SAN MATEO COUNTY
COUNTYWIDE OVERSIGHT BOARD

Notice is hereby given of the time and place of a regular meeting of the San Mateo County Oversight Board and of the business to be transacted at said meeting. Said meeting is to be held at the time and place hereinafter set forth:

SAN MATEO COUNTY
COUNTYWIDE OVERSIGHT BOARD MEETING
Monday, September 12, 2022 at 9:00 a.m.
Via Teleconference (Zoom)

Pursuant to Government Code § 54953(e) this meeting of the Oversight Board will be held via teleconferencing only with members of the Board attending from separate locations. No physical location will be available for the meeting. However, members of the public will be able to participate in the meeting remotely via the Zoom platform online at https://smcgov.zoom.us/j/92711079648 (Meeting ID 927 1107 9648) or via telephone by dialing +1-669-900-6833 (Local), enter the meeting ID: 927 1107 9648, then press #. (Find your local number: https://smcgov.zoom.us/u/admSDqceDg).

*Written public comments may be emailed to Sukhmani Purewal, Assistant Clerk of the Board, at spurewal@smcgov.org and should include the specific agenda item on which you are commenting.

*Spoken public comments will also be accepted during the meeting through Zoom. If you wish to speak, click on “raise hand” feature. If you only wish to watch the meeting and do not wish to address the Board, the Clerk requests that you view the meeting through Zoom.

*ADA Requests - Individuals who require special assistance or a disability related modification or accommodation to participate in this meeting, or who have a disability and wish to request an alternative format for the meeting should contact Sukhmani Purewal, Assistant Clerk of the Board, by 10:00 a.m. on or before the last business day 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, the materials related to it, and your ability to comment.

AGENDA

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, but an extension can be provided at the discretion of the Board Chairperson.

4. Action to Set the Agenda

5. Resolution Finding That Due to the Continuing COVID-19 Pandemic, Meeting in Person Would Present Imminent Risks to the Health and Safety of the Attendees

6. Resolution Approving the Amendment to the Recognized Obligation Payment Schedule (ROPS) 22-23B of the Successor Agency to the Pacifica Redevelopment Agency

7. Discussion Item – 616 and 700 Linden Avenue, South San Francisco Properties Appraisal

The Countywide Oversight Board agenda packet is available online at the following website: https://controller.smcgov.org/countywide-oversight-board-former-redevelopment-agencies

SAN MATEO COUNTY
COUNTYWIDE OVERSIGHT BOARD

Date: September 7, 2022 **Agenda Item No. 5**

To: San Mateo County Oversight Board Members (OB)

From: Kim-Anh Le, Interim Assistant Controller, San Mateo County

Subject: Resolution to make findings allowing continued remote meetings under Brown Act

RECOMMENDATION:
Adopt a resolution finding that, due to the continuing COVID-19 pandemic, meeting in person would present imminent risks to the health or safety of attendees.

BACKGROUND:
AB 361 provides that Brown Act legislative bodies must return to in-person meetings on October 1, 2021, unless they choose to continue with fully teleconferenced meetings because a specific declaration of a state or local health emergency is appropriately made. AB 361 allows local governments to continue to conduct virtual meetings for as long as there is a gubernatorially-proclaimed public emergency in combination with (1) local health official recommendations for social distancing or (2) adopted findings that meeting in person would present risks to health. AB 361 is effective immediately as urgency legislation and will sunset on January 1, 2024.

DISCUSSION:
The Centers for Disease Control and Prevention recommend that the public continue to take protective measures to prevent the spread of COVID-19. https://www.cdc.gov/media/releases/2022/p0811-covid-guidance.html
For these reasons, staff recommend that the OB avail itself of the provisions of AB 361 allowing continuation of online meetings by adopting findings to the effect that conducting in-person meetings would present an imminent risk to the health and safety of attendees. A resolution to this effect and directing staff to return every time the Board meets with the opportunity to renew such findings, as appropriate, is attached hereto.

FISCAL IMPACT:
None

Attachment:
1 – Draft Resolution of the Oversight Board Finding That Due to the Continuing COVID-19 Pandemic, Meeting in Person Would Present Imminent Risks to the Health and Safety of the Attendees

RESOLUTION NO. 2022-

RESOLUTION FINDING THAT, AS A RESULT OF THE CONTINUING COVID-19 PANDEMIC, MEETING IN PERSON FOR MEETINGS OF THE SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD WOULD PRESENT IMMINENT RISKS TO THE HEALTH OR SAFETY OF ATTENDEES

WHEREAS, on March 4, 2020, the Governor proclaimed pursuant to his authority under the California Emergency Services Act, California Government Code section 8625, that a state of emergency exists with regards to a novel coronavirus (a disease now known as COVID-19); and

WHEREAS, on June 4, 2021, the Governor clarified that the "reopening" of California on June 15, 2021 did not include any change to the proclaimed state of emergency, or the powers exercised thereunder, and as of the date of this Resolution, neither the Governor nor the Legislature have exercised their respective powers pursuant to California Government Code section 8629 to lift the state of emergency either by proclamation or by concurrent resolution in the state Legislature; and

WHEREAS, on March 17, 2020, Governor Newsom issued Executive Order N-29-20 that suspended the teleconferencing rules set forth in the California Open Meeting law, Government Code section 54950 et seq. (the "Brown Act"), provided certain requirements were met and followed; and

WHEREAS, on September 16, 2021, Governor Newsom signed AB 361 that provides that a legislative body subject to the Brown Act may continue to meet without fully complying with the teleconferencing rules in the Brown Act provided the legislative body determines that meeting in person would present imminent risks to the health or safety of attendees, and further requires that certain findings be made by the legislative body every thirty (30) days; and,

WHEREAS, the Centers of Disease Control and Prevention recommend that the public continue to take protective measures to prevent the spread of COVID-19 https://www.cdc.gov/media/releases/2022/p0811-covid-guidance.html; and,

WHEREAS, the San Mateo County Countywide Oversight Board has an important governmental interest in protecting the health, safety, and welfare of those who participate in its meetings; and,

WHEREAS, in the interest of public health and safety, as affected by the emergency caused by the spread of COVID-19, the San Mateo County Countywide Oversight Board deems it necessary to find that meeting in person would present imminent risks to the health or safety of attendees, and thus intends to invoke the provisions of AB 361 related to teleconferencing;

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that

1. The recitals set forth above are true and correct.

2. The San Mateo County Countywide Oversight Board finds that meeting in person would present imminent risks to the health or safety of attendees.

3. Staff is directed to include an action item on the agenda after the adoption of this resolution for the San Mateo County Countywide Oversight Board to consider at the beginning of each meeting making the requisite findings, as and to the extent appropriate, required by AB 361 to continue meeting under its provisions.

4. Staff is directed to take such other necessary or appropriate actions to implement the intent and purposes of this resolution.

* * * * * *

SAN MATEO COUNTY
COUNTYWIDE OVERSIGHT BOARD

Agenda Item 6

Date: September 7, 2022

To: San Mateo County Countywide Oversight Board

From: Kim-Anh Le, Interim Assistant Controller

Subject: Pacifica Successor Agency (SA) Amended Recognized Obligation Payment Schedule (ROPS) 22-23B

Background and Discussion

Attached for the Oversight Board's consideration is an amended ROPS 22-23B submitted by the SA of the Former Pacifica Redevelopment Agency. The amendment seeks additional funding in the amount of $2,700 from the Redevelopment Property Tax Trust Fund (RPTTF) to cover increased administrative costs. The Oversight Board previously approved $4,500 in SA admin allowance for FY 22-23 last January 2022 which the Department of Finance approved (CAC Attachment A).

HSC Section 34177(o)(1)(E) permits a successor agency to submit an amended ROPS once per ROPS period as to approved enforceable obligations if the oversight board makes a finding that a revision is necessary for the payment of approved enforceable obligations during the second one-half of the ROPS period and provides that the revised ROPS shall be approved by the oversight board. The Board's action is subject to review by the DOF.

Fiscal Impact

Funding for ROPS reduces the amount of RPTTF Residual distributions required under HSC § 34183 to the affected taxing entities.

CAC Attachments:

A – OB Resolution No. 2022-02 and DOF Determination Letter
B – Pacifica SA Staff Report and Supporting Documentation

RESOLUTION NO. 2022-02

RESOLUTION OF THE SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD APPROVING THE RECOGNIZED OBLIGATION PAYMENT SCHEDULE 22-23 ("ROPS 22-23") AND FISCAL YEAR 2022-23 ADMINISTRATIVE BUDGET OF THE PACIFICA SUCCESSOR AGENCY

WHEREAS, California Health and Safety Code (HSC) Section 34177 requires the Successor Agencies to prepare a Recognized Obligation Payment Schedule ("ROPS") for each 12-month fiscal period, which lists the outstanding obligations of the former RDA and states the sources of funds for required payments; and

WHEREAS, the Pacifica Successor Agency has prepared a draft ROPS for the period July 1, 2022 to June 30, 2023, referred to as "ROPS 22-23", claiming a total enforceable obligation amount of $254,783; and

WHEREAS, pursuant to HSC Section 34180(g) the Oversight Board must approve the establishment of each ROPS; and

WHEREAS, California HSC Section 34177 requires the Successor Agencies to prepare an administrative budget for Oversight Board approval; and

WHEREAS, the Pacifica Successor Agency has prepared an administrative budget for the period July 1, 2022 to June 30, 2023, for $4,500; and

WHEREAS, California HSC Section 34179(e) requires all action items of Countywide Oversight Boards, including the San Mateo County Countywide Oversight Board, be accomplished by resolution.

NOW, THEREFORE, BE IT RESOLVED, the San Mateo County Countywide Oversight Board hereby approves the Pacifica Successor Agency ROPS 22-23 and the Pacifica Successor Agency Fiscal Year 2022-23 Administrative Budget, attached hereto as Exhibits A and B and incorporated herein by this reference;

BE IT FURTHER RESOLVED, that the Oversight Board directs the Successor Agency to submit the ROPS 22-23 to the State Department of Finance upon approval by the Oversight Board.

* * *

Exhibit A – Pacifica Successor Agency's Recognized Obligation Payment Schedule 22-23
Exhibit B – Pacifica Successor Agency's FY 2022-23 Administrative Budget

Regularly passed and adopted this 10th day of January, 2022

AYES and in favor of said resolution:

Members: AIMEE ARMSBY

CHUCK BERNSTEIN

KEVIN BULTEMA

BARBARA CHRISTENSEN

JUSTIN MATES

MARK LEACH

NOES and against said resolution:

Member(s): NONE

Absent Member(s): MARK ADDIEGO

Barbara Christensen

Chair, San Mateo County
Countywide Oversight Board

Certificate of Delivery

I certify that a copy of the original resolution filed in the Office of the Clerk of the Board of Supervisors of San Mateo County has been delivered to the Chair of San Mateo County Countywide Oversight Board.

S. Sturewal

Assistant Clerk of the Board of Supervisors

DEPARTMENT OF FINANCE

Gavin Newsom ▪ Governor

915 L Street ▪ Sacramento CA ▪ 95814-3706 ▪ www.dof.ca.gov

Transmitted via e-mail

March 18, 2022

Tina Wehrmeister, Assistant City Manager/Planning Director
City of Pacifica
170 Santa Maria Avenue
Pacifica, CA 94044

2022-23 Annual Recognized Obligation Payment Schedule

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the City of Pacifica Successor Agency (Agency) submitted an annual Recognized Obligation Payment Schedule for the period July 1, 2022 through June 30, 2023 (ROPS 22-23) to the California Department of Finance (Finance) on January 29, 2022. Finance has completed its review of the ROPS 22-23.

Based on a sample of line items reviewed and application of the law, Finance approves all of the items listed on the ROPS 22-23 at this time.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations (prior period adjustments) for the July 1, 2019 through June 30, 2020 (ROPS 19-20) period. The ROPS 19-20 prior period adjustment (PPA) will offset the ROPS 22-23 Redevelopment Property Tax Trust Fund (RPTTF) distribution. The amount of RPTTF authorized includes the PPA resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency.

The Agency's maximum approved RPTTF distribution for the reporting period is $252,147, as summarized in the Approved RPTTF Distribution table (see Attachment).

RPTTF distributions occur biannually, one distribution for the July 1, 2022 through December 31, 2022 period (ROPS A period), and one distribution for the January 1, 2023 through June 30, 2023 period (ROPS B period), based on Finance's approved amounts. Since this determination is for the entire ROPS 22-23 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is our final determination regarding the obligations listed on the ROPS 22-23. This determination only applies to items when funding was requested for the 12-month period. If a determination by Finance in a previous ROPS is currently the subject of litigation, the item will continue to reflect the determination until the matter is resolved.

Attachment

Approved RPTTF Distribution July 2022 through June 2023						
		ROPS A		ROPS B		Total
RPTTF Requested	$	150,309	$	99,974	$	250,283
Administrative RPTTF Requested		0		4,500		4,500
Total RPTTF Requested		150,309		104,474		254,783
RPTTF Authorized		150,309		99,974		250,283
Administrative RPTTF Authorized		0		4,500		4,500
ROPS 19-20 prior period adjustment (PPA)		(2,636)		0		(2,636)
Total RPTTF Approved for Distribution	$	147,673	$	104,474	$	252,147

The ROPS 22-23 form submitted by the Agency and this determination letter will be posted on our website:

http://dof.ca.gov/Programs/Redevelopment/ROPS/

This determination is effective for the ROPS 22-23 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to Finance's review and may be adjusted even if not adjusted on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance’s review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from the RPTTF is the same as the amount of property tax increment available prior to the enactment of the redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in the RPTTF.

Please direct inquiries to Zuber Tejani, Supervisor, or Veronica Zalvidea, Staff, at (916) 322-2985.

Sincerely,

Cheryl L. McCormick

JENNIFER WHITAKER
Program Budget Manager

cc: Yulia Carter, Chief Financial Sustainability Officer, City of Pacifica
Shirley Tourel, Assistant Controller, San Mateo County

Date: August 15, 2022

To: San Mateo County Countywide Oversight Board

From: Yulia Carter, Chief Financial Sustainability Officer

Subject: Approval of the Amended Recognized Obligation Payment Schedule (ROPS) 22-23B and FY 2022-23 Administrative Costs Budget of the Successor Agency to the Former City of Pacifica Redevelopment Agency (Pacifica SA)

Former RDA: **City of Pacifica**

Recommendation

Adopt resolution approving the Pacifica SA's Amended ROPS 22-23B and FY 2022-23 Administrative Cost Allowance Budget.

Background

Pursuant to Health and Safety Code (HSC) section 34177 (o) (1) (E), once per ROPS period, the agency may submit one amendment to the ROPS approved by Finance no later than October 1. The proposed amended ROPS 22-23B includes an increase of Administration costs from$4,500 to $7,200 to account for the increase in the audit contract ($400), the cost of outside assistance in accounting and reporting of the Successor Agency ($2,000) and the cost of staff review ($300). The total increase is $2,700. That is the only amendment to the ROPS for FY 22-23 being submitted to the Oversight Board for approval.

Financial Impact

The amendment to the ROPS totals $2,700 for administrative costs.

Attachments:

1. Attachment 1 - Resolution Approving Pacifica SA's Amended ROPS 22-23B and FY 2022-23 Administrative Budget
2. Exhibit A - Pacifica SA's Amended ROPS 22-23B
3. Exhibit B - Pacifica SA's Amended FY 2022-23 Administrative Budget

RESOLUTION NO. 2022-_____

RESOLUTION OF THE SAN MATEO COUNTY COUNTYWIDE OVERSIGHT BOARD APPROVING THE AMENDED RECOGNIZED OBLIGATION PAYMENT SCHEDULE 22-23B ("ROPS 22-23B") AND AMENDED FISCAL YEAR 2022-23 ADMINISTRATIVE BUDGET OF THE SUCCESSOR AGENCY TO THE FORMER PACIFICA REDEVELOPMENT AGENCY

WHEREAS, California Health and Safety Code (HSC) Section 34177 requires successor agencies to prepare a Recognized Obligation Payment Schedule ("ROPS") for each 12-month fiscal period, which lists the outstanding obligations of the former redevelopment agency and states the sources of funds for required payments; and

WHEREAS, the successor agency to the former Pacifica Redevelopment Agency ("Pacifica SA") has prepared a ROPS for the period July 1, 2022 to June 30, 2023, referred to as "ROPS 22-23", claiming a total enforceable obligation amount of $254,783; and

WHEREAS, pursuant to HSC Section 34180(g) the Oversight Board approved the ROPS 22-23 and administrative budget on January 10, 2022 per Resolution No. 2022-02 and submitted it to the State Department of Finance, which provided its approval; and

WHEREAS, pursuant to HSC Section 34177 (o) (1) (E), once per ROPS period, a successor agency may submit one amendment to the ROPS no later than October 1 and the Oversight Board must approve the Amended ROPS prior to submission to the Department of Finance; and

WHEREAS, the Pacifica SA has amended its administrative budget for the period July 1, 2022 to June 30, 2023, from $4,500 to $7,200, which is an adjustment of $2,700 as necessary for payment of approved enforceable obligations; and

WHEREAS, the Oversight Board finds that a revision is necessary to the Pacifica SA's ROPS for the payment of approved enforceable obligations during the second one-half of the ROPS period; and

WHEREAS, California HSC Section 34179(e) requires all action items of Countywide Oversight Boards, including the San Mateo County Countywide Oversight Board, be accomplished by resolution.

NOW, THEREFORE, BE IT RESOLVED, the San Mateo County Countywide Oversight Board hereby approves the Pacifica Successor Agency Amended ROPS 22-23B and the Pacifica Successor Agency Amended Fiscal Year 2022-23 Administrative Budget, attached hereto as Exhibits A and B and incorporated herein by this reference;

BE IT FURTHER RESOLVED, that the Oversight Board directs the Pacifica Successor Agency to submit the Amended ROPS 22-23B to the State Department of Finance upon approval by the Oversight Board.

* * *

Exhibit A – Pacifica Successor Agency's Amended Recognized Obligation Payment Schedule 22-23B
Exhibit B – Pacifica Successor Agency's Amended FY 2022-23 Administrative Budget

Amended Recognized Obligation Payment Schedule (ROPS 22-23B) - Summary
Filed for the January 1, 2023 through June 30, 2023 Period

Successor Agency: Pacifica

County: San Mateo

	Current Period Requested Funding for Enforceable Obligations (ROPS Detail)	ROPS 22-23B Authorized Amounts	ROPS 22-23B Requested Adjustments	ROPS 22-23B Amended Total
A	**Enforceable Obligations Funded as Follows (B+C+D)**	**$ -**	**$ -**	**$ -**
B	Bond Proceeds	-	-	-
C	Reserve Balance	-	-	-
D	Other Funds	-	-	-
E	**Redevelopment Property Tax Trust Fund (RPTTF) (F+G)**	**$ 104,474**	**$ 2,700**	**$ 107,174**
F	RPTTF	99,974	-	99,974
G	Administrative RPTTF	4,500	2,700	7,200
H	**Current Period Enforceable Obligations (A+E)**	**$ 104,474**	**$ 2,700**	**$ 107,174**

Certification of Oversight Board Chairman:

Pursuant to Section 34177 (o) of the Health and Safety code, I hereby certify that the above is a true and accurate Recognized Obligation Payment Schedule for the above named successor agency.

Name | Title

/s/

Signature | Date

Pacifica
Amended Recognized Obligation Payment Schedule (ROPS 22-23B) - ROPS Detail
January 1, 2023 through June 30, 2023

Item #	Project Name	Obligation Type	Total Outstanding Obligation	Authorized Amounts - Fund Sources: Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	Total	Requested Adjustments - Fund Sources: Bond Proceeds	Reserve Balance	Other Funds	RPTTF	Admin RPTTF	Total	Notes
			$1,247,070	$-	$-	$-	$99,974	$4,500	$104,474	$-	$-	$-	$-	$2,700	$2,700	
1	2004 Tax Allocation Bond Series A	Bonds Issued On or Before 12/31/10	$1,114,871	-	-	-	99,974	-	$99,974	-	-	-	-	-	$-	
2	2004 Tax Allocation Bond Series A Fiscal Agent Fee	Fees	$2,364	-	-	-	-	-	$-	-	-	-	-	-	$-	
3	Annual Audit	Admin Costs	$4,500	-	-	-	-	-	$-	-	-	-	-	400	$400	
4	Administration Successor Agency	Admin Costs	$-	-	-	-	-	-	$-	-	-	-	-	2,300	$2,300	
7	Administration - Legal	Admin Costs	$-	-	-	-	-	-	$-	-	-	-	-	-	$-	
11	Reso 17-88 - Loan #4 From General Fund	City/County Loan (Prior 06/28/11), Cash exchange	$125,335	-	-	-	-	-	$-	-	-	-	-	-	$-	
12	Reso 19-89 -Loan #5 From General Fund	City/County Loan (Prior 06/28/11), Cash exchange	$-	-	-	-	-	-	$-	-	-	-	-	-	$-	
13	Reso 20-90 -Loan #6 From General Fund	City/County Loan (Prior 06/28/11), Cash exchange	$-	-	-	-	-	-	$-	-	-	-	-	-	$-	
14	Reso 9-91 -Loan #7 From General Fund	City/County Loan (Prior 06/28/11), Cash exchange	$-	-	-	-	-	-	$-	-	-	-	-	-	$-	
15	Reso 1-92 -Loan #8 From General Fund	City/County Loan (Prior 06/28/11), Cash exchange	$-	-	-	-	-	-	$-	-	-	-	-	-	$-	
16	Reso 15-94 -Loan #10 From General Fund	City/County Loan (Prior 06/28/11), Cash exchange	$-	-	-	-	-	-	$-	-	-	-	-	-	$-	

Attachment 2, Exhibit B

SUCCESSOR AGENCY _City of Pacifica Succesor Agency__________								
ADMINISTRATIVE BUDGET								
ROPS Period		**20-21**			**21-22**	**Amended 22-23**	***Please specify budget methodology (Cost Allocation, Time Study etc)***	
Obligations Period		**July 2020-June 2021**			**July 2021-June 2022**	**July 2022-June 2023**	___________________	
Total Outstanding Obligations ($)								
Total Number of Outstanding Obligations								
Staff	**Description**	**Requested**	**Actual**	**Variance**	**Requested**	**Amended Request**	**Variance**	**Comment/Explanation for Variance**
Finance Director	$131/hour fully burdened rate x hours	$ 1,310	$ -	$ 1,310	$ 930	$ 300	$ (630)	Less Hours.
Financial Services Manager	$92.95/hour fully burdened rate x Hrs.			$ -			$ -	
RGS Consultanting	Contract Assistance ($135 x 15 Hrs.)			$ -		$ 2,000	$ 2,000	Outsourced assistance with accounting and reporting.
				$ -			$ -	
				$ -			$ -	
				$ -			$ -	
				$ -			$ -	
				$ -			$ -	
Sub-Total (Personnel Costs)		**$ 1,310**	**$ -**	**$ 1,310**	**$ 930**	**$ 2,300**	**$ 1,370**	
Vendor/Payee	**Description**	**Requested**	**Actual**	**Variance**	**Requested**	**Requested**	**Variance**	
Maze & Associates	Audit costs	$ 4,500	$ 4,500	$ -	$ 4,500	$ 4,900	$ 400	Based on an agreement
Law Offices of Craig Labadie	Legal costs	$ 1,000	$ -	$ 1,000			$ -	Do not foresee incurring legal cost for 2022-23
				$ -			$ -	
				$ -			$ -	
Sub-Total (Other Costs)		**$ 5,500**	**$ 4,500**	**$ 1,000**	**$ 4,500**	**$ 4,900**	**$ 400**	
Grand Total		**$ 6,810**	**$ 4,500**	**$ 2,310**	**$ 5,430**	**$ 7,200**	**$ 1,770**	

Notes

1. $2,700 Amendment is from the $300 staff costs, $2,000 contract accounting and reporting costs, and the $400 increase in annual audit costs highlighted in green.
2. The contracts with RGS and Maze are with the City of Pacifica. The above amounts are the prorated share of the Successor Agency of the costs.

SAN MATEO COUNTY
COUNTYWIDE OVERSIGHT BOARD

To: San Mateo County Countywide Oversight Board (OB) **Agenda Item No. 7**

Date: September 7, 2022

From: Kim-Anh Le, Interim Assistant Controller, San Mateo County

Subject: Appraisal Reports for 616 and 700 Linden Avenue

BACKGROUND

At the OB's April 11, 2022 meeting, South San Francisco (SSF) proposed a resolution, pursuant to the compensation agreement among the taxing entities, for the OB to approve the sale price of $1,660,000 for two properties on Linden Avenue that SSF intends to retain for use as a park. This sale price was based on an appraisal commissioned by SSF by Kidder Mathews (first appraisal-see Exhibit A). The OB deferred action on the proposed resolution so that SSF could address some questions and concerns raised by the OB, concerning the sale price for the properties and certain contingency costs for environmental remediation.

At the May 9, 2022 OB meeting, SSF submitted a memo (Exhibit B) addressing OB's questions and a proposed resolution for a revised sale price of $2,008,000 for the properties. The revised sale price reflects the application of a lower remediation cost of $298,000 and would result in an additional $348,000 in tax revenue to the taxing entities compared with the originally proposed sale price. The OB again deferred action on the proposed resolution and tasked OB Staff to obtain an outside review of SSF's appraisal by Kidder Mathews regarding the subject properties in an expeditious manner.

DISCUSSION

Second Appraisal
Further to the OB's request for an outside review, OB Staff prepared a Request for Proposal for Appraisal Services (RFP) which was reviewed with Chairperson Christensen on 5/19/22. The RFP scope of work called for a review of the Kidder Mathews appraisal report and for the selected appraiser to conduct an independent appraisal in the event of disagreement with the Kidder Matthews valuation. The RFP was originally sent to three (3) companies that were formerly on retainer with the OB. All three (3) companies declined to submit proposals due to time constraints or previous commitments. With the help of the County Executive Office, Staff was able to identify two (2) more companies and contacted them on 6/2/22. Only one candidate (Joseph I. Napoliello) submitted a proposal and staff proceeded with Mr. Napoliello.

Mr. Napoliello submitted his review of the Kidder Matthews appraisal on 6/20/22. See Exhibit C, attached. He concluded among other findings that the Kidder Mathews appraisal of the subject properties' value was "well below the lower end of a normal range of market value based on the data presented and reviewed." As provided in the scope of work, Mr. Napoliello proceeded to conduct his own appraisal of the properties.

Mr. Napoliello's appraisal report (second appraisal – see Exhibit D) outlines the bases and comparable properties underlying his appraisal and values the subject properties, using mixed use/high-density housing as the highest and best use of the properties, at $31 million with $4.9 million as value for Land before remediation costs. See Page 48 of Exhibit D, attached. Mr. Napoliello accepts the claimed remediation costs of $531,000 at face value as review of analysis is beyond his professional capabilities.

The OB Chairperson agreed to have the Board consider SSF's revised price of $2,008,000 at the August 8th OB meeting. SSF, however, requested time to analyze and comment on Mr. Napoliello's appraisal and the Chairperson agreed to cancel the August meeting. On 8/24/22, SSF submitted a written response by Kidder Matthews to Mr. Napoliello's appraisal and indicated to the OB Chairperson, SSF's desire to have a third appraisal by an independent company at SSF's expense – see Exhibit E. Mr. Napoliello's response to SSF's comments regarding his appraisal is attached (Exhibit F). At this time, SSF has not proposed an alternative to its last proposed sale price of $2,008,000 for the Linden properties.

This matter is on the agenda as a discussion item.

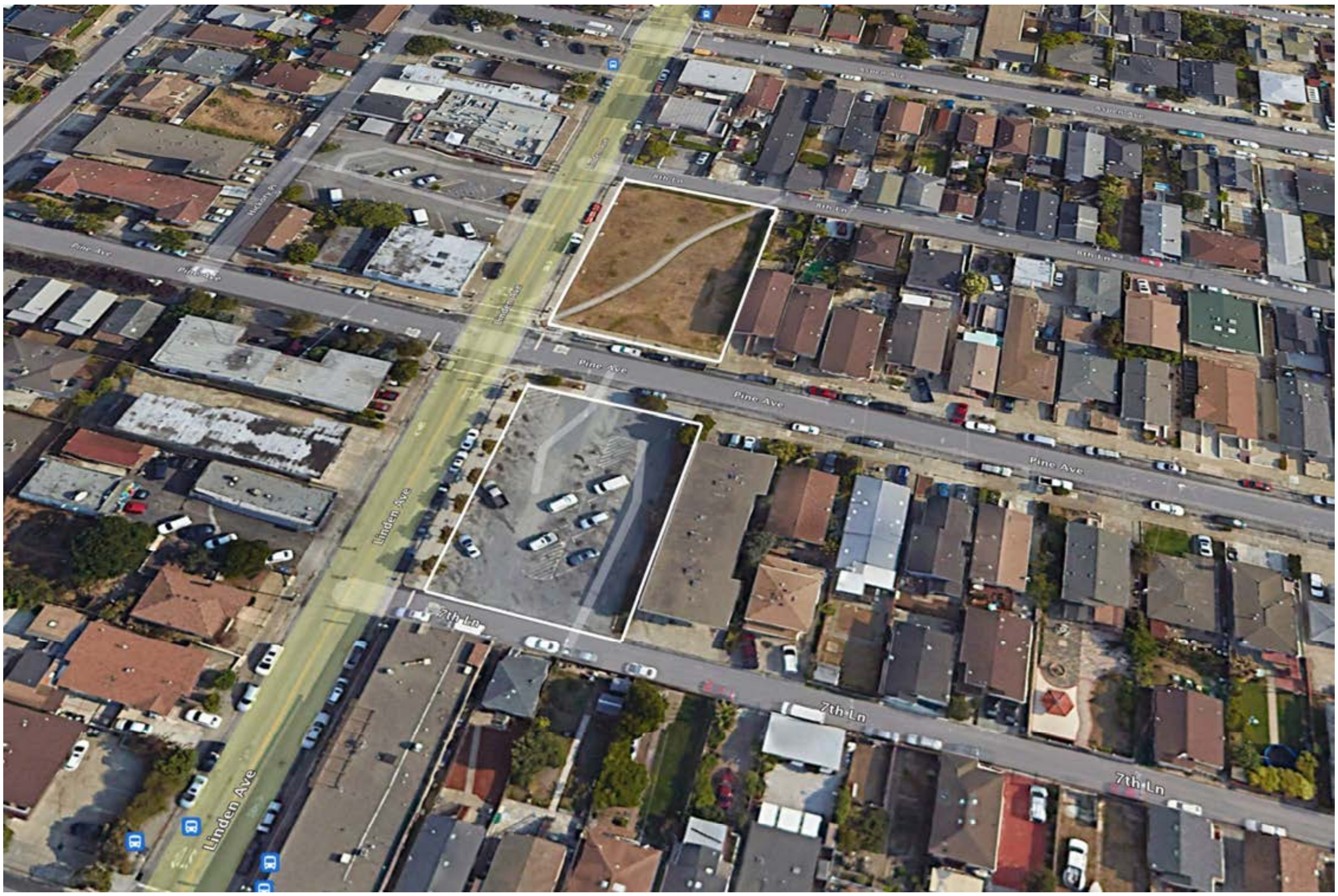
EXHIBITS

A. Kidder Mathews Appraisal Report
B. April 21, 2022 Memo from SSF to OB re Revised Sale Price
C. Napoliello Review of Kidder Matthews Appraisal (6/20/22)
D. Napoliello Appraisal Report re Subject Properties (8/3/22)
E. August 24, 2022 Memo from Kidder Mathews and Email of Mike Futrell
F. September 7, 2022 Memo from Joe Napoliello

Appraisal Report

Two Parcels - ±28,000 Square Feet
616 & 700 Linden Avenue | South San Francisco, CA

as of December 7, 2021



Prepared for:

Ms. Julie Barnard
Acting Deputy Director of Economic & Community Development
City of South San Francisco
400 Grand Avenue
South San Francisco, CA 94080

Prepared by:

Craig A. Owyang, MAI, SRA
Senior Vice President | Shareholder

KM Job AC21-329 – UASFLA

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Kidder Mathews

Kidder Mathews

OB Staff Notes:
The original letter of transmittal was revised and included changes that are highlighted on this report.

March 28, 2022

Ms. Julie Barnard
Acting Deputy Director of Economic & Community Development
City of South San Francisco
400 Grand Avenue
South San Francisco, CA 94080

RE: Valuation Analysis
Two Parcels - ±28,000 Square Feet
616 & 700 Linden Avenue
South San Francisco, CA 94080

Ms. Barnard:

At your request, I have completed an appraisal of the above-referenced properties. Unless specifically addressed otherwise, the two parcels will be collectively referenced as the "subject" or the "property" in this *Written Appraisal Report.* I have developed my opinion of the *Market Value* in the subject's *Fee Simple Estate*. This report was prepared in November and December 2021 as well as March 2022. The *Effective Date of Value* is December 7, 2021. My opinion of value was developed under the *Scope of Work* that is included in the body of this *Appraisal Report*.

This *Appraisal Assignment* was prepared and communicated in a manner that complies with the *Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA).* Additionally, this *Appraisal Assignment* is communicated in a written *Appraisal Report* under Standard 2, as defined in the *Uniform Standards of Professional Appraisal Practice (USPAP)*. My services comply with and are subject to the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. The *Intended Use* of this *Appraisal Report* is to establish value as part of the possible disposition of the properties by the *Intended User,* the City of South San Francisco.

Assignment Conditions

This *Appraisal Assignment* has been prepared without any *Hypothetical Conditions.*

This *Appraisal Assignment* has been prepared under the following *Extraordinary Assumptions:*

- I personally visited the property on November 9, 2021. On the other hand, the *Effective Date of Value* is December 7, 2021. Therefore, we have made the *Extraordinary Assumption* the property's physical characteristics are unchanged between our inspection and the *Effective Date of Value.*

- I have been provided with a Phase I/Phase II Environmental Site Assessment of four properties, two of which include the subject. The report is an unsigned draft dated June 11, 2021 that was prepared by Toeroek Associates, Inc. and Tetra Tech, Inc. Additionally, Ms.

- Julie Barnard with the City of South San Francisco has reported 616 Linden Avenue is subject to remediation costs estimated at $530,000 in order to support development with housing and/or commercial uses. Because the Phase I/Phase II Environmental Site Assessment is an unsigned draft, we have made the *Extraordinary Assumption* the certified report will be materially unchanged from the draft. Additionally, we have made the *Extraordinary Assumption* the estimated remediation costs reported by the City of South San Francisco are adequate prepare to the site for development with housing and commercial development.
- This appraisal has been conducted without the benefit of a *Preliminary Title Report.* As a result, we have not ascertained if the property is subject to any *Easements, Encroachments & Rights of Way*. Therefore, we have made the *Extraordinary Assumption* the property is not subject to any exceptions to title and/or CC&R's that negatively impact the marketability and/or value of the subject. If any such title exceptions exist, the property's marketability and/or value would likely be significantly negatively impacted.

If it is found that any of the *Extraordinary Assumptions* to be untrue, our opinions regarding the quality and nature of the property would likely be negatively impacted as well as our opinion of *Market Value*.

This *Appraisal Assignment* has been prepared with the following *Limiting Conditions:*

1) Physical dimensions for the property were taken from public records or from information provided, and the appraisers assume no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.
2) I assume that there are no hidden or unapparent conditions of the property, subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render it more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.
3) No responsibility is assumed for the legal description or for matters including legal or title considerations.
4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5) The appraisers are not required to give testimony or attendance in court by reason of this appraisal unless arrangements have previously been made.
6) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report is invalidated if used separately in conjunction with any other appraisal.
7) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, interests have been disclosed, and the report has been made absent of any influence from these parties.

This *Appraisal Assignment* has been prepared without any *Legal Instructions.*

Restrictions Upon Disclosures & Use

Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser or the firm with which he/she is connected, or any reference to the Appraisal Institute or to its designations) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the appraiser. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus, or registration without the prior written consent of the appraiser

As a result of my investigation and analysis, I have concluded the *Market Value* of the property, subject to the *Assignment Conditions* (including the *Extraordinary Assumptions* and *Hypothetical Conditions*) contained herein, is:

As of December 7, 2021 ....$1,660,000

Respectfully,

Craig A. Owyang, MAI, SRA
Senior Vice President | Shareholder
Certified General Real Estate Appraiser
CA-AG009478 expires March 9, 2023

CAO/mlo

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ADDENDA
- Contract/Agreement Approval Form
- Grant Deed – San Mateo County – 2017-042165
- Grant Deed – San Mateo County – 2017-042166
- Contributory Value of Improvements Worksheet
- Appraiser's Experience Data

Appraiser's Certification

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

1) The statements of fact contained in this report are true and correct.

2) 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.

3) I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

4) I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

5) My engagement in this assignment was not contingent upon developing or reporting predetermined results.

6) 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 opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

7) The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice and the Uniform Appraisal Standards for Federal Land Acquisitions.

8) Craig A. Owyang has made a personal inspection of the property and was accompanied by Mr. Michael Lappen, a designated representative of the City of South San Francisco.

9) I have not provided professional appraisal or consulting services concerning the subject within the past three years.

10) Michelle L. Owyang has assisted in this appraisal assignment, under the direct supervision of Craig A. Owyang, in the following manner:
    - Investigated property characteristics with the local government agencies.
    - Researched and analyzed the market area.
    - Researched the market area for comparable sales.
    - Prepared the initial appraisal report.

11) The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

12) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13) As of the date of this report, Craig A. Owyang, MAI, SRA, AI-GRS, & AI-RRS has completed the continuing education program for Designated Members of the Appraisal Institute.

14) This *Appraisal Assignment* invokes a *Jurisdictional Exception* from the USPAP inasmuch as the UASFLA specifies the opinion of *Market Value* is not "linked" to a specific *Exposure Time,* which is inconsistent with the USPAP.

It is my opinion the *Market Value* of the property, subject to the *Assignment Conditions* (including the *Extraordinary Assumptions* and *Hypothetical Conditions*) contained herein, is:

As of December 7, 2021 ....$1,660,000

Respectfully,

Craig A. Owyang, MAI, SRA
Senior Vice President | Shareholder
Certified General Real Estate Appraiser
CA-AG009478 expires March 9, 2023

Executive Summary

Executive Summary

IDENTITY OF PROPERTY

Two Parcels - ±28,000 Square Feet
616 & 700 Linden Avenue
South San Francisco, CA 94080

Collectively, the two parcels would likely support development with a medium-high density residential development with roughly 40 units. The likely development would include two- to three-stories of residential uses over ground level parking and retail space.

IDENTIFICATION OF ENCUMBRANCES

This appraisal has been conducted without the benefit of a *Preliminary Title Report.* As a result, I have not ascertained if the property is subject to any *Easements, Encroachments & Rights of Way*. Therefore, I have made the *Extraordinary Assumption* the property is not subject to any exceptions to title and/or CC&R's that negatively impact the marketability and/or value of the subject. If any such title exceptions exist, the property's marketability and/or value would likely be significantly negatively impacted.

CLIENT

The *Client* is the City of South San Francisco

INTENDED USERS

The *Intended User* is the City of South San Francisco

INTENDED USE

The *Intended Use* of this *Appraisal Report* is to establish value as part of the possible disposition of the properties.

MARKET VALUE

"Market Value" is defined as:

> *"Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability would have sold on the effective date of value, after a reasonable exposure time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property."*
>
> **Source**: Uniform Appraisal Standards for Federal Land Acquisitions 2016, The Appraisal Foundation on Behalf of the Interagency Land Acquisition Conference and in cooperation with the United States Department of Justice, Section 1.2.4.

PURPOSE

The *Purpose* of this *Appraisal Assignment* is to develop and report my opinion of *Market Value*.

PROPERTY RIGHTS APPRAISED

The subject of this *Appraisal Assignment* is the *Fee Simple Estate*, which 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."

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago, IL: Appraisal Institute, 2015), page 90.)

ASSIGNMENT CONDITIONS

Extraordinary Assumptions:

I personally visited the property on November 9, 2021. On the other hand, the *Effective Date of Value* is December 7, 2021. Therefore, I have made the *Extraordinary Assumption* the property's physical characteristics are unchanged between my inspection and the *Effective Date of Value.*

I have been provided with a Phase I/Phase II Environmental Site Assessment of four properties, two of which include the subject. The report is an unsigned draft dated June 11, 2021 that was prepared by Toeroek Associates, Inc. and Tetra Tech, Inc. Additionally, Ms. Julie Barnard with the City of South San Francisco has reported 616 Linden Avenue is subject to remediation costs estimated at $530,000 in order to support development with housing and/or commercial uses. Because the Phase I/Phase II Environmental Site Assessment is an unsigned draft, I have made the *Extraordinary Assumption* the certified report will be materially unchanged from the draft. Additionally, I have made the *Extraordinary Assumption* the estimated remediation costs reported by the City of South San Francisco are adequate prepare to the site for development with housing and commercial development.

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If it is found that any of the *Extraordinary Assumptions* to be untrue, my opinions regarding the quality and nature of the property would likely be negatively impacted as well as my opinion of *Market Value*.

Hypothetical Conditions:

None

DATE OF REPORT March 28, 2022

DATE OF LAST INSPECTION November 9, 2021

EFFECTIVE DATE OF VALUE December 7, 2021

MARKETING TIME Additionally, it is my opinion the subject's marketing period would also be 6 to 12 months given my opinion of value and the property's relevant characteristics.

PHOTOGRAPHS OF THE SUBJECT The following photographs of the subject were taken by Craig A. Owyang on November 9, 2021. The *Satellite Image – Subject Photograph Locations* identify the locations and orientations of the photographs.

Photographs of the Subject

1 - 616 Linden Avenue – Northeast Corner – Direction is Southwest

2 - 616 Linden Avenue – Southeast Corner – Direction is Northwest

3 - 616 Linden Avenue – Northern Perimeter – Direction is West

Photographs of the Subject

4 - 616 Linden Avenue – Eastern Perimeter – Direction is South

5 - 616 Linden Avenue – Eastern Perimeter – Direction is North

6 - 616 Linden Avenue – Southern Perimeter – Direction is West

Photographs of the Subject

7 - 700 Linden Avenue – Southwest Corner – Direction is Northeast

8 - 700 Linden Avenue – Southern Perimeter – Direction is East

9 - 700 Linden Avenue – Eastern Perimeter – Direction is South

Photographs of the Subject

10 - 700 Linden Avenue – Northern Perimeter – Direction is West

11 - 700 Linden Avenue – Eastern Perimeter – Direction is North

12 - 700 Linden Avenue – Southeastern Corner – Direction is Northwest

Photographs of the Subject

13 - Intersection of Linden & Pine Avenues – Direction is South

14 - Intersection of Linden & Pine Avenues – Direction is North

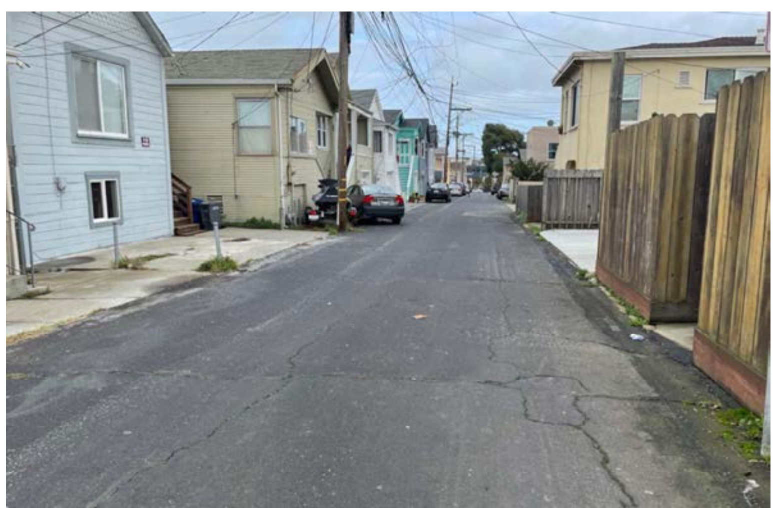
15 - Intersection of Linden & Pine Avenues – Direction is East

Photographs of the Subject

16 - Intersection of Linden & Pine Avenues – Direction is West

17 - 8th Lane – Direction is West

18 - 8th Lane – Direction is East



Photographs of the Subject

19 - 7th Lane – Direction is East

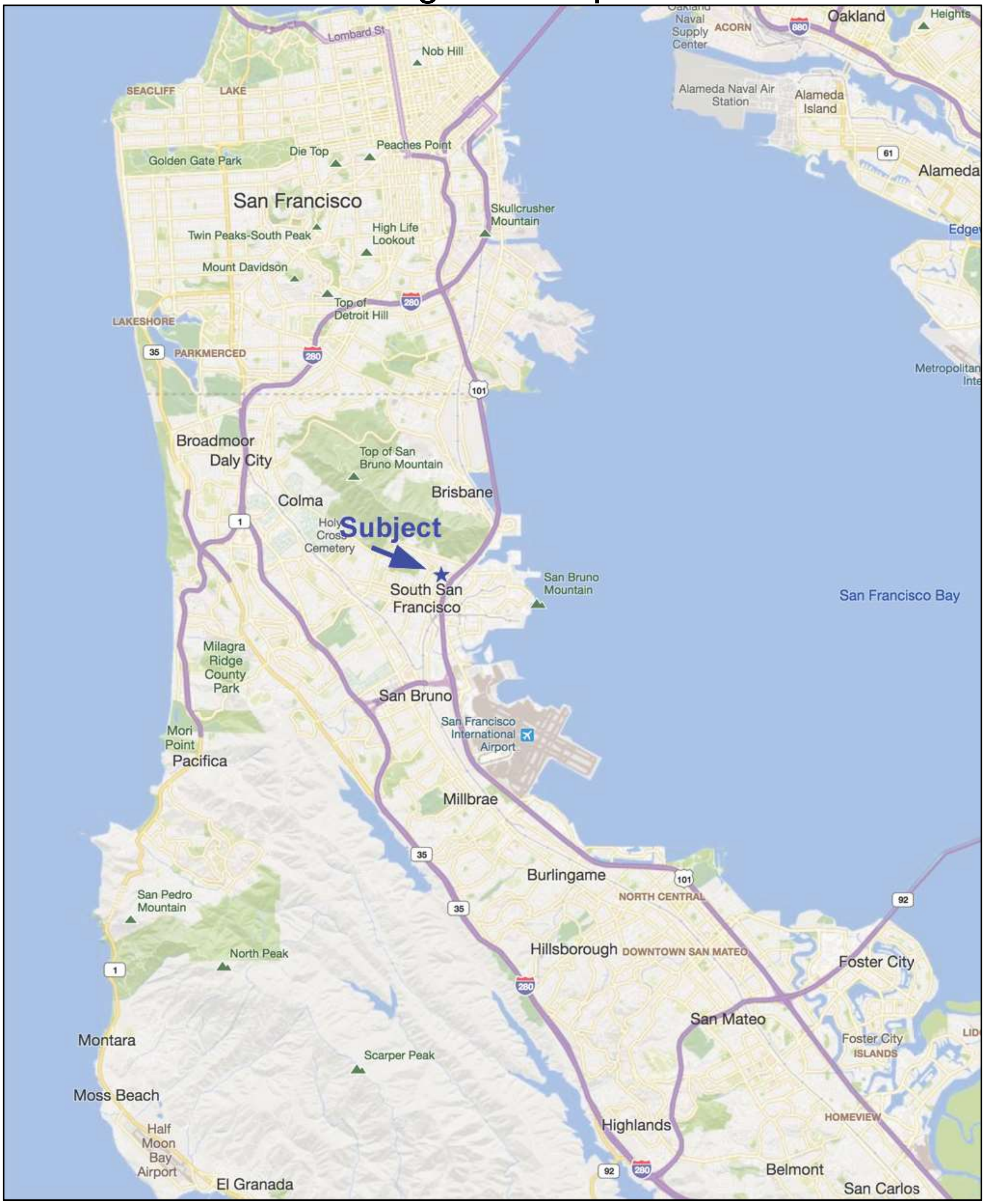
20 - 7th Lane – Direction is West

21 - Linden Avenue @ 7th Lane – Direction is North

Satellite Image – Subject Photograph Locations

Factual Data – Before Acquisition

Regional Map



Satellite Image – Neigborhood

Factual Data – Before Acquisition

LEGAL DESCRIPTION

The subject includes two parcels that are legally described in the *Grant Deeds* filed by the San Mateo County Recorder as Documents 2017-042165 and 2017-042166 on May 16, 2017, copies of which are included in the *Addenda* to this *Appraisal Report.*

REGIONAL DESCRIPTION

The subject is in the city of South San Francisco, in San Mateo County, within the nine-county region known as the San Francisco Bay Area. The Bay Area is the fourth largest metropolitan area in the United States, with a total population of 7,703,016 as of January 1, 2021, according to the State of California Department of Finance (CA-DOF). It contains roughly 19.5% of the State's population, which is unchanged from 2020. However, the Bay Area's population *declined* at a rate of 0.6% over the preceding 12 months, which was nominally greater than the state's 0.5% loss during the same timeframe.

The Bay Area is very diverse and has long been recognized as a desirable area within which to live and work. Its abundance of human and natural resources has resulted in solid population and economic growth over the past several decades, despite periods of economic correction, and furthermore indicates good potential for an eventual resumption of expansion. The technology industry continues to drive job creation and business activity in the region, and signs of growth have been seen in several property sectors.

SAN MATEO COUNTY

San Mateo County is one of nine counties that make up the San Francisco Bay Area (commonly referred to as the "Bay Area"). The county encompasses approximately 744 square miles, with land accounting for approximately 448 square miles and inland waters and the San Francisco Bay tidal areas accounting for the remainder. The county predominantly makes up the San Francisco Peninsula and is bounded by the City and County of San Francisco to the north with Santa Cruz and Santa Clara Counties to the south and southeast. It is directly accessible to the East Bay by the San Mateo/Hayward Bridge and the Dumbarton Bridge.

The northern and northeastern portions of the county are more densely populated with urban/suburban areas. On the other hand, the southern and southwestern parts of the county are less densely populated rural areas. Much of the coastal land remains undeveloped with a few exceptions being small unincorporated communities. Land along the San Francisco Bay encompasses over 95% of the county's development and appears as a continuous corridor of urban/suburban communities. Land use within the former is characterized by a concentration of high-technology engineering, manufacturing, biotechnology, finance, and technical products firms near the bay, with residential and business districts stretching westward, into the foothills. Overall, the availability of vacant land has become scarce in the eastern portions of the county. As a result, the bulk of the new housing units will be redevelopment of properties resulting in medium-high and high-density residential projects.

Population

The population growth has slowed considerably during recent decades. San Mateo County's population grew only nominally in the decade ending in 2010, as U.S. Census figures indicate an increase of just 1.6% over the period. More recent data shows that its population growth (and more recent decline) is currently occurring at a rate similar to that of the Bay Area as a whole. As of January 1, 2021, the CA-DOF estimated the population at 765,245, reflecting a 0.8% decrease from the previous year.

Employment & Unemployment

San Mateo County has a diversified economy. Much of its job growth in the last decade has been a result of the economic expansion in nearby Silicon Valley, with gains experienced in the high-technology fields of hardware and software development, multimedia, environmental technology, and biotechnology. Based on the emergence and expansion of the Internet and related industries over the past several years, a large part of the county is now commonly considered to be associated with Silicon Valley.

Significant employment sectors within San Mateo County include manufacturing, transportation, retail trade, finance, insurance, real estate, and professional services. The largest employers are associated with the San Francisco Airport, local government, healthcare, and technology firms. There are currently over 200 firms that employ at least 100 people in the county, including Oracle Corporation, Meta (formerly Facebook), and the County of San Mateo itself.

The unemployment rate reached its peak of the Great Recession at 9.2% August 2009 and steadily decreased through the beginning of 2020 to 2.1%. However, with the onset of the COVID-19 pandemic, the unemployment rate dramatically rose and by April 2020 had reached 11.8%. Since then, the unemployment rate dropped to 3.8% of a workforce of 439,400 in September 2021. This compares favorably with California's unemployment rate of 6.4%.

Economic Indicators

General economic conditions in Silicon Valley have improved notably since the Great Recession – although most recently they have again faltered. Until the start of the COVID-19 pandemic, the Bay Area and Silicon Valley were recognized as one of the best-performing economic environments in the state and the country.

The Joint Venture Silicon Valley Institute for Regional Studies periodically surveys business leaders from many industries established within the region to gauge economic vibrancy and competitiveness. Their most recent publication on the topic is the 2021 Silicon Valley Index. The conclusions from that report – assembled during the coronavirus outbreak – echoed some findings from previous research, but also that "Silicon Valley has a grotesque set of disparities."

Due in part to COVID-19, economic bifurcation among area residents is becoming even more pronounced than it has been historically. Key findings extracted from the 2021 Index are as follows:

- Population growth has halted. While the region continues to attract tech talent from around the world, incoming (primarily foreign-born) talent is met with a massive outflow of residents to other parts of the state and nation, and slower natural growth. Tech employment is still rising here, but those companies are adding jobs more rapidly elsewhere.
- The staggering amount of job losses fell … disproportionately (on) low-income earners, renters, and Black and Hispanic workers. The income and wealth divide - already gaping - reached staggering proportions. Housing insecurity and hunger rose, met by increasing costs at a time when few could afford them.
- Silicon Valley's tech companies and highly skilled workforce thrived amid the crisis. The region had lost more than 151,000 jobs by June, while the tech sector remained nearly untouched with overall employment levels up two percent despite some layoffs.
- 2020 was a record year for venture capital ($46 billion), which fueled 67 megadeals in Silicon Valley and 41 in San Francisco. The total number of patents registered in each of the last two years were higher than ever before, and the year ended with 24 new Silicon Valley publicly traded companies. In aggregate, Silicon Valley and San Francisco companies increased their market capitalization by 37 percent, reaching nearly $10.5 trillion by the end of the year.
- The footprint of the major tech companies increased, even despite some pandemic-related construction delays. More new commercial

space was under construction than ever before (21 million square feet) and another 14 million square feet is in the pipeline. While commercial leasing activity did slow down by as much as 67 percent for office space, most tenants and landlords took a wait-and-see approach; landlords held rents steady and tenants held onto their space, even if unoccupied.

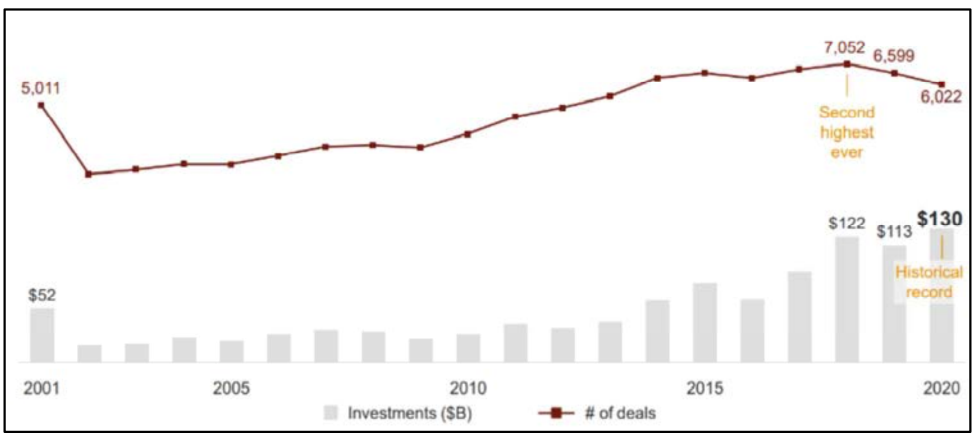
- Connectivity became an even bigger issue with the prevalence of remote work and distance-learning, particularly for lower-income students and those living in rural communities. High school dropout rates rose, and standardized testing was suspended.
- Fewer people were driving or riding public transit, spending money in stores, or participating in arts, culture, and entertainment. The consequences were wide-ranging. Due to the sheltering orders, regional mobility declined to levels never seen before. Budgets of public transit agencies and arts organizations were decimated. By spring, more than 60 percent of arts and culture jobs had been lost.
- The philanthropic community, local government organizations, and nonprofits came together as never before to address rising needs, with a focus on food and shelter. Nineteen major COVID-19 response funds granted over $94 million in pandemic relief, $58 million of which was disbursed within the first three months of the crisis; nearly two-thirds of all funding went toward food, shelter, and other basic needs.
- Civic engagement increased significantly amid a presidential election and high levels of civil unrest. Local government faced declining public funds and made major adjustments…to accommodate pandemic-related declines in revenues (from transient occupancy taxes, charges for services, and business license taxes among others) that are expected to be greater than those experienced during the Great Recession or the dot.com bust. All total, Silicon Valley cities are expected to have more than $400 million in budget shortfalls.

Clearly, many of these issues represent challenges for business and economic development. While some are tied directly to the coronavirus pandemic, others reflect expansions of disparities that existed before the outbreak. Notwithstanding, the broad Bay Area office market has been negatively impacted during the COVID era, although suburban locales have outperformed central business districts. San Mateo County had an inventory of approximately 58.0 million square feet as of 2021's third quarter end, according to CoStar Realty Information Services, Inc. At that time, office vacancy was 10.3%, up 210 basis points from 8.2% one year earlier.

Concerning consumer activity, the San Francisco region - and the Peninsula in particular - had also been robust until 2020's second quarter, driven by the region's jobs growth, dense population, and above-average income demographics. Again, this changed due to COVID, although spending patterns were not as negatively impacted as seen in other parts of the country. Costar reported that as of the 3rd Quarter 2021, the San Mateo County submarket had a retail vacancy rate of just 5.2 % on an inventory of 31.6 million square feet. This figure has remained low for the past several years due to the maturity of the market, limited new construction, and high demand dynamics. While it has most recently deteriorated, due to the impacts of the recent shelter-in-place limits on commerce, overall vacancy in the retail category was up just 10 basis points from one year earlier. The number of retail, restaurant, and entertainment venues that have experienced stress during the pandemic has been substantial, although conditions appear to now be improving with the very recent reopening of the economy.

Venture Capital Investment

Investments made within the venture capital industry are tracked by PwC in its MoneyTree Report. According to this source, venture funding has increased substantially since the Great Recession, with nationwide investments climbing from $32.6 billion in 2012 to $130 billion in 2020. Capital continues to be directed to venture investments, despite the current recessionary environment, with the most recently completed year showing an increase of 14 percent from 2019.



During the past few years, however, trends within the industry have been changing. Larger commitments are now being made to a lesser number of firms, while geographical influences are also becoming more pronounced. The venture capital economy was not as negatively impacted by the effects of the COVID-19 pandemic as might have been expected, with deal flow recovering markedly during 2020's third and fourth quarters. In fact, the year's final quarter was the second highest ever for venture financing, with the third quarter placing third from an historical viewpoint.

The San Francisco Bay Area consistently accounts for a significant percentage of nationwide funding, and the region's take has generally grown over the past several years. It was not among the fastest growing regions in the United States last year, however, as other parts of the country have more recently experienced greater rates of activity increase.

Housing & Income Levels

Housing costs in the San Francisco Bay Area are among the highest in the nation. The median price of a single-unit residence in San Mateo County exceeds those in all the other Bay Area counties.

In the for-sale market, suburban property demand has experienced strong growth with the lack of supply and shelter-in-place orders from the region's major employers spurring competition. Throughout 2020, rates in the rental sector had been trending downward while vacancy rates were increasing. Recent "work from home" policies have encouraged some to relocate out of the area altogether to lower cost cities, and new unit supply continues to grow due to ongoing development efforts. However, with the development of three COVID vaccines in 2021, people have been slowly returning to "in person work," increasing the demand for rental units. Overall, rental rates have been increasing throughout 2021, with vacancy rates on a downward trajectory.

According to Multiple Listing Service (MLS) statistics, the median sales price for a single-family home traded in San Mateo County was $1,909,000 during 2021's third quarter, decreasing slightly from the previous quarter's all-time high, but reflecting a 9.7% year-over-year increase. The median price for condominiums and townhomes during the same period was $947,500, reflecting an increase of 1.9%. Pricing trends at the beginning of the pandemic reflected buyers seeking properties that provided more space. The third quarter of 2021, however, has seen price increases in the common interest market as compared to the previous year, with limited inventory available.

San Mateo County's income levels are some of the highest in the state. In the 2015-2019 American Community Survey conducted by the U.S. Census Bureau, the county's median household income was estimated to be

$122,641 in 2019 inflation-adjusted dollars. This figure may decrease once numbers become available for 2020, however.

Transportation

Transportation systems serving the county are well established and heavily used by area residents and workers. The two primary freeways running north/south through the area are the US-101 (the Bayshore Freeway) and Interstate 280 (I-280). Interstate 380 bridges US-101 and I-280 in San Bruno whereas State Route Highways 92 and 84 connect these arteries in San Mateo and Redwood City/Woodside, respectively. The primary arterial up and down the peninsula is the El Camino Real, which is designated as State Route Highway 82 between San Francisco and San Jose.

The San Francisco International Airport (SFO) is the region's main airport, processing over 56.7 million passengers in 2019. Those numbers shrunk drastically in 2020, to 16.4 million, which was correlated to public fears over COVID-19, as well as governmental travel restrictions. Air travel has since begin to recover, with SFO processing 13.5 million passengers through August 2021. Notably, SFO is at the eastern terminus of I-380.

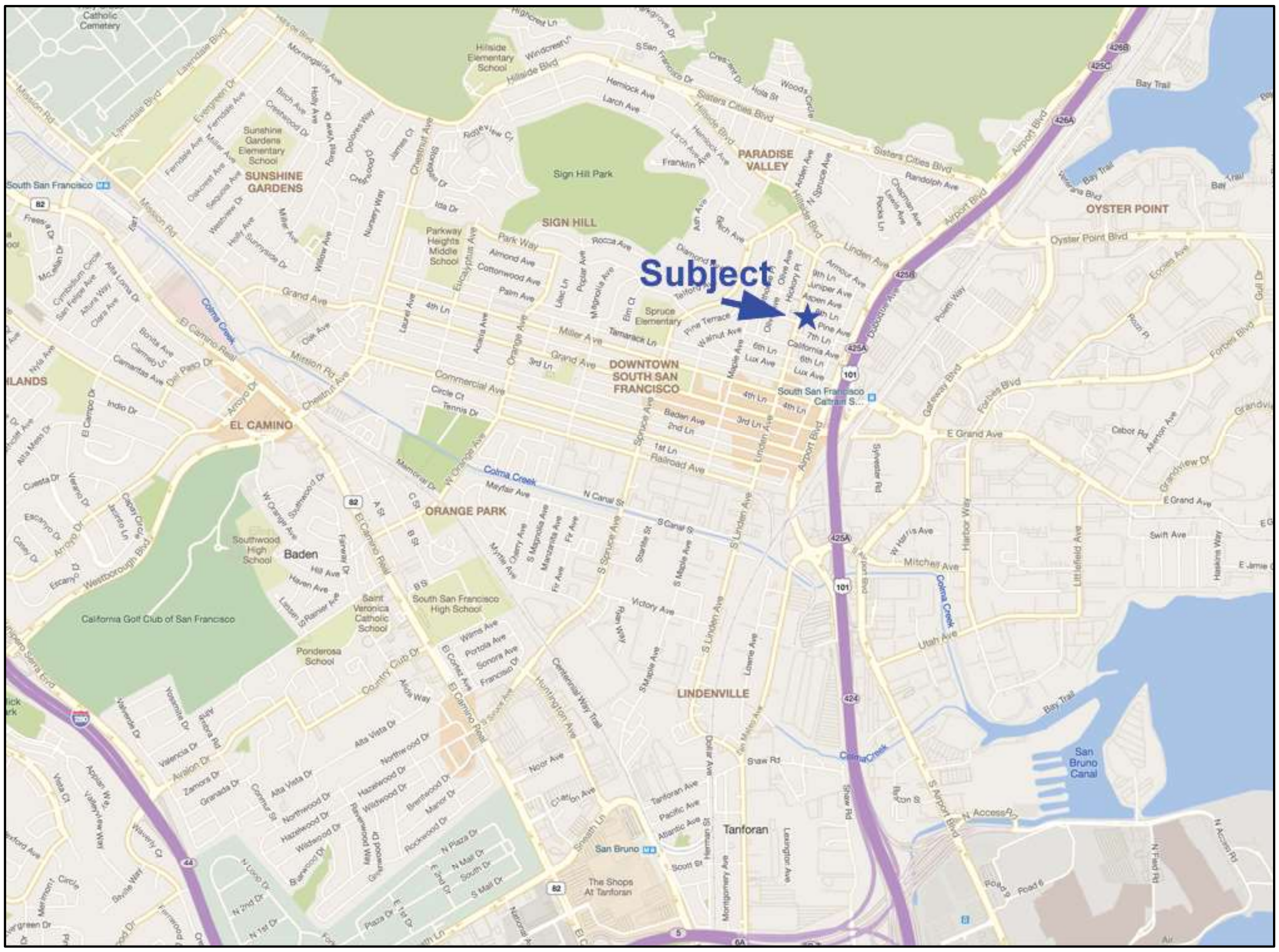
In addition to the aforementioned freeway and air transport options, public transportation serving the county includes the Bay Area Rapid Transit (BART) system, Caltrain (via a surface rail system), and the SamTrans bus service. Notably, BART and Caltrain both have stations in South San Francisco with the Caltrain station less than ½ mile from the subject.

Legislation and voter initiatives have resulted in plans for a high-speed rail system within California, first proposed in 1995. In 2015, the Federal Railroad Administration approved the start of construction of the initial stretch of track between Merced and Fresno, funding for which is to be split with the State of California. By the end of 2018, the chorus of critics of this project had increased, with a main concern being that the system could never be financially viable. Project costs have skyrocketed, and there were concerns that planning and oversight have been inadequate. In January of 2019, the then-new governor of the State of California announced he was limiting the project to this initial segment, at least at present. In light of these recent events, the future of the project is uncertain, and there is widespread skepticism of its ultimate success.

CITY OF SOUTH SAN FRANCISCO

South San Francisco is nearly nine square miles in the northern portion of San Mateo County. It is bordered by San Bruno Mountain and the city of Colma to the north; the San Francisco Bay to the east; the city of San Bruno to the south; and the cities of Daly City and Pacifica to the west. Historically an industrial city, South San Francisco is largely characterized by single-use development patterns, with industry to the east and southeast; low-density residential in the north and west; and commercial uses along primary transportation corridors. The community is colloquially known as "The Industrial City", acknowledging the historical and ongoing importance of this sector's influence. It benefits from industrial and commercial land uses associated with San Francisco International Airport, which lies adjacent to the southeast.

Market Area Map



Population & Income

As of January 2021, South San Francisco's population was 67,135 according to the CA-DOF, reflecting a 0.9% decrease from the prior year. Despite the city's near fully developed status, ABAG forecasts a population gain of 11.3% during the 10 years from 2015 through 2025 (within the city and its sphere of influence). This represents an average annual growth of 1.1%. The slowing of population and household growth within the city, as compared to historical patterns during the several decades prior to 2015, is attributed to South San Francisco's mostly built-out status and its continually declining supply of developable land.

The U.S. Census Bureau reports residents of South San Francisco are relatively affluent. Median annual household income in this community was estimated at $120,573 for the 2019 survey period, according to the Bureau's American Community Survey with the average household income at $140,438. In the 2018 survey, median income was reported at $102,365, or, a 17.8% increase.

Employment & Unemployment

The city's largest employers, according to South San Francisco Annual Financial Report, include:

South San Francisco's Largest Employers

Employer	Number of Employees
Genentech Inc.	8,632
Costco Wholesale	834
Life Technologies Corporation	622
Goodwill Industries of SF, SA	607
Amgen San Francisco LLC	500
MRL San Francisco LLC	317
ZS Associates, Inc.	317
Amazon.com Services, Inc.	291
BIT SSF Miller Cypress, LLC	260
Alvah Contractors	250

Source: South San Francisco Financial Report

According to the most recently published, South San Francisco Comprehensive Financial Report (for the fiscal year ending June 2020), the city's largest employer is Genentech. The company has a decades long history in the community, and, despite being acquired by Roche Holdings in 2009 (and now noted to be part of the Roche Group), Genentech retains its corporate headquarters in South San Francisco. During recent years, it has undertaken significant growth and expansion. Its presence has furthermore helped to attract other biotechnology firms to the general area, including Pfizer, Celera, Cell Genesys, Cytokinetics, FibroGen, Fluidigm, Hana Biosciences, and Diadexus.

As of September 2021, the California EDD reported employment at 38,600 and an unemployment rate of 4.7%. This is nominally above that for San Mateo County as of the same date. For the same period in 2020, unemployment was approximately 10.2%, whereas two years ago it was 2.0%.

Housing Prices The local Multiple Listing Service (MLS) reports median price for detached single-unit residences in the city of South San Francisco during the 3rd quarter of 2021 at $1,300,000. This is below the countywide median, reflecting the somewhat limited supply of higher end and executive-level housing in the community. The pricing, nevertheless, reflects an increase of 8.9% from the same period one year prior. Attached single-unit residences (condominiums and townhomes) had a median price of $820,000 in the same period. This represents a 10.3% increase from the same period in the prior year.

Transportation The transportation throughout the city is robust due to several freeways, highways, arterials, as well as nearby public transit options. Interstate 280 and US Highway 101 are roughly oriented in a north-south manner near the city's west and east boundaries, respectively. The El Camino Real (SR-82) is the most densely developed arterial, situated between I-280 and US-101, connecting South San Francisco with the neighboring communities. Hickey and Westborough Boulevards provide access from I-280, while Grand Avenue and Hillside/Sister Cities Boulevard provide connections with US-101 to downtown South San Francisco and the northern portion of the city.

MARKET AREA The subject is in the area of the Downtown Station Area Specific Plan (DSASP), which is a designated specific plan area in South San Francisco with a ½-mile radius around the Downtown Caltrain Station.

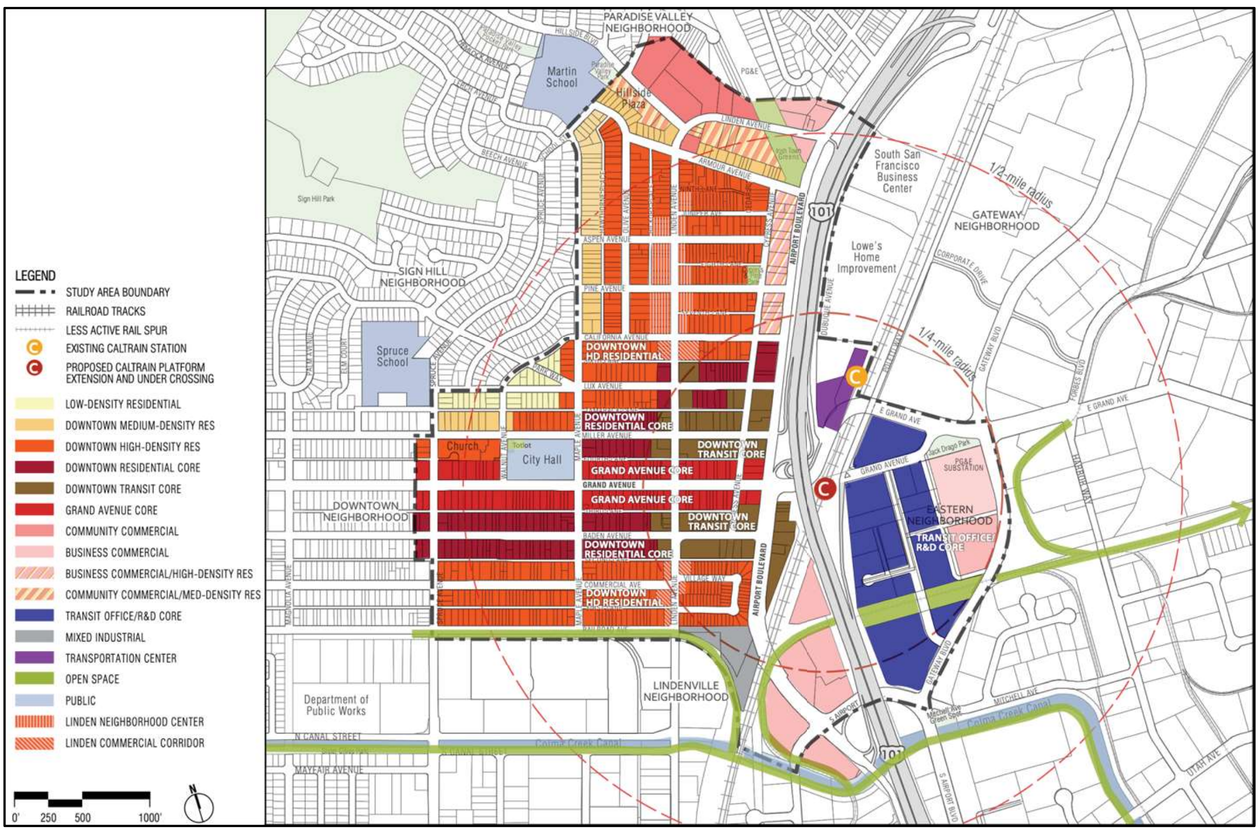
The Downtown Caltrain Station is northeast of the intersection of Airport Boulevard and Grand Avenue, below an elevated section of US-101 and the East Grand Avenue overpass.

South San Francisco was incorporated in 1908. Initial land use patterns had industrial uses east of the rail lines with residential and commercial uses west of the tracks. San Bruno Mountain, the San Francisco Bay, and marshlands slowed down development in the city. After WWII, significant expansion took place by displacing former wetlands with landfill. Over the last four decades, heavy industries such as steel were replaced by light industrial, office, R&D, hotels, and eventually biotechnology firms. The Downtown commercial core was focused on Grand Avenue. However, many retail uses left Downtown for larger shopping centers developed along El Camino Real in the western portion of the city.

Grand Avenue is the primary commercial corridor in the community. Single-unit and multi-unit residences are to the north and south of Grand Avenue. Commercial and light industrial uses are located along Airport Boulevard and south of Railroad Avenue. Auto oriented uses are located along the freeway and south of Grand Avenue. A small portion to the east of US-101 is in the DSASP. It is a large employment district in San Mateo County and home to business and technology parks, business commercial, and mixed industrial land uses. Genentech, the largest employer in South San Francisco, as well as other biotechnology, technology, office, hotels, and supporting uses are located here. Land use near US-101 and the Caltrain Station include a number of surface parking lots, undeveloped light industrial parcels, with some remaining vacant land.

Please refer to the following *Downtown Station Area Specific Plan Map:*

Downtown Station Area Specific Plan Map



The Caltrain Station in South San Francisco recently underwent a substantial modernization and expansion project. The new station is planned to be more convenient, safer, and more efficient. The station design will also increase the system capacity with a 700-foot center boarding platform, underground tunnel access to the station, multi-modal pick-up/drop-off area, and a downtown plaza anchoring each end of the new tunnel. The new station will also be fully compliant with the Americans with Disabilities Act.

APARTMENT MARKET ANALYSIS

CoStar Realty Information Services, Inc. San Francisco Multi-Family Market Report and *South San Francisco/San Bruno/Millbrae Multi-Family Submarket Report* was used to identify market performance. *CoStar Inc.* divides the overall market into seventeen submarkets with the subject in the South San Francisco/San Bruno/Millbrae Submarket.

Introduction

The larger San Francisco Multi-Family Market has experienced extraordinary demand over the past expansion cycle fueled by the large influx of tech industry workers. With the onset of the coronavirus pandemic, job losses and an exodus to lower cost cities led to a substantial outflow of apartment renters in 2020. The trajectory of the market in 2021, however, has seen renter's returning as quickly as they left last year. As the area has emerged from pandemic restrictions, college graduates in STEM (science, technology, engineering, & math) fields are being drawn back to the San Francisco metro's concentration of leading technology companies, startup culture, and typically vibrant city life.

Affordability has been a concern among renters for years. San Francisco still ranks as the most expensive market in the country despite the substantial drop in asking rents during the pandemic, and high housing costs have been a primary driver of its growing domestic migration outflow. During the first half of 2021, asking rents and occupancy levels have rebounded from historic lows. The San Francisco region's rents still remain below pre-pandemic levels, and the trajectory of the market in the short-term will largely depend on how many residents choose not to return and how quickly newcomers are attracted to the large urban area.

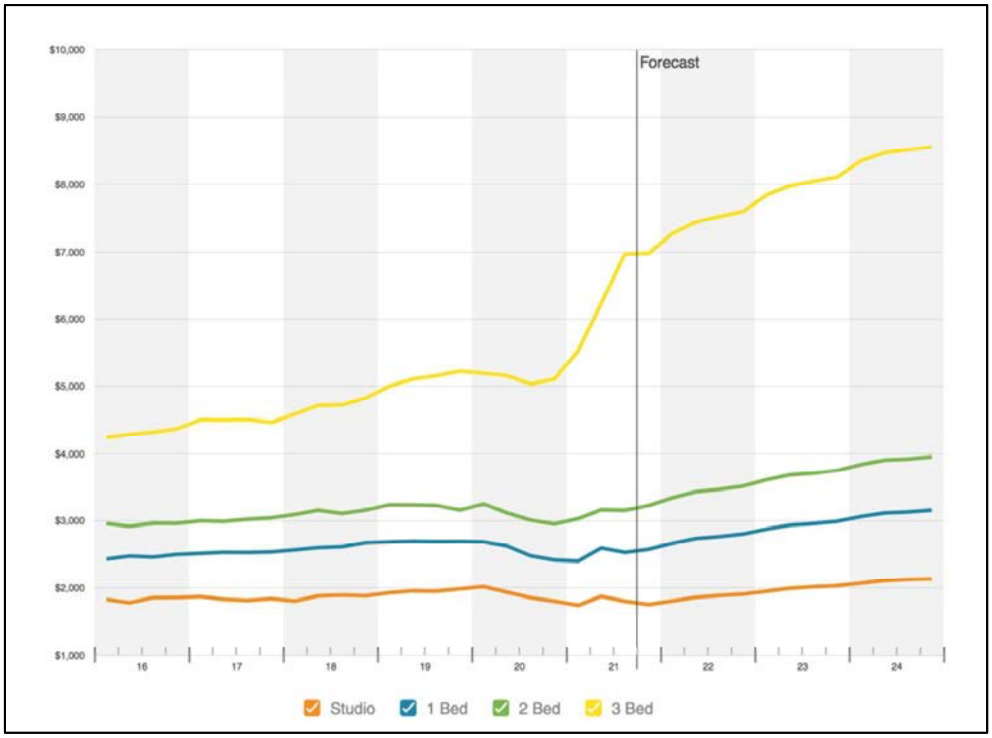
Rental Rates

The South San Francisco/San Bruno/Millbrae Submarket rental rates lie slightly above the metro average because of strong rent growth over the past decade and the addition of new higher-quality inventory decreasing the spread between the submarket average and the metro average. Rent growth peaked at 10.3% year-over-year coming out of the Great Recession and was as high as 9% in 2015. The pace of rent growth declined in 2016, 2017, and again in 2019 along with the overall San Francisco metro market. In 2020 landlords lowered rents due to the coronavirus pandemic, but beginning in 2021 rents are up 9.8% over the trailing year.

The average asking rental rate for the San Francisco Multi-Family Market was at $2,965 for Q3 2021, up from $2,954 in Q2 2021 and $2,790 a year ago in Q3 2020. The average asking rental rate for the South San Francisco/San Bruno/Millbrae Submarket was at $3,057 for Q3 2021, up from $3,034 Q2 2021 and $2,828 a year ago in Q3 2020.

Historical rents for the South San Francisco/San Bruno/Millbrae submarket are presented in the graph on the following page along with CoStar's projections for market rents through the next three fiscal years.

Historical & Projected Market Rent – By Unit Type

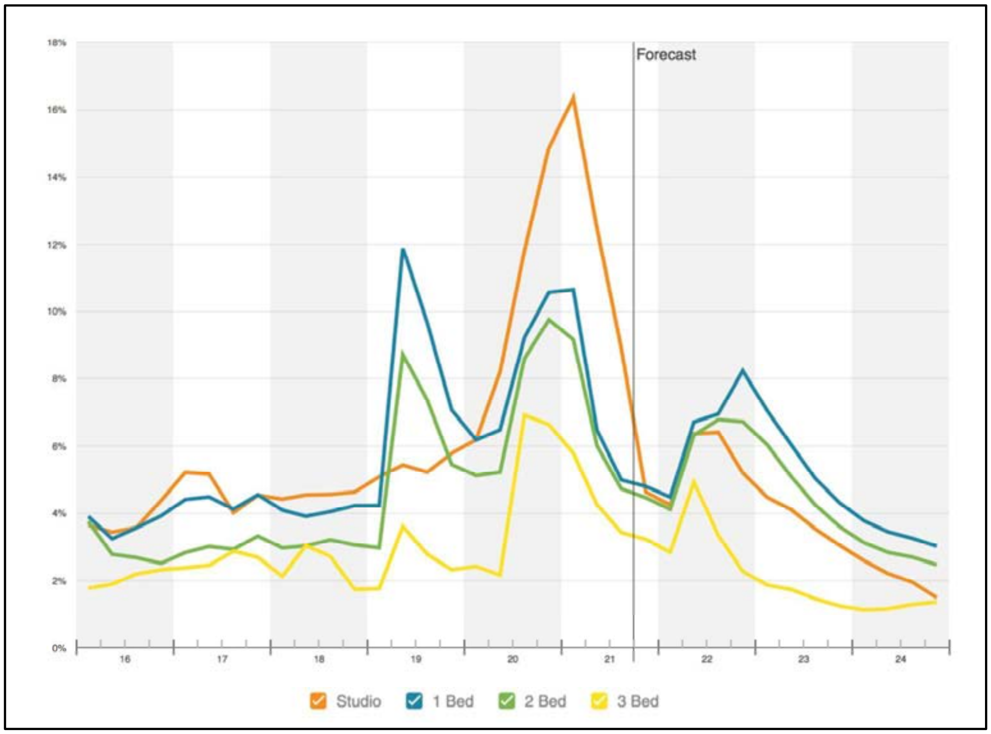


Vacancy

The South San Francisco/San Bruno/Millbrae Multi-Family Submarket has had a compressed vacancy rate for much of the past decade. The submarket has had limited construction activity and zoning challenges which have kept the vacancy rate at low levels. Multi-family construction in the submarket is limited by the fact that large amounts of the region are dedicated to open space and single-unit residential zoning. Only a few small areas in South San Francisco, San Bruno, and Millbrae are zoned for medium-high and high-density multi-family use. Demand over the last decade in the submarket was high due to major employers in the area such as YouTube and Genentech. However, demand waned in 2020 in response to rapid job loss and the ability to work remotely from anywhere with a robust internet connection.

Vacancy in the South San Francisco/San Bruno/Millbrae Submarket peaked at 9.8% in 2020 but has since declined to 4.6% as renters have begun to return to the area. Major employers in the area and affordability and connectivity to San Francisco via public transportation options enhance its appeal. South San Francisco has a lower vacancy rate than most submarkets in the metro and appears positioned for a recovery as offices continue to re-open and the impact of the pandemic subsides.

Historical & Projected Vacancy Rate – By Unit Type



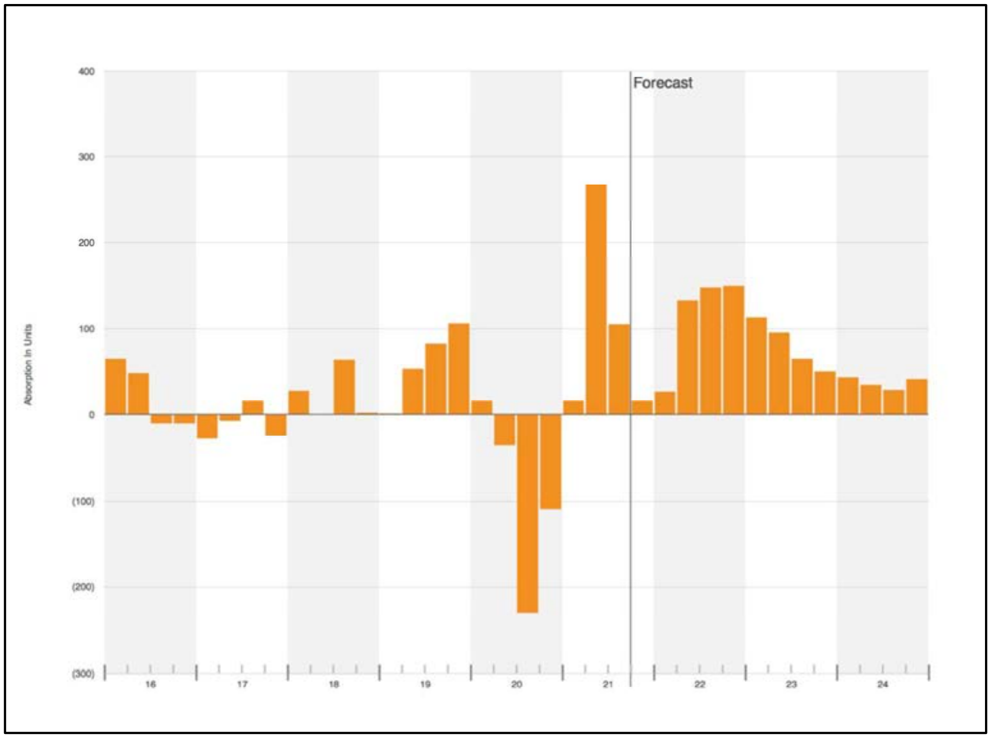
Overall, the San Francisco region has a multi-family inventory of 172,791 units with a vacancy rate of 7.6% for Q3 2021. This was a decrease from 8.2% from the previous quarter and 11.2% from Q3 2020. The South San Francisco/San Bruno/Millbrae Submarket has a multi-family inventory of 7,682 units. The vacancy rate stood at 4.8% for Q3 2021, which is down from 6.1% in Q3 2021 and 8.4% in Q3 2020.

Historical vacancy by unit type for the South San Francisco/San Bruno/Millbrae submarket is presented in the following graph along with CoStar's projections for vacancy through the next three fiscal years.

Absorption

Net absorption of multi-unit residences in the San Francisco region was 525 units for the 3rd Quarter 2021 with 8,935 units for the last 12 months. In comparison, the submarket had a net absorption of 14 units for the quarter, with a 12-month net absorption of 336 units. Absorption is expected to remain strong with positive numbers for several years in both the region and submarket. While absorption was negative for much of 2020, multi-unit residential markets appear to have recovered and stabilized as the impacts of the pandemic subside.

Historical & Projected Absorption



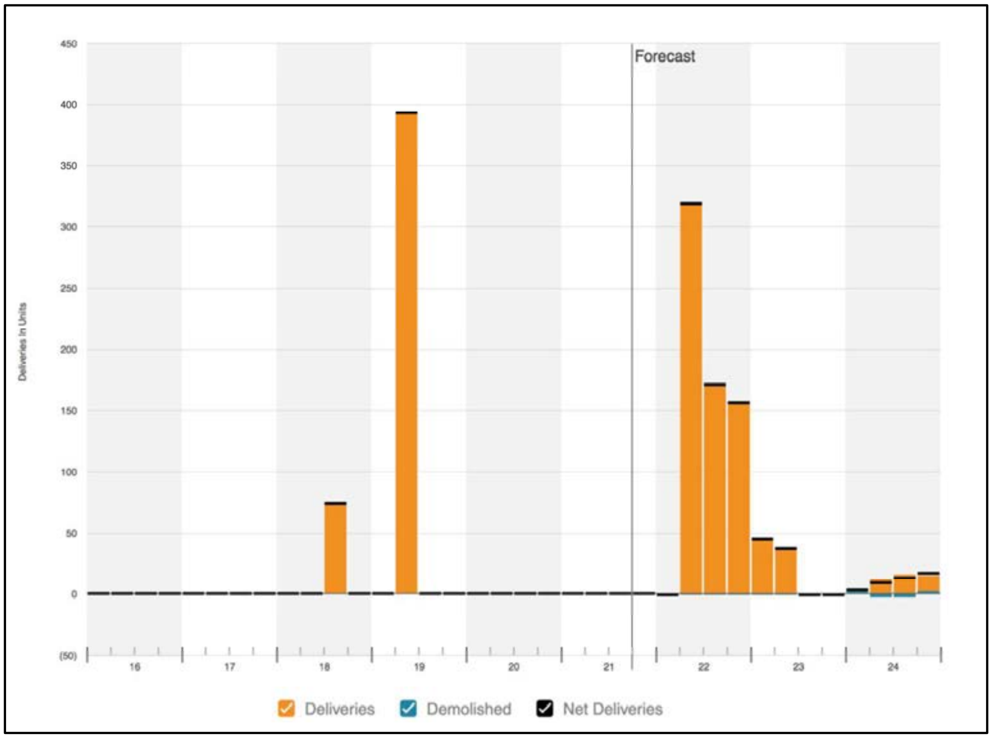
Historical absorption for the South San Francisco/San Bruno/Millbrae submarket is presented in the following graph along with CoStar's absorption projections through the next three fiscal years.

Construction Activity

Construction activity in the region peaked in 2016 and 2017, although another 2,600 units in market-rate properties were completed in 2020 with similar amount forecast for 2021. Construction costs have continued to rise hindering active construction starts. Over the past decade, 24,000 apartment units have been delivered in more than 120 properties, primarily in medium-high to very-high density residential properties. Most of the development has taken place in San Francisco's submarkets of San Mateo and Redwood City.

Multi-family construction in the South San Francisco/San Bruno/Millbrae Submarket has been tightly limited due to open space and single-unit residential zoning. South San Francisco, however, has approved development of up to 1,400 new housing units. The recently renovated Caltrain station increases connectivity to South San Francisco leading the way to new transit-oriented developments. This is becoming more commonplace as seen in other peninsula communities.

Deliveries & Demolitions



Notably, two major mixed-use projects have been approved for development adjacent to the Millbrae Transit Center that serves Caltrain and BART along with SamTrans and the Sierra Point Shuttle. Prior to these two developments, construction in the submarket was roughly 520 units over the past decade.

Historical deliveries and demolitions for the South San Francisco/San Bruno/Millbrae submarket is presented in the following graph along with CoStar's projections through the next three fiscal years.

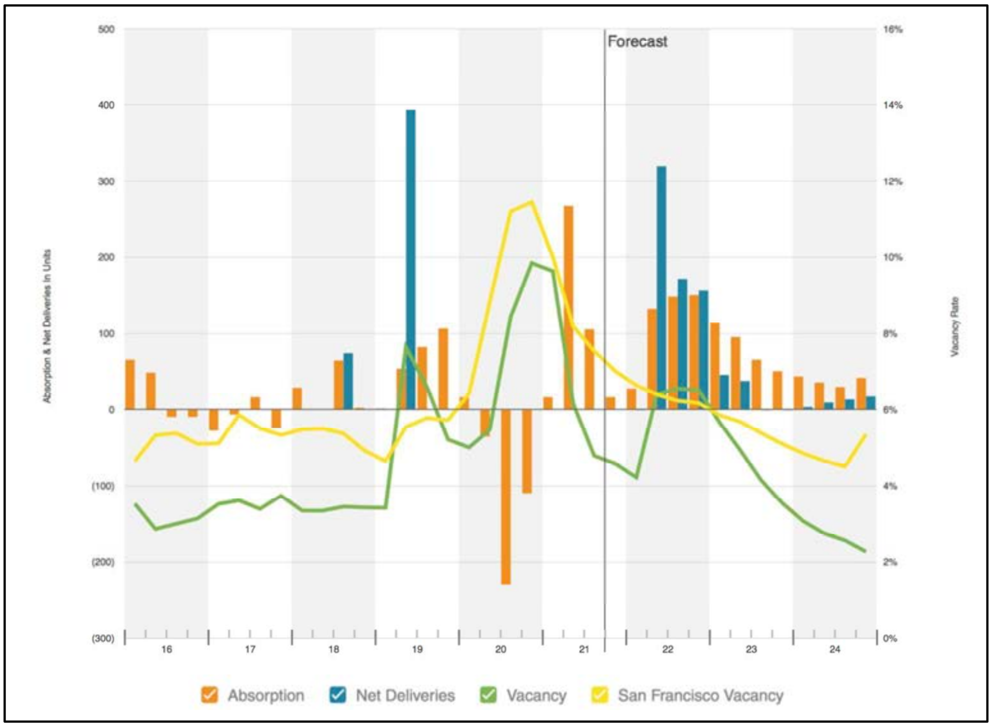
The overall San Francisco metropolitan area has delivered 63 units in Q3 2021 with 4,492 units currently under construction. Over the previous 12 months, 2,188 units were delivered. In the submarket, ∅ units were delivered in Q3 2021 with 733 units under construction. The previous 12 months also saw Ø units delivered.

Conclusion

While population has recently decreased, there are a few contributing factors. Conversely, there are a number of reasons why population is expected to increase going forward.

Historical and projected supply and demand characteristics are summarized in the following exhibit.

Net Absorption, Net Deliveries & Vacancy



The recent population decrease may largely be attributed to the impacts of the COVID-19 pandemic. With many employers switching to work at home protocols rather than in office, many employees found they did not need to be close to workplaces and moved to areas with more affordable housing. Housing costs have been high because of a shortage of lower cost housing.

As lower cost alternatives are added to the housing stock, it is anticipated the new housing units will be occupied by new and returning employees. This is exemplified by the unemployment rate that was 2.0% two years ago, then increased to 10.2% during the pandemic, and most recently having recovered to 4.7%. Vacancy rates follow a similar pattern.

Looking forward, market fundamentals remain strong for the San Francisco Metropolitan Area. Over the long term, the South San Francisco/San Bruno/Millbrae submarket is expected to attract additional life sciences tenants, bringing with them new prospective residents to the area.

SITE DESCRIPTION

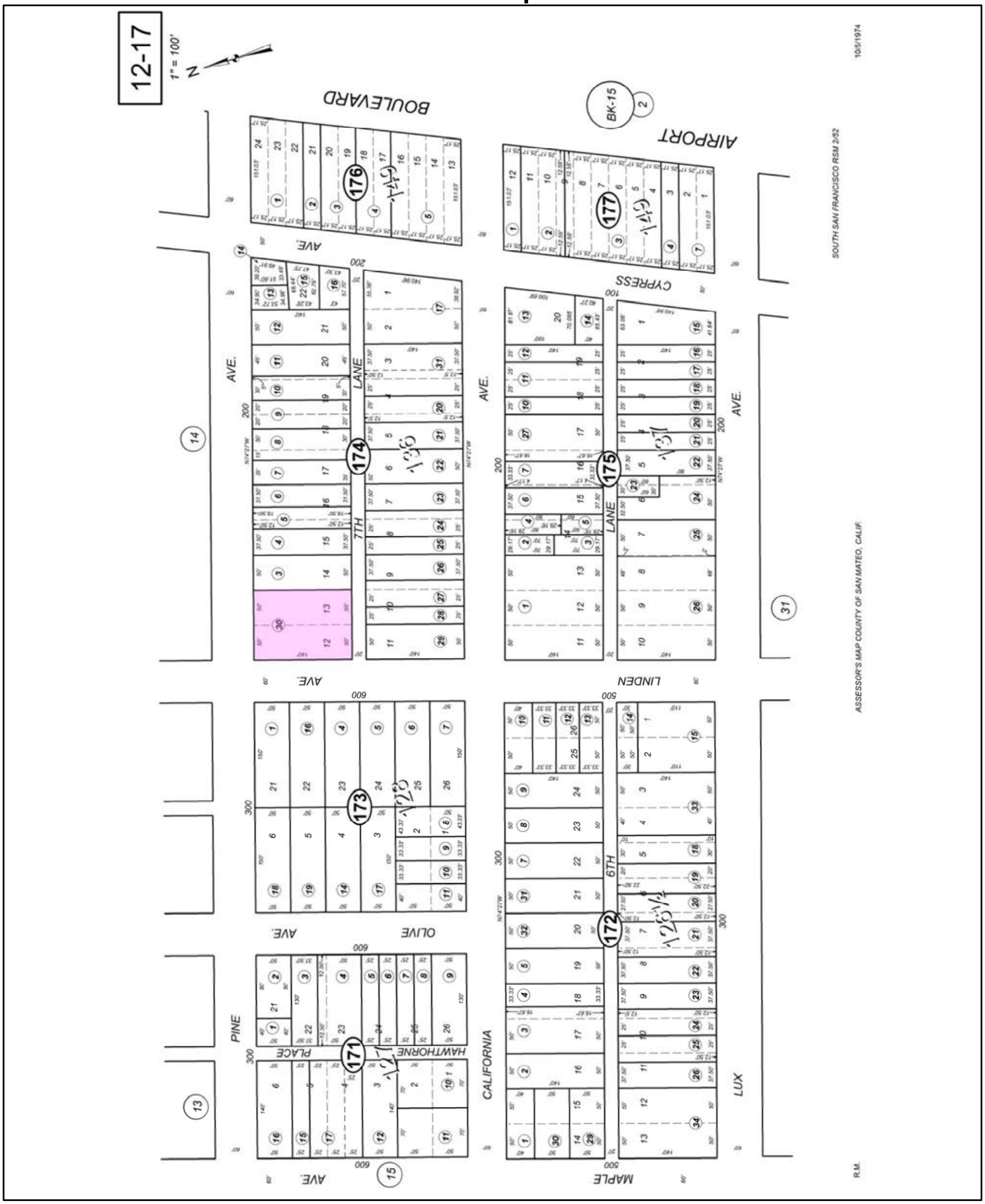
Please refer to the *Satellite Image – Subject* below and the *Assessor's Parcel Maps* on the following pages. The subject includes two parcels that are across the street from each other with Linden Avenue on the western perimeter and Pine Avenue running in between them in an east-west direction.

Satellite Image – Subject

Combined, the subject has an area of ±28,000 square feet (±0.643 acre). The property is not in a Coastal Resources Management Area under the California Coastal Act of 1976. The property is not identified as a wetland by the U.S. Army Corps of Engineers. It is in Census Tract: 06081-6021.00.

Assessor Parcel Map – APN 012-145-370

Assessor Parcel Map – 012-174-300



Utilities Service The property has gas and electrical service provided by the Pacific Gas & Electric Company, PG&E, which is a publicly regulated utility company. Water service is provided by the California Water Service. Sanitary sewer and storm drain service are provided and maintained by the City of South San Francisco. Refuse service is provided by South San Francisco Scavenger Co., Inc. Local telephone service is chiefly provided by the AT&T Telephone Company through which any number of long-distance carriers may be accessed.

Seismic Hazard I have identified the property on the State of California "Earthquake Fault Zones" map entitled "San Francisco South Quadrangle" dated January 1, 1982 and determined the property is not in an active fault zone.

Flood Hazard The subject has been identified on the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Map with community panel number 065062 0041 E. The map was dated October 16, 2012 and the property has been found to lie within an unshaded Zone X. The area of the subject is noted as: *"... Areas determined to be outside the 0.2% annual chance floodplain."*

Easements, Encroachments, & Rights of Way This appraisal has been conducted without the benefit of a *Preliminary Title Report.* As a result, I have not ascertained if the property is subject to any *Easements, Encroachments & Rights of Way*. Therefore, I have made the *Extraordinary Assumption* the property is not subject to any exceptions to title and/or CC&R's that negatively impact the marketability and/or value of the subject. If any such title exceptions exist, the property's marketability and/or value would likely be significantly negatively impacted.

Environmental Physical inspection of the site found the topography to be very slightly sloping in a west to east direction. No indications of any drainage problems were observed at the time of inspection.

I have been provided with a Phase I/Phase II Environmental Site Assessment of four properties, two of which include the subject. The report is an unsigned draft dated June 11, 2021 that was prepared by Toeroek Associates, Inc. and Tetra Tech, Inc. The report is 1,836 pages long and I am not qualified to adequately understand the report in its entirety. Rather, I have read pages 32 through 38 which are identified as "Conclusions, Opinions, and Recommendations." This portion of the report identifies the following relating to the subject:

- Historical automotive repair shop activities at 616 Linden Avenue

- Potential for vapor intrusion and contamination at 616 Linden Avenue
- Potential underground storage tanks at 616 Linden Avenue
- Potential off-site source of contamination from Linden Cleaners at 612 Linden Avenue
- Potential aerial deposition of lead from vehicles and aircraft at 700 Linden Avenue
- Potential mobilization of Arsenic at 616 Linden Avenue

Ms. Julie Barnard has reported there were no findings on 700 Linden Avenue, however, 616 Linden Avenue is subject to remediation costs that were estimated at $530,000 in order to support development with housing and/or commercial uses.

Because the Phase I/Phase II Environmental Site Assessment is an unsigned draft, I have made the *Extraordinary Assumption* the certified report will be materially unchanged from the draft. Additionally, I have made the *Extraordinary Assumption* the estimated remediation costs reported by the City of South San Francisco are adequate to prepare the site for development with housing and commercial development.

Site Improvements

APN 012-174-300 (616 Linden Avenue) is on the eastern perimeter of Linden Avenue and bounded by Pine Avenue to the north and 7th Lane to the south. It has ~140 feet of frontage on Linden Avenue with ~100 feet of frontage on both Pine Avenue and 7th Lane. The Assessor Parcel Map indicates the parcel with an area of ±14,000 square feet (±0.321 acre). Access to the parcel is by way of two curb cuts on Pine Avenue and it is also accessible along its southern perimeter on 7th Lane. It is improved with an asphalt paved parking lot that is striped with 20 metered parking spaces. It abuts a 7-unit apartment building on a 7,000 square foot lot to the east. This property has a development density of ~44 units per acre.

APN 012-145-370 (700 Linden Avenue) is on the eastern perimeter of Linden Avenue and bounded by Pine Avenue to the south and 8th Lane to the north. It has ~140 feet of frontage on Linden Avenue with ~100 feet of frontage on both Pine Avenue and 8th Lane. The Assessor Parcel Map indicates the parcel with an area of ±14,000 square feet (±0.321 acre). The parcel does not have vehicular access, but, it is accessible along its northern perimeter on 8th Lane. The property is improved as a green space with sod and a paved walkway bisecting it diagonally in a northeastern-southwestern manner. It abuts a single-unit residence on a 3,500 square foot lot to the east.

Improvements / Fixtures	The property does not include any significant improvements or fixtures.
Furniture, Fixtures & Equipment	The property does not include any significant *Furniture, Fixtures & Equipment (FF&E).*
Use History	APN 012-174-300 (616 Linden Avenue) is improved with an asphalt paved parking lot. The property was previously used for automobile repair operations. Review of satellite imagery indicate the prior buildings on the property were razed sometime between March 2000 and August 2002. APN 012-145-370 (700 Linden Avenue) is improved as a green space with sod and a paved walkway.
Ownership & Sales History	The *Grant Deeds* filed by the San Mateo County Recorder as Documents 2017-042165 and 2017-042166 on May 16, 2017 conveyed the properties to: *The City of South San Francisco, a municipal corporation* The *Grantor* was the Successor Agency to the Redevelopment Agency of the City of South San Francisco. The transfer was the result of the dissolution of the redevelopment agency as specified by the California Supreme Court decision. There were no sale prices associated with the transfers of title. The data aggregator *CoStar Realty Information Services, Inc.* reports the last market transaction of 616 Linden Avenue occurred on April 14, 1997 between Dante Volante (seller) the Redevelopment Agency of South San Francisco (buyer) with a reported price of $325,000. The price was generally consistent with market conditions prevailing at that time. The data aggregator *LandVision* reports the last market transaction of 700 Linden Avenue occurred on Mary 12, 1998 between Lola Bogdon & Larence Bertolucci (sellers) the Redevelopment Agency of South San Francisco (buyer) with a reported price of $315,000. The price was generally consistent with market conditions prevailing at that time. There has been no transfers or marketing activity of the property in the last 10 years of which we are aware.

Rental History A rental history was not available.

Assessor's Parcel Number, Real Estate Taxes & Assessments

The San Mateo County Assessor has assigned the property with Assessor Parcel Numbers (APN's) 012-145-370 and 012-174-300. The property is owned by the City of South San Francisco, and as a result, there are no ad valorem taxes levied against the property.

However, the Composite Tax Rate for the area the subject is in is 1.058% of the assessed value.

While the property is not subject to ad valorem taxes, it is responsible for one special assessment district with a total charge of $18.68 in the 2021-2022 tax year.

ZONING & GENERAL PLAN

The property is in the city of South San Francisco and as a result falls under their jurisdiction.

Zoning

The City of South San Francisco Economic and Community Development Department has designated the subject in the Downtown Station Area Specific Plan District (DSASP). The DSASP applies to lands within the Downtown Station Area Specific Plan and is further established into sub-districts. The subject has been designated as an "LNC, Linden Neighborhood Center Zoning Sub-District." The "LNC" sub-district:

> *"… is located north of Grand Avenue on Linden Avenue between Ninth Lane and California Avenue. This sub-district includes some existing local-serving businesses which will form the foundation for a cluster of retail, services and amenities that can serve the surrounding residential neighborhoods. The Linden Neighborhood Center designation will encourage mixed use development, with retail uses at the ground floor and residential above."*

Development Standards

In addition to land use restrictions, the LNC zoning imposes the following development standards:

Minimum Lot Size – *5,000 square feet.*
Minimum Lot Width – *50 square feet.*
Minimum Floor Area Ratio (FAR) – *2.0:1.0.*
Maximum Floor Area Ratio (FAR) – *3.0:1.0. Exclusive of structured parking.*
Residential Density (units per acre; included within FAR above) – *Minimum Density: 40 units/acre. Maximum Density: 60 units/acre.*

Maximum Density with Incentive Program - Does not include density bonuses allowed per Chapter 20.390 Bonus Residential Density: 80 units/acre. An increase to the Maximum FAR or Maximum Density may be permitted for buildings with the approval of a Conditional Use Permit or combination of public benefits.
Maximum Building Height – *50 feet.*
Maximum Floor Height for Ground Floor Residential – *5 feet above grade.*
Ground Floor Height *– The minimum ground floor height for buildings with nonresidential uses at the ground level is 15 feet, with a minimum 12-foot clearance from floor to ceiling.*
Maximum Lot Coverage (% of lot) – *90.*
Minimum Usable Open Space *– 150 square feet per residential unit.*
Minimum Amount of Landscaping (% of site) *–10.*
Parking Requirement *– Multi-Unit Residential: Studio and less than 500 square feet – 1 space per unit maximum. One-bedroom (up to 1,100 square feet) – 1 space minimum, 1.5 spaces maximum per unit. Two-bedroom (up to 1,100 square feet) – 1.5 spaces minimum, 1.8 spaces maximum per unit. Three or more bedrooms and 1,101 square feet or larger – 1.5 spaces minimum, 2 spaces maximum per unit.*

General Requirements For All Multi-Unit Residential Parking – One covered space shall be designated for each unit.

Downtown Parking Districts: In the Downtown Parking District, the City may establish a parking mitigation fund and allow payment of a fee in lieu of providing required parking on-site or off-site. For the Downtown Parking District, the Planning Commission shall review any request for a reduction in the number of required parking spaces and make a determination whether there is sufficient parking within the District to accommodate the proposed use. Where a shared parking facility serving more than one use will be provided, the total number of required parking spaces may be reduced up to 50 percent with a Conditional Use Permit. For apartment developments, 50 percent or more of the provided parking may be unbundled, subject to approval of a parking management and monitoring plan by the Planning Commission.

Mixed-use portion – depends on use. Parking reduction possible with Planning Commission Review.

General Plan The general plan specifies the property as “Linden Commercial Corridor.” This designation specifies:

“...commercial and mixed uses will continue to be allowed and encouraged on properties within this corridor. While not required, commercial uses will

provide opportunities for local services for adjoining residential neighborhoods. As with other mixed use locations, improvements to the sidewalks and streetscape will be encouraged to provide additional pedestrian amenities and accessibility especially for local residents. Retail use will be encouraged at ground level in this corridor. Other requirements of the Downtown High Density Residential district will pertain: 20.1-40 dwelling units per acre."

Downtown Station Area Specific Plan

The Downtown Station Area Specific Plan (DSASP) was adopted February 2015. The Specific Plan has been prepared:

"…in order to guide future development in portions of the City of South San Francisco that lie within a ½-mile radius of the Caltrain Station. An important underlying goal of the project is to support transit ridership as part of a sustainable future for the City and region."

The subject has a zoning designation of "Linden Neighborhood Center." According to the DSASP:

"…The Linden Neighborhood Center is defined as the properties fronting Linden Avenue between California Avenue and Ninth Lane. The large zone of residential uses that lie north of Miller Avenue up to Armour Avenue and west of Maple have limited neighborhood amenities that can help to meet daily needs; in addition, there is little public open space available in this area. The current small collection of retail uses along Linden Avenue between California and Juniper Avenues provide a starting point for a more robust neighborhood center that will be walkable for the surrounding residential areas and can be a supplement to the more citywide destinations that will locate along Grand Avenue.

Retail/commercial uses would be required at ground level within this zone. The Linden Neighborhood Center designation allows up to 60 dwelling units per acre with a minimum of 40 units per acre. Densities up to 80 units per acre are allowed if specific criteria are met."

Long-Range Property Management Plan

The Long-Range Property Management Plan (LRPMP), dated November 19, 2013, contains information related to each of the Successor Agency owned properties at that time. 616 Linden Avenue currently serves as a metered parking lot with 20 parking spaces. However, at the time of acquisition the lot consisted of a 4,000 square foot Quonset hut-type building and a 2,250 square foot auto repair building. The buildings were demolished but environmental conditions were created by the former uses.

700 Linden Avenue is across the street and was envisioned as neighborhood parking and as parking for visitors to a performing arts center that was to be

built across the street (at 616 Linden Avenue). This project has since been cancelled. At this time, the lot is maintained as an open green space.

According to the document, the highest and best use of the properties is to combine them together and hold them for future development. The plan states the highest and best use is, *"… to construct a high density residential project when market conditions improve. The property is in close proximity to the downtown core and the Caltrain station and is suitable for transit oriented development. Improving the property advances the City's and Agency's goals to alleviate blight and help prepare and improve the site for future development."*

Furthermore, *"… it would be challenging to develop each of these properties individually but combined they can be suitable for development in the future. The Successor Agency worked with a consultant to estimate the development potential of the sites. The development consultant estimates that under current conditions the sites could accommodate 40 residential units.*"

General Comments

Review of the *Market Comparables* in the *Land Valuation* section of this report includes the following relevant physical characteristics:

Summary of Physical Characteristics - Market Comparables

Market Comparables	**Comparable 1**	**Comparable 2**	**Comparable 3**	**Comparable 4**	**Comparable 5**
Average Number of Bedrooms/Unit	2.0	1.4	1.6	1.6	1.2
Average Unit Size	1,390 sf	908 sf	983 sf	891 sf	764 sf
Ground Floor Retail Space	None	Yes	Yes	Yes	None

On the basis of the *Market Comparables,* the most probable development for the subject would include an even mix of 1- and 2-bedroom apartments with an average size of 900 square feet. With 40 prospective units, the total *Gross Living Area* will be 36,000 square feet. Additionally, each unit is expected to have a balcony which, on average, will be 800 square feet.

Allowing for required parking and open space requirements, the largest amount for ground floor retail space would be roughly 5,850 square feet. However, taking into consideration 10% for inefficiencies, the ground floor retail space would be 5,250 square feet after rounding.

Data Analysis & Conclusions – Before Acquisition

Data Analysis & Conclusions – Before Acquisition

HIGHEST & BEST USE

The "Highest & Best Use" is defined by the Appraisal Institute as:

1. *The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.*

2. *The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)*

3. *[The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions)*

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, Sixth Edition (Chicago, IL: Appraisal Institute, 2015), page 109.

In the case of the subject, the first definition is applicable.

HIGHEST & BEST USE – AS IF VACANT

The four tests to the *Highest & Best Use - As If Vacant* are presented as follows:

Legally Permissible

The property has zoning, general plan, and specific plan designations for high-density residential housing. While the minimum development density is 40 units per acre (~26 units) the maximum development density is 60 units per acre (~39 units). Additionally, the maximum density may be approved for up to 80 units per acre (~51 units) with a *Conditional Use Permit.* Lastly, the Long-Range Property Management Plan (LRPMP) identifies the subject for development potential with 40 units. This results in a development density of ~62 units per acre. Given the City's prior adoption of the LRPMP, it would appear *Legally Permissible* for development with 40 units on the subject. In addition to above-ground residential uses, the property would also include a street fronting ground floor retail component.

Physically Possible

There are no observable physical limitations that preclude development of the *Legally Permissible* uses.

Each parcel is 140 feet wide and 100 feet deep. Presumably, each parcel would be developed with 20 residential units. The required parking for a one-bedroom apartment would be 1.0 covered parking space. Alternatively, the required parking for a two-bedroom apartment would be 1.5 covered parking spaces. While studios and three-bedroom apartments might be *Legally Permissible,* given the rather small number of total units on each parcel, it is likely a proposed development would not include the smaller studios or larger three-bedroom apartments. Therefore, given a balanced mix of one- and two-bedroom apartments, the minimum required parking on each parcel would 25 spaces.

It would be *Physically Possible* to construct a three- or four-story structure with sufficient parking as well as retail shops on the ground level with residential units above.

Financially Feasible

Market activity suggests it is currently *Financially Feasible* for development with high-density residential housing.

Maximally Productive

The *Legally Permissible, Physically Possible,* and *Financially Feasible* development alternative is for development with high-density residential housing with ground floor retail. Therefore, I have concluded the *Highest & Best Use - As If Vacant* is for development with a high-density residential housing having 40 units along with ground floor retail space.

HIGHEST & BEST USE – AS IMPROVED

The property is vacant and unimproved, therefore, analysis of the *Highest & Best Use - As Improved* is moot and not performed.

LARGER PARCEL

Analysis of the *Larger Parcel* takes into consideration the following:

Unity of Title

The *Beneficial Control* of the property is held in a *Fee Simple Estate* by:

The City of South San Francisco, a municipal corporation

Unity of Use

The property includes two parcels with a combined area of ±28,000 square feet (±0.643 acre) and development potential for 40 residential units.

Contiguity

The property includes two corner parcels across the street from each other. Although physically segregated from each other, they may be developed to their *Highest & Best Use* together.

Conclusion

The *Larger Parcel* includes two corner parcels across the street from each other with a combined area of ±28,000 square and may be developed to their *Highest & Best Use* together.

LAND VALUATION

The subject of this *Appraisal Assignment* is the *Fee Simple Estate* in two ±14,000 square foot parcels (±28,000 square feet total). Each of the parcels has potential for a mixed-use development with 20 residential units over ground floor retail and parking. In total, the two parcels may be developed with 40 residential units over ground floor retail and parking.

The six procedures to value land are:

1. *Sales Comparison*
2. *Market Extraction*
3. *Allocation*
4. *Land Residual Analysis*
5. *Ground Rent Capitalization*
6. *Subdivision Development Analysis (Discounted Cash Flow Analysis)*

The *Sales Comparison Approach* commonly is the best method to develop an opinion of the subject's land value. While there is sufficient data from which to develop an indication of value, its reliability is questionable given a dearth of relevant market activity and recent changes in *Market Conditions*.

The *Market Extraction* method takes into consideration the total price of the property (improved) and deducts the *Contributory Value* of the improvements. The resulting differences are then compared to provide an indication of the subject's value. Because the property does not have any structural improvements, the *Market Extraction* method is not applicable or used in this *Appraisal Assignment.*

The *Allocation* method depends on an *Allocation Ratio* that is applied to the total value of the property (improved). Again, because there are no structural improvements, the *Allocation* method is not applicable or used in this *Appraisal Assignment*.

The *Land Residual Analysis* takes into consideration the total property value, as if completed, and deducts components of development costs. The resulting amount is the indicated value of the land. There is sufficient market activity from which to develop a reliable indication of value by the *Land Residual Analysis* method.

This property type is very rarely bought and/or sold on the basis of its income potential. Consequently, there is little meaningful information regarding market derived *Capitalization Rates; Ground Rent Capitalization* method is not applicable or used in this *Appraisal Assignment.*

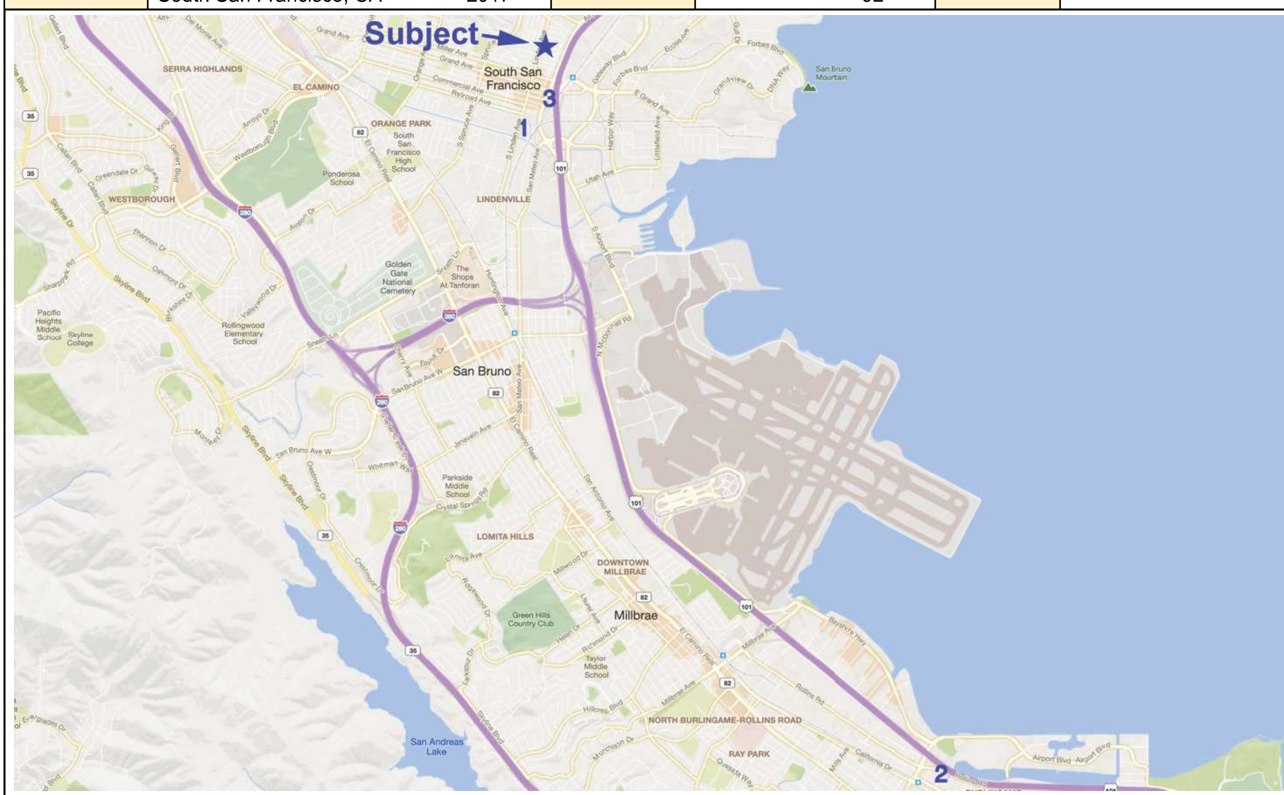
Because the property does not include a number of lots for retail sales, the *Subdivision Development Analysis* method is not applicable or used in this *Appraisal Assignment.*

Sales Comparison Approach

There are few transactions in the market area that have characteristics which are similar to those of the subject. I have considered the most relevant market comparables for presentation in this *Appraisal Report*. Additionally, I have concluded the most appropriate *Unit of Comparison* is the *Price Per Potential Dwelling Unit*. Please refer to the *Land Comparables Summary & Location Exhibit* on below with detailed summaries of the comparables presented in the following pages.

Land Comparables Summary & Location Exhibit

Comparable Number	Property Location	Recording Date	Sale Price	Site Area Acres	# of Units Units/Acre	Sale Price Per Unit	Zoning / General Plan
1	7 S. Linden Avenue South San Francisco, CA	September 2021	**$33,500,000**	4.23	445 105	**$75,281**	MI / Mixed Industrial
2	1095 Rollins Road Burlingame, CA	November 2020	**$18,750,000**	1.08	150 139	**$125,000**	C-1 / Commercial (Shopping & Service)
3	150 - 214 Airport Boulevard South San Francisco, CA	December 2017	**$17,108,000**	1.71	157 92	**$108,968**	DTC / Downtown Transit Core



Land Comparable – Comparable 1

- Property Information -

Location/Address:
7 S. Linden Avenue
South San Francisco, CA
~½ Mile Southwest

Assessor Parcel Number/s:
APN 014-074-010

Land Description:
Size: ±184,107 square feet, ±4.23 acres
Shape: Irregular
Highest & Best Use: High Density Residential
Topography: Level
Access: Public Asphalt Paved Road

Site Analysis:
Utilities: All Publicly Available
FEMA Flood Zone: Zone X – Area of Minimal Flood Hazard
Earthquake Fault Zone – Negative
Development Density – 105 Units per Acre

Zoning & General Plan:
Zoning: MI – Mixed Industrial
General Plan: MI - Mixed Industrial

- Transaction Information -

Recording Date:	September 29, 2021
Transfer Document:	Grant Deed – Document 2021-139037
Sale Price:	$33,500,000
Unit Price:	$75,281 Per Potential Dwelling Unit
Grantor:	Sand Hill Land Company, LLC
Grantee:	Essex Portfolio, LP
Buyer's Costs:	None Reported
Property Rights:	Fee Simple Estate
Sale Conditions:	Typical
Financing Terms:	Conventional

Comments:

This property had been developed with a 26,182 square foot industrial building. The property was fully leased to two commercial tenants at the time of sale. It was acquired by the seller who is pursuing entitlements to construct a 5-story residential complex with 445 apartment units.

The property has a Walk Score of 86.

Land Comparable – Comparable 2

- Property Information -

Location/Address:
1095 Rollins Road
Burlingame, CA
~6½ Miles Southeast

Assessor Parcel Number/s:
APN 026-231-250 & -260

Land Description:
Size: ±46,827 square feet, ±1.08 acres
Shape: Irregular
Highest & Best Use: High Density Residential
Topography: Level
Access: Public Asphalt Paved Road

Site Analysis:
Utilities: All Publicly Available
FEMA Flood Zone: Shaded Zone X – 0.2% Annual Chance Flood Hazard
Earthquake Fault Zone – Negative
Development Density – 139 Units per Acre

Zoning & General Plan:
Zoning: C-1 - Commercial
General Plan: Commercial (Shopping & Service)

- Transaction Information -

Recording Date:	November 4, 2020
Transfer Document:	Grant Deed – Document 2020-122221
Sale Price:	$18,750,000
Unit Price:	$125,000 Per Potential Dwelling Unit
Grantor:	THC Burlingame Investor, LLC
Grantee:	1095 Rollins Road, LP
Buyer's Costs:	None Reported
Property Rights:	Fee Simple Estate
Sale Conditions:	Typical
Financing Terms:	Conventional

Comments:

This property had been developed with a restaurant along with tennis courts on a concrete podium over ground-level parking. It was acquired by the seller who negotiated development entitlements for a six-story apartment complex with 150 units. This sale included development entitlements for 150 residential units.

The property has a Walk Score of 81.

Land Comparable – Comparable 3

- Property Information -

Location/Address:

150, 200, 206-210 & 214 Airport Boulevard
South San Francisco, CA
~½ Mile Southeast

Assessor Parcel Number/s:

APN's 012-338-010, -020, -030, -040, -050, -140, -150

Land Description:

Size: ±74,217 square feet, ±1.71 acres
Shape: Irregular
Highest & Best Use: High Density Residential
Topography: Level
Access: Public Asphalt Paved Road

Site Analysis:

Utilities: All Publicly Available
FEMA Flood Zone: Zone X – Area of Minimal Flood Hazard
Earthquake Fault Zone – Negative
Development Density – 92 Units per Acre

Zoning & General Plan:

Zoning: DTC – Downtown Transit Core
General Plan: Downtown Transit Core

- Transaction Information -

Recording Date:	See Comments
Transfer Document:	See Comments
Sale Price:	$17,108,000
Unit Price:	$108,968 Per Potential Dwelling Unit
Grantor:	See Comments
Grantee:	See Comments
Buyer's Costs:	None Reported
Property Rights:	Fee Simple Estate
Sale Conditions:	Typical
Financing Terms:	Conventional

Comments:

APN's 012-338-140 & -150: Grant Deed Document 2017-114045, Recording Date – December 19, 2017, Grantee – 150 Airport SSF, LLC, Grantee – Fairfield 150 Airport, LP. Sale Price - $12,050,000

APN's 012-338-010, -020, -030, -040, & -050: Grant Deed Document 2019-072269, Recording Date – September 5, 2019, Grantee – Marisa A. & William A. Borba Jr., Grantee – Fairfield 200 Airport, LP, Sale Price - $5,058,000

This comparable is an assemblage of seven parcels in two sales. The developer is completing construction of a 157-unit apartment complex with ground floor retail space. The parcels were previously developed with industrial, office, and retail uses. The buildings on 150 Airport Boulevard were demolished in March of 2018 with the remainder of the buildings demolished in January 2021.

The property has a Walk Score of 93.

Market Comparables Analysis

I have analyzed the comparable properties in relation to the subject and have taken the relevant factors into consideration. The most appropriate *Unit of Comparison* for the subject is *Price Per Potential Dwelling Unit*.

All of the comparables' *Fee Simple Estates* were all cash transactions that were negotiated between typically motivated buyers and sellers. As a result, no adjustments are required for *Property Rights, Financing Terms,* or *Conditions of Sale.*

While some of the sales closed escrows prior to the COVID-19 pandemic, *Market Conditions* saw rental rates drop through 2020 then rebound to pre-pandemic levels. As a result, downward adjustments are not required. In fact, it is plausible that upward adjustments may be in order.

I have considered the use of an adjustment grid and have determined there is sufficient information from which to develop a reliable opinion of value without having to make quantified adjustments. Therefore, I have considered the comparables in a *Qualitative Ranking Analysis*. The prices of the comparables are arrayed from highest to lowest, with the subject in its relative position, in the following table:

Qualitative Ranking Analysis Summary – Price Per Potential Dwelling Unit

Comparable Property	Price Per Dwelling Unit	Comparison to Subject	Comments
Comparable 2	$125,000	Substantially Superior	November 2020 – 150 Units – Burlingame, CA
Comparable 3	$108,968	Significantly Superior	December 2017 – 157 Units – South San Francisco, CA
Comparable 1	$75,281	Slightly Superior	September 2021 – 445 Units – South San Francisco, CA
Subject	**$65,000**	**Subject**	**December 2021 – 40 Units – South San Franciso, CA**

Reconciliation

The subject includes two parcels with a combined area of ±28,000 square feet and suitable for development with 40 residential units over ground floor retail and parking. The properties' sale prices are from $15,476 per potential dwelling unit to $125,000 per potential dwelling unit.

Comparable 2 - $125,000 Per Potential Dwelling Unit

This property sold with development entitlements in place for a 150-unit apartment complex. It is roughly a ⅓ mile walk to the Caltrain Broadway Station in Burlingame and about a ¼ mile walk to the northern gateway to Burlingame's Broadway district. This is a superior location in relation to the subject in addition to already having development approvals. As a result, this property indicates a substantially lower value for the subject than its sale price.

Comparable 3 - $108,968 Per Potential Dwelling Unit

This property is an assemblage of seven parcels that is being developed with 157 apartment units over ground floor retail and parking. It is roughly a ¼ mile walk to the Caltrain South San Francisco Station and about 500 feet from the eastern gateway to South San Francisco's downtown district on Grand Avenue. This is a superior location in relation to the subject because it is closer to the railroad station and downtown. The assemblage took place from 2017 through 2019 and should be adjusted up for changes in *Market Conditions.* Overall, this property indicates a significantly lower value for the subject than its sale price.

Comparable 1 - $75,281 Per Potential Dwelling Unit

This property was previously developed with industrial buildings. The buyer acquired the property for development with 445 apartment units. This property is a ¼ mile walk to South San Francisco's downtown district on Grand Avenue and a little over a ½ mile walk to the Caltrain South San Francisco Station. This property is an equivalent *Location* as compared to the subject. However, because of its size it is slightly superior because it has a much higher development potential and may support addition common area amenities as well as retail opportunities. As a result, this property indicates a slightly lower value for the subject than its sale price.

Conclusion

It should be noted, Comparable 3 is being constructed with residential units over ground floor retail and Comparable 1 will likely be developed in the same manner. Although the selected *Unit of Comparison* is the *Price Per Potential Dwelling Unit*, the comparables' sale prices implicitly reflects the potential for ground floor retail space.

Most weight is placed on Comparable 1 because it is the most recent sale and is in close proximity to the subject. It is also the lowest price sale. With that said, the subject's value is lower than the price of Comparable 1. However, it is difficult to determine how much lower without additional market data. Still, it is my opinion the *Market Value* of the land is equivalent to $65,000 per potential dwelling unit. With development potential for 40 units over ground floor retail and parking, I have concluded the land value is $2,600,000.

LAND RESIDUAL ANALYSIS

The *Land Residual Analysis* method takes into consideration the value of the total property (as if completed) and deducts therefrom the *Contributory Value* of the improvements. The total value of the property may be determined either by *Sales Comparison* or *Direct Capitalization.* The *Contributory Value* of the improvements is represented by the development costs of the project.

Value of Total Property – As if Completed

The value of the total property, as if completed, may be reliably developed by the *Sales Comparison Approach.* The process is summarized in the following.

Sales Comparison Approach

There are a number of recent transactions in the vicinity of the subject that have characteristics similar to the subject. I have considered the most relevant market comparables for presentation in this *Appraisal Report*. The most common *Unit of Comparison* in valuation of multi-family residential properties is the *Price Per Apartment Unit*.

Please refer to the *Market Comparables Summary & Location Exhibit* on the following page with detailed discussions of the market comparables following.

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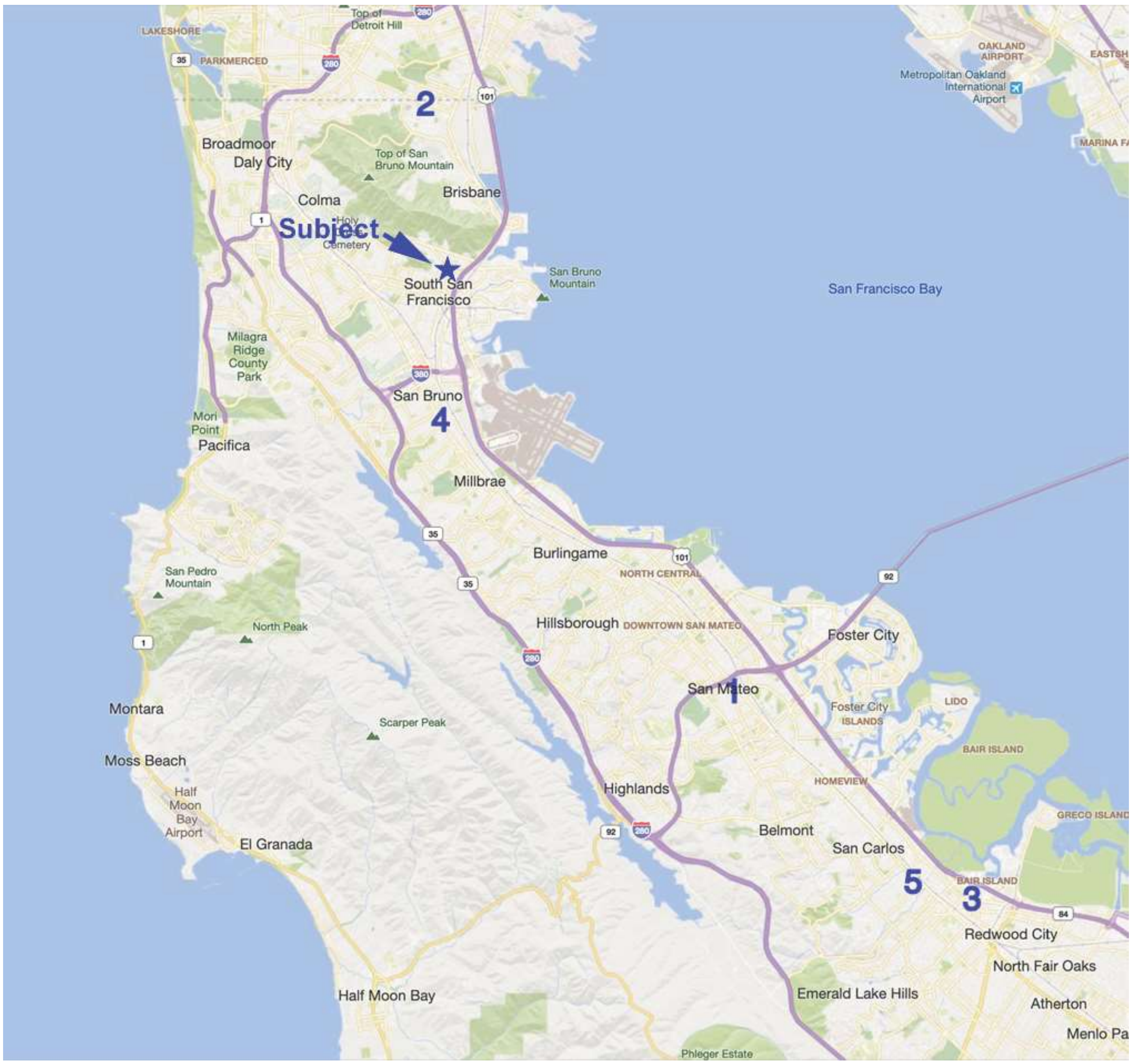
Market Comparables Summary & Location Exhibit

Comparable Number	Property Location	Recording Date	Sale Price / Price Per Unit	Total Units / Avg. Unit	Lot – Acres / Density	Year Built / Condition	PGI / I_O	PGIM / R_O
1	25 McAker Court	November	**$34,000,000**	38	1.18	1993	N/A	**N/A**
	San Mateo, CA	2021	**$894,737**	1,390	32.2	Good	N/A	**N/A**
2	2665 Geneva Avenue	June	**$33,600,000**	83	1.05	2010	N/A	**N/A**
	Daly City, CA	2021	**$404,819**	908	79.1	Good	$1,344,000	**4.0%**
3	855 Veterans Boulevard	November	**$73,500,000**	90	1.15	2019	N/A	**N/A**
	Redwood City, CA	2020	**$816,667**	983	78.3	Good	N/A	**N/A**
4	400-418 San Mateo Avenue	December	**$60,250,000**	83	0.95	2019	N/A	**N/A**
	San Bruno, CA	2019	**$725,904**	891	87.4	Good	N/A	**N/A**
5	1500 Laurel Street	September	**$22,700,000**	42	0.65	1999	N/A	N/A
	San Carlos, CA	2019	**$540,476**	764	64.6	Good	N/A	N/A



Property Detail – Comparable 1

- Property Information -

Location/Address:
25 McAker Court
San Mateo, CA
~9½ Miles Southeast

Assessor Parcel Number/s:
APN 036-060-940

Land Description:
Size: ±51,350 square feet, ±1.18 acres
Shape: Irregular
Zoning: R4 – Multiple Family Dwellings (High Density)
Highest & Best Use: High Density Residential
Topography: Level
Utilities: All Publicly Available

Improvements:
Gross Living Area – 50,142 square feet
Number of Units – 38
Construction – Wood Frame
Year Built – 1993
Quality – Good
Condition – Good

Investment & Financial Information

Potential Gross Income	Not Reported
Vacancy & Credit Loss @ 5%	N/A
Effective Gross Income	N/A
Operating Expenses	N/A
Net Operating Income	$892,500

- Transaction Information -

Recording Date:	November 2021
Transfer Document:	Not Available
Sale Price:	$34,000,000
Unit Price:	$894,737 Per Unit
Grantor:	WSB Bungalows, LLC
Grantee:	EV Capital Partners, LLC
Buyer's Costs:	None Reported
Property Rights:	Leased Fee Interest
Sale Conditions:	1031 Exchange
Financing Terms:	Conventional

Comments:

Unit Type	# of Units	# of Bedrooms
2-BR	**38**	**76**
Total	**38**	**76**

Average Bedrooms Per Unit: 2.0

The property is commonly known as the Pacific Gardens Apartments. The complex has as common amenities that include controlled access and a courtyard/patio area. The apartments also include in-unit washer/dryers, fireplaces, and patios. Based on the estimated *Net Operating Income,* the *Direct Capitalization Rate* was calculated to be 3.5%. At the time of sale, the units had not been renovated, but no significant repairs were needed. All of the units are 2 bedroom/2.5 bathroom townhomes. The property has a Walk Score of 91.

This property previously sold in April 2019 for $25,500,000, or, $671,053 per unit.

Property Detail – Comparable 2

- Property Information -

Location/Address:

2665 Geneva Avenue
Daly City, CA
~3⅓ Miles Northwest

Assessor Parcel Number/s:

APN 005-064-250

Land Description:

Size: ±45,636 square feet, ±1.05 acres
Shape: Irregular
Zoning: R-VHD – Residential, Very High Density
Highest & Best Use: High Density Residential
Topography: Level
Utilities: All Publicly Available

Improvements:

Gross Living Area – 140,945 square feet
Number of Units – 83
Construction – Reinforced Concrete
Year Built – 2010
Quality – Good
Condition - Good

Investment & Financial Information

Potential Gross Income	Not Reported
Vacancy & Credit Loss @ 5%	N/A
Effective Gross Income	N/A
Operating Expenses	N/A
Net Operating Income	$1,344,000

- Transaction Information -

Recording Date:	June 1, 2021
Transfer Document:	Grant Deed – Document 2021-084594
Sale Price:	$33,600,000
Unit Price:	$404,819 Per Unit
Grantor:	MG Pacific Place Apartments, LP
Grantee:	Geneva Pacific Place Apartments, LLC
Buyer's Costs:	None Reported
Property Rights:	Leased Fee Interest
Sale Conditions:	Typically Motivated
Financing Terms:	Conventional

Comments:

Unit Type	# of Units	# of Bedrooms
1-BR	48	48
2-BR	33	66
3-BR	2	6
Total	83	120

Average Bedrooms Per Unit: 1.4

The property is commonly known as the Pacific Place Apartments. The complex has as common amenities that include controlled access, rooftop lounge & sundeck, co-working lounge, and fitness center. The apartments also include in-unit washer/dryers and balconies. Based on the estimated *Net Operating Income,* the *Direct Capitalization Rate* was calculated to be 4.0%. The property has a Walk Score of 80.

Property Detail – Comparable 3

- Property Information -

Location/Address:

855 Veterans Boulevard
Redwood City, CA
~15¼ Miles Southeast

Assessor Parcel Number/s:

APN 052-386-060

Land Description:

Size: ±50,181 square feet, ±1.15 acres
Shape: Irregular
Zoning: MUC-VB – Mixed-Use Corridor
Highest & Best Use: High Density Residential
Topography: Level
Utilities: All Publicly Available

Improvements:

Gross Living Area – 90,000 square feet
Number of Units – 90
Construction – Reinforced Concrete
Year Built – 2019
Quality – Good
Condition - Good

Investment & Financial Information

Potential Gross Income	Not Reported
Vacancy & Credit Loss @ 5%	N/A
Effective Gross Income	N/A
Operating Expenses	N/A
Net Operating Income	Not Reported

- Transaction Information -

Recording Date:	November 20, 2020
Transfer Document:	Grant Deed – Document 2020-132260
Sale Price:	$73,500,000
Unit Price:	$816,667 Per Unit
Grantor:	849 Veterans RWC, LLC
Grantee:	Redwood 849 Veterans, LLC
Buyer's Costs:	None Reported
Property Rights:	Leased Fee Interest
Sale Conditions:	1031 Exchange
Financing Terms:	Conventional

Comments:

Unit Type	# of Units	# of Bedrooms
Studio	**8**	**6**
1-BR	**37**	**37**
2-BR	**38**	**76**
3-BR	**7**	**21**
Total	**90**	**140**

Average Bedrooms Per Unit: 1.6

Note: Studio = 0.75 bedroom

The property is commonly known as the Encore Apartments. The complex has as common amenities that include a roof deck & community room, fitness center, and courtyard with BBQ. The apartments also include in-unit washer/dryers and balconies. Investment and financial Information was not reported for this sale. The property has a Walk Score of 90.

Property Detail – Comparable 4

- Property Information -

Location/Address:

400-418 San Mateo Avenue
San Bruno, CA
~2½ Miles Southwest

Assessor Parcel Number/s:

APN 020-364-360

Land Description:

Size: ±41,469 square feet, ±0.95 acre
Shape: Irregular
Zoning: C-B-D – Central Business District
Highest & Best Use: High Density Residential
Topography: Level
Utilities: All Publicly Available

Improvements:

Gross Living Area – 77,550 square feet
Number of Units – 83
Construction – Reinforced Concrete
Year Built – 2019
Quality – Good
Condition - Good

Investment & Financial Information

Potential Gross Income	Not Reported
Vacancy & Credit Loss @ 5%	N/A
Effective Gross Income	N/A
Operating Expenses	N/A
Net Operating Income	Not Reported

- Transaction Information -

Recording Date:	December 20, 2019
Transfer Document:	Grant Deed – Documents 2019-109175
Sale Price:	$60,250,000
Unit Price:	$725,904 Per Unit
Grantor:	San Bruno Plaza, LLC
Grantee:	See Comments
Buyer's Costs:	None Reported
Property Rights:	Leased Fee Interest
Sale Conditions:	Typically Motivated
Financing Terms:	Conventional

Comments:

Grantee: Virtu Aperture Owner, LLC – 60% undivided tenant-in-common interest & Aperture Evergree SPE, LLC - 40% undivided tenant-in-common interest.

Unit Type	# of Units	# of Bedrooms
Studio	**3**	**2.3**
1-BR	**40**	**40**
2-BR	**32**	**64**
3-BR	**8**	**24**
Total	**83**	**130.3**

Average Bedrooms Per Unit: 1.6

Note: Studio = 0.75 bedroom

The property is commonly known as the Aperture Apartments. The complex has as common amenities that include controlled access, fitness center, clubhouse, and BBQ/picnic area. The apartments also include in-unit washer/dryers and balconies. The property has a Walk Score of 95.

Property Detail – Comparable 5

- Property Information -

Location/Address:

1500 Laurel Street
San Carlos, CA
~14⅓ Miles Southeast

Assessor Parcel Number/s:

APN 051-369-010 & -170

Land Description:

Size: ±28,293 square feet, ±0.65 acre
Shape: Irregular
Zoning: PD-11 – Planned Development
Highest & Best Use: High Density Residential
Topography: Level
Utilities: All Publicly Available

Improvements:

Gross Living Area – 32,270 square feet
Number of Units – 42
Construction – Reinforced Concrete
Year Built – 1999
Quality – Good
Condition - Good

Investment & Financial Information

Potential Gross Income	Not Reported
Vacancy & Credit Loss @ 5%	N/A
Effective Gross Income	N/A
Operating Expenses	N/A
Net Operating Income	Not Reported

- Transaction Information -

Recording Date:	September 3, 2019
Transfer Document:	Grant Deed – Document 2019-071152
Sale Price:	$22,700,000
Unit Price:	$540,476 Per Unit
Grantor:	DJEM Laurel Theater, LLC
Grantee:	926 Woodside, LLC
Buyer's Costs:	None Reported
Property Rights:	Leased Fee Interest
Sale Conditions:	Typically Motivated
Financing Terms:	Conventional

Comments:

Unit Type	# of Units	# of Bedrooms
Studio	**16**	**12**
1-BR	**14**	**14**
2-BR	**12**	**24**
Total	**42**	**50**

Average Bedrooms Per Unit: 1.2

Note: Studio = 0.75 bedroom

The property is commonly known as the Laurel Theater Apartments. The complex has as common amenities that include controlled access. The apartments also include in-unit washer/dryers and balconies. Investment and financial Information was not reported for this sale. The property has a Walk Score of 92.

Market Comparables Analysis

The comparable sales have been analyzed and adjusted for their differentials in the *Elements of Comparison* on the table below. I have not determined definitive adjustment rates or amounts predicated purely on empirical market data. As a result, the indicated adjustments are based solely on my judgment and reflect the expected value differentials between the subject and comparable properties.

Elements of Comparison

The properties are adjusted to the subject for the following *Elements of Comparison.*

Market Comparables Adjustment Grid

(Note: All adjustments have been performed individually, in order, and are rounded to the nearest $1,000 increment.)

Address/ Element of Comparison	Comparable 1 25 McAker Court San Mateo, CA		Comparable 2 2665 Geneva Avenue Daly City, CA		Comparable 3 855 Veterans Blvd. Redwood City, CA		Comparable 4 406 San Mateo Avenue San Bruno, CA		Comparable 5 1500 Laurel Street San Carlos, CA	
Price/Unit ($1,000s)		$895		$405		$817		$726		$540
Description	Description	±Adj.	Description	±Adj.	Description	±Adj.	Description	±Adj.	Description	±Adj.
Property Rights	Leased Fee	0	Leased Fee	0	Leased Fee	0	Leased Fee	0	Leased Fee	0
Financing Terms	Conventional	0	Conventional	0	Conventional	0	Conventional	0	Conventional	0
Conditions of Sale	Condominium	-179	Typical	0	Typical	0	Typical	0	Typical	0
Market Conditions	November 2021	0	June 2021	0	November 2020	0	December 2019	0	September 2019	0
Location	Superior (-10%)	-67	Inferior (+20%)	+81	Superior (-20%)	-163	Superior (-10%)	-73	Superior (-10%)	-54
Quality & Condition	Superior (-10%)	-65	Equivalent	0	Superior (-10%)	-65	Superior (-10%)	-65	Equivalent	0
Bedrooms Per Unit	2.0 Per Unit	0	1.4 Per Unit	0	1.6 Per Unit	0	1.6 Per Unit	0	1.2 Per Unit	0
Net/Gross Adj.	-35% 35%	-311	+20% 20%	+81	-28% 28%	-228	-16% 16%	-138	-10% 10%	-54
Adjusted Price		$584		$486		$589		$588		$486

Property Rights and Financing Terms

The properties' *Leased Fee Interests* sold with the buyer obtaining conventional financing. Therefore, no adjustments are required for *Property Rights* or *Financing Terms.*

Conditions of Sale

With the exception of Comparable 1, the properties were negotiated between typically motivated buyers and sellers. However, Comparable 1 was acquired to sell the individual condominium units. The *Highest & Best Use* of this property drives a higher price and this property is adjusted down for *Conditions of Sale.*

Market Conditions

Despite the Covid-19 pandemic, in the times since the sales occurred, sale prices have generally been consistent. As a result, no adjustments are required for changes in *Market Conditions.*

Location

With the exception of Comparable 2, the properties are superior *Locations* to varying degrees. On the other hand, comparable 2 is an inferior *Location.*

The properties are adjusted for their respective differentials for this *Element of Comparison.*

Quality & Condition

Comparable 1 was originally constructed to standards for eventual sales of condominium units and is a superior *Quality & Condition.* Comparables 3 and 4 are superior to the *Quality & Condition* of the subject. The properties are adjusted for their respective differentials for this *Element of Comparison.*

Bedrooms Per Unit

The subject is expected to have an average of approximately 1.5 bedrooms per unit. While Comparables 2, 3, and 4 are relatively close to the average unit size, Comparable 1 is substantially larger and Comparable 5 is significantly smaller. Rather than apply a quantified adjustment for this *Element of Comparison,* I have considered this in the *Reconcilation* of the adjusted prices.

Reconciliation

Please note, the following amounts are rounded to the nearest $1,000 increment.

The comparables' sale prices are from $405,000 per unit to $895,000 per unit with an average of $677,000. The range is $490,000 with a standard deviation of $201,000. After adjustments, the prices are from $486,000 per unit to $589,000 per unit with an average of $547,000. Now the range is only $103,000 with a standard deviation of $55,000. The measures of dispersion are substantially smaller and suggest validity to the adjustment process. Although the oldest transaction, Comparable 5 (adjusted price of $486,000 per unit) is the most similar in size to the subject's anticipated improvements, it also required the fewest amount in adjustments. Still, this property had the smallest average number of bedrooms per unit, for which an upward adjustment is warranted. Therefore, the value of the subject is somewhat higher than the adjusted price of Comparable 5. With that said, it is my opinion the subject value is equivalent to $500,000 per unit. With 40 units, the indicated value by *Sales Comparison Approach* is $20,000,000.

Contributory Value of Improvements

In order to estimate the *Contributory Value* of the improvements, I have estimated the individual components of:

- Direct Costs
- Indirect Costs
- Entrepreneurial Incentive

The *Contributory Value of Improvements* are summarized in the worksheet included in the *Addenda* to this *Appraisal Report.*

Direct Costs

The *Direct Costs* were projected at $31,258,551 and are equivalent to $251 per square foot. The *Direct Costs* include:

- Building Podium – 25,200 square feet @ $107.14 per square foot
- Slab Foundation – 25,200 square feet @ $10.89 per square foot
- Site Improvements – 2,800 square feet @ $25.00 per square foot
- Retail Shops – 10,500 square feet @ $156.50 per square foot
- Residential Units – 36,000 square feet @ $171.69 per square foot
- Balconies – 6,400 square feet @ $57.67 per square foot
- Appliances – 40 Units @ $11,333.52 per units

The *Direct Costs* were based on those in the *Marshall Valuation Service.*

Indirect Costs

The *Indirect Costs* are those expenses not directly associated with the physical construction of the structures. These costs are commonly between 5% and 15% of the *Value of Total Property – As if Completed*. I have allocated *Indirect Costs* at 10%, or, $2,000,000.

Entrepreneurial Incentive

The allowance for *Entrepreneurial Incentive* commonly is between 15% and 30% of the projected *Value of Total Property – As if Completed.* The City has narrowly identified the likely development potential for the property. As a result, much of the uncertainty surrounding development potential has been mitigated. As a result, the *Entrepreneurial Incentive* would be at the low end of the range, or 20%. This is equivalent to $4,000,000.

Total

The *Contributory Value* of the improvements totals $17,690,686.

Conclusion

The *Value of Total Property – As if Completed* is $20,000,000.

The *Contributory Value* of the improvements totals $17,690,686.

This results in an indicated land value of $2,310,000, after rounding. This is equivalent to $57,733 per potential dwelling unit.

RECONCILIATION The reconciliation of the valuation methods is the final step in the appraisal process. It involves weighing the valuation methods in relation to their support by market and other sources of data, as well as the applicability to the property.

I have determined two methods (the *Sales Comparison & Land Residual*) are applicable in the analysis of the *Fee Simple Estate* of the property. The indicated values of the subject are, by valuation method, as follows:

Sales Comparison ………………………………… **$2,600,000**

Land Residual Analysis ……………………………… **$2,310,000**

A weakness of the *Sales Comparison* is the dearth of recent and relevant sales. The best sale recently closed escrow and is in close proximity to the subject, but, its development potential is 11 times more than that of the subject.

On the other hand, the *Land Residual Analysis* includes a number of variables. If one or more of the variables is incorrect, the reliability of of resulting value indication could be diminished.

In the end, I have concluded neither method has characteristics that warrants selection over the other. Therefore, I have weighed each method equally and concluded to a value of $2,455,000.

Environmental Remediation

Ms. Julie Barnard has reported 616 Linden Avenue is subject to remediation costs that were estimated at $530,000 in order to support development with housing and/or commercial uses. While the remediation costs have been estimated, the most probable buyer would likely require a large contingency in order to purchase the property in its existing condition. I have projected the contingency allowance at 50% of the estimated remediation costs. In total, the environmental remediation is adjusted down by $795,000.

Conclusion

After adjusting for *Environmental Remediation,* it is my opinion the *Market Value* of the subject's *Fee Simple Estate* is $1,660,000.

Contributory Value of Improvements Worksheet

Contributory Value of Improvements Worksheet

Number of Units		40		
Average Size per Unit		900		
Gross Living Area		36,000		
Retail Space		10,500		5,250
Gross Building Area		46,500		
Balconies		160		
Total		6,400		
Site Area		28,000		
Open Space Requirement		10.0%		
Building Podium		25,200		2,800
Value of Total - As if Completed				
Number of Units		40		
Value per Unit	$	500,000		
Total	$	20,000,000		
Indirect Costs	$	2,000,000		10.0%
Entrepreneurial Incentive		4,000,000		20.0%
Subtotal	$	6,000,000		
Land and Direct Costs	$	14,000,000		

Direct Costs					Area		Unit Cost	Current Multiplier	Location Multiplier		Adjusted Cost
Building Podium	$	2,699,827			25,200	$	64.00	1.2400	1.3500	$	107.14
Slab Foundation & Parking		274,412			25,200	$	6.51	1.2400	1.3500	$	10.89
Site Improvements		70,000			2,800	$	25.00	1.0000	1.0000	$	25.00
Retail Shops		1,643,289			10,500	$	98.06	1.2000	1.3300	$	156.50
Residential Units		6,180,757			36,000	$	104.95	1.2300	1.3300	$	171.69
Balconies		369,059			6,400	$	35.25	1.2300	1.3300	$	57.67
Appliances		453,341			40	$	6,928.00	1.2300	1.3300	$	11,333.52
Total	$	11,690,686	$	251.41							
				58%							

Contributory Value of Improvements	$	17,690,686	
Indicated Land Value	$	2,309,314	
Rounded	$	2,310,000	12%
Per Potential Dwelling Unit	$	57,733	

Appraiser's Experience Data

CRAIG A. OWYANG

Senior Vice President
Valuation Advisory Services

Craig A. Owyang is a senior vice president in the Valuation Advisory Services group at Kidder Mathews. Mr. Owyang is based in the Sacramento office and generally serves clients in the Sacramento Metropolitan area, San Francisco Bay Area, and the San Joaquin Valley. Craig has been appraising since 1984. While he is versed in the valuation of offices, retail/shopping centers, industrial, residential (single-unit, multi-unit, and subdivisions), and agricultural properties, his experience also includes large scale master planned developments, mitigation banks, conservation easements, charitable contributions of various property types, port properties, multi-property valuations for public improvement projects, and numerous multi-property estates in mid 9-digit amounts. Clients have included attorneys, public agencies, non-profit entities, private property owners, estates, and financial institutions.

Mr. Owyang has been recognized as an expert in valuation in a number of courts as well as arbitration venues. He has acted on behalf of litigants as both a retained expert and as a third party neutral. Craig has been extensively involved with the Appraisal Institute and currently chairs its Comprehensive Examinations Panel. Past positions with the Appraisal Institute includes serving on its board of directors along with being the president of the Northern California Chapter of the Appraisal Institute. While not currently holding memberships, Mr. Owyang previously was awarded the ARA designation from the American Society of Farm Managers & Rural Appraisers as well as the MRICS designation from the Royal Institution of Chartered Surveyors.

PROFESSIONAL MEMBERSHIPS, AFFILIATIONS, & PROGRAMS

APPRAISAL INSTITUTE DESIGNATIONS

MAI Designation - Valuation & Evaluation of Commercial, Industrial, Residential & Other Properties

SRA Designation - Valuation & Evaluation of Residential Properties

AI-GRS Designation - General Review Specialist

AI-RRS Designation - Residential Review Specialist

APPRAISAL INSTITUTE PROFESSIONAL DEVELOPMENT PROGRAMS COMPLETED

Litigation

Valuation of Conservation Easements

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Sacramento, CA 95814

Kidder Mathews

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Craig A. Owyang

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

"Certified General Real Estate Appraiser"

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 009478

Effective Date: March 10, 2021
Date Expires: March 9, 2023

Loretta Dillon

Loretta Dillon, Deputy Bureau Chief, BREA

3057266

Date: April 21, 2022

To: San Mateo Countywide Oversight Board

From: Mike Futrell, City Manager, City of South San Francisco

Subject: Approval of the Sale Price By The City of South San Francisco to the Taxing Entities for Development of 616 and 700 Linden Avenue As a Public Park.

Former RDA: City of South San Francisco

Recommendation

Adopt a resolution approving the sale price of $2,008,000 to by paid by the City of South San Francisco to the Taxing Entities for the disposition of 616 and 700 Linden Avenue properties ("Properties").

Background

Please see the attached February 16, 2022 City of South San Francisco ("City") staff report considered by the San Mateo Countywide Oversight Board ("Board") at its April 11, 2022 meeting (Attachment 1).

At that meeting, the Board requested additional information regarding the valuation determination if the Properties were to be developed as a mixed-use project ("Appraisal") made by Kidder Mathews Land Valuation Services ("Appraiser"). In response, the Appraiser has supplied the attached letter to the Board further describing the analysis and conclusions reached in the Appraisal in order to address the Board's questions and concerns.(Attachment 2).[1]

Discussion

I. Remediation Costs

A. Additional Contingency

The City sought approval of a sale price of $1,660,000 at the April 11, 2022 by deducting the remediation costs of $795,000 from the land valuation of $2,455,000. The remediation cost was based on the estimated costs set forth in the August 24, 2021 Phase II Environmental Site Assessments for the Properties ("Phase II") of approximately $530,000 as well as a 50% contingency added by the Appraiser for a total of $795,000 remediation cost estimate.

[1] The Appraiser's letter references a revision to the December 7, 2021 appraisal which the Board considered at its April 11 meeting. Although valuation of the Properties has not changed in the revised appraisal, the City nonetheless provides it here as Attachment 3 for the Board's reference.

The Board questioned whether it was appropriate for the Appraiser to add a 50% contingency to the Phase II estimated remediation cost since it included a 30% contingency in that estimate.

As explained further by the Appraiser in Attachment 2, it is his professional opinion that a 50% contingency would be required a by a likely buyer due to the unknown development costs associated with the environmental contamination on 616 Linden, namely "BTEX and 1,2-dichloroethane in soil gas; TPH-d, TPH-g, and lead in soil; and TPH-g in groundwater", which represents a separate cost than the 30% contingency added in the Phase II estimates relating to mitigation of that contamination.

The Appraiser's professional opinion regarding the need for the additional contingency is supported by the Phase II which states it "includes rough order-of-magnitude cost estimates (accuracy range of -25 to +75 percent based on the Project Management Institute's [2017] A Guide to the Project Management Body of Knowledge) of evaluated cleanup alternatives intended for comparison purposes only; they should not be used as budget- or design-level estimates." (Phase II at Section 1.0, pg. 1 or pg. 99 of the April 11, 2022 Board packet ("April 11 Packet".)

The Appraiser's opinion is further supported by the following qualification regarding the cost estimates:

Because a human health risk assessment of the Site has not been completed, screening levels are used as the assumed cleanup levels. The Applicant or organization undertaking cleanup actions at the Site will need to work with the oversight agency to establish appropriate cleanup levels specific to the Site. The cleanup alternatives and costs presented in this ABCA may change if different exposure scenarios are identified, additional data becomes available, or a human health risk assessment is performed.

(Phase II at Sections 3.0-3.1, pg. 10 or April 11 packet at pg. 108)

Thus, a 50% contingency above the Phase II estimated costs of remediation is appropriate.

B. Alternatives

The Board noted that the Phase II included four alternatives for remediation with associated estimated costs and questioned why Alternative 3 was used to develop the remediation cost in the Appraisal.

The Phase II analyzed the estimated cost of remediation on 616 Linden for a three-story structure with a slab foundation and 14,000 square foot first-floor space for a housing/commercial/industrial project in Alternatives 2 and 3. It analyzed the estimated cost of remediation for a public park in Alternative 4[2].

Alternative 2 is described as moderately effective in removing contaminants while Alternative 3 is described as moderate to highly effective. (Phase II at Table ES-1, pg. 1-2 or April 11 packet at pg. 141-142.)

Although the estimated capital cost of the passive vapor mitigation system in Alternative 2 ($202,000) is nearly the same as the active vapor mitigation system in Alternative 3 ($204,000), the $233,000 difference in the cost estimates between Alternative 2 and Alternative 3 result from Alternative 3's estimated costs associated with: 1) soil excavation and off-site disposal ($71,000) versus the Soil Management Plan in Alternative 2 ($26,000); and 2) increased operation and maintenance costs ($203,000) of the active vapor mitigation system versus the costs of the passive vapor mitigation system ($17,000). (Phase II at Table 4, pg. 2 or April 11 packet at pg. 151.)

The City and Appraiser utilized the estimated costs of Alternative 3 based on the higher level of remediation effectiveness and the Phase II qualifications relating to the lack of a human health risk assessment.

In fact, the Appraiser reiterates his choice of Alternative 3 resulting from his professional opinion that "there would be substantial market resistance" to a lower level of remediation which did not involve soil removal and disposal. (*See* Attachment 2.[3])

Despite that, as a compromise, the City now proposes to utilize the estimated costs of Alternative 2 as it represents an estimate associated with housing development which reflect the valuation contained in the Appraisal, but is reduced from the Alternative 3 costs as a recognition of the City's costs associated with development as a park.

Consequently, the City proposes a sale price of $2,008,000 which reflects the housing valuation of the Appraisal reduced by the estimated costs of remediation associated with Alternative 2 along with the 50% contingency applied by the Appraiser [$2,455,000 – $447,000 ($298,000 + 50%) = $2,008,000].

II. <u>Density</u>

The Appraisal accurately described the land use regulations applicable to the Properties and concluded that a 26 unit project would be likely based on the City's minimum density

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[2] Alternative 1 involved no environmental remediation and was deemed "not … effective because it would not be protective of human health for the proposed reuse of the Site." (Phase II at Section 3.2.1.1, pg. 11 or April 11 packet at pg. 109.)

[3] Although the Appraiser references his conversation with Ms. McKinney in Attachment 2 and not the Phase II itself, Ms. McKinney specifically referenced pages 11-16 of the Phase II found at pages 109-114 of the April 11 packet and Table ES-1 found at pages 141-142 of the April 11 packet in her conversation with the Appraiser.

designations, 39 units under the maximum density designation and 51 units with approval of a discretionary conditional use permit granting additional density pursuant to the City's Community Benefit program. (Appraisal at pg. 46 or April 11 packet at pg. 304.)

The Board inquired about the Appraiser's use of a 40 unit mixed-use project to develop the valuation rather than 51 unit project.

As explained further by the Appraiser in Attachment 2, it is his professional opinion that such a project is not likely to be pursued by a buyer given factors relating to increased uncertainty with regard to securing local entitlements, increased financial risk with regard to profitability, and increased construction costs. (Attachment 2)

In particular, the Appraiser determined the 40 unit project could be accommodate the City's required parking on site. (Appraisal at pg. 46-47)

However, if a 51 unit project proposed to be developed, the parking requirements would need to be reevaluated to determine whether below surface parking would be required. If so, both the construction costs and the remediation costs would need to be reevaluated to accommodate for construction below surface parking.

Financial Impact

Taxing Entity	Percentage of Proceeds	Share of $2.008 Million Sale
South San Francisco Unified School District	44%	$883,520
San Mateo County	25.9%	$520,072
City of South San Francisco	16.8%	$337,344
SMC Community College District	7.4%	$148,592
County Office of Education	3.8%	$ 76,304
Special Districts	2.1%	$ 42,168
	TOTAL	$2,008,000

Attachments:
1. February 16, 2022 City of South San Francisco staff report
2. April 20, 2022 Letter from Kidder Matthews Land Valuation Services
3. Revised Appraisal from Kidder Matthews Land Valuation Services
4. Draft Resolution of the Oversight Board Approving the Sale Price

Joseph I. Napoliello, MAI

Commercial – Industrial – Residential – Real Estate Appraisal and Consultation

840 Olive Avenue #3, So. San Francisco, CA 94080 415-309-6728 Joe@JNval.com

June 20, 2022

Kristie Silva, Assistant Controller
County of San Mateo
555 County Center, 4th Floor
Redwood City, California 94063

Re: Review of Appraisal of
Two vacant land parcels
616 and 700 Linden Avenue
South San Francisco, California
Job #: 2022485

Dear Ms. Silva:

In accordance with your recent request and authorization, we have reviewed the December 12, 2021, appraisal of two vacant land parcels at 616 and 700 Linden Avenue in the City of South San Francisco, County of San Mateo, California. The review was performed as of June 20, 2022. This was a desk review, and the comparable sales data was not inspected. The reviewer is familiar with the property subject to review. This review was not performed as a re-appraisal of the property.

The accompanying report identifies the property that is the subject of our review and provides opinions as to the completeness of the appraisal report, the adequacy and relevance of the data, the propriety of adjustments, the appropriateness of the appraiser's methods and techniques, and whether the analyses, opinions, and conclusions in the appraisal report are appropriate and reasonable. The review report also includes pertinent limiting conditions, assumptions and our review certification.

Based on the review, it is the reviewer's opinion that as of June 20, 2022, and subject to the definition of value, assumptions and limiting conditions, certification contained in the

review report, analyses, opinions, and conclusions stated in the December 7, 2021, appraisal report are <u>not</u> reasonable or appropriate.

Respectfully submitted,

Joseph I. Napoliello, MAI
Certified General Real Estate Appraiser
CA # AG003794

STATEMENT OF LIMITING CONDITIONS AND ASSUMPTIONS

This appraisal is made subject to the following ***extraordinary*** assumptions or conditions:

Assumptions regarding environmental conditions on the sites and other typical assumptions. See body of report.

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy. We have not attempted to independently verify any rental, income, or expense data provided to us.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value opinion contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. It is assumed that the property has been adequately exposed for a reasonable time in advance of the effective date of this report. In a market value appraisal there is the assumption of hypothetical sale as of the date of value. It is further assumed that the exposure or marketing effort was commensurate with the type of real property interest, the use of the property, its market value, and the likely buyer.
12. Unless otherwise stated in this report, the existence of hazardous materials which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of

substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The opinion of value is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

This appraisal report has been made with the following general limiting conditions:

13. Any allocation of the total opinion of value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
14. Possession of this report, or a copy thereof, does not carry with it the right of publication.
15. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or be in attendance in court with reference to the property in question unless arrangements have been previously made.
16. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
17. This report has been prepared specifically for the stated use and benefit of the client, as named in the introduction, and may not be used by any other party without prior written consent and approval of the appraiser.

CERTIFICATION

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, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- 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 on 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 opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. My value conclusion(s), as well as other opinions expressed herein, are not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.
- I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of the report, I have completed the requirements of the continuing education program of the Appraisal Institute.
- I, the undersigned, have made a personal inspection of the property that is the subject of this report.
- No other persons provided significant professional assistance to the person(s) signing this report.

Joseph I. Napoliello, MAI
Certified General Real Estate Appraiser
CA Certificate #AG003794

PROPERTY SUBJECT TO REVIEW:

Project Name: N/A

Location: 616 and 700 Linden Avenue

City: South San Francisco **County:** San Mateo

State: California **APN:** 012-145-370 and 012-174-300

Property Interest Being Appraised: Fee simple

EXTENT OF APPRAISAL REVIEW ASSIGNMENT:

The assignment is to provide a desk review of an appraisal of the fee simple interest in two vacant land parcels in a market area where the reviewer is actively engaged as an appraiser.

The reviewer has not inspected the subject, but is familiar with the parcels, and has not inspected the comparable sales properties, but is familiar with the locations. This is a desk review based on material contained in the appraisal or other data deemed necessary to complete the assignment. This is, however, a market area where the reviewer is also active in valuing full and partial interests and no special steps were necessary on our part to satisfy the Competency Rule of USPAP.

The review is intended to satisfy the requirements of USPAP. The review is presented in a narrative fashion.

REPORTING STANDARDS

The appraisal report was prepared to meet USPAP and UASFLA standards for a government agency. It is unclear why UASFLA standards (typically for Federal Land Acquisitions) were applied. The appraiser also mixes standards by applying the UASFLA market value definition, but selecting the Appraisal Institute definition of Highest and Best Use rather than the UASFLA definition (see page 49 of the report).

APPRAISAL METHODS AND TECHNIQUES

The appraiser used the sales comparison and land residual analysis techniques to value the property. One site is vacant open space while the other site is improved with a parking lot. These are appropriate techniques, but the land residual analysis is a much more complicated method that leaves room for substantial error because so many variable factors are applied in the process. Market extraction, using nearby improved sales to derive a land value, would be more reliable in this instance as more proximate sales will give a better indication of local land value and the technique is more straight forward. The appraiser states on page 51 that extraction is not applicable because there are no site improvements on the subject, but this is irrelevant. The technique is applied to other nearby sales, not the subject. Land residual analysis is often used by developers to set prices they are willing to offer for land, but it is more commonly used by appraisers for highest and best use analysis.

MARKET DATA ADEQUACY, RELEVANCE AND ADJUSTMENTS

The appraiser relies on three land sale comparables. This is a limited amount of data. The data appears to be marginally sufficient and is spread over a wide span of time. The appraiser indicates there has been a "…dearth of recent and relevant sales." But the market has been active over time and other sales could be used to bracket the subject in size and location and other characteristics. By example, the City of South San Francisco acquired a parcel in November of 2021 at 71 Camaritas Avenue for a recorded price of nearly $93,000 per unit or $171 per square foot for future residential development and the property had been on the open market for some time as an active listing.

The market data presented was marginally appropriate to the valuation assignment and adequate for analysis.

The appraiser applies a qualitative analysis instead of a quantitative adjustment process. This choice is inconsistent with the remainder of the appraisal. The appraiser applies an adjustment grid with quantitative adjustments in the residual analysis. Not applying a similar grid and adjustment process to the land sales weakens the appraisal.

Other comparison issues include:

Only one of three comparable sales included retail space

Sale 1 saw a 33% increase in price between April 2019 and November 2021, but no time/market condition adjustments were made to the sales.

Sale 1 was also adjusted for conditions of sale (condo resale) and then for superior condo quality – an apparent double count

None of the sales were adjusted for density – allowable density is a significant element of comparison and all three sales had higher density. This would normally warrant an upward adjustment as higher density sales typically sell for a lower price per unit. The subject would be very easy to develop… no long driveways, three street fronts, utilities at the curb, no long utility runs. This typically results in a higher price per unit.

The comparison process seems to understate the probable price per unit.

The residual technique also has a number of issues:

The concluded market value of $500,000 per unit is at the very low end of the range. The average concluded price per unit in the adjustment grid is $547,000. Why are the subject units so far below average? No adequate explanation is provided. Sale 5, the oldest and one of the most distant sales is given the most weight, yet it has a much smaller bedroom count with units 15% smaller than those estimated for the subject and is over 20 years old with no effective age adjustment applied or time adjustment for a sale that occurred over 2 years ago.

Issues with Residual Analysis Costs: Not clear if elevator is included, no site improvements cost, appraiser uses site as yard costs, but there is usually a separate site preparation cost, no demo costs even if relatively small, no common area costs. It is not clear if 36,000 square feet of residential space is units alone or units plus common corridors and other vertical requirements. Concluded cost is $430 per square foot including land which is at the low end of the range and four of the five sales are above $540 per square foot and all are existing properties with some level of depreciation (or obsolescence in the case of Sale 2) while the subject is as new.

The concluded $20,000,000 value for the finished property does not appear to include any value for the retail space. It is not addressed in the unit value process, nor is it accounted for as a separate add on. By example, using the appraiser's own cost data, an additional 10,500 square feet of retail space at cost would add at least $1,643,289 to the total property value. The market value of the retail space would likely exceed the cost, as well.

PROPRIETY/REASONABLENESS OF ANALYSES, OPINIONS AND CONCLUSIONS

The appraiser develops conclusions as to the highest and best use and value of the property. He concludes the highest and best use is the maximal use consistent with applicable zoning and general plan. Given the location of the property, the conclusion that the property could support roughly 40 residential units plus approximately 10,500 square feet of commercial space is reasonably supported.

The concluded sales comparison value at $2,600,000 is approximately $93 of land area and only $83 per square foot at the reconciled figure of $2,310,000. This is less than half of the lowest priced sale at $182 per square foot.

Reliance on just the price per unit results in a low value when considering other units of comparison. Mixed-used properties are frequently valued using the price per square foot of land area, the price per unit and the price per FAR foot (floor area ratio).

Based on data from the appraisal, all three units of comparison follow.

Address	Price	Size/SF	Res/DU	DU/Ac.	FAR	Pr./SF	Pr./DU	Pr./FAR Ft.

7 South Linden	$33,500,000	184,107	445	105	400,500	$182	$75,281	$84
1095 Rollins	$18,750,000	46,827	150	140	142,500	$400	$125,000	$132
150-214 Airport	$17,108,000	74,217	157	92	141,300	$231	$108,968	$121
616-700 Linden	$2,600,000	28,000	40	62	46,500	$93	$65,000	$56
	$2,310,000	28,000	40	62	46,500	$83	$57,750	$50

In summary, it appears that the appraiser's value conclusion falls well below the lower end of a normal range of market value based on the data presented and reviewed. Nothing in the appraisal report reasonably suggests the value should be 23.3% lower than the lowest price per unit, 54.4% lower than the lowest price per square foot of land area, or 40.5% lower than the lowest price per FAR foot measure. Any adjustment for environmental remediation would be irrelevant as the reported market value is not deemed to be reliable.

The reviewer does <u>not</u> concur with the value conclusions contained in the report.

Very truly yours,

Joseph I. Napoliello, MAI
Certified General Real Estate Appraiser
CA #AG003794

LETTER OF TRANSMITTAL

Appraisal addressed to:	Ms. Julie Barnard Acting Deputy Director of Economic and Community Development City of South San Francisco 400 Grand Avenue South San Francisco, California 94080

CONTINGENCIES, SIGNIFICANT FACTORS AND LIMITATIONS OF SCOPE

Contingencies, significant factors of the appraisal and limitations of scope reasonable and appropriately disclosed and considered:	Yes

IDENTIFICATION OF THE PROPERTY AND ASSIGNMENT

Appraisal provides a legal description which appears to accurately describes the subject:	Yes

Correct value definitions used, and sources cited:	Appraiser cited the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) – it is unclear why these standards were applied or what influence it may have had on the reported market value of the property.

Real property rights accurately reflect the interest being appraised:	Yes

Purpose and Intended Use accurately stated:	Purpose – Yes – Market Value Intended Use – "…to establish value as part of the possible disposition of the properties…"

Reported and analyzed the required subject sales and listing history:	Yes

Scope of appraisal defined (including the extent of the process of collecting, confirming, and reporting data) and disclosed and explanation given whether information required or pertinent to the completion of the appraisal was or was not made available:	Yes

Adequate explanation as to approaches to value utilized and explanation of why an approach was eliminated:	Yes

Marketing time stated for the market value estimate, with adequate explanation and support:	Yes

Certification required by the USPAP, including statement that the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan:	Yes – see comments at end of section

Effective date(s) of the appraised value and the date of the appraisal report identified:	Yes

REGIONAL, CITY AND NEIGHBORHOOD DESCRIPTIONS

Description of areas appropriate to the assignment and reasonable discussion and analysis of the impact of these areas on the subject:	Yes - thorough

MARKET OVERVIEW DISCUSSION AND ANALYSIS

Supply and demand characteristics addressed and reasonably linked to the subject's ability to compete in the market:	Yes

Market rental ranges, lease terms, concessions, occupancy levels and absorption appropriately discussed, analyzed and compared to the subject projections:	Yes

SITE DESCRIPTION

Appropriate description of the subject site characteristics (size, shape, topography, access, easements, et cetera):	Yes

Stated and analyzed zoning, and concluded if subject is or is not a legal conforming use:	Yes

Described real estate tax information (including bonds, special assessments and delinquencies, if applicable):	Yes

Addressed seismic, flood hazard, and environmental issues:	Yes

Suitability of the subject site for the existing or proposed use considered:	Yes

IMPROVEMENT DESCRIPTION

Appropriate description of the subject improvements including proposed construction (general construction, size, shape, tenant improvements, site improvements, parking adequacy, etcetera):	Yes

Included building sketch and discussed source of square footage(s); and for proposed improvements, reviewed plans and specifications and identified source:	N/A

Identified and separately valued any personal property, fixed equipment, or intangible items included in the appraisal:	N/A

Actual age, effective age and remaining economic life identified, reasoned and supported:	N/A

Described quality, condition and functional utility of the improvements as they currently exist, as well as upon completion of any proposed improvements or repairs:	N/A

Environmental issues discussed (to the improvements):	N/A

HIGHEST AND BEST USE

Appropriately analyzed, reasoned and supported reasonable highest and best use conclusions of the subject as if vacant and as improved (or as if improved), using the four tests:	Yes

Consistent application of the highest and best use conclusions throughout the report:	Yes

APPROACHES TO VALUE

COST APPROACH

Land comparable data are adequate:	Not applied

Adjustments are appropriately, supported and/or well reasoned:	N/A

Land value conclusion reasonable:	N/A

Replacement or reproduction cost of the improvements reasonable and adequately supported:	N/A

Indirect costs and entrepreneurial profit reasonable and adequately supported:	N/A

Depreciation from all sources reasonable and adequately supported:	N/A

Estimated conclusion by the cost approach reasonable:	N/A

SALES COMPARISON APPROACH

Comparable data are adequate:	Yes - Marginally
Adjustments are appropriately supported and/or well reasoned:	See prior comments
Appropriate units of comparison selected:	No – see prior comments
Estimated conclusion by the sales comparison approach reasonable:	Concluded value is below normal value range

INCOME APPROACH

Discussed and appropriately analyzed current revenues, expenses and vacancies:	N/A
Analyzed and reported appropriate deductions and discounts for any proposed construction, or any completed properties that are partially leased or leased at other than market rents:	N/A
Rental data adequate and adjustments proper:	N/A
Conclusion of market rent, including terms and concessions, appropriate and supported:	N/A
Differences, if any, between actual rents and market rents were adequately analyzed, discussed and considered in the valuation:	N/A
Estimated expenses and vacancy rate were adequately supported and reasonable:	N/A
The overall capitalization rate was adequately supported and reasonable:	N/A
If discounted cash flow used, the appraisal adequately supports and reasons the term of the projection, absorption rate on vacant space, vacancy rate, income and expense growth rates, leasing and re-leasing costs, reversionary sales cost, terminal capitalization and discount rates:	N/A
Estimated conclusion by the income approach reasonable and supported:	N/A

RECONCILIATION

In the reconciliation, adequate reasoning and consistency was used in the weighing of the approaches to value, in consideration of the highest and best use conclusion:	No – flawed residual analysis was given equal weight to comparison

	approach without adequate justification

ADDENDA

Contained all appropriate and referenced items in the report:	Yes

ADDITIONAL COMMENTS

Overall, the report was prepared to a very high standard.

No significant USPAP issues were noted except that the appraiser's certification stated that Michelle L. Owyang assisted in the assignment including "Prepared the initial appraisal report." This infers Michelle L. Owyang prepared the valuation of the property. This goes beyond assistance and suggests that a certification signed by Michelle L. Owyang should be included in the report if valuation was involved.

APPRAISAL OF

Two Vacant Land Parcels
616 Linden Avenue and 700-712 Linden Avenue
South San Francisco, California

PREPARED FOR

Kim-Anh Le, Interim Assistant Controller
County of San Mateo
Redwood City, California

Effective Date of Value: July 11, 2022
Date of Report: August 3, 2022

PREPARED BY

Joseph I. Napoliello, MAI
South San Francisco, California

Joseph I. Napoliello, MAI

Commercial – Industrial – Residential – Real Estate Appraisal and Consultation

840 Olive Avenue #3, So. San Francisco, CA 94080   415-309-6728   Joe@JNval.com

August 3, 2022

Kim-Anh Le, Interim Assistant Controller
County of San Mateo
555 County Center, 4th Floor
Redwood City, California 94063

Re: Appraisal of
Two Vacant Land Parcels
616 Linden Avenue and 700-712 Linden Avenue
South San Francisco, California
Our Job # 2022489

Dear Ms. Le:

In accordance with your recent request and authorization, we have inspected and appraised the two vacant land parcels at 616 Linden Avenue and 700-712 Linden Avenue in the City of South San Francisco, County of San Mateo, California. The appraisal was made to provide you with an independent opinion of market value in the undivided fee simple interest in the property as of July 11, 2022, the date of the appraiser's physical visit to the property.

The accompanying report has been prepared for your use, as our client, for property disposition purposes and may not be used by or distributed to any other parties without our written consent.

The report, which has been prepared to the standards addressed in the Uniform Standards of Professional Appraisal Practice (USPAP), describes in narrative fashion the area, neighborhood, site, improvements, highest and best use, and our method of appraisal. It contains the pertinent data considered in reaching our valuation conclusions. Please note the Statement of Limiting Conditions and Assumptions found in the report.

The property was inspected and appraised by Joseph I. Napoliello, MAI, without significant professional assistance from any other persons. We performed an appraisal process using data and analyses considered necessary to produce a credible value conclusion(s) and prepared an appraisal report as described in USPAP.

Based on our visual inspection of the site and improvements, investigation, and analyses undertaken, we have formed the opinion that as of July 11, 2022, and subject to the definition of value, assumptions and limiting conditions, and certification contained in the report, the property had an undivided fee simple market value, as is, of

FOUR MILLION THREE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS
($4,375,000)

Extraordinary Valuation Assumption: The valuation relies on the assumption that hazardous materials on the site can be remediated for future development purposes. There are varying costs of remediation based on probable use. A most probable cost estimate has been provided and is assumed as reliable for the valuation process. An extraordinary assumption presumes as fact otherwise uncertain information about the property or market. The use of this assumption may affect the assignment results.

PLEASE NOTE: The subject of this appraisal is two separate, but proximate parcels of land along the easterly line of Linden Avenue immediately north and south of Pine Avenue. While physically separated, the lots would most likely be sold as a package to an individual investor, so the valuation process will treat them as a single site.

This letter of transmittal is not intended to be a report of our data and conclusions. The report, which follows, must be read in its entirety to allow the user to fully comprehend the market data we relied on, our value conclusions, assumptions, and limiting conditions. The above value opinions do not include any personal property, fixtures, or intangibles.

Respectfully submitted,

Joseph I. Napoliello, MAI
Certified General Real Estate Appraiser
CA #AG003794

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Addenda

Definitions
Qualifications of Appraiser

SUMMARY OF APPRAISAL

BASIC PROPERTY DATA

PROPERTY ADDRESS:	616 Linden Avenue and 700-712 Linden Avenue South San Francisco California 94080
APN:	012-174-300 and 012-145-370
OWNER:	City of South San Francisco
ZONING:	LNC, Linden Neighborhood Commercial, under the jurisdiction of the City of South San Fancisco
PRESENT USE:	Two vacant land parcels
HIGHEST AND BEST USE:	Future mixed-use development with retail and high-density residential construction.
LAND AREA:	±28,000 square feet or ±0.643 acres (combined)
PROPERTY DESCRIPTION:	The two sites are essentially vacant. 616 Linden Avenue is improved with a parking lot while 700-712 Linden Avenue is used as neighborhood open space.
PROPERTY RIGHTS TO BE VALUED:	Fee simple
EFFECTIVE DATE OF VALUE:	July 11, 2022
DATE OF REPORT:	August 3, 2022
CLIENT:	Kim-Anh Le, Interim Assistant Controller County of San Mateo 555 County Center, 4th Floor Redwood City, California 94063
INTENDED USE OF REPORT:	Assist client in the valuation of the property for possible disposition.
OTHER INTENDED USERS OF THE REPORT:	None

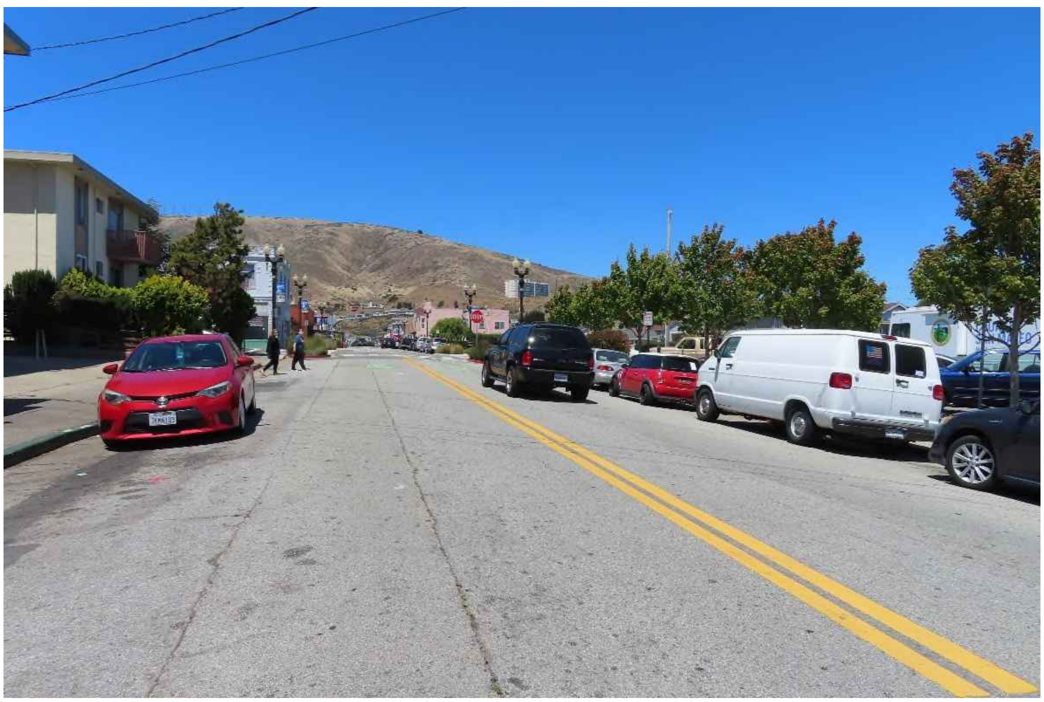
FORM OF REPORT:	USPAP Standard 2-2 Appraisal Report
CONDITIONS OF ASSIGNMENT:	**<u>Extraordinary Valuation Assumption</u>:** The valuation relies on the assumption that hazardous materials on the site can be remediated for future development purposes. There are varying costs of remediation based on probable use. A most probable cost estimate has been provided and is assumed as reliable for the valuation process. An extraordinary assumption presumes as fact otherwise uncertain information about the property or market. The use of this assumption may affect the assignment results. See statement of limiting conditions, assumptions and appraiser's certification which follow.
VALUATION CONCLUSION:	$4,375,000, as is, as of the effective date of value and subject to the stated limiting conditions, assumptions and certification PLEASE NOTE: The subject of this appraisal is two separate, but proximate parcels of land along the easterly line of Linden Avenue immediately north and south of Pine Avenue. While physically separated, the lots would most likely be sold as a package to an individual investor, so the valuation process will treat them as a single site.

Unit of Comparison	Indicators	/Unit
Per Sq. Ft.:	$4,900,000	$175
Per DU:	$5,000,000	$125,000
Per FAR Ft.	$5,198,000	$82.51

Reconciled - As Vacant	$4,900,000
Hazmat Remediation	-$531,000
Value - As Is	$4,369,000
Rounded to	$4,375,000

Views of Subject

Front Views – 616 and 700-712 Linden Avenue



Street Scene – Linden Avenue

STATEMENT OF LIMITING CONDITIONS AND ASSUMPTIONS

This appraisal is made subject to the following ***extraordinary*** limiting conditions or assumptions:

Extraordinary Valuation Assumption: The valuation relies on the assumption that hazardous materials on the site can be remediated for future development purposes. There are varying costs of remediation based on probable use. A most probable cost estimate has been provided and is assumed as reliable for the valuation process. An extraordinary assumption presumes as fact otherwise uncertain information about the property or market. The use of this assumption may affect the assignment results.

Use of or reliance on this appraisal or appraisal report, regardless of whether such use or reliance is known or authorized by the appraiser, constitutes acknowledgment and acceptance of these general assumptions and limiting conditions, any extraordinary assumptions or hypothetical conditions, and any other terms and conditions stated in this report.

This appraisal report has been made with the following general assumptions:

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy. We have not attempted to independently verify any rental, income, or expense data provided to us.
5. It is assumed that the reader or user of this report has been provided with copies of available building plans and all leases and amendments, if any, that encumber the property.
6. If no legal description was furnished, the appraiser used the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate the appraiser reserves the right to review any value conclusions.
7. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
8. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
9. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
10. It is assumed that all water, sewer facilities and utilities (whether existing or proposed) are or will be in good working order, are safe for use, and are or will be sufficient to

serve the current or proposed uses of the subject property or any structures or other improvements. Determining and reporting on such matters were not part of the scope of work for this assignment.

11. It is assumed that the property is in compliance with all applicable federal, state and local laws, ordinances, regulations, building standards, use restrictions and zoning unless the lack of compliance is stated in the appraisal report. Determining and reporting on such compliance were not part of the scope of work for this assignment.
12. Any proposed improvements are assumed to have been completed unless otherwise stipulated, so any construction is assumed to conform with the building plans referenced in the report.
13. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value opinion contained in this report is based.
14. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
15. It is assumed that the property has been adequately exposed for a reasonable time in advance of the effective date of this report. In a market value appraisal there is the assumption of hypothetical sale as of the date of value. It is further assumed that the exposure or marketing effort was commensurate with the type of real property interest, the use of the property, its market value, and the likely buyer.
16. Unless otherwise stated in this report, the past or current existence of hazardous materials or environmental contamination on, below or near the subject property was not observed or known by the appraiser. The appraiser, however, is not qualified to detect such substances or to make determinations about their presence. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials or environmental contamination may affect the value of the property. Unless otherwise stated, the value estimated is predicated on the assumption that there is no such material on, below or affecting the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering assistance required to discover them. The intended user is urged to retain an expert in this field, if desired.

This appraisal report has been made with the following general limiting conditions:

1. Any allocation of the total opinion of value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.
3. For proposed construction, only preliminary plans and specifications were available for use in the preparation of this appraisal; the analysis, therefore, is subject to a review of the final plans and specifications when available.

4. Possession of this report, or a copy thereof, does not carry with it the right of publication.
5. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or be in attendance in court with reference to the property in question unless arrangements have been previously made.
6. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
7. The forecasts, projections, or operating estimates contained herein are based on current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to changes with future conditions.
8. The Americans with Disabilities Act (ADA) became effective January 26, 1992. The appraiser has not made a specific compliance survey or analysis of the property to determine whether or not it is in conformity with the various detailed requirements of ADA. It is possible that a compliance survey of the property and a detailed analysis of the requirement of the ADA would reveal that the property is not in compliance with one or more of the requirements of the act. If so, this fact could have a negative impact upon the value of the property. Since the appraiser has no direct evidence relating to this issue, possible noncompliance with the requirements of ADA was not considered in estimating the value of the property.
9. This report has been prepared specifically for the stated use and benefit of the client, as named in the introduction, and may not be used by any other party without prior written consent and approval of the appraiser.

CERTIFICATION

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, unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
- 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 on 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 opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. My value conclusion(s), as well as other opinions expressed herein, are not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute and the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant professional assistance to the person signing this report.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of the report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

Joseph I. Napoliello, MAI
Certified General Real Estate Appraiser
CA Certificate #AG003794

SCOPE OF WORK

In preparing this appraisal, the appraiser:

1. Inspected the subject site and the improvements,
2. collected and analyzed regional, city and neighborhood data,
3. collected and analyzed pertinent data on the physical and legal characteristics of the site and improvements including environmental issues, zoning data, legal description and other related matters,
4. collected, verified, and analyzed comparable land sales and also pertinent improved sales and rental data used in the highest and best use analysis,
5. analyzed the highest and best use of the property,
6. developed an independent opinion of market value using the sales comparison approach to value and reconciled the indications to a final opinion of value.

Market data was developed from several data services and contacts with real estate brokers and other appraisers.

The property was inspected by Joseph Napoliello, MAI. No other persons provided significant professional assistance in the valuation of the property or the writing of the report to the appraiser.

The comparables selected for analysis of the value of the property have been confirmed with at least one of the principals to the transactions or their employees or brokers or agents involved or through two separate, independent sources. The appraiser also relied on public data from the assessor's and recorder's offices and the planning department to supplement direct contacts. These findings are presented in a narrative report format and the type of data and analyses necessary to produce a credible appraisal of the property have been applied.

The appraisal process and development of the report were intended to meet the standards outlined in the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Ethics of the Appraisal Institute. The appraiser has over 35 years of appraisal experience and is familiar with the subject property type and market.

PLEASE NOTE: This report has a revised date to reflect minor changes to the report to correct typographic errors, clarify highest and best use by including a statement that the highest and best use includes high-density residential over retail and parking, the need for a contingency above the estimated remediation costs and include a revised portion of the Market Trends section to reflect updated statistics on the economy. There were no changes to the valuation of the property.

DESCRIPTION OF PROPERTY UNDER APPRAISAL

Market Area:

The property under appraisal is located in the City of South San Francisco. It is further located in northern San Mateo County, one of the nine counties that make up the San Francisco Bay Area. The city is situated between the San Francisco Bay and Interstate 280 just south of San Bruno Mountain. It is bounded on the north by the City of Brisbane, on the east by San Francisco Bay, to the south by the City of San Bruno and to the west by the city of Pacifica.

San Mateo County from California State Association of Counties

The San Francisco Bay Area is the fourth largest metropolitan area in the United States. It has a total population of over seven and one-half million. Located approximately 350 miles northwest of Los Angeles, the Bay Area is a center of international commerce and a popular tourist destination, as well. The largest cities are San Jose, San Francisco and Oakland. San Francisco is a major headquarters city with over 80 million square feet of office space in its downtown. San Jose, at the heart of the Silicon Valley, is now the most populous city in the region. It is also a major headquarters city and the center of the technology industry in California. Oakland is a major port and industrial city with a smaller, but still significant commercial presence. San Mateo County is centrally located between San Francisco and San Jose and the Pacific Ocean and the San Francisco Bay.

Key Market Data - San Francisco & San Mateo - Combined

Source: CoStar Q2-2022

Category	Rentable Area (SF)	Vacancy	Ann. Rent Growth	Market Rent	(SF) Net Absorption	(SF) Under Construction
Retail	82,543,527	5.1%	-3.5%	$43.72	-22,203	582,098
Office	188,211,190	14.5%	0.2%	$58.14	-448,860	2,599,938
Industrial	95,808,961	5.3%	8.1%	$31.19	557,993	4,932,224

	Units	Vacancy	Ann. Rent Growth	Asking Rent	12 Mo. Net Absorption	Under Construction
Multi-Family	176,439	7.5%	5.1%	$3,087	2,872	4,493

SF/Peninsula	Rooms	12 Mo. Occupancy	12 Mo. ADR	12 Mo. ADR Chg.	12 Mo. New Rooms	Under Construction
Hospitality	55,326	53.0%	$171.30	43.0%	485	1,333

With a 2022 population of over 744,000, San Mateo County is comprised of twenty incorporated cities and has a large unincorporated area along its coast. It is bounded by

San Francisco on the north, the San Francisco Bay on the east, Santa Clara and Santa Cruz Counties on the south and the Pacific Ocean on the west. It has a total land area of approximately 449.1 square miles. Most development is along the bay plain between U.S. Highway 101 and Interstate 280. The westerly hills and lands along the coast are very lightly developed south of Pacifica.

The county has a diverse economic base and a well-educated populace. The county is home to major corporations such as *Oracle Corporation* and *Facebook*. The County has an elected Board of Supervisors and a professional county manager. The county is generally supportive of growth and development subject to constraints such as congestion and limited water resources along the coast.

City of South San Francisco

The subject property is further located in the incorporated city of South San Francisco, San Mateo County, California. South San Francisco is located eight miles south of downtown San Francisco, 400 miles north of Los Angeles, and immediately north of San Francisco International Airport. The city has, for many years, had a significant industrial base, including a growing bio-tech industry, and it has also been a popular bedroom community for San Francisco to the north.

Source: Census Bureau

The population of South San Francisco increased from 46,646 to 64,492 between 1970 and 2022. While many of the houses in South San Francisco are older, there has been more recent development in the western portion of the city near Interstate 280 and along the lower elevations of San Bruno Mountain at the city's northern edge. There is also new higher-density apartment development in the downtown area, as well. Households are slightly larger in South San Francisco (2.9) than the county as a whole (2.7).

Public school students generally score in the 60th percentile in reading and math. There are ten elementary schools, three middle schools and three high schools in the South San Francisco Unified School District and the elementary schools provide day care programs. The city has fourteen parks and playgrounds, several golf courses, an indoor pool, a gymnasium and several community centers.

As of May 2022, South San Francisco had a labor force of 38,900. Unemployment was 2%. Median household income (most recent census data) of $106,005 was significantly above the statewide figure of $78,672 but lower than the countywide figure of $128,091. There are more jobs than employment age residents in South San Francisco. The in-commute will continue as industrial and commercial land is developed and redeveloped to higher uses.

According to the local Chamber of Commerce, the largest employers are United Airlines, Genentech, Kaiser Hospital, South San Francisco Unified School District and Costco. There is limited heavy industry in South San Francisco (nickname "The Industrial City"), but most employment today is in light manufacturing, warehousing, R&D and bio-tech or service industries. The main factor in South San Francisco's recent growth and development is its location. It has become an important distribution location and much of its growth has resulted from the presence of San Francisco International Airport immediately to the south and the demand for space from airline-serving industries such as freight forwarders, distribution companies, customs brokers, hotel operators and car rental companies. Additionally, it is the regional home to the growing bio-tech industry.

Median home prices are high. The figure for South San Francisco was $1,401,000 in June 2022 compared with the countywide figure of $2,050,000 according to the *Samcar*. There are over 1,600 acres in the city limits zoned for commercial and industrial use. There is also a significant amount of industrial land that is under-developed and suitable for redevelopment in the future. Included in this acreage are a total of five industrial parks or districts. Terrain is level to hilly. Drainage is good. Subsoil is good to fair, and piling is sometimes required.

South San Francisco has a council/manager form of government. The mayor and city council members serve on various governmental boards throughout the county and Bay Area. The city has over 500 personnel. The fire rating is City Rating: 2. The city council is committed to industrial and commercial growth and this support is reflected in its policies and general plan.

The city has nine square miles of land. South San Francisco has a slightly better climate than San Francisco, less fog and slightly warmer temperatures, but it is prone to being very windy. Mean temperature in January is 49 degrees, ranging from a low of 42 degrees to a high of 56 degrees. Summer temperatures in July average 63 degrees and range from the mid-50s to mid-80s. Annual rainfall is 19.7 inches, with most rain falling in January. Noon-time humidity averages 69 percent annually, with the lowest humidity in October (67%) and the highest level in April (73%).

All forms of transportation are available. Rail service is provided by CalTrain Commute Service. *SamTrans* provides inter-city bus service and there is a free intra-city service, as well. *BART* has two stations, one in South San Francisco and another very close by in San Bruno. U.P.S. headquarters are located in South San Francisco. There are a number of freight forwarders and domestic trucking lines with overnight delivery to all of California and parts of Nevada. San Francisco International Airport provides scheduled passenger and air-freight service. San Carlos Airport, eleven miles south, serves executive and private planes. Greyhound Bus Line provides transcontinental service; SamTrans provides city and county bus service. The deep-water port of San Francisco is located 10 miles north and the Port of Redwood City is located sixteen miles south. U.S. Highway 101, Interstate 280 and 380, and the El Camino Real are major surface routes serving the city and connect it with San Francisco and San Jose. U.S. Highway 101 is the major north/south interstate highway linking the three western states.

Neighborhood Description

The subject is set in the northern portion of the older downtown area of South San Francisco. U.S. Highway 101 is the easterly boundary. North Canal Street and an older industrial neighborhood is immediately to the south. The westerly edge of the neighborhood is roughly along Chestnut Street and Sign Hill and Hillside Boulevard are the northerly edge. The neighborhood has a diverse mix of older and newer homes, apartments and commercial buildings. The core of the neighborhood, several blocks south of the subject, is Grand Avenue. It serves as the central business district. City Hall is also downtown, but many services are being relocated to a new facility near Chestnut Street and El Camino Real which offers a more centralized location nearer the police department.

The subject's neighborhood is essentially 100% developed. Primary land uses in the district include single-family homes, smaller apartments, larger, mostly newer apartments and service and commercial uses along Grand and Linden Avenues. Much of the development in the general neighborhood is 60 years old or more. The most recent developments are large-scale apartments near the Airport Boulevard corridor and along Grand Avenue and side-streets closer to Airport Boulevard. These projects are mostly on previously improved parcels with a handful of vacant lots primarily used as parking the site of new development, as well.

Lists of the significant commercial and residential development projects in and around the downtown area under review or approved by the city follow this section. There are nearly 1,900 residential units in the development pipeline suggesting the immediate market is vibrant and in demand.

The blocks near the subject are improved with low-to-medium density residential, retail or mixed-use properties. There are also new medium-high density residential and mixed-use properties recently completed, under construction or planned within a few blocks. The immediate neighborhood does transition quickly to lower density uses with mostly smaller homes and apartment buildings.

The district is characterized by level to sloping terrain with steeper streets on the southerly flank of Sign Hill. All typical urban utilities are available and are of sufficient capacity for any legal uses. There are no detrimental nuisances or hazards in the neighborhood except for high traffic and noise levels due to proximity to U.S. 101 and SFO. Upkeep of nearby properties varies from average to good.

The neighborhood does enjoy reasonable access characteristics from downtown South San Francisco and Highway 101 and limited access from El Camino Real on the west. Public transit is available nearby. The primary surface streets in this area carry moderate-to-high levels of automobile traffic with lower-density residential side streets less congested. Congestion is not a serious problem in this area except during limited rush hour periods. U.S. Highway 101 is the major freeway serving the area and it does carry very high levels of traffic at all hours. Proximity to the airport also adds to congestion on the freeway at certain times. Shopping and services are available within the district and retail and commercial businesses are also found along Airport Boulevard, San Mateo Avenue, Spruce Avenue and El Camino Real provide a variety of goods and services. There are also two public schools nearby.

Analyses and Conclusions

The subject is in the city of South San Francisco in northern San Mateo County. The county and the city have historically served as a bedroom community for San Francisco, but South San Francisco has also had a strong history of industrial development much of which supports the San Francisco airport plus newer life-sciences businesses, as well. The county and the city are both desirable locations for businesses and residences and this market will have better than average asset protection characteristics well into the future, but South San Francisco will likely continue to have lower than average income and home price characteristics for some time.

Figure 1 - Area Map

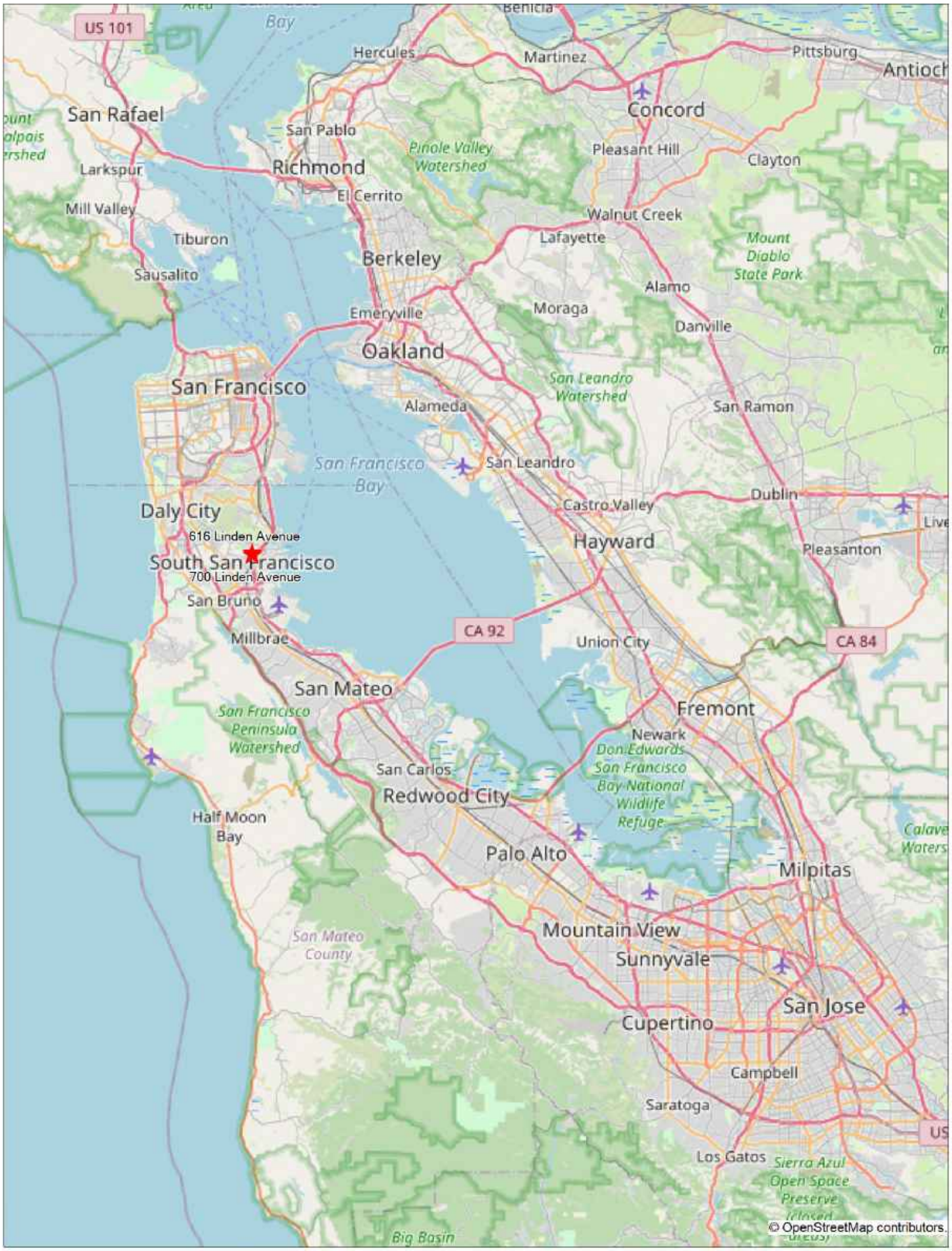
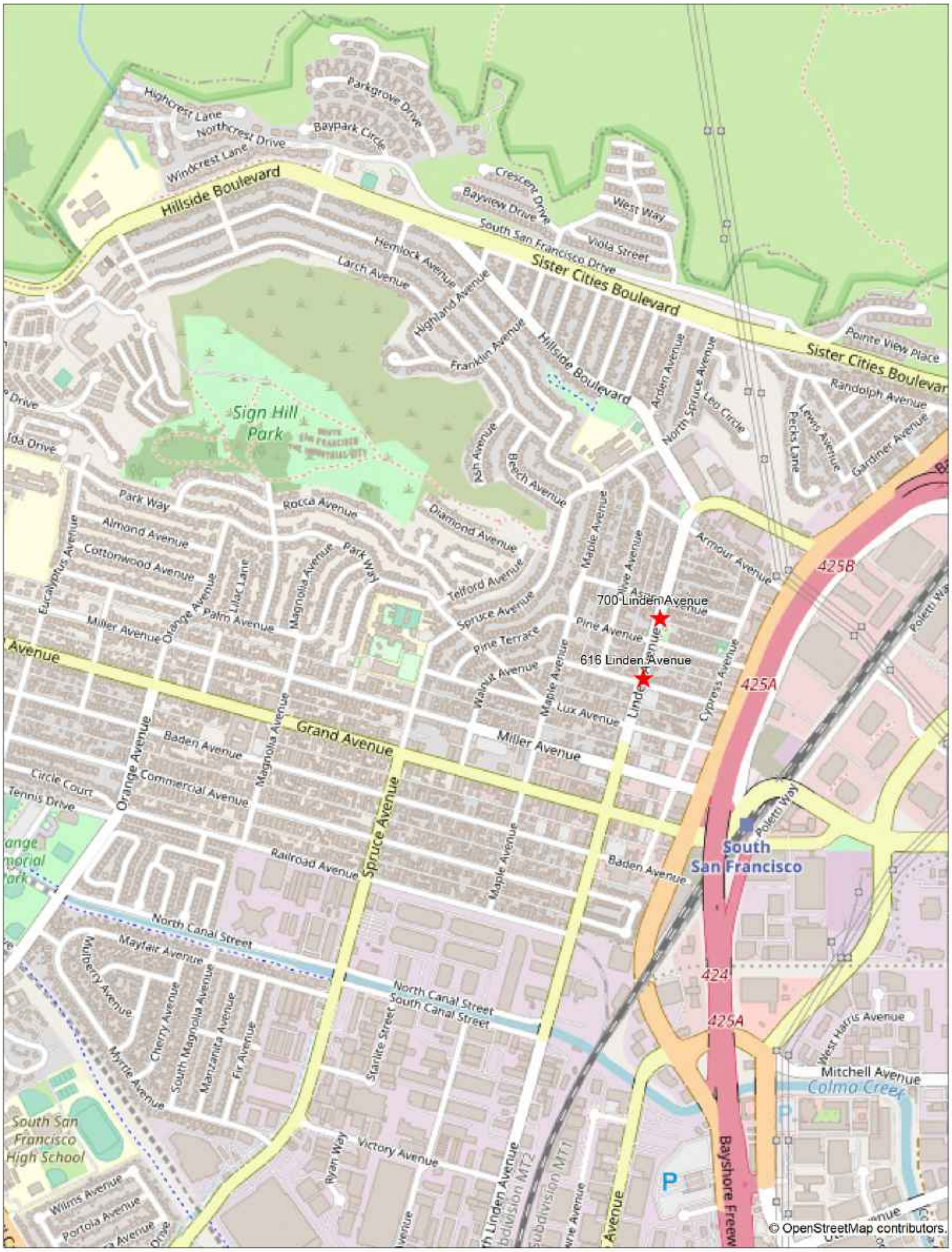


Figure 2 - Neighborhood Map



Census Bureau QuickFacts - SF Bay Area Counties	County of	County of	County of	County of	County of	County of	County of	County of	County of	State of	United
Fact - Data Available As of January 2022	Alameda	Contra Costa	Marin	Napa	San Francisco	San Mateo	Santa Clara	Solano	Sonoma	California	States
Population Estimates, July 1, 2021/2020 Census for Counties	1,682,353	1,165,927	262,321	138,019	873,965	764,442	1,936,259	453,491	488,863	39,237,836	331,893,745
Housing units, July 1, 2019, (V2019)	622,922	418,707	113,344	55,647	406,413	280,450	686,266	159,806	208,305	14,366,336	139,684,244
Owner-occupied housing unit rate, 2015-2019	53.50%	65.90%	63.70%	64.20%	37.60%	60.20%	56.40%	61.50%	61.50%	54.80%	64.00%
Median value of owner-occupied housing units, 2015-2019	$769,300	$625,800	$995,800	$635,900	$1,097,800	$1,089,400	$984,000	$406,900	$609,600	$505,000	$217,500
Median selected mo. owner costs w/a mortgage, 2015-2019	$2,931	$2,745	$3,649	$2,665	$3,647	$3,533	$3,381	$2,168	$2,441	$2,357	$1,595
Median selected mo. owner costs w/o mortgage, 2015-2019	$690	$725	$922	$675	$704	$765	$795	$558	$649	$594	$500
Median gross rent, 2015-2019	$1,797	$1,819	$2,069	$1,700	$1,895	$2,316	$2,268	$1,592	$1,621	$1,503	$1,062
Building permits, 2020	4,120	2,803	155	770	2,004	1,074	5,357	1,733	1,395	106,075	1,471,141
Households, 2015-2019	577,177	394,769	105,432	48,705	362,354	263,543	640,215	149,865	189,374	13,044,266	120,756,048
Persons per household, 2015-2019	2.82	2.87	2.4	2.78	2.36	2.87	2.95	2.88	2.59	2.95	2.62
HS graduate or higher, % of persons 25 years+, 2015-2019	88.40%	89.50%	93.30%	85.50%	88.50%	89.60%	88.40%	88.40%	88.80%	83.30%	88.00%
Bachelor's Deg. or higher, % of persons 25 years+, 2015-2019	47.40%	42.40%	59.50%	35.70%	58.10%	51.00%	52.40%	26.90%	35.50%	33.90%	32.10%
In civilian labor force, tot., % population 16 yr.+, 2015-2019	67.00%	64.80%	63.70%	65.10%	71.10%	68.80%	67.50%	62.20%	64.90%	63.30%	63.00%
Total accommodation and food services sales, 2012 ($1,000)	3,192,420	1,659,988	729,652	774,149	6,142,745	2,552,854	4,809,201	625,627	1,058,691	90,830,372	708,138,598
Total manufacturers shipments, 2012 ($1,000)	N/A	33,681,206	N/A	4,623,531	N/A	N/A	41,450,609	11,412,211	6,131,694	512,303,164	5,696,729,632
Total retail sales, 2012 ($1,000)	20,901,014	11,847,866	5,087,526	1,699,004	14,632,652	11,330,620	40,336,741	5,106,627	6,016,331	481,800,461	4,219,821,871
Total retail sales per capita, 2012	$13,444	$10,974	$19,868	$12,219	$17,718	$15,326	$21,952	$12,137	$12,233	$12,665	$13,443
Mean travel time to work (min.), age 16 years+, 2015-2019	34.3	38.7	32.6	25.6	33.8	29.3	29.3	33.2	25.6	29.8	26.9
Median household income (in 2019 dollars), 2015-2019	$99,406	$99,716	$115,246	$88,596	$112,449	$122,641	$124,055	$81,472	$81,018	$75,235	$62,843
Per capita income in past 12 months (in 2019 dollars), 2015-2019	$47,314	$48,178	$72,466	$45,195	$68,883	$61,545	$56,248	$35,400	$42,178	$36,955	$34,103
Persons in poverty, percent	8.60%	7.20%	6.00%	7.90%	10.00%	5.50%	6.60%	9.30%	7.80%	11.50%	11.40%
Total employer establishments, 2019	40,767	24,558	10,028	4,328	34,863	21,528	49,035	7,250	14,297	966,224	7,959,103
Total employment, 2019	712,218	344,558	102,686	64,170	706,852	416,263	1,102,219	116,890	178,775	15,516,824	132,989,428
Total annual payroll, 2019 ($1,000)	54,003,453	24,904,188	7,526,140	3,678,739	85,767,987	55,894,051	148,407,685	6,266,614	10,109,333	1,077,175,621	7,428,553,593
Total employment, percent change, 2018-2019	1.90%	1.10%	1.00%	-0.20%	5.00%	4.30%	1.60%	1.30%	0.90%	1.90%	1.60%
Total nonemployer establishments, 2018	150,445	100,779	38,207	12,334	100,598	73,688	149,189	26,699	46,153	3,453,769	26,485,532
All firms, 2012	150,564	93,083	39,815	14,236	116,803	75,507	163,130	25,724	52,975	3,548,449	27,626,360
Population per square mile, 2010	2,043.60	1,465.20	485.1	182.4	17,179.10	1,602.20	1,381.00	503	307.1	239.1	87.4
Land area in square miles, 2010	739.02	715.94	520.31	748.36	46.87	448.41	1,290.10	821.77	1,575.85	155,779.22	3,531,905.43

Source: U.S. Census Bureau QuickFacts - Prepared by Joe Napoliello, MAI - JNval.com

https://www.census.gov/quickfacts/CA

Downtown SSF - Project Development List - Residential / Mixed-Use

40 Airport Blvd
8 story residential project consisting of 292 units and two levels of parking on a 1.63 acre site.

Address	40 Airport Blvd
Parcel Number	015-126-010
Developer	Blake Grigg Properties (Contact: Ryan McNamara)

Phone: (925) 766-1350
550 Hartz Avenue, Suite 200, Danville, CA 94526

Current Status	Under Review

Construction Date - TBD

124 Airport Blvd and 100 Produce Ave
A 7-story residential building with 294 apartments on a 2.56 acre stie at 124 Airport Boulevard and a 7-story residential building with 186 apartments on a 1.56-acre site at 100 Produce Avenue.

Address	124 Aiport Blvd and 100 Produce Ave
Parcel Number	15,113,180,015,113,300
Developer	The Hanover Company (Contact: Scott Youdall)

Phone: (925) 490-2990
Address: 156 Diablo Rd., Suite 220: Danville, CA 94526

Current Status	Entitled - January, 2022

Construction Date - TBD
124 Airport - May 2022 Transfer - $38,587,500 - doc. 2022041897
100 Produce - May 2022 Transfer - $24,412,500 - doc. 2022041896
Total $63,000,000 - $341 / sq. ft.

7 S. Linden Avenue
A 5-story residential building with 558 apartments on a 4.22 acre site.

Address	7 S. Linden Avenue
Parcel Number	14074010
Developer	Essex Property Trust, Inc.

Address: 110 Park Place, Suite 200
San Mateo, CA 94403

Current Status	Under Review

Construction Date - TBD

200 Airport Blvd
7-story mixed-use building with 94 residential units, 3,650 SF of retail, and 2 levels of parking on a 0.55 acre site.

Address	200 Airport Blvd
Parcel Number	012338010, 012338020, 012338030, 012338040, 012338050
Developer	Fairfield Residential (Contact: Trevor Boucher)

5510 Morehouse Drive, Suite 200, San Diego, CA 92121
Phone: (858) 626-8334

Current Status	Entitled July 2019

Under Construction, Completion Q4, 2022

201-219 Grand Avenue
5-story mixed-use development consisting of 46 apartments and approximately 6,000 SF of commercial space on a 20,198 SF lot

Address	201-219 Grand Avenue
Parcel Number	012316080, 012316090, 012316100, 012316110
Developer	ROEM Development Corporation

Phone: (408) 984-5600
1650 Lafayette Street, Santa Clara, CA 95050

Current Status	Entitled - December, 2015

Currently under Construction
Estimated Completion - TBD

423 Commercial Avenue
3-story residential project consisting of four rental townhomes on a 0.14 acre site.

Address	423 Commercial Avenue
Parcel Number	12322210
Developer	MA Dimensions (Contact: Ayesha Sikandar)

Phone: (650) 373-2166
533 Airport Blvd, Suite 220, Burlingame, CA 94010
Phone: (650) 373-2166

Current Status	Entitled - December 2019

Construction Date - TBD

428 - 432 Baden Ave
4-story residential project consisting of 36 rental units on a 0.32 acre site.

Address	428 - 432 Baden Ave
Parcel Number	12211170
Developer	Baden Development (Contact: Victor Lo)

Baden Development (Contact: Victor Lo); Phone: (415) 297-0709: Address: 311 9th Avenue, San Mateo, CA 94401

Current Status	Entitled - August 2020

Construction Date - TBD
2018 Transfer for $1,000,000 or apx $143/sq. ft. of land, doc. 2018075848

455-463 Grand Avenue
5-story mixed-use buliding with 27 rental units and 2,865 SF of retail on a 0.32 acre site.

Address	455-463 Grand Avenue
Parcel Number	12305070
Developer	Roalto Corporation

Address: 2001 Union Street, Suite 200
San Francisco, CA 94123

Current Status	Under Review

Construction Date - TBD

Cadence - Phase 2
Second phase of Cadence development project, which is currently under construction. Phase 2 consists of a 7 to 8-story building with 195 residential units and amenity uses.

Address	405 Cypress Ave, 204, 208, 214, 216 Miller Ave
Parcel Number	012314100, 012314110, 012314180, 012314190, 012314220
Developer	Sares Regis Group of No. California: Ken Busch

901 Mariners Island Blvd #700
San Mateo, CA 94404
(650) 377-5805

Current Status	Entitled - December, 2018

Under Construction
Estimated Completion - TBD

Bertolucci's Redevelopment
7-story mixed-use building with a 1,500 SF restaurant, corner plaza, ground-floor parking, residential amenities, and 99 residential units on a 0.58 acre site.

Address	421 Cypress Ave, 209 & 213 Lux Avenue
Parcel Number	12314090
Developer	Peter Sodini

Peter Sodini; 421 Cypress Ave, South San Francisco, CA 94080

Current Status	Under Review

Construction Date - TBD

418 Linden Avenue
5 story residential development consisting of 38 apartments with mechanical parking lifts on a .32 acre site.

Address	418 Linden Avenue
Parcel Number	12314010
Developer	ROEM Development Corporation

Phone: (408) 984-5600
1650 Lafayette Street, Santa Clara, CA 95050

Current Status	Entitled - December, 2015

Under Construction
Estimated Completion TBD

818-824 Linden Avenue
3-story mixed-use building with 7 rental units, 1,650 SF of commercial, and on-site parking.

Address	818-824 Linden Avenue
Parcel Number	12232140
Developer	Elmasyoun Inst

Phone: (415) 205-6088
Address: 463 Girard Street, SF, CA 94134

Current Status	Entitled - July, 2018

Construction Date - TBD

Downtown SSF - Project Development List - Commercial

580 Dubuque Avenue
6 story Office / R&D building totalling 213,000 SF with 4 levels of underground parking

Address	580 Dubuque Avenue
Parcel Number	15021150
Developer	South City Ventures, LLC (Contact: Marin Gertler)

Phone: (858) 779-1111
Address: 674 Via de la Valle, Suite 206, Solano Beach, CA 92075

Current Status	Under Review

Construction Date - TBD

915 Airport Blvd
5-story hotel with 115 rooms on a .66 acres lot.
Click Here for More Information

Address	915 Airport Blvd
Parcel Number	12080890
Developer	Shree Hospitality LP (Contact: Kunal Patel)

Phone: 650-219-4645
1113 Airport Blvd, South San Francisco, CA 94080

Current Status	Entitled February, 2020

Construction Date - TBD

121 East Grand Avenue
17 story Office/R&D building totalling 940,717 SF on a 2.91 acre site.

Address	121 East Grand Avenue
Parcel Number	10024230
Developer	OCI San Fran, LLC

(Contact: Michael Gerrity, Email: gerrity@p3re.com)
Address: 4380 La Jolla Village Drive, Suite 230 San Diego, CA 92122

Current Status	Under Review

Construction Date - TBD

100 East Grand Avenue
New R&D campus, consisting of one 10-story building, one 8-story building, and one 8-story parking garage on a 5.04 acre site

Address	100 East Grand Avenue
Parcel Number	15031160
Developer	ARE (Contact: Greg Gehlen)

Email: ggehlen@are.com
Address: 1700 Owens Street, Suite 590, San Francisco, CA 94158

Current Status	Under Review

Construction Date - TBD

Marriott Fairfield Inn & Suites
5-story Hotel with 128 rooms on a 64,117 SF lot

Address	127 West Harris
Parcel Number	15123600
Developer	SFO Properties, LL

1552 S 52nd Street
Temple, AZ
(602)-768-7000

Current Status	Entitled - August, 2015

Under Construction
Estimated Completion - Q1, 2022

North East Medical Services
New, 4-story clinic and medical services building on a .16 acre site.

Address	225 Spruce Avenue
Parcel Number	12281210
Developer	Johnson Wong, North East Medical Services

Phone: (415) 352-5025
Address: 1520 Stockton Street, South San Francisco, CA 94133

Current Status	Entitled - July 2019

Constrution Date - TBD

Real Estate Under Appraisal:

PLEASE NOTE: The subject of this appraisal is two separate, but proximate parcels of land along the easterly line of Linden Avenue immediately north and south of Pine Avenue. While physically separated, the lots would most likely be sold as a package to an individual investor, so the valuation process will treat them as a single site.

Site Characteristics:

Address: The subject sites have a common street address of

616 Linden Avenue, South San Francisco, California 94080

and the parcel north of Pine Avenue has no site address, but would most likely be identified as

700-712 Linden Avenue, South San Francisco, California 94080

County of San Mateo

Parcel Number: It is identified by the San Mateo County assessor as parcel

012-174-300 (616 Linden) and 012-145-370 (700-712 Linden)

Census Tract:

6021.00

Map Reference:

-122.40907241, 37.65815436 (616 Linden) and -122.40859587, 37.65951607 (700 Linden)

Owner: The property is owned by:

City of South San Francisco

Ownership History:

Public records do not indicate any sales of the property during the past three years nor has a recent listing of the property been found.

Land Area: The combined site has a total land area of approximately 28,000 square feet or 0.643 acres.

Dimensions/Shape: Each site has dimensions of approximately approximately 140 feet by 100 feet. Its size and shape are typical for the neighborhood.

Setting and Plottage Potential: Each parcel has two corner settings. Adjacent properties are fully improved and there is no potential for plottage to create a higher and better use through assemblage.

Topography: The parcel is mostly level and at grade with adjacent lands and street fronts.

Soils Conditions/Environment: Soils conditions appear adequate, but this is an active earthquake region.

The subject is not located in a special flood zone (Flood Zone X, Area of Minimal Flood Hazard, Map 06081C0041E, Effective October 16, 2012 - subject to Letter of Map Revision dated September 9, 2013) nor is the appraiser aware of any other detrimental conditions on the site. We checked the state's GeoTracker website, and 616 Linden has a closed case file dating from 2001 regarding gasoline on the site. No other environmental hazards were reported on the site. This matter will be addressed in more detail in the valuation section of the report.

Special Earthquake Hazard Zone: No - but approximately three miles east of the San Andreas Fault

According to the Association of Bay Area Governments (ABAG), the property has an earthquake shaking severity index of: MMI 8 - Severe (Scale 1 to 9)

And a susceptibility to liquefaction rating of: Very Low.

The local climate is considered Mediterranean, and it is also semi-arid. The subject is close to the coast, and it tends to have more fog with milder temperatures.

Utilities: All utilities are available to the site and sufficient in capacity for the current use or any likely higher and better use.

Streets: The site at 616 Linden Avenue has a street front of 140 feet along the easterly line of Linden Avenue and 100 feet along the northerly line of 7th Lane and 100 feet along the southerly line of Pine Avenue.

The site at 700-712 Linden Avenue has a street front of 140 feet along the easterly line of Linden Avenue and 100 feet along the northerly line of Pine Avenue and 100 feet along the southerly line of 8th Lane.

Linden and Pine Avenues are 60-foot, two lane streets with concrete curbs gutters and sidewalks. The 7th and 8th Lane rights-of-way are 20-foot, one-way streets with no curbs, gutters or sidewalks.

Zoning: The parcel is zoned LNC, Linden Neighborhood Commercial, under the jurisdiction of the City of South San Fancisco. The city is in the process of revising zoning to conform to the updated general plan.

Current Base FAR (floor area ratio) is 2.0 to 3.0 with a dwelling unit density of 40-60 units per acre. The draft zoning change would modify the sites to have a PR (Parks and Recreation) zoning control in keeping with public use as now exists. The adjacent properties along the Linden corridor would be re-zoned to have no minimum FAR and a maximum of 3.0. Dwelling unit density would be a range of 40-80 units per acre. These changes are anticipated to take place later in 2022.

The appraisal assumes a most probable economic use rather than public use.

General Plan: Linden Commercial in Downtown Station Specific Plan District and Lindenville Neighborhood Center.

Easements: No obvious easements or restrictions on use of the site were noted. We were not provided with a preliminary title report and our valuation assumes there are no easements or conditions of title that would influence the value or marketability of the site.

The site inspection did identify some minor issues. Both sites have water meters and equipment that appears to encroach onto the property. The site at 616 Linden Avenue appears to have a sidewalk encroachment of about 5 feet along the Linden Avenue frontage. The site at 700-712 Linden Avenue appears to have a small utility line encroaching into the airspace of the parcel along Pine Avenue.

Historic Resources: The site is not in a preservation area. The improvements have not been identified as having any historic resource characteristics by the city.

Fixtures/On-Site Improvements: The 616 Linden Avenue site is improved as a public parking lot with asphalt paving and parking meters. These improvements do not appear to enhance the value of the property.

Overall Site Utility: Each site and the combined property has good overall utility based on rectangular shape, multi-corner setting and mostly level topography.

Property Taxes:

The parcels are owned by the city and are not typically taxed.

Figure 5 - Plat Map

Figure 6 - Views of Subject

Front View - 616 Linden Avenue

Interior View - 616 Linden Avenue

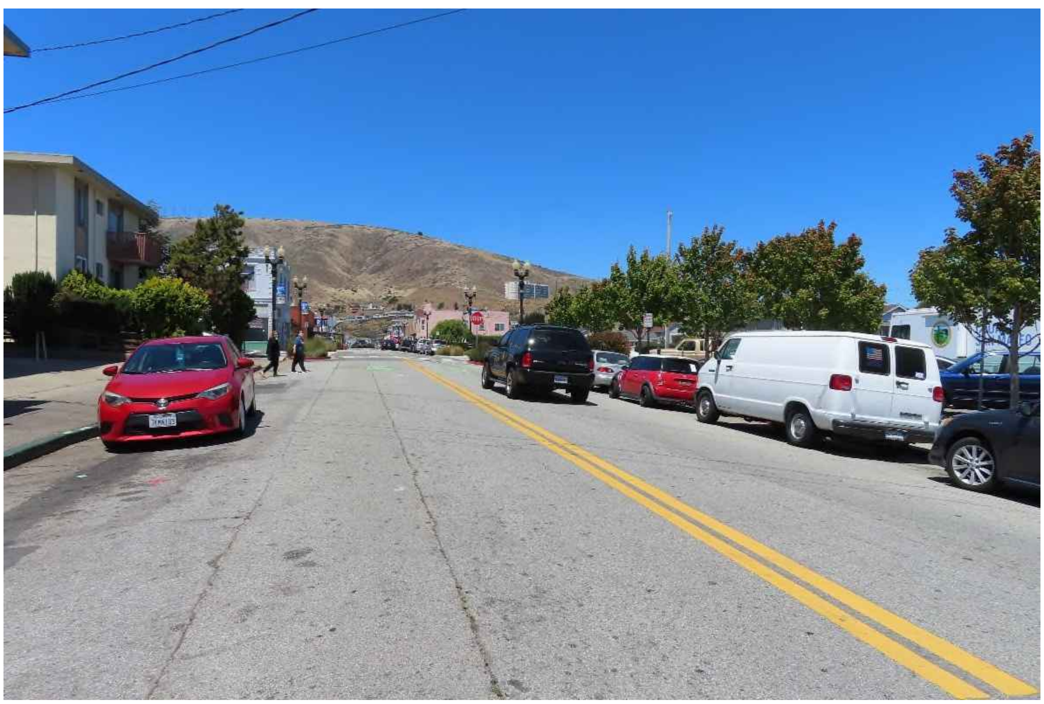
View of Subject

Front View – 700-712 Linden Avenue

Interior View – 700-712 Linden Avenue

Views of Subject

Street Scene – Linden Avenue Looking Southerly



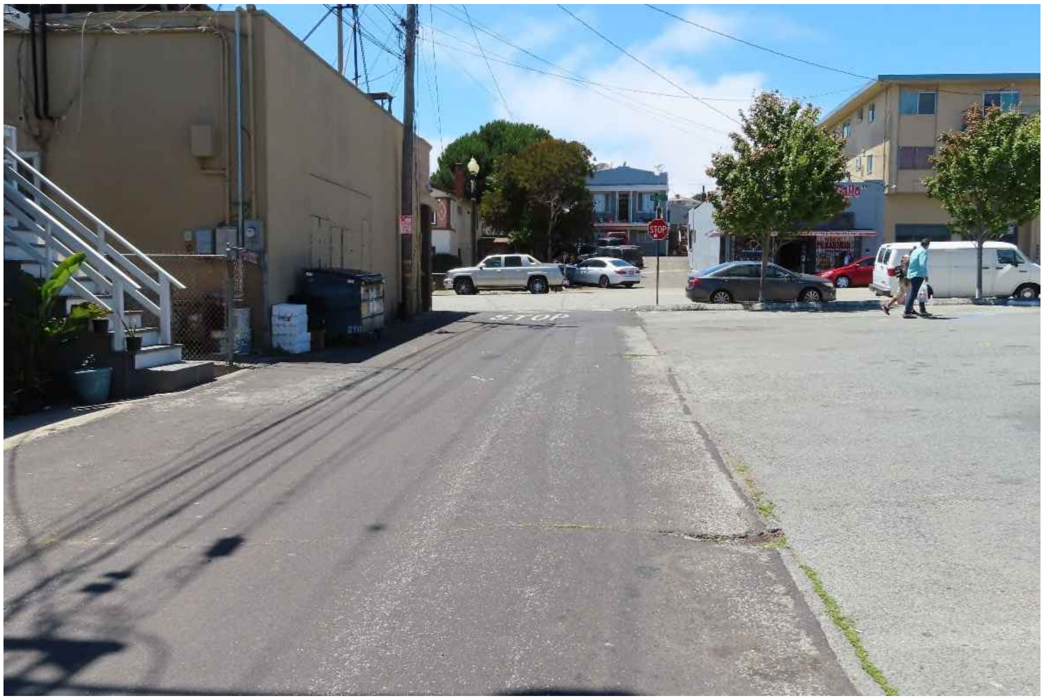
Street Scene – Linden Avenue Looking Northerly

Views of Subject

Pine Avenue Looking Westerly

Pine Avenue Looking Easterly

Views of Subject



7th Lane Looking Westerly

7th Lane Looking Easterly

Views of Subject

8th Lane Looking Easterly

8th Lane Looking Westerly

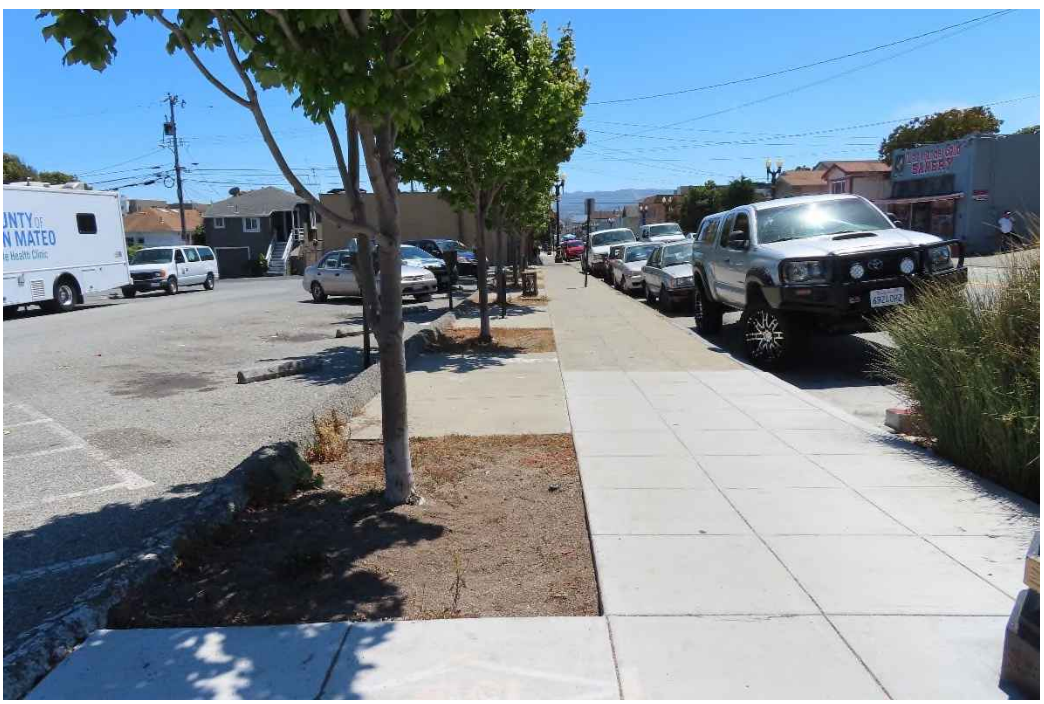
Views of Subject

Possible Airspace Encroachment

Water Meters and Equipment

Views of Subject

Water Meters and Equipment



Possible Sidewalk Encroachment

MARKET TRENDS, HIGHEST AND BEST USE AND METHODOLOGY

Market Trends:

The latest report on economic trends from the 12th District of the Federal Reserve follows.

FedViews – July 14, 2022

"Jens Christensen, research advisor at the Federal Reserve Bank of San Francisco, stated his views on the current economy and the outlook as of July 14, 2022.

- GDP declined 1.6% at an annualized rate in the first quarter of 2022, according to the Bureau of Economic Analysis's final estimate. This figure represents a marked slowdown from the 6.9% pace recorded in the fourth quarter of 2021. The first quarter decline was driven primarily by decreases in government spending and a sharp jump in imports, which together more than offset a healthy increase in consumer spending. The University of Michigan's consumer sentiment index reached an all-time low in June, likely a reaction to the recent declines in equity prices and the rapid rise in mortgage interest rates. Industrial production slowed in May relative to April. Despite these readings, the labor market remains strong. For the second half of 2022, we expect real GDP to grow at an annualized rate that is close to the economy's longer-run trend value of 1.7%.
- Total nonfarm payroll employment grew by 372,000 jobs in June. Job growth was broad based, with notable gains in leisure, hospitality, professional and business services, and health care. The unemployment rate in June held steady at 3.6% while labor force participation ticked down a tenth of a percentage point to 62.2%. Still, total payroll employment remains about half a million jobs below the pre-pandemic level, with many former workers having since withdrawn from the labor force.
- Wage increases moderated in June, with average hourly earnings growing by 5.1% over the past 12 months versus 5.2% in May. Layoffs are hovering near pre-pandemic lows, supporting the view that the labor market remains strong.
- Inflation is elevated, driven mainly by supply and demand imbalances related to the coronavirus (COVID-19) pandemic and associated policy responses, and then having been exacerbated more recently by events stemming from Russia's invasion of Ukraine. The 12-month change in the personal consumption expenditures (PCE) price index held steady at 6.3% in May. The 12-month change in the core PCE price index dropped slightly to 4.7% in May versus 4.9% in April.
- We expect inflation to moderate over the medium term as ongoing supply chain disruptions are gradually resolved and monetary policy accommodation is removed. However, the risks to the inflation outlook appear to be tilted to the upside, as further supply chain disruptions may arise from the war in Ukraine and the associated economic sanctions. The Federal Open Market Committee (FOMC) raised the target range for the federal funds rate to 1½ and 1¾% at its June meeting and stated that it anticipates further increases in the target range. In addition, the FOMC stated that it will continue reducing its holdings of Treasury securities and agency debt and agency mortgage-backed securities.
- Financial market conditions have tightened considerably this year. Medium- and longer-term Treasury yields have moved up sharply, with the 2-year yield rising by 239 basis points and the 10-year yield rising by 157 basis points. As of the end of June, the Standard & Poor's 500 stock index had declined by about 26% from its December 31, 2021, closing value. This was the steepest decline to happen during the first six months of a year since 1970.

- Market-based measures of inflation compensation known as breakeven inflation (BEI) rates are derived from the difference between nominal and real yields of comparable maturities. BEI rates have risen sharply in recent months for contracts maturing in the coming years. Our analysis shows that, by using an asset pricing model of the entire BEI curve, it is possible to extract estimates of investors' 10-year-ahead inflation expectations through adjustments for the premium that investors demand for assuming inflation risk and for changes in other risk and liquidity premiums.
- According to the model, investors' 10-year-ahead inflation expectations have risen by much more than the consensus survey forecasts of 10-year-ahead CPI inflation from the Blue Chip Financial Forecasts and the Survey of Professional Forecasters. In the past, the model's 10-year expected inflation forecast has reverted back to the level of the survey forecasts relatively quickly. It will be important to monitor whether this pattern will repeat in the current situation."

Comments on Market Trends

GDP dropped over 31% in the second quarter of 2020 due to the lockdowns throughout the U.S. The economy made a strong rebound late in 2020 and throughout 2021. The Q4 2021 growth rate was 6.9% and the full-year 2021 rate was 5.5%, but the first quarter of 2022 was a decline of -1.5% followed by another decline of -0.9% in the second quarter (advance figure). This meets the technical definition of a recession. Return to more normalized growth is expected in 2022, but there is a level of uncertainty tied to this expectation.

In the real estate markets, brokers report more uncertainty. Larger institutional investors and owner-users seem to be more active than smaller investors based on anecdotal information from brokers. Likely in part due to a more difficult commercial lending environment. The residential market is reportedly showing signs of reduced activity at lower price points more susceptible to the influence of mortgage rates.

Overall, inflation dropped during the pandemic in the San Francisco Bay Area market. It is trending upward sharply now in SF, the west and nationally. The local rate of inflation as measured by the CPI All Urban Consumers for the San Francisco Bay Area was 6.80% in June 2022 compared with 9.06% on a nationwide basis. As of June 2022, the 24-month average CPI for the San Francisco Bay Area was 3.35% versus 4.57% nationally, but 4.55% locally over the past 12 months versus 7.01% nationally.

The PCE (personal consumption expenditures) inflation index used by the Fed is prepared by the Bureau of Economic Analysis (BEA) instead of the BLS and it tends to run lower than the more volatile CPI measure. The CPI is a better-known index, and it is also frequently used in real estate transactions, especially leases, as a measure of inflation.

Single-family mortgage rates fell in the first half of 2021 but rose in the latter part of the year. Longer rates had been less volatile, but all rates have shown significant variability as shorter-term government yield rates rose, fell, and then rose again recently. A year ago the FHLMC 30-year fixed rate was 2.77%. Over the past 52 weeks, the rate hit a low of 2.77% and a high of 5.81% with an average of 3.96%. It was 5.30% as of July 28, 2022. February 2020 marks the beginning of the Covid-19 Pendemic influence on market trends. Even with low mortgage rates home sales have been limited by a small inventory of property for sale and stringent credit requirements for borrowers.

The Fed raised the discount rate in mid-June 2022 and also late-July and the 12th District's rate is now 2.5%. The Fed also announced more rate hikes may take place in the near future. The discount rate remains low by historical standards and the correlation between interest rates and overall rates of capitalization is often fuzzy. There is, however, expectation that capitalization rates may rise over time. The FOMC also announced it plans to begin selling treasury and mortgage-backed securities in June 2022 to reduce its balance sheet. The effect this will have on markets will play out over time.

Housing prices have increased in core areas and buyers looking to escape urban areas and a lack of inventory for sale pushed prices much higher recently. There is anecdotal evidence that higher mortgage rates will likely slow purchasing in the lower price range, but cash buyers in tech-dominated markets remain active. While home prices have continued to increase year-over-year, five of the nine Bay Area counties saw price declines month-over-month between April and May of 2022.

Residential land markets were active through 2019, but slowing has been evident recently. Land prices have reached very lofty levels and there are concerns that the high rental prices that drove land purchases may not be sustainable in the long run. Anecdotal evidence from interviews with brokers and developers suggests larger multi-family projects do not "pencil" right now because of the conflict of lower to stable rents versus higher costs of construction.

San Francisco Bay Area

Median Home Prices by County

Source: Corelogic

County	May 2022	May 2021	% Chg.
Alameda	$1,219,500	$998,000	22.2%
Contra Costa	$868,000	$801,000	8.4%
Marin	$1,600,000	$1,340,000	19.4%
Napa	$842,000	$760,000	10.8%
San Francisco	$1,495,000	$1,380,000	8.3%
San Mateo	$1,700,000	$1,525,000	11.5%
Santa Clara	$1,534,000	$1,310,000	17.1%
Solano	$607,000	$546,000	11.2%
Sonoma	$775,000	$690,000	12.3%
Average of Medians:	$1,182,278	$1,038,889	13.8%

In the Bay Area, apartment rental rates were under upward pressure in areas with strong employment growth such as San Francisco, San Mateo County and Santa Clara County but prices moderated in 2019 and fell during the pandemic. According to *Kidder Mathews*, Bay Area vacancy stood at 5.1% as of the first quarter of 2022 – a significant improvement over the 8% rate in Q4 2020. Average asking rent is $2,445, an annual increase of 7% and a 2% increase from the prior quarter but nominally above the 2019 figure of $2,392. New construction is, however, down 62% year-over-year.

Some speculative commercial real estate developments will likely continue. The life sciences sector appears to remain in favor along with industrial markets. Large investors are still acquiring sites for larger-scale multi-family development and life-sciences development, as well. The multi-family market remains active, but at lower levels than before the pandemic. The office market and retail sectors saw the greatest impact with vacancy levels still elevated.

Over time, the West Bay counties have seen the greatest growth in employment with more modest improvements in the other Bay Area counties. Recent announcements about tech company headquarters being relocated out of the Bay Area pose significant concerns for the future, however. The companies relocating headquarters out of the area include *Oracle Corporation, Tesla, Hewlett Packard Enterprise, Palantir* and *Credit Karma*. Commonly cited reasons for the departures include the high cost of living and high taxes. Some local tech companies have also begun to lay off workers as the economy has begun to cool.

Total current (June 2022) Bay Area employment of 3,967,100 is 29,800 below the peak figure for the past 18 months and is below the all-time high of 4,174,300 set in December 2018. The labor force is 43,000 below the recent peak figure of 4,115,800 and the all-time high of 4,284,700 set in November 2018. Job growth over the past three months was -29,800 versus 21,200 for the same period last year. March 2020 represents the first month of significant job loss due to the Covid-19 pandemic.

Gold and silver prices have moderated. Oil had been relatively stable trading in a $45 to $65 range, but coincident with the Coronavirus outbreak, Saudi Arabia and Russia engaged in a battle for control of the market and the price of oil plunged to $20 to $30 per barrel. The price recently recovered to the $80 to $90± range and then jumped to over $120 per barrel before falling back to around $95 to $105 because of Russia's invasion of Ukraine with some expectation that energy prices may continue higher for some time.

The economy was strong prior to the impact of the novel coronavirus. The real estate markets faced headwinds in 2020 due to uncertainty over recovery and uncertainty continued in 2021. Difficult issues like Covid variants, political issues surrounding Russia and Ukraine, inflation, interest rate and recession fears, Fed policies and labor market issues will continue in 2022. Overall property prices have been high, and some commercial markets are still below the highs set in 2019 which further suggests more market risk in the near term.

Subject Analysis:

The subject is a vacant mixed-use or residential development property with a favorable residential location. It is in a market segment that has low vacancy and high rental prices. There is significant on-going development or redevelopment in the immediate market and the city is upzoning the site, as well. Demand for well located development property is strong as evidenced by on-going development, short marketing times for well-priced property and activity in the market. There is a limited supply of land for development as this is a near fully built out market. The overall economy has a favorable long-term outlook, even though a recession may be in the offering. It is not expected to be a serious downturn and the subject would likely enjoy a favorable competitive position with above average demand if it were available for development.

Highest and Best Use As If Vacant:

The LNC zoning is intended to permit commercial and residential uses. It is focused on having ground-floor retail space along with upper-floor residential uses at a moderate-to-high allowable density. Physically, the site is well suited for near maximal use. It is rectangular in shape with four street frontages and a mostly level topography. It appears that it could support ground-level retail space and parking plus upper floor residential without the need to have below-grade or mechanical parking . A maximal density would likely require more parking than could easily be accommodated at grade and sub-surface parking would be expensive. Anecdotal evidence suggests the market still demands on-site parking and penalizes newer properties that lack adequate parking. This would suggest a development of less than maximal FAR and less than maximal DU density would be most feasible.

Given the zoning and physical characteristics of the site supported by available market data, the probable FAR for the subject is in a range of 2 to 2.5 times with a spot estimate of 2.25 times and a most probable dwelling unit density of around 40 units per acre. This would result in a building area of 63,000 square feet and 38 residential units. Allowing for grade-level parking, a net retail area of around 5,700 square feet or 2 units for a total of 40 units is indicated.

Static HBU Analysis - Theoretical Development

General Market Rent		63,000	sq. ft.
and	**(1)**	**$3.50**	/sq. ft.
Market NOI		$220,500	/mo.
Annualized		12	
Annual Rent		$2,646,000	
Less Vacancy & Expenses		$1,058,400	40.0%
Projected NOI		$1,587,600	
Feasibility Rent			
Cost New		$26,301,643	
Land Estimate		$4,900,000	
Total		$31,201,643	
Required Market OAR - New		5.50%	
Required NOI - New		$1,716,090	
Gross Up (1-Tot. Exp. Ratio)		60.0%	
Required Gross Rent - New		$2,860,151	
Building Area		63,000	
Required Rent/Ann. - New		$45.40	
Required Rent/Mo.-New (2)		**$3.78**	

To test financial feasibility, a quantitative static highest and best use analysis is applied.

A static highest and best use analysis compares typical market rent with feasibility rent. Feasibility rent is the income (per square foot) that would produce the necessary net income to make a new project economically viable according to typical (market) cost, expense and required return parameters. It is not indicative of an actual project so is it not a cost estimate or a means of valuation. The static analysis also assumes the project is built and occupied so it does not include the costs of land acquisition and planning, nor does it include an allowance for the time cost of money.

Typical average market rent for similar properties (1) of $3.50 per square foot is applied to derive a projected NOI for the property As New. (See highest and best use supporting data at the end of this section) The feasibility rent is based on typical costs of construction, market-based operating costs and a typical OAR for a new property. This data is extracted from other properties appraised in the market area plus information gathered from *MLS* and *CoStar*. Required NOI is converted to a gross feasibility rent. The indicated feasibility rent (2) of $3.78 per square foot is 8.1% higher than average market rent for similar space. New development would be slightly speculative and higher risk given the possibility of a recession in the near term. This is offset, however, by data collected from the market that suggests rents have increased recently as sales of single-family residences have slowed.

The subject has favorable locational and physical characteristics that suggest near-to-intermediate term development would be likely at a near maximal rate.

Maximally productive use of the site and the highest and best use is future mixed-use development with a high-density residential component over a ground floor comprised of a mix of retail spaces and parking spaces.

Methodology:

The application of the sales comparison approach is the most logical in valuing a vacant property such as this. The income approach is not typically applied to smaller residential development sites and the cost approach is also not typically applied to vacant properties. They are not necessary to produce a credible opinion of value.

Altitude Apartments **Sample Rents**
150 Airport Blvd, South San Francisco, CA 94080

1 BR	**Size**	**Rent/Sq. Ft.**
price $3,277	859	$3.81
price $3,302	859	$3.81
price $3,362	859	$3.81
price $3,488	837	$4.17
price $4,178	1092	$3.83
price $4,253	1092	$3.89
2 BR		
price $4,902	1533	$3.20
price $4,977	1533	$3.25
price $4,987	1533	$3.25

Bell South City
400 Cypress Ave, South San Francisco, CA 94080

Studio		
price $3,025	570	$5.31
1 BR		
price $3,285	737	$4.46
price $3,225	748	$4.31
price $3,230	818	$3.95
price $3,345	779	$4.29
2 BR		
price $3,990	1085	$3.68
price $4,090	1100	$3.72
price $4,115	1100	$3.74
price $4,225	1364	$3.10

Avalon San Bruno
1099 Admiral Ct, San Bruno, CA 94066

1 BR		
price $2,920	658	$4.44
price $3,315	942	$3.52
2 BR		
price $3,515	1056	$3.33
price $4,055	1247	$3.25
3 BR		
price $4,150	1212	$3.42

Highest and Best Use Analysis Cost Inputs

Owner/Tenant:		
Address:	616 Linden Avenue and 700-712 Linden Avenue	
City:		
County		
APN:		
Zoning:		
Prob. of Zoning Chg.		
General Plan:		
Status of GP:		
Lot Area:	28,000	sq. ft. (usable)
Land by Extraction/Sq. Ft.:	$175	/sq. ft.
Total Land:	$4,900,000	
Use:	Future Mixed-Use	
Age:	0	years +-
Useful Life:	55	years +-
Eff. Age	0	years +-
Bldg. Area:	63,000	sq. ft.
Sub. Area:	56,700	Residential
Sub. Area:	5,700	Retail
Sub. Area:	6,300	Common
1stFloor	25,200	Approximate
Net Land Area	2,800	Approximate
Parking:	19,500	Approximate

Base Cost Estimate

Use:	Future Mixed-Use	Parking	Common/Circ.
Class:	D	B	B
Quality:	Good	Good	Good
Base Cost:	$130.00	$26.00	$39.00
Current Multiplier:	1.34	1.34	1.34
Local Multiplier:	1.34	1.34	1.34
Sub-Total	$233.43	$46.69	$70.03
HVAC Adj.:	$0.00	$0.00	$0.00
Multi-Story Adj.:	$11.67	$11.67	$11.67
Sprinklers:	$6.11	$6.11	$6.11
Sub-Total	$251.20	$64.46	$87.80
Perim. Adj.:	1.00	1.00	1.00
Elevator	1.00	1.00	1.00
Adj. Cost:	$251.20	$64.46	$87.80
Bldg. Area:	63,000	19,500	6,300
Cost/Use:	$251.20	$64.46	$87.80
Total Base Cost:	$15,825,600	$1,256,970	$553,140
Total:	$17,635,710		

Cost New Estimate

Hard Costs			**Totals**	**/Sq. Ft.**
Base Cost New			$17,635,710	$279.93
Site Improvements		5.0%	$881,786	$14.00
Yard Improvements		$10.00	$28,000	$0.44
FF&E	40	$5,167	$206,668	$3.28
Total Hard Costs			$18,752,164	$297.65
Soft Costs				
Financing Fees and Services	3%	$562,565		
Property Taxes	1.0579%	$226,540		
Marketing	5%	$1,560,100		
Total Soft Costs			$2,349,205	$37.29
Total Hard and Soft Costs			$21,101,369	$334.94
Developer's Overhead/Profit (% of Total)		20%	$5,200,274	$82.54
Replacement Cost New			$26,301,643	$417.49
Less Deterioration and Obsolescence/Adjustments				
Physical Deterioration		$0		
Obsolescence		$0		
Leased Fee Adjustment		$0		
Total Depreciation/Adjustments			$0	$0.00
Depreciated Replacement Cost			$26,301,643	$417.49
Plus Land Value			$4,900,000	$77.78
Cost Analysis for HBU - Not Market Value Estimate			$31,201,643	$495.26
		Rounded to	$31,202,000	
			$495	/sq. ft.
			$780,050	/DU

LAND VALUATION

To estimate the value of the land as if vacant using the sales comparison approach, information on recent sale transactions and listings in the market area of the subject property and other areas considered comparable were researched and analyzed. Certain elements of comparison are used to analyze the market data and adjust for various points of difference. The primary elements of comparison for land sales include property rights conveyed, financing, conditions of sale, market conditions (time), location, physical characteristics and interim-income characteristics.

Unit(s) of comparison that are commonly applied in the marketplace are the means of analysis. In this case, the most typical units of comparison are the price per square foot of land area along with the price per dwelling unit and the price per FAR foot is also included.

Land Market Data

The comparable land sales are summarized on the table that follows this page. A discussion of the comparables and the warranted adjustments are found on the pages that follow.

Date of Sale	September-21	To	March-22	SP:
Land Area	9,212	To	183,823	28,000
Price Per Sq. Ft.	$94	To	$355	$175
Price Per DU	$60,036	To	$393,750	$122,500
Price Per FAR Ft.	$61	To	$194	$78

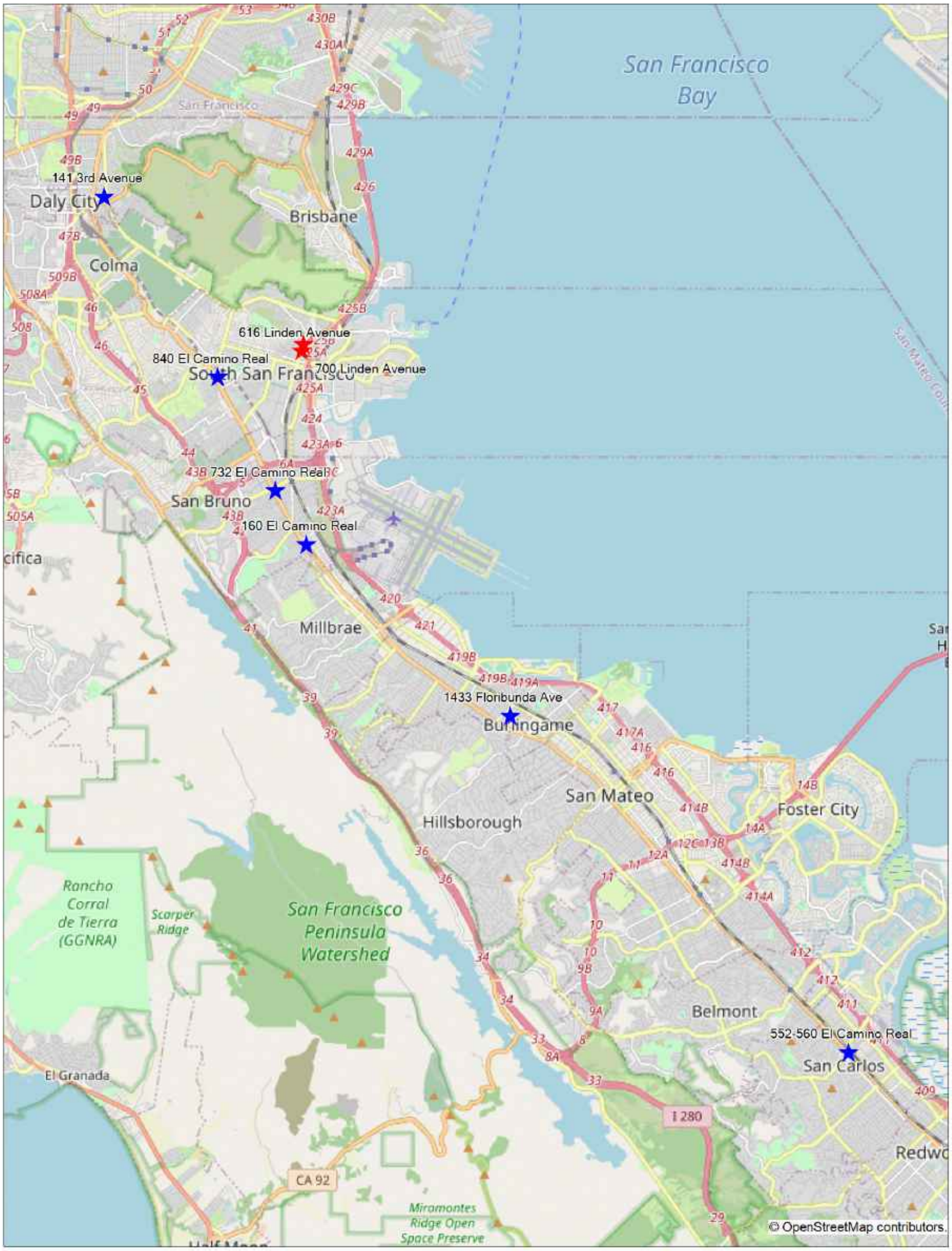
Sales and listings from the northern and central San Mateo County market areas were reviewed. The market has a limited amount of vacant or under-used land. There are four closed sales in the dataset plus two listings. This is an adequate amount of data even though the sales vary widely in size and location. They present a satisfactory cross section of data for comparison. Additional market data is also presented later in this section along with a brief land residual analysis (also known as land extraction), as well.

SUMMARY OF LAND SALES
616 Linden Avenue and 700-712 Linden Avenue, South San Francisco

No.	Location/APN	Date of Sale	Zoning / Highest and Best Use	Land Area	Sale Price Total	Sale Price per Sq. Ft. Land	Sale Price per Unit	Sale Price per FAR Ft.
1	552-560 El Camino Real San Carlos 050-074-080, 090 and 100	March-22	MU-D Mixed-use	18,850 sq.ft. 0.433 acres	$6,700,000	$355	$257,692 60.0 DU/ac.	$194 FAR: 1.8
2	1433 Floribunda Avenue Burlingame 029-112-050	October-21	R3 Residential	9,212 sq.ft. 0.211 acres	$3,150,000	$342	$393,750 37.9 DU/ac.	$183 FAR: 1.9
3	141 3rd Avenue Daly City (Unincorporated) 006-254-030	September-21	I-D Residential	28,750 sq.ft. 0.660 acres	$2,700,000	$94	$180,000 22.7 DU/ac.	$90 FAR: 1.0
4	840 El Camino Real South San Francisco 014-012-290	Listing	ECRMX Mixed-use	20,140 sq.ft. 0.462 acres	$6,000,000 Est.	$298	$214,286 60.0 DU/ac.	$119 FAR: 2.5
5	160 El Camino Real San Bruno 021-164-240	Listing	C Mixed-use	9,811 sq.ft. 0.225 acres	$1,999,000 Est.	$204	$222,111 40.0 DU/ac.	$102 FAR: 2.0
6	7 South Linden Avenue South San Francisco 040-010-150	September-21	MI Residential	183,823 sq.ft. 4.220 acres	$33,500,000	$182	$60,036 132.2 DU/ac.	$61 FAR: 3.0
	SUBJECT: 616 Linden Avenue and 700-712 Linden Avenue South San Francisco 012-174-300 and 012-145-370	N/A	LNC Mixed-use	28,000 sq.ft. 0.643 acres 60.0 DU/ac. FAR: 2.3	Sales Weighted Average	$200 /SF Land	$83,927 /DU	$77 /FAR Ft.

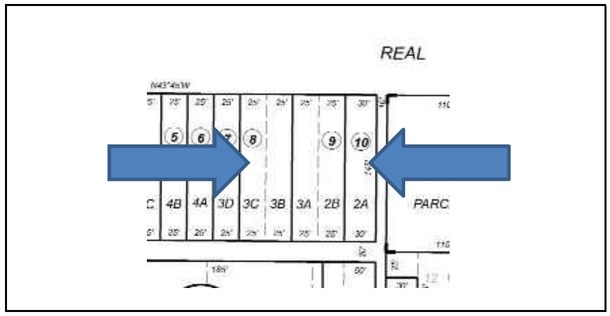
Joseph I. Napoliello, MAI

Figure 9 - Land Sales Location Map

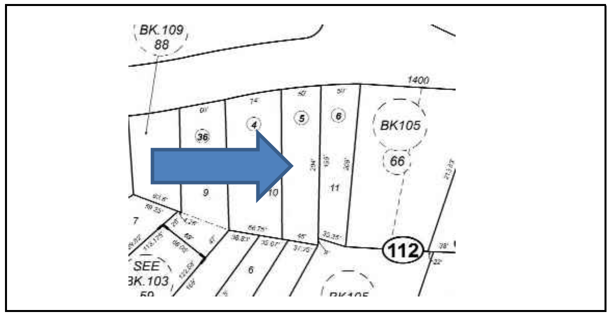


LAND SALE # 1

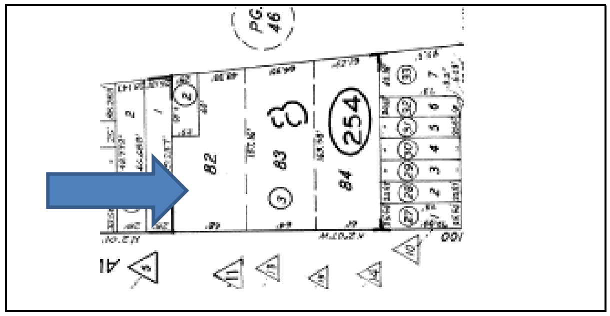
LOCATION:	552-560 El Camino Real San Carlos
COUNTY:	San Mateo
APN:	050-074-080, 090 and 100
NEIGHBORHOOD:	Mixed-use
LAND AREA: SQ. FT.	18,850
LAND AREA: ACRES:	0.433
TOPOGRAPHY:	Mostly level
PARCEL SHAPE:	Rectangular
ZONING:	MU-D
PRESENT USE:	Old retail buildings
HIGHEST & BEST USE:	Mixed-use
ENVIRONMENTAL ISSUES:	None reported
COMMENTS:	This is the sale of three adjacent parcels along El Camino Real near downtown San Carlos. The parcel has access along alleys at the side and rear, as well. There are two older buildings to be demolished, but there are approved plans and entitlements for a mixed-use condo project with 2 commercial spaces and 24 residential units (7 1-bedroom, 16 2-bedroom and 1 3-bedroom). The property was listed for $7,200,000 and sold for $6,700,000 after an extended time on the market. The final price reflects a $100,000 reduction in lieu of a buying broker's commission.
IMPROVEMENTS:	Fully improved
DATE OF SALE:	3/29/2022
DOCUMENT:	2022-026687
BUYER:	552 El Camino Estates LLC
SELLER:	Applewood Investments LLC
SALE PRICE - AS IS:	$6,700,000
FINANCING:	N/A, All cash to seller
CASH EQUIVALENT:	$6,700,000
LOAN AMOUNT:	N/A
PRICE/SQ. FT./LAND:	$355.44 / Sq. Ft.
LOAN TO VALUE:	N/A
PRICE/ACRE:	$15,473,441 / Acre
PRICE/FAR FT.:	$194
PRICE/DU:	$257,692
NON REALTY ITEMS:	Plans and entitlements
CONDITIONS OF SALE:	Market
SALES IN PRIOR 3 YRS.:	None during prior 3 years



		LAND SALE #	2
LOCATION:	1433 Floribunda Avenue		
CITY:	Burlingame	**COUNTY:**	San Mateo
APN:	029-112-050		
NEIGHBORHOOD:	Residential		
LAND AREA: SQ. FT.	9,212		
LAND AREA: ACRES:	0.211		
TOPOGRAPHY:	Mostly level		
PARCEL SHAPE:	Rectangular		
ZONING:	R3		
PRESENT USE:	Vacant		
HIGHEST & BEST USE:	Residential		
ENVIRONMENTAL ISSUES:	None reported		
COMMENTS:	This is the sale of a smaller mid-block parcel in a mixed-density residential neighborhood close to downtown Burlingame. The property was fully entitled for development of an eight-unit residential condominium project with 7 two-bed, two and one-half bath units and 1 two-bed, two-bath unit. It was listed for $4,000,000 and sold for $3,150,000 after an extended time on the market.		
IMPROVEMENTS:	Fully improved		
DATE OF SALE:	10/21/2021		
DOCUMENT:	2021-148555		
BUYER:	1325 Balboa LLC		
SELLER:	Accelerate Holdings LLC		
SALE PRICE - AS IS:	$3,150,000		
FINANCING:	Anchor Loans, Construction		
CASH EQUIVALENT:	$3,150,000	**LOAN AMOUNT:**	$7,790,630
PRICE/SQ. FT./LAND:	$341.95 / Sq. Ft.	**LOAN TO VALUE:**	247.3%
PRICE/ACRE:	$14,928,910 / Acre		
PRICE/FAR FT.:	$183	**PRICE/DU:**	$393,750
NON REALTY ITEMS:	Plans and entitlements		
CONDITIONS OF SALE:	Market		
SALES IN PRIOR 3 YRS.:	None during prior 3 years		

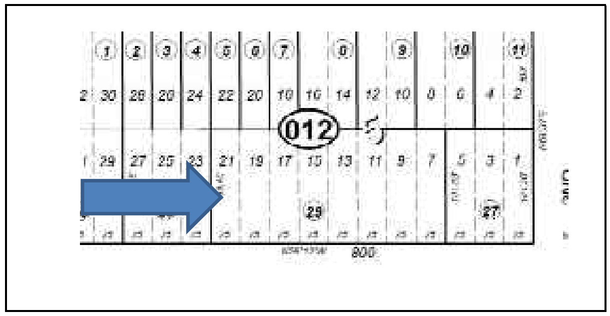


		LAND SALE #	**3**
LOCATION:	141 3rd Avenue		
CITY:	Daly City (Unincorporated)	**COUNTY:**	San Mateo
APN:	006-254-030		
NEIGHBORHOOD:	Residential		
LAND AREA: SQ. FT.	28,750		
LAND AREA: ACRES:	0.660		
TOPOGRAPHY:	Mostly level		
PARCEL SHAPE:	Irregular		
ZONING:	I-D		
PRESENT USE:	Vacant		
HIGHEST & BEST USE:	Residential		
ENVIRONMENTAL ISSUES:	None reported		
COMMENTS:	This is the sale of a residential parcel in an unincorporated area of Daly City. The property went into escrow in 2019 and the seller allowed the buyer to go through the entitlement process before closing. The buyer has plans for the development of 15 townhouse units on the site which is in a low-density residential neighborhood near Mission Boulevard. The property was listed for $2,999,999 and sold for $2,700,000 as vacant land without entitlements.		
IMPROVEMENTS:	Fully improved		
DATE OF SALE:	9/24/2021		
DOCUMENT:	2021-137034		
BUYER:	141 Third Avenue LLC		
SELLER:	Winston Chow and Lilly Tsu Fah Chow Trust		
SALE PRICE - AS IS:	$2,700,000		
FINANCING:	N/A, All cash to seller		
CASH EQUIVALENT:	$2,700,000	**LOAN AMOUNT:**	N/A
PRICE/SQ. FT./LAND:	$93.91 / Sq. Ft.	**LOAN TO VALUE:**	N/A
PRICE/ACRE:	$4,090,909 / Acre		
PRICE/FAR FT.:	$90	**PRICE/DU:**	$180,000
NON REALTY ITEMS:	None		
CONDITIONS OF SALE:	Market		
SALES IN PRIOR 3 YRS.:	None during prior 3 years		



LAND SALE # 4

LOCATION:	840 El Camino Real		
CITY:	South San Francisco	**COUNTY:**	San Mateo
APN:	014-012-290		
NEIGHBORHOOD:	Mixed-Use		
LAND AREA: SQ. FT.	20,140		
LAND AREA: ACRES:	0.462		
TOPOGRAPHY:	Mostly level		
PARCEL SHAPE:	Rectangular		
ZONING:	ECRMX		
PRESENT USE:	Retail		
HIGHEST & BEST USE:	Mixed-use		
ENVIRONMENTAL ISSUES:	None reported		

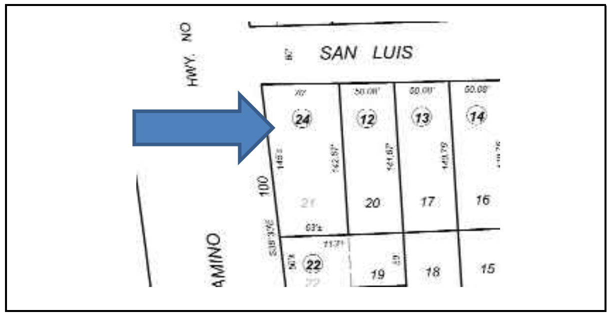


COMMENTS: This is the current listing of a mid-block parcel along El Camino Real in South San Francisco. The site was formerly used as an Arby's fastfood restaurant. It has a longer frontage than depth, but there is a steep drop off at the rear. It has been on the market for an extended time with an initial asking price of $7,500,000 with plans for a 53-room hotel. It is now on the market for $6,000,000 and the listing agent reports interest from several parties at about 10% to 15% below the asking price.

IMPROVEMENTS:	Fully improved		
DATE OF SALE:	Listing		
DOCUMENT:	N/A		
BUYER:	N/A		
SELLER:	South City Partners LLC		
SALE PRICE - AS IS:	$6,000,000		
FINANCING:	N/A, N/A		
CASH EQUIVALENT:	$6,000,000	**LOAN AMOUNT:**	N/A
PRICE/SQ. FT./LAND:	$297.91 / Sq. Ft.	**LOAN TO VALUE:**	N/A
PRICE/ACRE:	$12,987,013 / Acre		
PRICE/FAR FT.:	$119	**PRICE/DU:**	$214,286
NON REALTY ITEMS:	None		
CONDITIONS OF SALE:	Market		
SALES IN PRIOR 3 YRS.:	None during prior 3 years		

LAND SALE # 5

LOCATION:	160 El Camino Real		
CITY:	San Bruno	**COUNTY:**	San Mateo
APN:	021-164-240		
NEIGHBORHOOD:	Mixed-Use		
LAND AREA: SQ. FT.	9,811		
LAND AREA: ACRES:	0.225		
TOPOGRAPHY:	Slightly sloping		
PARCEL SHAPE:	Rectangular		
ZONING:	C		
PRESENT USE:	Vacant		
HIGHEST & BEST USE:	Mixed-use		
ENVIRONMENTAL ISSUES:	None reported		

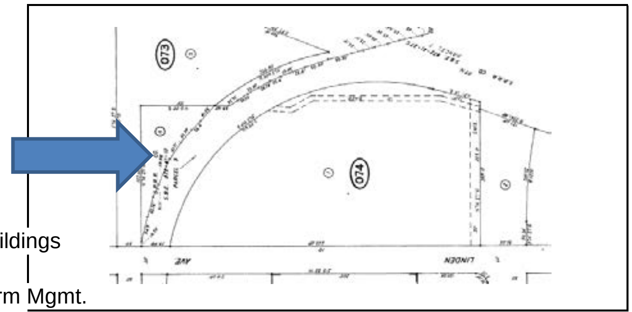


COMMENTS: This is the current listing of a corner parcel along El Camino Real in San Bruno. The site was previously improved, but it has now been vacant for some time. It has a longer frontage than depth with a slight upward slope. Nearby uses are a mix of retail, office and residential. It has been on and off the market for an extended time. The listing agent indicated there is some interest at about 10% below the asking price, but the seller is holding firm at this time.

IMPROVEMENTS:	Fully improved		
DATE OF SALE:	Listing		
DOCUMENT:	N/A		
BUYER:	N/A		
SELLER:	Sierra Meadows Resort, Inc.		
SALE PRICE - AS IS:	$1,999,000		
FINANCING:	N/A, N/A		
CASH EQUIVALENT:	$1,999,000	**LOAN AMOUNT:**	N/A
PRICE/SQ. FT./LAND:	$203.75 / Sq. Ft.	**LOAN TO VALUE:**	N/A
PRICE/ACRE:	$8,884,444 / Acre		
PRICE/FAR FT.:	$102	**PRICE/DU:**	$222,111
NON REALTY ITEMS:	Plans		
CONDITIONS OF SALE:	Market		
SALES IN PRIOR 3 YRS.:	None during prior 3 years		

LAND SALE # 6

LOCATION:	7 South Linden Avenue		
CITY:	South San Francisco	**COUNTY:**	San Mateo
APN:	040-010-150		
NEIGHBORHOOD:	Commercial		
LAND AREA: SQ. FT.	183,823		
LAND AREA: ACRES:	4.220		
TOPOGRAPHY:	Mostly level		
PARCEL SHAPE:	Irregular		
ZONING:	MI		
PRESENT USE:	Old industrial buildings		
HIGHEST & BEST USE:	Residential		
ENVIRONMENTAL ISSUES:	Open / Long-Term Mgmt.		



COMMENTS: This is the sale of a larger, mid-block parcel in a mostly commercial and industrial district just south of downtown South San Francisco. The site has older industrial buildings and was previously occupied by Union Carbide. It underwent hazardous materials remediation and now is on a long-term management program with eight groundwater monitoring wells in place. The buyer has begun the process to obtain entitlements for a 558-unit, multi-family development. The sale data is based on public records and data from CoStar. Parties to the transaction were unavailable for confirmation.

IMPROVEMENTS:	Fully improved		
DATE OF SALE:	9/29/2021		
DOCUMENT:	2021-139037		
BUYER:	Essex Portfolio, LP		
SELLER:	Sand Hill Land Company LLC		
SALE PRICE - AS IS:	$33,500,000		
FINANCING:	N/A, All cash to seller		
CASH EQUIVALENT:	$33,500,000	**LOAN AMOUNT:**	N/A
PRICE/SQ. FT./LAND:	$182.24 / Sq. Ft.	**LOAN TO VALUE:**	N/A
PRICE/ACRE:	$7,938,389 / Acre		
PRICE/FAR FT.:	$61	**PRICE/DU:**	$60,036
NON REALTY ITEMS:	None		
CONDITIONS OF SALE:	Market		
SALES IN PRIOR 3 YRS.:	None during prior 3 years		

LAND SALES COMPARISON GRID / SQ. FT.

	Subject:	Sale No. - 1	Sale No. - 2	Sale No. - 3	Sale No. - 4	Sale No. - 5	Sale No. - 6
Location	616 Linden Avenue and 700-712 Linden Avenue South San Francisco	552-560 El Camino Real San Carlos	1433 Floribunda Avenue Burlingame	141 3rd Avenue Daly City (Unincorporated)	840 El Camino Real South San Francisco	160 El Camino Real San Bruno	7 South Linden Avenue South San Francisco
Sale Price	**N/A**	**$6,700,000**	**$3,150,000**	**$2,700,000**	**$6,000,000**	**$1,999,000**	**$33,500,000**
Property Rts. Conveyed	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple
Financing Terms	Assumed Market	All cash to seller	Construction	All cash to seller	N/A	N/A	All cash to seller
Conditions of Sale	Assumed Market	Market	Market	Market	Market	Market	Market
Date of Sale	Jul-22	Mar-22	Oct-21	Sep-21	Listing	Listing	Sep-21
Location	Mixed-use	Mixed-use	Residential	Residential	Mixed-Use	Mixed-Use	Commercial
Zoning/HBU	LNC / Mixed-use	MU-D / Mixed-use	R3 / Residential	I-D / Residential	ECRMX / Mixed-use	C / Mixed-use	MI / Residential
Density DU / Ac. - Max FAR	60.0 /Ac. -- 2.25 FAR	60.0 /Ac. -- 1.83 FAR	37.9 /Ac. -- 1.87 FAR	22.7 /Ac. -- 1.04 FAR	60.0 /Ac. -- 2.50 FAR	40.0 /Ac. -- 2.00 FAR	132.2 /Ac. -- 3.01 FAR
Site Utility	Good	Avg.-Gd.	Average	Average	Average	Avg.-Gd.	Average
Interim Income	Average	Average	Average	Average	Average	Average	Average
Plans/Entitlements	Assumed None	Plans and entitlements	Plans and entitlements	None	None	Plans	None
Demolition/Environmental	Assumed Nominal	$75,000	Nominal	$15,000	$30,000	Nominal	$400,000
Land Area (Sq. Ft.)	**28,000**	**18,850**	**9,212**	**28,750**	**20,140**	**9,811**	**183,823**
Unadjusted Price/Sq. Ft.	**N/A**	**$355.44**	**$341.95**	**$93.91**	**$297.91**	**$203.75**	**$182.24**
Financing/Fee/Conditions		-23.5%	-25%			-5%	
Market Conditions (Time)	0.0%	0.0%	0.0%	0.0%	-12.5%	-10.0%	0.0%
Adjusted Price/Sq. Ft.		$271.91	$256.46	$93.91	$260.68	$173.19	$182.24
Location		-25%	-30%	30%	-10%	5%	
Zoning/HBU			10%	30%		10%	-25%
Site Utility/Environmental		5%	10%	10%	10%	5%	10%
Interim Income							-2.5%
Demolition		1.1%		0.6%	0.5%		1.2%
Size Adj.	$0.403	-1%	-3%	0%	-1%	-4%	34%
Net Physical Adjustment		-20%	-13%	71%	-1%	16%	18%
Adjusted Price/Sq. Ft.		**$218**	**$223**	**$160**	**$259**	**$201**	**$214**
Net Adjustment		-38.7%	-34.8%	70.6%	-12.9%	-1.4%	17.7%
Gross Adjustment		55.6%	78.0%	70.6%	34.0%	39.0%	72.7%

Comparable Land Sale 1 is the March 2022 sale of a parcel of land at 552-560 El Camino Real, San Carlos, approximately thirteen miles south of the subject. This is the sale of three adjacent parcels along El Camino Real near downtown San Carlos. The parcel has access along alleys at the side and rear, as well. There are two older buildings to be demolished, but there are approved plans and entitlements for a mixed-use condo project with 2 commercial spaces and 24 residential units (7 1-bedroom, 16 2-bedroom and 1 3-bedroom). The property was listed for $7,200,000 and sold for $6,700,000 after an extended time on the market. The final price reflects a $100,000 reduction in lieu of a buying broker's commission. The immediate neighborhood is mixed-use in character. The site is mostly level and rectangular in shape with average-to-good site utility and set along a mixed-use street. It contains a total land area of approximately 18,850 square feet or approximately 0.433 acres. The site was fully improved at the time of sale; however, the buyer purchased the site for redevelopment. Demolition costs were estimated by the appraiser to be $75,000. The purchase price was $6,700,000 or $355 per square foot of land area, $257,692 per DU and $194 per FAR foot. No environmental issues were reported. The parcel has a zoning classification of MU-D (mixed-use). The sale was all cash to seller. No other unusual concessions or conditions of sale were reported.

Comparable Land Sale 2 is the October 2021 sale of a parcel of land at 1433 Floribunda Avenue, Burlingame, approximately six miles southeast of the subject. This is the sale of a smaller mid-block parcel in a mixed-density residential neighborhood close to downtown Burlingame. The property was fully entitled for development of an eight-unit residential condominium project with 7 two-bed, two and one-half bath units and 1 two-bed, two-bath unit. It was listed for $4,000,000 and sold for $3,150,000 after an extended time on the market. The immediate neighborhood is residential in character. The site is mostly level and rectangular in shape with average site utility and set along a residential street. It contains a total land area of approximately 9,212 square feet or approximately 0.211 acres. The site was fully improved at the time of sale; however, the buyer purchased the site for residential development. Demolition costs were estimated by the appraiser to be nominal. The purchase price was $3,150,000 or $342 per square foot of land area, $393,750 per DU and $183 per FAR foot. No environmental issues were reported. The parcel has a zoning classification of R3 (residential). The sale was construction financed through Anchor Loans. The loan amount was $7,790,630. No unusual concessions or conditions of sale were reported.

Comparable Land Sale 3 is the September 2021 sale of a parcel of land at 141 3rd Avenue, Daly City, approximately three and three-quarters miles northwest of the subject. This is the sale of a residential parcel in an unincorporated area of Daly City. The property went into escrow in 2019 and the seller allowed the buyer to go through the entitlement process before closing. The buyer has plans for the development of 15 townhouse units on the site which is in a low-density residential neighborhood near Mission Boulevard. The property was listed for $2,999,999 and sold for $2,700,000 as vacant land without entitlements. The immediate neighborhood is residential in character. The site is mostly level and irregular in shape with average site utility and set along a residential street. It contains a total land area of approximately 28,750 square feet or approximately 0.660 acres. The site was fully improved at the time of sale; however, the buyer purchased the site for future development. Demolition costs were estimated by the appraiser to be $15,000. The purchase price was $2,700,000 or $94 per square foot of land area, $180,000 per DU and $90 per FAR foot. No environmental issues were reported. The parcel has a zoning classification of I-D (residential). The sale was all cash to seller. No unusual concessions or conditions of sale were reported.

Comparable Land Sale 4 is the current listing of a parcel of land at 840 El Camino Real, South San Francisco, approximately one and one-quarter miles west of the subject. This is the current listing of a mid-block parcel along El Camino Real in South San Francisco. The site was formerly used as an Arby's fastfood restaurant. It has a longer frontage than depth, but there is a steep drop off at the rear. It has been on the market for an extended time with an initial asking price of $7,500,000 with plans for a 53-room hotel. It is now on the market for $6,000,000 and the listing agent reports interest from several parties at about 10% to 15% below the asking price. The immediate neighborhood is mixed-use in character. The site is slightly sloping and rectangular in shape with average site utility and set along a mixed-use street. It contains a total land area of approximately 20,140 square feet or approximately 0.462 acres. The parcel has all off-site improvements in place. Demolition costs were estimated by the appraiser to be $30,000. The asking price is $6,000,000 or $298 per square foot of land area, $214,286 per DU and $119 per FAR foot. No environmental issues were reported. The parcel has a zoning classification of ECRMX (mixed-use). No unusual concessions or conditions of sale are being offered.

Comparable Land Sale 5 is the current listing of a parcel of land at 160 El Camino Real, San Bruno, approximately three miles south of the subject. This is the listing of a corner parcel along El Camino Real in San Bruno. The site was previously improved, but it has now been vacant for some time. It has a longer frontage than depth with a slight upward slope. Nearby uses are a mix of retail, office and residential. It has been on and off the market for an extended time. The listing agent indicated there is some interest at about 10% below the asking price, but the seller is holding firm at this time. The immediate neighborhood is mixed-use in character. The site is slightly sloping and rectangular in shape with average-to-good site utility and set along a mixed-use street. It contains a total land area of approximately 9,811 square feet or approximately 0.225 acres. The parcel has all off-site improvements in place. Demolition costs are estimated by the appraiser to be nominal. The asking price is $1,999,000 or $204 per square foot of land area, $222,111 per DU and $102 per FAR foot. No environmental issues were reported. The parcel has a zoning classification of C (commercial). No unusual concessions or conditions of sale are being offered.

Comparable Land Sale 6 is the September 2021 sale of a parcel of land at 7 South Linden Avenue, South San Francisco, approximately one half mile south of the subject. This is the sale of a larger, mid-block parcel in a mostly commercial and industrial district just south of downtown South San Francisco. The site has older industrial buildings and was previously occupied by Union Carbide. It underwent hazardous materials remediation and now is on a long-term management program with eight groundwater monitoring wells in place. The buyer has begun the process to obtain entitlements for a

558-unit, multi-family development. The sale data is based on public records and data from *CoStar*. Parties to the transaction were unavailable for confirmation. The immediate neighborhood is commercial in character. The site is mostly level and irregular in shape with average site utility and set along a mixed-use street. It contains a total land area of approximately 183,823 square feet or approximately 4.220 acres. The site was fully improved at the time of sale; however, the buyer purchased the site for redevelopment. Demolition costs are estimated by the appraiser to be $400,000. The purchase price was $33,500,000 or $182 per square foot of land area, $60,036 per DU and $61 per FAR foot. The parcel has a zoning classification of MI (industrial). The sale was all cash to seller. No unusual concessions or conditions of sale were reported.

Analysis and Value Conclusion

The immediate market has a limited amount of vacant or under-used land. There have been some recent land sales in the immediate market area, and the broad area has been relatively active. Variation in location, size and density results in a broad spread in price indicators. The adjustment process is subjective as there is too much variation in the data to reliably extract adjustment factors.

The comparable data exhibits the following price ranges before and after adjustment.

Unadjusted Price		Adjusted Price
$94	Low	$160
$355	High	$259
Mean Unadjusted Price		$246
Weighted Mean Unadjusted Price		$200
Mean Adjusted Price		$213

None of the sales required adjustment for unusual conditions of sale, financing or fee interest. Two of the comparables, however, included entitlements for development and one had plans for a potential use. They are adjusted for the estimated value of the plans and entitlements.

The market was active prior to the outbreak of the Covid-19 pandemic. Subsequently, there was more limited activity. The market began to pick up in mid-2021 and rental prices have increased recently, as well, but brokers report buyers are looking for discounts while sellers are trying to hold firm on pricing. The net adjustment for market conditions is zero in this instance, with the expectation that prices will remain neutral for a time. Sales 4 and 5 are adjusted to more probable selling points.

Adjustments for location are subjective. The subject, in the old downtown neighborhood, has a favorable setting, but it is in an area that transitions to lower-density uses. Sales 1, 2 and 4 have superior city or commercial settings. Sales 3 and 5 have inferior transitional neighborhood settings and Sale 6 is similar to the subject in being slightly distant from Grand Avenue in South San Francisco.

The sales are adjusted in varying degrees for differences in allowable density.

The sales varied in site utility. The subject is superior to all the sales in varying degrees based on multi-corner setting, regular shape and mostly level topography.

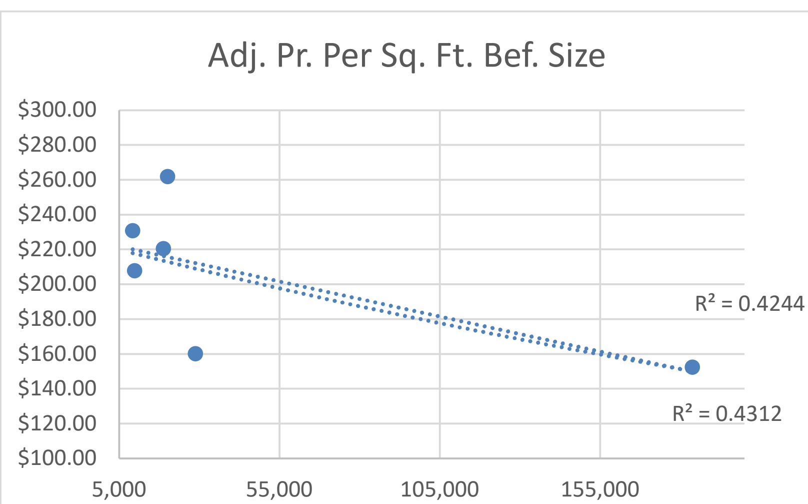
Sale 6 is adjusted downward for buildings with interim-income potential.

Demolition estimates are added to those sites with older buildings to arrive at a value as vacant.

A size adjustment is developed using a linear regression analysis of the adjusted price (excluding size). Larger sales will typically have a lower price per square foot and in this instance the market did indicate a typical price differential based on size. The regression analysis produced the following adjustment.

Adj. Pr. Per Sq. Ft. Bef. Size		
Sale	Area	Adj./Sq. Ft.
1	18,850	$220.52
2	9,212	$230.81
3	28,750	$160.22
4	20,140	$261.98
5	9,811	$207.83
6	183,823	$152.54
Correlation	-0.651436805	
Slope	-0.000402517	
Slope/1000	-0.402517354	
Factor	1	
Adjustment	-$0.402517	

The adjusted prices before size are shown graphically.



The data has a moderate correlation coefficient of -0.65144 with an adjustment factor of $0.403 per 1000.

Price Per Square Foot

The available market data before adjustment ranges from roughly $94 to $355 per square foot. After adjustment, the range narrows to roughly $160 to $259 per square foot.

The sales fall between roughly $160 and $260 per square foot with most of the sales in the $160 to $220 per square foot range. The lower end of this range or roughly $160 to $200 per square foot has the most support based on city setting with a most probable adjusted price of $175 per square foot. While South San Francisco is transitioning to higher commercial uses with more development downtown, it still has lower income and median home prices, on average, especially around the older downtown neighborhood.

A weighting technique produces the following benchmark value.

Sale	Adjusted Price	Weight	Total Weight	
1	$217.80	25%	$54.45	Timely, mixed-use
2	$223.12	25%	$55.78	Timely, residential
3	$160.22	20%	$32.04	Lower density
4	$259.37	10%	$25.94	Listing
5	$200.90	10%	$20.09	Listing
6	$214.50	10%	$21.45	Much larger
		100%	$209.75	

The benchmark figure of $210 per square foot is a reasonable indicator that falls within the adjusted range, but it does not adequately address the overall location of the subject. The unadjusted price of Sale 6, at $182 per square foot, is a reasonable benchmark even though the sale is much larger. This is offset by its higher density. The lower end of the most probable range is indicated based on the subject's city setting. A most probable value range is $165 to $185 per square foot. The most probable market value range is

LAND VALUATION SUMMARY - Per Sq. Ft.
616 Linden Avenue and 700-712 Linden Avenue

28,000	Sq. Ft. @	$165	per Sq. Ft. =	$4,620,000
28,000	Sq. Ft. @	$175	per Sq. Ft. =	$4,900,000
28,000	Sq. Ft. @	$185	per Sq. Ft. =	$5,180,000

The most probable value per square foot value is from the middle of the indicated range or $4,900,000 rounded.

As a check on this estimate, linear and exponential regression trendline analyses were applied. The individual estimates follow.

Linear Forecast:	$213
Curvilinear Forecast:	$209

The analyses have similar looking trendlines and R^2 figures. The limitation is the lack of sales data from the immediate neighborhood. Based on current market conditions, but considering the subject's location, the middle of the narrowed range, or $175 per square foot is the best indication of value for the property on a price per square foot basis.

Additional Market Data

Other sales data considered, but not highly appropriate for use in the comparison process including the following.

Other Sales Data

710 El Camino Real, South San Francisco - Active Listing						
Price	Lot Area	Pr./Sq. Ft.	FA	Pr./FAR Ft.	DU	Pr./Unit
$1,000,000	5,730	$175	N/A	N/A	N/A	N/A
Former gas station site, small size, likely commercial use, some interest at this price						

219 Miller Avenue, South San Francisco - Active Listing						
Price	Lot Area	Pr./Sq. Ft.	FA	Pr./FAR Ft.	DU	Pr./Unit
$3,480,000	7,000	$497	N/A	N/A	29	$120,000
Vacant lot in the old downtown neighborhood. On the market an extended time. Small mid-block lot. No interest at this price.						

71-75 Camaritas Avenue, South San Francisco - Sold November 2021						
Price	Lot Area	Pr./Sq. Ft.	FA	Pr./FAR Ft.	DU	Pr./Unit
$5,500,000	32,234	$171	64,468	$85	44	$123,875
Larger, irregular lot with transitional setting. Was on the market with plans for a hotel development. Acquired by City of SSF for construction of a new fire station. Open market sale. No condemnation action.						

Two of these support the concluded price per square foot of land area. They also support the price per FAR foot and per unit prices addressed in the following sections.

The price per dwelling unit (DU) and price per FAR foot are also considered.

LAND SALES COMPARISON GRID / UNIT

	Subject:	Sale No. - 1	Sale No. - 2	Sale No. - 3	Sale No. - 4	Sale No. - 5	Sale No. - 6
Location	616 Linden Avenue and 700-712 Linden Avenue South San Francisco	552-560 El Camino Real San Carlos	1433 Floribunda Avenue Burlingame	141 3rd Avenue Daly City (Unincorporated)	840 El Camino Real South San Francisco	160 El Camino Real San Bruno	7 South Linden Avenue South San Francisco
Sale Price	**N/A**	**$6,700,000**	**$3,150,000**	**$2,700,000**	**$6,000,000**	**$1,999,000**	**$33,500,000**
Property Rts. Conveyed	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple
Financing Terms	Assumed Market	All cash to seller	Construction	All cash to seller	N/A	N/A	All cash to seller
Conditions of Sale	Assumed Market	Market	Market	Market	Market	Market	Market
Date of Sale	Jul-22	Mar-22	Oct-21	Sep-21	Listing	Listing	Sep-21
Location	Mixed-use	Mixed-use	Residential	Residential	Mixed-Use	Mixed-Use	Commercial
Zoning/HBU	LNC / Mixed-use	MU-D / Mixed-use	R3 / Residential	I-D / Residential	ECRMX / Mixed-use	C / Mixed-use	MI / Residential
Density Units / Ac.	60.0 /Ac.	60.0 /Ac.	37.9 /Ac.	22.7 /Ac.	60.0 /Ac.	40.0 /Ac.	132.2 /Ac.
Site Utility	Good	Avg.-Gd.	Average	Average	Average	Avg.-Gd.	Average
Interim Income	Average	Average	Average	Average	Average	Average	Average
Plans/Entitlements	Assumed None	Plans and entitlements	Plans and entitlements	None	None	Plans	None
Demolition/Environmental	Assumed Nominal	$75,000	Nominal	$15,000	$30,000	Nominal	$400,000
Max DUs	**40**	**26**	**8**	**15**	**28**	**9**	**558**
Unadjusted Price/Unit	**N/A**	**$257,692**	**$393,750**	**$180,000**	**$214,286**	**$222,111**	**$60,036**
Financing/Fee/Conditions		-23.5%	-25%			-5%	
Market Conditions (Time)	0.00%				-12.5%	-10%	
Adjusted Price/DU		$197,134	$295,313	$180,000	$187,500	$188,794	$60,036
Location/Timing		-25%	-30%	30%	-10%	5%	
Zoning/HBU			10%	30%		10%	-25%
Site Utility/Environmental		5%	10%	10%	10%	5%	10%
Interim Income							-2.5%
Demolition		1%		0.6%	1%		1%
Unit Adj.	$2,243.725	0%	-17%	-46%	0%	-24%	270%
Net Physical Adjustment		-19%	-27%	24%	1%	-4%	254%
Adjusted Price/Unit		**$159,980**	**$216,228**	**$223,450**	**$188,438**	**$181,679**	**$212,309**
Net Adjustment		-37.9%	-45.1%	24.1%	-12.1%	-18.2%	253.6%
Gross Adjustment		54.7%	91.8%	117.1%	33.0%	58.8%	308.6%

Price Per DU

The adjustment grid for price per dwelling unit precedes this page.

The elements of comparison adjustments that were applied to the price per square foot unit of comparison were also applied to the price per dwelling unit. The difference is that dwelling unit density adjustment was calculated separately as was done for the size adjustment in the price per square foot adjustment grid.

The available market data before adjustment ranges from roughly $60,036 to $393,750 per unit. After adjustment, the range narrows to roughly $159,980 to $223,450 per unit.

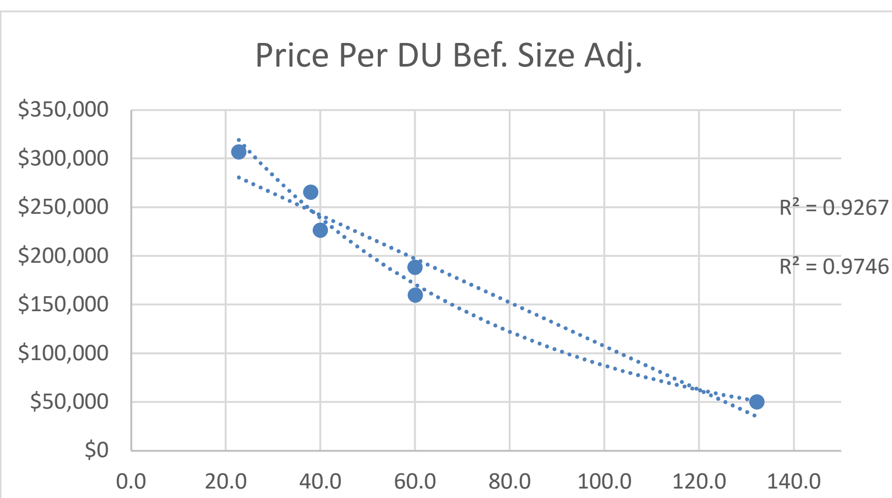
Unadjusted Price		Adjusted Price
$60,036	Low	$159,980
$393,750	High	$223,450
Mean Unadjusted Price		$221,313
Weighted Mean Unadjusted Price		$83,927
Mean Adjusted Price		$197,014

The best indicators (1, 2 and 3) suggest a range of roughly $160,000 to $220,000 with most support from the lower end of the range based on the subject's city setting. The mean unadjusted, weighted mean unadjusted and mean adjusted figures set a range of roughly $80,000 to $220,000.

Linear and exponential analyses produced the following estimates.

Linear Forecast:	$197,014
Curvilinear Forecast:	$170,834

The adjusted prices before density are shown graphically in the following chart.



The subject has good physical characteristics, but a transitional downtown setting and a higher allowable density which tends to have more of an influence on price per unit. The lower end of the unadjusted range and the lower end of the adjusted range suggest a probable value range of $100,000 to $150,000, with the additional market data supporting a range around $125,000 per unit, as follows.

LAND VALUATION SUMMARY - Per Unit

616 Linden Avenue and 700-712 Linden Avenue

40	Units @	$115,000	per Unit =	$4,600,000
40	Units @	$125,000	per Unit =	$5,000,000
40	Units @	$135,000	per Unit =	$5,400,000

The middle of the probable value range or $5,000,000, rounded, is the most probable value based on the price per dwelling unit analysis.

<u>Price per FAR Foot</u>

The adjustment grid for price per FAR foot follows this page.

The elements of comparison adjustments that were applied to the price per square foot unit of comparison were also applied to the price per FAR foot. The difference is that FAR density adjustment was calculated separately as was done for the size adjustment in the price per square foot adjustment grid.

The available market data before adjustment ranges from roughly $61 to $194 per FAR foot. After adjustment, the range narrows to roughly $98 to $149 per FAR foot.

Unadjusted Price		Adjusted Price
$61	Low	$98
$194	High	$149
Mean Unadjusted Price		$125
Weighted Mean Unadjusted Price		$77
Mean Adjusted Price		$117

The best indicators (Sales 1, 2 and 3) suggest a range of roughly $115 to $150 per FAR foot, but Sales 3, 4, 5 and 6 set an unadjusted range of roughly $60 to $100 per FAR foot. The middle of this range is also supported by the additional market data.

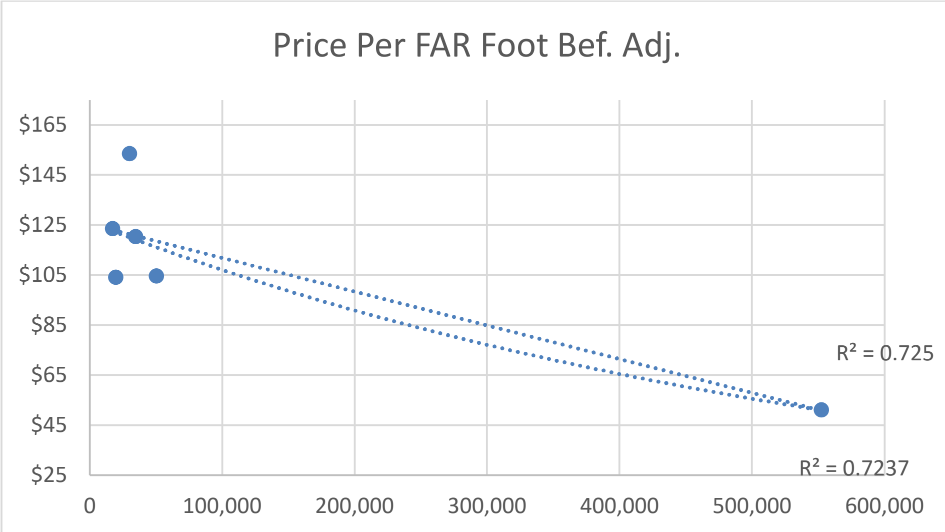
Linear and exponential analyses produced the following estimates.

Linear Forecast:	$112
Curvilinear Forecast:	$111

The adjusted prices before size are shown graphically in the chart that follows.

LAND SALES COMPARISON GRID / FAR Ft.

	Subject:	Sale No. - 1	Sale No. - 2	Sale No. - 3	Sale No. - 4	Sale No. - 5	Sale No. - 6
Location	616 Linden Avenue and 700-712 Linden Avenue South San Francisco	552-560 El Camino Real San Carlos	1433 Floribunda Avenue Burlingame	141 3rd Avenue Daly City (Unincorporated)	840 El Camino Real South San Francisco	160 El Camino Real San Bruno	7 South Linden Avenue South San Francisco
Sale Price	**N/A**	**$6,700,000**	**$3,150,000**	**$2,700,000**	**$6,000,000**	**$1,999,000**	**$33,500,000**
Property Rts. Conveyed	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple	Fee simple
Financing Terms	Assumed Market	All cash to seller	Construction	All cash to seller	N/A	N/A	All cash to seller
Conditions of Sale	Assumed Market	Market	Market	Market	Market	Market	Market
Date of Sale	Jul-22	Mar-22	Oct-21	Sep-21	Listing	Listing	Sep-21
Location	Mixed-use	Mixed-use	Residential	Residential	Mixed-Use	Mixed-Use	Commercial
Zoning/HBU	LNC / Mixed-use	MU-D / Mixed-use	R3 / Residential	I-D / Residential	ECRMX / Mixed-use	C / Mixed-use	MI / Residential
Density Base Max FAR	2.25	1.83	1.87	1.04	2.50	2.00	132.2 /Ac.
Site Utility	Good	Avg.-Gd.	Average	Average	Average	Avg.-Gd.	Average
Interim Income	Average	Average	Average	Average	Average	Average	Average
Plans/Entitlements	Assumed None	Plans and entitlements	Plans and entitlements	None	None	Plans	None
Demolition/Environmental	Assumed Nominal	$75,000	Nominal	$15,000	$30,000	Nominal	$400,000
Floor Area (FAR Ft.)	**63,000**	**34,546**	**17,250**	**30,000**	**50,350**	**19,622**	**552,420**
Unadjusted Price/FAR Ft.	**N/A**	**$194**	**$183**	**$90**	**$119**	**$102**	**$61**
Financing/Fee/Conditions		-23.5%	-25%			-5%	
Market Conditions (Time)	0.00%				-12.5%	-10%	
Adjusted Price/DU		$148	$137	$90	$104	$87	$61
Location/Timing		-25%	-30%	30%	-10%	5%	
Zoning/HBU			10%	30%		10%	-25%
Site Utility/Environmental		5%	10%	10%	10%	5%	10%
Interim Income							-2.5%
Demolition		1.1%		0.6%	0.5%		1.2%
FAR Adj.	$0.13483	-3%	-4%	-5%	-2%	-7%	108%
Net Physical Adjustment		-22%	-14%	66%	-2%	13%	92%
Adjusted Price/FAR Ft.		**$116**	**$118**	**$149**	**$103**	**$98**	**$117**
Net Adjustment		-40.3%	-35.5%	65.6%	-13.8%	-4.0%	91.7%
Gross Adjustment		57.6%	79.0%	75.6%	35.0%	42.0%	146.7%



The subject's setting for retail is limited and the neighborhood is transitional. The most probable value range is $80 to $85, as follows.

LAND VALUATION SUMMARY - FAR Ft.				
616 Linden Avenue and 700-712 Linden Avenue				
63,000	FAR Ft. @	$80.00	per FAR Ft. =	$5,040,000
63,000	FAR Ft. @	$82.50	per FAR Ft. =	$5,197,500
63,000	FAR Ft. @	$85.00	per FAR Ft. =	$5,355,000

The middle of the probable value range or $5,198,000, rounded, is the most probable value based on the price per FAR foot analysis.

Reconciliation

The units of comparison that were analyzed provided the following value indications:

/SF Low	$4,620,000
/SF Probable	$4,900,000
/SF High	$5,180,000
/DU Low	$4,600,000
/DU Probable	$5,000,000
/DU High	$5,400,000
/FAR Ft. Low	$5,040,000
/FAR Ft. Probable	$5,197,500
/FAR Ft. High	$5,355,000

This sets a broad range of value of:

Broad Range	$4,600,000 to $5,400,000

Each unit of comparison had a most probable value indication of:

Unit of Comparison	**Indicators**	**/Unit**
Per Sq. Ft.:	$4,900,000	$175
Per DU:	$5,000,000	$125,000
Per FAR Ft.	$5,198,000	$82.51

Measures of variance suggest all three units of comparison adjusted well.

Coefficient of Variation or Relative Variability

	Unadjusted	Adjusted
Price Per Square Foot:	0.38	0.14
Price Per DU:	0.47	0.15
Price Per FAR Foot:	0.46	0.12

The price per square foot and price per FAR foot prove the most reliable, but all three fall into a narrow range and the price per DU is more commonly applied than the price per FAR foot.

The data sets a most probable value range of:

Indicators Range $4,900,000 to $5,198,000

The price per square foot and the price per DU indicators set a value around $4,900,000 to $5,000,000.

The units of comparison are typically applied in the market area with the price per square foot and price per FAR foot slightly less variable, but the price per DU is also a significant indicator.

The broad value range, as if vacant, is $4,600,000 to $5,400,000. The three value indications suggest a range of value of from $4,900,000 to $5,198,000. The two best value indicators, price per square foot and price per unit, suggest a range of value of from $4,900,000 to $5,000,000. Given current market conditions, most support is at the lower end of the range with a most probable value of $4,900,000.

Based on the preceding, and after considering the factors that influence value including the area, neighborhood, site, improvements, highest and best use, and available market data, and subject to the stated limiting conditions and assumptions, certification, and definition of value, as of the date of value, the property at 616 Linden Avenue and 700-712 Linden Avenue, South San Francisco, California, had an undivided fee simple estate market value - as vacant – of

Reconciled - As Vacant $4,900,000

Land Residual Analysis

Sale	**Build. Area**				**Land Resid.**			
556 Miller Ave	6,810				$1,511,300			
Cost New	$450	**Deprec.**	**Depr. Val.**	**Sale Price**	7,000	**Resid./SF**	**Resid./DU**	**Resid./FAR**
Total	$3,064,500	40%	$1,838,700	$3,350,000	**of Lot Area**	$216	$215,900	$222
400 Cypress Ave	272,000				$13,730,000			
Cost New	$725	**Deprec.**	**Depr. Val.**	**Sale Price**	74,479	**Resid./SF**	**Resid./DU**	**Resid./FAR**
Total	$197,200,000	2.5%	$192,270,000	$206,000,000	**of Lot Area**	$184	$52,808	$50
626 Commercial Ave	6,430				$764,000			
Cost New	$400	**Deprec.**	**Depr. Val.**	**Sale Price**	6,970	**Resid./SF**	**Resid./DU**	**Resid./FAR**
Total	$2,572,000	50%	$1,286,000	$2,050,000	**of Lot Area**	$110	$152,800	$119
417 Commercial Ave	2,347				$1,000,600			
Cost New	$400	**Deprec.**	**Depr. Val.**	**Sale Price**	5,998	**Resid./SF**	**Resid./DU**	**Resid./FAR**
Total	$938,800	50%	$469,400	$1,470,000	**of Lot Area**	$167	$333,533	$426
432-434 Railroad Ave	8,726				$929,320			
Cost New	$450	**Deprec.**	**Depr. Val.**	**Sale Price**	9,148	**Resid./SF**	**Resid./DU**	**Resid./FAR**
Total	$3,926,700	60%	$1,570,680	$2,500,000	**of Lot Area**	$102	$116,165	$107

As a test of the value conclusion, a very brief land residual analysis of nearby apartment sales is included. This technique is not considered to be highly reliable because it relies on a number of assumptions about the sale property and its condition. Regardless, it provides an interesting measure of value when there are few highly comparable land sales from the immediate neighborhood of the subject as proximity is a vital driver of value in the comparison process.

The five sales are from the downtown South San Francisco neighborhood. They closed between August 2021 and June 2022. There is one large sale and four smaller sales. The appraiser is familiar with the property at 432-434 Railroad, but the other sales were not inspected or analyzed in detail.

The process starts with a cost new for each sale, depreciation is estimated, and the depreciated value of the improvements is deducted from the sale price to arrive at a land residual. It is a simple technique. The prices per square foot of land area range from $102 to $216 and average $156 per square foot. The prices per DU range from $52,808 to $333,533 and average $174,241 per DU. The prices per FAR foot range from $50 to $426 and average $185 per FAR foot. The process produces a broad range of value estimates, but it is supportive of the traditional comparison analysis.

Hazardous Materials Remediation

The parcel at 616 Linden Avenue was previously used for automotive purposes. It has a closed case file dating from 2001 regarding gasoline on the site. An August 2021 analysis of brownfields cleanup alternatives prepared by Toerock Associates, Inc. indicated a probable clean-up cost estimate of $531,000. This would permit development of a residential and commercial structure on the site.

Review of the analysis is beyond the professional capabilities of the appraiser, and it is accepted on face value as it was prepared for the EPA.

As the client is familiar with the documentation it is not included in this report.

The indicated remediation methods appear reasonable and typical for this type of property. Assuming the costs are reliable, the most probable value of the property, as is, is arrived at by deducting the probable remediation costs from the value as vacant.

Reconciled - As Vacant	$4,900,000
Hazmat Remediation	-$531,000
Value - As Is	$4,369,000
Rounded to	$4,375,000

It does not appear necessary to include an additional cost contingency beyond the figure applied by the analyst, but there is always a possibility that additional hazardous materials or unknown sub-surface fixtures could be found on the site. Speculation about such issues is, however, just guesswork and remediation costs could turn out to be lower than expected. At this point in time the remediation cost estimate appears to be consistent with the most likely development on the site.

Based on the preceding, and after considering the factors that influence value including the area, neighborhood, site, improvements, highest and best use, and available market data, and subject to the stated limiting conditions and assumptions, certification, and definition of value, as of the date of value, the property at 616 Linden Avenue and 700-712 Linden Avenue, South San Francisco, California, had an undivided fee simple estate market value - as is – of

FOUR MILLION THREE HUNDRED SEVENTY-FIVE THOUSAND DOLLARS
($4,375,000)

Extraordinary Valuation Assumption: The valuation relies on the assumption that hazardous materials on the site can be remediated for future development purposes. There are varying costs of remediation based on probable use. A most probable cost estimate has been provided and is assumed as reliable for the valuation process. An extraordinary assumption presumes as fact otherwise uncertain information about the property or market. The use of this assumption may affect the assignment results.

Marketing/Exposure Time Estimate

To fully understand the value opinion, it is relevant to place the figure in the perspective of marketing or exposure time. Real estate is not a liquid investment. It takes time to properly market. It is also a complex investment with significant legal impediments to transfer. For these reasons, it is important to understand how long a property may take to sell in the open market.

Days On Market Times

Sale 1	552-560 El Camino Real	48
Sale 2	1433 Floribunda Avenue	142
Sale 3	141 3rd Avenue	300+-
Sale 4	840 El Camino Real	50+
Sale 5	160 El Camino Real	Extended
Sale 6	7 South Linden Avenue	N/A

The comparable sales took from 48 to 300+ days to market. This is a very wide range. Based on general market data and other sales reviewed and assuming adequate exposure and competent representation, the subject likely would have an exposure time of six to nine months.

Definitions

The following definitions, as applicable, are used in this appraisal. They are taken from the *The Dictionary of Real Estate Appraisal, Sixth Edition*, unless otherwise noted.

Market Value

"Market Value" is defined in Section 1263.320 of the California Code of Civil Procedure as:

"(a) The fair-market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

"(b) The fair-market value of property taken for which there is no relevant comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable".

"As-Is" Market Value Estimate

The estimate of market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Interagency Appraisal and Evaluation Guidelines and 6th Edition of The Dictionary of Real Estate Appraisal).

Fee Simple Estate

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. (6th Edition of The Dictionary of Real Estate Appraisal)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (6th Edition of The Dictionary of Real Estate Appraisal)

Leasehold Interest

The interest held by the lessee to use and occupy real estate for a stated term under the conditions specified in the lease. (6th Edition of The Dictionary of Real Estate Appraisal)

Easement

The right to use another's land for a stated purpose. (6th Edition of The Dictionary of Real Estate Appraisal)

Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the specified lease agreement including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements. (6th Edition of The Dictionary of Real Estate Appraisal)

Condominium Ownership (Fee)

A form of fee ownership of separate units or portions of multiunit buildings that provides for formal filing and recording of a divided interest in real property. (6th Edition of The Dictionary of Real Estate Appraisal)

Planned Unit Development (PUD)

A type of building development designated as a grouping of complementary land uses, such as housing, schools, recreation, retail, office, and industrial parks, contained within a single master development; usually includes common area and common area maintenance obligations in the form of owners association dues. (6th Edition of The Dictionary of Real Estate Appraisal)

Cost Approach

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of (or replacement for) the existing structure, including an entrepreneurial incentive, deducting depreciation from the total cost, and adding the estimated land value. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised.

Sales Comparison Approach

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, then applying appropriate units of comparison and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when an adequate supply of comparable sales are available.

Income Approach

A set of procedures through which an appraiser derives a value indication for an income-producing property by converting its anticipated benefits (cash flows and reversion) into property value. This conversion can be accomplished in two ways. One year's income expectancy can be capitalized at a market-derived capitalization rate or at a capitalization rate that reflects a specified income pattern, return on investment, and change in the value of the investment. Alternatively, the annual cash flows for the holding period and the reversion can be discounted at a specified yield rate.

R-squared – Coefficient of Determination

R^2 is the proportion of the variance in the dependent variable that is predictable from the independent variable and is used in the prediction of future outcomes or the testing of hypotheses. (Multiple sources combined.)

R – Correlation Coefficient or the Coefficient of Correlation

The correlation coefficient, denoted by r, tells how closely data in a scatterplot falls along a straight line. The closer that the absolute value of r is to 1 or -1, the closer that the data is described by a linear equation. (Multiple sources combined.)

Addendum: Qualifications

Joseph I. Napoliello, MAI

Commercial – Industrial – Residential – Real Estate Appraisal and Consultation

840 Olive Avenue #3, So. San Francisco, California 94080   (415) 309-6728   Joe@JNval.com

QUALIFICATIONS

Joseph I. Napoliello, MAI

GENERAL	Bay Area resident since 1982; born and raised in southern New Jersey
EDUCATION	Boston University, Boston, MA M.S.B.A. Business, 1978 Loyola University, New Orleans, LA B.B.A. Finance, 1976 Recent professional coursework and exams: Business Practices and Ethics Small Hotel/Motel Valuation Comparative Analysis Contract or Effective Rent Practical Highest and Best Use 7-Hour USPAP Update 4-Hour Federal and CA Statutory and Regulatory Laws IRS, Gift and Estate Valuations 2018 Annual Fall Conference Vineyard Valuation Advanced Land Valuation
PROFESSIONAL PRESENTATIONS	2004 Appraisal Institute Valley Seminar: “Critical Documents – The Preliminary Title Report” 2004 Appraisal Today – Moderator – Commercial Appraisal Liability
PROFESSIONAL AFFILIATIONS	State Certified General Appraiser - California - #AG003794 MAI Member, Appraisal Institute in 2001, #11786 Past Member, Board of Directors, Northern California Chapter of the Appraisal Institute, past Chair of Education Committee, Chair of Newsletter Committee
COURT TESTIMONY	Qualified as an expert witness in Superior Court - Counties of San Francisco, Marin and San Mateo

EMPLOYMENT

Owner and Senior Appraiser (since August 1989), South San Francisco, CA. - independent fee appraisers and consultants specializing in commercial, industrial, and multi-family residential properties. (Formerly Haley Appraisal Company, Inc.)

February 2002 to 2006:

Land acquisition agent for County of San Mateo and various cities on the San Francisco peninsula on public right-of-way projects.

August 1987 to August 1989:

Vice President, General Manager and Associate Appraiser, Haley, O'Brien and O'Brien, San Francisco, CA. - Independent fee appraisers specializing in commercial and industrial properties.

August 1986 to July 1987:

Staff Appraiser, Class II, Sears Mortgage Corporation, South San Francisco, CA. - residential appraisals of single family, condo, PUD, and 2-4 unit properties.

August 1985 to August 1986:

Residential Loan Representative, Sears Mortgage Corporation, Daly City, CA.

January 1981 to August 1985:

Sales and Marketing Positions, Dean Witter Reynolds Inc., Monterey, CA and San Francisco, CA - major securities dealer.

May 1976 to January 1981:

Finance and Accounting Officer, U.S. Army, various duty stations in US and Germany.

PROPERTY TYPES APPRAISED

Office buildings	Industrial buildings
Mixed-use buildings	Vacant land
Shopping Centers	Leased Land
Apartment complexes	Retail buildings
Condominium projects	Single Family Residences / Condo & PUD Units
Hotels	Special Purpose Properties
Easements and partial takings	Appraisal Reviews

Kidder Mathews

August 24, 2022

Ms. Laura N. McKinney
Senior Of Counsel
Meyers | Nave
1999 Harrison Street, 9th Floor
Oakland, CA 94612 ***via: lmckinney@meyersnave.com***

RE: Valuation Analysis
Two Parcels - ±28,000 Square Feet
616 & 700 Linden Avenue
South San Francisco, CA 94080

Ms. McKinney:

This letter serves to address my comments relating to the Appraisal Review prepared by Joseph I. Napoliello, MAI that is dated June 20, 2022 in conjunction with his Appraisal Report of the property that is dated August 3, 2022. It should be noted, the following comments are offered in rebuttal to Mr. Napoliello's work product, but, **does not constitute** an Appraisal Review of his Appraisal Report. Rather, this communication serves to highlight some of the reasons for the significant difference between our opinions of value.

Mr. Napoliello states my Appraisal Report is not reasonable or appropriate. I disagree. I believe my Appraisal Report to be acceptable in data and documentation in order to develop a reasonably supported opinion of value.

I have read Mr. Napoliello's Appraisal Report to ascertain why our opinions of value are so different and have come to the conclusion his selection of comparable properties and/or analysis is inappropriate. In particular, he has selected the following six properties as comparables:

1. 552-560 El Camino Real, San Carlos - $257,692 per unit – Condominium Entitlements
2. 1433 Floribunda Avenue, Burlingame - $393,750 per Unit - Condominium Entitlements
3. 141 3rd Avenue, Daly City - $180,000 per Unit – Townhouse Development – Unentitled
4. 840 El Camino Real, South San Francisco - $214,286 per Unit – Listing – Unentitled
5. 160 El Camino Real, San Bruno - $222,111 – Listing – Unentitled
6. 7 South Linden Avenue, South San Francisco - $60,036 – Rental Housing - Unentitled

Properties 1 and 2 are for properties that had development entitlements in place. While these properties were subsequently adjusted down by 23.5% and 25.0%, respectively, these adjustments do not sufficiently represent the differentials. Additionally, in July 2022 the median home prices in these communities were $2,480,000 and $3,560,000, respectively. Comparatively, the median home price in South San Francisco was $1,400,000, or, roughly half the price. Again, Mr. Napoliello adjusts these properties down by 25% and 30%, respectively. These adjustments do not sufficiently represent the differentials. Lastly, these properties were acquired for development with for-sale housing developments. This type of development is a much different Highest & Best Use compared to the subject's rental housing.

Property 3 was acquired for a for-sale 15-unit townhouse development. Like Properties 1 and 2, this property has a much different Highest & Best Use compared to the subject's rental housing.

Properties 4 and 5 are currently offered for sale and had been on (and off) the market for extended periods. Notably, the development potential was not identified for these properties. As a result, it is difficult to determine if their Highest & Best Uses are similar to that of the subject. Given their extended marketing periods, there is a good chance they are overpriced. Additionally, with historically high inflation and corresponding increases in the Federal Reserve Discount Rate (four increases this year with an aggregate increase of 225 basis points), selection of listings are not very reliable indicators to value.

Property 6 is the only property that was selected by both myself and Mr. Napoliello. While I identified the property with potential for 445 units, Mr. Napoliello indicated a potential development of 558 units. However, the higher development potential reported by Mr. Napoiello only serves to suggest an even lower price.

Simply stated, Mr. Napoiello has selected the incorrect comparables for analysis when other more suitable properties were available for analysis.

Contrastingly, my Appraisal Report included three comparables with potential for rental housing, like the Highest & Best Use for the subject. In comparison, Mr. Napoliello's Appraisal Report includes one sale for development with rental housing. In the end, Mr. Napoliello includes one relevant comparable sale, which, is also included in my Appraisal Report.

While Mr. Napiello also takes aim at the Land Residual Analysis included in my Appraisal Report, the differential with the Sales Comparison is relatively small and does not warrant additional discussion.

With regard to remediation costs, the use of two separate contingencies reflects two different categories. The ESA includes a 30% contingency for unexpected costs that may result from discovery of additional costs required during the mitigation process. On the other hand, my adjustment for *Environmental Remediation* takes into consideration how the most probable buyer would "underwrite" the acquisition of the property. In other words, what additional incentive would a buyer require to compensate for the additional risks associated with the development of an environmentally contaminated property. The ESA's 30% contingency is a safeguard against unknown remediation costs while my 50% contingency covers the risk of unknown development costs that may arise from the environmental contamination. This also considers the risks associated with unknown factors that may affect the eventual remediation. In the end, the environmental remediation is adjusted down by $795,000.

If it you have any additional questions, please call or email.

Respectfully,

Craig A. Owyang, MAI, SRA
Senior Vice President | Shareholder
Certified General Real Estate Appraiser
CA-AG009478 expires March 9, 2023

RE: Your request

Selander, Nell <Nell.Selander@ssf.net>

Wed 8/24/2022 5:27 PM

To: Christensen, Barbara <christensen@smccd.edu>;mike.futrell@ssf.net <mike.futrell@ssf.net>
Cc: Mercedes Yapching <myapching@smcgov.org>;Woodruff, Sky [Meyersnave] <sky@meyersnave.com>;McKinney, Laura <lmckinney@meyersnave.com>;Ranals, Sharon <Sharon.Ranals@ssf.net>;Mediati, Greg <Greg.Mediati@ssf.net>;Rozzi, Tony <Tony.Rozzi@ssf.net>

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Dear Barbara,

I hope you are doing well. I am following up on Mike's email below to provide you with the response letter from our appraiser. Please find that letter attached.

Do not hesitate to let me know if you have any questions.

All the best,

Nell

Nell Selander
Deputy Director
Economic & Community Development Department
City of South San Francisco
400 Grand Avenue
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650-829-6613

From: Futrell, Mike <Mike.Futrell@ssf.net>
Sent: Wednesday, August 24, 2022 11:30 AM
To: Christensen, Barbara <christensen@smccd.edu>
Cc: Mercedes Yapching <myapching@smcgov.org>; Woodruff, Sky [Meyersnave] <sky@meyersnave.com>; Selander, Nell <Nell.Selander@ssf.net>
Subject: RE: Your request

Hi Barbara

A formal response to the second appraisal is being prepared. However, I can say it is a very poorly reasoned appraisal and two items in particular I find dramatically incorrect:

1. The comparable properties: The new appraisal uses six "comparable" properties to discern the value of the properties at issue. However, the six are wholly inappropriate.
    a. Two of the six properties have NOT sold and are still for sale for very high prices; they have been on the market for a long time and will not sell at the inflated, insane price demanded by the owner; comparable properties are those similar properties which have actually sold, thereby being an indicator of actual value.

b. Two other of the six properties are in San Carlos and Burlingame, markets dramatically different than the downtown, low income census tract location of the two properties in South San Francisco; these two out-of-town properties are also the highest value properties, with Burlingame showing as $341/sq. ft., and San Carlos as $355/sq ft. (this compares to the Daly City property with $93/sq. ft.); anyone familiar with Peninsula home prices knows that neither Burlingame or San Carlos are appropriate comparisons to downtown South San Francisco, and the use of these two properties artificially and inappropriately drives the value higher than justified.
c. The lone South San Francisco property used which has actually sold is in no way comparable to the two lots in downtown South San Francisco. The property, 7 South Linden, is 132 acres and sold for $33 million. How is this comparable to two lots, each of which is approximately one-quarter acre in size? The 7 South Linden site is likely to become housing, with over 500 units anticipated; again, in no way comparable.
d. The combination of these errors leads to a ridiculously high value, either by design or incompetence.

2. The new appraisal makes the assumption that the two lots in question are actually one, large lot. This is factually wrong, and inappropriate. One large lot would have the advantage of construction and operation efficiencies and many other benefits, making it a more valuable parcel. However, at issue are TWO LOTS, separated by a busy street. This will require two HVAC systems, two water systems, two of everything. Each must be considered as a stand-alone lot, otherwise the value of the lots is inflated.

There are a few things I agree with. The stated value of the required environmental clean-up seems reasonable ($531,000). Also the estimate of the number of units possible for these two lots seems appropriate (38 units).

One other note. Should these properties actually go on the open market they would be subject to the Surplus Land Act, meaning they would be offered to non-profit affordable housing developers, who have first right of refusal by law. From experience, non-profits pay little, if anything, for land and usually lobby to have the land donated in order to make affordable housing "pencil." While one may argue there is a slim chance a non-profit will take a pass, and some for-profit market rate developer will bid on these small lots and thereby open a path to a big payday, from my nearly nine years of building housing in South San Francisco I opine this alternative scenario to have nearly zero probability.

These are my thoughts. A more detailed analysis by those more qualified is being prepared and I hope to have it to you soon. Thank you again for considering a path of compromise where we can hopefully all agree on the approximate value for these properties.

Mike

Mike Futrell (he/him) *
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*Here is why I include my pronouns: It's important to get pronouns correct to support belonging and respect in the workplace for everyone, inclusive of our LGBTQ+ communities. Pronouns are words used to refer to people and are often gendered (for example, she/her, he/him, or they/them). We cannot assume we can tell the correct pronoun for a person. As an ally, an easy way to normalize the use of self-identified pronouns is to include them in your email signature. If cisgender individuals step up to normalize the inclusion of pronouns, it will be more affirming for transgender and gender diverse people to share pronouns. **Will you join me, in solidarity, to include your pronouns in your email signature?** For more details on pronouns and how you can be in solidarity with gender diverse and transgender individuals visit: https://mypronouns.org/

From: Christensen, Barbara <christensen@smccd.edu>
Sent: Thursday, August 18, 2022 11:05 AM
To: Futrell, Mike <Mike.Futrell@ssf.net>
Cc: Mercedes Yapching <myapching@smcgov.org>
Subject: Fw: Your request

[**NOTICE:** This message originated outside of City of South San Francisco -- **DO NOT CLICK** on **links** or open **attachments** unless you are sure the content is safe.]

I contacted OB Staff yesterday to add your request for a third appraisal of the Linden Avenue properties to the September 12 agenda as a discussion item.

With regards to this item, we would like to have more information on why the City believes the comparable values used in OB's appraisal are inadequate. We would like to share that information with the appraiser (Joseph Il. Napoliello, MAI) to see if he agrees with the provided information and, if so, if that would that change the appraisal.

I want you to know that Joseph Il. Napoliello, MAI was secured through an RFP that was sent out to 5 appraisal firms. Of the 5, only Joseph Il. Napoliello, MAI submitted a proposal. As a rule, the OB staff must maintain independence and should have no influence on the outcome. The objective of the RFP was for the appraiser to review the Kidder Mathews' appraisal report and only if he differs, then the appraiser is to prepare his or her own appraisal report for the OB.

I appreciate receiving your response by August 24 to give adequate time for Joseph Il. Napoliello, MAI to respond and for OB staff to finalize the agenda packets.

Barbara

Joseph I. Napoliello, MAI

Commercial – Industrial – Residential – Real Estate Appraisal and Consultation

September 7, 2022

Kim-Anh Le, Interim Assistant Controller
County of San Mateo
555 County Center, 4th Floor
Redwood City, California 94063

Re: Comments on Linden Avenue Parcels, South San Francisco, CA

Dear Ms. Le:

This is in response to your request of August 25, 2022. You forwarded feedback on my appraisal from the City of South San Francisco and Kidder Mathew. I will address each of the comments. For simplicity, I will refer to the city and KM collectively as the City.

August 24, 2022, Kidder Mathews Letter – Craig A. Owyang, MAI, SRA

In the first paragraph of the KM letter it indicates it, "…does not constitute an Appraisal Review…" In the third paragraph the appraiser states, "…his (my) selection of comparable properties and/or analysis is inappropriate." According to USPAP, "…developing an opinion about the quality of another appraiser's work…" is, by definition, an appraisal review. The appraiser's conclusion the work, "…is inappropriate" – drawing a conclusion about the quality of my work – requires the appraiser to comply with Standard 3 of the Uniform Standards of Professional Appraisal Practice for appraisal review.

In the second paragraph the Mr. Owyang indicates that his, "…Appraisal Report to be acceptable in data and documentation in order to develop a reasonably supported opinion of value." I agree that the appraiser's report was well documented and my review states: "Overall, the report was prepared to a very high standard."

The issues with the appraisal were summarized at the end of my report:

840 Olive Avenue #3, So. San Francisco, CA 94080 **415-309-6728**
Email: Joe@JNval.com

"In summary, it appears that the appraiser's value conclusion falls well below the lower end of a normal range of market value based on the data presented and reviewed. Nothing in the appraisal report reasonably suggests the value should be 23.3% lower than the lowest price per unit, 54.4% lower than the lowest price per square foot of land area, or 40.5% lower than the lowest price per FAR foot measure… The reviewer does not concur with the value conclusions contained in the report."

As an aside… this brings up a significant point for your process. If you are now using this process to attempt to reconcile the difference in values between the two reports, you will need to obtain a corrected appraisal report from Mr. Owyang. My review outlines actual errors in the City's appraisal that may have a significant impact on value. See pages 7 and 8 of my appraisal review for the issues that should be addressed. I will also note that the City's comments on my report address only differences of opinion.

At the top of page 2 the appraiser questions adjustments for development entitlements. Substantial adjustments were indicated, but "…not sufficiently…" according to the appraiser. No opinion as to sufficient adjustments were offered. Entitlements are difficult to value. They often vary widely from person to person when asked to place a value. This is part of the comparable data verification process for land. They also vary over time as market conditions change. It is difficult to find comparable data to extract an adjustment (with or without entitlements) as land parcels and prices often vary widely as evidenced by the City's comments. Throwing shade on the adjustments without providing an opinion is not productive to the discussion.

Next the appraiser questions what is best described as location adjustments. No opinion is offered, but Mr. Owyang uses median home prices as a basis for comparison. The problem, however, is median homes are not being appraised.

Let's look at median home prices, median condo prices and median condo prices per square foot from July 2022 according to SAMCAR (San Mateo County Association of Realtors). Broad market rental data for each city is not readily available – *CoStar* lumps South San Francisco in with San Bruno and Millbrae and San Mateo, Belmont and San Carlos are also lumped together.

July 22 - Price Comparison - SAMCAR Data

Median Prices	SFR	Diff.	Condo	Diff.	/Sq. Ft.	Diff.
So. San Francisco	$1,310,000	N/A	$825,000	N/A	$770	N/A
San Carlos	$2,350,000	79.4%	$950,000	15.2%	$851	10.5%
Burlingame	$3,440,000	162.6%	$1,111,000	34.7%	$904	17.4%

It is obvious median home prices are much higher in San Carlos and Burlingame. Homes are also typically much larger in those communities. When you focus on multi-family housing (what's being analyzed), the per unit prices and per square foot prices reflect a much different range – roughly 10% to 35%. The adjustments applied in my appraisal (25% to 30%) fit into this range. Comparing median home prices to apartment or condo prices is not productive to this discussion. Also keep in mind that median prices can vary widely from month-to-month as these are relatively small markets and a limited number of sales in any one month can skew prices dramatically.

Please note also that the adjustments used in my appraisal are fairly consistent with the location adjustments applied in the City's appraisal (see page 65 of the KM appraisal report - attached). Calling into question my location adjustments requires explanation for Mr. Owyang's adjustments, as well.

Page 2 paragraph 2 – Comparable 3 and comparables 1 and 2 are deemed by City to have a much different highest and best use. They all, however, are multi-family. Differences in final product (townhouse, condo, apartment) are not based on zoning in this instance, but individual choices by developers. The city appraiser's application of only price per unit as a unit of comparison would be significantly influenced by these differences, which is why application of price per square foot and price per FAR foot are important in this instance. In a nearly fully developed market like we have on the northern peninsula, it is highly unlikely that you would find enough comparable with the exact same highest and best use for comparison.

It should also be noted that Mr. Owyang calls out the highest and best use of the subject as "rental housing" in his letter while his valuation (and mine) is based on a mixed-use development.

Properties 4 and 5 are listings. These properties have been on and off the market over time and at different prices and with different agents. Listings are less reliable as comparables, no question, but they can be used within reason in markets with limited closed sales data. In the early 1990s when markets were in a steep decline and there were few market sales listings were used regularly. In a land market with few sales, listings, within reason can be very useful if weighted appropriately. Furthermore, discussions with agents in the market help to set adjustments to the asking price. Current, active listings with offers in place are also more reliable than closed sales from years prior to the pandemic which reflect much different market conditions.

Property 6 – Sale used by both parties. Mr. Owyang indicated 445 units for development while South San Francisco Planning Department data shows proposed project of 558 units. This points out the difficulty of appraising larger, complex land sites. They paid $33.5M for a site but now its 558 units instead of 445 units. The price per unit changed! If the City appraiser had analyzed price per square foot of land area and price per FAR foot as well perhaps a different original appraisal value would have been concluded.

Page 2, paragraph 5. Again, Mr. Owyang offers a review opinion that I, "…selected the incorrect comparables…" without offering any opinion about what those comparables are besides the sales the appraiser relied upon even though there is more timely and relevant data available. We both used one sale at 7 South Linden from South San Francisco. Mr. Owyang used a sale from Burlingame even though my use of a sale from Burlingame was called into question. He also used a sale from South San Francisco from 2017 – four years earlier – calling it significantly superior even though land prices increased substantially from 2017 to 2021 and being smack up against Highway 101 is certainly problematic for many potential tenants. Additionally, living between Highway 101 and Airport Boulevard requires a tenant to cross a very busy, six-lane arterial to get anywhere besides the property. A dauting task as the retail and service properties that previously occupied the site saw little foot traffic. Also, it is not clear if the freeway-facing general advertising billboard is on the site. Such properties can generate hundreds of thousands of dollars in revenues per year and no adjustment was indicated if it was necessary.

Page 2, paragraph 6. The concluded highest and best use from both appraisers was for a mixed-use development. The lack of a quantitative highest and best use analysis in the City appraisal reflects a significant weakness. Focus strictly on apartment use in the comments also fails to reflect the retail component.

What exactly is the difference between properties developed as multi-family condominiums and multi-family apartments? Many properties are developed with condo maps in place and then used as apartments. A perfect nearby example is 840 Linden Avenue in South San Francisco – it was built recently as a condo project with a map in place but has been used as a rental property. See also Comparable Sale 1 (residual analysis) of Mr. Owyang which is condo mapped but sold as an apartment property. I have seen many other examples over the years. The difference is also that condo-mapped properties take much longer to get through the development process and are built to higher construction standards making them more expensive than apartments. In the long run, the highest and best use, when measured in a quantitative fashion, may or may not be significantly different between condos and apartments.

Page 2, paragraph 7. The land extraction analysis applied in my report also supports the conclusions developed in the comparison analysis. The sales I used for extraction analysis were local while Mr. Owyang relied on larger and distant properties. If the City appraisal had used local sales for the extraction analysis it would have more credibility. Further, the use of an extraction sale by Mr. Owyang from as far away as Redwood City totally undercuts the City's complaints about using a sale from San Carlos in my appraisal.

Page 2, last paragraph. While there is a difference of opinion about the soils-remediation issue, it is my opinion that the matter is not really an appraisal issue, but more a matter between the parties.

Mike Futrell – City Comments

I will be brief in replying to Mr. Futrell's comments as some of the issues are addressed above.

1. Mr. Futrell indicates all the sales data I used in my appraisal is "…wholly inappropriate." The City's appraisal relies on a comparable that is also used in my dataset. Mr. Futrell therefore indicates Mr. Owyang used wholly inappropriate data, as well.

1a. Use of listings is common in appraisal, especially when data is limited. They are not used as comparable sales in eminent domain matters, but this is not an eminent domain matter.

1b. Mr. Futrell has a serious problem with comparable sales from other markets, even markets where the Mr. Owyang used data (Burlingame) thereby invalidating the conclusion of the city's appraisal. Mr. Futrell calling the subject neighborhood a "…low income census tract location…" has me wondering. How do the residents in this neighborhood buy million-dollar condos or million-dollar homes or pay more than $3,000 a month for one-bedroom apartments on Airport or Cypress? Those rental prices are actually similar to rental prices for comparable units in Burlingame, San Carlos and Redwood City.

1c. Mr. Futrell states a comparable used by both appraisers at 7 South Linden is, "…in no way comparable." Again, invalidating the conclusion of the City's appraiser.

1d. Mr. Futrell states my value is, "… ridiculously high… either by design or incompetence." No comment on this statement is offered at this time except to compare the indicated values and the price range of the comparable sales.

City's Comparable Land Sales Price Range

Address	Price	Size/SF	Res/DU	DU/Ac.	FAR	Pr./SF	Pr./DU	Pr./FAR Ft.
7 South Linden	$33,500,000	184,107	445	105	400,500	$182	$75,281	$84
1095 Rollins	$18,750,000	46,827	150	140	142,500	$400	$125,000	$132
150-214 Airport	$17,108,000	74,217	157	92	141,300	$231	$108,968	$121
616-700 Linden	$2,310,000	28,000	40	62	46,500	$83	$57,750	$50

The reader should note that the City's appraised value falls well below the indicated price ranges set for price per square foot, price per DU and per FAR foot.

Napoliello's Comparable Land Sales Price Range

Address	Price	Size/SF	Res/DU	DU/Ac.	FAR	Pr./SF	Pr./DU	Pr./FAR Ft.
552-560 El Camino	$6,700,000	18,850	26	60	34,546	$355	$257,692	$194
1433 Floribunda	$3,150,000	9,212	8	38	17,250	$342	$393,750	$183
141 3rd Avenue	$2,700,000	28,750	15	23	30,000	$94	$180,000	$90
840 El Camino	$6,000,000	20,140	28	61	50,350	$298	$214,286	$119
160 El Camino	$1,999,000	9,811	9	40	19,622	$204	$222,111	$102
7 South Linden	$33,500,000	183,823	558	132	552,420	$182	$60,036	$61
616-700 Linden	$4,900,000	28,000	40	62	63,000	$175	$122,500	$78

The reader should note that my appraised value falls within, but at the lower end of the indicated range of prices. The City would argue that I picked the wrong comparables, but only my sales data brackets the subject in various characteristics. The City only uses data it claims to be superior.

I leave it for the reader to conclude whether a value well below the price range (City) or within the lower end of the price range (Napoliello) is "… ridiculously high… either by design or incompetence."

Please note, as well, that if the two listings are removed from the data set my value conclusion is still within the lower end of the range of prices.

2. Mr. Futrell states that each lot must be valued alone. That the two properties will require two of everything. Well, that is factually correct. But, again, Mr. Futrell totally undercuts the City's own appraisal which has essentially the same highest and best use conclusion as mine. While there are two lots, the most likely buyer would be a developer acquiring both at the same time. Why? Building both lots would give the developer economy of scale (lower costs for a larger total project, not much different than two buildings on a large lot, essentially one architectural/engineering design as both lots have identical physical characteristics). The theory of condominiumization (selling larger properties off into smaller units) further suggests that selling each lot individually might actually produce a higher return. In this market, however, with larger developers more active than smaller, the sale of both parcels to one buyer would be more likely.

Regarding affordable developers… in my 32-years of doing appraisal work for various affordable developers on projects from San Diego County to Orange County to LA, Sacramento and most of the nine Bay Area counties, affordable developers typically work through the California Tax Credit Allocation Committee. They would probably tell you that they seek the highest value for land because it gives them a competitive advantage in the financing process. Yes, many times land is acquired for a near zero price, typically when ground leased, but there is considerable financing involved – freqently 100% or more of appraised value. Additionally, the city benefits from the availability of affordable housing. Have I seen affordable developers pay high prices… yes. Does the affordable buyer change the market value of the underlying land? No.

The city's appraisal used $500,000 per unit as a finished value price which does not really jive with prices in a neighborhood where there are plans to develop around 1,900 housing units, a hotel and hundreds of thousands of square feet of commercial space. The two Linden parcels would have good appeal. They are located in a neighborhood with homes that sell for well over $1M. Condo units in the neighborhood sell for around $1M (Linden and Baden). An entire 260-unit apartment property a few blocks away at 444 Cypress just sold in May 2022 for over $792,000 per unit.

Also, what about the property the city acquired last November?

71-75 Camaritas Avenue, South San Francisco - Sold November 2021

Price	Lot Area	Pr./Sq. Ft.	FA	Pr./FAR Ft.	DU	Pr./Unit
$5,500,000	32,234	$171	64,468	$85	44	$123,875

Larger, irregular lot with transitional setting. Was on the market with plans for a hotel development. Acquired by City of SSF for construction of a new fire station. Open market sale. No condemnation action.

It should be part of the discussion between the parties. I prefer not to use government-agency land acquisitions as a comparable unless there is very limited data, but it certainly does reflect what the city thinks of land values. The City's appraisal concludes a value of $57,570 per unit or $83 per square foot for the Linden parcels while the city paid $171 per square foot or $123,875 per unit for an irregular, flag-shaped, sloping parcel of land with an old building that has to be torn down at the edge of development in the Buri Buri neighborhood where home and rental prices are similar to but just slightly higher than in the old downtown. Zoning and highest and best use between the sites is also fairly similar but new and planned development in the old downtown far exceeds anything planned for Buri Buri.

One final point about land sales in South San Francisco. If you want to get a benchmark figure for land value, ask what low-intensity industrial land sells for in the older West of 101 industrial neighborhood along South Linden. If you'd like I can point to several sales at between $100 and $150 per square foot of land area. How does the City justify $83 for relatively high-density, mixed retail and residential land when lower-density industrial land sells for so much more? (What does low-intensity mean? Typically an allowable FAR of 0.6 or maximum building is 60% of lot area for industrial (MI) while the subject's zoning allows for a maximum building of 300% of lot area – probable use is slightly lower however.)

While this reply rambles at bit, I hope it answers the questions at hand. I will be happy to address any other reasonable questions or comments.

Respectfully submitted,

Joseph I. Napoliello, MAI
Certified General Real Estate Appraiser
CA #AG003794

Extracted Adjustment Grid from
KM Appraisal Report

Market Comparables Analysis

The comparable sales have been analyzed and adjusted for their differentials in the *Elements of Comparison* on the table below. I have not determined definitive adjustment rates or amounts predicated purely on empirical market data. As a result, the indicated adjustments are based solely on my judgment and reflect the expected value differentials between the subject and comparable properties.

Elements of Comparison

The properties are adjusted to the subject for the following *Elements of Comparison.*

Market Comparables Adjustment Grid

(Note: All adjustments have been performed individually, in order, and are rounded to the nearest $1,000 increment.)

Address/ Element of Comparison	Comparable 1 25 McAker Court San Mateo, CA		Comparable 2 2665 Geneva Avenue Daly City, CA		Comparable 3 855 Veterans Blvd. Redwood City, CA		Comparable 4 406 San Mateo Avenue San Bruno, CA		Comparable 5 1500 Laurel Street San Carlos, CA	
Price/Unit ($1,000s)		$895		$405		$817		$726		$540
Description	**Description**	**±Adj.**	**Description**	**±Adj.**	**Description**	**±Adj.**	**Description**	**±Adj.**	**Description**	**±Adj.**
Property Rights	Leased Fee	0	Leased Fee	0	Leased Fee	0	Leased Fee	0	Leased Fee	0
Financing Terms	Conventional	0	Conventional	0	Conventional	0	Conventional	0	Conventional	0
Conditions of Sale	Condominium	-179	Typical	0	Typical	0	Typical	0	Typical	0
Market Conditions	November 2021	0	June 2021	0	November 2020	0	December 2019	0	September 2019	0
Location	Superior (-10%)	-67	Inferior (+20%)	+81	Superior (-20%)	-163	Superior (-10%)	-73	Superior (-10%)	-54
Quality & Condition	Superior (-10%)	-65	Equivalent	0	Superior (-10%)	-65	Superior (-10%)	-65	Equivalent	0
Bedrooms Per Unit	2.0 Per Unit	0	1.4 Per Unit	0	1.6 Per Unit	0	1.6 Per Unit	0	1.2 Per Unit	0
Net/Gross Adj.	-35% 35%	-311	+20% 20%	+81	-28% 28%	-228	-16% 16%	-138	-10% 10%	-54
Adjusted Price		**$584**		**$486**		**$589**		**$588**		**$486**

Further Comments on Differences in Adjustments

At the top of page 2 in his comments of August 24, Mr. Owyang indicates adjustments of 23.5% to 25% are insufficient to reflect the entitlements for development in two sales I used, yet on his adjustment grid above he applied an adjustment of only 20% for condominium entitlements to his Sale 1. That is inconsistent reasoning.

Mr. Owyang's adjustments for location range from 10% to 20%. My adjustments range from 5% to 30%. His adjustment for a San Carlos property (Sale 5) is 10%, yet he states my adjustment of 25% is insufficient to reflect the difference in the two markets. My adjustment is 2.5 times his location adjustment. The problem for my Owyang is if he applied the 25% adjustment to his Sale 5 it would clearly create a very low adjusted price in the grid that would be difficult to explain.

required for changes in *Market Conditions.*

Location

With the exception of Comparable 2, the properties are superior *Locations* to varying degrees. On the other hand, comparable 2 is an inferior *Location.*