



GUADALUPE OVERSIGHT BOARD

AGENDA – REGULAR BOARD MEETING

**Thursday, April 23, 2015
at 3:00 p.m.**

Council Chambers, Guadalupe City Hall
918 Obispo Street, Guadalupe, CA 93434

MEMBERS:

Hugo Lara, Chair

Andrew Carter, Secretary

Michael Black

Dan Eidelson

Mark Paul

Virginia Ponce

Gina Rubalcaba

STAFF:

Heather Whitham, Legal Counsel

Annette Muñoz, City Finance Director

-
1. **ROLL CALL** Hugo Lara, Andrew Carter, Michael Black, Dan Eidelson, Mark Paul, Virginia Ponce, Gina Rubalcaba
 2. **PLEDGE OF ALLEGIANCE**
 3. **COMMUNITY PARTICIPATION FORUM** – *Public Comment period is set aside to allow public testimony on items not on today's agenda and that are within the subject matter of the Oversight Board. The time allocated to each speaker will be set at the discretion of the Chair.*
 4. **ADMINISTRATIVE ACTIONS**
 - a. Minutes for the Guadalupe Oversight Board Meeting of February 26, 2015 to be ordered filed.

5. **CONSIDERATION AND ADOPTION OF A RESOLUTION OF THE OVERSIGHT BOARD APPROVING THE SUCCESSOR AGENCY'S SETTLEMENT, MUTUAL RELEASE AND TRANSFER OF POSSESSION AGREEMENT WITH THE LANTERN HOTEL, LLC., FOR THE LANTERN HOTEL LOCATED AT 879 GUADALUPE STREET, GUADALUPE, CA.**

- a. Staff Report (Andrew Carter, Secretary)
- b. Oversight Board discussion and consideration.
- c. It is recommended that the Oversight Board adopt Resolution No. 2015-03 approving a settlement and mutual release and transfer of possession agreement between the Guadalupe Successor Agency and Lantern Hotel, LLC.

6. **FUTURE AGENDA ITEMS**

7. **ADJOURNMENT.**

TELECONFERENCE LOCATIONS

County of Santa Barbara, 105 East Anapamu, Santa Barbara, CA 93101 (805) 568-3400

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a City meeting, please contact the City of Guadalupe at (805) 356-3891 at least 48 hours prior to the meeting to insure that reasonable arrangements can be made to provide accessibility to the meeting.

I hereby certify under penalty of perjury under the laws of the State of California that the foregoing Agenda was posted at the City Hall display case, the Water Department, the City Clerk's office and Rabobank not less than 72 hours prior to the meeting. Dated this 20th day of April 2015.



Andrew Carter
Secretary, Oversight Board

4a.



GUADALUPE OVERSIGHT BOARD

MINUTES – REGULAR BOARD MEETING

Thursday, February 26, 2015 at 3:00 p.m.

Council Chambers, Guadalupe City Hall
918 Obispo Street, Guadalupe, CA 93434

MEMBERS:

Hugo Lara, Chair

Andrew Carter, Secretary

Michael Black

Dan Eidelson

Mark Paul

Virginia Ponce

Gina Rubalcaba

STAFF:

Heather Whitham, Legal Counsel

Annette Muñoz, City Finance Director

1. **ROLL CALL** **Present:** Hugo Lara, Andrew Carter, Michael Black, Mark Paul, Virginia Ponce, Gina Rubalcaba
Absent: Dan Eidelson

2. **PLEDGE OF ALLEGIANCE**

3. **COMMUNITY PARTICIPATION FORUM**

No public comment.

4. **ADMINISTRATIVE ACTIONS**

- a. Swear in Michael Black (community college representative) and Virginia Ponce (special district representative)

Michael Black and Virginia Ponce were sworn in by Board Secretary Andrew Carter.

- b. Chose new officers – former vice-chair Elizabeth Miller is no longer a member of the board.

Motion made by Hugo Lara, 2nd by Virginia Ponce, to appoint Michael Black as Board vice-chair. Motion carried 6-0.

- c. Minutes for the Guadalupe Oversight Board Meeting of October 23, 2014 to be ordered filed.

Motion made by Andrew Carter, 2nd by Gina Rubalcaba, to approve the minutes of 10/23/14. Motion carried 6-0.

5. RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS 15-16A)

- a. Staff Report (Annette Muñoz, City Finance Director)
- b. Oversight Board discussion and consideration.
- c. It is recommended that the Oversight Board adopt Resolution 2015-01 which approves ROPS 15-16A for the time period 07/01/15 through 12/31/15.

Motion made by Andrew Carter, 2nd by Gina Rubalcaba, to adopt Resolution 2015-01, approving ROPS 15-16A. Motion carried 6-0.

6. LONG RANGE PROPERTY MANAGEMENT PLAN

- a. Staff Report (Annette Muñoz, City Finance Director)
- b. Oversight Board discussion and consideration.
- c. It is recommended that the Oversight Board adopt Resolution 2015-02 which approves the revised Long Range Property Management Plan.

Motion made by Andrew Carter, 2nd by Virginia Ponce, to adopt Resolution 2015-02, approving the revised Long Range Property Management Plan. Motion carried 6-0.

7. SALE OF LANTERN HOTEL AND AL'S UNION SITE

- a. Staff Report (Andrew Carter, City Administrator)
- b. Oversight Board discussion.
- c. For information only. No action is necessary.

Andrew Carter provided background information on the on-going negotiations taking place with Lantern Hotel LLC to retake possession of the Lantern Hotel. No Board action necessary.

8. FUTURE AGENDA ITEMS

Once negotiations conclude with Lantern Hotel LLC and a Transfer of Possession Agreement is reached between the LLC and the Guadalupe Successor Agency, the Oversight Board will be asked to ratify that agreement.

9. ADJOURNMENT.

Andrew Carter, Secretary

Hugo Lara, Chair

OVERSIGHT BOARD TO THE CITY OF GUADALUPE SUCCESSOR AGENCY

AGENDA STAFF REPORT

DATE: April 23, 2015

TO: Oversight Board Members

FROM: Andrew Carter, Executive Director

SUBJECT: A request for approval of a settlement and mutual release and transfer of possession agreement between the Guadalupe Successor Agency and Lantern Hotel, LLC

RECOMMENDATION

Staff recommends that the Oversight Board adopt the attached Oversight Board Resolution No. 2015-03 approving a settlement and mutual release and transfer of possession agreement between the Guadalupe Successor Agency and Lantern Hotel, LLC.

BACKGROUND & DISCUSSION

On or about June 1, 2004, the former Guadalupe Redevelopment Agency (the "RDA") and Lantern Hotel, LLC, a California limited liability company, ("Developer") entered into a Disposition and Development Agreement No. 2004-001 (the "DDA") for the sale and renovation of the Lantern Hotel located at 879 Guadalupe Street, Guadalupe, California.

The renovation was to include the construction of three residential apartments on the upper floor and up to four commercial spaces on the ground floor (the "Project"). The DDA provided for the RDA's conveyance of title to the Developer of the land on which the Project would be located. The DDA authorized the RDA to loan to Developer \$1,100,000 (the "Loan") to finance construction of the Project. The DDA further stated the Loan would be evidenced by a promissory note and would be secured by a deed of trust on the Lantern Hotel upon the transfer of the Lantern Hotel from the RDA to the Developer.

The RDA did loan the Developer \$1,100,000 on or about 06/01/2004. On or about 02/01/2007, the Loan was amended (the "Amended Loan"). The RDA increased the loan amount to \$1,360,000. By the time construction was completed, the RDA actually loaned the Developer \$1,387,459. The Amended Loan was supposed to be paid back over 30 years at an interest rate of 4.5%. The monthly payment was to be \$7030. The Developer made timely payments until 08/01/2009. Then the Developer began to fall behind, either skipping payments or paying less than the full amount. Of late, the Developer has been paying the Successor Agency \$1400 to \$1500 per month. As a result, the current balance on the Amended Loan with unpaid interest added to the original principal is \$1,536,295. If the Developer had remained current with payments, the amount owed would now be \$1,171,557.

Because the Developer fell behind on payments, the RDA never conveyed title to the Developer. In essence, the Developer has been acting as a master lessee of the property and then sub-leasing space to residential and commercial tenants. The property is currently fully rented. Total rent paid by the tenants to the Developer is \$5076 per month. In March 2014, the property was appraised. The appraised value by both the like-sale and income method was \$750,000, much less than the amount currently owed by the Developer.

The parties, after several months of negotiation, have decided to terminate the DDA and their respective obligations under it and to permit the Successor Agency to regain possession of the Lantern Hotel and to dispose of it pursuant to Health & Safety Code section 34181 and its Long Range Property Management Plan.

On April 14th, the Successor Agency to the Guadalupe Redevelopment Agency approved the Transfer of Possession Agreement. If the Oversight Board also approves the Agreement, it will be submitted to the Department of Finance for final approval.

ATTACHMENTS - Oversight Board Resolution 2015-03

OVERSIGHT BOARD RESOLUTION NO. 2015-03

RESOLUTION OF THE OVERSIGHT BOARD TO THE CITY OF GUADALUPE SUCCESSOR AGENCY APPROVING THE SETTLEMENT AND MUTUAL RELEASE AND TRANSFER OF POSSESSION AGREEMENT BETWEEN THE GUADALUPE SUCCESSOR AGENCY AND LANTERN HOTEL, LLC

WHEREAS, the Guadalupe Redevelopment Agency (“RDA”) was a redevelopment agency formed, existing and exercising its powers pursuant to California Community Redevelopment Law, Health and Safety Code Section 33000 *et seq.* (“CRL”); and

WHEREAS, ABX1 26 and ABX1 27 were signed by the Governor of California on June 29, 2011, making certain changes to the Redevelopment Law, including adding Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) to Division 24 of the California Health and Safety Code, dissolving redevelopment agencies in California; and

WHEREAS, the California Redevelopment Association and League of California Cities filed a lawsuit in the Supreme Court of California (*California Redevelopment Association, et al. v. Matosantos, et al.* (Case No. S194861)) alleging that ABX1 26 and ABX1 27 were unconstitutional; and

WHEREAS, in December 2011, in *California Redevelopment Association, et al. v. Matosantos, et al.* (Case No. S194861), the Supreme Court upheld the provisions of ABX1 26, and therefore on February 1, 2012, all redevelopment agencies were dissolved and successor agencies were designated as successor entities to the former redevelopment agencies; and

WHEREAS, in accordance with the provisions of ABX1 26, the City of Guadalupe became the Successor Agency (“Agency”) to the former RDA; and

WHEREAS, on or about June 1, 2004, the RDA and Lantern Hotel, LLC, a California limited liability company, (“Developer”) entered into a Disposition and Development Agreement No. 2004-001 (the “DDA”) for the sale and renovation of the Lantern Hotel located at 879 Guadalupe Street, Guadalupe, California. The renovation was to include the construction of four residential apartments on the upper floor and up to four commercial spaces on the ground floor (the “Project”). The DDA provided for the RDA’s conveyance of title to the Developer of the land on which the Project would be located. The DDA authorized the RDA to loan to Developer \$1,100,000.00 (the “Loan”) to finance construction of the Project. The DDA further stated the Loan would be evidenced by a promissory note (the “Note”) and would be secured by a deed of trust (the “Deed of Trust”) (collectively, the “Related Agreements”) on the Lantern Hotel upon the transfer of the Lantern Hotel from the RDA to the Developer; and

WHEREAS, on or about February 1, 2007, the RDA and the Developer entered into an amendment to the DDA increasing the amount of the Loan to \$1,360,000.00. According to the Agency’s records a total of \$1,387,458.53 was advanced to the Developer; and

WHEREAS, the Agency and the Developer have acknowledged that the Project, as

modified by mutual consent of the Agency and Developer, was completed and occupied by Developer and its tenants.

WHEREAS, the Agency and Developer have acknowledged that the RDA did not transfer title to the Developer of the land on which the Project was built; and

WHEREAS, the DDA states that the Note would require the Developer to make monthly payments on the Loan, which included principal and interest, of not less than \$7,030.05. After the DDA was entered into, the Developer made periodic payments to the City in repayment of the money advanced by the Agency for the Project. The Agency and Developer have acknowledged that the payments received by the RDA or the Agency from the Developer, as of November 1, 2014, total \$161,287.94. Based on the language in the Note and the DDA, as of November 1, 2014, the Developer would have paid to the RDA and/or the Agency not less than \$456,953.25; and

WHEREAS, as of November 1, 2014, if the Developer had paid the sums described in the Note and DDA, the remaining principal and interest balance would be \$1,184,593.78. The Agency and Developer acknowledge, however, that the actual remaining balance of principal and interest is \$1,514,732.47; and

WHEREAS, the Developer, pursuant to written lease agreements, has leased portions of the Lantern Hotel to residential tenants and to the Calvary Chapel of Guadalupe, and

WHEREAS, the Agency and Developer wish to terminate the DDA including termination of Developer's use and possession of the Project, termination of the RDA's obligation to transfer ownership of the land on which the Project is located, termination of the Developer's obligation to repay the Loan and termination of all rights and obligations that the Agency and Developer may have under the DDA; and

WHEREAS, the Agency believes that termination of the DDA maximizes the value of the Lantern Hotel and the Agency wishes to regain possession of the Lantern Hotel, terminate its obligations under the DDA and Related Agreements and to, in accordance with Health & Safety Code section 34181, eventually dispose of the Lantern Hotel; and

WHEREAS, the Lantern Hotel was listed in the Agency's Long Range Property Management Plan ("LRPMP") that was submitted to the California Department of Finance ("DOF") on or about September 9, 2013. The DOF has not yet approved the Agency's LRPMP. Notwithstanding the DOF's non-approval, the Agency wishes to dispose of the Lantern Hotel in accordance with the LRPMP; and

WHEREAS, prior to executing this Agreement the Agency has inspected the Project and found it to be in acceptable conditions for it to retake possession, and

WHEREAS, the Agency and Developer desire to fully and finally resolve any claims either have or may have against each other related to the DDA and the Project.

WHEREAS, in an effort to increase revenue to the taxing entities and to ensure that the Agency is able to comply with its Long Range Property Management Plan as submitted to the

Department of Finance it is necessary for the Agency and Developer to enter into the Agreement;
and

WHEREAS, on April 23, 2015, the Agency approved the Agreement.

NOW, THEREFORE, THE OVERSIGHT BOARD TO THE CITY OF GUADALUPE SUCCESSOR AGENCY HEREBY FINDS, DETERMINES, RESOLVES AND ORDERS AS FOLLOWS:

Section 1. The above recitals are true and correct and are incorporated herein by reference.

Section 2. The Oversight Board finds and determines that in order to increase revenue to the taxing entities and to ensure that the Agency is able to comply with its Long Range Property Management Plan as submitted to the Department of Finance it is necessary for the Agency and Developer to enter into the Agreement.

Section 3. The Oversight Board hereby approves the Agreement, as set forth in Exhibit A, attached hereto and incorporated herein by reference, and as approved by the Successor Agency.

Section 4. The officers and staff of the Agency are hereby authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable to effectuate this Resolution, and any such actions previously taken by such officers and staff are hereby ratified and confirmed.

Section 5. The provisions of this Resolution are severable and if any provision, clause, sentence, word or part thereof is held illegal, invalid, unconstitutional, or inapplicable to any person or circumstances, such illegality, invalidity, unconstitutionality, or inapplicability shall not affect or impair any of the remaining provisions, clauses, sentences, sections, words or parts thereof of the Resolution or their applicability to other persons or circumstances.

Section 6. The Board Secretary is hereby authorized and directed to transmit a copy of this Resolution, including the Exhibit, by mail or electronic means to the California Department of Finance.

PASSED, APPROVED AND ADOPTED this 23rd day of April, 2015.

Hugo Lara, Chairperson

ATTEST:

Andrew Carter, Board Secretary

AYES:

NOES:

ABSENT:

ABSTAIN:

**SETTLEMENT AND MUTUAL RELEASE AND TRANSFER OF
POSSESSION AGREEMENT BETWEEN THE
GUADALUPE SUCCESSOR AGENCY TO THE GUADALUPE
REDEVELOPMENT AGENCY AND
LANTERN HOTEL, LLC**

This Settlement and Mutual Release and Transfer of Possession ("Agreement") is made and entered into this 30th day of April, 2015 ("Effective Date") by and between the Guadalupe Successor Agency to the Guadalupe Redevelopment Agency, a California Successor Agency, (the "Agency") and Lantern Hotel, LLC, a California limited liability company ("Developer"). As used herein, the term "the Parties" shall be used to refer to the Agency and Developer jointly, and the term "Party" shall reference each individually.

RECITALS

WHEREAS, on or about June 1, 2004, the Agency's predecessor, the Guadalupe Redevelopment Agency (the "Redevelopment Agency") and Developer entered into a Disposition and Development Agreement No. 2004-001 (the "DDA") for the sale and renovation of the Lantern Hotel located at 879 Guadalupe Street, Guadalupe, California. The renovation was to include the construction of four residential apartments on the upper floor and up to four commercial spaces on the ground floor (the "Project"). The DDA provided for the Redevelopment Agency's conveyance of title to the Developer of the land on which the Project would be located. The DDA authorized the Redevelopment Agency to loan to Developer \$1,100,000.00 (the "Loan") to finance construction of the Project. The DDA further stated the Loan would be evidenced by a promissory note (the "Note") and would be secured by a deed of trust (the "Deed of Trust") (collectively, the "Related Agreements") on the Lantern Hotel upon the transfer of the Lantern Hotel from the Redevelopment Agency to the Developer; and

WHEREAS, on or about February 1, 2007, the Redevelopment Agency and the Developer entered into an amendment to the DDA increasing the amount of the Loan to \$1,360,000.00. According to the Agency's records a total of \$1,387,458.53 was advanced to the Developer; and

WHEREAS, the Developer contends that it advanced approximately \$180,000 of its own funds to design and construct the Project; and

WHEREAS, the Parties acknowledge that the Project, as modified by mutual consent of the Parties, was completed and occupied by Developer and its tenants.

WHEREAS, the Parties acknowledge that the Redevelopment Agency did not transfer title to the Developer of the land on which the Project was built; and

WHEREAS, the DDA states that the Note would require the Developer to make monthly payments on the Loan, which included principal and interest, of not less than \$7,030.05. After the DDA was entered into, the Developer made periodic payments to the City in repayment of the money advanced by the Agency for the Project. The Parties acknowledge that the payments received by the Redevelopment Agency or the Agency from the Developer, as of November 1,

2014, total \$161,287.94. Based on the language in the Note and the DDA, as of November 1, 2014, the Developer would have paid to the Redevelopment Agency and/or the Agency not less than \$456,953.25; and

WHEREAS, as of November 1, 2014, if the Developer had paid the sums described in the Note and DDA, the remaining principal and interest balance would be \$1,184,593.78. The Parties acknowledge, however, that the actual remaining balance of principal and interest is \$1,514,732.47; and

WHEREAS, the Developer, pursuant to written lease agreements, has leased portions of the Lantern Hotel to residential tenants and to the Calvary Chapel of Guadalupe, and

WHEREAS, the Parties wish to terminate the DDA including termination of Developer's use and possession of the Project, termination of the Redevelopment Agency's obligation to transfer ownership of the land on which the Project is located, termination of the Developer's obligation to repay the Loan and termination of all rights and obligations that the Parties may have under the DDA; and

WHEREAS, the Agency believes that termination of the DDA maximizes the value of the Lantern Hotel and the Agency wishes to regain possession of the Lantern Hotel, terminate its obligations under the DDA and Related Agreements and to, in accordance with Health & Safety Code section 34181, eventually dispose of the Lantern Hotel; and

WHEREAS, the Lantern Hotel was listed in the Agency's Long Range Property Management Plan ("LRPMP") that was submitted to the California Department of Finance ("DOF") on or about September 9, 2013. The DOF has not yet approved the Agency's LRPMP. Notwithstanding the DOF's non-approval, the Agency wishes to dispose of the Lantern Hotel in accordance with the LRPMP; and

WHEREAS, prior to executing this Agreement the Agency has inspected the Project and found it to be in acceptable conditions for it to retake possession, and

WHEREAS, each of the Parties desire to fully and finally resolve any claims either have or may have against each other related to the DDA and the Project.

NOW THEREFORE, in consideration of the foregoing Recitals and the agreements and promises hereinafter set forth and for good and valuable consideration, the Parties hereto agree as follows:

1. DEVELOPER'S TRANSFER OF POSSESSION.

1.1 Upon the Effective Date Developer shall transfer its possession of the Project and any rights thereto to the Agency, including any and all rights to any rents received by Developer for the time period after the Effective Date from any current tenants of the Project. The Developer shall also assign its rights arising under the rental agreements, attached hereto as Exhibit "A," in favor of the Agency. Developer hereby represents and warrants that the rental

agreements set forth in Exhibit "A" are the only rental agreements in place for the Project, and that there are no other rental agreements either written or oral. Prior to the transfer of possession, Developer shall provide the Agency with estoppel certificates for each of the Project tenants. Upon transfer of possession, the Developer shall transfer any and all security deposits in its possession for any leases at the Project to the Agency. After transfer of possession, Developer shall immediately remit to Agency any funds received from Lantern Hotel tenants without deduction or offset of any kind.

1.2 Within five (5) days of the transfer of possession, Agency shall record a release of the DDA with the office of the Santa Barbara County Recorder, if necessary to fully implement the terms of this Agreement.

1.3 At least one day prior to the transfer of possession, Developer shall have paid in full any due and owing possessory taxes, utilities or any other costs or liabilities, excepting those set forth in the DDA and Related Agreements, incurred as a result of Developer's possession of the Lantern Hotel, and shall provide evidence of same to the Agency.

1.4 To the best of its knowledge, Developer represents that there are no lawsuits or proceedings pending affecting the Project, including any mechanic's, laborers' materialmen's, or other like liens.

2. RELOCATION BENEFITS

Developer represents that to its knowledge none of the Project tenants have any right to relocation benefits. Notwithstanding Developer's representation, Developer shall be responsible for any claims made for relocation benefits by any tenant of the Lantern Hotel during the term of any lease in effect as of the Effective Date of this Agreement, and for any costs incurred by the Agency, including attorneys' fees related to any claim for relocation benefits.

3. RELEASE.

In exchange for the obligations created by this Agreement, and subject to full compliance by the Parties, the Agency and Developer, do hereby mutually release, acquit and forever discharge each other from any and all claims, demands, damages, causes of action or suits in equity, of any kind whatsoever, at common law, statutory or otherwise, which they have or may have, known or unknown, now existing or that might arise related to the DDA, Related agreements and the Project, except for the promises and conditions set forth in this Agreement.

4. WAIVER OF SECTION 1542.

As to the matters released herein, the Parties expressly waive any and all rights against one and other arising under the DDA, Related agreements and the Project under Section 1542 of the California Civil Code which provides as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO THE CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."



Agency's Initials



Developer's Initials

5. INDEMNIFICATION.

Developer shall indemnify, protect, hold harmless and defend, with counsel selected by the Agency, the Agency and/or the City of Guadalupe, and/or any of its elected officials, officers, employees and agents from any and all claims concerning eminent domain, takings, or relocation costs or claims arising from or in any manner related to the rental agreements set forth in Exhibit "___" where such claim is based on events occurring prior to the Effective Date. It is Agency's intent to assume rental agreements and leases relative to the Project. Developer will not be responsible for any claims based on the Agency's termination of rental agreements and leases in violation of the terms of such agreements and leases, with the exception of any and all claims concerning eminent domain, takings, or relocation costs as set forth above in this section 5. Agency/City shall promptly notify Developer of any claim, action, or proceeding to which this condition is applicable and shall further cooperate fully in the defense of the action. The Agency/City reserves its right to take any and all action the Agency/City deems to be in the best interest of the Agency/City and its citizens in regard to such defense.

6. PURCHASE AND SALE OF PROJECT

The Developer, including its officers, employees, members, affiliates and/or agents, hereby agrees that it shall not bid nor cause to submit a bid for the purchase of the Project in the Agency's sale of the Project in accordance with Health & Safety Code section 34181.

7. MISCELLANEOUS PROVISIONS.

7.1 The captions appearing at the commencement of the sections hereof, and in any paragraph thereof, are descriptive only and shall have no significance in the interpretation of this Agreement.

7.2 The waiver by Agency or Developer of any breach of any term, covenant or condition herein contained shall not be deemed to be a waiver of such term, covenant or condition or of any subsequent breach of the same or any other term, covenant or condition herein contained. No term, covenant or condition of this Agreement shall be deemed to have been waived by Agency or Developer unless in writing.

7.3 Each right, power and remedy provided for herein or now or hereafter existing at law, in equity, by statute, or otherwise shall be cumulative and shall be in addition to every other right, power, or remedy provided for herein or now or hereafter existing at law, in equity, by

statute, or otherwise. The exercise, the commencement of the exercise, or the forbearance of the exercise by any Party of any one or more of such rights, powers or remedies shall not preclude the simultaneous or later exercise by such Party of any of all of such other rights, powers or remedies.

7.4 If any action at law or suit in equity is brought to enforce or interpret the provisions of this Agreement, or arising out of or relating to this Agreement, the prevailing party shall be entitled to reasonable attorneys' fees and all related costs, including costs of expert witnesses and consultants, as well as costs on appeal, in addition to any other relief to which it may be entitled. The venue for any litigation shall be Santa Barbara County, California or in the United States District Court for Central District of California.

7.5 If any term or provision of this Agreement or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, then such term or provision shall be amended to, and solely to, the extent necessary to cure such invalidity or unenforceability, and in its amended form shall be enforceable. In such event, the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each term and provision of this Agreement shall be valid and be enforced to the fullest extent permitted by law.

7.6 This Agreement shall be governed and construed in accordance with the laws of the State of California without regard to principles of conflicts of laws.

7.7 The Parties represent and warrant that they have had advice of counsel of their own choosing in the negotiations for and the preparation of this Agreement, and that they have read this Agreement, or had the same read to them by counsel, and that they have had this Agreement fully explained to them by their counsel, and they are fully aware of the Agreement's legal effect. This Agreement is to be construed fairly and not in favor of or against any Party, regardless of which Party or Parties drafted or participated in the drafting of its terms.

7.8 This instrument contains the entire Agreement between the Agency and Developer with respect to the transactions contemplated herein. No other prior oral or written agreement(s) are binding upon the Parties. Amendments hereto or deviations herefrom shall be effective and binding only if made in writing and executed by Agency and Developer.

7.9 The terms of this Agreement shall bind and inure to the benefit of each of the Parties, and each of their respective agents, officers, directors, parent companies, subsidiaries, affiliates, divisions, predecessors, successors, transferees, representatives, employees, heirs, devisees, legatees and assigns, as applicable. Prior to the expiration of this Agreement, in the event that Developer sells, transfers or assigns his interest in the Property, or any portion thereof, to a third party, Developer shall provide the potential purchaser with a copy of this Agreement at least 15 days prior to the close of escrow or transfer of interest.

7.10 This Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

- a. Each person executing this Agreement hereby represents and warrants (i) their authority to do so, and (ii) that such authority has been duly and validly conferred.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

LANTERN HOTEL, LLC



Damien Mavis, Managing Member

GUADALUPE SUCCESSOR AGENCY



John Lizalde, Chairman

Approved as to Form

David Fleishman, Agency Counsel

Approved as to Form



Dennis Law, Lantern Hotel, LLC Counsel