



GUADALUPE OVERSIGHT BOARD

AGENDA – SPECIAL BOARD MEETING

Thursday, May 8, 2014
at 10:00 a.m.

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

MEMBERS:

Hugo Lara, Chair

Dan Eidelson

William Gerald Tucker

Elizabeth Miller, Vice-Chair

Mark Paul

Andrew Carter, Secretary

Gina Rubalcaba

STAFF:

Heather Whitham, Legal Counsel

1. **ROLL CALL** Hugo Lara, Elizabeth Miller, Andrew Carter, Dan Eidelson, Gina Rubalcaba, William Gerald Tucker
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 jurisdiction of the Oversight Board. The time allocated to each speaker will be set at the discretion of the Chair. Total time allocated for public comment is 10 minutes.*
4. **ADMINISTRATIVE ACTIONS**
 - a. Minutes for the Guadalupe Oversight Board Meeting of February 27, 2014 to be ordered filed.
5. **CONFLICT OF INTEREST CODE**
 - a. Verbal Staff Report (Heather Whitham, Legal Counsel)
 - b. Oversight Board discussion and consideration.
 - c. It is recommended that the Oversight Board approve Resolution 2014-03 adopting a Conflict of Interest Code for the Oversight Board.
6. **LANTERN HOTEL (879 GUADALUPE STREET)**
 - a. Staff Report (Andrew Carter, Secretary)
 - b. Oversight Board discussion and consideration.

- c. It is recommended that the Oversight Board adopt Resolution 2014-04 which would direct the Successor Agency to:
1. Initiate default proceedings on Lantern Hotel, LLC and retake possession of the Lantern Hotel property.
 2. Modify the Successor Agency's Long Range Property Management Plan to allow sale of the Lantern Hotel
 3. Submit the modified Long Range Property Management Plan to the California Department of Finance for its approval.
 4. Initiate a Request for Proposal process to identify a competent commercial real estate broker to assist in sale of the Lantern Hotel to a private party and bring a recommendation for retention of that broker to the Successor Agency for approval.
 5. Engage a property management firm to manage the Lantern Hotel property until it can be sold.

7. STATUS REPORT, AL'S UNION PROPERTY (GUADALUPE & 10TH STREET)

- a. Staff Report (Andrew Carter)
- b. Oversight Board discussion and consideration.
- c. For information purposes only. No specific Oversight Board action is required

8. FUTURE AGENDA ITEMS

9. 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 ten days prior to the meeting. Dated this 28th day of April, 2014.



for Andrew Carter.

Andrew Carter
Secretary
Guadalupe Oversight Board



GUADALUPE OVERSIGHT BOARD

MINUTES – REGULAR BOARD MEETING

Thursday, February 27, 2014
at 3:00 p.m.

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

MEMBERS:

Hugo Lara, Chair

Elizabeth Miller, Vice-Chair

Andrew Carter, Secretary

Dan Eidelson

Mark Paul

Gina Rubalcaba

William Gerald Tucker

STAFF:

Heather Whitham, Legal Counsel

1. **ROLL CALL** **Present (in person):** Hugo Lara, Elizabeth Miller, Andrew Carter, Gina Rubalcaba, William Gerald Tucker
Present (via telephone): Dan Eidelson, Mark Paul
Absent: None

2. **PLEDGE OF ALLEGIANCE**

3. **COMMUNITY PARTICIPATION FORUM**

There was no Public Comment.

4. **ADMINISTRATIVE ACTIONS**

- a. Welcome Mark Paul, new representative for the County of Santa Barbara

Mr. Paul was welcomed to the Guadalupe Oversight Board. Mr. Paul is the Deputy Director of Finance and Administration for the Santa Barbara County Department of Public Works. The Santa Barbara County Board of Supervisors has appointed Mr. Paul to represent the County on the Guadalupe Oversight Board.

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

Motion made by Tucker, second by Carter, to approve the minutes of 1/23/14 as presented. Passed 4-0-3, abstaining were Eidelson, Paul, and Rubalcaba who were not in attendance at the 1/23 meeting.

5. RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS 14-15A) FOR 07/01/14 THROUGH 12/31/14

- a. Staff Report (Annette Muñoz, City Finance Director)
- b. Oversight Board discussion and consideration.
- c. It is recommended that the Oversight Board approve Resolution 2014-01 adopting the Recognized Obligation Payment Schedule (ROPS 14-15A) for 7/01/14 through 12/31/14 and direct City staff to submit ROPS 14-15A to the State Department of Finance.

The staff report was presented by Ms. Munoz. As the City of Guadalupe's new Finance Director, this is the first ROPS she has prepared for the the Guadalupe Oversight Board. As the former Finance Director in Buellton, she has experience preparing ROPS for that city. In preparation of the 2014-15A Guadalupe ROPS, Ms. Munoz spent a great deal of time going through previously submitted Guadalupe ROPS, familiarizing herself with former Guadalupe RDA business, and consulting with Jonathan Cox at the State Department of Finance who reviews all Guadalupe Oversight Board submissions.

Motion made by Miller, second by Tucker, to approve Resolution 2014-01. Passed 7-0.

6. INTERFUND LOAN PAYBACK SCHEDULE

- a. Staff Report (Annette Muñoz, City Finance Director)
- b. Oversight Board discussion and consideration.
- c. It is recommended that the Oversight Board approve the Interfund loan payback schedule and adopt Resolution 2014-02.

Ms. Munoz noted a typo in the staff report and the resolution. The correct HSC section number reference is 34176 (e) (6) (B).

Motion made by Paul, second by Eidelson, to approve Resolution 2014-02 with the correct HSC section number reference of 34176 (e) (6) (B). Passed 7-0.

7. STATUS REPORT ON SUCCESSOR AGENCY PROPERTY

- a. Staff Report (Andrew Carter)
- b. Oversight Board discussion and consideration.
- c. For information purposes only. No Oversight Board action is required

The written Staff Report focused on the Al's Union lot, the Lantern Hotel property, and the Royal Theatre.

The real estate development company which is interested in purchasing the Al's Union lot is only interested if the company can also purchase the adjacent empty lot which is owned by a local family. The development company is in negotiations with that family. It's not clear the family is willing to sell.

Work on an independent appraisal of the Lantern Hotel property is taking place. A walk-through has occurred. The appraiser is waiting for rent roll information from the master lessor. It is likely that the Oversight Board will be asked to take action on the Lantern Hotel at its next meeting.

Mr. Carter has met with the Executive Director of the Guadalupe Cultural Arts Association. The Arts Association is interested in using the Royal Theatre, but it is very unlikely the Arts Association will be able to come up with the funds needed to rehabilitate the property.

8. FUTURE AGENDA ITEMS

Since Oversight Board meetings do not necessarily take place every month, staff was asked to provide several weeks' advance notice to all members when a meeting is scheduled to occur.

9. ADJOURNMENT.

Andrew Carter
Secretary
Guadalupe Oversight Board

Hugo Lara, Chair

OVERSIGHT BOARD – RESOLUTION NO. 2014-03

**A RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR AGENCY
TO THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF GUADALUPE ADOPTING
A CONFLICT OF INTEREST CODE FOR THE OVERSIGHT BOARD**

WHEREAS, the Oversight Board to the Successor Agency to the dissolved Redevelopment Agency of the City of Guadalupe has been appointed pursuant to the provisions of Health & Safety Code Section 34179; and

WHEREAS, the Oversight Board is deemed a local entity for purposes of the Political Reform Act; and

WHEREAS, pursuant to the Political Reform Act and regulations promulgated thereunder by the Fair Political Practices Commission (“FPPC”), a newly established local entity is required to adopt a conflict of interest code; and

WHEREAS, the Oversight Board finds and determines that it is appropriate to adopt as its conflict of interest code the model conflict of interest code promulgated by the FPPC as set forth in this Resolution.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board as follows:

Section 1. Pursuant to the Political Reform Act of 1974, Government Code Section 87300 et seq., and Section 18730 of Title 2 of the California Code of Regulations, the Board adopts the model conflict of interest code promulgated by the Fair Political Practices Commission of the State of California as set forth in Section 18730 of Title 2 of the California Code of Regulations, which model conflict of interest code is incorporated herein by reference, and which, together with the list of designated positions and the disclosure categories applicable to each designated position as set forth in Sections 3 and 6 of this Resolution, collectively constitutes the Board’s conflict of interest code. As the model conflict of interest code set forth in Section 18730 of Title 2 of the California Code of Regulations is amended from time to time by State law, regulatory action of the Fair Political Practices Commission, or judicial determination, the portion of the Board’s conflict of interest code comprising the model conflict of interest code shall be deemed automatically amended without further action to incorporate by reference all such amendments to the model conflict of interest code so as to remain in compliance therewith. Nothing in this Resolution shall supersede the independent applicability of Government Code Section 87200.

Section 2. The definitions contained in the Political Reform Act of 1974 and in the regulations of the Fair Political Practices Commission, and any amendments to either of the foregoing, are incorporated by reference into this conflict of interest code.

Section 3. The following are the designated Board positions, the holders of which shall be required to file statements of economic interests: Oversight Board members; Legal Counsel to the Oversight Board.

Section 4. The code reviewing body for this conflict of interest code shall be the City Council of the City of Guadalupe. This conflict of interest code shall be promptly submitted after its adoption by

the Acting Secretary to the City Clerk. Statements of economic interests shall be filed by Oversight Board members with the City Clerk of the City of Guadalupe.

Section 5. The Board finds and determines that the persons holding the positions set forth in Section 3 make or participate in the making of decisions which may foreseeably have a material effect on financial interests.

Section 6. Each person holding a designated position set forth in Section 3 shall report in every disclosure category set forth in the statement of economic interests promulgated by the FPPC to the extent such category is applicable to such person pursuant to the rules and regulations of the FPPC. The disclosure categories as promulgated by the FPPC may be amended from time to time and such amendments shall not require an amendment to this code or Resolution.

Section 7. Sections 3 and 6 of this Resolution constitute the Appendix referred to in subdivision (b)(2) of Section 18730 of Title 2 of the California Code of Regulations.

Section 8. Nothing contained in this Resolution is intended to modify or abridge the provisions of the Political Reform Act of 1974, Government Code Section 87000 et seq., or FPPC the regulations, Title 2 California Code of Regulations including Sections 18700 et seq. The provisions of this Resolution are additional to the Political Reform Act and FPPC Regulations. This Resolution shall be interpreted in a manner consistent with the Political Reform Act and FPPC regulations. In the event of any inconsistency between the provisions of this Resolution, on the one hand, and the Political Reform Act and/or the FPPC regulations, on the other hand, the provisions of the Political Reform Act and FPPC regulations shall govern.

Section 9. If any section, subsection, sentence, clause, or phrase of this Resolution is for any reason held by a court of competent jurisdiction to be invalid, such decision shall not affect the validity of the remaining portions of this Resolution. The Board hereby declares that it would have adopted this Resolution and each section, subsection, sentence, clause, or phrase thereof irrespective of the fact that any one or more section, subsection, sentence, clause, or phrase be declared invalid.

PASSED AND ADOPTED by the Oversight Board, on a motion by Board Member _____, seconded by Member _____, at a special meeting on the 8th day of May 2014 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

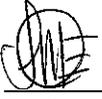
Hugo Lara, Chair

ATTEST:

Andrew Carter, Secretary

REPORT TO THE GUADALUPE OVERSIGHT BOARD

Agenda of 05/08/14


for Andrew Carter.

Andrew Carter, Secretary

SUBJECT **Lantern Hotel – 879 Guadalupe Street**

RECOMMENDATIONS

Adopt Oversight Board Entity Resolution 2014-04 which would:

- 1) Initiate default proceedings on Lantern Hotel, LLC and retake possession of the Lantern Hotel property (879 Guadalupe Street).
- 2) Modify the existing Long Range Property Management Plan to allow sale of the Lantern Hotel. The suggested modifications can be found in Attachment A to this resolution.
- 3) Submit that modified Long Range Property Management Plan to the California Department of Finance for its approval. Such approval is necessary before the Lantern Hotel property can actually be sold.
- 4) Initiate a Request for Proposal process to identify a competent commercial real estate broker to assist in sale of the Lantern Hotel to a private party and bring a recommendation for retention of that broker to Successor Agency for approval.
- 5) Engage a property management firm to manage the Lantern Hotel property until it can be sold.

DISCUSSION

One of the properties owned by the former Guadalupe Redevelopment Agency is the so called Lantern Hotel – 879 Guadalupe Street. The actual Lantern Hotel burned down in 1983, leaving “just the four walls.” The Redevelopment Agency purchased the burned-down property in 1993. The lot size is 7200 square feet.

In 2004, the Redevelopment Agency loaned Lantern Hotel, LLC (Brad Vernon) \$1.1 million dollars to rebuild the building. The Redevelopment Agency retained title to the building. By 2/1/2007, this construction loan was increased to \$1,387,458.53. Construction was completed in 2007. The Successor Agency continues to retain title to the building because title was not transferred to Lantern Hotel, LLC due to ongoing payment issues on the construction loan.

The building now contains 4,000 sq. ft. of commercial space on the first floor, 4,788 sq. ft. of residential space (three apartments) on the second and third floor, and 462 sq. ft. of common area. Lantern Hotel, LLC has been acting as master lessor of the building and then renting the commercial and residential space to other tenants.

The building is currently completely rented. Cavalry Church occupies the first floor. Residential tenants occupy the apartments. One of those apartments is a two-story penthouse. Cavalry Church has a multi-year lease on the first floor. The residential tenants are renting month-to-month.

Lantern Hotel LLC has been in default on the construction loan since 09/01/09. A Notice of Default was sent to the LLC on 10/14/09, but no action was taken to repossess the property. More recently, on 10/21/13, another Notice of Default was sent to the LLC. No action has yet been taken to repossess the building. Mr. Vernon has told the City Administrator (Secretary to the Oversight Board) "to tell [him] where to drop off the keys."

As of 3/1/14, due to recapitalization of unpaid interest, the amount owed on the loan has grown to \$1,480,609.54. That's about \$93,000 more than the original loan value (above) and about \$275,000 more than what would be owed if the loan were current (\$1,204,951.33).

Of late, Lantern Hotel, LLC has been paying the City \$1400 to \$1500 a month in interest even though the monthly payment on the loan should be \$7030.05. A recent examination of the LLC's rent roll shows the LLC is receiving \$5,076 a month in rent from its tenants (page 24 of the attached appraisal).

At the request of the Oversight Board, an independent appraisal of the property has been completed (attached). That appraisal shows a value of \$750,000 by both the income method (based on current and potential future rents) and the comparable sale method. This is about half of what is owed on the loan.

With respect to Item 1 under Recommendations: If the Successor Agency at the direction of the Oversight Board seeks to retake possession of the Lantern Hotel, even though Mr. Vernon has offered to "drop off the keys," there is the possibility that litigation will be needed to finalize the transfer of possession. In that case, outside legal counsel would need to be retained. If that becomes a reality, City staff will return to the Successor Agency (City Council) to suggest options.

With respect to Item 2 under Recommendations: The current Long Range Property Management Plan should be amended as outlined in Attachment A to Resolution 2014-04. If approved by the Oversight Board, these revisions will be submitted by City staff to the California Department of Finance for its approval. Until that approval is received, the Successor Agency cannot sell the property.

With respect to Item 3 under Recommendations: If approved by the Oversight Board, City staff will use a Request for Proposal process to identify a competent commercial real estate broker and bring that recommendation to the Successor Agency (City Council) for approval. As allowed under the City's Purchasing Policies, City staff plans to base its recommendation on both the qualifications of the real estate firms which respond as well as their commission proposals. It is important to retain a firm with experience in commercial real estate transactions in Guadalupe.

With respect to Item 4 of the Recommendations: If approved by the Oversight Board, City staff plans to retain the current property management firm Lantern LLC has been using to manage the property so that there is no loss in continuity. Unless the cost for property management services are likely to be more than \$5000, City staff does not plan to bring that contract back to the Successor Agency Board (City Council) for approval. (\$5000 is the dollar threshold in the City's Purchasing Policies for required Council action.)

FISCAL IMPACT

Based on successful sale of the Lantern Hotel LLC, the cash balance of the former Redevelopment Agency will increase. Since the building will be sold at a loss, the fund balance of the Redevelopment Agency would normally decrease (cash received less than loan receivable on the books). That will not happen in this case because the anticipated loss has already been reflected on the former Redevelopment Agency books. The anticipated loss was recognized in FY 2012/13.

Until the sale of the property, while the former Redevelopment Agency is receiving rent, the rent should be more than enough to cover actual expenses on the building, including the costs of property management. (Page 27 of the appraisal shows a 2013 Profit and Loss statement for Lantern Hotel, LLC with numerous expenses which will no longer occur once the Successor Agency takes repossession.)

ATTACHMENTS

Resolution 2014-04 which includes Attachment A outlining recommended changes to the Long Range Property Management Plan.

OVERSIGHT BOARD – RESOLUTION NO. 2014-04

**RESOLUTION OF THE OVERSIGHT BOARD TO THE SUCCESSOR
AGENCY TO THE FORMER REDEVELOPMENT AGENCY OF THE CITY OF
GUADALUPE ESTABLISHING ACTIONS TO BE TAKEN WITH RESPECT TO
THE SO-CALLED LANTERN HOTEL, 879 GUADALUPE STREET**

WHEREAS, ABX1 26, which was signed by the Governor on June 28, 2011, calls for the dissolution of redevelopment agencies and transfers of all redevelopment agencies' assets and properties to successor agencies as of February 1, 2012; and

WHEREAS, ABX1 26 requires the Oversight Board of the Successor Agency to direct the Successor Agency to dispose of all assets and properties of the former Redevelopment Agency; and

WHEREAS, the former Guadalupe Redevelopment Agency loaned almost \$1.4 million to Lantern Hotel LLC to rebuild the so-called Lantern Hotel at 879 Guadalupe Street; and

WHEREAS, Lantern Hotel LLC has not been current with payments on that loan since September 2009; and

WHEREAS, Lantern Hotel LLC currently owes about \$93,000 more than the original balance of the loan due to capitalized unpaid interest and about \$275,000 more than the balance of the loan would be if payments were current; and

WHEREAS, Lantern Hotel LLC is not likely to ever repay the actual amount owed; and

WHEREAS, on April 8, 2014 the Successor Agency to the former Guadalupe Redevelopment Agency passed Resolution No. 2014-02 directing staff to seek approval from the Oversight Board to take action with regard to the Lantern Hotel property.

NOW, THEREFORE, BE IT RESOLVED by the Oversight Board of the Successor Agency to the former Redevelopment Agency of the City of Guadalupe that the Successor Agency proceed as follows:

SECTION 1: Initiate default proceedings on Lantern Hotel, LLC and retake possession of the Lantern Hotel property (879 Guadalupe Street).

SECTION 2: Modify the Successor Agency's existing Long Range Property Management plan to allow sale of the Lantern Hotel. The modifications can be found in Attachment A to this resolution.

SECTION 3: Submit that modified Long Range Property Management Plan to the California Department of Finance for its approval. Such approval is necessary before the Lantern Hotel property can actually be sold.

SECTION 4: Initiate a Request for Proposal process to identify a competent commercial real estate broker to assist in sale of the Lantern Hotel to a private party and bring a recommendation for retention of that broker to the Successor Agency for approval.

SECTION 5: Engage a property management firm to manage the Lantern Hotel property until it can be sold.

PASSED AND ADOPTED by the Oversight Board, on a motion by Board Member _____, seconded by Member _____, at a special meeting on the 8th day of May 2014 by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

Hugo Lara, Chair

ATTEST:

Andrew Carter, Secretary

Attachment: Attachment A - Changes to the Long Range Property Management Plan

ATTACHMENT A

OVERSIGHT BOARD – RESOLUTION 2014-04

Changes to the Long Range Property Management Plan

Page 2, Item 4 – Current Language

- 4) 879 Guadalupe Street (Former Lantern Hotel). A 7,200 square foot commercial lot with a 4,000 square foot building was redeveloped and renovated as a mixed-use property with commercial downstairs and housing on the second floor. The Redevelopment Agency loaned money to a developer for this purpose. Title is expected to transfer at a future date but remains under the former Agency name due to contract noncompliance issues.

Page 2, Item 4 – New Language

- 4) 879 Guadalupe Street (Former Lantern Hotel). A 7,200 square foot commercial lot with a 4,000 square foot building was redeveloped and renovated as a mixed-use property with commercial downstairs and housing on the second and third floor. The Redevelopment Agency loaned money to a developer for this purpose. The former Redevelopment Agency retains title to the building since payments on the loan have not been current since September 2009.

Page 11, Last Paragraph – Current Language

In 2004, the Redevelopment Agency loaned a developer \$1,360,000 to rehabilitate the property. The improvement project was completed in 2007. The developer began repayment of the interest-bearing loan upon completion per contractual agreement. The monthly payment due to the Agency is \$7,030. The Redevelopment Agency holds title to the property and transfer of title to the developer has not been executed because of collection issues. Payments have been slow while the developer has requested to pay reduced amounts based on high vacancy rates for the mixed-use complex. The current loan balance due is over \$1,400,000 (with interest earnings increasing the overall balance). The developer holds tenant leases on residential and commercial leases for three upstairs apartments and three downstairs businesses. The upstairs apartments are currently occupied. The downstairs businesses are vacant.

Page 11, Last Paragraph – New Language

In 2004, the Redevelopment Agency loaned a developer \$1,100,000 to rehabilitate the property. By February 2007, the loan was increased to \$1,387,458.53. The improvement project was completed in 2007. The developer began repayment of the interest-bearing loan upon completion per contractual agreement. The monthly payment due the Agency is \$7,030. The Successor Agency holds title to the property and transfer of title to the developer has not been executed because of collection issues. The developer has been behind in his payments since September 2009. This has been due to vacancies and to rental income less than the required monthly loan payment. The current loan balance due is now over \$1,480,000 due to capitalization of unpaid interest. The property is currently fully rented.

Monthly rent currently totals \$5076, but the developer is only making monthly payments on the loan of \$1400 to \$1500.

Page 12, Last Paragraph – Current Language

The Successor Agency believes there is potential for collecting the debt only if the building is fully rented. The developer conducts the property rental activities and the Agency has no involvement in the operations of the building. Although the Agency maintains title, the intent is to transfer ownership to the developer provided the loan is repaid. During this economic downturn, most of the downtown property owners are experiencing a high vacancy rate.

Page 12, Last Paragraph – New Language

The Successor Agency does not believe the loan will ever be repaid. The amount owed is significantly higher than the property is worth. The Agency has submitted a Notice of Default to the developer. The developer has indicated a willingness to “hand over the keys.” The Agency has secured an independent appraisal of the property which shows a value of \$750,000 based on both the income method (current and future potential rent) and comparable sale method.

Page 17, Middle Section – Current Language

Parcel #4: Former “Lantern Hotel” – 879 Guadalupe Street – Retained by the Successor Agency until all issues are resolved with the developer:

The Guadalupe Successor Agency will transfer this property to the developer when payments are current on the loan between the Agency and the developer. If the developer defaults on the loan, the Successor Agency will return to the Department of Finance to address the use or disposition of the property. As mentioned above, the developer makes monthly payments but has fallen behind. The developer holds tenant leases but has indicated a high vacancy rate exists for the residential and commercial space. The Successor Agency agrees the Economic downturn has caused the downtown business district to experience high vacancy rates. If the developer is not current on the loan as of 12/31/2013, the Successor Agency will begin default proceedings.

Page 17, Middle Section – New Language

Parcel #4: Former “Lantern Hotel” – 879 Guadalupe Street – Retained by the Successor Agency until the property can be sold

The Guadalupe Successor Agency has issued a Notice of Default to the developer since it is unlikely the construction loan on the property will ever be repaid. The Agency plans to retake possession of the property, collect rent from the current tenants directly, and engage a competent commercial real estate broker to sell the property to a private party. Once the sale is completed, the proceeds will be distributed as property tax to the taxing entities.

March 13, 2014

APPRAISAL REPORT

OF

**THE LANTERN HOTEL
879 GUADALUPE STREET
GUADALUPE, CALIFORNIA**

PREPARED FOR:

**MR. ANDREW CARTER, CITY ADMINISTRATOR
CITY OF GUADALUPE
918 OBISPO STREET
GUADALUPE, CALIFORNIA**

PREPARED BY:

**REEDER, GILMAN & ASSOCIATES
REAL ESTATE APPRAISERS
SANTA MARIA, CALIFORNIA**

REEDER, GILMAN & ASSOCIATES

Appraisers and Consultants • Real and Personal Property

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Fax: (805) 925-0840

WARREN REEDER • SR/WA (1938-2011)

Federal Tax ID 45-3913824

March 13, 2014

Mr. Andrew Carter, City Administrator
City of Guadalupe
918 Obispo Street
Guadalupe, California 93434

RE: Appraisal – The Lantern Hotel, 879 Guadalupe Street, Guadalupe, CA
Our File No. 8120-02-14-COM / 239

Dear Mr. Carter:

At your request and authorization, we have completed an appraisal of 879 Guadalupe Street, Guadalupe, California, and more specifically described as Santa Barbara County Assessor's Parcel Number 115-092-12. The purpose of the appraisal is to provide an opinion of the current market value of the subject property. The opinion of value is based on the leased fee interest in the subject property, as if free and clear of all liens and encumbrances.

The following appraisal report is a result of our inspection of the subject property and contains descriptive data and analysis on which we have based our opinion of value.

Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, and the Uniform Standards of Professional Appraisal Practice.

As a result of our investigation and analysis of the factors influencing real estate value, together with our experience in appraising properties in the area, it is our opinion that the market value of the subject property, as of February 21, 2014, the date of our inspection, is:

Seven Hundred Fifty Thousand Dollars

(\$750,000)

SUBJECT TO the Assumptions and Limiting Conditions contained herein.

We hereby certify that we have no present nor contemplated financial interest in the subject property, that the opinion of value expressed herein is our own conclusion and that our fee is not contingent upon the value reported nor upon anything else except the delivery of this report.

Respectfully submitted,

**REEDER, GILMAN & ASSOCIATES
REAL ESTATE APPRAISERS**

Jeffrey M. Gilman

Certified General Real Estate Appraiser, CA#AG3001863

JMG:ajs

NOTE: Original document is signed in blue ink.

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ADDENDA:

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DEFINITIONS

A. MARKET VALUE -

The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.

- Identification of the specific property rights to be appraised.
- Statement of the effective date of the value opinion.
- Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

B. HIGHEST AND BEST USE - That which, at the time of appraisal, is the most profitable, likely use to which a property can be put.

C. EASEMENT - A non-possessory interest in the land of another which allows the owner of the easement to use that land for a particular purpose.

D. EXTRAORDINARY ASSUMPTION – An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. *Source: USPAP, 2012-2013 ed.*

E. HYPOTHETICAL CONDITION – That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

Source: USPAP, 2012-2013 ed.

- F. **FEE SIMPLE** – Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the government powers of taxation, eminent domain, police power, and escheat.
- G. **LEASED FEE INTEREST** – A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship.
- H. **MARKETING TIME** – An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.
- I. **EXPOSURE TIME** –
 1. The time a property remains on the market.
 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.
- J. **CLIENT** – The party or parties who engage an appraiser (by employment or contract) in a specific assignment.

Source: USPAP, 2012-2013 ed.

- K. **INTENDED USE** – The manner in which the intended users expect to employ the information contained in a report.
- L. **INTENDED USER** –
 1. The client and any other party as identified, by name or type, as users of the appraisal, appraisal review, or appraisal consulting report by the appraiser on the basis of communication with the client at the time of the assignment.

Source: USPAP, 2012-2013 ed.

2. A party who the appraiser intends will employ the information contained in a report.

Source: Dictionary of Real Estate Appraiser, 5th Edition, Appraisal Institute

SCOPE OF THE APPRAISAL

The duties of the appraiser in fulfilling this assignment included:

- A. Inspection of the physical property including the land, improvements, public utilities and other items considered important.
- B. Study and evaluation of available publications on relevant data such as economic studies, maps, real estate trends, etc., necessary in preparing this appraisal.
- C. A study of various public records including data available from the County Assessor, the County Recorder and other public agencies.
- D. Study of the surrounding areas and local factors and trends affecting real estate values and the subject property.
- E. Taking photographs of the subject property.
- F. Securing sufficient data to complete the appraisal. This includes interviews with buyers and sellers of similar properties and interviews with knowledgeable people in the area for the purpose of securing the necessary background data.
- G. Analyzing all data collected and processing said data into our opinion of the Market Value of the subject property.
- H. The market data contained in this report was verified with people familiar with the transaction, typically the Buyer, Seller, Real Estate Broker, or other reliable source.
- I. This is a complete appraisal and is reported in summary format.

APPRAISAL SUMMARY

Subject Property Owner: City of Guadalupe Community
Redevelopment Agency

Location: 879 Guadalupe Street, which is on the
west side of Guadalupe Street
between 8th and 9th Streets

Assessor's Parcel Number: 115-092-12

Land Area: 7,200 Square Feet, or 0.17 Acres

Building Area:

Commercial 4,000 SF

Residential 4,788 SF

Common
Area/Storage 462 SF

Total 9,250 SF

Zoning: GC, General Commercial, City of
Guadalupe

Highest & Best Use: Current Mixed Use of Residential over
Retail

Date of Value: February 21, 2014, the date of our
inspection

Valuation:

Cost Approach: N/A

Sales Comparison Approach: \$750,000

Income Approach: \$750,000

Final Opinion of Value: \$750,000

APPRAISAL REPORT

IDENTIFICATION OF THE SUBJECT PROPERTY:

The subject property is addressed as 879 Guadalupe Street in the City of Guadalupe, County of Santa Barbara, State of California. It is located on the west side of Guadalupe Street between 8th and 9th Streets. The Santa Barbara County Assessor's Parcel Number is 115-092-12. It is a three-story, mixed use building with ground floor commercial and two floors of residential apartments above.

APPRAISAL PURPOSE:

The term "market value," as used in this report, is defined as:

The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.

- Identification of the specific property rights to be appraised.
- Statement of the effective date of the value opinion.
- Specification as to whether cash, terms equivalent to cash, or other precisely described financing terms are assumed as the basis of the appraisal.
- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above- or below-market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.

Source: Dictionary of Real Estate Appraiser, 5th Edition, Appraisal Institute

PROPERTY RIGHTS APPRAISED:

The property rights appraised are those of the leased fee interest in the subject property as if free and clear of all liens and encumbrances. The ground floor is currently leased to Calvary Chapel Church, we believe for two more years. A copy of the lease was not provided to us. The three apartments above are rented on a month to month basis, but it is the current lease situation with Calvary Chapel that defines the property rights appraised. Any potential buyer or investor in this property will take into account the current lease encumbrance on the property.

DATE OF VALUE:

The date to which this appraisal applies is February 21, 2014, the date of our inspection.

OWNERSHIP:

According to Santa Barbara County Records, the Guadalupe Community Redevelopment Agency took ownership of the property in a Trustee's Deed Sale on March 3, 1993.

Although we do not have documentation of this, it is common knowledge that Redevelopment Agencies have been discontinued and it is likely that current vesting is a successor agency of the Guadalupe Community Redevelopment Agency.

FUNCTION OF THE APPRAISAL:

Client:

The client is The City of Guadalupe.

Intended Use:

The intended use of this appraisal is for the City's internal decision-making.

Intended User:

The intended user of this appraisal is The City of Guadalupe and its assigns.

PROPERTY HISTORY:

As stated previously, the Redevelopment Agency took ownership in a Trustee's Deed Sale in 1993 for a purchase price of \$63,660. In 2004, the Redevelopment Agency loaned a developer \$1,360,000 to rehabilitate the property. The improvement project was completed in 2007. The developer began repayment on the interest-bearing loan upon completion per contractual agreement. However, as of the date of this appraisal, the developer is in arrears in repayment of the loan. The current balance due is over \$1,400,000. However, the developer is still in possession of the building, has it rented and is collecting the rents.

MARKET DESCRIPTION AND EXPOSURE TIME:

The market for the subject property is the City of Guadalupe itself. However, as there are few transactions in the immediate market, it does also compete against the immediate surrounding cities of Oceano, Nipomo, and Santa Maria. The exposure time for our opinion of value is 9 to 18 months, as marketing times in Guadalupe tend to much longer than in surrounding cities. This is primarily because of Guadalupe's distance from the Highway 101 commercial corridor.

SUBJECT PROPERTY DATA:

Neighborhood:

The subject property is located in the commercial core of downtown Guadalupe. The borders of downtown are Pioneer Street to the west, Eleventh Street to the north, Olivera Street to the east, and Sixth Street to the south. The main arterial is Guadalupe Street, which is also California State Highway One.

Legal Description:

The legal description is located in the addenda of this report.

Assessor's Data:

The subject is owned by the City of Guadalupe, and is therefore exempt from assessment. The Assessor's Parcel Number is 115-092-12. Were the property to be sold to a private investor or user, the property would be reassessed at the time of sale and the property tax would be approximately 1.1% of assessed value.

Demographical Data:

The subject properties are located in the following demographical areas:

Census Tract No.:	25.02
Zip Code:	93434
Thomas Bros. Map Reference:	775 A5
Flood Zone Information:	
<i>Flood Insurance Rate Map No.:</i>	06083C0155F, Revised 9/30/05
Zone:	X, Other areas determined to be outside the 0.2 percent annual chance flood plain.
Seismic (Earthquake) Hazard:	Areas throughout California are periodically subject to earthquake hazards. It is beyond the scope of this appraisal to evaluate the risk of earthquake damage to the subject property. It is not located in an Alquist-Priolo Special Study Area.

Land Data:

The property has 50 linear feet of frontage on Guadalupe Street, State Highway One, and 144 feet of depth for a total area of 7,200 square feet. The land is relatively level and is improved with curb, gutter and sidewalks.

Utilities and Services:

All utilities and services necessary are available to the site.

Zoning:

The zoning in GC, General Commercial. According to the zoning ordinance that we reviewed, this allows a 50 foot height limit with no setback or side yards required. Current improvements appear to be in conformance, with the exception of the third floor (discussed below).

Present Use:

The property is currently improved with a 9,250 square foot mixed-use building with ground-level retail and three residential apartments in the two floors above. During our investigation, the client, Mr. Andrew Carter indicated that the third floor, which is the second floor of Apartment Unit D, was not permitted during the reconstruction of the building.

Improvements:

The building is a 3-story mixed-use building with concrete slab foundation, brick and wood framing; and brick and painted stucco exterior. The ground floor is currently leased to Calvary Chapel. It is demised into three separate units that are currently all being occupied by the same tenant. The southern portion of the space is a café/restaurant, the northern portion of the space is used as a children/activity room, and the rear is the sanctuary. Finishes are very good and in excellent condition. Flooring includes granite tile in the entry way, and commercial and tile carpet throughout. Walls are tape, textured and painted drywall, as well as exposed brick. Commercial glazing is across the front. Exposed HVAC and fluorescent lighting is throughout the space. It is one of the best commercial spaces in Downtown Guadalupe.

The second floor consists of three apartment units. Unit D is a two-story unit, taking up the entire western portion of the building. Interior finishes include tape, textured and painted drywall, linoleum tile and carpet. Finishes are high quality.

As stated previously, the third floor, which is the second floor of Unit D, is not permitted according to city records. However, we are valuing the property under the hypothetical condition that the City of Guadalupe will cure this in order to sell the property and we have valued the property as if the entire building is permitted. Identifying if there are costs to cure in order to get the third floor in compliance with building codes is beyond the scope of this appraisal. The client is encouraged to send building inspectors to identify if this is an issue, and any cost to cure would need to be subtracted from our opinion of value. The term "Hypothetical Condition" has been defined on Page 5 of this report.

HIGHEST AND BEST USE:

"Highest and Best Use" is defined as:

"That available use or program for future utilization of a parcel of land that produces the highest present land value."

We have completed an investigation and analysis regarding the highest and best use of this property. The most probable use of the property must meet the following criteria.

1. The use must be a lawful one, consistent with the General Plan and prescribed zoning, meeting all governmental regulations.
2. The use must be within the realm of probability in the near future, not a mere possibility, and not a speculative use.
3. There must be a demand for such a use and it must be an effective demand backed with purchasing power.

4. It must be a use that will produce the highest net return to the land in the form of money and amenities over the longest period of time.

In determining the highest and best use of the subject property, additional factors which should be considered include:

1. The use is in an appropriate location to the local market and the existing nearby land uses must support and compliment this use.
2. The use is physically possible. The site is physically adaptable for this use and the necessary public infrastructure exists to support this use.
3. The use is legally permissible. All potential uses must comply with private and public land use restrictions and zoning laws governing the use and building safety of the proposed/existing improvements.
4. The use is socially/politically acceptable. Citizens are taking an ever increasing interest in land use decisions affecting their communities. Almost all major real estate developments involve significant public comment and input.
5. The use must be financially feasible. The use must be probable, profitable, and have adequate market demand. The use must be economically feasible and not speculative in nature.
6. Finally, among all alternate uses which might meet the previous tests, that use which results in the greatest net return or highest property value is considered to be the highest and best use.

Highest and Best Use Analysis:

Location / Physical Possibility:

The location is central in Downtown Guadalupe. It enjoys a high traffic count and good visibility. In addition, the existing building indicates that there are no issues with physical possibility on the site.

Legal Acceptability:

The zoning does allow for a building similar to the one constructed on the site. However, as previously stated, the third floor is not currently permitted by the City of Guadalupe Building Department. We are operating under the hypothetical condition that this issue is resolved.

Market/Economic Factors:

Due to the small population and somewhat remote location of the City of Guadalupe, the market is not as dynamic as the surrounding larger cities in northern Santa Barbara and southern San Luis Obispo Counties. Marketing and exposure times are much longer in the City of Guadalupe. These factors do impact the marketability of the subject property.

Social Considerations:

There are no adverse social considerations that we are aware of.

Maximally Productive:

It is our opinion that that the current use is maximally productive compared to other potential uses on the site.

Highest and Best Use Conclusion:

As If Vacant

It is our opinion that the highest and best use after the above analysis of the subject property As If Vacant would be mixed use development similar to the present improvements on the site, As Improved.

As Is

It is our opinion, based on the above analysis that the current improvements are the highest and best use of the site.

VALUATION:

The appraisal of real estate involves three fundamental methods or approaches to arrive at an opinion of the market value of a property: Cost, Sales Comparison, and Income Approaches. Each of the approaches is briefly described as follows:

Cost Approach to Value:

This is the method whereby improvement replacement cost, less depreciation, is added to land value ascertained from vacant land sales. The result is an indication of property value.

Sales Comparison Approach to Value:

This method, formerly known as the Market Approach, considers recent sales of similar properties in the area. These sales are analyzed and compared to the subject property with adjustments for dissimilar characteristics. The result is also an indication of the value of the property.

Income Approach to Value:

This method considers a property's income producing capabilities and processes said income into an indication of value through the capitalization process.

The results of the above three approaches, if all are applicable, provide a band of value which is correlated into one final value estimate considering all factors affecting the property.

In the valuation of the subject property, we have used the Sales Comparison and the Income Approaches to Value. We have not used the Cost Approach due to the age and specialization of the improvements, which make it difficult to calculate accurate deductions from cost for physical, functional, and external obsolescence.

Sales Comparison Approach:

We conducted a search for comparable commercial and multi-family sales and listings in the subject market of Guadalupe.

Commercial Sales

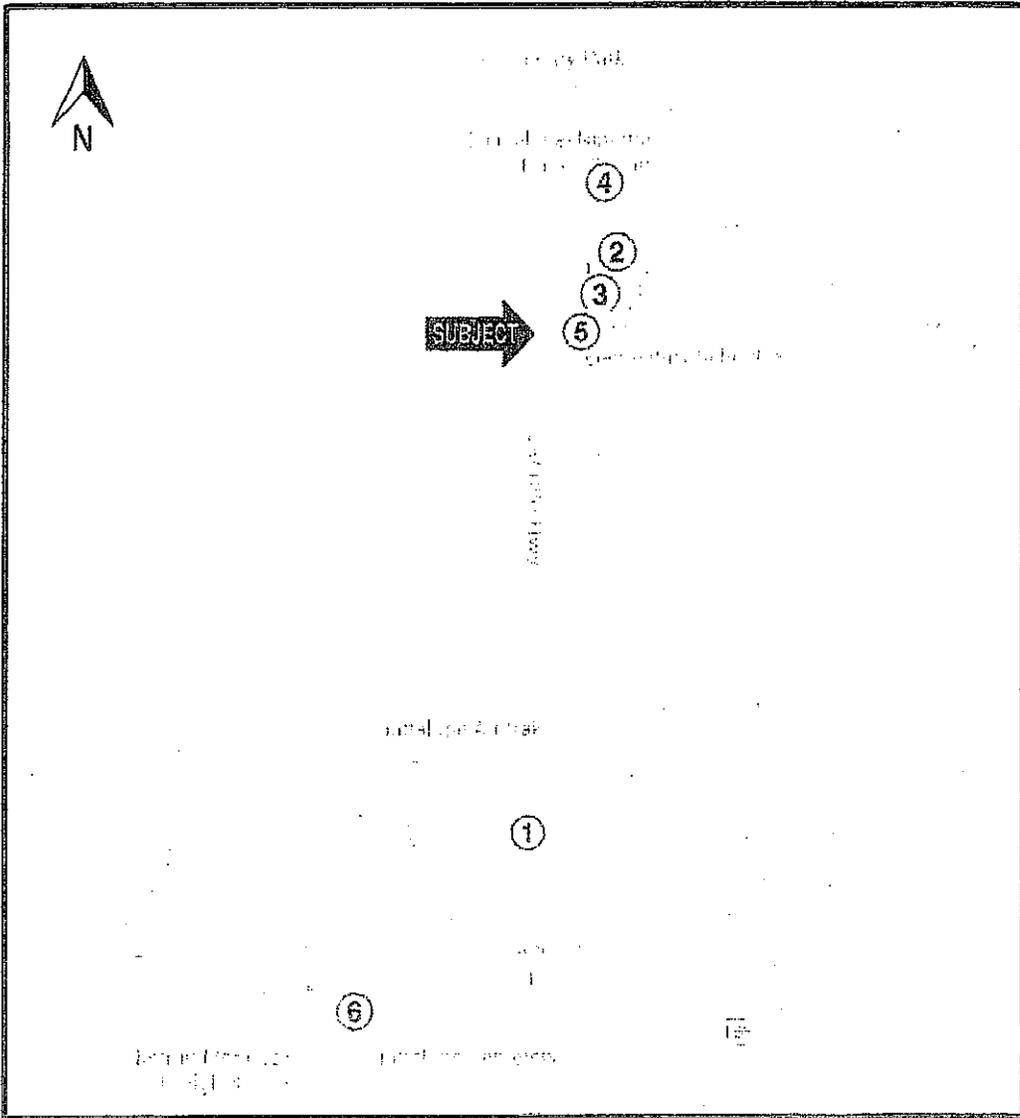
We identified six (6) commercial sales that we used to inform our opinion of value for the commercial portion of the building. The search for comparable multi-family sales in the City of Guadalupe yielded only two relatively recent sales. In our opinion, this was not enough to inform our opinion of value and therefore, the search was expanded to include surrounding cities of Oceano, Nipomo and Santa Maria. This resulted in six multi-family sales comparable to the subject property.

The results of this search are summarized in the charts on the following two pages:

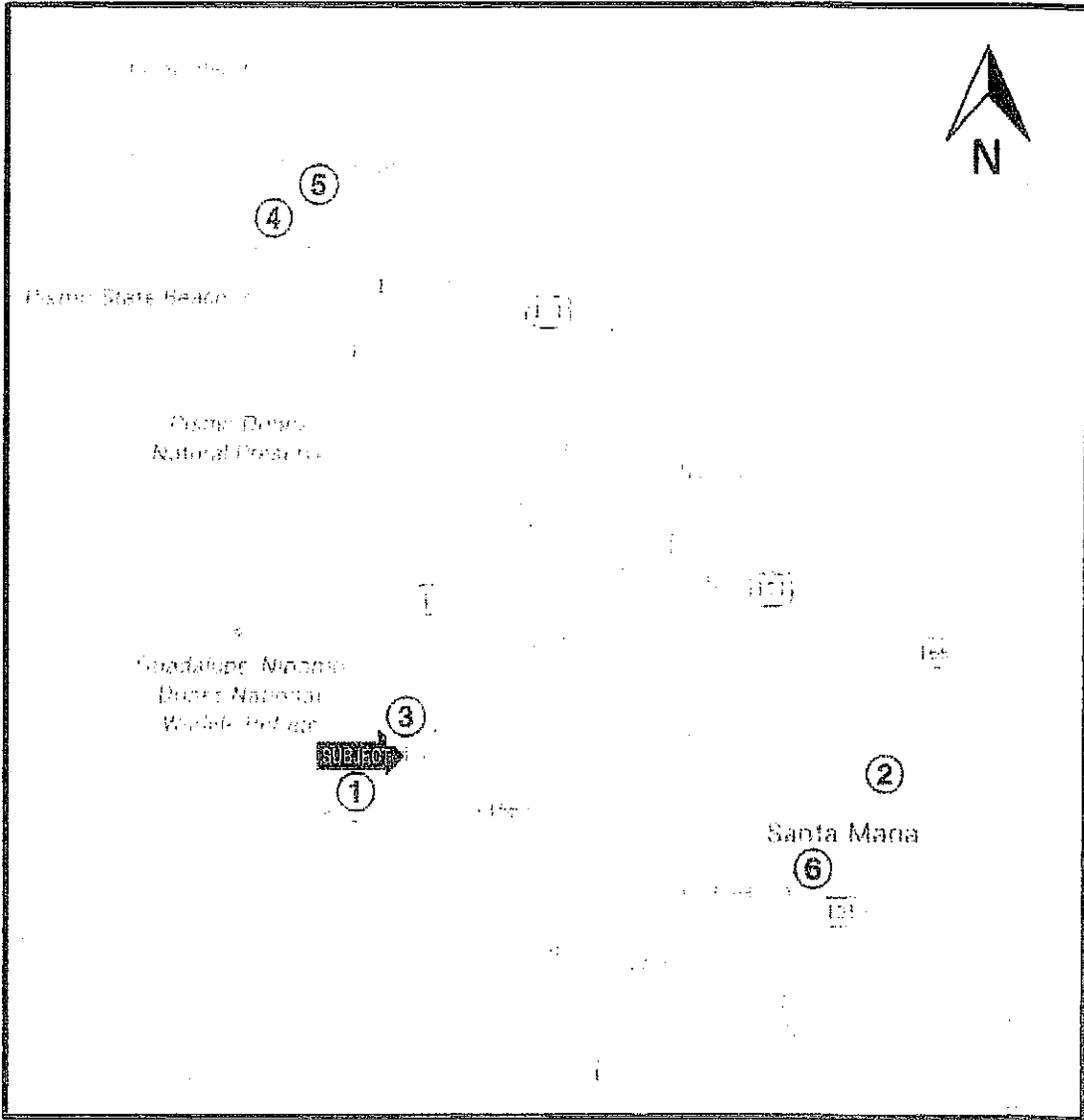
Comparable Commercial Sales
Guadalupe, CA

	Address	Sale Date	Price	Size (land)	Size (bid)	Price/SF (bid)	Price/SF (land)	Lot Coverage	CAP Rate GIM	Comments
1	253 Guadalupe St	6/24/2008	\$370,000	21,344	1,700	\$217.65	\$17.34	8%	N/A - Vacant	Fast food/restaurant building
2	928 Guadalupe	12/23/2009	\$150,000	6,336	1,760	\$85.23	\$23.67	28%	N/Av	Multi-tenant retail building, built 1927
3	910 Guadalupe St	3/3/2009	\$300,000	5,200	3,200	\$93.75	\$57.69	62%	N/A - Vacant	Commercial building, probate sale.
4	1045-1055 Guadalupe St	7/31/2012	\$250,000	28,600	3,265	\$76.57	\$8.74	11%	N/Av	2,030 SF commercial bldg, 3bed/1bath home (1235 SF) and vacant land in rear
5	890-894 Guadalupe St	10/15/2007	\$1,065,000	14,400	10,200	\$104.41	\$73.96	71%	6.94%	Former hotel - 2 commercial tenants downstairs & 20 residential units above.
6	4721-4723 W Main St	7/8/2013	\$2,080,000	73,181	14,835	\$140.21	\$28.42	20%	N/Av	Strip center, fully leased at time of sale
					Mean	\$119.64	\$34.97			
					Median	\$99.08	\$26.05			

Comparable Guadalupe Commercial Sales



Comparable Multi-Family Sales



Discussion of Commercial Sales:

Sale Number 1 is at 253 Guadalupe Street and is a fast-food/restaurant building. The property sold in June of 2008 for \$370,000. The building is 1,700 square feet; therefore, this resulted in a price per square foot of \$217.65. The property was vacant at the time of sale and in fact, is still vacant today. Therefore, there was no indicated cap rate or gross income multiplier. With hindsight, we now know that June 2008 was nearing the worst part of the Great Recession, however, this price point indicates that it was put into escrow and valued before the worst was realized. It is our opinion, based on historical data and the vacancy of the property since, that this price is over market. Little weight was placed on this sale.

Sale Number 2 is commonly referred to as the Grisingher Building. It is a multi-tenant retail building built in 1927. The property sold in December 2009 for \$150,000. It consists of 1,760 square feet and therefore, sold on a price per square foot basis of \$85.23.

Sale Number 3 is located at 910 Guadalupe Street at the northeast corner of 9th and Guadalupe Streets. The property sold in March 2009 for \$300,000. It was a probate sale. The building consists of 3,200 square foot and therefore, sold on a price per square foot basis of \$93.75.

Sale Number 4 is at 1045-1055 Guadalupe Street. It consisted of two single-family homes that have been converted to commercial and vacant land in the rear. The property sold in July of 2012 for \$250,000. The combined area of the buildings is 3,265 square feet, which indicates a price per square foot of \$76.57.

Sale Number 5 is located at 890-894 Guadalupe Street. This property sold in October 2007 for \$1,065,000. It a former hotel with two commercial tenants downstairs and 20 residential units above. The indicated price per square foot is \$104.41, as the building consists of 10,200 square feet. The indicated cap rate was 6.94% and the gross income multiplier was 8.19. Although this sale is 7 years old, it occurred before the Great Recession and values are nearing those price points again. It also very close to the subject property.

Sale Number 6 is located at 4721-4723 West Main Street. The property sold in July 2013 for \$2,080,000. It is a strip center that was fully leased at the time of the sale and is superior to the subject property. Total building area was 14,835 square feet, and therefore, the indicated price per square foot was \$140.21. Income was not made available on this sale and therefore, we do not have a cap rate or gross income multiplier.

Before adjustments, the average of the above sales is \$119.64 and the median is \$99.08. After adjustments for sale conditions, market conditions, size, quality and condition, it is our opinion that the indicated value for the commercial space per square foot is \$100.

Discussion of Multi-Family Sales:

Sale Number 1 is located in the 500 Block of Tognazzini Avenue. It is a duplex that was remodeled in 2004. The property sold in April of 2012. The price was \$170,000, which gave a price per unit of \$85,000, and a price per square foot of \$106.25. The average unit size was 800 square feet. The indicated gross income multiplier was 8.13 and the cap rate was 10%.

Sale Number 2 is located in Santa Maria and was a single-story triplex much older than the subject property. The property sold in August 2013 for \$370,000, or \$123,333 per unit and \$142.75 per square foot. The average unit size was 864 square feet, the indicated gross income multiplier was 10.43, and the cap rate was 5.46%.

Sale Number 3 is located in the City of Guadalupe on 11th Street. The property consisted of three homes on one lot and was an estate sale. The property sold for \$275,000 in January of 2011, or \$91,667 per unit, and \$87.30 per square foot. The average unit size was 1,050 square feet, the indicated gross income multiplier was 9.13, and the cap rate was 10.40%.

Sale Number 4 is on Paso Robles Street in Oceano. The property sold for \$530,000 in February of this year, which results in \$132,500 per unit, and \$170.97 per square foot. The average unit size was 775 square feet with an indicated gross income multiplier of 10.58 and a cap rate of 7.57%. It is a fourplex built in 1990.

Sale Number 5 is also in Oceano. It is a fourplex built in 1980 that sold in October 2013 for \$500,000, or \$125,000 per unit, \$155.86 per square foot. The average unit size is 802 square feet. The indicated gross income multiplier was 10.55 and the cap rate was 7.83%.

Sale Number 6 is located in the 400 Block of West Cook Street in Santa Maria. This is a much newer fourplex, built in 2007, which sold for \$630,000 in September 2013. This resulted in a price per unit of \$157,500 and a price per square foot of \$148.03. The average unit sizes are larger than the other comparables, although still smaller than the subject at 1,064 square feet per unit. Income data was not available, so we do not have the indicated GIM or cap rate.

Before adjustments, the average of the above sales is \$119,167 and the median is \$124,167 per unit. The mean and median per unit for Guadalupe sales only is \$107,500. Although we have provided indicated prices per square foot along with mean and median, it is our opinion that price per square foot is not a good element of comparison for the subject property, as the subject units are so large. As a result, the value per square foot of the subject apartment is much lower than the comparables. Therefore, we have placed the most weight on the price per unit approach.

After adjustments for sale and market conditions, location, average unit size, age, condition and quality, it is our opinion that the indicated value of the subject property units are \$100,000 for the two smaller units (E and F), and \$150,000 for the two-story unit (Unit D).

Conclusion, Sales Comparison Approach:

The indicated value of the subject is as follows:

Commercial Space:

4,000 SF x \$100 / SF	\$400,000
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Residential Space:

Units E and F x \$100,000 Each	\$200,000
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Unit D	<u>\$150,000</u>
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Total	\$750,000
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In addition, for the Sales Comparison Approach, we also analyzed the gross income multiplier. As will be seen in the Income Section to follow, it is our opinion that the gross potential income with the current lease rate in the commercial space and market rents for the residential units, is \$74,400. Based on the indicated gross income multipliers available from commercial and multi-family sales on the Central Coast, it is our opinion that 10 is an appropriate GIM for the subject property. Hence, the following calculation:

$$\$74,400 \times 10 = \$744,000$$

$$\text{Rounded} = \$745,000$$

We have two indications from the Sales Comparison Approach. The price per square foot and price per unit indicated \$750,000, while the GIM indicated \$745,000. Putting slightly greater weight on the price per square foot and price per unit approach, it is our opinion that the value of the subject property via the Sales Comparison Approach, is \$750,000.

Income Approach to Value:

The subject property is a mixed-use building and therefore, commercial and multi-family rents are relevant in order to form an opinion of the value of the property based on the Income Approach.

The current rent roll was provided by Bradley G. Vernon of Vernon Construction (the Developer who is in default on the loan):

Space	Tenant	Size	Actual Rent	Rent / SF
Commercial Tenant	Calvary Chapel	4,000 SF	\$1,800	\$0.45
Residence D	Burpee	2,500 SF	\$1,000	\$0.40
Residence E	Smith	963 SF	\$1,200	\$1.25
Residence F	Escalante	1,325 SF	\$1,076	\$0.81
Common Area/Storage		<u>762</u> SF	<u>\$ 0.00</u>	<u>\$0.00</u>
Total		9,250 SF	\$5,076	\$0.55 Average

We conducted a rent survey of competitive commercial and multi-family residential properties in the subject market of Guadalupe in order to form an opinion of market rent for the subject property. It is very difficult to get commercial rent comps in Guadalupe. In discussions with owners and brokers active in the market, it was their opinion that market rents for commercial space similar to the subject property range from \$0.60 to a \$1.00 per square foot. However, because the subject property commercial space is leased for another two years to Calvary Chapel, we have used actual rent because any potential buyer will see the impact of the below-market actual rent of \$0.45 per square foot has on the current value of the building.

For multi-family rents, it is also difficult to get current rents in the subject City of Guadalupe. We did conduct a survey of the La Plaza Villas apartments located at 752 Olivera Street. This project consists of single and two-story "luxury" townhomes and flats in a newer building. In many ways, these units are the most similar to the subject in the Guadalupe market. The project has 76 units and is fully occupied. It should be noted that many of the tenants are Section 8.

The rents are as follows:

Unit	Size	Rent	Rent/SF
2 Bd/2 Ba Flat	952 SF	\$1,125	\$1.18
3 Bd/2 Ba Flat	1,050 SF	\$1,250	\$1.19
3 Bd/2 Ba Townhome	1,361 SF	\$1,350	\$0.99

In addition, Comparable Sales 1 and 3 were in Guadalupe, and indicated average rents of \$1.09 per square foot and \$0.80 per square foot, respectively.

The current residential rents in the subject range from \$0.40 per square foot to \$1.25 per square foot. It is our opinion that the current rent for Residence E at \$1.25 per square foot is in line with market. However, Units D and F have below-market rents. Residence D has a current rent of \$0.40 per square foot and it is our opinion, based on the above rents, that the market rent should be \$0.75 per square foot, or \$1,875 per month.

Residence F has a current rent of \$0.81 per square foot and it is our opinion that a market rent of \$1.00 per square foot, or \$1,325 per month is indicated. Because the residential units are rented on a month to month basis, we have used market rents to form our opinion of value, as the rents could either be raised or a new tenant can be found at market rates.

Potential Gross Income:

Based on the above analysis, it is our opinion that the potential gross income for the subject property is as follows:

Commercial Space:

4,000 SF x \$0.45 / SF (Actual Contract Rent) = \$1,800

Residence D:

2,500 SF x \$.75 / SF = \$1,875

Residence E:

963 SF x \$1.25 / SF (Actual and Market Rent) = \$1,200

Residence F:

1,325 SF x \$1.00 / SF (Market Rent) = \$1,325

Total Potential Gross Income = *\$6,200 / Month*

Further, it is our opinion, based on our rent survey and interviews with participants active in the market, that stabilized vacancy, tenant changeover and collection loss, should be 5% of gross potential income. As of the date of our inspection, all of the subject units are occupied resulting in 100% occupancy.

Expenses:

The profit and loss statement provided by Vernon Construction is on the following page:

03/07/14

Lantern Hotel, LLC
Profit & Loss
January through December 2013

	Jan - Dec 13
Ordinary Income/Expense	
Income	
Rental Income	45,595.51
Total Income	45,595.51
Expense	
Bad Debt	8,031.88
Clerical Fees	3,600.00
Insurance	
Liability Insurance	3,572.55
Total Insurance	3,572.55
Interest Expense	
Mortgage	21,250.79
Total Interest Expense	21,250.79
Lease Commission	1,000.00
Maintenance	1,051.67
Management Fees	1,215.48
Payroll Expenses	1,166.58
Professional Fees	
Legal Fees	1,200.00
Total Professional Fees	1,200.00
Taxes	
State	800.00
Total Taxes	800.00
Utilities	
Gas and Electric	593.27
Trash	20.75
Water & Sewer	722.82
Total Utilities	1,336.84
Total Expense	44,225.79
Net Ordinary Income	1,369.72
Net income	<u>1,369.72</u>

Expense Analysis:

We have reconstructed an operating statement and have not included items included in the developer's P & L Statement, including bad debt, clerical fees, mortgage interest expense, payroll expenses, legal fees, state taxes, etc. When adding typical expenses, including insurance, leasing commissions, maintenance, management and utilities, and based on comparable properties in the market, it is our opinion that the appropriate expenses under new ownership would be 20%, including property taxes based on the purchase and reserves for replacement.

Lastly, we have used direct capitalization by an overall rate. The indicated cap rates from the local commercial and multi-family sales ranged from 5.46% to 10.40% and average 8.03% with a median of 7.83%. Due to the high quality of the building, the good location, and the below market rents, we have selected a cap rate of 7.5%, as appropriate. The Reconstructed Operating Statement is as follows:

Gross Potential Income Per Month	\$ 6,200
	<u>x 12</u>
Gross Annual Income	\$74,400
Less, Vacancy/Collection Loss at 5%	<u>- 3,720</u>
Effective Gross Income	\$70,680
Less, Operating Expenses/Reserves for Replacements at 20%	<u>-14,136</u>
Net Operating Income	\$56,544

Direct Capitalization

$$\begin{aligned} \text{Net Operating Income} \div \text{Overall Rate} &= \text{Value} \\ \$56,544 \div .075 &= \$753,920 \\ \text{Rounded} &= \$750,000 \end{aligned}$$

It is therefore our opinion that the indicated value by the Income Approach is \$750,000.

Summary and Conclusions:

Both the Sales Comparison and the Income Approaches to Value indicated a value of \$750,000. Giving equal weight to both approaches, it is our opinion that the market value of the subject property, As Is, as of February 21, 2014, is:

SEVEN HUNDRED FIFTY THOUSAND DOLLARS

(\$750,000)

SUBJECT TO the Assumptions and Limiting Conditions contained herein.

ASSUMPTIONS AND LIMITING CONDITIONS

This Appraisal Report is subject to the following:

1. It is assumed that title to the property, which is the subject of this report is free and clear of liens, leases, and encumbrances and is good and marketable unless otherwise noted.
2. No responsibility is assumed for matters legal in nature or for facts or conditions, which require specialized knowledge beyond that of a qualified real estate appraiser or that customarily employed by real estate appraisers. This includes, but is not limited to, structural defects or termite damage not readily apparent, conformance to specific governmental requirements such as fire, building safety, earthquake, flood, or occupancy codes, soil stability or instability, etc.
3. No survey of the subject property was made at the time of appraisal. All references to property size or dimensions were obtained from public records or from data provided this appraiser. Maps and other display material are included only as a guide in emphasizing certain aspects of a property.
4. In preparing this report, certain information was obtained from other persons. This data is assumed to be correct, but we assume no responsibility for its accuracy.
5. We are not required to give testimony or to appear in court or at conferences by reason of this appraisal, with reference to the property in question, unless further arrangements have been previously made and mutually agreed upon.
6. Possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any purpose by anyone but the applicant without the previous written consent of the appraiser or the applicant, and then only with proper qualification.
7. The "Highest and Best Use" as indicated by this report, is assumed to be consistent with Planning and Zoning policies, and will meet the approval of all local, city, county, state, and federal land use and environmental laws and regulations. We assume no responsibility for changes or limitations imposed by the various governing agencies or political entities that affect a property's use or value.
8. This valuation does not include items of personal property, partial interests, or mineral rights unless specifically incorporated by reference.

9. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as petroleum products, asbestos, urea-formaldehyde foam insulation, underground chemicals or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
10. This appraisal is reported in summary format.
11. Because no title report was made available to the appraisers, we assume no responsibility for such items of record not disclosed by our customary investigation.
12. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area was taken from sources considered reliable and no encroachment of real property improvements is considered to exist.
13. No termite inspection report was available. The appraiser personally inspected the subject property, but is not qualified to detect termite damage or infestation. We urge the client to retain an expert in this field if desired. This report assumes that there is no termite infestation that would significantly impact the overall value of the property; however, we don't guarantee that infestation does not exist.
14. No consideration has been given in this appraisal as to the value of the property considered by the appraiser to be personal located on the premises, or the cost of moving or relocating such personal property; only the real estate has been considered.
15. Because our report is in summary form, we will retain the technical appraisal data in our files. We regard the appraisal analysis as confidential and will release its contents only upon your authorization.
16. Maps, plats, and exhibits included herein are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.
17. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials except as is expressly stated.
18. The improvements are assumed to be properly designed, engineered, and the construction techniques correctly applied.

19. All information, including financial operating statements, along with estimates and opinions obtained from parties not employed by Reeder, Gilman & Associates, are assumed to be true and correct. No liability resulting from inaccurate data is assumed by the appraisers.
20. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraisers have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraisers have no direct evidence relating to this issue, possible noncompliance with the requirements of the ADA in estimating the value of the property has not been considered.
21. It is the intent of the appraisers that this report is not in compliance with guidelines of the Financial Institution Reform, Recovery, and Enforcement Act of 1989 (FIRREA). FIRREA guidelines govern the format of appraisals to be used for Federally Related Transactions and do not apply to this appraisal.
22. We hereby certify that our current nor future employment was not conditioned upon this appraisal producing a specific value nor a value within a specific range nor the granting of a loan in conjunction with this appraisal.
23. We have relied upon background information provided by both the client and by Vernon Construction. This informational data includes background history of the property and the improvements, as well as the current rent roll and profit and loss statements. Copies of these documents are retained in our work files.
24. The appraisers have not made a specific survey or analysis regarding the existence of mold or other related contaminants. Reeder, Gilman & Associates assumes no liability if any such contaminants exists.
25. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three (3) year period immediately preceding acceptance of this assignment.

CERTIFICATE OF APPRAISER

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.

I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

My engagement in this assignment was not contingent upon developing or reporting predetermined results.

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice.

I have made a personal inspection of the property that is the subject of this report.

The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute

The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

Prior to accepting this assignment I determined that I have the professional education, background, and experience necessary to complete this assignment competency.

As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Practicing Affiliates.

JEFFREY M. GILMAN
Real Estate Appraiser

DATE: March 13, 2014

Federal Tax ID: 45-3913824

ADDENDA

Assessor's Parcel Map

Floor Plans

Subject Property Photographs

Commercial Comparable Photographs

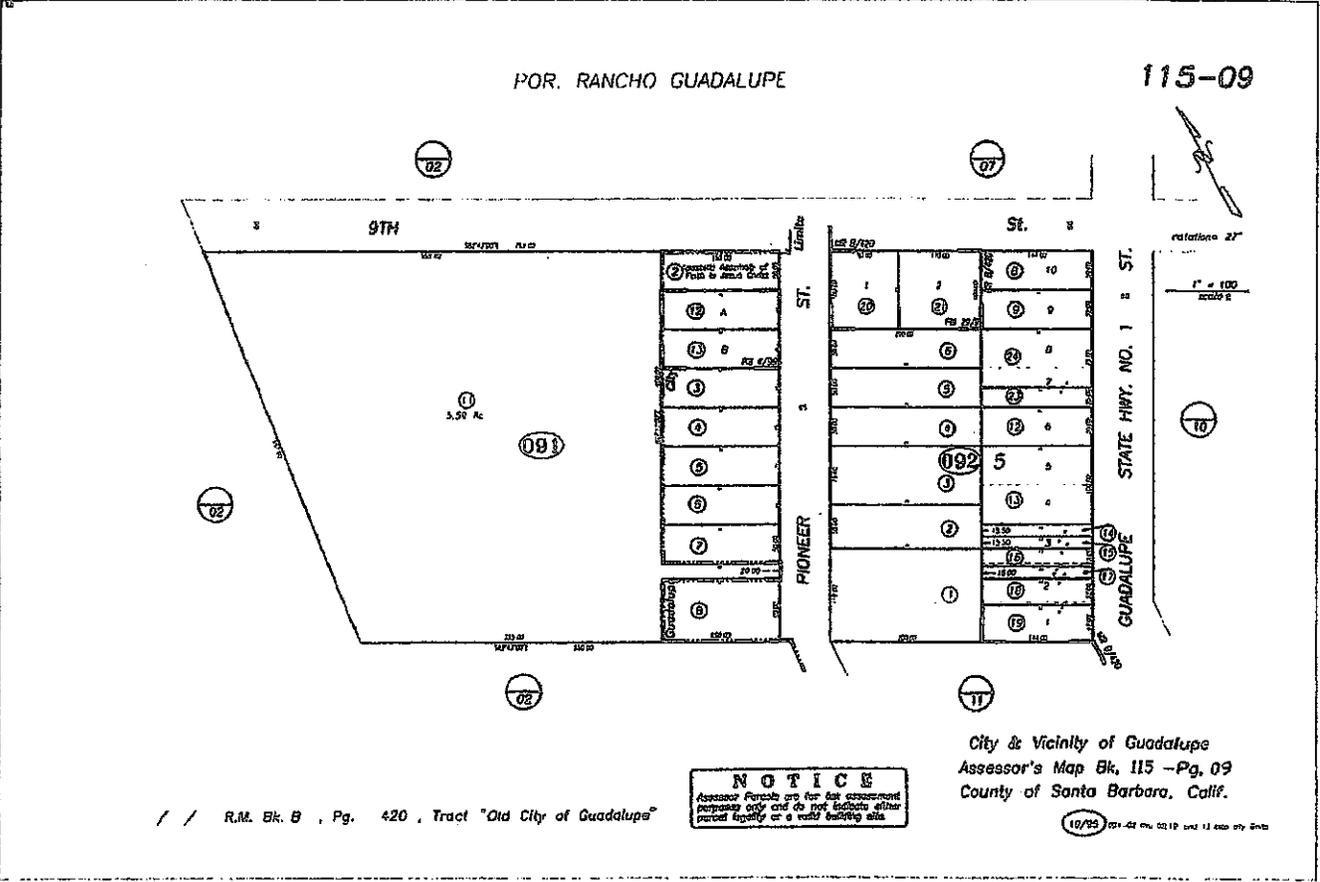
Multi-Family Comparable Photographs

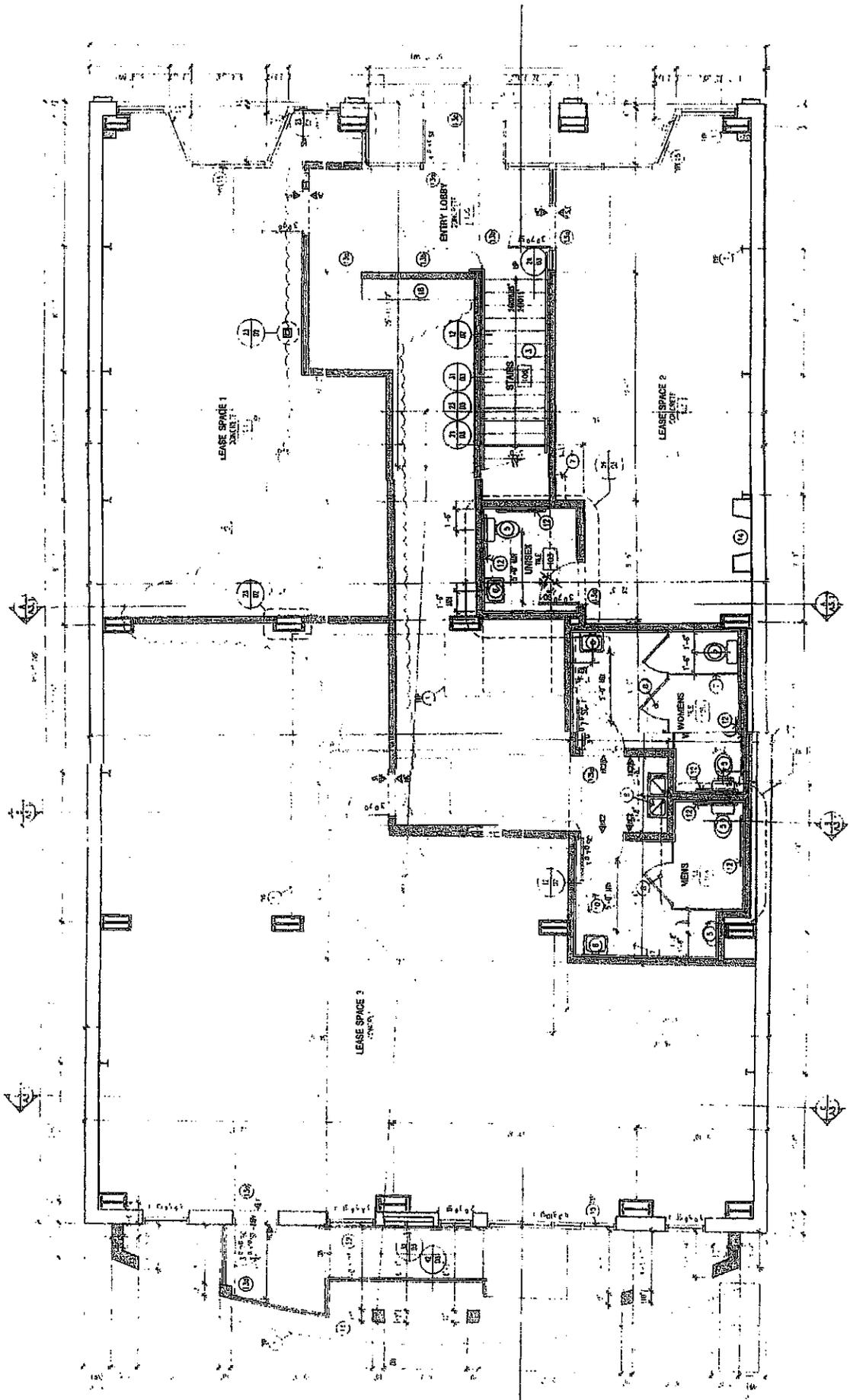
Trustee's Deed Upon Sale

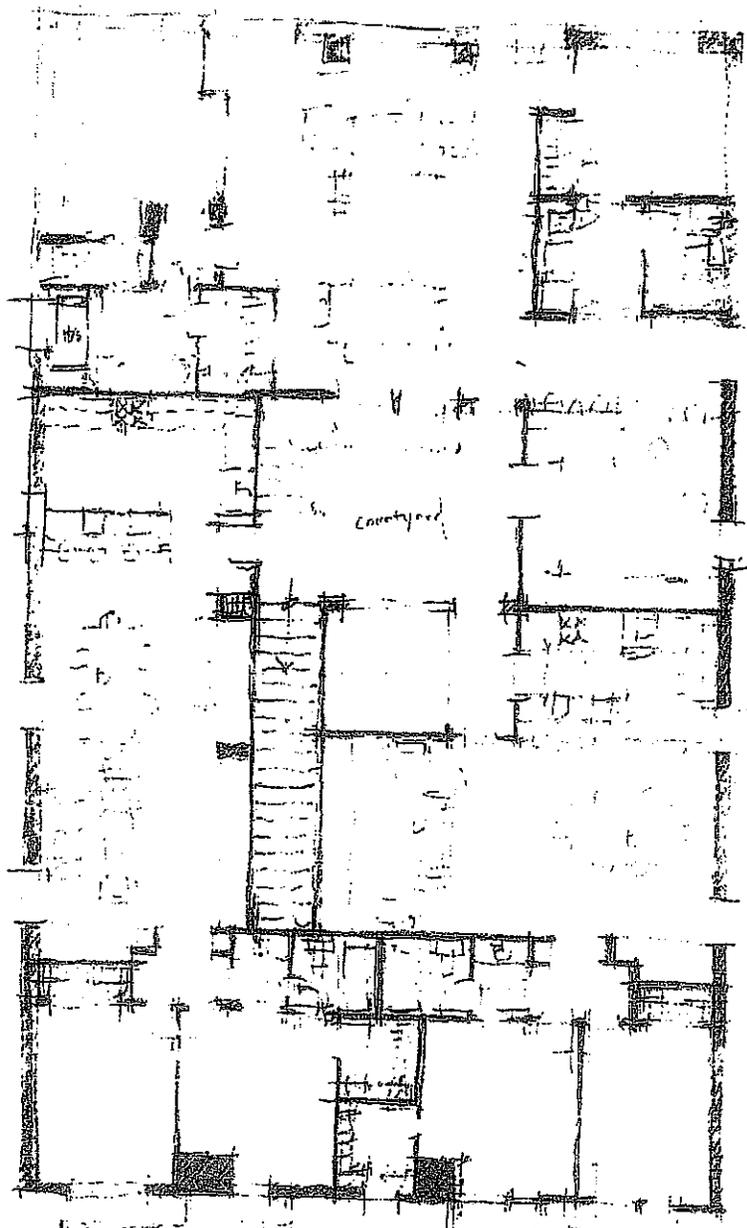
MetroScan / Santa Barbara (CA)

Parcel	: 115 092 12	Total	:
Owner	: Guadalupe Community Redevelopment Agency	Land	:
CoOwner	:	Struct	:
Site	: 879 Guadalupe St Guadalupe 93434	Other	:
Mail	: 918 Obispo St Guadalupe Ca 93434	% Imprvd	:
Xfered	: 03/03/1993 Doc# : 16308	% Owned	: 100
Price	: \$63,660 Deed : Trustees	Exempt	:
Ln Amt	:	Type	:
Vesting	:	TaxArea	: 04000
Lender	:	13-14 Tax	:
Use	: 1100 Com,Retail Store,Single Story	MapGrid	: 775 A5
Legal	: GUADALUPE CITY OF BLK 5 LOT 6	OwnerPh	:
Census	: Tract :25.02 Block :4	TractNumber:	:

Total Rms	:	Units	: 6	RoofMatrl	:
Bedrooms	:	Stories	:	Patio	:
Bathrooms	:	Year Built	:	Lot Acres	: .17
AirCondn	:	EffYearBlt	: 8, 1970	Lot SqFt	: 7,405 7,200
Heating	:	Bldg SqFt	:	Lot Dimen	: 50X150
HeatSource	:	Bldg Style	:	Garage	: 144
Fireplace	:	Foundation	:	GrgSpaces	:
Pool	:	Spa	:	View	:







120.09

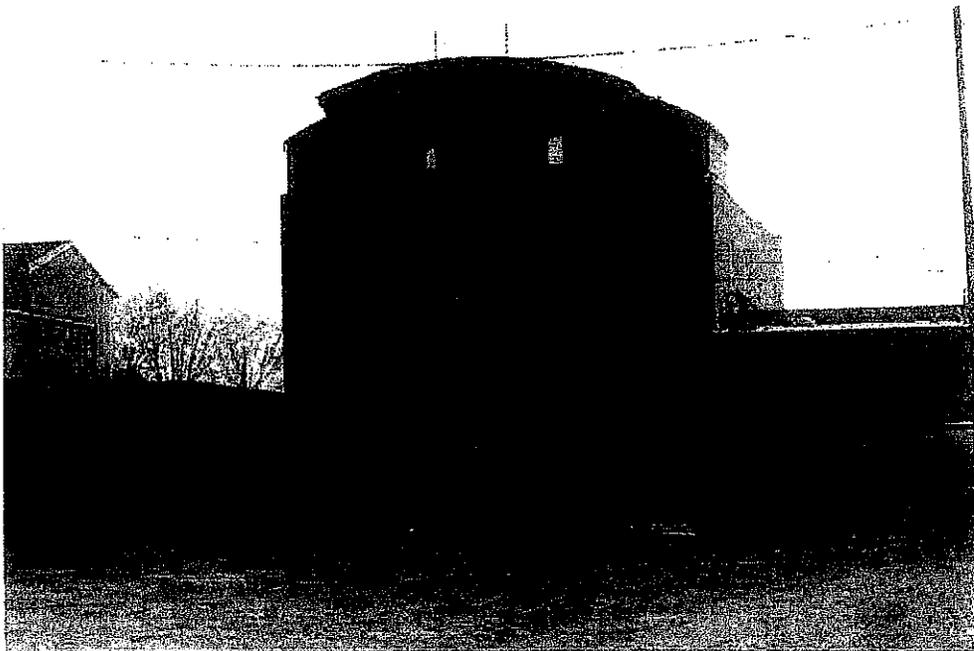
2nd Floor Plan

120

SUBJECT PROPERTY PHOTOGRAPHS



SUBJECT - FRONT AND NORTHERN ELEVATION



SUBJECT - REAR AND SOUTHERN ELEVATION

SUBJECT PROPERTY PHOTOGRAPHS



GUADALUPE STREET - SOUTHERLY VIEW

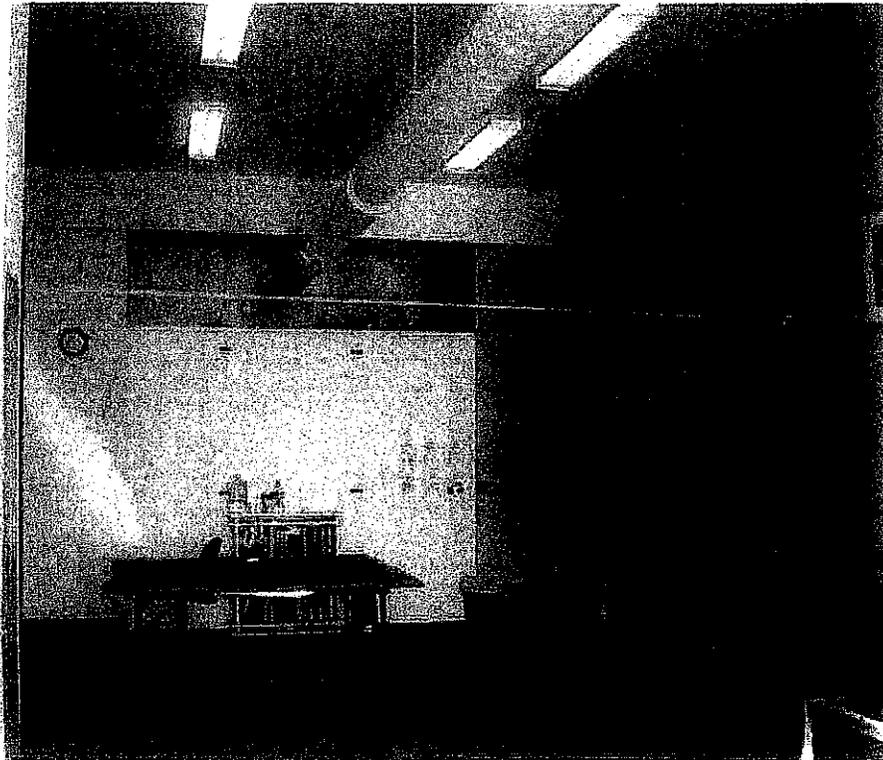


GUADALUPE STREET - NORTHERLY VIEW

SUBJECT PROPERTY PHOTOGRAPHS



COMMERCIAL INTERIOR - CAFE



COMMERCIAL INTERIOR - ACTIVITY ROOM

SUBJECT PROPERTY PHOTOGRAPHS

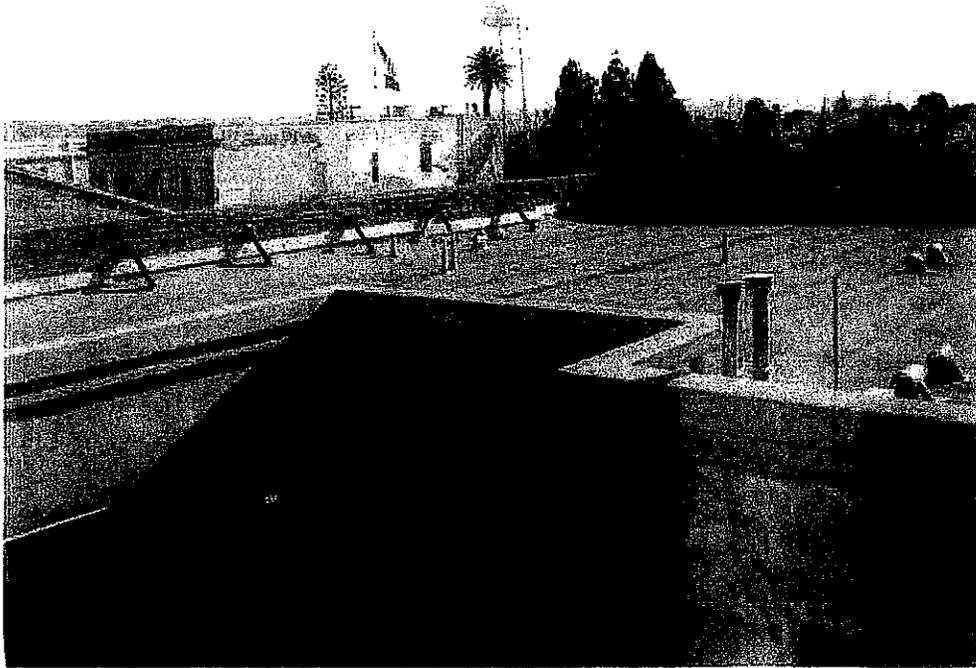


COMMERCIAL INTERIOR - SANCTUARY



UNIT D - KITCHEN (TYPICAL)

SUBJECT PROPERTY PHOTOGRAPHS



SUBJECT - ROOF OF SECOND FLOOR



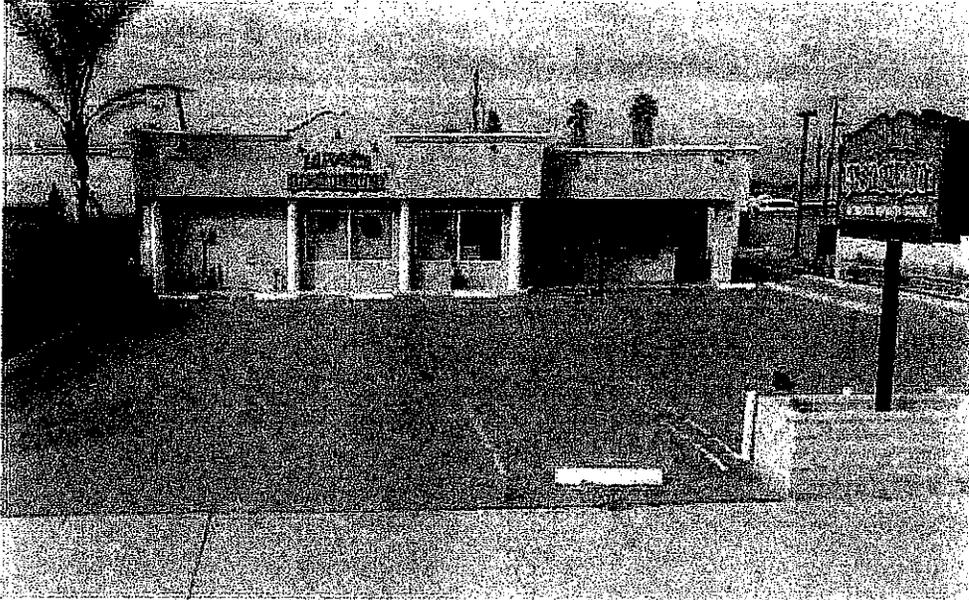
UNIT E

SUBJECT PROPERTY PHOTOGRAPHS

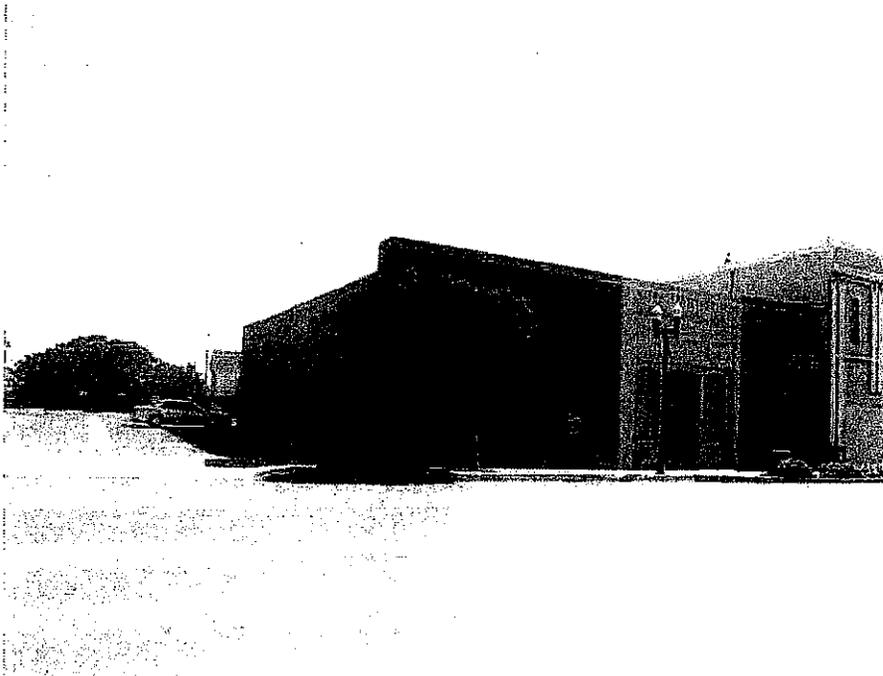


UNIT E - BATHROOM (TYPICAL)

COMMERCIAL COMPARABLE PHOTOGRAPHS

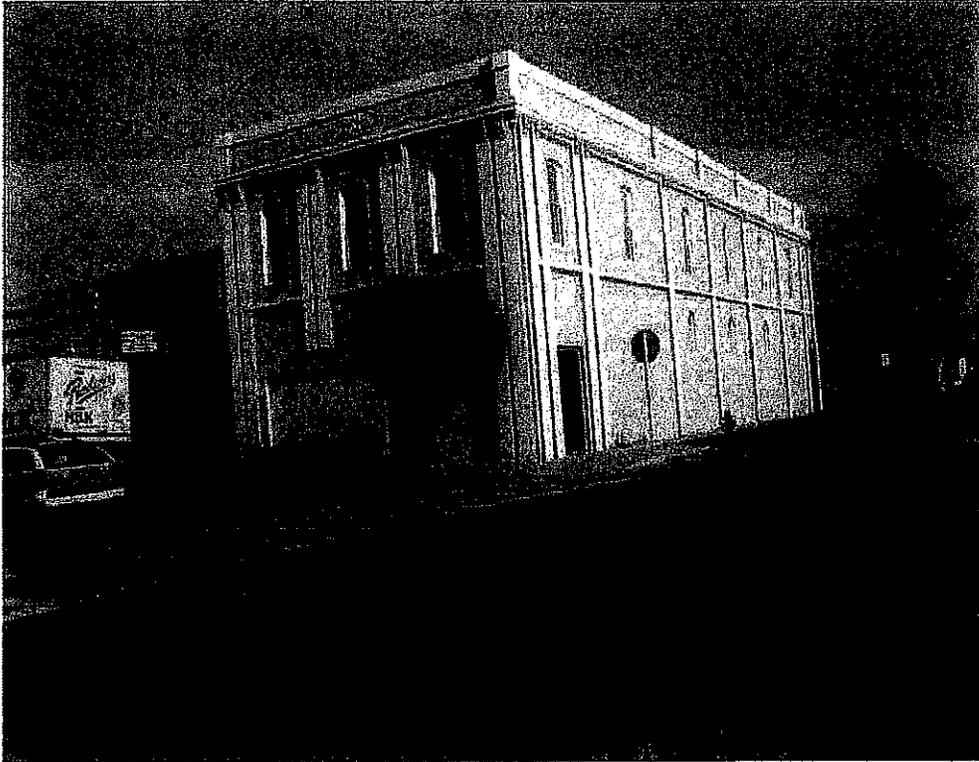


SALE 1 - 253 GUADALUPE STREET



SALE 2 - 928 GUADALUPE STREET

COMMERCIAL COMPARABLE PHOTOGRAPHS

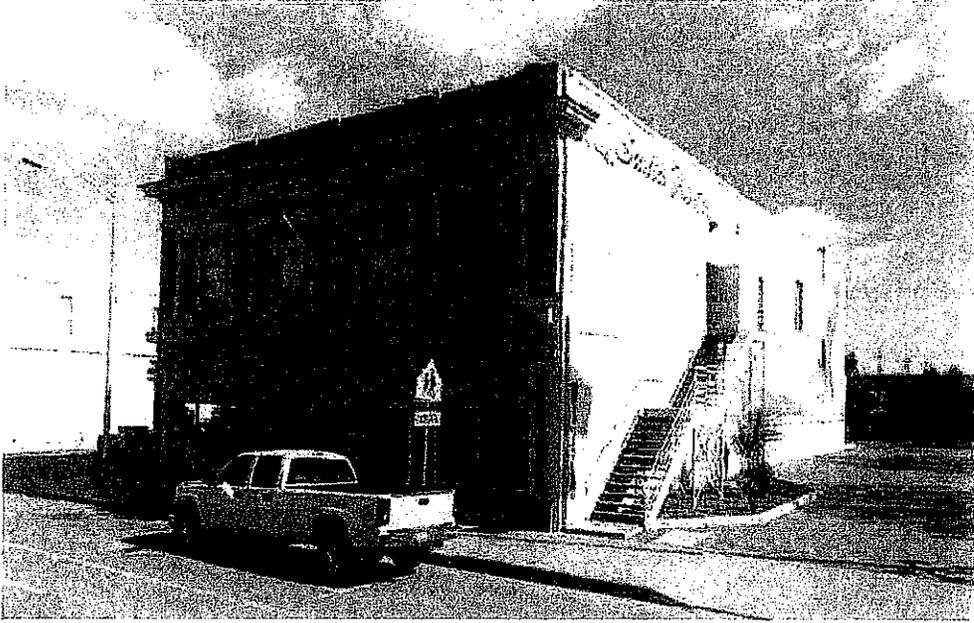


SALE 3 - 910 GUADALUPE STREET



SALE 4 - 1045-1055 GUADALUPE STREET

COMMERCIAL COMPARABLE PHOTOGRAPHS



SALE 5 - 890-894 GUADALUPE STREET



SALE 6 - 4721-4723 WEST MAIN STREET

MULTI-FAMILY COMPARABLE PHOTOGRAPHS

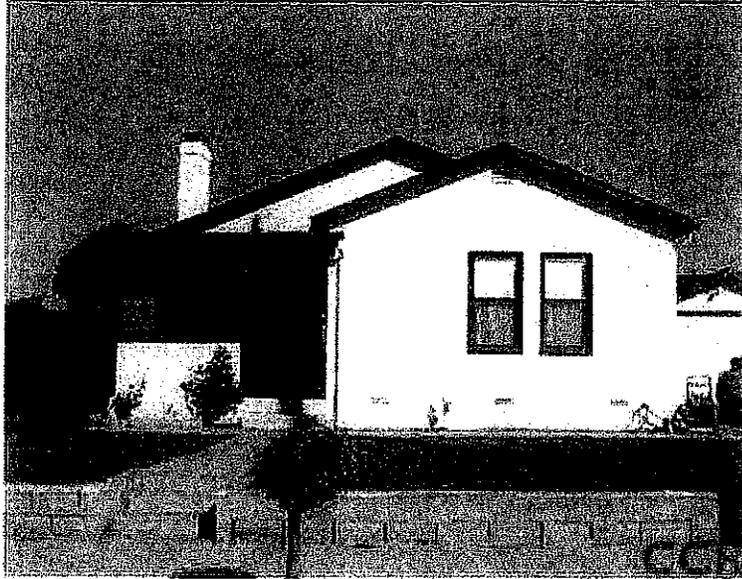


SALE 1 - 553-555 TOGNAZZINI STREET, GUADALUPE



SALE 2 - 920 NORTH BRADLEY, SANTA MARIA

MULTI-FAMILY COMPARABLE PHOTOGRAPHS



SALE 3 - 4597-4593 11TH STREET, GUADALUPE

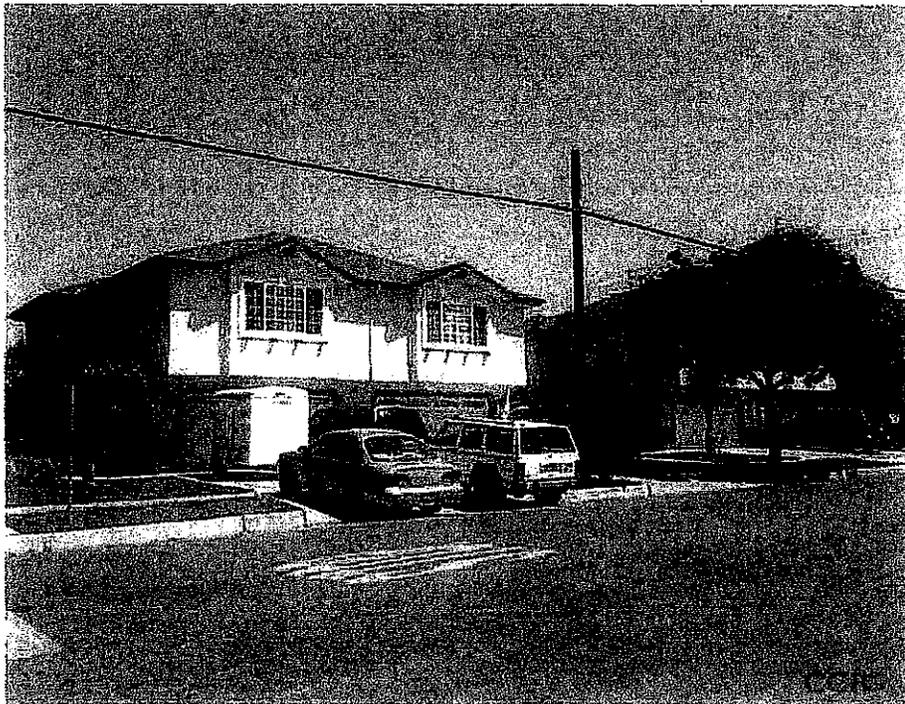


SALE 4 - 1840 PASO ROBLES STREET, OCEANO

MULTI-FAMILY COMPARABLE PHOTOGRAPHS



SALE 5 - 2130-2136 WILMAR AVENUE, OCEANO



SALE 6 - 416 WEST COOK, SANTA MARIA

RECORDING REQUESTED BY

SECURITY UNION TITLE INSURANCE COMPANY

When Recorded Mail to:

THE GUADALUPE COMMUNITY REDEVELOPMENT AGENCY, C/O KIRK, SIMAS NORMANLY 2415 PROFESSIONAL PARKWAY SANTA MARIA, CALIFORNIA 93456

93-016308 Rec Fee 5.00 SUR 10.00 Total 15.00 Recorded Official Records County of Santa Barbara Kenneth A Pettit Recorder 8:00am 3-Mar-93 SUT1 BB 1

SPACE ABOVE THIS LINE FOR RECORDER'S USE

LOAN NO. 89-084170

OTHER REF.

T.S. NO. 923944 AD

TRUSTEE'S DEED UPON SALE

DOCUMENTARY TRANSFER TAX IS COMPUTED ON FULL VALUE LESS LIENS AND ENCUMBRANCES REMAINING AT TIME OF SALE \$0.00 AMOUNT OF CONSIDERATION \$63,660.38 AMOUNT OF UNPAID DEBT. \$63,660.38 GRANTEE IS IDENTIFIED AS THE BENEFICIARY. CHICAGO TITLE COMPANY

MONUMENT SURVEY \$10.00

CHICAGO TITLE COMPANY

Trustee, (whereas so designated in the Deed of Trust herein under more particularly described or as duly appointed Trustee), does hereby GRANT and CONVEY to THE GUADALUPE COMMUNITY REDEVELOPMENT AGENCY

(herein called grantee), but without covenant or warranty, express or implied, all right, title and interest conveyed to and now held by it as Trustee under the Deed of Trust in and to the property situated in the TOWN OF GUADALUPE County of SANTA BARBARA State of California, described as follows:

LOT 6 IN BLOCK 5 OF THE TOWN OF GUADALUPE, COUNTY OF SANTA BARBARA, STATE OF CALIFORNIA, ACCORDING TO THE MAP RECORDED IN BOOK B, PAGE 429 OF MISCELLANEOUS RECORDS IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

IN BOOK 16, PAGE 92, RECORD OF SURVEYS APPEARS THE RECORD OF A MAP OF A SURVEY MADE BY ARCHIE B. COOK, LICENSED SURVEYOR, PURPORTING TO SHOW THE PREMISES HEREINABOVE DESCRIBED AND OTHER REAL PROPERTIES.

A.P. NUMBER: 115-092-12

This conveyance is made in compliance with the terms and provisions of the Deed of Trust executed by JULIO MARIN

and recorded on 09/27/1989 in book page Instrument number 89-084170 of official records, in the office of the Recorder of SANTA BARBARA County, California, under the authority and powers vested in the Trustee designated in the Deed of Trust or as the duly appointed Trustee, default having occurred under the Deed of Trust and pursuant to the Notice of Default and Election to Sell under the Deed of Trust recorded 10/20/1992 in book page Instrument number 92-082789 of official records, Trustee having complied with all applicable statutory requirements of the State of California and performed all duties required by the Deed of Trust including sending of a Notice of Default and Election to sell within 10 days after its recording and a Notice of Sale at least 20 days prior to the Sale Date by certified mail, postage pre-paid to each person entitled to notice in compliance with California Civil Code 2924b.

Notice of Trustee's Sale was published once a week for three consecutive weeks commencing 02/09/1993 in SANTA MARIA TIMES a newspaper, and at least twenty days before the date fixed therein for sale a copy of the Notice of Trustee's Sale was posted in a conspicuous place on the property described above and in one public place in the city where the sale was to be held. At the time and place fixed in said notice, Trustee did, by public announcement, as in said provided, postpone the sale from time to time thereafter and did sell the property described above on 03/02/1993 at public auction to the grantee herein. Grantee being the highest qualified bidder therefor, for \$63,660.36 cash, lawful money of the United States, or by the satisfaction of the indebtedness then secured by said Deed of Trust.

In Witness Whereof, CHICAGO TITLE COMPANY, as the Trustee, has this day, 03/02/1993 caused its name to be hereunto affixed by its officer thereunto duly authorized by its corporation by-laws.

CHICAGO TITLE COMPANY as said Trustee

STATE OF CALIFORNIA COUNTY OF SANTA BARBARA

} S.S.

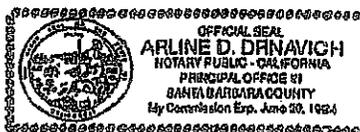
By ALAN A. MARTIN AND JOLENE MARKEL ASST. VICE PRESIDENT/ASST. SECRETARY

On 03/02/1993 before me, the undersigned, a Notary Public for said State, personally appeared ALAN A. MARTIN AND JOLENE MARKEL personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument, the person(s) or the entity upon behalf of which the person(s) acted, executed the same.

WITNESS my hand and official seal.

Signature

ARLINE D. DRNAVICH



*Mail tax bill to the above

THC-008(10/92)

Trustee's Deed

AL'S UNION PROPERTY (CORNER GUADALUPE & 10TH STREET)



Prepared by Andrew Carter, Secretary

Discussion

On April 7th, I informed you by e-mail that the potential sale of the Al's Union Property at the corner of Guadalupe & 10th Street had fallen through because Dynamic Development Company could not reach terms with the Aslanidis family who own the adjacent empty lot. Dynamic needs both lots in order to build their planned Dollar General store.

This is a disappointment. The primary reason is the lost shopping opportunity for our citizens and the spark such a store would bring to downtown redevelopment. I have reached out to both parties (Dynamic and the Aslanidis family) to express that disappointment. I don't believe it will change the situation.

I do know that the Aslanidis family was offered a fair price based on the appraisal done of their property. As with the Al's Union lot, the initial price offered valued their property as if it were already remediated. I don't know if Dynamic then enriched that offer.

It's my belief that the offer price divided by four (there are four family members) did not seem high enough to the individual family members. Also, it's my understanding that one of the family members has the dream of opening a tire store on the property even though that would require a discretionary Conditional Use Permit from the City. A tire store, gas station, or other auto repair business is not an allowed use "by right" in that zoning district even though the Al's Union lot was once a gas station and the Aslanidis lot was once an auto repair garage.

In my communication with Anna Aslanidis Romero, the principle Aslanidis contact, I did raise the question of whether the family has any interest in purchasing the Al's Union lot from the Successor Agency. That communication was by e-mail. It is very difficult to get Ms. Romero to return phone calls. I'm not sure she will even return my e-mail.

Recommendation

No action is needed by the Oversight Board at this time.

It would be helpful to know if there is an interest on the part of the Oversight Board to try to sell the Al's Union property before remediation is complete. That could be to the Aslanidis if they are interested. It might also mean engaging the services of the real estate broker retained to sell the Lantern Hotel. If the Oversight Board has this desire, that recommendation would need to be taken to the Successor Agency (City Council) for formal action and then back to the Oversight Board for formal action.