

MEMORANDUM

OFFICE OF THE CITY MANAGER



TO: THE MAYOR AND MEMBERS OF THE CITY COUNCIL OF THE CITY OF RICHMOND

FROM: Phil Batchelor
City Manager

DATE: November 9, 2004

SUBJECT: Proposed Disposition of the Point Molate Property

Recommendations

CONSIDER APPROVING either the purchase and sale agreement as attached in order to sell the property to the Chevron/Texaco Corporation and realize an immediate infusion of cash, a smaller continuing stream of revenues, a one time source of revenue for a jobs program and the potential for some economic development, or

CONSIDER APPROVING the Land Disposition Agreement (LDA) with Upstream Investments, pursuant to the attached resolution, in order to develop a resort and casino at Point Molate and realize a smaller immediate infusion of cash and a larger continuing stream of long-term revenues, and the opportunity for economic development and a significant number of jobs for the community.

The City Council may want to review these proposals from the standpoint of whether or not they meet the basic objectives of the Navy Record of Decision and the Base Reuse Plan that includes the consideration of jobs, economic development, open space, public access, historic preservation, and long-term sustainability of the plan.

Fiscal Impact: Chevron/Texaco

If the City Council agrees to sell the Point Molate property to Chevron/Texaco Corporation the City will realize an infusion of \$5 million in the next ten business days. The City will also receive an additional \$50 million at the close of escrow, which will occur no earlier than December 23, 2004 (and could occur later if the City requests additional time to complete the documentation) and \$1 million dollars per year beginning July 1, 2005 and each year thereafter, for a 25-year period. Chevron also agrees to lease to the City a 25 acre parcel of land off the Richmond Parkway for a period of fifty years. The City would attempt to use this property for port related purposes (in connection with auto importation) and depending on the business arrangements that could be worked out, this property could potentially generate \$1 to \$1.5 million in revenues annually; however, no definitive arrangements have been negotiated with the Port's customers at this time. There would also be a positive economic benefit to the City from any development that might take place on the site. Chevron has also offered to make available for Shoreline Trail and Park land it currently owns that is adjacent both north and south of Point Molate but the extent of this offer is not quantified at this time.

Fiscal Impact: Upstream Development

If the City Council agrees to enter into a LDA with Upstream it will realize a million dollars within 21 days of execution of the LDA and will receive an additional \$1 million a year until escrow closes (for a maximum of 5 years). Upon close of escrow the City will receive \$20 million less any deposits previously made. After closing, the City will receive an additional amount of \$30 million; plus interest, which will then be paid to the City over the following 15 years pursuant to a promissory note guaranteed by Harrah's. The City will also receive additional revenues estimated to be about \$15 million per year for the first 8 years after commencement of operation of the project, increasing to about \$17 million per year for the next 12 years, in each case indexed for inflation, as a result of the service agreement. There will also be a beneficial direct and indirect economic impact on the City due to the addition of a number of new jobs and the indirect spending that will be realized as a result of the development.

The Need for One-Time Revenues

If it is the desire of the City Council to have an immediate infusion of cash into the City's General Fund then it should carefully examine the

Chevron/Texaco proposal which provides a lump sum payment of \$5 million dollars within the next 10 days, and a lump sum payment of \$50 million dollars this fiscal year, plus an additional annual payment of \$1 million per year for twenty five years beginning July 1, 2005. If the proposed lease for the 25 acre parcel of land off the Richmond Parkway is executed, it could provide an additional stream of revenue to the City for up to a fifty year period, which could be in the range of \$1.0 to \$1.5 million dollars annually. However, these payments would be contingent upon entering into satisfactory arrangements with port customers.

In the September 14, 2004 report to the City Council entitled *Initial Assessment of the Fiscal and Organizational Stabilization Needs of the City of Richmond*, many of the following items were identified which require a one-time infusion of revenues:

Item	Amount in Millions Dollars
Road Improvements (Harris & Associates Report)	209
Construction of a permanent EOC (estimate)	2.35
Establishing an Appropriation for Emergencies	8
Restoring the Worker's Compensation Reserves	21
Restoring the General Liability Reserves	3
Seismic reinforcement of City buildings (estimate)	50
Relocation of computers and telephone switching equipment to seismically secure location(estimate)	1
Repairs to the City sewer system (estimate)	50
Computer system upgrades	1.5
Repairs to City Parks (estimate)	6
Refurbishing City recreation facilities (such as the Plunge)	4
Total	355.85

Although the estimated costs associated with the items mentioned above are very rough, nevertheless they demonstrate the City's pressing need for cash to build, repair, and refurbish its assets.

The Need for a Continuing Source of Revenue

If it is the desire of the City Council to maximize the potential yield on the sale of the Point Molate property, including one time and ongoing revenue streams, and the addition of employment opportunities and economic development, then it should carefully examine the proposal from Upstream. This proposal may potentially provide revenues in excess of \$350 million. If Upstream can obtain the necessary approvals to build an 1,100 room resort, with retail shops and a major casino. Upstream has also provided a backup development plan; in case the casino is not approved, which they believe could potentially generate a revenue stream of \$250 million by building housing, retail shops and a hotel.

The revenue stream estimates for both the main proposal and the backup proposal cannot be guaranteed at this time. However, it is important to point out that although there is no assurance that a casino will be built, the approvals required for the backup proposal reside primarily within the City.

If the City approves the Upstream proposal it will receive a \$1 million payment within 21 days of execution of the LDA and an annual payment of \$1 million a year for four additional years totaling \$5 million over the next five years. The City could receive an additional payment of \$15 million at the close of escrow (\$20 million less previous deposits of \$5 million) in approximately five years, assuming the approval process moves ahead without major setbacks.

Although, the Upstream proposal does not immediately provide a large infusion of cash into the General Fund, it will in time, (estimated to be 5 to 7 years), provide a continuing stream of revenue estimated by Upstream at up to \$17 million dollars a year (indexed for inflation), that can be used to rehire positions laid off from the police, fire, library, parks and recreation functions and infrastructure maintenance. In addition, while not estimated, there would likely be significant additional tax revenues to the City as a result of the increased economic activity created by the Upstream project.

Other goals of the Base Reuse Process

Major Provisions: Chevron/Texaco Proposal

1. Revenue Generation

Chevron/Texaco indicated that:

- a. The City will receive \$5 million that will be non-refundable (except in the event of a City breach of the Agreement), within 10 days of signing the purchase and sale agreement (Nov. 19, 2004), to be used by the City for jobs. The City has full discretion to use these funds for any enterprise(s) that will stimulate the economy and create additional employment opportunities.
 - b. The City will receive \$50 million on or about December 23, 2004.
 - c. The City will receive \$1 million annually for 25 years beginning July 1, 2005; however, if the Remainder Property (defined below) is not conveyed by 2011, these payments may be suspended until Chevron is reimbursed in full for the Remainder Property.
 - d. The City will potentially receive \$1 - \$1.5 million annually for a period of up to fifty years, if an agreement can be executed to lease to the City a 25 acre parcel of land off the Richmond Parkway, across from their main entrance which could be used to relocate certain existing business activities of the Port of Richmond. It is estimated that approximately 100 full and part time jobs can be created from this enterprise assuming the property is used as a staging area for automobiles that are off loaded from the Richmond docks.
2. The Chevron/Texaco offer is generally a no contingency offer subject to Warranties and representations.
 3. The Chevron proposal does not include any indemnification to the City in the event the City is sued by any third party as a result of entering into the Chevron Agreement or any related matter. Thus, if a suit is brought, the City will have the obligation to pay for defense costs and any damages that are awarded.

4. Chevron will establish a \$2 million fund (financed by five annual payments of \$400,000 each) to be used for the development, construction and maintenance of a shoreline park and trail system. Neither Chevron nor the City have any obligation to pay for construction or maintenance of any such improvements beyond the amount of this fund.
5. Chevron will establish a \$1 million account to be used for the development of a comprehensive land use plan, in concert with the City and other interested parties that incorporates the light industrial and supports commercial elements of the Navy's Reuse Plan for Point Molate and which takes into consideration historic preservation, open space and recreational uses. Neither Chevron nor the City have any obligation to pay for any such costs or the implementation of the land use plan beyond the amount of this fund. Chevron has been unable to demonstrate to date that their proposed economic development of the site (as light industrial commercial development) is financially feasible.
6. In the unlikely event the 51 acres of property still owned by the Navy are not conveyed to Chevron by January 1, 2011, Chevron may at its option seek reimbursement from the City of an amount equal to \$184,500 per acre of such land that is not conveyed. The City may elect to pay such reimbursement in cash, or to have the payments deducted from the \$1 million per year services payments described above and thus the City would be the beneficiary of a multiyear, multimillion dollar interest free loan.
7. Additional revenues will be realized by the City when the Point Molate Property is placed on the tax rolls by the County Assessor. Although the purchase price of the Property would be \$50 million, the City cannot estimate the property tax revenues at this time because (i) it is yet undetermined whether or not the Property would be in a redevelopment project area (and in any event, such an area could not be established prior to December 23, 2004, the expected closing date) and Chevron may appeal its assessed value of the property.
8. A result of accepting the Chevron/Texaco offer is the potential healing of a strained relationship between the City and Chevron/Texaco.

Major Provisions: Upstream Development Proposal

1. Revenue Generation

The LDA negotiated with Upstream provides for

- a. The City has received \$500,000 for an exclusive right to negotiate with Upstream and a one time extension for 60 days.
 - b. The City will receive \$1 million when escrow is opened, plus \$1 million annually for 4 years to extend escrow for a maximum of 5 years.
 - c. The City will receive, at the close of escrow, \$20 million, less the payments made to the City after escrow opened.
 - d. The City will receive the sum of \$30 million in a 15 year period as Upstream and Harrah's retires their 15 year note. The note is guaranteed by Harrahs or another investment grade guarantor.
 - e. The City will receive \$8 million per year for the first 8 years, and \$10 million per year for the next 12 years, in each case indexed for inflation, starting at the commencement of operation of the project.
 - f. The City will receive non-gaming area community benefit payments estimated by Upstream to be \$7 million annually, plus adjustments for inflation, starting when the overall project commences.
2. The City will potentially receive revenue from this proposal in excess of \$350 million dollars in the first twenty (20) years of operation.
 3. The City will also receive a potential of \$17 million (adjusted for inflation) annually, if this agreement is extended after the first 20 year period.
 4. The project will provide significant economic development improvements for the City.

- a. Upstream believes their project will create a potential 3,000 onsite jobs, and an additional 3,600 offsite jobs plus 1,000 construction jobs.
- b. Upstream estimates their proposed plan will produce a potential revenue stream to City in excess of \$350 million dollars over twenty years plus future revenue.
- c. Upstream believes their plan will create a business spending opportunity approaching \$100 million per year.

5. Infrastructure

- a. The Upstream plan will create an approximately 33 acre shoreline park and will finance the construction and maintenance of the Bay Trail.
- b. The Upstream Plan will create an approximately 155 acre hillside open space and will fund the construction and maintenance of the open space trail and habitat restoration. There will also be guaranteed ingress and egress for the public.

6. Historic preservation

- a. The LDA provides that Upstream will fully restore Winehaven and the historic cottages to the Secretary of the Interior standards.
- b. Upstream will guarantee lead and asbestos abatement for the historic cottages.
- c. Upstream estimates that their park properties will be open to the public sometime in the 2007-2009 time period.

7. Transportation infrastructure

- a. Upstream has agreed to provide for the renovation of the fueling pier that will accommodate ferry service linking the Richmond shoreline with San Francisco.
- b. Upstream has indicated they will widen Western Avenue to facilitate ease of egress off the freeway. The LDA also provides that Upstream will pay for all other required traffic mitigations determined to be necessary by the City upon conclusion of the EIR process.

8. Environmental Concerns

- a. Upstream has indicated that they will provide for the acceleration of the environmental cleanup of the site in 3 years rather than 6 years, and will provide for early entry for public shoreline use.

9. Backup Development Plan

- a. Upstream has provided a backup development plan should they be unable to obtain the needed approvals to build a casino. The backup plan replaces the casino with 800 units of multi-family housing, still maintaining the resort, retail and hotel elements of the proposal..
- b. Upstream believes that their backup development plan reduces the estimated number of on-site jobs from 3,000 to 1,000 and indirect jobs from 3,600 to 1,200.
- c. Upstream believes that their backup proposal reduces local business spending opportunity from \$100 million per year to spending of \$30 million a year.
- d. Upstream believes that their backup proposal reduces the estimated potential income from \$350 million to about \$250 million during a twenty year period.
- e. Upstream indicated that all other items in their backup proposal remain essentially the same as in the main proposal.

PURCHASE AND SALE AGREEMENT

between

THE CITY OF RICHMOND, Seller

and

CHEVRON U.S.A INC., Buyer

November 9, 2004

**Point Molate Property
Richmond, California**

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Exhibits

- Exhibit A Site Map and Conceptual Plan of Land Uses
- Exhibit B-1 Legal Description of Owned Land
- Exhibit B-2 Legal Description of Remainder Land
- Exhibit C Term Sheet for Ground Lease

PURCHASE AND SALE AGREEMENT

THIS AGREEMENT, made as of November 9, 2004, by and **THE CITY OF RICHMOND, CALIFORNIA** ("Seller"), and **CHEVRON U.S.A. INC.**, a Pennsylvania corporation ("Buyer"),

Recitals.

A. The United States of America, acting by and through the Department of the Navy (the "Navy"), recently quitclaimed to Seller pursuant to that certain "Quitclaim Deed For Portions of the Former Naval Fuel Depot Point Molate and Environmental Restriction Pursuant to Civil Code Section 1471" dated September 23, 2003 and recorded in the Contra Costa County Recorder's Office on September 30, 2003 as Document #2003-0489200-00 (the "Navy Quitclaim"), approximately two hundred twenty (220) acres of upland and approximately one hundred thirty-four (134) acres of tidal and submerged real property described on Exhibit B-I (the "Owned Land"), together with all buildings, improvements, and related and other personal property located thereon, and all rights, tenements, hereditaments, and appurtenances belonging, or in any wise appertaining, including fixtures, structures, mineral rights, water rights, appurtenant easements, rail lines and utility lines, alleys, roads, streets ways, strips, gores or railroad rights of way upon the Owned Land, and any means of ingress and egress appurtenant thereto (collectively with the Owned Land, the "Owned Property") which is a portion of the former Naval Fuel Depot Point Molate ("NFD Point Molate"), and the Navy is expected to quitclaim to Seller an additional approximately fifty-one (51) acres of upland property following the Navy's completion of environmental remediation in accordance with that certain "Final Supplemental Baseline Environmental Survey" dated March 3, 2003, prepared by or on behalf of the Navy, which upland property is described on Exhibit B-2, which constitutes the remainder of NFD Point Molate (the "Remainder Land"), together with corresponding improvements and appurtenances thereto (collectively with the Remainder Land, the "Remainder Property"). The Owned Property and the Remainder Property, are referred to collectively as the "Property". The portion of the Property designated as the Shoreline Trail on Exhibit A attached hereto and all of the property on the bayside of the Shoreline Trail is referred to as the "Shoreline Property" and the portion of the Property not included in the Shoreline Property is referred to as the "Inland Property". Both the Shoreline Property and the Inland Property are comprised of both Owned Property and Remainder Property.

B. Seller desires to sell the Inland Property and lease the Shoreline Property to Buyer, and Buyer desires to purchase the Inland Property and lease the Shoreline Property from Seller, on and subject to the terms and conditions contained herein.

W I T N E S S E T H:

In consideration of the covenants in this Agreement, Seller and Buyer agree as follows:

ARTICLE 1

Purchase and Sale

1.1 Purchase of Inland Property. Seller agrees to sell to Buyer and Buyer agrees to purchase from Seller, upon and subject to the terms and conditions of this Agreement, all of the Inland Property.

1.2 Lease of Shoreline Property. Upon and subject to the terms and conditions of this Agreement, Seller agrees to lease to Buyer or its Permitted Assignee (“Tenant”) and Buyer (itself or through its Permitted Assignee) agrees to lease from Seller, in accordance with this Agreement, all of the Shoreline Property for the maximum term permitted by law, currently not less than 50 years (the “Shoreline Lease”), and grant the Tenant a permanent easement for ingress and egress over and non-exclusive use, consistent with the provisions of section 7.1 below, of the Shoreline Property commencing upon the expiration of the Shoreline Lease. The Shoreline Lease shall: (i) at Seller’s option, be prepared by Seller, (ii) provide for rent of \$1 per year, (iii) provide Seller or another appropriate governmental or non-profit entity with permanent conservation easements, or another mechanism acceptable to Seller or such other appropriate entity to assure permanent open space status and public access to the open space and public access portions of the Shoreline Property (“Open Space Rights”), (iv) provide that the Tenant will repair and maintain shoreline rip rap for erosion control, , and (v) contain such other reasonable or customary provisions as Seller and the Tenant may reasonably agree upon. The Tenant and the City Manager of Seller (if there is no City Manager of Seller at any time, the term “City Manager” shall mean the acting City Manager or Assistant City Manager) shall negotiate in good faith and agree on the form of the Shoreline Lease within twelve months after the date hereof. In lieu of leasing the Shoreline Property to Buyer or its assignee, Seller shall have the right, at its option, to grant Buyer or its assignee such other interest (including fee title) in the Shoreline Property as may be legally permitted and is agreeable to Seller and Buyer or its assignee, provided that such grant shall not require additional compensation from Buyer or its assignee and shall reserve the Open Space Rights.

1.3 Transfer of Remainder Property. Seller’s agreement to sell and the Buyer’s agreement to purchase the portion of the Inland Property and lease the portion of the Shoreline Property, which is included in the Remainder Property to Buyer, recognizes the Navy’s transfer of the Remainder Property to Seller and Seller’s subsequent transfer to Buyer. Such transfer may occur on or after the date that Seller transfers the Owned Property to Buyer pursuant to the terms of this Agreement. If such transfer of the Remainder Property to Seller has not occurred prior to the Closing, Buyer shall nonetheless proceed with the Closing of the Owned Property, paying to Seller the full amount of the Purchase Price set forth in Section 2.1 hereof, which price includes the value for the Remainder Property. Following the Closing on the purchase and lease of the Owned Property, (i) Buyer and Seller shall continue with efforts to obtain the conveyance of the Remainder Property by the Navy after Closing, (ii) Seller shall cooperate with and assist Buyer in such efforts (at no material cost to Seller), and (iii) if the Remainder Property or any portion thereof, regardless of any potential dispute regarding environmental conditions, is subsequently conveyed to Seller, Seller shall, upon direction from Buyer and without any further consideration paid to Seller, promptly convey such Remainder Property to Buyer or its designees. Prior to conveyance of the Remainder Property , Seller and the Navy shall negotiate and execute a

transfer agreement in form and content substantially similar to the Navy Quitclaim (the "Navy Transfer Agreement") pertaining to the responsibilities of the Navy respecting Hazardous Materials and the process for transferring the Remainder Property to Seller. Seller shall consult with Buyer as to the final terms of the Navy Transfer Agreement. At the Closing, Seller shall assign to Buyer, by assignment in form and substance reasonably acceptable to Buyer and Seller (the "Navy Rights Assignment"), all of Seller's rights against Navy pertaining to the Property, including without limitation rights under the Navy Transfer Agreement and all indemnity and other payment rights relating to Hazardous Materials or the environmental condition of the Property. Notwithstanding anything to the contrary herein, if by January 1, 2011, Seller has not conveyed all of the Remainder Property to Buyer, Buyer shall thereupon, and for a period of five (5) years thereafter through December 31, 2015 (the "Option Period"), have the right upon written notice to demand reimbursement from Seller of that portion of the Purchase Price equal to the sum of \$184,500 multiplied by the number of acres of Remainder Property which have not been conveyed to Buyer from Seller as of the date of Buyer's written demand. Such reimbursement shall be made to Buyer upon notice by the Buyer at Seller's option, either (i) all in cash within 30 days following the date of Buyer's notice, or (ii) as a credit against any future remaining annual payments payable by Buyer to Seller pursuant to Section 2.3 of this Agreement or any other amounts then due or to become due by Buyer to Seller. Upon receipt of notice from Buyer that such reimbursement is due, Seller shall notify Buyer of its election pursuant to the preceding sentence.

1.4 Reservation of Western Drive Right of Way. Land reasonably determined by Seller, after consultation with Buyer, to be sufficient for the right of way for Western Drive shall be excluded from the Property, provided, that such land so excluded from the Property shall be no less than the currently existing right of way for Western Drive.

1.5 Subdivision Processing. Prior to Closing, Seller shall prepare and process through Seller's normal procedures for Seller-owned property all appropriate subdivision or parcel maps necessary to create separate legal parcels for the Owned Property, the Remainder Property and the Shoreline Property, and to exclude the Western Drive right of way. Buyer shall provide all maps, surveys and other documentation required for processing of such maps.

1.6 Exchange. If requested by Buyer, Seller shall cooperate in reasonable ways with Buyer to acquire the Property through an exchange pursuant to section 1031 of the Internal Revenue Code and the Income Tax Regulations. Buyer shall be solely responsible for preparing and furnishing to Seller all agreements, escrow instructions and other documents related to the exchange. Seller agrees to enter into agreements to consummate the exchange but Seller shall not be required to take title to any exchange property. All documents to be executed by Seller in connection with any exchange shall be subject to the prior written approval of Seller, which approval Seller shall not unreasonably withhold. Seller shall not be required to assume or incur any additional obligation or liability in connection with any exchange. Any exchange shall not delay or postpone the Closing Date. Seller shall have no liability to Buyer if any exchange fails to qualify for no recognition treatment under the income tax laws, and Buyer shall not be released from its obligations under this Agreement to buy the Property if any exchange fails for any reason. Buyer shall reimburse Seller at the Closing on the Closing Date for all additional costs and expenses, including reasonable attorneys' fees and disbursements, incurred by Seller in connection with any exchange, whether or not any exchange is completed. Buyer shall

indemnify and defend Seller against and hold Seller harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, arising from or related to any participation by Seller in any exchange, whether or not any exchange is completed.

ARTICLE 2

Purchase Price, Jobs Program Contribution and Special Tax Assessments

2.1 Amount and Payment of Purchase Price. The total purchase price for the Inland Property (the "Purchase Price") shall be fifty million dollars (\$50,000,000). At the Closing (as hereinafter defined) on the Closing Date (as hereinafter defined), Buyer shall pay the total Purchase Price to Seller in cash in immediately available funds.

2.2 Jobs Program Contribution. Within ten (10) days after this Agreement has been fully executed and delivered, Buyer shall contribute to Seller, in addition to the Purchase Price, the sum of five million dollars (\$5,000,000) (the "Jobs Program Contribution") in cash in immediately available funds. The Jobs Program Contribution shall be used by Seller in its sole discretion to fund job training, creation and implementation within the City of Richmond. The Jobs Program Contribution shall not be refundable to Buyer, except that, if the purchase and sale of the Property is not completed and this Agreement terminates due to a material default by Seller under or a material breach by Seller of this Agreement, then the Jobs Program Contribution shall be returned to Buyer on demand. Nothing in this Section 2.2 shall be construed as obligating the Seller to create or utilize any particular jobs program. Buyer and Seller expressly recognize that Seller retains complete discretion over the use of the Jobs Program Contribution.

2.3 Community Services Payments. As consideration for the Seller providing services to the area including the Property, and contemporaneously with the execution of this Agreement, but not as additional consideration for the purchase of the Property, Buyer agrees to enter into a Community Services Agreement, of even date herewith, by and between the Seller and the Buyer (the "Community Services Agreement").

2.4 Shoreline Park and Trail System Payments. Commencing on the first anniversary of the Closing and on each one year anniversary thereafter for a period of five (5) years, Buyer shall pay into a dedicated escrow account the sum of Four Hundred Thousand Dollars (\$400,000) on each such date for use in the development, construction and maintenance of the shoreline park and trail system. Such payments shall be used in accordance with plans and budgets mutually agreed upon by Seller, Buyer and any applicable parks and recreation agencies having jurisdiction over the proposed shoreline park and trail system. Buyer agrees to make land it currently owns adjacent to the Property available for use as shoreline trail.

2.5 Shoreline Park, Open Space and Historic Preservation Payments. Upon Closing, Buyer shall establish and deposit into a dedicated escrow account, the sum of One Million Dollars (\$1,000,000) to be used by Seller and Buyer to develop and to promote, as further

described in Section 7.1 of this Agreement, a comprehensive land use plan for the Property that incorporates the light industrial and support commercial elements of the Reuse Plan used by the Navy to remediate the Property, the open space, public recreational and historic preservation concepts shown on Exhibit A.

ARTICLE 3

Completion of Sale

3.1 **Place and Date.** The purchase and sale of the Property shall be completed in accordance with Article 9 hereof (the "Closing"). The Closing shall occur through an escrow with Fidelity National Title Company (the "Title Company") at 3220 Blume Street, Suite 215, Richmond, California 94806, on the later of (a) December 23, 2004, or (b) a date selected by Buyer and Seller that is within fifteen (15) days after satisfaction of the conditions precedent set forth in Article 9 below (the "Closing Date"), or at such other place or on such other date as Seller and Buyer agree in writing. Notwithstanding the foregoing, if the Closing has not occurred by December 23, 2005, then either party (unless such party is in material breach of this Agreement) may terminate this Agreement by written notice to the other party. Prior to the Closing Date, Seller and Buyer each shall give appropriate written escrow instructions, consistent with this Agreement, to the Title Company for the Closing in accordance with this Agreement.

ARTICLE 4

Title to the Property

4.1 **Delivery of Title.** At the Closing, Seller shall convey title to the Inland Property to Buyer, by a duly executed and acknowledged Quitclaim Deed (the "Deed"), and shall convey leasehold title to the Shoreline Property to Tenant pursuant to the Shoreline Lease, in each case free and clear of all liens, encumbrances, leases, easements, restrictions, rights, covenants and conditions of any kind or nature whatsoever, except the "Permitted Exceptions", as that term is defined in section 4.2 hereof. By acceptance of the Deed and the Shoreline Lease and the Closing of the purchase and sale and lease of the Property, (i) Buyer agrees it is assuming for the benefit of Seller all of the obligations of Seller with respect to the Permitted Exceptions from and after the Closing, and (ii) Buyer agrees that Seller shall have conclusively satisfied its obligations with respect to title to the Property. The provisions of this Section shall survive the Closing. Delivery of title in accordance with the foregoing may, at Buyer's option, be evidenced by the issuance by the Title Company, at Closing, its Owner's/Leasehold ALTA Policy of Title Insurance in the amount of the Purchase Price showing (i) fee title to the Inland Property which is Owned Land and, if appropriate, the Remainder Land vested in Buyer, and (ii) a leasehold estate in the Shoreline Property which is Owned Land, and if appropriate, the Remainder Land, vested in Buyer, all subject only to the Permitted Exceptions (the "Title Policy"); provided, that failure to obtain a Title Policy shall not excuse performance of Buyer or Seller hereunder nor

shall delivery of a Title Policy be a condition to Closing.. Buyer may prepare, at Buyer's cost, any survey of the Inland Property necessary to support the issuance of the Title Policy. Buyer shall provide Seller with a copy of such survey, if prepared, at no cost to Seller.

4.2 Permitted Exceptions. "Permitted Exceptions" means those liens, encumbrances, and matters on the title to the Property shown on the Preliminary Title Report issued by Fidelity National Title Company dated June 10, 2003, this Agreement, and the Deed, the Shoreline Lease, any conservation or public access easements or mechanisms created in favor of the Seller pursuant to the terms hereof and other exceptions required in connection with the conveyance of the Property and any exceptions disclosed by any subsequent title report covering the Property, the public records or otherwise disclosed to Buyer, any *lis pendens* concerning litigation filed before or after execution of this Agreement by any third party concerning the sale of property from Seller to Buyer, any other exceptions to title which would be disclosed by an inspection and/or survey of the Property ("Subsequently Disclosed Exceptions"). Monetary liens voluntarily created by the Seller, liens and encumbrances inconsistent with Buyer's conceptual plan of land uses shown in Exhibit A voluntarily created by the Seller, mechanic's liens arising out of work contracted for by the Seller, and judgment liens arising from the actions of the Seller, and court orders prohibiting, rescinding, restricting or reforming the purchase of the Property pursuant to the Agreement shall not be Permitted Exceptions. Notwithstanding the terms of this Agreement, in the event of such court order or judgment occurring before or after the Closing, Seller shall repay to Buyer over a three (3) year period in equal installments all sums paid by Buyer in connection with this Agreement. Seller shall not be required to pay interest to Buyer on such sums. Buyer shall also be entitled to a refund of the amounts remaining in the accounts established pursuant to Sections 2.4 and 2.5 hereof. The Seller will use reasonable efforts, without the expenditure of funds, to cooperate with the Buyer's efforts to remove any Subsequently Disclosed Exceptions which are objectionable to the Buyer, but such removal shall not be an obligation of the Seller or a condition to the Buyer's purchase and lease hereunder.

ARTICLE 5

Review of the Property

5.1 Access for Review (a). From the date of this Agreement to the Closing Date, Seller shall provide Buyer and Buyer's representatives with reasonable access to the Property, and, to the extent in Seller's possession or control, all drawings, plans and specifications for the Property, all engineering and other reports and studies relating to the Property, all files and correspondence relating to the Property, at all reasonable times to make such studies, inspections, tests, copies and verifications as Buyer, in Buyer's discretion, considers reasonably necessary or desirable in the circumstances.

(b). In addition to the obligations set forth in subsection 5.1(a) above, Seller shall use reasonable efforts to respond to Buyer's requests for information regarding the Property, to the extent such information is readily available to Seller.

(c). In connection with any entry by Buyer, or its agents, employees or contractors onto the Property, Buyer shall give Seller reasonable advance notice of such entry and shall conduct such entry and any inspections in connection therewith in a manner reasonably acceptable to Seller.

(d). Without limiting the foregoing subsections in this Section 5.1, prior to any entry to perform any on-site testing, Buyer shall give Seller written notice thereof, including the identity of the company or persons who will perform such testing and the proposed scope of the testing. All such testing shall be subject to the following:

(i) Seller shall approve or disapprove, in Seller's reasonable discretion, the proposed testing within three (3) business days after receipt of such notice.

(ii) If Seller fails to respond within such three (3) business day period, Buyer may provide the City Manager with written notice that Seller's failure to approve or disapprove the proposed testing within five (5) days after such written notice is received by the City Manager shall be deemed to be approval of the proposed testing by Seller.

(iii) If Seller fails to approve or disapprove the proposed testing within five (5) days after the receipt of such notice, Seller shall be deemed to have approved the proposed testing. Seller or its representative may be present to observe any testing or other inspection performed on the Property.

(iv) Buyer shall meet with Seller periodically to update Seller as to the results of its investigations and testing and, shall upon the request of Seller, deliver to Seller, at least ten (10) days prior to Closing or upon any termination of this Agreement, copies of any reports relating to any testing or other inspections of the Property performed by Buyer or its agents, employees or contractors.

(v) Buyer shall maintain, and shall assure that its contractors maintain, public liability and property damage insurance in reasonable amounts and in customary form and substance to insure against all liability of Buyer and its agents, employees or contractors, arising out of any entry or inspections of the Property pursuant to the provisions hereof, and Buyer shall provide Seller with evidence of such insurance coverage upon request by Seller.

(vi) Buyer shall indemnify and hold the Seller Related Parties harmless from and against any costs, damages, liabilities, losses, expenses, liens or claims (including, without limitation, reasonable attorney's fees) arising out of any entry on the Property by Buyer, its agents, employees or contractors in the course of performing the inspections, testings or inquiries provided for in this Agreement. The foregoing indemnity shall survive beyond the Closing, or, if the sale is not consummated, beyond the termination of this Agreement. Buyer's inspection and review rights shall not be construed as conferring on Buyer any right to disapprove the Property or terminate this Agreement.

(e) Notwithstanding anything to the contrary in this section 5.1, Buyer may self-insure for the above required insurance coverage, as customary under its respective risk management programs; provided that its self-insured retention is in keeping with its net worth and cash flows. Buyer shall provide to Seller a letter evidencing such self-insurance prior to contract commencement.

ARTICLE 6

Representations and Warranties

6.1 Seller. The representations and warranties of Seller in this section 6.1 are a material inducement for Buyer to enter into this Agreement. Buyer would not purchase the Property from Seller without such representations and warranties of Seller. Such representations and warranties shall survive the Closing. Seller represents and warrants to Buyer as of the date of this Agreement as follows:

(a) Seller is a municipality duly organized and validly existing under its charter and the constitution of the State of California. Seller has full right, power and authority to enter into this Agreement and to carry out all actions on its part contemplated by this Agreement. The execution, delivery and performance of this Agreement by Seller have been duly and validly authorized by all necessary action on the part of Seller and all consents, authorizations and approvals required for Seller's performance of its obligations under this Agreement have been duly obtained. This Agreement is a legal, valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, subject to the effect of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws affecting the rights of creditors generally.

(b) Seller has not dealt with any investment adviser, real estate broker or finder, or incurred any liability for any commission or fee to any investment adviser, real estate broker or finder, in connection with the sale of the Property to Buyer or this Agreement.

6.2 Buyer. The representations and warranties of Buyer in this section 6.2 are a material inducement for Seller to enter into this Agreement. Seller would not sell the Property to Buyer without such representations and warranties of Buyer. Such representations and warranties shall survive the Closing. Buyer represents and warrants to Seller as of the date of this Agreement as follows:

(a) Buyer is a corporation duly incorporated and organized and validly existing and in good standing under the laws of the State of Pennsylvania. Buyer is duly qualified to do business and is in good standing in the State of California. Buyer has full corporate power and authority to enter into this Agreement and to perform this Agreement. The execution, delivery and performance of this Agreement by Buyer have been duly and validly authorized by all necessary action on the part of Buyer and all consents, authorizations and approvals required for Buyer's performance of its obligations under this Agreement have been duly obtained. This Agreement is a legal, valid and binding obligation of Buyer, enforceable against Buyer in

accordance with its terms, subject to the effect of applicable bankruptcy, insolvency, reorganization, arrangement, moratorium or other similar laws affecting the rights of creditors generally.

(b) Buyer has not dealt with any investment adviser, real estate broker or finder, or incurred any liability for any commission or fee to any investment adviser, real estate broker or finder, in connection with the sale of the Property to Buyer or this Agreement.

ARTICLE 7

Property Covenants

7.1 Shoreline Park, Open Space and Historic Preservation. Buyer and Seller have a mutual interest in protecting open spaces in the Property and to preserve a reasonable amount of the natural and scenic qualities within the Property. Buyer proposes that portions of the Property will be used for the following purposes: (a) a security buffer for the Buyer's Richmond refinery operations, (b) a shoreline park with public access over a trail system, (c) open space and wildlife habitat, (d) light industrial and commercial redevelopment, and (e) adaptive re-use of historic structures. The portions of the Property intended to be dedicated to such respective uses are shown on the preliminary conceptual plan attached hereto as Exhibit A. Buyer shall only be obligated to use commercially reasonable efforts to consult and cooperate with Seller, other interested governmental agencies and interested private organizations, to develop a comprehensive land use plan for the Property that incorporates the light industrial and support commercial elements of the Reuse Plan used by the Navy to remediate the Property and the open space, and public recreational concepts shown on Exhibit A. The land use plan will create opportunities to develop industrial properties; provide for the re-use of the historic structures, improve the shoreline for public access and use; enhance natural open space resources; and secure Buyer's Richmond refinery operations. Subject to any other provision hereof, nothing in this Agreement shall obligate the Seller or Buyer to undertake or pay for any cost associated with the development, maintenance or use of any part of the Property for any purpose, including without limitation as parks, open space, or historic preservation.

7.2 Seller's Surplus Property. After the Closing, Buyer will negotiate with Seller to lease to Seller on a long term basis as set forth in Exhibit C attached hereto, Buyer's properties designated as Contra Costa County Assessor Parcel Numbers 561-390-016 and 561-390-004, comprising approximately 25 acres.

7.3 New Leases and Agreements. Between the date hereof and the Closing, Seller, as owner of the Property, shall not enter into any new lease or other agreement affecting the Property, or modify or terminate any existing agreement affecting the Property to which Seller, as owner, is a party, without first obtaining Buyer's approval, which will not be unreasonably withheld or delayed. Buyer may disapprove any lease or other agreement that does not terminate prior to Closing. If Buyer fails to give Seller notice of its approval or disapproval of any such proposed action within ten (10) business days after Seller notifies Buyer in writing of Seller's desire to take such action, then Buyer shall be deemed to have given its approval.

7.4 Property Sold As-Is. (a) Buyer acknowledges and agrees that it may inspect and investigate each and every aspect of the Property, either independently or through agents of Buyer's choosing, including, without limitation:

(1) All matters relating to title, together with all governmental and other legal requirements such as taxes, assessments, zoning, use permit requirements and building codes;

(2) The physical condition and aspects of the Property, including, without limitation, the interior, the exterior, the square footage within the improvements on the Property, the structure, seismic aspects of the Property, the paving, the utilities, and all other physical and functional aspects of the Property. Such examination of the physical condition of the Property shall include an examination for the presence or absence of Hazardous Materials, which shall be performed or arranged by Buyer at Buyer's sole expense.

(3) Any easements and/or access rights affecting the Property;

(4) The documents, agreements and leases affecting the Property and all matters in connection therewith;

(5) Any matters related to Buyer's proposed development of the Property including permitting, environmental review or federal, state or local governmental requirements;

(6) Any other matters of material significance affecting the Property;

provided, however that such inspection shall not be a condition to Closing.

For purposes of this Agreement, the term "Hazardous Materials" means any substance, material, or waste which is: (1) defined as a "hazardous waste", "hazardous material", "hazardous substance", "extremely hazardous waste", "restricted hazardous waste", "pollutant" or any other terms comparable to the foregoing terms under any provision of California law or federal law; (2) petroleum; (3) asbestos and asbestos containing materials; (4) polychlorinated biphenyls; (5) radioactive materials; (6) MTBE (methyl tertiary-butyl ether); or (7) determined by California, federal or local governmental authority to be capable of posing a risk of injury to health, safety, property or the environment. The term "Hazardous Materials" shall not include: (i) construction materials, gardening materials, household products, office supply products or janitorial supply products customarily used in the construction, maintenance, rehabilitation, or management of commercial properties, buildings and grounds, or typically used in household activities, or (ii) certain substances which may contain chemicals listed by the State of California pursuant to California Health and Safety Code Section 25249.8 et seq., which substances are commonly used by a significant portion of the population living within the region of the Project, including but not limited to, alcoholic beverages, aspirin, tobacco products, NutraSweet and saccharine, so long as such materials and substances are stored, used, and disposed of in compliance with all applicable Hazardous Materials Laws. For purposes of this Agreement, "Hazardous Materials Laws" means all federal, state, and local laws, ordinances, regulations, orders and directives pertaining to Hazardous Materials.

(b) BUYER SPECIFICALLY ACKNOWLEDGES AND AGREES THAT SELLER IS SELLING AND BUYER IS PURCHASING AND LEASING THE PROPERTY ON AN "AS IS WITH ALL FAULTS" BASIS AND THAT BUYER IS NOT RELYING ON ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, FROM SELLER OR ITS AGENTS AS TO ANY MATTERS CONCERNING THE PROPERTY, INCLUDING WITHOUT LIMITATION: (i) the quality, nature, adequacy and physical condition and aspects of the Property, including, but not limited to, the structural elements, seismic aspects of the Property, foundation, roof, appurtenances, access, landscaping, parking facilities and the electrical, mechanical, HVAC, plumbing, sewage, and utility systems, facilities and appliances, the square footage within the improvements on the Property, (ii) the quality, nature, adequacy, and physical condition of soils, geology and any groundwater, (iii) the existence, quality, nature, adequacy and physical condition of utilities serving the Property, (iv) the development potential of the Property, and the Property's use, habitability, merchantability, or fitness, suitability, value or adequacy of the Property for any particular purpose, (v) the zoning or other legal status of the Property or any other public or private restrictions on use of the Property, (vi) the compliance of the Property or its operation with any applicable codes, laws, regulations, statutes, ordinances, covenants, conditions and restrictions of any governmental or quasi-governmental entity or of any other person or entity, (vii) the presence of Hazardous Materials on, under or about the Property or the adjoining or neighboring property, (viii) the quality of any labor and materials used in any improvements on the Property, (ix) the condition of title to the Property, (x) the leases, service contracts, or other agreements affecting the Property and (xi) economics of the development and operation of the Property (collectively "Property Related Matters").

(c) Without limiting the above, Buyer on behalf of itself and its successors and assigns waives its right to recover from, and forever releases and discharges, Seller, Seller's affiliates, officers, employees and agents of each of them, and their respective heirs, successors, personal representatives and assigns (collectively, the "Seller Related Parties"), from any and all demands, claims, legal or administrative proceedings, losses, liabilities, damages, penalties, fines, liens, judgments, costs or expenses whatsoever (including, without limitation, attorneys' fees and costs), whether direct or indirect, known or unknown, foreseen or unforeseen, that may arise on account of or in any way be connected with Property Related Matters. Buyer shall reaffirm this release at Closing.

(d) In connection with section 7.4(c) above, Buyer expressly waives the benefits of Section 1542 of the California Civil Code, which provides as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM MUST HAVE MATERIALLY AFFECTED HIS SETTLEMENT WITH THE DEBTOR." BUYER ACKNOWLEDGES AND AGREES THAT IT HAS BEEN REPRESENTED BY LEGAL COUNSEL OF ITS CHOICE IN CONNECTION WITH THIS AGREEMENT, AND THAT SUCH COUNSEL HAS EXPLAINED TO BUYER THE PROVISIONS OF THIS SECTION 7.4. BY INITIALING BELOW, BUYER CONFIRMS IT HAS AGREED TO THE PROVISIONS OF THIS SECTION 7.4.

BUYER'S INITIALS: _____

ARTICLE 8

Indemnities

8.1 Seller. Seller shall indemnify and defend Buyer against and hold Buyer harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, that may be suffered or incurred by Buyer if any representation or warranty made by Seller in section 6.1 hereof was untrue or incorrect in any respect when made or that may be caused by any breach by Seller of any such representation or warranty or by a breach by Seller of any of its covenants in this Agreement.

8.2 Buyer. Buyer shall indemnify and defend Seller against and hold Seller harmless from all claims, demands, liabilities, losses, damages, costs and expenses, including reasonable attorneys' fees and disbursements, that may be suffered or incurred by Seller if any representation or warranty made by Buyer in section 6.2 hereof was untrue or incorrect in any respect when made or that may be caused by any breach by Buyer of any such representation or warranty or by a breach by Buyer of any of its covenants in this Agreement.

ARTICLE 9

Conditions Precedent

9.1 Seller. The obligations of Seller under this Agreement are subject to satisfaction of all of the conditions set forth in this section 9.1. Seller may waive any or all of such conditions in whole or in part but any such waiver shall be effective only if made in writing. After the Closing, any such condition that has not been satisfied shall be treated as having been waived in writing. No such waiver shall constitute a waiver by Seller of any of its rights or remedies if Buyer defaults in the performance of any covenant or agreement to be performed by Buyer under this Agreement or if Buyer breaches any representation or warranty made by Buyer in section 6.2 hereof. If any condition set forth in this section 9.1 is not fully satisfied or waived in writing by Seller, this Agreement shall terminate, but without releasing Buyer from liability if Buyer defaults in the performance of any such covenant or agreement to be performed by Buyer or if Buyer breaches any such representation or warranty made by Buyer before such termination.

(a) On the Closing Date, Buyer shall not be in default in the performance of any material covenant or agreement to be performed by Buyer under this Agreement.

(b) On the Closing Date, all representations and warranties made by Buyer in section 6.2 hereof shall be true and correct in all material respects as if made on and as of the Closing Date.

9.2 Buyer. The obligations of Buyer under this Agreement are subject to satisfaction of all of the conditions set forth in this section 9.2. Buyer may waive any or all of such conditions in whole or in part but any such waiver shall be effective only if made in writing.

After the Closing, any such condition that has not been satisfied shall be treated as having been waived in writing. No such waiver shall constitute a waiver by Buyer of any of its rights or remedies if Seller defaults in the performance of any covenant or agreement to be performed by Seller or if Seller breaches any representation or warranty made by Seller in section 6.1 hereof. If any condition set forth in this section 9.2 is not fully satisfied or waived in writing by Buyer, this Agreement shall terminate, but without releasing Seller from liability if Seller defaults in the performance of any such covenant or agreement to be performed by Seller or if Seller breaches any such representation or warranty made by Seller before such termination.

(a) On the Closing Date, Seller shall not be in default in the performance of any material covenant or agreement to be performed by Seller under this Agreement.

(b) On the Closing Date, all representations and warranties made by Seller in section 6.1 hereof shall be true and correct in all material respects as if made on and as of the Closing Date.

9.3 Efforts to Satisfy Conditions. Buyer and Seller shall each use commercially reasonable efforts to cause the conditions set forth in sections 9.1 and 9.2 to be satisfied to the extent within their control.

ARTICLE 10

Closing

10.1 Procedure. Seller and Buyer shall cause the following to occur at the Closing on the Closing Date:

(a) The Deed, duly executed and acknowledged by Seller (and a Memorandum of Lease pertaining to the Shoreline Lease, duly executed and acknowledged by Seller and Buyer), shall be recorded in the Official Records of the County of Contra Costa.

(b) Seller shall date as of the Closing Date, execute and deliver to Buyer (i) the Shoreline Lease described in section 1.2 hereof, (ii) a Certificate of Non-Foreign Status in accordance with section 1445 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder in customary form, (iii) satisfactory evidence that no California withholding of tax is required with respect to the sale of the Property, and (iii) the Navy Rights Assignment described in section 1.3 hereof..

(c) Buyer shall date as of the Closing Date, execute and deliver to Seller the Shoreline Lease.

(d) Buyer shall pay to Seller the total Purchase Price for the Property in accordance with section 2.1 hereof.

(e) The Title Company shall issue to Buyer the Title Policy, if applicable.

(f) The Title Company shall file the information return for the sale of the Property required by section 6045 of the Internal Revenue Code of 1986, as amended, and the Income Tax Regulations thereunder.

10.2 Possession. Seller shall transfer possession of the Property to Buyer on the Closing Date.

10.3 Closing Costs. (a) Rents, real property taxes and assessments; water, sewer and utility charges; amounts payable under any service contracts; and any other expenses of the operation and maintenance of the Property (including, without limitation, expenses already paid by Seller but which are being amortized over time by Seller and with respect to which Seller shall receive a credit at Closing in the amount of the unamortized portion thereof), shall all be prorated as of 12:01 a.m. on the date the Deed is recorded, on the basis of a 365-day year. Seller and Buyer hereby agree that if any of the aforesaid prorations and credits cannot be calculated accurately on the Closing Date, then the same shall be calculated as soon as reasonably practicable after the Closing Date and either party owing the other party a sum of money based on such subsequent proration(s) or credits shall promptly pay said sum to the other party.

(b) Seller shall pay one-half (1/2) of the escrow fee, one-half (1/2) of the cost of the Title Policy (if obtained) (provided that Seller's share shall not exceed \$25,000), any county transfer taxes applicable to the sale, and one-half (1/2) of any other transfer taxes legally applicable to the sale. Buyer shall pay one-half (1/2) of the cost of the Title Policy (if obtained) up to a total cost of \$50,000 and any and all costs of obtaining the Title Policy in excess of \$50,000, the cost of any endorsements to the Title Policy; one-half (1/2) of any transfer taxes legally applicable to the sale other than county transfer taxes and one-half (1/2) of the escrow fee. Recording charges and any other expenses of the escrow for the sale, if any, shall be paid by Buyer and Seller in accordance with customary practice as determined by the Title Company.

(c) The provisions of this Section 10.3 shall survive the Closing.

ARTICLE 11

Remedies

11.1 Default of Seller. The following events each constitute a default by Seller hereunder.

(a) Seller fails to convey the Property as provided in this Agreement; or

(b) Seller breaches any other material covenant or representation and warranty in this Agreement.

Upon the happening of any of the above-described events, Buyer shall first notify Seller in writing of its purported default, giving Seller sixty (60) days after receipt of such notice to cure such default. In the event Seller does not then cure the default within such sixty-day period (or, if the default is not susceptible of cure within such sixty-day period, Seller fails to

commence the cure within such period and thereafter to prosecute the cure diligently to completion), then Buyer shall be entitled to (i) terminate this Agreement in writing; and/or (ii) seek any rights or remedies afforded it in law or in equity; provided that any monetary damages payable by Seller shall be limited to the amount of the Jobs Program Contribution, provided, further that such limits shall not apply in the case of a breach resulting from any willful action or omission taken or authorized to be taken by the City Council or the City Manager.

11.2 Default of Buyer. The following events each constitute a default by Buyer hereunder:

(a) Buyer fails for any reason, other than Seller's default or the failure of a condition which prevents Buyer from acquiring the Property as provided herein, to purchase and lease the Property from Seller as provided in this Agreement; or

(b) A Bankruptcy/Insolvency Event occurs with respect to Buyer (the term "Bankruptcy/Insolvency Event" means the commencement of a voluntary, or consent to the entry of an order for relief in an involuntary, proceeding under any federal or state law for the relief of debtors or under the equitable powers of a court of competent jurisdiction); or

(c) Buyer breaches any other material covenant or representation and warranty of this Agreement.

Upon the happening of any of the events described above (other than the failure to pay the Purchase Price at Closing which shall be an immediate default), Seller shall first notify Buyer in writing of its purported default giving Buyer sixty (60) days from receipt of such notice to cure such default. If Buyer does not cure the default within such sixty-day period (or if the default is not susceptible of being cured within such sixty (60) day period, Buyer fails to commence the cure within such period and thereafter to prosecute the cure diligently to completion), then Seller shall be entitled to (i) terminate this Agreement in writing; and/or (ii) seek any rights or remedies afforded it in law or in equity; provided that any monetary damages payable by Buyer shall be limited to the amount of the sum of the Jobs Program Contribution which the Seller shall be afforded the right to retain as further provided in section 11.3 hereof.

11.3 Specific Performance of Agreement. Seller and Buyer hereby agree that this Agreement may be specifically enforced by a court of competent jurisdiction. This includes both the Buyer's ability to specifically enforce the Seller's obligation to convey title to the Property and the Seller's ability to specifically enforce Buyer's obligation to complete the purchase of the Property under the terms hereof. The parties acknowledge that there are unique benefits to both the Buyer and the Seller from concluding the transactions contemplated in this Agreement and that monetary damages alone are inadequate to compensate either party for the other party's breach of this Agreement. The parties hereto each waive the right to assert that this Agreement does not provide adequate consideration, is unconscionable, is insufficiently certain, that the value of the Property is less than the consideration provided for herein, or that monetary damages are sufficient to compensate for a breach hereof.

11.4 Liquidated DamagesSELLER AND BUYER AGREE THAT, IF THE PURCHASE AND SALE OF THE PROPERTY IS NOT COMPLETED AND THIS

AGREEMENT TERMINATES BECAUSE BUYER MATERIALLY DEFAULTS UNDER OR MATERIALLY BREACHES THIS AGREEMENT, THE JOBS PROGRAM CONTRIBUTION SHALL UPON TERMINATION OF THIS AGREEMENT BE RETAINED BY SELLER AS LIQUIDATED DAMAGES AND AS SELLER'S SOLE MONETARY REMEDY. SELLER AND BUYER AGREE THAT, UNDER THE CIRCUMSTANCES EXISTING AS OF THE DATE OF THIS AGREEMENT, ACTUAL DAMAGES MAY BE DIFFICULT TO ASCERTAIN AND THE AMOUNT OF THE JOBS PROGRAM CONTRIBUTION IS A REASONABLE ESTIMATE OF THE DAMAGES THAT WILL BE INCURRED BY SELLER IF BUYER MATERIALLY DEFAULTS UNDER OR MATERIALLY BREACHES THIS AGREEMENT AND FAILS TO PURCHASE THE PROPERTY.

SELLER'S INITIALS: _____ BUYER'S INITIALS: _____

ARTICLE 12

General

12.1 Notices. All notices and other communications under this Agreement shall be properly given only if made in writing and either mailed by certified mail, return receipt requested, postage prepaid, or delivered by hand (including messenger or recognized delivery, courier or air express service) to the party at the address set forth in this section 12.1 or such other address as such party may designate by notice to the other party. Such notices and other communications shall be effective on the date of receipt (evidenced by the certified mail receipt) if mailed or on the date of hand delivery if hand delivered. If any such notice or communication is not received or cannot be delivered due to a change in the address of the receiving party of which notice was not previously given to the sending party or due to a refusal to accept by the receiving party, such notice or other communication shall be effective on the date delivery is attempted. Any notice or other communication under this Agreement may be given on behalf of a party by the attorney for such party.

Seller:	City of Richmond 1401 Marina Way South Richmond, CA 94804 Facsimile: (510) 620-6542 Attn: City Manager
With copies to:	City of Richmond City Attorney's Office 1401 Marina Way South Richmond, CA 94804 Facsimile: (510) 620-6522 Attn: City Attorney

Buyer:	ChevronTexaco Business and Real Estate Services, a Division of Chevron U.S.A. Inc. 6000 Bollinger Canyon Road San Ramon, CA 94583 Facsimile: (925) 842-1000 Attn: Vice President, Real Estate Services
With copies to:	Chevron Texaco Products Company 6000 Bollinger Canyon Road San Ramon, CA 94583 Facsimile: (925) 842-1000 Attn: Vice President/General Counsel, Chevron Texaco Global Downstream

12.2 Attorneys' Fees. If there is any legal action or proceeding between Seller and Buyer arising from or based on this Agreement, the unsuccessful party to such action or proceeding shall pay to the prevailing party all costs and expenses, including reasonable attorneys' fees and disbursements, incurred by such prevailing party in such action or proceeding and in any appeal in connection therewith. If such prevailing party recovers a judgment in any such action, proceeding or appeal, such costs, expenses and attorneys' fees and disbursements shall be included in and as a part of such judgment.

12.3 Conflicts of Interest. No member, official or employee of Seller shall make any decision relating to the Agreement which affects his or her personal interests or the interest of any corporation, partnership or association in which he is directly or indirectly interested.

12.4 Non-Liability of Officials, Employees and Agents. No member, official, employee or agent of Seller shall be personally liable to Buyer, or successor in interest, in the event of any default or breach by Seller or for any amount which may become due to Buyer or successor or. on any obligation under the terms of this Agreement.

12.5 Provisions Not Merged with Deeds. None of the provisions of this Agreement are intended to or shall be merged by the Deed(s) transferring title to the Property from Seller to Buyer or successor in interest and such Deed(s) shall not be deemed to affect or impair the provisions and covenants of this Agreement.

12.6 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

12.7 Assignment. Buyer shall not, except with Seller's prior written consent, make or attempt any total or partial assignment of all or part of its rights and obligations under this Agreement to an entity other than to an entity which controls, is controlled by or is under common control with Buyer. Seller shall not unreasonably withhold its consent to such an assignment. Any proposed assignee, by instrument in writing approved by Seller, for itself and its successors and assigns, and for the benefit of Seller, shall expressly assume all the assigned obligations of Buyer under this Agreement. The assignment of this Agreement shall not relieve

Buyer of any obligation hereunder. A permitted assignee of Buyer's rights under this Agreement is referred to herein as a "Permitted Assignee".

12.8 Construction. Seller and Buyer acknowledge that each party and its counsel have reviewed and revised this Agreement and that the rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any document executed and delivered by either party in connection with the transactions contemplated by this Agreement. The captions in this Agreement are for convenience of reference only and shall not be used to interpret this Agreement.

12.9 Terms Generally. The defined terms in this Agreement shall apply equally to both the singular and the plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The term "person" includes individuals, corporations, partnerships, trusts, other legal entities, organizations and associations, and any government or governmental agency or authority. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The words "approval," "consent" and "notice" shall be deemed to be preceded by the word "written."

12.10 Further Assurances. From and after the date of this Agreement, Seller and Buyer agree to do such things, perform such acts, and make, execute, acknowledge and deliver such documents as may be reasonably necessary or proper and usual to complete the transactions contemplated by this Agreement and to carry out the purpose of this Agreement in accordance with this Agreement.

12.11 Partial Invalidity. If any provision of this Agreement is determined by a proper court to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect the other provisions of this Agreement and this Agreement shall remain in full force and effect without such invalid, illegal or unenforceable provision.

12.12 Waivers. No waiver of any provision of this Agreement or any breach of this Agreement shall be effective unless such waiver is in writing and signed by the waiving party and any such waiver shall not be deemed a waiver of any other provision of this Agreement or any other or subsequent breach of this Agreement.

12.13 Miscellaneous. The Exhibits attached to this Agreement are made a part of this Agreement. This Agreement shall benefit and bind Seller and Buyer and their respective personal representatives, heirs, successors and assigns. Time is of the essence of this Agreement. This Agreement may be executed in counterparts, each of which shall be an original, but all of which shall constitute one and the same Agreement. This Agreement may not be amended or modified except by a written instrument signed by Seller and Buyer. This Agreement constitutes the entire and integrated agreement between Seller and Buyer relating to the purchase and sale of the Property and supersedes all prior agreements, understandings, offers and negotiations, oral or written, with respect to the purchase and sale of the Property.

IN WITNESS WHEREOF, Seller and Buyer have executed this Agreement as of the date first hereinabove written.

CITY OF RICHMOND

By: _____
Name: _____
Title: _____

CHEVRON U.S.A. INC.
a Pennsylvania corporation

By: _____
Name: _____
Title: _____

Exhibit A
Site Map and Conceptual Plan of Land Uses
[See Attached]

Exhibit B-1
Legal Description of Owned Land
[See Attached]

Exhibit B-2
Legal Description of Remainder Land
[See Attached]

Exhibit C
Term Sheet for Ground Lease
[See Attached]

Property
APN's 561-390-004 & 016 totaling 24.57 Acres

TERM SHEET FOR GROUND LEASE OF CHEVRON PROPERTY FOR USE AS ASPHALT PARKING LOT WITH ASSOCIATED LIGHTING, FENCING AND RELATED SECURITY

THIS OFFER TO LEASE WILL REMAIN OPEN AND MAY ONLY BE ACCEPTED BY THE CITY AT SUCH TIME AS THE CITY EXECUTES THE PURCHASE AND SALE AGREEMENT TO WHICH THIS IS ATTACHED.

Lessee: City of Richmond
Lessor: Chevron U.S.A. Inc.
Proposed Use: New Car Parking & Shipping

Lease Term: Equal to the lease term of the Point Molate Shoreline Property as referenced in Section 1.2 of the Pt. Molate Purchase and Sale Agreement dated November 9, 2004.

Annual Rent: \$0.25/square foot for 1,070,269.20 square feet equals \$267,567.30 payable in advance.

Adjustment of Annual Rent: Annual Consumer Price Index adjustment.

Rent Credit: The reasonable cost of initial capital improvements as agreed upon between Lessor and Lessee to accommodate the Proposed Use shall be credited against the Annual Rent.

As Is: Lessee shall take the property As Is.

Indemnification: Lessor shall defend and indemnify Lessee from and against all claims and costs associated with any environmental remediation resulting from prior use of the property. Lessee shall defend and indemnify Lessor from and against any and all claims and costs arising as a result of the improvement and/or use of the property following execution of the Lease, including environmental remediation arising from such use.

Costs: Lessee shall assume all costs for the property, including, but not limited to, property taxes and assessments, site maintenance, and insurance.

Assignment & Subletting: Lessee may assign the lease to other parties for the Proposed Use subject to the reasonable approval of the Lessor.

Detailed Lease: Lessee and Lessor shall negotiate, execute and record a detailed binding lease by no later than 120 days following execution of the Pt Molate Purchase and Sale Agreement dated November 9, 2004.

Community Services Agreement

This Community Services Agreement (the "Community Services Agreement") is entered into as of November 9, 2004 by and between the City of Richmond, California, a municipal corporation duly organized and existing under its charter and the constitution of the State of California (the "City") and Chevron U.S.A. Inc, a Pennsylvania corporation ("Chevron").

Recitals:

A. City and Chevron have entered into a Purchase and Sale Agreement of even date herewith (the "Purchase and Sale Agreement") for certain real property commonly known as Point Molate (the "Property").

B. The Purchase and Sale Agreement provides that Chevron and the City will enter into this Community Services Agreement in order to provide funding for certain community services provided by the City.

Agreement:

Section 1. In consideration for the City providing police, fire and other municipal services to the area including the Property, but not as consideration for the conveyance of the Property, Chevron agrees to make Community Services Payments to the City as provided in Section 2. The services provided to the Property shall be similar to such services provided elsewhere in the City at the discretion of the City and the City shall have no obligation to provide special facilities or dedicated personnel for the Property, but shall provide such services between July 1, 2005 and July 1, 2029.

Section 2. Subject to Section 3, the Community Services Payments shall be equal to \$1,000,000 per year for 25 years, and shall be payable July 1 of each year commencing July 1, 2005, with the final payment on July 1, 2029.

Section 3. In the event that Chevron notifies the City pursuant to Section 1.3 of the Purchase and Sale Agreement that reimbursement is owed to Chevron, and in the event the City elects not to pay such reimbursement in cash, the amount of such reimbursement shall be applied as a credit against Chevron's obligation to make Community Services Payments until such reimbursement obligation is satisfied in full.

Section 4. Except as provided in Section 3 above and Section 4.2 of the Purchase and Sale Agreement, the obligation of Chevron to make Community Services Payments shall be absolute and unconditional and shall not be subject to set-off, counterclaim or reduction for any reason.

Section 5. Chevron shall remain obligated to make the Community Services Payments regardless of any subsequent sale, lease or transfer of all or any portion of the Property.

Section 6. At any time Chevron may prepay Community Services Payments in whole or in part.

Section 7. If there is any legal action or proceeding between City and Chevron arising from or based on this Community Services Agreement, the unsuccessful party to such action or proceeding shall pay to the prevailing party all costs and expenses, including reasonable attorneys' fees and disbursements, incurred by such prevailing party in such action or proceeding and in any appeal in connection therewith. If such prevailing party recovers a judgment in any such action, proceeding or appeal, such costs, expenses and attorneys' fees and disbursements shall be included in and as a part of such judgment.

Section 8. No member, official or employee of City shall make any decision relating to the Agreement which affects his or her personal interests or the interest of any corporation, partnership or association in which he is directly or indirectly interested.

Section 9. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 10. Chevron shall not, except with City's prior written consent, make or attempt any total or partial assignment of all or part of its rights and obligations under this Agreement to an entity other than to an entity which controls, is controlled by or is under common control with Chevron. City shall not unreasonably withhold its consent to such an assignment. Any proposed assignee, by instrument in writing approved by City, for itself and its successors and assigns, and for the benefit of City, shall expressly assume all the assigned obligations of Chevron under this Agreement. The assignment of this Agreement shall not relieve Chevron of any obligation hereunder.

Section 11. City and Chevron acknowledge that each party and its counsel have reviewed and revised this Community Services Agreement and that the rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Community Services Agreement or any document executed and delivered by either party in connection with the transactions contemplated by this Community Services Agreement.

Section 12. The defined terms in this Community Services Agreement shall apply equally to both the singular and the plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The term "person" includes individuals, corporations, partnerships, trusts, other legal entities, organizations and associations, and any government or governmental agency or authority. The words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation." The words "approval," "consent" and "notice" shall be deemed to be preceded by the word "written."

Section 13. From and after the date of this Community Services Agreement, City and Chevron agree to do such things, perform such acts, and make, execute, acknowledge and deliver such documents as may be reasonably necessary or proper and usual to complete the transactions

contemplated by this Community Services Agreement and to carry out the purpose of this Community Services Agreement in accordance with this Community Services Agreement.

Section 14. If any provision of this Community Services Agreement is determined by a proper court to be invalid, illegal or unenforceable, such invalidity, illegality or unenforceability shall not affect the other provisions of this Community Services Agreement and this Community Services Agreement shall remain in full force and effect without such invalid, illegal or unenforceable provision.

Section 15. No waiver of any provision of this Community Services Agreement shall be effective unless such waiver is in writing and signed by the waiving party and any such waiver shall not be deemed a waiver of any other provision of this Community Services Agreement or any other or subsequent breach of this Community Services Agreement.

Section 16. This Community Services Agreement shall benefit and bind City and Chevron and their respective personal representatives, heirs, successors and assigns. Time is of the essence of this Community Services Agreement. This Community Services Agreement may be executed in counterparts, each of which shall be an original, but all of which shall constitute one and the same Community Services Agreement. This Community Services Agreement may not be amended or modified except by a written instrument signed by City and Chevron. This Community Services Agreement and the Purchase and Sale Agreement constitute the entire and integrated agreement between City and Chevron relating to the payment for and provision of services with respect to the Property and supersede all prior agreements, understandings, offers and negotiations, oral or written, with respect to subject hereof.

IN WITNESS WHEREOF, City and Chevron have executed this Community Services Agreement as of the date first hereinabove written.

CITY OF RICHMOND

By: _____
Name: _____
Title: _____

CHEVRON U.S.A. INC.
a Pennsylvania corporation

By: _____
Name: _____
Title: _____