



31 March 2016

The Honorable Mayor Helene Schneider
& Members of City Council
735 Anacapa Street
Santa Barbara, CA 93101

Subject: Parker Waterfront Hotel
Development Agreement

Dear Mayor Schneider and Members of Council:

The Parker Waterfront Hotel Development Agreement returns to Council on April 19th. When the Parker Family last came to Council to provide a status update on the Waterfront Hotel project and to seek guidance on a new Development Agreement, your Council was in support of the basic structure of the proposed Development Agreement, and expressed interest in seeing a hotel project on the subject property move forward sooner rather than later. Based on the Council's recommendation and support for the Development Agreement, the Parker Family moved forward with City staff to prepare the Development Agreement that will be presented to you on April 19th.

Since the Council hearing, a project team has been assembled, a concept plan for a revised hotel has been developed and refined, financing options have been explored (and look favorable), and we have been working closely with City staff and the City Attorney's office on the terms of a new Development Agreement. A draft of the Development Agreement went before Planning Commission on January 7th and on March 10th. The version before you now has been revised to reflect the Planning Commission's comments and with these revisions, the Planning Commission has recommended that Council approve the Development Agreement.

We were pleased to obtain the Planning Commission's recommendation that Council approve the Development Agreement, however, we prefer that certain provisions ultimately deleted as part of the Planning Commission's recommendation be retained in the agreement and we ask that you reconsider these provisions as explained below.

During their deliberations, Planning Commissioners engaged in a lengthy discussion about the section of the Development Agreement having to do with a potential future transfer of existing development rights to The Fess Parker Hotel across the street from the project site. Ultimately their motion included striking these provisions (Section 11.1 of the version reviewed by the Planning Commission). Having listened to their deliberations, we understand that the primary concern regarding this section of the agreement was the potential for someone to misinterpret the section as an endorsement or a preference for a transfer of development rights from the waterfront hotel property to The Fess Parker over other possible sites in the City.

The Parkers have not proposed, nor are they asking for, an endorsement or "pre-approval" from the City for any future transfer of development rights to The Fess Parker. There are no current plans to transfer rooms to any site as the Parkers are focused on the Waterfront Hotel project. The purpose of the language in the Development Agreement related to The Fess Parker is to acknowledge and give appropriate credit for the significant public improvements, land dedications and fees that have already been received by the City for the approved 150-room Waterfront Hotel, and to allow the City and the Parker Family to use, as applicable, reports, environmental documents, and studies that have been prepared for the Waterfront Hotel property. Unlike most development projects, the Parker Family provided nearly all of the public benefits, fees and mitigation measures related to the 150-room Waterfront Hotel up front. The City and the public have enjoyed the benefits of these improvements (such as Chase Palm Park, and the traffic and circulation improvements along Calle Cesar Chavez and Cabrillo Blvd) for many years even though the Waterfront Hotel has not yet been built. We believe, and we hope you agree, that the Parker Family should receive some amount of "credit" for the fees, dedications, and public improvements given for the 150-room hotel if some of these approved rooms were ever constructed across the street at The Fess Parker. Given the close proximity of the two sites and their relationship to one another vis-à-vis the Park Plaza Specific Plan #1, retaining these provisions in the Development Agreement is reasonable and equitable.

Attached for your review and consideration is our proposed revision to Section 11.1 of the Development Agreement recommended by the Planning Commission (see new Sections 11.1.3 and 11.1.4 in blue font in Attachment 1).

Finally, the Planning Commission also recommended minor edits to language in the Development Agreement and while we feel these are unnecessary, we accept the edits.

We truly look forward to coming before Council on April 19th and thank you in advance for considering the foregoing request. Moving forward with a beautifully designed hotel on this last piece of undeveloped land along the City's waterfront will fulfill the vision set forth by the City and the Parker family more than 20 years ago.

Sincerely,
SUZANNE ELLEDGE
PLANNING & PERMITTING SERVICES, INC.



Suzanne Elledge
Principal Planner

cc: Allison DeBusk
Scott Vincent

11.1 Process for Transfer of Existing Development Rights. If the Parker Family submits an application to the City to transfer any Approved Hotel Rooms or Approved Non-room Square Footage from the Hotel Parcel to another parcel, the following terms and conditions shall apply:

1. The Parker Family's transferable development rights in the Approved Hotel Rooms shall be available for transfer on a "room for room" basis or measured by square feet of floor area, which for purposes of this Paragraph 11.1 is deemed to be 397 square feet per Approved Hotel Room.

2. The City hereby acknowledges and agrees that any transfer of Approved Rooms or Approved Non-room Square Footage from the Hotel Parcel does not require an allocation from the allowable square footage specified in subsection A of Section 28.85.010 of the Santa Barbara Municipal Code.

3. In its review of any application to transfer development rights from the Hotel Parcel to the Fess Parker Hotel Parcel, the City shall take into consideration and give appropriate credit to the Parker Family for those fees, dedications and public improvements made by the Parker Family in satisfaction of its obligations under Development Agreement No. 1, including without limitation its provision of lower-cost visitor accommodations through development of the Hostel, provision of parks and open space through the dedication of the Park Parcel and ongoing annual payments to the City of park maintenance fees, and the provision of traffic and circulation improvements through the payment of fees for the installation of the traffic signal at U.S. 101 / Cabrillo Boulevard and expansion of Calle Cesar Chavez.

4. Given the physical proximity of the Hotel Parcel to the Fess Parker Hotel Parcel and the similarity of uses at the properties, the City shall use, where appropriate, all applicable reports, environmental documents, studies and other documents prepared by or on behalf of the Parker Family for the development of the Hotel Parcel in its review of any proposed development on the Fess Parker Hotel Parcel resulting from a transfer of development rights from the Hotel Parcel to the Fess Parker Hotel Parcel. Notwithstanding the foregoing, the City may require additional information or studies with respect to any proposed development of the Fess Parker Hotel Parcel resulting from a transfer of development rights from the Hotel Parcel to the Fess Parker Hotel Parcel and any proposed transfer of development rights from the Hotel Parcel to the Fess Parker Hotel Parcel shall be considered a new development proposal on the Fess Parker Hotel Parcel and shall require a separate development plan application and the requisite environmental review and approvals from the City at such time as the Parker Family may request such transfer.

5. Except as otherwise expressly stated herein, any application for a transfer of Approved Rooms or Approved Non-room Square Footage from the Hotel Parcel shall be processed by the City in accordance with Existing City Laws (including, but not limited to, the City's Traffic Management Strategy and Chapters 28.85 and 28.95 of the Santa Barbara Municipal Code), the Amended Specific Plan and this Agreement.

11.2 Transfer of Existing Development Rights Under Future Regulations. Notwithstanding any provision herein, the Parker Family may elect, in its sole discretion, to process any request for a transfer of existing development rights from the Hotel Parcel in accordance with any City laws relating to the transfer of existing development rights in effect at

the time of such proposed transfer, including without limitation Chapter 28.95 of the Santa Barbara Municipal Code. If the Parker Family elects to process a transfer of existing development rights in accordance with future City regulations, as opposed to the provisions of the Existing City Laws and this Agreement, any such transfer shall be processed in accordance with the entire regulatory scheme of the future regulations relating to the transfer of existing development rights. The Parker Family cannot elect to use portions of the Existing City Laws and this Agreement relating to the transfer of existing development rights and portions of the future regulations relating to the transfer of existing development rights.