October 6, 2015

Via Email

D R A F T

Mr. Dominic Boitano
Park Delmas Investors LLC
2185 The Alameda
San Jose, CA 95126

Re: Summary of Environmental Findings
Delmas & Park Site
San Jose, California

Dear Dominic:

ENVIRON International Corporation ("ENVIRON") is pleased to present this brief summary of environmental conditions at the site located at Delmas and Park Avenues in San Jose (the "Site"). It is our understanding that the Site is approximately 1.72 acres in size. Park Delmas Investors LLC ("PDI") currently owns the Site and is considering redevelopment of the site for multi-family residential use.

In addition to follow-up telephone conversations with you and Jake Lavin, this summary is based on the following site-related documents:

- ALTA/ACSM Land Title Survey dated 10/29/13;
- Geotechnical Report by Donald Banta & Associates dated 12/19/2006;
- Phase I Environmental Site Assessment (ESA) prepared by Toxichem Management Systems, Inc. ("Toxichem") dated 3/22/2007;
- Environmental Soil Investigation Report by Toxichem dated 4/10/2006;
- Phase 1 ESA for 410-422 Park Avenue by Toxichem dated 8/18/2006; and
- Phase 1 ESA for 410-422 Park Avenue by ENVIRON dated 1/31/2009.

Site Description

The Site consists of several parcels located on the north corner of Delmas and Park Avenues in San Jose, California. The addresses for the Site are 410-422 Park Avenue, 201-255 Delmas Avenue and 218-248 Sonoma Street. The Assessor Parcel Numbers (APN) are 259-46-058

("Parcel 58"), -040 ("Parcel 40"), -044 ("Parcel 44"), -045 (Parcel "45"), -055 ("Parcel 55"), -056 ("Parcel 56"), -057 ("Parcel 57"), -090 ("Parcel 90") and -109 ("Parcel 109").

The Site is bounded to the northeast by Delmas Avenue including the VTA light rail tracks, a dog park and Highway 87 further northeast across Delmas. To the northwest, Park Avenue, with a residential condominium development across Park Avenue. An auto repair shop adjoins Parcel 90 and Parcel 45 to the southeast and southwest, respectively. A vacant, unpaved lot is adjacent to Parcel 45 to the southeast.

Current and Historical Site Use

Based on our recent telephone conversation, except for the office building on Parcel 58, all structures at the Site have been demolished including the former basketball court on Parcel 109.

Historically, with the exception of Parcel 58, the uses at the Site were primarily residential. In 1891, a house was constructed on Parcel 57 and between 1899 and 1915, houses were constructed on all parcels. Parcel 109 had a total of four houses, plus a church. By 1963, one of the houses just west of the church was replaced with a two-story classroom. Between 1975 and 1985, the houses on Parcels 56 and 57 were removed and by 1987, these parcels were paved and used for parking. Besides the church, the only non-residential use of the Site was operation of a grocery store on Parcel 40 from about 1915 until 1970.

Parcel 58 was residential until about 1956 at which time the residential structures were demolished and the current building on the property was built. It has been used primarily as office and classroom space since the City of San Jose purchased the property in the 1960s. The building has been vacant since December 2008.

Environmental Conditions

On behalf of PDI and as part of the Phase 1 ESA, Toxichem completed several environmental investigations of soil at the Site in September 2005, December 2005, April 2006 and August 2006. In July 2006, Toxichem also collected soil samples during an investigation of magnetic anomalies that had been previously identified during a geophysical survey at the Site in June 2006. The subsurface investigations indicated that lead concentrations in near surface soil in many areas across the Site are elevated above the environmental regulatory cleanup level of 80 mg/kg. The elevated lead may be due to the flaking of lead-based paint from former and current structures. Arsenic and cadmium concentrations were also elevated in four coincident locations. In addition, samples from the area adjacent to the auto repair shop which is near Parcels 90 and 44 had elevated concentrations of lead, cadmium and zinc. It is our understanding that since Toxichem's sampling investigations all remaining structures at the Site have been demolished except for the office building on Parcel 058. No additional sampling has been performed since Toxichem's investigations in 2005 and 2006.

Based on the Toxichem data, the lead concentrations in many of the samples of shallow soil were above California Hazardous Waste Levels and in one sample above Federal Hazardous

Waste Levels. This means that soil that is excavated and not able to be reused at the site may require management and disposal as a California Hazardous Waste. Disposal of soil that is California Hazardous Waste is very costly, approximately $100 per ton (including transportation and disposal). Disposal of soil that has lead levels above Federal Hazardous Waste Levels requires stabilization prior to disposal in the landfill, which is very costly, approximately $300 per ton (including transportation, stabilization and disposal).

Potential Environmental Remediation Activities for Redevelopment of the Site

The environmental contamination that has been identified at the Site is similar to the contamination found in other urban areas where old structures have been demolished. These sites have been routinely redeveloped for single and multi-family residential use by implementing remedial actions that prevent exposure of future residents to elevated concentrations of lead (or other metals). In many instances, the site developer works with the California Environmental Protection Agency (Cal-EPA) Department of Toxic Substances Control (DTSC) or a local city/county environmental agency to oversee and approve the remedial measures to be implemented and ultimately achieve a “Certificate of Completion” or “No Further Action” letter from the environmental regulatory agency after the remedial measures are implemented.

However, it is our understanding that PDI plans to construct a multi-unit residential building with below grade parking. The below-grade parking structure will require excavation and removal of soil in most areas of the Site to a depth of 8 to 10 feet below ground surface (bgs). The only areas not to be excavated are the areas immediately adjacent to several large trees to be preserved on Parcels 45 and 55. Since excavation of the majority of contaminated surface soils is planned to accommodate construction of below-grade parking, the potential risk to future Site residents will likely be mitigated. As a result, there is no requirement to obtain State regulatory agency approval assuming the “hazard” is mitigated through grading and redevelopment activities. It is possible that the local agencies, such as the City of San Jose or Santa Clara County Environmental Health, may require approval by an environmental regulatory agency as a condition of approval of the development.

If desired, or required by the local agency as a condition of approval, State regulatory agency approval can be obtained following excavation and removal of the contaminated soil from the Site. Confirmation samples would be collected and analyzed following Site excavation and re-grading. The results of sampling would be submitted in a Preliminary Endangerment Assessment (PEA), which documents the environmental conditions and potential human health risks at the Site following remediation. Following approval of the PEA, the DTSC would issue a “No Further Action” letter to the Site owner/developer. The estimated cost to perform this sampling and prepare the PEA ranges from $35,000 to $50,000. A more accurate estimate can be prepared once a grading plan and construction schedule have been finalized.

Next Steps

Based on previous investigations, the lead concentrations in many of the samples of shallow soil were above California Hazardous Waste Levels and in one sample above Federal Hazardous Waste Levels. The elevated lead appears to be present in fill soils, which range in depth from 2 to 4 feet at the Site. When these shallow soils are excavated for offsite disposal, the waste soil may require management and disposal as a California Hazardous Waste. Disposal of soil that is California Hazardous Waste is very costly, approximately $100 per ton (including transportation and disposal). Disposal of soil that has lead levels above Federal Hazardous Waste Levels requires stabilization prior to disposal in the landfill, which is very costly, approximately $300 per ton (including transportation, stabilization and disposal). Furthermore, under hazardous waste regulations, when hazardous waste is mixed with nonhazardous waste, the entire waste becomes hazardous.

Because soil samples have not been collected at the Site since 2006 and since demolition of the buildings (except for Parcel 58), it is possible that lead concentrations are potentially lower following removal of Site debris and buildings. After demolition of the remaining building on Parcel 58, it is recommended that surface soil samples be collected every 50 feet on a surveyed grid across the Site (approximately 30 to 40 samples). These samples would be analyzed only for lead since lead appears to be the primary chemical of concern that impacts soil disposal. Additional lead leaching tests would be performed for the purposes of determining if the soil is California or Federal hazardous waste on samples which had lead concentrations greater than 50 mg/kg. The cost to complete this sampling and issue a summary letter report is estimated to range from $5,000 to $6,500.

Following receipt of surface soil sampling results, additional samples for analysis of lead would be collected at one foot incremental depths at all locations where shallow samples had lead concentrations which indicated soil was hazardous for lead. It is difficult to estimate the actual cost of implementing this sampling without knowing the shallow sampling results; however, based on the data collected to date, we anticipate sampling of deeper soils (up to 5 feet bgs) for lead would not exceed $20,000.

The lead results would then be used in conjunction with the Site grading plan to determine which areas of the Site have soil potentially requiring disposal as a hazardous waste after excavation. During grading, soil from these areas would be excavated and segregated from soil with lead below hazardous waste thresholds. The sampling data will assist in estimating the actual volumes of soil that may require offsite disposal as a hazardous waste and the associated additional disposal costs. In addition, this approach potentially minimizes disposal costs because it prevents mixing hazardous waste with nonhazardous waste.

As a second alternative, the Toxichem data from 2006 could be relied upon in conjunction with the Site grading plan to determine which areas of the Site have soil potentially requiring disposal as a hazardous waste after excavation. During grading, soil from these areas would be excavated and segregated from soil with unknown lead concentrations. The stockpiles would then be re-tested to determine if lead levels are above or below hazardous waste thresholds.

Since the lead concentrations have likely changed (either in concentration or location) since 2006 given the activities that have occurred at the Site, this approach has a higher risk of under- or overestimating disposal costs and could potentially result in mixing hazardous waste with nonhazardous waste.

Alternatively, samples could be collected from stockpiled soil after excavation without performing prior soil sampling for lead and ignoring the 2006 Toxichem data. This approach could result in the overall lead concentrations in the excavated and stockpiled soil decreasing to below hazardous waste thresholds potentially decreasing the soil disposal costs. However, we do not recommend this alternative approach for the following reasons:

1. There is also a risk that when shallow and deep soils are mixed into stockpiles and samples from the stockpiles are tested for lead, the sampling results could indicate that the entire volume of mixed soil is hazardous waste; thus increasing the volume of soil that must be disposed of as hazardous waste; and

2. Since the Toxichem data indicates that there are shallow soils at the Site with lead concentrations above hazardous waste thresholds, mixing these shallow soils with deeper soil with lower concentrations of lead, under the regulations, makes the entire stockpile of shallow and deep soils a hazardous waste. Ignoring the Toxichem data or not re-testing as recommended above, does not comply with hazardous waste regulations.

CLOSING

We appreciate the opportunity to be of service to you. If you have questions regarding any of the information, please call me at (510) 420-2524.

Sincerely,

Anne W Gates

Anne Gates, PE
Senior Manager