

Alameda Point Partners, LLC
39 Forrest Street, Suite 201
Mill Valley, CA 94941

April 12, 2017

***Via Overnight Delivery and Electronic
Mail [jkeimach@alamedaca.gov]***

City of Alameda
Attn: City Manager
Alameda City Hall, Rm 320
2263 Santa Clara Avenue
Alameda, CA 94501

***Via Overnight Delivery and Electronic
Mail [jkern@alamedacityattorney.org]***

City of Alameda
Attn: City Attorney
Alameda City Hall, Rm 280
2263 Santa Clara Avenue
Alameda, CA 94501

***Re: Alameda Point – Site A Disposition and Development Agreement: Alameda
Point Partners Proposed Approach to Cure***

Dear City Manager and City Attorney:

Alameda Point Partners, LLC (“APP”) acknowledges receipt of the City of Alameda’s April 12, 2017 Notice of Default, pursuant to Section 17.4 of the DDA, due to its failure to meet the requirements necessary to accept conveyance of the Phase 1 Transfer Property by the required milestone date of April 11, 2017. This letter outlines APP’s proposed approach to cure the default within 30 days and complete the cure within the maximum 120-day cure period specified in Section 17.4(b) of the DDA.

As you are aware, APP worked diligently with City staff to address the conditions necessary to close escrow on Phase 1 of Site A on April 11, 2017 (the “Phase 1 Outside Closing Date”) pursuant to the DDA. Since January 17, 2017, APP and the City have made considerable progress toward land conveyance. The backbone infrastructure plans are permitted, priced, and the Final Map has been recorded. However, due to increased construction activity in the Bay Area and lack of competitive subcontractor bids for vertical construction (i.e., buildings), we continue to face significant challenges with rapidly rising construction costs. This directly impacts the value of the improved land for potential buyers of and investors in the townhome, commercial, and multi-family parcels. Consequently, in spite of our mutual efforts to value

engineer the infrastructure, we believe the Phase 1 infrastructure costs need to be allocated across a larger vertical development program to offset the higher construction costs.

Dramatically increasing construction costs have a double impact on the economic feasibility of the project: they both reduce the land value and the amount that builders are willing to pay to acquire sites and the rights to construct commercial space or residential units, while also increasing APP's costs to construct the required infrastructure and amenities required by the DDA. It is this combination that has prevented us from achieving the margins necessary to provide an acceptable financing plan and finalize due diligence with our capital partners and buyers pursuant to Article 3 of the DDA. As a result, we were not able to complete conveyance as of the Phase 1 Outside Closing Date.

We remain fully committed to delivering the City a quality project consistent with the design scope and details per the approved plans and move this project forward. To do so, APP proposes the following approach to cure the current default within the 120-day timeframe:

1. Obtain an approved amendment to the Development Plan that accelerates the Project's three-phase schedule and moves the residential uses from Block 1a, 1b and 3 to Block 15. The commercial program originally proposed on Block 15 will be moved to Blocks 1a, 1b and 3, maintaining the same amount of overall residential and commercial development. This approach preserves the scope and integrity of Site A infrastructure, while at the same time expediting its delivery as well as that of the vertical development necessary to mitigate the risk from construction cost increases. We also believe that this is the responsible approach given the anticipated environmental restrictions for residential development on the parcels south of West Atlantic.
2. Execute a \$30 million loan agreement with our capital investor and execute purchase and sale agreements with the buyers of Blocks 6 and 7, and allow sufficient time for the buyers of Blocks 6, 7 and 9 to complete their contracted due diligence by May 31, 2017. This will result in confirmed land purchase prices for these key blocks.
3. Obtain an approved amendment to the DDA, including related exhibits, such as the Infrastructure Package, Milestone Schedule and Phasing Plan, consistent with the amended Development Plan and that requires APP, upon approval of the amendment to the DDA, to pay a prorated annual share of an extension payment for the period between the current April 11, 2017 Phase I Outside Closing Date and the ultimate Phase 1 closing date, but no longer than the 120-day maximum cure period from the current April 11, 2017 (i.e., August 9, 2017). The payment amount to the City would be consistent with the \$50,000 per acre amount in Article 1.3(a) of the DDA and would be credited against APP's obligation to fund a portion of the Ferry

Terminal upon successful achievement of 50% of infrastructure completion less a non-refundable \$150,000 payment to reimburse the City for its unexpected and extraordinary transaction costs related to this delay and these amendments.

This proposed approach will allow us to stabilize margins and mitigate cost risk, and concurrently complete our financing plan and clear diligence with our capital partners.

APP has included a more detailed description of the proposed amendments as Exhibit 1 and a proposed schedule as Exhibit 2, attached hereto. The additional benefits of this proposal include:

1. Expediting a second phase of the waterfront park.
2. Completing West Tower Avenue and a major portion of the Main Street improvements, which directly benefit the Main Street Neighborhood and Adaptive Reuse District.
3. Accelerating the completion of Phase 2 of Site A beyond the current obligation in the DDA.

APP acknowledges it will be infeasible to complete the aforementioned approach necessary to cure its default related to the Phase I conveyance within the initial thirty (30) day period provided in Section 17.4(b) of the DDA. As such, our proposed cure requires the additional ninety (90) days (for a total of 120 days) contemplated by this Section of the DDA. APP acknowledges that this extended cure period would be conditioned upon APP's commencement of the cure within the 30-day period evidenced by: (1) submitting a complete application to the Community Development Department for an amendment to the approved Site A Development Plan and Development Agreement; (2) submitting a proposed amendment of the DDA, including any proposed revisions to all affected exhibits, to the City Attorney's Office; and (3) diligently pursuing approval of the amendment to the Site A Development Plan and the DDA amendment. Given the fact that we will be asking third party purchasers and lenders to continue their efforts within this time period, APP requests the City to confirm the extended time period provided in Section 17.4(b) is applicable to the proposed cure.

It is APP's hope that its continued dedication to the project - as evidenced by our considerable monetary investment and the thousands of hours we have invested with City staff, as well as our willingness to expend additional funds on a Project amendment that preserves the scope and accelerates the delivery of the Site A infrastructure and amenities - is sufficient to secure the extended cure period contemplated by the DDA.

City of Alameda
April 12, 2017
Page 4

Please do not hesitate to contact me with any questions regarding this matter.

Regards,


Bruce Dorfman

cc: Jennifer Ott, via electronic mail
Farimah Brown, via electronic mail
Andrico Penick, via electronic mail
Joe Ernst, via electronic email
Stephanie Hill, via electronic mail

EXHIBIT 1
SUMMARY OF DDA AMENDMENT TERM SHEET FOR ALAMEDA POINT DDA

Extension Payment:

- Current:
 - As outlined in DDA Section 1.3(a), the Developer shall have the right to extend the schedule based on paying an Extension Payment.
 - Each Extension Payment shall entitle a one year extension.
 - Any Extension Payments calculated pursuant to Section 1.3(a)(1), which occurs if less than fifty (50) percent of infrastructure package is complete, shall not be applicable to any Land Payment set forth in Section 2.2.
- Proposed:
 - The Developer proposes to pay a prorated payment of the approximately \$1,500,000 extension payment contemplated under Section 1.3(a)(1) upon the execution of a DDA amendment incorporating the revised Project description and schedule.
 - The Extension Payment shall be applied to the Ferry Terminal Payment upon completion of 50% of the Phase 1 infrastructure with the exception of a \$150,000 non-refundable payment to the City for transaction costs.

Re-Phase:

- Current:
 - The DDA contemplates the transfer and development of the Project pursuant to the Phase 1, Phase 2, and Phase 3 outlined in Exhibit C to the DDA.
- Proposed:
 - The Developer proposes flipping the sequencing of the land for Phase 2 and Phase 3. The current Phase 3 becomes the second sequential phase, and the current Phase 2 becomes the third sequential phase.
 - Due to environmental conditions south of West Atlantic, which constrain residential development in portions of Phases 1 and 2, the Developer proposes to re-design Block 15 in Phase 3 to accommodate the remaining one hundred and forty four (144) residential units. Phase 2 will be re-designed to incorporate a like amount of commercial lost in Phase 3.
 - The overall amount of commercial and residential development for Site A remains the same.

Moderate Income Housing:

- Current:
 - Per Recital C of the Affordable Housing Regulatory Agreement, “Seventy-two (72) of the Affordable Housing Units ... will be permanently restricted for occupancy by Moderate Income Households and will be, to the maximum extent

feasible, dispersed throughout the Residential Projects containing Market Rate Residential Units.”

- Proposed:
 - If amenable to the City, Alameda Unified School District and the community, the Developer proposes to develop a standalone teacher housing multi-family building with up to seventy (70) moderate units and to place two (2) moderate units in the Affordable Housing Site.
 - The building would be incorporated into the Block 15 re-design.

Sports Complex Payment

- Current:
 - Through the Closing for the City's transfer of the Phase 1 Property to the Developer, the Developer shall pay to the City Five Hundred Thousand Dollars (\$500,000) of the Sports Complex Payment, which with the Five Hundred Thousand Dollars (\$500,000) of the First Sports Complex Payment already being held by the Escrow Holder, will be released to the City on the Closing Date for a total payment to the City of One Million Dollars (\$1,000,000) of the Sports Complex Payment. The payment of the remaining Four Million Dollars (\$4,000,000) of the Sports Complex Payment owed pursuant to the Original DDA shall be deferred until the Certificate of Completion is issued for the Vertical Improvements on Block 11
- Proposed:
 - The Developer proposes deferring the remaining Four Million Dollars (\$4,000,000) of the Sports Complex Payment to the Phase 2 land conveyance.

Milestone Schedule:

- Current:
 - Phase 1
 - Land Conveyance: April 11, 2017
 - Infrastructure Completion: June 11, 2019
 - Vertical Completion: December 11, 2019
 - Current Phase 2
 - Land Conveyance: August 24, 2022
 - Infrastructure Completion: February 24, 2025
 - Vertical Completion: September 1, 2025
 - Current Phase 3
 - Land Conveyance: March 29, 2027
 - Infrastructure Completion: September 28, 2029
 - Vertical Completion: April 4, 2030

- Proposed:
 - Phase 1a
 - Land Conveyance August 9, 2017
 - Infrastructure Completion: December 11, 2019
 - Vertical Completion: June 30, 2021
 - Phase 1b
 - Land Conveyance: October 1, 2018
 - Infrastructure Completion: April 1, 2021
 - Vertical Completion: April 1, 2023
 - Phase II
 - Land Conveyance: March 29, 2023
 - Infrastructure Completion: September 28, 2025
 - Vertical Completion: April 4, 2027

EXHIBIT 2 SCHEDULE

- April 2017: Block 6 and 7 PSA Executed
- May 31, 2017: Block 6, 7, and 9 Purchasers clear due diligence
- May 31, 2017: UDR Infrastructure Loan – Executed
- June 30, 2017: Submittal of a Feasible Phase Plan Update for Phase 1
- **Planning Board**
 - May 22, 2017
 - Block 9
 - UDR to receive feedback on current design
 - Development Plan Re-Phase
 - APP to receive feedback on initial re-phasing
 - June 2017
- **City Council**
 - July 5, 2017: DDA Amendment – 1st Reading
 - July 19, 2017: DDA Amendment – 2nd Reading