

**321 Sheridan Drive, Menlo**  
**Park, California**  
**Alliant Strategic**  
**Development - Proposed**  
**Exclusivity Agreement**

January 20, 2022

*This proposed exclusivity agreement outlines certain of the major terms under discussion for a potential ground lease (“**Lease**”) and related documents (collectively, the “**Lease Documents**”) between by the Ravenswood City School District (“**District**”) and Alliant Strategic Development (“**Alliant**”) with respect to the vacant real property, defined below. This agreement reflects some of the proposed baseline items for further discussions between the parties; it is not and shall not be construed as a legally binding agreement, except for the paragraphs below entitled “Exclusivity” and “Broker.” This agreement does not obligate the District to accept any of the terms described below or to proceed with any agreement with Alliant. Except for the “Exclusivity” and “Broker” paragraphs, the parties will be legally bound only if they execute mutually acceptable Lease Documents*

Property: 321 Sheridan Drive, Menlo Park, California (the “**Property**”).

Transaction

Overview: The parties are attempting to negotiate a proposal for the District to grant Alliant rights under a ground lease to develop an affordable multifamily rental project (the “**Project**”). The transaction structure could be an option to enter into a long-term Lease of the Property or it will be the ground lease itself (“**Agreement**”), depending on what is best for both parties. Alliant would need to satisfy certain conditions, including providing assurances that the project is financially and operationally feasible before it would have any rights to possess the Property and proceed with the Project. A markup of Alliant's most recent letter of intent (“**LOI**”) is attached for reference. Alliant has been advised that no agreement can be entered into without this board's independent approval and that all terms and conditions are subject to negotiation.

Term: Alliant proposes to have a ground lease term of 90 years from the date of "conversion of the Project to its permanent phase", which largely means it has completed construction, filled the units and "stabilized" the project economics. The base term, any options and adjustments are to be negotiated and finalized, although the expectation is that the full term of the ground lease will be between 90 years from the start of the term, with a maximum statutory term of 99 years.

Upfront

Payments

and Rents: Alliant proposes the following payment program:

**Base Rent:** Alliant proposes to pay the District an annual base rent of \$525,000 for the first lease year, which will increase by 1.5% annually for the first ten lease years, then it will increase 2% for the 11th through 15th lease year, and then it will increase by 3% per annum for each subsequent lease year.

**"Cash Flow**

**Rent":** In addition, Alliant proposes to share the "residual cash flow" from the project at the rate of 10% of that total cash flow (and this will move to 20% of "residual cash flow" once the Project has paid back all of the "Deferred Developer Fees." Alliant projects this will occur in lease year 11. [Note: These terms need to be fully defined and understood and that is under discussion.]

**Participation in**

**Sales Proceeds:** Alliant also anticipates that it will sell off the Project in year 16 of the lease and this will generate additional proceeds; it proposes to share 25% of the sales proceeds with the District as part of the proposed profit participation from the project.

Moreover, Alliant proposes to prepay the first 15 years of the base rent under the lease in year 1. There is a summary of these proposed rent payments provided by Alliant; these are set out below for illustration purposes.

Summary of Estimated Payments to Seller:

\$ 8,805,286	Capitalized Ground lease payment – Paid in year 1
\$ 1,122,503	Seller Yr. 1-16 Cash Flow Sweep to be paid out annually
\$ 682,640	Year 16 Ground Lease Payment
\$ 3,982,265	Year 16 Seller Due Disposition Proceeds – Paid Year 16
<b>\$ 14,592,693</b>	<b>Total to Seller</b>

The District's negotiating team is still under discussion with Alliant about these terms and conditions, with a focus on clarifying their details and ensuring fair rental for the land contribution to the Project over the length of the Lease.

**Due Diligence**

**Period,**

**Termination**

**Rights and**

**Deposits:** The Agreement will be entered into on the basis that delivery of the Property to Alliant is an "as is, where is and with all faults" transfer of possession of the Property. The due diligence period will start when the parties have executed the Agreement.

Upon executing the Agreement, the District will provide all information it has on the Property without warranty and Alliant will have the right to access the Property for purposes of conducting

due diligence. During the due diligence period, Alliant will be given an opportunity to fully examine, explore and evaluate the Property, its physical condition, status of title, land use and other regulatory impacts and decide if it wants to proceed.

Alliant has requested an initial 90 day period to conduct its due diligence period, at no financial risk to Alliant. That term would start when the Agreement is entered into. Alliant has requested an option right to extend the due diligence period by a further 3-month period with an option fee of \$15,000, and also wants to extend this further if it has not received a "pre-application" set of comments on the Project from Menlo Park. The upshot of these provisions is that no funds are put be at risk if Alliant terminated the Agreement before the 180 days or receiving the "pre application" comments from Menlo Park, which leaves this open-ended. As a result, Alliant is really asking for a cost-free due diligence period of at least six months, with no firm deadline. The negotiation team does not concur with this approach and a suitable approach to the due diligence period needs to be finalized.

Separate from the due diligence period, Alliant wants a termination right under the Agreement that would permit it to terminate the Agreement if it did not receive all of the land use and other approvals and permits it feels it needs for its Project. Alliant wants an initial 12-month termination right, plus two (2) options to extend that termination right for additional 3-month intervals. In total, the termination right could extend for 18 months. The negotiation team intends to address these issues and ensure that the terms are reasonable for the District and Alliant.

Alliant proposes to make an initial deposit of \$200,000 within three (3) days of entering into the Agreement and start of the due diligence period. No part of this deposit is at risk during the due diligence period or its extension, and Alliant proposes an open-ended extension of this risk-free period that will have to be resolved via the negotiating team. The deposit is to be refunded if Alliant cancels the Agreement during the due diligence period, as it may be extended; moreover, the Deposit is to be treated as a prepayment of rent under the Agreement. If Alliant approves of the Project during the due diligence period, the Deposit becomes non-refundable.

Alliant also proposes to pay the District \$25,000 as a non-refundable fee for allowing it to extend its termination rights for each of the 2 option periods noted above. It means that these funds are retained by the District if Alliant exercises its termination right, but then those funds are credits against rents.

The final negotiation of these terms would be pursued during the exclusivity period.

Confidentiality: Alliant requested that the details of its proposal and project be kept confidential. The negotiating team has noted that this is limited by law as the District is a public agency.

Absolute Net  
Lease:

The Lease will be a “absolute net lease” under which Alliant will be unconditionally obligated to pay all costs and expenses of every kind and nature, and accept all liabilities associated with the possession, use and operation of the Property so that the District shall have no risk of loss or liability. The rent obligations are absolute under all circumstances, the Lease cannot be terminated, and no rent abatements of any kind are permitted.

Completion  
Guaranty:

A suitable guarantor will need to provide to District a completion guaranty for the Project (“**Completion Guaranty**”) acceptable to District.

Lease  
Provisions:

Alliant has been provided with an exemplar of a development ground Lease. The negotiations will address commonly negotiated lease terms and conditions, including provisions to support the ability to secure a leasehold mortgage and protect the mortgagee's interests in the leasehold. The negotiating team has advised Alliant that there are key areas that will need to be addressed, including those called out in this exclusivity agreement.

Broker:

District and Alliant represent that they have not dealt with any brokers, agents or finders in connection with the transaction contemplated by this Exclusivity Agreement other than Jones Lang LaSalle Americas Inc., whose fees shall be paid by District pursuant to a separate agreement. District shall indemnify and hold Alliant harmless from and against the claims, if any, of Jones Lang LaSalle Americas Inc.

Exclusivity:

During the sixty days immediately after the execution by both parties of this agreement (“**Exclusivity Period**”), District will not negotiate with anyone other than Alliant regarding the ground leasing, disposition and/or development of the Property. To the extent District has commenced any such negotiations or discussions, District will discontinue any such negotiations or discussions during the Exclusivity Period, but may advise other interested parties that it can recommence those discussions thereafter.

Non-Binding: Each of District and Alliant acknowledges that the sole obligations of the parties under this agreement are under the "Broker" and "Exclusivity" provisions and neither party is obligated to accept any of the agreement's other terms or conditions, all of which may be altered or rejected in the sole discretion of either of the parties. Except for the "Broker" and "Exclusivity" sections, neither party shall have any claim against the other based upon this agreement or for any actions taken or omitted to be taken in reliance thereon under any legal theory. No party shall have the right to pursue any special or consequential damage claims under this agreement.

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this agreement as of the day and year first above written.

DISTRICT:

**THE RAVENSWOOD CITY SCHOOL DISTRICT**

By: \_\_\_\_\_  
Name:  
Title:

ALLIANT:

**ALLIANT STRATEGIC DEVELOPMENT, LLC**  
a Delaware limited liability company

By: \_\_\_\_\_  
Name:  
Title: