



VIA E-MAIL

GraceL@ggcity.org

February 10, 2022

City of Garden Grove  
Office of Economic Development  
Attention: Grace Lee  
11222 Acacia Parkway  
Garden Grove, California 92840

RE: Response to December 20, 2021 and January 6, 2022 letters from City of Garden Grove Sale/Lease of the property located at 3017 W. 5<sup>th</sup> Street, Santa Ana, CA 92703 Per the Surplus Land Act

Dear Ms. Lee,

McWhinney is pleased to submit the following responses to the City's December 20, 2021 and January 6, 2022 letters and request for additional information following our prior submittals related to the Willowick golf course RFP. This letter is submitted in accordance with the Surplus Land Act (SLA).

**REQUESTS FOR ADDITIONAL INFORMATION AND RESPONSES**

1. Provide an update about the prospective market demand for the proposed office component(s).

Response to Request #1: In the Appendix to this letter and as PDF attachments, we have provided several commercial real estate (CRE) industry articles and reports that address the anticipated CRE trends, demands and constraints for 2022 and beyond.

Our prior proposals and submittals have presented our objective to create an "18-hour Day" for the Willowick master plan development by accommodating a mix of uses to include a robust and varied palette of programmable open spaces, employment uses, a range of residential, retail, dining and entertainment, and the potential for a specialized land use, such as a stadium, arena, or civic use that could serve as the centerpiece to and for the community.

Our intention is still to provide the same possible mix of uses, and we believe the projected market demand and constraints still support these uses. However, CRE industry leaders and advisors also anticipate that some fundamental adjustments and modifications will likely be instituted in light of the COVID-19 pandemic and its current and anticipated ongoing impacts on commercial real estate.

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1800 Wazee Street  
Suite 200  
Denver, CO 80202  
720-360-4700

mcwhinney.com

2725 Rocky Mountain Avenue  
Suite 200  
Loveland, CO 80538  
970-962-9990

For example, it is anticipated that successful office space in the current active- and post-COVID-19 environments will have some or all the following features designed into the facilities in order to attract quality tenants and to encourage employers and employees to comfortably return to the office:

- Class A high quality finishes
- Touchless building and office entry points
- Hygienic features at building entry points, restrooms, dining areas, etc.
- Ventilation systems
- Open floor plans
- Open spaces and green spaces built into, on top of, and at the ground level of buildings
- Hybrid and flexible indoor and outdoor areas for gathering
- Experiential retail with indoor and outdoor food options
- Convenient services such as day care, dry cleaning, and package retrieval

It is also anticipated that the continued trend of building a broad range of housing opportunities near employment opportunities will remain a positive and desirable component of successful master planned communities.

With the above said, we would also like to explain that our prior master plan and space planning submittals were conceptual in nature and were not intended to be final design plans and proposals. We developed the plans in our prior proposals based upon the best information available at the time.

If McWhinney and Wakeland are awarded the Willowick project, we will meet with the communities and cities of Garden Grove and Santa Ana and the key stakeholders in each city with a “clean sheet of paper” and we will then produce the master plan proposals, supported by these groups and the market. We will collaborate with both communities to obtain their input on what uses are desired for the Willowick development and we will also evaluate the market trends and demands. Based on these two key components of input, we will provide proposed plans for the development.

While the proposed mix and quantity of land uses may change, our goal is to achieve the residual land values as outlined in our proposals. This may ultimately be achieved with a final land use mix that is different than what was contemplated in our original and prior submittals.

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2. Provide any alternatives to the scope of your proposal given the uncertainty of the real estate market impacted by the COVID pandemic.

Response to Request #2: Based on our response to Request #1 above and the following excerpts from the commercial real estate industry articles and reports presented in the Appendix to this letter, we are not proposing any alternatives to the concept land use plans presented in our prior proposals.

**The following excerpts are from:**

CBRE 2022 U.S. Real Estate Market Outlook Report  
December 2021  
Introduction by Richard Barkham  
Global Chief Economist & Global Head of Research

“CBRE is maintaining a positive outlook for the economy and commercial real estate in 2022, despite uncertainty over potential impacts of the COVID omicron variant and other risks.”

“We foresee a record year for commercial real estate investment, enabled by high levels of low-cost debt availability and new players drawn to real estate debt’s attractive risk-adjusted returns.”

“Commercial real estate values will rise, particularly for sought-after industrial and multifamily assets. Investors will sharpen their focus on emerging opportunities in the office and retail sectors in search of better returns.”

“With hybrid work the new normal, office properties with amenities that enhance employee collaboration, connection and wellness will fare best.”

**The following excerpts are from:**

CBRE 2022 U.S. Real Estate Market Outlook Report – Page 16  
December 2021  
*“The Rise of Hybrid Work”*

“...employers [will] increasingly view the office as a place for collaboration and meaningful employee connection. Activity-based workplaces will become the new planning standard for companies to enhance employee productivity and wellness. Amenities that meet the daily needs of employees, help them establish and maintain relationships and offer experiences that represent the company’s brand and values will become more important.”

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Continued from above:

“The shifting role of the office will likely accelerate a flight to quality, with office buildings that offer the most desirable technology, amenities and flexible space capturing a growing share of demand.”

3. Provide any revisions to the price and terms or inclusion of an all-cash offer.

Response to Question #3: We do not have any revisions to provide related to our prior proposed financial terms and conditions, and we are not prepared to offer an all-cash purchase price.

We hope our responses to the above requests provide the City with the information it needs regarding our proposal. However, please feel free to let us know if you have any follow up questions for us.

Thank you again, for considering us for this exciting project!

Sincerely,

*Peter Lauener*

Peter Lauener  
Executive Vice President, Master Planned Communities

**Appendix**

Please see Appendix on the following page.

**Appendix**

Please see the market-related opinion and projection materials at the following website links.

PDF copies have also been attached for several of the following documents.

CBRE – U.S. Real Estate Market Outlook 2022 – December 8, 2021

<https://www.cbre.com/insights/books/us-real-estate-market-outlook-2022>

PDF Copy Attached

CBRE Webpage – The Future of Work – Articles Published Q3 and Q4 2021

<https://www.cbre.com/insights/future-of-work#sort=%40publishdate%20descending>

CBRE Article – How Hybrid Work Will Transform Our Workplaces – October 28, 2021

<https://www.cbre.com/insights/articles/how-hybrid-work-will-transform-our-workplaces>

PDF Copy Attached

Allen Matkins LLP Article – November 1, 2021

Top 10 Western Region Commercial Real Estate Trends in Q4 2021

<https://www.allenmatkins.com/real-ideas/top-10-western-regional-commercial-real-estate-trends-2021.html>

National Law Review Article – By Allen Matkins LLP – July 21, 2021

<https://www.natlawreview.com/article/office-developers-signal-upward-turn-market>