

WATTS, COHN and PARTNERS, INC.

COMMERCIAL REAL ESTATE APPRAISAL

**APPRAISAL OF:
PUC SITES B AND C
SOUTH SAN FRANCISCO, CALIFORNIA**

**PREPARED FOR:
CITY OF SOUTH SAN FRANCISCO
SOUTH SAN FRANCISCO, CALIFORNIA**

NOVEMBER 2019

19-WCP-093

WATTS, COHN and PARTNERS, INC.

COMMERCIAL REAL ESTATE APPRAISAL

November 6, 2019

Mr. Mike Lappen
Economic Development Coordinator
City of South San Francisco
Community and Economic Development Department
400 Grand Avenue
South San Francisco, California 94080

Re: 19-WCP-093, Appraisal
PUC Sites B and C
1051 Mission Road and Antionette
Lane
South San Francisco, California

Dear Mr. Lappen:

At your request and authorization, Watts, Cohn and Partners, Inc. has made an appraisal of the above referenced property. The subject properties appraised are the “**PUC Site**” parcels located at the west end of Antionette Lane and at 1051 Mission Road in the City of South San Francisco. The first subject property is located along the west side of Mission Road and is identified as “**PUC Site C**”. It contains a total of 4.91 gross acres (213,703 square feet) of which 21,821 square feet are located within the Colma Creek. The useable site area is therefore 4.41 acres or 191,882 square feet.

The second subject parcel, “**PUC Site B**”, is located off of Antionette Lane, to the north of Chestnut Avenue. It contains 1.70 acres, or 73,985 square feet and is currently part of a larger parcel. The combined total gross site area of both subject parcels is 6.61 acres and the useable site area is approximately 6.10 acres, or 265,867 square feet. The subject sites are transit oriented, currently vacant and are bisected by Colma Creek. The sites are located within one-half mile south of the South San Francisco BART Station.

The subject properties are currently proposed to be developed with a high density residential project with a smaller retail component. The proposed project will include three separate buildings upon completion. The project is proposed to have 800 residential units, including 158 units (BMR) which will be affordable to low-income households (20% of the total units) 642 market rate residential units, 12,992 square feet of commercial space and 8,307 square feet of daycare space.

Upon being subdivided, PUC Site C will contain “**Parcels 1 and 2**”. Parcel 1 is proposed to be built for affordable housing and the land will be given to BRIDGE housing for development of 158 BMR units. Parcel 2 is proposed to be developed with “**Building C**” which will have 408

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Mark Watts | mark@wattscohn.com | Sara Cohn, MAI | sara@wattscohn.com

market rate apartment units and the daycare facility. PUC Site B will also be subdivided from a larger parcel and will become “**Parcel 3**”. This site is proposed to be developed with “**Building B**” which will contain 234 residential units and commercial space. The improvements are proposed to be seven to eight stories in height. Parking is proposed in each building with a total 879 on-site parking spaces.

The subject properties are further identified by the San Mateo County Assessor’s office as PUC Site B/Parcel 3: APNs 093-312-050 (portion of) and PUC Site C/Parcels 1 & 2: 093-312-060.

The purpose of this appraisal is to estimate the as-is market value of the fee simple interest in each of the separate subject properties. It is our understanding that the intended use/user of the appraisal is for the exclusive use of the City of South San Francisco. The intended use (function) for which this appraisal was contracted is to establish the market value as part of the possible disposition of the property. ***This report should not be used or relied upon by any other parties for any reason.***

A more complete description of the subject property appraised, as well as the research and analyses leading to our opinion of value, is contained in the attached summary narrative report. Chapter I provides a basic summary of salient facts and conditions upon which this appraisal is based and reviews the value conclusion.

EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS

1. No title report has been provided for review. It is assumed that no adverse easements or encumbrances exist other than those discussed in this report, that would have a negative impact on title, site utility, or marketability.
2. Per the client’s instructions, the appraisal considers all known or estimated extraordinary costs related to the Oak Avenue extension, on-site and off-site public and private improvements required to be constructed by the Developer under terms of the reviewed preliminary Development Agreement and the Project plans. Extraordinary Costs are those not being typical of the land market and not incurred by the comparable land sales. It is assumed that the costs provided to the appraiser are accurate. If the actual costs are different from the costs provided the market value of the subject could change.
3. The subject properties are in the process of obtaining entitlements for an 800 unit mixed-use residential project, with 158 affordable units. The market value of the subject properties assumes the project as described in this appraisal is approved and is a legally allowable use.

VALUE CONCLUSIONS

Combined PUC Sites B and C

Based on the research and analyses contained in this report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the as-is market value of the fee simple interest in the combined two subject properties, under the proposed terms, as of October 11, 2019, is estimated to be:

Watts, Cohn and Partners, Inc.

ELEVEN MILLION DOLLARS**(\$11,000,000)*****Individual Market Values for PUC Site B and C******PUC Site B***

Based on the research and analyses contained in this report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the as-is market value of the fee simple interest in the subject property identified as ***PUC Site B***, under the proposed terms, as of October 11, 2019, is estimated to be:

THREE MILLION SIXTY THOUSAND DOLLARS**(\$3,060,000)*****PUC Site C***

Based on the research and analyses contained in this report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the as-is market value of the fee simple interest in the subject property identified as ***PUC Site C***, under the proposed terms, as of October 11, 2019, is estimated to be:

SEVEN MILLION NINE HUNDRED FORTY THOUSAND DOLLARS**(\$7,940,000)**

This letter must remain attached to the appraisal report, identified on the footer of each page as 19-WCP-093, plus related exhibits, in order for the value opinion set forth to be considered valid.

CERTIFICATION

We, the undersigned, hereby certify that, to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions; we have no present or prospective interest in the property that is the subject of this report, and we have no personal interest with respect to the parties involved; we have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment; our engagement in this assignment was not contingent upon developing or reporting predetermined results, our compensation is not contingent upon the 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;

Watts, Cohn and Partners, Inc.

the appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan; our analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice, Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute, and is in compliance with FIRREA; we have made a personal inspection of the property that is the subject of this report; no one provided significant real property appraisal assistance to the persons signing this report. The use of this report is subject to the requirements of the Appraisal Institute related to review by its duly authorized representatives. In accordance with the Competency Rule in the USPAP, we certify that our education, experience and knowledge are sufficient to appraise the type of property being valued in this report. We have not provided services regarding the property that is the subject of this report in the 36 months prior to accepting this assignment.

We are pleased to have had this opportunity to be of service. Please contact us if there are any questions regarding this appraisal.

Sincerely,

WATTS, COHN AND PARTNERS, INC.



Sara A. Cohn, MAI
Certified General Real Estate Appraiser
State of California No AG014469



Mark Watts
Certified General Real Estate Appraiser
State of California No. AG015362

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State of California License**

I. REPORT SUMMARY

A. Property Appraised

The subject properties appraised are the “**PUC Site**” parcels located at the west end of Antionette Lane and at 1051 Mission Road in the City of South San Francisco. The first subject property is located along the west side of Mission Road and is identified as “**PUC Site C**”. It contains a total of 4.91 gross acres (213,703 square feet) of which 21,821 square feet are located within the Colma Creek. The useable site area is therefore 4.41 acres or 191,882 square feet.

The second subject parcel, “**PUC Site B**”, is located off of Antionette Lane, to the north of Chestnut Avenue. It contains 1.70 acres, or 73,985 square feet and is currently part of a larger parcel. The combined total gross site area of both subject parcels is 6.61 acres and the useable site area is approximately 6.10 acres, or 265,867 square feet. The subject sites are transit oriented, currently vacant and are bisected by Colma Creek. The sites are located within one-half mile south of the South San Francisco BART Station.

The subject properties are currently proposed to be developed with a high density residential project with a smaller retail component. The proposed project will include three separate buildings upon completion. The project is proposed to have 800 residential units, including 158 units (BMR) which will be affordable to low-income households (approximately 20% of the total units) 642 market rate residential units, 12,992 square feet of commercial space and 8,307 square feet of daycare space.

Upon being subdivided, PUC Site C will contain “**Parcels 1 and 2**”. Parcel 1 is proposed to be built for affordable housing and the land will be given to BRIDGE housing for development of 158 BMR units. Parcel 2 is proposed to be developed with “**Building C**” which will have 408 market rate apartment units and the daycare facility. PUC Site B will also be subdivided from a larger parcel and will become “**Parcel 3**”. This site is proposed to be developed with “**Building B**” which will contain 234 residential units and commercial space. The improvements are proposed to be seven to eight stories in height. Parking is proposed in each building with a total 879 on-site parking spaces.

The subject properties are further identified by the San Mateo County Assessor’s office as PUC Site B/Parcel 3: APNs 093-312-050 (portion of) and PUC Site C/Parcels 1 & 2: 093-312-060.

This appraisal addresses the fee simple interest in the subject property.

B. Subject Property Identifications**PUC Site B/Parcel 3**

APN:	093-312-050 (portion of)
Zoning:	ECR/C-MXH: El Camino Real/Chestnut Mixed-Use High Density
Zip Code:	94080
Flood Zone:	Flood Zone X
Earthquake:	No

PUC Site C/Parcels 1 and 2

APN:	093-312-060
Zoning:	ECR/C-RH: El Camino Real/Chestnut High Density Residential
Zip Code:	94080
Flood Zone:	(partially located within) Flood Zone A
Earthquake:	No

C. Client, Purpose, Intended Use and Intended User

The client for this appraisal is Mr. Mike Lappen, Economic Development Coordinator with the City of South San Francisco Community and Economic Development Department. The purpose of this appraisal is to estimate the as-is market value of the fee simple interest in each of the separate subject properties. It is our understanding that the intended use/user of the appraisal is for the exclusive use of the City of South San Francisco. The intended use (function) for which this appraisal was contracted is to establish the market value as part of the possible disposition of the property. ***This report should not be used or relied upon by any other parties for any reason.***

D. Reporting Format

This Appraisal Report is presented in a narrative format. This report is intended to be an Appraisal Report prepared in conformance with USPAP Standard 2-2(a).

E. Scope of Work

The scope of work for this appraisal assignment report is to utilize the appropriate approaches to value in accordance with Uniform Standards of Professional Appraisal Practice (USPAP) to arrive at a market value conclusion. Specific steps include the inspection of the subject properties and the research, analysis and verification of comparable data to arrive at a value indication as put forth in this report. The Sales Comparison Approach is considered to be the best indicator for

the subject property. The Income and Cost Approaches are not considered relevant and are not included.

F. Date of Appraisal and Date of Report

The effective date of valuation is October 11, 2019.

The date of this report is November 6, 2019.

G. Definition of Terms

1. Market Value (OCC 12 CFR 34.42 (g)) (OTS 12 CFR, Part 564.2 (g))

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

- a. Buyer and seller are typically motivated;
- b. Both parties are well informed or well advised, and acting in what they consider their own best interests;
- c. A reasonable time is allowed for exposure in the open market;
- d. Payment is made in terms of cash in US dollars or in terms of financial arrangements comparable thereto; and
- e. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

2. Fee Simple Interest (The Appraisal of Real Estate, 13th Edition, 2008)

A fee simple interest in valuations terms is defined as “...absolute ownership unencumbered by other interest or estate, subject only to the limitations imposed by governmental powers of taxation, eminent domain, police power, and escheat.”

H. Market Value Conclusions***Combined PUC Sites B and C***

Based on the research and analyses contained in this report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the as-is market value of the fee simple interest in the combined two subject properties, under the proposed terms, as of October 11, 2019, is estimated to be:

ELEVEN MILLION DOLLARS

(\$11,000,000)

Individual Market Values for PUC Site B and C***PUC Site B***

Based on the research and analyses contained in this report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the as-is market value of the fee simple interest in the subject property identified as ***PUC Site B***, under the proposed terms, as of October 11, 2019, is estimated to be:

THREE MILLION SIXTY THOUSAND DOLLARS

(\$3,060,000)

PUC Site C

Based on the research and analyses contained in this report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the as-is market value of the fee simple interest in the subject property identified as ***PUC Site C***, under the proposed terms, as of October 11, 2019, is estimated to be:

SEVEN MILLION NINE HUNDRED FORTY THOUSAND DOLLARS

(\$7,940,000)

It is our opinion that the above value could be achieved within a 12-month exposure period.

I. Assumptions and Limiting Conditions

Extraordinary Assumptions and Hypothetical Conditions

1. No title report has been provided for review. It is assumed that no adverse easements or encumbrances exist other than those discussed in this report, that would have a negative impact on title, site utility, or marketability.
2. Per the client's instructions, the appraisal considers all known or estimated extraordinary costs related to the Oak Avenue extension, on-site and off-site public and private improvements required to be constructed by the Developer under terms of the reviewed Preliminary Development Agreement and the Project plans. Extraordinary Costs are those not being typical of the land market and not incurred by the comparable land sales. It is assumed that the costs provided to the appraiser are accurate. If the actual costs are different from the costs provided the market value of the subject could change.
3. The subject properties are in the process of obtaining entitlements for an 800 unit mixed-use residential project, with 158 affordable units. The market value of the subject properties assumes the project as described in this appraisal is approved and is a legally allowable use.
4. The use of any hypothetical conditions or extraordinary assumptions in this report might have affected the assignment results.

General Limiting Conditions

5. It is the client's responsibility to read this report and to inform the appraiser of any errors or omissions of which he/she is aware prior to utilizing this report or making it available to any third party.
6. No responsibility is assumed for legal matters. It is assumed that title of the property is marketable and it is free and clear of liens, encumbrances and special assessments other than as stated in this report.
7. Plot plans and maps are included to assist the reader in visualizing the property. Information, estimates, and opinions furnished to the appraiser, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the appraisers is assumed by the appraisers.
8. All information has been checked where possible and is believed to be correct, but is not guaranteed as such.
9. The appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil, or structures, which would render it more or less valuable. The

appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors. It is assumed that no additional soil contamination exists, other than as outlined herein, as a result of chemical drainage or leakage in connection with any production operations on or near the property.

10. In this assignment, the existence (if any) of potentially hazardous materials used in the construction or maintenance of the improvements or disposed of on the site has not been considered. These materials may include (but are not limited to) the existence of formaldehyde foam insulation, asbestos insulation, or toxic wastes. The appraiser is not qualified to detect such substances. The client is advised to retain an expert in this field.
11. Any projections of income and expenses in this report are not predictions of the future. Rather, they are an estimate of current market thinking of what future income and expenses will be. No warranty or representation is made that these projections will materialize.
12. The appraisers are not required to give testimony or appear in court in connection with this appraisal unless arrangements have been previously made.
13. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed without the written consent of the appraisers, and in any event only with the proper written qualification, only in its entirety, and only for the contracted intended use as stated herein.
14. Neither all nor part of the contents of this report shall be conveyed to the public through advertising, public relations, news sales, or other media without the written consent and approval of the appraiser, particularly as to the valuation conclusions, the identity of the appraiser, or any reference to the Appraisal Institute or the MAI designation.
15. Information regarding any earthquake and flood hazard zones for the subject property was provided by outside sources. Accurately reading flood hazard and earthquake maps, as well as tracking constant changes in the zone designations, is a specialized skill and outside the scope of the services provided in this appraisal assignment. No responsibility is assumed by the appraiser in the misinterpretation of these maps. It is strongly recommended that any lending institution re-verify earthquake and flood hazard locations for any property for which they are providing a mortgage loan.

II. AREA AND NEIGHBORHOOD DESCRIPTION

A. San Mateo County

San Mateo County is one of the nine counties comprising the San Francisco Bay Area. It totals approximately 450 square miles of land extending from the Pacific Ocean on the west to San Francisco Bay on the east, and benefits from its proximity to both San Francisco and the Silicon Valley. The county is geographically divided into eastern and western portions by the Santa Cruz foothills, with most development traditionally having taken place along the more accessible eastern portion, facing the San Francisco Bay.

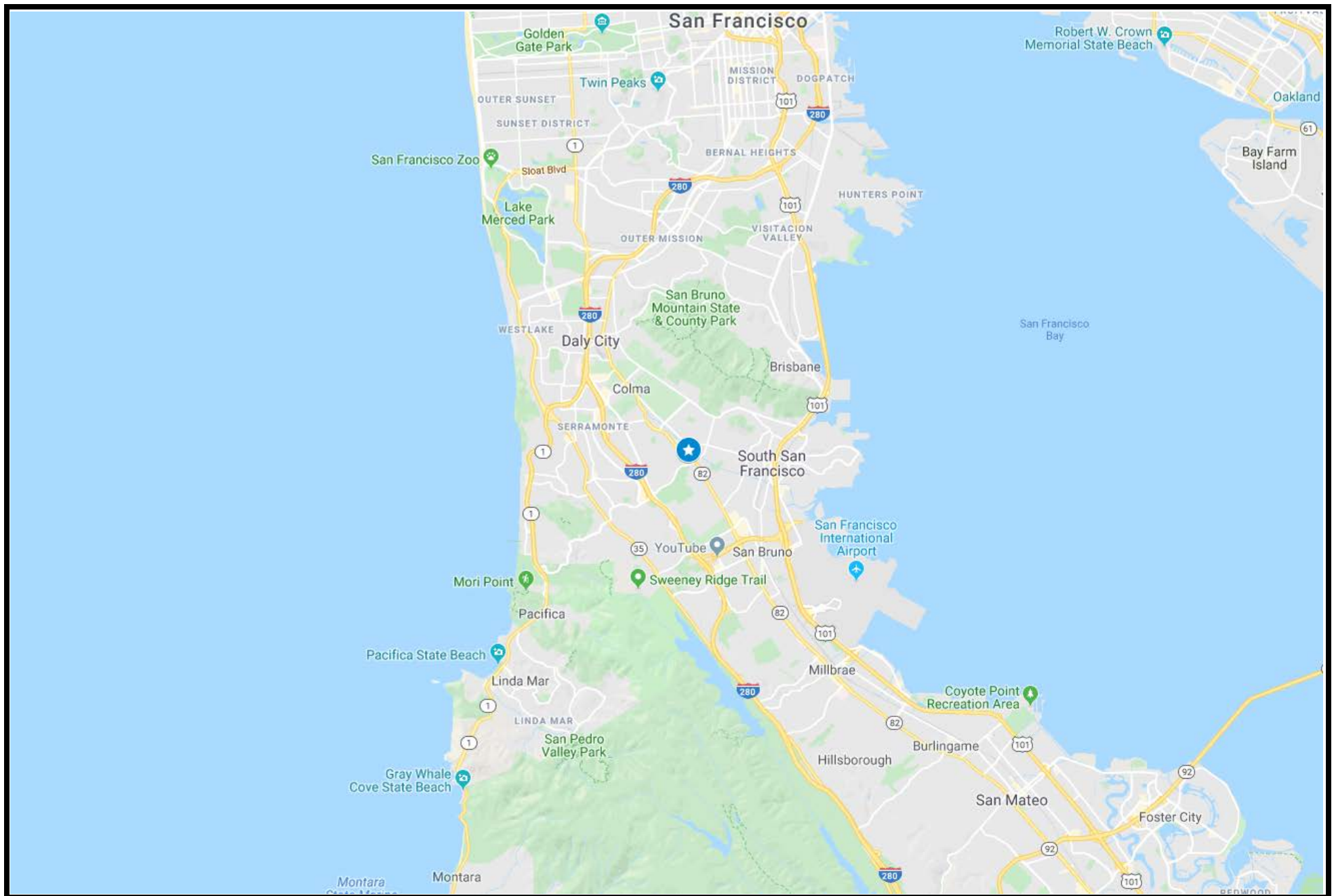
The county is characterized by a ribbon of manufacturing, engineering and technical products firms closest to the bay, with business and residential areas stretching westward into the foothills. Land available for development is in short supply. Consequently, population expansion has slowed. As of January 1, 2019 (most recent information available), the California State Department of Finance (DOF) estimated the county's population at 774,485, a 0.3 percent increase from the prior year. The Association of Bay Area Governments (ABAG) 2013 projections estimate that San Mateo County's population will rise to 805,600 by 2025.

In terms of employment, San Mateo County has a diversified economy. Its unemployment has historically been below state and national levels. The California Economic Development Department (EDD) reports that as of August 2019 (most recent data available), San Mateo County had an unemployment rate of 2.1 percent, compared to 2.3 percent one year prior.

County residents' household earnings, average education levels, and spending power are all above average for the region. Both rents and home sale prices are high in San Mateo County, and there is a generally recognized dearth of affordable housing for area residents. Consequently, many workers commute from other counties and cities, adding to traffic congestion throughout the area.

Transportation systems serving the county are well established and heavily used by area residents and workers. Two primary freeways running north/south through the area are the Bayshore Freeway (Highway 101) and Interstate 280 (I-280). Highway 92 and I-380 connect these arteries in the central and north/central portions of the county. El Camino Real is the main, commercially developed surface street on the San Francisco Peninsula. Caltrain passenger trains and limited rail freight serve the area, and SamTrans bus service is also available. The San Francisco International Airport is the region's main airport.

REGIONAL MAP



B. City of South San Francisco

The city of South San Francisco is located in the northern portion of San Mateo County, approximately three miles south of the city and county of San Francisco. The city is generally bordered by Daly City and Pacifica to the west, San Bruno and the San Francisco International Airport to the south, and the San Francisco Bay to the east. Its northern boundary is formed by the cities of Brisbane and Colma, and the San Bruno Mountain County Park. South San Francisco is the county's fourth largest city. Based on Department of Finance estimates, as of January 2019, the city has a population of 67,078, which is a 0 percent increase from the previous year. The CA EDD reports that as of August 2019, the unemployment rate was 2.4 percent, which is a slight decrease from one year prior.

South San Francisco's proximity to city and county of San Francisco and the San Francisco International Airport have been the principal factors in its development. While the majority of the city's development took place over the past three decades, much of the city predates World War II. South San Francisco is in a stage of mature development with little vacant land available. Most new development is occurring in the form of reuse projects in older districts, and in the form of hillside construction for new residential areas.

Land uses in the city can be characterized as industrial development in the south and eastern portions of the city, and residential neighborhoods to the north and west. While the city lacks a well-defined core downtown area, downtown South San Francisco is generally defined as a strip of older retail stores and offices located along Grand Avenue, west of Highway 101.

South San Francisco is served by three major routes, Highway 101 on the east, El Camino Real (State Highway 82) through the central portion of the city, and Interstate 280 on the west. In addition, Interstate Highway 380 is located just outside the southern boundary of South San Francisco and links these three routes. The city also has a network of major surface streets, rail lines, numerous truck carriers, and public and private bus services.

C. El Camino Real/Chestnut Avenue Area Plan

The subject is located within the El Camino Real/Chestnut Avenue Area Plan. This plan was adopted by the City of South San Francisco in July 2011 and encompasses approximately 98 acres along El Camino Real, from Southwood Drive to just north of Sequoia Avenue. The Plan was created to guide future development on the PUC Site and adjacent parcels. The majority of the area is situated between El Camino Real and Mission Road. The right-of-way for the underground Bay Area Rapid Transit (BART) line runs through the length of the planning area. The area includes approximately 58 acres of developable land, excluding streets, BART, creeks, and other rights-of-way.

This area is planned for use as a new, mixed-use, walkable neighborhood with new streets and pedestrian connections. In addition, there are plans for a new Community Civic Campus at Chestnut and Antionette Lane, to the south of the subject, which will include new municipal facilities such as a library, a community center, fire station and police station.

According to the plan “The BART right-of-way that extends through the length of the Planning Area will be transformed into a linear park and a pedestrian-oriented “Main Street”, lined with restaurants, cafés, and outdoor seating in a portion of the right-of-way. Development will be at high densities, reflecting adjacent transit access.” Also proposed is the extension of Oak Avenue, which will connect Mission Road to Antionette Lane and ultimately to El Camino Real. This roadway and bridge are proposed to improve east-west connectivity in the area. Additionally, Centennial Way, a bike and pedestrian path along Colma Creek, is planned for expansion along a portion of the BART right-of-way, north of Oak Avenue. Centennial Way is proposed to form the primary spine of pedestrian and bicycle circulation through the Planning Area between South San Francisco BART Station to the north and Orange Memorial Park to the south.

D. Neighborhood and Immediate Environs

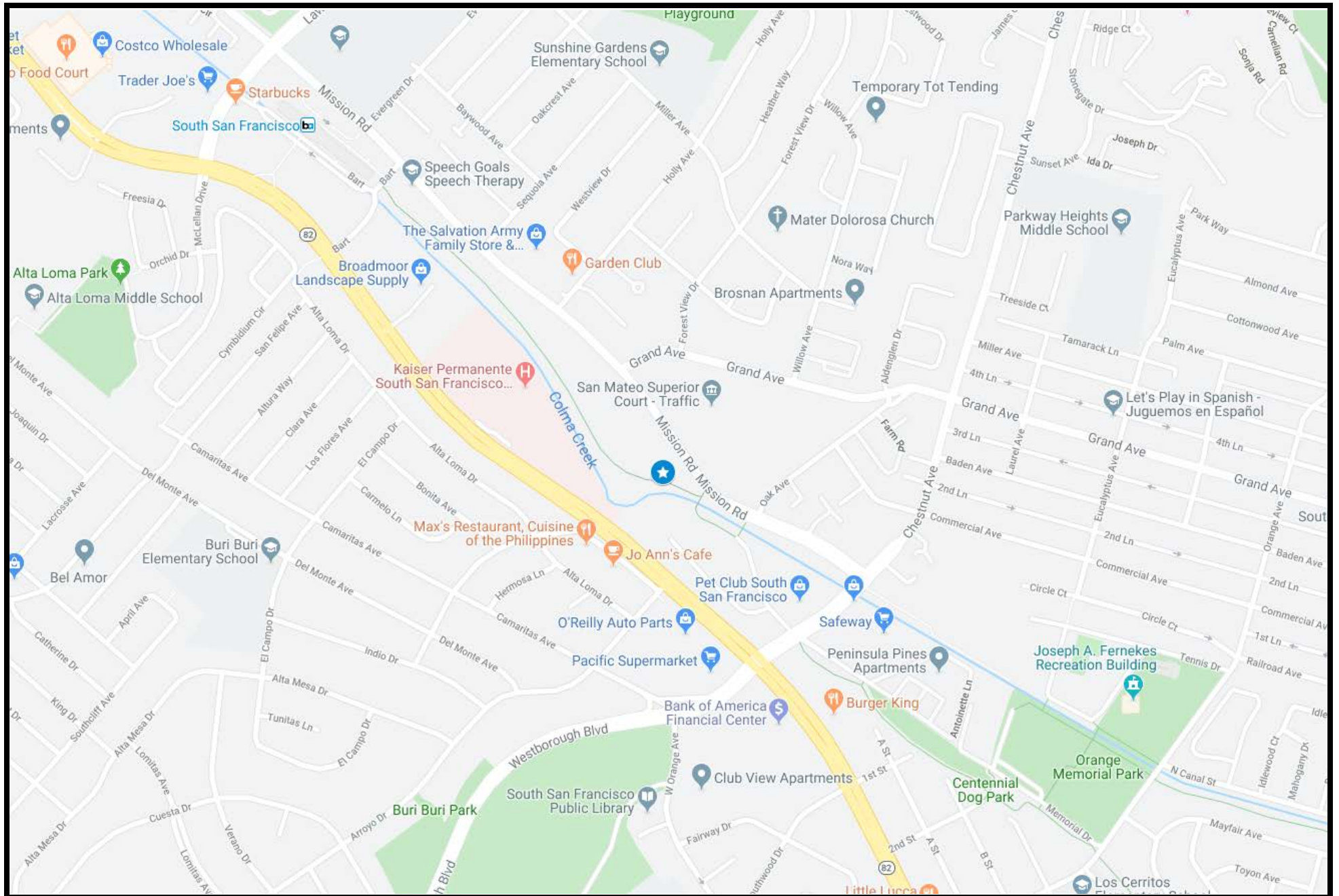
The subject property consists of two parcels and is located between El Camino Real and Mission Road in central portion of the City of South San Francisco. The subject is generally known as the “**PUC Site**” and consists of two properties (**PUC Site B** and **PUC Site C**) which are bisected by Colma Creek. The subject **PUC Site B** is located on Antionette Lane just north of Chestnut Avenue and east of El Camino Real. The subject **PUC Site C** has frontage on the west side of Mission Road between Oak and Grand Avenues. The subject general neighborhood is bounded by Chestnut Avenue to the south, Lawndale Boulevard to the north, Hillside Boulevard to the east and El Camino Real to the west.

The general area is mixed in nature, including commercial, limited service hotels, office, as well as residential, public and school uses. The subject area is generally comprised of a variety of commercial uses along El Camino Real, while the larger neighborhood includes a variety of single-family and multi-family residential uses.

To the northwest of the subject is the Kaiser Permanente South San Francisco campus, a feature of the neighborhood since 1966. The hospital and campus have been upgraded and expanded over the past decade and the parking garage was added at a later date. The Kaiser campus is situated on El Camino Real to the north of Arroyo Drive.

To the east of the subject **PUC Site C**, across Mission Road along Oak Avenue, is the Northern Branch of the Superior Court of California, San Mateo County Superior Traffic Court, and the San Mateo County Probation Department. This block also includes several institutional uses, such as a Santo Christo Society Hall

NEIGHBORHOOD MAP



and a Kingdom of Jehovah's Witnesses Hall. The other improvements to the east are comprised of mostly multi and single-family residential developments. This neighborhood is known as Sunshine Gardens, and is comprised of several townhome, single family, and multifamily developments that date from the 1940s through to the late 1980s. The original subdivision, Sunshine Gardens, consisted of 800, detached, two- and three-bedroom ranch style homes. Construction continued in the neighborhood into the early 2000s, with subdivisions such as the Hillside and Chestnut Estates. The majority of housing in the neighborhood is single-family; however, there are pockets of multi-family residential and townhome style homes.

Further north of Sunshine Gardens, at the intersection of McLellan Drive/Lawndale Boulevard, is the South San Francisco BART Station. Located on the border between Colma and South San Francisco is one of the region's three main public high schools, El Camino High School. Supporting retail uses in the area include the South San Francisco Costco, and Trader Joe's situated on El Camino Real.

To the southeast of the subject **PUC Site B**, on Antoinette Lane are two multi-family buildings. Plans for a new Community Civic Campus are proposed on the vacant parcels adjacent to the south of the subject on Antionette Lane. The Campus is envisioned to contain a Police Operations Center, a 911 Dispatch Center, a Fire Station, and a Library/Parks & Recreation Community Center. The project is projected to be completed by 2021 at a cost of \$150 million. It is proposed to be funded from proceeds of Measure W.

Retail and commercial uses in the subject neighborhood are mostly centered along El Camino Real, in proximately of Chestnut Avenue. On the northern side of El Camino, at Westborough Boulevard is a small shopping center consisting of Pacific Supermarket, O'Reilly Auto Parts and other small shops. At the northeast corner of Chestnut Avenue and Antoinette Lane is a commercial structure that is occupied by Pet Club and a pet hospital to the east. To the south, across Chestnut Avenue is a shopping center that is anchored by Safeway.

At the southeast corner of Chestnut and El Camino is an entitled development site at 988 El Camino Real. This site is proposed for a 6-story mixed-use building. It will be comprised of approximately 172 units, and 10,500 square feet of ground floor retail. The building will also have two subterranean levels of parking. The developer is Summerhill Apartment Communities, and the project is currently under construction.

El Camino Real in the vicinity of the subject is a two-way, four-lane divided thoroughfare with turning lane and signal. Chestnut Avenue is a two-lane, two-way street that extends from Hillside Boulevard to El Camino Real and then becomes Westborough Boulevard west of El Camino Real. Mission Road runs in north/south direction from Chestnut Avenue to the El Camino Real in Colma.

Freeway access is average for the area. Access to Interstate 280 is approximately 1.5 miles west of the subject, the closest freeway access is at Westborough Boulevard. There is also access to Highway 380, approximately two miles to the south, which connects to Interstate 280 and Highway 101 to the south of the subject. San Francisco International Airport is east of the subject, but the closest access is via Interstate 380 to Highway 101. The South San Francisco BART station is located approximately half a mile north of the subject.

The subject's Walkscore (www.walkscore.com) is 67, Somewhat Walkable, and most errands can be accomplished on foot. The Bike Score is 62, or Bikeable. Walk Score uses a proprietary algorithm to measure the proximity of a property to basic services.

Overall, the subject property is located within a mixed commercial and residential area of South San Francisco. The site has good transportation access and is close to supporting services such as grocery stores, commercial shops, hospital and schools. The outlook for the area and neighborhood are positive in the long term.

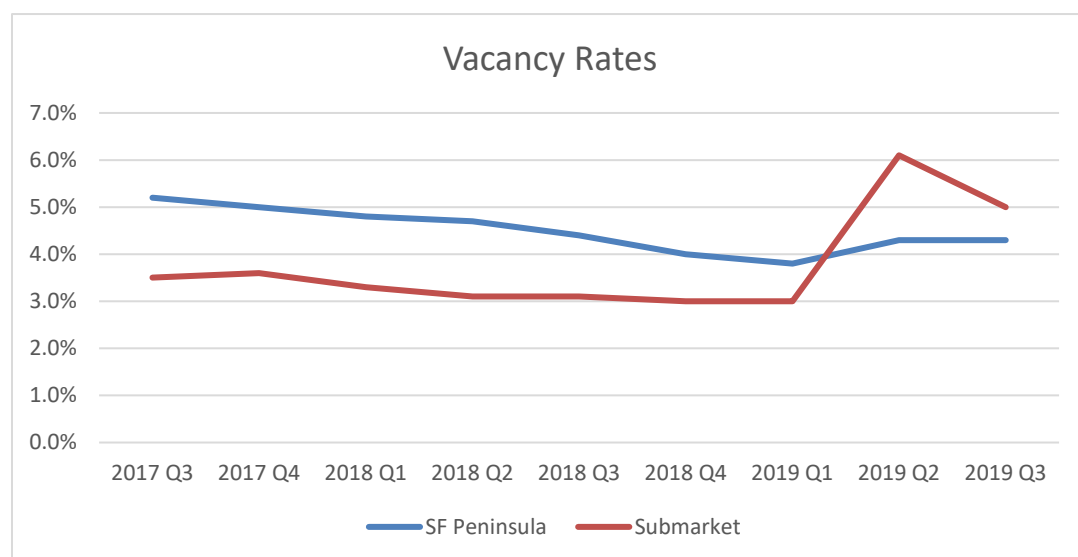
III. MARKET OVERVIEW

A. Apartment Market

According to CoStar's South San Francisco/San Bruno/Millbrae Multifamily Submarket report: "Limited construction in this zoning challenged submarket allowed the vacancy rate to compress for much of the current economic expansion. The recent delivery of the 260-unit Cadence apartments in June 2019, and the 83-unit Aperture apartments in May 2019 changed this trend, with the submarket vacancy rate increasing temporarily prior to lease up. Demand in this submarket has been bolstered by the presence of major employers like YouTube and Genentech. Rent growth in South San Francisco has outpaced the metro average this cycle, reducing the submarket's discount from the metro average asking rent. Over the long term, South San Francisco's numerous ongoing biotech developments – one of the most notable being The Cove at Oyster Point, a multitenant spec development totaling nearly 900,000 SF – will attract additional life sciences tenants, who will in turn bring with them a new cohort of highly educated, well compensated prospective residents. This future positive outlook on the submarket has translated into the sales market. Where pricing has risen above the metro average."

Vacancy Rates

The following table shows vacancy rates for the Bay Area and San Mateo County as reported by CoStar's South San Francisco/San Bruno/Millbrae Multi-Family Submarket.



As shown on the table, the delivery of new construction in South San Francisco has currently spiked vacancy rates to approximately 5 percent. However historically,

South San Francisco has a history of relatively tight vacancy due to supply constraints according to CoStar.

Rental Rates

The following table shows asking rental rates as reported by CoStar's for the South San Francisco/San Bruno/Millbrae Multi-Family Submarket.

Asking Rents			
Type	Oct 2018	Oct 2019	% Change
All Units	\$2,941	\$3,166	7.65%
Studio	\$1,871	\$1,932	3.26%
1-Bed	\$2,607	\$2,761	5.91%
2-Bed	\$3,124	\$3,278	4.93%
3-Bed	\$4,530	\$5,543	22.36%

While "South San Francisco rents lie below the metro average...strong rent growth this economic cycle, and the addition of new higher quality inventory has decreased the spread between the submarket average and the metro average in recent years."

Construction

CoStar is currently tracking 7,518 units in the subject submarket, across 531 existing buildings. Approximately are 254 units under construction, a 50 percent decrease from a year prior. However, that is mostly due to the delivery of approximately 343 units in the past twelve months. This reflects the "recently delivered 260-unit Cadence, which is located a little over a quarter of a mile from the South San Francisco Caltrain station, and includes a rooftop lounge, fitness center and club rooms. The Cadence is the largest project the submarket has seen since the completion of Avalon San Bruno. This was developer Sares-Regis' second completion in 2019Q2, after delivering the 83-unit Aperture Apartments in San Bruno in May 2019," according to CoStar.

Proposed Multifamily Development in South San Francisco

An October 25, 2019 article by the San Francisco Business Times indicated that the following projects are in the city of South San Francisco development pipeline. These include:

- 988 El Camino Real: the 172-unit apartment project is approved and under construction. The developer is Summerhill Apartment Communities.
- 150 Airport Boulevard: 157 units approved and under construction. The developer is Fairfield Development
- 200 Linden Avenue: 97 units approved and under construction. The developer is Hisense.

- Cadence Phase 2/405 Cypress Avenue: 195 units approved. The developer is Sares Regis Group of Northern California
- 200 Airport Boulevard: 94 units approved. The developer is Fairfield Residential Development.

This is equal to a total of 715 units that are under construction or approved for development. Of this total 426 units are currently under construction and will likely take several years to complete.

Other proposed projects (excluding the subject) that are pending approval in South San Francisco include:

- 124 Airport Boulevard and 100 Produce Avenue: 480-unit apartment project by Hanover Company
- 7 South Linden Avenue: 445-unit apartment project by Essex Property Trust
- 410 Noor Avenue: 342-unit project by Syufy Properties LLC
- 40 Airport Boulevard: 283 units by Bella Vista Development

As noted in the San Francisco Business Times article San Mateo County added 83,000 new jobs from 2010 to 2017, but only added 7,100 new housing units, which is a 12 to 1 ratio. This high ratio indicates that San Mateo County has created more jobs than housing and that there is greater demand than supply. The article noted that housing experts indicated a 2 to 1 ratio is needed to keep housing costs in check. The reported median San Mateo County apartment rent per month in September 2019 was \$4,100 per month up from \$3,200 in September 2010.

Investment Market

In the CoStar South San Francisco/San Bruno/Millbrae submarket, approximately 30 properties have sold in the past year, at a sales volume of approximately \$21.1 million. This is a decrease of approximately 9 percent from one year ago, however the market sale price per unit increased by 14 percent to approximately \$672,000 per unit. The market cap rate was reported at 3.6 percent, which is in line with the greater San Francisco Bay Area cap of 3.6 percent as well. CoStar reports that “South San Francisco/San Bruno/Millbrae typically ranks toward the bottom of the metro in sales activity, which is due in large part of the older age of most of the submarket inventory. With over 65 percent of the submarket inventory consisting of 1 & 2 Star assets, the majority of transactions that take place are smaller size deals, averaging around \$3 million.”

B. Exposure Period Conclusion

The exposure period is defined as “the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.” Thus

it is assumed to have occurred prior to the appraisal date. In contrast the marketing period is the estimated time that it would take to consummate the sale after the appraisal date.

To allow for adequate marketing and negotiating time and the closing of escrow, an exposure period for the subject is estimated at 12 months.

IV. PROPERTY DATA AND ANALYSIS

A. Site Description

The subject properties is comprised to two legal parcels and are identified as the “*PUC Site*”. The parcels are located at the west end of Antionette Lane and at 1051 Mission Road in the City of South San Francisco. The first subject property is located along the west side of Mission Road and is identified as “*PUC Site C*”. It contains a total of 4.91 gross acres (213,703 square feet) of which 21,821 square feet are undevelopable and located within the Colma Creek. The useable site area is therefore 4.41 acres or 191,882 square feet. The subject is legally identified by the San Mateo County Assessor as APN: 093-312-060.

The second subject parcel, “*PUC Site B*”, is located off of Antionette Lane, to the north of Chestnut Avenue. It contains 1.70 acres, or 73,985 square feet and is currently part of a larger parcel. The irregularly shaped parcel is bounded by the BART easement and the Colma Creek to the north. The subject is legally identified by the San Mateo County Assessor as a portion of 093-312-050.

PUC Site C is bordered by Mission Road to the east, and partially bordered by Colma Creek and the Centennial Way Trail to the west. It terminates roughly at Grand Avenue in the north, and the pedestrian bridge to the south. The site is bounded by the BART easement and Colma Creek.

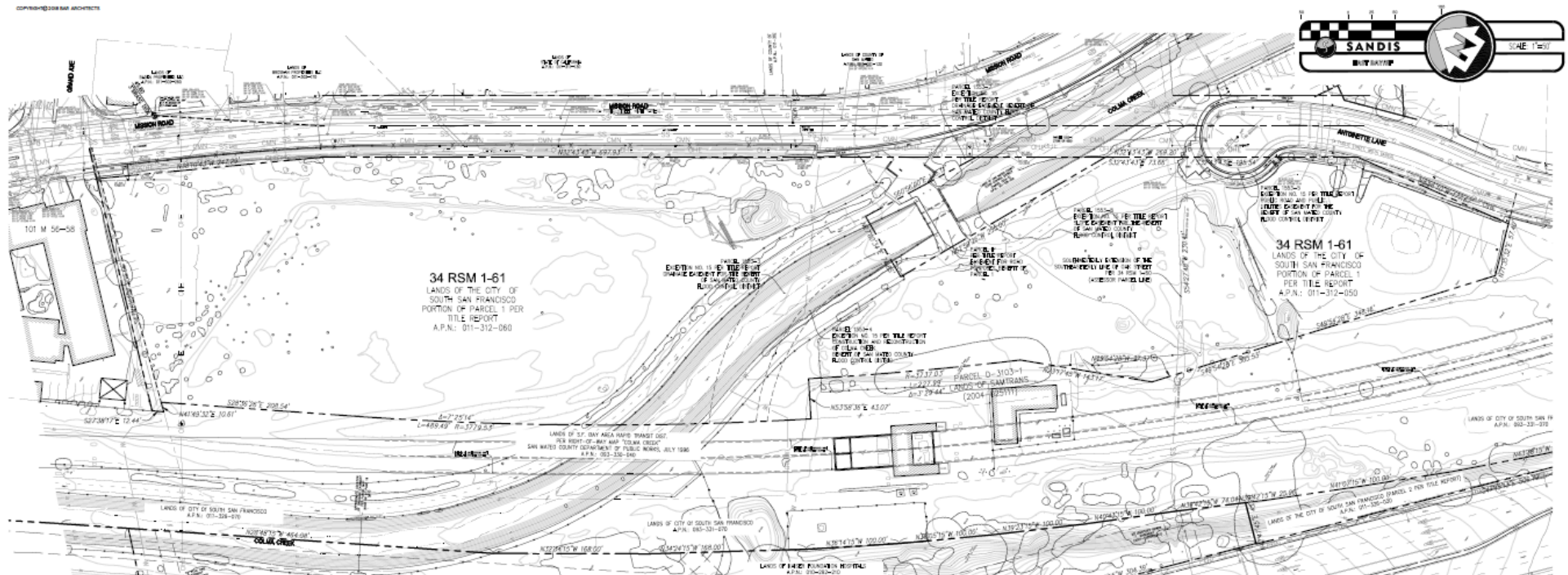
The combined total gross site area of both subject parcels is 6.61 acres and the useable site area is approximately 6.10 acres, or 265,867 square feet. The subject sites are currently vacant and are bisected by Colma Creek.

According to a Vesting Tentative Map dated September 17, 2019, prepared by Sandis (Civil Engineers, Surveyors and Planners) the subject will be subdivided into three parcels. The adjacent Parcel 4 delineates a 0.38 acre private street with public access and utility easement. In the proposed Phase 2 of the Oak Avenue extension Parcel 4 will be transferred to a public right-of-way as Oak Avenue is extended to El Camino Real.

Upon being subdivided *PUC Site C* will contain “*Parcels 1 and 2*”. Parcel 1 will be the northernmost site and will contain 1.48 acres. It is proposed to be built with affordable housing and the land will be given to BRIDGE housing for development of 158 BMR units. *Building C2* is proposed to be situated on this parcel. Parcel 2 will contain 2.93 developable acres (excluding the 21,821 square feet of creek area) and is proposed to be developed with “*Building C1*” which will have 408 market rate apartment units and a daycare facility. This will be an irregular shaped parcel adjacent to Colma Creek.

PUC Site B will be subdivided from a larger parcel and will become “*Parcel 3*”. This site is proposed to be developed with “*Building B*” which will contain 234

EXISTING PARCELS



SURVEY NOTES

1. ALL DISTANCES AND DIMENSIONS ARE SHOWN IN FEET AND DECIMAL THEREOF.
2. DATE OF FIELD SURVEY: 11/26/2018
3. INTERIOR CONTROL FOR THIS SURVEY IS ESTABLISHED PER COORDINATES PROVIDED ON THIS CERTAIN CORNER OF SURVEY NO. 2087 FUEL PER RECORD ON RECORDING DATE 2018 IN VOLUME 30 OF L.L.S. MAPS AT PAGES 1-10. THE COORDINATES HAVE BEEN CHECKED AND FOUND TO BE CORRECT ON SHEET 6 OF THIS SURVEY AND HAVE BEEN ADJUSTED TO THIS SHEET.
4. THE PLANNING ENGINEER HAS REVIEWED THE SURVEY OBSERVATIONS ON LOCAL LEVEL CONTROL, BEARING IN MIND THAT SUCH SURVEYS ARE SUBJECT TO FREQUENT DISCREPANCY AND HAVE CONCLUDED THAT THE SURVEY IS REASONABLY ACCURATE TO THE TITLE.

BART TUNNEL SURVEY NOTES

THE FOLLOWING NOTES ARE FROM A SURVEY PERFORMED BY DFP OF THE UNDERGROUND DIRT TUNNEL.

2. REENTRIES SHOWN ARE PROVIDED BASED ON THE MEASURED INTERIOR OF THE TUNNEL AND THE PROVIDED DIMENSIONS TO THE EXTERIOR OF THE TUNNEL USING SAN FRANCISCO DAY AND NIGHT TRANSIT DETECT DRAWINGS 2020055 PAGE 301 AND 2020067 PAGE 302.

ABBREVIATIONS

[illegible]

UNDERGROUND UTILITY NOTE

THE TYPE, LOCATION, SIZE AND/OR DEPTH OF EXISTING UNDERGROUND UTILITY AS SHOWN IN THE TYPICALITY DRAWING ARE APPROXIMATE AND NOT GUARANTEED. SOURCE OF UTILITY INFORMATION ONLY. DATA COLLECTION HAS NOT REVEALED THE EXISTING UTILITY LOCATION AND DEPTH OF ALL EXISTING UNDERGROUND UTILITY. THE TYPE, LOCATION, SIZE AND/OR DEPTH OF ALL EXISTING UNDERGROUND UTILITY IS NOT GUARANTEED. THE ENGINEER ASSUMES NO RESPONSIBILITY FOR THE CONSEQUENCE OF ACCURACY OF THE LOCATION OF EXISTING UNDERGROUND UTILITY WHICH MAY BE DISCOVERED, BUT WHICH WAS NOT SHOWN ON THE SURVEY.

LEGEND

ALL DISTANCES AND DIMENSIONS ARE SHOWN IN FEET AND DECIMALS THEREOF.

PROPERTY LINE	PROPERTY LINE	○	SANITARY SEWER MANHOLE
UTILITY	UTILITY	○	GAS VALVE
EXISTENT	EXISTENT	○	COMMUNICATIONS MANHOLE
CURB LINE	CURB LINE	□	COMMUNICATIONS VAULT / PULLBOX
APPROXIMATE LOCATION OF BART TUNNEL	APPROXIMATE LOCATION OF BART TUNNEL	□	ELECTRICAL WITH MAST ARM
CURB & GUTTER LINE	CURB & GUTTER LINE	+	POWER POLE
NATURAL BUILDING EASEL	NATURAL BUILDING EASEL	+	GUY WIRE ANCHOR
FENCE LINE (TYPE / HEIGHT AS INDICATED)	FENCE LINE (TYPE / HEIGHT AS INDICATED)	+	TEST LIGHT PULLBOX
SD	STORM DRAIN LINE	+	IRON BOLLARD
SS	SANITARY SEWER LINE	+	SPOT ELEVATION
W	WATER LINE	+	
E	NATURAL GAS LINE	+	
E	OVERHEAD ELECTRICAL LINE	+	
HE	OVERHEAD ELECTRICAL LINE	+	
CMN	COMMUNICATION LINE	+	
CH	CEMENTED NATURAL GAS LINE	+	
CH	CEMENTED COMMUNICATIONS LINE	+	
CH	STORM DRAIN MANHOLE	+	
CH	DRAIN INLET ON CURB	+	

SOUTH SAN FRANCISCO PUC DEVELOPMENT
SOUTH SAN FRANCISCO, CA

1051 MISSION ROAD, SOUTH SAN FRANCISCO, CA 94080



09/17/19

17057

BAR architects



EXISTING CONDITIONS PLAN

T-2

residential units and commercial space. The irregular shaped site will be 1.70 acres in size.

The topography of the subject sites slope slightly to the east. The precise nature and condition of subsurface soils is not known; however, judging from the condition and appearance of the subject improvements and adjacent properties, it is assumed that soil conditions are satisfactory for the construction of conventional building improvements.

All streets adjacent to the subject PUC Site B are fully paved and contain sidewalks, curbs, gutters and street lighting. All streets adjacent to the subject PUC Site C are fully paved and contain curbs, gutters and street lighting. The property will be serviced with typical urban utilities, including public water and sewer systems. Local companies will supply electricity, gas, and telephone service.

B. Environmental Observations

A Draft Environmental Site Assessment prepared by CSS Environmental Services, Inc. (CSS) dated August 26, 2016 was provided to the appraisers by the client. CSS conducted a Phase I environmental site assessment (ESA) for the property located identified as Parcel 2 – which is a portion of the subject. No recognized environmental conditions were found or identified as a result of the environmental records review on the subject site.

The appraisers are not experts in environmental surveys or remediation. Please refer the extraordinary limiting condition in the preface of this report, which assumes that the site is clean.

C. Ownership and Sales History

According to public records the subject property is currently vested in the Successor Agency/ City of South San Francisco, a public entity. The subject property was purchased in January 2008 by the City of South San Francisco and was transferred to the Successor Agency of the City of South San Francisco Redevelopment Agency in September 2013.

The City has been under an Exclusive Negotiating Rights Agreement (ENRA) with L37-Kasa Partners for the purchase of the subject property as of July 11, 2018. The selection of the developer/purchaser was made through a RFQ (Request for Qualifications) in 2017. The developer selection was made with public and city input. The subject is currently in negotiations under the ENRA and negotiations have not been finalized. As of the date of this appraisal the client reports there is no agreed upon purchase price.

Based on our research, there have been no other transfers of the subject property within the past three years.

PARCEL INFORMATION:

APN	008-100-000, 008-100-000
TOTAL AREA	332,322 SF (7.74 AC)
EXISTING BUILDINGS	NONE
OWNER / SUBSENER	CITY OF SOUTH SAN FRANCISCO / AG / KASA PARTNERS
OWNER ADDRESS	800 MARKET STREET SOUTH SAN FRANCISCO, CA 94080
ZONING	APN: 008-100-000 ZONING CODE = C-2 (COMMERCIAL) REAL/CHURCH/INDUSTRIAL/RESIDENTIAL
FLOOD ZONE	BY GRADING PLOTTING ONLY. THIS PROPERTY IS IN A PORTION OF ZONE 4, AS SHOWN ON THE 1979 FLOOD INSURANCE RATE MAP AND 2006 FLOOD INSURANCE RATE MAP. THE 2006 FLOOD INSURANCE RATE MAP IS EFFECTIVE DATE OF JANUARY 18, 2012.

LEGEND

---	EXISTING PROPERTY LINE
---	PROPOSED PROPERTY LINE
---	PROPOSED EASEMENT LINE
---	STREET CENTERLINE
---	BY SEPARATE INSTRUMENT

TENTATIVE TRACT MAP NOTES:

1. OAK AVENUE EASEMENT AND PUBLIC UTILITY EASEMENT TO BE CHANGED AS SHOWN ON THIS TRACT MAP. THE EASEMENT TO BE CHANGED AS SHOWN ON THIS TRACT MAP. THE EASEMENT TO BE CHANGED AS SHOWN ON THIS TRACT MAP.
2. DURING PHASE 1, PARCEL 4 WILL BE A PRIVATE STREET WITH PUBLIC ACCESS AND UTILITY EASEMENT. DURING PHASE 2, PARCEL 4 WILL BE TRANSFERRED TO PUBLIC RIGHT OF WAY AS SHOWN ON THIS TRACT MAP.
3. A PORTION OF THE MISSION ROAD RIGHT OF WAY IS PROPOSED TO BE REALIGNED TO MATCH THE RIGHT OF WAY SHOWN ON THE 1979 FLOOD INSURANCE RATE MAP. THE REALIGNMENT WILL BE DONE AS A PUBLIC IMPROVEMENT.
4. A PORTION OF THE MISSION ROAD RIGHT OF WAY NEAR PARCEL 3 IS PROPOSED TO BE REALIGNED TO MATCH THE RIGHT OF WAY SHOWN ON THE 1979 FLOOD INSURANCE RATE MAP. THE REALIGNMENT WILL BE DONE AS A PUBLIC IMPROVEMENT.
5. PUBLIC IMPROVEMENTS FOR THIS PROJECT INCLUDE UNDERPASSING THE EXISTING DRAINAGE SYSTEM UNDER THE MISSION ROAD AND THE CONSTRUCTION OF A NEW DRAINAGE SYSTEM UNDER THE MISSION ROAD. THE DRAINAGE SYSTEM WILL BE DONE AS A PUBLIC IMPROVEMENT.
6. PUBLIC OPEN SPACE WILL INCLUDE THE PLAZA NORTH OF BUILDING B, THE PARK SOUTH OF BUILDING C, AND THE TERRACE NORTH OF BUILDING D. THE OPEN SPACE WILL BE DONE AS A PUBLIC IMPROVEMENT.
7. OAK AVENUE EASEMENT WILL INCLUDE THE PLAZA NORTH OF BUILDING B, THE PARK SOUTH OF BUILDING C, AND THE TERRACE NORTH OF BUILDING D. THE OAK AVENUE EASEMENT WILL BE DONE AS A PUBLIC IMPROVEMENT.

UTILITY PROVIDERS:

WATER	CALIFORNIA WATER SERVICE
SEWER	CITY OF SOUTH SAN FRANCISCO
ELECTRIC	PACIFIC GAS & ELECTRIC
NATURAL GAS	PACIFIC GAS & ELECTRIC
CABLE TELEVISION	COMCAST

SHEET INDEX

T-1	TENTATIVE TRACT MAP
T-2	EXISTING CONDITIONS PLAN
T-3	SITE AND GRADING PLAN
T-4	UTILITY PLAN
T-5	STORMWATER MANAGEMENT PLAN
T-6	PHASE 2 - OAK AVENUE EXTENSION

CONDOMINIUM MAP NOTE:

THIS MAP IS FOR INFORMATION ONLY AND DOES NOT CONSTITUTE A LEGAL DOCUMENT. THE MAP IS NOT TO BE USED FOR ANY PURPOSE OTHER THAN FOR INFORMATION.

VICINITY MAP

VESTING TENTATIVE TRACT MAP



D. Easements and Encumbrances

No preliminary title report was available for review. This appraisal assumes that no other easements or exceptions to title exist that would adversely affect utility or marketability of title of the subject parcels.

E. Flood Zone and Seismic Information

The City of South San Francisco is a participant in the National Flood Insurance Program administered by the Federal Emergency Management Agency (FEMA). FEMA relies on flood insurance rate maps (FIRMs) to determine flood risk. According to the flood insurance map Panel Number 06081C0041E, effective October 16, 2012 the subject PUC Site C is in Flood Zones A. PUC Site B is located in Flood Zone X.

According to the subject developer they are currently in the process of seeking a Flood map revision for subject PUC Site C to remove it from Flood Zone A. The site reportedly has a higher elevation than previously noted and they are in the process of having it formally removed.

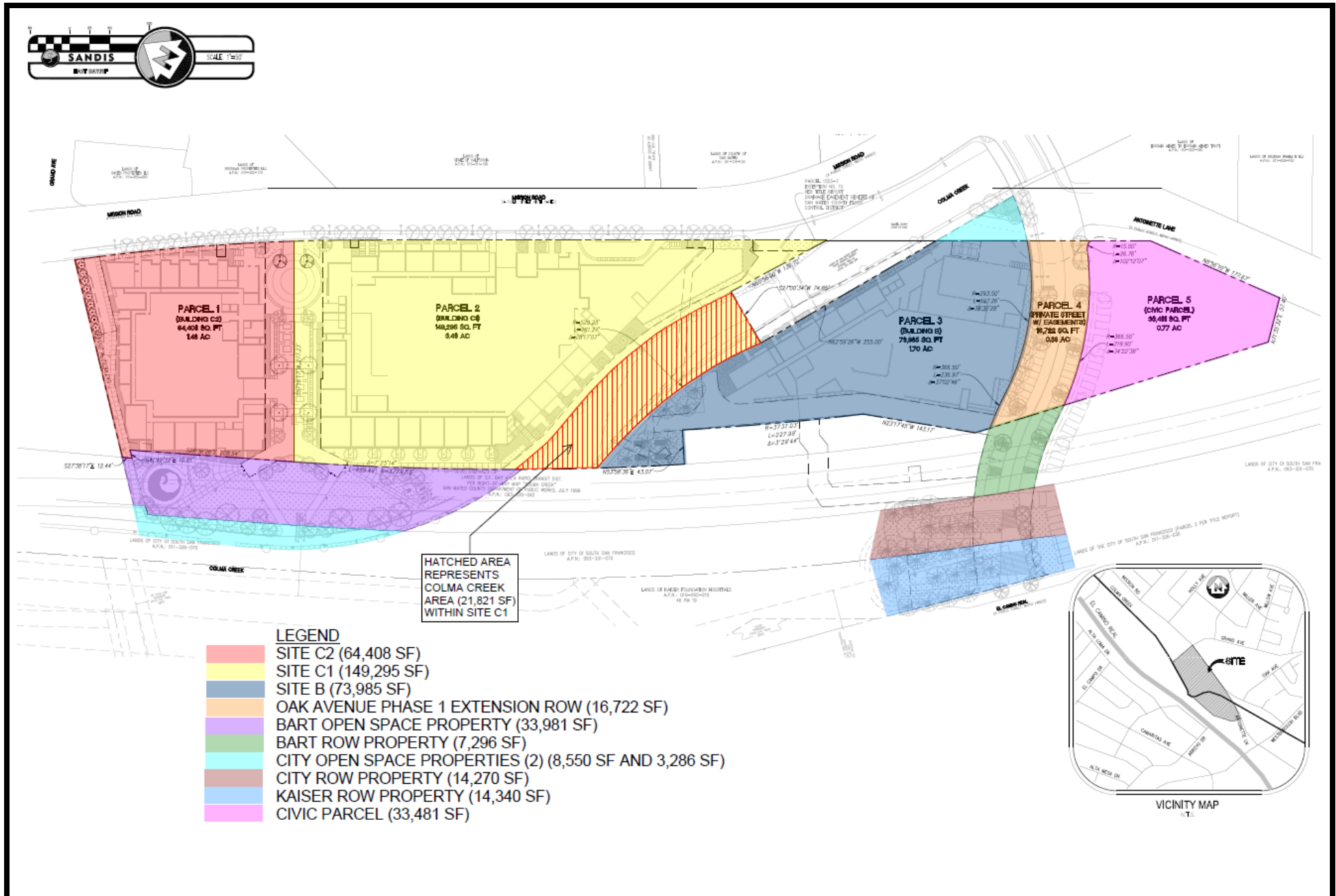
An Existing Conditions Plan prepared by Sandis dated September 17, 2019 indicates that several drainage easements for Colma Creek, which bisects the subject, are already in existence in order to mitigate any potential flooding. Additionally, the site will include a Stormwater Management Plan, with strategic street cross sections designed to accommodate the 100 Year Storm Event via Overland Flow. According to the Stormwater Management Plan: “the project shall design the private onsite storm drain system for the 10-year peak storm drain event that will be conveyed in pipes below grade. Any storm events that exceed this design event will discharge offsite via overland flow to public streets. The project will limit the 10-year peak discharge from the site to the 10-year pre-development rate.”

According to governmental geological evaluations, the entire San Francisco Bay Area is located in a seismic zone. No active faults, however, are known to exist on the subject property. Inasmuch as similar seismic conditions generally affect competitive properties, no adverse impact on the subject property is considered. The subject is not located in an Alquist Priolo earthquake zone.

F. Assessed Valuation and Real Estate Taxes

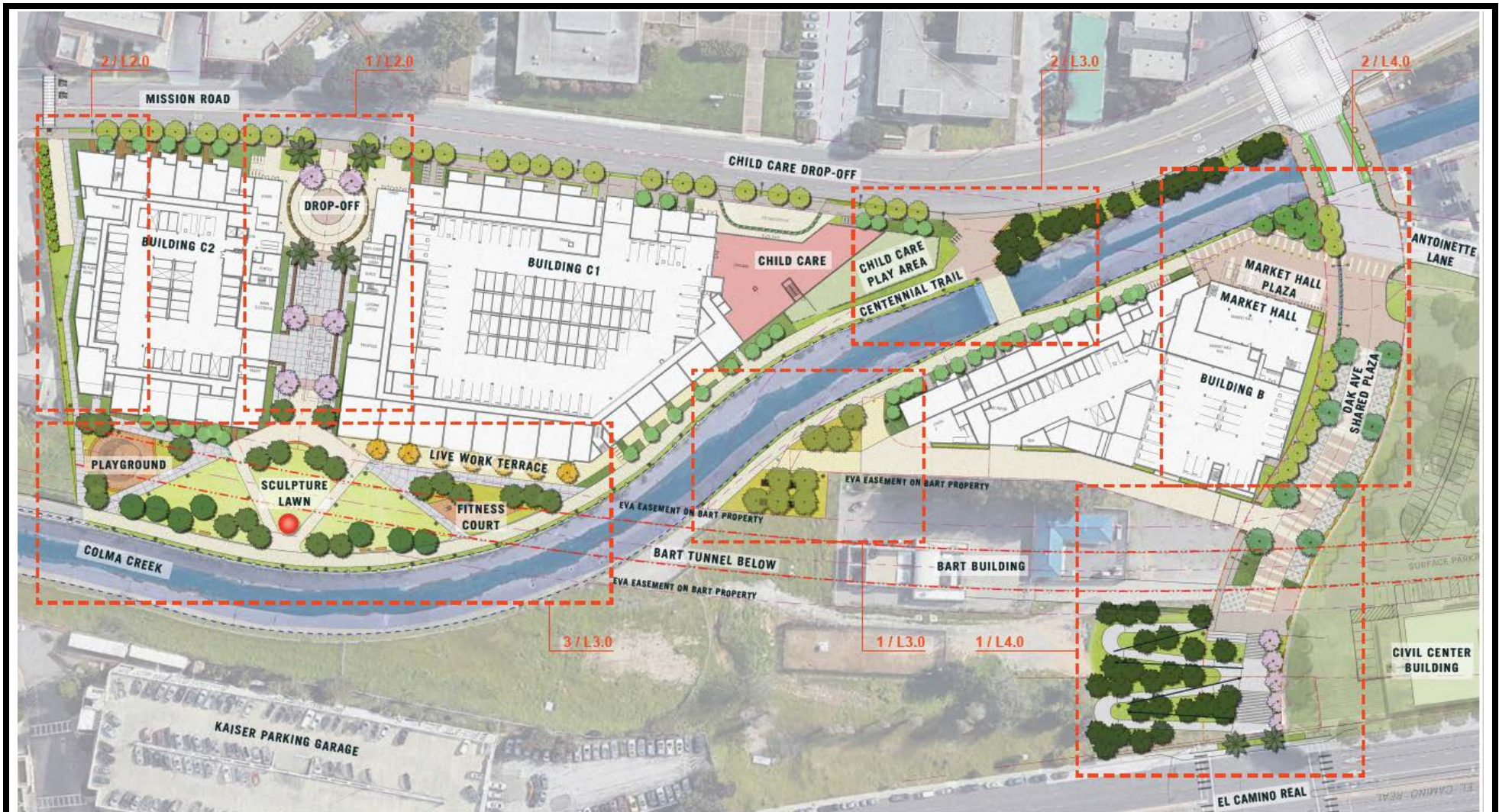
The subject property is owned by a public entity and is exempt from property taxes. Special assessments include charges for SMC Mosquito Abate Benefit Assessment. The special assessments total \$37.36 for both parcels.

PROPOSED PARCEL PLAN



*drawing not to scale

SITE PLAN



SOUTH SAN FRANCISCO PUC DEVELOPMENT
SOUTH SAN FRANCISCO, CA

1051 MISSION ROAD, SOUTH SAN FRANCISCO, CA 94080

OVERALL ILLUSTRATIVE SITE PLAN

09/17/19

17057



KASA PARTNERS



L1.0



Under California law, property assessments can increase a maximum of two percent per year. Reassessment is permitted upon change of ownership, or upon improvement of the property, and is typically based on the estimated market value.

G. General Plan, Zoning and Use

Long Range Property Management Plan

The subject property is restricted by the Long Range Property Management Plan (LRPMP) of the Successor Agency of the former Redevelopment Agency of the City of South San Francisco. Within this plan, the subject **PUC Sites B and C** are identified for Transit Oriented Development as they are located in closed proximity to the BART Station. The Agency owns seven parcels in this project area. The parcels are grouped into the following three assemblages: five former Public Utilities Commission (PUC) parcels; 1 Chestnut Avenue, which was purchased to augment the development of the PUC properties; and 80 Chestnut, which was purchased to expand Orange Memorial Park.

Following the purchase of the former PUC parcels, the City of South San Francisco prepared an area wide plan for El Camino Real, between Chestnut Avenue and the South San Francisco BART Station. According to the LRPMP, “The central aim of the plan is to develop the area into a vibrant high-density mixed-use neighborhood allowing for improved auto access as well as attractive and accessible bicycle, pedestrian and open space connections. Located in the geographic heart of South San Francisco, the former PUC properties were acquired by the Agency in order to redevelop them into new mixed-use, transit-oriented developments that would create a vibrant Transit Village district within South San Francisco.”

The development plan outlined in the Long Range Property Management Plan assumes redevelopment of all Successor Agency owned parcels in a manner consistent with a master developer approach. The goal of the redevelopment is to maximize the combined potential of all the parcels. The redevelopment plan indicates a development consisting of multi-family residential units with ground floor retail that is consistent with the El Camino Real/Chestnut Avenue Area Plan.

El Camino Real/Chestnut Avenue Area Plan

The subject properties are located in the El Camino Real/Chestnut Avenue Plan Area. **PUC Site B** has a General Plan designation of El Camino Real Mixed-Use North, High Intensity. According to the El Camino Real/Chestnut Avenue Area Plan, the designation of El Camino Real Mixed-Use North, High Intensity “is intended to accommodate high-intensity active uses and mixed-use development. Retail and department stores; eating and drinking establishments; hotels; commercial recreation; financial, business, and personal services; residential; educational and social services; and office uses are permitted.”

AERIAL MAP



*drawings are for illustrative purposes only and may not reflect accurate property boundaries

The El Camino Real Mixed-Use North, High Intensity land use allows a maximum residential density of 110 dwelling units per acre, or a FAR (floor area ratio) of a maximum of 2.0 exclusive of structured parking, or 3.0 FAR for development meeting specified criteria.

The subject **PUC Site C** on Mission Road has a General Plan designation of High Density Residential. This designation allows for higher densities reflecting the area's close proximity to the South San Francisco BART Station. Allowed densities range from 80 to 120 dwelling units per acre. A maximum density of 180 units per acre may be achieved for development meeting specific criteria.

The plan area is proposed to be a new, mixed-use, pedestrian friendly neighborhood with new streets and pedestrian connections. It was adopted by the City of South San Francisco in July 2011 and encompasses approximately 98 acres along El Camino Real, from Southwood Drive to just north of Sequoia Avenue. The majority of the area is situated between El Camino Real and Mission Road. The right-of-way for the underground Bay Area Rapid Transit (BART) line runs through the length of the site. The area includes approximately 58 acres of developable land, excluding streets, underground BART line, creeks, and other rights-of-way. New development in the plan area is expected to result in 369,400 square feet of new retail/services development, 73,000 square feet of office space, a 50,000 square foot library, and over 1,500 new high-density residential units.

According to the plan "The BART right-of-way that extends through the length of the Planning Area will be transformed into a linear park and a pedestrian-oriented "Main Street", lined with restaurants, cafés, and outdoor seating in a portion of the right-of-way. Development will be at high densities, reflecting adjacent transit access." Also proposed is the extension of Oak Avenue. This roadway and bridge will connect to Arroyo Drive and will improve east-west connectivity in the area. It will also improve the utility of the PUC parcels by providing access to landlocked sites. Additionally, Centennial Way, a bike and pedestrian path along Colma Creek, is planned for expansion along the BART right-of-way, north of Oak Avenue. Centennial Way is currently a 2.87 mile linear park with a bike and pedestrian path that forms the primary spine of pedestrian and bicycle circulation through the Planning Area.

Zoning – PUC Site B

El Camino Real/Chestnut Mixed-Use High Density (ECR/C-MXH)

In accordance with the El Camino Real/Chestnut Avenue Area Plan, the subject PUC Site B has a zoning designation of ECR/C-MXH, El Camino Real/Chestnut Mixed-Use High Density. The purpose of the zoning designation is to "provide sites for mixed-use development at high-intensities. The ECR/C-MXH sub-district requires active uses that are accessible to the general public, generate walk-in pedestrian clientele, and contribute to a high level of pedestrian activity on the ground floor along El Camino Real and Chestnut Avenue, with commercial,

SUBJECT PHOTOGRAPHS



Subject Property PUC Site B facing west



Subject PUC Site B adjacent to Colma Creek



Centennial Trail Entrance on Antoinette Lane



Subject PUC Site B facing Northwest

SUBJECT PHOTOGRAPHS



Subject PUC Site B facing North towards Pedestrian Bridge



Subject PUC B Site facing south towards Antionette Lane



Subject PUC Site B



Subject PUC Site C on Mission Road facing West

SUBJECT PHOTOGRAPHS



Colma Creek



Subject PUC Site C to the North



Subject PUC Site C to the Northwest



Subject PUC Site C along Mission Road facing South

SUBJECT PHOTOGRAPHS



PUC Site C



PUC Site C



Subject PUC Site on Mission Road facing north

residential, or public space up above, as well as eating and drinking establishments with outdoor dining along the new “Main Street” like pedestrian promenade along the Bay Area Rapid Transit (BART) right of way. The commercial activities in the district are intended to be a destination, with regional and neighborhood serving establishments as well as civic uses. A public plaza along the BART right of way, just south of Oak Avenue, will provide a focus to the area, and a community wide gathering space.”

The zoning allows a variety of commercial and residential uses such as single unit attached residential, multi-family residential, mixed use buildings, public and institutional facilities, commercial uses, food related uses, and professional and service uses. A minimum of 65 percent of the frontage of a site along El Camino Real must be devoted to active uses, of which 50 percent of the active uses shall be in the form of Retail Sales and/or Eating and Drinking Establishments.

More pertinent details of the base zoning code include:

- Maximum Lot Coverage 90%
- Minimum Lot Area 20,000 Square Feet
- Minimum Lot Width 50 Feet
- Maximum Height 120 Feet or 160 feet with discretionary approval
- Minimum FAR 0.6 exclusive of parking areas, 0.3 for active uses
- Maximum FAR 2.0 or 3.0 with incentive program
- Maximum Residential Density 80 DU/AC or 110 DU/AC with incentive Program

Required parking is determined by the Chief Planner based on the particular characteristic of the project and proposed use. Generally parking shall not exceed two spaces per unit for residential uses and one space per 300 square feet of commercial use.

The subject property is currently vacant. The subject site is part of a proposed larger, high density mixed-use project. The subject PUC Site B is currently planned to be developed with 234 dwelling units and 12,992 square feet of commercial space with a market hall. The proposed project will be eight stories in height with one level of basement parking. There is planned to be 289 parking stalls on site. The density is equal to 138 units per acre, which exceeds the allowed density for proposed parcel. However, the developer has requested a State Density Bonus which will allow the site to comply with the zoning standards.

Zoning – PUC Site C***El Camino Real/Chestnut Residential, High Density (ECR/C-RH)***

In accordance with the El Camino Real/Chestnut Avenue Area Plan, the subject PUC Site C is zoned ECR/C-RH. According to the City of South San Francisco zoning ordinance, “The El Camino Real/Chestnut Residential, High Density sub-district is intended to provide for high-density residential development in the form of high rises, fronted by townhomes at the ground level, close to the BART station. Active uses are required at the lower levels along Mission Road and Centennial Way Linear Park to maintain visual interest and promote safety along the public rights-of-way.”

The zoning allows a variety of commercial and residential uses such as single unit attached residential, multi-family residential, mixed use buildings, public and institutional facilities, commercial uses, food related uses, and professional and service uses. A minimum of 65 percent of the frontage of a site along El Camino Real must be devoted to active uses, of which 50 percent of the active uses shall be in the form of Retail Sales and/or Eating and Drinking Establishments.

More pertinent details of the base zoning code include:

- Maximum Lot Coverage 90%
- Minimum Lot Area 20,000 Square Feet
- Minimum Lot Width 50 Feet
- Maximum Height 120 feet, up to 160 feet
- Minimum FAR N/A
- Maximum FAR N/A
- Maximum Residential Density 120 DU/AC, 150 DU/AC with TDM Program or 180 DU/AC with Incentive Program

Required parking is determined by the Chief Planner based on the particular characteristic of the project and proposed use. Generally, parking shall not exceed two spaces per unit for residential uses and one space per 300 square feet of commercial use.

The subject property is currently vacant and is proposed to be part of a larger high density mixed-use project. The subject PUC Site C is currently proposed to be subdivided into two parcels and developed with two structures. One of the proposed parcel will contain 408 residential units with 8,300 square feet of commercial space. The other proposed parcel is planned to be developed with 158 affordable units. The proposed buildings will be seven and eight stories in height. There is proposed to be a total of 590 parking stalls in both structures. The density is equal to 115 units per gross acre.

Proposed Project- Entitlements

The proposed PUC Site Project is planned to provide a total of 800 residential units, including 13 live/work units, and 158 units which will be affordable to low income households (20% of total units). The project is also proposed to include parks and landscaping as well as a day care center and market hall. The developer has submitted plans to the city dated September 17, 2019, Entitlement Resubmittal-3 (Entitlement Comments Response) for the proposed mixed-use development on the PUC Site. The entire proposed site contains 6.61 gross acres and based on the entire development of 800 residential units the density is equal to 121 units per acre. The developer has been working with the City and Community Economics Department on the proposed project. A resolution was passed by the Planning Commission recommending that the City Council approve the project on October 17, 2019. The project requires approval by the City Council which plans to review the proposed project in November 2019 and also make a determination that the project is exempt from the California Environmental Quality Act (CEQA) and approve the Environmental Consistency Analysis.

H. Inclusionary Housing Requirements

In November 2018, the City of South San Francisco passed an Inclusionary Housing Requirement. The Inclusionary Housing requirement applies to “all residential market-rate dwelling units resulting from new construction of for-sale and rental residential developments consisting of five or more dwelling units, as well as the conversion of apartments to condominiums or condominiums to apartments.” Developments that acquired a Vesting Tentative Map or development agreement prior to the date of November 1, 2018 are exempt from the requirements, as are existing residences seeking alterations/renovations, mobile home park conversions, and accessory dwelling units. Proposed projects with development agreements after November 2018 are required to include inclusionary housing as shown below.

The current inclusionary requirement is as follows:

Rental	10% of units must be made affordable to low income households up to 80% AMI (effective 11/1/18)
	15% of units must be made affordable (effective 11/1/19) this includes:
	10% to low income households (up to 80% AMI)
	5% to very low-income households (up to 50% AMI)
For Sale	15% must be made affordable to moderate- and low-income households
	50% of units available to low income households (up to 80% AMI)
	50% of units available to moderate income households (up to 120% AMI)

The following tables break down the San Mateo County Income Limits (as determined by HUD, State of California HCD, and the County of San Mateo) as effective of June 1, 2019.

HUD-defined Area Median Income \$136,800 (based on household of 4). State median \$136,800 (household of 4) due to hold harmless policy.								
Income Category	Income Limits by Family Size (\$)							
	1	2	3	4	5	6	7	8
Extremely Low (30% AMI) *	33,850	38,700	43,550	48,350	52,250	56,100	60,000	63,850
Very Low (50% AMI) *	56,450	64,500	72,550	80,600	87,050	93,500	99,950	106,400
HOME Limit (60% AMI) *	71,170	81,340	91,500	101,630	109,830	117,920	126,060	134,220
HERA Special VLI (50% AMI) ***	56,450	64,500	72,550	80,600	87,050	93,500	99,950	106,400
HERA Special Limit (60% AMI) ***	71,170	81,340	91,500	101,630	109,830	117,920	126,060	134,220
Low (80% AMI) *	90,450	103,350	116,250	129,150	139,500	149,850	160,150	170,500
State Median (100% AMI)	95,750	109,450	123,100	136,800	147,750	158,700	169,650	180,600

Income Category	SRO **	Maximum Affordable Rent Payment (\$)				
		Studio	1-BR	2-BR	3-BR	4-BR
Extremely Low *		846	907	1,088	1,256	1,401
Very Low *		1,411	1,512	1,814	2,096	2,338
Low HOME Limit*	1,552	1,411	1,512	1,814	2,096	2,338
High HOME Limit *	1,552	1,906	2,044	2,456	2,827	3,131
HERA Special VLI (50% AMI) ***		HERA Spec. Rents - Go to www.treasurer.ca.gov/ctcac/2018/supplemental.asp				
HERA Special Limit (60% AMI) ***						
Low**		2,260	2,423	3,078	3,557	3,746
HUD Fair Market Rent (FMR)		2,069	2,561	3,170	4,153	4,392
Median **		2,964	3,176	3,811	4,405	4,913

Per the Entitlement Resubmittal dated September 17, 2019, the subject will include 158 affordable units in Building C2. Per the reviewed Preliminary Development Agreement, the building units are proposed to have rents ranging from 25 to 80 percent of Area Median Income (AMI) levels with an average or blended affordable rental rate of 58% AMI. The proposed unit mix will be comprised of 19 studios, 45 one-bedroom units, 54 two-bedroom units, and 40 three-bedroom units. The subject developer has indicated that it is anticipated that the BRIDGE Housing Corporation will develop the affordable housing.

I. Proposed Improvement Description

The subject is the proposed South San Francisco PUC Development Site, located at 1051 Mission Road and Antionette Lane in South San Francisco. According to an Entitlement Resubmittal dated September 17, 2019 (previously referenced in this report) the site is proposed for a large mixed-use, transit-oriented development. The project will contain three buildings upon completion, with one building per each parcel after the property is subdivided.

Building C1

Building C1 is planned to be located on **Parcel 2**. It is proposed for an eight-story plus basement mixed-use structure, located directly south of Building C2 on Mission Road. The building will be wood frame construction over three above grade stories of concrete. The structure will also have one basement level. The improvements are proposed to be developed with 408 units, of which 13 units are live/work, and approximately 8,372 square feet of daycare space. The structure is designed in an irregular trapezoidal shape, with the units located around two central courtyards. The garage area is located in the center of the building, on the basement level and first floor. The basement level will be improved with 313 spaces of vehicle parking, 408 bicycle spaces, and additional tenant storage. This level will also contain the electrical and mechanical closets.

The following table breaks down the units by floor and type.

Level	Studio	1 Bed	2 Bed	3 Bed	Flex	Total
8	10	20	11	4		45
7	11	22	12	3		48
6	7	29	16	2		54
5	7	31	23	2		63
4	7	31	23	2		63
3	6	28	23	5		62
2	5	25	22	4		56
1			4		13	17
B1						
Total	53	186	134	22	13	408

The entrance is to be located on the first story, adjacent to the circular driveway in the north-eastern corner of the structure. The garage on this level contains approximately 162 parking spaces, the trash room, and other mechanical closets. The first floor contains the lobby, mail room, leasing and management offices, tenant storage, and leasing office. The flex units are located on this level, along the western and southern frontages. The daycare is located on this level as well, in the southernmost corner of the structure. An additional lobby entrance is located adjacent to the daycare as well.

Level 2 has an interior community courtyard, with a fitness room. This level has 56 units. Levels 3 and 4 have similar floor plans, without any additional community rooms. Level 6 is improved with a roof deck on the eastern frontage, with an additional sky lounge. This level has 54 units. The eastern frontage on Level 7 lacks any additional units, and instead has a non-accessible roof. This level has 48 units, while Level 8 has a total of 45 units. This is the top level of the building and is improved with additional roof deck. The following table breaks down the preliminary building area.

PRELIMINARY BUILDING AREA TABULATIONS

9/11/2019

Level	Residential Net Rentable GSF*	Residential Amenity GSF**	Residential Core GSF***	Residential Total GSF	Day Care Total GSF	Garage Total GSF****	Grand Total GSF
8	35,980		7,021	43,001			43,001
7	38,102	1,005	7,346	46,453			46,453
6	44,406	2,355	9,714	56,475			56,475
5	53,295		11,051	64,346			64,346
4	53,295		11,051	64,346			64,346
3	58,031		12,003	70,034			70,034
2	52,676	2,885	11,655	67,216			67,216
1	17,845	3,689	11,354	32,888	8,372	42,952	84,212
B1			16,003	16,003		44,936	60,939
Total	353,630	9,934	97,198	460,762	8,372	87,888	557,022

NOTES:

* Residential Net Rentable GSF calculation includes exterior, corridor and party walls

** Residential Amenity GSF includes entry lobby, leasing office, club room, fitness room, etc

*** Residential Core GSF include corridors, residential level lobbies, stairs, elevators, res. level utility spaces, etc

**** Garage Total GSF includes all spaces inside garage footprint, such as mechanical/utility spaces, etc

Building C2

Building C2 will be located on **Parcel 1** to the north of Building C1. The proposed structure is a seven-story building containing a total of 158 residential units. The building will have parking on the ground level including lifts that have parking pits below grade. The building will be located at the northern end of the property on Mission Road. Building C2 will be 100 percent affordable with rents ranging from 25 to 80 percent Area Median Income levels (AMI) with an average of 58% of AMI. The proposed unit mix will be comprised of 19 studios, 45 one-bedroom units, 54 two-bedroom units, and 40 three-bedroom units. The following table summarizes the unit breakdown by floor and floor-plan type.

PRELIMINARY UNIT MIX*

LEVEL	STUDIO AF S1 15' x 27'6" 405 GSF TYP	1 BR AF A1 24' x 27'6" 655 GSF	2 BR AF B1 34' x 27'6" 895 GSF	2 BR AF B2 26'4" x 36" 935 GSF	2 BR AF B3 36'2" x 32'6" 1,065 GSF TYP	2 BR AF B4 62'4" x 21'6" 1,210 GSF	3 BR AF C1 46' x 27'6" 1,220 GSF TYP	3 BR AF C2 36' x 39'4" 1,205 GSF	UNIT TOTAL
7	1	3	1	3		1	4		0
6	1	3	7	3		1	5		13
5	5	8	7	3	1		6		20
4	5	8	4	3	1		6		30
3	4	9	4	3	1		7	1	27
2	3	10	2	3	1		6	1	29
1		4	2	3			3	1	26
									13
TOTAL	19	45	27	21	4	2	37	3	158
	19	45				54		40	158
%	12%	28%				34%		25%	100%
AVERAGE UNIT SIZE									
									Residential GSF**
									141,720
									Average Unit Size (GSF)
									897

* Unit GSF includes exterior, corridor and party walls

** As calculated in the Preliminary Building Area Tabulation

Source: Entitlement Resubmittal / Floor Plans by BAR architects

According to Floor Plans provided in the Entitlement Resubmittal, and prepared by BAR Architects, the proposed building will be mostly rectangular, with the units arranged around an inner courtyard, and an interior hallway. Each floor will contain a laundry room and storage space. The building height is split and one side will contain four levels, while the other side will contain seven levels.

The building entrance is located on the first level of the eastern corner, adjacent to the circular driveway with drop off spaces. In the center of the building will be the garage, with stacked parking for approximately 115 vehicles and 158 bicycles. Approximately 13 units will be located on this level, on the eastern and western building exposures. The second level residential units will be situated around an open center courtyard. This level contains a resident community space and a laundry room. The upper levels will have between 13 and 29 residential units per floor.

In total, the proposed improvements will contain approximately 185,398 square feet of residential space, and a total of 204,913 gross square feet including the garage. The following table breaks down the preliminary building area.

PRELIMINARY BUILDING AREA TABULATIONS						9/11/2019
Level	Residential Net Rentable GSF*	Residential Amenity GSF**	Residential Core GSF***	Residential Total GSF	Garage Total GSF****	Grand Total GSF
7	15,599		3,267	18,866		18,866
6	15,599		3,267	18,866		18,866
5	21,654		4,827	26,481		26,481
4	21,654		4,827	26,481		26,481
3	29,841		6,015	35,856		35,856
2	27,569	2,294	6,053	35,916		35,916
1	9,804	850	12,278	22,932	19,515	42,447
Total	141,720	3,144	40,534	185,398	19,515	204,913

NOTES:

* Residential Net Rentable GSF calculation includes exterior, corridor and party walls

** Residential Amenity GSF includes entry lobby, leasing office, club room, fitness room, etc

*** Residential Core GSF include corridors, residential level lobbies, stairs, elevators, res. level utility spaces, etc

**** Garage Total GSF includes all spaces inside garage footprint, such as mechanical/utility spaces, etc

Building B

Building B is proposed to be located on the southernmost parcel, south of Colma Creek. The site is proposed to be subdivided and is noted as Parcel 3 on the Vesting Tentative Map. The building will be 8 stories plus a single basement level. The building will be of wood frame construction over two to three levels of concrete. The building will have parking on three levels. Building B will have a total of 234 units, and 12,992 square feet of commercial space which is envisioned as a market hall. This building will have a double height market hall facing an outdoor market plaza.

The following table summarizes the unit mix per floor.

PRELIMINARY UNIT MIX*

LEVEL	STUDIO S1 15' x 30' 445 GSF	STUDIO S2 34'4" x 24' 590 GSF	STUDIO S3 24'6" x 33'4" 680 GSF	1 BR A1 24' x 30' 715 GSF	1 BR A2 20' x 33' 655 GSF TYP	1 BR A4 30' x 25'6" 760 GSF TYP	1 BR A7 40' x 40' puzzle 560 & 600 GSF	2 BR B1 35' x 30' 1,045 GSF	2 BR B9 49'8" x 39'8" 1,220 GSF	3 BR C2 36' x 35'4" 1,245 GSF	3 BR C6 60'2" x 24' 1,430 GSF	UNIT TOTAL	
8	1	1		12	5	7	2	3	1	1		33	
7	1	1		12	5	7	2	8	1	1		38	
6	1	1		12	5	7	2	8	1	1		38	
5	1	1		12	5	7	2	8	1	1		38	
4	1	1		12	5	7	2	8	1	1		38	
3	1	1		2	10	5	7	1	8	1		36	
2				2			7					9	
1							3					4	
B												0	
TOTAL	6	6	4	70	30	52	11	43	5	6	1	234	
	16			163			40			7			
%	7%			70%			21%			3%			100%
AVERAGE UNIT SIZE													
Residential GSF**												186,141	
Average Unit Size (GSF)												795	

The unit mix will be comprised of (16) studios, (163) one-bedroom units, (48) two-bedroom units, and (7) three-bedroom units. The basement level will have parking for 195 vehicles. The first level will also have parking for 24 vehicles, as well as a separate retail garage with 25 spaces. Approximately 234 spaces of bike parking will be included. The first level has the market hall (located on the eastern frontage), lobby, leasing office and property management office. There will be four residential units on this level, mostly on the northern frontage. The second level has 9 units on the northern frontage, as well as the market hall mezzanine level. There will also be parking for 45 vehicles on the second level. The third level is the first fully residential level in the building, with 36 units arranged around an open courtyard. This level as features an amenity room. Levels 4 through 7 have similar layouts, with 38 units per floor. Level 8 features a roof deck and a sky lounge and contains 33 units. The following table breaks down the building area.

PRELIMINARY BUILDING AREA TABULATIONS

9/11/2019

Level	Residential Net Rentable GSF*	Residential Amenity GSF**	Residential Core GSF***	Residential Total GSF	RETAIL Total GSF	Garage Total GSF****	Grand Total GSF
8	25,424	2,094	4,688	32,206			32,206
7	30,644		4,688	35,332			35,332
6	30,644		4,688	35,332			35,332
5	30,644		4,688	35,332			35,332
4	30,644		4,688	35,332			35,332
3	28,542	2,174	4,795	35,511			35,511
2	5,955		5,450	11,405	3,631	25,324	40,360
1	3,644	2,229	6,993	12,866	9,361	24,003	46,230
B			10,012	10,012		36,802	46,814
Total	186,141	6,497	50,690	243,328	12,992	86,129	342,449

Off-site landscaped areas include a proposed community park at the western side of Parcel 1 and 2 and Colma Creek. The community park will include a children's play area, sculpture lawn, adult fitness stations, and picnic and public seating. The Centennial Trail will also be updated to include better lighting, signs, seating and bike share stations. There is also proposed to be a plaza in front of the market hall

area in Building B which will contain approximately 6,600 square feet. The plans include attractive landscaping.

In total, the development is proposed to contain approximately 800 residential units, 158 of which will be affordable to low-income households. The unit-mix will be comprised of studios, one-, two-, and three-bedroom units, as well as 13 live-work-flex units. There is currently proposed to be a total of 845 residential parking spaces, and 34 commercial parking spaces.

Conclusion

Overall, the proposed development represents a total of three, mixed-use multifamily residential buildings. Proposed commercial uses include community supportive services such as childcare, and a local market/food hall. The project includes other higher-end amenities such as a gym, roof decks, community rooms and open space. The building exteriors are considered attractively designed and the project has been planned as a transit-oriented project in conjunction with the city requirements. The project appears to be functional and appealing.

V. HIGHEST AND BEST USE AND VALUATION METHODOLOGY

A. Highest and Best Use

The highest and best use is that use, from among reasonably probable and legal alternative uses, found to be legally permissible, physically possible, financially feasible, and which results in the highest land value.

The four criteria the highest and best use must meet are physical possibility, legal permissibility, financial feasibility, and maximum productivity. Analysis of the subject's highest and best use is made as if the site were vacant, and as improved with the existing improvements.

1. *As-If Vacant*

a. *Physically Possible*

The subject properties consist of two irregular shaped parcels which total 6.61 gross acres. The two subject parcels are bisected by Colma Creek. The subject **PUC Site C** is situated along the west side of Mission Road and contains a total of 4.91 gross acres (213,703 square feet) of which 21,821 square feet are situated within the Colma Creek. The useable site area is therefore 4.41 acres or 191,882 square feet. The second subject parcel **PUC Site B** is located off of Antionette Lane, to the north of Chestnut Avenue. It is a portion of a larger parcel and contains 1.70 acres, or 73,985 square feet. The combined useable site area is approximately 6.10 acres, or 265,867 square feet.

The subject parcels have mid block locations with frontage on Mission Road and Antionette Lane. All utilities are available to the site for immediate development. The sites are level and the physical characteristics of the site generally do not preclude any legally allowed development.

b. *Legally Permissible*

The subject is located in the El Camino Real/Chestnut Avenue Area Specific Plan district. Based on the development requirements under the General Plan, Specific Plan and zoning a high-density multifamily development would be allowed. Under the zoning the minimum density permitted on the property is 80 units per acre with a maximum of 120 units per acre. A project is eligible for an increased density up to 180 units per acre if a Transportation Demand Management project is provided, and high quality innovative design or maximum pedestrian and bicycle use infrastructure is included.

The subject is proposed to be developed with 800 residential units, including 158 affordable units and 12,992 square feet of commercial and 8,372 square feet for daycare center. The project is proposed to have three buildings and will be between 7 and 8 stories in height. The subject generally complies with the zoning and has requested a State Density Bonus Law to permit the higher density on **PUC Site B**. Based on a total gross site area the subject has a proposed development density of 121 dwelling units per acre.

c. *Financially Feasible*

As discussed in the Market Overview chapter, the residential market is currently strong in San Mateo County and South San Francisco. Therefore, speculative development of a residential project with a small commercial component is considered to be currently feasible.

d. *Maximally Productive*

The maximally productive use is that use, from among financially feasible uses, that provides the highest rate of return or value. Based on this analysis, a high-density mixed use residential and commercial development is considered the maximum productive use of the subject at this time.

e. *Conclusion*

Overall, based on these factors, the highest and best use of the subject property as if vacant is for development with a mixed use residential and commercial multifamily development at the maximum allowed density for the site.

B. Valuation Methodology

The valuation of any parcel of real estate is derived principally through three approaches to the market value. From the indications of these analyses, and the weight accorded to each, an opinion of value is reached. Each approach is more particularly described below.

1. *Cost Approach*

This approach is the summation of the estimated value of the land, as if vacant, and the reproduction of replacement cost of the improvements. From these are deducted the appraiser's estimate of physical deterioration, functional obsolescence and economic obsolescence, as observed during inspection of the property and its environs. The Cost Approach is based on the premise that,

except under most unusual circumstances, the value of a property cannot be greater than the cost of constructing a similar building on a comparable site.

2. Sales Comparison Approach

This approach is based on the principal of substitution, i.e., the value of a property is governed by the prices generally obtained for similar properties. In analyzing the market data, it is essential that the sale prices be reduced to common denominators to relate the degree of comparability to the property under appraisal. The difficulty in this approach is that two properties are never exactly alike.

3. Income Approach

An investment property is typically valued in proportion to its ability to produce income. Hence the Income Approach involves an analysis of the property in terms of its ability to provide a net annual income. This estimated income is then capitalized at a market-oriented rate commensurate with the risks inherent in ownership of the property, relative to the rate of return offered by other investments.

The Sales Comparison Approach is considered to be the best indicator for the subject property. The Income and Cost Approaches are not considered relevant and are not included.

VI. VALUATION BY THE SALES COMPARISON APPROACH

The approach utilized in estimating the current market value of the subject property is the Sales Comparison Approach. In this analysis, value is estimated by comparing the subject to similar land sites which have transferred prior to the effective date of appraisal. The index properties show characteristics which are similar to the property being appraised. Those transactions which are considered appropriate to indexing the value of the subject are summarized on the table on the following page. The prices paid for the comparable properties are shown on a price per unit and per square foot basis. However, for entitled residential or mixed-use sites, a value on a per unit is more relied upon. Therefore, the subject property is valued on a price per unit basis with a price per square foot also acknowledged.

In valuing the subject site, adjustments are made as necessary to each comparable for location, accessibility, permitted density, functional utility, date of sale, terms of sale, size, and other characteristics.

It is noted that the comparables are analyzed on a per unit basis excluding any affordable units. The concluded per unit value is then applied to the subject market rate 642 units. Affordable units (BMR's) are typically viewed as an extraction necessary to gain project approvals and they do not generate a profit sufficient to justify a land value component. As such, the economic unit of production is the market rate units on which the value analysis is based.

The table on the following page lists the recent sales of properties considered similar to the subject. The comparables are summarized on the table on the following page and individually discussed below.

A. Comparable Land Sales

Comparable 1 is located at 200 Airport Boulevard in South San Francisco. The property is located on the east side of Airport Boulevard to the immediately north of Land Sale 4. The site consists of five contiguous parcels which contains 26,795 square feet, or 0.62 acres. At the time of sale, the site was improved with three older buildings which contain a total of 14,194 square feet. The site has a zoning designation is DTC (Downtown Transit Core). The property was entitled by the buyer and received approvals in July 2019 for a seven-story mixed use building with 94 residential units and 3,650 square feet of commercial space and two levels of parking. This is equal to a density of 153 units per acre. The property is proposed to have 5 affordable housing units, which results in a total of 89 market rate units.

In September 2019, this property transacted for \$5,058,000. equivalent to a unit value of approximately \$56,831 per unit or \$189 per square foot.

Comparable 2 is located at 988 El Camino Real in South San Francisco. The property is situated at the southeast corner of Chestnut Avenue and El Camino Real.

COMPARABLE LAND SALES

Appraisal of PUC Sites B and C at Antionette Lane and Mission Road
South San Francisco, California

Location	Sale Date	Sale Price	Land Area	Proposed No. of Units / Density	Price Per Mkt Unit/ Per SF	Zoning / General Plan / Height Limit	Comments	Grantor / Grantee / Doc #
1 200 Airport Boulevard South San Francisco APN: 012-338-010, -020, -030, -040 and -050	9/19 Contract 2017	\$5,058,000 (entitled by buyer)	26,795 SF 0.62 AC	94 Units 153 DU/Ac 89 Market Rate Units	\$56,831 \$189	(1) Downtown Transit Core (DTC) Downtown Transit Core 85'	Proposed for 7-story mixed use with 94 units and 3,650 sf of retail over 2 levels of underground parking. Purchased by adjacent property owner. 5 BMR units.	Marisa & William Borba Jr./ Fairfield 200 Airport Lp
2 988 El Camino Real South San Francisco APN: 011-325-030, -070, 014-011-260 & -280	7/18 Contract 10/16	\$6,500,000 (entitled by buyer)	70,794 SF 1.63 AC	172 Units 106 DU/Ac 172 Market Rate Units	\$37,791 \$92	ECR/C-MXH El Camino Real Mixed Use North, High Intensity 80'-120'	Proposed for 6-story mixed use bldg with 172 unit apartments and 10,500 sf of gr floor retail with 2 levels of underground parking. No BMR units.	Petricchi Trust Shac 988 Ecr Apartments #055228
3 200 Linden Avenue South San Francisco APN: 012-334-040, -130, 030 and -160	10/18 Contract 8/16	\$3,050,000 (entitled by buyer)	31,500 SF 0.72 AC	97 Units 134 DU/Ac 78 Market Rate Units	\$39,103 \$97	(1) Downtown Transit Core (DTC) Downtown Transit Core 85'	Proposed for 8 story 97 condo units with 6,200 sf of commercial space with 3 stories of parking. 19 BMR units (20% BMR).	City of South San Francisco/ Hisense REUS LLC #077870
4a 150 Airport Boulevard South San Francisco APN: 012-338-140 and -150	12/17	\$12,050,000 (entitled by seller)	47,654 SF 1.09 AC	107 Units 98 DU/Ac		Downtown Transit Core (DTC) Downtown Transit Core 85'	Proposed for 5 story apartment bldg. with 157 units with two level parking garage. No BMR units.	150 Airport SSF, LLC/ Fairfield 150 Airport, LP #114045
4b 178 & 190 Airport Blvd APN: 012-338-060 and -070	12/17	\$2,450,000 (entitled by seller)	21,589 SF 0.50 AC	50 Units 101 DU/Ac			Adjacent property purchased from city of South San Francisco	City of South San Francisco Fairfield 150 Airport, LP #114047
		\$14,500,000	69,243 1.59	157 Units 99 DU/Ac 157 Market Rate Units	\$92,357 \$209		Approvals obtained in January 2017 for 157 units including the adjacent 178 & 190 Airport parcels.	
150 Airport Boulevard South San Francisco	11/16 Contract Early 2015	\$4,600,000 (entitled by buyer)	47,654 SF 1.09 AC	107 Units 98 DU/Ac	\$42,991 \$97		Earlier sale of Comparable 4a	JP & J Bertelsen Tr/ 150 Airport SSF, LLC #114028

COMPARABLE LAND SALES

Appraisal of PUC Sites B and C at Antionette Lane and Mission Road
South San Francisco, California

Location	Sale Date	Sale Price	Land Area	Proposed No. of Units / Density	Price Per Mkt Unit/ Per SF	Zoning / General Plan / Height Limit	Comments	Grantor / Grantee / Doc #
<u>Cadence Phase 2</u>								
5a 216 Miller Avenue South San Francisco APN: 012-314-220	1/19 renego. 2018	\$2,250,000 (3) \$870,000 (4) \$3,120,000	17,678 SF 0.41 AC			Downtown Transit Core (DTC) Downtown Transit Core 85'	Mid Block Site improved with a parking lot. 37% pro rata share of development	City of South San Francisco/ SSF Miller Cypress PRI, LLC #035957
5b 208 Miller Avenue APN: 012-314-180	7/19	\$6,000,000	7,288 SF 0.17 AC			Downtown Transit Core (DTC) Downtown Transit Core 85'	Site is improved with 13,226 sf office/union hall.	United Food & Coml Workers Lo. SSF Miller Cypress PRI, LLC #059299
5c 212-214 Miller Avenue APN: 012-314-190	2/19	\$2,500,000	6,917 SF 0.16 AC			Downtown Transit Core (DTC) Downtown Transit Core 85'	Site is improved 6,186 sf office.	Nancy Garcia/ SSF Miller Cypress PRI, LLC #007578
5d 204 Miller Avenue APN: 012-314-110	7/19	\$1,050,000	7,086 SF 0.16 AC			Downtown Transit Core (DTC) Downtown Transit Core 85'	Site is improved 750 sf bldg.	Gary Filizetti/ SSF Miller Cypress PRI, LLC #007578
5e 405 Cypress Avenue APN: 012-314-100	12/16 nego. 2015	\$462,916 (2)	8,763 SF 0.20 AC			Downtown Transit Core (DTC) Downtown Transit Core	Vacant lot	City of South San Francisco/ SSF Miller Cypress PRI, LLC #127232
		\$13,132,916 (entitled by buyer)	47,732 SF 1.10 AC	195 Units 178 DU/Ac 195 Market Rate Units	\$67,348 \$275		Proposed for 7 and 8 story apt bldg with 195 units. No BMR units. Prevailing wage.	
SUBJECT								
Site B- Southern Site Portion of APN: 093-312-050			73,985 SF 1.70 AC	234 Units 138 DU/Ac		ECR/C-MXH El Camino Real Mixed Use North, High Intensity 120'-160'	Proposed for 8 story mixed use apt. project with 12,992 sf of commercial space with three levels of parking.	
Site C - Northern Site/Mission Road APN: 093-312-060 South San Francisco			213,703 SF 4.91 AC	566 Units 115 DU/Ac		ECR/C-RH El Camino Real/Chestnut High Density Resid. 120'-160'	Proposed for two buildings: One 8 story mixed use with 8,372 sf daycare center and two levels of parking. The second bldg is 7 story affordable project with 158 units and ground level parking. 20% BMRs based on entire project.	
		(entitled by buyer)	287,688 SF 6.60 AC	800 Units 121 DU/Ac 642 Market Rate Units				

(1) Based on market rate units

(2) Purchased in Phase 1 price allocated on psf basis.

(3) Cost of original sale agreement and supplemental purchase price

(4) Estimated cost of Soil Remediation

Source: Watts, Cohn and Partners, Inc., November 2019
19-WCP-093

This map of South San Francisco, California, provides a comprehensive view of the city's layout. Key neighborhoods identified include El Camino, Sunshine Gardens, Sign Hill, Downtown, Orange Park, Avalon, and Lindenville. Major transportation routes are highlighted, including Highway 82 (Serrano Ave), Highway 101 (Highway Blvd), and Highway 280 (Santa Lucia Expressway). The map also shows several parks, such as Sign Hill Park and Buri Buri Park, and educational institutions like El Camino High School and Sunshine Gardens Elementary School. Commercial and public facilities, including Safeway, Pacific Supermarket, and the San Mateo Superior Court, are marked with their respective icons. The map is color-coded to distinguish between different types of areas: green for parks, blue for water bodies, and various shades of gray and yellow for urban and commercial zones.

The irregular shaped site consists of four contiguous parcels and contains 1.63 acres or 70,784 square feet. The site was improved with a car wash prior to its sale. The site is zoned ECR/MXH (El Camino Real Mixed-Use District, High Intensity). The property received entitlements in February 2018 and is proposed to be developed with a six-story mixed use project. The development is proposed to contain 172 residential units including 10,500 square feet of ground floor commercial with two levels of below grade parking. The design includes 3 level, 256 parking garage with two subterranean levels and one level at street grade. The comparable is located approximately one-half mile from South San Francisco BART station and is a transit-oriented project. It has a density of 106 units per acre.

The comparable sold in July 2018 for \$6,500,000. This is equal to \$37,791 per unit and \$92 per square foot. The project will provide an outdoor fitness park for the public as well as a trail spur to connect to Centennial Way. The buyer also reported that due to the site constraints and conditions the costs to build the structure is approximately 25 percent higher than a typical building.

Comparable 3 is located at 200 Linden, 212 and 216 Baden Avenue, at the southeast corner of Baden and Linden Avenues, in the downtown area of City of South San Francisco. The property consists of four separate, but contiguous, legal parcels containing a combined total land area of approximately 0.72 acres or 31,500 square feet. The rectangular shaped site and includes frontage on three streets. The property was listed for sale with a Request for Qualifications (RFQ) by the City of South San Francisco as an infill mixed use site for possible hotel, office, retail or multifamily development. The property received entitlements for a seven-story mixed use development with 97 residential condominium units with 20% BMR units (19 units), 6,200 square feet of ground floor commercial uses and three levels of parking. The property was originally improved with a one story, 7,000 square foot building occupied by the City IT Department as well as paved parking lots. The site has a zoning designation is DTC (Downtown Transit Core). The property received entitlements in November 2017. Based on the proposed development the density is equal to 134 units per acre.

The Omi Investment (Hisense REUS LLC) offer to purchase the property was approved in August 2016 by the Successor Agency to the Redevelopment Agency of the City of South San Francisco. The property was purchased in October 2018 for \$3,050,000, which is equivalent to a unit value of approximately \$39,103 per unit (excluding the 19 BMR units) and \$97 per square foot.

Comparable 4a is located at 150 Airport Boulevard in South San Francisco. The site consists of two separate, but contiguous, legal parcels containing a combined total land area of approximately 47,654 square feet, or 1.09 acres. The property is located on the east side of Airport Boulevard to the south of Baden Avenue. The site is irregular in shape, but is functional. It is currently improved with two older industrial buildings containing a total of 26,974 square feet. The site has a zoning

COMPARABLE LAND SALES ADJUSTMENT GRID
Appraisal of PUC Sites B and C at Antionette Lane and Mission Road
South San Francisco, California

Location:	Comparable 1 200 Airport Boulevard South San Francisco	Comparable 2 988 El Camino Real South San Francisco	Comparable 3 200 Linden Avenue South San Francisco	Comparable 4 150 Airport Boulevard South San Francisco	Comparable 5 Miller and Cypress Avenue South San Francisco
Land Area Sq. Ft.:	26,795	70,794	31,500	69,243	47,732
No. of Market Rate Units:	89	172	78	157	195
Density DU/AC:	153	106	134	99	178
Sale Date:	9/19	7/18	10/18	12/17	12/16-7/19
Transaction Price:	\$5,058,000	\$6,500,000	\$3,050,000	\$14,500,000	\$13,132,916
Unadjusted Price Per Unit:	\$56,831	\$37,791	\$39,103	\$92,357	\$67,348
Financing Terms:	0.0%	0.0%	0.0%	0.0%	0.0%
Property Interest:	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Sale Price:	\$5,058,000	\$6,500,000	\$3,050,000	\$14,500,000	\$13,132,916
Adjusted Price/Per Unit:	\$56,831	\$37,791	\$39,103	\$92,357	\$67,348
Conditions of Sale:	0.0%	0.0%	0.0%	0.0%	0.0%
Market Conditions:	5.0%	10.0%	10.0%	5.0%	0.0%
Price Adj. For Mkt. Cond.	\$59,673	\$41,570	\$43,013	\$96,975	\$67,348
Location:	-10.0%	0.0%	-5.0%	-10.0%	-10.0%
Size:	-10.0%	-10.0%	-10.0%	-10.0%	-10.0%
Site Conditions/Utility:	0.0%	20.0%	0.0%	0.0%	-5.0%
Zoning / Approvals:	0.0%	0.0%	0.0%	-20.0%	0.0%
Density:	5.0%	0.0%	0.0%	-5.0%	5.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%
Total Adjusted %:	-15.0%	10.0%	-15.0%	-45.0%	-20.0%
Adjusted Per SF Value for the Subject:	\$50,722	\$45,727	\$36,561	\$53,336	\$53,879

Source: Watts, Cohn and Partners, Inc., November 2019
19-WCP-093

designation is DTC (Downtown Transit Core) and is located within the Downtown Station Area Specific Plan district.

Comparable 4b is located at 178 and 190 Airport Boulevard adjacent to the north of **Comparable 4a**. The comparable contains two parcels and contains a total of 21,589 square feet. The property was in vacant condition at the time of sale. The site has a zoning designation is DTC (Downtown Transit Core) and is located within the Downtown Station Area Specific Plan district.

Comparables 4a and 4b received entitlements for development of a 157-unit apartment complex in January 2017. Based on both comparables the total site area is 1.59 acres or 69,243 square feet. The density is equal to 99 units per acre. The two comparables were purchased in December 2017 for a total of \$14,500,000. This is equal to \$92,357 per unit and \$209 per square foot.

The property at 150 Airport Boulevard had previously been purchased in November of 2016 for \$4,600,000, or approximately \$42,991 per unit. This is based on 107 units allocated to the parcel. The property had been in contract for two years prior to its sale while the purchaser was seeking entitlements.

Comparable 5 pertains to the second phase of the Cadence development project. The comparable consists of five adjacent sites which were assembled by SSF Miller Cypress SSF, LLC aka Sares Regis Group to form a single 1.10 acre development site. The comparables are located on the north side of Miller Avenue between Cypress Avenue and 216 Miller Avenue. The developer received entitlements in December 2018 to build 195 apartment units in two, seven and 8 story buildings. The density is equal to 177 units per acre. Sares Regis completed the first phase of Cadence in 2019 which contains 260 residential units and is located on Cypress Avenue and Airport Boulevard between Lux and Miller Avenues. The sale components of the assemblage are discussed below.

Comparable 5a is located at 216 Miller Street. It contains 17,678 square feet and was originally purchased as part of a purchase and sale agreement dated February 2016. As part of the agreement the property was purchased for \$250,000 on April 2017. However, there was a condition in the agreement for a supplemental purchase price to be paid for the site if the buyer constructs on the site, which was to be based on an appraisal. The supplemental purchase price of \$2,000,000 was agreed upon by the City and buyer and the property was purchased January 2019. The site was improved with a parking lot at the time of sale and required some soil remediation property estimated at \$870,000. Adding the cost of the soil remediation the total cost to the purchaser was \$3,120,000, or \$176 per square foot. Based on the comparable's pro rata share of which is equal to 72 units the price per unit is equal to \$43,333.

Comparable 5b is the sale of a property at 208 Miller Avenue. The property contains 7,288 square feet of site area. It is improved with a two-story office

property which contains 13,226 square feet. The property was occupied by an owner/user. The property was purchased in July 2019 for \$6,000,000 for assemblage as part of a multifamily redevelopment project. The sale price is equal to \$823 per square foot of land area and \$200,000 per pro rata unit.

Comparable 5c pertains to the sale of a property at 212-214 Miller Avenue. The two-story property contains 6,186 square feet and has a site of 6,917 square feet. The comparable sold in February 2019 for \$2,500,100, which is equal to \$361 per square foot or \$89,289 per pro rata unit.

Comparable 5d is the sale of 204 Miller Avenue. This property contains 7,086 square feet and is improved with a one-story building which contains 750 square feet. The site was purchased in July 2019 for \$1,050,000 which is equal to \$148 per square foot of land area and \$36,207 per pro rata unit.

Comparable 5e pertains to the sale of 405 Cypress Avenue. The comparable is located at the corner of Cypress Avenue and Miller Street. The vacant lot contains 8,763 square feet. This property was purchased by the developer as part of the first phase of Cadence in December of 2016. The allocated purchase price was \$53 per square foot which is equal to a sale price of \$426,916. This is also equal to a prorated unit value of \$12,859.

The total sale price of the assemblage is \$13,132,916. Based on the approved 195 residential units this is equal to a price per unit of \$67,348. The project will also provide public art, local streetscape enhancements, undergrounding of utilities and a local hire program at standard wages.

B. Analysis

Price Per Unit

The comparable sales indicate unadjusted unit values ranging from approximately \$37,791 to \$92,357 per market rate dwelling unit. The comparables range in size from 26,795 to 70,794 square feet and range in density from 99 to 178 dwelling units per acre. The variation in per unit prices from the residential land sales reflects differences in location, size, density, height limit, and site utility. On a per unit basis, the relationship between cost and density is generally inversely related.

The table on the following page presents an adjustment grid for the subject property. It should be emphasized that although the adjustment process is a mechanical one, the analysis applied by the appraiser is actually less mechanical and more intuitive in nature. Specific adjustments are intended to represent the appraiser's best judgment concerning the differential between each comparable and the subject. Any specific adjustment should be considered general in nature and the overall process is intended to narrow the pattern indicated by the comparable data.

Comparable 1 is the recent sale of 200 Airport Boulevard. The property was purchased for \$56,831 per unit based only on the market rate units. An upward adjustment is made for market conditions as the property was in contract for over 21 months prior to closing. The comparable has a superior location in close proximity to downtown South San Francisco as well as the Caltrans warranting a downward adjustment. The property is smaller in size and investment magnitude indicating a downward adjustment in relation to the subject. The proposed density at 153 units per acre is higher which suggests an upward adjustment. Overall, a lower unit value is indicated for the subject.

Comparable 2 pertains to the sale of 988 El Camino Real in South San Francisco. Although the property closed in July 2018 an upward adjustment for market conditions is made as this comparable has been in contract for over 21 months. The comparable is located in proximity to the subject at the corner of Chestnut Street and El Camino Real and no adjustment is indicated for location. However, the property is smaller in size. The comparable is similar to the subject in terms of utility, zoning, appeal and density. However, the site conditions and utility of the parcel is inferior warranting an upward adjustment. After adjustments a higher unit value is indicated for the subject.

Comparable 3 reflects the sale of a property located at 200 Linden Avenue, in downtown South San Francisco. The comparable was purchased for \$39,103 per market rate unit in October 2018. An upward adjustment is made for market conditions as the property was in contract 26 months prior to closing. The comparable has a good downtown location. The subject is located to the west, in proximity to El Camino Real, and has a good residential location close to supporting services and transit. However, the subject has a secondary commercial location and a downward adjustment for location is indicated. The comparable is similar to the subject in terms of zoning and entitlements. Overall, a higher per unit value is indicated for the subject.

Comparable 4 reflects the sale for a property located at 150, 178 and 190 Airport Boulevard. The property was purchased for a total price of \$14,500,000 or \$92,357 per unit. The comparable closed in December 2017 and an upward adjustment for market conditions is made. The property was purchased fully entitled and a downward adjustment is made for this factor. The property has a superior more centralized location and it is smaller in size. In addition, it has a lower density. Overall, a lower per unit value is indicated for the subject.

Comparable 5 pertains to the sale of multiple sites for assemblage into a high-density residential project on Miller Street. The property was purchased for a total of \$67,348 per unit based on the sales of five properties. The project is planned as the second phase of Cadence which is located directly east. No adjustments are made for market condition or conditions of sale. The comparable has a superior location in downtown South San Francisco and a negative adjustment is made for

this factor. In addition, the comparable is smaller in size and has superior site conditions given its frontage on two streets. However, the property has a higher density which warrants a positive adjustment. Overall a lower unit value is indicated for the subject based on this sale.

Value Conclusion

After adjustment, the comparables reflect a per unit value range of between approximately \$37,000 and \$54,000. Less weight is placed on the low end of the range which reflects the sale of a condominium project on Linden Avenue. This project went into contract in 2016 and market conditions have improved. The remaining comparables indicate a range between \$46,000 to \$54,000 per unit. Given the subject's size and location a mid-range unit value of \$50,000 is concluded. As was noted earlier, this unit value is applied to only the market rate dwelling units. The affordable units are not considered to have any independent land value given the required rent restrictions on the property.

The land value before consideration of extraordinary costs is calculated as follows:

642 Market Rate Units x \$50,000 per unit = \$32,100,000

Rounded: \$32,100,000

The above value conclusion equates to approximately \$121 per square foot of site area, based on 6.10 useable acres, or 265,867 square feet. Relative to the comparables this is in the middle of the range and appears supported on per square foot basis.

It is noted again that this conclusion is only a benchmark value for the subject. Further analysis is necessary for the extraordinary site costs.

VII. EXTRAORDINARY COSTS IMPACTS

The subject property is currently vacant land. As part of the Preliminary Development Agreement (PDA) the developer has agreed to construct and complete certain public improvements, as well as provide some public benefits which are atypical of most projects and therefore considered to be extraordinary costs relative to the comparable sales. In order to derive an as-is market value as a development site these infrastructure and site development costs considered to be extraordinary in the sense of not being typical of the market, are analyzed and discussed below.

A. Extraordinary Costs

1. *Oak Avenue Extension Infrastructure Requirements*

An integral part of the El Camino Real/Chestnut Avenue Area Plan is the proposed extension of Oak Avenue from Mission Road over Colma Creek and into Antionette Lane. The first phase of the road and bridge includes a new traffic signal at Mission Road and Oak Avenue. According to the Preliminary Development Agreement, the Developer shall undertake the design and construction of Phase 1 of Oak Avenue and continue to advance design and approval (with BART, Caltrans, etc) of Oak Avenue Phase 2, so that reviewing departments can ensure a future design for Phase 2 is feasible. The developer is not responsible for costs of constructing Phase 2.

The roadway extension and bridge will be 25 feet in width and there will be a signal interchange at Oak Avenue and Mission Road. The road will connect to Antionette Way and terminates into a private street with public access. The street terminates at the western with a wide staircase and accessible switchback path that traverses up the bank to the El Camino Real.

The developer and City are jointly responsible for right-of-way improvements on City/BART/Kaiser and PUC property leading up to El Camino Real, west of Antionette Lane/Colma Creek. This area will be improved with stairs, pathways, ramps, paving and landscaping.

The appraisers reviewed letter from Brian Baker from AGI/Kasa Partners dated August 6, 2019. The letter estimates projected cost for the Oak Avenue Phase 1 extension/bridge based on four design alternatives. The cost range is from \$10,248,540 to \$12,156,598. The differences in costs are due to the length of the bridge as well as the base flood elevation clearances. The estimated costs for the Additional Oak Avenue ROW, which includes walkways, ramps, grading and landscaping has been estimated at \$4,153,124.

The developer has indicated per the proposed Preliminary Development Agreement that their contribution for the Oak Avenue and Bridge, signal construction and Right-of-Way improvements will be \$10,350,000. Any costs

greater than that will be reimbursed by the City. This is considered an extraordinary cost for a City transportation improvement serving a wide area beyond just the subject development. A deduction is made to the subject land value to reflect this additional extraordinary cost.

2. Developer Contribution toward Purchase of Land for Oak Ave. Extension

The developer also stated that they must contribute \$500,000 to the City toward the purchase of right-of-way land at Oak Avenue and Mission Road as well as on Antionette Lane for the proposed Oak Avenue extension. According to the representative of the developer, the City will be required to purchase a small portion of land from two different property owners to facilitate the Oak Avenue extension. The city confirmed this requirement. A deduction is made to the subject land value to reflect this additional extraordinary cost.

3. Community Park on BART Property

As part of the approvals the developer has agreed to install a community park on the adjacent BART Open Space Property and the City of South San Francisco Open Space Property to the west of Building C1 and C2. The park will be approximately 42,531 square feet and will be partially located above the BART Tunnel. The park is proposed to be improved with a lawn area, park benches, seat walls, paving, a playground, fitness station, lighting and pathways. The developer's reported that the estimated cost is \$2,500,000, which is equal to approximately \$59 per square foot.

Other proposed projects in South San Francisco have been required to provide some outdoor public space. Such an extraction in return for City development approvals is not unusual. What is extraordinary in this situation is the scope of the public improvement serving the surrounding neighborhood. As such, although the park is considered to be an amenity that adds value to the property it is also more extensive than would be expected from a development on non-city owned land. Therefore, 50 percent of the total cost is deducted as an extraordinary cost equal to \$1,250,000.

4. Maintenance of Offsite Landscape Improvements

Per the Preliminary Development Agreement (DA) the developer is to maintain offsite improvements that they construct. In exchange for the use of certain portions of property from BART and Kaiser as part of the project for public open space, the developer is required to provide the maintenance for the improvements.

The developer has indicated an annual maintenance cost of \$125,000 or \$10,417 per month, or \$195 per unit per year. This includes maintenance of street

improvements along Mission Road as well as the community park and Market Hall Plaza.

The maintenance of on and off-site improvements around a major apartment project in order to increase the appeal to potential renters is considered to be a normal market activity is not considered an extraordinary cost. The total estimated cost for this item is minimal relative to the overall operating expenses and are further deferred by on-site maintenance staff.

5. *Soil Conditions/Pilings*

Due to an historic water course, the subject property is affected by poor soil conditions which requires 450, 75 feet deep piles across both sites rather than more typical and less expensive matt style foundations. In addition, due to the project's proximity to BART tunnel, the subject requires double cased piles and extra dewatering and monitoring measures on some piles. This cost has been estimated by the developer at approximately \$6,500,000 for the deep piles and \$800,000 for the double cased piles.

These foundation costs are not typical of other development land parcels in the market and a deduction is made for these factors.

6. *Upgrade of Centennial Trail, Undergrounding of Power Lines, Relocation of new Sewer Main, SSF Impact Fees and Childcare Facility*

The subject developer has indicated that there are additional project costs being incurred due to the upgrading of Centennial Trail, the undergrounding of power lines on Mission Road, the relocation of new sewer main into Oak Avenue, the building of a childcare facility with below market rents and the higher South San Francisco Impact Fees. These items are estimated at a cost of \$6,750,000.

Although these are additional project cost they are not considered extraordinary relative to the market and no deductions are made for these costs. All of the comparable sales used in the valuation analysis are located in South San Francisco and have similar impact fees. The undergrounding of power lines, relocation of a new sewer main and upgrade of Centennial Trail are typical extractions and project amenities required for new development in South San Francisco. The building of a Childcare facility in Building C1 is considered an amenity of the project not unusual for an 800-unit apartment complex. In addition, the cost of this amenity would likely be offset by the fees generated by having a childcare facility on site.

Therefore, no deductions are made for these project costs.

7. *Prevailing Wage*

The Preliminary Site Development Agreement indicates that the subject will be affected by a prevailing wage agreement.

Discussions with developers indicate that most of the construction work in new projects in the area is from union labor. This is due to the larger pool of workers available and the experience required. The spread between union and nonunion labor costs typically narrows in a strong economy. This is due to the fact that union contract wages are static whereas the market spot wages increase in a strong market. The complexity of the project can also affect the spread between union and nonunion labor.

The subject developer is currently estimating a 3 to 5 percent increase in construction costs due to prevailing wage. This increase is based on typical union labor for 2/3 of the project and nonunion labor for the finishing trades. Based on a 10 to 15 percent increase in cost on 1/3 of the labor the increase is equal to 3 to 5 percent, or a mid-range of 4 percent. The subject developer has estimated an additional construction cost of \$16 million for prevailing wage requirement based on 5 percent of construction costs.

However, in the current strong job market, developers are forced to pay prevailing wage given the complexity of proposed high-density residential projects and the tight labor market.

In addition, Comparables Land Sales 3 and 5 reflected land sales of property with the prevailing wage requirements. Given the subject's location in a historically strong pro-union city and that other projects are encumbered with the same requirements no adjustment is made.

8. ***Mission Road Pedestrian Trail Connection and Pedestrian Bridge Connection to Centennial Trail***

Per the Preliminary Development Agreement the developer has agreed to pay to the City \$200,000 for costs associated with the ***Mission Road Pedestrian Trail Connection***. This is a proposed pedestrian trail connecting Mission Road to the Centennial Trail near the intersection of Sequoia Avenue and Mission Road, to the north of the subject.

The additional cost item pertains to the ***Centennial Trail Bridge***. The developer is required to design and construct a pedestrian bridge and pathway connecting the Kaiser property to Centennial Trail at the same time as the construction of the Centennial Trail improvements. The City states it will not impose requirements that will cause the cost to exceed \$1,500,000. Further, the City will cooperate with the developer to ensure that any other governmental agencies requirements do not cause the cost to exceed the Maximum Centennial Trail Bridge Cost or \$1,500,000.

The developer is required to design and construct the *Centennial Trail Bridge* and pay the City for costs associated with the *Mission Road Pedestrian Trail Connection* as part of the DA. These two items are presented as an obligation by the developer that will be required for the development of the subject project. Given that these are requirements in the DA, and that they are not project specific, they are considered an extraordinary cost and are deducted from the land value.

9. *Extraordinary Cost Conclusion*

The table on the following page shows the Extraordinary Costs presented by the developer and city. Based on our analysis a total cost of \$21,100,000 is deducted for the previously concluded land value to derive a value for the subject property as a development site. The market value of the subject is shown below:

Value of the Subject Property Before Extraordinary Cost Impacts	\$32,100,000
<i>Less:</i>	
Oak Avenue and Right of Way	(\$10,350,000)
Contribution for Land Purchase on Oak Avenue	(\$500,000)
Soil Conditions and Deep Piles	(\$7,300,000)
Community Park	(\$1,250,000)
Mission Road Pedestrian Trail Connection	(\$200,000)
Pedestrian Bridge Connection	(\$1,500,000)
Total Extraordinary Site Costs	(\$21,100,000)

As-Is Market Value of the Subject Properties PUC Sites B & C After Deducting Extraordinary Costs:	\$11,000,000
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Extraordinary Costs
Appraisal of PUC Sites B and C at Antionette Lane and Mission Road
South San Francisco, California

<i>Scope of Work</i>	<i>Cost Impact</i>			<i>Amount Allocated by Appraiser</i>		
Phase 1 of Oak Avenue Bridge, Right of Way (city and developer jointly responsible)	\$10,350,000	x	100%	=	\$10,350,000	
Contribution of towards purchase of land for Oak Ave extension	\$500,000	x	100%	=	\$500,000	
Poor Soil Conditions requiring deep piles instead of mat foundations	\$6,500,000	x	100%	=	\$6,500,000	
Proximity to BART /double cased piles and extra dewatering & monitoring	\$800,000	x	100%	=	\$800,000	
Community Park on BART Property	\$2,500,000	x	50%	=	\$1,250,000	
Upgrade Centennial Trail, paving. Lighting and benches	\$300,000	x	0%	=	\$0	
Underground Power Lines on Mission Road	\$500,000	x	0%	=	\$0	
Relocation new sewer main	\$200,000	x	0%	=	\$0	
Building Childcare facility with below market rent	\$750,000	x	0%	=	\$0	
SSF Impact Fees	\$5,000,000	x	0%	=	\$0	
Maintenance of all off-site landscape improvements	\$2,950,000	x	0%	=	\$0	
Prevailing Wage	\$16,000,000	x	0%	=	\$0	
Mission Road Pedestrian Trail Connection	\$200,000	x	100%	=	\$200,000	
Pedestrian Bridge Connection to Centennial Trail	1,500,000	x	100%	=	\$1,500,000	
<i>TOTAL</i>	<i>\$48,050,000</i>				<i>\$21,100,000</i>	
	<i>\$74,844 Per unit</i>				<i>\$32,866 Per Unit</i>	

Source: Watts, Cohn and Partners, Inc., November 2019
19-WCP-093

VIII. VALUE CONCLUSIONS

A. As-Is Market Value for PUC Sites B and C

The subject properties consist of two separate parcels identified as *PUC Sites B and C*. Based on the research and analyses contained in this report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the combined two subject properties, in its present, as-is condition, under the proposed terms, as of October 11, 2019 is estimated to be:

ELEVEN MILLION DOLLARS

(\$11,000,000)

B. Individual Market Values of PUC Site B and PUC Site C

The above concluded value is for the combined two subject properties which consists of *PUC Sites B and C*. The above market value of \$11,000,000 is equal \$41.37 per useable square foot based on 265,867 square feet.

The combined two subject parcels are viewed as a cohesive whole with approvals for a single project. In order to obtain the approvals, the developer must agree to build a certain amount of affordable housing. Although the affordable units may be on only a single parcel, the impact is spread across the entire land holding which received approvals. As such, the total market value is allocated across the two separate parcels on a price per square foot of useable land area.

PUC Site B

PUC Site B contains 73,985 square feet. The square foot value is multiplied by the site area to derive an as-is market value conclusion for PUC Site B as follows;

73,985 square feet x \$41.37 per square foot = \$3,060,759

Rounded = \$3,060,000

Based on the research and analyses contained in this report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property identified as *PUC Site B*, in its present, as-is condition under the proposed terms, as of October 11, 2019 is estimated to be:

THREE MILLION SIXTY THOUSAND DOLLARS

(\$3,060,000)

PUC Site C

PUC Site C contains 191,882 useable square feet. The per unit square foot value is multiplied by the useable site area to derive as-is market value conclusion for PUC Site C as follows:

191,882 square feet x \$41.37 per square foot = \$7,938,939

Rounded = \$7,940,000

Based on the research and analyses contained in this report, and subject to the assumptions and limiting conditions contained herein, it is the opinion of the appraisers that the market value of the fee simple interest in the subject property identified as *PUC Site C*, in its present, as-is condition under the proposed terms, as of October 11, 2019 is estimated to be:

SEVEN MILLION NINE HUNDRED FORTY THOUSAND DOLLARS

(\$7,940,000)

ADDENDA

QUALIFICATIONS OF SARA A. COHN, MAI
California Certified General Real Estate Appraiser No. AG014469

EXPERIENCE

Sara A. Cohn is a Partner with Watts, Cohn and Partners, Inc. a new firm providing commercial real estate valuation. From 1988 to 2016, she worked for Carneghi and Partners and was a Senior Project Manager/Partner in their San Francisco office. Carneghi and Partners, and now Watts, Cohn and Partners, provide real estate appraisal and consulting services in the San Francisco Bay Area. Clients include financial institutions, government agencies, law firms, development companies and individuals. Typical assignments include both valuation and evaluations of a broad variety of property types, uses and ownership considerations.

Ms. Cohn has over 30 years of appraisal experience. She has completed a wide variety of valuation and evaluation analyses. Ms. Cohn has extensive knowledge of the San Francisco Bay Area and has appraised many property types including office buildings, industrial properties, retail centers, hotels, residential projects, mixed-use properties and development sites. Recent work has involved the analysis of commercial buildings, residential subdivisions, valuation of affordable housing developments with bond financing and/or Low-Income Housing Tax Credits (LIHTCs), assessment districts, as well as co-housing projects.

EDUCATION

Bachelor of Arts, University of California, Berkeley, 1978

Successful completion of all professional appraisal courses offered by the Appraisal Institute as a requirement of membership.

Continued attendance at professional real estate lectures and seminars.

PROFESSIONAL AFFILIATION AND STATE CERTIFICATION

Appraisal Institute - MAI Designation (Member Appraisal Institute) No. 12017
Continuing Education Requirement Complete

State of California Certified General Real Estate Appraiser No. AG014469
Certified Through March 2021

State of California Licensed Landscape Architect No. 2102

Member, Board of Directors, Northern California Chapter of the Appraisal Institute,
2008-2010

Seminars Co-Chair, Northern California Chapter of the Appraisal Institute, 2005-2007



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Sara A. Cohn

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 014469

Effective Date: March 10, 2019

Date Expires: March 9, 2021

Jim Martin, Bureau Chief, BREA

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QUALIFICATIONS OF MARK A. WATTS

Mark A. Watts is a Partner with Watts, Cohn and Partners, Inc.

Following is a brief summary of his background and experience:

EXPERIENCE

Commercial Real Estate Appraisal Experience

Mr. Watts has been a commercial real estate appraiser since 1987, and has over 20 years experience in the analysis of commercial real estate. He has completed valuation assignments on a variety of projects, including industrial facilities, residential subdivisions, apartments, shopping centers, cemeteries and recreational facilities. He has also performed feasibility studies and assisted owners in making asset management decisions.

Mr. Watts has provided litigation support and served as an expert witness in court. He has also served in arbitrations as an expert witness. He has been qualified as an expert in San Francisco and San Mateo County Superior Courts.

He served on the San Francisco County Assessment Appeals Board from 2011 to 2016.

Commercial Real Estate Investment Experience

Simultaneous to his work as a commercial appraiser, Mr. Watts has been an active real estate investor/developer. He is experienced in the acquisition, redevelopment and management of commercial properties. He has witnessed and experienced many real estate cycles and stays abreast of current trends. His personal experience as an investor makes him uniquely qualified to appraise commercial real estate.

Over the last 20 years he has completed more than 30 investment real estate transactions, an average of 1.5 transactions per year. He has negotiated with buyers and sellers directly as a principal. He has completed nearly a dozen 1031 exchanges. Beginning with a small initial capital investment, he has built a large real estate portfolio. Based on his ownership experience, Mr. Watts is keenly aware that the success or failure of an acquisition is closely related to its location. Likewise, he is sensitive to locational differences in the appraisal of real estate.

Mr. Watts has broad experience with the construction, maintenance and repair of real estate. He has demolished and re-built two structures from the ground up. He has completed fire damage repairs and remediated toxic mold. He has remodeled kitchens and baths. He has replaced foundations on structures, made additions, and made other improvements. As the quality and condition of real estate has a strong correlation with its value, his experience enables superior judgement of these attributes in his work as a commercial real estate appraiser.

Community Involvement

Mr. Watts served on the Board of Managers of the Stonestown Family YMCA from 2002 to 2017. This is an approximately 30,000 square foot health club facility. He was active on the Facilities Committee. He served as the Board Chair in 2008. He has been a member of the Olympic Club in San Francisco since 1976. He served the Forest Hill Neighborhood Association as President from 2013 to 2017.

EDUCATION

Bachelor of Arts, University of California, Davis

PROFESSIONAL AFFILIATION

State Accredited Affiliate of the Appraisal Institute
State of California Certified General Real Estate Appraiser No. AG015362



Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Mark A. Watts

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:

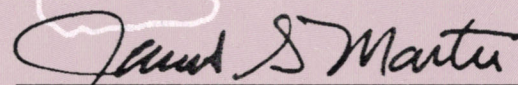
“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 015362

Effective Date: August 16, 2019

Date Expires: August 15, 2021


Jim Martin, Bureau Chief, BREA

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