

Option to Purchase and Purchase Agreement

This Option to Purchase and Purchase Agreement (the "Agreement") is entered into as of _____ (the "Effective Date"), by and between the Redevelopment Agency of the City of East Palo Alto, a public body, corporate and politic (the "Agency") and the County of San Mateo, a political subdivision of the State of California (the "County").

RECITALS

A. Pursuant to authority granted under California law, the Agency has the responsibility to implement the Redevelopment Plan for the Ravenswood Industrial Area Redevelopment Project Area adopted by the City Council of the City of East Palo Alto and as amended from time to time (the "Redevelopment Plan"). The Redevelopment Plan affects and controls the development and use of all the real property located within the Ravenswood Industrial Area Redevelopment Project Area, as more particularly described in the Redevelopment Plan (the "Project Area"), and is incorporated in this Agreement by this reference.

B. The County owns that certain property located at Bay Road and University Avenue more particularly described in Exhibit A (the "Property"). The APN is 063-221-010, the street address is 1600 Bay Road, and the parcel size is approximately 10,861 square feet.

C. The Agency entered into an Owner Participation Agreement (the "OPA"), dated August 20, 2007 with adjacent property owners providing for the development of a mixed use project including residential and commercial uses. The mixed-use project includes approximately 16,000 square feet of retail space and 115 residential units, of which 23 will be affordable to very low, low and moderate income households, (the "Project"). The OPA contemplates the inclusion of the Property as part of the project in order to ensure a unified development of a gateway corner of the Project Area.

D. The Agency desires to obtain from the County, and the County desires to grant to the Agency, upon the specific terms and conditions set forth in this Agreement, the exclusive right and option to purchase the Property in order to promote affordable and market rate housing and economic development in the Project Area and the City of East Palo Alto.

NOW, THEREFORE, FOR GOOD AND VALUABLE CONSIDERATION, THE ADEQUACY AND RECEIPT OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES AGREE AS FOLLOWS:

AGREEMENT

Section 1. Grant of Option.

The County grants to the Agency the option to purchase the Property for the consideration and under the terms and conditions set forth in this Agreement (the "Option").

Section 2. Term of Option.

The term of the Option shall be for a period commencing on the Effective Date and shall expire one (1) year after the Effective Date (the "Option Term"). Upon written notification from the Agency received by the County at least sixty (60) days prior to the expiration of the Option Term and upon payment of the Option Fee set forth in this Section, the Option Term shall be extended for one (1) additional year ("Option Extension").

(a) Exercise of Option. Prior to the expiration of the Option Term, including any extension thereof, the Agency may exercise the Option at any time after the Project receives the necessary land use approvals (Development Agreement, or PUD, or General Plan Amendment) from the East Palo Alto Planning Commission by giving written notice to the County of the Agency's exercise of the Option (the "Option Notice").

(b) Expiration. Upon termination of the Option Term including any extension thereof and a written request by the County, the Agency shall sign and deliver a quitclaim deed or such other document as may be reasonably required by the County to evidence the termination of the Option.

(c) Option Extension Consideration. The Option Extension shall be granted in consideration of the Agency's payment to the County of the sum of Sixty Six Thousand Dollars (\$66,000). Within five (5) business days following the written notification from the Agency extending the Option, the Agency shall deliver to County in immediately negotiable funds Sixty Six Thousand Dollars (\$66,000) as an Option extension fee (the "Option Fee"). The Option Fee shall be non-refundable but credited toward the purchase price for the Property if Agency exercises its Option under this Agreement.

Section 3. Physical Inspection Due Diligence Period; Right of Entry; Purchase Price Adjustment.

The period commencing as of the Effective Date and continuing through the date that is one hundred eighty (180) days following the Effective Date ("Due Diligence Date") shall be referred to as the "Due Diligence Period".

(a) Due Diligence Period. During the Due Diligence Period, the Agency shall have the right to:

1. Conduct such engineering, feasibility, seismic surveys and other studies regarding the condition of the Property which the Agency deems prudent.

2. Conduct such environmental audits and studies regarding the environmental conditions of the Property which the Agency deems prudent.

3. Right to review and approve, in its sole, absolute and subjective discretion, during the Due Diligence Period all aspects of the Property, in accordance with the terms of this Section, provided that Agency does not unreasonably disturb any business of County in connection with the Property or any tenants of the Property, and provided that County shall be afforded the opportunity to participate in such visitations including but not limited to, the Due Diligence Materials, the physical and environmental condition of the Property, including, without limitation, the condition of the improvements, the condition of the soil at the Property, the condition of the ground water at the Property, and the presence or absence of any hazardous materials at the Property, the financial condition of the Property, including, without limitation, the feasibility, convertibility, desirability and suitability of the Property for Agency's intended use and purposes, the legal condition of the Property, including, without limitation, the Property's compliance or non-compliance with all statutes, ordinances, codes, regulations, decrees, orders and laws applicable to the Property, leases and Service Contracts, if any, being assumed by Agency, the existence or non-existence of any governmental or quasi-governmental entitlements, if any, affecting the Property or any portion of the Property, any dimensions or specifications of the Property or any part thereof, the zoning, building and land use restrictions applicable to the Property or any portion thereof, and all other matters which Agency deems relevant to its purchase of the Property.

(b) Right of Entry; Indemnity. The County hereby grants the Agency, and Agency's employees, representatives, and agents (collectively, the "Licensees"), a right of entry to enter the Property for the purposes of conducting examinations and investigating the Property. The Agency shall notify the County prior to conducting any invasive testing of the Property by providing to the County a written notice setting forth the proposed testing (the "Testing Notice"). The Agency shall indemnify, hold harmless, and defend (with counsel reasonably selected by the Agency) the County from any claim or liability arising from the testing of the Property (including, but not limited to any mechanics' lien) except for: (i) any claim arising from the County's negligence or willful misconduct, or (ii) any claim incurred by the County as a result of the discovery by the Licensees of any existing state of facts or conditions (known or unknown) relating to the Property. The Agency shall repair any damage to the Property caused solely by the Licensee's inspections and testing and shall use commercially reasonable efforts to restore the Property to the condition existing as of the date of the inspection; provided, however, the Licensees shall have no obligation to repair any damage to the Property which is revealed (but not caused by) such inspection or testing (as applicable). Without

limiting the scope or generality of the foregoing indemnity, Agency shall not permit any mechanics', materialman's, or other lien against all or any part of the Property to exist as the result of any activity by Agency or Agency's Representatives undertaken in connection with the Property. If any such lien shall be filed against the Property or any portion of the Real Property, Agency shall cause the lien to be discharged within five (5) business days after the filing thereof.

(c) Purchase Price Adjustment. In the event that as a result of the Agency's inspection of the Property during the Due Diligence Period the Agency discovers the presence of Hazardous Substances as defined in Paragraph 11, which are deemed to materially and adversely affect all or any part of the Property, County may agree to an adjustment in the Purchase Price (the "Purchase Price Adjustment") based on the remediation costs associated with the condition. Any such Purchase Price Adjustment shall be agreed to in writing by the parties no later than 30 days after the expiration of the Due Diligence Period following presentation of evidence by Agency documenting said costs. It shall be within County's sole, absolute and subjective discretion to approve the amount of the Purchase Price Adjustment, should the County choose to do so, which adjustment shall, under no circumstances whatsoever, be considered if less than an aggregate amount of Ten Thousand Dollars (\$10,000) or in excess of Sixty Five Thousand Dollars (\$ 65,000).

If the parties are unable to agree upon a Purchase Price Adjustment no later than 30 days after the expiration of the Due Diligence Period, the Agency may elect to either (i) terminate this Agreement by giving the County notice of termination within thirty (30) days of the parties reaching an impasse on the Purchase Price Adjustment or (ii) giving the County notice that the Agency elects to continue with the Option without the benefit of Purchase Price Reduction.

(d) Relationship of the Parties. Notwithstanding anything herein to the contrary, the parties intend their relationship to be strictly that of vendor and vendee, and the potential adjustment of the Purchase Price shall not be deemed to create any partnership or joint venture or other relationship.

Section 4. Purchase of the Property.

No later than thirty (30) days after the Option Notice, the County shall sell the Property to the Agency pursuant to the terms and conditions set forth herein for the purchase price of Six Hundred and Sixty Thousand Dollars, (\$660,000) less any applicable Purchase Price Adjustment and/or Option Fee paid. ("Purchase Price").

Section 5. Payment of Purchase Price.

(a) The Purchase Price shall be paid in cash at the Closing (as defined below).

(b) At the Closing, the Option Fee, if paid, will be credited toward the purchase price.

Section 6. Opening Escrow.

Promptly following execution of this Agreement by both parties, the parties shall open an escrow with the San Carlos office of Old Republic Title Company (the "Title Company") for conveyance of the Property to the Agency. The parties shall provide escrow instructions to the Title Company consistent with this Agreement.

Section 7. Close of Escrow and Conditions to Close of Escrow.

The escrow for the conveyance of the Property shall close (the "Closing") within thirty (30) days following the date of the Option Notice. The Agency may request that the County extend the date for the Closing; the County shall not withhold consent to such a request if it determines that the extension is reasonably necessary to permit Agency to satisfy obligations or conditions under this Agreement. At the Closing, the County shall convey the Property to the Agency by Grant Deed, and the Agency shall pay the purchase price to the County.

The following are conditions to the Closing which conditions may be waived solely by the Agency:

1. Title to the Property is in the condition described in Section 8 below.

2. The representations and warranties of the County set forth in Section 12 below remain true and correct.

If the County is unable to satisfy the foregoing conditions or otherwise convey the Property to the Agency by reason of the County's failure to take some action required by this Agreement, such failure shall entitle the Agency to terminate this Agreement; the termination shall be the Agency's sole remedy in the event of such failure.

Section 8. Status of Title.

County covenants and agrees to cause the title to the Property to be such that, at the Closing, the Title Company is prepared to deliver to the Agency a standard coverage CLTA policy of title insurance in the amount of the purchase price insuring fee title to the Property vested in the Agency free and clear of any liens, encumbrances and interests, or other clouds on title except the following ("Approved Exceptions"):

1. Non-delinquent general, special and supplemental taxes (including, without limitation, any community facilities district assessments), bonds and assessments.
2. Any liens or encumbrances created by or at the request of the Agency with County's prior written consent.
3. Items 3 and 4 as shown on the Title Company's preliminary title report, Order No. 4108-2922534 dated October 18, 2007.
4. Any other matter approved by the Agency in writing.
5. Lease agreement between the County and the United States Postal Service dated July 27, 1978 and any amendments thereto (the "U.S. Postal Service Lease").

Section 9. Escrow, Costs and Prorations; Possession.

(a) Prior to the Closing, County and Agency shall make the deliveries into Escrow set forth in this Section 9.

(b) County hereby covenants, and agrees to deliver or cause to be delivered to the Title Company on or prior to the Closing, the following instruments and documents:

1. A good and sufficient grant deed, in a form reasonably acceptable to the Agency, properly executed and acknowledged by County in favor of Agency, the delivery and recordation of which shall vest in Agency fee title in and to the Property;

2. Such proof of County 's authority and authorization to enter into this Agreement and the transactions contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of County to act for and bind County as may be reasonably required by the Title Company.

(c) The Agency hereby covenants and agrees to deliver or cause to be delivered to the Title Company on or prior to the Closing, the following instruments and documents:

1. Such proof of Agency's authority and authorization to enter into this Agreement and the transaction contemplated hereby, and such proof of the power and authority of the individual(s) executing and/or delivering any instruments, documents or certificates on behalf of Agency to act for, bind Agency and accept conveyance of the Property as may be reasonably required by the Title Company;

2. Certificate of Acceptance;

3. The purchase price and any additional funds necessary for closing costs.

(d) At the Closing, the Title Company shall record the grant deed conveying the Property to the Agency, issue to the Agency the title policy referred to in Section 8 above, and deliver cash in the amount of the purchase price to County or to such person or entity as County may direct.

(e) The following costs and expenses shall be borne or prorated as follows, at the Closing:

1. Property taxes shall be prorated at the Closing based on the most current real property tax bill available, including any escaped property taxes which may be assessed after the Closing pertaining to the period prior to transfer of title to Agency, regardless of when notice thereof is delivered or who receives such notice.

2. All installments of any bond or assessment that is a lien (determined as of the Closing) which installments become due before Closing shall be paid by County on or before Closing. In no event will County be required to prepay any bonds or assessments on the Property.

3. All rents or lease payments shall be prorated as of the date of the Closing with the Agency receiving credit toward the Purchase Price for any prepaid rent collected by the County.

4. Agency shall pay all title insurance costs and premiums charged in connection with the issuance of the title policy referred to in Section 8 above.

5. All property transfer taxes, if any, shall be paid by the County.

6. All escrow fees shall be equally split between the Agency and the County.

7. County and the Agency shall each pay their own legal fees and expenses incurred in connection with the transaction contemplated herein.

8. County shall bear all costs of causing the condition of title to the Property to be as set forth in Section 8 above.

9. Payments under any service contracts related to the Property that the Agency elects to continue after the Closing shall be prorated as of the date of the Closing.

Section 10. Possession

County shall deliver possession of the Property to the Agency at the Closing.

Section 11. Condition of Property.

Except as otherwise expressly stated in Section 12 of this Agreement, the Agency is acquiring the Property "AS IS", in its present state and condition as of the date of this Agreement, without representation by County or its representatives as to any matter.

(a) Inspection of Real Estate; AS-IS Sale; Real Estate Seller Disclosure Statement. Agency acknowledges that Agency inspected the Property during the Due Diligence Period provided in this Agreement. Agency is relying only on the inspection of the Property made by Agency and is not relying on any oral statement concerning the physical condition of the Property made by County or any other party or any written statement concerning the physical condition of the Property given to Agency by County or any other party except for written statements contained in this Agreement. Agency further acknowledges and agrees that Agency has been, or will be prior to the Due Diligence Period expiration, given a full opportunity to examine, inspect and

conduct Agency's own investigation of all matters with respect to taxes, bonds, environmental condition, permissible uses, zoning, covenants, conditions and restrictions and all other matters which, in Agency's judgment, bear upon the value and suitability of the Property for Agency's purposes. Except to the extent contained herein, County hereby specifically disclaims any warranty, guaranty or representation, oral or written, past, present or future of, as to or concerning (a) the nature and condition of the Property, including the water, soil, geology, environmental conditions (including the presence or absence of any Hazardous Substances (as hereinafter defined)), and the suitability thereof for any and all activities and uses which Agency may elect to conduct thereon, (b) the nature and extent of any right of-way, lease, possession, lien, encumbrance, license, reservation, condition or otherwise; (c) the truth, accuracy or completeness of any materials, data or other information supplied to Agency in connection with Agency's inspection of the Property; or (d) the compliance of the Property or its operation with any laws, ordinances or regulations of any government or other body. The sale of the Property as provided for herein is made on an "AS IS" basis, and Agency expressly acknowledges that in consideration of the agreements of County herein, except as otherwise expressly specified in this Agreement, COUNTY MAKES NO WARRANTY OR REPRESENTATION, EXPRESS OR IMPLIED, OR ARISING BY OPERATION OF LAW, INCLUDING, BUT IN NO WAY LIMITED TO, ANY WARRANTY OF CONDITION, HABITABILITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OF THE PROPERTY. For purposes of this Agreement, (i) "Hazardous Substances" means substances defined as (A) "hazardous substances" in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 U.S.C. Sections 9601 et seq.) together with the regulations enacted pursuant to such act, and (B) "hazardous wastes" in the Resource Conservation and Recovery Act of 1976 (42 U.S.C. Sections 6901 et seq.) together with the regulations enacted pursuant to such act, and (ii) "Hazardous Substances Laws" shall mean any federal, state or local law, ordinance, regulation or guideline regulating or imposing liability or standards of conduct concerning any Hazardous Substances.

Agency's Initials

Section 12. OWNER'S WARRANTIES.

No Representations or Warranties by County. Except as expressly set forth in this Agreement, County has not made any warranty or representation, express or implied, written or oral, concerning the Property.

(a) To the best of the County's actual knowledge, there are not now any toxic or hazardous substance, materials or conditions at, on, or under the Property. The Agency acknowledges that it will investigate the condition of the Property as set forth in Section 3 of the Agreement, and will rely solely on its own investigations in relation to the condition of the Property.

(b) There are no leases of or rights to possession to the Property, other than rights of the U.S. Postal Service Lease including Amendment #1.

(c) The persons executing this Agreement on behalf of County have been duly authorized to execute this Agreement on behalf of County; the execution of this Agreement by County has been duly authorized by resolution of the Board of Supervisors acting in accordance applicable law; the execution and performance of the Agreement by and on behalf of County does not violate any provisions of applicable law, or any agreement, court or government order or judgment to which County is a party or is subject; and the execution and performance of the Agreement by or on behalf of the County does not require the consent or agreement of any other person or entity.

Section 13. Assignment of Option.

The Agency may assign its rights or obligations under this Agreement without the prior written consent of the County to an entity intending to develop the Property in manner consistent with the Redevelopment Plan.

Section 14. Further Documents.

Upon the reasonable request of the other party, each party will execute, acknowledge and deliver or cause to be executed, acknowledged and delivered, such further instruments and documents as may be reasonably necessary in order to carry out the intent and purpose of this Agreement, including but not limited to escrow instructions.

Section 15. Lease of Property.

Agency understands that the Property is subject to the U.S. Postal Service Lease. The Agency's option and any acquisition of the Property by the Agency shall be subject to the U.S. Postal Service lease. County will not enter into any new leases or amendments without providing the Agency a notice of the proposed new lease or amendment 30 days prior to the County's approval of any new lease or amendment. County, prior to conveyance of the Property to the Agency shall provide notice of the conveyance and assignment to the United States Postal Service required pursuant to the lease with the U.S. Postal Service for the transfer of the Property.

Section 16. Broker's Commission.

Agency represents to the County that it has not engaged or used the services of any person, firm or corporation that may claim a broker's commission or finder's fee upon execution of Agreement. The County represents to the Agency that it has not engaged or used the services of any person, firm or corporation that may claim a broker's commission or finder's fee upon execution of Agreement. The Agency and the County (each, reciprocally, as an "Indemnitor") agree to indemnify and hold the other

(as "Indemnitee") harmless from all expense, loss, damage and claims, including the Indemnitee's attorneys' fees, if necessary, arising out the Indemnitor's breach of the foregoing representation.

Section 17. Notices.

All notices or other communications made pursuant to this Agreement shall be in writing and shall be deemed properly delivered, given or served to the parties at the following addresses when (i) mailed by certified mail, postage prepaid, return receipt requested; (ii) sent by express delivery service, charges prepaid with a delivery receipt; or (iii) personally delivered when a delivery receipt is obtained:

County: County of San Mateo
Real Property Services
455 County Center, 4th Floor
Redwood City, CA 94063

Agency: Redevelopment Agency of the City of East Palo Alto
2415 University Avenue
East Palo Alto, California
Attention: Alvin James, Executive Director

All notices so delivered, mailed or sent shall be deemed received as of the date shown on the delivery receipt as the date of delivery, the date delivery was refused or the date the notice was returned as undeliverable. Either party may change its address for the purposes of this paragraph by giving prior written notice of the change to the other party in the manner provided in this paragraph.

Section 18. Binding Effect.

This Agreement and its terms and conditions shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and permitted assigns.

Section 19. Time.

Time is of the essence of this Agreement.

Section 20. Eminent Domain/Damage.

Notwithstanding any other provision of this Agreement, if at any time prior to execution of the Grant Deed conveying the Property to the Agency, any portion of the Property shall be taken by eminent domain or is the subject of eminent domain proceedings (either threatened in writing or commenced) or is damaged or destroyed, and regardless of whether the Agency has exercised the Option, then the Agency shall

have the right to terminate this Agreement upon written notice to the County, whereupon the parties shall have no further obligations under this Agreement.

Section 21. Exhibits.

All exhibits attached to this Agreement and referred to in this Agreement are incorporated into this Agreement by this reference as though they were fully set forth in this Agreement.

Section 22. Captions.

The captions of the paragraphs of this Agreement are for convenience and reference only, and the words contained in the captions shall in no way be held to explain, modify, amplify or aid in the interpretations, constructions or meaning of the provisions of this Agreement.

Section 23. Entire Agreement.

This Agreement contains the entire agreement between the parties respecting the matters set forth, and supersedes all prior agreements between the parties respecting such matters.

Section 24. Counterparts.

This Agreement may be executed in counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same Agreement.

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IN WITNESS WHEREOF, the Agency and the County have executed this Agreement as of the date first written above.

AGENCY:

REDEVELOPMENT AGENCY OF THE CITY
OF EAST PALO ALTO, a public body,
corporate and politic

By: _____
Its: _____

COUNTY:

COUNTY OF SAN MATEO

By: _____

Resolution No. _____

ATTEST:

Clerk of the Board

EXHIBIT A

LEGAL DESCRIPTION

Real property in the City of EAST PALO ALTO, County of SAN MATEO, State of CALIFORNIA, described as follows:

ALL THAT CERTAIN PIECE OR PARCEL OF REAL PROPERTY SITUATE IN THE COUNTY OF SAN MATEO, STATE OF CALIFORNIA, BEING A PORTION OF THAT CERTAIN PARCEL OF LAND AS DESCRIBED IN DEED TO JEAN VICTOR AND NOELLIE VICTOR, RECORDED OCTOBER 21, 1954, IN BOOK 2673 OF OFFICIAL RECORDS OF SAN MATEO COUNTY AT PAGE 686 (95963-L), MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING AT THE NORTHWESTERLY CORNER OF SAID PARCEL, SAID NORTHWESTERLY CORNER BEING THE INTERSECTION OF THE CENTERLINE OF BAY ROAD WITH THE CENTERLINE, OF COOLEY AVENUE; THENCE FROM SAID POINT OF BEGINNING ALONG THE NORTHERLY LINE OF SAID PARCEL NORTH 88° 21' 01" EAST 146.86 FEET (DEED - NORTH 88° 20' 30" EAST) TO THE EASTERLY LINE OF SAID PARCEL; THENCE ALONG SAID EASTERLY LINE SOUTH 1° 28' 51" EAST (DEED - SOUTH 1° 29' EAST) 40.00 FEET TO THE TRUE POINT OF BEGINNING; THENCE FROM SAID TRUE POINT OF BEGINNING, LEAVING SAID EASTERLY LINE SOUTH 88° 21' 01" WEST 76.86 FEET; THENCE ALONG THE ARC OF A CURVE TO THE LEFT, TANGENT TO THE PRECEDING COURSE, SAID CURVE HAVING A RADIUS OF 15.00 FEET AND A CENTRAL ANGLE OF 79° 07' 48", A DISTANCE OF 20.72 FEET TO A POINT OF REVERSE CURVE; THENCE ALONG THE ARC OF A CURVE TO THE RIGHT, TANGENT TO A LINE WHICH BEARS SOUTH 9° 13' 13" WEST, SAID CURVE HAVING A RADIUS OF 425.00 FEET AND A CENTRAL ANGLE OF 13° 17' 18", A DISTANCE OF 98.55 FEET TO A POINT IN THE SOUTHERLY LINE OF SAID PARCEL (95963-L); THENCE ALONG SAID SOUTHERLY LINE NORTH 88° 26' 40" EAST 120.86 FEET TO THE SOUTHEAST CORNER OF SAID PARCEL (95963-L); THENCE ALONG THE EASTERLY LINE OF SAID PARCEL (95963-L) NORTH 1° 28' 51" WEST 106.11 FEET TO THE TRUE POINT OF BEGINNING.

APN: 063-221-010