

December 9, 2025

Mayor Eddie Flores
And Members of the City Council
City of South San Francisco
400 Grand Avenue
South San Francisco, CA 94080

Dear Mayor Flores, Vice Mayor Addiego and Council Members Coleman, Nagalas and Nicolas:

On behalf of the entire team at Essex Property Trust, Inc. (Essex), headquartered in the City of San Mateo, we thank you in advance for your consideration of our request to amend the Affordable Housing Agreement (AHA) for Essex's 7 South Linden residential development (Project) in South San Francisco, CA (City). We acknowledge the significance and complexity of our request at this stage in the process and we are grateful for your consideration.

As you know, 7 South Linden is already under construction, and we are excited with each new milestone we achieve. We intend to complete the project and create new homes for South City residents as quickly as possible.

ESSEX IN SOUTH SAN FRANCISCO

Our total anticipated investment in the Project is \$311M. Essex is also a capital partner in Trammell Crow's Alexan Icon project at 1587 and 1588 Airport Blvd with a \$42.6M investment, which has allowed that project to move into its construction phase. As you can see, these capital investments are facilitating the construction of 1,023 new residential units across these two key projects, making Essex instrumental in the delivery of two of the three largest residential projects currently underway in the City.

PROJECT BACKGROUND

Essex purchased the 7 South Linden Avenue property in 2021. The decision to make this investment in the City was due in large part to the process already underway through the Shape SSF General Plan update and the vision we witnessed unfolding for the future of the Lindenville neighborhood through the Lindenville Specific Plan process. The City had also already established itself as a community with an unmatched commitment to housing.

PROJECT SUMMARY

Despite the impacts and uncertainties of the COVID 19 pandemic, we moved the Project's application through the entitlement process and on March 16, 2023, the Planning Commission approved our Project with the following major elements, impact fees, and benefits.

CATEGORY	DESCRIPTION																						
Transit-Oriented Residential Units: 543 <ul style="list-style-type: none"> • 62 – studios • 252 – 1 bedroom • 229 – 2 bedrooms <p><i>543 units toward the City's total RHNA allocation of 3,956 units (13% of the City's total ten-year RHNA allocation)</i></p>	<ul style="list-style-type: none"> • Located on an underutilized industrial site in Lindenville • Near Downtown • Walking distance to Caltrain and SamTrans 																						
Affordability: 15% of total units <ul style="list-style-type: none"> • 82 total Rent-Restricted Affordable Units • Deed-restricted for 55-years • Unit bedroom types spread proportionally across project 	<ul style="list-style-type: none"> • 10% = 55 housing units affordable to “Low” income households (80% AMI) • 5% = 27 housing units affordable to “Very Low” income households (50% AMI) 																						
Family-Friendly Housing Options	42% of total units planned as 2-bedroom																						
Alignment with City Planning Goals	<ul style="list-style-type: none"> • Consistent with Shape SSF 2040 General Plan & Lindenville Specific Plan • Consistent with Housing Element goals • Fulfills the guiding principles of the DSASP 																						
Alignment with City Sustainability Goals	<ul style="list-style-type: none"> • 100% electric building • EV charging • Planning for Sea Level Rise • Low parking ratio of 1.04 • 136 long term bike parking spaces • 18 short term bike parking spaces 																						
Development Impact Fees over \$19,000,000 (already paid in full)	<table> <tr> <td>Parks</td><td>\$9,631,505.00</td></tr> <tr> <td>Transportation</td><td>\$2,529,587.00</td></tr> <tr> <td>Sewer Capacity</td><td>\$1,956,772.00</td></tr> <tr> <td>Schools</td><td>\$1,692,958.00</td></tr> <tr> <td>Child Care</td><td>\$1,686,264.00</td></tr> <tr> <td>Mandatory commercial fees</td><td>\$845,623.00</td></tr> <tr> <td>Public Safety (Fire)</td><td>\$384,514.00</td></tr> <tr> <td>Library</td><td>\$335,193.00</td></tr> <tr> <td>Public Safety (Police)</td><td>\$290,070.00</td></tr> <tr> <td>Fractional Unit affordable housing fee</td><td>\$212,420.00</td></tr> <tr> <td>TOTAL</td><td>\$19,564,906.00</td></tr> </table>	Parks	\$9,631,505.00	Transportation	\$2,529,587.00	Sewer Capacity	\$1,956,772.00	Schools	\$1,692,958.00	Child Care	\$1,686,264.00	Mandatory commercial fees	\$845,623.00	Public Safety (Fire)	\$384,514.00	Library	\$335,193.00	Public Safety (Police)	\$290,070.00	Fractional Unit affordable housing fee	\$212,420.00	TOTAL	\$19,564,906.00
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DEVELOPMENT PERIOD OF 2020 TO 2025

Due to the uncertainties of the pandemic, return-to-office challenges, escalation trends, and negative market conditions, Essex did not start construction on any new residential projects across its entire portfolio between 2020 and 2025.

After almost five years, we decided to move forward on a single project in late 2024. Of all the potential projects that Essex could have moved forward across the West Coast, we chose 7 South Linden because of its importance and our confidence in the City of South San Francisco. We made this decision despite continued and even worsening market conditions on top of political uncertainties at the federal level.

IMPORTANCE OF A CAPITAL PARTNER

We typically start construction projects with a capital partner secured, similar to when a person or family purchases a home with a mortgage lender already approved. However, we were unable to attract a capital partner in 2024, so we made the choice to start construction on our balance sheet in the hopes that market conditions would improve and we could attract third party capital after construction was underway. Securing capital partner investment is critically important because it allows Essex to re-deploy invested funds to purchase new land or help finance other developers' residential projects, such as with Trammell Crow's project in the South City.

7 SOUTH LINDEN AFFORDABLE HOUSING AGREEMENT

Dating back to 2021, during the Project's due diligence phase, Essex's understanding was the rents for the 54 Low Income units would be calculated at 80% of AMI. While the Project was approved to allow the 54 Low Income Units at 80% AMI for household income (i.e. 80% AMI to qualify residents for these BMR units), state law only allows rental property owners to set the rents at 30% times 60% of AMI (or 30% times 60-80% of AMI if a local agency is supportive and monthly rent does not exceed 30% of an individual household's gross income). (CA Health & Safety Code section 50053(b)(3).)

In our conversations with the City, we understand there is a desperate need for VLI units and we would like to help address that problem while also increasing the probability of Essex sourcing a capital partner to further the Company's capacity to invest in much needed housing in the City of South San Francisco and surrounding neighborhoods.

Below are two options that we have been evaluating with Planning Department staff. Due to the need for VLI homes, we would like to advance Option 2, however we have included Option 1 for consideration as well.

AMENDED AHA - Option 1: Maintain 15% of Total Units as Affordable			
543 total units	100%	AMI: Income	AMI: Rents
27 converts to MOD AMI	5%	120% AMI	110% AMI
27 remain LI (higher rent)	5%	80% AMI	70% AMI
27 original VLI	5%	50% AMI	50% AMI
Annual Lost Revenue %			-7.61%

AMENDED AHA - Option 2: Double VLI = 10% of Total Units as Affordable			
543 total units	100%	AMI: Income	AMI: Rents
27 converts to market rate	5%	Market	Market
27 converts to VLI	5%	50% AMI	50% AMI
27 original VLI	5%	50% AMI	50% AMI
Annual Lost Revenue %			-8.33%

Either option still results in Essex absorbing an annual loss in BMR rental income of between 7% and 8% but both options will increase the probability of securing a capital partner.

Despite resulting in a higher annual loss, Essex believes that Option 2 is the most impactful option for consideration because it will result in doubling the number of Very Low-Income units provided to the community:

- Doubling the number of Very Low Income homes from 5% to 10%
- Deeper affordability = more impact for qualifying residents
- 23 of the 54 units will be family-sized at 2-bedrooms
- Residents and families who qualify for Very Low Income units stay long-term
- Very Low Income units are almost always 100% occupied
- Moderate and Low Income units have higher vacancy rates

PUBLIC POLICY IMPLICATIONS

Essex understands the comments in the staff report related to precedent setting implications of a City Council approval of our request, or an approval leading to more developer requests in the future. Under normal economic conditions or anticipated economic cycles, we would agree. But these are not normal times by any standards, and the impacts of interest rates, ever-changing tariffs, and other federal policies have led the City of South San Francisco to evaluate case-by-case requests from other developers without agreeing to sweeping or permanent changes to established policies.

One recent decision was the August 27, 2025, approval to extend IQHQ's approved entitlements to construct a new Office/R&D Campus at 800 Dubuque Avenue in the East of 101 Transit Core (ETC) Zoning District for a period of ten (10) years based on the unique circumstances of that partially completed commercial project.

From a procedural standpoint, Essex would propose that the City Council approve an amendment to the AHA as a waiver of requirements pursuant to Section 20.380.008 of the City of South San Francisco Municipal Code, which allows applicants to apply for a "waiver, adjustment or reduction" of the City's inclusionary requirements with supporting evidence for the request. Because Section 20.380.008 specifies that the "City" may approve or disapprove an application for waiver in its sole discretion, Essex believes that the City has the authority to consider Essex's request without setting a precedent or expectation.

CONCLUSION

We are seeking your partnership to modify the AHA, so we can simultaneously double the amount of VLI housing to the City while also increasing the likelihood of attracting a capital partner. We are not asking you to set a precedent or change the overall approach to the City's

affordable housing policies or goals. We hope you can appreciate that Essex believes in South San Francisco by investing in two of the three largest residential projects to break ground since the pandemic and that you will take a chance on us by granting our request.

Thank you in advance for your consideration. Please do not hesitate to reach out with any questions or feedback in advance of the December 10, 2025, City Council meeting. I can be reached at (310) 508-0870 or lkrause@essex.com.

Sincerely,

A handwritten signature in dark ink, appearing to read 'Lauren Krause', with a stylized, flowing script.

Lauren Krause
Vice President, Development

Essex Property Trust, Inc.

Cc: Sharon Ranals, City Manager
Nell Selander, Community Development Director