

MEMORANDUM

June 16, 2015

RE: Requested Additional Information Regarding Proposed Fee

Following submission of our Memorandum titled “Proposed Fee to Amend Bridgepointe Master Plan” dated March 24, 2015, SPI Holdings, LLC (“SPI”) was requested to provide specific rental comparison information supporting our projected market rent for recreational space at Bridgepointe Shopping Center, as well as demographic information for potential recreational uses. Accordingly, please find attached a Summary of Comparable Recreational Rents (“Comps”) and a discussion of those Comps. Also, attached are demographic statistics associated with various recreational uses. The Comp information attached is particularly pertinent since we would propose multiple businesses at the maximum possible rent from similar categories to meet the current master plan recreational requirement should the city decide to maintain the recreational requirement on site.

The city further requested that SPI provide a dimensioned floor plan showing the square footage of the former ice rink Premises. We have completed that plan and it is also attached, and shows the measured square footage of 24,775 square feet. This amount is within measurement error of the prior Tenant’s stated square footage of 25,062 square feet. It should be noted that the prior tenant did have a dispute with the original landlord, who had claimed the space was 27,078 sf. The prior tenant, which was the ice rink operator, had both an appraiser and attorney evaluate the Premises and argued successfully that the space comprised 25,062 square (see attached letter). Therefore, we will use this figure as the basis for our calculations.

As can be seen from a review of the attached Comps, they support a market rent of \$24/sf for recreational space, and in fact likely a higher rent. Using the methodology explained in the March 24, 2015 Memorandum, the value of 25,062 square feet of recreational space is $(\$30/\text{sf} - \$24/\text{sf}) \times 25,062 \text{ sf} / 5.75\% = \$2,615,165$. Therefore, we believe our proposed fee of \$3,000,000 to the City is well substantiated.

SUMMARY OF COMPARABLE RECREATIONAL RENTALS

Comp No.	Property Name and Location	Tenant Name	Lease Area (SF)	Lease Date	Lease Term	Base Rent	Tenant Improvements	Escalations	Comments
1	The Shops at Safeway 762 Sunnyvale Saratoga Rd Sunnyvale, CA	24 Hour Fitness	44,795	April 2010	15 Yrs	\$34.00	\$50 PSF	10% every 5 yrs	
2	The Orchards Ygnacio Valley Rd & Oak Rd Walnut Creek, CA	Crunch Fitness	26,500	June 2014	15 Yrs	\$36.00	\$50 PSF	10% every 5 yrs	Free Rent 1 - 3 Half rent mos 4 - 9
3	Grant Park Plaza Grant Rd & El Camino Real Mountain View, CA	LA Fitness	44,028	October 2012	15 Yrs	\$25.75	NONE	10% in yrs 6 and 11	1st 24 mos at Half Rent
4	Stanford Shopping Center Palo Alto, CA	Soul Cycle	3,000	Q1 2014	10 Yrs	\$36.00	\$10 PSF	15% every 5 yrs	Deal Structured as \$61/sf gross w/\$25 expenses = \$36 NNN
5	1528 S El Camino Real San Mateo, CA	Small Fry Dance Stuio	5,186	June 2014	n/a	\$24.00	n/a	n/a	Office Building 3.3/1,000 SF parking
6	1528 S El Camino Real San Mateo, CA	Bikram Hot Yoga	5,520	Dec 2013	n/a	\$18.00	n/a	n/a	Office Building 3.3/1,000 SF parking
7	Lamps Plus Plaza 7230 San Ramon Rd Dublin, CA	Rachel's Ballet	2,112	July 2014	3 Yrs	\$30.28	NONE	3% annually	Lease Renewal, 3% Increase over prio.
8	1080 Broadway Millbrae, CA	Grace Yoga	1,290	May 2014	3 Yrs	\$19.20	n/a	3% annually	Non-anchored retail w/ limited on-site parking.
9	7102 Village Parkway Dublin, CA	Ty West Martial Arts	1,394	June 2011	5 Yrs	\$23.24	NONE	3.5% annually (approx.)	parking ratio 1.33/1,000

Discussion of Comparable Rentals

The Comparable Rentals (Comps) range from \$18.00 NNN to \$36.00 NNN per square foot on an annual basis, and include uses ranging from fitness centers to dance and martial arts. In general, the higher value Comps are located within quality anchored shopping centers, similar to Bridgepointe, and the lower priced Comps are in non-anchored retail, or in two instances, an office building. For the better quality operators that would be complimentary tenants at Bridgepointe, the Subject's (i.e. Lot 5 of Bridgepointe Shopping Center) co-tenancy and abundant parking (4.5/1,000 SF) will positively influence pricing.

The low-end of the surveyed Comps include Comp #6 and Comp #8. Comp #6 is an office building with inferior parking compared to the Subject, as well as significantly inferior signage, and therefore upward adjustments are warranted compared to the Subject. Comp #8 is an unanchored retail strip building with a parking ratio of 1.33/1,000 and a significant upward adjustment is necessary to its \$19.20/sf rent.

Two of the fitness center Comps (#1 and #2) are in the \$30+ range. Comp #1 is a 44,795-square-foot 24-Hr Fitness center in Sunnyvale leased at \$34/sf. The tenant received a large TI allowance of \$50/sf and \$30/sf of that allowance would be considered excess TI. Amortizing the \$30/sf over the 15-year lease term at 7% results in an annual value of approximately \$3.25/sf and an equivalent downward adjustment is warranted. Therefore, for this Comp, the adjusted rental would be \$30.75/sf. Similarly, Comp #2 would be adjusted down from \$36/sf to \$32.75/sf for its \$50/sf TI.

Comp #3 is a 44,028-square-foot LA Fitness in Mountain View that was leased at \$25.75/sf. The Tenant paid only one-half of its rent for the first 2 years of the 15 year lease in lieu of receiving any TI allowance. Using a 7% discount rate, the present value of the discounted rate equals approximately \$24/sf, which is a reasonable estimate of a market TI allowance. Therefore, no adjustment is warranted. The location is similar in quality to the subject. This Comp is considered a good indicator for the subject's value, although an upward adjustment would be appropriate to account for the 2012 lease date as the market has strengthened since then.

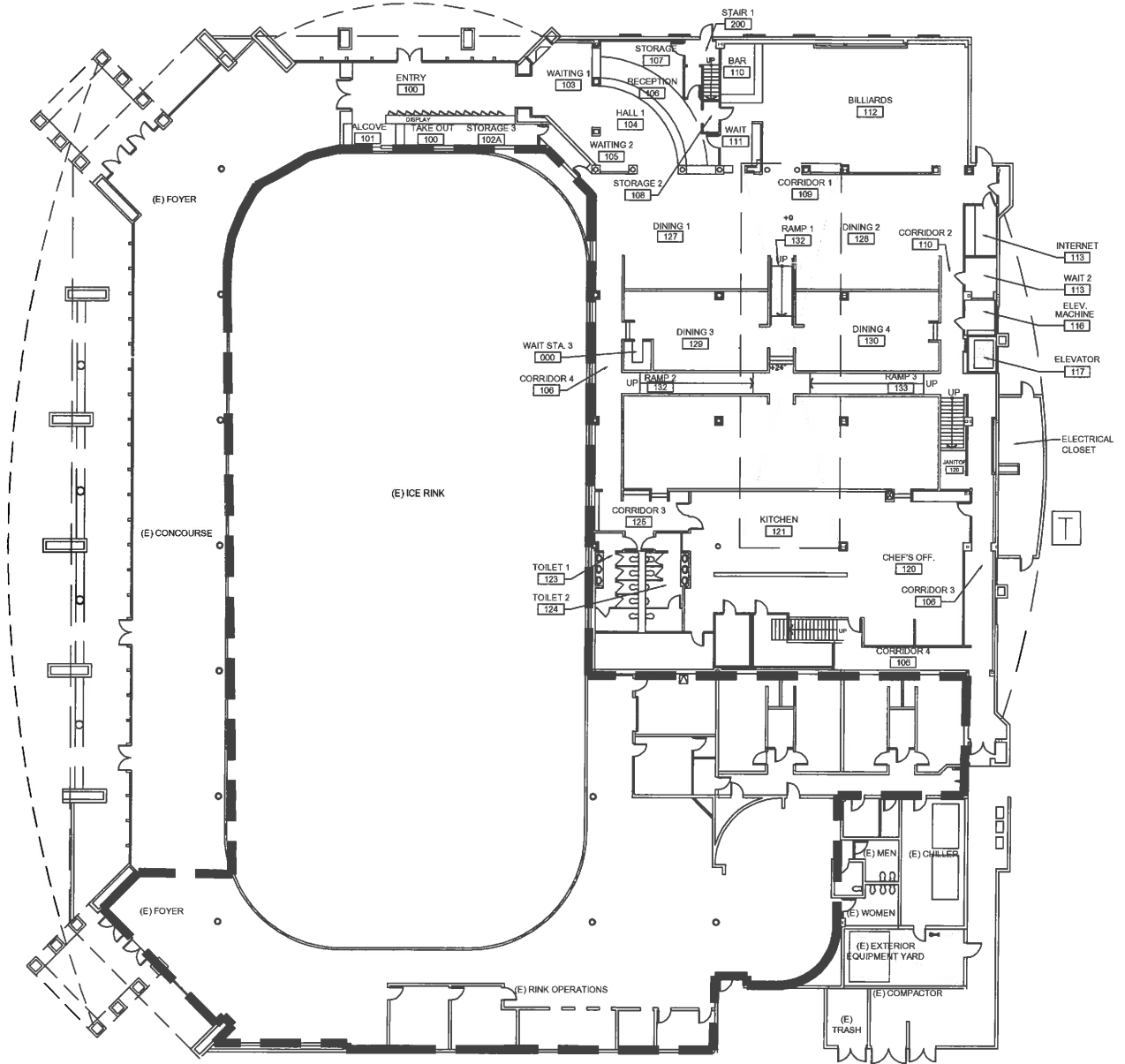
Comp #4 is a lease to Soul Cycle at Stanford Shopping Center at \$36/sf. As Stanford is regarded as a superior retail center compared to the Subject, a downward adjustment is warranted, although the magnitude is difficult to ascertain as the lease wasn't completely arm-length. Soul Cycle is owned by Equinox and board members also sit on the board of Simon, which owns Stanford Shopping Center. Further, the broker indicated Soul Cycle is confidentially negotiating another transaction in Santa Clara County at a much higher rent. We would adjust this rent to \$30/sf.

After adjustments, all of the Comps support our initial indicated value of rent for recreational tenants of \$24/sf, and in fact, likely support a value closer to \$28/sf - \$30/sf.

Bridgepoint – Rec Use Possibilities Research Stats

	Age Range	Gender	Reference
Specialty Fitness Facilities	Under 18 – 7% Ages 18-34 – 17% Ages 35-44 – 24% Ages 45-54 – 33% Ages 65 – 19%	72% Female 28% Male	http://www.idealife.com/fitness-library/2010-fitness-programs-equipment-trends
Yoga	Youth Stats: Ages 4-17 – 3.1% Adult Stats: Ages 18-34 – 40.6% Ages 35-54 – 41% Over 55 – 18.4%	72.2% Female 27.8% Male	http://www.statisticbrain.com/yoga-statistics/ http://yogadork.com/2015/03/10/more-kids-in-us-are-practicing-yoga/
Karate/Kung Fu	Ernie Reyes: 70% of students are under age of 18 Most common age 8-16 years Youth Stats: Ages 6-11 – 13% Teens – 25% Adult Stats: Ages 18-34 – 63% Ages 35-49 – 25% Over 50 – 11%	48% Female 52% Male	http://students.expression.edu/jasonmarvinjones/demographics/ http://www.bizjournals.com/phoenix/stories/2006/10/30/story15.html?page=all
Aerobics	Ages 15-24 – 13% Ages 25-54 – 54% Over 55 – 33%	83% Female 17% Male	http://www.bls.gov/spotlight/2008/sports/
Cycling Gym	Ages 18-24 – 15% Ages 25-34 – 19% Ages 35-44 – 24% Ages 45-54 – 20% Ages 55-64 – 14% Over 65 – 8%	34% Female 66% Male	http://www.bls.gov/spotlight/2008/sports/
Gymnastics	Youth Stats Under 5 - .1% Ages – 6-8 – 8.4%	76% Female 24% Male	https://usagym.org/PDFs/About%20USA%20Gymnastics/Statistics/MemShipStatCharts01Mar07.pdf

	Ages 9-10 – 25.3% Ages 11-12 – 30.4% Ages 13-14 – 20.8% Ages 15-16 – 9.8% Ages 17-18 – 4.3% Adult Stats Ages 18-30 – 11%		www.medialifemagazine.com/your-client-at-gymnastic-meets
Dance/Ballet	Under 15 – 28% Ages 15-25 – 56% Over 25 – 16%	73% Female 27% Male	http://www.bls.gov/spotlight/2008/sports/ http://www.koreshdance.org/pdf/CorporateSponsorPackages.pdf
Pilates	18-24 – 1% 25-34 – 13.1% 35-44 – 26.1 % 35-54 – 39.2% 55-64 – 14% Over 65 – 6	83% Female 17% Male	https://c.ymcdn.com/sites/iayt.site-ym.com/resource/resmgr/bibliographies-members/stats.pdf



RECREATIONAL FLOOR AREA: 24,775 SQ.FT.

ICE CENTER @ SAN MATEO
2202 Bridgepointe Pkwy.
San Mateo, CA 94404
650-574-1616



ICE CENTER @ CUPERTINO
10123 N. Wolfe Road
Cupertino, CA 95104
408-446-2906

P.O. Box 1433
Alameda, CA 94501
www.icecenter.net
650-574-1616

July 26, 2005

Via Express Mail

Patricia Sillix
Westlake Realty Group
520 S. El Camino Real 9th Floor
San Mateo CA 94402

Dear Patricia:

I have received your letter of July 19 requesting the calculation information for the CAM charges. Enclosed please find both a two page written explanation of each calculation along with the accompanying spreadsheets for 2002 actual, 2003 actual and 2004 budgeted. If you have the 2004 actual CAM analysis available, I would be happy to recalculate the 2004 budget numbers to arrive at the 2004 actual and include the 2005 budget analysis.

I'm available to go over the calculations in person if it would help. I prepared these documents with the supervision and approval of our attorney, Michael Brown, and I believe the documents that are enclosed spell out in detail how we arrived at each of the square footage numbers, which are the main focus of the dispute. I also have a copy of the information from the certified Real Property Appraiser we brought in to conduct a measurement of the facility.

If there is anything else I can help you with, please do not hesitate to call. My cell phone number is 510-604-8878.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Benesh". The signature is fluid and cursive, written over a white background.

Michael Benesh
Ice Center Enterprises LLC

April 27, 2005

Via Express Mail

Patricia Sillix
Westlake Realty Group
520 S. El Camino Real 9th Floor
San Mateo CA 94402

Dear Patricia:

I have received your letter of April 19, 2005 regarding the issues of Property Tax, Insurance and CAM charges. I have reviewed your information at great length with our legal council, and we brought in a certified Real Property Appraiser to provide corroborating measurements. There remain several outstanding issues that we would like to resolve in order to move forward.

1. CAM Charge Calculations

We dispute the calculations you have submitted for the following items: Building Expenses, Common Area, Property/Liability and Common Area Insurance. The calculation you have submitted has the total ICE square footage listed as 27,078, with 19,567 applying to Building Expenses, Common Area, Property/Liability. However, in Exhibit B of the Lease, the square footage is listed as 22,662. There is then the Amendment and Fully Restated Lease Amendment (Jan. 13, 1999), Section 4(i) which includes 2,400 square feet of additional space. Adding the 22,662 and 2,400 together sets the total square footage of the ICE space at 25,062 square feet.

The Appraiser we had conduct the measurements, which was done without his knowledge of what was included in the lease, came to a total square footage of 24,944 for the overall space, a difference of only 118 square feet, or less than ½ of 1% of the total. We have used the higher total, as set out in the Lease and Amendment and Fully Restated Lease Amendment calculated above.

With a total overall square footage of 25,062, the allowed reductions which we both have calculated reduce the square footage for the purposes of calculating the Building Expenses, Common Area, Property/Liability and Common Area Insurance to 15,685.5. The reductions that are included are ½ of the ice surface, which you have documented at 17,665 square feet (1/2 of which is 8,832 square feet) and the mechanical room, which totals 544 square feet, for a total reduction of 9,376.50. This leaves the total square footage for the purposes of calculating the Building Expenses, Common Area, Property/Liability and Common Area Insurance at 15,685.5 (25,062 less 9,376.50).

Consequently, we have been charged for 3881.5 square feet more than established by the Lease, as amended.

2. Premises Taxes & Insurance

We dispute the calculations you have submitted for the following items: Premises Taxes and Insurance. You have indicated that the Amendment and Fully Restated Lease Amendment (Jan. 13, 1999) allows the calculations of Premises Taxes and Insurance to use the overall square footage calculations for ICE without allowed reductions for ½ of the ice surface and the mechanical room. However, the Amendment and Fully Restated Lease Amendment only applies to Article 19 of the Lease, and does not amend Article 5 of the Lease that deals specifically with Premises Taxes and Insurance. Specifically, in Article 5C "In the event the premises and the underlying realty are not separately assessed, but are part of a larger parcel for assessment purposes (hereinafter referred to as the "larger parcel"), taxes and assessments levied and assessed upon the premises and the underlying realty shall mean a fractional portion of said taxes and assessments on the larger parcel (excluding taxes and assessments on any common areas thereon) the numerator of which shall be the total of one-half (1/2) of the total ice surface area, plus the entire area of supportive (off-ice) areas, but excluding the area of the mechanical rooms (including the ice equipment storage area) ...".

Therefore, based on the information provided by in Article 5C of the Lease for the purposes of calculating Premises Taxes and Insurance, the total ICE square footage for purposes of proration of Premises Taxes and Insurance must include the reduction of one-half (1/2) of the ice surface and the mechanical rooms. As previously calculated, the total square footage for the purposes of Premises Taxes and Insurance is 15,685.50 for ICE in proportion to the overall parcel square footage of 50,727.

I have provided spreadsheets for the years 2002 and 2003 actuals, and the 2004 budget, that include the revised calculations as noted above. We can calculate the 2004 actual and 2005 budget to bring this up to date as they are available.

The final results of these calculations, as of the end of the 2004 Budgeted spreadsheet, show a substantial credit. Once we calculate the 2004 actual and 2005 budget, we can get a total credit for these periods. Of course, these calculations do not include the years 2001, 2000 and the partial year of 1999.

If you have any questions, please do not hesitate to contact me. My cell phone number is 510-604-8878.

Michael Benesh
Ice Center Enterprises LLC

Enclosures