

# DRAFT

August 23, 2018

Ms. Gray Harris  
Board President  
Alameda Unified School District  
2060 Challenger Drive  
Alameda, CA 94501

Mr. Sean McPhetridge  
Superintendent  
Alameda Unified School District  
2060 Challenger Drive  
Alameda, CA 94501

***Re: Letter of Intent Regarding Proposed District Housing Project to be Located at Alameda Point, Site A, Block 15(c)***

Dear Ms. Harris and Mr. McPhetridge:

This letter sets forth the joint proposal by Alameda Point Partners, LLC (“APP”) and Education Housing Partners, Inc. (“EHP”) to enter into the agreements with the Alameda Unified School District (the “District”) to develop a seventy (70) unit residential housing project at Block 15(c) of the Alameda Point – Site A property (the “Project”). This letter is based on our conversations over the last few months and sets forth the general terms of the proposal. APP and EHP are requesting that the District Board grant the District Superintendent and staff the authority to negotiate the final terms of a formal Dedication Agreement with APP and a formal Design-Build Construction Contract with EHP and enter into the final agreements substantially based on the terms summarized in this letter.

By way of background:

APP has entered into a Disposition and Development Agreement (the “DDA”) with the City of Alameda (“City”) regarding a 68-acre site within the former Alameda Naval Air Station in Alameda, CA (“Site A”). Pursuant to the DDA, the City is to transfer Site A to APP in three (3) phases, and APP is to develop Site A into a mixed-use project. The DDA requires the construction of seventy (70) affordable housing units on Block 15(c), which are to be made affordable to Moderate Income households earning up to 120% of the Area Median Income (“AMI”) for Alameda County (the “Moderate Income Units”), pursuant to the Affordable Housing Agreement included as Attachment B to Exhibit M of the DDA. APP will provide the District with copies of the DDA and Affordable Housing Agreements during the feasibility period set forth in Paragraph 4 below. For reference, 2018 AMI limits and the associated

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Maximum Housing Expense (monthly rent and utilities) for Alameda County are attached as **Exhibit A**. Please refer to the site plan attached as **Exhibit B** for the approximate location of Block 15(c) and the general development plan for Site A.

The District has indicated that (a) it has an interest in attracting and retaining qualified employees of all kinds, including qualified teachers, (b) increases in the cost of living in the San Francisco Bay Area have made it more difficult for the District to attract and retain such employees and (c) the creation of housing designated specifically for use by District employees at below market rate rent levels would allow the District to better attract and retain employees.

EHP has an interest in assisting APP in meeting the affordable housing requirements set forth in the DDA. EHP also has a proven track record of assisting California school districts develop and manage employee housing projects.

Therefore, APP and EHP propose that the District Board grant District staff the authority to negotiate and enter into the agreements based on the following:

1. Form of Agreements.

(a) Dedication Agreement. The District and APP would enter into an agreement (the “Dedication Agreement”) whereby (i) APP would develop a preliminary project design, schedule and budget for the development of the Project (the “Preliminary Project Documents”), (ii) APP would develop schematic drawings for the Project based on the approved Preliminary Project Documents and obtain the required design review approvals for the Project from the City of Alameda and (iii) upon the satisfaction of the conditions precedent, APP would dedicate the Block 15(c) property to the District, each as more particularly set forth in this letter of intent.

(b) Design Build Contract. The District and EHP would enter into a design build contract (the “DB Contract”) concurrently with the City of Alameda’s issuance of design review approval for the Project whereby (i) EHP would oversee the preparation of the construction drawings for the Project, (ii) EHP would obtain plan check approval for such drawings, (iii) EHP would provide a guaranteed maximum price for the construction of the Project based on the approved drawings and (iv) upon receipt of financing by the District, (the “Capitalization Date”) the District would fund the costs to design and construct the Project and reimburse APP for costs incurred as of the date thereof, in accordance with approved budgets, and each as more particularly set forth in this letter of intent.

The foregoing agreements would be implemented pursuant to the schedule set forth in **Exhibit C**, attached hereto.

2. Negotiation Period. The parties would have until February 28, 2019 (the “Negotiation Period”) to negotiate the terms of the Dedication Agreement and the DB Contract. Subject to APP and EHP’s agreement, the District Superintendent would be authorized to extend the Negotiation Period for an additional six (6) months if he/she determined that the parties have made sufficient progress during the initial term. The parties would meet monthly during the Negotiation Period to discuss the terms of the Dedication Agreement and the DB Contract.

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### 3. Block 15(c).

(a) Existing Entitlements. Pursuant to the Alameda Point Town Center and Waterfront Precise Plan (the “Plan”), originally adopted by the Alameda City Council on July 14, 2014 and amended pursuant to the Alameda Planning Board Resolution approved on May 22, 2017, Block 15(c) is approved for development of seventy (70) residential units. The potential environmental impacts of such development were assessed in an Environmental Impact Report certified by the Alameda City Council on February 4, 2014 (the “EIR”) and a notice of exemption adopted by the Alameda Planning Board on May 22, 2017. APP and EHP believe the District may rely on this prior environmental analysis in approving the requested authorization of the Agreement and the DB Contract.

(b) Block Subdivision and Improvements. APP would do the following at its sole cost and pursuant to the provisions of the DDA:

- (i) Cause Block 15(c) to be created as a separate legal parcel;
- (ii) Cause the design and construction of the public streets and utilities necessary for the development and occupation of the proposed Project; and
- (iii) Demolish the existing improvements located on Block 15(c) and deliver the site to EHP in a rough graded condition pursuant to the City approved demolition and grading plans for Phase 2 of Site A.

4. Feasibility Period. The District would have until the completion of the Negotiation Period to complete its due diligence on Block 15(c) property. This due diligence would include the District’s inspection of the physical condition of Block 15(c) and approval of title matters. The District may independently access the site to perform independent due diligence and environmental analysis in accordance with the Right of Entry for Preliminary Work entered into by APP and the City of Alameda. APP would provide the District with existing project reports and coordinate the District’s access to the Site with the City.

5. Preliminary Project Documents. APP would prepare the following Preliminary Project Documents within ninety (90) days after the effective date of the Agreement:

(a) Preliminary Plan. A design for the Project, which would be consistent with the Plan, EIR and other existing land-use approvals and regulatory permits applicable to Site A. The District and APP would have the opportunity to review and propose changes to the proposed plan.

(b) Preliminary Cost Estimate. A financial analysis based on the anticipated design, the anticipated entitlement process, current construction costs, and the estimated soft costs to arrive at total development costs, with a detailed specification of which costs are not third-party costs but are paid to APP and/or EHP. The District would provide market interest rates for the Certificates of Participation (“COPs”) or other financing to be considered by the District so the

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parties may determine the unit rents necessary so that the Project will not require ongoing subsidy. APP may work with the District or the District's representatives in the preparation of this analysis.

(c) Preliminary Schedule. A Project phasing schedule covering all activities through entitlement, design, construction and rent up of the Project which would specify deliverables and notices indicating task completion.

Prior to the commencement of work on the Preliminary Project Documents, the parties would agree on a budget for the preparation of the same. APP would advance the costs necessary to complete the Preliminary Project Documents and the District would reimburse such costs (subject to the agreed upon budget) upon the Capitalization Date.

The draft Preliminary Project Documents would be presented to the District Board for consideration and approval.

6. Budget for Project Entitlements; Design Review Approval. Concurrently with the parties' approval of the Preliminary Project Documents, APP would provide the District with a maximum budget for the costs necessary to prepare schematic drawings for the Project and secure the City of Alameda's design review approval of the Project. Once the District has approved such budget, APP would be responsible for retaining the Project consultants to prepare the plans and securing the design review approval. The plans would be based on the approved Preliminary Project Documents and the parties would have the right to review the applicable drafts and proposed changes. APP would advance the necessary costs and, subject to the approved budget, the District would reimburse APP for such costs upon the Capitalization Date.

7. Budget for Project Construction Drawings; Plan Check. Concurrently with the City of Alameda's issuance of design review approval for the Project, EHP would provide the District with a maximum budget for the preparation and plan check approval of the Project construction drawings. The construction drawings would be based on the approved schematic drawings and the parties would have the right to review the applicable drafts and proposed changes. EHP would be responsible for retaining the applicable design consultants and securing plan check approval and APP would advance the costs necessary to complete the construction drawings and secure permits. The District would reimburse APP for such costs upon the Capitalization Date.

8. Guaranteed Maximum Price. Once EHP has secured the plan check approval for the Project construction drawings, EHP would prepare a guaranteed maximum price for the construction of the Project (the "GMP"). The GMP would be subject to the parties' approval pursuant to the terms of the DB Contract and would be presented to the District's Board for approval. A separately stated total development budget ("Total Development Budget") will be prepared, which will include the GMP plus previously agreed-upon pre-development costs, for which the District will reimburse APP upon the Capitalization Date.

9. District Financing. The District would confirm that it has secured the funds necessary to pay the GMP within ninety (90) days after the District's Board's approval of the same.

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10. Site Delivery. APP's and the District's obligations to complete the transfer of the subject property would be conditioned upon APP's acquisition of Phase II under the DDA, the City's (and related agencies) issuance of construction permits for the Project, the District's execution of the DB Contract with EHP, and the District's approval of the GMP and receipt of funding. Subject to (a) the satisfaction of such conditions and (b) APP's obligations under Paragraph 3(b), above, APP would deliver Block 15(c) to the District in its as-is condition. The District would pay all transfer taxes and closing costs, including without limitation, any escrow fees, recording fees and title policy premiums, per a pre-approved budget.
11. Project Construction. Once the parties have approved the GMP and APP and the District have completed the transfer of the Property, EHP would be responsible for the construction of the Project pursuant to the terms of the DB Contract and the GMP. EHP would coordinate such construction with APP's delivery of the public streets and utilities.
12. Brokers. Each party represents that it is not represented by any broker in the proposed transaction. Each party hereby agrees to indemnify the other party against all claims for fees, commissions, or other compensation claimed to be due to any other broker, finder or intermediary with whom the indemnifying party may have dealt in connection with the proposed transaction.
13. Non-Binding Proposal. This letter of intent sets forth a general summary of some of the material terms that would need to be negotiated and memorialized in a formal Agreement. Until that time, and except for the indemnity obligations set forth in Paragraph 12, above, (a) no party shall have any obligation to any other party with respect to the subject property, (b) neither the expenditure of funds, the making of any commitments, nor the taking of any actions by any party to implement any of the terms of this letter of intent or any correspondence shall be regarded as part performance or otherwise effectuate any agreement prior to the full execution and delivery of the formal Agreement and (c) any party may terminate negotiations at any time for any or no reason.

Please do not hesitate to contact me with any questions regarding this letter or other matters related to the proposed transaction.

Sincerely

Bruce Dorfman

Enclosures

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## Exhibit A AMI Limits and Maximum Rent Limits

### AUSD: 120% Household Income and Rental Rates

Household Income (1)	1 Person	2 Person	3 Person	4 Person
50% - Very Low	40,700	46,500	52,300	58,100
80% - Low	62,750	71,700	80,650	89,600
100% - Median	73,100	83,500	93,950	104,400
<b>120% - Moderate</b>	<b>87,700</b>	<b>100,250</b>	<b>112,750</b>	<b>125,300</b>

Maximum Rental Rates Inc. Utilities (2)	Efficiency	1 Bedroom	2 Bedroom	3 Bedroom
50% - Very Low	1,018	1,163	1,308	1,453
80% - Low	1,569	1,793	2,016	2,240
100% - Median	1,828	2,088	2,349	2,610
<b>120% - Moderate</b>	<b>2,193</b>	<b>2,506</b>	<b>2,819</b>	<b>3,133</b>

Utility Reimbursement (3)	0 BR	1 Bedroom	2 Bedroom	3 Bedroom
Cooking-Electric	5	6	8	11
Cooking- Natural Gas	4	4	7	9
Heat- Electric	11	13	17	21
Heat- Natural Gas	21	24	27	30
Other Electrical	35	38	46	55
Range/ Microwave	11	11	11	11
Refrigerator	12	12	12	12
Sewer	25	25	30	35
Trash Collection	31	40	40	65
Water	46	47	57	67
Water Heating- Electric	11	13	17	20
Water Heating- Natural Gas	9	10	14	20

Notes:

(1) Based on HCD State Income Limits 2018

<http://www.hcd.ca.gov/grants-funding/income-limits/state-and-federal-income-limits.shtml>

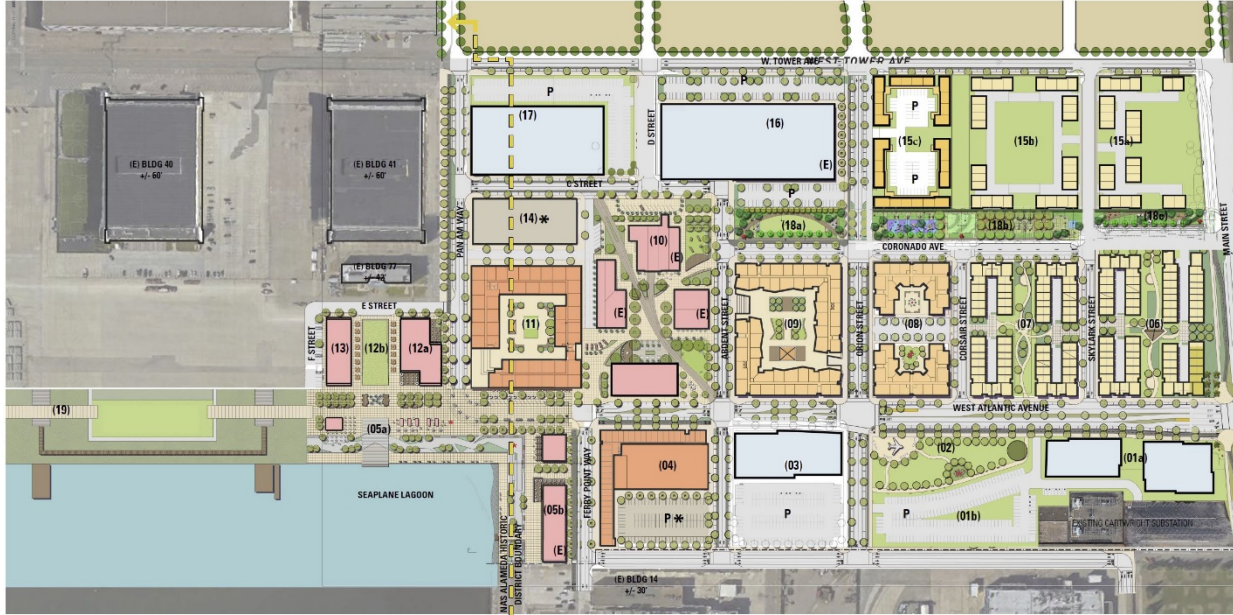
(2) Based on 30% of Household Income for one month

(3) Based on City of Alameda Utility Reimbursement

[http://www.alamedahsg.org/UserFiles/Servers/Server\\_3723321/Image/Attach%20UA%20Schedule%206-1-18.pdf](http://www.alamedahsg.org/UserFiles/Servers/Server_3723321/Image/Attach%20UA%20Schedule%206-1-18.pdf)

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Exhibit B  
Site Plan



2017

**ILLUSTRATIVE SITE PLAN - ALL PHASES**

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## Exhibit C Preliminary Transaction Schedule

1. District Board approval of this letter of Intent: **August \_\_\_\_, 2018**
2. Expiration of Negotiation Period and District Feasibility Period for physical condition of the property: **February 28, 2019.**
3. District and APP execute Dedication Agreement: **February 28, 2019**
4. APP submits Preliminary Project Documents for District Board approval: **90 Days after District and execution of Dedication Agreement.**
5. Preparation of Project Schematic Documents and City of Alameda's issuance of design review approval for the Project: **60 days after District Board approval of Preliminary Project Documents.**
6. District and EHP execute Design Build Contract: **Simultaneous to issuance of design review approval**
7. Preparation of Project construction documents and City of Alameda's plan check approval of the same: **180 days from issuance of design review approval**
8. Submittal of GMP for District's Board's approval: **Simultaneous to plan check approval**
9. District's confirmation of Project funding: **90 days from Board's approval of GMP**
10. APP transfers land to District upon issuance of the building permit and project financing: **30 days**
11. Construction Commencement: **30 days**