

AGENCY AGREEMENT NO. _____
CITY AGREEMENT NO. _____

PARKING OPERATIONS AGREEMENT
FOR
PARKING STRUCTURE NO. 2,
PARKING STRUCTURE NO. 10, PARKING LOT NO. 11,
PARKING LOT NO. 12, THE GRANADA GARAGE, THE RAILROAD DEPOT PARKING
LOTS,
AND THE TWO TRANSPORTATION MANAGEMENT PROGRAM
EMPLOYEE PARKING LOTS
BETWEEN
THE CITY OF SANTA BARBARA
AND
THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA
FOR FISCAL YEAR 2012

JUNE 21, 2011

This **PARKING OPERATIONS AGREEMENT** is made and entered into this 21st day of June 2011 by and between:

THE CITY OF SANTA BARBARA, a municipal corporation hereinafter "City"

and

the REDEVELOPMENT AGENCY OF THE CITY OF SANTA BARBARA, a public body, corporate and politic formed and operating under and by the authority of the California Community Redevelopment Law (Health & Safety Code §§33000 et seq.) and hereinafter referred to as the "Agency".

RECITALS

A. The Agency and Santa Barbara Associates, a California general partnership (hereinafter referred to as the "Developer") entered into a Disposition and Development Agreement effective November 23, 1987 (hereinafter the "DDA") pursuant to which the Agency acquired certain real property located in the City of Santa Barbara, County of Santa Barbara, State of California more particularly described in the DDA and hereinafter referred to as the "Project Site" or the "Shopping Center Tract." The DDA provides for the acquisition by the Developer, Carter Hawley Hale, Inc. (hereinafter "Broadway"), and Nordstrom, Inc. (hereinafter "Nordstrom" and both collectively referred to as the "Majors") of certain leasehold interests in the Project Site and the redevelopment of the Project Site by the Developer, Broadway, Nordstrom and Agency into a first class, high quality, regional shopping center with appurtenant public parking.

B. Agency is the owner of the fee estate of certain real property and improvements commonly known as Lot 10 parking structure noncontiguous to the Project Site and located in the City of Santa Barbara, County of Santa Barbara, State of California and more particularly described in Part I of Exhibit "A" (the "Lot 10 Parking Tract") as created by Redevelopment Parcel Map approved by the Agency and the City on October 10, 1989 and recorded in the official records of Santa Barbara County on October 20, 1989 as Redevelopment Map No. 20,512 in Book 44 of Parcel Maps at Page 44 through 47. City is the fee owner of certain real property noncontiguous to the Project Site and located in the City of Santa Barbara, County of Santa Barbara, State of California and more particularly described in Part II of Exhibit "A" ("Lot 2 Parking Tract") as created by Redevelopment Parcel Map 20,511 approved by the Agency and the City on September 26, 1989 and recorded in the official records of Santa Barbara County on October 10, 1989 at Book 44 of Parcel Maps at Pages 35 through 41. The Agency retains ownership of Parcel 2 of Redevelopment Map 20,511 which parcel is commonly known as the Lot No. 2 Parking Structure.

C. In furtherance of the DDA, Agency, City, the Developer, Broadway, and Nordstrom have entered into that certain Paseo Nuevo Parking Agreement dated as of November 1, 1987 (hereinafter the "Parking Agreement") which requires the Agency

and City to provide for the development, construction, operation and maintenance of parking facilities on the Lot 2 Parking Tract (hereinafter the "Lot 2 Parking Structure") and the Lot 10 Parking Tract (hereinafter the "Lot 10 Parking Structure" and collectively referred to as the "Paseo Nuevo Parking Facilities") in order to provide a total of not less than one thousand one hundred fifteen (1,115) parking spaces within a two block radius of the Project Site and to operate and maintain such spaces in a manner required by the Parking Covenants as defined herein.

D. The Agency, at its own expense, has acquired in fee simple and constructed the Lot No. 11 Parking Facility (Exhibit "B") containing approximately 178 spaces (short-term/retail) located within the 500 block of the east side of State Street (between Anacapa Street and State Street). The Lot No. 11 parking facility is to remain in Agency ownership both as to the real estate and the improvements thereon. The Agency has acquired and constructed the Lot No. 12 Parking Facility (Exhibit "C") (short-term/retail) containing 108 parking spaces in the 300 block of the west side of State Street (between State Street and Chapala Street). The Agency, at its own expense with funding assistance from the State of California, has acquired and constructed the Railroad Depot Lot, a surface parking lot containing 158 parking spaces at the Santa Barbara Railroad Station (209 State Street). The Railroad Depot Lots (Exhibit "D"), are to remain in Agency ownership both as to the real estate and the improvements thereon. The Agency, at its own expense has acquired and constructed the Granada Garage (short-term/retail), a parking structure containing 570 parking spaces located at 1221 Anacapa Street (Exhibit "E"). In addition, the Agency has acquired in fee simple and has constructed two long-term commuter (i.e., employee/monthly) surface parking lots in connection with the Agency's Transportation Management Program as mitigation of the possible traffic impacts resulting from the Agency's Central City Redevelopment Project Area Plan. These commuter parking lots will remain in Agency ownership both as to the real estate and the improvements thereon. They are located at the northwest corner of the intersection of Carrillo Street and Castillo Street containing approximately 138 spaces and the northwest corner of the intersection of Cota and Santa Barbara Streets containing approximately 219 spaces and hereinafter referred to as the TMP lots. Lot No. 11, Lot No. 12, the Railroad Depot Parking Lots, Granada Garage and the two TMP lots are collectively referred to as the "Agency Parking Facilities" and together with the Paseo Nuevo Parking Facilities are all collectively referred to as the "Parking Facilities."

E. California Health and Safety Code Section 33220 provides, in pertinent part, that it is appropriate for a City to enter into a contract with its redevelopment agency for the planning, undertaking, construction or operation of redevelopment projects, including the provision of public services to aid in the success of such projects.

NOW, THEREFORE, in consideration of the foregoing, and the covenants and agreements on the part of each party to the Parking Agreement, City and Agency now desire to set forth in detail the terms and conditions under which the Parking Facilities will be operated and maintained,

THEREFORE IT IS AGREED AS FOLLOWS:

ARTICLE 1

DEFINITIONS

As used in this Agreement, the following terms shall have the following meanings unless the context in which they are used clearly indicates otherwise:

1.1 Carpool Parking. A parking stall reserved for carpools comprised of employees of the Occupants of the Paseo Nuevo Center and registered with the City's Carpool Program Coordinator. (A Carpool shall consist of the use of a automobile by two or more employees of Occupants of the Paseo Nuevo Center for the purposes of commuting to their employment at the Paseo Nuevo Center in a manner consistent with Section A.7.c and A.7.d of the Planning Commission Conditions of Approval.)

1.2 Customer Parking. A parking stall reserved for persons whose primary purpose for parking is to patronize a retail business within the downtown business district of Santa Barbara.

1.3 Employee Parking. A parking stall in the Paseo Nuevo Parking Facilities reserved for employees of Occupants of the Paseo Nuevo Center whose primary purpose for parking is attendance at work in the Paseo Nuevo Center. Employee parkers shall include such other persons employed in the downtown as may be agreed among the City, Agency, Developer and Majors.

1.4 Paseo Nuevo Parking Facilities. The parking structures known as Parking Structure No. 2 and Parking Structure No. 10 and located respectively, on City Block 158 bounded by Chapala, Carrillo, State and Canon Perdido Streets and on City Block 210 bounded by State, Ortega, Anacapa and Cota Streets.

1.5 Terms Not Defined Herein. Those capitalized terms used herein and not otherwise defined herein shall be as defined in the Construction Operation and Reciprocal Easement Agreement for the Paseo Nuevo Shopping Center entered into between Agency, the Developer, Broadway and Nordstrom pursuant to the DDA and recorded in the official records of Santa Barbara County on February 24, 1989.

ARTICLE 2

**COVENANT TO OPERATE AND MAINTAIN
THE PASEO NUEVO PARKING FACILITIES**

2.1 Public Operation. City hereby covenants and agrees with Agency that City shall operate, maintain and replace (or cause the operation, maintenance and replacement of) Paseo Nuevo Parking Facilities in accordance with this Agreement and the Parking Agreement. In return for operation and maintenance, the City shall retain all revenues derived (whether directly or indirectly) from the operation of the Paseo Nuevo Parking Facilities. Except as provided in the Parking Agreement regarding maintenance or restoration, City shall at all times during the term of this agreement be required to

provide public automobile parking in an amount not less than eleven hundred fifteen (1,115) parking spaces within the Paseo Nuevo Parking Facilities (568 spaces in the Lot 2 Parking Structure and 547 spaces in the Lot 10 Parking Structure) or within a two block radius of the Shopping Center at an area permissible pursuant to Section 4.8 of the Parking Agreement.

2.2 Term. The duration of this agreement shall be for an initial term of one year from its execution date and shall be reviewed and amended as appropriate on an annual basis thereafter. If deemed appropriate by the City and Agency, it shall be renewed on an annual basis by the City and the Agency as part of the Agency's budget approval process.

2.3 Paseo Nuevo Parking Covenants. City operation and maintenance of the Paseo Nuevo Parking Facilities shall be subordinate to the grant of easement rights to the Developer, Broadway and Nordstrom contained within the Paseo Nuevo Lot 2 and Paseo Nuevo Lot 10 Public Parking Covenants, Conditions and Restrictions Agreements dated as of February 24, 1989 as recorded in the official records of Santa Barbara County (hereinafter the "Parking Covenants"). In the event of a conflict between the terms of this Agreement and the terms of the Parking Covenants, the provisions of the Parking Covenants shall be controlling.

2.4 Minimum Standards of Maintenance and Operation. At all times during the term of this Agreement, the Paseo Nuevo Parking Facilities shall be operated and maintained by City in good order, condition and repair in accordance with the standard of maintenance for parking garages or parking areas servicing first class, high quality, regional shopping centers located in Southern California.

Without limiting the generality of the foregoing, City shall operate and maintain the Paseo Nuevo Parking Facilities in accordance with the following maintenance specifications, which shall require City to perform, without limitation, the following obligations:

(a) Maintain the surfaces of the Paseo Nuevo Parking Facilities in a smooth and evenly covered condition with the type of surfacing material originally installed thereon, or such substitute as approved by Developer and each Major;

(b) Remove all paper, debris, filth and refuse and wash or thoroughly sweep the floor surfaces of the Paseo Nuevo Parking Facilities, and the portion of the elevators, stairways and escalators leading to and from the parking areas and the walkways and sidewalks within the Paseo Nuevo Parking Facilities as often as reasonably necessary;

(c) Maintain illumination at the following "minimum maintained" foot candles: 10 foot candles in parking decks and 25 foot candles in entrances;

(d) Clean lighting fixtures and relamp as necessary;

(e) Maintain (i) landscaping, if any, as necessary to keep it in a first class thriving condition, and (ii) slopes and grades within any landscaped areas in an

attractive condition, all in compliance with the Paseo Nuevo Parking Facilities Conditions of Approval;

(f) Maintain all signs in good and clean condition, including relamping and/or reballasting and/or repairing as may be required;

(g) Maintain all utility systems serving the Paseo Nuevo Parking Facilities;

(h) Clean, repair and maintain all decorative items and all benches, seats, drinking fountains and other improvements and conveniences installed for the benefit of users of the Paseo Nuevo Parking Facilities;

(i) Maintain all entrance, exit and directional signs, stripings, and markers in the Paseo Nuevo Parking Facilities in good condition and repair as shall be reasonably required;

(j) Maintain all areas clean and free from graffiti to the extent feasible;

(k) Maintain at least five hundred sixty-eight (568) parking spaces in the Lot 2 Parking Structure in such configurations as shown on the attached Lot 2 Parcel Map as Exhibit B, Part I;

(l) Maintain at least five hundred forty-seven (547) parking spaces in the Lot 10 Parking Structure in such configurations as shown on the attached Lot 10 Parcel Map as Exhibit B, Part II;

(m) Remove oil and other fluids from the surfaces of the Paseo Nuevo Parking Facilities on a periodic basis as reasonably necessary;

(n) Maintain the Paseo Nuevo Parking Facility elevators in good working condition by (i) checking the elevators daily, and (ii) contracting with a licensed elevator maintenance firm;

(o) Except as otherwise set forth above in this Section 2.4, comply with and operate the Lot 2 Structure in compliance with the Lot 2 Conditions of Approval; and

(p) Except as otherwise set forth above in this Section 2.4, comply with and operate the Lot 10 Parking Structure in compliance with the Lot 10 Conditions of Approval.

2.5 Parking Rate Structure. Unless a different rate structure is approved by Developer and each Major, the City covenants that the rate structure established for use of the Paseo Nuevo Parking Facilities shall not impose greater or lesser charges than the rate structure in effect from time to time in a majority of the other retail-oriented public parking lots operated by the City in order to (i) promote a nondiscriminatory rate structure for public parking facilities throughout the Santa Barbara downtown area, and (ii) maintain a rate structure not greater or lesser than the rate structure for publicly-operated parking garages or parking areas servicing retail shopping areas within the

downtown Santa Barbara retail area. All of the parking facilities, including the Paseo Nuevo lots, will be capable of accepting cash, check or credit cards.

2.6 Day to Day Operations.

2.6.1 Normal Hours of Operation. The Paseo Nuevo Parking Facilities shall be open and available for vehicular, bicycle and pedestrian use at all times that any of the Major's Stores and the Developer Mall Stores are open, but in any event (i) not earlier than 9:00 a.m. or thirty (30) minutes prior to the time the first Major's Store opens for business each morning, and (ii) at least forty-five (45) minutes after the close of business of the last Developer Mall Store and Major's Store (the "Retail Hours of Operation").

In any event, the Paseo Nuevo Parking Facilities shall be closed between 3:00 a.m. and 5:00 a.m. daily and all vehicles not removed there from prior to such time shall be subject to citation. The City may implement an enforcement policy with respect to overnight parking in the Paseo Nuevo Parking Facilities which allows no more than five percent (5%) of the spaces to be occupied by overnight parkers in order to allow intoxicated drivers to leave their vehicles. No vehicular access to the Paseo Nuevo Parking Facilities shall be allowed between 5:00 a.m. and the earlier of 9:00 a.m. or thirty (30) minutes prior to the time the first Major Store opens for business each morning, except for vehicles operated by persons entitled to use the Replacement Parking and Employee Parking spaces as provided in Section 3.2 hereof and except as otherwise provided for Early Morning Parkers in Section 3.3 hereof.

2.6.2 Staffing. One or more tollbooths shall be operated at each exit from the Paseo Nuevo Parking Facilities to a public street during all normal hours of operation of the Paseo Nuevo Parking Facilities. City shall adequately staff such tollbooths during the hours of operation of the Paseo Nuevo Parking Facilities in order to ensure the users thereof a minimum of delay in exiting there from.

2.6.3 Security. City shall employ adequate security personnel to patrol the Paseo Nuevo Parking Facilities and provide adequate security for safe use thereof by Occupants and Permittees of the Shopping Center and the general public. Routine security shall be maintained during all hours when the Paseo Nuevo Parking Facilities are open to public use and such other hours as are necessary and appropriate. City may fulfill the requirements of this Section 2.6.3 by causing the City Police Department to provide the security required herein.

Notwithstanding the above, the Operator of the Paseo Nuevo Center shall have the right to engage private security for the Paseo Nuevo Parking Facilities if it determines that the security provided by the City is inadequate, provided however the Operator of the Paseo Nuevo Center shall be solely responsible for the cost of such private security. City hereby grants a license to the Operator of the Paseo Nuevo Center, and its agents and employees, to enter onto the Paseo Nuevo Parking Facilities for purposes of providing additional security in accordance with this Section 2.6.3. The retention of private security by the Operator of the Paseo Nuevo Center shall not relieve City of its obligation to provide security for the Paseo Nuevo Parking Facilities as set forth herein.

2.6.4 Rules and Regulations. At least thirty (30) days prior to the Opening Date of the Paseo Nuevo Retail Center, City shall develop and circulate to Developer and each Major for approval rules and regulations for the Paseo Nuevo Parking Facilities ("Rules and Regulations") which shall incorporate pertinent operating information including, without limitation, the parking rate structure, the hours of operation and any and all regulations applicable to monthly parking passes (i.e. passes issued to Employee, Carpool and Replacement Parkers). The Rules and Regulations, including modifications thereto, shall be subject to the prior written approval of Developer and each Major (which consent shall not be unreasonably withheld or delayed) provided said Rules and Regulations are in conformance with the Parking Agreement and the Parking Covenants. To the extent possible, the Rules and Regulations for the Lot 2 Parking Structure shall be similar to the rules and regulations for the Lot 10 Parking Structure and (if applicable) the public operation of the Lot 1 Parking Structure.

2.6.5 Costs of Maintenance and Operation. The costs of the maintenance and operation of the Paseo Nuevo Parking Facilities, including without limitation, operating expenses, utilities, repairs, insurance, taxes (including any possessory interest taxes attributable thereto but imposed upon the Developer Tract, Macy's Tract or Nordstrom Tract), security services, replacement costs and any capital reserves, shall be borne solely by the City. In return, the City shall retain all revenue (whether direct or indirect) derived from its operation of the Paseo Nuevo Parking Facilities. Neither the Agency, the Developer, the Majors, nor any of the tenants of the mall stores shall bear any expense for the maintenance or operation of the Paseo Nuevo Parking Facilities, except as otherwise provided in the Parking Agreement.

The Agency hereby acknowledges that it has agreed to pay to the City a portion of the annual Parking and Business Improvement Area assessment (PBIA), imposed pursuant to Santa Barbara Municipal Code, Chapter 4.37, for the Paseo Nuevo Shopping Center, as described in Section 22.5 of the Construction and Reciprocal Easement Agreement (REA) between the Agency, the Developer and the Majors. Said portion of the annual PBIA assessment to be paid by the Agency has been determined for the year to be \$58,664.85. This amount is the difference between the maximum contribution (\$100,000) required to be paid by Paseo Nuevo Associates, a California limited partnership successor in interests to PNSC, L.P., a California limited partnership and Santa Barbara Associates (former operators of the Paseo Nuevo Shopping Center), and the total PBIA assessment due (\$158,664.85). This amount shall be offset against the benefits to the City of the operation, revenues, and eventual transfer of ownership to the City of both Parking Structures No. 2 and No. 10.

ARTICLE 3

PARKING PROGRAMS

3.1 Retail Customer Programs. The following parking programs shall be implemented in the Paseo Nuevo Parking Facilities by the City:

3.1.1 Free Parking. Each person entitled to use the Paseo Nuevo Parking Facilities shall receive seventy-five (75) minutes free parking per entry. If a

greater or lesser amount of free parking is offered at any other City-operated parking lot, the free period of parking available to each person entitled to use the Paseo Nuevo Parking Facilities may be increased or decreased, as necessary, to match the free parking period offered at such other municipally operated parking lots upon written request executed by each of the Developers, Macy's and Nordstrom.

3.1.2 Validation. At the request of the Developer or a Major, on or prior to the Proposed Opening Date of the Shopping Center, the City shall use its best efforts to establish a parking validation program reasonably acceptable to the Developer and each Major. In accordance with the Cooperation Agreement dated November 1, 1987 by and between City and Agency, at the request of the Developer or a Major, Agency shall use its best efforts to cause City to establish a nondiscriminatory parking validation program approved by the Developer and each Major and to make such validation program available to the Developer, each Major and other downtown retail businesses on a nondiscriminatory basis. The cost of validations given pursuant to such a validation program shall be borne by the validating party at not more than the then current rate applicable to the use of the Paseo Nuevo Parking Facilities (after the free parking period has elapsed).

3.2 Transportation Systems Management Plan.

3.2.1 Employee Parking Areas. City agrees that, pursuant to the Transportation Systems Management Plan for the Downtown Retail Revitalization Project (hereinafter the "TSMP") developed in connection with the Conditions of Approval, the Operator of the Paseo Nuevo Center shall have the right to (i) assign the use of the required and designated carpool spaces within the Paseo Nuevo Parking Facilities to employees of Occupants who qualify for such spaces, (ii) issue free monthly parking permits for the Paseo Nuevo Parking Facilities to eligible carpoolers, subject to payment by the Operator to the City of regular charges for monthly parking permits, which charges shall not exceed the regular rates charged for monthly employee parking permits in the Lot 2 Parking Structure, and (iii) designate not more than eighty-six (86) parking spaces in the Lot 2 Parking Structure and eighty-two (82) parking spaces in the Lot 10 Parking Structure for use by employees of Occupants.

3.2.2 Implementation of TSMP. City shall cooperate with the Operator of the Paseo Nuevo Center in order to implement the TSMP and shall (i) reserve not more than the number of spaces as may be required by the TSMP in the Lot 2 and Lot 10 Parking Structure for use by eligible carpools of employees of Occupants in such locations as may be approved by the Developer, Macy's and Nordstrom, (ii) cooperate with the Operator of the Paseo Nuevo Center in monitoring the use of the carpool spaces to ensure that users comply with the qualifications set forth in the TSMP, (iii) reserve not more than eighty-six (86) parking spaces in the Lot 2 Parking Structure for use by employees of Occupants, (iv) reserve not more than eighty-two (82) parking spaces in the Lot 10 Parking Structure for use by employees of Occupants, (v) permit employees of Occupants to park only in the designated employee spaces; and (vi) discourage the use of parking spaces in the Lot 2 and Lot 10 Parking Structures by the employees of Occupants other than the designated Employee Parking (as defined below) spaces so that not more than a total of One Hundred Sixty Eight (168) parking spaces in the two Parking Structures are used for Employee Parking. With the

concurrence of the Developer and the Majors, City/Agency may increase the number of employees allowed to park in the Parking Facilities during off-peak shopping seasons.

3.2.3 Lot 2 and Lot 10 Employee Parking Program. City acknowledges that the TSMP requires that up to two hundred eighty (280) parking spaces be provided for employees of Occupants ("Employee Parking") in one or more of the Lot 1 Parking Structure, Lot 2 Parking Structure, Lot 10 Parking Structure, or in City commuter lots or other remote public parking facilities. Agency has agreed to provide the Shopping Center with the necessary Employee Parking pursuant to the Parking Agreement. The City acknowledges that it is the policy and preference of Agency to place the Employee Parking in parking facilities other than the Lot 1 Parking Structure, Lot 2 Parking Structure and Lot 10 Parking Structure, but that Agency has the right to place not more than an aggregate of one hundred sixty-eight (168) parking spaces for Employee Parking in the Lot 2 Parking Structure and the Lot 10 Parking Structure provided, however, that the City may charge the holders of the Employee Parking passes sixty percent (60%) of the established City monthly rate for employee or monthly parking passes. In the event and to the extent such Employee Parking passes are issued, the Agency shall pay to the City, on an annual basis in connection with the renewal of this agreement, the difference between the amount charged the Employee Parkers for their parking passes and the rate generally charged by the City for monthly parking passes at its other municipally owned and operated parking facilities. In addition, in order to fully utilize Lot 10 Parking Structure, the City may offer a specified number of monthly parking permits for Lot 10 to non-Paseo Nuevo downtown employees at the regular rate.

3.2.4 Replacement Parking. The City further understands and acknowledges that the Agency has retained control of thirty-five (35) reserved parking spaces in the Lot 2 Parking Structure for owners of real properties partially acquired by Agency in connection with the acquisition of the Project Site in order to mitigate the possible severance damages to such owners caused by such acquisition (hereinafter referred to as the "Replacement Parking") which spaces may be used at no cost to the Agency or the holders of the Replacement Parking spaces. To the extent the Agency grants Replacement Parking spaces to adjacent property owners for the Lot 2 Structure, City will reduce the number of Employee Parking spaces in the Lot 2 Structure by a number equal to the number of Replacement Parking spaces provided.

3.3 Retail Use. City acknowledges that Developer and each Major have made or will make significant capital expenditures and have devoted or will devote substantial human and financial resources to construct, develop and operate the Improvements on the Shopping Center Tract in reliance on the availability of parking in the Paseo Nuevo Parking Facilities for use by Occupants and Permittees of the Shopping Center. City further acknowledges that the success of the Shopping Center and the Retail Revitalization Project contemplated by the DDA in downtown Santa Barbara is dependent on the availability and adequacy of parking in the Paseo Nuevo Parking Facilities for Occupants and Permittees of the Shopping Center. Accordingly, City acknowledges that it is the policy of City to discourage the use of the Paseo Nuevo Parking Facilities by persons who enter the Paseo Nuevo Parking Facilities during Pre-

Opening Hours and remain parked therein during Retail Hours of Operation after the expiration of any free parking period permitted pursuant to clause 3.3.2.(a), below.

3.3.1 Program Parameters. In order to implement the foregoing policy, the City has established the following restrictions with respect to use of the Paseo Nuevo Parking Facilities during Pre-Opening Hours of Operation:

(a) No person entering the Paseo Nuevo Parking Facilities during Pre-Opening Hours (hereinafter referred to as "Early Morning Parkers") shall be entitled to more than seventy-five (75) minutes free parking where the seventy-five (75) minutes is calculated from the time the Paseo Nuevo Parking Facilities are operated and manned by City employees each morning;

(b) Any validation program relating in whole or in part to the use of the Paseo Nuevo Parking Facilities during Pre-Opening Hours shall create a material and substantial disincentive to discourage Early Morning Parkers from remaining parked in the Paseo Nuevo Parking Facilities after the commencement of the Retail Hours of Operation;

(c) Not more than two hundred thirty (230) parking spaces (or if the Lot 1 Parking Structure is operated as a public parking structure in accordance with Article 3 of the Lot 1 Parking Covenants not more than one hundred sixty-two (162) parking spaces) shall be available to the Early Morning Parkers in the Lot 2 Parking Structure during Pre-Opening Hours. The remainder of the spaces in the Lot 2 Parking Structure shall not be open for use by the general public until the commencement of the Retail Hours of Operation. Any vehicles parked for the purposes of authorized Employee or Carpool Parking shall not be considered to be Early Morning Parkers for purposes of this limitation. Similarly, any vehicles parked in a space set aside as Replacement Parking shall not be considered to be Early Morning Parkers for the purposes of this limitation; and

(d) Not more than two hundred thirty (230) parking spaces (or if the Lot 1 Parking Structure is operated as a public parking structure in accordance with Article 3 of the Lot 1 Parking Covenants not more than one hundred sixty-two (162) parking spaces) shall be available to the users of the Lot 10 Parking Structure during Pre-Opening Hours. The remainder of the spaces in the Lot 10 Parking Structure shall not be open to use by members of the general public until the commencement of Retail Hours of Operation. Any vehicles parked for the purposes of authorized Employee or Carpool Parking shall not be considered to be Early Morning Parkers for purposes of this limitation. Similarly, any vehicles parked in a space set aside as Replacement Parking shall not be considered to be Early Morning Parkers for the purposes of this limitation.

3.4. Operational Changes.

3.4.1. Operations Advisory Committee. The City shall establish an Operations Advisory Committee (hereinafter the "Committee") at least comprised of the City's Streets, Parking and Transportation Operations Manager ("Manager"), a representative of staff to the City's Redevelopment Agency, a representative of the

owner or operator of Paseo Nuevo Center and a representative of each of the Major department stores in Paseo Nuevo with regard to the operation of the Paseo Nuevo Parking Facilities. To the extent required by law, the individual members of the Operations Advisory Committee, shall comply with all applicable financial disclosure requirements of the California Fair Campaign Practices Act and all meetings of the Operations Advisory Committee shall comply with the applicable requirements of the Ralph M. Brown Act.

3.4.2. Request for Changes. Any Committee member may submit to the Manager a request for a change to the early morning operational aspects of the Paseo Nuevo Parking Facilities, which request shall be in writing and shall specify the requested change and the reasons therefore.

3.4.3. Decision. Upon receipt of a request to change the operational aspects of the Early Morning Parking Program of the Paseo Nuevo Parking Facilities, the Manager shall immediately schedule a meeting of the Committee to approve or disapprove the request at the earliest practicable time, but in no event later than ten (10) days after the request is received. If additional information is needed to evaluate the request, the Manager shall have not more than ten (10) additional days to collect such information prior to the scheduled meeting date. Any decision of the Committee shall be by majority vote. If the decision of the Committee is capable of being implemented without action by the City Council (as determined by the applicable provisions of the California Vehicle Code), it shall be so implemented immediately by the Manager. If the decision of the Committee can only be implemented by action of the City Council, the Committee's recommendation shall be immediately transmitted to the City Council for its consideration at its next regularly scheduled meeting. The minority Committee members (if any) may elect to present their own report to the Council. The decision of the City Council shall be final.

The operational aspects of the Paseo Nuevo Parking Facilities shall be enforced as to the general public under the general police power of the City and the authority of the California Vehicle Code. Initially, the operational aspects shall be enforced pursuant to the requirements of City Resolution No. 88-167. In the event the Operations Advisory Committee determines that some aspect of City Resolution No. 88-167 should be amended, it may recommend such an amendment to the City Council pursuant to the provisions hereof.

ARTICLE 4

INSURANCE

4.1 Insurance. During the term of this Agreement, City shall maintain or cause to be maintained the following insurance policies covering the Paseo Nuevo Parking Facilities and the City's obligations hereunder:

4.1.1 Liability Insurance. City shall maintain or cause to be maintained a policy or policies of public liability and property damage insurance insuring against any loss, liability, damage and expense (including expense of legal defense) incurred or arising out of any death, personal injury or property damage suffered or alleged to be

suffered by any person or persons within the Paseo Nuevo Parking Facilities or on the Paseo Nuevo Parking Facilities' Tract. Such policy or policies shall include liability and property damage insurance covering any vehicles operated by the City or its employees in the operation of the Paseo Nuevo Parking Facilities. Such policy or policies shall also include contractual liability insurance covering the indemnification obligations of the City under Section 4.1.9 below and shall insure the other Parties to the Parking Agreement against any cost incurred in the legal defense of any such claim. The policy of liability insurance shall be kept in full force and effect during the term of the Parking Agreement in an initial combined single limit of not less than Five Million Dollars (\$5,000,000) per occurrence; provided, however, the liability limits of such policy shall be periodically reviewed by the Parties to the Parking Agreement for the purpose of mutually increasing the minimum limits of such insurance from time to time to amounts which may be reasonable and customary for parking garages or parking areas servicing first class, high quality, regional shopping centers located in Southern California.

4.1.2 Workers' Compensation Insurance. City, if City contracts for the operation of the Paseo Nuevo Parking Facilities, shall maintain or cause to be maintained, workers' compensation insurance issued by a responsible carrier authorized under the laws of the State of California to insure all persons employed by Agency in the operation and maintenance of the Paseo Nuevo Parking Facilities. Such insurance shall cover full liability for compensation under the Workers' Compensation Act, as amended from time to time, based upon death or bodily injury claims made by, for or on behalf of any person incurring or suffering injury or death in connection with work or employment on the Paseo Nuevo Parking Facilities' Tract.

4.1.3 Property Insurance. City shall carry or cause to be carried broad-form all risk property insurance in an amount equal to one hundred percent (100%) of the full insurable value of the Paseo Nuevo Parking Facilities, with a deductible not to exceed ten percent (10%) (provided there are no minimum deductibles imposed concurrently by the insurance policy itself) for any one loss that is less than the face amount of the policy, insuring against "all risks" (except loss or damage by war or nuclear incident) including, but not limited to, loss or damage by fire, flood (if flood insurance is available at commercially reasonable rates), earthquake, windstorm, cyclone, tornado, hail, lightning, explosion, riot, riot attending a strike, civil commotion, malicious mischief, vandalism, aircraft, vehicle, smoke damage, and sprinkler leakage. For purposes of this subsection, the term "full insurable value" shall mean the actual replacement cost (excluding the cost of excavation, foundations, and footings below the ground level and without deduction for depreciation) of the Paseo Nuevo Parking Facilities, as adjusted from time to time to reflect changes in the actual replacement costs less such deductibles as are reasonable and customary for insurance maintained on parking garages or parking areas servicing first class, high quality, regional shopping centers in Southern California.

4.1.4 Earthquake Insurance. The requirement in Section 4.1.3 above that City maintain or cause to be maintained an earthquake damage endorsement as part of the "all risk" casualty coverage described above shall not be required if such endorsement, or other appropriate form of earthquake damage insurance, is not available in "commercially reasonable amounts" and at "commercially reasonable

premiums." For purposes of this Section 4.1.4, earthquake damage insurance shall not be deemed to be available in commercially reasonable amounts unless City is able to obtain such insurance in amounts equal to one hundred percent (100%) of the full replacement cost of the Paseo Nuevo Parking Facilities, with a deductible not to exceed ten percent (10%) (provided there are no minimum deductibles imposed concurrently by the insurance policy itself) for any one loss that is less than the face amount of the policy. Earthquake damage insurance shall not be considered to be available at commercially reasonable premiums if the costs thereof would exceed Five Dollars (\$5.00) for each One Thousand Dollars (\$1,000) of replacement cost coverage. If, in accordance with this Section 4.1.4, earthquake insurance is not required to be obtained by City, any casualty resulting from earthquake damage shall be considered a peril not required to be insured against pursuant to the Parking Agreement.

4.1.5 General Provisions for Insurance. Each policy of insurance required to be maintained on the Paseo Nuevo Parking Facilities shall comply with the following requirements:

(a) Any liability insurance policy shall name each of the Parties to the Parking Agreement, and any mortgagee holding a mortgage on a Party's Tract as additional insureds.

(b) Each policy shall be issued by insurers of recognized financial responsibility. Such insurers shall be licensed or permitted to do business in the State of California.

(c) Upon request, City shall deliver certificates of insurance evidencing the liability insurance required to be maintained hereunder to each person named as an additional insured under such policy. The certificates of insurance shall specifically provide that the insurance may not be canceled or the amount of coverage reduced without at least thirty (30) days prior written notice to each of the Parties named as additional insureds.

(d) The insurance required to be maintained hereunder may be carried under a blanket insurance policy or policies covering other premises or properties and other insureds in addition to the Parties to the Parking Agreement; provided however, that any such policy or policies of blanket insurance shall specify therein, or supplemental written certification from the insurers under such policy shall specify, the amount of insurance allocated to the coverage to be provided in Sections 4.1.1 through 4.1.4, inclusive.

4.1.6 Self Insurance, Pooled Insurance. City may maintain any of the insurance required to be maintained by City under this Section 4.1 through a pooled self-insurance fund maintained by two or more public entities. City shall give thirty (30) days written notice to each of the Parties to the Parking Agreement of its intent to satisfy its insurance obligations under this Section 4.1 through such pooled self-insurance fund and City shall submit to each such Party with such notice evidence that the reserves established in the pooled self-insurance fund are sufficient to satisfy City's insurance obligations hereunder. During the period that City is satisfying its insurance obligations hereunder through such pooled self-insurance fund with respect to one or more of the

casualties required to be insured hereunder, the provisions of Section 4.1.5(a)-(d) hereof shall not apply with respect to such casualty. If City discontinues using the pooled self-insurance fund to satisfy its insurance obligations hereunder, City shall immediately give written notice of such action to the Parties to the Parking Agreement and shall immediately comply with all other requirements of this Section 4.1 with respect to the insurance required to be carried by City.

4.1.7 Failure to Maintain Insurance. If City fails or refuses to procure or maintain any insurance as required by this Article 4, Agency shall have the right, at its election but without obligation, and without notice, to procure and maintain such insurance. The premiums paid by Agency shall be reimbursed by City within fifteen (15) days after such Party's written demand therefore.

4.1.8 Disposition of Insurance Proceeds Resulting From Loss or Damage to the Paseo Nuevo Parking Facilities. All proceeds of insurance with respect to loss or damage to the Paseo Nuevo Parking Facilities received during the term of this Agreement shall be used by City for the repair, restoration or reconstruction of the Paseo Nuevo Parking Facilities in accordance with Article 6 of the Paseo Nuevo Parking Covenants. To the extent the proceeds exceed the cost of repair, restoration or reconstruction, the excess proceeds shall be payable to City. If the Paseo Nuevo Parking Facilities are not repaired, restored or reconstructed as provided herein or City is not required to use such proceeds to provide Relocated Parking in accordance with Article 8 of the Paseo Nuevo Parking Covenants, the insurance proceeds shall be applied first to pay any of City's monetary obligations to any Party to the Parking Agreement, second, to the expenses of clearing the Paseo Nuevo Parking Facilities Tract, and the remainder, if any, to City.

4.1.9 Indemnification. City covenants to defend, indemnify and hold harmless each Party to the Parking Agreement from and against all costs, expenses and liability (including reasonable attorneys' fees) incurred in connection with all claims, including any action or proceeding brought thereon, arising or resulting from death or personal injury, caused to any person, or damage to the property of any person, occurring in or about the Paseo Nuevo Parking Facilities except for claims arising out of the design or construction of the Paseo Nuevo Parking Facilities. A Party shall not be entitled to such indemnification for any loss incurred by such Party to the extent of its negligence or willful wrongdoing.

ARTICLE 5

AGENCY PARKING FACILITIES

5.1 Covenant to Operate and Maintain. The City hereby agrees to operate, maintain and repair and replace (as necessary) the Agency Parking Facilities in good order and condition during the term of this agreement. In return for the operation and maintenance of the Agency Parking Facilities, the City shall retain all revenues (whether direct or indirect) derived from its operation of the Agency Parking Facilities. In addition, the City shall have at its sole discretion, the right to permit or allow special events or uses as approved by the City Council or the City's Transportation and Parking Manager.

5.2 Commuter Shuttle Bus. The Agency, at its own expense, agrees to provide annual funding for the commuter shuttle bus, which provides transportation services to and from the commuter parking lots. The Agency and the City agree to review this funding commitment annually, based on the need and cost of such transportation services. The Agency agrees to provide \$300,000.00 for FY 2010 to the City for operation of the commuter shuttle bus services.

ARTICLE 6

MISCELLANEOUS

6.1 No Third Party Beneficiary. The provisions of this Parking Operations Agreement are for the exclusive benefit of the Parties to the Parking Agreement and their respective successors and assigns, and not for the benefit of any third person, including any occupant of the Shopping Center Tract, nor shall this Parking Operations Agreement be deemed to have conferred any rights, express or implied, upon any third person, except as expressly set forth to the contrary in this Parking Operations Agreement. In any event, it is expressly understood and agreed that no modification or amendment, in whole or in part, shall require any consent or approval on the part of any Occupant or Permittee other than a Party to the Parking Agreement.

6.2 Breach Shall Not Permit Termination. It is expressly agreed that a breach of this Parking Operations Agreement shall not entitle the Agency to cancel, rescind, or otherwise terminate this Parking Operations Agreement, but such termination shall not affect, in any manner, any other right or remedy which the Agency may have hereunder by reason of any breach of this Parking Operations Agreement.

6.3 Captions. The captions of the section and articles of this Parking Operations Agreement are for convenience only and shall not be considered nor referred to in resolving questions of interpretation and construction.

6.4 Governing Laws. This Parking Operations Agreement shall be construed in accordance with the laws of the State of California.

6.5 Not a Public Dedication. Nothing herein contained shall be deemed to be a gift or dedication of any portion of the Shopping Center or the Parking Facilities to the general public or for any public purpose whatsoever, it being the intention of the Parties hereto that this Parking Operations Agreement shall be strictly limited to and for the purposes herein expressed.

6.6 Time of Essence. Time is of the essence with respect to the performance of each of the covenants and agreements contained in this Parking Operations Agreement.

6.7 Notices. Any notice, demand, request, consent, approval, designation or other communication which any Party to the Parking Agreement is required or decides to give or make or communicate to any other Party shall be in writing and shall be given by personal delivery, or by United States registered or certified mail, return receipt

requested, postage prepaid, or by courier or express service guaranteeing overnight delivery, with a signed receipt in each case addressed, in the case of Developer to:

I&G Real Estate 3, LP
Macerich Management Company
651 Paseo Nuevo
Santa Barbara, CA 93101
Attn: Trey Lindle, General Manager

With copies to:

I&G Real Estate 3, LP
c/o JP Morgan Investment Management, Inc.
245 Park Avenue, 2nd Floor
New York, New York 10167
Attn: Ms. Andrea Pierce and Ms. Sheryl Crosland

and

Macerich Management Company
Agent for I&G Direct Real Estate 3, LP
401 Wilshire Blvd, Suite 700
Santa Monica, CA 90401

And addressed, in the case of Macy's to:

Macy's Southwest
c/o Macy's West Stores, Inc.
7 West Seventh Street
Cincinnati, OH 45202
Attention: Real Estate Department

with a further copy to:

Macy's Southwest
c/o Macy's West Stores, Inc.
50 O'Farrell Street
San Francisco, CA 94102
Attention: President-Regional Director of Stores

and addressed, in the case of Nordstrom to:

NORDSTROM, INC.
1700 Seventh Avenue, Suite 1000
Seattle, WA 98101
Attention: President

with a further copy to:

NORDSTROM, INC.
1700 Seventh Avenue, Suite 1000
Seattle, WA 98101
Attention: Vice-President/Store Planning

and addressed, in the case of Agency to:

REDEVELOPMENT AGENCY OF
THE CITY OF SANTA BARBARA
P. O. Box 1990
735 Anacapa Street
Santa Barbara, CA 93102-1990
Attention: Executive Director

and addressed, in the case of City as follows:

CITY OF SANTA BARBARA
City Hall
P. O. Box 1990
735 Anacapa Street
Santa Barbara, CA 93102-1990
Attention: City Attorney
and the Parking and Transportation Manager

subject to the right of each Party to designate a different or additional address by notice similarly given. Any notice, demand, request, consent, approval, designation, including any duplicate original, or other communication so sent shall be deemed to have been given, made or communicated, as the case may be, on the date the same was delivered personally or by the United States mail as registered or certified mail, with postage thereon fully prepaid.

This Parking Operations Agreement has been executed by the Parties as of the day and year first written above.

AGENCY:

ATTEST:
ASSISTANT AGENCY SECRETARY

By _____
Paul Casey

REDEVELOPMENT AGENCY OF
THE CITY OF SANTA BARBARA
EXECUTIVE DIRECTOR

By _____
James L. Armstrong

APPROVED AS TO FORM:
AGENCY COUNSEL

By _____
Sarah Knecht

CITY:

ATTEST:
CITY CLERK SERVICES MANAGER

By _____
Cyndi Rodriguez

CITY OF SANTA BARBARA
CITY ADMINISTRATOR

By _____
James L. Armstrong

APPROVED AS TO CONTENT:
PUBLIC WORKS DIRECTOR

By _____
Christine Andersen

APPROVED AS TO FORM:
CITY ATTORNEY

By _____
Stephen P. Wiley

EXHIBIT "A" - Part I

Lot 10

LEGAL DESCRIPTION

Being all of Parcels 1, 2, and 4 of Parcel Map No. 20,512, in the City of Santa Barbara, County of Santa Barbara, State of California as per Map filed in Book 44, Pages 44 through 47, inclusive, of Parcel Maps, in the office of the County Recorder of said County.

EXHIBIT "A" - Part II

Lot 2

LEGAL DESCRIPTION

Being all of Parcels 1 and 2 of Parcel Map No. 20,511 in the City of Santa Barbara, County of Santa Barbara, State of California as per Map filed in Book 44, Pages 44 through 47, inclusive, of Parcel Maps, in the office of the County Recorder of said County.