

TAHITI PARTNERS PROPERTIES CORPORATION

[Pierson Professional Plaza, L.P.]

5305 E. Second Street, Suite 204
Long Beach, California 90803
(562) 433-1286 • F (562) 433-8926

July 17, 2014

Martín Magaña
City Manager
City of Desert Hot Springs
65950 Pierson Boulevard
Desert Hot Springs, CA 92240

Re: Pierson Plaza/Southeast Corner of Pierson Boulevard and Cholla

Dear Mr. Magaña:

Please consider this to be a formal request by Pierson Professional Plaza, L.P., for the following issue to be placed on the next City Council agenda for approval. We are requesting that the Council amend the date by which the project must start and that the Project still be entitled to an exemption from the costs of undergrounding the telephone poles and wires on the north of the property.

The best method to outline the issues is to discuss the chain of events, which this letter serves to generally outline the chain of events during the last year. To begin, we are required under the Lease with the County of Riverside to deliver the completed County building, including the completed Tenant Improvements, on or before May 1, 2015. An outline of the occurrences before and during the period since the Lease was signed is as follows:

- Before the County Lease was signed by the parties and approved by the City, the Project (as a whole but not including the County's building, which did not exist at that time), was approved by the City Council -- a couple months before that. The approval of the Project took several years.
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- After we got the Approval of the County Use and that Building, we immediately caused our civil engineers and architects to start preparing the construction drawings. In our opinion, there were many delays out of our control. We are not faulting the City and will say that the City has been outstanding to work with, as has the County's groups. However, among other problems many conditions that were in the Conditions of Approval could not be met and each had to be negotiated before the civil engineering drawings could be submitted for plan checks. The City did work with us on each of these conditions and we resolved them favorably for both sides, although our bidded site costs, because of the negotiated changes, have increased dramatically such that our costs will be the highest we have ever incurred on a per acre basis. There was one final and important

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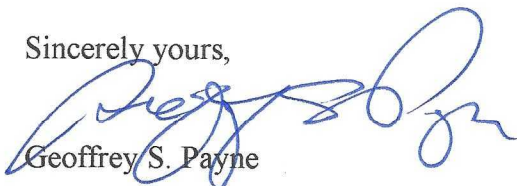
condition that caused many problems for us and, unless it were resolved in our favor, we believed the Project would not be financially feasible. We also believed and supported our belief in conversations and in writing that the condition was previously waived by the City. While neither the then Interim City Manager nor the City's Planning Director disagreed with our contentions, the then City Manager and the now City Manager believed we must submit the request to the City Council and that the City Council must approve the request. Unfortunately, the first available date for a hearing, once the issue was decided to be heard before a Council hearing, was March 18, 2014. At that hearing, the condition was waived and we were able to proceed. After the hearing, we immediately instructed our civil engineers to complete the civil engineering construction drawings – consistent with the approval and the revised condition. They did and those plans have been approved.

- Unfortunately, that date, March 18, 2014, was only approximately one year and one month before May 1, 2015. Therefore, when we spoke with the construction company we have hired to build the site work and the County's building, and after all consideration by them, they did not believe they could complete the County's building by May 1, 2015. This had to be reported to our lenders (we have two formal and separate loan commitments at this time), who stated that they could not go forward with the loan unless (1) they could have assurances by the contractor that it could complete and deliver the County's building to the County by May 1, 2015 or (2) the County would agree to extend the delivery date or waive the damages and, especially, the termination clauses in the Lease. At that time, I spoke with Heidi Rigler, the applicable County representative, who informed me that it could take four months to get approval by the Board of Supervisors to amend the Lease. This potentially caused another problem as well: that is, the City, at the March 18, 2014 hearing during which it waived the particular Condition of Approval, stated that the waiver was conditioned upon us starting construction within 120 days of March 18, 2014. This would mean that if the County took four months to approve an amendment, that we would be back to the beginning because the Condition would again exist and the financial viability of the Project would be in jeopardy.

I am hoping that the above-mentioned statements helps you understand our dilemma. We have a pending request submitted to the County asking for a delivery date of November 1, 2015. Again, we respectfully request from the City an extension of the approval.

Thank you for your cooperation. Please do not hesitate to call us with any questions.

Sincerely yours,



Geoffrey S. Payne