



June 21, 2021

Dear Tenant,

The purpose of this letter is to communicate to our tenants our plans for slip rate increases for the harbor.

In October 2018, Dana Point Harbor Partners began managing the marina and landside operations of the harbor. During that time, we have been working diligently on a development plan for all of Dana Point Harbor to completely revitalize the harbor and establish an iconic destination for generations to come.

At Bellwether, we have been focusing predominantly on the marina, the activities, and facilities that support it. Over the last few years, we have made great strides as it relates to management, entitlements, and soon to come, the actual reconstruction of the harbor.

1. A major accomplishment was unifying the management of the marina under self-management with the goal of bringing consistency to the harbor, elevating service, and positively impacting the boater experience. Over the last three years, we have spent millions of dollars on dock repairs, facility maintenance, gate repairs on the East, parking systems, and free Wi-Fi for boaters. We are also very pleased with our team's performance and commitment to providing boaters an excellent experience, specifically through the COVID crisis.
2. We have also nearly completed the entitlement process that had endured for decades. Although there was a lot of collaboration and conditions with the California Coastal Commission, throughout the process we were successful in preserving the marina layout that was authored, through extensive collaboration with the Dana Point Boaters Association. Now we are working on a shop drawing, so that we can pull construction permits.
3. We are in planning stage in order to move forward with a 19-phase marina construction project over 5 years, while still operating a fully occupied and engaged harbor. There are over a hundred items on our project schedule ranging from landside coordination to construction funding to management systems to project phasing to boater slip selections. We have been planning and preparing for years and now we are getting close to the start of the execution phase.

Since our involvement in the revitalization process, slip rates have always been a topic of discussion and a real concern for the Dana Point boater community. It is no secret that The Marina at Dana Point has been the best deal in the County, especially for the large vessels that it accommodates. The rates are severely low compared to the average of Orange County marinas, specifically for the large vessels when you factor in free utilities. When we took over operations, there were long waitlists for the larger slips, but we actually had vacancies in the slip categories under 30 feet. As of today, we have waitlists for every category and they are only growing. We even have a waitlist to sublease slips, which are up to 90% more in price than the listed slip rates.

Our team and the Dana Point Boaters Association both know that in our lease with the County, slip rates are to be at market. With ridiculously long wait lists and very little turnover, it begs the question of “what is market?” and “how do you get there?”

Although these questions have not been answered, our communication to the Dana Point Boaters Association regarding slip rates has been three-fold.

1. We would not raise rates until we needed to for the revitalization of the harbor.
2. When we determined our methodology for determining market rates, we would not be driven solely by what the market could bear.
3. Although rates will increase for all slip size categories, we believe on a relative basis that the small boaters in the harbor have been subsidizing the larger vessels, thus future slip rate increases will fall much more on the larger slip categories.

On point one, after three years of operation, the time has come in our revitalization plan to raise rates. To move forward with the revitalization of the harbor next year, it is important that we can demonstrate that the boater demand in Dana Point Harbor can support significantly higher rates without having a severe impact on occupancy. Thus, on October 1st, 2021, we are raising rates on all slip size categories. Although our rate plan has a much greater impact on the larger vessels, we understand it will have an impact on boaters of all slip categories. We realize that for some boaters, our rate increases will actually drive them to look at alternative facilities or boating options. We are hopeful that the advance notice will be helpful in that endeavor.

The following is our methodology on rates (attached to this letter is a chart outlining the new slips rates):

- Dana Point is an Orange County asset. We compare ourselves to other marinas in Orange County. We believe that the average rate of these facilities is a market rate.
- We believe that the harbor should be utilized to its potential. As this relates to slip rates, a market rate should promote a full marina.
- The fact that we want to maintain occupancy and do not have history of managing the harbor during a period of construction, we are not prepared to raise rates to the OC average. After the October 1st rate increase, all slip categories will be approximately 35% to 45% below the current Orange County average.
- For slips sizes under 30 feet. The rates are going up 26%. It is the nearly equal to as if the rates had been increased 6% annually since the last rate increase (four years ago). The monthly financial impact on a 25 ft. vessel is approximately \$90. If you like to fish, it is equivalent to purchasing one scoop of bait at our bait barge twice a month.
- The largest slip categories (55 ft. and 60 ft. vessels), the rate will be increasing 90% or over \$1,000 a month. We acknowledge that this is a tremendous increase, but it also needs to be acknowledged that most of these vessels are receiving free utilities ranging from a couple hundred dollars a month to over \$1,000 a month for some of the large multimillion dollar yachts.

Obviously, we are anticipating that initially we will receive a very negative reaction to the rate increase as no explanation or methodology no matter how thoughtful or justified will offset the sticker shock. What we do not know is how the rate increase will actually impact turnover. We will watch this very carefully. Earlier in the letter we said, "It is no secret that The Marina at Dana Point has been the best deal in the County". Even after the rate increase, from the perspective of the team that has managed most of the marinas in the County, the statement still seems to apply.

Sincerely,



Joe Ueberroth



Ralph Grippo

CC. Kelly Rinderknecht