

Addendum - Harbor Terrace Development

By Red Tail Acquisitions, LLC, Highway West Vacations, LLC
& Redwood Construction, Inc.



Port San Luis Harbor District



RED TAIL ACQUISITIONS, LLC

COMMERCIAL REAL ESTATE INVESTMENTS

Mr. Steve McGrath, Harbor Manager
3950 Avila Beach Drive, Box 249
Avila Beach, CA 93424

September 16, 2015

RE: Harbor Terrace Addendum to Proposal Dated October 6, 2014

Dear Mr. McGrath,

Thank you for the opportunity to present an updated proposal for the Harbor Terrace Development at Avila Beach, CA. At your request, we are submitting our updated proposal in the form of an addendum.

Red Tail Acquisitions, LLC (RTA) recognizes that Harbor Terrace is truly a one-of-a-kind legacy project that deserves a committed team of highly creative & capable professionals who are experts at coastal development, RV/recreational campgrounds and complex hillside projects. Harbor Terrace is also a complex and highly technical project with significant environmental, political and community sensitivities.

The RTA team, together with affiliates Highway West Vacations & Redwood Construction as well as an unparalleled team of outside consultants, was carefully and intentionally assembled to solve these challenges in order to produce a project that the Port San Luis Harbor District, its stakeholders, and the public as a whole can be proud of.

The RTA team has reviewed numerous key documents in detail, a few of which include:

- The Harbor Terrace Final EIR & The Master Plan Final Impact Report
- The Notice of Final Action / Coastal Development Permit
- Several Soils/Geotech reports from firms such as Earth Systems Pacific & AGS,
- Numerous additional planning & engineering studies & related support documents
- The Exclusive Right to Negotiate (ERN)

We understand these documents and are comfortable that they will not preclude us from successfully completing the project. We are also ready to move quickly to expedite the development schedule.

We look forward to the opportunity to meet again to discuss Harbor Terrace, to answer any questions and to describe how RTA will meet and exceed the goals of the Port San Luis Harbor District, the Coastal Commission, the local jurisdictions and the community.

Sincerely,

Red Tail Acquisitions, LLC

Benton Ketel, Managing Partner

Red Tail Acquisitions, LLC

Tim Kihm, Project Manager, Harbor Terrace

**Addendum to Proposal Dated October 6, 2014
Red Tail Acquisitions, LLC
September 16, 2015**

The following Addendum with attachments represents a summary of changes from RTA's Harbor Terrace proposal dated October 6, 2014.

Section 1: Cover Letter: (No Changes)

Section 2: Executive Summary: (No Changes)

Section 3: Financial and Operational

- **Financial Capacity and Capability**

- i. Page 3-1 - Remove Kristen Panehal as an Officer of new "Harbor Terrace LLC" and replace with Michael Beckelhymer (25%)
- ii. Page 3-2 - Remove Kristen Panehal as an employee with Red Tail
- iii. Page 3-2 - Add Colin Toole as an employee with Highway West Vacations (See Attached Bio)
- iv. Page 3-2 - Add Craig Fritsinger as an employee with Redwood Construction

Proforma Assumptions:

- v. Page 3-9 – RTA agrees that the harbor lay down yard & 20 equipment storage units will be operated by the Harbor District, per their request.
- vi. Page 3-9 –RTA will not charge the Harbor District rent for building pad or expansion lot, per their request.
- vii. Page 3-9 - Boat Storage – We have agreed to turn the boat storage operation over to the Harbor District, per their request; however, the Harbor District may, at its discretion, turn it over to RTA in the future if desired.
- viii. Page 3-9 –RTA recognizes that there are sensitivities related to parking in this area and will work with the Harbor District in developing a Public Parking plan that considers the needs of the Harbor District, the Coastal Commission and the local businesses. RTA anticipates a component of paid

parking and can incorporate a validation system that benefits the Harbor Commission as well as local businesses.

- ix. Page 3-24 – We have continued to execute our expansion plans for Flying Flags RV Resort & Campground in Buellton, using, in part, some similar amenities that could be incorporated at Harbor Terrace. (see attached pictures)

- **Profile Criteria (No Changes)**
- **Red Tail Relevant Experience**
 - i. Highway West Vacations has added 3 new properties to its RV resort and campground portfolio. (See attached)

Section 4: Anticipated Development Schedule

- i. Page 4-1 - Updated Schedule (See attached)

Section 5: Proposed Development

- i. Page 5-3 – 25 Space laydown yard will be operated by the Harbor District per their request, not RTA.
- ii. Page 5-3 – 20 marine gear storage units be operated by the Harbor District per their request, not RTA.
- iii. Page 5-3 – 3,000 SF Pad for Harbor building will be compacted dirt and will be landscaped to avoid erosion. Utilities will be stubbed nearby. No rent will be charged to the District.
- iv. Page 5-4 – Visitor Serving Commercial Uses: We will incorporate uses based on community needs and market demand. These uses will be consistent with allowed uses in the EIR & Coastal Development Plan and consistent with our proposal. We will be sensitive to the community by utilizing local vendor and suppliers for items like food supply and recreational rentals. We anticipate providing 3 restaurants.

Section 6: Public Facilities

- i. Page 6-1 – Public Facilities – For clarification, the public will have access to many of the uses, such as picnic areas, commercial services and recreation facilities.
- ii. Page 6-1 – The 25 space laydown yard will be operated by the Harbor District per their request, not RTA.
- iii. Page 6-1 – The 20 marine gear storage units will be operated by the Harbor District per their request, not RTA.

Section 7: Proposed Agreement (No Changes)

Section 8: Certification Statement and Authorization - (No Changes)

Section 9: Appendix

- i. Added descriptions for 3 new Highway West Vacations' properties as well as additional photos for Flying Flags RV Park.



Colin Toole

Highway West Vacations, LLC
Director, Investments

Role with Harbor Terrace:
Asset Manager

Key Areas of Expertise:

- Hospitality real estate acquisition and development
- Budget and P&L Management
- Revenue Management
- Capital Project Management

Qualification & Skills:

- Manage a portfolio of 9 RV and “glamping” resorts located throughout the western United States accounting for more than 1,400 units and valuation in excess of \$45M.
- Review and approve operating budgets of existing assets and develop pro forma operating statements and investment analysis modeling for proposed acquisitions
- Play an integral role in guiding Highway West’s ongoing development in the areas of revenue management, reservation system development, customer relationship management and social media marketing.

Relevant Project Experience:

- Colin joined Highway West in January 2015 bringing nearly a decade of hospitality consulting, investment, acquisitions and development experience. Prior to joining highway west, Colin was director of new acquisitions and development at Stonebridge Companies, a privately held hotel owner, operator and developer with a portfolio of more than 55 hotels and 7,500 guest rooms. In his career, Colin has facilitated nearly \$1 billion in hospitality asset transactions. Colin will play a key role in value enhancement through revenue and profit optimization as asset manager. Colin is a graduate of Cornell University’s School of Hotel Administration in Ithaca, NY where he concentrated in Real Estate Finance.

Education:

BS Hotel Management from Cornell University

Shelter Cove Resort and Marina



Harbor Terrace Development – Port San Luis Harbor District

Silvercove RV Resort



Harbor Terrace Development – Port San Luis Harbor District

Alderwood RV Resort



Harbor Terrace Development – Port San Luis Harbor District

Flying Flags RV Resort



Harbor Terrace Development – Port San Luis Harbor District

Harbor Terrace Anticipated Development Schedule				
TASK	DURATION	START	FINISH	COMMENTS
Final EIR Approval (Harbor District = Lead Authority)				Approved
County Planning Commission Approval Coastal Development Permit (CDP)				Approved
Exclusive Right to Negotiate	1 Day	9/23/15	9/23/15	Board review and approval
Development and Lease agreement	90 days	9/24/15	12/23/15	Harbor District and developer negotiate final agreement
Establish Final Scope and Budget for Consultant Team	45 days	9/24/15	11/8/15	After signing ERN, Involve Harbor District, County, other stakeholders as needed
Develop Master Project Schedule	45 days	9/24/15	11/8/15	Involve Harbor District, County, other stakeholders as needed
Prepare Design Development Package	90 days	11/23/15	2/21/16	(Start at risk, before Lease signed if comfort level is high) Project Team/Harbor District: Site studies, opport & constraints anal, refine site design, prelim eng, Architecture & landscape concepts, elevations etc.
District Design Review 30%	30 days	2/23/16	3/23/16	Public Hearing(s)/Public Involvement
Processing/Approval of Design Development Package/Use Permit	90 days	3/24/16	6/22/16	
Grading & Infrastructure Improvement Plans - Design/Prepare Submittal Package	120 days	5/1/16	8/29/16	Start certain portions early (at risk, but after 1st set of comments) to save time and make CDP schedule. Grading, Streets, Utilities etc.
Architectural Construction Drawings	120 days	5/1/16	8/29/16	Concept completed work on construction drawings
Landscape Drawings	90 days	5/1/16	7/29/16	Final revisions in complete construction drawings
District Design Review 60%	15 days	7/1/16	7/15/16	staff review
District Final Approval of plans	15 days	8/29/16	9/13/16	Harbor has final approval rights
Approvals From HUD as Required	30 Days	9/14/16	10/14/16	Likely Required for RV Use
Process Infrastructure Improvement Plans (Plan Checking) for Signature	120 days	9/14/16	1/12/17	Submit to County SLO for permit
Receive Grading Permit	5 days	1/12/17	1/17/17	
Grading & Undergrounds	120 days	1/17/17	5/17/17	JC Baldwin onsite
Complete Site improvements	90 days	4/17/17	7/17/17	Build roads, pads, slabs, common area landscape improvements, slope stabilization, finish site-work
Plan Checking & Process Building Permits for Restrooms, Cottages (decks etc.) & Ancillary Structures	90 Days	8/29/16	11/28/16	Submit to county for permits for park models/cottages, (decks & landscaping etc.) Allows for Holiday slowdown on processing
Plan Checking & Process Building Permits for Commercial	150 Days	8/29/16	1/27/17	Commercial building, restrooms etc.
RV Camp related improvements & Landscaping	100 days	6/17/17	9/25/17	All Base RV site improvements, campground and amenities
Install Restrooms, Cottages (decks etc.) & Ancillary Structures & Landscaping	45 days	6/18/17	8/2/17	These structures go through the permitting process a little quicker than commercial buildings
Commercial Building Construction & Landscaping	120 Days	6/19/17	10/17/17	16,000 SF commercial building
Grand opening		11/15/17	11/15/17	Allow time to settle in and refine processes