



August 13, 2020

Poway Unified School District  
15250 Avenue of Sciences  
San Diego, CA 92128

**RE:** Counter-Offer Response for the Lease, Purchase or Exchange of School District Surplus Real Property located at NWC of Camino del Sur & Carmel Valley Ranch Rd., San Diego, CA containing approximately 27.22 acres (the “**Property**”)

Dear Poway Unified School District Board Members:

Costco appreciates the opportunity to submit a revised offer for the Property based on our continued negotiations. Costco is the third largest US retailer based on global sales and is #14 on the Fortune 500 list. Costco is also listed as #4 on the Forbes list of America’s Best Employers 2019. Providing our members outstanding service and convenience is an essential element for our success and we are committed to growing the number of our physical stores. We have approximately 327,000 members in the City of San Diego and over 90% of the households within 2 miles of this site are Costco members. We believe our modern lifestyle retail vision for the Property will provide a unique opportunity to serve the retail needs of the neighborhood and our approximately 41,000 members in the Black Mountain Ranch/ Torrey Highlands communities.

Our project proposes to integrate local, resident-serving businesses, restaurants, and multi-family residential units with a Costco Wholesale to provide a complementary set of uses and site amenities attractive to all members of the community. In the attached application, we have endeavored to create an economically feasible project for the Property, understanding what it takes to accomplish a project of this magnitude. Costco operates 785 locations in 12 countries (546 locations in the United States and 128 locations in California) and knows how to integrate our business into local communities and create successful projects. We have assembled an experienced team of professionals to help us accomplish this project for the Property.

Attached is a summary of key business terms we propose. If there are other key business terms that are important to the District, please let us know so we may consider them. We look forward to the opportunity to partner with you to refine our proposed project and accomplish our shared goal. If you have any questions or suggestions, please do not hesitate to call me directly or my local colleague, Jenifer Murillo ([jmurillo@costco.com](mailto:jmurillo@costco.com) or 714.978.5027).

Sincerely yours,

A handwritten signature in blue ink that reads "Dave Messner".

Dave Messner  
SVP of Real Estate  
COSTCO WHOLESALE

### COSTCO PROPOSAL

We propose to ground lease the Property on a NNN basis on the following general terms:

Base rent for a 40 year lease term, with two renewal options of 10 years each:

Initial Term:

Years 1-10	\$2,114,690	Annually
Years 11-20	\$2,431,894	Annually
Years 21-30	\$2,796,678	Annually
Years 31-40	\$3,216,179	Annually

Renewals:

Years 41-50	\$3,698,605	Annually
Years 51-60	\$4,253,396	Annually

**Rent & Term Commencement:** The lease will be effective upon signing, subject to termination if certain agreed upon contingencies are not satisfied or waived. In the event all contingencies are satisfied or waived, the Term will commence on the date the last contingency is satisfied or waived and the Rent Commencement Date will be 180 days after the satisfaction or waiver of the last contingency or when Costco opens for business, if sooner.

**Right of First Refusal:** Costco would receive a right of first refusal if the Poway Unified School District decides to sell the Property, after the District follows any applicable statutory authority for such sale, and otherwise complies with any third party existing rights of first refusal.

**Assignment or Subletting:** Costco may assign its rights in the Lease to an entity that will develop the Property in accordance with the Project Approvals or it may sublet a portion of the Property to others for development of the non-Costco components of the project.

### KEY TRANSACTION TERMS

**Contingency Timing:**

Feasibility= 180 days + 1 (30D) extension.

Deposit: \$150,000 refundable, which shall become non-refundable after successful conclusion of the Feasibility Period, and shall be applicable after Rent Commencement.

Project Approvals = 540 D after Feasibility + 2 (120D) extension

Construction Permits = 180 D after Project Approvals

**Project Approvals and Construction Permits:** Costco will pursue all zoning, entitlements, governmental approvals and permits, and the like, and the costs for such shall be incurred by Costco.

**Closing and Transaction Costs:** All closing and transaction costs will be in accordance with local practice and custom.