



VIA E-MAIL

GraceL@ggcity.org

October 20, 2021

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

RE: Response to October 1, 2021 Letter from City of Garden Grove

Dear Ms. Lee,

McWhinney is pleased to submit the following responses to the City's October 1, 2021 letter and questions regarding our prior submittals related to the Willowick golf course RFP. This letter is being submitted in accordance with the Surplus Land Act (SLA). Also in accordance with the SLA, we look forward to ongoing and successful negotiations with the City to determine and agree upon mutually satisfactory terms regarding: (a) overall total number of residential units; (b) total number of affordable units; (c) applicable affordability levels; (d) quantity of open space; and (e) long term ground lease.

McWhinney and its affordable housing development partner, Wakeland Housing, are honored to be considered for the Willowick Golf Course redevelopment project. As seasoned master planned community and affordable housing developers, we have had the opportunity to work in a range of environments with varied needs and considerations. Yet, with every project we undertake, there is a guiding North Star: create a place where all people can thrive.

Our team's top priority is to create a community that delivers a true sense of place, fosters belonging and enables connectivity for residents, workers and guests. We also want to create a place where people want to be – where residents, guests and members of the larger community can share common, cohesive and fulfilling moments and experiences.

However, the quality of experiences we're looking to create only happens when we are intentional about it. We know that the potential of each of our communities is unique – often impacted by specific cultural, regional and historical considerations. So, to create those moments at Willowick, we must infuse the heart and soul of the region into the development, ensuring that it will be reflective of the local community's desires, needs, cultures and aspirations both now and in the future.

While our proposal outlines our current thoughts and recommendations for the Willowick redevelopment, we know that direct input from the Garden Grove and Santa Ana communities will be integral in confirming – and potentially redefining – the plan.

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720-360-4700

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Suite 200  
Loveland, CO 80538  
970-962-9990

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**QUESTIONS AND ANSWERS**

1. Provide the specific items that need to be satisfied during the developer's due diligence period.

Response to Question #1: Per our prior proposal submittals, McWhinney ("Developer") is not seeking a traditional due diligence period and is not requesting any contingencies. In its prior review of the Property, McWhinney commenced (and made substantial progress on) title, survey, soils, and golf course review, and will complete its review of the same prior to Tenant (MWillowick Land, LLC) entering into the Master Ground Lease.

2. If a deposit is proposed, provide the amount of deposit that is non-refundable.

Response to Question #2: Upon its execution of the Master Ground Lease, Tenant will pay to the City of Garden Grove (the "City") an amount equal to \$2,000,000 (the "Initial Base Rent Payment"). Per the terms of the previously submitted Master Ground Lease, the Initial Base Rent Payment will not be refundable to Tenant, with the following exception:

Tenant will have the right to terminate the Lease due to 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, in which case (i) the Lease will terminate, and (ii) the City shall return to developer the Base Rent less the "Base Rent Independent Consideration" amount of \$200,000.

3. If a deposit is proposed, provide a schedule of when the balance of the deposit will be due and at what point it will become non-refundable.

Response to Question #3: Please see the response provided to Question #2 above. Additionally, under certain circumstances set forth in the previously submitted Master Ground Lease, Tenant could be responsible for up to two Extension Base Rent Payments of \$500,000 each.

4. How many acres of the 101.5 does the proposal anticipate selling off to other developers?

Response to Question #4: Approximately 38 acres.

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5. If you will consider a long-term lease of the Site, provide a detailed description and project schedule for a proposed land lease, along with the following information:
- Terms of lease,
  - Schedule of payments,
  - Amount of land required to be sold, if any,
  - Include pro formas for the proposed land lease scenario and project schedule/timeline. If you will consider a long-term lease of the Site either with or without an option to acquire and sell a portion of the Site, please provide the above information for both options (i.e., with land sales and without land sales).

Response to Question #s 5 (a)(b)(c)(d): Developer is proposing a 55-year Ground Lease. Please see the following attachments, which present the details of our proposed deal structure:

***Exhibit A – Ground Lease Summary***

***Exhibit B – Proforma Summary***

***Exhibit C – Proforma and Cashflow***

6. Provide the acreage to be allocated to public open space and whether the open space use will be reserved only for project residents and businesses.

Response to Question #6: Of the 101.5-acre Willowick site, approximately 22 acres will be allocated to public open space, accessible to all members of the general public. This is separate and distinct from any private open space (e.g., enclosed front, side or rear yards), or semi-private open space (e.g., open front yards adjacent to sidewalks and streets, and amenity spaces specific to individual development parcels).

In addition to the 22 acres of proposed onsite open space, the Developer is also willing to consider working with all relevant and necessary agencies to: (a) look at enhancing the existing adjacent +/- 6-acre Cesar Chavez Campesino Park; (b) enhance the existing Santa Ana River walk; and (c) lid over and landscape the existing adjacent Santa Ana River waterway, thereby possibly providing an additional +/- 16 acres of public open space.

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7. Please provide an overall project schedule. If you intend to proceed in phases, also provide sub-schedules for each development phase.

Response to Question # 7): Please see the schedule provided below.

Planning	Entitlements	Infrastructure Planning & Permits	Phased Infrastructure	Vertical Implementation
6-9 Months	18 Months	9-12 Months	9-12 Months	Demand Based
Community Outreach Sunshine Ordinance Market Studies Land Planning Use Outreach	EIR Specific Plan* Public Financing Design Review Tract Maps	Open Space Streets Sewers & Storm Utilities Landscape	Improvements that will create development ready parcels and support placemaking	Varied and complementary uses that are brought to markets as demand supports

*\*City of Santa Ana to complete General Plan Update*

8. If your proposal is contingent on development approvals or revenue/income stream, please provide the following:
- Development pro formas that will be added to the City’s SLA Website,
  - Proposed project cash flow pro forma that will be added to the City’s SLA Website.

Response to Question #s 8 (a) and (b): Although Developer’s proposal is not contingent on development approvals, nor is it contingent on revenue/income streams, we are providing the following attachments, which present the details of our proposed deal structure:

***Exhibit A – Ground Lease Summary***  
***Exhibit B – Proforma Summary***  
***Exhibit C – Proforma and Cashflow***

9. Provide a detailed breakdown of all residential units, including the following:
- Number of bedrooms per unit,
  - Square footage of each unit,
  - Number of for sale units,
  - Number of for rent units,
  - Number of units that will be affordable.

Response to Question #s 9 (a)(b)(c)(d)(e): Please see the chart provided below. Due to the additional gap financing that is required to finance affordable for sale homes, the proposed affordable units at Willowick will be for rent. The for sale and for rent mix for the market rate units is provided in the chart below.

While we are providing the following unit mix as part of the Q&A process with the City, this information is preliminary in nature, and is being provided prior to our meeting(s) with the communities in Garden Grove and Santa Ana to obtain their feedback and input on the types of market rate and affordable homes they would like added to the community. We also look forward to engaging with the community to get their similar input on the other uses they would like to see incorporated into the master plan development of the Willowick site. While we are providing the requested responses to the City’s questions, we also look forward to the grassroots work that McWhinney, Wakeland and the community will do together to formulate a broadly embraced master planned “community” for the Willowick site.

<b>Affordable Residential Homes (For Rent)</b>						
<b>AMI</b>	<b>STUDIO</b>	<b>1 BD</b>	<b>2 BD</b>	<b>3 BD</b>	<b>4 BD</b>	<b>TOTAL</b>
<b>Size Range</b>	N/A	500 - 600 SF	750 - 850 SF	900 - 1,000 SF	N/A	<b>Size Range</b>
<b>50%</b>	0	95	49	30	0	<b>174</b>
<b>60%</b>	0	193	121	70	0	<b>384</b>
<b>SUBTOTAL</b>	<b>0</b>	<b>288</b>	<b>170</b>	<b>100</b>	<b>0</b>	<b>558</b>

  

<b>Market Rate Residential Homes (For Sale &amp; For Rent)</b>						
<b>SALE / RENT</b>	<b>STUDIO</b>	<b>1 BD</b>	<b>2 BD</b>	<b>3 BD</b>	<b>4 BD</b>	<b>TOTAL</b>
<b>Size Range</b>	500 - 600 SF	750 - 1,250 SF	1,100 - 1,400 SF	1,400 - 2,500 SF	1,700 - 2,700 SF	<b>Size Range</b>
<b>For Sale</b>	0	72	216	309	101	<b>698</b>
<b>For Rent</b>	97	439	390	49	0	<b>975</b>
<b>SUBTOTAL</b>	<b>97</b>	<b>511</b>	<b>606</b>	<b>358</b>	<b>101</b>	<b>1,673</b>

  

<b>TOTAL</b>	<b>97</b>	<b>799</b>	<b>776</b>	<b>458</b>	<b>101</b>	<b>2,231</b>
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10. Provide a detailed breakdown of all affordable residential units, including the following:

- a. Level of affordability of each unit,
- b. Size of each unit, broken down by affordability level,
- c. Number of bedrooms per unit, broken down by affordability level,
- d. Number of for rent and for sale units, broken down by affordability level,

Response to Question #s 10 (a)(b)(c): Please see the response provided to Question #9 above.



11. Provide a proposed purchase price for the Site with no contingencies and “as-is.”

Response to Question # 11: We are not prepared to offer an “as-is” purchase price.

We hope our responses to the above questions 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



**EXHIBIT A – Ground Lease Summary**

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, and submitted to the City on June 28, 2019, August 21, 2020, and October 28, 2020.

<b>TENANT</b>	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.
<b>LANDLORD</b>	City of Garden Grove, a California municipal corporation
<b>COMMENCEMENT DATE</b>	The effective date of the Lease.
<b>TERM</b>	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.
<b>BASE RENT</b>	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").
<b>PERCENTAGE RENT</b>	In addition to Base Rent, Tenant will pay to Landlord percentage rent as described in Schedule 1 attached hereto.
<b>CONTINGENCIES</b>	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.
<b>EARLY TERMINATION</b>	(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>
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<p><b>EXTENSION OF MASTER DEVELOPMENT PLAN DEADLINE</b></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><b>DISPOSITION OF PROPERTY</b></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>



	<p>(b) <b>Remaining Parcels.</b> 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 "<b>Remaining Parcel Notice</b>"), to cause Landlord to sell any one or more of the "<b>Remaining Parcels</b>" (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 "<b>Ground Lessor Entity</b>") 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 "<b>Parcel Ground Lease</b>") 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.</p> <p>(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.</p> <p>(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.</p>
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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.