



## City of Laguna Hills City Council / Planning Agency Staff Report

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**Date:** April 22, 2025  
**To:** Mayor and Council Members  
**From:** Jarad Hildenbrand, City Manager  
**Issue:** Request by Merlone Geier Partners for Initiation of Proposed Major Project Modifications to the Village at Laguna Hills Development Agreement and Formation of Ad Hoc Committee

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**Recommendation:** That the City Council:

- 1) Receive a presentation by Merlone Geier Partners regarding their request for initiation of Major Project Modifications to the Development Agreement for the Village at Laguna Hills Mixed-Use Project;
  - 2) Review and provide direction to staff on whether to engage in negotiations with MGP Fund X Laguna Hills, LLC ("MGP") regarding the proposed Major Project Modifications to the Development Agreement for the Village at Laguna Hills Mixed-Use Project; and
  - 3) Consider the formation of an Ad Hoc Committee comprised solely of two members of the City Council (less than a quorum) to help facilitate the requested negotiations and to make recommendations to the City Council.
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**Background:**

On January 6, 2025, the City received a request from MGP Fund X Laguna Hills, LLC ("MGP") seeking to initiate negotiations on proposed Major Project Modifications to the existing Development Agreement for the Village at Laguna Hills Mixed-Use Project (Attachment 1). According to MGP, these requested modifications reflect shifts in economic and market conditions and would require amendments to the Development Agreement approved on April 22, 2022.

MGP's request was originally scheduled for initial review and consideration by the City Council at the January 28, 2025, City Council regular meeting. However, due to Mayor Pro Tempore Caskey's medical emergency, the item was postponed to ensure full Council participation in the initial decision-making process.

The City Council is now asked to consider whether to direct negotiations with MGP regarding the proposed Major Project Modifications and to establish an Ad Hoc Committee to facilitate the negotiation process.

### **Summary of Proposed Major Project Modifications**

MGP's proposed modifications include:

- Housing Adjustments: Reduction in total units from 1,500 to 1,456, with the inclusion of townhomes and single-family detached units to diversify housing options.
- Addition of a Second Hotel: Increasing total hotel rooms from 100–150 to 225.
- Office Component Removal: Eliminating office space due to decreased market demand.
- Affordable Housing Strategy: Transferring a development-ready pad to the City or an affordable housing developer for the construction of 200 below-market-rate units, allowing simultaneous delivery rather than phased completion.
- Retail Adjustments: Reducing retail space to 150,000 square feet, eliminating the second-story cinema, and shifting to experiential retail clustered around a relocated Village Park.
- Parking Structures: Removing previously planned parking structures for office and theater uses, reallocating space for residential and hospitality purposes.

### **Key Considerations Under the Development Agreement**

MGP's request qualifies as a Major Project Modification under the Development Agreement, meaning:

1. City's Sole Discretion Over Major Project Modifications (Section 12.3)
  - a. The City alone has the right to approve, conditionally approve, or deny any Major Project Modification proposed by MGP.
  - b. MGP waives any legal right to force City approval under California law or the Zoning Code.
  - c. Any review of modifications will be based on the rules in effect when MGP

submits a complete application.

2. Mutual Consent Required for a development agreement Amendment (Section 13)

- a. If negotiations proceed, both parties must formally agree to amend the Development Agreement.
- b. Any formal amendment must follow City procedures and require City Council approval.

**Implications for the MGP Proposal**

- The City is not obligated to approve MGP's request for modifications.
- Even if the City agrees to negotiate, it retains the right to reject, modify, or impose conditions on the proposed changes.
- If negotiations result in an agreement, both the City and MGP must formally approve an amendment to the Development Agreement.

**Ad Hoc Advisory Committee for Negotiations**

Given the complexity and significance of the proposed modifications, if the City Council elects to proceed with negotiations, staff recommends that the City Council establish an Ad Hoc Committee to help facilitate negotiations with MGP.

A Hoc Advisory Committees:

- Ad Hoc Advisory Committee comprised solely of no more than 2 members of the City Council (less than quorum).
- Ad hoc must have a defined task or defined subject matter to review/evaluate/research and report back to Council on.
- Must be of limited duration.
- Must report back to Council its findings/recommendations after studying a defined issue.

Role of the Ad Hoc Committee:

- Composed solely of two Council Members (less than a quorum), appointed by the City Council.
- Serves as a liaison between City staff, MGP, and the full Council.
- Provides guidance and input on policy priorities, financial considerations, and public benefits.

- Reviews potential trade-offs and conditions related to land use, public amenities, and fiscal impacts.
- Studies the issue, reports back and provides recommendations to the City Council.

**Purpose and Structure:**

- The Ad Hoc Committee will not have decision-making authority but will report back to the full Council.
- The Committee will sunset upon completion of negotiations and Council action on any amendments.
- If negotiations move forward, regular updates will be provided by the Ad Hoc Committee to the full Council.

**City Council Direction Requested**

Staff requests City Council direction on:

1. Whether to initiate and engage in negotiations with MGP regarding the proposed Major Project Modifications as requested by MGP.
2. Whether to establish an Ad Hoc Committee to facilitate the negotiations and to report back to the City Council with recommendations.

**Fiscal Impact:**

If the City Council elects to proceed with initiating negotiations, all associated costs—including staff time, consultant fees, legal expenses, and required studies—shall be fully paid for by MGP.

Before any work begins, MGP must enter into a Deposit and Reimbursement Agreement, which will ensure that:

- The City incurs no financial burden from MGP's requested modifications.
- All costs related to staff time, third-party consultants, special legal counsel, and environmental analysis (if required) are paid by MGP.
- MGP submits an initial deposit to cover anticipated costs, with provisions for replenishment as expenses are incurred.

No work will commence, and no City resources will be expended, until:

- The Deposit and Reimbursement Agreement is fully executed and initial deposit funds are received.
- The City reserves the right to pause/terminate negotiations if MGP fails to timely maintain the required deposit balance.
- The Deposit and Reimbursement Agreement will be prepared by the City Attorney.

**Attachments:**

1. January 6, 2025 MGP Letter to J. Hildenbrand
2. Village at Laguna Hills 2025 Site Plan