including the Project, through the year 2030. However, as noted in Section 2.4 above, nothing in this Agreement is intended to provide any reservation of potable water or sanitary sewer capacity.

2.13 **CEQA/Mitigation Measures.** The City has prepared and certified the EIR, which evaluates the environmental effects of full development, operation and use of the Project, and has imposed all feasible mitigation measures to reduce the significant environmental effects of the Project. The Parties understand that the EIR is intended to be used not only in connection with the Existing Approvals, but also, to the extent legally permitted, in connection with necessary Subsequent Project Approvals. However, the Parties acknowledge that certain Subsequent Project Approvals may legally require additional analysis under CEQA. For example, a change in the Project could require additional analysis under CEQA if the triggering conditions identified in CEQA Guidelines section 15162 are met. In the event supplemental or additional CEQA review is required for a Subsequent Project Approval, City shall limit such supplemental or additional CEQA review to the scope of analysis mandated by CEQA in light of the scope of City’s discretion to be exercised in connection with the Subsequent Project Approvals. Developer acknowledges that, if the City determines based upon supplemental or additional CEQA review that the Project will result in new significant effects or substantially increase the severity of effects that were identified in the EIR, City may require additional feasible mitigation measures necessary to mitigate such impacts, provided however (except as otherwise expressly provided herein) such additional mitigation measures shall not prevent development of the Project for the uses set forth in the Precise Plan. Developer shall comply with the mitigation measures in the MMRP, which reflect the mutually agreed-upon timing of specified improvements and Developer’s pro rata share of funding, where applicable. In the event further mitigation measures are identified by such additional environmental review, City may require, and Developer shall comply at its expense with, all feasible mitigation measures necessary to substantially lessen new or substantially more severe significant environmental impacts of the Project, which were not foreseen at the time of execution of this Agreement.

**ARTICLE 3 PUBLIC BENEFITS**

3.1 **Public Benefits Obligations.** In consideration of the rights and benefits conferred by City to Developer under this Agreement, Developer shall perform the public benefit obligations and pay to City the Contributions set forth in this Article 3 all within the times set forth herein.

3.2 **Neighborhood Streets Enhancement Program.** Developer shall contribute $1,500,000 to the Neighborhood Streets Enhancement Program within the times set forth in Section 3.2.1 below ("Neighborhood Streets Enhancement Program Contribution"). Commencing on the second anniversary of the Effective Date, the remaining amount of Neighborhood Streets Enhancement Program Contribution shall be increased annually based on the increase in the Construction Cost Index for San Francisco over the prior one-year period, as published from time to time by the Engineering News Record ("ENR Index").

3.2.1 **Payment.** Except as otherwise provided in Section 1.3.2 above, the Neighborhood Streets Enhancement Program Contribution shall be paid by Developer to City in three installments as follows:
(a) Developer shall pay $150,000 to City within 30 days of the Effective Date.

(b) Developer shall pay $600,000, plus the increase on such amount based on the ENR Index through the date of payment, prior to the issuance of the first building permit for development of the Property, whether such development constitutes replacement square footage or Net New Development.

(c) Developer shall pay $750,000, plus the increase on such amount based on the ENR Index through the date of payment, prior to issuance of a certificate of occupancy for any building which would cause the Total Gross Building Area of the Project to exceed 1 million square feet.

3.2.2 Use of Funds. The City shall maintain the Neighborhood Streets Enhancement Program Contribution plus interest paid or earned, in a separate account, and use such funds to study, implement and provide street improvements within the surrounding residential neighborhoods of Friendly Acres, Redwood Village, and North Fair Oaks. Street improvements include neighborhood signage, trees or other improvements designed to indicate to travelers that they have arrived at a neighborhood gateway by providing visual cues that driving speed should be reduced; and signage, bulb-outs, landscape elements, roundabouts, and/or other features that create an attractive neighborhood boundary that discourages through-traffic. City shall determine the appropriate use of the funds (consistent with the uses of such funds described in this Section 3.2.2) in consultation with the residential neighborhoods of Friendly Acres and Redwood Village, and in consultation with San Mateo County with respect to the North Fair Oaks neighborhood. The combined cost of City studies funded with the Neighborhood Streets Enhancement Program Contribution shall not exceed 15 percent of the total Neighborhood Streets Enhancement Program Contribution.

3.3 Community Sustainability Fund. Developer shall contribute $4,000,000 to the Community Sustainability Fund, payable to the City proportionately based on Net New Development, as described below ("Community Sustainability Fund Contribution"). Commencing on the second anniversary of the Effective Date, the remaining amount of the Community Sustainability Fund Contribution, on a per net square foot basis, shall be increased annually based on increases in the Consumer Price Index for San Francisco over the prior one-year period ("CP Index").

3.3.1 Payment. Except as otherwise provided in Section 1.3.2 above, the Community Sustainability Fund Contribution shall be paid by Developer to City proportionately at the time of building permit issuance based on the ratio of the Net New Development added by the development subject to the building permit compared to the total 982,000 square feet of net new development anticipated on the Property. Notwithstanding the foregoing, the entire remaining Community Sustainability Fund Contribution, plus CP Index increases, shall be due and payable to City in one lump sum payment no later than issuance of the building permit(s) which would cause the Total Gross Building Area to exceed 1.3 million square feet.

3.3.2 Use of Funds. The City shall maintain the Community Sustainability Fund Contribution, including CP Index increases plus any interest earned thereon, in a separate account, and use such funds to augment the Neighborhood Streets Enhancement Program.
Contribution and/or to study, implement and provide other infrastructure improvements and programs designed to promote sustainable neighborhoods and communities in Redwood City. The City shall be responsible for determining the appropriate use of the funds (consistent with the uses of such funds described in this Section 3.3.2). The combined cost of City studies funded with the Community Sustainability Fund Contribution shall not exceed 15 percent of the total Community Sustainability Fund Contribution.

3.4 Bicycle System Improvements. Developer shall contribute $450,000 toward the cost of bicycle lane improvements to provide transportation demand management ("TDM") linkages between the Property and downtown, the Caltrain station and Middlefield Road, which links the Project to cities to the south (the "Bicycle Contribution"). Commencing on the second anniversary of the Effective Date, the Bicycle Contribution shall be increased annually based on increases in the ENR Index over the prior one-year period.

3.4.1 Payment. Except as otherwise provided in Section 1.3.2 above, Developer shall pay the Bicycle Contribution to City in full prior to building permit issuance for any Net New Development.

3.4.2 Use of Funds. The City, in consultation with Developer, will select the specific linkages and improvements that the Bicycle Contribution will fund, which linkages may include:

(a) Broadway through the Property to Charter Street to connect to the City’s existing and planned bike lanes;

(b) Bay Road from Marshall Street/Beech Street to Marsh Road;

(c) Middlefield Road from Hurlingame Road to Encina Avenue at the City of Atherton border;

(d) Douglas Avenue and 2nd Avenue from Broadway to Middlefield Road;

and

(e) 5th Avenue from Rolison Road to El Camino Road.

3.4.3 Notice Regarding TDM Program. The Precise Plan includes TDM requirements, including property owner obligations, which remain in effect following Project build out, for the period beginning on the Effective Date and terminating at the earliest of the following dates: (i) as to an individual block, when the block has been developed pursuant to the Precise Plan, and then has undergone a subsequent City-approved Comprehensive Reconstruction; (ii) as to the Property as a whole, when the Project has been developed pursuant to the Precise Plan, and then the Property has undergone a subsequent City-approved Comprehensive Reconstruction; or (iii) 51 years following the Effective Date. For the purposes of this Agreement, “Comprehensive Reconstruction” means that at least 50% of the building space on the applicable block or 50% or more of the Property has been demolished and replaced with new building space or landscaping.

3.5 Bus Shelter Improvements. Developer shall contribute $100,000 to fund improvements to existing bus stops, including benches and shelters, within a one-half mile radius of the
Property (the “Bus Shelter Contribution”). Commencing on the second anniversary of the Effective Date, the Bus Shelter Contribution shall be increased annually based on increases in the ENR Index over the prior one-year period.

3.5.1 Payment. Except as otherwise provided in Section 1.3.2 above, Developer shall pay the Bus Shelter Contribution to City in one lump sum payment prior to issuance of any building permit that would result in the Total Gross Building Area exceeding 1 million square feet.

3.5.2 Use of Funds. The Bus Shelter Contribution shall be used to fund specific bus shelter improvements within a one-half mile radius of the Property selected by the City in consultation with the San Mateo County Transit District and Developer.

3.6 Water Tank Improvements. Developer shall contribute $1,500,000 toward the cost of an emergency water supply tank that will serve the Project as well as other properties (the “Water Tank Contribution”). Commencing on the first anniversary of the Effective Date, the Water Tank Contribution shall be increased annually based on increases in the ENR Index over the prior one-year period.

3.6.1 Payment. Except as otherwise provided in Section 1.3.2 above, the Water Tank Contribution shall be paid to City proportionately at the time of building permit issuance based on the ratio of the Net New Development added by the development subject to the building permit compared to the total 982,000 square feet of net new development anticipated on the Property. Notwithstanding the foregoing, the entire remaining Water Tank Contribution, plus ENR Index increases, shall be due and payable to City in one lump sum payment no later than issuance of the building permit(s) which would cause the Total Gross Building Area to exceed 1.3 million square feet. The Water Tank Contribution shall constitute Developer’s full payment toward the emergency water supply tank, and the City shall not require Developer to pay any amount toward the emergency water supply tank in addition to the amount identified in this Section 3.6.1.

3.7 Storm Water Improvements. Developer shall contribute $1,000,000 toward the cost of storm water improvements to ameliorate the existing flooding conditions due to the Property’s location in the Douglas drainage basin (the “Storm Water Contribution”).

3.7.1 Payment. Developer shall pay City the full amount of the Storm Water Contribution within 30 days of the Effective Date.

3.7.2 Use of Funds. City shall expend, encumber, or contractually commit to expend the Storm Water Contribution to ameliorate the existing flooding conditions in the Douglas drainage basin on or before the seventh anniversary of the Effective Date. If it appears that City has failed or will fail to expend, encumber, or contractually commit the funds by such date, Developer may provide written notice to City demanding that the funds be so expended, encumbered or contractually committed within 120 days following the date of Developer’s notice. If City fails to expend, encumber, or contractually commit the funds by such date, any portion of the Storm Water Contribution which has not been so expended, encumbered or contractually committed shall be returned by City to Developer.
3.8 Economic Development, Recreation and Wellness, Arts and Music and Education Initiatives. Developer shall support and promote the City’s economic development, recreation and wellness, arts and music and education initiatives through the following contributions:

3.8.1 Economic Development. Developer shall provide executive education and entrepreneur training programs for Redwood City residents, businesses and City staff through the Stanford University Graduate School of Business, at a total estimated cost to Developer of $5,000,000 ("Economic Development Contribution"). The specific programs are described in detail in Exhibit C attached hereto and incorporated herein by this reference. As long as the obligations pertaining to the Economic Development Contribution remain in effect, the City Manager and at least one representative from the Graduate School of Business shall meet annually to discuss the program content, profile of the program participants, upcoming deadlines for reserving program space, suggested program improvements, and adjustments to the budget allocations among the programs and adjustments to other terms of this Section 3.8.1 and Exhibit C that are mutually agreeable to the Parties. Such changes may include a mutual decision to terminate a program if the Parties conclude the program has not achieved the Parties’ objectives, in which event the remaining budget from the terminated program shall be reallocated to one or more of the other programs described in Exhibit C. Adjustments to the budget allocations among the Graduate School of Business programs and adjustments to the other terms of this Section 3.8.1 or Exhibit C may be mutually agreed upon through a letter or memorandum signed by the City Manager and an authorized representative of Developer, and do not require amendment to this Development Agreement. Developer will commence at least two of the programs described in Exhibit C within one year of the Effective Date. Developer shall commence all remaining programs described in Exhibit C within two years of the Effective Date.

3.8.2 Recreation and Wellness. Developer shall contribute $1,000,000 toward the cost of constructing a multi-use recreation and wellness center at Red Morton Park ("Recreation and Wellness Contribution"). The Recreation and Wellness Contribution shall be paid to City in five equal annual installments of $200,000 each, commencing on the first anniversary of the Effective Date, unless City intends to pursue construction of the center sooner, in which case the entire remaining unpaid portion of the Recreation and Wellness Contribution shall be due and payable within 30 days of City’s written request. If the City has not expended or contractually committed to expend the Recreation and Wellness Contribution within 10 years of the Effective Date, any portion of the Recreation and Wellness Center Contribution that has not been so expended or contractually committed by such date shall be added to the Community Sustainability Fund and used by the City for the purposes described in Section 3.3.

3.8.3 Arts and Music. Developer shall contribute $250,000 toward the cost of the City’s summer concert series ("Arts and Music Contribution"). The Arts and Music Contribution shall be paid to City in five equal annual installments of $50,000 each, with the first payment due on the first anniversary of the Effective Date and with the additional annual payments due each of the four years thereafter.

3.8.4 Education. Developer shall contribute $250,000 to the Redwood City Educational Foundation ("Education Contribution"). The Education Contribution shall be paid to City in five equal annual installments of $50,000 each, with the first payment due on the first
anniversary of the Effective Date and with the additional annual payments due each of the four years thereafter.

3.9 Publicly Accessible Private Open Space. Developer shall designate, design and improve 2.4 acres of publicly accessible privately owned open space adjacent to Spinns Park in conjunction with the first phase of development which includes Net New Development and in accordance with the requirements of the Precise Plan. Within thirty (30) days of the completion of the required improvements on the 2.4 acre-open space area, the City and Developer shall execute and record the Easement and Maintenance Agreement attached hereto as Exhibit D, and incorporated herein by this reference.

3.10 City Report to Developer on Public Benefits. No more than once in any two-year period, Developer may request City to provide a written report documenting its expenditures of the Contributions. City shall provide the report to Developer within 60 days of Developer’s request. In the event that the Contributions are expended in a manner inconsistent with this Agreement, the City shall be obligated to replenish the amount of improperly expended funds so that such funds may be used in a manner consistent with this Agreement.

3.11 Sales Tax Point of Sale Designation. Developer shall use good faith efforts to the extent allowed by law to require all persons and entities providing bulk lumber, concrete, structural steel and pre-fabricated building components, such as roof trusses, to be used in connection with the construction and development of, or incorporated into, the Project, to (a) obtain a use tax direct payment permit; (b) elect to obtain a subcontractor permit for the job site of a contract valued at Five Million Dollars ($5,000,000) or more; or (c) otherwise designate the Property as the place of use of material used in the construction of the Project in order to have the local portion of the sales and use tax distributed directly to the City instead of through the county-wide pool. Developer shall instruct each of its subcontractors to cooperate with the City to ensure the full local sales/use tax is allocated to City. To assist City in its efforts to ensure that the full amount of such local sales/use tax is allocated to the City of Redwood City, Developer shall provide City with an annual spreadsheet, which includes a list of all subcontractors with contracts in excess of the amount set forth above, a description of all applicable work, and the dollar value of such subcontracts. City may use said spreadsheet to contact each subcontractor who may qualify for local allocation of use taxes to the City.

3.12 Broadway Roadway Configurations. Developer shall contribute $75,000 toward the cost of the City’s evaluation of potential changes to the roadway configuration for Broadway to accommodate a potential, future streetcar, bicycle lanes, and/or parallel parking (the “Broadway Roadway Configuration Contribution”).

3.12.1 Payment. Developer shall pay City the full amount of the Broadway Roadway Configuration Contribution within 30 days of Developer’s receipt of written notice that City has commenced its evaluation of potential roadway configuration changes for Broadway; however, if City does not commence its evaluation of potential roadway configuration changes for Broadway and provide written notice thereof to Developer within one year of the effective date of this Agreement, then Developer’s obligation to make the Broadway Roadway Configuration Contribution shall be void.
3.12.2 **Use of Funds.** The Broadway Roadway Configuration Contribution shall be used to fund City’s evaluation of potential roadway configuration changes on Broadway.

3.12.3 **No Additional Contributions to Evaluation of Changes to City Roadways and Intersections.** Except as required by this Section 3.12 or to the extent the need to further evaluate roadway or intersection configurations is triggered by project changes initiated by Developer, City shall not require Developer to make any additional contributions to feasibility studies, environmental review under the California Environmental Quality Act, or any other City evaluation of potential changes to the roadway configurations for Broadway or Bay Road, pedestrian crossings on Broadway or Bay Road, or alternatives for offsite intersection improvements (collectively “City Review of Roadway Changes”).

3.12.4 **No Delay in Issuance of PC Permits.** City shall not delay issuance of any PC Permit for the Property on the ground that City Review of Roadway Changes has not been completed.

**ARTICLE 4 INSURANCE, INDEMNITY AND COOPERATION IN THE EVENT OF A LEGAL CHALLENGE**

4.1 **Insurance Requirements.** In connection with construction of replacement buildings and Net New Development on the Property, Developer shall procure and maintain, or cause its contractor(s) to procure and maintain a commercial general liability policy in an amount not less than Five Million Dollars ($5,000,000) combined single limit, including contractual liability together with a comprehensive automobile liability policy in the amount of Three Million Dollars ($3,000,000), combined single limit. Such policy or policies shall be written on an occurrence form, so long as such form of policy is then commonly available in the commercial insurance marketplace. Developer’s insurance shall be placed with insurers with a current A.M. Best’s rating of no less than A.-VII or a rating otherwise approved by the City in its sole discretion. Developer shall furnish at City’s request appropriate certificate(s) of insurance evidencing the insurance coverage required by Developer hereunder, and City Parties shall be named as additional insured parties under the policies required hereunder. The certificate of insurance shall contain a statement of obligation on the part of the carrier to notify City of any material change, cancellation or termination of the coverage at least thirty (30) days in advance of the effective date of any such material change, cancellation or termination (ten (10) days advance notice in the case of cancellation for nonpayment of premiums) where the insurance carrier provides such notice to the Developer. Coverage provided hereunder by Developer shall be primary insurance and shall not be contributing with any insurance, self-insurance or joint self-insurance maintained by City, and the policy shall contain such an endorsement. The insurance policy or the endorsement shall contain a waiver of subrogation for the benefit of City.

4.2 **City of Redwood City Business License.** Developer, at its expense, shall obtain and maintain a Redwood City business license at all times during the Term, and shall include a provision in all general contractor agreements for the Project requiring each such general contractor to obtain and maintain a Redwood City business license during performance of the work of construction.