



November 11, 2016

Larry Gallegos
City of Oakland
Real Estate Services Department
250 Frank H. Ogawa Plaza
Oakland, CA 94612

RE: SWC of 73rd and Foothill, Vacant land owned by the City of Oakland

Dear Mr. Gallegos:

We are pleased to present you with this Letter of Intent to purchase the above referenced property. Portfolio Development Properties, LLC has been selected by Starbucks Coffee as the developer to purchase and develop the city owned property at 73rd and Foothill in Oakland. Our two companies have worked together on many build-to-suit projects and it is that relationship along with Portfolio Development's successful history of developing new retail in Oakland that made us the natural choice.

The Starbucks Core 2 Concept

Starbucks as a tenant obviously needs no introduction, however; what is unique about this Starbucks store is that it is a new urban concept which has been developed under the direction of company CEO Howard Schultz. Starbucks Core 2 stores are part of a push to support economic development and social change in diverse mid-income communities. All these Starbucks stores will include a dedicated classroom area where local nonprofits will conduct job-skills training classes for youth. This emphasis on community engagement and education is rare in corporate America and has been embraced in the cities it which it has opened. There will be a limited number of these company stores throughout the country and they will be held to the highest operational standards.

Please see the attached information on the Core 2 concept store as well as an article describing the new store opening in Ferguson MO.

The Developer

Portfolio Development Properties, LLC and our partner MZ Investments, an Oakland based real estate investment and development firm, are made up of an accomplished team of professionals with decades of commercial and retail development experience. The key to Portfolio Development's success is our established retail tenant relationships and strong knowledge of the markets we invest in. The Company has an excellent reputation for its high standards and delivering outstanding projects that exceed the expectations of both tenants and customers alike. Jeffrey Neustadt with over 30 years of retail development experience oversees all aspects of the development process with a strong team of professionals and consultants.

We are a self-funded development company and will not require any financing to purchase or develop the site.

Shops on Broadway – Sprouts Farmers Market

Portfolio Development Properties, LLC and MZ Investments are responsible for bringing Sprouts Farmers Market to its new home at 30th and Broadway. Back in 2012, prior to the adoption of the Broadway Valdez Plan, we worked with economic development to enlighten Sprouts as to the potential of the Oakland retail market. In 2013 we secured a commitment from Sprouts to open one of their first urban infill locations. In addition to Sprouts, we built 10,000 sq. ft. of small shops of which Starbucks is one of the new tenants along with Chipotle, Walgreens and Sleep Train. The Shops on Broadway opened earlier this year and have proven to be a huge success and a catalyst project which will be surrounded by new residential and retail projects in the coming years.

Development Plan for 73rd and Foothill:

Our plan is to develop a 3600 Sq. Ft. Core 2 Starbucks with a drive thru consistent with the plans provided to the City in this proposal. We plan on adding additional shop space adjacent to the Starbucks in the same or most likely in a separate building. The amount

of space we build will partially be dependent on the retailer activity we can generate during the development process. If necessary we will proceed with building only the Starbucks initially and the balance as demand dictates.

Business Points:

The Property: Approximately 1.2 Acre triangular parcel of undeveloped land, owned by the City of Oakland, located at the SW corner of 73rd Ave and Foothill

Exclusive Negotiation: Portfolio Development Properties LLC, or its assignee, (Buyer) shall be granted an exclusive right to negotiate with the city for the purchase and development of the Property.

Purchase Price: Fair Market Value to be determined by a new appraisal of the Property and agreed to by both buyer and seller. The purchase will be paid all cash at close of escrow.

Contingencies to Purchase: The following contingencies and inspections are subject to the Buyers approval and a condition of removal of contingencies.

- a. Physical inspection of the property including but not limited to, Phase 1 and if necessary, Phase 2 environmental reports including assessments of the of the soil and ground water and geo tech.
- b. Review of a Preliminary Title commitment and ALTA survey
- c. Buyer obtaining all governmental approvals to develop the property for its intended use.
- d. Renegotiation of the Mc Donald's use restrictions. (We have done multiple transactions with McDonalds and have a strong relationship with them.)

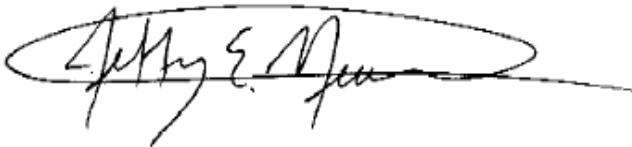
Development Timelines: The parties will agree to a development timeline with performance milestones for both the Buyer and the City. Said timeline shall be mutually agreed upon in the Purchase Agreement.

Close of Escrow: Close of Escrow shall be 15 days from receipt of Building Permits.

This letter does not constitute an offer, acceptance, or binding contract and is not intended as a final expression of any agreement of the parties. No contract, Purchase and Sale Agreement, written agreement, modification or amendment shall exist or be binding on either party unless expressed in a formal written Purchase and Sales Agreement that has been executed and delivered by both City and Buyer. Neither City nor Buyer may claim any legal rights against the other by reason of the signing of this proposal letter or by taking any action in reliance thereon.

We are very excited to be able to bring another new retail concept into Oakland and we look forward to working with you to make this a reality.

Sincerely Yours,

A handwritten signature in black ink, appearing to read "Jeffrey E. Neustadt", enclosed within a large, horizontal oval scribble.

Portfolio Development Properties, LLC

Jeffrey E. Neustadt

Managing Member

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