



February 10, 2022

Lisa Kim
Assistant City Manager
City of Garden Grove
11222 Acacia Parkway
Garden Grove, CA 92840

RE: Additional Information - Sale/Lease of the property located at 3017 W. 5th Street, Santa Ana, CA 92703 (the "Site") per the Surplus Land Act

Dear Lisa:

Thank you for your letters dated December 20, 2021, and January 6, 2022. As requested, Willowick Community Partners (WCP) is providing additional information to the City of Garden Grove (the "City") pertaining to our proposal as follows:

1. An update about the commercial component of your proposal and possible alternative(s) to expand the proposed commercial use:

The commercial component will be a critical element of the future of Willowick, ultimately strengthening the open space and housing components. Primestor will be leading the commercial components, leveraging its 30-year history delivering community cherished centers in underserved markets.

The commercial retail components will be tenanted by both home-grown operators and other major tenants, as desired by the local community. In addition to the retail and food & beverage tenants, the commercial component will include:

- Activated plazas that provide a community gathering place and host regular events
- Health & Wellness focused retail tenants consisting of both gyms and clinics
- Local business incubation

We have put forth a baseline commercial floor area target that we believe is achievable, however we see the opportunity for it to expand.

2. Any revisions to the scope of your proposal give the uncertainty of the real estate market impacted by the COVID pandemic:

There are no changes to WCP's entitlement framework based on any COVID related concerns. These unprecedented times have reinforced the importance of ensuring that communities have access to affordable housing, open space, essential retail, and health amenities as well as new cultural and community facilities. WCP's vision calls for a balanced approach to development and is not reliant on risky asset classes (like office or high rise residential). However, we understand the City of Santa Ana may be interested in allocating funds to increase the size of the public open space. WCP is amendable to working with the City of Santa Ana in this regard and we have a meeting set up to discuss this with the City Manager.

3. Any revisions to the price and terms or inclusion of a ground lease component:

To clarify our proposed price and terms, the WCP offer is to acquire the Site for \$100,000,000 (this is \$10,000,000 greater than the City's appraisal of \$90,000,000). We have offered 3 acquisition scenarios:

- i. All cash at the Closing
- ii. \$5,000,000 in cash at the Closing and \$95,000,000 paid by a fully amortizing Note over 45-years
- iii. 99 Year Ground Lease which was outlined in our letter dated October 20, 2021 and discussed at our in person meeting on November 30, 2021.

We also previously offered a non-contingent price of \$50,000,000, however, that offer was verbally rejected at our November 30, 2021, meeting.

WCP is not proposing any revisions to our price/terms at this time. We are confident that our all-cash offer, which has been the highest of the bidders to date, will continue to be of the greatest value to the City, particularly when combined with our unparalleled local experience working with communities to deliver desired improvements. WCP is committed to continuing to negotiate in good faith and will consider any reasonable counter proposals offered by the City of Garden Grove.

Furthermore, we are happy to see that the City is requesting an all-cash offer from McWhinney that can be compared evenly to the offers submitted by the Trust for Public Land and WCP. We have the following concerns with McWhinney existing proposal:

- i. McWhinney is not offering a price nor are they offering a valid ground lease. They are proposing to loan the City predevelopment monies for a 15% annualized return on their capital and the ongoing rights to 15% of net income once development sites are monetized.
- ii. Typically brokers for major development sites obtain fees in the 1% to 3% range, so 15% is significantly above market.
- iii. Furthermore, the McWhinney proposal puts the vast majority of the risk on the City. This includes entitlement risk, market risk, and site development risk.

Please let us know if you have any questions regarding our responses to your questions. We look forward to setting up a follow-up meeting to discuss the WCP proposal and next steps towards a binding transaction agreement.

Sincerely,

WILLOWICK COMMUNITY PARTNERS, LLC

A handwritten signature in black ink, appearing to read "Ryan D. Aeh". The signature is fluid and cursive, with a prominent initial "R" and "A".

Ryan D. Aeh
Senior Vice President, Land Acquisition
City Ventures