

January 6, 2025

Jarad Hildenbrand
City Manager
City of Laguna Hills
24035 El Toro Road
Laguna Hills, California 92653

Re: Development Agreement (Village at Laguna Hills Mixed Use Project) By and Between City of Laguna Hills (“City”) and MGP Fund X Laguna Hills, LLC (“MGP”), dated April 22, 2022; Request for Initiation of Major Project Modifications

Mr. Hildenbrand,

The purpose of this letter is to request initiation of Major Project Modifications to the above-referenced Development Agreement (“Original Agreement”)¹. As defined in the Original Agreement, the term “Major Project Modifications” includes, among other things, the Development of more than five Residential Buildings, the Development of less than 230,000 square feet of space within Retail Buildings, and relocation of any building to a location other than what was projected on the Site Plan. MGP proposes a series of changes to the Development Plan in response to prevailing economic and market conditions necessary for redevelopment of the Property. The requested Major Project Modifications are the result of dynamic and unprecedented changes in market conditions, including lingering effects of the COVID-19 pandemic, the increase in remote work, and shopper preferences for online retail. As further described below, we are confident the Major Project Modifications will result in a successful project that yields the same benefits for the community contemplated in the Original Agreement, along with more diverse housing offerings and an additional hotel to yield increased revenues for the City.

Summary of the Proposed Major Project Modifications

MGP proposes a series of modifications to the Development Plan that will reduce office and retail and add new housing types and an additional hotel to the Property. A proposed modified Site Plan and associated Project summary is attached here as Attachment 1. Generally, the proposed modifications to the Development Plan are as follows:

- **Housing:** MGP proposes to reduce the total number of approved units from 1,500 to 1,456. The 1,456 units would include a combination of multifamily units (as previously approved), townhomes, and single-family detached units. The addition of townhouses and single-family detached units will provide additional housing options for Laguna Hills residents. We are aware that such housing optionality is a key concern for many City residents.

¹ Capitalized terms used in this letter have the meanings assigned in the Original Agreement unless otherwise stated.

- Second Hotel: The Original Agreement contemplates a single hotel of between 100-150 rooms. MGP proposes to add a second hotel to the Project. The second hotel would increase the total number of hotel rooms throughout the project (combined between the two hotels) to 225 rooms and would be a substantial driver of additional City tax revenue.
- Office: The office component would be eliminated from the Development Plan. The removal of the office component is in response to market demand, and the additional space resulting from its removal will allow for the introduction of alternative housing types and the second hotel.
- Affordable Housing: The Original Agreement contemplates that the Project will include 200 below-market-rate (BMR) units as inclusionary housing spread across market rate multifamily buildings. Under this scenario, the BMR units will not be delivered unless and until the market rate buildings are constructed. The proposed modification is for MGP to transfer a development-ready pad to either the City or an affordable housing developer to build a standalone affordable building for 200 BMR units. Transfer of the pad would allow for the realization of all BMR units simultaneously, as opposed to the units coming online piecemeal over the term of the Original Agreement. Further, clustering these units together increases the potential to maximize affordable housing opportunities for seniors and veterans as contemplated by the Original Agreement.
- Retail: The revised Development Plan would include approximately 150,000 square feet of retail use, and no longer includes a previously-contemplated second-story cinema. The revised Site Plan calls for more experiential retail, with restaurants and shops clustered around a relocated Village Park that will be prominently visible from El Toro Road and the adjacent medical facilities.
- Parking Structures: Parking structures that were primarily intended to serve the office and theater would be eliminated from the Development Plan. As with removal of the office component, removal of the parking structures allows for more advantageous use of the site, including for alternative housing types and the second hotel.

Request for the City Council

MGP intends to submit entitlement applications to the City in January for approval of the modifications to the Project as described above. Because the Original Agreement must also be amended to account for these changes as Major Project Modifications, we respectfully request that the Council authorize the City Manager and the City Attorney to engage in related negotiations with MGP. Upon the conclusion of such negotiations, staff's review of entitlement applications, and the completion of any required California Environmental Quality Act analysis, staff would bring the applications and a proposed First Amendment to the Original Agreement to the Council for its independent consideration.

We appreciate your consideration of this request and look forward to continued collaborative discussions.

Sincerely,

A handwritten signature in black ink, appearing to read "James Gwilliam". The signature is fluid and cursive, with a large initial "J" and a stylized "G".

James Gwilliam
MGP Fund X Laguna Hills, LLC

cc: Gregory E. Simonian
City Attorney - City of Laguna Hills
Woodruff, Spradlin & Smart
555 Anton Boulevard, Suite 1200
Costa Mesa, California 92626

Attachment 1

(Proposed Site Plan and Development Summary)