

ROSANNA, INC.

10/1/2025

City of Costa Mesa
Development Services
P.O. Box 1200
777 Fair Drive
Costa Mesa, CA 92628-1200

PROJECT NO. PA-16-50

SITE ADDRESS: 3350 Avenue of the Arts

RE: Letter of Explanation for Time Extension Request

Mr. Dan Inloes:

This letter serves as a formal request for a time extension of the current development entitlement based on the Amendment to Master Plan PA-16-50, approved on November 15, 2023. The subsequent zoning application ZA-22-08 was a request for a Major Amendment to the Plan to reduce the previously approved hotel floor area, modify the parking configuration, increase the building height by approximately five feet, reconfigure the previously approved rooftop terrace amenities, and revise the west elevation to relocate the rooftop "Club Lounge". The environmental determination (impact report No. 1054, SCH#20070111125) confirmed that these modifications involved no expansion of the entitled use and, in-fact, represented a de-intensification compared to the prior approval. Since that determination, we have worked diligently with City Building Officials and the Planning Department to prepare a permit-ready set of construction documents.

We respectfully request a three-year extension for this project, due to unforeseen economic circumstances outlined below:

1. High interest rates – To address inflation, the Federal Reserve began aggressive interest rate hikes starting in March 2022. While residential construction loans are currently being priced around 7%, commercial construction loan rates are significantly higher, with effective interest rates in the 11-12% range. Lenders demand higher returns due to the increased risk of construction loans, such as timelines slippage, cost overruns in materials and labor, and potential changes in market demand during a project.
2. Tariff Uncertainty – Recent tariff decisions from the White House have been inconsistent, with shifting categories, temporary pauses, and unclear long-term strategy. For construction, this means materials such as steel, glass,

and mechanical equipment sourced internationally can spike in cost without warning. This policy unpredictability not only raises upfront expenses but also increases lender concerns about budget overruns, feeding into the elevated effective rates already impacting commercial construction.

3. Supply chains, rising costs, and the job market – The pandemic left global supply chains tangled, and by 2022 the U.S. was still dealing with fewer available goods and higher prices. With strong demand (from consumer savings and stimulus funds) and constrained supply, the cost of goods spiked. Inflation hit 40-year highs in mid-2022 with annual consumer price growth around 9%. Unemployment was low, but many workers demanded higher wages to keep up with inflation.

Due to the factors outlined above, it is financially unfeasible to proceed with this project's construction at this time. We would be glad to discuss this request at your convenience, and we thank you in advance for your consideration. We remain committed to bringing this world-class luxury hotel to the Theater Arts skyline.

Sincerely,



Paul Sanford
Asset Manager | CEO
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