

SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD MEETING

AGENDA

Monday, April 15, 2019 at 9:00 a.m.
400 County Center, 1st Floor
Board of Supervisors' Chambers
Redwood City, California 94063

1. Call to Order
2. Roll Call
3. Oral Communications and Public Comment
This is an opportunity for members of the public to address the Oversight Board on any Oversight Board-related topics that are not on the agenda. If your subject is not on the agenda, the individual chairing the meeting will recognize you at this time. Speakers are customarily limited to two minutes.
4. Action to Set the Agenda
5. Approval of the January 28, 2019 Countywide Oversight Board Meeting Minutes
6. Redevelopment Agency Dissolution Status Update – Brisbane
7. Redevelopment Agency Dissolution Status Update – Millbrae
8. Approval of Final Sale Price for 938 Linden Avenue Property
9. FY 2019-20 Oversight Board Meeting Calendar (Discussion Only)
10. Election of Chair and Vice-Chair for FY 2019-20 (Discussion Only)
11. Adjournment

A copy of the Countywide Oversight Board agenda packet is available for review from the Clerk of the Board of Supervisors, 400 County Center, 1st Floor, Monday through Thursday 7:30 a.m.-5:30 p.m. and Friday 8 a.m.-5 p.m.

Meetings are accessible to people with disabilities. Individuals who need special assistance or a disability-related modification or accommodation (including auxiliary aids or services) to participate in this meeting, or who have a disability and wish to request an alternative format for the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting, should contact Sukhmani Purewal, Assistant Clerk of the Board of Supervisors, at least two working days before the meeting at (650) 363-1802 and/or spurewal@smcgov.org. Notification in advance of the meeting will enable the County to make reasonable arrangements to ensure accessibility to this meeting and the materials related to it. Attendees to this meeting are reminded that other attendees may be sensitive to various chemical based products.

San Mateo County Countywide Oversight Board Meeting

Monday, January 28, 2019, 9:00 a.m.

400 County Center, 1st Floor, County of Board of Supervisors' Chambers, Redwood City, CA 94063

DRAFT MINUTES

1. Call to Order

The meeting was called to order by Chair Tom Casey at 9:01 a.m.

2. Roll Call

Present:

Board Members: Mark Addiego; Chuck Bernstein; Barbara Christensen; Mark Leach; Jim Saco; and Chair Tom Casey.

Staff: Shirley Tourel, Assistant Controller; Matthew Slaughter, Controller Division Manager; Brian Wong, Deputy County Counsel; and Sherry Golestan, Deputy Clerk of the Board.

Absent:

Board Members: Denise Porterfield

3. Oral Communications and Public Comment

This is an opportunity for members of the public to address the Oversight Board on any Oversight Board-related topics that are not on the agenda. If your subject is not on the agenda, the individual chairing the meeting will recognize you at this time. Speakers are customarily limited to two minutes.

None

4. Action to Set the Agenda

RESULT: **Approved**

MOTION: Jim Saco

SECOND: Mark Leach

AYES [6]: Mark Addiego, Chuck Bernstein, Tom Casey, Barbara Christensen, Mark Leach, and Jim Saco.

NOES: None

ABSENT [1]: Denise Porterfield

ABSTENTIONS: None

5. Approval of the January 14, 2019 Countywide Oversight Board Meeting Minutes

RESULT: **Approved**

MOTION: Jim Saco

SECOND: Barbara Christensen

AYES [4]: Mark Addiego, Chuck Bernstein, Tom Casey, Barbara Christensen, Mark Leach, and Jim Saco.

NOES: None
ABSENT [1]: Denise Porterfield
ABSTENTIONS [2]: Mark Addiego and Mark Leach

6. Adopt a Resolution Approving the Annual Recognized Obligation Payment Schedule (ROPS 19-20) and FY 2019-20 Administrative Budget of the Redwood City Successor Agency

Speakers:

Derek Rampone, Financial Services Manager, Redwood City

RESULT: **Approved (Resolution No. 2019-004)**
MOTION: Barbara Christensen
SECOND: Jim Saco
AYES [6]: Mark Addiego, Chuck Bernstein, Tom Casey, Barbara Christensen, Mark Leach, and Jim Saco.
NOES: None
ABSENT [1]: Denise Porterfield
ABSTENTIONS: None

7. Adopt a Resolution Approving the Annual Recognized Obligation Payment Schedule (ROPS 19-20) and FY 2019-20 Administrative Budget of the San Bruno Successor Agency

Speakers:

Esther Garibay-Fernandes, Financial Services Manager, City of San Bruno

RESULT: **Approved (Resolution No. 2019-005)**
MOTION: Jim Saco
SECOND: Barbara Christensen
AYES [6]: Mark Addiego, Chuck Bernstein, Tom Casey, Barbara Christensen, Mark Leach, and Jim Saco.
NOES: None
ABSENT [1]: Denise Porterfield
ABSTENTIONS: None

8. Adopt a Resolution Approving the Annual Recognized Obligation Payment Schedule (ROPS 19-20) and FY 2019-20 Administrative Budget of the East Palo Alto Successor Agency

Speakers:

Brenda Olwin, Finance Director, City of East Palo Alto

RESULT: **Approved (Resolution No. 2019-006)**
MOTION: Barbara Christensen
SECOND: Jim Saco
AYES [6]: Mark Addiego, Chuck Bernstein, Tom Casey, Barbara Christensen, Mark Leach, and Jim Saco.
NOES: None
ABSENT [1]: Denise Porterfield
ABSTENTIONS: None

9. Adopt a Resolution Approving the Annual Recognized Obligation Payment Schedule (ROPS 19-20) and FY 2019-20 Administrative Budget of the Pacifica Successor Agency

Speakers:

Lorenzo Hines, Assistant City Manager, City of Pacifica

RESULT: **Approved (Resolution No. 2019-007)**
MOTION: Jim Saco
SECOND: Barbara Christensen
AYES [6]: Mark Addiego, Chuck Bernstein, Tom Casey, Barbara Christensen,
Mark Leach, and Jim Saco.
NOES: None
ABSENT [1]: Denise Porterfield
ABSTENTIONS: None

10. Adjournment

Speakers:

Shirley Tourel, Assistant Controller

RESULT: **Approved**
MOTION: Barbara Christensen
SECOND: Jim Saco
AYES [6]: Mark Addiego, Chuck Bernstein, Tom Casey, Barbara Christensen,
Mark Leach, and Jim Saco.
NOES: None
ABSENT [1]: Denise Porterfield
ABSTENTIONS: None

The meeting was adjourned at 9:11 a.m.

San Mateo County Countywide Oversight Board

Date: April 9, 2019 Agenda Item No. 6

To: San Mateo County Countywide Oversight Board

From: Shirley Tourel, Assistant Controller

Subject: Report on Redevelopment Agency Dissolution Status Update – Brisbane

Recommendation

This item is for information and discussion purposes only. No action is required by the Board.

Background and Discussion

The San Mateo County Countywide Oversight Board (the “Board”) was created pursuant to Health and Safety Code (HSC) 34179(j) to provide guidance and oversight to the successor agencies who are tasked with winding down the affairs of redevelopment agencies (RDAs).

This item is intended to inform the Board of the progress of the wind-down activities of the former Brisbane Redevelopment Agency. The attachments to this memo were prepared by the Brisbane Successor Agency and provide an overview of the remaining expenditures/obligations and disposition of assets status.

Brisbane Deputy City Manager and Administrative Services Director, Stuart Schillinger will be presenting to the Board.

Fiscal Impact

None

Exhibit

A. Successor Agency Staff Report - Redevelopment Agency Dissolution Status Update – Brisbane

Exhibit A

Date: January 22, 2019

To: San Mateo County Countywide Oversight Board

From: Stuart Schillinger, Administrative Services Director/Deputy City Manager, City of Brisbane

Subject: Dissolution Status Report from the Successor Agency of the Former Redevelopment Agency of the City of Brisbane

Former RDA: Redevelopment Agency of the City of Brisbane

Background

This agenda item summarizes the dissolution status of the former redevelopment agency (RDA). It includes a summary of the disposition of assets, remaining obligations and Last and Final Recognized Obligation Payment Schedule (ROPS), and pending litigation.

Discussion

A. Disposition of Assets

At the time of the RDA dissolution, the Successor Agency to the former Brisbane Redevelopment Agency owned three properties. The three properties were; the Community Park, the Park and Ride Lot, and the shared parking lot at the Brisbane Marina. On November 14, 2012 the City's Oversight Board adopted Resolution 2012-03 transferring these properties to the City of Brisbane since they were being used for governmental purposes.

The Redevelopment also financially contributed funds that were used to assist in financing the construction of various improvements on real property owned by the City of Brisbane. In Resolution 2012-03 the Oversight Board acknowledged that the Brisbane Redevelopment Agency received no ownership interest in these properties or any form of lien or encumbrance and all improvements constructed or installed with funds contributed by the Redevelopment Agency become the property of the City of Brisbane. The Oversight Board further acknowledged at the time of the dissolution of the Brisbane Redevelopment Agency that following assets were owned by City of Brisbane and no RDA interest in them needed to be disposed of. These assets were: The Brisbane Fire Station located at 3445 Bayshore Boulevard, the sanitary lift station generally located at the southeast corner of Bayshore Boulevard and Valley Drive, and the improvements constructed or installed at the Brisbane Marina.

B. Outstanding Obligations

On January 17, 2018 the Oversight Board approved the Last and Final ROPS which established outstanding obligations of \$19,268,323. On May 11, 2018 the Department of Finance approved the Last and Final Obligations in the amount of \$18,946,015. The difference was the Department of Finance requested the Successor Agency reduce the administrative charges based on their belief that there would be less administrative work once the Last and Final was accepted. Although Successor Agency staff did not agree with their premise, we did agree to their request since continuing to produce annual ROPS would have increased the administrative cost to all of the underlying taxing entities, which was not the goal of the Successor Agency staff.

The outstanding obligations are for:

- The completion of the construction of the Marina to be paid off in 2026.
- Repayment of a loan made by the City of Brisbane to the RDA to be paid off in 2027.
- Housing Tax Allocation Bonds. This will be paid off in 2027.
- Continuing disclosures and trustee fees that will cease as each bond is paid off.
- Administrative costs of the Successor Agency that will be finished when the agency closes down in 2027.

Prior to filing the Last and Final ROPs the Successor Agency brought it forward to the Oversight which determined the payoff schedule was appropriate based on the projected flow of revenues. Therefore, the Successor Agency does not anticipate any change to the payoff schedule in the future.

C. Litigation

The Successor Agency is not aware of any matters currently in litigation. In the event that the Agency does become aware of existing or potential litigation, the matters would be brought forward to the Oversight Board in Closed Session, as appropriate.

D. Last and Final ROPS

Please see Section B.

E. Conclusion

The Successor Agency to the Former Brisbane Redevelopment Agency is not aware of any issues that lie outside the filed Last and Final ROPs. Therefore, it is not aware of any issues it would bring before the Countywide Oversight Board in the future. However, if an opportunity for reducing the cost of the outstanding obligations presents itself, we will explore the possibility and present them to this board.

Attachments:

1. RDA Dissolution Status Update – Brisbane Successor Agency
2. Brisbane Successor Agency's Long Range Property Management Plan
3. Department of Finance Approval of Successor Agency's Long Range Property Management Plan

San Mateo County Consolidated Successor Agency Oversight Board															
Dissolution Update - Assets															
Brisbane RDA															
LRPMP Item No.	Property Type ¹	Address/ Location of Property	County Assessor Parcel Number	Parcel Size	Named Owner ²	Purchase Price ³	Fair Market Value	Appraisal Value	Permissible Use per LRPMP			Disposition Status ⁷	Deed Restrictions ⁸	Completion Date ⁹	Other Comments ¹⁰
									Category ⁴	Detail ⁵	Current Use ⁶				
1	Land	11 Old County Road	005-164-010	2 Acres	City of Brisbane	\$ 1,903,862.00			Gov't Use	Park	Park	To be used as a Park		Ultimate Use	
2	Land	Corner of Tunnel Road and Bayshore Blvd	501616503A	0.5 Acres	City of Brisbane	\$ 526,271.00			Gov't Use	Parking Lot	Parking Lot	To be used as a Parking Lot		Ultimate Use	
3	Land	Marina Boulevard	007-165-040 and 007-165-070	7.72 Acres	City of Brisbane	\$ 5,107.00			Gov't Use	Parking Lot	Parking Lot	To be used as a Parking Lot		Ultimate Use	Marina Generates Revenues to pay for Marina Operations and Maintenance
4	Land	Marina Boulevard	007-165-060	11.34 Acres	City of Brisbane	\$ 5,807.00			Gov't Use	Marina	Marina	To be used as a Marina	Land Granted by the State for purposes of a Marina	Ultimate Use	
5															

- Notes**
Please include all assets of the former RDA at the point of dissolution, include those that have been disposed of prior to July 1, 2018.
1. Indicate if property is Vacant Land, Building or Land & Building. If neither of these, indicate Other and describe the property.
 2. Enter name of recorded owner of property with County Assessor.
 3. Enter book value if purchase price is not available.
 4. Permissible use of asset as approved by the DOF (Government Use, Sale, Future Development, Fulfill an Obligation).
 5. Indicate approved use per LRPMP.
 6. Indicate purpose that property is currently used for (if different from #5).
 7. Describe in detail ultimate disposition of property. If for sale, indicate projected sale date, or if sale is in process.
 8. Indicate if there are any deed restrictions involved with an asset transfer.
 9. Date on which the asset was, or is expected to be disposed. This field should TBD if the disposition date has not occurred or been determined.
 10. Use this space for additional comments such as if property is under lease, if income is currently generating income - by how much annually, etc.

**San Mateo County Consolidated Successor Agency Oversight Board
Dissolution Update - Pending Litigation
Brisbane RDA**

Attachment 1 - Page 3 of 4

Is the former RDA a party to a lawsuit, currently or in the future?

No

If yes, please provide details and status of case.

Case No.

Which Court

Litigants

Status of Case

Additional comments:

San Mateo County Consolidated Successor Agency Oversight Board
Dissolution Update - Last and Final ROPS
Brisbane RDA

Is your SA eligible to submit a Last and Final ROPS?

State approved our LROPS on May 11, 2018

If yes, when do you anticipate filing a Last and Final ROPS (Month/Year)?

If your SA does not plan to file a Last and Final, explain why.

Attachment 1 - Page 4 of 4

BRISBANE SUCCESSOR AGENCY OVERSIGHT BOARD

RESOLUTION NO. OB 2013-06

A RESOLUTION OF THE OVERSIGHT BOARD OF THE BRISBANE SUCCESSOR AGENCY APPROVING A LONG RANGE PROPERTY MANAGEMENT PLAN PREPARED PURSUANT TO AB 1484 SECTION 34191.5 FOR THE DISPOSITION OF REAL PROPERTY ASSETS OF THE FORMER REDEVELOPMENT AGENCY

WHEREAS, the City of Brisbane Successor Agency prepared a Long Range Property Management Plan, which identifies each of the real property assets of the former City of Brisbane Redevelopment Agency, including the Agency's preferred method of disposing of those assets pursuant to AB 1484 Section 34191.5; and

WHEREAS, on September 11, 2013, the Oversight Board of the Successor Agency to the Brisbane Redevelopment Agency at a noticed public meeting reviewed and approved the City of Brisbane Successor Agency Long Range Property Management Plan for the disposition of real property assets of the former City of Brisbane Redevelopment Agency; and

NOW, THEREFORE, BE IT RESOLVED that the Oversight Board of the Successor Agency hereby finds, resolves, and determines as follows:

SECTION 1. The above recitals are true and correct, and are a substantive part of this Resolution.

SECTION 2. The former Brisbane Redevelopment Agency owned four properties that are all for governmental use, and as such will not be sold.

SECTION 3. The Brisbane Successor Agency Long Range Property Management Plan as prepared pursuant to AB 1484 Section 34191.5 is hereby approved in the form set forth in Exhibit "A" attached hereto and incorporated herein by reference.

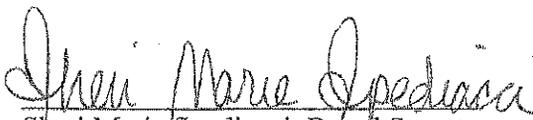

Paul Scannell, Chair

ADOPTED on September 11, 2013, by the Members of the Oversight Board of the Successor Agency with the following vote:

AYES: Boardmembers Blackwood, Holstine, Miller, and Chairman Scannell

NOES: None

ABSENT: None


Sheri Marie Spediacci, Board Secretay

City of Brisbane
Successor Agency

Long-Range Property Management Plan
(AB 1484 Section 34191.5)

H&S Section 34191.5 (A-H)	Description	Community Park	Bayshore Park N Ride Lot	Marina Shared Use Parking Lot	Marina on State Granted Land
	Property Description	11 Old County Road Blvd	corner of Tunnel Road and Bayshore	Marina Blvd	Marina Blvd
A	Date of Acquisition	1986	2004	1979	1979
	Value of Property at Acquisition	\$1,903,862	\$526,271	\$5,107 ¹	\$5,807 ¹
B	Purpose Acquired	To build a Civic Center	Park N Ride Lot	Parking lot for the Brisbane Marina boaters and the employees of nearby office buildings	To build a Marina and parking lot
C	Assessor Parcel # & lot size (acres)	005-164-010, 2 acres MOL	501616503A, 5 MOL	007-165-040; 007-165-070 7.72 acres MOL	007-165-060 11.34 acres MOL
	Zoning	NCR0-1	M-1	SP-CRO	MLB
D	Estimate of Current Value of parcel	unknown	unknown	unknown	unknown
	Appraisal Information Available	no	no	no	no
	Estimate of revenues generated by property	none	none	none	\$1.4 million for operation of marina

City of Brisbane
 Successor Agency
 Long-Range Property Management Plan
 (AB 1484 Section 34191.5)

E	Contractual requirements for disposition of funds	none	none	none	State Granted Lands limit use/sale of marina
F	Environmental History	none	none	former landfill	former landfill on land portion
G	Potential for Transit Oriented Development	none	Already is. This park n ride lot serves SAMTRANS Route	If a bus route was available, it would serve as parking for that.	none
H	History of Previous Development Proposals	This property was purchased with Tax Allocation bonds with the intent of building a Civic Center.	None	None	None
(2)	Planned Disposition	Governmental Use	Governmental Use	Governmental Use	Governmental Use

This is the historical value of the land. It is presumed that at the time of acquisition, the property was undeveloped landfill.



March 7, 2014

Mr. Stuart Schillinger, Administrative Services Director
City of Brisbane
50 Park Place
Brisbane, CA 94005

Dear Mr. Schillinger:

Subject: Long-Range Property Management Plan

Pursuant to Health and Safety Code (HSC) section 34191.5 (b), the City of Brisbane Successor Agency (Agency) submitted a Long-Range Property Management Plan (LRPMP) to the California Department of Finance (Finance) on September 19, 2013. Finance has completed its review of the LRPMP, which may have included obtaining clarification for various items:

The Agency received a Finding of Completion on March 25, 2013. Further, based on our review and application of the law, we are approving the Agency's use or disposition of all the properties listed on the LRPMP.

However, the following were noted during our review, but do not require a revised plan to be submitted:

- Property No. 1 – Incorrect property address for Assessor Property Number (APN) 005-164-010. The correct address for this property is 5 Old County Road.
- Property No. 2 – The reported APN 501-616-503A was not verifiable with the County of San Mateo Tax Assessor's Office nor was it established. However, this property was supported by a Grant Deed showing that this property was transferred to the Redevelopment Agency of the City of Brisbane and was recorded as an official record with the County of San Mateo Assessor-County Clerk-Recorder's Office on October 29, 2014.
- Property No. 3 – Property address for APN 007-165-040 is 7500 Marina Boulevard and no address is available for APN 007-165-070.
- Property No. 4 – APN 007-165-060 is located at Sierra Point Parkway with multiple street numbers – 400, 420, 450, and 500 Sierra Point Parkway.

In accordance with HSC section 34191.4, upon receiving a Finding of Completion from Finance and approval of a LRPMP, all real property and interests in real property shall be transferred to the Community Redevelopment Property Trust Fund of the Agency, unless that property is subject to the requirements of an existing enforceable obligation. Pursuant to

Mr. Stuart Schillinger
March 7, 2014
Page 2

Attachment 3 - Page 2 of 2

HSC section 34191.3 the approved LRPMP shall govern, and supersede all other provisions relating to the disposition and use of all the real property assets of the former redevelopment agency.

Agency actions taken pursuant to a Finance approved LRPMP are subject to oversight board (OB) approval per HSC section 34181 (f). Any subsequent OB actions addressing the Agency's implementation of the approved LRPMP should be submitted to Finance for approval.

Please direct inquiries to Wendy Griffe, Supervisor or, Medy Lamorena, Lead Analyst at (916) 445-1546.

Sincerely,



JUSTYN HOWARD
Assistant Program Budget Manager

cc: Ms. Betsy Cooper, Deputy Finance Director, City of Brisbane
Mr. Bob Adler, Auditor-Controller, County of San Mateo
Ms. Elizabeth Gonzalez, Bureau Chief, Local Government Audit Bureau, California State
Controller's Office
California State Controller's Office

San Mateo County Countywide Oversight Board

Date: April 9, 2019

Agenda Item No. 7

To: San Mateo County Countywide Oversight Board

From: Shirley Tourel, Assistant Controller

Subject: Report on Redevelopment Agency Dissolution Status Update – Millbrae

Recommendation

This item is for information and discussion purposes only. No action is required by the Board.

Background and Discussion

The San Mateo County Countywide Oversight Board (the “Board”) was created pursuant to Health and Safety Code (HSC) 34179(j) to provide guidance and oversight to the successor agencies who are tasked with winding down the affairs of redevelopment agencies (RDAs).

This item is intended to inform the Board of the progress of the wind-down activities of the former Millbrae Redevelopment Agency. The attachments to this memo were prepared by the Millbrae Successor Agency and provide an overview of the remaining expenditures/obligations and disposition of assets status.

Millbrae Deputy City Manager DeAnna Hilbrants will be presenting to the Board.

Fiscal Impact

None

Exhibit

A. Successor Agency Staff Report - Redevelopment Agency Dissolution Status Update – Millbrae

Exhibit A

Date: April 4, 2019

To: San Mateo County Countywide Oversight Board

From: DeAnna Hilbrants, Deputy City Manager, Millbrae

Subject: Dissolution Status Report from the Successor Agency

Former RDA: Millbrae Redevelopment Agency

Background

This agenda item summarizes the dissolution status of the former Millbrae Redevelopment Agency (RDA). It includes a summary of the disposition of assets, remaining obligations, pending litigation, the status of the Last and Final Recognized Obligation Payment Schedule (ROPS), and any other items pertaining to the winding-down of the affairs of the former RDA.

Discussion

A. Disposition of Assets

At the time of its dissolution, the Millbrae Redevelopment Agency owned one non-housing parcel of real property at 100 El Camino Real. The property is located in the redevelopment project area and is subject to the provisions of the Redevelopment Plan, the City of Millbrae General Plan, the Millbrae Station Area Specific Plan, and the City's zoning and land use regulations as set forth in the Millbrae City Codes.

The Long Range Property Management Plan (LRPMP) identified the disposition category as Retention for future development. The RDA acquired this property for the purpose of assembling parcels into a large developable lot in order to advance the Redevelopment Plan's goals.

The City's Long Range Property Management Plan is attached. Following approval of the LRPMP by the Millbrae Oversight Board and the State Department of Finance, the property was transferred from the Millbrae Successor Agency to the City. The City has entered into a Compensation Agreement providing that the net proceeds from the sale of the property will be distributed to the Taxing Entities. The transfer of this property to the City will be accomplished imminently.

The City recently completed development agreements with developers for initial phases of development around the station that do not include this parcel. Disposition or sale of this parcel will occur in a later phase.

As a result of this process, the City has recently discovered that a parking lot located at 1761 El Camino Real is held in the name of the former Redevelopment Agency. Pursuant to HSC

34191.3(b), the City plans to amend the LRPMP to reflect the ownership of the parcel, which would be retained for governmental use pursuant to HSC 34181.

Outstanding Obligations

The City has the following outstanding obligations:

- Field License Agreement between the City of Millbrae and the Millbrae School District for use of school athletic fields. This agreement has a term through 2023. This agreement provides the option to extend the term for an additional three (3) years. If the City and School District agree to extend the term, the City would be required to amend the Last and Final ROPS. As these funds are used for operating costs, the City does not anticipate the ability to accelerate these payments.
- Successor Agency Administrative Costs
- 2015 Tax Allocation Refunding Bond including principal, interest, administration and trustee fees: These bonds were issued to refund a 2005 Tax Allocation Bond which was used to pay 1993 bonds and to pay the costs of acquisition of lands relating to the Millbrae Station Area Project. As the City recently refunded these Bonds, the City does not anticipate the ability to accelerate payments.

B. Litigation

There is no current litigation and the successor agency is not aware of any pending litigation.

C. Last and Final ROPS

The Successor Agency's Last and Final ROPS was approved by the Department of Finance on September 28, 2018.

Conclusion

Other than the property issues addressed above, the City does not anticipate any items before the Countywide Oversight Board during Fiscal Year 2018 / 2019. The City is continuing to evaluate property values and best and highest use of the property at 100 El Camino and looks forward to working with the Oversight Board at the time of proposed disposition.

Attachments

1. RDA Dissolution Status Detailed Report – Millbrae Redevelopment Agency
2. RDA Dissolution Status Presentation – Millbrae Redevelopment Agency
3. Department of Finance Approved LRPMP – Millbrae Redevelopment Agency
4. DOF Approval Last and Final ROPS – Millbrae Redevelopment Agency

**San Mateo County Consolidated Successor Agency Oversight Board
Dissolution Update - Pending Litigation
Millbrae RDA**

Is the former RDA a party to a lawsuit, currently or in the future?

NO

If yes, please provide details and status of case.

Case No.	
Which Court	
Litigants	
Status of Case	

Additional comments:

**San Mateo County Consolidated Successor Agency Oversight Board
Dissolution Update - Last and Final ROPS
Millbrae RDA**

Is your SA eligible to submit a Last and Final ROPS?

YES

If yes, when do you anticipate filing a Last and Final ROPS (Month/Year)?

APPROVED SEPTEMBER 28, 2018

If your SA does not plan to file a Last and Final, explain why.

N/A

City of Millbrae Update to San Mateo County Oversight Board



April 15, 2019



Long Range Property Management Plan

- ▶ Approved by DOF in January, 2014
- ▶ One Property transferred to the City for future development
- ▶ City has identified that a Redevelopment Agency property was missing from the LRPMP
 - ▶ City has made contact with State to identify resolution
 - ▶ Will follow-up with Oversight Board as updated
 - ▶ Purchased for purpose of Low-Mod Income Housing
 - ▶ Millbrae is completing new Specific Plan Area which includes this parcel.

Outstanding Obligations

Obligation	Amount Outstanding	Payoff Year	Year Eligible for Refinance
2015 TAB	\$8,135,098	2035 – 2036	Refunded in 2015
Field License Agreement with Millbrae School District	\$720,000 (\$540,000 additional if extended)	2023 (with option to extend to 2026)	N/A



Pending Litigation

Attachment 2 - Page 4 of 5



None

Last and Final ROPS

- ▶ Approved by DOF in September 2018
- ▶ Requires amendment if Field License Agreement is extended in 2023

Long Range Property Management Plan

Successor Agency to
the Millbrae
Redevelopment Agency

January 6, 2014

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Introduction

This document constitutes the Long-Range Property Management Plan (LRPMP) of the Successor Agency (Successor Agency) of the former Redevelopment Agency of the City of Millbrae (RDA). The LRPMP was prepared in accordance with Health and Safety Code Section 34191.5 pursuant to ABx1 26, as amended by AB 1484 (collectively, Redevelopment Dissolution Statutes). The Redevelopment Dissolution Statutes govern the disposition of the former RDA's real property. Pursuant to the Redevelopment Dissolution Statutes, a *housing* property was transferred to the City of Millbrae (City) and the Successor Agency is now responsible for disposition of the non-housing property.

The Redevelopment Dissolution Statutes required successor agencies to undergo two detailed Due Diligence Reviews (DDR) to determine unobligated fund balances available for transfer to the affected taxing entities. Upon a successor agency's completion of these requirements—including any required payment of fund balances, outstanding tax entity passthrough obligations and residual payments, as applicable—the State Department of Finance (DOF) issued a Finding of Completion (FOC). The Successor Agency is required to submit to DOF the LRPMP within six months of the issuance of the FOC. The Successor Agency received its FOC on July 29, 2013; thus the LRPMP is due to DOF by January 29, 2014. Upon approval by the Oversight Board and DOF, the LRPMP governs and supersedes all other provisions relating to the disposition and use of the former RDA's real property asset.

At the time of its dissolution, the Agency owned one *non-housing* parcel of real property. The property is located within the redevelopment project area and is subject to the provisions of the Redevelopment Plan, the City of Millbrae General Plan, the Millbrae Station Area Specific Plan and the City's zoning and land use regulations as set forth in the Millbrae City Codes.

In accordance with Health and Safety Code Section 34191.5(c), the LRPMP contains information related to the Successor Agency's property. The following information is required:

- a) Acquisition Information
- b) Purpose of Acquisition
- c) Parcel Data
- d) Estimate of Current Value
- e) Revenues Generated by Property/Contractual Requirements
- f) Environmental Contamination and Remediation
- g) Potential for Transit Oriented Development and Advancement of Planning Objectives
- h) History of Development Proposals and Activity

The LRPMP also sets forth the proposed plan for the disposition and use of the property. The Redevelopment Dissolution Statutes dictate that properties must be categorized for disposition in one of the following ways:

1. Use Property to Fulfill Enforceable Obligation;
2. Retention of Property for a Governmental Use;
3. Retention of Property for Future Development; or
4. Sale of Property.

The LRPMP identifies the proposed disposition category for Successor Agency’s property as Retention for Future Development. The RDA acquired this property for the purpose of assembling parcels into a large developable lot in order to advance the Redevelopment Plan’s goals. The LRPMP includes several appendices that provide background information. Included is Appendix A, the optional DOF property tracking worksheet.

Millbrae Redevelopment Project Area

There was one redevelopment project area in the City of Millbrae called the Millbrae Redevelopment Project Area. The project area consisted of 294 acres of assessable property and 156 acres of non-assessable property. The project area was created in 1988 with the adoption of the Redevelopment Plan by the City of Millbrae. The project area encompasses the City of Millbrae’s downtown district to the west along Magnolia Avenue between Murchison Drive to the south and Meadow Glen Avenue to the north and Old Bayshore Highway to the east. The project area was comprised of commercial and industrially zoned properties. Residential areas consisting of single family homes were not included in the project area.

Table 1

	Millbrae Redevelopment Project Area
Acres	450 acres
Adopted	July, 12, 1988

Prior to dissolution, the RDA initiated numerous programs and activities to accomplish the goals of the Project Area Plan. Accomplishments prior to dissolution included the adoption of the Millbrae Station Area Specific Plan and work on assembling parcels for future development as listed below (source: Five Year Implementation Plan):

- Implementation of the Millbrae Station Area Specific Plan

Redevelopment efforts continued with respect to supporting implementation of the Millbrae Station Area Specific Plan (MSASP). The MSASP was adopted by the Millbrae City Council in 1998 and establishes 13 major sites for development in and around the BART/Caltrain Intermodal Station.

Key development projects in which the Millbrae RDA played a contributing role include collaborative efforts with BART to find a developer for a key area near the Millbrae Intermodal Station at Sites 5 and 6 in the MSASP (see Figure 1 on page 5). Currently, there is a mixed-use project that has been proposed for these two sites. (see page 8). Another initiative was working with interested developers that were attempting to assemble the properties that constitute the pivotal Site 1 to the west of the Millbrae Intermodal Station. The RDA had entered into a series of Exclusive Negotiating Agreements for a period of time with these interested developers. The other sites surrounding the Millbrae Intermodal Station are largely underutilized and are ripe for redevelopment in accordance with the MSASP. The RDA was constantly on the look out for opportunities with respect to these other sites as well.

- Priority Development Area

Priority Development Areas (PDAs) are locally-identified, infill development opportunity areas within existing communities. They are generally areas of at least 100 acres where there is local commitment to developing more housing along with amenities and services to meet the day-to-day needs of residents in a pedestrian-friendly environment served by transit.

The PDA area around 100 El Camino Real has both an adopted land use plan and a resolution of support from the City Council. With this designation, the Millbrae Station Area is eligible for capital infrastructure funds, planning grants and technical assistance grants from the Metropolitan Transportation Commission (MTC) and the State of California. The Executive Board of the Association of Bay Area Governments (ABAG) adopted the first round of PDAs, including Millbrae's, on November 15, 2007.

- The Grand Boulevard Initiative

The Grand Boulevard Initiative (GBI) is a collaborative effort of 19 cities, counties, local and regional agencies to improve the performance, safety, and aesthetics of El Camino Real and to provide coordinated planning for the entire corridor. The GBI vision is for El Camino Real to achieve its potential as a vibrant multimodal corridor that connects places where residents work, live, shop and play. The vision will be achieved by integrated land use and transportation planning that targets infill development along the corridor and balances the need for cars and parking with transit, walking and biking. One Hundred (100) El Camino Real is crucial to the future realization of this vision for the El Camino Corridor.

- Assist in land assembly for key Millbrae Station Area development sites

Related to the efforts described above to work with interested developers attempting to assemble the parcels for Site 1 development in the MSASP, the Millbrae Redevelopment Agency acquired from these developers the option to purchase the property of the former Zack's Restaurant at 100 El Camino Real in anticipation of the Site 1 development. The City then exercised its option to purchase this property which fronts El Camino Real between Victoria and Millbrae Avenues.

Following are key goals taken from the RDA's Five Year Implementation Plan. All of these goals provide a framework for the redevelopment efforts in the project area, and more specifically, around the Millbrae Intermodal Station. Key goals of the plan include:

Goal 1: Ensure that the City's industrial and commercial areas remain vibrant and economically viable by addressing any potentially deteriorating conditions due to high vacancies, vacant and underutilized sites, graffiti and other activities that may potentially damage property or have a negative impact on businesses.

Goal 2: Address any barriers for businesses located in the downtown and along El Camino Real that limit expansion and attraction of new retail and other commercial businesses.

Goal 3: Ensure there is a balance of residential, industrial and commercial uses in the City to sustain the City's economic base and provide amenities for residents.

Goal 4: Support and assist, if necessary, new development opportunities in the Millbrae Station Specific Plan area that link to mass transit facilities.

Goal 5: Ensure there is sufficient traffic capacity and infrastructure to support development in the Millbrae Station Specific Plan Area and the downtown.

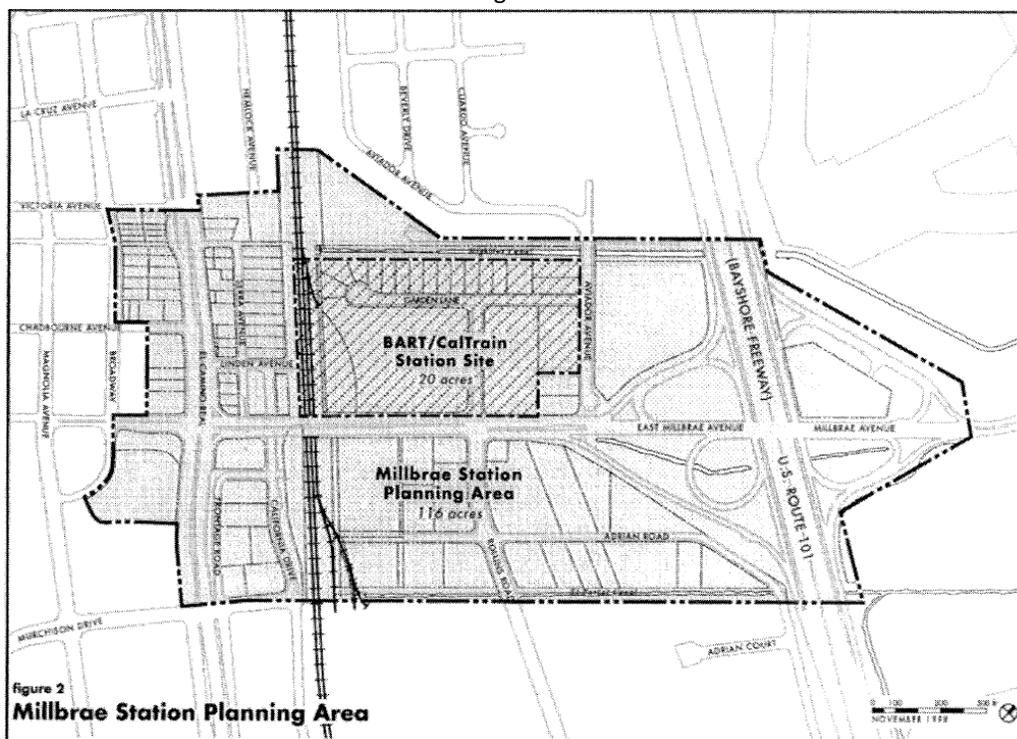
Millbrae Station Area Specific Plan

In 1998, as part of a citywide General Plan update, the City adopted the Millbrae Station Area Specific Plan (MSASP) to set a vision for redevelopment of the 47 acres around the BART/Caltrain Intermodal Station (see Figure 1). The MSASP automatically confers special zoning upon that land for higher density housing, retail, restaurant, office, hotel, and entertainment in a mixed-use setting. The City and RDA, during its existence, were working to facilitate new development within

the MSASP area. The goals were to create a high quality image at the City’s main entry gateway and to encourage pedestrian and transit oriented development around the MSASP. Since Millbrae is a small city and almost completely built out, the MSASP area offers the greatest potential for the future growth and development of the City.

The Plan area is divided into 13 subareas or "sites" which are grouped by location, such as the “Bayshore Freeway Frontages” and the “El Camino Corridor.” Each group of areas has different allowable and conditional land uses and contains unique development standards and design guidelines for building height, setback, and massing. The main goal of the MSASP is redevelopment and intensification of uses, with a “townscape” theme, for the physical improvement, economic revitalization, and long-term social and cultural benefit of the City. The Millbrae Intermodal Station opened in 2002 changing the fabric of the commercial community in fundamental ways and providing new opportunities for residential, hotel, office and retail development.

Figure 1



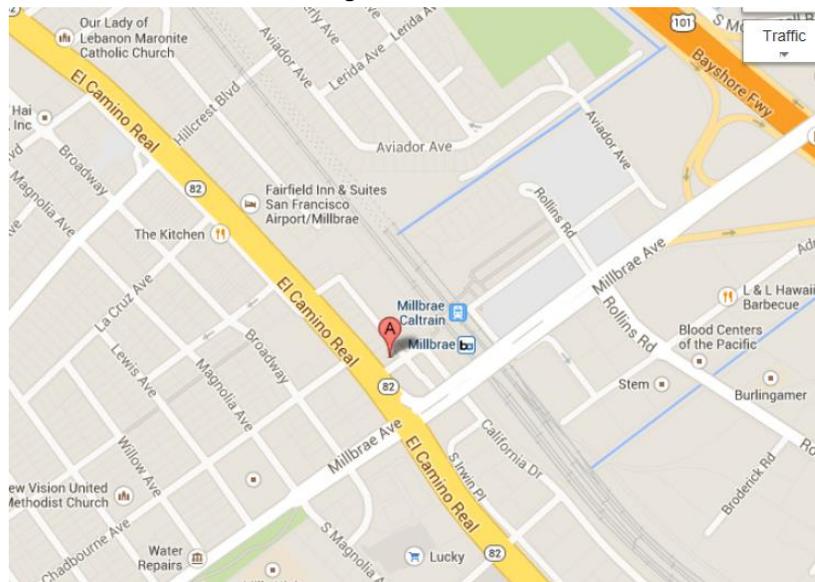
100 El Camino Real

In 2008 the Redevelopment Agency Board authorized the acquisition of the property located at 100 El Camino Real. The RDA purchased the property to facilitate the implementation of the Redevelopment Plan for the project area and the development goals of the MSASP. The property is currently being used as a restaurant (see Figure 2 and 3).

Figure 2



Figure 3



a) Acquisition Information

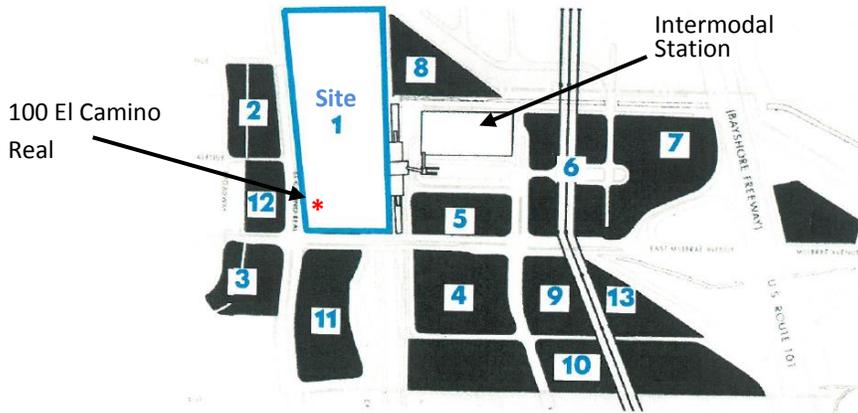
The Agency purchased this property on October, 2008 for \$1,125,000.

Long-Range Property Management Plan
 Successor Agency to the Millbrae Redevelopment Agency
 January 6, 2014

b) Purpose of Acquisition

The RDA purchased this property in an effort to preserve and enhance the opportunity to assemble and combine it with other adjacent properties to create a 5 acre site (Site 1 of the MSASP, see Figure 4). Assembling Site 1 properties would facilitate the development of Millbrae Station Pavilion, a mixed-use transit oriented development situated adjacent to and creating a grand, pedestrian friendly entrance from the west to the Millbrae Intermodal Transit Station. By purchasing this property and adjacent sites, the Millbrae Station Pavilion development would bring various commercial uses including retail, office and hotel uses and some residential units to the City's western gateway.

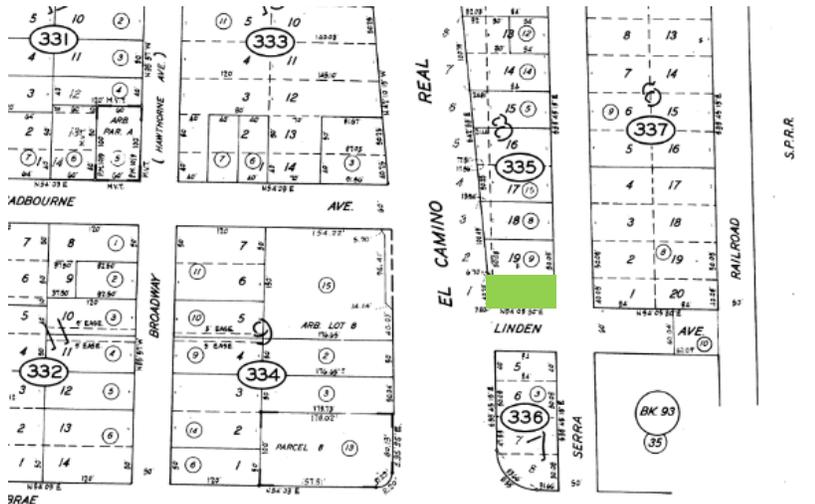
Figure 4



c) Parcel Data

100 El Camino Real, APN 024-335-100: This is a 3,575 sq. ft. lot measuring approximately 40 feet by 89 feet (see Figure 5). The parcel is zoned C - Commercial.

Figure 5



d) Estimate of Current Value

The property has not been appraised since its acquisition. Successor Agency staff estimates that the property's value today is close to its book value of \$1.125 million.

e) Revenues Generated by Property/Contractual Requirements

The property generates \$51,360 per year in rent revenue from the Boiling Bay restaurant. Revenues are not committed to any contractual requirement; however, a limited portion of funds is needed for certain responsibilities of the landlord under the lease in operating and maintaining the property.

f) Environmental Contamination and Remediation

The RDA has not conducted any environmental studies on the property. However, given its prominent location at the intersection of two major arteries, it is possible the land could have been used for automotive purposes in the past. It would be prudent to conduct a Phase I environmental study (and potentially Phase II) prior to any conveyance of the property to a third party in the future.

g) Potential for Transit Oriented Development and Advancement of Planning Objectives

The property is located steps from the Millbrae Intermodal Transit Station (see Figure 6). The Station serves as an intersection of BART, Caltrain and bus service, the later constituting SamTrans bus lines and private shuttles. In the future, it will also serve as a station for the California High Speed Rail System. The station also provides a direct BART link to the San Francisco Airport. Given the property's prominent location next to multiple public transit systems and services, it is an ideal location for transit oriented development, as envisioned by the MSASP, including residential units contemplated on Site 1 and adjacent sites (see Table 2).

Figure 6



Table 2

Office	316,000 – 1,000,000 sq. ft.
Retail	67,000 – 100,000 sq. ft.
Residential	250 – 297 units
Hotel	0 -100 rooms

h) History of Development Proposals and Activity

In 2006 Fancher Partners submitted plans to develop Millbrae Station Pavilion on Site 1 of the MSASP. The Millbrae Station Pavilion (Pavilion) development envisioned a 547,425 square foot mixed-use development, incorporating hotel, office, residential, retail, restaurants and cinema components (See Figure 7). The project was comprised of two six-story buildings and included a major public space linking the Pavilion to the adjacent Millbrae Intermodal Transit Station. The project would have consisted of 231 residential units, 131 hotel rooms, 32,944 sq. ft. of office space, 105,334 sq. ft. of retail space and a 27,820 sq. ft. cinema with 1,256 seats. Fancher Partners withdrew the development plan when they were unable to complete assemblage of the property. However, they offered the RDA the opportunity to exercise some options to purchase various parcels in Site 1 that they had been successful in negotiating, but had insufficient funds to consummate the acquisitions. The RDA studied carefully the various options that Fancher held, considered its available resources, and decided upon the exercise of one option. This resulted in the RDA's acquisition of 100 El Camino Real.

Figure 7



Property Disposition

With the dissolution of redevelopment, the City lost a significant amount of funding that was available for fulfilling the RDA’s and City’s vision to build out the Millbrae Station Area. The adoption of AB1484 (the clean-up legislation for ABx1 26), however, gives the City the opportunity to retain property that is suitable for transit oriented development (TOD) and to advance the project area’s redevelopment plan and MSASP objectives/goals.

The City's General Plan and MSASP, as well as AB 1484, emphasize the need to improve and develop properties surrounding the BART/Caltrain Intermodal Stations. Redevelopment of such properties will help achieve more efficient land use, stimulate mixed-use and transit-oriented development, and improve connections between residential/employment centers and transit hubs. In addition, the public improvements and land assembly will contribute to environmental and economic sustainability by improving transportation and pedestrian linkages, enhancing residents' and commuters' access to every day commercial needs and increasing connectivity and accessibility within the community and among neighboring communities.

The one parcel now owned by the Successor agency at 100 El Camino Real is located in a pivotal potential TOD area and is an integral part of the Grand Boulevard Initiative and Priority Development Area and should be retained for future development to fulfill the goals and objectives described above. Currently, a developer is proposing to break Site 1 into a multi-phased development project. The first phase would encompass building areas A, B and C as shown in Figure 8 and 9 below. The first phase would not include 100 El Camino Real.

Figure 8 - Site Plan

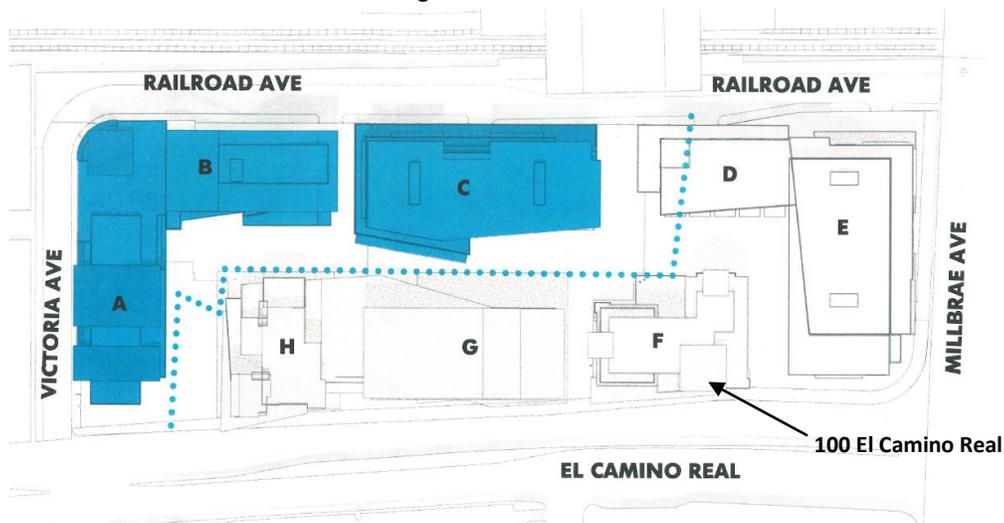
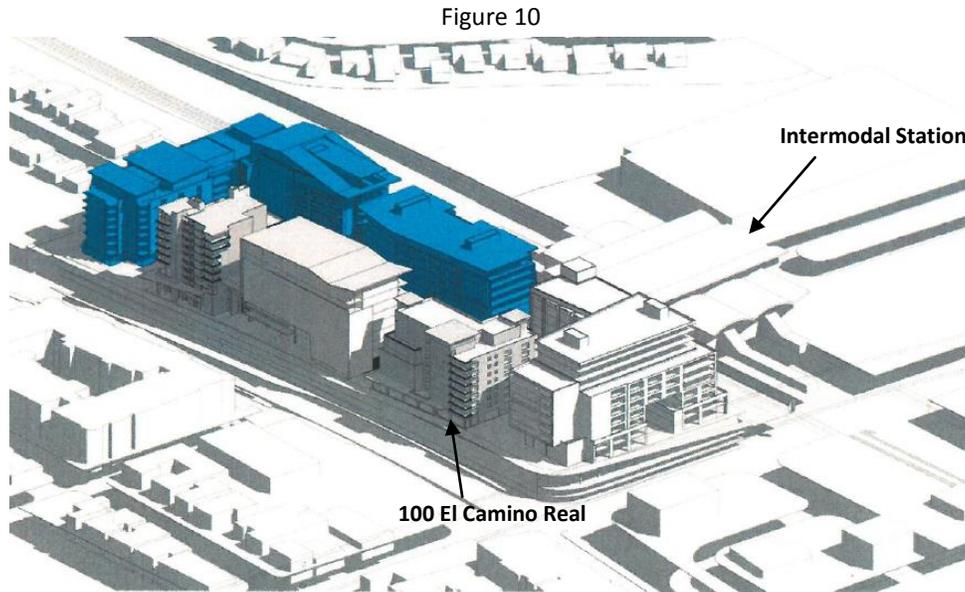


Figure 9 - 3-Dimensional View



The proposed development of building areas A, B and C will have an immediate impact on the remaining Site 1 properties. It will demonstrate to current property owners the development potential of their land and lay a foundation for increased effort by the development community to complete the assemblage of Site 1 and build additional transit oriented development on the remaining areas in Site 1, including 100 El Camino Real (see Figure 10).



The sale of 100 El Camino Real to a private party would undermine the City's goals and objectives. It would either increase the difficulty of assembling the remainder of Site 1 or create a situation where a new owner would receive a financial windfall when the assemblage is completed. Ensuring the future development of 100 El Camino with a high-density TOD project as envisioned by the MSASP and the Redevelopment Plan will ultimately be of greater benefit to the taxing agencies by facilitating the most opportune use of the property and thereby ensuring increased property tax revenues in the future. It will also comply with the State's mandate to facilitate the existence of housing opportunity sites to advance the City's Regional Housing Need Allocation targets for affordable and market rate housing.

Conclusion

In summary and for the reasons set forth above, this LRPMP directs that the one property at issue, 100 El Camino Real, be used or sold for a project identified in the approved Redevelopment Plan in accordance with Health and Safety Code Section 34191.5(c)(2)(A). Upon approval of this LRPMP, the property will transfer from the Community Redevelopment Property Trust Fund to the City, subject

to the terms of this LRPMP. The Successor Agency is authorized and directed to take all actions necessary to cause such transfer of this property to the City and to take all necessary steps to carry out goals and objectives of the LRPMP. To carry out the goals and objectives of the LRPMP, the City will take the following steps:

Designation of Land as not “surplus property”

Because the City is obligated to dispose of the Property in accordance with this LRPMP and to satisfy goals, objectives and purposes of the Redevelopment Plan and the Redevelopment Dissolution Statutes, the Property is not "surplus" property of the City and is not subject to the disposition requirements and procedures of the Surplus Lands Act (Government Code Section 54220 *et seq.*). Instead, disposition of the Property in accordance with this LRPMP and in a manner that satisfies the goals, objectives and purposes of the Redevelopment Plan and the Redevelopment Dissolution Statutes will constitute a "common benefit" that may take place under authority of Government Code Section 37350 and/or other disposition authority deemed appropriate by the City. The provisions of the California Environmental Quality Act and Government Code Section 65402(a) regarding General Plan conformance will apply to the disposition of the property.

Guidelines for the Development of Properties

Upon the transfer of property pursuant to this LRPMP and the Redevelopment Dissolution Statutes, the City will use a number of methods and procedures to advance the development of the property to its full potential. The methods and procedures to be utilized by the City will depend on the marketability, financial feasibility, accessibility, conditions and complexity of the property as well as the status and progress of adjacent development. These methods may include, but not be limited to:

- Request for Qualifications (RFQ) – to identify prospective developers
- Request for Proposals (RFP) – to obtain bids for a development project
- Exclusive Negotiating Rights Agreements (ENRA) – to negotiate with a specific developer
- Disposition and Development Agreements (DDA) – to dispose of land pursuant a development agreement
- Cooperation Agreements – to include the City’s participation in the development of the property in the event it necessitate public participation in order to advance the development of the property or a public goal such as (but not limited to) affordable housing

The property will be sold at fair market value through a negotiated purchase and sale agreement. The City will work with a developer that proposes the highest best use of the property. It is estimated that such a development will bring the highest net value to the taxing agencies through a

combination of sale proceeds and future tax revenues. The City will encourage the development of the property as soon as possible, recognizing however, that the ultimate disposition and development of the property will depend on market conditions beyond the City's control.

Use of Sale Proceeds

The proceeds received from the sale of 100 El Camino Real, if any, are anticipated to be programmed to advance the achievement of the development potential in accordance with the Redevelopment Plan, the MSASP and the Redevelopment Dissolution Statutes and to attain the goal of creating Transit Oriented Development at Site 1, the western entrance to the BART/Caltrain Intermodal Station. Proceeds, if any, will be used to reimburse and fully cover the following activities and purposes:

- Environmental remediation of contamination as it is unknown at this time whether the property may have environmental contamination that must be removed prior to being suitable for residential development or public use.
- Expenses of sale including but not limited to an appraisal, commissions and other customary and reasonable expenses relating to the sale of the property.

Use of Rental Proceeds

The rental proceeds received from the lease of 100 El Camino Real, if any, will be programmed and used to cover expenses associated with the management, maintenance and operation of the property until such time as the property is sold and developed. Such expenses may include but not be limited to, repairs and maintenance related to normal wear and tear, structural and system upgrades as necessary, broker commissions, permits and inspections and property management. The City will maintain accounting records of all property revenues and expenses.

Excess Sale and Rental Proceeds

In the event sale and rental proceeds are not needed for management, maintenance, operation or sale of the property, this LRPMP directs the distribution of any net rental and sale proceeds to the taxing agencies pursuant to the Redevelopment Dissolution Statutes.

LONG RANGE PROPERTY MANAGEMENT PLAN: PROPERTY INVENTORY DATA

		HSC 34191.5 (c)(2)		HSC 34191.5 (c)(1)(A)					SALE OF PROPERTY		HSC 34191.5 (c)(1)(B)	HSC 34191.5 (c)(1)(C)			
No.	Property Type	Permissible Use	Permissible Use Detail	Acquisition Date	Value at Time of Purchase	Estimated Current Value	Value Basis	Date of Estimated Current Value	Proposed Sale Value	Proposed Sale Date	Purpose for which property was acquired	Address	APN #	Lot Size (sq.ft.)	Current Zoning
1	Commercial	Future Development	High Density Mixed-Use Development	October, 2008	\$1,125,000	\$1,125,000	Book	November, 2013	N/A	N/A	Development of a mixed-use development adjacent to Millbrae Intermodal (BART/Caltrain) Transit Station	100 El Camino Real	024-335-100	3,575	C - Commercial

	HSC 34191.5 (c)(1)(D)	HSC 34191.5 (c)(1)(E)		HSC 34191.5 (c)(1)(F)	HSC 34191.5 (c)(1)(G)		HSC 34191.5 (c)(1)(H)
No.	Estimate of Current Parcel Value	Estimate of Income/ Revenue	Contractual requirements for use of income/revenue	History of environmental contamination, studies, and/or remediation, and designation as a brownfield site	Description of property's potential for transit oriented development	Advancement of planning objectives of the successor agency	History of previous development proposals and activity
1	\$1,125,000	51,360/Year	Annual rent waived, but SA must pay \$500/mo for Gateway Association fees	Unknown, property has not been assessed	The property is steps from the Millbrae Intermodal Station serving BART, Caltrain and multiple bus lines and shuttle. Given its location it is ideal for transit oriented development.	Furthers the Redevelopment Plan's and Millbrae Station Area Specific Plan's goal of advancing transit oriented development around the Millbrae Intermodal Station	In 2006 a developer proposed a 547,000 sq. ft. development on this site and surrounding sites that would include 231 residential units, 131 hotel rooms, 32,944 sq. ft. of office space and over 133,000 sf. ft. of retail space.



September 28, 2018

Attachment 4 - Page 1 of 3

Ms. DeAnna Hilbrants, Deputy City Manager/Finance Director
City of Millbrae
621 Magnolia Avenue
Millbrae, CA 94030

Dear Ms. Hilbrants:

Subject: Last and Final Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34191.6 (b) the City of Millbrae submitted a Last and Final Recognized Obligation Payment Schedule (Last and Final ROPS) to the California Department of Finance (Finance) on June 20, 2018. Finance has completed its review of the Agency's Last and Final ROPS.

HSC section 34191.6 (c) authorizes Finance to make amendments or changes to the Last and Final ROPS if the changes are agreed to in writing by the Agency. The Agency has agreed in writing to the following changes made by Finance to the Agency's Last and Final ROPS:

- Item No. 7 – Field License Agreement (Agreement), outstanding obligation amount totaling \$1,260,000. According to the Agreement, the Agency is required to pay the Millbrae School District \$180,000 each year until May 16, 2023; the Agreement allows for a three-year extension. However, the parties have not executed an extension. Therefore, with concurrence from the Agency, total requested funding has been reduced by \$540,000 for May 16, 2024 through May 16, 2026; the total approved funding amount is \$720,000 (\$1,260,000 - \$540,000).
- Item No. 14 – Agency Administration. After discussion and careful reconsideration, the Agency revised the administration resources needed to successfully wind-down the Agency's remaining obligations. Therefore, Finance reduced the Administrative Cost Allowance to \$255,000 (\$765,000 - \$510,000).

Finance is approving the Agency's Last and Final ROPS with the above amendments and changes. These changes are reflected in the approved Last and Final ROPS.

The Agency's maximum approved RPTTF distribution for the Last and Final ROPS is \$9,110,098 as summarized in the Approved RPTTF Distribution table on the next page.

Approved Last and Final ROPS RPTTF Distributions							
ROPS Period	A Periods			B Periods			Annual Total
	RPTTF	Admin RPTTF	A Period Total	RPTTF	Admin RPTTF	B Period Total	
Total requested	8,363,843	765,000	9,128,843	1,031,255	0	1,031,255	\$10,160,098
Total adjustments	(540,000)	(510,000)	(1,050,000)	0	0	0	(1,050,000)
Total approved RPTTF	\$7,823,843	\$255,000	\$8,078,843	\$1,031,255	\$0	\$1,031,255	\$9,110,098
Total RPTTF approved for distribution							
ROPS 19-20	546,188	15,000	561,188	115,363	0	115,363	676,551
ROPS 20-21	551,388	15,000	566,388	109,113	0	109,113	675,501
ROPS 21-22	555,138	15,000	570,138	102,613	0	102,613	672,751
ROPS 22-23	563,638	15,000	578,638	95,738	0	95,738	674,376
ROPS 23-24	386,763	15,000	401,763	88,613	0	88,613	490,376
ROPS 24-25	399,638	15,000	414,638	80,988	0	80,988	495,626
ROPS 25-26	407,013	15,000	422,013	72,988	0	72,988	495,001
ROPS 26-27	414,013	15,000	429,013	67,963	0	67,963	496,976
ROPS 27-28	418,988	15,000	433,988	61,925	0	61,925	495,913
ROPS 28-29	422,950	15,000	437,950	55,713	0	55,713	493,663
ROPS 29-30	431,738	15,000	446,738	49,238	0	49,238	495,976
ROPS 30-31	440,263	15,000	455,263	42,500	0	42,500	497,763
ROPS 31-32	438,525	15,000	453,525	34,700	0	34,700	488,225
ROPS 32-33	445,725	15,000	460,725	26,600	0	26,600	487,325
ROPS 33-34	462,625	15,000	477,625	18,000	0	18,000	495,625
ROPS 34-35	464,025	15,000	479,025	9,200	0	9,200	488,225
ROPS 35-36	475,225	15,000	490,225	0	0	0	490,225
Total approved RPTTF	\$7,823,843	\$255,000	\$8,078,843	\$1,031,255	\$0	\$1,031,255	\$9,110,098

Please refer to the approved Last and Final ROPS schedule used to calculate the total RPTTF approved for distribution:

<http://www.dof.ca.gov/redevelopment/ROPS>

This is Finance's determination related to the enforceable obligations reported on the Last and Final ROPS. HSC section 34191.6 (c) (2) allows agencies to submit no more than two requests to amend the approved Last and Final ROPS.

ROPS distributions will occur twice annually, one distribution for the July 1 through December 31 (ROPS A period) and one distribution for the January 1 through June 30 (ROPS B period). The Agency will receive RPTTF distributions up to the maximum approved amount on the Last and Final ROPS.

The Agency shall not expend more than the amount approved for each enforceable obligation listed and approved on the Last and Final ROPS. All unspent RPTTF received for enforceable obligations by the Agency should be retained for distribution to the affected taxing entities pursuant to HSC section 34191.6 (d) (2) (G). Further, any revenues, interest, and earnings of the Agency not authorized for use pursuant to the approved Last and Final ROPS shall be remitted the County Auditor-Controller (CAC) pursuant to HSC section 34191.6 (c) (3). Pursuant to HSC section 34187 (e), once an agency has retired or paid off all enforceable obligations and all real property has been disposed of, the Agency is required to dispose of all remaining assets and remit any proceeds to the CAC for distribution to the affected taxing entities.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the Last and Final ROPS with property tax is limited to the amount of funding available to the Agency in the RPTTF. However, HSC section 34191.6 (c) (5) provides mechanisms for the Agency to pay enforceable obligations if insufficient RPTTF is available on an approved Last and Final ROPS.

HSC section 34187 (b) defines the process of final dissolution of the Agency. When all enforceable obligations have been retired or paid off, all real property has been disposed of, and all outstanding litigation has been resolved, the Agency shall, within 30 days of meeting these conditions, submit to the Oversight Board (OB) a request to formally dissolve. The OB shall approve the request within 30 days and submit the request to Finance's review.

Pursuant to HSC section 34191.6 (c), a Last and Final ROPS approved less than 15 days before the date of the RPTTF distribution shall not be effective until the subsequent RPTTF distribution period; therefore, if an agency receives a Last and Final ROPS approval after this cutoff date, the most recent annual ROPS 18-19 approval would remain effective through December 31, 2019.

Please direct inquiries to Nichelle Jackson, Supervisor, or Michael Barr, Lead Analyst, at (916) 322-2985.

Sincerely,


ERIKA LI
Program Budget Manager

cc: Mr. Tom Madalena, Deputy Director of Community Development, City of Millbrae
Ms. Shirley Tourel, Senior Internal Auditor, San Mateo County
Mr. Matthew Slaughter, Property Tax Manager, San Mateo County

**San Mateo County
Countywide Oversight Board**

Date: April 9, 2019 Agenda Item No. 8

To: San Mateo County Countywide Oversight Board

From: Shirley Tourel, Assistant Controller

Subject: Former South San Francisco Redevelopment Agency Requesting Approval of Sale Price of \$1,050,000 for 938 Linden Avenue Property

Background Information

The Successor Agency (SA) of the former South San Francisco Redevelopment Agency's amended Long Range Property Management Plan (LRPMP) was approved by the Department of Finance on October 1, 2015. The LRPMP addresses the disposition and use of the properties of the former redevelopment agency (RDA), including the property at 938 Linden Avenue.

The Property was purchased by the former RDA in 2010 for \$1,100,000 and was appraised for \$1,040,000 in January 2018. The City of South San Francisco, acting as the SA to the former RDA, is requesting the Board to approve \$1,050,000 as the final sale price. The attachments were prepared by the SA to aid the Board in its discussion and deliberation.

Financial Impact

If the \$1,050,000 sale price is approved, the net proceeds will be distributed to the taxing agencies that reside within the former RDA's boundary.

Exhibit

A-South San Francisco Successor Agency Staff Report

Date: April 8, 2019

To: San Mateo County Countywide Oversight Board

From: Alex Greenwood, Economic and Community Development Director

Subject: Oversight Board approval of the final sale price of \$1,050,000 for the sale of 938 Linden Avenue between the City of South San Francisco and 938 Linden, LP

Former RDA: South San Francisco

Background

In October 2017, The City of South San Francisco solicited offers to interested parties to purchase the property at 938 Linden Avenue (“Property”). The property is former Redevelopment Agency property and is located in the uptown historic area on Linden Avenue, a mixed-use area of South San Francisco in the low-lying Paradise Valley, south of San Bruno State Park. See the Location Map below.



The former Redevelopment Agency (“Former RDA”) purchased the Property in 2010. At the time of Former RDA acquisition, the intended use for the building was to relocate St. Vincent de Paul’s Food Program from Grand Avenue to this site. The Former RDA believed this was a more suitable location for St. Vincent de Paul’s to provide food services to the area’s homeless population as it would afford them more space, including a seating area as well as space for additional homeless services. However, the Former RDA was dissolved before St. Vincent’s was able to secure sufficient funding to remodel the building and relocate its services to the site. Pursuant to dissolution law, the Successor Agency to the Redevelopment Agency of the City of South San Francisco (“Successor Agency”) is responsible for the disposition of the former Redevelopment

Agency properties in accordance with the procedures and requirements of Dissolution Law and the Long Range Property Management Plan (“LRPMP”). The Property was categorized in the LRPMP for sale.

Because the original purpose of purchasing the property was unable to be fulfilled, the Property is slated to be sold, with the proceeds of the sale distributed to the taxing entities. To carry out the terms of the LRPMP, the Successor Agency transferred the property to the City for sale, the disposition approach consistent with the terms of the LRPMP.

Existing Conditions & Land Use Designation

The Property is located within the planning area for the Downtown Station Area Specific Plan and is designated as Downtown Mixed Use in the City’s adopted General Plan. The 12,937 square foot Property includes a vacant 4,000 square foot office building and a surface parking lot. The office building consists of a lower story and a partial mezzanine that is not code compliant and can only be used for storage. The first floor is divided into smaller offices and restrooms with an open area approximately 25 feet by 35 feet at the rear. The upper level is L-shaped and consists of smaller offices. The building is a class C structure including a concrete slab floor, painted concrete block walls, and a flat composition roof. There is limited parking in front of the building and ample parking at the rear, consisting of 19 spaces, with perimeter landscaping. The two concrete areas and driveway to the back of the building are asphalt paved.

Environmental Contamination & Remediation Disclosure

In June 2017, EKI Environment and Water further evaluated the environmental conditions associated with the Property. The evaluation found that the Property is located within the lateral extents of the chlorinated volatile organic compound and Stoddard solvent plumes originating in the upgradient neighboring property located at 930 Linden Avenue. The environmental contamination occurred before the former RDA purchased the property. Shallow groundwater within this plume contains elevated concentrations of petroleum hydrocarbons that may extend to the Property. The cost of the remediation is estimated to be \$440,000.00.

Discussion

In October 2017, The City of South San Francisco solicited offers to interested parties to purchase 938 Linden Avenue. The interested parties were informed that the Property will be conveyed to the selected purchaser in an “as-is” condition, without representation or warranty by the City or Successor Agency as to physical or environmental conditions of the land or any existing structures. Beyond those documents provided, the City (on behalf of the Successor Agency) made no representations regarding the character or extent of soil or subsurface conditions or the conditions and existence of utilities that may be encountered during the course of construction of any work, development, construction or occupancy of the Property.

Four Offer Letters

On November 9, 2017 the City received four submittals from interested buyers to purchase the Property. The proposed purchase price ranged from \$350,000 to One Million Dollars. Each Developer proposed a straight purchase of the Property for the Fair Market Value (“FMV”). At the time, only two offers, Robert DeLue, on behalf of 938 Linden, LP and Sares Regis, were proposed uses for the property which were considered “highest and best use.” The two offers accepted the assumed ownership of the land in an “as-is” condition. The two proposals are outlined below:

- 938 Linden, LP proposed to use the Property for office/industrial in the short term, with the potential to redevelop the property in the future.
- Sares Regis proposed to use the Property to relocate the UFCW Local 5 (“Union”) located on Miller Avenue so that the company could proceed with a site assemblage for the Cadence 2 proposal.

Sares Regis Negotiation

In January 2018, based on their offer being the highest price, staff entered into negotiations with Sares Regis for the disposition of the Property. Between January 2018 and January 2019, City staff had contacted representatives from Sares Regis several times to determine the status of the company’s review of the terms in the draft Purchase and Sales Agreement.

Robert Delue/938 Linden, LP Negotiation

On January 8, 2019, Sares Regis provided written notification that the company was no longer interested in purchasing the Property. The company’s decision came after the Union decided to seek other sites to relocate their facility, see Attachment 1. Following this development, City staff contacted representatives for Robert Delue, the original alternative bidder, to see if the purchaser was still interested in the property. Robert Delue was still interested in purchasing the property and City staff received a revised Letter of Intent (LOI), see Attachment 2.

Please note: that subsequent to further negotiations, the purchaser revised the purchase price again, to \$1,050,000 in order to exceed the appraised value. The most recent LOI is consistent with the original LOI from Robert Delue and is summarized as follows:

Purchase Price: \$1,050,000

Buyer: Robert Delue (938 Linden, LP) and/ or assignee.

Contingency: Buyer waives the right to all contingencies. Buyer will indemnify seller from all environmental issues.

Buyer will purchase property in “as is” condition

Deposit: \$50,000

Appraisal

The City commissioned Redwood Appraisal to perform a third-party valuation of the property. Redwood determined that the highest and best use for the property is to reuse the existing structure as an office/industrial use, which is the only way to avoid the substantial environmental

remediation costs that would be triggered by residential use or redevelopment of the site. In January 2018, the City received Redwood's appraisal report valuing the property at \$1,040,000. Following Robert Delue's submittal of the updated proposal, City staff asked Redwood Appraisal to conduct additional analysis to update their appraisal. Redwood Appraisal confirmed that: (a) office/industrial still represents the highest and best use for the property, due to the environmental remediation costs associated with developing the site, and (b) \$1,040,000 still represents the Fair Market Value for the parcel. Therefore, staff believes that the offer from Robert Delue (938 Linden, LP) is consistent with the current Fair Market Value for the property.

Property Tax Revenues to Taxing Entities

Agency staff evaluated the property tax implications over the next ten years of selling 938 Linden Avenue for \$1,050,000. It should be noted that the Developer's proposal to purchase the City's land is not discounted to factor in environmental remediation costs, which is estimated to be over \$400,000. The Developer would assume all liability and expenses for any environmental remediation, thus relieving the Successor Agency of all liability. Therefore, the proposed purchase price exceeds the true appraised value of the property, with environmental cleanup costs discounted. The Developer also proposes to complete the sale within a short escrow period. In the short term, the Developer would not alter the property and lease it to an interested party. Over time, the Developer could decide to redevelop the property for a highest and best use.

If 938 Linden, LC's offer is accepted, the taxing entities could expect to begin receiving property taxes immediately. Agency staff conservatively estimates that the property taxes the taxing entities could expect to receive over the next ten years is \$207,720.

Table 1: Cumulative Estimated Property Tax (Years 1, 5 and 10)

Taxing Entity	938 Linden Purchase Price: \$1,050,000			
	Est. Share of Purchase Price*	Est. Property Tax Year 1**	Est. Property Tax Year 5**	Est. Property Tax Year 10**
SSFUSD (43.9%)	\$417,050	\$5,074	\$42,360	\$91,190
SMC (25.7%)	\$244,150	\$2,970	\$24,800	\$53,380
SSF (16.7%)	\$158,650	\$1,930	\$16,115	\$34,690
SMC CCD (7.3%)	\$69,350	\$843	\$7,045	\$15,190
TOTAL		\$11,559	\$96,500	\$207,720

* Estimated share after sale proceeds deductions

**Assumptions:

Composite tax rate = 1.0703

Inflation rate = 1.525%

Tenant Improvement = \$45,000

Estimated Net Unrestricted Proceeds

Agency staff have estimated the anticipated deductions from the sale proceeds. The below table provides an overview of the allowable deductions and the likely costs associated. We anticipate continued staff, attorney and consultant fees until disposition is completed. At which point the final net unrestricted proceeds will be determined.

Table 2: Estimated Sale Proceeds Deductions

Allowable Expense	Amount
Property Management	\$-
Maintenance	\$7,920
Gas/Elec (2012-2019)	\$700
Insurance	\$-
Marketing	\$-
Appraisals	\$6,767
Broker's fees	\$-
Escrow	\$9,000
Closing Costs	\$1,500
Survey	\$4,500
Attorney fees	\$34,110
Consultants fees	\$3,000
City of SSF Staff costs	\$31,338
Other	\$1,357
TOTAL	\$100,192

Please note that the above are estimates only and may be subject to change.

City Council Approval of Purchase and Sales Agreement

On March 13, 2019, the South San Francisco City Council adopted a Resolution approving the Purchase and Sales Agreement between the City of South San Francisco and 938 Linden LP, subject to the approval of the purchase price by the Oversight Board. The City Council determined that the proposed sale is consistent with the appraisal on the property and the goals of the LRPMP and approved, by resolution, the Purchase and Sale Agreement (see attachment 3).

Conclusion

It is recommended that the Oversight Board approve the final sale price of \$1,050,000 from 938 Linden, LP regarding the sale of the 938 Linden Avenue.

Attachments:

1. Sares Regis's request to withdraw their purchase offer, January 8, 2019
2. Letter of Intent (LOI) from Robert Delue, January 8, 2019
3. City Council Resolution and Purchase and Sale Agreement, March 13, 2019
4. Redwood Appraisal Report (Includes Environmental Report from EKI)
5. Excerpt from Long Range Property Management Plan (LRPMP)
6. Draft Resolution – Oversight Board Approval of Final Sale Price
7. Power Point Presentation

Lappen, Mike

From: Ken Busch <kbusch@srgnc.com>
Sent: Tuesday, January 8, 2019 2:10 PM
To: Lappen, Mike; Greenwood, Alex; Futrell, Mike; Barnard, Julie; Lucero, Ernesto; Ruiz, Heather
Cc: Andrew Hudacek
Subject: RE: 938 Linden Avenue

Mike – Yes, At this time we are not interested in purchasing the property at 938 Linden.

Ken

From: Lappen, Mike <Mike.Lappen@ssf.net>
Sent: Tuesday, January 8, 2019 2:08 PM
To: Ken Busch <kbusch@srgnc.com>; Greenwood, Alex <Alex.Greenwood@ssf.net>; Futrell, Mike <Mike.Futrell@ssf.net>; Barnard, Julie <Julie.Barnard@ssf.net>; Lucero, Ernesto <Ernesto.Lucero@ssf.net>; Ruiz, Heather <Heather.Ruiz@ssf.net>
Subject: FW: 938 Linden Avenue

Hi Ken,

I just listened to your voice message. It is my understanding that Sares Regis is not interested in purchasing the property at 938 Linden. Could you send me something in writing to confirm this decision?

Thanks,

Mike Lappen

From: Lappen, Mike
Sent: Tuesday, January 8, 2019 12:51 PM
To: 'Drew Hudacek (AHudacek@srgnc.com)' <AHudacek@srgnc.com>; 'Ken Busch' <kbusch@srgnc.com>; 'Andrew Turco (ATurco@srgnc.com)' <ATurco@srgnc.com>
Cc: Greenwood, Alex <Alex.Greenwood@ssf.net>; Barnard, Julie <Julie.Barnard@ssf.net>; Ruiz, Heather <Heather.Ruiz@ssf.net>
Subject: FW: 938 Linden Avenue

Hi Ken,

I am following up on my voice message to you this morning. The City would like to move forward with finalizing a PSA with Sares Regis regarding the purchase of 938 Linden Avenue. As you know, the City Council gave staff the go ahead to negotiate with you several months ago. Could you confirm whether or not Sares Regis wants to proceed with the negotiations? Please can you provide us with your answer by Friday? It is possible that we will have a closed session item on 938 Linden on the City Council agenda later this month.

Thanks,

Mike Lappen



1/8/2019

Economic Development and Housing Division
City of South San Francisco
400 Grand Ave
South San Francisco, CA 9480

Dear Heather Ruiz and the economic and housing Division;

Please find the enclosed response package for the call for offers to purchase 938 Linden Ave, South San Francisco.

Purchase Price	Increase purchase price \$1,050,000
Buyer:	Robert Delue and/ or assignee.
Contingency:	Buyer waives the right to all contingencies. Buyer will indemnify seller from all environmental issues.
Deposit:	\$50,000
Close of Escrow:	5 days from SSF council approval and clearing of escrow.
As-Is Sale:	Buyer is buying the property as-is where is at full purchase price.
Commission:	No fee will be paid to outside brokers on this deal. Normal transactions pay 5% commission. This will essentially be a NET deal of \$1,102,500

A) Primary contact



Chris Giotinis

Realtor - BRE# 01962295 - cgiotinis@scpropsm.com - 650-465-4028

Chris Giotinis born and raised in Redwood City, California. Graduated from St. Mary's College where he majored in Business with a concentration in Entrepreneurship. When Chris is not navigating the ins and outs of commercial real estate, you'll find him enjoying good food, fast cars or planning his next trip. Chris currently manages the successors and redevelopment agency for the city of South San Francisco.



Kevin (KP) Phillips

Partner -BRE# 01470917 - kphillips@scpropsm.com - 650-342-3030 Ext. 223

Kevin has been active in real estate for over fourteen years. "My first job in this business was for Re/Max United in San Diego. Coincidentally, my first day on the job was September 11th, 2001—where I was promptly sent home". Since then, Kevin moved back to the Bay Area where he grew up, and has worked in all aspects of the industry as a broker, property manager, leasing agent, and developer for both commercial and residential property.

At SC Properties, Kevin does it all from managing a portfolio of both residential and commercial properties, to the sale of anything from high-end homes to multi-family properties



and commercial warehouses. Over the past few years, Kevin has found a niche re-positioning commercial and apartment properties in San Mateo County. Enduring such extreme market shifts over the past decade has taught Kevin that no deal is easy, and it pays to think proactively and creatively. Kevin prides himself on having clients for life, “All of my clients either come as a referral, or are folks I have known for many years. I am in this business for the long run, and all of my mentors have taught me that honesty, hard work, and patience lead to great success”.

Kevin is a native of Los Altos. In his leisure time, Kevin enjoys Giants baseball, classic car restoration, golf, stand-up comedy, and food/travel.

B) Bidder

Bob and Rita DeLue,
Major donator for Daly City boys and girls club created a new type of long term insurance.
Currently retired and enjoy ping pong and holiday parties. ACSIA Insurance Services



311 S. Ellsworth Ave.
San Mateo, CA 94401

(650) 342-3030
www.scproprsm.com

D) Financial Capacity



311 S. Ellsworth Ave.
San Mateo, CA 94401

(650) 342-3030
www.scproprsm.com

Attachment 2 - Page 6 of 7

WL Butler Construction
President/CEO
204 Franklin Street
Redwood City, CA 94062
(650) 743-1816
bill@wlbutler.com

Mr. Charles Royals.
President
Trans World Assurance
885 El Camino Real
San Mateo, CA 94401 (650) 348-2654
chastwa@gmail.com

Mr. Ernie Giotinis
President
Giomega
1010 Commercial
San Carlos, CA 94070
(650)430-1244
xiotinis@aol.com

F) Anticipated use



311 S. Ellsworth Ave.
San Mateo, CA 94401

(650) 342-3030
www.scproprsm.com

Bidder is well in tune with the new development trajectory of South San Francisco. The new general plan will bring more people to the west of 101 into the downtown. Bidder understands this property is within the Downtown station area specific plan as and designated as Downtown Mixed Use. Bidder understands the residential issues with a site that has ground water contamination and the direction will be mixed use. Retail ground floor with upper level office. The short term plan is a repositioning the warehouse to attract a more sophisticated user. Bidder will delete and mezzanine level and bring all utilities back to stubbed out. Bidder will search for a tenant with an emphasis on Research and development.



City of South San Francisco

P.O. Box 711 (City Hall,
400 Grand Avenue)
South San Francisco, CA

City Council

Resolution: RES 37-2019

File Number: 19-163

Enactment Number: RES 37-2019

RESOLUTION APPROVING THE PURCHASE AND SALE AGREEMENT BETWEEN THE CITY OF SOUTH SAN FRANCISCO AND 938 LINDEN, LP, FOR THE SALE OF 938 LINDEN AVENUE, IN THE AMOUNT OF \$1,050,000.

WHEREAS, on June 29, 2011, the Legislature of the State of California ("State") adopted Assembly Bill x1 26 ("AB 26"), which amended provisions of the State's Community Redevelopment Law (Health and Safety Code sections 33000 et seq.) ("Dissolution Law"), pursuant to which the former Redevelopment Agency of the City of South San Francisco ("City") was dissolved on February 1, 2012; and

WHEREAS, the City elected to become the Successor Agency to the Redevelopment Agency of the City of South San Francisco ("Successor Agency"); and

WHEREAS, pursuant to Health and Safety Code Section 34191.5(c)(2)(C), property shall not be transferred to a successor agency, city, county or city and county, unless a Long Range Property Management Plan ("LRPMP") has been approved by the Oversight Board and the California Department of Finance ("DOF"); and

WHEREAS, in accordance with the Dissolution Law, the Successor Agency prepared a LRPMP, which was approved by a resolution of the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of South San Francisco ("Oversight Board") on May 21, 2015, and was approved by the DOF on October 1, 2015; and

WHEREAS, consistent with the Dissolution Law and the LRPMP, certain real properties located in the City of South San Francisco, that were previously owned by the former Redevelopment Agency, were transferred to the Successor Agency ("Agency Properties"); and

WHEREAS, on October 18, 2016, the City entered into an Amended and Restated Master Agreement for Taxing Entity Compensation ("Compensation Agreement") with the various local agencies who receive shares of property tax revenues from the former redevelopment project area ("Taxing Entities"), which provides that upon approval by the Oversight Board of the sale price, and consistent with the LRPMP, the proceeds from the sale of any of the Agency Properties will be distributed to the Taxing Entities in accordance with their proportionate contributions to the Real Property Tax Trust Fund for the former Redevelopment Agency; and

WHEREAS, the former Redevelopment Agency purchased the Property in 2009; and,

WHEREAS, the LRPMP, prepared by the Successor Agency and approved by the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of South San Francisco (“Oversight Board”), designated 938 Linden Avenue, County Assessor’s Parcel Number 012-102-030 (“Property”), to be sold, with the proceeds of the sale distributed to the taxing entities; and,

WHEREAS, to carry out the terms of the LRPMP, the Successor Agency transferred the Agency Properties, including the Property, to the City for disposition consistent with the terms of the LRPMP; and,

WHEREAS, in October 2017, the City of South San Francisco solicited offers to interested parties to the Property; and,

WHEREAS, Robert 938 Linden, LP (“Buyer”) has made an offer to purchase the Property, and the City agrees to sell the Property to Buyer, subject to the terms and conditions of the purchase and sale agreement; and,

WHEREAS, in January 2018, the Successor Agency prepared an Appraisal Report to determine the Fair Market Value for the Property; and,

WHEREAS, staff has determined that the current appraised value of the property is consistent with the original Appraisal Report, dated January 2018.

NOW, THEREFORE, BE IT RESOLVED that the City of South San Francisco does hereby resolve as follows:

1. The foregoing recitals are true and correct and made a part of this Resolution.
2. The proposed actions in this Resolution are consistent with the Long Range Property Management Plan.
3. The sale of the Property to 938 Linden, LP for \$1,050,000 is hereby approved.
4. Subject to approval by the Oversight Board of the final sale price, the City Manager, or his designee, is authorized to execute the Purchase and Sale Agreement on behalf of the City, a draft of which is attached hereto as Exhibit A and incorporated herein, subject to minor amendments that do not materially increase the City’s obligations.
5. The City Manager, or his designee, is authorized to execute any other necessary documents related to the sale of the Property.
6. The City Manager, or his designee, is authorized take any and all other actions necessary to implement this intent of this Resolution, subject to approval as to form by the City Attorney.

* * * * *

At a meeting of the City Council on 3/13/2019, a motion was made by Richard Garbarino, seconded by Buenaflor Nicolas, that this Resolution be approved. The motion passed.

Yes: 5 Mayor Matsumoto, Vice Mayor Garbarino, Councilmember Addiego, Councilmember Nagales, and Councilmember Nicolas

Attest by 
Rosa Govea Acosta

**PURCHASE AND SALE AGREEMENT
AND JOINT ESCROW INSTRUCTIONS**

THIS PURCHASE AND SALE AGREEMENT AND JOINT ESCROW INSTRUCTIONS (“this **Agreement**”) is entered into as of 2019 (the “**Effective Date**”), by and between the City of South San Francisco, a municipal corporation, (“**Seller**”) and 938 Linden, LP, a California limited partnership (“**Buyer**”). Seller and Buyer are collectively referred to herein as the “**Parties**.”

RECITALS

A. Seller is owner of certain real property with an address of 938 Linden Avenue, South San Francisco, California, also known as San Mateo Assessor’s Parcel Number 012-102-030, as more particularly described in Exhibit A attached hereto and incorporated herein (the “**Property**”).

B. The former Redevelopment Agency of the City of South San Francisco (“**RDA**”) purchased the Property in 2009.

C. On, June 29, 2011 the legislature of the State of California (the “**State**”) adopted Assembly Bill x1 26 (“**AB 26**”), which amended provisions of the Redevelopment Law, and the California Supreme Court decision in California Redevelopment Association, et al. v. Ana Matosantos, et al., upheld AB 26 (together with AB 1484, the “**Dissolution Law**”), and the RDA was dissolved on February 1, 2012.

D. Pursuant to the Dissolution Law, the South San Francisco Successor Agency (“**Agency**”) prepared a Long Range Property Management Plan (“**LRPMP**”), which was approved by a resolution of the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of South San Francisco (“**Oversight Board**”) on November 19, 2013, and on May 21, 2015, the Oversight Board approved the Amended Long Range Property Management Plan (“**LRPMP**”), which was approved by the California Department of Finance (“**DOF**”) on October 1, 2015.

E. Pursuant to the LRPMP and Dissolution Law, the Agency’s transfer of real property assets to the City for disposition consistent with the LRPMP is subject to entering into a Master Agreement for Taxing Entity Compensation by all Taxing Entities.

F. The City and Taxing Entities entered into an Amended and Restated Master Agreement for Taxing Entity Compensation, dated October 18, 2016 (“**Master Compensation Agreement**”), which governs the distribution of any net proceeds received from the sale of the Property.

G. Buyer agrees to purchase the Property, and Seller agrees to sell the Property to Buyer, subject to the terms and conditions of this Agreement.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements contained in this Agreement, and other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged by the parties, Seller and Buyer hereby agree as follows:

1. INCORPORATION OF RECITALS AND EXHIBITS. The Recitals set forth above and the Exhibits attached to this Agreement are each incorporated into the body of this Agreement as if set forth in full.

2. PURCHASE AND SALE.

2.1 Agreement to Buy and Sell. Subject to the terms and conditions set forth herein, Seller agrees to sell the Property to Buyer, and Buyer hereby agrees to acquire the Property from Seller.

2.2 Purchase Price. The purchase price for the Property to be paid by Buyer to Seller (the "**Purchase Price**") is one million and fifty thousand dollars (\$1,050,000.00). The Purchase Price shall be paid in cash at the Closing to the Seller.

3. ESCROW.

3.1 Escrow Account. Seller has opened an interest-bearing escrow account (the "**Escrow**") maintained by North American Title Company in San Mateo (the "**Escrow Holder**"), with interest accruing to the benefit of Buyer. Escrow Holder shall perform all escrow and title services in connection with this Agreement.

3.2 Opening of Escrow. Within seven (7) business days after the Effective Date, the Parties will deposit into Escrow the fully executed Agreement, or executed counterparts thereto. The date such fully executed Agreement is received by Escrow Holder will be deemed the "**Opening of Escrow**" and Escrow Holder will give written notice to the Parties of such occurrence.

3.3 Buyer's Deposit. Within three (3) business days after the Opening of Escrow, the Buyer shall deposit fifty thousand dollars (\$50,000.00) in Escrow ("**Initial Deposit**"). If the Due Diligence Contingency Period (as defined in Section 5.2(a) below) is extended pursuant to Section 5.2, Buyer shall deposit an additional fifty thousand (\$50,000.00) in Escrow (the "**Additional Deposit**"). The Initial Deposit and Additional Deposit are sometimes collectively referred to herein as the "**Deposits**."

3.4 Satisfaction of Due Diligence Contingency. Buyer shall have the right, in its sole discretion, to terminate this Agreement for any reason prior to the expiration of the Due Diligence Contingency Period (as defined in Section 5(a) below) and receive a refund of the Deposit. Buyer hereby agrees to provide written notice to Seller prior to the expiration of the Due Diligence Contingency Period if Buyer disapproves any due diligence items or approves all due diligence items ("**Approval Notice**"). If Buyer disapproves any items through the delivery of the Approval Notice to Seller before 5:00 p.m. on the last day of the Due Diligence Contingency Period, this Agreement shall terminate, and all amounts deposited by Buyer into escrow (except the Independent Consideration), together with interest thereon, if any, will be returned to Buyer, and neither party shall have any further rights or obligations hereunder except those which

expressly survive the termination hereof. If Buyer fails to timely deliver the Approval Notice to Seller, it will be conclusively presumed that Buyer has approved all such items, matters or documents.

3.5 Independent Consideration. As independent consideration for Seller's entering into this Agreement to sell the Property to Buyer, Buyer shall deliver the sum of Five Thousand Dollars (\$5,000.00) to Seller through Escrow ("**Independent Consideration**"). In the event that Buyer terminates this Agreement in accordance with Section 3.4 above, Seller shall retain the Independent Consideration; in the event that Buyer does not terminate this Agreement as aforesaid, the Independent Consideration shall be applied to the Purchase Price at Closing.

4. PROPERTY DISCLOSURE REQUIREMENTS.

4.1 Condition of Title/Preliminary Title Report. Escrow Holder shall deliver a Preliminary Title Report for the Property (the "**Preliminary Report**") to Buyer within three (3) days after the Opening of Escrow. Buyer shall have until the end of the Due Diligence Contingency Period to approve the condition of title to the Property. If Buyer delivers the Approval Notice, Buyer agrees to take title to the Property subject to the following "**Permitted Exceptions**": (a) standard printed exceptions in the Preliminary Report; (b) general and special real property taxes and assessments constituting a lien not yet due and payable; and (c) the Schedule B exceptions to the title referenced in the Approval Notice.

4.2 Environmental Condition of Property. Seller has provided Buyer with all documents reasonably known to Seller pertaining to the environmental condition of the Property, including the report, "Summary of Known Environmental Conditions 938 Linden Avenue, South San Francisco, California (EKI B70049.00)" (hereafter referred to as "EKI report"). At Closing, the Buyer agrees to take title of the Property in AS- IS WHERE-IS condition with no environmental remediation work required by or indemnities from the Seller or the Agency. Seller, at Buyer's expense, agrees to cooperate with Buyer to obtain regulatory approval of any necessary environmental work for the Property. Buyer explicitly acknowledges that Buyer will be responsible to manage and complete any remediation work for the Property after Closing. After Closing, Seller shall have no further obligations with respect to environmental and/or natural hazards remediation costs.

4.3 Environmental and Natural Hazards Disclosure. California Health & Safety Code section 25359.7 requires owners of non-residential real property who know, or have reasonable cause to believe, that any release of hazardous substances are located on or beneath the real property to provide written notice of same to the buyer of real property. Other applicable laws require Seller to provide certain disclosures regarding natural hazards affecting the Property. Pursuant to Section 4.2, Seller has provided Buyer with the EKI report and agrees to make any additional necessary disclosures required by law.

5. CLOSING AND PAYMENT OF PURCHASE PRICE.

5.1 Closing. The closing (the “**Closing**” or “**Close of Escrow**”) will occur no later than thirty (30) calendar days after the Effective Date (“**Closing Date**”) or such other date that the Parties agree in writing.

5.2 Buyer’s Conditions to Closing. Buyer's obligation to purchase the Property is subject to the satisfaction of all of the following conditions or Buyer's written waiver thereof (in Buyer’s sole discretion) on or before the Closing Date:

(a) Buyer has approved the condition of the Property. Buyer will have ten (10) calendar days from Opening of Escrow (the “**Due Diligence Contingency Period**”) to complete physical inspections of the Property and due diligence related to the purchase of the Property. Seller shall provide to Buyer copies of all reasonably available and known documents relating to the ownership and operation of the Property, including but not limited to plans, permits and reports (environmental, structural, mechanical, engineering and land surveys) that Seller has in its possession not later than two (2) business days following the execution and delivery of this Agreement, or as soon as practicable thereafter. All physical inspections must be coordinated with Seller’s representative. Buyer hereby agrees to indemnify and hold Seller harmless for any damage to the Property caused (but not merely revealed) by Buyer’s inspections.

(b) Seller has performed all obligations to be performed by Seller pursuant to this Agreement.

(c) Seller’s representations and warranties herein are true and correct in all material respects as of the Closing Date.

(d) The Title Company is irrevocably committed to issue an ALTA standard coverage title insurance policy to Buyer, effective as of the Closing Date, insuring title to Buyer in the full amount of the Purchase Price.

5.3 Seller’s Conditions to Closing. The Close of Escrow and Seller’s obligation to sell and convey the Property to Buyer are subject to the satisfaction of the following conditions or Seller’s written waiver (in Seller’s sole discretion) of such conditions on or before the Closing Date:

(a) Buyer has performed all obligations to be performed by Buyer pursuant to this Agreement before Closing Date.

(b) Buyer's representations and warranties set forth herein are true and correct in all material respects as of the Closing Date.

5.4 Conveyance of Title. Seller will deliver marketable fee simple title to Buyer at the Closing, subject only to the Permitted Exceptions. The Property will be conveyed by Seller to Buyer in an “as is” condition, with no warranty, express or implied, by Seller as to the physical condition including, but not limited to, the soil, its geology, or the presence of known or unknown faults or Hazardous Materials or hazardous waste (as defined by Section 12); provided, however,

that the foregoing shall not relieve Seller from disclosure of any such conditions of which Seller has actual knowledge.

5.5 Deliveries at Closing.

(a) Deliveries by Seller. Seller shall deposit into the Escrow for delivery to Buyer at Closing: (i) a grant deed, substantially in the form attached hereto as Exhibit B (“**Grant Deed**”); (ii) an affidavit or qualifying statement which satisfies the requirements of paragraph 1445 of the Internal Revenue Code of 1986, as amended, any regulations thereunder (the “**Non-Foreign Affidavit**”); (iii) a California Franchise Tax Board form 590 (the “**California Certificate**”) to satisfy the requirements of California Revenue and Taxation Code Section 18805(b) and 26131.

(b) Deliveries by Buyer. No less than one (1) business day prior to the close of escrow, Buyer shall deposit into escrow immediately available funds in the amount, which together with the Independent Consideration and the Deposits is equal to: (i) the Purchase Price as adjusted by any prorations between the Parties; (ii) the escrow fees and recording fees; and (iii) the cost of the Title Policy.

(c) Closing. Upon Closing, Escrow Holder shall: (i) record the Grant Deed; (ii) disburse to Seller the Purchase Price, less Seller’s share of any escrow fees, costs and expenses; (iii) deliver to Buyer the Non-Foreign Affidavit, the California Certificate and the original recorded Grant Deed; (iv) pay any commissions and other expenses payable through escrow; and (v) distribute to itself the payment of escrow fees and expenses required hereunder.

(d) Closing Costs. Buyer will pay all escrow fees (including the costs of preparing documents and instruments), and recording fees. Buyer will also pay title insurance and title report costs. Seller will pay all transfer taxes and governmental conveyance fees, where applicable.

(e) Pro-Rations. At the close of escrow, the Escrow Agent shall make the following prorations: (i) property taxes will be prorated as of the close of escrow based upon the most recent tax bill available, including any property taxes which may be assessed after the close of escrow but which pertain to the period prior to the transfer of title to the Property to Buyer, regardless of when or to whom notice thereof is delivered; and (ii) any bond or assessment that constitutes a lien on the Property at the close of escrow will be assumed by Buyer. Seller does not pay ad valorem taxes.

6. REPRESENTATIONS, WARRANTIES AND COVENANTS.

6.1 Seller’s Representations, Warranties and Covenants. In addition to the representations, warranties and covenants of Seller contained in other sections of this Agreement, Seller hereby represents, warrants and covenants to Buyer that the statements below in this Section 6.1 are each true and correct as of the Closing Date provided however, if to Seller’s actual knowledge any such statement becomes untrue prior to Closing, Seller will notify Buyer in writing and Buyer will have three (3) business days thereafter to determine if Buyer wishes to proceed with Closing. If Buyer determines it does not wish to proceed, then the terms of Section 3.4 will apply.

(a) Authority. Seller is a municipal corporation, lawfully formed, in existence and in good standing under the laws of the State of California. Seller has the full right, capacity, power and authority to enter into and carry out the terms of this Agreement. This Agreement has been duly executed by Seller, and upon delivery to and execution by Buyer is a valid and binding agreement of Seller.

(b) Encumbrances. Seller has not alienated, encumbered, transferred, mortgaged, assigned, pledged, or otherwise conveyed its interest in the Property or any portion thereof, nor entered into any Agreement to do so, and there are no liens, encumbrances, mortgages, covenants, conditions, reservations, restrictions, easements or other matters affecting the Property, except as disclosed in the Preliminary Report. Seller will not, directly or indirectly, alienate, encumber, transfer, mortgage, assign, pledge, or otherwise convey its interest prior to the Close of Escrow, as long as this Agreement is in force.

(c) There are no agreements affecting the Property except those which have been disclosed by Seller. There are no agreements which will be binding on the Buyer or the Property after the Close of Escrow, which cannot be terminated on thirty (30) days prior written notice.

The truth and accuracy of each of the representations and warranties, and the performance of all covenants of Seller contained in this Agreement are conditions precedent to Buyer's obligation to proceed with the Closing hereunder. The foregoing representations and warranties shall survive the expiration, termination, or close of escrow of this Agreement and shall not be deemed merged into the deed upon closing.

6.2 Buyer's Representations and Warranties. In addition to the representations, warranties and covenants of Buyer contained in other sections of this Agreement, Buyer hereby represents, warrants and covenants to Seller that the statements below in this Section 6.2 are each true as of the Effective Date, and, if to Buyer's actual knowledge any such statement becomes untrue prior to Closing, Buyer shall so notify Seller in writing and Seller shall have at least three (3) business days thereafter to determine if Seller wishes to proceed with Closing.

(a) Buyer is a California limited partnership. Buyer has the full right, capacity, power and authority to enter into and carry out the terms of this Agreement. This Agreement has been duly executed by Buyer, and upon delivery to and execution by Seller shall be a valid and binding agreement of Buyer.

(b) Buyer is not bankrupt or insolvent under any applicable federal or state standard, has not filed for protection or relief under any applicable bankruptcy or creditor protection statute, and has not been threatened by creditors with an involuntary application of any applicable bankruptcy or creditor protection statute.

The truth and accuracy of each of the representations and warranties, and the performance of all covenants of Buyer contained in this Agreement are conditions precedent to Seller's obligation to proceed with the Closing hereunder.

6.3 Property Sold, "AS IS". Buyer specifically acknowledges that the Seller is selling the Property on an "AS IS", "WHERE IS" and "WITH ALL FAULTS" basis and that,

subject to Seller's representations, warranties, covenants and obligations set forth in this Agreement, and all exhibits attached hereto and incorporated herein, and any obligations arising under applicable law, Buyer is not relying on any representations or warranties of any kind whatsoever, express or implied, from Seller, or its employees, appointed or elected officials, agents, or brokers as to any matters concerning the Property. The Seller makes no representations or warranties as to any matters concerning the Property, including without limitation: (i) the quality, nature, adequacy and physical condition of 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) except as otherwise provided in this Agreement, 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 Environmental Laws, covenants, conditions and restrictions of any governmental or quasi-governmental entity or of any other person or entity, (vii) the presence or removal of Hazardous Materials, substances or wastes 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, or (xi) the economics of the operation of the Property.

7. **REMEDIES** In the event of a breach or default under this Agreement by Seller, if such breach or default occurs prior to Close of Escrow, Buyer reserves the right to either (a) seek specific performance from Seller or (b) to do any of the following: (i) to waive the breach or default and proceed to close as provided herein; (ii) to extend the time for performance and the Closing Date until Seller is able to perform; or (iii) to terminate this Agreement upon written notice to Seller, whereupon Seller shall cause Escrow Holder to return to Buyer any and all sums placed into the Escrow by Buyer, and except for the rights and obligations expressly provided to survive termination of this Agreement, neither party shall have any further obligations or liabilities hereunder. IN THE EVENT OF A BREACH OR DEFAULT HEREUNDER BY BUYER AND THE CLOSING DOES NOT OCCUR DUE TO SUCH DEFAULT, SELLER'S SOLE REMEDY SHALL BE TO RETAIN THE DEPOSITS AS LIQUIDATED DAMAGES. THE PARTIES AGREE THAT IN SUCH INSTANCE, THE DEPOSITS REPRESENT A REASONABLE APPROXIMATION OF SELLER'S DAMAGES AND ARE NOT INTENDED AS A FORFEITURE OR PENALTY BUT RATHER AN ENFORCEABLE LIQUIDATED DAMAGES PROVISION PURSUANT TO CALIFORNIA CIVIL CODE SECTION 1671, ET SEQ. IN NO EVENT SHALL EITHER PARTY BE ENTITLED TO LOST PROFITS OR CONSEQUENTIAL DAMAGES AS A RESULT OF THE OTHER PARTY'S BREACH OF THIS AGREEMENT.

Buyer's Initials

Seller's Initials

8. **BROKERS.** Seller represents that no real estate broker has been retained by Seller in the sale of the Property or the negotiation of this Agreement. Buyer represents that no real estate broker has been retained by Buyer in the procurement of the Property or negotiation of this Agreement. Buyer shall indemnify, hold harmless and defend Seller from any and all claims,

actions and liability for any breach of the preceding sentence, and any commission, finder's fee, or similar charges arising out of Buyer's conduct.

9. ASSIGNMENT. Absent an express signed written agreement between the Parties to the contrary, neither Seller nor Buyer may assign its rights or delegate its duties under this Agreement without the express written consent of the other. No permitted assignment of any of the rights or obligations under this Agreement shall result in a novation or in any other way release the assignor from its obligations under this Agreement.

10. ENVIRONMENTAL INDEMNITY. To the fullest extent allowed by law, Buyer agrees to unconditionally and fully indemnify, protect, defend (with counsel satisfactory to Seller), and hold Seller, and its respective elected and appointed officers, officials, employees, agents, consultants, contractors, and Agency harmless from and against any and all claims (including without limitation third party claims for personal injury, real or personal property damage, or damages to natural resources), actions, administrative proceedings (including without limitation both formal and informal proceedings), judgments, damages, punitive damages, penalties, fines, costs (including without limitation any and all costs relating to investigation, assessment, analysis or clean-up of the Property), liabilities (including without limitation sums paid in settlements of claims), interest, or losses, including reasonable attorneys' and paralegals' fees and expenses (including without limitation any such fees and expenses incurred in enforcing this Agreement or collecting any sums due hereunder), together with all other costs and expenses of any kind or nature (collectively, the "**Costs**") that arise directly or indirectly from or in connection with the presence, suspected presence, release, or suspected release, of any Hazardous Materials in, on or under the Property or in or into the air, soil, soil gas, groundwater, or surface water at, on, about, around, above, under or within the Property, or any portion thereof, except those Costs that arise solely as a result of actions by Seller, or Seller's agents, employees, or contractors. The indemnification provided pursuant to this Section shall specifically apply to and include claims or actions brought by or on behalf of employees of Buyer or any of its predecessors in interest and Buyer hereby expressly waives any immunity to which Buyer may otherwise be entitled under any industrial or worker's compensation laws. In the event the Seller suffers or incurs any Costs, Buyer shall pay to Seller the total of all such Costs suffered or incurred by the Seller upon demand therefore by Seller. The indemnification provided pursuant to this Section shall include, without limitation, all loss or damage sustained by the Seller due to any Hazardous Materials: (a) that are present or suspected by a governmental agency having jurisdiction to be present in the Property or in the air, soil, soil gas, groundwater, or surface water at, on, about, above, under, or within the Property (or any portion thereof) or to have emanated from the Property, or (b) that migrate, flow, percolate, diffuse, or in any way move onto, into, or under the air, soil, soil gas, groundwater, or surface water at, on, about, around, above, under, or within the Property (or any portion thereof) after the date of this Agreement as a result of Seller's or its predecessors' activities on the Property, or those of Seller's agents, employees, or contractors. The provisions of this Section 10 shall survive the termination of this Agreement and the Close of Escrow.

11. RELEASE BY BUYER. Effective upon the Close of Escrow, except with respect to the representations and warranties of Seller under Section 6.1 of this Agreement, Buyer waives releases, remises, acquits and forever discharges Seller, and its officers, directors, board members, managers, employees and agents, Agency, and any other person acting on behalf of Seller, from any and all claims, actions, causes of action, demands, rights, damages, costs, expenses and

compensation whatsoever, direct or indirect, known or unknown, foreseen or unforeseen, which Buyer now has or which may arise in the future on account of or in any way arising from or in connection with the physical condition of the Property or any law or regulation applicable thereto including, without limiting the generality of the foregoing, any federal, state or local law, ordinance or regulation pertaining to Hazardous Materials. This Section 11 shall survive the termination of this Agreement and the Close of Escrow.

BUYER ACKNOWLEDGES THAT BUYER IS FAMILIAR WITH SECTION 1542 OF THE CALIFORNIA CIVIL CODE, WHICH PROVIDES AS FOLLOWS:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY.

BY INITIALING BELOW, BUYER EXPRESSLY WAIVES THE BENEFITS OF SECTION 1542 OF THE CALIFORNIA CIVIL CODE WITH RESPECT TO THE FOREGOING RELEASE:

Buyer's initials:

12. HAZARDOUS MATERIALS; DEFINITIONS.

12.1 Hazardous Materials. As used in this Agreement, "**Hazardous Materials**" means any chemical, compound, material, mixture, or substance that is now or may in the future be defined or listed in, or otherwise classified pursuant to any Environmental Laws (defined below) as a "hazardous substance", "hazardous material", "hazardous waste", "extremely hazardous waste", "infectious waste", "toxic substance", "toxic pollutant", or any other formulation intended to define, list or classify substances by reason of deleterious properties such as ignitability, corrosivity, reactivity, carcinogenicity, or toxicity. The term "Hazardous Materials" shall also include asbestos or asbestos-containing materials, radon, chrome and/or chromium, polychlorinated biphenyls, petroleum, petroleum products or by-products, petroleum components, oil, mineral spirits, natural gas, natural gas liquids, liquefied natural gas, and synthetic gas usable as fuel, perchlorate, and methyl tert butyl ether, whether or not defined as a hazardous waste or hazardous substance in the Environmental Laws.

12.2 Environmental Laws. As used in this Agreement, "**Environmental Laws**" means any and all federal, state and local statutes, ordinances, orders, rules, regulations, guidance documents, judgments, governmental authorizations or directives, or any other requirements of governmental authorities, as may presently exist, or as may be amended or supplemented, or hereafter enacted, relating to the presence, release, generation, use, handling, treatment, storage, transportation or disposal of Hazardous Materials, or the protection of the environment or human, plant or animal health, including, without limitation, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended by the Superfund Amendments and Reauthorization Act of 1986 (42 U.S.C. § 9601), the Hazardous Materials Transportation Act (49

U.S.C. § 1801 *et seq.*), the Resource Conservation and Recovery Act (42 U.S.C. § 6901 *et seq.*), the Federal Water Pollution Control Act (33 U.S.C. § 1251 *et seq.*), the Clean Air Act (42 U.S.C. § 7401 *et seq.*), the Toxic Substances Control Act (15 U.S.C. § 2601 *et seq.*), the Oil Pollution Act (33 U.S.C. § 2701 *et seq.*), the Emergency Planning and Community Right-to-Know Act (42 U.S.C. § 11001 *et seq.*), the Porter-Cologne Water Quality Control Act (Cal. Water Code § 13000 *et seq.*), the Toxic Mold Protection Act (Cal. Health & Safety Code § 26100, *et seq.*), the Safe Drinking Water and Toxic Enforcement Act of 1986 (Cal. Health & Safety Code § 25249.5 *et seq.*), the Hazardous Waste Control Act (Cal. Health & Safety Code § 25100 *et seq.*), the Hazardous Materials Release Response Plans & Inventory Act (Cal. Health & Safety Code § 25500 *et seq.*), and the Carpenter-Presley-Tanner Hazardous Substances Account Act (Cal. Health and Safety Code, Section 25300 *et seq.*).

13. MISCELLANEOUS.

13.1 Attorneys' Fees. If any party employs counsel to enforce or interpret this Agreement, including the commencement of any legal proceeding whatsoever (including insolvency, bankruptcy, arbitration, mediation, declaratory relief or other litigation), the prevailing party shall be entitled to recover its reasonable attorneys' fees and court costs (including the service of process, filing fees, court and court reporter costs, investigative fees, expert witness fees, and the costs of any bonds, whether taxable or not) and shall include the right to recover such fees and costs incurred in any appeal or efforts to collect or otherwise enforce any judgment in its favor in addition to any other remedy it may obtain or be awarded. Any judgment or final order issued in any legal proceeding shall include reimbursement for all such attorneys' fees and costs. In any legal proceeding, the "prevailing party" shall mean the party determined by the court to most nearly prevail and not necessarily the party in whose favor a judgment is rendered.

13.2 Interpretation. This Agreement has been negotiated at arm's length and each party has been represented by independent legal counsel in this transaction and this Agreement has been reviewed and revised by counsel to each of the Parties. Accordingly, each party hereby waives any benefit under any rule of law (including Section 1654 of the California Civil Code) or legal decision that would require interpretation of any ambiguities in this Agreement against the drafting party.

13.3 Survival. All indemnities, covenants, representations and warranties contained in this Agreement shall survive Close of Escrow.

13.4 Successors. Except as provided to the contrary in this Agreement, this Agreement shall be binding on and inure to the benefit of the Parties and their successors and assigns.

13.5 Governing Law. This Agreement shall be construed and interpreted in accordance with the laws of the State of California.

13.6 Integrated Agreement; Modifications. This Agreement contains all the agreements of the Parties concerning the subject hereof any cannot be amended or modified except by a written instrument executed and delivered by the parties. There are no representations, agreements, arrangements or understandings, either oral or written, between or among the parties

hereto relating to the subject matter of this Agreement that are not fully expressed herein. In addition there are no representations, agreements, arrangements or understandings, either oral or written, between or among the Parties upon which any party is relying upon in entering this Agreement that are not fully expressed herein.

13.7 Severability. If any term or provision of this Agreement is determined to be illegal, unenforceable, or invalid in whole or in part for any reason, such illegal, unenforceable, or invalid provisions or part thereof shall be stricken from this Agreement, any such provision shall not be affected by the legality, enforceability, or validity of the remainder of this Agreement. If any provision or part thereof of this Agreement is stricken in accordance with the provisions of this Section, then the stricken provision shall be replaced, to the extent possible, with a legal, enforceable and valid provision this is in keeping with the intent of the Parties as expressed herein.

13.8 Notices. Any delivery of this Agreement, notice, modification of this Agreement, collateral or additional agreement, demand, disclosure, request, consent, approval, waiver, declaration or other communication that either party desires or is required to give to the other party or any other person shall be in writing. Any such communication may be served personally, or by nationally recognized overnight delivery service (i.e., Federal Express) which provides a receipt of delivery, or sent by prepaid, first class mail, return receipt requested to the party's address as set forth below:

To Buyer: 938 Linden, LP
 Attn: Robert Delue
 2486 Butternut Drive
 Hillsborough, CA 94010
 Telephone No.: 650-342-2524

With a copy to (which shall not constitute notice):

Chris Giotinis
SC Properties
311 S. Ellsworth Ave
San Mateo, CA 94401
Telephone No.: 650-465-4028
Email: cgiotinis@scprosm.com

To Seller: City of South San Francisco
 400 Grand Avenue
 South San Francisco, CA 94080
 Attn: City Manager, Mike Futrell
 Telephone No.: (650) 829 6620
 Fax (650) 829-6609

If to Escrow Holder: Katie Berggren

North American Title Company
66 Bovet Rd, Suite 200
San Mateo, CA 94402

Any such communication shall be deemed effective upon personal delivery or on the date of first refusal to accept delivery as reflected on the receipt of delivery or return receipt, as applicable. Any party may change its address by notice to the other party. Each party shall make an ordinary, good faith effort to ensure that it will accept or receive notices that are given in accordance with this section and that any person to be given notice actually receives such notice.

13.9 Time. Time is of the essence to the performance of each and every obligation under this Agreement.

13.10 Days of Week. If any date for exercise of any right, giving of any notice, or performance of any provision of this Agreement falls on a Saturday, Sunday or holiday, the time for performance will be extended to 5:00 p.m. on the next business day.

13.11 Reasonable Consent and Approval. Except as otherwise provided in this Agreement, whenever a party is required or permitted to give its consent or approval under this Agreement, such consent or approval shall not be unreasonably withheld or delayed. If a party is required or permitted to give its consent or approval in its sole and absolute discretion or if such consent or approval may be unreasonably withheld, such consent or approval may be unreasonably withheld but shall not be unreasonably delayed.

13.12 Further Assurances. The Parties shall at their own cost and expense execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to carry out the intent and purposes of this Agreement.

13.13 Waivers. Any waiver by any party shall be in writing and shall not be construed as a continuing waiver. No waiver will be implied from any delay or failure to take action on account of any default by any party. Consent by any party to any act or omission by another party shall not be construed to be consent to any other subsequent act or omission or to waive the requirement for consent to be obtained in any future or other instance.

13.14 Signatures/Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Any one of such completely executed counterparts shall be sufficient proof of this Agreement.

13.15 Date and Delivery of Agreement. Notwithstanding anything to the contrary contained in this Agreement, the parties intend that this Agreement shall be deemed effective, and delivered for all purposes under this Agreement, and for the calculation of any statutory time periods based on the date an agreement between parties is effective, executed, or delivered, as of the Effective Date.

13.16 Representation on Authority of Parties. Each person signing this Agreement represents and warrants that he or she is duly authorized and has legal capacity to execute and deliver this Agreement. Each party represents and warrants to the other that the

execution and delivery of the Agreement and the performance of such party's obligations hereunder have been duly authorized and that the Agreement is a valid and legal agreement binding on such party and enforceable in accordance with its terms.

13.17 Possession. At Closing, Seller shall deliver sole and exclusive possession of the Property to Buyer.

13.18 Approvals. Whenever this Agreement calls for Seller approval, consent, extension or waiver, the written approval, consent, or waiver of the Seller's Executive Director or his or her designee(s) shall constitute the approval, consent, extension or waiver of the Seller, without further authorization required from the Seller's Council. The Seller hereby authorizes the City Manager and his or her designee(s) to deliver any such approvals, consents, or extensions or waivers as are required by this Agreement, or that do not otherwise reduce Seller's rights under this Agreement, and to waive requirements under this Agreement, on behalf of the Seller.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first written above.

SELLER:

CITY OF SOUTH SAN FRANCISCO

By: _____
Mike Futrell
City Manager

ATTEST:

By: _____
City Clerk

APPROVED AS TO FORM:

By: _____
Jason Rosenberg
City Attorney

BUYER:

938 Linden, LP,
a _____ limited partnership

By: _____

Title: _____

APPROVED AS TO FORM:

By: _____
Counsel for Buyer

LIST OF EXHIBITS

Exhibit A	Legal Description
Exhibit B	Grant Deed
Exhibit C	Permitted Exceptions

Exhibit A

LEGAL DESCRIPTION

Exhibit B

GRANT DEED

Exhibit C

PERMITTED EXCEPTIONS

REDWOOD APPRAISAL



**Appraisal Report
938 Linden Avenue
South San Francisco, California 94080**



**As of
December 1, 2017**

**Prepared For
The City of South San Francisco
Economic & Community Development Department
PO Box 711
South San Francisco, CA 94083-0711**

**Redwood Appraisal
63 Bovet Road, Unit 419
San Mateo, CA 94402**

January 9, 2018

Ms. Heather Ruiz
The City of South San Francisco
Economic & Community Development Department
PO Box 711
South San Francisco, CA 94083-0711

Re: Appraisal Report
938 Linden Avenue
South San Francisco, CA 94080

Dear Ms. Ruiz:

At your request, I have prepared an appraisal for the above referenced property, which may be briefly described as follows:

938 Linden Avenue, South San Francisco, California 94080

The purpose of this report is four-fold. First, I will estimate the hypothetical market value of a fee simple interest in the subject property upon completion of any remediation required to develop the site to its highest and best use.

Second, I will estimate the as-is market value of a fee simple interest in the subject property. That value estimate necessitates the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the remediation of the site in order that it could be developed to its highest and best use, namely a mixed-use development project with residential and commercial uses. The cost budget for the proposed remediation will be provided by EKI Environment and Water.

Third, I will estimate the hypothetical market value of a fee simple interest in the subject property as an office building upon completion of any tenant improvements. The former use of the subject improvements was an office building occupied by an owner-user.

Fourth, I will estimate the as-is market value of a fee simple interest in the subject property as an office property. That value estimate necessitates the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the completion of any tenant improvements needed to occupy the property for office uses.

The intended use of this report is for valuation purposes. Officers of the City of South San Francisco are the sole intended users of this report. This report is not valid for any purpose, use, or user other than those specifically identified herein.

This report complies with the current edition of Uniform Standards of Professional Appraisal Practice (USPAP); all state and federal appraisal regulations, including the Office of the

Comptroller of the Currency (OCC) Agency Appraisal Regulations (12 CFR 34, Subpart C); Chase CTL Appraisal Guidelines, and Title XI of the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA). This is an appraisal report, as defined in the Uniform Standards of Professional Appraisal Practice. The effective date of this appraisal (i.e., the date of valuation) is December 1, 2017. The date of the report (i.e., the date that the report was substantially completed) is January 9, 2018.

The appraised property contains 12,937 square feet (0.297 acres) and sits along the south side of Linden Avenue in the City of South San Francisco. The subject improvements contain 3,720 square feet of ground floor space and 2,200 square feet of second floor space. However, it appears that the second floor space is unwarranted based upon my interview with a representative from the City of South San Francisco. Therefore, the forecasted rentable area is 3,720 square feet.

The property is owned by the City of South San Francisco. The former South San Francisco Redevelopment Agency purchased the Property in 2009. On February 1, 2012, the former Redevelopment Agency of the City of South San Francisco was dissolved and is currently known as the Successor Agency to the Redevelopment Agency of the City of South San Francisco.

I have relied on the assessor's plat map for information about the subject development. Moreover, I relied on upon public record data as well as the South San Francisco Planning Department website for information related to the zoning guidelines. As of the date of this report, the City of South San Francisco has no plans to develop the site although the general plan would allow a maximum residential density of 40 units per acre, which equates to 12 residential units at the 12,937 square foot site.

According to documents provided to me by the City of South San Francisco, PIERS Environmental Services conducted a Phase I environmental assessment for the subject in March of 2009. The assessment revealed no evidence of recognized environmental conditions ("RECs") in connection with the prior use of the subject property.

However, one recognized environmental condition was identified and consists of significantly elevated concentrations of petroleum hydrocarbons in the shallow groundwater and capillary fringe soils beneath the subject property that are presumed to have originated from a former service station at 900 Linden Avenue, a closed leaking underground storage tank ("LUST") case. The concentration of petroleum hydrocarbons beneath the building poses a potential risk of volatilization to indoor air.

In June 2017, EKI Environment and Water evaluated the environmental conditions associated with the subject. EKI's evaluation did not indicate the presence of RECs on the subject property due to historical on-site operations. However, the evaluation found that the subject property is located within the lateral extents of the chlorinated volatile organic compound and Stoddard solvent plumes originating in the upgradient neighboring property located at nearby 930 Linden Avenue. Shallow groundwater within this plume contains elevated concentrations of petroleum hydrocarbons that may extend to the subject

property. Furthermore, consultants for the 930 Linden Avenue property have also identified upgradient closed LUST cleanup sites at nearby 900 and 905 Linden Avenue as contributing to groundwater contamination in the vicinity.

The use of the following extraordinary assumptions might have affected the assignment results. First, the cost budget for the proposed remediation will be provided by EKI Environment and Water. According to Ms. Deepa Gandhi of EKI, the cost of the remediation from start to finish is estimated at \$440,000 assuming the development project has a subterranean parking garage, ground floor commercial uses, and upper floor residential uses. Parties wishing to obtain more information regarding the subject's remediation costs are strongly encouraged to contact Ms. Deepa Gandhi at EKI. For the purposes of appraising the subject site for its development potential, I have based my value conclusion upon the extraordinary assumption that the remediation work would be completed based upon the budget provided by Ms. Deepa Gandhi at EKI. If the actual remediation costs were different from the budget provided, there could be an effect on value.

Second, I was told by the client that no remediation is needed if the property is occupied in its existing condition as an office building without expansion. However, it's possible that the interior could be renovated with a tenant improvement allowance as long as building permits are procured to complete any needed improvements. Third, I have not reviewed a title report for the subject property. Therefore, I may not have complete information regarding easements, encroachments, and/or other encumbrances of record. I have based my value conclusion upon the extraordinary assumption that there are no easements, encroachments, liens, private restrictions, judgments, or other matters of record that deleteriously affect the marketability and/or market value of the subject property.

My valuation analysis relied on the Sales Comparison and Income approaches to value, which are described within the body of the report. The Cost Approach has been omitted from this report because potential buyers are unlikely to use a similar methodology. Typically, the methodology represents the least reliable and least relevant technique for valuing the subject because the structure has been the subject of depreciation.

Based on my research and analysis, I have concluded that the hypothetical market value of the subject site upon completion of any remediation work required to develop the site as a mixed-use project, under the assumptions and limiting conditions of this report was **\$750,000**. I have concluded that the as-is market value of the subject property as a mixed-use development site, under the assumptions and limiting conditions of this report, was **\$250,000**.

Based on my research and analysis, I have concluded that the hypothetical market value of the subject site upon completion of any tenant improvements required to occupy the property for office uses, under the assumptions and limiting conditions of this report was **\$1,100,000**. I have concluded that the as-is market value of the subject property as an office property, under the assumptions and limiting conditions of this report, was **\$1,040,000**.

I estimate that a reasonable exposure time for the appraised property would have been four to eight months. The estimate of reasonable exposure time is based on historical sales data, statistical information, and interviews of market participants. In estimating the reasonable exposure time, I have presumed that the property was competitively priced and adequately marketed.

Thank you for the opportunity to serve you. If you would like to discuss this report further, please contact me at 650.533.4065 or andrew@redwoodappraisal.org.

Sincerely,

Redwood Appraisal

A handwritten signature in black ink, appearing to read "Andrew Hill", written in a cursive style.

Andrew Hill
(OREA Appraiser ID# AG038129; Exp. 12-4-19)

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PROPERTY SUMMARY	
Property Owner:	City of South San Francisco
Assessor's Parcel Numbers:	012-102-030
Date of Value:	December 1, 2017
Property Rights:	Fee Simple
Intended Users:	This appraisal is for use by officers of the City of South San Francisco.
Intended Use:	The intended use of this report is for valuation purposes.
Sale History:	According to public record data, the subject has not sold during the last three years. Pursuant to dissolution law, the Successor Agency to the Redevelopment Agency of the City of South San Francisco ("Successor Agency") is responsible for the disposition of the former redevelopment agency properties in accordance with the procedures and requirements of Dissolution Law and the Long Range Property Management Plan ("LRPMP"). The LRPMP was prepared by the Successor Agency and approved by the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of South San Francisco ("Oversight Board"). To carry out the terms of the LRPMP, the Successor Agency transferred the property to the City for disposition consistent with the terms of the LRPMP.
Occupancy Profile:	The appraised property is a vacant commercial building that is unencumbered with an arm's-length lease.
Project Description:	The appraised property contains 12,937 square feet (0.297 acres) and sits along the south side of Linden Avenue in the City of South San Francisco. The subject improvements contain 3,720 square feet of ground floor space and 2,200 square feet of second floor space. However, it appears that the second floor space is unwarranted based upon my interview with a representative from the City of South San Francisco. Therefore, the forecasted rentable area is 3,720 square feet.
Zoning:	The subject's DMX district (Downtown Mixed-Use) is intended to provide for a mix of residential development, retail, and office uses as well as hotels and other commercial uses oriented toward a more regional market. The maximum base FAR is 150%; the maximum building height is 50 feet; and the maximum density is 40 units per acre (12 units based upon subject's parcel size). This district conforms to the Downtown Mixed Use area designated in the General Plan.

Highest and Best Use as Improved:	The highest and best use is to renovate the existing building and occupy the space for office use. Given that the property is a vacant commercial building that is unencumbered with an arm's-length lease, the most likely buyer is an owner-user.
Appraised Values:	Hypothetical Market Value as Development Site: \$750,000 As-Is Market Value as Development Site: \$250,000 Hypothetical Market Value as Office Property: \$1,100,000 As-Is Market Value as Office Property: \$1,040,000

SCOPE OF WORK

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s). Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

The purpose of this report is four-fold. First, I will estimate the hypothetical market value of a fee simple interest in the subject property upon completion of any remediation required to develop the site to its highest and best use. Second, I will estimate the as-is market value of a fee simple interest in the subject property. That value estimate necessitates the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the remediation of the site in order that it could be developed to its highest and best use, namely a mixed-use development project with residential and commercial uses. The cost budget for the proposed remediation will be provided by EKI Environment and Water.

Third, I will estimate the hypothetical market value of a fee simple interest in the subject property as an office building upon completion of any tenant improvements. The former use of the subject improvements was an office building occupied by an owner-user. Fourth, I will estimate the as-is market value of a fee simple interest in the subject property as an office property. That value estimate necessitates the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the completion of any tenant improvements needed to occupy the property for office uses.

The intended use of this report is for valuation purposes. Officers of the City of South San Francisco are the sole intended users of this report. This report is not valid for any purpose, use, or user other than those specifically identified herein.

Market Value:

Market Value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own interests;

3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto;
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The market value definition cited above is from regulations published by federal regulatory agencies pursuant to Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA) of 1989 between July 5, 1990, and August 24, 1990, by the Federal Reserve System (FRS), National Credit California Administration (NCUA), Federal Deposit Insurance Corporation (FDIC), the Office of Thrift Supervision (OTS), and the Office of Comptroller of the Currency (OCC) under 12 CFR, Part 34, Subpart C – Appraisals, 34.43 Definitions (f). This definition is also referenced in regulations jointly published by the OCC, OTS, FRS, and FDIC on June 7, 1994, and in the Interagency Appraisal and Evaluation Guidelines, dated December 2, 2010.

Fee Simple estate is defined as:

Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Leased Fee interest is defined as:

A freehold (ownership interest) where the possessory interest has been granted to another party by the creation of a contractual landlord-tenant relationship (i.e., a lease).

Marketing Time is defined as:

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal.

Exposure Time is defined as:

1. The time a property remains on the market.
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.

Rentable Area (RA): For commercial buildings, the tenant's pro rata portion of the entire floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring the inside finished surface of the dominant portion of the permanent building walls, excluding any major permanent penetrations of the floor. Alternatively, the rentable area of a building is calculated using the drip line measurement. This is a widely used method for determining the rentable area of retail properties, encompasses the outermost perimeter of the constructed building, including every projection thereof and all area beneath each such projection, whether or not enclosed, with no deduction for any inward deviation of structure and with the measurement being made floor by floor, but beginning from the top of the structure.

As Is Market Value: The estimate of the market value of the real property in its current physical condition, use and zoning as of the appraisal date.

Stabilized Value: Stabilized value is the hypothetical value of a property after construction has been completed and market occupancy and cash flow have been achieved.

Report Type: This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2. This format provides a summary of the appraisal process, subject and market data and valuation analyses.

Property Identification: The subject's assessors' parcel number is 012-102-030

Inspection: The inspection included an exterior viewing of the site and improvements. Exterior photographs were taken.

Market Conditions Analysis: An analysis of local market conditions has been made. The appraiser maintains and has access to databases for the subject's competitive market area and has reviewed the market data relevant to this appraisal assignment.

Macroeconomic Indicators: The appraiser maintains and has access to several economic indicator sources. These sources include the U.S. Census Bureau, the Bureau of Labor Statistics (BLA), the Federal Reserve, U.S. Department of Labor, Advanced Data Processing Inc., (ADP) and the Bureau of Economic Analysis (BEA).

Highest and Best Use Analysis: A highest and best use analysis for the subject has been made. Physically possible, legally permissible and financially feasible uses were considered, and the maximally productive use was concluded.

Type of Values: Hypothetical market value and as-is market value

Property Rights Appraised: Fee simple

Cost Approach: The Cost Approach has been omitted from this report because potential buyers are unlikely to use a similar methodology. Typically, the methodology represents the least reliable and least relevant technique for valuing the subject because the structure has been the subject of depreciation, the quantification of which is subjective.

Extraordinary Assumptions:

The use of the following extraordinary assumptions might have affected the assignment results. First, the cost budget for the proposed remediation will be provided by EKI Environment and Water. According to Ms. Deepa Gandhi of EKI, the cost of the remediation from start to finish is estimated at \$440,000 assuming the development project has a subterranean parking garage, ground floor commercial uses, and upper floor residential uses. Parties wishing to obtain more information regarding the subject's remediation costs are strongly encouraged to contact Ms. Deepa Gandhi at EKI. For the purposes of appraising the subject site for its development potential, I have based my value conclusion upon the extraordinary assumption that the remediation work would be completed based upon the budget provided by Ms. Deepa Gandhi at EKI. If the actual remediation costs were different from the budget provided, there could be an effect on value.

Second, I was told by the client that no remediation is needed if the property is occupied in its existing condition as an office building without expansion. However, it's possible that the interior could be renovated with a tenant improvement allowance as long as building permits are procured to complete any needed improvements.

Third, I have not reviewed a title report for the subject property. Therefore, I may not have complete information regarding easements, encroachments, and/or other encumbrances of record. I have based my value conclusion upon the extraordinary assumption that there are no easements, encroachments, liens, private restrictions, judgments, or other matters of record that deleteriously affect the marketability and/or market value of the subject property.

General Assumptions and Limiting Conditions

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part.

No part of this appraisal, its value estimates or the identity of the firm or the appraiser(s) may be communicated to the public through advertising, public relations, media sales, or other media. All files, work papers and documents developed in connection with this assignment are the property of Redwood Appraisal. Information, estimates and opinions are verified where possible, but cannot be guaranteed. Plans provided are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted.

No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them. Unless otherwise stated, this appraisal assumes there is no existence of hazardous materials or conditions, in any form, on or near the subject property.

Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyl, petroleum leakage, or agricultural chemicals, which may or may not be present on the property, was not called to the attention of the appraiser nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value opinion developed herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto, which would cause a loss in value. No responsibility is assumed for any such hazardous substances, nor for any expertise or knowledge required to discover them.

Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation.

Necessary licenses, permits, consents, legislative or administrative authority from any local, state or Federal government or private entity are assumed to be in place or reasonably obtainable. It is assumed there are no zoning violations, encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated.

The appraiser is engaged by the client to render a value conclusion(s) utilizing similar comparables within the subject's competitive market area. From analyzing the comparables in the subject's competitive market area, appraiser is able to render a value conclusion(s). The appraiser has not examined the borrower's credit report, nor has the appraiser analyzed the borrower's income, tax returns, W-2's, financial statement, nor any other financial instrument with regard to borrower's credit worthiness or capacity to repay any loan. The appraiser has not been engaged to assist in the underwriting criteria and decision making for any loan with regards to the subject. The determination of the borrower's ability to repay a loan or the rating class of the final loan placed on the subject is determined solely by the lender. It is further understood that any lending decision made is the sole discretion and burden of the lender who qualifies the borrower's ability to repay the loan and not the real estate which has been valued. The appraiser warrants that they are not part of any credit or loan making decision in conjunction with this transaction. The appraiser's engagement is to render a value conclusion totally disconnected from the lending underwriting process without bias. The appraiser has valued the subject relative to the market and has analyzed any special conditions or features relevant to the subject's value. Lastly, the appraiser has no financial connection or undisclosed business relationship with lender.

The appraiser(s) are not required to give testimony in Court in connection with this appraisal. If the appraisers are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) Redwood Appraisal's regular per diem rate plus expenses.

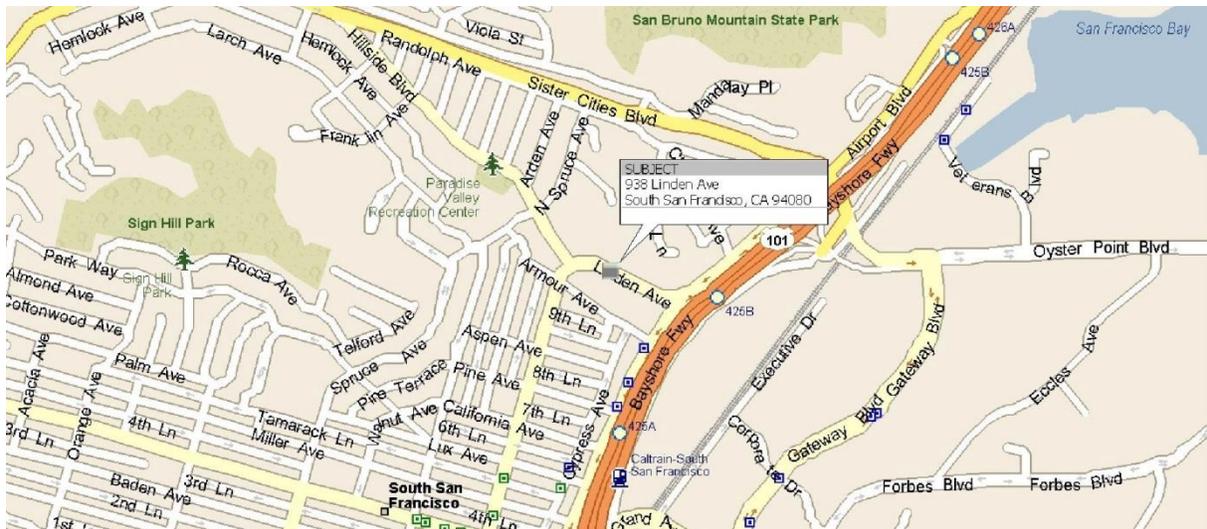
Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after

the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

A civil rights act passed by Congress guaranteeing individuals with disabilities equal opportunity in public accommodations, employment, transportation, government services, and telecommunications. Statutory deadlines become effective on various dates between 1982 and 1997. Redwood Appraisal has not made a determination regarding the subject's ADA compliance or non-compliance. Non-compliance could have a negative impact on value, however this has not been considered or analyzed in this appraisal.

The various sketches, maps, plats, and exhibits in this report are included for illustration purposes only to assist the reader in visualizing the property and are not necessarily drawn to scale. No survey of the property has been made by Redwood Appraisal. When possible, I have relied upon building measurements and square footage totals provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or architectural drawings, I have relied upon my own measurements of the subject improvements. However, I recognize that some factors may limit our ability to obtain accurate measurements, including, but not limited to, property access on the day of the inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, or immobile obstructions. While I have attempted to measure the subject improvements to derive a reasonable estimate of size, professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.

The improvement measurements, square footage estimates, sketches, and various value indicators and estimates contained in this appraisal report are included and intended for the exclusive use of the appraiser for purposes of preparing this appraisal report only. The use of the appraiser's measurements, square footage estimates, sketches, and various indicators and estimates contained in this report by others than the appraiser or for any other use is not intended by the appraisers, and we shall have no accountability or responsibility for any such unintended use of the improvement measurements, square footage estimates, sketches, and various value indicators and estimates contained within including, but not limited to, use by the client owner, hypothetical purchaser, tenants, and/or their agents for tax assessment appeals, landlord/tenant negotiations of any kind, for-sale or for-lease marketing efforts.



Subject Location Description

The subject is located within South San Francisco, an incorporated city of about 62,000 residents. The city is located in northern San Mateo County. The city's boundaries include Colma, Daly City, Brisbane and the San Bruno Mountains to the north; San Francisco Bay to the east; San Bruno and San Francisco International Airport to the south; and Pacifica to the west. Downtown San Francisco lies about 10 miles to the north, while Silicon Valley is 15 to 40 miles south.

West of Spruce Avenue, land use within South San Francisco is primarily residential. East of Spruce Avenue, industrial facilities form the focus of development. The area east of U.S. Highway 101 has a core of industrial and research & development properties, interspersed with newer offices and hotels. West of 101, the industrial facilities are older and less conforming. The preponderance of industrial development within South San Francisco has led to the city commonly being referred to as the "Industrial City."

South San Francisco is positioned to the northwest of the San Francisco International Airport. Properties within the city are affected by airplane noise. This condition affects most properties competing with the subject, with a similar effect in South San Francisco, San Bruno, and Millbrae. The subject property lies near the northern periphery of South San Francisco. Within this area, topography begins to change from the flatlands near Highway 101 to the relatively steep foothills bordering San Bruno Mountain.

Miller Avenue

Miller Avenue begins at Airport Boulevard (at the US 101 Southbound Off-Ramp) and continues west to Chestnut Avenue. It is the primary vehicle route to City Hall and the new Miller Avenue parking structure. Between Airport and Spruce, there are very few driveways, and parking is not permitted between Linden Avenue and Maple Avenue. Traffic on Miller Avenue generally moves smoothly. Sidewalks are narrow, particularly along the south side between Maple Avenue and Spruce Avenue, making the pedestrian environment less attractive. As part of the Miller Avenue parking garage project, sidewalk improvements along

the garage's frontage have widened the sidewalk and improved the streetscape somewhat; however, parking removal was required for this improvement. Miller Avenue is a signed bicycle route (Class III facility). The wider vehicle lanes allow for more space for bicyclists; however, the grade of the street going westbound and the speed of traffic makes cycling less attractive.

Baden Avenue

Baden Avenue is an east-west collector street one block south of Grand Avenue. Between Airport and Linden, Baden has two travel lanes in each direction and no on-street parking. In this block, the southern sidewalk is narrow at four feet. This block also connects vehicles traveling north on Linden Avenue to Airport Boulevard to access the northbound on-ramp at Grand Avenue. West of Linden, Baden has one lane and on-street parking in each direction. The portion west of Linden also becomes predominately residential in character. Linden Avenue is a two lane north-south minor arterial.

Linden Avenue

The subject has frontage along the 900 block of Linden Avenue. South of Grand Avenue, Linden Avenue provides access to the Lindenville industrial area and the City of San Bruno. North of Grand Avenue, Linden has several smaller retail and small office type uses. SamTrans operates on Linden Avenue north of Grand Avenue. At Baden Avenue, Linden Avenue has a wide double right turn lane to allow vehicles, especially larger vehicles, to make a right turn. This makes the crosswalk longer and the eastern sidewalk narrower. Although Linden Avenue is a bicycle route, cyclists are rarely observed.

Caltrain Station

The location and configuration of the South San Francisco Caltrain Station has been an issue for the City for many years. It is located at 590 Dubuque Avenue, on the east side of US 101, north of East Grand Avenue, just across the highway from the east edge of Downtown, and at the western edge of the East of the 101 area. This station is located within Zone 1 of the Caltrain commuter rail corridor, just over nine miles from the northern terminus at King Street Station in San Francisco. It serves local and limited stop trains and provides access to commuters with South San Francisco origins, east of 101 area destinations, and commuters connecting from the newly established ferry service at Oyster Point Ferry Terminal.

The station has experienced limited ridership over the years but recently plans have emerged for improvements to the lines and service. The Caltrain Modernization Program will electrify and upgrade the performance, operating efficiency, capacity, safety, and reliability of Caltrain's commuter service and is scheduled to be completed by 2019. The modernization program will help prepare the corridor to eventually accommodate California's statewide high-speed rail service, which is planned to initiate service in 2029. Caltrain and high-speed rail will primarily share Caltrain's existing tracks, operating as a blended system.

Caltrain, along with local stakeholders and the California High Speed Rail Authority, is currently working to define what additional system upgrades will be required to support blended Caltrain and high speed rail service. In parallel, plans have been prepared to reconfigure the Caltrain Station to better serve South San Francisco. These plans include lengthening the station platforms to the south so that they reach the east-west alignment of Grand Avenue. A pedestrian and bicycle undercrossing of the tracks, starting near Airport Boulevard on the west, and emerging in the alignment of Grand Avenue on the east side of the freeway and tracks is also planned. The undercrossing would provide greatly improved and direct access to the station from the Downtown and from the employment areas east of US 101.

The City received a grant in early 2014 to partially support design and engineering of the undercrossing. Although full funding has not yet been identified to construct these improvements, the City of South San Francisco is committed to continuing to work with Caltrain to realize these plans.

Grand Avenue

The Downtown neighborhood to the west of US 101 and along Grand Avenue has a well-connected, smaller block grid network with mostly two lane streets. East of US 101, the streets are generally wider, multi-lane arterials that create larger, asymmetrical blocks. Properties east of US 101 within the Specific Plan area are poorly served by few existing streets, and are isolated from the surrounding street network. The Grand Avenue overpass (over US 101 and the rail tracks) is the only connection between the Downtown and East of 101 areas. US 101, which bisects the plan area, is the major freeway through eastern San Mateo County between San Francisco and San Jose. Several on- and off-ramps (at Miller Avenue, Grand Avenue, East Grand Avenue and Industrial Way) serve the plan area but also carry traffic destined for SFO-related uses or other regional destinations. Grand Avenue is the Downtown's "main street" and is one of the few continuous east-west routes through the City. Grand Avenue has one travel lane in each direction with on-street angled parking on both sides of the street. Grand Avenue is a major connection to the US 101 Northbound on-ramp located at Airport Boulevard. East of US 101, Grand Avenue becomes East Grand Avenue, widens to six lanes (three in each direction), and crosses under US 101 and over the Caltrain right-of-way. East Grand Avenue continues east to the Bay. In the Downtown, Grand Avenue carries approximately 12,000 vehicles per day. East Grand Avenue carries approximately 18-19,000 vehicles per day. Front-in angled parking and generally higher traffic volumes (particularly eastbound between Linden and Airport) make Grand Avenue uncomfortable for bicyclists because the parking configuration limits visibility between drivers exiting spaces and bicyclists vying for limited right-of-way with vehicle traffic. Miller Avenue is an east-west collector street one block north of Grand Avenue.

Downtown Parking

Parking Downtown has several surface parking lots and one garage managed by the City's Parking District. Generally, the on-street parking closest to Grand Avenue is effectively at or near capacity during peak shopping hours. This creates a sense for users that Downtown parking is full, but in fact it is a relatively small portion of the total parking that experiences consistently high occupancies. The side streets and streets adjacent to Grand Avenue typically have parking available. Off-street parking facilities, including the City's newly constructed parking garage, are underutilized. On-street parking in the Downtown parking area is typically metered whereas areas further from Downtown are unrestricted and free. The over saturation of parking on Grand Avenue, which can make it difficult for people to find parking on their desired block, is typical of downtowns that do not employ variable parking rates that encourage longer parking durations to occur off of their main street. Residential areas appear to have higher parking demand during the evening, but abundant on-street parking during the day. This is typical of residential neighborhoods where most people drive to and from work.

Development Potential

The Downtown Station area has a number of underutilized sites that are suitable for the development opportunities. In the western portion of the plan area, surface parking lots are scattered throughout the core Downtown area; many are highly suitable for new development. In addition, the older building stock throughout the Downtown area and low development intensities suggests that over time, economics may encourage some property owners to consider intensifications of uses as described in later sections of this plan. A barrier to this development, however, will be the generally small parcel sizes found in the Downtown. On the east side, there are a number of low intensity uses, parking lots, and repair and service uses. Pressure for additional office and R&D uses similar to those in the further east portions of the City may result in these sites transitioning to new uses. In addition there are larger sites in this area which will be conducive to change. However, an improved circulation network of streets connecting internally as well as to peripheral arterials such as Gateway Boulevard will be essential to the area's future development.

Local Market Analysis

The appraised property contains 12,937 square feet (0.297 acres) and sits along the south side of Linden Avenue in the City of South San Francisco. The subject improvements contain 3,720 square feet of ground floor space and 2,200 square feet of second floor space. However, it appears that the second floor space is unwarranted based upon my interview with a representative from the City of South San Francisco. Therefore, the forecasted rentable area is 3,720 square feet.

Given that this appraisal will value the subject property as a development site as well as an office property, I will include a brief summary of the South San Francisco Apartment Market as well as the South San Francisco Office Market. The following 19 pages summarize both reports as published by Costar for December of 2017.

Overview

S San Francisco/San Bruno/Millbrae Apartment

12 Mo. Deliveries in Units

0

12 Mo. Net Absorption

-59

Vacancy Rate

4.4%

12 Mo. Rent Growth

1.5%

Market Analyst: Katerina Cheek - kcheek@costar.com

Scant construction in this zoning-ordinance-fettered submarket has kept vacancies tight for the past few years, and demand has been bolstered by the presence of major employers like YouTube and Genentech. Rent growth in South San Francisco has outpaced the metro this cycle and has allowed the submarket rents to lessen the gap separating the submarket average from the metro average. Over the long term, the submarket's numerous ongoing biotech developments—one of the most notable being The Cove at Oyster Point, a multi-tenant spec development totaling nearly 900,000 SF—are likely to generate significant rental demand by attracting life sciences tenants, who will in turn bring with them a new cohort of highly educated, well-compensated prospective residents. This future positive outlook on the submarket has yet to translate into the trades here as they have continued to be priced just below the metro average with the minimal transactions that have taken place in 2017.

KEY INDICATORS

Current Quarter	Units	Vacancy Rate	Asking Rent	Effective Rent	Net Absorption	Net Deliveries	Under Construction
4 & 5 Star	1,249	5.8%	\$3,677	\$3,640	(37)	0	500
3 Star	1,099	4.7%	\$2,558	\$2,494	3	--	0
1 & 2 Star	3,601	3.9%	N/A	N/A	1	--	0
SUBMARKET	5,949	4.4%	\$2,729	\$2,689	(34)	0	500

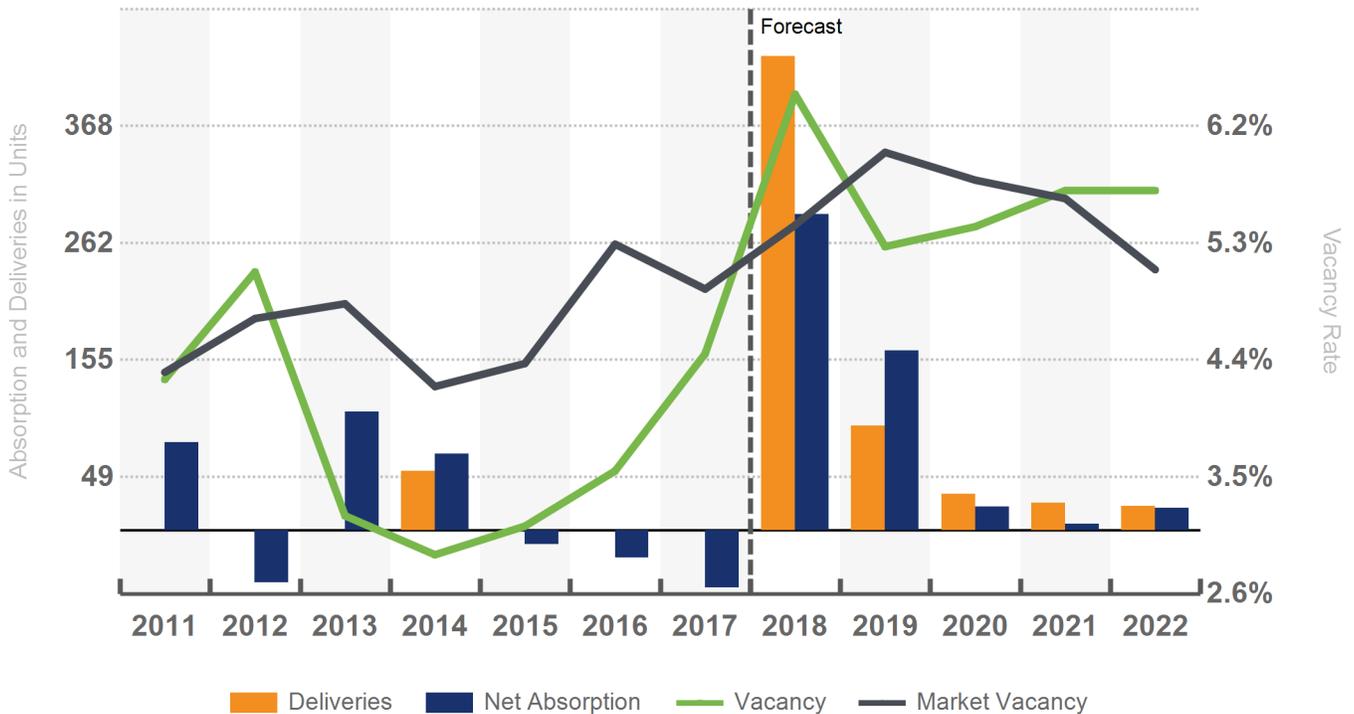
Annual Trends	12 Month Change	Hist. Avg.	Fcst. Avg.	Peak	When	Trough	When
Vacancy	1.0%	4.3%	5.6%	8.2%	2006 Q1	1.4%	2000 Q1
Net Absorption	(59)	66	94	855	2006 Q3	(85)	2002 Q3
Net Deliveries	0	76	120	1,032	2006 Q1	0	2001 Q2
Rent Growth	1.5%	2.8%	1.0%	16.0%	2001 Q1	-15.4%	2002 Q3
Effective Rent Growth	2.5%	2.8%	0.9%	16.0%	2001 Q1	-15.4%	2002 Q3
Sales (\$ millions)	\$133	\$71	N/A	\$286	2007 Q4	\$5	2009 Q1

FUNDAMENTALS

Vacancies in South San Francisco as of November were in line with the historical average and the metro average. Given South San Francisco's supply constraints (namely, dense preexisting development and restrictive zoning ordinances), it has historically boasted low vacancy levels, with the exception of 2006–08, when vacancy shot up in response to the delivery of Avalon San Bruno and South City Station Apartments. Those projects collectively expanded the submarket's inventory at the time by more than 27% and thereby pushed up vacancy rates over the ensuing quarters. Since then, vacancies declined fairly steadily and only had a small spike this year, which has already been reabsorbed.

Bolstering demand in the submarket is the presence of several BART stations, as well as major employers such as Walmart, Genentech, and YouTube. Notably, YouTube expanded its office footprint by nearly one-third when it leased nearly 95,000 additional SF of space in 2013 (enough to accommodate nearly 400 new employees).

NET ABSORPTION, NET DELIVERIES AND VACANCY RATE



SUPPLY

The South San Francisco Submarket is noticeably lacking in high-rise properties due to the zoning ordinances in South San Francisco proper, San Bruno, and Millbrae, which limit high-density residential and mixed-use development to just a few small corridors. South San Francisco's inventory also differs from the metro's in its lack of studios, which collectively constitute less than 10% of the submarket's stock (versus more than 20% of the metro's). This reflects the submarket's older population—less than 20% of residents fall into the renting cohort of 20-34-year-olds, and that share is projected to decline by 2020.

New construction has been light over the past few years, with only 54 units delivering from 2014-2016. Since that 54-unit project completed in Millbrae along the famed thoroughfare El Camino Real in July 2014, only two other projects had broken ground as of October. The first is a 83-unit project, located off of Airport Blvd and less than half a mile from the South San Francisco Caltrain, stop is being developed by Pinewave Development Group and is scheduled to complete in late 2017. The other project that has broken ground is the Plaza Apartments in San Bruno. This 83-unit project is owned and being developed by Sares-Regis and is set to deliver in Fall 2018.

Multifamily construction in South San Francisco is tightly limited by the fact that large swaths of the submarket are dedicated to open space and, predominantly, single-family residential development. Only a few small patches within South San Francisco proper, San Bruno, and Millbrae are zoned for high- and even medium-density multifamily development, and those parcels have already been densely developed.

Focus has begun to shift throughout the whole Peninsula to more transit-oriented development, and although density regulations have been historically difficult this might be changing. City officials in South San Francisco have already been planning to try to change this dynamic. A big part of this effort would be centered around the city's moving the Caltrain station a few blocks south to a site that is more accessible to downtown. With this planned move the city has approved development for downtown that could bring in up to 1,400 housing units and 2,400 jobs. Millbrae also has a large proposal from Republic Urban Properties in front of the city council that would add another 376 market-rate units as well as office, retail, and hotel space right by the BART station. Serra Station Properties is working on a proposal for another 450 housing units that would also be right next to the station.

Overview

S San Francisco/San Bruno/Millbrae Apartment

UNDER CONSTRUCTION PROJECTS

No.	Property Name	Address	Stories	Units	Start Yr.	Deliv. Yr	Owner/Developer
4	Plaza Apartments	406 San Mateo Ave	3	83	2017	2018	Sares-Regis Group of N... Sares-Regis Group of N...
1	Cadence	401 Airport Blvd	6	272	2017	2018	City of South San Fran... Sares-Regis Group of N...
5	Pinefino	206 Cypress Ave	5	62	2016	2018	
3	211 Airport Blvd	211 Airport Blvd	7	83	2016	2018	Pinewave Development G... Pinewave Development G...

DELIVERED PROJECTS

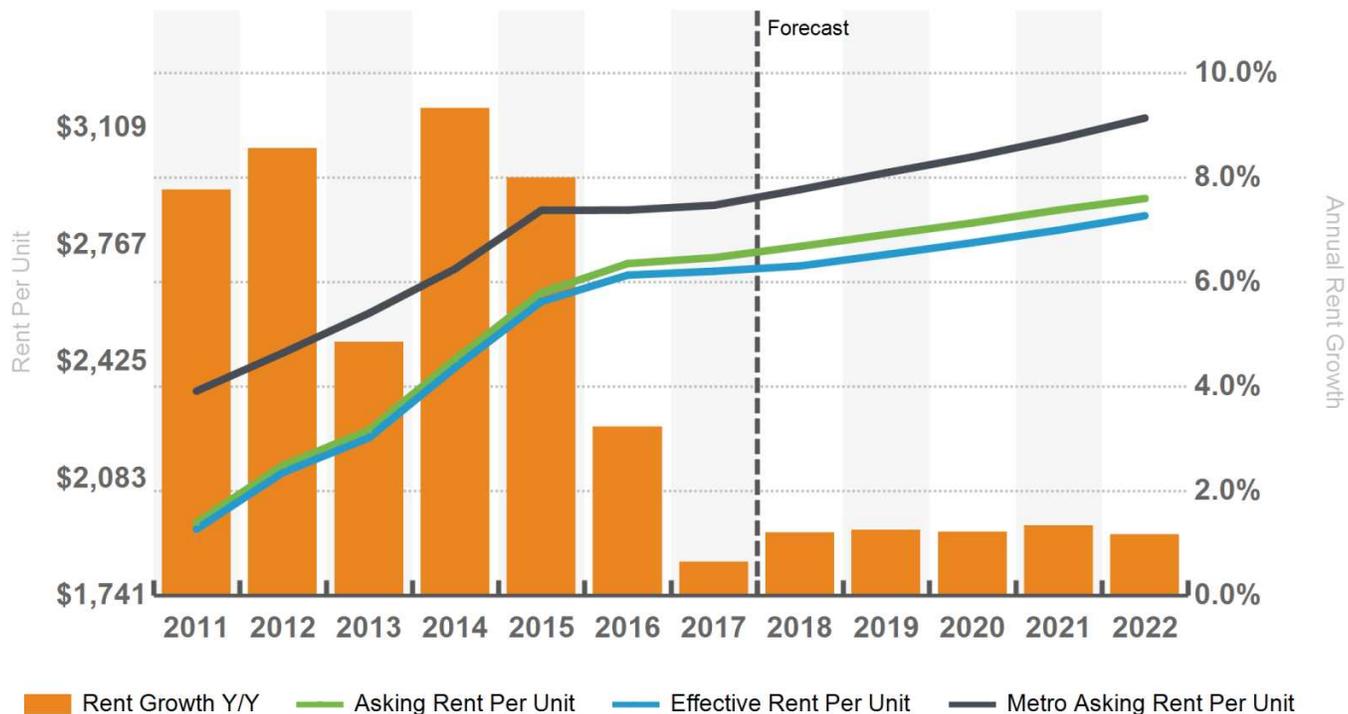
No.	Property Name	Address	Stories	Units	Start Yr.	Deliv. Yr	Owner/Developer
2	Acappella Apartments	1001 National Ave	5	163	2009	2010	GIC Real Estate Intern...

RENTS

South San Francisco rents were around \$200/unit under the metro average at the end of 17Q3, a figure that is somewhat skewed by the aforementioned Avalon San Bruno complex, where asking rents average over \$4,100/unit as of November 2017. The days of an average 7.5% annual rent growth from 2011-15 in South San Francisco are long gone, and the submarket only experienced a little over 3% growth in 2016. However, this is well above the metro's average growth, which was slightly negative, during that same time, and was the second largest growth in the metro. This trend has continued as South San Francisco's rent growth in 2017 continued to outpace the metro average.

Overview

ASKING RENT LEVELS AND ANNUAL GROWTH



Overview

S San Francisco/San Bruno/Millbrae Apartment

EXPENSES

Market	Operating Expenses Per SF								Capital Expenditures Per SF			Total
	Mgmt.	Admin.	Payroll	Water	Utilities	Maint.	Insurance	Taxes	Appliance	Structural	Other	
4 & 5 Star												
San Francisco	\$1.19	\$1.57	\$1.08	\$0.99	\$1.89	\$1.81	\$0.73	\$2.83	\$0.17	\$1.33	\$1.40	\$14.98
Suburban	\$1.25	\$1.56	\$1.11	\$0.97	\$1.84	\$1.80	\$0.66	\$2.78	\$0.17	\$1.33	\$1.39	\$14.87
Submarket	\$1.35	\$1.58	\$1.20	\$0.91	\$1.70	\$1.82	\$0.46	\$2.78	\$0.17	\$1.34	\$1.40	\$14.72
3 Star												
San Francisco	\$0.98	\$1.26	\$0.99	\$0.96	\$1.85	\$1.53	\$0.76	\$2.56	\$0.06	\$1.23	\$1.30	\$13.49
Suburban	\$1.09	\$0.93	\$1.02	\$0.91	\$1.70	\$1.14	\$0.59	\$2.56	\$0.06	\$1.22	\$1.29	\$12.50
Submarket	\$1.26	\$0.64	\$1.13	\$0.85	\$1.58	\$0.71	\$0.43	\$2.56	\$0.06	\$1.23	\$1.30	\$11.76
1 & 2 Star												
San Francisco	\$0.75	\$0.83	\$0.73	\$0.60	\$0.98	\$1.16	\$0.33	\$1.09	\$0.06	\$0.44	\$0.69	\$7.66
Suburban	\$0.74	\$0.73	\$0.70	\$0.59	\$0.95	\$0.93	\$0.31	\$1.06	\$0.06	\$0.42	\$0.68	\$7.16
Submarket	\$0.76	\$0.61	\$0.73	\$0.59	\$0.94	\$0.68	\$0.31	\$1.03	\$0.06	\$0.41	\$0.67	\$6.78

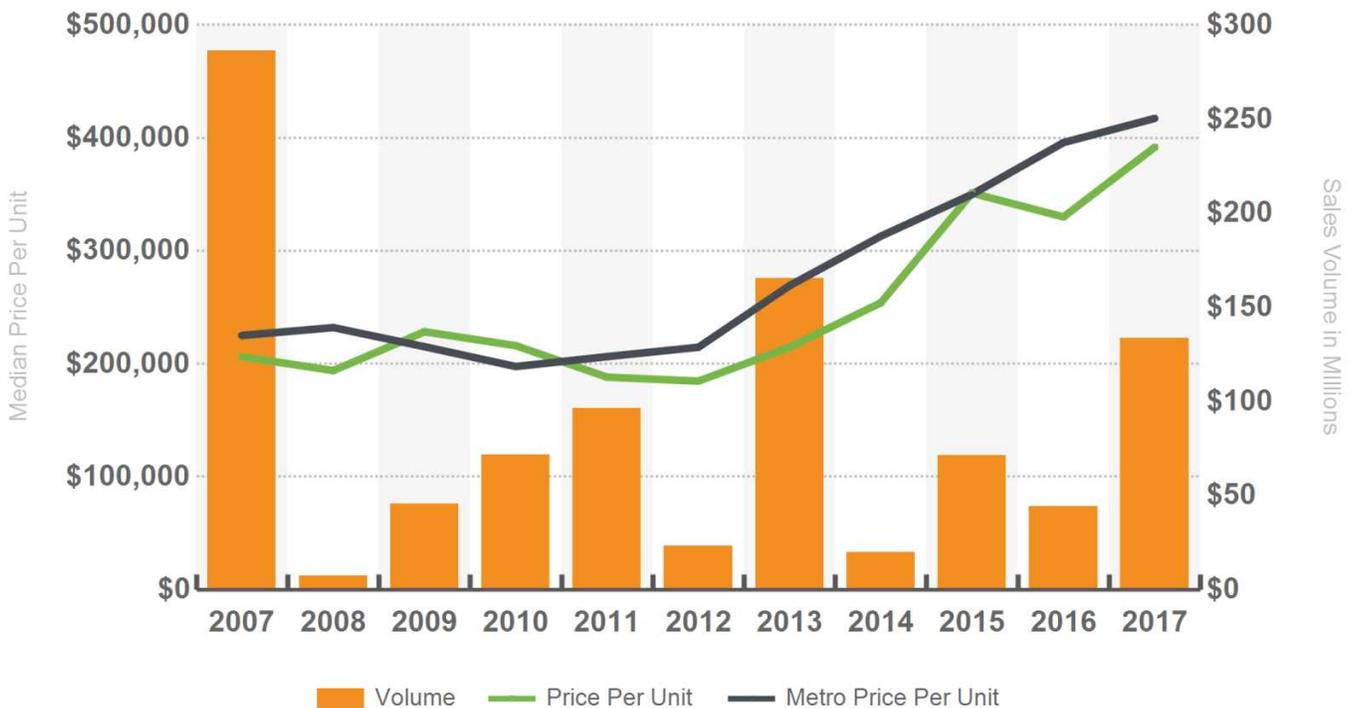
* Expenses are estimated using NCREIF and IREM data using the narrowest possible geographical definition ranging from zip code to region.

SALES

Liquidity in the submarket has been subpar, with South San Francisco ranking 11th by sales volume (only around \$45.4 million in the last four quarters) and also 10th by inventory turnover (just over 2%) in 2016. Sales volume reached record levels in 2013 due to AvalonBay Communities' and Equity Residential's \$16 billion joint acquisition of Archstone Enterprise, whose holdings included more than 1,700 units in the South San Francisco Submarket. Notably, the acquisition included Avalon San Bruno (the aforementioned 1,344-unit complex near YouTube's HQ), as well as South City Station Apartments, a 360-unit 4 Star complex that completed in 2006.

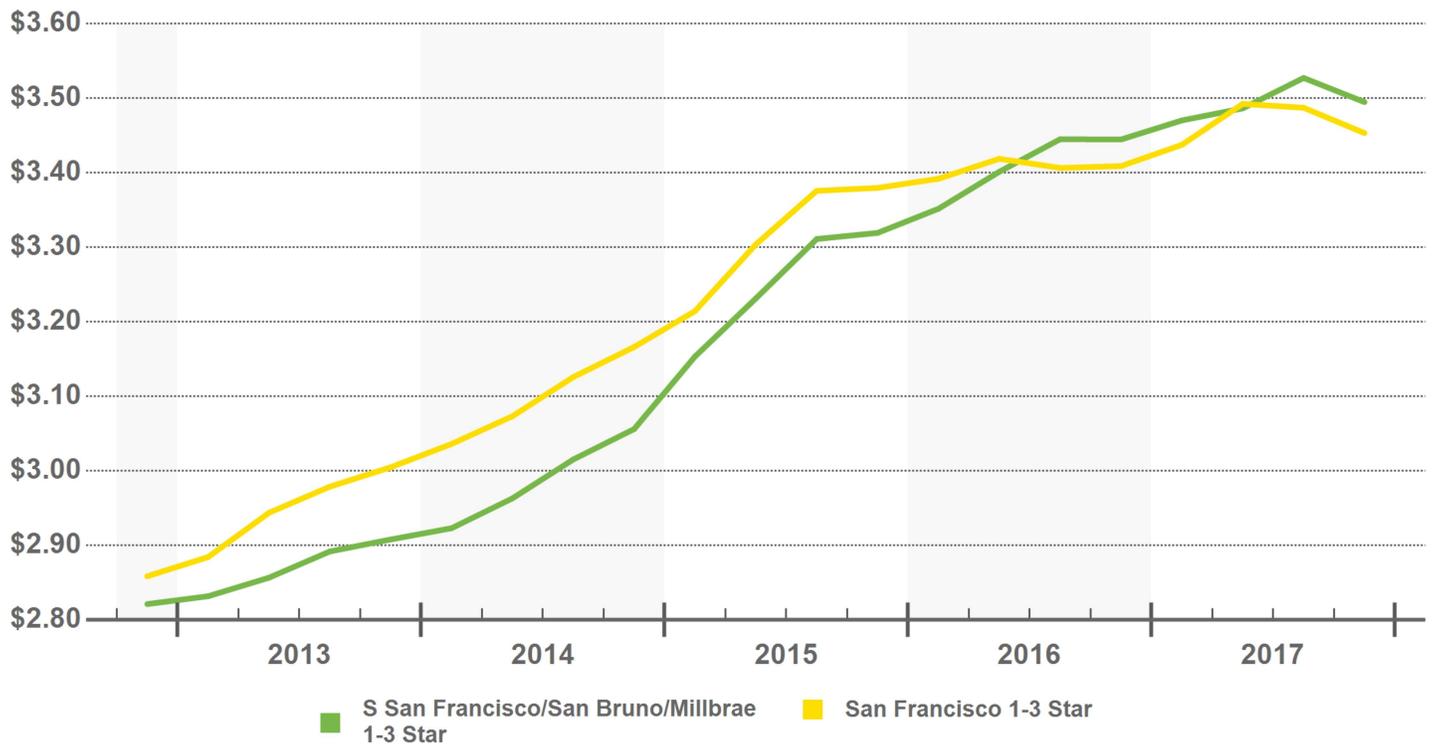
Since the acquisition, sales volume in the submarket has dropped off substantially. Trades here tend to be few and far between and typically involve properties with fewer than 10 units. There has been one notable trade so far in 2017, the sale of Acappella Apartments in September. The 163-unit, 4 Star asset was sold as part of the acquisition of Monogram Residential Trust by Greystar Real Estate Partners. The whole acquisition was valued at around \$4.4 billion with the Acappella Apartments being valued at around \$107.7 million (\$660,800/Unit).

SALES VOLUME AND MEDIAN PRICE

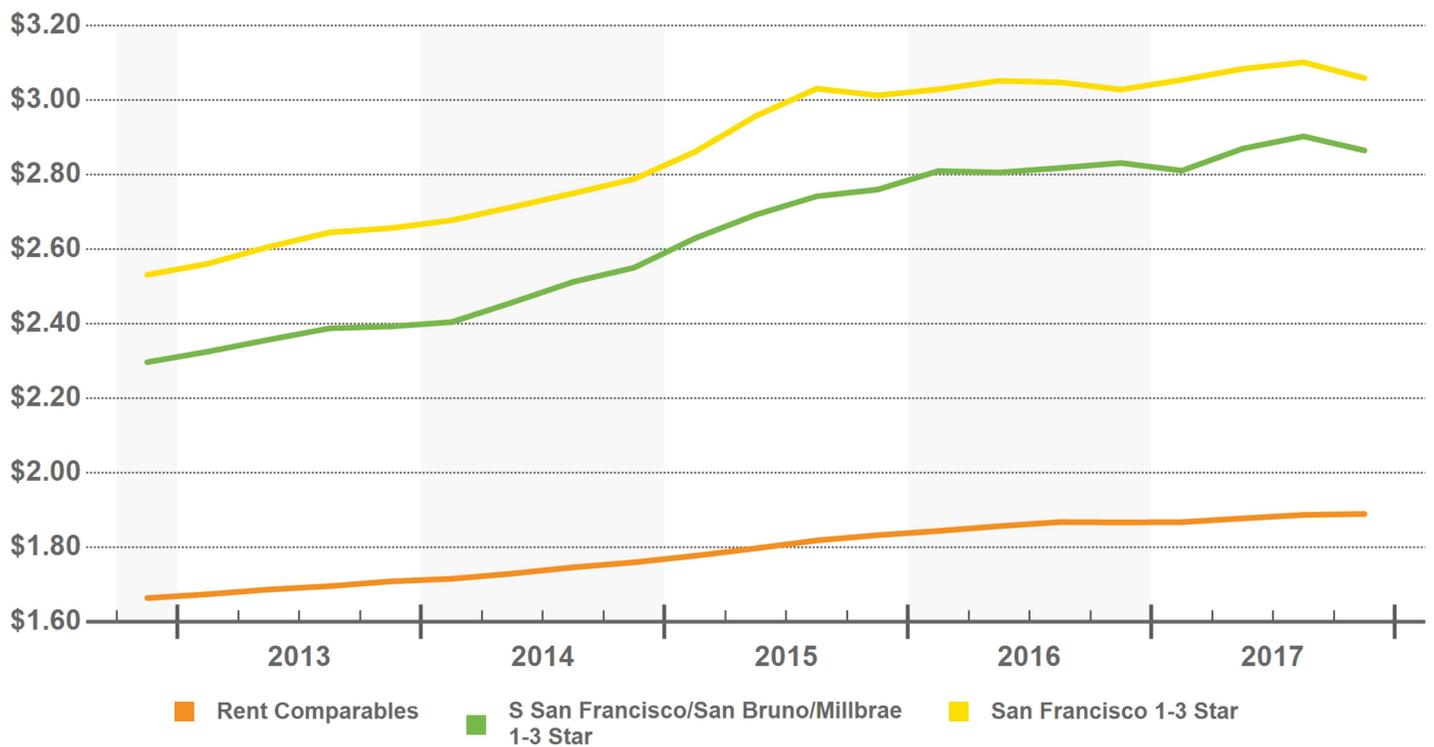


Rent Trends

ONE BEDROOM ASKING RENT PER SQUARE FOOT

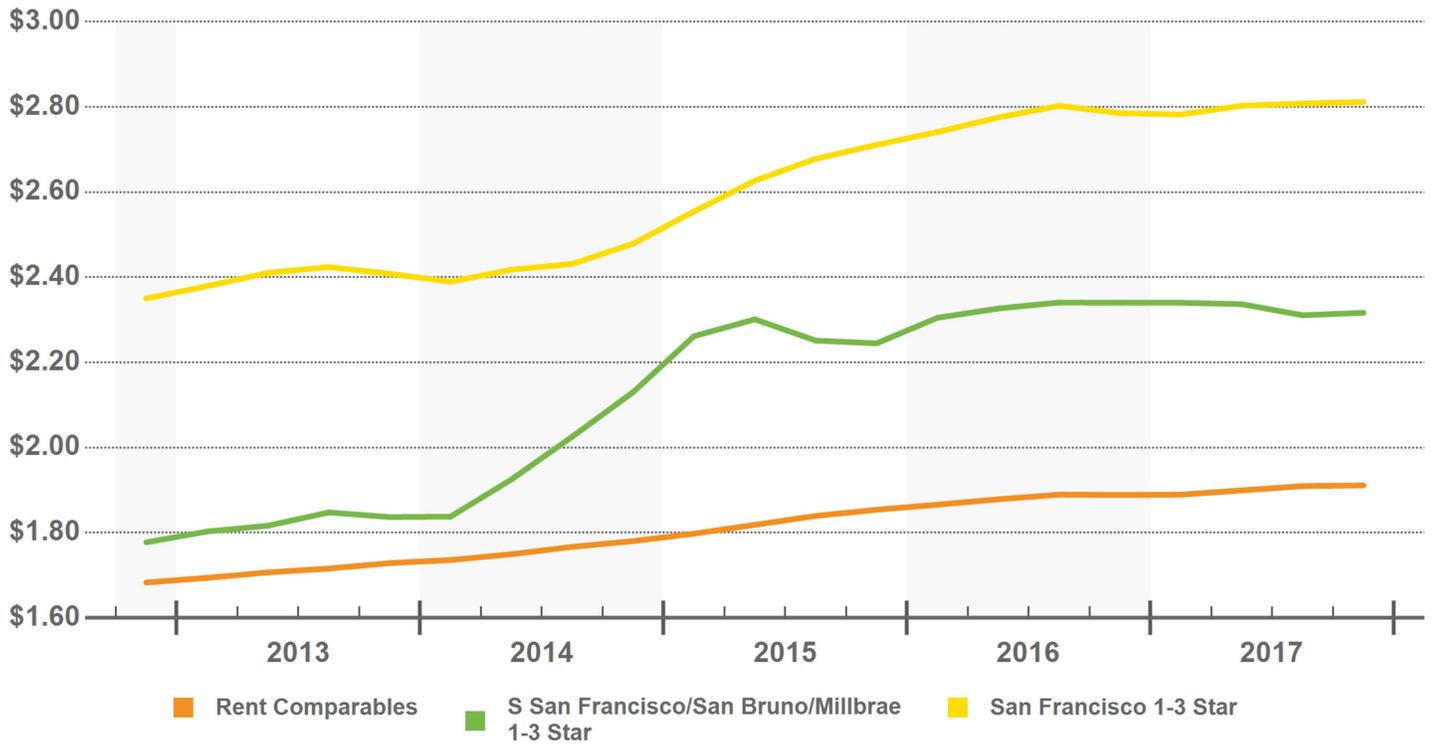


TWO BEDROOM ASKING RENT PER SQUARE FOOT

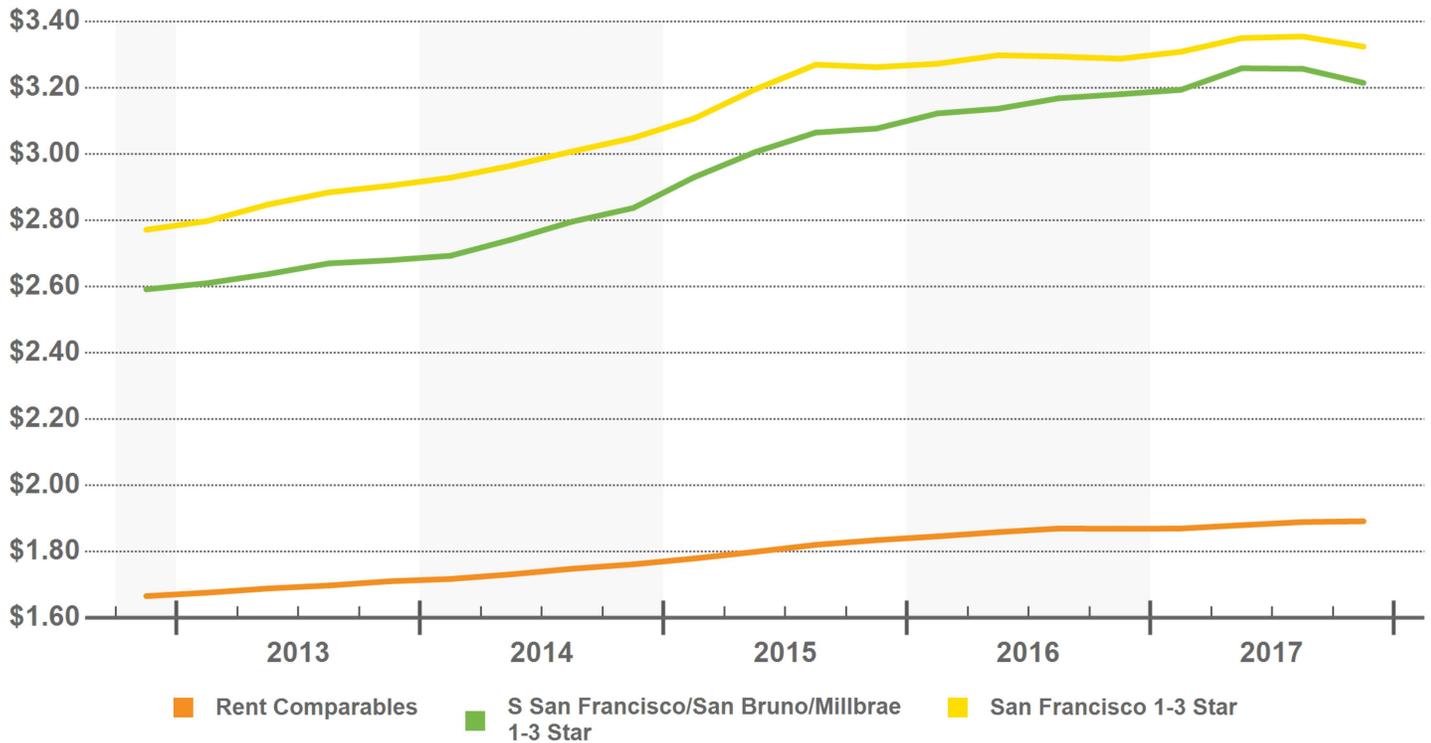


Rent Trends

THREE BEDROOM ASKING RENT PER SQUARE FOOT

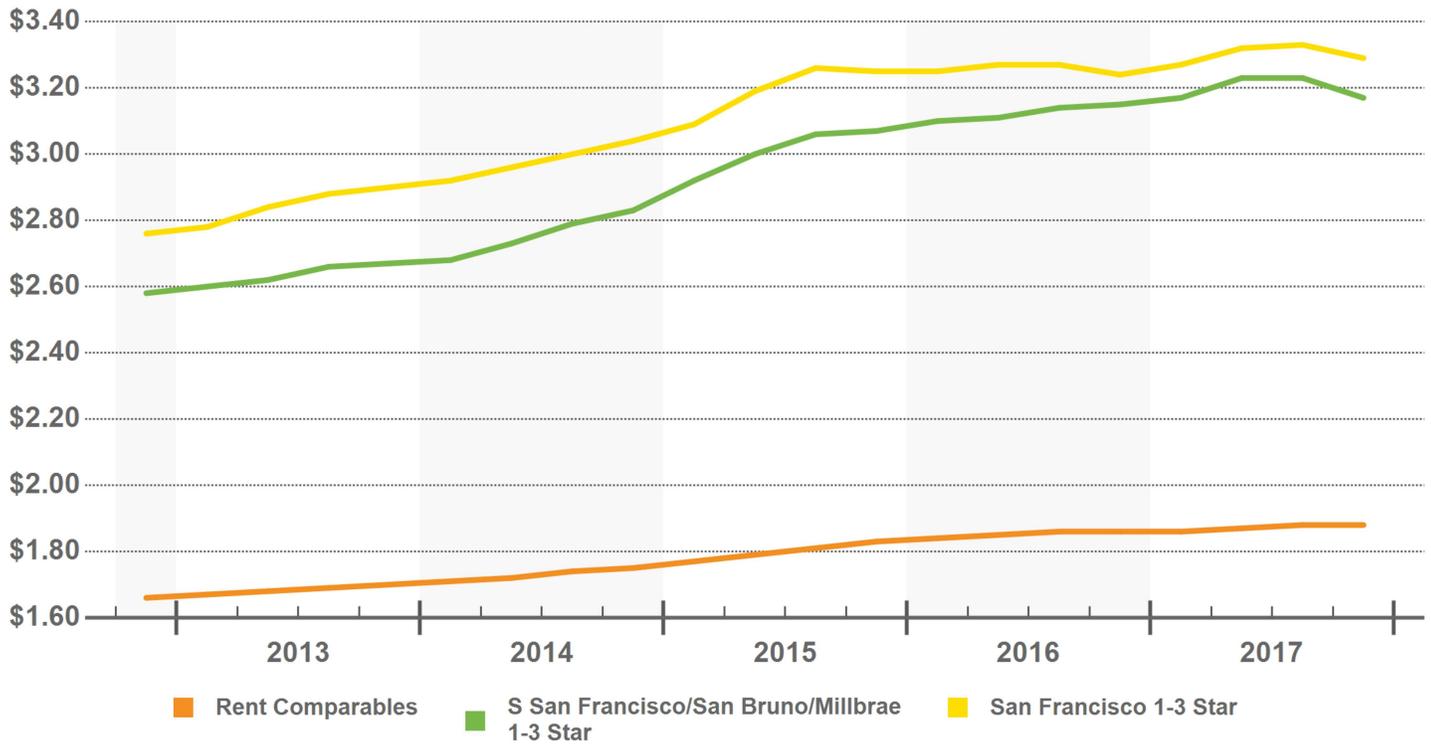


OVERALL ASKING RENT PER SQUARE FOOT

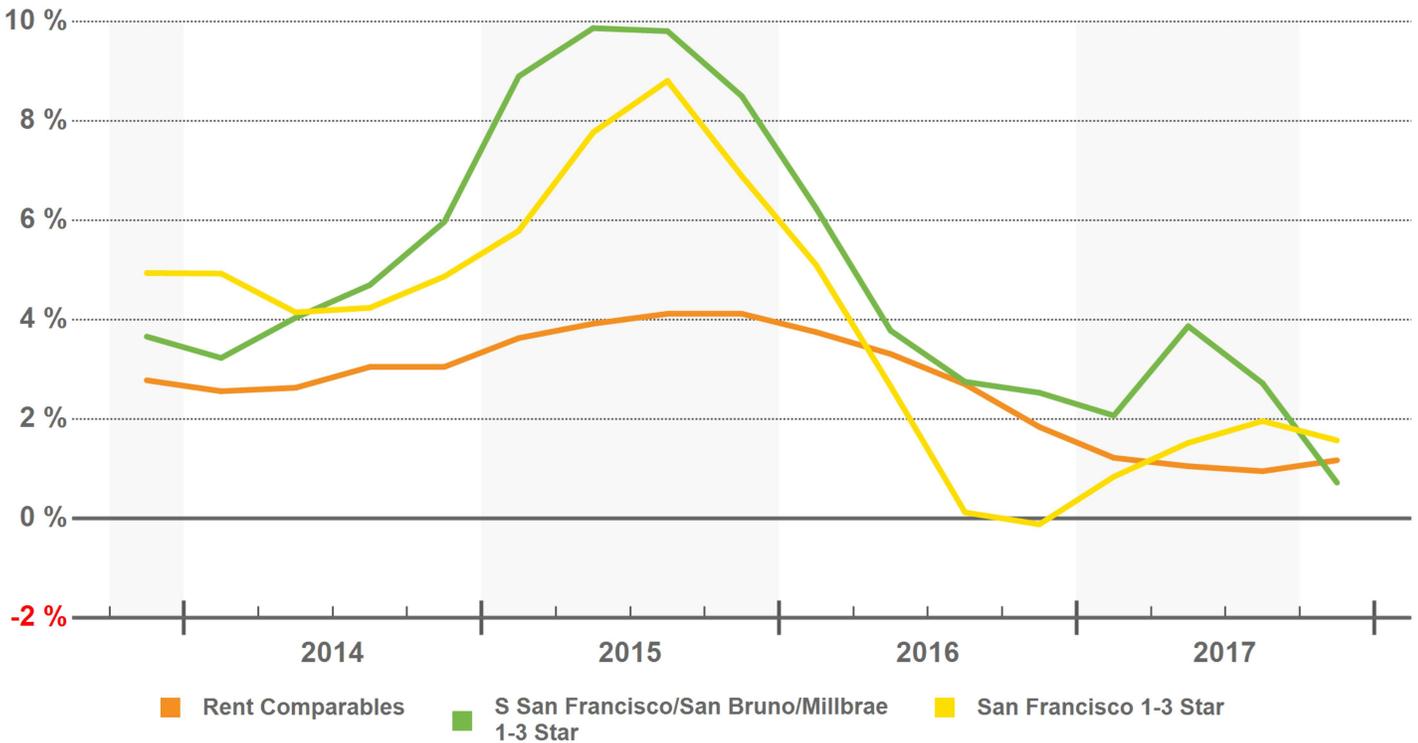


Rent Trends

OVERALL EFFECTIVE RENT PER SQUARE FOOT

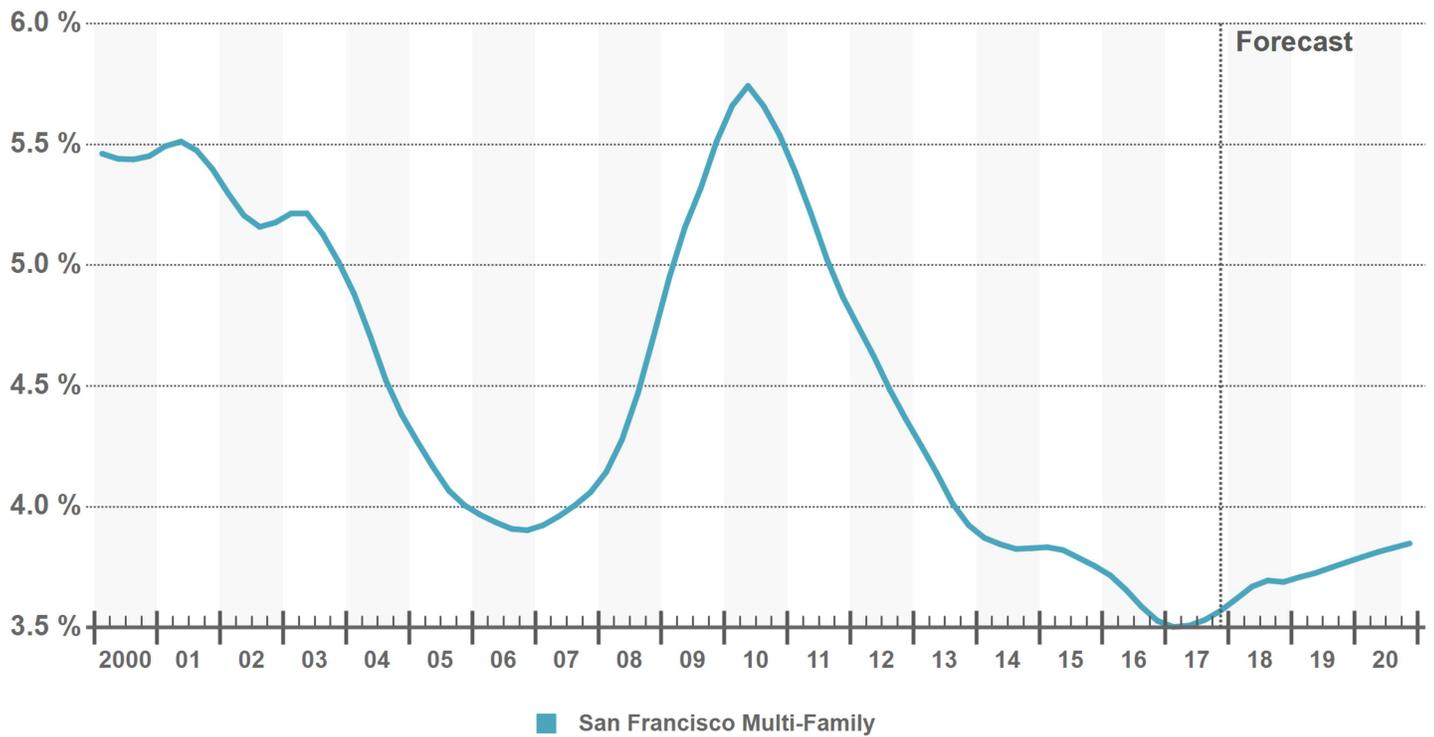


ANNUAL EFFECTIVE RENT GROWTH

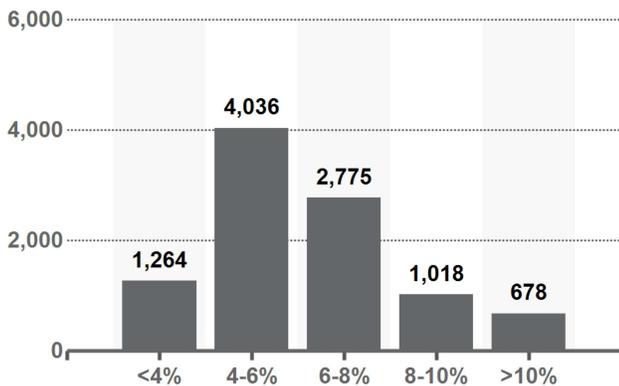


Cap Rates

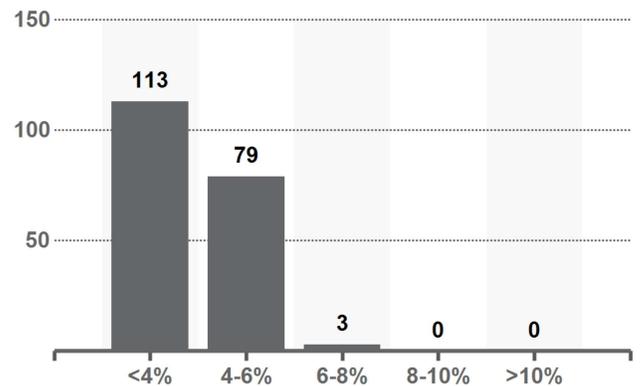
CAP RATE TRENDS



UNITED STATES CAP RATES PAST YEAR



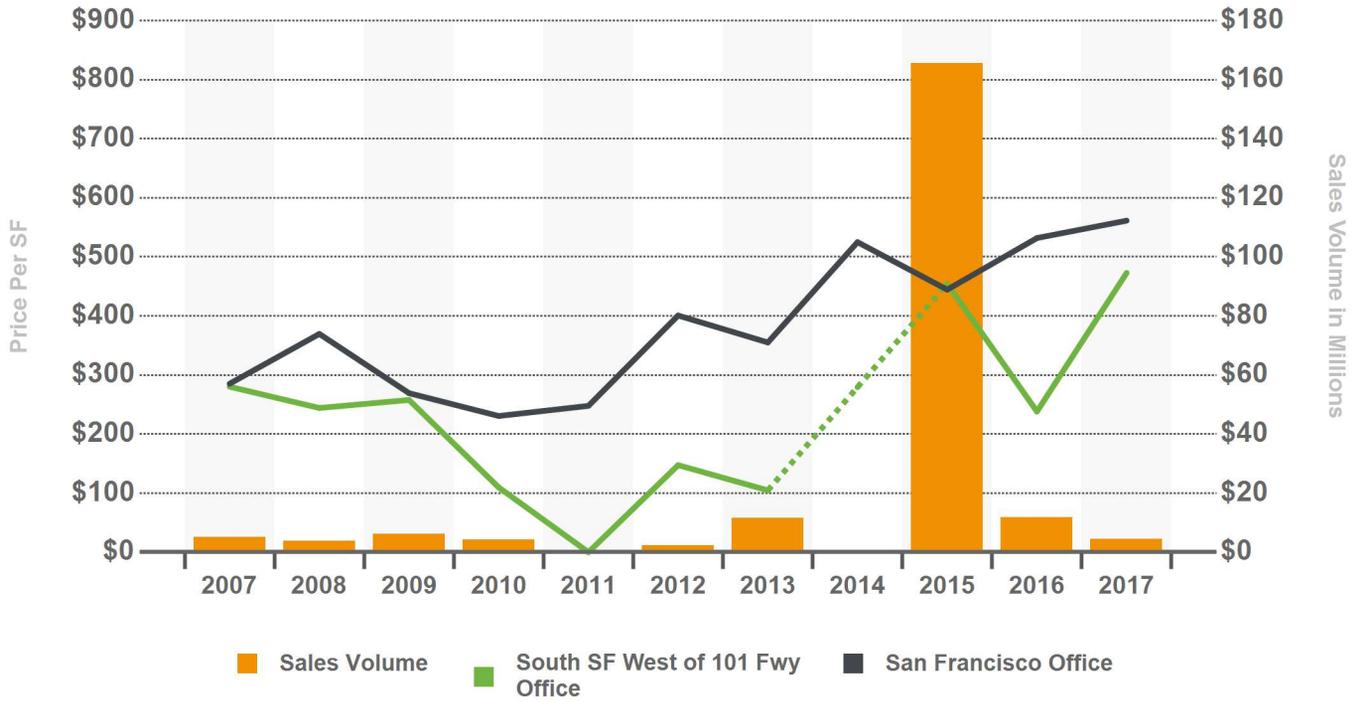
SAN FRANCISCO CAP RATES PAST YEAR



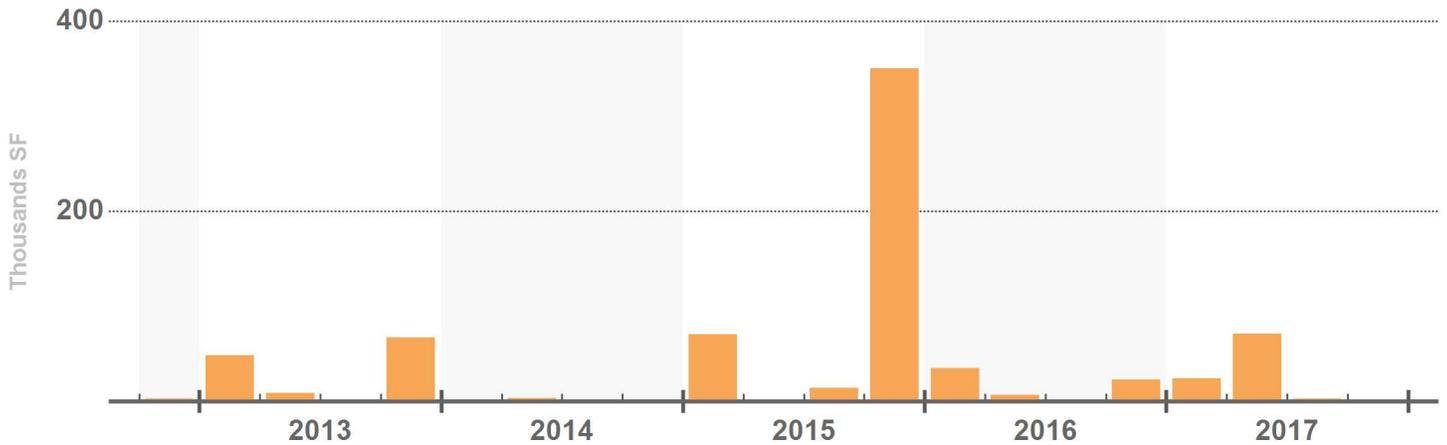
CAP RATE SUMMARY STATISTICS IN PAST YEAR

Geography	Transactions	Low	Bottom 25%	Median	Average	Top 25%	High
United States	9,814	0.6%	3.7%	5.8%	6.1%	9.2%	37.6%
San Francisco	195	0.6%	2.5%	3.7%	3.7%	5.0%	7.9%
S San Francisco/San Bruno...	6	2.1%	2.9%	4.0%	4.2%	5.8%	7.0%
Downtown South San Franci...	1	4.0%	N/A	4.0%	4.0%	N/A	4.0%
Selected Sale Comps	8	2.1%	2.9%	4.8%	4.6%	6.1%	7.0%

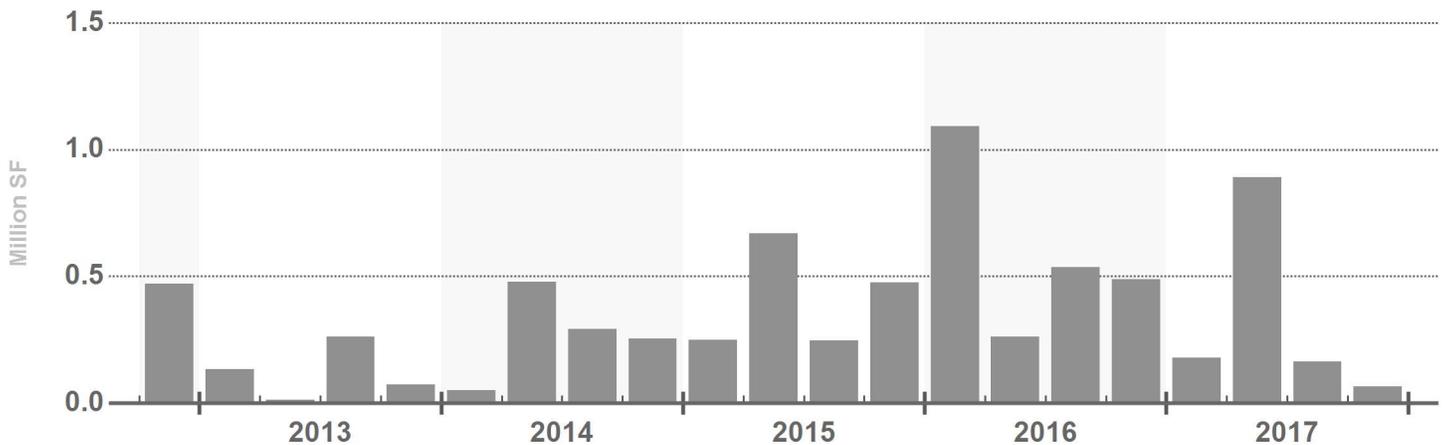
SOUTH SF WEST OF 101 FWY SALES VOLUME & PRICE PER SF



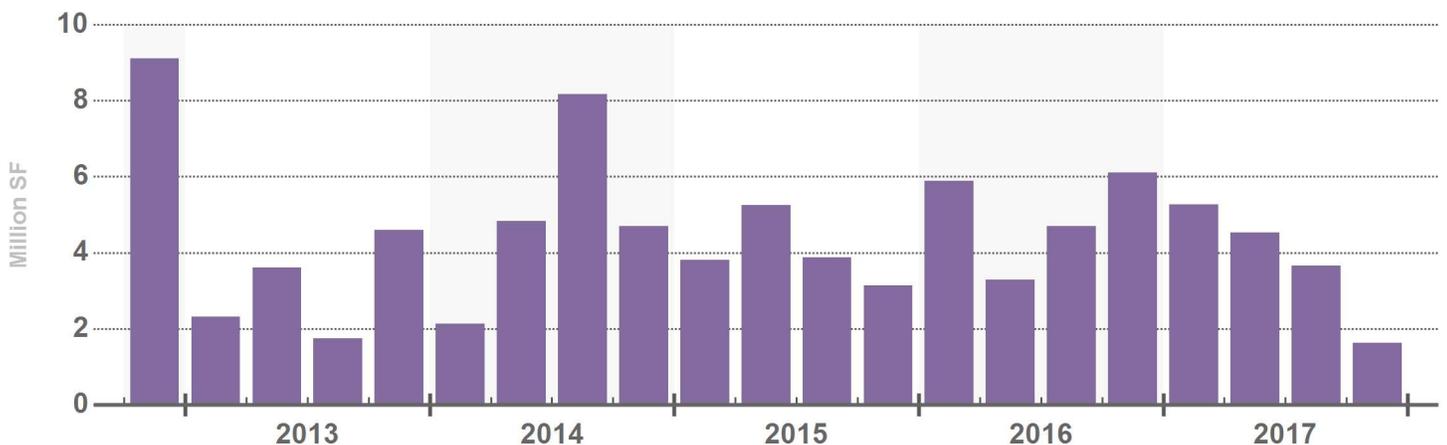
SOUTH SF WEST OF 101 FWY SUBMARKET SALES VOLUME IN SQUARE FEET



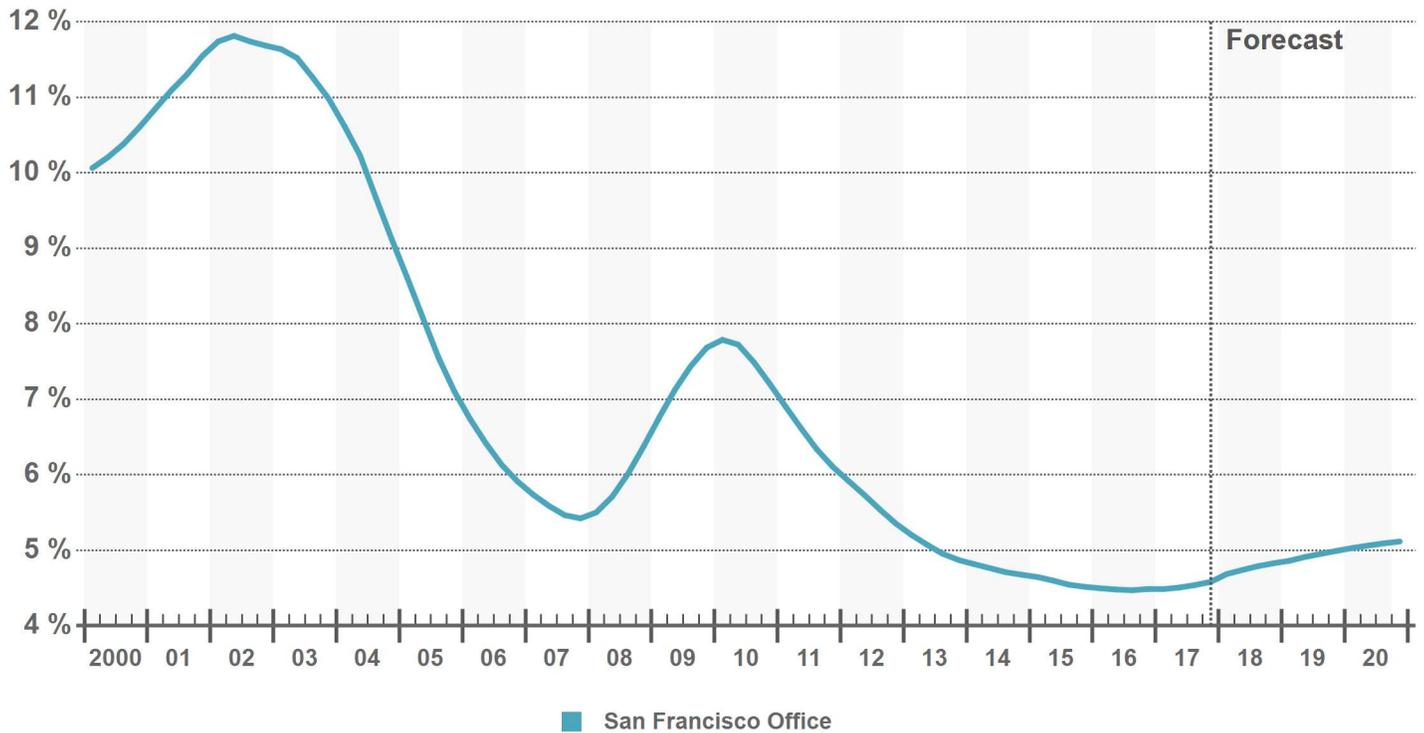
SAN MATEO NORTH COUNTY SUBMARKET CLUSTER SALES VOLUME IN SQUARE FEET



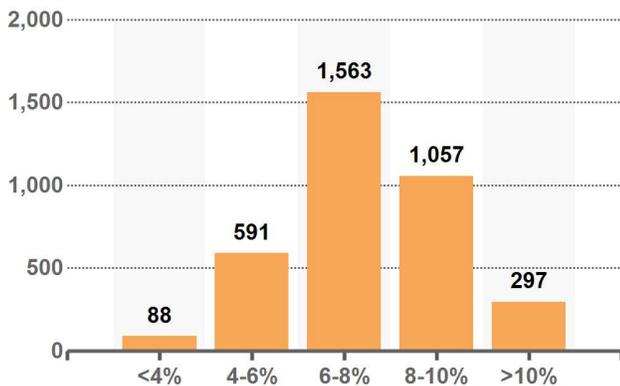
SAN FRANCISCO METRO SALES VOLUME IN SQUARE FEET



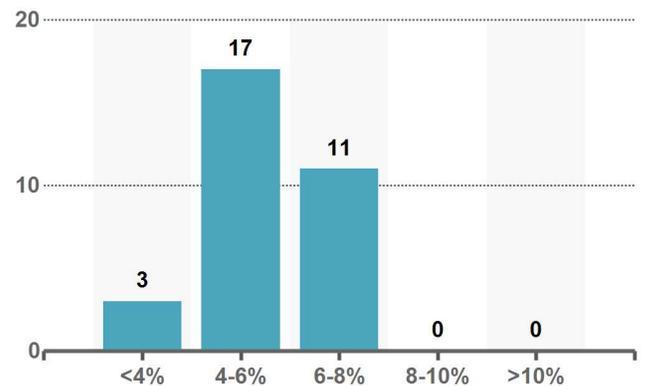
CAP RATE TRENDS



UNITED STATES OFFICE CAP RATES IN PAST YEAR



SAN FRANCISCO OFFICE CAP RATES IN PAST YEAR



CAP RATE SUMMARY OF SALES IN PAST YEAR

Geography	Transactions	Low	Bottom 25%	Median	Average	Top 25%	High
United States	3,619	1.0%	5.1%	7.3%	7.4%	9.8%	24.0%
San Francisco	31	2.4%	3.7%	5.3%	5.2%	6.8%	6.9%
San Mateo North County	2	2.4%	N/A	3.2%	3.2%	N/A	4.0%
South SF West of 101 Fwy	0	-	-	-	-	-	-
Selected Sale Comps	3	2.4%	N/A	3.4%	3.3%	N/A	4.0%

Historical Leasing Data

938 Linden Ave

PEERS HISTORICAL LEASING DATA

Quarter	Available Space			Gross Direct Asking Rent		Demand	
	SF	Availability	Vacancy	Direct	Rent Growth	Net Absorption SF	Leasing SF
QTD	18,210	11.5%	11.3%	\$32.07	-0.6%	(2,654)	0
2017 Q3	15,556	9.8%	9.6%	\$32.27	-3.5%	(4,728)	6,869
2017 Q2	12,428	7.9%	6.6%	\$33.44	-5.4%	(2,476)	4,331
2017 Q1	7,379	4.7%	5.0%	\$35.36	-0.8%	(1,516)	3,736
2016 Q4	6,436	4.1%	4.1%	\$35.65	0.9%	(3,073)	354
2016 Q3	3,363	2.1%	2.1%	\$35.33	4.1%	2,442	3,625
2016 Q2	5,805	3.7%	3.7%	\$33.95	16.3%	(2,189)	2,815
2016 Q1	6,240	3.9%	2.3%	\$29.19	9.2%	3,021	2,985
2015 Q4	8,322	5.3%	4.2%	\$26.73	12.6%	2,015	2,900
2015 Q3	9,852	6.2%	5.5%	\$23.74	13.7%	7,850	15,996
2015 Q2	17,702	11.2%	10.4%	\$20.88	-8.4%	0	0
2015 Q1	17,702	11.2%	10.4%	\$22.80	1.0%	(6,067)	1,409

SOUTH SF WEST OF 101 FWY SUBMARKET HISTORICAL LEASING DATA

Quarter	Available Space			Gross Direct Asking Rent		Demand	
	SF	Availability	Vacancy	Direct	Rent Growth	Net Absorption SF	Leasing SF
QTD	407,100	30.1%	6.1%	\$26.31	-0.8%	42,352	32,355
2017 Q3	469,452	34.8%	10.6%	\$26.52	-7.9%	15,029	34,246
2017 Q2	522,148	38.7%	12.2%	\$28.80	7.8%	17,591	68,402
2017 Q1	519,204	38.4%	14.0%	\$26.71	4.2%	82,297	17,961
2016 Q4	162,111	17.1%	22.7%	\$25.63	-0.2%	9,240	32,587
2016 Q3	165,157	17.4%	23.7%	\$25.68	-37.6%	(33,074)	73,275
2016 Q2	235,263	24.7%	20.2%	\$41.17	3.8%	3,923	9,510
2016 Q1	232,037	24.4%	20.6%	\$39.65	-0.1%	19,696	6,697
2015 Q4	237,296	25.0%	22.7%	\$39.70	2.0%	325	11,395
2015 Q3	251,488	26.5%	22.7%	\$38.92	-2.6%	13,298	15,794
2015 Q2	270,607	28.5%	24.1%	\$39.96	1.0%	(2,288)	9,634
2015 Q1	270,976	28.5%	23.9%	\$39.55	-0.4%	7,661	18,685



Historical Leasing Data

938 Linden Ave

SAN MATEO NORTH COUNTY SUBMARKET CLUSTER HISTORICAL LEASING DATA

Quarter	Available Space			Gross Direct Asking Rent		Demand	
	SF	Availability	Vacancy	Direct	Rent Growth	Net Absorption SF	Leasing SF
QTD	996,692	7.5%	5.8%	\$42.04	0.2%	68,385	189,066
2017 Q3	1,271,560	9.8%	6.3%	\$41.97	0.3%	69,216	222,672
2017 Q2	1,472,441	11.3%	6.9%	\$41.85	0.8%	52,791	201,637
2017 Q1	1,455,888	11.4%	7.3%	\$41.50	0.8%	206,887	116,727
2016 Q4	1,167,933	9.5%	9.0%	\$41.17	0.3%	85,934	186,277
2016 Q3	1,123,226	9.2%	9.7%	\$41.03	-1.1%	112,155	182,444
2016 Q2	1,282,973	10.5%	10.6%	\$41.50	1.2%	270,786	294,422
2016 Q1	1,536,249	12.5%	12.9%	\$41.01	0.8%	(32,147)	706,112
2015 Q4	1,612,696	13.1%	12.6%	\$40.69	1.4%	(48,943)	398,302
2015 Q3	1,681,555	13.7%	12.2%	\$40.12	-0.3%	23,374	355,726
2015 Q2	1,733,082	14.1%	12.4%	\$40.25	1.6%	263,632	166,804
2015 Q1	1,778,604	14.5%	12.9%	\$39.62	3.6%	180,836	222,303

SAN FRANCISCO METRO HISTORICAL LEASING DATA

Quarter	Available Space			Gross Direct Asking Rent		Demand	
	SF	Availability	Vacancy	Direct	Rent Growth	Net Absorption SF	Leasing SF
QTD	18,704,224	10.5%	7.1%	\$60.89	3.4%	464,610	3,163,720
2017 Q3	20,146,707	11.3%	7.0%	\$58.90	-0.8%	(41,179)	3,937,552
2017 Q2	20,523,611	11.6%	6.8%	\$59.36	1.0%	217,217	3,709,070
2017 Q1	20,950,670	11.9%	6.9%	\$58.78	3.6%	(304,986)	3,825,849
2016 Q4	18,663,146	10.7%	6.5%	\$56.73	3.0%	199,250	3,887,259
2016 Q3	18,836,820	10.9%	6.5%	\$55.08	1.9%	444,469	2,735,471
2016 Q2	18,981,986	11.0%	6.5%	\$54.04	1.9%	909,674	3,284,625
2016 Q1	17,986,512	10.5%	6.5%	\$53.02	1.5%	814,788	4,155,445
2015 Q4	16,270,844	9.5%	6.7%	\$52.25	2.0%	628,157	3,691,685
2015 Q3	15,766,580	9.3%	6.2%	\$51.24	2.3%	(107,880)	3,392,595
2015 Q2	16,912,645	10.0%	6.2%	\$50.10	5.4%	1,409,575	4,119,466
2015 Q1	16,530,239	9.8%	6.5%	\$47.52	1.6%	1,076,691	4,298,503



Historical Construction Data

938 Linden Ave

3 MILE RADIUS HISTORICAL DATA

Quarter	Inventory			Deliveries			Under Construction		
	Bldgs	Bldg SF	Vacancy	Bldgs	Bldg SF	Leased	Bldgs	Bldg SF	Preleased
QTD	213	10,252,486	5.4%	0	0	0.0%	5	978,200	61.2%
2017 Q3	213	10,252,486	5.7%	0	0	0.0%	3	762,000	47.5%
2017 Q2	213	10,252,486	6.2%	0	0	0.0%	3	762,000	47.5%
2017 Q1	213	10,252,486	6.5%	0	0	0.0%	2	468,000	14.5%
2016 Q4	213	10,252,486	8.4%	0	0	0.0%	0	0	0.0%
2016 Q3	213	10,252,486	9.0%	0	0	0.0%	0	0	0.0%
2016 Q2	213	10,252,486	9.9%	0	0	0.0%	0	0	0.0%
2016 Q1	213	10,252,486	12.5%	0	0	0.0%	0	0	0.0%
2015 Q4	213	10,252,486	12.2%	0	0	0.0%	0	0	0.0%
2015 Q3	213	10,252,486	11.9%	0	0	0.0%	0	0	0.0%
2015 Q2	213	10,252,486	12.7%	1	225,000	100%	0	0	0.0%
2015 Q1	212	10,027,486	13.2%	0	0	0.0%	1	225,000	100%

SOUTH SF WEST OF 101 FWY SUBMARKET HISTORICAL DATA

Quarter	Inventory			Deliveries			Under Construction		
	Bldgs	Bldg SF	Vacancy	Bldgs	Bldg SF	Leased	Bldgs	Bldg SF	Preleased
QTD	75	950,754	6.1%	0	0	0.0%	1	400,000	5.0%
2017 Q3	75	950,754	10.6%	0	0	0.0%	1	400,000	0.0%
2017 Q2	75	950,754	12.2%	0	0	0.0%	1	400,000	0.0%
2017 Q1	75	950,754	14.0%	0	0	0.0%	1	400,000	0.0%
2016 Q4	75	950,754	22.7%	0	0	0.0%	0	0	0.0%
2016 Q3	75	950,754	23.7%	0	0	0.0%	0	0	0.0%
2016 Q2	75	950,754	20.2%	0	0	0.0%	0	0	0.0%
2016 Q1	75	950,754	20.6%	0	0	0.0%	0	0	0.0%
2015 Q4	75	950,754	22.7%	0	0	0.0%	0	0	0.0%
2015 Q3	75	950,754	22.7%	0	0	0.0%	0	0	0.0%
2015 Q2	75	950,754	24.1%	0	0	0.0%	0	0	0.0%
2015 Q1	75	950,754	23.9%	0	0	0.0%	0	0	0.0%



Historical Construction Data

938 Linden Ave

SAN MATEO NORTH COUNTY CLUSTER HISTORICAL DATA

Quarter	Inventory			Deliveries			Under Construction		
	Bldgs	Bldg SF	Vacancy	Bldgs	Bldg SF	Leased	Bldgs	Bldg SF	Preleased
QTD	353	12,264,569	5.8%	0	0	0.0%	5	978,200	61.2%
2017 Q3	353	12,264,569	6.3%	0	0	0.0%	3	762,000	47.5%
2017 Q2	353	12,264,569	6.9%	0	0	0.0%	3	762,000	47.5%
2017 Q1	353	12,264,569	7.3%	0	0	0.0%	2	468,000	14.5%
2016 Q4	353	12,264,569	9.0%	0	0	0.0%	0	0	0.0%
2016 Q3	353	12,264,569	9.7%	0	0	0.0%	0	0	0.0%
2016 Q2	353	12,264,569	10.6%	0	0	0.0%	0	0	0.0%
2016 Q1	353	12,264,569	12.9%	0	0	0.0%	0	0	0.0%
2015 Q4	353	12,264,569	12.6%	0	0	0.0%	0	0	0.0%
2015 Q3	353	12,264,569	12.2%	0	0	0.0%	0	0	0.0%
2015 Q2	353	12,264,569	12.4%	1	225,000	100%	0	0	0.0%
2015 Q1	352	12,039,569	12.9%	0	0	0.0%	1	225,000	100%

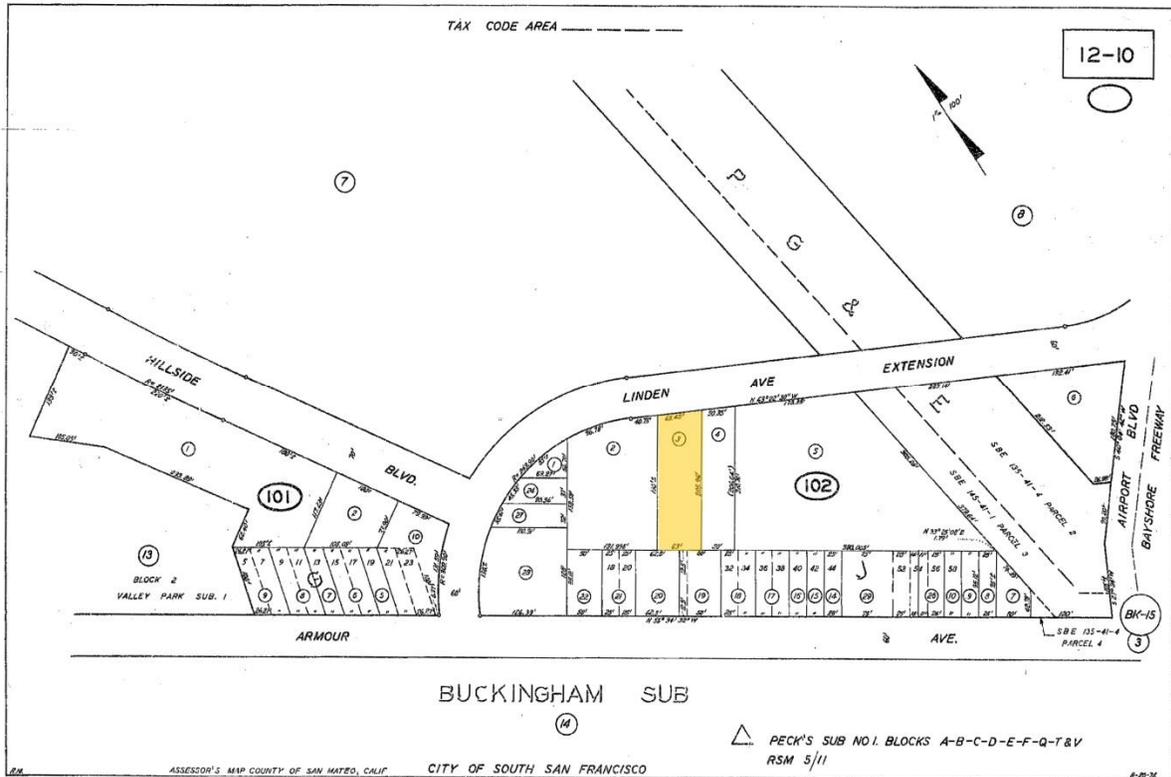
SAN FRANCISCO METRO HISTORICAL DATA

Quarter	Inventory			Deliveries			Under Construction		
	Bldgs	Bldg SF	Vacancy	Bldgs	Bldg SF	Leased	Bldgs	Bldg SF	Preleased
QTD	3,906	168,681,852	7.1%	3	701,000	71.2%	39	10,253,093	62.7%
2017 Q3	3,903	167,980,852	7.0%	2	275,922	80.8%	33	9,563,787	52.5%
2017 Q2	3,901	167,704,930	6.8%	1	107,072	100%	31	9,206,766	43.8%
2017 Q1	3,902	167,736,018	7.0%	2	305,673	37.0%	29	8,596,735	41.1%
2016 Q4	3,904	167,551,301	6.6%	3	350,005	38.8%	22	6,366,127	47.0%
2016 Q3	3,903	167,206,996	6.5%	4	335,208	82.8%	19	5,760,768	44.4%
2016 Q2	3,900	166,888,788	6.6%	4	1,026,540	86.2%	19	5,311,362	34.7%
2016 Q1	3,900	165,966,337	6.6%	2	480,000	100%	20	5,434,444	48.4%
2015 Q4	3,900	165,558,508	6.9%	6	1,556,955	98.8%	22	5,914,444	63.5%
2015 Q3	3,897	164,051,919	6.4%	1	7,521	100%	25	6,597,153	67.6%
2015 Q2	3,898	164,050,298	6.3%	4	960,569	51.3%	23	6,225,597	62.6%
2015 Q1	3,900	163,139,464	6.6%	1	13,200	100%	21	6,465,136	66.1%



DESCRIPTION OF THE SUBJECT

The following description of the subject is based on my property inspection, public record data, and information provided by the client.



DESCRIPTION OF THE SITE

- Location: The appraised property contains 12,937 square feet (0.297 acres) and sits along the south side of Linden Avenue within the City of South San Francisco.
- Existing/Former Use: Office/Vacant
- APN: 012-102-030
- Site Size: 12,937 square feet (0.297 acres)
- Shape: The development site has a roughly rectangular shape
- Visibility: Average
- Topography: Basically level
- Utilities: Utility connections at the street include electric, gas, water, sewer, telephone lines, and cable lines.
- Site Improvements: Vacant office building

Flood Zone: According to the Federal Emergency Management Agency's community flood map number 06081C/0041 E (dated October 16, 2012), the subject property lies within flood zone X. Flood insurance is not required for structures that are located within flood zone X.

Hazardous Materials: A wide range of hazardous materials can affect sites. Toxic or hazardous materials may include items such as molds; spores; fungi; petroleum-based products; paints and solvents; lead; cyanide; DDT; printing inks; acids; pesticides; ammonium compounds; PCBs and other chemical products present in metals; minerals; chemicals; hydrocarbons; and biological or radioactive materials in the soil, buildings or building components, in above ground or underground storage tanks. According to documents provided to me by the City of South San Francisco, PIERS Environmental Services conducted a Phase I environmental assessment for the subject in March of 2009. The assessment revealed no evidence of recognized environmental conditions ("RECs") in connection with the prior use of the subject property.

However, one recognized environmental condition was identified and consists of significantly elevated concentrations of petroleum hydrocarbons in the shallow groundwater and capillary fringe soils beneath the subject property that are presumed to have originated from a former service station at 900 Linden Avenue, a closed leaking underground storage tank ("LUST") case. The concentration of petroleum hydrocarbons beneath the building poses a potential risk of volatilization to indoor air. In June 2017, EKI Environment and Water evaluated the environmental conditions associated with the subject. EKI's evaluation did not indicate the presence of RECs on the subject property due to historical on-site operations. However, the evaluation found that the subject property is located within the lateral extents of the chlorinated volatile organic compound and Stoddard solvent plumes originating in the upgradient neighboring property located at nearby 930 Linden Avenue. Shallow groundwater within this plume contains elevated concentrations of petroleum hydrocarbons that may extend to the subject property. Furthermore, consultants for the 930 Linden Avenue property have also identified upgradient closed LUST cleanup sites at nearby 900 and 905 Linden Avenue as contributing to groundwater contamination in the vicinity. The use of the following extraordinary assumptions might have affected the

assignment results. First, the cost budget for the proposed remediation will be provided by EKI Environment and Water. According to Ms. Deepa Gandhi of EKI, the cost of the remediation from start to finish is estimated at \$440,000 assuming the development project has a subterranean parking garage, ground floor commercial uses, and upper floor residential uses. Parties wishing to obtain more information regarding the subject's remediation costs are strongly encouraged to contact Ms. Deepa Gandhi at EKI. For the purposes of appraising the subject site for its development potential, I have based my value conclusion upon the extraordinary assumption that the remediation work would be completed based upon the budget provided by Ms. Deepa Gandhi at EKI. If the actual remediation costs were different from the budget provided, there could be an effect on value. Second, I have not reviewed a title report for the subject property. Therefore, I may not have complete information regarding easements, encroachments, and/or other encumbrances of record. I have based my value conclusion upon the extraordinary assumption that there are no easements, encroachments, liens, private restrictions, judgments, or other matters of record that deleteriously affect the marketability and/or market value of the subject property.

Recorded Encumbrances and Easements:

I have not reviewed a title report for the subject property. Therefore, I may not have complete information regarding easements, encroachments, and/or other encumbrances of record. I have based my value conclusion upon the extraordinary assumption that there are no easements, encroachments, liens, private restrictions, judgments, or other matters of record that deleteriously affect the marketability and/or market value of the subject property.

Zoning:

The subject's DMX district (Downtown Mixed-Use) is intended to provide for a mix of residential development, retail, and office uses as well as hotels and other commercial uses oriented toward a more regional market. The maximum base FAR is 150%; the maximum building height is 50 feet; and the maximum density is 40 units per acre (12 units based upon subject's parcel size). This district conforms to the Downtown Mixed Use area designated in the General Plan.

Surrounding Uses:

The subject is surrounded by office and light industrial uses to the north, east, and west. To the south of the subject is a residential neighborhood with low-density apartment buildings.

DESCRIPTION OF THE EXISTING IMPROVEMENTS

Construction:	Concrete block
Foundation:	Concrete slab
Total Rentable Area:	3,720 square feet
FAR:	29%
Census Tract:	6021.00
Map Page/Grid:	707/J2
Condition/Quality:	Fair to average
Exterior Walls:	Painted concrete block
Lighting:	Suspended fluorescent, pendant, canned, track, and flush mounted fluorescent
Windows:	Wood and vinyl
Roof:	Not inspected
Skylights:	Five skylights
Exterior Entry Doors:	Wood
Interior Doors:	Wood
Flooring:	Concrete and hardwood
Interior Walls:	Painted drywall and painted concrete
Ceiling:	Wood beam and painted drywall
Ceiling Height:	7½ to 21 feet
Heating:	Central forced heat
Cooling:	None
Electrical:	Master meter

Gas:	Master meter
Hot Water:	Master hot water heater
Fire Sprinklers:	No
Potable Water:	Master meter
Elevator:	No
Life Safety System:	Yes
Restrooms:	The subject property has one restroom.
On-Site Parking:	The property has 19 on-site parking spaces (one space per 196 square feet of building area).
Truck Doors:	One grade-level truck door

**Assessment and Taxes
2017-2018
APN: 012-102-030**

Land Value	\$0
Improvements Value	\$0
Total Value	\$0
Tax Rate	1.0601%
Special/Direct Assessments	\$0
Total Taxes	\$0



VIEW OF SUBJECT (FRONT)



VIEW OF SUBJECT (REAR)



VIEW OF SUBJECT (SIDE)



VIEW OF SUBJECT INTERIOR IMPROVEMENTS



VIEW OF SUBJECT INTERIOR IMPROVEMENTS



VIEW OF SUBJECT INTERIOR IMPROVEMENTS



VIEW OF SUBJECT INTERIOR IMPROVEMENTS



VIEW OF SUBJECT INTERIOR IMPROVEMENTS



VIEW OF SUBJECT INTERIOR IMPROVEMENTS



VIEW OF SUBJECT INTERIOR IMPROVEMENTS (SECOND FLOOR)



LOOKING WEST ALONG LINDEN AVENUE



LOOKING EAST ALONG LINDEN AVENUE

Highest and Best Use as Vacant

The subject site currently is improved with a vacant building that contains 3,720 square feet that was formerly owner-occupied as an office. Implicit in a market value appraisal is the assumption that the subject property would sell on the open market for a price consistent with its highest and best use. We must determine the highest and best use of the subject site in order to (1) define the criteria for selecting comparable land sales and (2) form the basis for a determination of obsolescence, if any, affecting the property. The highest and best use must be (1) physically possible, (2) legally permissible, (3) financially feasible, and (4) maximally productive.

Physically Possible

The appraised property contains 12,937 square feet (0.297 acres) and has average frontage and visibility from Linden Avenue. The site is nearly level and at grade with the fronting street. All necessary utilities are available. **According to Ms. Deepa Gandhi of EKI, the cost to remediate the site is estimated at \$440,000 assuming a proposed development project has a subterranean parking garage, ground floor commercial uses, and upper floor residential uses.** Once the remediation is completed, it is assumed that a development project could be constructed.

Legally Permissible

Deed restrictions, encumbrances, zoning codes, and laws affect legally permissible uses. The subject's DMX district (Downtown Mixed-Use) is intended to provide for a mix of residential development, retail, and office uses as well as hotels and other commercial uses oriented toward a more regional market. The maximum base FAR is 150%; the maximum building height is 50 feet; and the maximum density is 40 units per acre (12 units based upon subject's parcel size). This district conforms to the Downtown Mixed Use area designated in the General Plan.

Financially Feasible

The third test of highest and best use is the financial feasibility of the physically possible and legal alternatives. The use must provide a positive cash flow and adequate return to the land over a normal investment holding period. The subject site has no entitlements in place. However, the allowed uses under zoning, namely residential, retail, and office are considered to be financially feasible.

As previously mentioned, however, the cost to remediate the site is estimated at \$440,000 assuming a proposed development project has a subterranean parking garage, ground floor commercial uses, and upper floor residential uses.

Maximally Productive

The maximally productive use of a site is that which provides either (1) the highest rate of return or (2) the highest land value, given a constant rate of return. The subject's planned development permit and the accompanying zoning change identify the allowed use of the site. **The highest and best use of the property as vacant** would be to remediate the site in

accordance with the \$440,000 budget proposal provided by Ms. Deepa Gandhi of EKI and construct a mixed-use project.

Highest and Best Use as Improved

Highest and best use may be defined as the reasonably probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

Legally Permissible: What uses are permitted by zoning and other legal restrictions?

Physically Possible: To what use is the site physically adaptable?

Financially Feasible: Which possible and permissible use will produce any net return to the owner of the site?

Maximally Productive. Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)?

In determining the subject's highest and best use as improved, we must analyze the current use of the subject improvements and the estimated property value with regard to (1) the possible demolition of the improvements, allowing development of the site with an alternate use, (2) the potential expansion, conversion, or alteration of the existing use, and (3) continuing the current use. In essence, the highest and best use is that which produces the highest value while being legally permissible and physically possible.

Demolition

The subject improvements exhibit fair to average condition. As of the date of value, the subject property was 100% vacant. The improvements retain a considerable remaining expected physical life. Demolishing the existing improvements clearly would not represent the highest and best use of the property given that any new development would require remediation costs.

Expansion

According to the zoning code, the maximum coverage ratio is 50%. Although the subject improvements fall below that requirement, any substantial expansion would likely require remediation expenses. Therefore, expansion is not an option.

Conversion

At present, the subject is a one-story office property. Given the present configuration and build-out of the interior of the building, the uses with the highest rent potential include office space. Therefore, continuing to utilize the building for office uses is the most financial feasible option due in large part to the fact that I was told by the client that no remediation is needed if the property is occupied in its existing condition as an office building without conversion or expansion. However, it's possible that the interior could be renovated with a tenant

improvement allowance as long as building permits are procured to complete any needed improvements.

Alteration

Alteration of the improvements is possible and necessary given that the building has been vacant for several years. As will be calculated later in this report, a tenant improvement budget of about \$40/SF will be forecasted.

Conclusion

The existing development consists of a one-story office property that has been vacant for several years and exhibits fair to average condition. However, the improvements contribute significant value to the property. Evident demand exists for the project, as shown by the neighboring uses. The existing improvements still have a considerable remaining physical and economic life. Given the present configuration and build-out of the interior of the building, the uses with the highest rent potential include office space. Continuing to utilize the building for office uses is considered the highest and best uses as improved.

As previously mentioned, I was told by the client that no remediation is needed if the property is occupied in its existing condition as an office building without expansion or conversion. However, it's possible that the interior could be renovated with a tenant improvement allowance as long as building permits are procured.

VALUATION METHODOLOGY

Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Cost Approach

The Cost Approach is summarized as follows:

Cost New
- Depreciation
+ Land Value
= Value

Income Approach

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through direct capitalization and or a discounting process. This appraisal will employ the direct capitalization process.

Sales Comparison Approach

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of values for the subject. By process of correlation and analysis, a final indicated value is derived.

Valuations Employed in Analysis

In this report, we will utilize the Income and Sales approaches to value. The Cost Approach will be omitted from the report. The Cost Approach has been omitted from this report because potential buyers are unlikely to use a similar methodology. Typically, the methodology represents the least reliable and least relevant technique for valuing the subject because the structure has been the subject of depreciation, the quantification of which is subjective. Furthermore, there have been few recent land sales in the area from which a land value estimate could be derived.

Application to the Subject Property

The purpose of this report is four-fold. First, I will estimate the hypothetical market value of a fee simple interest in the subject property upon completion of any remediation required to develop the site to its highest and best use. Second, I will estimate the as-is market value of a fee simple interest in the subject property. That value estimate necessitates the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the remediation of the site in order that it could be developed to its highest and best use,

namely a mixed-use development project with residential and commercial uses. The cost budget for the proposed remediation will be provided by EKI Environment and Water.

Third, I will estimate the hypothetical market value of a fee simple interest in the subject property as an office building upon completion of any tenant improvements. The former use of the subject improvements was an office building occupied by an owner-user. Fourth, I will estimate the as-is market value of a fee simple interest in the subject property as an office property. That value estimate necessitates the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the completion of any tenant improvements needed to occupy the property for office uses.

THE SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

I initially searched for mixed-use land sale comparables in South San Francisco that had a similar development potential. I found two development site sales in South San Francisco. Given the lack of recent land sales in South San Francisco with similar development potential as the subject, I expanded my search to include one sale in Redwood City (east of Woodside Road and south of Highway 101) and one sale in Menlo Park (north of Highway 101).

The information collected on the sale transactions serves two primary functions. First, the data compiled in the Sales Comparison Approach will be utilized to derive an independent indication of value per unit for the subject property. Salient facts pertaining to these comparison projects will be presented on the succeeding pages, to be followed by a comparative analysis and conclusion of market value for the subject property.



SALE #1



SALE #2

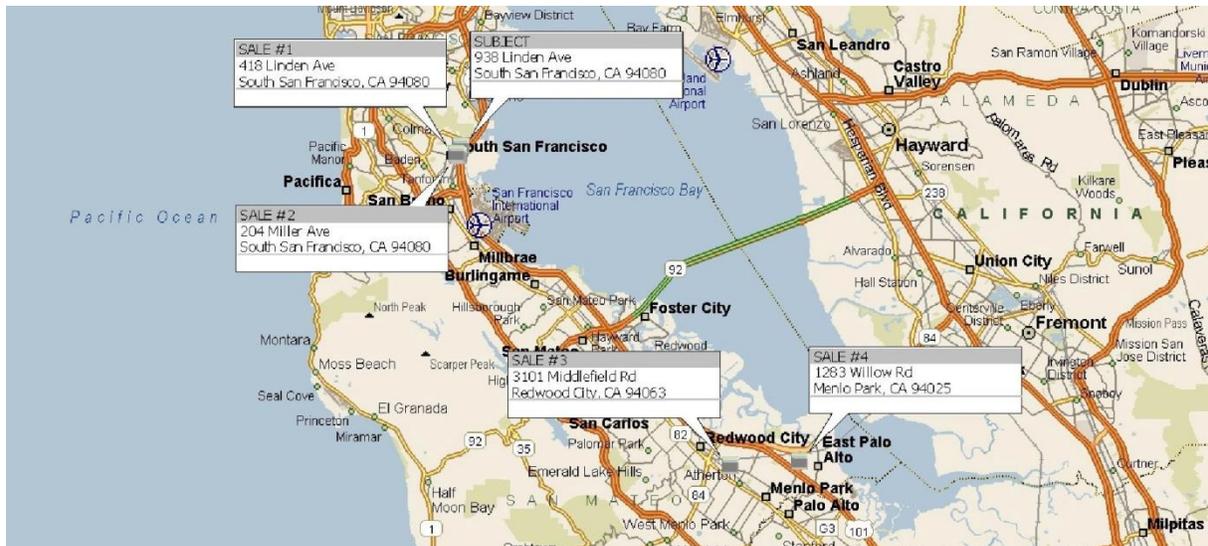


SALE #3



SALE #4

Comp #	1	2	3	4
Address	418 Linden/201 Grand	204 Miller Avenue	3101 Middlefield Road	1283 Willow Road
Date of Sale	9/15/17	5/17/16	3/31/17	6/30/16
Price	\$1,700,000	\$1,000,000	\$1,100,000	\$2,650,000
Days on Market	Not on open market	43	263	58
City	South San Francisco	South San Francisco	Redwood City	Menlo Park
Lot Size (SF)	20,099	7,000	12,179	17,424
Lot Size (Acres)	0.461	0.161	0.280	0.400
Existing Improvements	Yes	Yes	Yes	No
Demolition Costs	Yes	Yes	Yes	No
Zoning	DTC/GAC	DTC	MU	C-2-B
Permitted Zoning Uses	Mixed-Use	Mixed-Use	Mixed-Use	Mixed-Use
Proposed Unit Types	Residential/Commercial	Residential/Commercial	Residential/Commercial	Residential/Commercial
Potential Units	84	16	17	24
Parking	On-site	On-site	On-site	On-site
Residential Density	182 units per acre	100 units per acre	60 units per acre	60 units per acre
Entitlements/Approvals	Yes	No	No	No
Sale Price/Unit	\$20,238	\$62,500	\$64,706	\$110,417
Sale Price/SF	\$84.58	\$142.86	\$90.32	\$152.09
Qualitative Adjustments				
Location	Similar	Similar	Superior	Superior
Market Conditions	Similar	Inferior	Similar	Inferior
Lot Size	Inferior	Superior	Similar	Similar
Zoning	Similar	Similar	Similar	Similar
Affordable Requirements	Similar	Similar	Similar	Similar
Density	Inferior	Inferior	Inferior	Inferior
Entitlements/Approvals	Superior	Similar	Similar	Similar
Demolition/SF	Similar	Similar	Similar	Superior
Lot Utility/Shape	Similar	Similar	Similar	Similar
Overall Rating	Inferior	Sl. Inferior	Similar	Superior



Analysis of the Comparables

Sale #1 (418 Linden/208 Grand Avenue, South San Francisco) represents two separate parcels that total 20,099 square feet or 0.461 acres. At the time of the sale, the properties were used for public parking. The sale price amounted to \$1,700,000, or \$20,238/unit. At the time of the sale, the site was approved for the development of 84 residential apartment units. However, in return for building 20% affordable housing, the seller (The City of South San Francisco) provided a \$500,000 credit off the original asking price of \$2,200,000. The property was not on the open market. Reportedly, the buyer contacted the City of South San Francisco and a contract was executed between the two parties. No unusual conditions reportedly affected the transfer and the sale appears to represent an arm's length transaction.

The sale closed escrow in September of 2017. Given that prices and rents have been stable in the interim, no adjustment is needed. At 20,099 square feet of land area, sale #1 is larger in size relative to the subject (12,937 square feet). Therefore, an upward adjustment is required for larger scale. Like the subject, sale #1 is located in South San Francisco. Therefore, no adjustment is needed.

The sale sites have been approved for a total of 84 units. That results in a density of 182 units per acre. Assuming that the subject could be developed with 12 residential units based on an allowable density of 40 units per acre, a positive correction is required. Unlike the subject, sale #1 was purchased with entitlements in place. Therefore, a negative correction is in order. Like to the subject, sale #1 was partially improved with a structure at the time of sale. No adjustment is needed. In terms of lot shape/utility, sale #1 is similar to the subject.

Sale #2 (204 Miller Avenue, South San Francisco) represents a 7,000 square foot parcel (0.161 acres) that is improved with a 750 square-foot structure. At the time of the sale, the property was improved with a vacant building. The sale price amounted to \$1,000,000, or

\$62,500/unit. The property was on open market for 43 days. Reportedly, no unusual conditions reportedly affected the transfer and the sale appears to represent an arm's length transaction.

The sale closed escrow in May of 2016. Given that prices and rents have increased in the interim, an upward adjustment is needed. At 7,000 square feet of land area, sale #2 is smaller in size relative to the subject (12,937 square feet). On the other hand, the size difference would have a nominal effect on the price per square foot of land area. Therefore, no adjustment is required. Like the subject, sale #2 is located in South San Francisco. Therefore, no adjustment is needed.

According to the DTC zoning code, the sale site has a maximum density of 100 units per acre, or 16 units. Therefore, a positive adjustment is needed for density. Like the subject, sale #2 was purchased without entitlements. Therefore, no adjustment is needed. Like the subject, sale #2 was improved with a structure at the time of sale. No adjustment is needed. In terms of lot shape/utility, sale #2 is similar to the subject.

Sale #3 (3101 Middlefield Road, Redwood City) represents two separate parcels that total 12,179 square feet or 0.280 acres. At the time of the sale, the property was improved with an older mixed-use building and a small apartment building. The sale price amounted to \$1,100,000, or \$64,706/unit. The property was on the market for 263 days. No unusual conditions reportedly affected the transfer and the sale appears to represent an arm's length transaction.

The sale closed escrow in March of 2017. Given that prices and rents have been stable in the interim, no adjustment is needed. At 12,179 square feet of land area, sale #3 is similar in size relative to the subject (12,937 square feet). Therefore, no adjustment is needed. Sale #3 is located along the 3100 block of Middlefield Road in Redwood City. Prices and rents in the general area of sale #3 are superior to those of South San Francisco. Therefore, an upward adjustment is needed.

The MU zoning code has a density maximum of 60 units per acre. Therefore, a positive correction for density is required. Like the subject, sale #3 was purchased without entitlements in place. Therefore, no adjustment is needed. Like the subject, sale #3 was improved with a structure at the time of sale. Therefore, no adjustment is needed. In terms of lot shape/utility, sale #3 is similar to the subject.

Sale #4 (1283 Willow Road, Menlo Park) represents one parcel that contains 17,424 square feet or 0.40 acres. At the time of the sale, the property was unimproved with any structures. The sale price amounted to \$2,650,000, or \$110,417/unit. The property was on the market for 58 days. No unusual conditions reportedly affected the transfer and the sale appears to represent an arm's length transaction.

The sale closed escrow in June of 2016. Given that prices and rents have increased in the interim, an upward adjustment is needed. At 17,424 square feet of land area, sale #4 is larger in size relative to the subject (12,937 square feet). However, the size difference would

have a nominal effect on the price per square foot. Therefore, no adjustment is needed. Sale #4 is located in Menlo Park. Prices and rents in the general area of sale #4 exceed those of San Bruno. Therefore, a negative adjustment is needed.

The C2B zoning code has a density maximum of 60 units per acre. Therefore, a positive correction for density is required. Like the subject, sale #4 was purchased without entitlements in place. Therefore, no adjustment is needed. Unlike the subject, sale #4 was unimproved with any structures at the time of sale. Therefore, a negative correction is needed. In terms of lot shape/utility, sale #4 is similar to the subject.

Adjustment Process

The sales will be adjusted based on their prices per square foot. All of the properties exhibit significant differences relative to the appraised property. Adjustments are needed to account for the estimated effects of the differences. An adjustment grid is presented on the following page.

Comp #	1	2	3	4
Address	418 Linden/201 Grand	204 Miller Avenue	3101 Middlefield Road	1283 Willow Road
City	South San Francisco	South San Francisco	Redwood City	Menlo Park
Sale Price	\$1,700,000	\$1,000,000	\$1,100,000	\$2,650,000
Land Area (SF)	20,099	7,000	12,179	17,424
Land Area (Acres)	0.461	0.161	0.280	0.400
Residential Density	182 units per acre	100 units per acre	60 units per acre	60 units per acre
Potential Units	84	16	17	24
Entitlements/Approvals	Yes	No	No	No
Sale Date	9/15/17	5/17/16	3/31/17	6/30/16
Existing Improvements	Yes	Yes	Yes	No
Price/Unit	\$20,238	\$62,500	\$64,706	\$110,417
Property Right Conveyed	0%	0%	0%	0%
Adjustment	\$20,238	\$62,500	\$64,706	\$110,417
Financing	0%	0%	0%	0%
Adjustment	\$20,238	\$62,500	\$64,706	\$110,417
Conditions of Sale	0%	0%	0%	0%
Adjustment	\$20,238	\$62,500	\$64,706	\$110,417
Expenditures	0%	0%	0%	0%
Adjustment	\$20,238	\$62,500	\$64,706	\$110,417
Market Conditions/Listing Status	0%	5%	0%	5%
Adjustment	\$20,238	\$65,625	\$64,706	\$115,938
Adjusted Value/Unit	\$20,238	\$65,625	\$64,706	\$115,938
Lot Size	10%	-5%	0%	0%
Adjustment	\$2,024	(\$3,281)	\$0	\$0
Location	0%	0%	-8%	-15%
Adjustment	\$0	\$0	(\$5,176)	(\$17,391)
Unit Size/Density	25%	7%	4%	4%
Adjustment	\$5,060	\$4,594	\$2,588	\$4,638
Zoning	0%	0%	0%	0%
Adjustment	\$0	\$0	\$0	\$0
Entitlements/Approvals	-10%	0%	0%	0%
Adjustment	(\$2,024)	\$0	\$0	\$0
Demolition	0%	0%	0%	-3%
Adjustment	\$0	\$0	\$0	(\$3,478)
Affordable Housing	0%	0%	0%	0%
Adjustment	\$0	\$0	\$0	\$0
Lot Utility/Shape	0%	0%	0%	0%
Adjustment	\$0	\$0	\$0	\$0
Adjusted Value/SF	\$25,298	\$66,938	\$62,118	\$99,707

Sales Comparison Approach Conclusion

In estimating a hypothetical market value by the Sales Comparison Approach, I have carefully analyzed the characteristics of both subject properties relative to the comparable data. I have considered the respective advantages and disadvantages of the comparables in relation to the subject. In addition, consideration was given to the trends affecting the local market.

There are few highly comparable land sales in the local market, much less recent sales. The sales are not ideal, but they do provide an adequate framework for valuing the subject property. The sales produced a price range of \$20,238 to \$110,417 per unit. After adjustments, the range narrows to \$25,298 to \$99,707 per unit. The median adjusted price is \$64,528/unit while the average adjusted price is \$63,515/unit.

Given the subject's lot size, mixed-use development potential, and lack of entitlements, the subject is most similar to sale #3. Sale #1 is far inferior to the subject in terms of density, which warrants a lower price per unit relative to the subject while sale #4 is superior in location, which warrants a higher price per unit.

I estimate that the fee simple value for subject property based on the Sales Comparison Approach amounts to **\$62,500 per unit**, which falls near the adjusted price of sale #3 and near the average and median adjusted values. Applying the concluded rate to the subject's potential development of 12 units produces a value of **\$750,000**.

As-Is Value

The next step is to estimate the as-is value. That value estimate necessitates the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the remediation of the site in order that it could be developed to its highest and best use, namely a mixed-use development project with residential and commercial uses. The cost budget for the proposed remediation will be provided by EKI Environment and Water.

Remediation Costs

Based upon a remediation budget provided by EKI Environment and Water (presented on the following page), I will forecast a remediation costs equal to **\$440,000**.

Risk Factors/Profit

The final category to consider is the effect of risk and/or profit during the absorption period. Survey data indicate that expected profit ratios for development projects commonly range from about 8% to 30% of direct and indirect costs. I will use a 15% rate in this analysis. Applying that rate to the remediation cost of \$440,000 produces an estimated risk/profit figure of **\$66,000**.

The preceding paragraphs summarized the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the remediation of the site. The total estimated adjustment equals \$506,000, which will be rounded to **\$500,000**. Deducting that estimate from the hypothetical value of \$750,000 produces an as-is value equal to **\$250,000**.

THE INCOME APPROACH

According to the *Appraisal of Real Estate* (Chicago: Appraisal Institute, 2001, p. 471), "An investor who purchases income-producing real estate is essentially trading present dollars for the right to receive future dollars. The income capitalization approach to value consists of methods, techniques, and mathematical procedures that an appraiser uses to analyze a property's capacity to generate benefits (i.e., usually the monetary benefits of income and reversion) and convert these benefits into an indication of present value." The reliability of the technique is dependent upon four conditions, namely, (1) the reasonableness of the estimated net annual income, (2) the duration of the net annual income, (3) the capitalization or discount rate used, and (4) the method of conversion (income to capital).

The basis of the Income Approach is the concept of capitalization. Capitalization may be defined as (1) the conversion of expected future benefits into a capital sum and/or (2) the discounting of future incomes into present values. Both of these capitalization forms are used to estimate value based on actual or projected income streams. Capitalization techniques usually fall into two main categories, namely (1) direct capitalization and (2) yield capitalization.

Current Occupancy at the Subject Property

The subject was formerly occupied as an office building. As of the date of value, the property is 100% vacant and unencumbered with an arm's-length lease.

Analysis of Office Lease Comparables

I will examine rental rates at competing buildings to ascertain market rental rates for the subject's existing office space assuming that any needed tenant improvements have been completed. I will forecast a triple net expense basis.



RENTAL #1



RENTAL #2



RENTAL #3



RENTAL #4

Rental #	1	2	3	4
City	South San Francisco	South San Francisco	South San Francisco	South San Francisco
Building Address	50 S. Linden Avenue	160 S. Linden Avenue	100 Produce Avenue	436 Rozzi Place
Type of Space	Office	Office	Office	Office
Year Built	1980	1950	1985	1969
Leased Area (square feet)	2,000	5,000	2,200	4,848
Part of Larger Building	Yes	Yes	Yes	Yes
Total Building Size	11,000	61,105	23,706	9,696
Total Number of Floors	1	3	2	2
Elevator Access	No	Yes	Yes	No
Starting Rental Rate/SF/Month	\$1.30	\$1.60	\$0.90	\$1.15
Starting Rental Rate/SF/Year	\$15.60	\$19.20	\$10.80	\$13.80
Rental Rate/Month	\$2,600	\$8,000	\$1,980	\$5,575
Floor Level	1	2	1	1
Lease Type (i.e. new)	New	New	New	New
Date Lease Signed	1-17	4-17	12-17	5-17
Scheduled Occupancy Date	2-17	5-17	1-17	6-17
Lease Term in months	36	12	36	36
Concessions (i.e. free rent)	None	None	None	None
Escalations	3.0% annual	Flat	3.0% annual	3.0% annual
Levels of Leased Area	1	1	1	1
Parking Ratio	1 per 550	1 per 290	1 per 1,118	1 per 388
Tenant Improvements	As-is	As-is	As-is	As-is
Lease Structure	NNN	NNN	NNN	NNN
Comp Free Rent	\$0.00	\$0.00	\$0.00	\$0.00
Comp TI	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted Rental Rate/SF/Month	\$1.30	\$1.60	\$0.90	\$1.15
Ceiling Height	10 feet	9 to 14 feet	9 feet	9 feet
Qualitative Adjustments				
Location	Similar	Similar	Similar	Similar
Market Conditions	Similar	Similar	Similar	Similar
Size	Similar	Similar	Similar	Similar
Quality/Condition	Similar	Superior	Similar	Similar
Build-Out	Inferior	Similar	Inferior	Similar
Visibility	Similar	Similar	Similar	Similar
Ceiling Height	Inferior	Similar	Inferior	Inferior
Parking/Access	Inferior	Inferior	Inferior	Inferior



Market Rent Estimate

Rentals #1 through #4 will be used to analyze the market rent for the subject. The four comparables carry triple net expense terms. Therefore, I will forecast a triple net expense basis for the subject assuming that the tenant would be responsible for property taxes, insurance, repairs and maintenance, janitorial, utilities, and landscaping. The property owner would be responsible for property management and reserves.

Rentals #1 through #4 range in size from 2,000 to 5,000 square feet. The subject building contains 3,790 rentable square feet. In terms of rental rates, rentals #1 through #4 ranges from \$0.90 to \$1.60/SF/month.

The high end of the adjusted range (\$1.60/SF/month) was produced by rental #2. The rental rate was pushed higher due in large part to quality, condition, elevator access and parking.

The low end of the adjusted range (\$0.90/SF/month) was produced by rental #3. The rental rate was pushed downward for these comparables due in large part to parking and ceiling height.

The subject is superior to all four rentals in terms of parking. In terms of ceiling height, the subject is superior to rentals #1, #3, and #4. The subject is superior to all four rentals in terms of parking. In terms of ceiling height, the subject is superior to rentals #1, #3, and #4. With regard to quality and condition, the subject is inferior to rental #2.

I will estimate a market rent of **\$1.40/SF/month** for the subject building, which falls above the rates produced by rentals #1, #3, and #4 yet below the rate produced by rental #2.

Potential Gross Rental Income

The forecasted potential gross income amounts to **\$5,306** per month and **\$63,672** on an annualized basis.

Operating Expense Reimbursement Revenue (CAM)

I will forecast a triple net expense basis for the subject assuming that the tenant would be responsible for property taxes, insurance, repairs and maintenance, janitorial, utilities, and landscaping. The property owner would be responsible for property management and reserves. Thus, the total estimated expense reimbursement revenue is forecasted at **\$16,217 per year**.

Potential Gross Income

The potential gross income equals the sum of the potential gross rent plus any operating expense reimbursement revenue. Thus, the total estimated potential gross income amounts to **\$79,889**.

Vacancy and Collection Losses

A December 2017 report published by Costar for office space in South San Francisco cites a vacancy rate ranging from 6.1 to 10.6%. Regardless of current general vacancy figures, a direct capitalization analysis must apply a *stabilized* vacancy and collection loss factor that reflects investor expectations of a long-term vacancy rate over a typical investment holding period (generally considered to be about 10 years for a property of the subject's type). The subject is currently 100% vacant. However, the most probable buyer profile is an owner-user. I will apply a **7.0%** vacancy rate, which falls within the range of the report published by Costar.

In addition to vacancy loss as discussed above, listing agents may experience situations where rent becomes uncollectible due to space abandonment or tenant dispute. It therefore becomes necessary to factor into the income model a degree of allowance for these events to occur. I will utilize a stabilized collection loss factor of **1.0%**. Combined, the estimated stabilized vacancy and collection loss factor thus equals **8.0%**.

Effective Gross Rental Income

The effective gross income equals the potential gross income plus reimbursement income less an appropriate allowance for vacancy and collection losses. For the subject property, estimated effective gross income equals **\$73,498**.

Operating Expenses

During the preparation of this report, I was not provided with any historical operating expense history for the subject property. Therefore, my expense forecasts are based upon real estate taxes and data collected by Redwood Appraisal from other commercial properties within San Mateo County. Based on my rental survey, I will forecast a triple net expense basis for the subject property.

Real Estate Taxes

The local property tax rate is 1.0601% of the full assessed value for land, improvements, and personal property. For this analysis, the assessed value is presumed to equal the indicated

value from the Income Capitalization Approach. Given that the subject is owned by the City of San Francisco, a non-profit entity, no real estate taxes are required to be paid by the city. However, in the event that the property is sold to a private party, a special assessment ranging from \$800 to \$1,200 is considered reasonable. I will forecast \$1,000 per year for special assessments.

Property Insurance

Insurance will be calculated based on a cost per rentable square foot. Property insurance rates are a function of the property's location, the age of the structure, construction characteristics, the presence or lack of fire sprinklers and life safety systems, and the types of tenants. The subject contains concrete block construction. The subject is not equipped with fire sprinklers nor does it have a life safety system. Hazard insurance expense data for commercial buildings in the local market range from \$0.25 to \$1.00/SF depending on size and scale. I will conclude an insurance expense of **\$0.50/SF**, which is within the range of the local market.

Repairs and Maintenance

Repairs and maintenance and tend to be highly variable expenses. In some years, only minor repairs might be needed while in another substantial work could be required. This expense category includes building repairs and maintenance as well tenant turnover expenses.

Expense data for repairs and maintenance for commercial buildings in the local market range from \$0.50 to \$2.00/SF. I will conclude an insurance expense of **\$1.00/SF**, which is within the range of the local market.

Landscaping

This expense category largely depends on the amount and type of landscaped and paved parking area and site amenities. My forecast assumes that landscaping is paid directly by the tenant.

Janitorial

This category of expense includes all janitorial service and related supplies and trash removal. My forecast assumes that landscaping is paid directly by the tenant.

Utilities and Trash

My forecast assumes that utilities and trash are paid directly by the tenant.

Management and Administration

The management fee represents the expense incurred to obtain quality management for the subject property in order to achieve a successful operation and continued viability of the development. Administrative costs include office materials and supplies in addition to salaries and benefits extended to any administrative personnel. For a building of the subject's size, no significant administrative costs would be expected. However, the owner

would need to pay a management fee or be compensated indirectly for actively managing the property, including the leasing activities necessary to maintain a stabilized occupancy. It should be noted that the property is self-managed by the property owner. Management fees for office buildings in the local market range from about 3.0% to 5.0% of effective gross income. I will estimate an expense equal to **3.5%** of effective gross income.

Reserves

In addition to the aforementioned expenses, a reserve budget for capital improvements normally is included in a capitalization analysis. A reserve account provides for a sinking fund for the repair and/or eventual replacement of a number of the property’s structural and mechanical items whose economic lives are generally shorter than that of the primary building components. For commercial properties such as the subject, budgeted costs for structural repairs and reserves generally range from about \$0.15 to \$0.30/SF. I will forecast an annual contribution of **\$0.20/SF**.

Total Estimated Operating Expenses

This figure represents the accumulated sum of the operating and capital expenses, assuming that the building had been leased to a stabilized occupancy ratio. The estimated expenses for the subject property amount to **\$19,547** which equals \$5.16/SF, or 26.60% of EGI.

Estimated Net Operating Income

The net operating income is equal to the potential gross income plus expense reimbursements, less an allowance for vacancy and collection losses, less the operating expenses. The resultant amount is divided by an overall capitalization rate to produce a value indication. Using the parameters previously discussed, estimated net operating income for the subject property equals **\$53,951**.

Capitalization Rates Derived from Local Investment Sales

The following table summarizes the capitalization rates derived from the closed sales analyzed in the forthcoming Sales Comparison Approach. The table shows the capitalization rate for each sale based primarily on contracted lease rates. The relationship of a property’s rent to the market level and the remaining terms of any leases can have a major impact on the capitalization rate.

Comp #	1	2	3	4
Address	125-127 S. Linden Avenue	826 N. Winchester Blvd.	1800 Hamilton Avenue	16165 Monterey Road
City	South San Francisco	San Jose	San Jose	Morgan Hill
Space Type	Office/Retail	Office	Office	Office
Anchors	Non-credit	Non-credit	Non-credit	Non-credit
Date	8-15	6-17	8-17	5-17
Buyer Profile	Investor	Investor	Investor	Investor
Lease Status	Near market	Near market	Below market	Near market
Rental Upside	0.6%	7.3%	13.1%	8.7%
Occupancy	100% leased	100% leased	100% leased	68% leased
Ro	5.9%	6.0%	5.8%	6.5%

Capitalization rates are primarily a measure of risk. Investments perceived to have greater risk require higher returns. For example, properties with upside income potential will tend to bring lower capitalization rates. With the owner anticipating rent increases in the future, the going-in capitalization rate can be reduced. Conversely, properties rented above the market level are considered to represent a risky income stream, which would result in a higher capitalization rate. The comparables summarized in the preceding table generated rates within a range of 5.8% to 6.5%. It should be noted that the overall rates produced by the comparables are calculated from occupied rents in place and market rents for any vacant space.

Sale #1 (5.9%) was 100% leased at the time of sale with contract rents near the market level. Like the subject, sale #1 is located in South San Francisco. Given that sale #1 is a dated transaction (8-15), the rate is pushed downward. On the other hand, sale #1 represented auto repair, office, and restaurant uses at the time of sale. Those uses would warrant a lower risk level relative to 100% office space.

At 5.8%, the low end of the range was produced by sale #3. The rate for this sale was pushed downward as a result of the 13.1% rental upside.

At 6.5%, sale #4 produced the highest rate in the data set. Given that the building was 32% vacant at the time of sale, the risk profile was higher than the other three sales, which were 100% leased at the time of sale.

Sale #2 produced a 6.1% rate. With 7.3% rental upside, this sale is considered near the market level. Overall, the location is considered superior to the subject.

The subject rent is forecasted at the market level. In the initial part of the analysis, I will assume that any market rate tenant improvements have been completed. Moreover, the subject benefits from a good on-site parking ratio. Those factors would push the rate downward. Although I was told by the client that no remediation is needed if the property is occupied in its existing condition as an office building, a buyer would take into account the fact that the surrounding parcels might require remediation. That factor would likely push the rate upward. Given the abovementioned, an appropriate capitalization rate for the subject property is estimated to be **6.0%**, which is equal to the average of the four comparable sales.

Income Approach Conclusion

The following page includes a proforma income statement for the property and a summary of the Income Approach process. The proforma income statement summarizes the estimated forecasted rental income for the subject property, estimated stabilized vacancy and collection losses, the forecasted non-reimbursable expenses, and the capitalization process. The value upon completion based on the Income Approach equals **\$900,000**.

Unit	Tenant	Rentable Area	Use	Contract Rent/Month	Market Rent	Market Rent/SF	Forecasted Rent/SF	Forecasted Rent
938 Linden Avenue	Vacant (Office)	3,790	Office	\$0	\$5,306	\$1.40	\$1.40	\$5,306
TOTALS		3,790		\$0	\$5,306	\$1.40	\$1.40	\$5,306
Potential Gross Rental Income:								\$63,672
Reimbursement Revenue:								\$16,217
Ancillary Revenue:								\$0
Potential Gross Income:								\$79,889
V&C Loss at 8.0%								(\$6,391)
EGI								\$73,498
Less Operating Expenses								
Property Taxes:		(\$2.52)	-12.97%					-\$9,532
Direct Assessments:		(\$0.26)	-1.36%					-\$1,000
Property Insurance:		(\$0.50)	-2.58%					-\$1,895
Repairs/Maintenance:		(\$1.00)	-5.16%					-\$3,790
Janitorial:		\$0.00	0.00%					\$0
Utilities and Trash:		\$0.00	0.00%					\$0
Property Management:		(\$0.68)	-3.50%					-\$2,572
Replacement Reserve:		(\$0.20)	-1.03%					-\$758
Total Operating Expenses:		\$5.16	26.60%					-\$19,547
NOI:								\$53,951
Capitalization Rate:								6.00%
Hypothetical Leased Fee Value:								\$899,183
Rounded:								\$900,000

THE SALES COMPARISON APPROACH

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

The subject property is located along the south side of Linden Avenue in South San Francisco. The 12,937-square foot site (0.297 acres) has been developed with a single-tenant office property that is vacant and unencumbered with a lease. Therefore, the most likely buyer is an owner-user. I initially searched for sales of single-tenant office properties within South San Francisco purchased by owner-users. However, recent sales of such properties are infrequent. I found one owner-user sale in South San Francisco. Therefore, I expanded my search to include owner-user sales within San Bruno, Daly City, and San Mateo. Given the lack of active listings deemed comparable to the subject, I did not include any active listings.

The data compiled in the Sales Comparison Approach will be utilized to derive an independent indication of value for the subject property. Salient facts pertaining to these comparison projects will be presented on the succeeding pages, to be followed by a comparative analysis and conclusion of market value for the subject property.



SALE #1



SALE #2

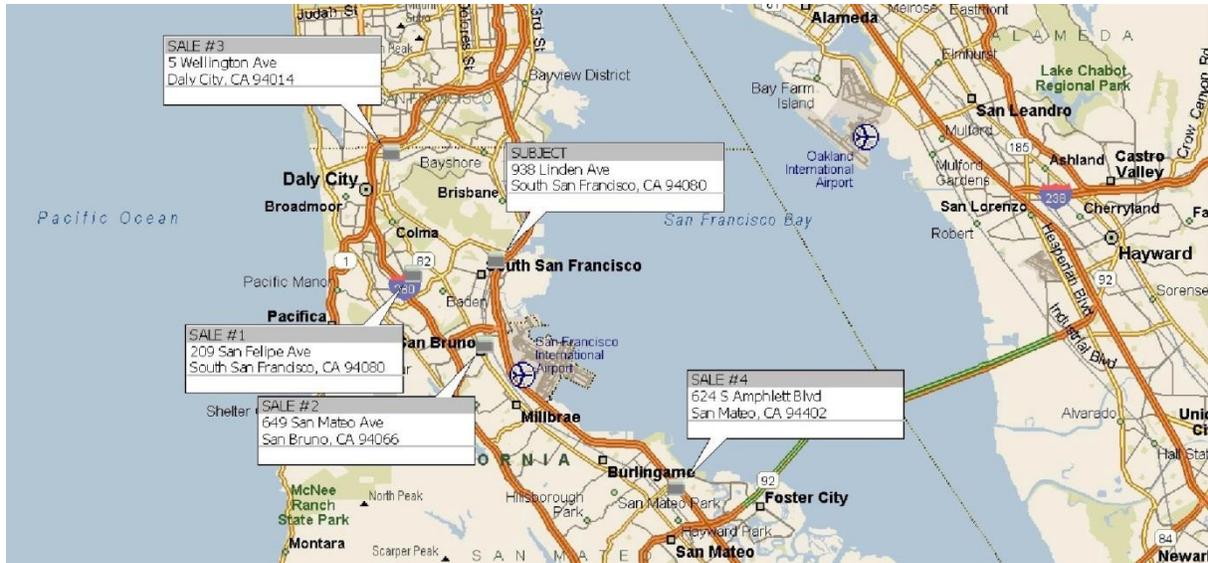


SALE #3



SALE #4

Comp #	1	2	3	4
Address	209 San Felipe Avenue	649 San Mateo Avenue	5-37 Wellington Avenue	624 S. Amphlett Boulevard
City	South San Francisco	San Bruno	Daly City	San Mateo
Date	5-16	7-17	10-15	2-16
Sale Price	\$950,000	\$1,400,000	\$650,000	\$1,790,000
List Price	\$950,000	\$1,400,000	\$650,000	\$1,880,000
Difference	0%	0%	0%	-5%
Days on Market	122 days	Not on open market	118 days	113 days
Price/SF	\$237.50	\$355.78	\$311.30	\$397.78
Single-Tenant Building	Yes	Yes	Yes	Yes
Rentable Area	4,000	3,935	2,088	4,500
Lot Size	11,000	4,308	2,100	12,000
Coverage	36%	91%	99%	38%
Floor Area Ratio	36%	91%	99%	38%
Use	Office	Restaurant	Flex	Flex
# Floors	1	1	1	1
Year Built	1956	1960	1968	1970
Tenant Improvements Needed	Yes	No	No	Yes
Parking Ratio	250	None	None	265
Buyer Profile	Owner-User	Owner-User	Owner-User	Owner-User
Percentage Occupied	0%	100%	0%	0%
Percentage Vacant	100%	0%	100%	100%
Property Type (As-Is)	Office	Restaurant	Retail/Flex	Office/Flex
Property Type (Former)	Medical Office/Church	Restaurant	Flex	Office/Flex



Analysis of the Comparables

Sale #1 (209 San Felipe Avenue, South San Francisco) represents a sale of a single-tenant office building located in South San Francisco. The property was purchased by an owner-user. The listing agent reported that the property was delivered 100% vacant at the time of sale. The building contains 4,000 rentable square feet. The sale price amounted to \$950,000, or \$237.50/SF. The property was on the open market for 122 days. Reportedly, no unusual conditions affected the transfer. The sale appears to represent an arm’s length transaction.

The sale closed escrow in May of 2016. Given that prices and rents have increased in the interim, an upward adjustment is required. Like the subject, sale #1 is located in South San Francisco. Therefore, a positive adjustment is needed. At 4,000 square feet, sale #1 is similar in size relative to the subject (3,790 square feet). Therefore, no adjustment is needed. In the initial part of the analysis, I will assume that any market rate tenant improvements have been completed. In terms of quality and condition, sale #1 is inferior to the subject. Therefore, a positive adjustment is needed. Like the subject, sale #1 has 100% ground floor office space with no load factor. Therefore, no adjustment for functional utility is needed. In terms of ceiling height, sale #1 is inferior to the subject. The sale property has 16 on-site parking spaces (one space per 250 square feet). That ratio is considered inferior to the subject (one space per 196 square feet). Therefore, a positive adjustment is needed.

Sale #2 (649 San Mateo Avenue, San Bruno) represents a sale of a single-tenant restaurant building located in San Bruno. The property was purchased by an owner-user who will continue to operate the restaurant. The building contains 3,935 rentable square feet. The sale price amounted to \$1,400,000, or \$355.78/SF. The property was not on the open market at the time of sale. Instead, the buyer approached the seller and the two parties executed a purchase contract. Reportedly, no unusual conditions affected the transfer. The sale appears to represent an arm’s length transaction.

The sale closed escrow in July of 2017. Given that prices and rents have been stable in the interim, no adjustment is required. Unlike the subject, sale #2 is located in downtown San Bruno. Given that prices and rents in downtown San Bruno exceed that of the 900 block of Linden Avenue in South San Francisco. Therefore, a negative adjustment is needed. At 3,935 square feet, sale #2 is similar in size relative to the subject (3,790 square feet). Therefore, no adjustment is needed. In the initial part of the analysis, I will assume that any market rate tenant improvements have been completed. In terms of quality and condition, sale #2 is similar to the subject. Therefore, no adjustment is needed. On the other hand, sale #2's restaurant build-out is superior to the subject, which justifies a negative adjustment. Like the subject, sale #2 has 100% ground floor office space with no load factor. Therefore, no adjustment for functional utility is needed. In terms of ceiling height, sale #2 is inferior to the subject. The sale property has no on-site parking. That warrants a positive adjustment.

Sale #3 (5-37 Wellington Avenue, Daly City) represents a sale of a multi-tenant flex building located in Daly City. The property was purchased by an owner-user. The listing agent reported that the property was delivered 100% vacant at the time of sale. The building contains 2,088 rentable square feet. The sale price amounted to \$650,000, or \$311.30/SF. The property was on the open market for 118 days. Reportedly, no unusual conditions affected the transfer. The sale appears to represent an arm's length transaction.

The sale closed escrow in October of 2015. Given that prices and rents have increased in the interim, an upward adjustment is required. Unlike the subject, sale #3 is located in Daly City. Prices and rents Daly City are similar to South San Francisco. Therefore, no adjustment is needed. At 2,088 square feet, sale #3 is smaller in size relative to the subject (3,790 square feet). Therefore, a negative adjustment is needed. In terms of quality and condition, sale #3 is inferior to the subject. Therefore, a positive adjustment is needed. Since sale #3 has warehouse space, an upward adjustment is needed for build-out. Like the subject, sale #3 has 100% ground floor office space with no load factor. Therefore, no adjustment for functional utility is needed. In terms of ceiling height, sale #3 is similar to the subject. The sale property has no on-site parking. That warrants a positive adjustment.

Sale #4 (624 S. Amphlett Boulevard, San Mateo) represents a sale of a single-tenant flex building located in San Mateo. The property was purchased by an owner-user. The listing agent reported that the property was delivered 100% vacant at the time of sale. The building contains 4,500 rentable square feet. The sale price amounted to \$1,790,000, or \$397.78/SF. The property was on the open market for 113 days. Reportedly, no unusual conditions affected the transfer. The sale appears to represent an arm's length transaction.

The sale closed escrow in February of 2016. Given that prices and rents have increased in the interim, an upward adjustment is required. Unlike the subject, sale #4 is located in San Mateo. Given that prices and rents San Mateo exceed those of South San Francisco, an upward adjustment is needed. At 4,500 square feet, sale #4 is similar in size relative to the subject (3,790 square feet). Therefore, no adjustment is needed. In terms of quality and condition, sale #4 is inferior to the subject. Therefore, a positive adjustment is needed. Since sale #4 has warehouse space, an upward adjustment is needed for build-out. Like the

subject, sale #4 has 100% ground floor office space with no load factor. Therefore, no adjustment for functional utility is needed. In terms of ceiling height, sale #4 is similar to the subject. The sale property has 17 on-site parking spaces (one space per 265 square feet). That ratio is considered inferior to the subject (one space per 196 square feet). Therefore, a positive adjustment is needed.

Adjustment Process

The sales will be adjusted based on their prices per square foot of rentable area. All of the properties exhibit significant differences relative to the appraised property. Adjustments are needed to account for the estimated effects of the differences. An adjustment grid is presented on the following page.

Comp #	1	2	3	4
Address	209 San Felipe Avenue	649 San Mateo Avenue	5-37 Wellington Avenue	624 S. Amphlett Boulevard
City	South San Francisco	San Bruno	Daly City	San Mateo
Sale Price	950,000	1,400,000	650,000	1,790,000
RSF	4,000	3,935	2,088	4,500
Sale Date	5-16	7-17	10-15	2-16
Price/SF (Rd)	\$238	\$356	\$311	\$398
Property Right Conveyed	0%	0%	0%	0%
Adjustment	\$238	\$356	\$311	\$398
Financing	0%	0%	0%	0%
Adjustment	\$238	\$356	\$311	\$398
Conditions of Sale	0%	0%	0%	0%
Adjustment	\$238	\$356	\$311	\$398
Expenditures	0%	0%	0%	0%
Adjustment	\$238	\$356	\$311	\$398
Market Conditions/Listing Status	4%	0%	8%	5%
Adjustment	\$248	\$356	\$336	\$418
Adjusted Value/SF	\$248	\$356	\$336	\$418
Leased Status	0%	0%	0%	0%
Adjustment	\$0	\$0	\$0	\$0
Location	0%	-5%	0%	-25%
Adjustment	\$0	(\$18)	\$0	(\$104)
Building Size	0%	0%	-15%	0%
Adjustment	\$0	\$0	(\$50)	\$0
Quality and Condition	12%	0%	3%	2%
Adjustment	\$30	\$0	\$10	\$10
Build-Out	0%	-14%	4%	4%
Adjustment	\$0	(\$50)	\$15	\$15
Functional Utility	0%	0%	0%	0%
Adjustment	\$0	\$0	\$0	\$0
Parking/Coverage	0.8%	2.5%	2.7%	0.7%
Adjustment	\$2	\$9	\$9	\$3
Ceiling Height	2%	2%	0%	0%
Adjustment	\$5	\$7	\$0	\$0
Tenant Profile	0%	0%	0%	0%
Adjustment	\$0	\$0	\$0	\$0
Adjusted Value/SF	\$285	\$304	\$320	\$342

Sales Comparison Approach Conclusion

In estimating an as-is market value by the Sales Comparison Approach, I have carefully analyzed the characteristics of both subject properties relative to the comparable data. I have considered the respective advantages and disadvantages of the comparables in relation to the subject. In addition, consideration was given to the trends affecting the local market.

There are few highly comparable properties in South San Francisco, much less recent sales. The sales are far from ideal, but they do provide an adequate framework for valuing the subject property. The comparables produced a price range of \$238 to \$398/SF. After adjustments, the range narrows to \$285 to \$342/SF.

In the initial part of the analysis, I will assume that any market rate tenant improvements have been completed. The subject benefits from a good on-site parking ratio and low coverage relative to competing office product. Those factors would push the price per square foot upward. Although I was told by the client that no remediation is needed if the property is occupied in its existing condition as an office building, a buyer would take into account the any mixed-use development at the subject site involving residential uses would require remediation. That factor would limit the development potential at the subject site relative to a competing property with no remediation requirements.

Given the abovementioned, I estimate that the value upon completion of any market rate tenant improvements amounts to **\$290/SF** of rentable area. That estimate falls toward the low end of the range of the four sales yet near the adjusted price per square foot produced by sale #1, which is located in South San Francisco. Applying the concluded rate to the subject's 3,790 rentable square feet produces a value indication of \$1,099,100, which will be rounded to **\$1,100,000**.

As-Is Value

The next step is to estimate the as-is value. Thus, I must calculate the estimated effect on market value resulting from the time, costs and risk associated the completion of any tenant improvements. Given the abovementioned, I will deduct for tenant improvements and entrepreneurial profit.

Tenant Improvements

The degree of interior finish can impact achievable rent. Typical tenant improvement expenses for office space vary from \$5 to \$50/SF depending on the degree of build-out or needed renovations. The subject has been vacant for several years and is in need of moderate renovations. I will forecast a tenant improvement allowance equal to **\$15/SF**, or **\$56,850**.

Risk Factors/Profit

The final category to consider is the effect of risk and/or profit during the construction period. Survey data indicate that expected profit ratios for development projects commonly range from about 8% to 30% of direct and indirect costs. A profit ratio below the middle of the range is considered to be appropriate given that the needed renovation is moderate yet not substantial. I will use a **10%** rate in this analysis. Applying that rate produces an estimated risk/profit figure of **\$5,685**. The total estimated adjustment equals \$62,535, which will be rounded to **\$60,000**.

Reconciliation

Reconciliation is the step in the valuation process in which the appraiser selects from alternative value indications to arrive at a final value estimate. For each approach it is necessary to consider the relative weight of each value indication, which involves a review of (1) the probable reliability of the data; (2) the applicability of the approach to the type of property being appraised; and (3) the relative applicability of the approach in light of the definition of value being sought.

The purpose of this report is four-fold. First, I will estimate the hypothetical market value of a fee simple interest in the subject property upon completion of any remediation required to develop the site to its highest and best use. Based on my research and analysis, I have concluded that the hypothetical market value of the subject site upon completion of any remediation work required to develop the site as a mixed-use project, under the assumptions and limiting conditions of this report was **\$750,000**.

Second, I will estimate the as-is market value of a fee simple interest in the subject property. That value estimate necessitates the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the remediation of the site in order that it could be developed to its highest and best use, namely a mixed-use development project with residential and commercial uses. The cost budget for the proposed remediation will be provided by EKI Environment and Water. I have concluded that the as-is market value of the subject property as a mixed-use development site, under the assumptions and limiting conditions of this report, was **\$250,000**.

Third, I will estimate the hypothetical market value of a fee simple interest in the subject property as an office building upon completion of any tenant improvements. The former use of the subject improvements was an office building occupied by an owner-user.

The first task in this appraisal assignment was to estimate the hypothetical market value of the subject property upon completion. I applied the Sales Comparison Approach and the Income Capitalization. The Cost Approach is not considered to be relevant for this analysis. The two approaches resulted in an Income Approach conclusion of **\$900,000** and a Sales Approach conclusion of **\$1,100,000**.

Often, the *Income Capitalization Approach* supplies the best measure of valuing an investment property where a purchaser would focus primarily on cash flow and reversion potential in evaluating the property. The forecasted rents are based on the achievable market rents as well as the subject's current contract rents. Forecasts for stabilized vacancy and collection losses as well as operating expenses are supported by other properties in the local market. Support for the overall rate was obtained from local sales data.

The Sales Comparison Approach involves a direct comparison of the subject to sales sharing a similar market of potential buyers. The approach represents an attempt to reflect the actions of typical users and investors in the market to arrive at a value estimate for the subject property. There have been relatively few recent sales in the competitive market

area, but the available data enabled an adequate framework for analysis. The researched sales provide both physical and financial suites of comparison used to derive an independent value estimate. Moreover, the expense ratios, capitalization rates, and other financial suites of comparison were helpful in outlining the investment criteria and assumptions utilized in the capitalization model.

After consideration of the limitations and advantages inherent in each approach to value, I have placed primary emphasis on the Sales Comparison Approach given that the most probable buyer profile is an owner-user. Based on my research and analysis, I have concluded that the hypothetical market value of the subject site upon completion of any tenant improvements required to occupy the property for office uses, under the assumptions and limiting conditions of this report was **\$1,100,000**.

Fourth, I will estimate the as-is market value of a fee simple interest in the subject property as an office property. That value estimate necessitates the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the completion of any tenant improvements needed to occupy the property for office uses. The costs associated with the time, costs and risk associated with the completion of any tenant improvements needed to occupy the property for office uses was **\$60,000**. Therefore, I have concluded that the as-is market value of the subject property as an office property, under the assumptions and limiting conditions of this report, was **\$1,040,000**.

ADDENDA

Certification Statement

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- I have no present or hypothetical future interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions are developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
- No one provided significant real property appraisal assistance to the person(s) signing this certification.
- I certify sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
- The appraiser has not performed any prior services regarding the subject within the previous three years of the appraisal date.
- Andrew Hill has made an inspection of the subject property.

Andrew Hill



(OREA Appraiser ID# AG038129; Exp. 12-4-19)

SOUTH SAN FRANCISCO SERVICES AGREEMENT

This Services Agreement (this “**Agreement**”) is made and entered into between the City of South San Francisco, a municipal corporation (“**City**”) and Andrew Hill, (“**Contractor**”) effective as of November 15, 2017 (the “**Effective Date**”). City and Contractor are hereinafter collectively referred to as (the “**Parties**”). In consideration of their mutual covenants, the Parties hereby agree as follows:

1. Scope of Work. Contractor shall provide the following services and/or materials (“the Work”): Appraisal of APN: 012-102-030, 938 Linden Avenue in South San Francisco, as more specifically described in the Scope of Services, attached hereto as Exhibit A. The Work shall commence on November 15, 2017 and shall be completed to the satisfaction of the City by December 15, 2017 unless such date is extended or otherwise modified by the City in writing. In the event of a conflict or inconsistency between the text of the main body of this Agreement and Exhibit A, the text of the main body of this Agreement shall prevail.

2. Payment. City shall pay Contractor an amount not to exceed: Six Thousand, Seven Hundred and Fifty Dollars (\$6,750) for the full and satisfactory completion of the Work in accordance with the terms and conditions of this Agreement. The calculation of payment for the Work shall be set forth as follows: See Exhibit A. The amount stated above is the entire compensation payable to Contractor for the Work performed hereunder, including all labor, materials, tools and equipment furnished by Contractor.

City shall make payments, based on invoices received, for Work satisfactorily performed. City shall have thirty (30) days from the receipt of an invoice to pay Consultant.

3. Independent Contractor. It is understood and agreed that this Agreement is not a contract of employment and does not create an employer-employee relationship between the City and Contractor. At all times Contractor shall be an independent contractor and City shall not control the manner of Contractor accomplishing the Work. Contractor is not authorized to bind the City to any contracts or other obligations without the express written consent of the City.

4. Indemnification. To the fullest extent permitted by law, Contractor shall indemnify, defend (with counsel acceptable to the City), and hold harmless the City and its elected and appointed officers, officials, employees, agents, contractors and consultants (collectively, the “City Indemnitees”) from and against any and all liability, loss, damage, claims, expenses and costs (including, without limitation, attorneys’ fees and costs of litigation) (collectively, “Liability”) of every nature arising out of or in connection with Contractor’s performance of the Work or Contractor’s failure to comply with this Agreement, except such Liability caused by the gross negligence or willful misconduct of the City Indemnitees.

5. Insurance. Prior to beginning the Work and continuing throughout the term of this Agreement, Contractor (and any subcontractors) shall, at Contractor’s (or subcontractor’s) sole cost and expense, furnish the City with certificates of insurance evidencing that Contractor has obtained and maintains insurance in the following amounts:

A. ~~Workers’ Compensation that satisfies the minimum statutory limits.~~ **Workers’ Compensation is waived. In the performance of the terms under this agreement with the City of South San Francisco, Consultant shall not employ any person in any manner so as to become subject to the Workers Compensation provisions of the State of California Labor Code.** 

B. ~~Commercial General Liability and Property Damage Insurance in an amount not less than ONE MILLION DOLLARS (\$1,000,000) combined single limit per occurrence, TWO MILLION DOLLARS (\$2,000,000) annual aggregate, for bodily injury, property damage, products, completed operations and contractual liability coverage. The policy shall also include coverage for liability arising out of the use and operation of any City owned or City furnished equipment used or operated by the Contractor, its personnel, agents or subcontractors.~~ 

C. ~~Comprehensive automobile insurance in an amount not less than ONE MILLION DOLLARS (\$1,000,000) per occurrence for bodily injury and property damage including coverage for owned and non-owned vehicles.~~ Consultant, at its own cost and expense, shall maintain automobile liability insurance for the term of this Agreement in an amount not less than ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) per occurrence for bodily injury and property damage.

D. Professional Liability Insurance in an amount not less than ONE MILLION DOLLARS (\$1,000,000) covering the licensed professionals' errors and omissions.

All insurance policies shall be written on an occurrence basis and shall name the City Indemnitees as additional insureds with any City insurance shall be secondary and in excess to Contractor's insurance. If the Contractor's insurance policy includes a self-insured retention that must be paid by a named insured as a precondition of the insurer's liability, or which has the effect of providing that payments of the self-insured retention by others, including additional insureds or insurers do not serve to satisfy the self-insured retention, such provisions must be modified by special endorsement so as to not apply to the additional insured coverage required by this agreement so as to not prevent any of the parties to this agreement from satisfying or paying the self-insured retention required to be paid as a precondition to the insurer's liability. Additionally, the certificates of insurance must note whether the policy does or does not include any self-insured retention and also must disclose the deductible. The certificates shall contain a statement of obligation on the part of the carrier to notify City of any material change, cancellation, termination or non-renewal of the coverage at least thirty (30) days in advance of the effective date of any such material change, cancellation, termination or non-renewal. The City's Risk Manager may waive or modify any of the insurance requirements of this section.

6. Compliance with all Applicable Laws: Nondiscrimination. Contractor shall comply with all applicable local, state and federal laws, regulations and ordinances in the performance of this Agreement. Contractor shall not discriminate in the provision of service or in the employment of persons engaged in the performance of this Agreement on account of race, color, national origin, ancestry, religion, gender, marital status, sexual orientation, age, physical or mental disability in violation of any applicable local, state or federal laws or regulations.

7. Termination. City may terminate or suspend this Agreement at any time and without cause upon written notification to Contractor. Upon receipt of notice of termination or suspension, Contractor shall immediately stop all work in progress under this Agreement. The City's right of termination shall be in addition to all other remedies available under law to the City.

8. Prevailing Wage. Where applicable, the wages to be paid for a day's work to all classes of laborers, workmen, or mechanics on the work contemplated by this Purchase Agreement, shall be not less than the prevailing rate for a day's work in the same trade or occupation in the locality within the state where the work hereby contemplates to be performed as determined by the Director of Industrial Relations pursuant to the Director's authority under Labor Code Section 1770, *et seq.* Each laborer, worker or mechanic employed by Contractor or by any subcontractor shall receive the wages herein provided for. The Contractor shall pay two hundred dollars (\$200), or whatever amount may be set by Labor Code Section 1775, as may be amended, per day penalty for each worker paid less than prevailing rate of per diem wages. The difference between the prevailing rate of per diem wages and the wage paid to each worker shall be paid by the Contractor to each worker.

An error on the part of an awarding body does not relieve the Contractor from responsibility for payment of the prevailing rate of per diem wages and penalties pursuant to Labor Code Sections 1770-1775. The City will not recognize any claim for additional compensation because of the payment by the Contractor for any wage rate in excess of prevailing wage rate set forth. The possibility of wage increases is one of

the elements to be considered by the Contractor.

(A) **Posting of Schedule of Prevailing Wage Rates and Deductions.** If the schedule of prevailing wage rates is not attached hereto pursuant to Labor Code Section 1773.2, the Contractor shall post at appropriate conspicuous points at the site of the project a schedule showing all determined prevailing wage rates for the various classes of laborers and mechanics to be engaged in work on the project under this contract and all deductions, if any, required by law to be made from unpaid wages actually earned by the laborers and mechanics so engaged.

(B) **Payroll Records.** Each Contractor and subcontractor shall keep an accurate payroll record, showing the name, address, social security number, work week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by the Contractor in connection with the public work. Such records shall be certified and submitted weekly as required by Labor Code Section 1776.

9. **Tax Withholding.** Contractor represents and warrants that Contractor is a resident of the State of California in accordance with California Revenue & Taxation Code Section 18662, as may be amended, and is exempt from withholding. Contractor accepts sole responsible for verifying the residency status of any subcontractors and withhold taxes from non-California subcontractors as required by law.

10. **Severability.** If any term or portion of this Agreement is held to be invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions of this Agreement shall continue in full force and effect.

11. **Entire Agreement.** This Agreement represents the entire and integrated agreement between the Parties. This Agreement may be modified or amended only by a subsequent written agreement signed by both Parties.

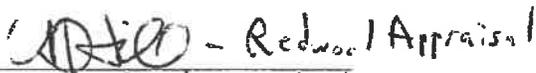
12. **Non-Liability of Officials, Employees and Agents.** No officer, official, employee or agent of City shall be personally liable to Contractor in the event of any default or breach by City or for any amount which may become due to Contractor pursuant to this Agreement.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date written above.

CITY:

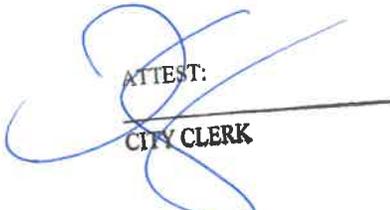
By: 
Alex Greenwood
Director Economic Community Development

CONTRACTOR:

By: 
Print Name: Andrew Hill
Title: Commercial Real Estate Appraiser

APPROVED AS TO FORM:


City Attorney
2051689.3

ATTEST:

CITY CLERK

REDWOOD APPRAISAL



Appraisal Services Proposal Letter

Proposal Date: December 12, 2017

Appraiser: Andrew Hill
Redwood Appraisal
63 Bovet Road, Unit 419
San Mateo, CA 94402
(650) 533-4065
andrew@redwoodappraisal.org

Ordered By: Heather Ruiz
Management Analyst
The City of South San Francisco
Economic & Community Development Department
PO Box 711
South San Francisco, CA 94083-0711
(650) 829-6621

Property: 938 Linden Avenue, South San Francisco, CA 94080

Appraisal Due Date: December 20, 2017

Appraisal Fee: The appraisal fee is \$6,750. The appraisal report will be delivered electronically.

Property Contact: Heather Ruiz

Valuation Scenarios: The purpose of this report is four-fold. First, I will estimate the hypothetical market value of a fee simple interest in the subject property upon completion of any remediation required to develop the site to its highest and best use.

Second, I will estimate the as-is market value of a fee simple interest in the subject property. That value estimate necessitates the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the remediation of the site in order that it could be developed to its highest and best use, namely a mixed-use development project with residential and commercial uses. The cost budget for the proposed remediation will be provided by EKI Environment and Water.

Third, I will estimate the hypothetical market value of a fee simple interest in the subject property as an office building upon completion of any tenant improvements. The former use of the subject improvements was an office building occupied by an owner-user.

Fourth, I will estimate the as-is market value of a fee simple interest in the subject property as an office property. That value estimate necessitates the calculation of the estimated effect on market value resulting from the time, costs and risk associated with the completion of any tenant improvements needed to occupy the property for office uses.

Report Type: Narrative
Approaches: Sales Comparison Approach and Income Approach
Intended Users: The intended users of this report are officers of the City of South San Francisco.
Intended Use: The intended use of this appraisal is for valuation purposes.

Andrew J. Hill



Redwood Appraisal
OREA Appraiser ID# AG038129 (Exp. 12-4-19)



301 E. Fourth Street, Cincinnati, OH 45202

DECLARATIONS
for
REAL ESTATE APPRAISERS
ERRORS & OMISSIONS INSURANCE POLICY

THIS IS BOTH A CLAIMS MADE AND REPORTED INSURANCE POLICY.

THIS POLICY APPLIES TO THOSE CLAIMS THAT ARE FIRST MADE AGAINST THE INSURED
AND REPORTED IN WRITING TO THE COMPANY DURING THE POLICY PERIOD.

Insurance is afforded by the company indicated below: (A capital stock corporation)

[X] Great American Assurance Company

Note: The Insurance Company selected above shall herein be referred to as the Company.

Policy Number: RAP4117617-17

Renewal of:

Program Administrator: Herbert H. Landy Insurance Agency Inc.
75 Second Ave Suite 410 Needham, MA 02494-2876

Item 1. Named Insured: Andrew Hill

Item 2. Address: 63 Bovet Road, Unit 419

City, State, Zip Code: San Mateo, CA 94402

Item 3. Policy Period: From 02/22/2017 To 02/22/2018
(Both dates at 12:01 a.m. Standard Time at the address of the Named Insured as stated in Item 2.)

Item 4. Limits of Liability:

- A. \$ 1,000,000 Damages Limit of Liability - Each Claim
B. \$ 1,000,000 Claim Expenses Limit of Liability - Each Claim
C. \$ 2,000,000 Damages Limit of Liability - Policy Aggregate
D. \$ 2,000,000 Claim Expenses Limit of Liability - Policy Aggregate

Item 5. Deductible (Inclusive of Claim Expenses):

- A. \$ 500 Each Claim
B. \$ 1,000 Aggregate

Item 6. Premium: \$ 967.00

Item 7. Retroactive Date (if applicable): 02/22/2006

Item 8. Forms, Notices and Endorsements attached:

D42100 (03/15) D42300 CA (10/13)
D42402 (05/13) IL7324 (08/12)

Approved as to form

Date: 12/19/17

By: [Signature]
City Attorney

[Signature]
Authorized Representative



Tel: 1-800-841-3000

GOVERNMENT EMPLOYEES INSURANCE COMPANY
 P.O. Box 509090
 San Diego, CA 92150-9090

Declarations Page

This is a description of your coverage.
 Please retain for your records.

Policy Number: 4059-75-24-04

Coverage Period:

09-12-17 through 03-12-18

Your coverage begins and ends at 12:01am local time at the address of the named insured.

Date Issued: October 5, 2017

Endorsement Effective: 10-05-17

ANDREW J HILL AND MARYKAYE
 HILL
 1424 TILIA ST
 SAN MATEO CA 94402-3403

Email Address: caedmonfarm@gmail.com

<u>Named Insured</u>	<u>Additional Drivers</u>
Andrew J Hill	None
Marykaye Hill	

<u>Vehicles</u>	<u>VIN</u>	<u>Vehicle Location</u>	<u>Finance Company/ Lienholder</u>
1 2012 Dodge Grand	2C4RDGDGXC247046	San Mateo CA 94402	Santander Consumer Usa
2 2015 Honda Crosstour	5J6TF2H59FL001074	San Mateo CA 94402	

<u>Coverages*</u>	<u>Limits and/or Deductibles</u>	<u>Vehicle 1</u>	<u>Vehicle 2</u>
Bodily Injury Liability			
Each Person/Each Occurrence	\$100,000/\$300,000	\$73.50	\$84.00
State Minimum \$15,000/\$30,000			
Property Damage Liability	\$100,000	\$80.40	\$94.10
State Minimum \$5,000			
Uninsured & Underinsured Motorists			
Each Person/Each Occurrence	Insured Rejects	-	-
Comprehensive	\$500 Ded	\$18.60	\$27.90
Collision	\$500 Ded	\$133.90	\$158.50
Rental Reimbursement	\$35 Per Day	\$15.20	\$15.20
	\$1050 Max	-	-
Six Month Premium Per Vehicle		\$321.60	\$379.70
Total Six Month Premium			\$701.30

*Coverage applies where a premium or \$0.00 is shown for a vehicle.

If you elect to pay your premium in installments, you may be subject to an additional fee for each installment. The fee amount will be shown on your billing statements and is subject to change.

200101405975240404014000780

Discounts

- New Car (Veh 2)
 - Multi-Car (All Vehicles)
 - Subclass Factor (All Vehicles)
 - Anti-Theft Device (All Vehicles)
 - California Good Driver (All Vehicles)
-

**Group Insurance Plan:
Professional Group Insurance Plan**

Contract Type: A30CA

Contract Amendments: ALL VEHICLES - A30CA A54CA

Unit Endorsements: UE316C (VEH 1); A431 (VEH 1,2)

Class: A -N -24MM R (VEH 1); A -L -34MF U (VEH 2)

Important Policy Information

-No coverage is provided in Mexico.

-Reminder - Physical damage coverage will not cover loss for custom options on an owned automobile, including equipment, furnishings or finishings including paint, if the existence of those options has not been previously reported to us. This reminder does NOT apply in VIRGINIA, however, in Virginia coverage is limited for custom furnishings or equipment on pick-up trucks and vans but you may purchase coverage for this equipment. Please call us at 1-800-841-3000 or visit us at geico.com if you have any questions.

-Congratulations! Your policy qualifies for the Professional Group Insurance Plan and includes a savings of \$171.90.

-Claims incurred while an insured vehicle is being used to carry passengers for hire may not be covered by this contract. Please review the contract for a full list of exclusions and contact us if you plan to use any of your insured vehicles for this purpose.

-In accordance with Section 1872.87 of the California Insurance Code, in addition to your premium, a \$0.88 charge per vehicle is assessed to fund auto insurance fraud reduction initiatives. This charge is applied once per policy term per vehicle.

-A credit or discount has been applied to this policy: MULTI-CAR. A credit or discount has been applied to this policy: NEW CAR.

-Coverages and/or limits were added as you requested or due to state requirements.

-The 2015 HONDA has been added to your policy.

-Please call our toll free number 1-800-841-3000 and provide us with the LIENHOLDERS name and address for your 2015 HONDA.

Statement Waiving Workers Compensation

Andrew J. Hill hereby certifies that in the performance of the terms under this agreement with the City of South San Francisco, we shall not employ any person in any manner so as to become subject to the Workers Compensation provisions of the State of California Labor Code. Therefore, the Workers Compensation requirements of this agreement do not apply.

Sincerely,



Andrew J. Hill
Redwood Appraisal

DATE: 11/13/17

15 December 2017

MEMORANDUM

To: Jason Rosenberg, Esq. (Meyers Nave)

Copy: City of South San Francisco

From: Deepa Gandhi, P.E. (EKI)
Michelle King, Ph.D. (EKI)

Subject: Opinion of Potential Incremental Environmental Costs Associated with
Redevelopment at 938 Linden Avenue, South San Francisco, California
(EKI B70049.00)

As requested by the City of South San Francisco (“the City”), EKI Environment & Water (“EKI”, formerly known as Erler & Kalinowski, Inc.) has prepared this memorandum to transmit our opinion of potential incremental environmental costs (“IECs”) associated with redevelopment of the property located at 938 Linden Avenue in South San Francisco, California (the “subject property”). The subject property is currently owned by the Successor Agency to the City of South San Francisco Redevelopment Agency (“Property Owner”). We understand that these costs will be considered by Redwood Appraisal (“Appraiser”) in their residual land value analysis for the subject property being completed on behalf of the City.

The IECs summarized below are based on the following: (1) the findings of our environmental conditions evaluation, summarized in our memorandum to the City, dated 13 July 2017;¹ (2) a brief description of the highest and best use of the subject property provided by the Appraiser; and (3) our professional judgement, experience at similar sites, and assumptions of the extents of the possible environmental conditions identified based on limited environmental data.

As provided by the Appraiser via email on 12 December 2017, the following redevelopment scenario was considered in development of these IECs:

- Mixed-use residential with ground floor commercial space.
- Building footprint of 6,400 square feet (“sf”).
- One level of subterranean parking under the entire building footprint.

The IECs presented herein represent the incremental cost to manage, treat, and/or dispose of environmental media, impacted from off-site sources, that could potentially to be encountered during redevelopment of the subject property given the scenario above. The cost estimate also

¹ EKI, 2017. *Summary of Known Environmental Conditions, 938 Linden Avenue, South San Francisco, California*. 13 July.

MEMORANDUM

15 December 2017

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assumes that vapor intrusion mitigation will not be required due to the shallow depth of groundwater (see Subject Property Background section) and the presence of a parking garage under the entire building footprint, which would be on a separate ventilation system from the overlying occupied spaces. If the redevelopment scenario includes slab-on-grade construction or underground structures under only part of the building footprint, a vapor intrusion mitigation system may be required depending on the type and configuration of the building.

Statements made herein by EKI regarding estimated remediation or construction costs or future operation and maintenance costs, if any, are predicted costs and are based on professional opinions and judgment, limited environmental data, and assumptions regarding a hypothetical redevelopment scenario. EKI is not responsible for fluctuations in construction costs due to bidding conditions and other factors that could not be anticipated at the time of preparation of these IECs. Any such environmental remedies would be subject to regulatory agency approval.

The following sections are included in this memorandum, and form the basis for the IECs presented below. Given the level of assumptions made to develop these IECs, the information considered in these sections should be taken together when using these IECs to make business risk decisions:

- Subject Property Background;
- Methodology of Cost Estimation;
- Summary of Cost Estimation; and
- Table 1 – Conceptual Opinion of Potential Incremental Environmental Costs.

The IECs developed for redevelopment of the subject property are as follows.

Task Description	Conceptual Opinion of Potential IECs¹
Additional Groundwater Treatment during Construction Dewatering	\$120,000
Monitoring Well Relocation	\$10,000
Incremental Costs for Transport and Disposal of Excavated Soil Off-Site	\$85,000
Contractor Health and Safety Plan	\$10,000
Sampling and Reporting	\$80,000
Construction Observation	\$35,000
Permitting not Completed by the Contractor	\$10,000
Legal and Administrative (5% of other costs)	\$20,000
Contingencies (20% of other costs)	\$70,000
Total (rounded)	\$440,000

(1) Subtotals rounded to the nearest \$5,000.

MEMORANDUM

15 December 2017

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These costs include assumptions regarding the extent of identified contamination, volume of soil and groundwater to be removed to allow redevelopment, and the level of effort for treatment, management of impacted environmental media, and agency coordination. Additional investigation would be needed to better define the extent of contamination and the soil disposal classification. For the purposes of the cost estimate, EKI assumed that excavated soil and groundwater extracted for construction dewatering will be impacted by petroleum hydrocarbons and potentially chlorinated volatile organic compounds (“cVOCs”) that would allow classification of both soil and groundwater as non-hazardous.

SUBJECT PROPERTY BACKGROUND

The subject property is currently occupied by one (1), two-story building with a small parking/lawn area in the front along Linden Avenue and a gated driveway along the boundary shared with the neighboring 930 Linden Avenue property, which leads to a larger fenced parking lot behind the building. The subject property is located within a mixed-use area of South San Francisco in the low-lying Paradise Valley, south of San Bruno Mountain State Park. The immediate vicinity of the subject property is commercial and industrial properties to the north, east, and west, with residences to the south and south east.

The subject property has been in its current configuration since at least 1974 when a drainage ditch along the southeastern property boundary was paved and replaced in the same location with an underground, 60-inch storm sewer. A historical swale/stream channel also ran across the property in a roughly east-west direction, approximately 60 feet north of and parallel to the current location of the storm sewer.

Soil and groundwater samples have been collected from one-time or temporary sampling locations and four permanent groundwater monitoring wells on the subject property. The subject property is located within the lateral extents of the cVOC and Stoddard solvent plumes originating at the upgradient neighboring property located at 930 Linden Avenue. Shallow groundwater within this plume (measured at approximately 4 to 10 feet below ground surface [“bgs”]) contains elevated concentrations of total petroleum hydrocarbons (“TPH”), including separate phase product (a.k.a., light non-aqueous phase liquid [“LNAPL”]) that may extend to the subject property. Deeper groundwater to approximately 35 feet bgs is also impacted by cVOCs, specifically trichloroethene (“TCE”) and related degradation byproducts (e.g., cis-1,2-dichloroethene). TCE dense non-aqueous phase liquid (“DNAPL”) is present beneath the neighboring 930 Linden Avenue property and may also be present under the subject property. In general, cVOCs are primarily present at depth (i.e., below 10 feet bgs) beneath and oriented along the alignment of the 60-inch storm drain line on the subject property.

TCE concentrations in the shallowest groundwater (less than 15 feet bgs) on the subject property are less than 14 micrograms per liter (“ug/L”) and TCE is not detected in the groundwater samples collected near the subject property building. TPH from upgradient

MEMORANDUM

15 December 2017

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Privileged & Confidential

sources is also present in soil and groundwater on the subject property. Various TPH fractions have been detected in soil on the subject property, including gasoline, diesel, Stoddard solvent, and mineral spirits at concentrations up to 1,000-2,000 milligrams per kilogram ("mg/kg"), depending on the TPH fraction and sample depth. Similarly, various fractions of TPH were also detected in groundwater beneath the subject property, generally at concentrations below 1,000 ug/L. Higher concentrations of cVOCs and TPH in soil and groundwater have been detected in the source area on the 930 Linden Avenue property.

METHODOLOGY OF COST ESTIMATION

Given that recent site-wide soil, soil vapor, and groundwater data, particularly beneath building, is not available in many cases, all volumes, extents, and degrees of impact are assumed and should be considered estimated. The exceptions to this include recently collected soil and groundwater data along the southern property boundary by Green Environmental, Inc. ("GEI") (GEI, 2016). The cost estimate is based on assumptions of site conditions that are incorporated into engineering estimates for typical redevelopment actions at sites with similar issues. The engineering estimate is separated into line items, which are costs associated with independent activities that are likely necessary for the redevelopment actions.

Line items in the engineering estimate are based on data available from the following sources:

- R.S. Means *Heavy Construction Cost Data, 30th Annual Ed.*, 2016, which is an industry standard cost estimating reference, with costs adjusted to local price conditions;²
- Vendors, such as waste disposal facilities, analytical laboratories, media and rental equipment suppliers, and drilling contractors; and
- Environmental professional judgment based on experiences with similar projects.

Numerous assumptions are incorporated into this cost estimation process, because of the uncertainties regarding the subsurface or other environmental conditions that exist at the subject property. The backup documentation for the line item unit costs are maintained by EKI.

For this level of cost estimation, EKI has identified only the major project components and assumed potential quantities for each area or item. There are numerous miscellaneous items that have not been identified because detailed plans and specifications for the redevelopment and management of environmental media have not yet been prepared or approved by regulatory agencies.

² To account for higher costs in the Bay Area versus the nationwide average presented in R.S. Means, a city cost index factor was added to unit costs from R.S. Means.

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To factor in such costs for a preliminary but incomplete design, a contingency allowance is typically added to the estimated major construction and operation and maintenance costs. This contingency is a common practice at this stage of cost estimating and is intended to account for unknown – but expected – costs. These costs are anticipated, but not yet detailed, because of site-specific project components that will be added, or changes that may occur during design. Such contingency costs should not be considered optional or adequate to cover scope uncertainties discussed below.

The contingency also provides allowances for changes that occur after the final design is completed and approved by the agencies, and the construction contract is awarded. This contingency represents a reserve or allowance for minor adjustment in final quantities, pricing, component modifications, change orders, and/or claims during construction. Examples include changes during the work due to adverse weather, material or supply shortages, and changes in unit costs such as landfill disposal fees, fuel and labor costs, and transportation costs.

Therefore, to provide an allowance for these expected costs for changes that will occur during or after more detailed remedial design and uncertainty related to engineering services provided during the remediation process, contingencies were added to all construction and engineering cost elements. A 20 percent contingency was added to capital and engineering costs.

SUMMARY OF COST ESTIMATION

The IECs are based on activities related to management of impacted environmental media during redevelopment. This estimate does not include the following: (1) removal of debris and structures (abandoned or inhabited) that are present at the subject property; (2) excavation, backfilling, and associated permitting for grading, building foundations and footing, that is assumed to be part of the building construction; (3) removal of potential sources of asbestos and lead as part of pre-demolition building abatement; and (4) unknown contamination that may be present at the subject property.

Incremental contractor and engineering costs were developed for the following activities that we anticipate will most likely be necessary to address encountered impacted media during redevelopment of the subject property:

- **Additional groundwater treatment during construction dewatering.** Because of the presence of TPH and cVOCs in shallow groundwater beneath the subject property, and potentially LNAPL, dewatering operations for construction of the underground parking are likely to require additional treatment to remove LNAPL and dissolved TPH/VOCs before discharge. The IECs assume that dewatering operations, after treatment, will discharge to the storm sewer under a National Pollutant Discharge Elimination System (“NPDES”) General Permit for Cleanup of Groundwater Polluted by Volatile Organic Compounds, Fuel Leaks and other Related Wastes (“General Permit”). The fees and

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sampling requirements are higher under the General Permit than would be required for a project with no or minimal treatment requirements. These additional costs are included in the IECs.

- **Monitoring well relocation.** Monitoring wells are present on the subject property, associated with the environmental investigation activities conducted for the adjacent 930 Linden Avenue property. The wells, MW-11 and MW-12, are likely to fall under the footprint of a potential new building and costs to destroy and relocate these wells have been included in the IECs.
- **Incremental transport and disposal off-site.** Excavation for constructing one-level of underground parking was assumed to be required to a depth of 10 feet bgs (on average) under the entire 6,400 sf of the building footprint and would therefore be likely to encounter soil impacted with TPH and potentially LNAPL. As a result, soil could not be disposed of as alternative daily cover (“ADC”) and would require landfilling as non-hazardous waste instead. The incremental cost to landfill the excavated soil as non-hazardous waste instead of disposal as ADC has been included in the IECs.
- **Contractor health and safety plan.** The presence of impacted soil and groundwater beneath the subject property will require increased health and safety for construction workers to comply with applicable state and federal health and safety laws and regulations. A health and safety plan will be required for the Contractor, prepared and implemented by a Certified Industrial Hygienist. The IECs include this cost.³

The cost estimate also assumes that vapor intrusion mitigation will not be required due to the shallow depth of groundwater (see Subject Property Background section) and the presence of a parking garage under the entire building footprint that would be on a separate ventilation system from the overlying occupied space. If the redevelopment scenario includes slab-on-grade construction or underground structures under only part of the building footprint, a vapor intrusion mitigation system may be required depending on the type and configuration of the building.

Costs associated with engineering services include coordination with the San Francisco Regional Water Quality Control Board (“Water Board”), the environmental regulatory agency for the adjacent source property at 930 Linden Avenue, and preparation of agency-required plans and reports, preparation and implementation of a Soil Management Plan (“SMP”), coordination with disposal facilities, construction observation to confirm that the SMP is implemented as

³ In addition, workers trained to handle hazardous materials (“40-hr trained”) may be required; however, the incremental cost for 40-hour-trained workers has not been included in the IECs.

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intended, characterization sampling for soil disposal, preparation of a letter completion report, and support for the contractor with respect to environmental permitting. The engineering cost estimate assumes there will be Water Board oversight of the redevelopment activities associated with the management of environmental media and well relocation.

The above table and attached Table 1 present the conceptual opinion of potential incremental environmental costs, including the major assumptions incorporated into the development of the IECs.

ATTACHMENT

Table 1 – Conceptual Opinion of Potential Incremental Environmental Costs

REFERENCES

EKI, 2017. Summary of Known Environmental Conditions, 938 Linden Avenue, South San Francisco, California. 13 July.

GEI, 2016. Off-Site Subsurface Investigation Report, 930 Linden Avenue, South San Francisco, California, 94080, 16 August.

TABLE 1
CONCEPTUAL OPINION OF POTENTIAL INCREMENTAL ENVIRONMENTAL COSTS
 938 Linden Avenue, South San Francisco, California

TASK DESCRIPTION (a)	ESTIMATED COST				
	Unit	Quantity	Unit Cost	Line Total	Subtotals (b)
GENERAL PROJECT DESCRIPTION:					
1. Highest and best use: 12 residential units with ground floor commercial.					
2. Building footprint of 6,400 sf.					
3. One level of subterranean parking under entire building footprint.					
Incremental Capital Costs					
<ul style="list-style-type: none"> Additional Groundwater Treatment during Construction Dewatering Dewatering assumptions:					
- Groundwater from dewatering will be discharged to the storm sewer under a NPDES permit (VOC and Fuel General Permit)					
- NPDES permit will be Category 1 instead of Category 3, with higher cost and sampling requirements:					
Category 1 permit fee (requires treatment for priority toxic pollutants)	ls		\$11,877		
Category 3 permit fee (requires minimal or no treatment)	ls		\$2,062		
- Assumed flow rate of 10 gpm during construction (3 mo or 90 days)					
Estimated quantity of groundwater for discharge:					
gal		1,296,000			
mo		3	\$7,700	\$23,100	
◆ Rental of a two-vessel manifolded filtration system (100 gpm) for organoclay media (LNAPL removal)	lb	6,000	\$2.14	\$12,800	
◆ Organoclay media (1, 2000 lb changeout / month)	mo	3	\$7,700	\$23,100	
◆ Rental of a two-vessel manifolded filtration system (100 gpm) for granular activated carbon ("GAC") media (VOC/TPH removal)	lb	12,000	\$1.67	\$20,000	
◆ GAC cost (2, 2000 lb changeout / month)	day	90	\$250	\$22,500	
◆ System operator, 25%-time (\$250/day)	ls	1	\$10,000	\$10,000	
◆ Startup and monthly sampling fees	ls	1	\$9,815	\$9,800	
◆ Incremental NPDES permit fees - VOC and Fuel General Permit					
<i>Subtotal Additional Groundwater Treatment during Construction Dewatering</i>					\$120,000
<ul style="list-style-type: none"> Monitoring Well Relocation: MW-11 and MW-12 					
◆ Destroy two wells via pressure grouting	ea	2	\$900	\$1,800	
◆ Install replacement wells via HSA, develop, and disposal of waste	ea	2	\$4,300	\$8,600	
◆ Survey new wells	ls	1	\$1,500	\$1,500	
<i>Subtotal Monitoring Well Relocation: MW-11 and MW-12</i>					\$12,000
<ul style="list-style-type: none"> Incremental Transport and Disposal Offsite Costs Assume disposal quantities based on the following:					
- One level of subterranean parking under 6,400 sf building footprint	sf	6400			
- Depth of excavation for parking: 10 feet, on average	feet	10			
- Excavation volume	cy	2370			
- Excavated soil weight (1.8 ton/cy)	ton	4270			
- Excavated soil assumed to be impacted with TPH, not other VOCs. Assumed disposal classification - non-hazardous with disposal at Class II landfill. Incremental cost is based on difference between disposal as alternative daily cover ("ADC") and Class II non-hazardous waste:					
Non-hazardous ADC: transport and dispose \$45/ton			\$45		
Non-hazardous Class II waste: transport and dispose \$65/ton			\$65		
◆ Incremental transport and disposal cost	ton	4,270	\$20	\$85,400	
<i>Subtotal Incremental Transport and Disposal Offsite Costs</i>					\$85,000

TABLE 1
CONCEPTUAL OPINION OF POTENTIAL INCREMENTAL ENVIRONMENTAL COSTS
 938 Linden Avenue, South San Francisco, California

TASK DESCRIPTION (a)	ESTIMATED COST				
	Unit	Quantity	Unit Cost	Line Total	Subtotals (b)
<ul style="list-style-type: none"> ● Contractor Health and Safety Plan Assumptions: <ul style="list-style-type: none"> - Retain Certified Industrial Hygienist ("CIH") to prepare plan and coordinate contractor health and safety. Incremental cost of hazardous materials ("40-hour")-trained workers not included. ◆ CIH to prepare plan and coordinate contractor health and safety 	ls	1	\$10,000	\$10,000	\$10,000
<i>Subtotal Contractor Health and Safety Plan</i>					\$10,000
<i>Subtotal Incremental Capital Costs</i>					\$220,000
Incremental Engineering Costs (c)					
<ul style="list-style-type: none"> ● Sampling and Reporting <ul style="list-style-type: none"> ◆ Soil Management Plan ("SMP") and agency coordination ◆ Agency-required documentation (regulatory work plans and reports) <ul style="list-style-type: none"> Monitoring well relocation Letter completion report ◆ Soil pre-characterization sampling for disposal - lab fees (1 / 250 cy) ◆ Soil pre-characterization sampling field work (1 day) 	ls	1	\$50,000	\$50,000	\$81,000
<i>Sampling and Reporting</i>	ls	1	\$5,000	\$5,000	
Letter completion report	ls	1	\$10,000	\$10,000	
Soil pre-characterization sampling for disposal - lab fees (1 / 250 cy)	ea	10	\$800	\$8,000	
Soil pre-characterization sampling field work (1 day)	ls	1	\$8,000	\$8,000	
<ul style="list-style-type: none"> ● Construction Observation <ul style="list-style-type: none"> ◆ Monitoring well relocation ◆ SMP confirmation observation <ul style="list-style-type: none"> - During grading, underground utilities, and excavation. Assume at site 25% over 6 weeks of earthwork duration 	ea	2	\$1,730	\$3,500	\$34,000
<i>Construction Observation</i>	ls	1	\$5,000	\$5,000	
Pre-mobilization Contractor coordination	week	6	\$700	\$4,200	
Senior engineering manager	week	6	\$2,125	\$12,800	
On-site engineer - 25%	week	6	\$775	\$4,700	
Office support	week	6	\$200	\$1,200	
Field vehicle	week	6	\$500	\$3,000	
<ul style="list-style-type: none"> ● Permitting not Completed by Contractor <ul style="list-style-type: none"> ◆ Well permits - 2 wells (San Mateo County) ◆ Soil boring permit (San Mateo County) ◆ Assist contractor in obtaining NPDES permit 	ea	2	\$1,500	\$3,000	\$9,000
<i>Permitting not Completed by Contractor</i>	ea	1	\$750	\$750	
Assist contractor in obtaining NPDES permit	ls	1	\$5,000	\$5,000	
<i>Subtotal Incremental Engineering Costs (c)</i>					\$120,000

TABLE 1
CONCEPTUAL OPINION OF POTENTIAL INCREMENTAL ENVIRONMENTAL COSTS
 938 Linden Avenue, South San Francisco, California

TASK DESCRIPTION (a)	ESTIMATED COST				
	Unit	Quantity	Unit Cost	Line Total	Subtotals (b)
Subtotal Estimated Incremental Environmental Costs (with contractor overhead and profit):					\$350,000
Legal and Administrative (assumed to be 5 percent of subtotal estimated costs):					\$18,000
Contingencies (assumed to be 20 percent of subtotal estimated costs):					\$70,000
TOTAL ESTIMATED INCREMENTAL ENVIRONMENTAL COSTS:					\$440,000

Notes:

- (a) Project description and related scope of work based on discussions with client and client team. Waste classifications are assumed based on in EKI's experience with other sites with similar environmental issues. Currently available data are not sufficient to determine waste classification.
- (b) Totals may not sum exactly due to rounding. Costs are 2017 in dollars.
- (c) Engineering costs are based on the conceptual-level design and EKI's professional judgement for projects of this scale. Actual costs may vary as the scope and budget are refined.

Abbreviations:

cy = cubic yard gal = gallon gpm = gallons per minute HSA = hollow stem auger lb = pound LNAPL = light non-aqueous phase liquid	NPDES = National Pollutant Discharge Elimination System ls = lump sum mo = month sf = square feet TPH = total petroleum hydrocarbon VOC = volatile organic compound
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Company Information

Redwood Appraisal was founded in 2012 as a real estate appraisal firm specializing in virtually all property types, including commercial, office, retail, multi-family residential, research & development, industrial, and new construction.

Professional Experience

From 2002 to 2012, Mr. Hill performed appraisal assignments for Fabbro, Moore & Associates, a real estate appraisal and consulting firm. The firm and its predecessor companies have been active in the San Francisco Bay Area since 1956.

Education

In 1996, Mr. Hill graduated with a Bachelor of Science degree in Agribusiness Marketing from California Polytechnic State University (Cal Poly), San Luis Obispo, California. In 2001, he graduated with an MBA in Finance from the University of San Francisco, San Francisco, California.

Mr. Hill has taken education courses or seminars, covering an extensive variety of topics. The subjects covered in those courses and seminars include but are not limited to real estate valuation principles, appraisal procedures, real estate finance, market analysis, highest and best use analysis, capitalization theory and techniques, case studies in real estate valuation, and standards of professional practice.

Professional Affiliations

Mr. Hill has been awarded the Certified-General Appraiser designation by the State of California (Certificate #AG038129). Certified-General is the highest level of certification available from the state. He also holds a Department of Real Estate Broker License from the State of California (Identification #01354890).

Property Types Appraised

Condominium conversions	Planned unit developments
Subdivisions	Vacant land
Apartment buildings	Mixed-use residential/commercial
Warehouses	Office buildings
Auto repair facilities	Industrial buildings
Commercial condominiums	Surgery centers
New construction	Research & development facilities
Shopping centers	Professional office buildings
Restaurants	Commercial retail properties
Medical office buildings	Age-restricted housing

Assignment Purposes

Purchase
Lending
Subdivision analysis
Estate
Leasehold interest
Proposed construction
Partial interest valuation
Rental survey analysis

Geographical Counties of Expertise

San Francisco	Santa Cruz
Santa Clara	Napa
Contra Costa	Sonoma
San Mateo	Marin
Alameda	Solano

Financial Institutions

Chase Bank
Pan Pacific Bank
Heritage Bank
Liberty Bank
Bridge Bank
California Bank and Trust
Fremont Bank
Sterling Bank

Application Software

Argus (DCF Analysis)
Modern Value Software (DCF Analysis)
Alamode (Form Reports)
Dalorme (Mapping)
DaVinci (Sketching)
Microsoft Word (Narrative Reports)
Microsoft Excel (Spreadsheet Analysis)
Adobe Acrobat (Photographs and PDF Files)

Representative List of Properties Appraised

Offices/R&D

United Defense Campus
1205 & 1450 Coleman Ave., Santa Clara
295,750 SF campus of a major defense contractor

Former Esprit Data Processing Center
955 Indiana Street, San Francisco
18,685-square foot building

Industrial

Former Levitz Furniture Headquarters
2121 Laurelwood Avenue, Santa Clara
200,781-square foot showroom/warehouse

House of Bagels Factory and Warehouse
1676-1688 Gilbreth Road, Burlingame
18,000-square foot multi-tenant building

Air Cargo Handling Services
238-242 Lawrence Avenue, South San Francisco
80,525-square foot warehouse/office

Retail

Cartier, Union Square
231-233 Post Street, San Francisco
27,808-square foot retail/office property

Burlingame Plaza
1819-1841 El Camino Real, Burlingame
41,500-square foot retail pad anchored by
Lunardi Foods

Laurel Village, Presidio Heights
3527-3535 California Street, San Francisco
9,436-square foot retail pad anchored by
Pure Beauty

Moose's Restaurant, North Beach
1652 Stockton Street, San Francisco

Gap Kids
1380-1390 Burlingame Avenue, Burlingame

City Center Plaza
910-990 Main Street, Redwood City

Residential Apartments

The Viscount
745 South Bernardo Avenue, Sunnyvale
Four-story, 147-unit apartment building

The Diplomat
1050 Crestview Avenue, Mountain View
Four-story, 124-unit apartment building

Wilshire Arms
1380 El Camino Real, Millbrae
Three-story, 55-unit apartment building

2201 Pacific Avenue, San Francisco
Eight-story, 38-unit apartment building

1745 Van Ness Avenue, San Francisco
Eight-story, 50-unit apartment building

1000 Green Street, San Francisco
13-story, 62-unit apartment building

1310 Jones Street, San Francisco
12-story, 56-unit apartment building

Land/Proposed Construction

400 Portola Road, Portola Valley
Six-lot, senior housing development

1215 Delmas Avenue, San Jose
Proposed residential housing development consisting
of ten detached single-family homes

1275-1301 Indiana Street, San Francisco
Proposed 77-unit, mixed-use condominium project

766 Harrison Street, San Francisco
Proposed 98-unit, residential condominium project

1521 Sutter Street, San Francisco
Proposed 28-unit, residential condominium project

1400 Van Ness Avenue, San Francisco
Proposed project converting an underutilized
building into four commercial condominiums

28. 938 Linden Avenue

On December 9, 2009 the Agency Board adopted a resolution authorizing the Agency to execute a Purchase and Sale Agreement for the purchase of 938 Linden Avenue. The property has one 4,000 sq. ft. office building consisting of a lower story and a partial second story mezzanine that is not code compliant and can only be used for storage. It was constructed in the mid-1900s but is relatively well maintained. The first floor of the building is broken into smaller offices and restrooms with an open area

of approximately 25 feet by 35 feet at the rear. The upper level is L shaped and consists of smaller offices. The building is a class C structure including a concrete slab floor, painted concrete block walls, and a flat composition roof. There is limited parking in the front of the building and ample parking at the rear, consisting of 19 spaces with perimeter



938 Linden Avenue

landscaping. The two concrete areas and driveway to the back of the building are asphalt paved. The building has been vacant for an extended period of time.

a) **Acquisition Information**

The Agency completed the purchase of 938 Linden Avenue for \$1.1 million on January 15, 2010.

b) **Purpose of Acquisition**

The intended use for the building was to relocate St. Vincent de Paul's Food Program from Grand Avenue to this site. The Agency believed this was a more suitable location for St. Vincent de Paul's to provide food services to the area's homeless population as it would afford them more space, including a seating area as well as space for additional homeless services. However, redevelopment was dissolved before St. Vincent's was able to secure sufficient funding to remodel the building and relocate its services to the site.

c) **Parcel Data**

938 Linden Avenue, APN 012-102-030: The lot is 12,937 square feet (0.3 acre) and has a 4,000 sq. ft. building. The parcel is zoned Downtown Mixed Use.

d) **Estimate of Current Value**

The property has not been appraised in recent years. However, it is estimated that its current value is close to its \$1.1 million acquisition price.

e) Revenues Generated by Property/Contractual Requirements

The building has been vacant for some time as it had been intended for a nonprofit organization that was going to remodel the building. No efforts have been made to rent the property pending the dissolution of redevelopment and the adoption of this plan.

f) Environmental Contamination and Remediation

PIERS Environmental Services conducted a Phase I environmental assessment for the property in March 2009. The assessment revealed no evidence of recognized environmental conditions in connection with the prior use of the property. However, one recognized environmental condition was identified and consists of significantly elevated concentrations of petroleum hydrocarbons in the shallow groundwater and capillary fringe soils beneath the property that are presumed to have originated from a former service station at 900 Linden Avenue, a closed leaking underground storage tank (LUST) case. The concentration of petroleum hydrocarbons beneath the building poses a potential risk of volatilization to indoor air.

g) Potential for Transit Oriented Development and Advancement of Planning Objectives

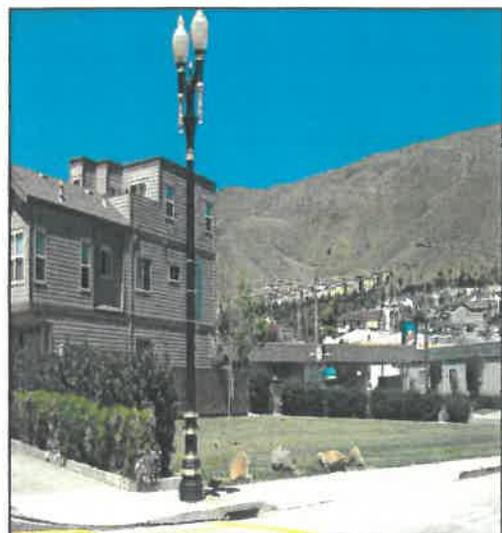
The highest and best use of the property is to hold and combine it with adjacent properties to construct a high density residential project. The property, however, is a significant distance from the downtown's transit hub and services and is therefore not considered a transit oriented development opportunity.

h) History of Development Proposals and Activity

At one time a private owner had assembled several properties adjacent to this one with the intent of developing them. However, the owner went bankrupt and the lender foreclosed on the properties and proceeded to sell them. The Agency purchased this property with the intent of conveying it for use by a nonprofit organization to operate food and social service programs for the homeless. The project had complete planning approvals and the nonprofit agency was in the process of securing funds to remodel the building when the State ended redevelopment. With no binding obligation in place, the project was terminated.

29. 905 Linden Avenue

On October 27, 1999 the Agency Board adopted a resolution approving execution of a Purchase and Sale Agreement to acquire 905 Linden Avenue for \$477,500. Prior to its acquisition, the property was occupied by a Beacon gas station. The previous owner removed the underground gasoline storage tanks and, upon acquisition, the Agency demolished the former gas station building. The property is currently maintained as a green space.



not fit the public use criteria of the Redevelopment Dissolution Statutes. Nevertheless, California Department of Finance recognizes that 559 Gateway is restricted by deed to serve a public purpose, therefore the property will be sold to the City of South San Francisco for \$1.

Upon transfer of the property to the City the grant deed will include language restricting the use of the property to governmental/public use. In the event that City as Grantee discontinues the restricted use or seeks to use the property for a non-governmental/public purpose, the City shall enter into a compensation agreement with the San Mateo County Auditor-Controller or other appropriate entity or entities, providing that all net revenue from such non-governmental/public use shall be distributed in the same manner as property tax, subject to then-current law respecting such distribution. For a description of the proposed grant deed language, see Appendix E.

Per Section 34191.5 (c)(2) of the Health and Safety Code, upon sale of the Property the Successor Agency will distribute the proceeds to the taxing entities on a pro rata basis in proportion to each Taxing Entity's share of the base property tax revenues, as determined by the County Auditor-Controller.

Downtown Central Project Area

28. 938 Linden Avenue

This property was intended to serve as a facility for St. Vincent de Paul's to provide food services to the area's homeless population. Since redevelopment was dissolved before St. Vincent was able to secure sufficient funding to remodel the building and relocate its services, the property became subject to dissolution provisions. It is conceivable this property can be reassembled with adjacent properties to construct a high density residential development in the future however this is not likely given that no other funds are available to assemble surrounding property. As St. Vincent was unable to secure funding, this property shall be sold.

Financial Benefit to Taxing Agencies

Per Section 34191.5 (c)(2) of the Health and Safety Code, upon sale of the Property the Successor Agency will distribute the proceeds to the taxing entities on a pro rata basis in proportion to each Taxing Entity's share of the base property tax revenues, as determined by the County Auditor-Controller.

32. 432 Baden Avenue/429 Third Lane

This property was acquired for the development of a public parking lot to serve the 400 block of Grand Avenue. However, with the development of the Miller Avenue Parking Garage and the passageway connection to Grand Avenue, this parking lot is not as critical a parking resource to this section of the downtown as it once was.

Pursuant to the DSASP, the property has the potential to hold up to 12 residential units. The adoption of the DSASP has significantly increases the property's value, estimated to be approximately \$880,000. The property will be sold through a negotiated purchase and sale agreement. The Successor Agency will solicit proposals from developers and select the developer that proposes the highest net value to the

RESOLUTION NO. 2019-_____

RESOLUTION OF THE SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD APPROVING THE FINAL SALE PRICE OF \$1,050,000 AS SET FORTH IN THE PURCHASE AND SALE AGREEMENT FOR THE DISPOSITION OF 938 LINDEN AVENUE

WHEREAS, on June 29, 2011, the Legislature of the State of California (“State”) adopted Assembly Bill x1 26 (“AB 26”), which amended provisions of the State’s Community Redevelopment Law (Health and Safety Code sections 33000 et seq.) (“Dissolution Law”), pursuant to which the former Redevelopment Agency of the City of South San Francisco (“City”) was dissolved on February 1, 2012; and

WHEREAS, the City elected to become the Successor Agency to the Redevelopment Agency of the City of South San Francisco (“Successor Agency”); and

WHEREAS, pursuant to Health and Safety Code Section 34191.5(c)(2)(C), former redevelopment agency property shall not be transferred to a successor agency, city, county or city and county, unless a Long Range Property Management Plan (“LRPMP”) has been approved by the Oversight Board and the California Department of Finance (“DOF”); and

WHEREAS, in accordance with the Dissolution Law, the Successor Agency prepared a LRPMP, which was approved by a resolution of the Oversight Board for the Successor Agency to the Redevelopment Agency of the City of South San Francisco (“Oversight Board”) on May 21, 2015, and was approved by the DOF on October 1, 2015; and

WHEREAS, consistent with the Dissolution Law and the LRPMP, certain real properties located in the City of South San Francisco, that were previously owned by the former Redevelopment Agency, were transferred to the Successor Agency (“Agency Properties”); and

WHEREAS, the approved LRPMP designated 938 Linden Avenue, County Assessor's Parcel Number 012-102-030 (“Property”), to be sold, with the proceeds of the sale distributed to the taxing entities; and

WHEREAS, the former Redevelopment Agency purchased the Property in 2010; and

WHEREAS, to carry out the terms of the LRPMP, the Successor Agency transferred the Agency Properties, including the Property, to the City for disposition consistent with the terms of the LRPMP; and

WHEREAS, in October 2017, the City of South San Francisco solicited offers to interested parties to the Property; and

WHEREAS, 938 Linden, LP (“Buyer”) has made an offer to purchase the Property, and the City agrees to sell the Property to Buyer, subject to the terms and conditions of the purchase and sale agreement; and

WHEREAS, in January 2018, the Successor Agency prepared an Appraisal Report to determine the Fair Market Value for the Property; and

WHEREAS, staff has determined that the current appraised value of the property is consistent with the original Appraisal Report, dated January 2018; and

WHEREAS, on March 13, 2019, the Agency adopted Resolution number 37-2019 approving the Purchase and Sale Agreement (“PSA”) with 938 Linden, LP for the acquisition of the Property; and

WHEREAS, on July 1, 2018, the San Mateo Countywide Oversight Board (“Countywide Oversight Board”) was established, in accordance with Health and Safety Code § 34179(j);

NOW, THEREFORE, BE IT RESOLVED that the San Mateo County Countywide Oversight Board does hereby resolve as follows:

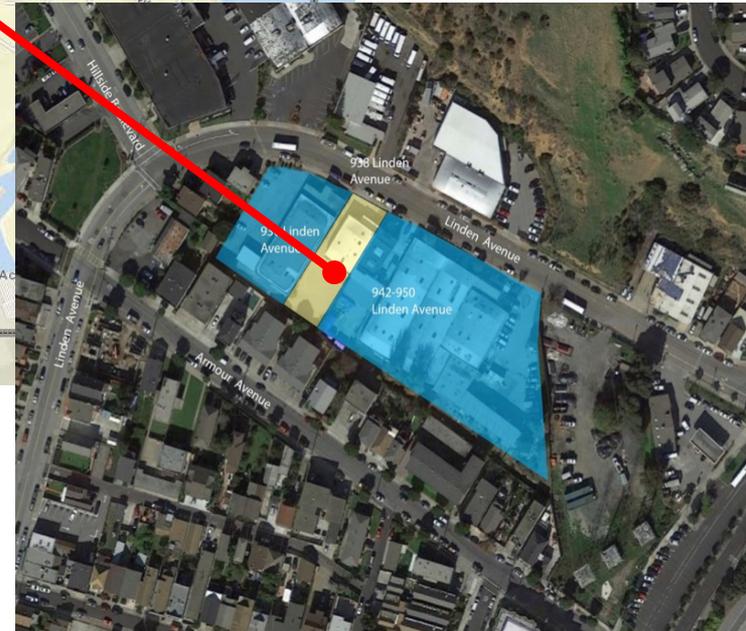
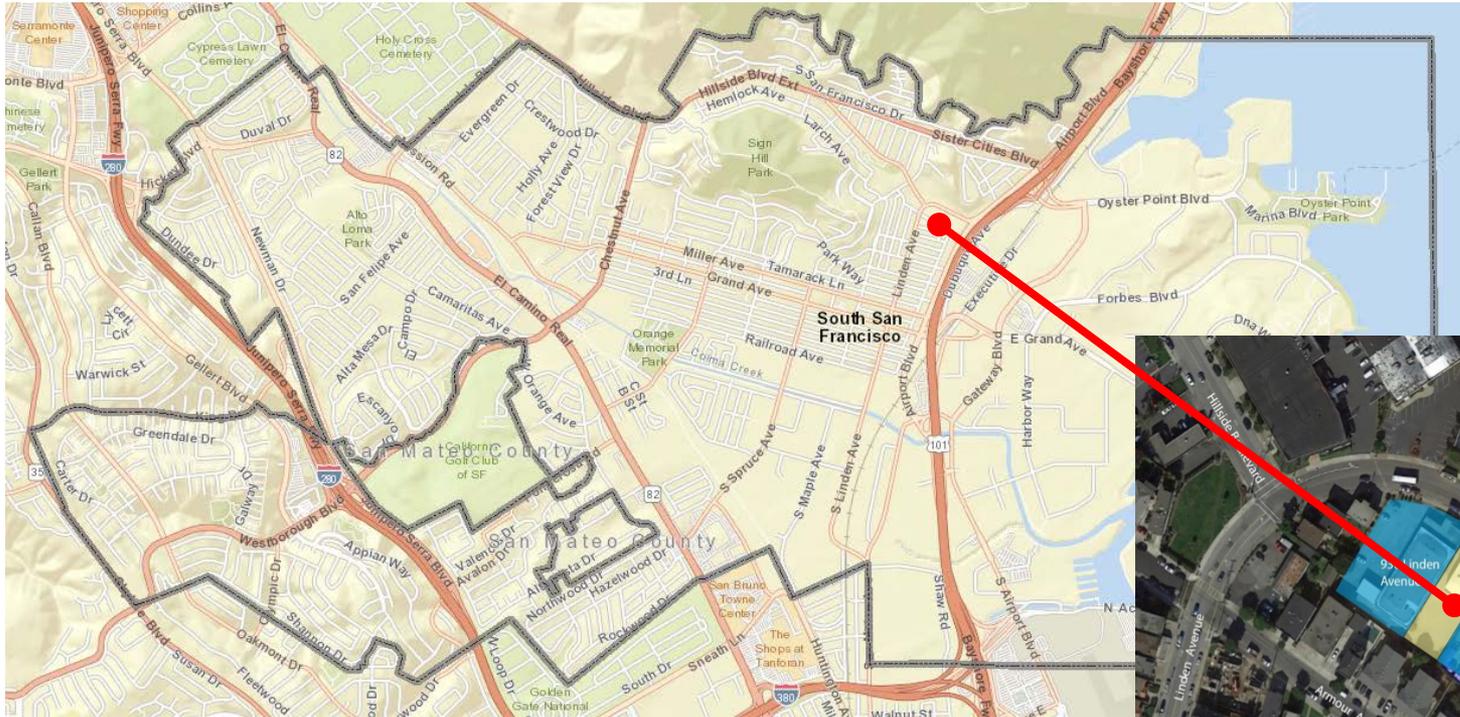
1. The foregoing recitals are true and correct and made a part of this Resolution.
2. The proposed actions in this Resolution are consistent with the Long Range Property Management Plan.
3. The final sale price of \$1,050,000 as set forth in the PSA for the disposition of the Property is hereby approved.
4. The chairperson of this Board, or his designee, is authorized take any and all other actions necessary to implement this intent of this Resolution.

* * *

Disposition of 938 Linden

San Mateo County Countywide Oversight Board
April 15, 2019

Site Location



Background

- ▶ Acquired by RDA for St Vincent de Paul’s Food Program

- ▶ Designated “for–sale” in the approved LRPMP

- ▶ Property characteristics:
 - 12,937 square feet
 - Vacant 4,000 square foot commercial building
 - Significant environmental contamination (remediation cost estimated at approximately \$400,000)

Call for Offers

- ▶ Call for offers issued in October 2017

- ▶ 4 offers received:
 - \$350,000, Joe Cassidy
 - Higher of \$500,000 or appraised value, Sares Regis
 - \$825,000, Patrick Spiteri
 - \$1 million, Robert DeLue

Appraisal

- ▶ Completed in January 2018
- ▶ Highest and best use is office/industrial
- ▶ Fair Market Value of \$1,040,000

Consideration of Offers

- ▶ Two highest offers considered by the Successor Agency
- ▶ Sares Regis selected with an offer of \$1,040,000
- ▶ Sares Regis later withdrew their offer

Offer and Appraisal

- ▶ January 8, 2019: 938 Linden, LP (Robert DeLue) expressed continued interest and presented an updated offer:
 - Purchase Price: \$1,050,000
 - Deposit: \$50,000
 - Buyer waives the right to all contingencies
 - Buyer will indemnify seller from all environmental issues
 - Buyer will purchase property in “as is” condition

Property Tax and Sale Proceeds

Taxing Entity	938 Linden Purchase Price: \$1,050,000			
	Est. Share of Purchase Price*	Est. Property Tax Year 1	Est. Property Tax Year 5	Est. Property Tax Year 10
SSFUSD (43.9%)	\$417,050	\$5,074	\$42,360	\$91,190
SMC (25.7%)	\$244,150	\$2,970	\$24,800	\$53,380
SSF (16.7%)	\$158,650	\$1,930	\$16,115	\$34,690
SMC CCD (7.3%)	\$69,350	\$843	\$7,045	\$15,190
TOTAL		\$11,559	\$96,500	\$207,720

* Estimated share after sale proceeds deductions

For OB Consideration

Attachment 7 – Page 9 of 9

- ▶ Approval of the final sale price of \$1,050,000 to 938 Linden, LP

San Mateo County Countywide Oversight Board

Date: April 9, 2019 Agenda Item 9

To: San Mateo County Countywide Oversight Board

From: Shirley Tourel, Assistant Controller

Subject: Fiscal Year 2019-20 Proposed Regular Meeting Schedule

Recommendation

This item is for information and discussion purposes only. No action is required by the Board.

Background and Discussion

Setting a meeting schedule on an annual basis increases members' ability to attend and allows Successor Agencies (SAs) to plan for the items they will take to the Board.

The following are the regular action items for FY 2019-20:

1. Approval of the Recognized Obligations Payment Schedules ("ROPS")

ROPS are due on February 1st each year to the California Department of Finance. There are seven (7) SAs that will file Annual ROPS in FY 2019-20. Last year, two meetings were required for ROPS approval. Staff recommends the same number of meetings to be held for this purpose.

2. Approval of Amendments to ROPS

SAs are allowed to amend their ROPS once a year. Amended ROPS are due to the DOF every October 1st. Staff recommends one regular meeting for this purpose.

3. Last and Final ROPS

The San Bruno and East Palo Alto SAs have indicated in the past that they will file a Last and Final ROPS during the first half of the fiscal year 2019-20.

4. Amendment to Long Range Property Management Plan (LRPMP)

The Millbrae SA has indicated that they will need to amend their LRPMP.

5. Disposal of Properties

The South San Francisco and Redwood City SAs have properties for disposal.

Since the exact timing of items 3 through 5 are not known, Staff recommends the Board schedule additional meetings throughout the year to accommodate these items as they arise.

In addition, to the extent that urgent matters may arise which require the immediate attention of the Board, special meetings may be scheduled as necessary.

The proposed calendar for FY 2019-20 is attached.

Fiscal Impact

None.

Attachment

Proposed FY 2019-20 Meeting Calendar

**San Mateo County
Countywide Oversight Board**

FY 2019-20 Proposed Meeting Calendar

All meetings to be held at:
Board of Supervisors' Chambers
Hall of Justice - 400 County Center, 1st Floor
Redwood City, California 94063

2019

Day	Date	Starting Time
Monday	July 8	9:00 a.m.
Monday	August 12	9.00 a.m.
Monday	September 16	9:00 a.m.
Monday	October 7	9:00 a.m.
Monday	November 4	9:00 a.m.
Monday	December 16	9.00 a.m.

2020

Day	Date	Starting Time
Monday	January 13	9:00 a.m.
Monday	January 27	9:00 a.m.
Monday	February 10	9:00 a.m.
Monday	March 9	9:00 a.m.
Monday	April 13	9:00 a.m.
Monday	May 11	9:00 a.m.
Monday	June 8	9:00 a.m.

**San Mateo County Countywide
Oversight Board**

Date: April 9, 2019 Agenda Item No. 10
To: San Mateo County Countywide Oversight Board
From: Shirley Tourel, Assistant Controller
Subject: Election of Chair and Vice Chair

Recommendation

This item is for information and discussion purposes only. No action is required by the Board at this time.

Background and Discussion

Article II Section 1 of the Board bylaws states that the members of the Board shall elect one member to serve as the Chair and may elect one member to serve as the Vice Chair. The bylaws provide a one year term effective July 1 following the election and that the incumbents shall continue to serve in such capacities until replacements have been elected.

The current Chair and Vice Chair terms will end on June 30, 2019.

Fiscal Impact

None