

CITY OF GARDEN GROVE

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF GARDEN GROVE APPROVING A MASTER GROUND LEASE BETWEEN THE CITY OF GARDEN GROVE AND MWILLOWICK LAND LLC FOR THE WILLOWICK GOLF COURSE PROPERTY

THE CITY COUNCIL OF THE CITY OF GARDEN GROVE HEREBY FINDS AND DETERMINES AS FOLLOWS:

The City of Garden Grove ("City") owns that certain real property consisting of approximately 100 acres and commonly referred to as the Willowick Golf Course ("Willowick"), located at 3017 W. 5th Street, Santa Ana, California.

The City acquired Willowick in 1964 and has operated Willowick as a commercial golf course since.

The City Council considers Willowick to be a City asset held for purposes of investment and revenue generation to support City services.

During the City's ownership of Willowick, revenue generated by the golf course and ancillary operations at Willowick has been utilized not only to operate the golf course, but also to help fund City services to Garden Grove residents.

In recent years, revenue generated by the Willowick asset to support City services has declined.

The City Council wishes to increase the revenue-generating potential of the Willowick asset to continue fund important City services.

Beginning in 2017, the City commenced a public process to evaluate the potential for redeveloping and reusing Willowick to achieve long-term economic and community benefits. This public process included:

- Approval of a Memorandum of Understanding with the City of Santa Ana in September of 2017 to jointly explore and evaluate the potential for redevelopment of Willowick;
- A December 4, 2017 joint Garden Grove and Santa Ana City Council meeting to discuss Willowick;

- Approval in April of 2018 of an “Agreement Between City of Santa Ana and City of Garden Grove to Explore the Redevelopment of the Willowick Golf Course Site in the City of Santa Ana”;
- Presentation of a status report at the August 28, 2018 Garden Grove City Council meeting about progress in evaluating potential reuse of Willowick.
- Publication in August 2018 of a separate “Envision Willowick” Internet web page on the City’s public website to inform community members about the process of developing a vision plan for the redevelopment of Willowick.
- Four community workshops held in Santa Ana in 2018 to solicit community input and feedback on the vision plan for Willowick.
- The development of an economic analysis and a “Visioning Document” to be used as a guide and act as a resource in the preparation of a development plan for Willowick, which were published on the City of Garden Grove website and presented at a public meeting in January 2019.
- A January 29, 2019 joint Garden Grove and Santa Ana City Council meeting to discuss the potential redevelopment of Willowick and preparation of a Request for Proposals.

In April 2019, the City issued a Request for Proposals (“RFP”) soliciting proposals from potential master developers for Willowick. An objective of the RFP was to obtain viable proposals for reusing and redeveloping Willowick to achieve sustainable long-term economic and community benefits for Garden Grove and Santa Ana.

The City received twelve proposals in response to the RFP, including three non-contingent cash offers to acquire the property.

On October 7, 2019, Orange County Communities Organized for Responsible Development (“OCCORD”) filed a petition for writ of mandate and complaint for declaratory and injunctive relief seeking an order and adjudication from the court directing Garden Grove to comply with the Surplus Land Act prior to the disposition of Willowick, notwithstanding the fact that Willowick is not “surplus land.”

The Surplus Land Act provides that, prior to disposing of “surplus land,” local agencies shall first offer such “surplus land” to housing sponsors and other public agencies for the development of affordable housing and parks and open space.

The Surplus Land Act does not require public agencies to treat all property it wishes to dispose of as “surplus land.” The Act defines “surplus land,” in part, as “land owned by a local agency, that is determined to be no longer necessary for the agency’s use.” As recently recognized by the Court of Appeal in *Anderson v. City of San Jose* (Nov. 26,

2019) No. H045271, 2019 WL 6317875, at *17, the determination of whether a particular piece of property is “surplus” – i.e., “no longer necessary for the agency’s use” – is entirely within the local government’s discretion.

The Garden Grove City Council has not declared Willowick to be “surplus” and does not consider Willowick to be “surplus land” within the meaning of the Surplus Land Act. In pursuing the potential future reuse and redevelopment of Willowick through a sale or lease transaction, it is the City Council’s intent that Willowick will continue to be used as an asset that not only provides community benefits, but also generates revenue that can be used to help fund important City services for the benefit of Garden Grove residents.

These benefits could include, without limitation, the creation of new jobs benefitting both Santa Ana and Garden Grove residents; funding for the development of new or improved park and recreation facilities and other infrastructure in Garden Grove; funding for City programs that support the development of additional affordable housing in Garden Grove; and additional funding to support public safety, economic development initiatives, small business assistance programs, community health and welfare programs, and similar programs and initiatives in Garden Grove.

On October 9, 2019, Governor Newsom signed Assembly Bill (“AB”) 1486. AB 1486, will amend the Surplus Land Act effective January 1, 2020. These amendments will include, among others, changing the existing, long-standing definition of “surplus land;” providing that land shall be declared either “surplus land” or “exempt surplus land” before a local agency may take any action to dispose of it; and adding a new limitation providing that an “agency’s use” “shall not include commercial or industrial uses or activities, including nongovernmental retail, entertainment, or office development” or “property disposed of for the sole purpose of investment or generation or revenue.”

The intended cooperation with Santa Ana and consideration of contingent offers from developers require long-term review and negotiation of possible disposition agreements that could not have been considered and fully negotiated until after January 1, 2020 when the amendments of the Surplus Land Act under AB 1486 would have taken effect. Consequently, Garden Grove initially decided that it would put the RFP process on hold pending the possible compliance with the Surplus Land Act as amended by AB 1486 in January 2020.

However, despite the pending litigation, various entities and proposers continued to express interest in buying or leasing Willowick for potential redevelopment on the condition that the transaction be consummated prior to January 1, 2020.

The City has received and considered multiple offers to purchase or lease Willowick on the condition that transfer of the land occurs on or before December 31, 2019.

McWhinney Real Estate Services, Inc. has submitted a proposal pursuant to which it, or one or more affiliates, would act as the master developer of Willowick under a long-term

ground lease. Under the proposed ground lease, the master developer will be responsible for the outreach and community engagement, planning, entitlement, and operation of Willowick, and the City will realize 85% of the value generated by the use of the property over the term of the lease. These funds will provide the City with a sustainable, long-term source of revenue to fund City services and programs that benefit Garden Grove residents, including, but not limited to, programs that provide monetary incentives for the development of additional low and moderate-income housing in Garden Grove and provide other benefits to Garden Grove residents.

Under the proposed ground lease, Willowick will continue to be operated as a golf course for an interim period.

The City Council finds that the proposed ground lease will allow Willowick to continue to be used by the City in a manner that best achieves sustainable long-term economic and community benefits for both Garden Grove and Santa Ana, consistent with a key objective of the RFP process.

Under the California Environmental Quality Act, California Public Resources Code Section 21000, et seq., ("CEQA") and the implementing regulations set forth at Title 14 California Code of Regulations Section 15000, et seq. ("Guidelines"), CEQA applies only when a public agency has "approved" a project. For these purposes, "approval" means the decision by a public agency which commits the agency to a definite course of action. (CEQA Guidelines section 15352.) Here, approval of the ground lease does not commit Garden Grove or the developer to any specific construction plan or project. Furthermore, the redevelopment proposal under the ground lease is not defined well enough to provide meaningful information for environmental assessment.

On December 7, 2019, the Court in the OCCORD lawsuit issued a temporary restraining order restraining and enjoining the City from consummating any disposition, sale, lease, transfer, and/or conveyance of Willowick to any person or entity, pending a hearing on an order to show cause scheduled for December 17, 2019. In adopting this Resolution, it is the City Council's intent to conditionally approve the proposed ground lease agreement, subject to the pending temporary restraining order being dissolved and the Court not issuing a preliminary injunction following the December 17, 2019 hearing restraining the City from entering into the agreement.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Garden Grove that the Ground Lease between the City of Garden Grove and MWillowick Land LLC in substantially the form presented at the meeting is hereby approved and the City Manager is hereby authorized to execute the Ground Lease and to sign all other documents necessary and appropriate to carry out and implement the Ground Lease, if and at such time as the City and the City Manager are no longer restrained and enjoined by order of the Court from doing so. The City Manager is further authorized to approve minor modifications to the Ground Lease as they may be deemed necessary.

Approved and adopted this 10th day of December 2019.

Mayor

ATTEST:

City Clerk