

February 13, 2018

Dear Hany,

Our hotel development (“the Project”) has a long history, dating back to July 2013 when we purchased the above-referenced property with the intent of developing a new catalyst hotel project in the City of Hermosa Beach (“the City”). Upon acquisition of the site, we proceeded to develop plans for a 111-guest room hotel project with approximately 7,500 square feet of retail and restaurant uses. We initially filed entitlement applications for this initial version with the City in August 2014.

Prior to, and for a calendar year after filing, our team conducted a series of public community workshops to vet the Project. We submitted the information gathered from these workshops to the City. This initial outreach effort culminated with a presentation to the City Council in July 2015. At the specific request of the City Council, and at a significant cost, we redesigned the Project to reduce the guest room count to 100, reduce the building height to comply with the maximum 30-foot height limit in downtown, add on-site subterranean parking, eliminate hotel rooms at the ground floor, and provide public uses and amenities exceeding 20,000 square feet on the entirety of the ground floor.

In order to accommodate the additional uses requested by the City Council, we acquired an additional parcel of land located at 20-31 13<sup>th</sup> Street that was previously not part of the Project site. Given the limited options, we were forced to pay an above-market price for this additional parcel. However, this land has allowed us to create a project that is even more consistent with the Plan Hermosa goals for a catalyst project at this site and offers additional substantial community benefits in the form of adjacent public improvements and infrastructure. As a result, there has been widespread public support for the Project in the community.

On October 6, 2015, we entered into an Agreement with the City for Reimbursement of Costs of Preparation and Processing of an EIR Including Planning Services Associated with the Project (the “Agreement”). This Agreement required us to deposit funds with the City for preparation of the EIR, and required the City to hire a third-party planner to assist City Staff with review and publication of the EIR and processing of the various land use approvals (the “Approvals”).

Following execution of the Agreement, our team filed a comprehensive application for the Approvals and prepared required technical studies for the EIR. The City then retained the firm of AMEC Foster Wheeler (“AMEC”) to prepare the EIR, based upon their proposal dated

August 5, 2015. This proposal included a detailed schedule of performance for preparation and publication of the EIR that included an approximate five-month timeframe from the release of the Initial Study/Notice of Preparation (“NOP”) to prepare and publish the Draft EIR for public circulation. The City released the NOP on October 24, 2016.

Following release of the NOP, our team completed the required technical studies to support the EIR and delivered these studies to City staff between February and May 2017. City Staff deemed each of these reports complete on or before May 11, 2017.

AMEC requested that we provide additional traffic and parking studies in April 2017. Our team met with AMEC and their traffic consultant, Fehr & Peers, on several occasions to ensure the scopes of these reports were adequate for inclusion in the EIR. We completed and delivered these reports to the City on July 28, 2017. In or about August 2017, City Staff sent multiple emails stating that the reports were deemed complete and that no further information was required.

As noted, AMEC and the City’s detailed timeline for production of the EIR called for the release of the Draft EIR for public review within five months of publication of the NOP, ***or in or about March 2017***. This five-month timeframe included preparation of the Admin Draft EIR and City review of this document within three weeks of receipt. Although the City released the NOP on October 6, 2016, AMEC apparently did not commence preparation of the Admin Draft EIR until much later, as the initial sections were not completed until March 2017, ***when the entire Draft EIR should have been complete***.

Through June 2017, AMEC apparently performed substantial work on the Draft EIR, as evidenced by City Staff’s accounting of the fees incurred provided at our request (Despite repeated requests, City Staff has failed to provide a more current accounting.). This accounting shows that City Staff and its consultants incurred over \$162,000 for work on the Draft EIR as of June 2017. This amount represents more than 50% of the entire cost of the Draft and Final EIR and related services as set forth in AMEC’s proposal. ***Based on the agreed upon schedule and the substantial work performed by AMEC, the Draft EIR should have been complete by no later than September 2017, which is consistent with City Staff’s representations throughout 2017.***

Despite our repeated inquiries as to the status of the Draft EIR, City Staff have gone silent since August 31, 2017, when Staff sent an email stating that “an Administrative Draft of the EIR has not yet been prepared ... we anticipate publication of the Draft EIR sometime this fall.” ***However, the Draft EIR has not been published to date, and we have no idea when it will be.***

Under the Agreement, the City had responsibility to retain an outside planner to oversee processing of the Project to ensure a streamlined process and to avoid overly burdening City Staff. The City apparently did not hire this planner. This has presumably contributed to the lengthy delays experienced to date.

We have been patient and responsive to the City for almost 4 years, responding to every request for additional information, project modifications, technical study updates, community meetings, and meetings with various departments, all at a substantial financial cost to the Project. It has been 4.5 years since we acquired the Project site for development, over 3 years since we first filed the Project's entitlement applications with the City, and over 2 years since the current Project was deemed complete by City Staff to move forward with environmental review. The Project's financial feasibility will be in jeopardy if we cannot rely on a schedule for publication of the EIR and ultimately public hearings on the Project.

Please feel free to contact me with any questions.

Sincerely,

Mark Bolour