

**PART I OF FINAL ANNUAL REPORT ON PERFORMANCE OF
OBLIGATIONS UNDER DEVELOPMENT AGREEMENT DA 89-1
(APRIL 5, 2018 - APRIL 4, 2019)
BY
THE HARBOR BAY BUSINESS PARK ASSOCIATION
AND
HARBOR BAY ISLE ASSOCIATES**

This Part I of the Final Annual Report documents the performance by Harbor Bay Isle Associates ("HBIA"), the Harbor Bay Business Park Association ("HBBPA"), and the owners of properties in the Harbor Bay Business Park (the "Harbor Bay Business Park Property Owners") in complying with the requirements of Development Agreement DA 89-1 during the first nine (9) months of the year from April 5, 2018 through April 4, 2019, namely the months of April through December 2018. HBIA, HBBPA and the Harbor Bay Business Park Property Owners are the current remaining Harbor Bay Entities as parties of the Development Agreement.

This Part I of the Final Annual Report is supplemented by an Addendum to the Final Annual Report labeled Part II that summarizes the performance and compliance of the Harbor Bay Entities on each section of the April 1989 Development Agreement through the 30 years of the term of the Development Agreement. Further, the Harbor Bay Entities will prepare and file at the beginning of April 2019 a Part III of the Final Annual Report that will document the performance of the remaining Harbor Bay Entities in complying with the requirements of Development Agreement DA 89-1 during the months of January through March 2019.

The Annual Reports presented to the City for the years from 1990 through April 4, 2013 were comprehensive summaries of the performance and compliance of the Harbor Bay Entities on each section of the April 1989 Development Agreement, including references to items that were completed in prior years. This Part I of the Final Annual Report, similar to the previous Annual Reports presented to the City for the years ending April 4, 2014 through April 4, 2018, focuses on the performance of HBIA, HBBPA, and the Harbor Bay Business Park Property

Part I of Final Annual Report to City re Performance of Harbor Bay Entities Under Development Agreement DA 89-1 for YE 4/04/2019

Owners in complying with the requirements of Development Agreement DA 89-1 specifically during the period of review, namely the nine (9) months of April through December 2018.

Section 2.1.2 – 2.1.4 Shoreline Park

HBIA completed the required dedication of all of the Phase III-A, most of Phase III-B, and all of Phase IV of the Shoreline Park to the City, and the construction and installation of landscaping, pathways and other public access improvements therein were completed in prior years in prior years. An area of 345 lineal feet in Phase III-B of the Shoreline Park (Parcel 4 of Parcel Map 6024 recorded on February 5, 1991) has not yet been dedicated by HBIA to the City.

In a meeting held on October 2, 2018, the Alameda City Council unanimously voted to authorize the Interim City Manager to proceed with acquisition of Parcel 4 of Parcel Map 6024 for open space and park purposes in its current condition at no cost to the City. After receipt of a letter from the Interim City Manager to HBIA, HBIA's attorney has prepared and presented to the City Attorneys drafts of a Grant Deed for the dedication of Parcel 4 of Parcel Map 6024 to the City and has met with the City Attorneys to finalize the form and content of the Grant Deed. HBIA is ready to execute the Grant Deed for the planned dedication, and HBIA represents in this Part I of the Final Annual Report that the required dedication of this remaining piece of the Shoreline Park along the Bay edge of the Harbor Bay Business Park will be completed by the end of March 2019. Meanwhile, this parcel contains temporary bicycle paths and pedestrian paths and landscaping, and during the nine months period under review for this Part I of the Final Annual Report, these temporary public access improvements have been maintained by subcontractors managed by HBBPA along with maintenance of the landscaping and other public access improvements in Phases III-A and III-B of the Shoreline Park under a Landscape Maintenance and Management Contract with the City's Island City Landscaping and Lighting District 84-2 (Zone 5), with all this work funded 50 percent (50%) by the Harbor Bay Business Park Property Owners through a special assessment levied on the Business Park parcels located within the City's Island City Landscaping and Lighting District 84-2 (Zone 5), and the other 50 percent of

the costs were borne by the City from sources other than HBIA or the Business Park properties per Sections 2.1.2 and 2.1.3 of the Development Agreement.

Section 2.7 Alameda Harbor Bay Ferry Terminal.

During the nine months of April through December 2018 under review in this Part I of the Final Annual Report, HBBPA continued to arrange for and manage maintenance of landscaping, the parking lot, and public convenience facilities at the Harbor Bay Ferry Terminal on behalf of the City pursuant to an Operation, Maintenance and Management Agreement for the Harbor Bay Ferry Terminal with the City, including fulfilling the requirements of the Mitigations Monitoring Program related to the land-based portions of the Harbor Bay Ferry Terminal. Also, during the nine months of April through December 2018, HBBPA continued to contribute a private maritime subsidy to the operational budget of the San Francisco Ferry Service provided by WETA through special assessments collected from the Harbor Bay Business Park Property Owners calculated on occupied square footage of existing buildings in the Business Park.

3.2 Support of Public Transit

During the nine months of April through December 2018 under review in this Part I of the Final Annual Report, HBBPA has continued to operate its private shuttle bus program that provides bus transport service connecting the Business Park properties with public transit stations at BART and with the Harbor Bay Ferry Terminal during morning and afternoon rush hours. This service is provided free to passengers and is funded out of the assessment dues paid to HBBPA by the Harbor Bay Business Park Property Owners. This transport service is part of the Harbor Bay Business Park's traffic mitigation – TSM program which is managed on behalf of the Harbor Bay Business Park Property Owners by HBBPA and is provided by the Association's transportation contractor ALTRANS.

4.2 & 4.3 Compliance with Development Standards for Density, Maximum Height and Size

There were no development projects or construction work undertaken in the Harbor Bay Business Park within the nine months of April through December 2018 which exceeded the permitted density or level of intensity or permitted maximum height and size of structures as set forth in Exhibit "D" of the Development Agreement.

5.3 Cooperation in Securing Government Permits

During the nine months of April through December 2018 under review in this Part I of the Final Annual Report, the City staff have been cooperative with the Harbor Bay Property Owners in processing Final Development Plans/Design Review applications and applications for permits for construction of new improvements and for renovations of older buildings in the Business Park.

6.1 Annual Review

HBIA and HBBPA jointly filed with the City the required Annual Report for the prior year ending April 4, 2018 for review by City staff and the Planning Board. On May 14, 2018, the Planning Board held a public hearing and examined the Annual Report and staff recommendations and then passed Planning Board Resolution No. PB-18-07 finding that the Harbor Bay Entities had complied with the terms and conditions of the Development Agreement DA 89-1 through the April 4, 2018 review period.

SUMMARY CONCLUSION

During the nine months of April through December 2018 under review in this Part I of the Final Annual Report, as detailed in the above sections of this Part I of the Final Annual Report, Harbor Bay Isle Associates, the Harbor Bay Business Park Association, and the Harbor Bay Business Park Property Owners have continued to fulfill their obligations and to conduct development and property management activities in compliance with the applicable terms and conditions of the April 1989 Development Agreement, and the City has been cooperative in

processing applications for proposed construction and improvements in the Business Park and in administering landscape maintenance management contracts with the Harbor Bay Business Park Association.

Respectfully submitted,

DANIEL F. REIDY

Representative of the Harbor Bay Business Park Association and HBIA

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This Part II of Final Annual Report summarizes the performance and compliance of the Harbor Bay Entities on each section of the April 1989 Development Agreement DA 89-1 ("Development Agreement" herein) through the 30 years of the term of the Development Agreement.

The original Harbor Bay Entities were Harbor Bay Village Four Associates ("HBV4A" herein), Harbor Bay Village Five Associates ("HBV5A" herein) and Harbor Bay Isle Associates ("HBIA" herein). HBV4A completed all of its development activities in the neighborhoods of Village Four close to the schedule shown on Exhibit N of the Development Agreement and then dissolved as a partnership entity, so HBV4 is not included as a reporting entity in this Part II of the Final Annual Report. On September 28, 2001, HBIA and HBV5 merged, with the combined entity keeping the name Harbor Bay Isle Associates ("HBIA"). HBV5's interests in then-undeveloped lots in three of the four neighborhoods of Village Five, namely Tracts 6118, 6147, 6198 and 6111, were transferred on October 31, 1994 to Greystone Homes, Inc., and HBV5's rights and obligations under the Development Agreement for these Tracts were assigned to Greystone Homes. On April 15, 1996, HBV5's interests in Tract 6226 ("The Headlands") were transferred to Shea Homes, and HBV5's rights and obligations under the Development Agreement for Tract 6226 have been assigned to Shea Homes.

Most of the parcels in the Harbor Bay Business Park originally owned by HBIA were acquired by other persons or entities that are successor "Property Owners" under the Development Agreement. Beginning with the year ending in April of 2004, the Harbor Bay Business Park Association has taken the lead on preparing the Annual Reports on compliance with obligations under the Development Agreement and filing them with the City on behalf of

the Harbor Bay Business Park Property Owners along with HBIA. The current “Harbor Bay Entities” are HBIA, the Harbor Bay Business Park Association (“HBBPA”) and the Harbor Bay Business Park Property Owners.

Below are the Sections of the Development Agreement that contain duties and obligations of the Harbor Bay Entities and a summary of the actions taken by the Harbor Bay Entities to comply with such duties and obligations.

2.1.2 Phase III-A Portion of Shoreline Park

Prior to the effective date of the Development Agreement, by a Grant Deed recorded on March 10, 1987, HBIA dedicated to the City the land described as a portion of Parcel 3, Parcel Map No. 4497, and that is sized approximately 4.612 acres, for public access and public recreation uses and for the construction and maintenance of recreation facilities. This land is identified as Phase III-A of the Shoreline Park in the text of Development Agreement and is shown as Phase III-A of the Shoreline Park on Exhibit E of the Development Agreement. Upon completion of the installation of the landscaping and public access improvements in the Phase III-A portion of the Shoreline Park, HBIA arranged for HBBPA to take over the maintenance of the landscaping and public access improvements in the Phase III-A portion of the Shoreline Park through a Landscaping Maintenance and Management Contract with the City’s Island City Landscape and Lighting District 84-2 (Zone 5), with the work funded fifty percent (50%) by the Harbor Bay Business Park Property Owners through a special assessment levied on the Business Park parcels, and the other 50 percent of the costs borne by the City from sources other than HBIA or the Business Park properties as provided in Section 2.1.2 of the Development Agreement.

2.1.3 Phase III-B Portion of Shoreline Park

By a Grant Deed recorded on February 25, 1991, HBIA dedicated to the City the land described as Parcel 2 of Parcel Map 6024 filed February 5, 1991. On the Parcel Map, this parcel

of land is sized approximately 3.4433 acres and stretches out to the Harbor Bay Ferry Terminal. This land is identified as Phase III-B of the Shoreline Park in the text of the Development Agreement and is shown as Phase III-B of the Shoreline Park on Exhibit E of the Development Agreement. Upon completion of the installation of the landscaping and public access improvements in the Phase III-B portion of the Shoreline Park, HBBPA took over the maintenance of the landscaping and public access improvements in the Phase III-B portion of the Shoreline Park through a Landscaping Maintenance and Management Contract with the City's Island City Landscape and Lighting District 84-2 (Zone 5), with the work funded fifty percent (50%) by the Harbor Bay Business Park Property Owners through a special assessment levied on the Business Park parcels, and the other 50 percent of the costs borne by the City from sources other than HBIA or the Business Park properties as provided in Section 2.1.3 of the Development Agreement.

An area of 345 lineal feet extending from the boundary of the Phase III-A portion of the Shoreline Park and shown as a box on the edge of Phase III-B of the Shoreline Park on Exhibit E of the Development Agreement. This area is described as Parcel 4 of Parcel Map 6024 and has not yet been dedicated by HBIA to the City. Its status and schedule for dedication are explained in Part I of the Final Annual Report. The temporary landscaping and pathways installed in this area when the adjacent portion of Harbor Bay Parkway was constructed in approximately 1991 have since been maintained by HBBPA through a Landscaping Maintenance and Management Contract with the City's Island City Landscape and Lighting District 84-2 (Zone 5), with the work funded fifty percent (50%) by the Harbor Bay Business Park Property Owners through a special assessment levied on the Business Park parcels, and the other 50 percent of the costs borne by the City from sources other than HBIA or the Business Park properties.

2.1.4 Phase IV Portion of Shoreline Park

By a Grant Deed recorded on February 25, 1991, Harbor Bay Village Five Associates ("HBV5A") dedicated to the City the land described as Parcels 1 and 2 of Parcel Map 6012 filed February 14, 1991. On Parcel Map 6012, Parcel 1 is sized approximately 2.8855 acres and

extends along Adelpian Way in Village Five beyond the terminus of Mecartney Road. On Parcel Map 6012, Parcel 2 is sized approximately 0.4252 acres and extends along the Bay edge of the Ferry Terminal. These parcels are identified as Phase IV of the Shoreline Park in the text of the Development Agreement and together are shown as Phase IV of the Shoreline Park on Exhibit E of the Development Agreement. Landscaping and public access improvements were installed in the Phase IV Portion of the Shoreline Park, using the Park Improvement Fund described in Paragraph 2.3 of the Development Agreement. The City provides ongoing maintenance of the landscaping and public access improvements in Phase IV of the Shoreline Park along Village 5.

2.2 Interior Park Land

HBIA dedicated by Grant Deed to the City Parcel 2 of Parcel Map 5612 sized approximately 4.0 acres that is described as the Interior Park Land on Exhibit F of the Development Agreement. This parcel is located in Village Four of Harbor Bay Isle and is bounded by Auginbaugh Way near its intersection with Bridgeway Road and is adjacent to Bay Farm Island public elementary school. The public park improvements were installed using the Park Improvement Fund described in Paragraph 2.3 of the Development Agreement, and this interior park known as Tillman Park has been operated by the City as a public park continuously thereafter. There are no responsibilities remaining on the Harbor Bay Entities under the Development Agreement with respect to the Interior Park Land provisions of the Development Agreement.

2.3 Park Improvement Fund

In 1989, the City established the Park Improvement Fund and deposited into it prepaid Dwelling Unit Taxes of \$900 per unit that had been collected on houses already built in the residential Villages of Harbor Bay Isle. In the early years of the 30 year term of the Development Agreement, the capital improvements for the planned public parks were fully funded from the Park Improvement Fund as planned, and contingency reserves were transferred to other Shoreline

Park projects and for fire fighting equipment for the fire station in Village Five. There are no responsibilities remaining on the Harbor Bay Entities under the Development Agreement with respect to funding capital improvements in the public park areas of Harbor Bay Isle.

2.4 Interior Public School Site

As required under Section 2.4.1 and Section 3.1 of the Development Agreement, HBIA and HBV5A worked with the City to establish a Mello-Roos Community Facilities District to collect funds assessed on residential parcels located within Village Five. In compliance with the procedures laid out in Section 2.4.3 of the Development Agreement, HBIA transferred by Grant Deed Parcel 1 of Parcel Map 5612 sized approximately 8.0 acres to the City, and subsequently the City conveyed title to this land identified as the Interior School Site to the Alameda Unified School District. \$2,340,000 in funds from the Mello-Roos Community Facilities District were allocated to the acquisition of the Interior School Site, as listed on Exhibit “C” of the Development Agreement. Shortly after acquisition of the Interior School Site, the Alameda Unified School District constructed the Bay Farm Island School building and grounds on the Interior Public School Site, using the residential development school impact fees for all the remaining homes to be built in Village Five which were pre-paid out of the Mello-Roos Community Facilities District funds to cover the costs of the construction of the new public elementary school. After completion of construction, the Bay Farm Island elementary public school has been in full operation down to the present time.

HBIA for itself and its successor owners of parcels in the Business Park has already satisfied any and all requirements for commercial or industrial development school impact fees through consideration delivered under a 1989 Settlement Agreement with the Alameda Unified School District. By transfer of the land and payment of the developer fees described above, the Harbor Bay Entities have satisfied all requirements for school facilities under the Development Agreement.

2.5 Lagoons

A. Overview. In 1994, the Harbor Bay Entities entered into a comprehensive Lagoon Operations and Maintenance Agreement with the City, the Bay Farm Island Reclamation District, and the Community of Harbor Bay Isle Owners Association ("1994 Lagoons O&M Agreement"), which outlined the process for completion of the construction of the lagoons' structure (especially the side curb walls and bottom contours), the turn-over to the City of ownership and maintenance responsibilities of the operational equipment and the lagoons as part of the City's storm drainage system, and the Community Association's acceptance of responsibility for maintaining water quality in the lagoon system.

B. Northerly Lagoon. The larger Northerly Lagoon which meanders through all the residential Villages of Harbor Bay and past the Harbor Bay Landing shopping center is referred to in the Development Agreement as the "Existing" Lagoon, since the second lagoon had not yet been constructed when the Development Agreement was entered into by the parties in 1989. In Section 1.A.(5) of the 1994 Lagoons O&M Agreement, the City accepted dedication of the operational outfalls, pumps and associated equipment of the Northerly Lagoon in their "as is, where is" condition from the Reclamation District. Pursuant to Section 1.A.(3) of the Lagoons O&M Agreement, HBIA assembled a fund of \$43,500.00 for the costs of then-estimated needed repairs and replacement plus a reserves fund, and the City acknowledged and agreed that its acceptance of such funds completely satisfied all requirements on HBIA for repair, replacement or reserves for the pumps, tide gates, and electrical equipment which operate the Northerly Lagoon. At the time of the dedication by HBIA and acceptance by the City, there were replacements and upgrades of some of the operational equipment, which were paid for out of the above-mentioned fund, although additional City funds were needed to cover expenditures which ran over the agreed-upon budget. Ever since the 1994 Lagoons O&M Agreement, the City has been operating and maintaining the outfalls, pumps and associated equipment of the Northerly Lagoon as part of the City's storm drainage system.

Section 2.A. of the 1994 Lagoons O&M Agreement acknowledged that the side curb walls of the Northerly Lagoon northwesterly of a certain "Demarcation Line" located several hundred feet west of the Auginbaugh Bridge have been accepted by the City as generally completed but with an outstanding item, namely a need for corrective changes to the side curb walls in the westerly end of the Northerly Lagoon. The 1994 Lagoons O&M Agreement anticipated that such corrective work would be performed in conjunction with construction of homes and related improvements in neighborhoods on either side of the westerly end of the Northerly Lagoon. This remainder portion of the Harbor Bay Northerly Lagoon was bonded for under Village V Tracts 6111 and 6226. Corrective work on this remainder portion of the Northerly Lagoon was performed in the Fall of 1996 under City permits and inspections. In June of 1998, the City Council accepted the improvements for Tract 6111, 6147 and 6198. A field inspection of the westerly end of the Northerly Lagoon was conducted on July 8, 1998 by representatives of the Harbor Bay Entities, the City and the Community of Harbor Bay Isle Owners Association, and the City Engineer recommended the installation of a concrete erosion barrier set at the base of the section of the Northerly Lagoon's curb wall that faces the inlet gate. This work was completed in July of 1999. The City Engineer by Memorandum dated March 20, 2001 confirmed that the City has accepted the Northerly Lagoons, including the curb wall corrective work, and that no additional work by the Harbor Bay Entities or any further acceptance by the City is required.

C. Southerly Lagoon. The smaller Southerly Lagoon built in two segments along the southeastern edge of Village Five bordering the Business Park lands was constructed in conjunction with the development of the adjacent Village Five neighborhoods and is referred to in the Development Agreement as the "New" Lagoon. In Section 1.B.(2) of the 1994 Lagoons O&M Agreement, the City accepted HBV5's dedication of the operational outfalls, pumps and associated equipment of the Southerly Lagoon in their "as is, where is" condition. The City's acceptance of the Southerly Lagoon's operational facilities was accomplished by the Lagoons O&M Agreement itself; no further steps or documentation were required. Ever since the 1994 Lagoons O&M Agreement, including during this year under review, the City has been operating

and maintaining the outfalls, pumps and associated equipment of the Southerly Lagoon as part of the City's storm drainage system.

In Section 2.B. of the 1994 Lagoons O&M Agreement, HBV5 notified the City that the structure of the Southerly Lagoon (bottoms and side curb walls) had been completed according to plans and specifications. The outstanding item was: "City shall promptly inspect such work for conformance with plans and specifications, and upon acceptance of any punch list items, City shall issue a Notice of Completion." On July 8, 1998, representatives of the Harbor Bay Entities, the Community of Harbor Bay Owners Association and the City had a meeting to review the status of the Southerly Lagoon as well as the Northerly Lagoon as referenced above. Issues regarding drainage of the pipe from the Southerly Lagoon which extends out into the Bay were addressed. The City drained the Southerly Lagoon, inspected the drainage pipe, and flushed out some sand and dirt which had accumulated there, and acknowledged that the work had been completed.

In 2000 and early 2001, landscaping was installed along the southerly side of the Southerly Lagoon as part of the scope of work of the Phase IV Harbor Bay Parkway extension to Bay Edge Road. The landscaping on the lagoon edge on the southerly side of the Southerly Lagoon has been maintained by the Harbor Bay Business Park Association since its installation.

D. Summary Conclusion on Lagoons. All conditions set forth in the Development Agreement to be performed by any of the Harbor Bay Entities related to the Northerly and Southerly Lagoons have been performed and satisfied, and there are no further requirements on the Harbor Bay Entities regarding the Lagoons.

2.6 Fire Station

After the City prepared Design Plans for a Fire Station, HBV5A arranged for approval of the plans by the HBI Architectural Review Committee, and HBV5A delivered to the City an offer to dedicate the land for the Fire Station and a surrounding one acre of open space as shown on the Vesting Tentative Map for Village Five. The costs of constructing, landscaping and furnishing the Fire Station, including all necessary fire equipment, were covered by a

contribution of \$750,000 from the Mello-Roos Community Facilities District described in Section 3.1 of the Development Agreement and listed on Exhibit “C” of the Development Agreement. The construction and outfitting of the Fire Station in Village 5 were completed, and the Fire Station has been operational continuously for over 25 years. There are no further requirements for fire fighting facilities on the Harbor Bay Entities under this section of the Development Agreement.

2.7 Harbor Bay Maritime Docking Facility

As provided for in Section 2.7 of the Development Agreement, the City promptly rezoned the land identified as “Ferry Terminal Site” on Exhibit J of the Development Agreement. HBIA with the cooperation of the City obtained necessary governmental approvals and permits authorizing the construction of water-based and land-based improvements needed for the docking of ferry boats at the Harbor Bay Ferry Terminal and related access for passengers of the contemplated ferry service. Mecartney Road was extended to its terminus at the Bay, and as required in this section of the Development Agreement, a restricted gateway for residents of Bay Farm Island was installed at the terminus of Mecartney Road. On March 2, 1999, the City Council approved an Amendment to the Development Agreement (DAA-98-1) which amended Section 2.7 of the Development Agreement to allow the restricted gateway at the McCartney Road entrance to the Alameda Harbor Bay Ferry Terminal to be removed as of April 2, 1999.

After HBIA’s affiliate company Harbor Bay Maritime obtained authorization for scheduled public marine passenger service between the Harbor Bay Ferry Terminal and a dock near the Ferry Building in Downtown San Francisco from the California Public Utilities Commission, the Alameda Harbor Bay Ferry Terminal has been used continuously since March of 1992 for the operation of the Alameda Harbor Bay Ferry Service, initially by Harbor Bay Maritime, and since January 1, 2012 by the San Francisco Bay Water Emergency Transportation Authority (WETA) pursuant to a Ferry Service Operations Transfer Agreement between the City and WETA dated effective February 24, 2011.

Since commencement of scheduled marine passenger service at the Harbor Bay Ferry Terminal in March of 1992, vehicular traffic to the Harbor Bay Ferry Terminal from the Business

Park side had been using an access road along the southerly edge of the Southerly Lagoon to reach the Ferry Terminal. On January 25, 1999, the City's Planning Board approved HBIA's application for a Planned Development Amendment which included plans for the completion of Harbor Bay Parkway Phase IV swinging up to an open connection with Bay Edge Road in Village Five, which when built and with a convenient intersection with the temporary access road along the Southerly Lagoon, expanded the access ways to the Harbor Bay Ferry Terminal from the residential Villages of Harbor Bay and other neighborhoods on Bay Farm Island. In connection with the development of the Stacey & Witbeck building and the McGuire & Hester building in the Business Park between the Harbor Bay Parkway Phase IV that swung up towards Bay Edge Road and the Harbor Bay Ferry Terminal, the developers of the Esplanade area in the Business Park provided a permanent access roadway to those building sites and to the Harbor Bay Ferry Terminal.

As part of the City's transfer of management and control of the Alameda Harbor Bay Ferry Service to WETA in 2011, the City at the request of WETA asked the Harbor Bay Business Park Association (HBBPA) to modify and update the existing Agreement for Operation, Maintenance and Management of the Harbor Bay Ferry Terminal between the City and HBBPA, and HBBPA agreed to the requests of the City and WETA. When the transfer of the ferry service to WETA was finalized on April 29, 2011, WETA became responsible for maintenance and repair of the water-based facilities at the Harbor Bay Ferry Terminal, such as the floating dock, the piles, and the ferry channel markers, and also for oversight of how the ferry vessels operate when docking at and embarking from the Harbor Bay Ferry Terminal, and for fulfilling the requirements of the Mitigations Monitoring Program related to the water-based facilities and vessel operations at or in the vicinity of the ferry dock, and the City retained management and control of the land-based portions of the Harbor Bay Ferry Terminal, such as the terminal shelter and the parking lot. Since 2011, HBBPA has continued to maintain and manage the land-based facilities at the Harbor Bay Ferry Terminal on behalf of the City per the updated Agreement for Operation, Maintenance and Management of the Harbor Bay Ferry Terminal and to fulfill the requirements of the Mitigations Monitoring Program related to the land-based portions of the Harbor Bay Ferry Terminal.

As another part of the transfer of management and control of the Alameda Harbor Bay Ferry Service from the City to WETA, the City and HBIA agreed to continue to use the Harbor Bay Traffic Improvement Fund (the “TIF”) as a source of funding for the ferry service. In addition, since the commencement of scheduled ferry passenger service at the Harbor Bay Ferry terminal in March of 1992, HBBPA has contributed funding for the operational budget of the Alameda Harbor Bay Ferry Service through special assessments collected from the property owners in the Business Park. Since the transfer of the ferry service at the Harbor Bay Ferry Terminal to WETA in 2011, HBBPA has continued to collect and contribute funding for the operational costs of the Alameda Harbor Bay Ferry Service.

2.8 Recreational Vehicles and Mini-Storage Area

While initially the City and HBIA used the Ground Lease Agreement shown on Exhibit “L” of the Development Agreement as the documentary vehicle for transferring control of the former Gun Club Site to HBIA for development of a recreational vehicles and self-storage facility, later the City agreed to sell the land to HBIA or its affiliate. With the cooperation of the City, plans were developed, governmental permits and approvals were obtained, and construction of the Recreational Vehicles (RV) and Self-Storage Facility at the former Gun Club Site located at 500 Maitland Drive was completed. The storage facility has been in operation by Harbor Bay Storage, LLC, an affiliate of HBIA, for over 20 years, and the facility has been used for the storage of recreational vehicles, including trailers and boats, and for the rental of self-storage spaces. Upon completion of construction of the facility, the requirement to reserve 3 acres of property in the Business Park for RV parking and self-storage set forth in Section 2.8.3 of the Development Agreement expired.

2.9 Traffic Improvements, Access and Infrastructure and 3.2 Traffic Improvement Taxes

On April 4, 1989, the Harbor Bay Entities and the City entered into an Infrastructure Agreement as shown on Exhibit “M” of the Development Agreement. As required under the Infrastructure Agreement, in 1989, the City established the Harbor Bay Traffic Improvements

Fund (the "TIF") to defray the costs of the traffic improvement projects as listed or as otherwise anticipated under the Infrastructure Agreement.

Over the years since 1989, funds from the TIF contributed to a number of Traffic Improvement Projects of benefit to the City and the public, including widening Doolittle Drive to four lanes between Harbor Bay Parkway and Island Drive, modification of the Doolittle Drive – Island Drive intersection, improvements to Otis Drive intersections, construction of the Bay Farm Island Bicycle Bridge, contribution of local share funds for the construction of the Cross-Airport Roadway (the Ron Cowan Expressway) between Harbor Bay Parkway and 98th Avenue and construction of a new intersection between Harbor Bay Parkway and the Cross-Airport Highway, realignment of the Maitland Road-Harbor Bay Parkway intersection, and new or improved traffic signals on Bay Farm Island.

An eligible item for TIF funding listed on Exhibit A of the Infrastructure Agreement is “Transportation systems management programs for the Harbor Bay Business Park.” During recent years, representatives of HBIA and the City’s Public Works Department agreed that \$500,000 of TIF funding each year would be utilized to contribute a portion of operational subsidies for the Alameda Harbor Bay Ferry Service.

Since 1990, HBBPA has operated its BART-Shuttle program that provides bus transport service connecting the Business Park with public transit stations at BART during morning and afternoon commute hours. Since April of 1992, HBBPA has extended its bus transport service to serve passengers at Harbor Bay Ferry Terminal during morning and afternoon commute hours. This service is provided free to passengers and is funded out of the assessment dues paid by the Business Park Property Owners. This transport service is part of the Harbor Bay Business Park’s traffic mitigation – TSM program which is managed on behalf of the Property Owners by HBBPA.

2.10 Eastern Terminus of Catalina Road

In Section 2.10 of the Development Agreement, the City had placed an obligation on the Harbor Bay Business Park developers to construct a cul-de-sac at the east end of Catalina Road along the northerly edge of the Business Park, but when the Development Agreement was drafted

and approved in early 1989, the anticipated residential developments on parcels that had been part of the Silva Farm had not yet been fully developed. When plans and circulation for the residential neighborhoods adjacent to the eastern terminus of Catalina Avenue were eventually developed, the City's Engineering Department accepted the current hammerhead-shaped design of the terminus at the east end of Catalina Road in lieu of a cul-de-sac. There are no outstanding responsibilities on the Harbor Bay Entities with respect to this item.

3.1 Mello-Roos District

The Mello-Roos Community Facilities District for Village Five was established in 1989. Bonds were sold to fund the District's improvement projects, and \$900 per unit of pre-paid Dwelling Unit Taxes on Village Five homes was transferred to the Mello-Roos District. Funds from the Mello-Roos Community Facilities District contributed \$750,000 for the construction of the Fire Station, \$2,340,000 for acquisition of the Interior School Site, and \$650,000 for installation of landscaping and recreational facilities and improvements in the Interior Park in Village Four and in Phase IV of the Shoreline Park. Funds from the Mello-Roos District were used for corrective work on the Lagoons, and with completion of corrective work on the Northerly Lagoon's curb wall in Tract 6226, all the District's improvement projects have been completed, and the Mello-Roos Community Facilities District funds have been closed out as working accounts.

4.1 Permitted Uses

During all the years since 1989, the Harbor Bay Entities and the Business Park Property Owners have developed and used their respective properties for the purposes set forth in the Existing and Proposed Approvals as described on Exhibit "D" to the Development Agreement.

4.2 Permitted Density of Development

During all the years since 1989, no buildings were constructed in the Properties subject to the Development Agreement in excess of the permitted density or level of intensity as set forth in Exhibit "D."

4.3 Maximum Height and Size of Structures

During all the years since 1989, no buildings were constructed in the Properties subject to the Development Agreement in excess of the permitted maximum height and size of structures as set forth in Exhibit "D."

4.4 Reservations or Dedications of Land for Public Purposes

During all the years since 1989, the Harbor Bay Entities and the Harbor Bay Business Park Property Owners have complied with all City requirements for dedications of portions of the Properties for public purposes as set forth in the Existing and Proposed Approvals described in Exhibit "D" of the Development Agreement, namely: land for public streets in Village Four, land for public streets in Village Five, land for Phase IV of the Shoreline Park, and reservation of short-term public parking spaces for public access to the Shoreline Park within the Ferry Terminal parking area. In addition to what was specified in Exhibit "D." land for public streets in the Harbor Bay Business Park was dedicated to the City, and land for Phase III-A and Phase III-B of the Shoreline Park was dedicated to the City.

4.8.9 Monitoring Program

A Mitigations Monitoring Program was adopted by the City for the Alameda Harbor Bay Ferry Terminal project on July 17, 1990, with the agreement of HBIA. As provided under the Mitigations Monitoring Program, the Planning Board conducted a three year review of the ferry operations and on November 13, 1995 simplified the monitoring and reporting requirements for the future. As part of the due diligence process leading up to the proposed transfer of the Alameda Harbor Bay Ferry Service from the City to WETA, the Mitigations Monitoring Program was reviewed and updated in a Second Amended and Restated Agreement for Operation, Maintenance and Management of the Harbor Bay Ferry Terminal between the City and HBBPA effective as of January 19, 2011. Since the commencement of scheduled passenger ferry service at the Harbor Bay Ferry Terminal in April of 1992, HBBPA has fulfilled its contractual obligations with regard to Mitigations Monitoring for the Harbor Bay Ferry Terminal.

5.1 Scheduling of Improvements

The anticipated buildout of residential units in the neighborhoods of Village Four and Village Five was accomplished close to the schedules shown on Exhibit N (Residential Development Schedule). The anticipated build-out of the Harbor Bay Business Park over a ten year period as shown in Exhibit "O" (Non-residential Development) fell behind schedule due to a slow real estate absorption market during the early years and due to fluctuations in the real estate market and the general economy since the effective date of the Development Agreement. Any acreage in the Harbor Bay Business Park not developed in the designated year was accumulated for development in subsequent years. By the this final year of the 30 year term of the Development Agreement, nearly all the parcels in the Business Park have been developed with buildings or other improvements, or are under construction, or are in the process of obtaining governmental approvals and permits for construction.

6.1 Annual Review

Every year from 1990 through 2003, HBIA filed Annual Reports with the City on the Harbor Bay Entities' compliance with the requirements on them in the Development Agreement, and the City conducted its annual reviews of the Annual Reports. Beginning with the year ending April 4, 2004 down to this final year in the term of the Development Agreement, HBIA and HBBPA jointly filed the required Annual Reports. After reviewing the Annual Reports, the Planning Board each year by Resolution found that the Harbor Bay Entities have complied with the terms and conditions of the Development Agreement DA-89-1 through the respective year of review.

8 Enforced Delay, Default, and Remedies

During the 30 years of the term of the Development Agreement, no notices of default under the Development Agreement have been given to the Harbor Bay Entities by the City. Representatives of the City and HBIA and the Property Owners in the Harbor Bay Business Park have had communications from time to time to address issues of implementation and

interpretation of the Development Agreement and the related Agreements entered into simultaneously on April 4, 1989 without alleging default against the other party or parties.

10.3 Amendment of Agreement

There has been only one amendment of the Development Agreement during the 30 year term of the Development Agreement. On March 2, 1999, the City Council approved an Amendment to the Development Agreement (DAA-98-1) which amended Section 2.7 of the Development Agreement to allow the restricted gateway at the McCartney Road entrance to the Alameda Harbor Bay Ferry Terminal to be removed as of April 2, 1999.

SUMMARY CONCLUSION

As detailed in the above sections of this Part II of the Final Annual Report, the Harbor Bay Entities and the successor Property Owners in the Harbor Bay Business Park have fulfilled their obligations and conducted development and property management activities in compliance with the applicable terms and conditions of the April 1989 Development Agreement.

In return for the City's cooperation in processing approvals and permits for development and in utilizing the funds created under the Development Agreement, the Harbor Bay Entities in cooperation with the City have made available to the City for public use and benefit the Phases of the Shoreline Park situated along the Bay edge of the Business Park and Village Five, Tillman Park in Village Four, the Bay Farm Island public elementary school, the Fire Station in Village Five, the Lagoons as a visual amenity and as part of the City's storm drainage system, the Harbor Bay Ferry Terminal, and annual agreements to provide \$500,000 of TIF funds as a contribution to operational subsidies for the Alameda Harbor Bay Ferry Service.

In addition, as part of the Traffic Systems Management program for the Harbor Bay Business Park, HBBPA collects special assessments from the Property Owners in the Business Park as a contribution to operational subsidies for the Alameda Ferry Service. Since April of 1992, HBBPA has arranged for a free shuttle bus service for passengers between the Business

Park and BART stations and the Harbor Bay Ferry Terminal during commute hours, which reduces vehicular traffic on City streets.

Under a contract with the City's Landscape and Lighting District 84-2, the Harbor Bay Business Park Association has continued to provide landscape maintenance and management of the Shoreline Park in the Business Park, the landscape setback areas along Harbor Bay Parkway and the major roads in the Business Park, and the landscaping along Harbor Bay Parkway from Doolittle Drive to Maitland Road.

Respectfully submitted,

DANIEL F. REIDY

Representative of the Harbor Bay Business Park Association and HBIA