



Fespar Enterprises LLC

April 15, 2014

Hon. Mayor and City Council Members
City of Santa Barbara
Post Office Box 1990
Santa Barbara, California 93102-1990

**Re: Initiation of Development Agreement for Parker Waterfront Hotel Property
at 433 East Cabrillo Boulevard (“Waterfront Hotel Property”)**

Dear Hon. Mayor Schneider and Council Members:

We would like to take this opportunity to update the Council on our vision for the Waterfront Hotel Property and to propose a course of action that will result in a new hotel on the Waterfront Hotel Property and completion of the City’s waterfront area. We would also request an opportunity to discuss our plans for the Waterfront Hotel Property with you at your next available council meeting.

As a bit of background, the proposed development of the Waterfront Hotel Property dates back to 1981 when the City, in coordination with the Parker family, adopted Specific Plan No. 1 Park Plaza (“Specific Plan No.1”). Prior to Specific Plan No. 1, there had been a series of failed attempts by the City and prior property owners to revitalize the City’s waterfront. Our family’s acquisition of approximately 33 acres of waterfront property in the late 1970’s provided an opportunity for the City and the Parkers to develop a shared vision for a revitalized waterfront area.

Specific Plan No.1 provided the roadmap for the development of a large portion of waterfront property owned by our family. Specific Plan No. 1 paved the way for the development of what is now “The Fess Parker Resort” (formerly “the Fess Parker Double Tree Resort”), as well as dedication by the Parkers of public parking and open space along Cabrillo Boulevard. Today, The Fess Parker is the largest hotel in the City of Santa Barbara and continues to generate significant revenue for the City and local businesses, while the dedicated parking and open space provide continuing public benefits to the Santa Barbara community.

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After the successful development of The Fess Parker, the City Redevelopment Agency and our family agreed to continue to carry out our shared vision for the development of the waterfront on the remaining property owned by our family. To this end, in 1994 the City adopted certain amendments to Specific Plan No.1 (“Amended Specific Plan”). The Amended Specific Plan provided the necessary zoning and land use regulations to develop a luxury hotel on the Waterfront Hotel Property and to construct what is now Chase Palm Park, a large portion of which sits on land donated by the Parker family to the City. In conjunction with our family’s agreement to donate the Chase Palm Park property, we entered into a Development Agreement with the City in 1995 (“Development Agreement”).

The Development Agreement granted our family a vested right to build a 150-room luxury hotel on the Waterfront Hotel Property, subject to certain conditions. As consideration for the vested rights granted by the Development Agreement, we provided significant benefits to the City, including donating 5 acres of property for the development of Chase Palm Park, providing the land for and constructing a 100-bed hostel (which is near completion and is scheduled to open this summer), and paying significant fees to maintain and operate Chase Palm Park. Today, Chase Palm Park is one of the largest waterfront parks in the City of Santa Barbara and hosts many of the City’s most successful community events, including the annual “Concert in the Park” series, while the hostel will provide much-needed affordable lodging on the City’s waterfront. Pursuant to the Development Agreement, we obtained and continue to hold the necessary building permits to construct the new hotel.

Much has changed since we entered into the Development Agreement in 1995. While we maintain our vested right to construct the 150-room hotel, we believe there may be other design opportunities that could better meet the demand for current market conditions. Such a design would likely result in a reduced development footprint and fewer hotel rooms on the Waterfront Hotel Property. We would like the opportunity explore alternative designs.

To allow our team the opportunity to explore alternative design concepts for the hotel, we recently submitted an application for a new development agreement. A new development agreement would preserve our family’s development rights in the Waterfront Hotel Property so we can move forward and make significant financial and personnel commitments to the project, and allow the City to help shape any new hotel proposal.

Over the past year, we have met with City staff on numerous occasions to discuss the possibility of a new development agreement. As a result of these discussions, we believe City staff supports the idea of a new development agreement and the key terms we intend

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to propose. While we understand there are many terms and conditions that must be included in any new development agreement, including terms specifically required by State law and the City's own regulations, the following is an abbreviated list of the key terms we have discussed with City staff and hope to include in a new development agreement.

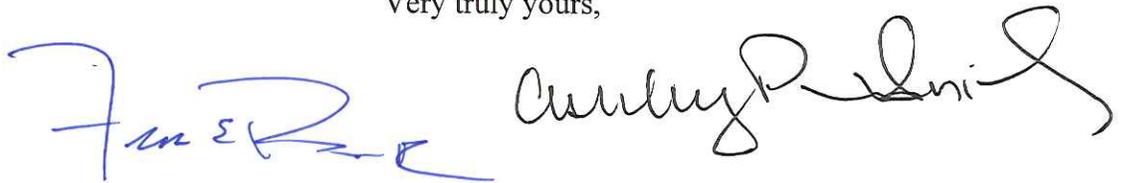
1. The Parker family would maintain its vested right to develop the already-approved 150-room hotel, subject only to the Parker family applying for a new building permit processed under current building code standards within four years of the effective date of the new development agreement.
2. The Parker family would retain its right to develop up to 150 hotel rooms on the Waterfront Hotel Property by way of a new and revised hotel project. Any new hotel proposal would be subject to the City's review process, and to the 1994 Amended Specific Plan and all ordinances and regulations in effect as of the effective date of the new development agreement. Additionally, the development agreement may include provisions that supplement certain development regulations related to the proposed hotel.
3. In the event a new hotel project on the Waterfront Hotel Property is approved during the term of the development agreement and generates fewer than 150 hotel rooms, the development agreement would address the possible transfer of remaining development rights (i.e. hotel rooms) from the Waterfront Hotel Property to an offsite location within the "Downtown Development Area".
4. The Parker family would have no less than 10 years (the actual time period will be specified in the development agreement) from the effective date of the new development agreement to process entitlements with the City for a new hotel project.

In our discussions with City staff, we understand the next steps in the development agreement process are completing the formal application for a new development agreement, followed by review of the application and proposed development agreement by the City Planning Commission, and a return to the City Council for final approval of the development agreement by adoption of an ordinance. We will continue to work with City staff and the City Attorney's office as we prepare the required application and new development agreement.

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We thank you in advance for your consideration of our request and we look forward to discussing with you our vision for completing the last piece of the City's waterfront at your next available council meeting.

Very truly yours,

Two handwritten signatures in blue ink. The signature on the left is stylized and appears to be 'Frank R...'. The signature on the right is more legible and appears to be 'Carmel P. ...'.