

# Envision Willowick

Submittal Prepared for:  
City of Garden Grove

AUGUST 21, 2020



McWHINNEY

COPY

*This page left intentionally blank.*

August 21, 2020

# Table of Contents

7	<b>1. Cover/Transmittal Letter</b>
	1.1 Cover Letter/Executive Summary
11	<b>2. Developer's Information</b>
	2.1 Development Team, Proposing Entity & Contact Information
15	<b>3. Developer's Financial Experience</b>
	3.1 Financial Narrative
	3.2 Developer's Source of Equity
	3.3 Developer's Source of Debt
19	<b>4. Proposed Master Development Plan</b>
	4.1 Master Plan Approach & Guiding Principles
	4.2 Conceptual Site & Massing Plans
31	<b>5. Community Engagement &amp; Public Benefits</b>
	5.1 Community Outreach Plan
	5.2 Flexible Master Development Plan
	5.3 Economic, Fiscal, Employment, and Public Benefits
35	<b>6. Affordable Housing</b>
	6.1 Affordable Housing Overview
	6.2 Affordable Housing Financial Summary
41	<b>7. Deal Structure</b>
	7.1 Preferred Deal Approach



August 21, 2020

# 1. Cover/Transmittal Letter



August 21, 2020

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

Dear Ms. Grace Lee:

In response to your July 24th, 2020 letter regarding your desire to “... enter into good faith negotiations to determine a mutually satisfactory sales price or lease terms under the Surplus Land Act (SLA)” the McWhinney team is honored to resubmit our proposal to be considered as your master development partner for the revisioning of the Willowick Golf Course. We recognize that this moment is many years in the making, and we are committed to lead this unique project through the planning, entitlement, redevelopment and execution of Willowick. As a committed partner to the City of Garden Grove our team will be focused on creating a development framework, with ultimate flexibility, maximizing the long-term value of the property to the City of Garden Grove, while creating a vibrant, sustainable and distinctive community, that can become a model of mixed-use urban planning and execution for Orange County.

To achieve this goal, your master developer partner will need the following qualifications:

**1) Deep Local Experience:** Respect is not earned over-night, nor is the ability to step-in and call yourself a committed partner. Over the past 22+ years McWhinney has proven itself as a true partner, committed to the goals and objectives of the City of Garden Grove. McWhinney helped bring to life Garden Grove’s vision for a hospitality corridor through the development the Hampton Inn & Suites, Homewood Suites and Hilton Garden Inn. As a long-term owner of the 507-key portfolio, McWhinney has demonstrated its commitment as a member of the Garden Grove Community. When Garden Grove sought to establish itself within the region with a focal entertainment attraction, McWhinney stepped-up, collaboratively with the City, to bring the vision of Great Wolf Garden Grove to life.

With over 30 years of experience in developing large-scale developments in Southern California, Peter Lauener and the McWhinney team are uniquely qualified to lead the redevelopment of Willowick. Having overseen complicated and challenging redevelopments that include large-scale land development projects with mixed-use components including office, retail, residential and hospitality, our team will bring to the team a proven appreciation and skill for navigating development in the Southern California market. McWhinney’s direct experience with community outreach, development planning and deep connections with local consultants, stakeholders and resources will provide immediate value to this project, to ensure that the goals outlined in this proposal are achieved.

**2) Focused, Capable Team:** Within McWhinney we have built a team of forward-thinking problem-solvers with a progressive discipline that spans Horizontal and Vertical Planning, Entitlements, Design and Construction, Finance & Capital Markets, Legal & Risk Management, and Marketing & Communications.

If selected, McWhinney will bring to this project a team focused on shaping the vision, development plan, and financial performance potential of the site. We believe this starts with a core team focused on planning and due diligence efforts. Initially, we see the McWhinney led team being complimented by Hart Howerton (Land Planning) and Fuscoe Engineering (Pat Fuscoe, Civil Engineering). As the framework of the development begins to take shape, we anticipate adding the finest local and national subject matter experts and thought leaders to contribute to the evolution and execution of the development plan.

3) **Financial Strength:** One of McWhinney's greatest assets is our financial strength and expertise. This includes McWhinney and its affiliates, significant net worth, track record, access to capital, financial flexibility and ability to minimize risk. Over the last quarter of a century, we have been able to create an organization uniquely focused on the long-term perspective necessary to achieve the results envisioned for Willowick. We pride ourselves on always delivering to our equity, land and debt partners, with a proven financial track record.

4) **Large-Scale, Mixed-Use Development Experience:** Founded in 1991, McWhinney is a comprehensive real estate investment, development and management firm that not only creates large-scale, visionary master-planned communities, but also develops owns and manages premier income-producing properties for the long term. McWhinney has successfully executed many projects similar in scope to the potential for Willowick. We clearly understand how to successfully incorporate a mix of uses into a master plan to achieve the highest potential land value. With McWhinney you get an organization that not only can execute on a mixed-use land development project but has the inhouse capabilities to build residential, commercial, hospitality, and place making components.

5) **Flexible Framework:** The key to unlocking the ultimate value for Willowick will be a flexible development framework, built on a "Place-Making First" philosophy. As the master developer, McWhinney will establish guiding principles that prioritize walkability and public realm, connect within the existing context, and leverage the best aspects of the site, including the Santa Ana River, OC Street Car and unique location within Orange County, in order to inform design and deal structures capable of responding to changing market conditions and opportunities as they present themselves. The flexibility is imperative to the success of Willowick.

6) **Public Private Partnership Experience:** McWhinney has a long history with successful Public Private Partnerships. Within our master planned communities and significant projects, such as Great Wolf, public investment has catalyzed investment by providing the foundational infrastructure for development as well as contributing to the development of off-site connectivity and placemaking. The redevelopment of Willowick will undoubtedly involve complex financing structures and intergovernmental agency cooperation to unlock the potential Willowick has to offer. We have deep experience in this discipline infrastructure funding mechanisms similar in nature to a Community Facilities District (Mello-Roos).

7) **Affordable Housing Partner:** McWhinney has teamed up with Wakeland Housing to provide the required affordable housing. Wakeland Housing and Development Corporation was founded as a nonprofit corporation in 1998 with the goal of creating housing opportunities for the broad spectrum of people who need affordable homes (with supportive services), including low-income working families, seniors, individuals and families who have experienced homelessness, and people with special needs. Guided by our mission of delivering high-quality residential developments that address the needs of the communities we serve; Wakeland has emerged as a leader in the creation and operation of affordable and permanent supportive housing in California. Since their inception, Wakeland has delivered more than 7,300 units of affordable multifamily rental housing at 50 properties throughout the state, working alone and in a variety of partnerships with cities, municipal agencies, nonprofits and investors. Each of these communities showcases Wakeland's commitment to building and operating cost-efficient housing developments with quality on-site programs and services that help low-income and special needs residents fulfill their personal and professional goals. These programs are crucial to our success as a long-term operator of affordable housing communities because of the opportunities they provide for residents to improve their lives.

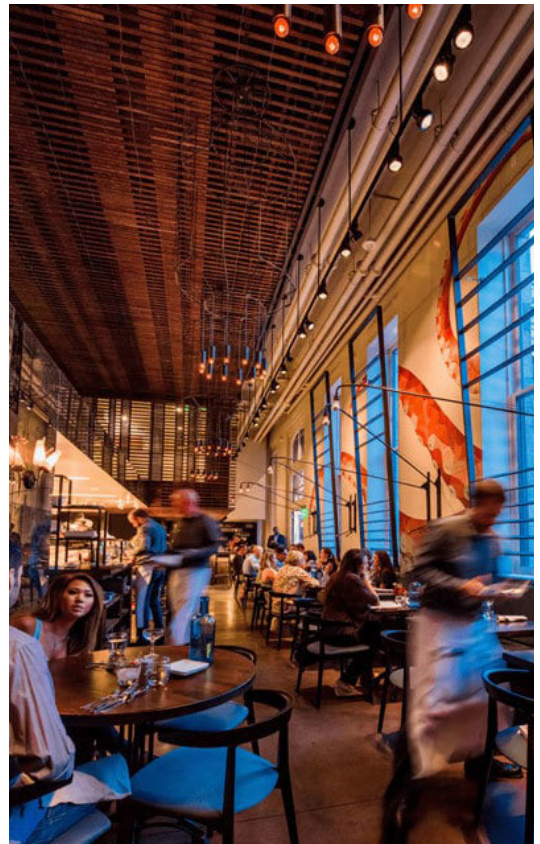
This proposal addresses the criteria outlined in your July 24th, 2020 letter.

We are experts at delivering extraordinary new visions for places in close collaboration with public and community partners. This is precisely the kind of project we are built for and motivated to be a part of. Thank you very much for considering us as your potential partner.

Sincerely,



Peter Lauener  
Executive Vice President, Master Planned Communities  
McWhinney



HISTORIC DAIRY BLOCK, DENVER, COLORADO

August 21, 2020



# 2. Developer's Information

*This page left intentionally blank.*

August 21, 2020

## 2.1 Company Information

### Development Team

The McWHINNEY Real Estate Services, Inc. (“McWHINNEY” or the “Developer Entity”) development team represents a group of executives and team members with a strong track record of successfully delivering solutions for quality offices, corporate headquarters, medical, hospitality and residential space, with over 10 million square feet in total development, of which 1.6 million square feet is directly comparable to the redevelopment potential for Envision Willowick. Our development team takes pride in our ability to work exceptionally well together, our ability to quickly and effectively make decisions to keep projects moving forward, and our cumulative knowledge grown from lessons learned in the past.

### Proposing Entity

MWillowick Land, LLC a Delaware Limited Liability Company

### Contact Information for Lead Negotiating with City

Peter Lauener  
Executive Vice President, Master Planned Communities  
peter.lauener@mcwhinney.com  
949-500-6729

Chad McWhinney  
CEO & Co-Founder  
ccm@mcwhinney.com



BASELINE PROJECT, BLOOMFIELD, COLORADO

# 3. Developer's Financial Experience

## 3.1 Financial Experience

One of McWHINNEY's greatest assets is its financial strength and expertise. This includes McWHINNEY's and its affiliates' significant net worth, track record, access to capital, financial flexibility, and ability to minimize risk. Specifically:

- A very strong financial position marked by substantial recurring income, healthy liquidity, low leverage, and diversified assets.
- Total outside equity raised from long-term relationship investors over the last six years of over \$370 million.
- Strong and well-established relationships with local, regional and national banks that have provided in excess of \$1.0 billion in development financing.

Over the last quarter of a century, we have been able to create an organization uniquely focused on the long-term perspective, which is often necessary to achieve the results envisioned in a successful public-private partnership. McWHINNEY is uncommon in that we typically invest, develop, own, and manage what we build indefinitely. The foundation of this ability lies in a well-established investor base whose primary objective is long-term value creation, reliable and consistent access to the debt markets, and an approach to a deal structure that is tailored to the unique demands of each development.

## 3.2 Developer's Sources of Equity

### Sources of Equity

The equity for the project is anticipated to be procured from McWHINNEY affiliates together with equity of McWHINNEY's third-party investors. Our third-party investors, many of whom have been investing dependably with McWHINNEY for many years, are primarily comprised of high net worth individuals and family offices. These investors are consistently aligned with McWHINNEY, as their primary investment objective is to invest for the long-term in order to provide an ongoing cash yield while protecting downside risk and creating long-term value and capital appreciation.

Our well established, deep and recurring investor base continues to grow. Today our investors are a diverse group that numbers in excess of 70 investors. These investors have partnered with us on a diverse range of real estate assets that include hospitality, multi-family, office, medical office, industrial, retail, and mixed-use development opportunities primarily on the West Coast and in Colorado. Our standard investor structure is direct investment in individual projects (as opposed to a fund), with investments ranging from \$250,000 to \$10,000,000 per investor per project. The Willowick redevelopment is a rare opportunity in a strong long-term market and we feel strongly we will be able to provide the equity required for such a development. In fact, many of our investors have specifically asked us to find more investment opportunities in Orange County.

Within our industry we have a great reputation of meeting or exceeding investor expectations. The best evidence of this is that most of our investors have been our partners for many years and continue to invest in new projects with us. We've earned this reputation for a number of reasons, but in large part because we consistently deliver projects that achieve budget and schedule projections. In fact, since the company's inception 26 years ago, McWHINNEY has never lost an outside investor's investment.

## 3.3 Developer's Sources of Debt

### Sources of Debt

The likely source of debt for the Willowick redevelopment will be procured from a variety of financial institutions that we expect will include commercial banks, the Federal Housing Administration, Fannie Mae or Freddie Mac (for long-term project financing for multi-family), public financing, as well as life insurance companies and other long-term debt capital providers. We often find great alignment working with local community banks that are specifically focused on investments that benefit their immediate community.

Collateral for the debt capital is likely to be the real estate asset being financed, which typically includes the land and the building associated with the specific project.

We typically form separate real estate entities to own each asset in a development, which often allows flexibility in the financing structure.

Below is some additional information regarding McWHINNEY's borrowing history and debt portfolio:

1. McWHINNEY and its affiliates have procured and closed several billion dollars of debt capital during its 26-year operating history. Currently, our debt portfolio has total debt commitments of \$1.036 Billion.
2. Our current debt portfolio is comprised of 69 loans spread across 31 commercial banks, life insurance companies, and other long-term lenders. These loans are primarily construction loans for projects under development and long-term fixed rate permanent loans for stabilized real estate assets.
3. Our debt portfolio includes 65% of loans that have a fixed interest rate and 35% that have a variable rate of interest, with several of the variable rate loans protected with specific interest rate hedging strategies employed to mitigate a rising interest rate environment.
4. Loans range in size from a \$1,000,000 to \$181,000,000 on a single project.

These debt sources have been cultivated over many years as the relationships with our lenders span decades. These relationships have provided very reliable and consistent access to the debt markets, notwithstanding the cyclical and variability associated with the capital markets.



August 21, 2020



# 4. Proposed Master Development Plan



*This page left intentionally blank.*

August 21, 2020

## 4.1 Master Plan Approach & Guiding Principles

Our approach to master planning of Willowick is founded on a “Place-Making First” philosophy. While the design of the future buildings is of course important to the overall project experience, of paramount significance is the experience of being in this unique place. As the master developer, McWHINNEY will first look to establish a flexible framework that will create a coherent and energized foundation with design schemes built around making sure that a vibrant, dynamic, locally rooted, and highly distinctive public realm is created. Once the foundation is created, the sense of place can grow and evolve as a varied and complementary uses begin to layer within the project.

The nature and potential of Willowick is yet to be defined. It could be redeveloped modestly, built with a purpose to serve its immediate surroundings. It could be developed grandly, adding a focal point within Orange County. In our response, we’ve chosen to showcase examples of a flexible framework that will accommodate the spectrum of potential, allowing the redevelopment of Willowick to adapt to changes in the context and market conditions.

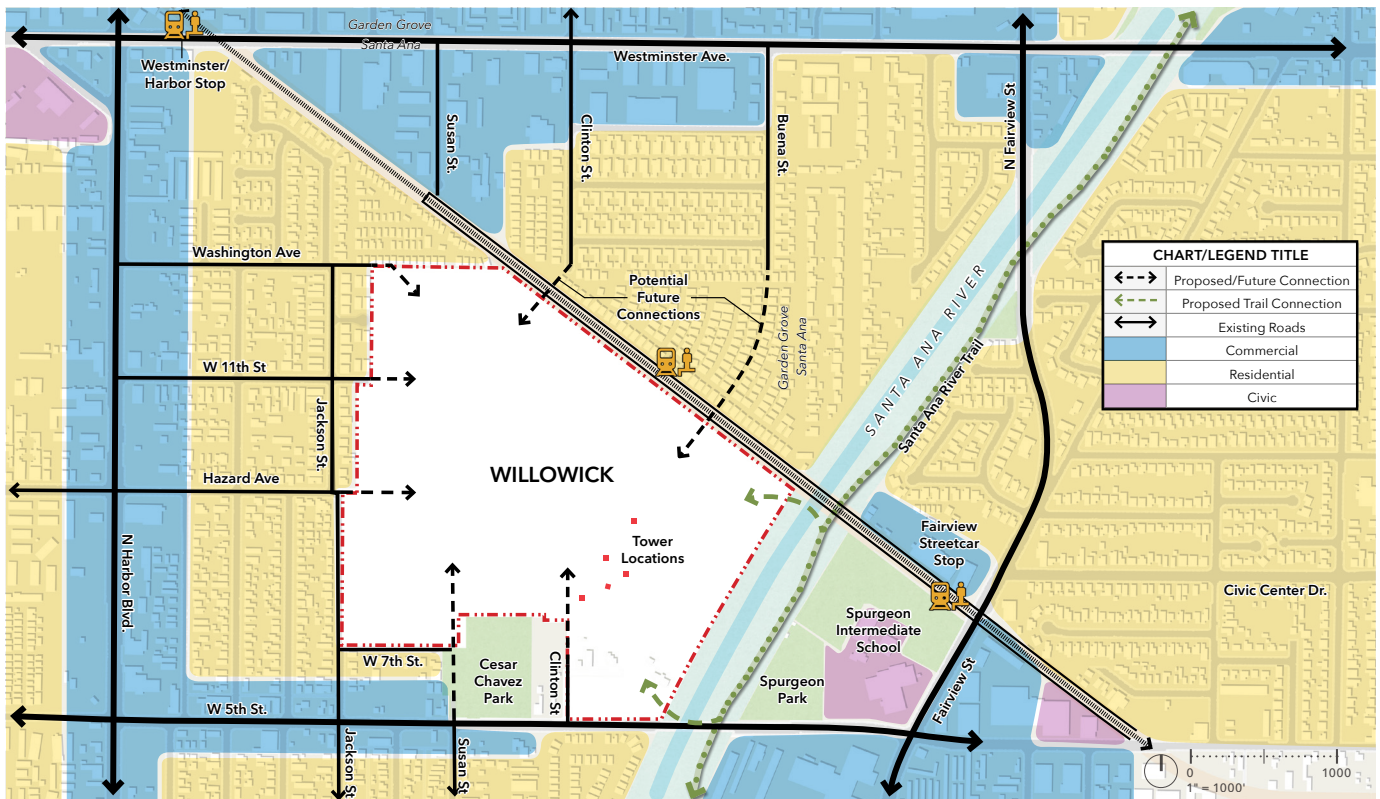
Although the strategic vision for the redevelopment of Willowick has yet to be articulated we feel strongly that key elements should remain constant throughout redevelopment themes presented for Willowick:

1. **Provide a Flexible Framework** – that balances Predictability and Flexibility through a well-conceived interconnected system of streets, trails and open spaces defining development parcels that can adapt to evolving market cycles.
2. **Prioritize Walkability and the Public Realm** – by offering walkable block dimensions, lush streetscapes and pedestrian paseos with shade trees and appropriately sized walks, activated ground floors and building frontages that address the public rights-of-way, and a variety of open spaces that can accommodate a range of activities and programming.
3. **Leverage the Best Aspects of the Site** – through the preservation of the best existing trees and historic clubhouse and the orientation of open spaces and circulation networks that embrace the Santa Ana River and its bike trail as well as the future O.C. Streetcar Corridor.
4. **Connect to the Existing Context** – by extending the adjacent street and trail networks into the site and by planning for future off-site connections through the location of planned streets within the new development to the O.C. Streetcar Corridor.
5. **Respect the Existing Context** – through skillful massing that ensures an appropriate relationship between new development and exiting land uses.
6. **Create an 18-hour Day** – 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 the community.

# 4.2 Conceptual Site & Massing Plans



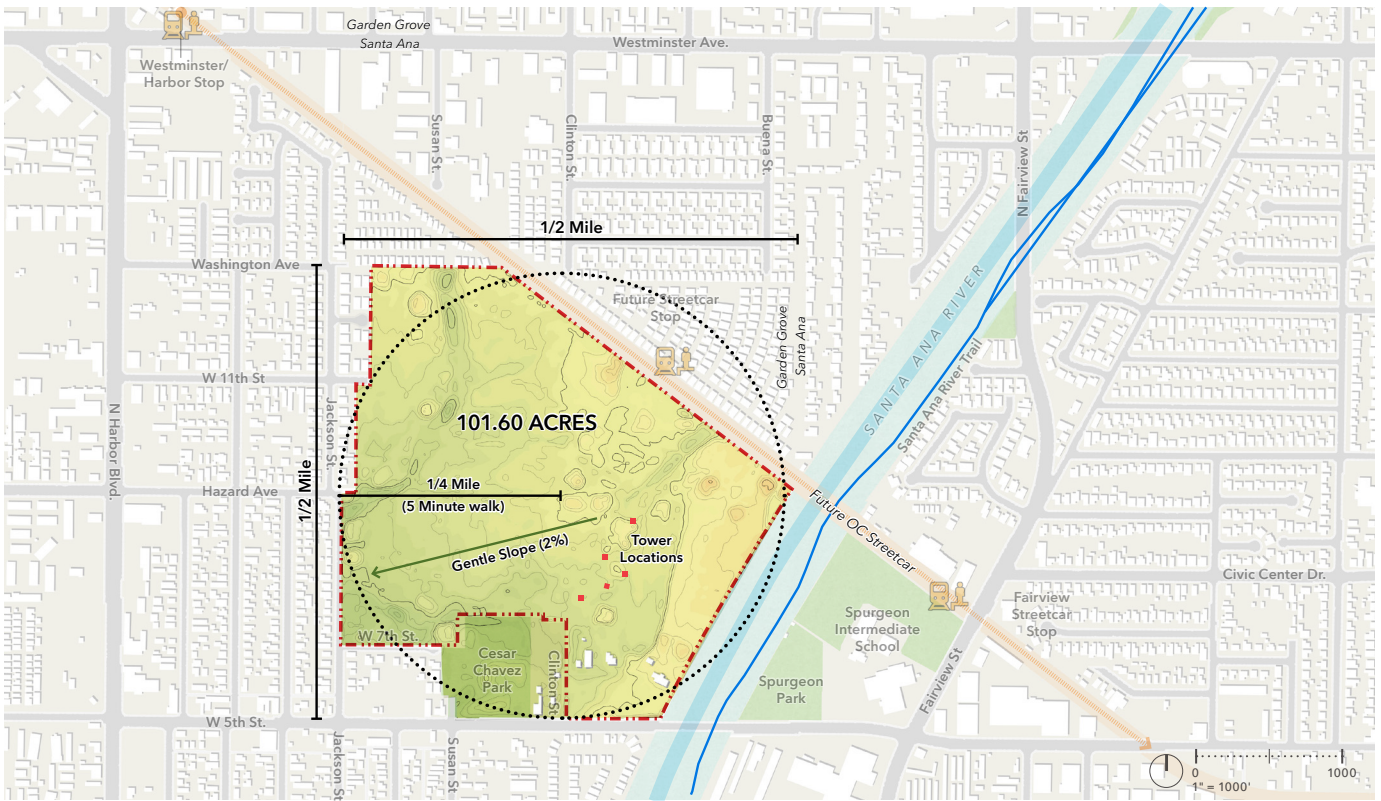
Transportation Context



Site Context and Connectivity



### Site Influences

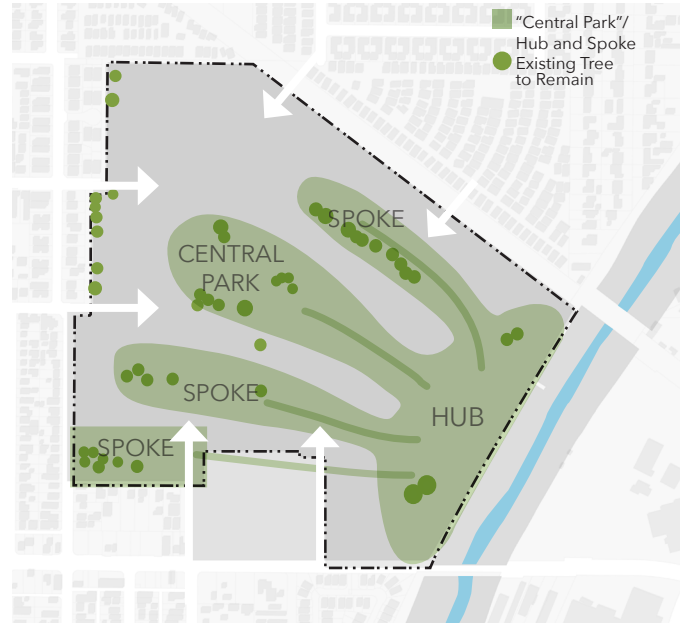


### Site Dimensions

# Option 1- Central Park / Hub and Spoke

This framework incorporates some of the best existing trees on the site into a variety of open spaces that form a “central park” and sub-districts within the new neighborhood. Each of these spaces connect to a Riverfront Park in a hub-and-spoke fashion.

The existing grid of Santa Ana is extended along the southern and western edges of the site, while the orientation of the O.C. Streetcar Corridor and Santa Ana River defines the grid along the northern and eastern property edges.



# Option 2 - Greenbelt

This option organizes a network of open spaces that incorporate some of the best existing trees into a Greenbelt that is anchored by the Riverfront Park and circulates through the development. The development parcels in the center of the Greenbelt may be organized as a collection of blocks, or may accommodate a special land use, such as a Sports and Entertainment venue, a major Civic Attraction, or a Campus-style development.

The existing grid of Santa Ana is extended along the southern and western edges of the site, while the orientation of the O.C. Streetcar Corridor and Santa Ana River defines the grid along the northern and eastern property edges.



*Plan is intended for informational and illustrative purposes only. Plans, specifications, amenities, features, availability, sizes, and other elements are conceptual, subject to change by McWHINNEY Real Estate Services, Inc. or its affiliates without notice, and shall not be relied upon. It is anticipated that the final site plans will be included in the definitive agreements.*

## Assumptions

1. The radio station site and transmission towers are incorporated into the plan (and may be accommodated in some fashion). Our yields include the radio station parcel.
2. We have taken the liberty to incorporate Cesar Chavez Campesino Park and the Auto Dismantler site into the thinking – although our yields do not count this land. We assume that the park offerings at Cesar Chavez will be incorporated (in a much improved fashion) into the open space of the redevelopment.
3. Based on sections illustrated on the O.C. Streetcar website, we are assuming that the portion of the corridor between Fairview Street and Susan Street will accommodate autos in addition to the streetcar.
4. We are illustrating a naturalized bank of the Santa Ana River – not unlike Riverview Park to the north – but understand that this will require coordination with the ACOE.

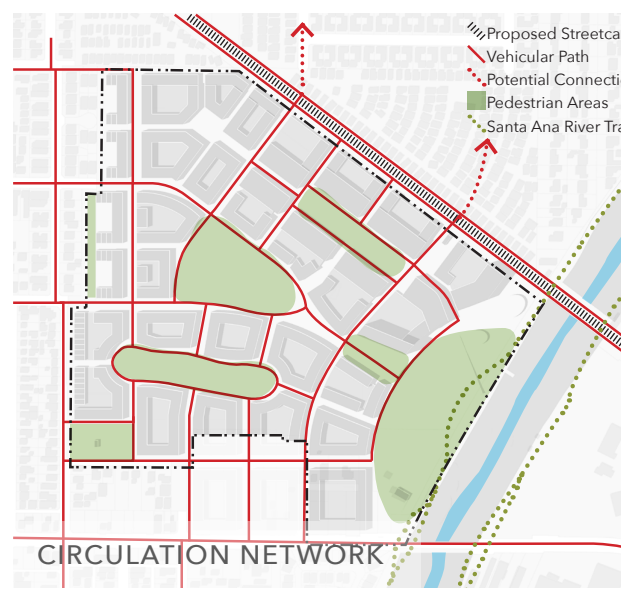
# Option 1 - Central Park/ Hub and Spoke



Plan is intended for informational and illustrative purposes only. Plans, specifications, amenities, features, availability, sizes, and other elements are conceptual, subject to change by McWHINNEY Real Estate Services, Inc. or its affiliates without notice, and shall not be relied upon. It is anticipated that the final site plans will be included in the definitive agreements.



ILLUSTRATIVE MASSING VIEW 1



ILLUSTRATIVE MASSING VIEW 2

LAND USE SUMMARY		
Development Parcels	56.65 ac	55.38%
Open Space	22.37 ac	21.87%
Public Rights of Way	23.28 ac	22.76%
<b>TOTAL</b>	<b>102.30 ac</b>	<b>100.00%</b>

OVERALL DEVELOPMENT PROGRAM		
Office	1,585,080 sf	
Retail	108,000 sf	
Hotel	187,500 sf	250 keys
Residential	2,262,515 sf	2,231 du
Civic/Other	Multiple Site Opportunities	
<b>TOTAL DEVELOPMENT</b>	<b>4,143,095 sf</b>	

## Parking

Parking will be built in phases, with underground and/or additional above-grade spaces built in each phase, typically at the center of blocks concealed by street facing uses. Structured parking entrances will typically be provided at mid-block locations along secondary block faces. Undeveloped portions of the site may accommodate surface parking until they are replaced with new development and the parking required to serve existing and new uses. On-street parking will provide additional capacity for visitors, residents, and daily users. Through a variety of parking management tools, we plan to accommodate more cars than individual spaces provided.

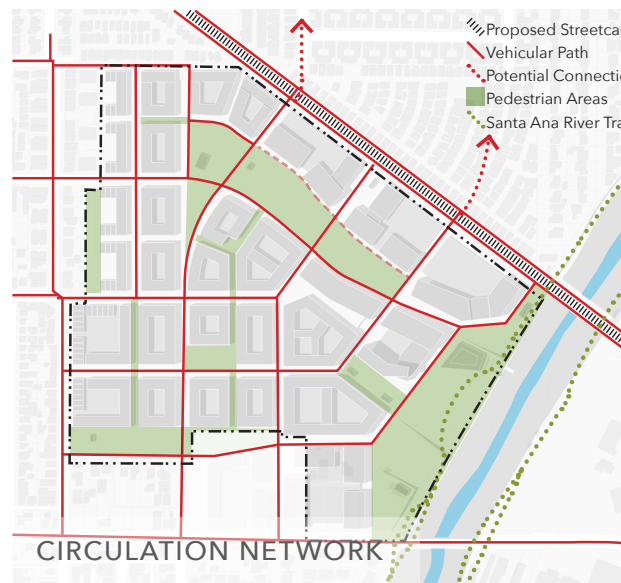
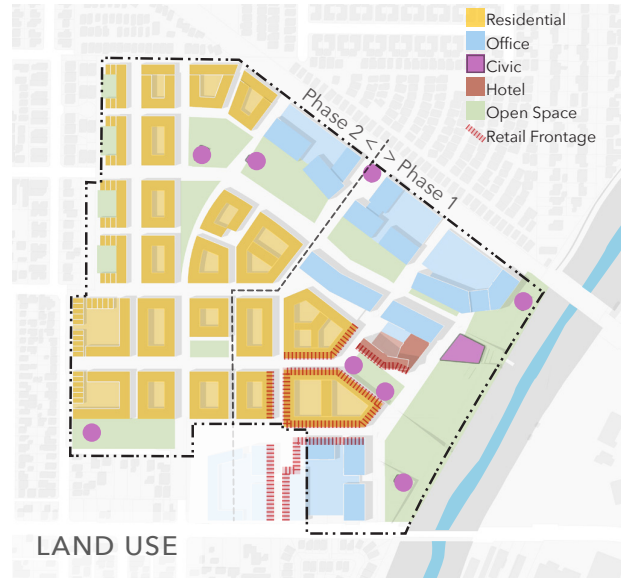
# Option 2 - Greenbelt



Plan is intended for informational and illustrative purposes only. Plans, specifications, amenities, features, availability, sizes, and other elements are conceptual, subject to change by McWHINNEY Real Estate Services, Inc. or its affiliates without notice, and shall not be relied upon. It is anticipated that the final site plans will be included in the definitive agreements.



June 27, 2019



LAND USE SUMMARY		
Development Parcels	62.09 ac	60.69%
Open Space	20.07 ac	19.62%
Public Rights of Way	20.14 ac	19.69%
<b>TOTAL</b>	<b>102.30 ac</b>	<b>100.00%</b>

OVERALL DEVELOPMENT PROGRAM		
Office	2,228,850 sf	
Retail	115,800 sf	
Hotel	184,500 sf	250 keys
Residential	2,052,485 sf	2,231 du
Civic/Other	<i>Multiple Site Opportunities</i>	
<b>TOTAL DEVELOPMENT</b>	<b>4,581,635 sf</b>	

## Parking

Parking will be built in phases, with underground and/or additional above-grade spaces built in each phase, typically at the center of blocks concealed by street facing uses. Structured parking entrances will typically be provided at mid-block locations along secondary block faces. Undeveloped portions of the site may accommodate surface parking until they are replaced with new development and the parking required to serve existing and new uses. On-street parking will provide additional capacity for visitors, residents, and daily users. Through a variety of parking management tools, we plan to accommodate more cars than individual spaces provided.





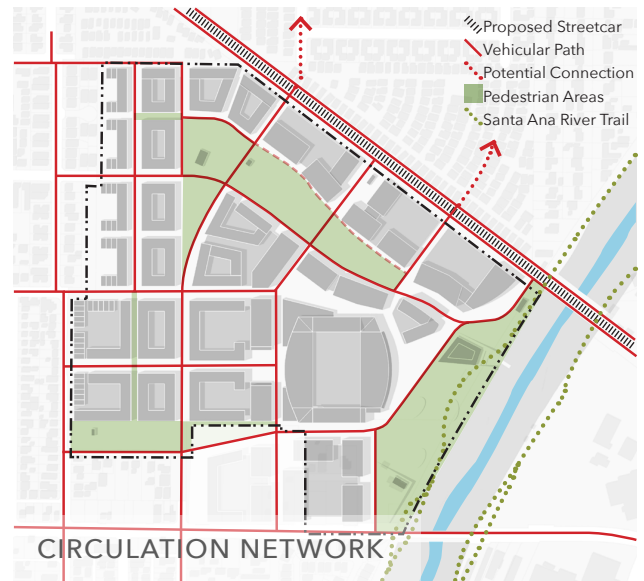
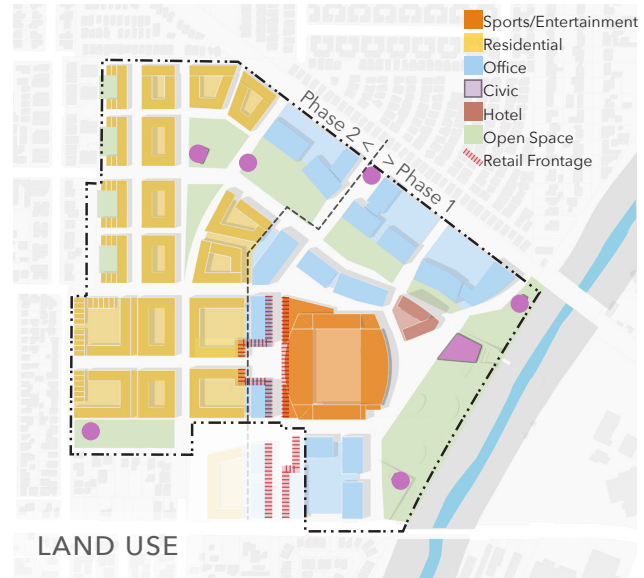
# Option 2A - Greenbelt Alternative



Plan is intended for informational and illustrative purposes only. Plans, specifications, amenities, features, availability, sizes, and other elements are conceptual, subject to change by McWHINNEY Real Estate Services, Inc. or its affiliates without notice, and shall not be relied upon. It is anticipated that the final site plans will be included in the definitive agreements.



ILLUSTRATIVE MASSING VIEW 1



LAND USE SUMMARY		
Development Parcels	64.30 ac	62.84%
Open Space	18.37 ac	17.96%
Public Rights of Way	19.63 ac	19.19%
<b>TOTAL</b>	<b>102.30 ac</b>	<b>100.00%</b>

OVERALL DEVELOPMENT PROGRAM		
Office	2,330,690 sf	
Retail	161,000 sf	
Hotel	225,000 sf	250 keys
Residential	1,450,085 sf	1,410 du
Sports Entertainment	220,000 sf	
Civic/Other	<i>Multiple Site Opportunities</i>	
<b>TOTAL DEVELOPMENT</b>	<b>4,386,775 sf</b>	

## Parking

Parking will be built in phases, with underground and/or additional above-grade spaces built in each phase, typically at the center of blocks concealed by street facing uses. Structured parking entrances will typically be provided at mid-block locations along secondary block faces. Undeveloped portions of the site may accommodate surface parking until they are replaced with new development and the parking required to serve existing and new uses. On-street parking will provide additional capacity for visitors, residents, and daily users. Through a variety of parking management tools, we plan to accommodate more cars than individual spaces provided.



ILLUSTRATIVE MASSING VIEW 2

# Placemaking in Action



## CENTERRA'S CHAPUNGU SCULPTURE PARK

Spanning 26 acres and featuring more than 80 stone sculptures, this one-of-a-kind public and permanent outdoor exhibit portrays a traditional African perspective of family. Eight universal themes include: Nature and the Environment, Village Life, the Role of Women, the Elders, the Spirit World, Customs and Legend, and the Family and the Children. The sculptures are handmade of stone from Zimbabwe and are direct, powerful and deeply expressive. They elicit an experience that reminds the viewer of those matters so important in traditional African families and to all humankind.



## DENVER'S UNION STATION GREAT HALL

A singular destination beloved by locals and tourists alike (USA Today named it the "#1 Must See in Denver"), Union Station has become cherished locally as "Denver's Living Room." This is particularly evident in the Great Hall, a 65-foot tall, 12,000-square foot public common area, and a busy 40,000 square feet of outdoor plaza space. These spaces are constant hubs of activity and hosts to some of the city's most important celebrations. Union Station is also the regional transit hub, serving numerous light rail, commuter rail, bus and Amtrak routes.



## BASELINE'S TRAILS AND OPEN SPACE

Infrastructure is not just about roads and bridges. It's about how people live. Baseline's green infrastructure will weave wild into an urban environment with a planned network of high-plains-inspired parks and trails. Starting with a planned central park. Where a great lawn and amphitheater will create places to gather. Pathways and promenade offer places to meander. Natural areas and creek beds provide places to retreat. And playgrounds and adventure trails become a daily invitation to stay active.

## DAIRY BLOCK'S ALLEY

Perhaps the most compelling element of the project is the Alley, a unique collection of food and beverage, maker spaces, and first-in-Denver retailers all accessed off a reimagined, former service alley. There has been no comparable shopping/dining experience in the city since the Alley opened in the summer of 2018. Enhanced by a unique collection of multi-sensory interactive art and murals by local artists, the Alley is a constantly evolving destination, hosting an array of events and pop-ups. The Milk Market food hall, with over 15 distinct food and beverage offerings under one roof that spills into the alley, is also one of the major draws.



DAIRY  
BLOCK

## NUTRIEN

The Nutrien build-to-suit consisted of 120,000 square feet of class A, state-of-the-art office space, 600 parking spaces and will be home to 1,500 employees at full capacity. In order to attract and retain top talent, Nutrien required top-notch amenities for both our interior and exterior, access to biking and walking trails, great sustainability, services, food and beverage offerings, connections to our adjacent office space and proximity to regional transportation. A long-standing relationship, McWHINNEY has partnered with Nutrien as it's grown from an 8,000 SF tenant to over 200,000 SF in the Rangeview Office Campus.



**Nutrien**  
Feeding the Future™

August 21, 2020



GREAT WOLF LODGE, GARDEN GROVE, CALIFORNIA

# 5. Community Engagement and Public Benefits

# 5.1 Community Outreach Plan

## **Development Planning Phase**

Through our experience we have found that the best way to align focus and commitment during the early phases of a redevelopment is to begin with a robust Development Planning Phase. Guided by McWHINNEY, the Development Planning Phase will partner community stakeholders with technical experts to establish a set of guiding principles that will provide the roadmap for decision making on all aspects of project planning from design and program mix to execution and long-term management. The objectives of the development planning phase are unique to every opportunity, but we expect the following areas to be addressed:

- Site due diligence
- Placemaking strategy
- Land use master planning
- Uses, placement, density and heights of structures
- Community benefits
- Development agreement, including deal structure

## **Steering Committees and Working Groups**

The process begins by being a good listener. Steering committees and working groups designed to support the efforts to prepare a master plan will be identified early in planning. We anticipate the development plan working groups could include representation from the following groups:

- City Leadership: Mayor, City Council, Economic Development, City Manager, Finance Director, Transportation, Public Safety and Public Works. We recognize that Willowick uniquely serves the interests of the cities of Garden Grove and Santa Ana.
- Community Leadership: Local business leaders, chambers of commerce, community groups, neighborhood associations, affordable housing and special interest groups, including OCCORD.
- Real Estate Technical Resources: Land planners, architects, infrastructure design, sustainable design, construction, industry sector brokers and services firms, market feasibility, branding and communications.
- Entitlements, Public Finance and Intergovernmental Relationships: Zoning and land-use, environmental impact (CEQA), infrastructure and community revitalization financing, intergovernmental relationships including transportation authorities.

## **Community Engagement**

Community engagement is not only a method to solicit feedback but also provide the community with updates on the progress of the development plan. Traditional engagement methods such as open houses, public notifications, working groups, and community events will serve a role in the engagement plan. While these methods have limitations and can create potential barriers to engagement, we foresee working closely with community leaders to identify these barriers and develop progressive solutions to engagement.

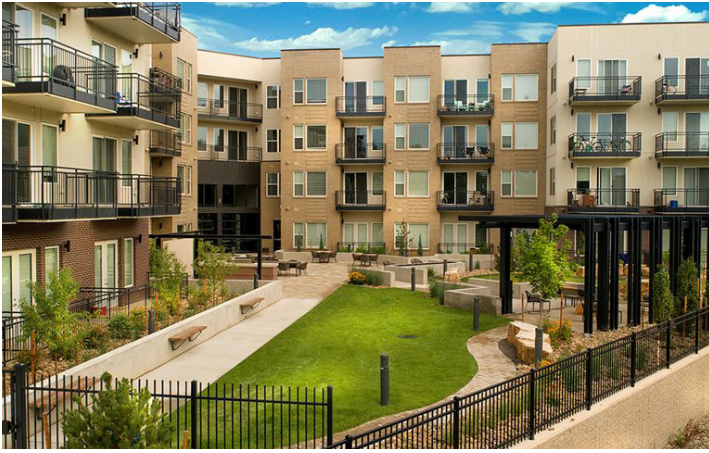
## 5.2 Flexible Master Development Plan

### **Case Study: Dairy Block**

We appreciate the emphasis that Garden Grove and Santa Ana place on community engagement. McWHINNEY shares this as a core tenet of our development approach. This approach has allowed us to create authentic experiences such as our Dairy Block mixed-use development. Located on one of the last remaining full block redevelopment opportunities in Denver's historic Lower Downtown (LoDo) neighborhood, Dairy Block shared a similar responsibility to Willowick in its potential to contribute to the legacy of the neighborhood and city. Early plans had focused on adjacent but not integrated uses; stand-alone office and multifamily buildings. Safe but not inspiring. However, when we engaged working groups consisting of architects, planners, contractors and brokers as well as the neighborhood association and the Lower Downtown Design Review Board the future of the block began to evolve. Those groups identified key themes, such as a pedestrian friendly alley and food hall concepts, that will later define the project. The resulting visionary placemaking at Dairy Block has provided the heart and soul to a project that has attracted a diversity of workplaces ranging from corporate headquarters to tech start-ups; draws tourism to our boutique hotel and alley that features interactive works of public art; and showcases a collection of retailers inclusive of local and national innovative brands.

## 5.3 Economic, Fiscal, Employment, and Public Benefits

- Inherent within all the conceptual plans and development planning process presented in this proposal is philosophy that a flexible framework is the key to generating economic, fiscal, employment and public benefits. Elements that make-up this framework include:
- Mixed-Use: A variety of uses that generate diverse revenue sources that can benefit from their adjacency, creates numerous employment opportunities across a broad range of skill sets.
- Resiliency: Flexibility within the development plan designed to allow the development to respond and progress across changing market conditions.
- Public Realm: Placemaking efforts within the public realm that appeal to everyday users and visitors has the potential to enhance their lives promote physical well-being.
- Connectivity: Well-connected, multi-modal connectivity has the potential to enhance accessibility, reduce travel times and increase safety & well-being; keys to economic and public health.



August 21, 2020



# 6. Affordable Housing

## 6.1 Affordable Housing Overview

McWhinney has spent considerable time reviewing the affordable housing criteria with Wakeland Housing, our affordable housing development partner. Based on this review we are proposing that the affordable components of the Master Development Plan be affordable to households earning between 50% and 60% of the area median income (AMI). These criteria will meet both the requirements of the Surplus Land Act (SLA) as well as the affordability requirements of the City of Santa Ana's inclusionary housing ordinance.

We have proposed three different product types for consideration in providing affordable housing, these include Garden Family Concept, Podium Family concept and Podium Senior concept. As noted on the financial summary, each concept will require different levels of subsidy.

Because this site does not have any entitlements, and we need to do significant community outreach and have significant interaction and discussions with all stakeholders, including the City of Santa Ana, we do not know the total number of affordable units that will need to be provided. But *for discussion purposes only*, we are assuming that the site may provide 3,000 residential units, for which 25% would be affordable, consistent with the requirements of the SLA. Based on the final entitlements, the number of residential units could go up or down and the affordable number would fluctuate based on the total number of residential units, but per the SLA the percentage of affordable units will stay at 25% of the overall number of residential units that are provided. If we provide one of each of the available product types as outlined in the financial summary, you can see the required amount of subsidy that is needed. Again, this is only an example.

Using the above referenced income levels allows the project to be competitive with the affordable housing financing programs that are available to use for the development. Wakeland has developed high quality affordable housing for a wide range of income levels, from supportive housing for formerly homeless individuals, to 60% of AMI units for working families. Wakeland has a proven track record of successfully designing for and executing on the implementation of communities that incorporate diverse mixes of affordability, such as extremely low, very low- and low-income levels. Our goal for Willowick would be to focus on the affordable housing for working families and provide 25% of all housing to be affordable.

McWhinney and Wakeland did consider lower affordability levels for the project ( for example at 30% to 45% of AMI). However, we have determined that such affordability levels would have a further negative financial impact to the City of Garden Grove and would increase the necessity for financial subsidy sources while narrowing the options for financing the affordable components of the project.

The financial equity and debt sources that we believe could be available for the affordable components of the project consist of:

- 1) Land Contributions Equity
- 2) Developer Equity
- 3) Deferred Developer Fees
- 4) State, County and Cities (e.g., Garden Grove and Santa Ana) Gap Funding Sources
- 5) Tax Exempt Bonds and 4% Low Income Housing Tax Credits
- 6) Conventional Construction Loan Financing
- 7) Conventional Permanent Takeout Loan Financing

Once we finalize the project entitlements, we will be able to narrow down the affordable options, including product type, number of units and financing alternatives.

*This page left intentionally blank.*

August 21, 2020

# 6.2 Affordable Housing Financial Summary

## Willowick - Conceptual Affordable Housing Projects

\*Assumptions and Analysis 8/16/2020

\*Assumes a Master Development Plan of 3,000 Units (Including 25% or 750 Affordable Units)

With a Unit Mix of 50% and 60% of AMI

Also see Orange Highlighted Section Further Below

	Garden Family Concept	Podium Family Concept	Podium Senior Concept	Totals
Acres	8 acres per 250 units	4 acres per 250 units	3 acres per 250 units	
Density	33 Units per Acre	63 Units per Acre	83 units per acre	
Project Type	4% Family	4% Family	4% Senior	
Units	250	250	250	
Unit Mix	37.5% 1-bedrooms 37.5% 2-bedrooms 25% 3-bedrooms	37.5% 1-bedrooms 37.5% 2-bedrooms 25% 3-bedrooms	85% 1-bedrooms 15% 2-bedrooms	
	30% @ 50% AMI 70% @ 60% AMI	30% @ 50% AMI 70% @ 60% AMI	30% @ 50% AMI 70% @ 60% AMI	
Gap Shortfall Financing Requirement	\$0 x 250 = \$0	\$41,200 x 250 = \$10,300,000	\$36,400 x 250 = \$9,100,000	\$19,400,000
Land Contribution at \$0	\$0	\$0	\$0	\$0
Total	\$0	\$10,300,000	\$9,100,000	\$19,400,000
GP General Partner Capital Contribution	\$8,720 x 250 = \$2,180,000	\$19,120 x 250 = \$4,780,000	\$10,800 x 250 = \$2,700,000	\$9,660,000
Perm Interest Rate (+125 bps)	5.25%	5.25%	5.25%	
Const Interest Rate (+125 bps)	5.25%	5.25%	5.25%	
Rent Growth	2020 Rents uninflated	2020 Rents uninflated	2020 Rents uninflated	
Permit Fees	\$27,600 per unit	\$27,600 per unit	\$27,600 per unit	
CFD/HOA/MAD	\$40 per unit per month	\$40 per unit per month	\$40 per unit per month	
Construction Type	Woodframed, Garden Apts	Podium	Podium	
Hard Construction Cost (per sf)	\$180	\$265	\$265	
Tax Credit Equity Price	\$0.940	\$0.940	\$0.94	
Pad/Offsite Costs	Approx \$3 million each	Approx \$3 million each	Approx \$3 million each	
Additional Gap Financing Requirement and/or Reduction in Residual Land Value If 20% @ 30% of AMI is added into the unit mix >>>>	Approx \$6.5 million	Approx \$6.5 million	Approx \$5.7 million	
See Alternative Unit Mix Scenario on Page 2				

\* The proposed unit count, concept scenarios and their related design, financial assumptions and analysis are preliminary and in a draft format. These concepts, assumptions and analysis will evolve as the Master Development Plan starts to reflect the input that we will seek and receive from the cities and communities of Garden Grove and Santa Ana.

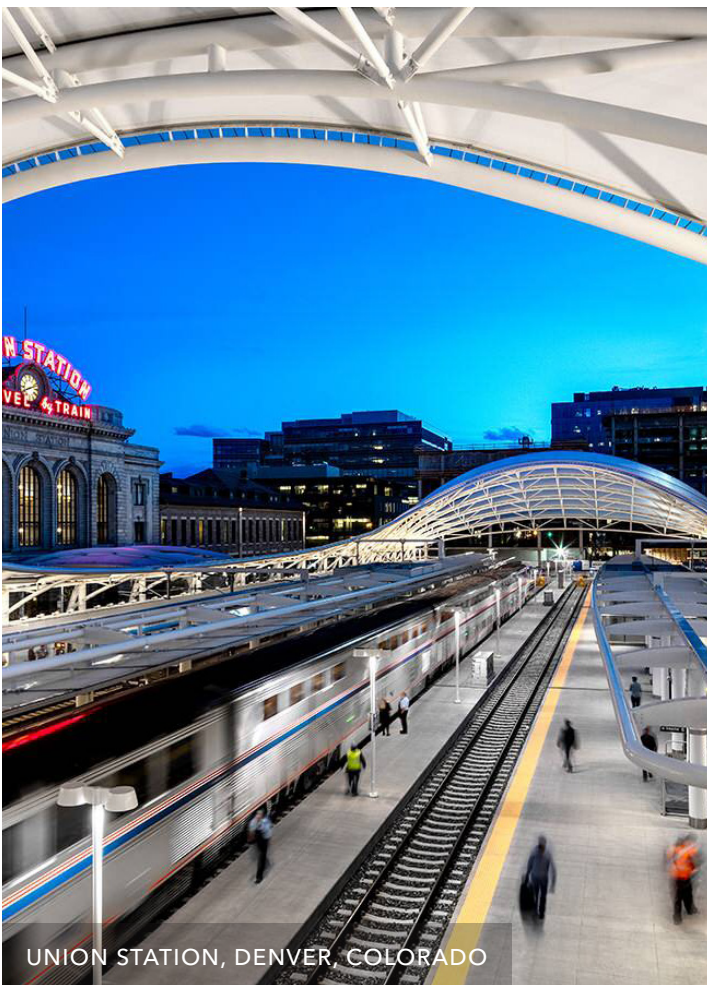
## Willowick - Conceptual Affordable Housing Projects

\*Assumptions and Analysis 8/16/2020

\*Assumes a Master Development Plan of 3,000 Units (Including 25% or 750 Affordable Units)

With a Unit Mix of 30% AMI and 50% AMI and 60% AMI

	Garden Family Concept	Podium Family Concept	Podium Senior Concept	Totals
Acres	8 acres per 250 units	4 acres per 250 units	3 acres per 250 units	
Density	33 Units per Acre	63 Units per Acre	83 units per acre	
Project Type	4% Family	4% Family	4% Senior	
Units	250	250	250	
Unit Mix	37.5% 1-bedrooms 37.5% 2-bedrooms 25% 3-bedrooms	37.5% 1-bedrooms 37.5% 2-bedrooms 25% 3-bedrooms	85% 1-bedrooms 15% 2-bedrooms	
	20% @ 30% AMI 30% @ 50% AMI 50% @ 60% AMI	20% @ 30% AMI 30% @ 50% AMI 50% @ 60% AMI	20% @ 30% AMI 30% @ 50% AMI 50% @ 60% AMI	
Gap Shortfall Financing Requirement	\$26,000 x 250 = \$6,500,000	\$67,200 x 250 = \$16,800,000	\$59,200 x 250 = \$14,800,000	\$38,100,000
Land Contribution at \$0	\$0	\$0	\$0	\$0
Total	\$6,500,000	\$16,800,000	\$14,800,000	\$38,100,000
GP General Partner Capital Contribution	\$8,720 x 250 = \$2,180,000	\$19,120 x 250 = \$4,780,000	\$10,800 x 250 = \$2,700,000	\$9,660,000
Perm Interest Rate (+125 bps)	5.25%	5.25%	5.25%	
Const Interest Rate (+125 bps)	5.25%	5.25%	5.25%	
Rent Growth	2020 Rents uninflated	2020 Rents uninflated	2020 Rents uninflated	
Permit Fees	\$27,600 per unit	\$27,600 per unit	\$27,600 per unit	
CFD/HOA/MAD	\$40 per unit per month	\$40 per unit per month	\$40 per unit per month	
Construction Type	Woodframed, Garden Apts	Podium	Podium	
Hard Construction Cost (per sf)	\$180	\$265	\$265	
Tax Credit Equity Price	\$0.940	\$0.940	\$0.94	
Pad/Offsite Costs	Approx \$3 million each	Approx \$3 million each	Approx \$3 million each	



August 21, 2020

# 7. Deal Structure

## 7.1 Preferred Deal Approach

Listed below is a summary of the business terms respecting the Ground Lease proposed to be entered into with the City of Garden Grove, which terms are substantially consistent with the terms of the Ground Lease previously negotiated between the parties.

TENANT	MWillowick Land, LLC, a Delaware limited liability company, owned by affiliates of McWhinney. Tenant is managed by a non-member manager: McWhinney Real Estate Services, Inc.
LANDLORD	City of Garden Grove, a California municipal corporation
COMMENCEMENT DATE	The effective date of the Lease.
TERM	Fifty-five (55) years ending at 11:59 p.m. on the day immediately preceding the fifty fifth (55th) anniversary of the Commencement Date, unless earlier terminated pursuant to the Lease.
BASE RENT	Prior to or concurrently with the Commencement Date, Tenant will pay to Landlord an amount equal to \$2,000,000 (the "Initial Base Rent Payment"; the Initial Base Rent Payment, together with, if and to the extent applicable, any "Extension Base Rent Payment(s)" (as hereinafter defined), are collectively herein called the "Base Rent").
PERCENTAGE RENT	In addition to Base Rent, Tenant will pay to Landlord percentage rent as described in Schedule 1 attached hereto.
CONTINGENCIES	None. In Tenant's prior review of the Property, Tenant commenced (and made substantial progress on) title, survey, soils and golf course review, and will complete its review of the same prior to entering into the Ground Lease.
EARLY TERMINATION	(a) In the event Tenant fails to receive the "Master Development Plan" by the "Master Development Plan Deadline" (as such terms are defined below), each party will have the right, as its sole and exclusive remedy, to elect to terminate the Lease by delivering written notice to the other party of its election to terminate the Lease prior to the earlier to occur of (a) the date that is one (1) business day prior to the date that Tenant actually receives the Master Development Plan, or (b) the date that is ninety (90) days after the Master Development Plan Deadline, in which case (i) the Lease shall terminate, (ii) Tenant will be responsible, at Tenant's sole cost, for delivering the Property to Landlord, and (iii) Landlord will be entitled to keep the Base Rent (i.e., \$2,000,000, plus if applicable, the First Extension Base Rent Payment (\$500,000) and the Second Extension Base Rent Payment (\$500,000)). However, any cure by a lender of a failure to receive the Master Development Plan by the Master Development Plan Deadline will be subject to certain additional cure period afforded to lenders under the Lease (and no termination of the Lease by Landlord may occur until after such additional cure period elapsed), and in no event shall such termination by Landlord occur if a lender receives the Master Development Plan within such additional cure period. Landlord must cooperate with Tenant (and, if requested by Tenant, any governmental agency, including Santa Ana), in connection with Tenant's pursuit of the "Entitlements."



	<p><b>“Entitlements”</b> means the licenses, permits, entitlements and other approvals (including the Master Development Plan) that are issued or required to be issued by the City of Santa Ana or any other applicable governmental agency for the development, construction, ownership, use and operation of the Project.</p> <p><b>“Master Development Plan”</b> means the comprehensive land-use entitlement document granted by Santa Ana (e.g., a Specific Plan or PUD or similar approval) for the development of substantially all of the Project.</p> <p><b>“Master Development Plan Deadline”</b> means the date that is three (3) years after the Commencement Date, as the same may be extended as provided below or on a day-to-day basis by reason of delays attributable to Force Majeure Events or Landlord Delays.</p> <p>(b) Tenant will have the ongoing right to terminate the Lease by giving written notice of such termination to Landlord in connection with any adverse developments, decisions or outcomes with respect to the SLA Litigation (including by reason of any appeal or challenge with respect thereto) or to new instances of “Property Litigation” (as defined below), as reasonably determined by Tenant, in which case (i) the Lease will terminate (except as provided in clause (ii) of this paragraph), and (ii) Landlord shall, within five (5) business days thereof, as Tenant’s sole and exclusive remedy, return to Tenant the Base Rent (less the “Base Rent Independent Consideration” (as hereinafter defined)). However, Landlord shall in all events be entitled to retain \$200,000 (the <b>“Base Rent Independent Consideration”</b>) of the Initial Base Rent Payment.</p> <p><b>“Property Litigation”</b> means any current or future Proceeding, where Landlord and/or Tenant is a party or party-in-interest, filed, pending or threatened prior to Tenant’s receipt of the Master Development Plan challenging any of the transactions contemplated by the Lease or any of the terms of such transactions, Landlord’s or Tenant’s authority or ability to enter into or perform under the Lease, or Tenant’s rights to receive the rights, benefits and privileges under the Lease, which Tenant reasonably determines that if such Proceeding were adversely determined would materially hinder or have a material, adverse effect on, or materially delay, the Lease or the Project. Property Litigation includes the SLA Litigation. Property Litigation shall not include any Proceeding with respect to approval of the Entitlements or litigation solely by or against Santa Ana with respect to the Property and/or the approval of the Project.</p>
--	--

<p>EXTENSION OF MASTER DEVELOPMENT PLAN DEADLINE</p>	<p>Tenant may, at its option, extend the Master Development Plan Deadline, as follows:</p> <p>If Tenant is not then in default under the Lease, then Tenant may extend the Master Development Plan Deadline for a period of one (1) year by delivering to Landlord, prior to the then Master Development Plan Deadline, a payment of \$500,000 (the "<b>First Extension Base Rent Payment</b>"), which shall become part of and constitute Base Rent.</p> <p>If Tenant is not then in default under the Lease, and has previously exercised its right to extend, Tenant may further extend the Master Development Plan Deadline for a period of one (1) additional year by delivering to Landlord, prior to the then Master Development Plan Deadline, a payment of \$500,000 (the "<b>Second Extension Base Rent Payment</b>"; the First Extension Base Rent Payment and, if applicable, the Second Extension Base Rent Payment, collectively, the "<b>Extension Base Rent Payment(s)</b>"), which shall become part of and constitute Base Rent.</p>
<p>DISPOSITION OF PROPERTY</p>	<p>Tenant shall have the right, from time to time, to acquire or cause a sale of all or any portion of the Property, in one or more transactions, in accordance with the following:</p> <p>(a) <b>Sale Parcels.</b></p> <p>(i) At such time as Tenant has received the Master Development Plan, Tenant will have the right, upon giving Landlord ten (10) business days' notice (the "<b>Sale Notice</b>"), to cause Landlord to sell (a "<b>Parcel Sale</b>") the "<b>Sale Parcel</b>" (i.e., one or more parcels of Land consisting of up to approximately thirty (30) acres (in the aggregate), to be identified by Tenant from time to time, plus any parcels designated by Tenant for affordable housing), in one or more transactions, from time to time, to Tenant (or Tenant's affiliate expressly designated for such purpose in said notice, a "<b>Related Titleholder</b>") for a purchase price equal to "Landlord's Share of Net Proceeds" (as calculated in accordance with Schedule 1) with respect to such Sale Parcel, as and when actually received by Tenant or the Related Titleholder from unrelated parties or affiliates of Tenant (as the case may be), as calculated and when payable in accordance with Schedule 1. Tenant or the Related Titleholder will sell such Sale Parcel to one or more (a) unrelated parties at a price and on terms determined by Tenant or (b) affiliates of Tenant at not less than "Fair Market Value" (as determined pursuant to Schedule 1) and on such other terms as determined by Tenant. Landlord will, within ten (10) business days after Tenant's delivery of the Sale Notice, execute and deliver (and, if applicable, cause to be recorded) (x) a purchase and sale agreement in the form to be attached to the Lease, (y) a grant deed in the form to be attached to the Lease, and (z) any other related documents as determined by Tenant, conveying the applicable Sale Parcel(s) and transferring related rights to Tenant or the Related Title Holder, as applicable.</p> <p>(ii) Tenant shall endeavor promptly following its receipt of the Master Development Plan and completion of appropriate infrastructure development with respect to the Sale Parcels to cause there to be a Sale of the Sale Parcels in order to accelerate the payment of the Percentage Rent.</p>

(b) **Remaining Parcels.** At such time as Tenant has received the Master Development Plan, Tenant shall have the right, upon giving Landlord ten (10) business days' notice (the "**Remaining Parcel Notice**"), to cause Landlord to sell any one or more of the "**Remaining Parcels**" (i.e., the portions of the Property that do not constitute the Sale Parcel), in one or more transactions, from time to time, to Tenant or an affiliate of Tenant expressly designated for such purpose in said notice (in either case, the "**Ground Lessor Entity**") for a purchase price equal to Landlord's Share of Net Proceeds with respect to Ground Lease Parcel, as and when actually received by Tenant or the Related Titleholder from unrelated parties or affiliates of Tenant (as the case may be), as calculated and when payable in accordance with Schedule 1. The Ground Lessor Entity shall, in turn, enter into a ground lease (the "**Parcel Ground Lease**") for a period up to ninety-nine (99) years with respect to such Remaining Parcel(s) with one or more (a) unrelated parties at a rent rate and on terms determined by Tenant or (b) affiliates of Tenant at not less than "Fair Market Value Rent" (as determined pursuant to Schedule 1) and on such other terms as determined by Tenant. Landlord shall, within ten (10) business days after Tenant's delivery of the Remaining Parcel Notice, execute and deliver (and, if applicable, cause to be recorded) (x) a purchase and sale agreement in the form to be attached to the Lease, (y) a grant deed in the form to be attached to the Lease, and (z) any other related documents as determined by Tenant, with respect to the conveyance of the applicable Remaining Parcel(s) and the transfer of the related rights to the Ground Lessor Entity. Landlord will not be a party to the Parcel Ground Lease.

(c) Without limitation on the foregoing, in connection with the transactions contemplated by this section, including with respect to any sale of any Sale Parcel or Remaining Parcel, or any Parcel Ground Lease, Landlord must cooperate with Tenant and such other parties with respect thereto.

(d) Tenant (or an affiliate of Tenant) will have the option of forgoing "Tenant's Share of Net Proceeds" (as calculated in accordance with Schedule 1) from any Parcel Sales or Parcel Ground Lease rent and in lieu thereof, receiving an equity and/or profits interest in the applicable affiliate that is ultimately purchasing or leasing the Sale Parcel or Ground Lease Parcel for development of a vertical project, but Tenant, the Related Title Holder, or the Ground Lessor Entity will nevertheless remit the Landlord's Share of Net Proceeds as and when due and payable. At Landlord's written request, but not as a condition to Tenant's foregoing option, Tenant will demonstrate to City Manager that the foregoing transaction is not worse than financially neutral to Landlord.

CONTINUED GOLF COURSE OPERATIONS	The golf course operations will continue until at least such time as Tenant has received the Master Development Plan, or such earlier date as may be mutually agreed by Tenant and Landlord. Tenant will have the right at any time after Tenant's receipt of the Master Development Plan to terminate or modify (in whole or in part) the Management Agreement for the golf course , including to discontinue golf course operations at the Property (in whole or in part). City shall not be responsible for payment of early termination fees, if any, payable under such Management Agreement as a result of any termination of such Management Agreement by Tenant.
LEASEHOLD FINANCING; PUBLIC FINANCING AND COOPERATION	Tenant will have the right to seek, obtain and utilize public financing (and, if required in connection therewith, first priority land debt) opportunities in respect of the Project at any time after Tenant's receipt of the Master Development Plan, provided, that if such public financing and related land debt will encumber Landlord's fee interest in the Property (as opposed to an encumbrance on Tenant's leasehold interest in the Property), such public financing will be subject to Landlord's consent (in its sole and absolute discretion); however, Landlord acknowledges that Tenant anticipates utilizing public financing encumbering Landlord's fee interest in all of the Property in connection with the Project. Landlord must cooperate with Tenant in connection with any such public financing opportunities (and, if applicable, such land debt). Tenant shall have the right to encumber its leasehold interest.
AFFORDABLE HOUSING	Tenant shall make available "affordable housing" units at the Project consistent with the requirements of the SLA.
GROUND LEASE	Tenant anticipates that the Ground Lease will be on substantially the same form of Ground Lease as previously negotiated between Tenant and Landlord, updated to reflect any changes in facts and circumstances.

## Schedule 1

### Calculation and Allocation of Certain Net Proceeds

In addition to the payment of the Base Rent and Additional Rent, Tenant has agreed to provide for or cause the payment of, without duplication, “Landlord’s Share of Net Proceeds” (as hereinafter defined) in accordance with this Schedule 1. Capitalized terms used in this Schedule 1 that are not defined in this Schedule 1 shall have the meanings set forth in other parts of the Lease.

#### A. Definitions:

“**Applicable Rent Payments**” means, as of a given date, the Base Rent (other than the Base Rent Independent Consideration of \$200,000.00), plus any Extension Base Rent Payments, in each case paid as of such date.

“**Disposition**” means any fee conveyance or ground lease of all or a portion of the Property for any duration, including any Parcel Sale and any Parcel Ground Lease.

“**Fair Market Value**” means the price (as determined pursuant to this Schedule 1) at which the applicable parcel or any portion thereof (the parcel or such portion being referred to herein as the “**Subject Property**”) would be sold for cash by a willing seller, not compelled to sell, to a willing buyer, not compelled to buy, both being aware of relevant facts, on a free and clear basis, unencumbered by any financing (including any deeds of trust, mortgages, or other security instruments securing any financing). The Fair Market Value will consider the Subject Property in the condition in which it is intended to be transferred and fully entitled (but not including approval of a building permit or site development permit), located in a master planned community and improved with public and private infrastructure, and encumbered with any applicable taxes and assessments, as contemplated in the transfer. However, the determination of the Fair Market Value of the Subject Property shall be reduced by 4% of such price to take into account the total closing costs (including additional attorneys’ fees, loan prepayment costs, market brokers’ fees and other transaction costs) that would customarily be paid by the seller in a third party transaction (each party hereby stipulating that such costs shall be deemed to equal such amount). Fair Market Value shall be conclusively determined, as follows:

#### 1. Determination by One Broker Opinion of Value.

a. Within ten (10) business days after delivery of a written notice by Tenant (or a Related Person) to Landlord indicating its desire to establish the Fair Market Value of the Subject Property, Tenant (or such Related Person) and Landlord attempt, in good faith, to mutually agree on a “**real estate broker**” (which, as used herein, shall mean a California real estate broker with at least fifteen (15) years of experience in valuing properties in Southern California) to determine the Fair Market Value of the Property. If the parties mutually agree on a real estate broker within such ten (10) business day period, Tenant shall procure a final broker opinion of value (a “**BOV**”) by such real estate broker, which BOV shall take into account the following additional factors (collectively, the “**BOV Factors**”), if (and to the extent) applicable and made available:

i. The full range of market rate comparable transactions over an appropriate period of time for land intended for development;

ii. the Vertical Entity's proforma for the vertical project intended to be developed on the Subject Property, including the standard maximum fee and promote structure of McWhinney Real Estate Services, Inc. ("MRES"); and

iii. Investor and developer return requirements for land acquisition and development projects consistent with the type of vertical project intended to be developed on the Subject Property.

b. The BOV shall establish the Fair Market Value of the Subject Property.

2. Determination by Two Broker Opinion of Values.

a. If the parties are unable to mutually agree on a real estate broker within such ten (10) business day period as provided in Paragraph 1 above (and regardless of any claim by a party that the other party has failed to meet or negotiate in good faith), each party shall, within ten (10) business days thereafter, designate its own real estate broker (who shall be an independent third party who is not controlled by any party) and submit a written notice to the other party identifying such real estate broker. Tenant shall thereafter procure a final BOV by each such real estate broker, which BOV shall take into account the BOV Factors, if (and to the extent) applicable and made available.

b. If both BOVs establish the same value, such value shall be deemed to be the Fair Market Value of the Subject Property.

c. If the value established by the BOVs differ, then the Fair Market Value of the Subject Property shall be deemed to be the average of the two values.

3. Conclusive Determination. The determination of Fair Market Value established pursuant to the mechanism set forth in this Schedule 1 shall be conclusive and binding upon the parties.

**"Fair Market Value Rent"** means the annual amount to be paid to the landlord (i.e., the Ground Lessor Entity) under a Parcel Ground Lease as rent equal to four and a half percent (4.5%) for the initial year of the land for the initial year, and escalating annually each year thereafter at the lesser of CPI or 2.0%.

**"Gross Revenue"** means Operating Gross Revenue, Parcel Ground Lease Gross Revenue and Parcel Sale Gross Revenue, collectively. In the event that Tenant elects to forgo payment of Tenant's Share of Net Proceeds in order to receive an equity or profits interest in a Vertical Entity, Gross Revenue may include a hypothetical amount of revenue reasonably determined by Tenant representative of the revenue that would have generated Tenant's Share of Net Proceeds, which shall be demonstrated by Tenant to Landlord upon written request. Gross Revenue from whatever source shall not include the Gross Revenue Excluded Items.

**"Gross Revenue Excluded Items"** means (a) the proceeds of any debt, public financing or incentive, CFD, or similar sources ("**Indebtedness**"), (b) any unearned deposits, funds contractually earmarked by a purchaser or ground lessee for improvements, advances or other

prepayments (until any such deposits, advances or prepayments are earned), and (c) any monies received (or deemed received) in connection with a Permitted Transfer other than any monies actually received from a Sale of a Sale Parcel or a Parcel Ground Lease of a Remaining Parcel, in either case, to a Vertical Entity, as contemplated by the section above captioned “Disposition of Property”.

**“Landlord’s Percentage Rent of Operating Net Proceeds”** means eighty-five percent (85%) of Operating Net Cash Flow. Landlord’s Percentage Rent of Operating Net Proceeds shall not constitute a Project Cost.

**“Landlord’s Share of Net Proceeds”** means eighty-five percent (85%) of Net Cash Flow.

**“Landlord’s Share of Parcel Ground Lease Net Proceeds”** means eighty-five percent (85%) of Parcel Ground Lease Net Cash Flow. Landlord’s Share of Parcel Ground Lease Net Proceeds shall not constitute a Project Cost.

**“Landlord’s Share of Parcel Sale Net Proceeds”** means eighty-five percent (85%) of Parcel Sale Net Cash Flow. Landlord’s Share of Parcel Sale Net Proceeds shall not constitute a Project Cost.

**“Net Cash Flow”** means, as of a given date, Operating Net Cash Flow, Parcel Ground Lease Net Cash Flow and Parcel Sale Net Cash Flow, collectively, as of such date.

**“Non-Credit Enhanced Public Financing”** means any public financing that (i) is repaid solely by special taxes or assessments (or any combination of the foregoing) levied on the Project, and (ii) is completely non-recourse with no guarantees (including, for the avoidance of doubt, no payment guarantees, no recourse guarantees, and no completion guarantees) or other credit enhancement whatsoever.

**“Operating Gross Revenue”** means all monies actually received by Tenant from the operation of the Willowick Golf Course or from the operation of the portion, if any, of the Property that is not the subject of a Parcel Sale or Parcel Ground Lease (excluding any Gross Revenue Excluded Items). For the avoidance of doubt, Operating Gross Revenue shall not include any Parcel Sale Gross Revenue or Parcel Ground Lease Gross Revenue.

**“Operating Net Cash Flow”** means, for a Fiscal Quarter, the aggregate Operating Gross Revenue received during such Fiscal Quarter less (i) the aggregate Unrecovered Project Costs (determined without regard to any Operating Gross Revenue received during such Fiscal Quarter), and (ii) any Reserves.

**“Parcel Ground Lease Gross Revenue”** means all monies, net of closing or other collection costs, actually received by Tenant or a Ground Lessor Entity under a Parcel Ground Lease (excluding any Gross Revenue Excluded Items).

**“Parcel Ground Lease Net Cash Flow”** means, for a calendar year, the aggregate Parcel Ground Lease Gross Revenue received during such calendar year less (i) the aggregate Unrecovered Project Costs (determined without regard to any Parcel Ground Lease Gross Revenue received during such calendar year) and (ii) any Reserves.

**“Parcel Sale Gross Revenue”** means all monies, net of closing or other collection costs, actually received by Tenant or a Related Titleholder from the sale of a Sale Parcel by Tenant or a Related Titleholder (excluding any Gross Revenue Excluded Items).

**“Parcel Sale Net Cash Flow”** means, with respect to a Parcel Sale, the aggregate Parcel Sale Gross Revenue with respect to such Parcel Sale minus (i) the aggregate Unrecovered Project Costs (determined without regard to any Parcel Sale Gross Revenues with respect such Parcel Sale), and (ii) any Reserves.

**“Political Contributions”** means any contributions of money for the direct benefit of election of candidates for public office, public officeholders, political parties, political campaigns, political committees, or election contests.

**“Preferred Return”** means nominal 14.058% cumulative, annual return, compounded monthly (calculated like interest) on the first day of each calendar month (i.e., a monthly rate of 1.1715% compounded monthly). For the avoidance of doubt, it is acknowledged that, as a result of the effect of monthly compounding, (i) any applicable Project Costs not recovered through Gross Revenue shall themselves be increased at a nominal annual rate of 14.058% cumulative, annual return, compounded monthly on the first day of each calendar month, and (ii) the effective annual yield of the Preferred Return is 15%. Preferred Return shall be calculated by Tenant in a manner consistent with this Schedule 1, and such calculation shall be conclusive absent manifest error.

**“Project Costs”** means, as of given date, the following (which, other than the Project Costs described in clause (e), shall be increased by the Preferred Return):

- (a) all Applicable Rent Payments as of such date;
- (b) all Project Service Costs as of such date;
- (c) all Project Implementation Costs as of such date;
- (d) all “Entitlement Fees” (as hereinafter defined) as of such date; and
- (e) all “Affiliate Fees and Cost Recoveries” (as hereinafter defined) (other than Entitlement Fees), as provided herein, as of such date.

Except with respect to Landlord’s obligations set forth in the Lease, in no event shall Landlord be liable for payment of Project Costs.

Project Costs shall not include the cost of any improvements to the extent paid solely with Non-Credit Enhanced Public Financing.

**“Project Implementation Costs”** means all actual costs incurred by Tenant or any Related Person of Tenant (including MRES, any Related Titleholder and any Ground Lessor Entity) in connection with preparation of the Property (or any portion thereof) for Entitlements, development and/or any Disposition of all or any portion of the Property (including, for the avoidance of doubt, the actual costs incurred in connection with any Disposition). Without limitation on the foregoing, Project Implementation Costs shall include actual development, construction, capital expenditures, carrying costs, Willowick Golf Course losses (without



duplication of any amounts that otherwise constitute Project Service Costs), on and off-site improvements, exactions, fees, taxes and other assessments (including real property, transfer taxes, taxes and other assessments due in connection with public financings), legal costs and expenses, acquisition, due diligence and accounting expenses, government fees and assessments, association dues, donations to non-profit entities and support of community organizations or government entities (but no Political Contributions), public and private financing costs, fees and transactional expenses (excluding the principal and interest payments in such financings), travel costs, insurance, sale and brokerage costs, and, at the election of Tenant, depreciation, amortization and other non-cash accounting or tax items, in each case incurred as part of the Project or otherwise in connection with the Property. For clarity, Project Implementation Costs shall not include Affiliate Fees and Cost Recoveries.

“**Project Service Costs**” means all actual third-party out of pocket costs or expenses of whatever kind or nature incurred by Tenant or any Related Person of Tenant (including MRES, any Related Titleholder and any Ground Lessor Entity) which provides services or credit enhancement for the Property or Project, Tenant, MRES, any Related Titleholder, any Ground Lessor Entity, or any other Related Person of Tenant or any Vertical Entity that assumes responsibility for any horizontal improvements at the Property, resulting from or in connection with or related to (i) the Project (including the costs of operating and leasing the Property), (ii) operation of the Willowick Golf Course, (iii) the Lease, or (iv) the Property.

“**Reserves**” means, as of a given date, (i) any reserves for the payment of any future Project Costs reasonably anticipated to be incurred or accrued as of such date in the following twelve (12) month period, and (ii) any reserves that are required by a Mortgagee or a governmental agency in connection with the Project for the following twelve (12) month period as of such date.

“**Tenant’s Share of Net Proceeds**” means fifteen percent (15%) of Net Cash Flow.

“**Vertical Entity**” means the Person that is the buyer under a Parcel Sale or the ground lessee under a Parcel Ground Lease.

“**Unrecovered Project Costs**” means, as of a given date, Project Costs minus Gross Revenue as of such date (it being understood that Gross Revenue shall be applied first to the Preferred Return, if any, on the applicable Project Costs and then to the remainder of the Project Costs). For the avoidance of doubt, when determining Net Cash Flow, the determination of Unrecovered Project Costs shall exclude the subject Gross Revenue.

#### **B. Affiliate Fees and Cost Recoveries for Services**

The following amounts (collectively, “**Affiliate Fees and Cost Recoveries**”) shall be included as part of Project Costs (and shall not constitute Gross Revenue):

- 1) So long as Tenant proceeds with reasonable diligence to receive the Master Development Plan, an “**Entitlement Fee**” equal to \$750,000 per annum commencing on the Commencement Date until the Master Development Plan has been received, shall accrue and be prorated monthly;

- 2) A “**Construction Management Fee**” equal to one and a half percent (1.5%) of all on and off-site hard infrastructure and horizontal improvement costs, shall accrue monthly on a proforma basis, not to exceed \$50,000 per month;
- 3) A “**Development Fee**” equal to three percent (3%) of total Project hard and soft costs including market land value at the time established by Tenant with a BOV, shall accrue monthly on a proforma basis, not to exceed \$100,000 per month; and
- 4) Recovery of fully burdened employee and personnel costs as follows:
  - a. The fully burdened cost of all staff of Tenant and its Affiliates assigned to the Project who perform work or services on site;
  - b. A sales and disposition charge of one and a half percent (1.5%) of the sales price or present value of proforma ground lease payments, as determined by Tenant; and
  - c. “Shared Services Expenses” (as hereinafter defined).

**C. Landlord’s Share of Net Proceeds**

- 1) Landlord’s Percentage Rent of Operating Net Proceeds shall be due and payable within ninety (90) days following the end of each Fiscal Quarter.
- 2) Landlord’s Share of Parcel Ground Lease Net Proceeds shall be due and payable within ninety (90) days following the end of each Fiscal Quarter.
- 3) Landlord’s Share of Parcel Sale Net Proceeds shall be due and payable within thirty (30) days following the closing of any Parcel Sale. Tenant may cause Landlord’s Share of Net Proceeds to be paid by any other Person on behalf of Tenant.
- 4) For the avoidance of doubt, Tenant shall be entitled to retain Tenant’s Share of Net Proceeds.

It is the intent of the parties that no payments be made to Landlord at any time when Tenant has not actually received Gross Revenue at least equal to Project Costs, and the foregoing (including all calculations of defined terms in this Schedule 1) shall be interpreted accordingly. Landlord’s Share of Net Proceeds shall only be payable out of Net Cash Flow.

**D. Certain Shared Services**

Tenant may (or may cause any Related Person of Tenant, including MRES, any Related Titleholder and any Ground Lessor Entity, to), but shall not be obligated to, from time to time, make available certain benefits, services and/or facilities to any one or more of the Project, any Related Person, and the Property, which services may include in-house accounting, legal, marketing, claims management, information technology, human resources, central purchasing and procurement, employee benefits administration, payroll administration and general administrative services (collectively, the “**Shared Services**”). Tenant (or any such Related Person) shall be entitled to reimbursement for an allocated portion of the cost of providing the Shared Services (the “**Shared Services Expenses**”) to the Project, but not for general services that are not directly related to the Project. The allocation of Shared Services Expenses shall be made in a manner determined by

Tenant in good faith and in its sole and absolute discretion. Without limitation on the foregoing, Tenant will generally seek to make such determination (A) with respect to in-house accounting services, on a quarterly or monthly basis at an equitable flat-rate based on the project size, entity capitalization, complexity of the services and/or project activity; and (B) with respect to any other Shared Services: (i) for services which are shared with other entities, projects or properties, utilizing an equitable allocation method determined by Tenant, which may or may not include calculated percentage-based time or work allocations, per unit/activity charges, comparable market-based charges, hourly charges, formula-based assessment of costs based on project size and project activity and/or nominal flat-rate charges for entities with minimal activity and/or other methods, (ii) with respect to services which are not shared with other entities, projects or properties, for the full cost of such services, as calculated by Tenant using similar methods, and (iii) utilizing, when applicable, an estimated fully-burdened rate for personnel providing such services, which rate may include estimated occupancy, benefit, insurance and other overhead costs, without markup, and shall not exceed maximum rates charged by third party service providers for similar personnel. Nothing in this section shall limit the Project's responsibility for any of its expenses to third parties, whether incurred directly by the Tenant or by any Related Person of Tenant on behalf of the Project.

E. **Miscellaneous Provisions**

- 1) An illustration of the calculations contemplated by this Schedule 1 is attached hereto. Such illustration is purely for informational purposes and shall not be deemed to modify the text of this Schedule 1 (or the body of the Lease). In the event of conflict between the illustration and the text of this Schedule 1 (or the body of the Lease), the text of this Schedule 1 (and the body of the Lease) shall control.
- 2) Tenant shall submit a statement, with supporting documentation (except for Excluded Materials), of all Project Costs incurred and Gross Revenues received in the corresponding Fiscal Quarter, within ninety (90) days following Landlord's written request, which shall be afforded Confidential Treatment.
- 3) Upon written request from Landlord, Tenant shall produce copies of such records (except for Excluded Materials) as may be reasonably requested by Landlord to verify Tenant's calculation of the Landlord's Share of Net Proceeds. All review and handling of such records shall be conducted at the offices of Tenant and any records delivered, disclosed or otherwise made available to Landlord or any other Landlord Related Person in connection therewith shall be afforded Confidential Treatment, and Landlord shall not (and shall cause each other Landlord Related Person not to) disseminate any such records or cause any such records to be reposed in the offices of Landlord. In the event that the cost of reproduction of the records requested by Landlord paid to third parties shall exceed \$2,000 per year, Landlord agrees to inspect these records at the principal office of Tenant in the State of California or Colorado, as applicable, or reimburse Tenant for any actual and direct third party costs of reproduction of such records in excess of \$2,000.

\* \* \* \* \*

# Legal Terms and Conditions of this Proposal

The information contained in this proposal is conceptual and preliminary in nature. The elements of this proposal are subject to change by McWHINNEY or its affiliates without notice. The final terms and conditions of any development or other matters related to the project will be set forth in the Development Agreement, potential Purchase and Sale agreements, and other final definitive agreements (the “Definitive Agreements”) among the relevant parties.

While we endeavor to provide information that is up to date and correct, we make no representations or warranties of any kind, express or implied, about the completeness, accuracy, reliability, suitability or availability with respect to the information or related graphics contained in this proposal. Financial information, expenses, and projections include estimates, assumptions, and forward-looking statements which may ultimately not prove to be correct and which involve risks.

Plans, specifications, amenities, features, availability, amounts, prices, land uses, timing, dimensions, materials and other elements are also subject to change, modification or cancellation. Scenes, pictures, drawings, and illustrations may be locations or activities not included at the property, and actual views may vary. Maps should be assumed to be not to scale and are for relative location purposes only. Because the proposal is subject to adjustment as the Definitive Agreements are prepared and finalized, there is no guarantee that the facilities, services, features, amenities, improvements, views, scenes or specifications described, shown or depicted in this proposal will be constructed or otherwise provided, and if constructed or provided, that they will be of the same type, style, size or nature as described or depicted. Any such commitments will be reflected in the Definitive Agreements. Ownership or lease of a space depicted in the proposed development does not guarantee access to, or the right to use, amenities, which, if available, may require separate payment and may be subject to other conditions on use.

## Denver

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

## Loveland

2725 Rocky Mountain Ave  
Suite 200  
Loveland, CO 80538  
(970) 962-9990

[www.McWHINNEY.com](http://www.McWHINNEY.com)



McWHINNEY