

Summary:

This letter describes a mutually beneficial relationship between Half Dome Capital LLC (“HDC”), an infill multi-family housing developer, and the local employee representatives of the Palo Alto Unified School District (“PAUSD”) – the Palo Alto Educators Association (“PAEA”) and the California School Employees Association (“CSEA”), Palo Alto Local Chapter #301. The purpose of this relationship is to provide the members of these employee unions priority access to deed-restricted affordable housing units at a new project at 3265 El Camino Real in Palo Alto being developed by HDC.

Parties:

The PAEA is the exclusive representative of roughly 900 certificated employees of PAUSD and is affiliated with the California Teachers Association (CTA) and the National Educators Association (NEA). PAEA is dedicated to ensuring the best possible achievement, both academic and social/emotional, of its students, and representing the rights and working conditions of its members.

The California School Employees Association (CSEA) was formed in 1927 to secure benefits for school employees, and today is the largest classified school employees union in the United States with nearly 250,000 members. Palo Alto Local Chapter #301 is the locally affiliated chapter whose roughly 600 members are employees of PAUSD.

Half Dome Capital LLC is a locally-owned, Palo Alto real estate development company with a focus on multi-family infill development in the San Francisco Bay.

Palo Alto Community Housing Needs:

There is broad recognition of inadequate housing development within the City of Palo Alto, and the inability of the City to meet its current and projected City and State housing objectives. Coupled with that, the City has experienced rapid jobs growth, which has contributed to an unsustainably high jobs-to-employed residents ratio of 3.06 as compared to 1.14 for all of Santa Clara County.

Sadly, this forces many of our middle-income employees, including our school teachers and district classified workers, to make long commutes to Palo Alto for their daily work – many at least 2 hours per day. The implications to employee recruiting and retention cannot be overstated. Recent analysis by the PAEA confirms that fewer than fifteen percent (15%) of PAEA teachers live in Palo Alto. Among those who do live in town, many live in their parents’ homes or inherited their homes. As PAUSD employees are forced to live farther and farther away from where they work, recruitment and retention will only get more challenging. For a city renowned for its nationally leading public schools, this is a devastating trajectory.

The Opportunity:

In light of new discretionary development incentives offered by the City to developers that commit to an inclusionary affordable component in their rental mix, there is an opportunity to leverage a public-private partnership to motivate non-profit developers to *“do well by doing good.”*

Per this agreement, Half Dome Capital LLC (“HDC”) commits to develop 100% of the units at its new development at 3265 El Camino Real as affordable housing units, which will be split in the following income categories: 20% at “Low Income” (51-80% of SCC AMI), and 80% at “Moderate Income” (81-120% of SCC AMI). Further, Half Dome Capital LLC commits to set the affordable rent for the Moderate Income units using 110% of SCC AMI – instead of the standard 120% of SCC AMI used by the

City of Palo Alto. All units will be deed-restricted for the stated affordable rent categories (stated above), per terms to be negotiated with the City of Palo Alto.

Further, HDC has agreed to offer first-priority for all vacant units to educator members of the Palo Alto Educator Association ("PAEA"), and to offer second-priority for all vacant units to PAUSD Classified employee members of the CSEA, Local Chapter #301 ("CSEA"). Specifically, HDC will send a vacancy notification with the terms and availability dates to an organized list of interested PAEA and CSEA members. Members that have an interest, may submit an application for tenancy, which will be screened, income-qualified, and prioritized per terms mentioned above. Qualified applicants will have 10 business days from the initial notification date to execute a lease for tenancy. If no interested member from either organization completes a lease within 10 days, then HDC will have the right to market the vacant unit to income-qualified members of the general public at the same "affordable rent" terms.

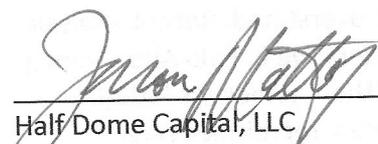
Obligations of Parties: HDC, PAEA and CSEA

1) Obligations of HDC:

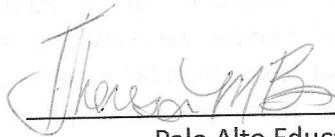
- a) Half Dome Capital agrees to provide prioritized access for all unit vacancies at the required "affordable rent" to PAEA and CSEA members, per the terms outlined above. Such a priority would expire and vacancies would be open to income-qualified members of the general public at the same "affordable rent" rate if no qualified PAEA or CSEA member applicant submits an acceptable application and signs a lease within the terms and periods described above; and,
- b) Half Dome Capital would be solely responsible for developing and financing the project, for administering the affordable housing program, and for compliance with City auditors.

2) Obligations of PAEA & CSEA:

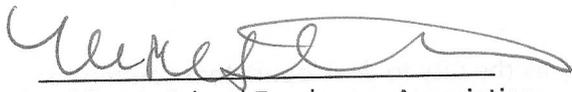
- a) PAEA and CSEA would each be responsible for maintaining a prioritized list of members interested in available vacancies, including member name and contact information. PAEA and CSEA may also choose to promote the affordable housing opportunities within their membership as they see appropriate.
- b) PAEA and CSEA would have no other financial, legal or operational responsibilities.



Half Dome Capital, LLC
Jason Matlof, Managing Member



Palo Alto Educators Association
Teri Baldwin, President



California School Employees Association
Local Chapter #301
Meb Steiner, President