



September 13, 2017

The Honorable Tom Butt
 Mayor, City of Richmond, California
 450 Civic Center Plaza
 Richmond, California 94804

RE: Potential Sale of Richmond- Main Post Office at 1025 Nevin Avenue, Richmond, CA (the
 “Property”)

Dear Mayor Butt:

The City of Richmond (“City”) has expressed interest in acquiring the above referenced Property and retaining the Postal Service’s operations there through a zero-rent leaseback. The Postal Service (“Postal Service” or “USPS”) hereby offers to sell the Property to the City on the terms set forth in this letter. To accept this offer, the City must counter-sign and return this letter to me, together with the deposit identified below, not later than 2:00 pm (East Coast time) October 16, 2017. This offer supersedes our offer letter dated August 17, 2017.

Terms.

Property for Sale	Main Post Office, identified as the Richmond - Main Post Office (the “Property”). More generally, the Property has a street address of 1025 Nevin Avenue, Richmond, CA. Excluded from the sale are all intangibles, including artwork, and all rights to the use of USPS marks, including all trademarks, service marks, trade names, brands, and domain names, containing the terms “POST OFFICE,” “UNITED STATES POSTAL SERVICE,” “U.S. POSTAL SERVICE,” “POSTAL SERVICE,” and “USPS” in any form or format, with or without any accompanying design or additional terms, and regardless of spacing, logos, images, insignia, and other intangibles and USPS intellectual property.
Purchaser	City of Richmond, California (“City”).
Seller	United States Postal Service, an independent establishment of the Executive Branch of the Government of the United States (the “Postal Service” or “USPS”).
Purchase Price	The purchase price for the Property is USD\$2,020,000 all cash, delivered by federal wire transfer, which is \$900,000, plus an amount to compensate USPS for the first 10 years of lost operational savings (from not consolidating operations into a USPS-owned property).
Deposit	Concurrently with accepting this offer, City must deliver a deposit of

	<p>\$50,000. Upon execution of the PSA, City must deliver an additional deposit of \$150,000, for a total deposit of \$200,000. The City must deliver each deposit installment by certified check payable to United States Postal Service. The deposit is non-refundable.</p>
<p>Operative Agreements</p>	<p>As a condition to the sale, by October 14, 2017, the City and USPS must mutually execute and deliver a Purchase and Sale Agreement (“PSA”) consistent with the terms of this letter. USPS will deliver the proposed PSA to the City within two weeks after the City accepts this offer.</p> <p>The PSA will include a lease agreement (“Lease”) for the USPS to lease retail operations space within the Property from the City, which the parties will negotiate with terms consistent with this letter.</p>
<p>Responsibilities for Costs</p>	<p>As a prerequisite to undertaking the sale, the Postal Service must comply with a number of operational, financial, legal and regulatory requirements, which necessitate the expenditure of funds. Therefore, the City agrees to bear all costs that are necessary or appropriate to satisfy those requirements and to accomplish the sale transaction, including without limitation, costs of USPS’s due diligence, building redesign and construction, legal and regulatory compliance. After the City returns an executed copy of this letter, the City must fund \$25,000 into a USPS designated escrow to fund USPS’s work. The City and USPS will then negotiate the PSA and the Lease, while USPS completes its preliminary work. After USPS completes those undertakings and after accounting for all incurred costs, including USPS’s estimate of the amount necessary to cover unbilled costs, USPS will direct the agent to refund to the City any amount remaining in the escrow. USPS will have no obligation to refund any amount used or reserved to pay costs, even if USPS terminates the transaction or the transaction fails to close for any reason.</p>
<p>Basic Lease Terms</p>	<ul style="list-style-type: none"> • Retail space for 2 retail counters, PO boxes, loading dock, employee bathrooms, not less than 1,576 net interior square feet, pursuant design and location satisfactory to USPS • 50 year term • Rent = zero per year (full service); Landlord pays all utilities and custodial costs; no pass-through expenses to USPS • Landlord performs all maintenance, repairs and replacements, at its cost • Landlord pays all ownership costs • No assignment without USPS consent • Use of non-USPS space subject to USPS reasonable approval • No occupancy by USPS competitors

	<ul style="list-style-type: none"> • USPS lease form • USPS premises includes USPS designated parking areas
Responsibility for Construction	<p>USPS anticipates requiring some interior design and construction work to separate and secure the Postal retail operations from the rest of the building. USPS and the City will discuss and agree in the PSA which party will perform that work. In any event, the City will be responsible for all costs. If USPS performs the work, then the City must fund the entire estimated cost into escrow prior to USPS bidding for contracts. If the City performs the work, then the PSA will prescribe the date(s) by which the City must complete the work. If the City fails to complete the work by its required completion date, then USPS will have the option to terminate the PSA without any liability to the City or any third party. The City acknowledges that in performing any construction in the Property, the City must comply with requirements applicable to contractors engaged by USPS, including wage and procurement requirements.</p>
Property Condition	<p>USPS will convey the Property in strictly AS IS condition. No USPS representations or warranties. The Property may contain asbestos and may contain other hazardous substances. The City must assume all environmental liability for the Property, both on-site and off-site, and all responsibility for remediation and disposal of hazardous substances in accordance with law.</p>
City's Title and Property Review	<p>Beginning on the PSA effective date, the City will have 30 days to review the Property's title and physical condition. USPS will have the option, but no obligation, to cure any asserted defects. If USPS opts not to cure, the City will have the option to purchase the Property with defects or to terminate the PSA. The City will not conduct any invasive testing absent USPS prior written consent.</p>
City Indemnity/Release	<p>The City will indemnify USPS against costs, damages and claims arising out of any the City defaults. After the City acquires title to the Property, the City will indemnify USPS against costs, damages and claims arising out of or related to the Property. The City will fully release and indemnify USPS for environmental contamination or other property conditions.</p>
NEPA, NHPA (106), IGN, 241.4	<p>Before completing this transaction, USPS must comply with several different Federal regulatory requirements for taking into account the anticipated transaction's effects on environmental, historical and certain other interests, as well as input from the community and elected officials. Although these regulations do not mandate a particular outcome, each requires that USPS follow a prescribed process. The length of each process depends on the particular circumstances of the anticipated transaction. USPS will be responsible for its compliance with the applicable Federal regulatory requirements, but at the City's cost. Insofar as these regulations</p>

	<p>require USPS to seek input from the community, governmental officials and others, and concurrence from state and federal agencies that may impose conditions on their concurrences, if USPS is not satisfied with the results of any of these regulatory processes, then USPS may terminate the transaction. The City will cooperate fully with USPS to obtain regulatory approvals. More information about these regulatory requirements can be found at these links:</p> <p>Historic Preservation (NHPA (106))</p> <p>Environmental Protection (NEPA)</p> <p>Intergovernmental Cooperation (IGN)</p>
Party Approvals	Each party's obligation to close will be contingent on securing necessary internal approvals.
Closing	The parties will close on the purchase and sale of the Property, and concurrently, the Lease term will commence on the date specified in the PSA. The City will pay all costs of closing, including taxes, recording charges, escrow fees, and title insurance for USPS.
Outside Date	If Closing does not occur within 180 days after the PSA effective date, then USPS may terminate the PSA and USPS will have no liability.
Profit Restrictions to Ensure Governmental Purpose	The City acknowledges that, as an accommodation to the City, USPS is offering a direct sale to the City and that otherwise, USPS would seek to sell the Property on the open market. Further, the City acknowledges that when USPS decides to sell a property, USPS policy generally requires publicly marketing the property for competitive bidding, but allows an exception to forego competitive bidding, subject to certain conditions, for sales to state and local governments. In support of that exception, the City represents to USPS that the City will use the acquired property for governmental purposes to benefit its citizens and the City is not acquiring the property merely to re-sell it for a profit. Further, the City hereby agrees to the restrictions and requirements set forth on Exhibit A.

We look forward to your response.

Sincerely,



Tom Russell, AIA
Manager, Real Estate & Assets

OFFER ACCEPTED:

City of Richmond, California

By: _____

Print
Name: _____

Title: _____

Exhibit A

Profit Restriction Requirements

- The City Representation: In the PSA, the City will represent that the City will use the Property for governmental purposes to benefit its citizens and the City is not acquiring the property merely to re-sell it for a profit. The City also will make a representation of its plans for the Property.
- Public Input: The City will promise in the PSA not to enter into any agreement, or deliver any letter of intent, memorandum of understanding or similar document, whether or not binding, to convey, lease, license or transfer all or any portion of the Property, and the City will promise not to convey, lease, license or transfer all or any portion of the Property, without first:
 - Completing a public solicitation seeking bidders for all or the applicable portion of the property, and
 - Obtaining approval of such agreement, letter of intent, memorandum of understanding or similar document, and the anticipated transaction, by the appropriate public decision making bodies, including the City Board, after public meetings discussing it.
- Profit Recapture: If the City conveys, leases, licenses or transfers all or any portion of the Property to any private or public person or entity for a profit, then the City immediately will pay USPS, in cash, an amount equal to (1) the profit amount multiplied by (2) the Profit Recapture Percentage in the table below. For this purpose, "profit" means the amount (but only if such amount is positive) equal to (i) aggregate of all cash plus the market value all other consideration the City receives, minus (ii) the Property FMV (see "Purchase Price"), pro-rated by size if the City conveys, leases, licenses or transfers only a portion of the Property. If the City will receive the consideration over time, then the profit will include the present value of future receipts, discounted at the current Applicable Federal Rate matched to the anticipated consideration receipt date.

In the table below the "City Acquisition Date" is the date the City closes its acquisition of the Property and the "City Transfer Date" is the date the City conveys, leases, licenses or transfers all or any portion of the Property.

If the City Transfer Date is:	Then the Profit Recapture Percentage is:
On or before the 5 th anniversary of the City Acquisition Date	100%
After the 5 th anniversary of the City Acquisition Date and on or before the 7 th anniversary of the City Acquisition Date	75%
After the 7 th anniversary of the City Acquisition Date and on or before the 10 th anniversary of the City Acquisition Date	50%
After the 10 th anniversary of the City Acquisition Date	Zero %