OPTION AGREEMENT

THIS OPTION AGREEMENT (this “Agreement”) is effective as of November 17, 2021, by and between Housing Authority of the City of Alameda (“Seller”) and Island City Development, a California nonprofit public benefit corporation, or its assigns (“Purchaser”).

RECITALS

A. Seller is the owner of the land located in the City of Alameda, CA 94501, and described as Phase 1 in the Tentative Map – Tract 8561 Site Plan for North Housing dated July 22, 2020 by CBG Civil Engineers, the first page of which is shown on Exhibit A attached hereto and incorporated herein by reference (the “Land”). There are currently no buildings or improvements (the “Improvements”) situated on the Land.

B. Purchaser desires to procure, and Seller desires to grant, an option to enter into a ground lease with respect to the Land upon the terms and provisions as hereinafter set forth. The leasehold interest in the Land and the fee interest in any Improvements to be developed on the Land are referred to collectively herein as the “Property”.

NOW, THEREFORE, in consideration of the mutual agreements contained herein, the parties hereto agree as follows:

AGREEMENT

1. Grant of Option. For One Dollar ($1.00) and other good and valuable consideration, receipt of which is hereby acknowledged, Seller does hereby grant to Purchaser the exclusive right and option to lease the Land (the “Option”).

2. Exercise of Option. Purchaser may exercise its Option at any time during the period commencing on the date hereof and expiring on December 31, 2022 (the “Option Term”), by giving written notice thereof to Seller. In the event the Purchaser does not exercise its Option during the Option Term, this Agreement shall become null and void and neither party hereto shall have any other liability, obligation or duty hereunder.

3. Contract For Ground Lease. In the event that the Purchaser exercises the Option, unless otherwise mutually agreed, both parties agree to execute a contract in accordance with the following terms and conditions:

   (a) Ground Lease. The ground lease for the Land shall have the following terms: (a) have a term of no less than 99 years; (b) have base rent equal to the appraised fair market value of the Land, and (c) such other terms and conditions agreed upon by Seller and Purchaser.

   (b) Financing. Seller agrees to provide seller takeback financing for up to 100% of the ground lease base rent; bearing interest at the applicable federal rate; with a term of 55 years (or a lesser term if elected by Purchaser); secured by a mortgage against the Property; subordinate to a senior construction to permanent bank loan and any other loans from
governmental agencies; repaid from residual receipts (after payment of developer fee, general partner management fee of $25,000 per year with an annual increase of 3%, and an investor asset management fee of $5,000 per year with an annual increase of 3%); and subject to commercially reasonable terms, including those in favor of an investor, for low income housing tax credit projects.

(c) **Closing Date.** The closing date shall be on any date during the Option Term as may be selected by Purchaser, provided that Purchaser shall make good faith efforts to provide 30 days prior notice of the closing date.

(d) **Closing Costs.** The Purchaser and Seller shall each pay their respective costs of closing the purchase in accordance with custom in the city in which the Property is located.

(e) **As Is.** Except as specifically provided in writing by Seller, Purchaser shall lease the Land in an “as-is” condition with an ALTA owner’s title policy with such endorsements as Purchaser shall reasonably require, subject only to those monetary encumbrances recorded against the Property as agreed to in writing by Purchaser.

(f) **Subdivision.** Seller and Purchaser shall cooperate in causing the Land to be a separate legal parcel under applicable law, which shall be a condition precedent to closing under this Agreement. At the election of Purchaser, Purchaser may cause the Land to be further subdivided into 2 separate legal parcels or converted to a condominium with 2 condo units, in which case (1) Seller shall reasonably cooperate with such subdivision or conversion efforts, and (2) this Agreement shall be replaced with 2 separate option agreements for the 2 parcels or units, each with the same terms and conditions as in this Agreement.

(g) **Representations, Warranties and Covenants.** Seller hereby represents, warrants and covenants as follows:

(i) Except as otherwise permitted by Purchaser in writing in its sole discretion, Seller shall (A) maintain and operate the Property in its current condition and operation; (B) not enter into any lease, agreement or contract or a modification thereof (including existing loans or liens on the Property) affecting the Property unless such lease, agreement or contract shall terminate upon transfer of the Property or is approved by Purchaser in its sole discretion; (C) comply with all material contracts, agreements and obligations with respect to the Property; (D) maintain current amounts of fire, extended coverage, hazard and other insurance for the Property; and (E) not sell, assign, dispose of or further encumber the Property.

(ii) Seller shall not commit or permit any act that would diminish or devalue the Property or Purchaser’s rights under this Agreement.

(iii) Seller shall within 20 days of the date hereof provide to Purchaser all documents, contracts, agreements and other information regarding the Property that is within the possession or control of Seller.

(iv) During the Option Term, Purchaser and its agents shall have the right, upon reasonable notice and during reasonable times and without unreasonably interfering
with the normal operation of the Property, to enter upon the Property to conduct inspections and
testing (including surveying and environmental assessments), and to inspect and copy Seller’s
books and records with respect to the Property. Seller shall reasonably cooperate with Purchaser
in inspecting and evaluating the Property, applying for or obtaining financing for the Property
and obtaining entitlements or permits with respect to the Property.


   (a) Entire Agreement. This Agreement contains the entire agreement between
       the parties, and supersedes all prior negotiations, drafts, and other understandings which the
       parties may have had concerning the subject matter hereof.

   (b) Time. Time is of the essence of this Agreement.

   (c) Successors. The provisions of this Agreement shall inure to the benefit of,
       and shall be binding upon, the heirs, successors, executors, administrators and assigns of the
       parties hereto. Seller agrees that Purchaser shall have the right to assign this Agreement or to
       nominate another person (including, without limitation, a limited partnership controlled by
       Purchaser) to take title to the Property without Seller’s consent.

   (d) Amendments. This Agreement may not be amended or modified except
       by written documents signed by all parties hereto.

   (e) Severability. Whenever possible, each provision of this Agreement shall
       be interpreted so as to be effective and valid under applicable law. If any provision of this
       Agreement is held to be prohibited by, or invalid under, applicable law, the remainder of this
       Agreement and any other application of such provision shall not be affected thereby.

   (f) Counterparts. This Agreement may be executed in any number of
       counterparts, and each such counterpart shall be deemed to be an original instrument. All such
       counterparts together shall constitute one and the same Agreement.

   (g) Notice. Any notice, demand, request, consent or other communication
       which either party desires or is required to give to any other party shall be in writing and shall be
       deemed to have been given when either: (a) delivered in person or by facsimile transfer, or (b)
       sent by overnight courier or first-class registered or certified mail, postage pre-paid, return
       receipt requested, addressed to such party at the address set forth following each party’s
       signature to this Agreement. Either party may designate another address for itself at any time
       upon written notice to the other party.

   (h) Headings. The titles and headings of the various sections of this
       Agreement have been inserted only for convenience of reference. They are not part of this
       Agreement and may not be used to construe or interpret any of the terms hereof.

   (i) Governing Law. This Agreement shall be governed by, and construed in
       accordance with, the law of the State of California.

   [SIGNATURES ON FOLLOWING PAGE]
IN WITNESS WHEREOF, the parties have executed this Agreement as of the date set forth above.

SELLER:

Housing Authority of the City of Alameda, a public body corporate and politic

By: Vanessa Cooper
Executive Director

Address:

Housing Authority of the City of Alameda
701 Atlantic Avenue
Alameda, CA 94501
Attn: Executive Director

PURCHASER:

Island City Development, a California nonprofit public benefit corporation

By: Vanessa Cooper
President

Address:

Island City Development
c/o Housing Authority of the City of Alameda
701 Atlantic Avenue
Alameda, CA 94501
Attn: Executive Director
EXHIBIT A

Tentative Map – Tract 8561 Site Plan for North Housing