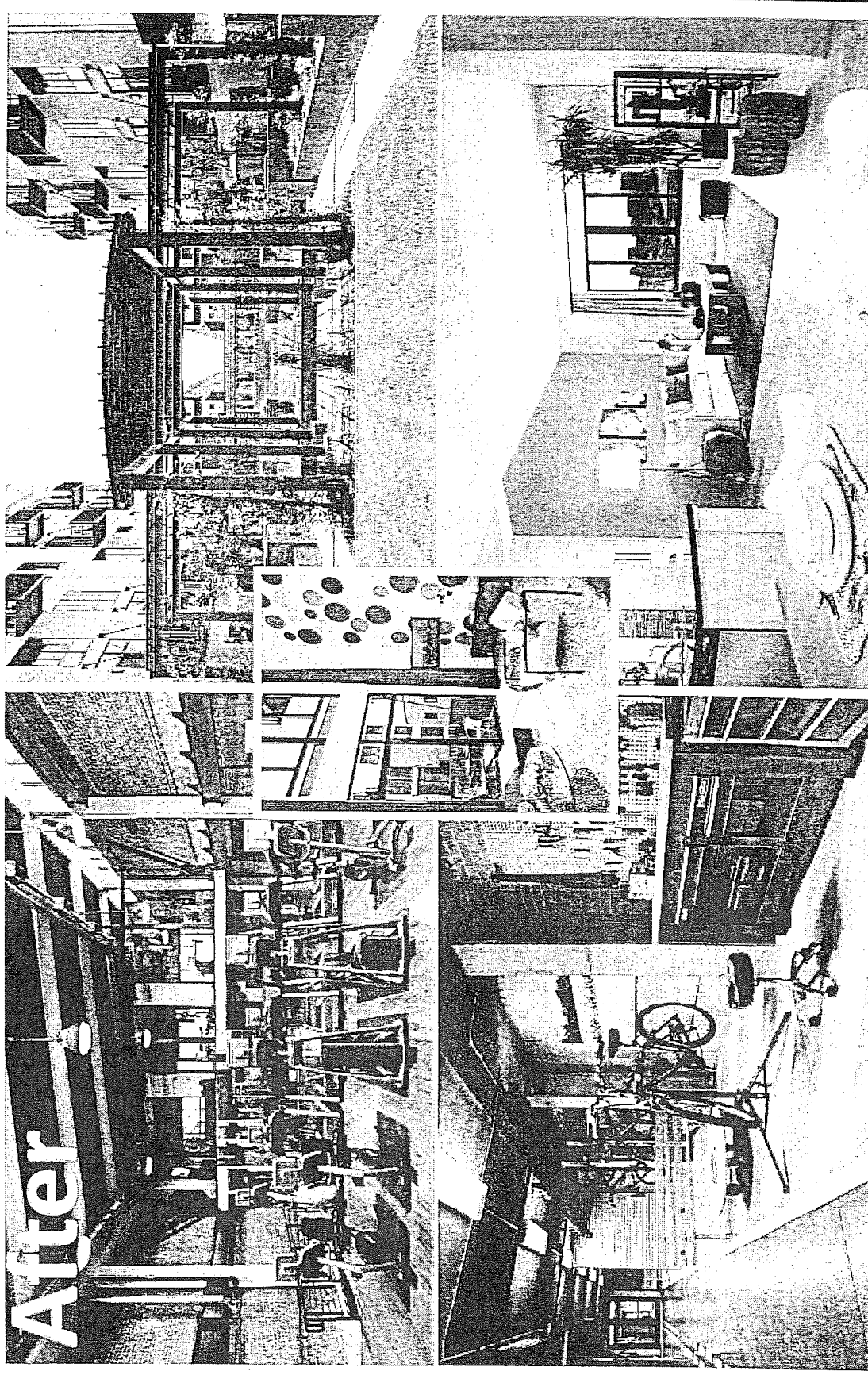


BEFORE

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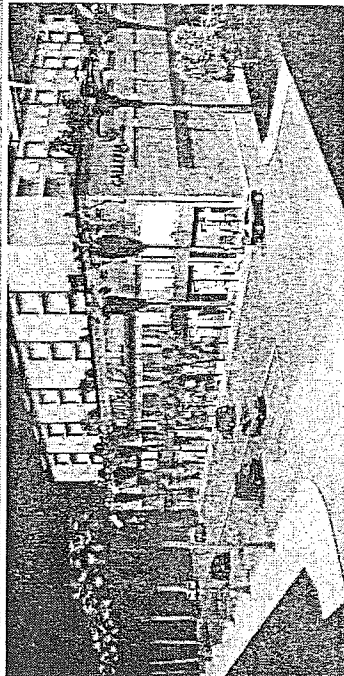
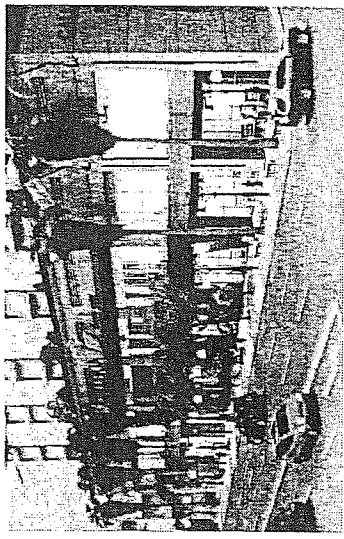
B R O O K S
S T R E E T



After

B R O O K S
S T R E E T

KEY MILESTONES - DRAFT



Meeting
City &
Stakeholders
1 day
(3/17/15)

Due
Diligence
90 day
(6/15/15)

Presentation
to City and
Hoag
Foundation
1 day
(6/15/15)

Structural
Cleanup/
Stabilization
90 day
(9/15/15)

Update
Architecture
/ Engineering
30 day
(10/15/15)

Presentation
to City &
Stakeholder
of final plans
and
renderings

Update
Permits Bid
and G/C
60 day
(12/15/15)

Construction
& TI's
21 months
(8/15/17)

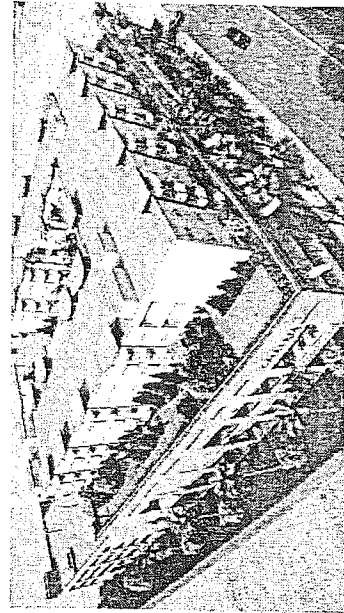
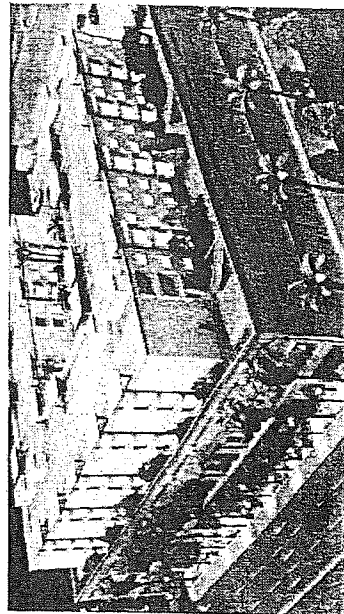
Community
Open House
Grand
Opening
(9/1/17)

Residential Absorption

Residential Pre-Lease

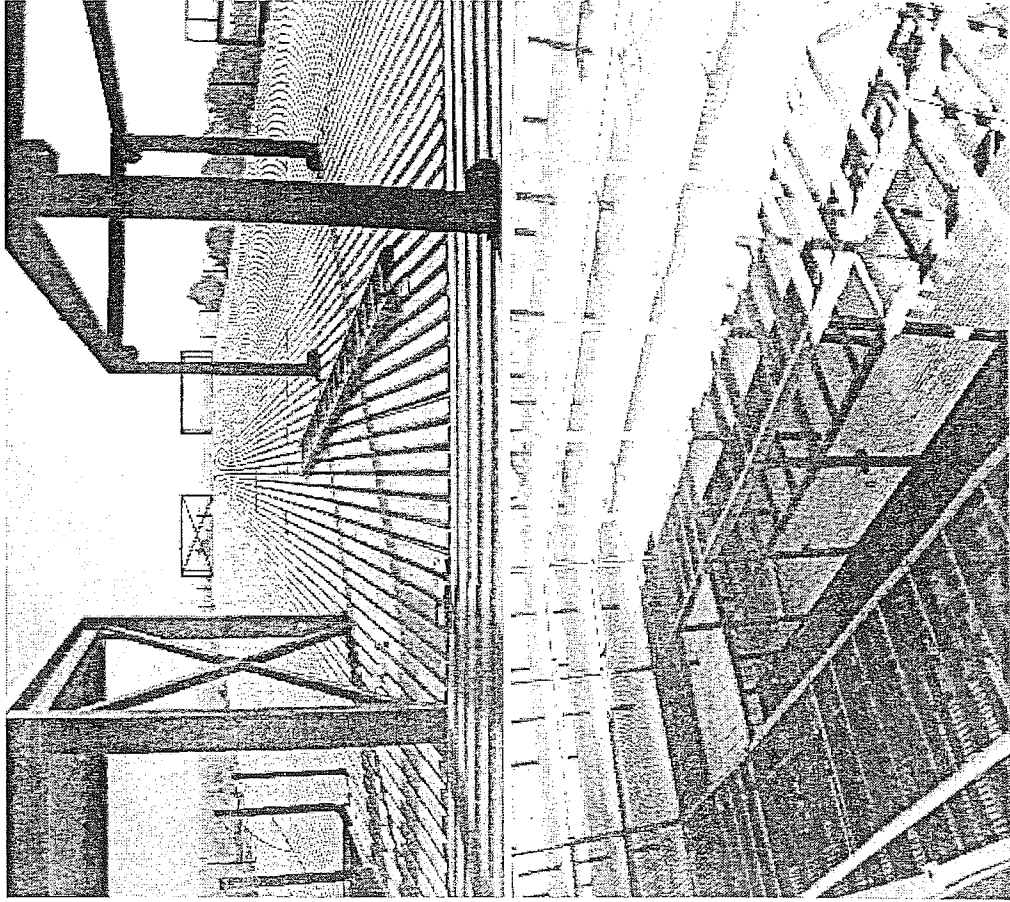
Retail Leasing

Announcement of Tenant Mix



DUE DILIGENCE CHECK LIST

- Plans and Construction Forensic Analysis
 - Structural Integrity
 - Plan 'as-built' Constructability Review
 - Construction Costs Analysis
- City Interface – Staff & Decision Makers
- Meet with Community Stakeholders
- Market Analysis
 - Residential
 - Retail
- Financial Analysis
 - Revenue
 - Costs
 - Cash Flow
- Legal Review
- Financial Structure
 - Bank Debt
 - Equity



B R I C K S
S T R E E T

About Us

Principals & Management Team

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S T R E E T

Scott Goldie

Managing Principal, Northern California Division

- 25+ years of experience in finance, entitlements and operations
- Former Northern California Division President of Pacific Bay Homes, LLC
- Former Principal of Northgate Environmental Management, Inc.
- BS from George Washington University, MBA from Kellogg

Chris Yelich

Managing Principal, Southern California Division

- 25+ years of experience in entitlements, operations, sales and marketing
- Former Orange County Division President of Pacific Bay Homes, LLC
- Award-winning master plan developer
- BA from University of California, Los Angeles

Neil Brandom

Managing Principal, Southern California Division

- 25+ years of real estate development, homebuilding and finance
- Managed large international infrastructure projects
- Luxury custom homebuilder and industrial developer
- BE from University of New South Wales, MBA from CSU Fullerton

Rich Knowland

Principal, Southern California Division

- 25+ years of experience in homebuilding throughout the Southwest
- Former Managing Principal of Pacific Terra Holdings
- Former Division President and Regional Vice President for Lennar
- Proven track record in entitling, developing and selling large master planned communities

Chuck Dragicevich

Principal, Southern California Division

- 35+ years of experience in real estate development, financing, and operations
- Former Partner and EVP of CityView, a pension fund advisory firm
- Managed portfolio of 48 projects exceeding \$2B
- Former Division President of Lennar Homes

Michael Mohler

Chief Operating Officer, Southern California Division

- 35+ years of experience in resort, residential and mixed-use developments
- Managing Director of Newport Banning Ranch in coastal Newport Beach
- Extensive experience processing entitlements through the CA Coastal Commission
- Former Senior VP of Lowe Enterprises

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Bruce Yamamoto

Chief Investment Officer, Northern California Division

- 20+ years experience in real estate development and finance
- Formerly served as a Project Manager for Pacific Bay Homes
- Former Principal of North Lawn Ventures strategy consulting
- BS from UC Berkeley and MBA from The Anderson School at UCLA

Ken Jo

Vice President of Business Development, Southern California Division

- 20+ years experience in finance, acquisitions, construction, and sales
- Former Director of Real Estate Development for BETEK Corporation
- Former VP of Business Development for CalPac Engineering and Construction
- Former Asset Manager for Lennar Communities and Lennar Orange County Homebuilding

Mike Perry

Director of Sales, Northern California Division

- 25+ years in real estate sales and marketing and a California Licensed Real Estate Broker
- Former Director of Training for Centex and VP of Sales for the Northern California Division
- Former VP of Sales and Marketing for the Bay Area Region for John Laing Homes
- Former member of US Air Force

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Valerie Roos

Director of Sales & Marketing, Southern California Division

- 20+ years in homebuilding and a California licensed broker
- Former Division President for Lennar Homes
- Over 15 years VP of sales and marketing for Lennar homes and Lennar Urban
- Recently responsible for the sale out of Central Park West, Irvine, CA.

Brett Isaacman

Vice President of Operations, Southern California Division

- Extensive expertise in constructing multi-family and mixed-use developments
- Proven track record on projects with 20-300+ residential, 20k SF-300k SF retail and office, multi-level reinforced concrete garages, site development work, and offsite improvements
- Formerly headed up The Sun Group's legal department and handled all of their legal and governmental matters

Greg Brun

Senior Project Director, Northern California Division

- 30+ years in residential and commercial real estate
- Oversees the integration of redevelopment with remedial work for several of PG&E's Manufactured Gas Plant sites in Northern California
- Formerly operated his own real estate development, brokerage, and consulting firm with over \$152M in assets under management

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Alice Lewis

Controller, Southern California Division

- 10+ years of real estate specific accounting experience
- Extensive operational expertise from working with publicly traded companies
- Focuses on audit/tax management, treasury, and corporate governance
- Manages accounting and reporting functions for Brooks Street

Peter Helfrich

Project Director, Southern California Division

- Successfully secured entitlement approvals for Timoteo, a 250-acre property in Beaumont, CA that is slated for a 2.9M sq ft distribution facility
- Active in business development and investor relations
- Former co-founder of telecommunications company Axcelerate, which was successfully sold to iPass

Rewdy Holstein

Project Director, Northern California Division

- Current project manager for Newport Banning Ranch, a 400-acre property in Newport Beach with a complex entitlement process
- Former Director at Developers Research, an Irvine-based real estate consulting group
- Former Audit Associate with KPMG
- Bachelor of Accounting from University of San Diego

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