



CITYVIEWS
CITY OF LAGUNA HILLS

★ FIVE LAGUNA UPDATE

August 2018

RE: Update on Five Lagunas (formerly Laguna Hills Mall)

Dear Resident,

We know that many of you have been eagerly awaiting the redevelopment of the Laguna Hills Mall and have inquired as to the lack of progress on the project. Consequently, we wanted to provide you with an update on the Five Lagunas redevelopment project. By way of background, a little over five years ago, Merlone-Geier Partners (MGP) purchased the Mall from Simon Properties. They immediately began work on a conceptual plan that Simon Properties had previously developed, but soon realized that the former Sears store was a major obstacle to completing the plan. They saw an opportunity to acquire the Sears leasehold interest and free up about 18 acres on the south end of the 68 acre site. This acquisition resulted in the creation of a completely new set of plans for the site. In early 2015, MGP began working with the City on an expedited development entitlement process for an extensive redevelopment of the site from an enclosed mall to a vibrant mixed use project. In March of 2016, the City Council approved the project, and that summer, MGP broke ground and was scheduled to complete construction by the end of this year. But as you already know, the project has stalled now for some time. One primary reason for the delay in the project is that the retail environment has been rapidly changing. Bricks and mortar retail is dealing with the impacts of the internet and its expanding reach. Another reason is that over the past year, MGP has been able to acquire the two remaining major leasehold interests encumbering the site; Macy's and now JC Penney. Macy's has already closed and JC Penney will close its doors this October. What this means is the project approved in March of 2016 is now obsolete.

On July 10, MGP issued a press release regarding the status of Five Lagunas. A copy of the press release is on the reverse side of this letter. Although this project has taken longer than anyone expected, both the City and MGP view the closures of Sears, Macy's and JC Penney as positive developments for the long-term success of Five Lagunas. With these large areas within the project site freed up, MGP is now considering how best to incorporate new, dynamic offerings at Five Lagunas which will serve the City and residents of Laguna Hills while giving all of South Orange County exciting new options for shopping, dining, entertainment, living and working. In the short-term, this means that MGP will need to develop new plans and process them through the City. While this will take more time, the City is committed to working with MGP to ensure that Laguna Hills gets a lifestyle and urban town center we can all be proud of and one that will be successful for decades to come.

We remain confident that MGP is committed to this important project. As we get more information, we will provide regular updates on the City's website (www.lagunahillsca.gov).

Sincerely,

Donald J. White
City Manager

FIVE LAGUNAS EYES OPPORTUNITY TO ENHANCE REDEVELOPMENT PLANS

Developer to Ensure New Development of Five Lagunas Reflects What Consumers Want from a Lifestyle Center as the Retail Landscape Continues to Shift and Evolve

LAGUNA HILLS, Calif., July 10, 2018 – Following the departure of retail anchors at Five Lagunas, Merlone Geier Partners is pleased to take the opportunity to re-evaluate its plans to ensure the redeveloped Five Lagunas reflects current trends dominating retail, dining, entertainment, housing and commercial landscapes.

Merlone Geier Partners broke ground on Five Lagunas in summer of 2016, on the site of the former Laguna Hills Mall. The developer, in conjunction with the City of Laguna Hills, set out to build an urban village where guests could shop, dine and play and residents could live – creating the first “downtown experience” for the master-planned community of Laguna Hills. But after breaking ground on construction Merlone Geier Partners faced additional closures of key retail anchor tenants including Macy’s in early 2018 followed by JCPenney this October. These closures have rendered the original site plans obsolete yet provided the opportunity to re-imagine Five Lagunas in a new and comprehensive way.

At the former Laguna Hills Mall, JCPenney currently occupies a large, two story building in the center of the project. With this considerable building area freed up, Merlone Geier Partners is considering how best to incorporate new, dynamic offerings at Five Lagunas which will serve the City of Laguna Hills while giving South Orange County residents exciting new options for shopping, dining, entertainment, living and working.

“With the news that JCPenney will cease operations at Five Lagunas, we are embracing thoughtful planning to forecast what consumers will want and need from the project, taking into careful consideration the rapidly changing face of retail,” said Scott A. McPherson, executive managing director at Merlone Geier Partners. “This gives us the opportunity to once again work with the City of Laguna Hills and further engage the community to determine what a lifestyle center and urban town center of the future looks like. We remain fully committed to the redevelopment of Five Lagunas and are even more excited about the possibilities.”

As plans are being conceptualized, Merlone Geier Partners will actively engage with the City and community in the coming months. In the meantime, however, Five Lagunas will remain open with its current retail and dining offerings.

About Merlone Geier

Merlone Geier Partners is a private real estate investment company focused on the acquisition, development and redevelopment of retail and retail-driven mixed-use properties on the West Coast. The firm owns and manages over 100 commercial properties. Over the past 24 years Merlone Geier Partners has established a proven track record of repositioning retail and mixed use properties through releasing and redevelopment. While demonstrating sensitivity to the community’s unique needs, Merlone Geier brings creative solutions to the complexities of creating urban and suburban places and destinations. Visit MerloneGeier.com for more information.

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