SPECIAL MEETING

OVERSIGHT BOARD FOR THE SUCCESSOR AGENCY TO THE CITY OF SOUTH SAN FRANCISCO REDEVELOPMENT AGENCY

P.O. Box 711 (City Hall, 400 Grand Avenue)
South San Francisco, California 94083

CITY HALL

LARGE CONFERENCE ROOM, TOP FLOOR
400 GRAND AVENUE

TUESDAY, NOVEMBER 12, 2013
2:00 P.M.

PEOPLE OF SAN MATEO COUNTY

You are invited to offer your suggestions. In order that you may know our method of conducting Board business, we proceed as follows:

The regular meetings of the South San Francisco Oversight Board for the Successor Agency to the City of South San Francisco Redevelopment Agency are held on the third Tuesday of each month at 2:00 p.m. in the in the Large Conference Room, Top Floor at City Hall, 400 Grand Avenue, South San Francisco, California.

In accordance with California Government Code Section 54957.5, any writing or document that is a public record, relates to an open session agenda item, and is distributed less than 72 hours prior to a regular meeting will be made available for public inspection in the City Clerk's Office located at City Hall. If, however, the document or writing is not distributed until the regular meeting to which it relates, then the document or writing will be made available to the public at the location of the meeting, as listed on this agenda. The address of City Hall is 400 Grand Avenue, South San Francisco, California 94080.

In compliance with Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the South San Francisco City Clerk's Office at (650) 877-8518. Notification 48 hours in advance of the meeting will enable the City to make reasonable arrangements to ensure accessibility to this meeting.

Chairperson:	**Selected by:**
Neil Cullen	Largest Special District of the type in H&R Code Section 34188

Vice Chair:	**Selected by:**
Patti Ernsberger Assistant Superintendent, Business Services South San Francisco Unified School District Alternate: Alejandro Hogan Superintendent, South San Francisco Unified School District	San Mateo County Superintendent of Schools

Board Members:	**Selected by:**
Mark Addiego Councilmember, City of South San Francisco	Mayor of the City of South San Francisco
Gerry Beaudin Principal Planner, City of South San Francisco	Mayor of the City of South San Francisco
Barbara Christensen Director of Community/Government Relations, San Mateo County Community College District	Chancellor of California Community College
Reyna Farrales Deputy County Manager, San Mateo County	San Mateo County Board of Supervisors
Paul Scannell	San Mateo County Board of Supervisors (Public Member)

Counsel

Craig Labadie

Advisory:
Jim Steele – Finance Director, City of South San Francisco
Robin Donoghue – Interim General Counsel, Successor Agency of the City of South San Francisco
Krista Martinelli – City Clerk, City of South San Francisco
Armando Sanchez – Redevelopment Consultant, City of South San Francisco

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

AGENDA REVIEW

COMMUNICATIONS FROM STAFF

a. Status of response to Nawied Amin- public comment at the meeting of September 17, 2013.
b. Truing up of unfunded health costs.
c. Residual in the Redevelopment Property Tax Trust Fund.

PUBLIC COMMENTS

Comments from members of the public are limited to items on the Special Meeting Agenda.

MATTERS FOR CONSIDERATION

1. Further discussion of the draft Long Range Property Management Plan.

2. Future Agenda Items.
   a) Consideration of revenue sharing agreement related to assignment of the Master Commercial Lease at 636 El Camino Real.

ADJOURNMENT

Kathryn Reodica, Deputy Clerk
Oversight Board for the Successor Agency to the South San Francisco Redevelopment Agency

Redevelopment Successor Agency Oversight Board

Staff Report

DATE: November 12, 2013

TO: Members of the Oversight Board

FROM: Steven T. Mattas, Interim City Manager

SUBJECT: Revisions to the Long-Range Property Management Plan (LRPMP)

RECOMMENDATION

It is recommended that the Oversight Board review proposed revisions to the second draft of the Long-Range Property Management Plan (LRPMP).

BACKGROUND

At a special meeting on October 30, 2013, the Oversight Board reviewed the first draft of the Long-Range Property Management Plan (LRPMP). At the request of the Board, staff has made several revisions to the first draft of LRPMP. In addition, staff reviewed the feasibility of switching the properties listed as numbers 22-26 (the former Ford properties) and numbers 29-31 (properties along Linden Avenue) from the "Retain for Future Development" category to the "Sale" category.

Pursuant to the direction of the Board, the following changes are incorporated into the second draft of the LRPMP (see Exhibit A):

- For the properties designated for public use, upon transfer to the City the grant deeds for the properties will include language restricting the use of the properties to governmental use. If there is a change in the use of the property, the City shall enter into compensation agreements with the San Mateo County Auditor-Controller or other appropriate entity or entities, pursuant to Assembly Bill x1 26 and Assembly Bill 1484 (collectively, the "Redevelopment Dissolution Law"), providing that all net revenue from such non-governmental use shall be distributed as property tax to the taxing entities as defined in the Redevelopment Dissolution Law. In addition, grant deeds to public entities other than the City will include a reversionary interest of the City in the event of the grantees' breach.

- For the properties retained for future development, the Successor Agency and/or City will merge the contiguous parcels to form a single parcel thereby facilitating the development goals envisioned in the LRPMP and the former Redevelopment Project Plan.

- A section has been added in the Conclusion of the LRPMP stipulating that the Successor Agency and the City will enter into a revenue sharing agreement whereby the taxing agencies will receive the net proceeds from the sale of all properties the City retains for future development.

With respect to the designation of various properties from the Retention category to the Sale category staff requests that the Board consider the following:

The intent of the Redevelopment Dissolution Law appears to provide for the LRPMP as the final and conclusive plan that will determine the future status of all of the properties owned by the former redevelopment agencies. The legislation dictates that all properties fall into one of four categories: Fulfillment of existing obligation, Governmental use, Retain for Future Development and Sale. The legislation did not authorize the Department of Finance (DOF) to approve, and DOF has not indicated to date that it is willing to permit, properties to transition between the different categories as subsequent circumstances may require. Creating ambiguity around the categorization of any property goes contrary to making the LRPMP the final and conclusive disposition plan for all properties. Such ambiguity also raises the possibility that DOF could reject the LRPMP. A delay in LRPMP approval of the LRPMP would hurt the Successor Agency's and the Oversight Board's ability to move forward with sales and development plans. Therefore, staff recommends that the Board make definitive category decisions for each property.

The Successor Agency and the City do not object to listing 616, 700 and 905 Linden Avenue under the Sale category in the LRPMP. However, as outlined in the LRPMP revisions, staff recommends that the Board consider leaving the properties in the Retain for Future Development category. Currently there is a similar 7,500 sf. ft. vacant property at the corner of Armour and Linden Avenue being offered for sale (see Exhibit A). This property has been on the market for several years under two different brokers and has failed to attract a buyer. If the LRPMP designates the Linden properties in the Sale category and they fail to sell, such failure will create a long-term liability for the Successor Agency and prevent the expeditious closing of the affairs of the former Redevelopment Agency. Therefor staff recommends that the Board allow the properties to remain in the Retain for Future Development category.

405 Cypress and 315 Airport Blvd. have complexities (size and/or environment contamination) that limit their immediate marketability. Both properties also offer increased development opportunities if a developer is able to purchase adjoining sites to create larger developable parcels (see Exhibit A). The adjacent properties are now identified in the LRPMP. These properties are underutilized and/or vacant. Given these conditions, it is possible that a developer working with the City may be able to acquire the adjoining properties to create larger developable sites. Therefore staff recommends that the Board allow these properties to remain in the Retain for Future Development category.

The assembled properties at 401, 411 and 421 Airport Blvd. offer the greatest potential for immediate sale; however, they also present development complexities that will require flexibility and patience. As described in the LRPMP, the assembled properties have a negative residual land value (-$7.2 million) at this time. To date at least two developers have expressed a strong interest in the property. However, initial discussions with the developers indicate they will need some flexibility in how a purchase and sale agreement is structured in order to develop a project. The City under the authority of the LRPMP will have greater flexibility to negotiate with a developer and enter into potentially complex financial agreements that allow a project to move forward. DOF is not in the business of negotiating purchases and it is uncertain whether DOF has the expertise to understand complex financial transactions. In addition negotiating a purchase and sale agreement through DOF will slow the process tremendously and put the sale and development of a project at risk. Therefore staff recommends that the Board allow the properties to remain in the Retain for Future Development category.

In the event the Board believes any of these properties should be shifted to the Sale Category, staff will make this modification to the LRPMP and indicate that the properties will be sold through a negotiated purchase and sale process similar to what is being proposed for 216 Miller Avenue (see Exhibit A). Under this process, the Successor Agency will gauge developer interest and put the property on the market to solicit proposals from developers. Staff will select the developer that proposes the highest net value to the taxing agencies through a combination of sale proceeds and future tax revenues. The Successor Agency will negotiate a sale price commensurate to the proposed project and this will be outlined in a Negotiated Purchase and Sale Agreement. In order to facilitate the process that will require an upfront investment from a developer, it is possible the Successor Agency will need to enter into an Exclusive Negotiation Agreement (ENA) with the developer prior to finalizing a purchase and sale agreement.

CONCLUSION:

It is recommended that the Oversight Board review proposed revisions to the second draft of the Long-Range Property Management Plan (LRPMP).

By: ____________________
Steven T. Mattas
Interim City Manager

Attachments: Exhibit A – Revised LRPMP pages

2194448.1

Permissible Use Category: Government Use

1. 559 Gateway Blvd.

Boston Properties conveyed this property to the Agency as a condition of development for its project. The property is subject to the Second Amendment to Declaration of Covenants, Conditions and Restrictions for Gateway Center, which limits the uses of this property to: a) the operation of a child day care facility; b) a public library; c) a public office facility as an amenity to the property. The Peninsula Family YMCA operates a childcare facility at the site. The facility is at capacity and given the continued growth of the biotech center, demand for childcares services in the area will only increase. Given the deed restriction and the prevalent use, the property must remain in public, governmental use.

559 Gateway Blvd.

Upon transfer of the property to the City the grant deed will include language restricting the use of the property to governmental use as follows: "The Successor Agency to the City of South San Francisco Redevelopment Agency, a public entity ("Grantor") hereby grants to the City of South San Francisco, a municipal corporation ("Grantee"), all rights, title and interest Grantor has in the Property, as described more specifically in Exhibit A hereto, and subject to the restrictions on use set forth in that certain Second Amendment to Declaration of Covenants, Conditions and Restrictions for Gateway Center, executed as of May 28, 2003, and recorded on July 2, 2003 in the Official Records of San Mateo County as Instrument No. 2003-182458, and which is incorporated by this reference as if fully set forth herein. In the event that Grantee discontinues the restricted use or seeks to use the Property for a non-governmental purpose, Grantee shall enter into a compensation agreement with the San Mateo County Auditor-Controller or other appropriate entity or entities, pursuant to Assembly Bill x1 26 and Assembly Bill 1484 (collectively, the "Redevelopment Dissolution Law"), providing that all net revenue from such non-governmental use shall be distributed as property tax to the taxing entities as defined in the Redevelopment Dissolution Law. Said Property is held and hereafter shall be held, conveyed, hypothecated, encumbered, leased, rented, used and occupied subject to such aforesaid restriction on use, which is intended to constitute both an equitable servitude and a covenant running with the land. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof shall be held conclusively to have been executed delivered and accepted subject to such covenant, regardless whether such covenant is set forth in such contract, deed or other instrument. Said covenant shall be binding on the parties hereto, and on their successors and assigns."

13-14. 472 Grand Avenue/306 Spruce Avenue and 468 Miller Avenue

San Mateo County Health Center

These properties (472 Grand Avenue/306 Spruce Avenue/) contain the Health Center operated by San Mateo County and ancillary parking (468 Miller Avenue). The Health Center is a primary care medical facility providing services for low-income residents in the downtown area. Given the importance of the Health Center to the area residents and the Center's need for additional space to provide supplemental services, the Successor Agency recommends that this property be transferred to the County of San Mateo. The transfer of the property to San Mateo County would be conditional to retaining the Health Center at this location and would revert to the City in the event the County elected to close the Health Center. If San Mateo County declines to take ownership of the property, the City will retain ownership of the properties and continue using them for a public use.

Upon transfer of the property to the County, the grant deed will include language restricting the use of the property to governmental use as follows: "The Successor Agency to the City of South San Francisco Redevelopment Agency, a public entity ("Grantor") hereby grants to the County of San Mateo, a political subdivision of the State of California [or other applicable governmental entity] ("Grantee"), all rights, title and interest Grantor has in the Property, as described more specifically in Exhibit A hereto, and imposes the following restriction on use: The Property may be used only for a governmental purpose. In the event that Grantee breaches this covenant and discontinues a governmental use or seeks to use the Property for a different purpose, Grantor may declare the forfeiture of that portion of the Property directly affected by such breach, and may re-enter and take possession of that portion of the Property as to which forfeiture shall have been declared and re-entry shall have been effected. In that event, if Grantee uses or intends to use the Property for any non-governmental use, Grantee shall enter into a compensation agreement with the San Mateo County Auditor-Controller or other appropriate entity or entities, pursuant to Assembly Bill x1 26 and Assembly Bill 1484 (collectively, the "Redevelopment Dissolution Law"), providing that all net revenue from such non-governmental use shall be distributed as property tax to the taxing entities as defined in the Redevelopment Dissolution Law. Said Property is held and hereafter shall be held, conveyed, hypothecated, encumbered, leased, rented, used and occupied subject to such covenant to the aforesaid restriction on use and the aforesaid reversionary interest of Grantor, which are intended to constitute both equitable servitudes and covenants running with the land. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof shall be held conclusively to have been executed delivered and accepted subject to such covenant, regardless whether such covenant is set forth in such contract, deed or other instrument. Said covenant shall be binding on the parties hereto, and on their successors and assigns."

In the event the County of San Mateo does not accept the property, the property will be conveyed to the City for public use and the following language will be included in the grant deed: "The Successor Agency to the City of South San Francisco Redevelopment Agency, a public entity ("Grantor") hereby grants to the City of South San Francisco, a municipal corporation ("Grantee"), all rights, title and interest Grantor has in the Property, as described more specifically in Exhibit A hereto, and imposes the following restriction on use: The Property may be used only for a governmental purpose. In the event that Grantee discontinues a governmental use or seeks to use the Property for a different purpose, Grantee shall enter into a compensation agreement with the San Mateo County Auditor-Controller or other appropriate entity or entities, pursuant to Assembly Bill x1 26 and Assembly Bill 1484 (collectively, the "Redevelopment Dissolution Law"), providing that all net revenue from such non-governmental use shall be distributed as property tax to the taxing entities as defined in the Redevelopment Dissolution Law. Said Property is held and hereafter shall be held, conveyed, hypothecated, encumbered, leased, rented, used and occupied subject to such covenant to the aforesaid restriction on use, which is intended to constitute both an equitable servitude and a covenant running with the land. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof shall be held conclusively to have been executed delivered and accepted subject to such covenant, regardless whether such covenant is set forth in such contract, deed or other instrument. Said covenant shall be binding on the parties hereto, and on their successors and assigns."

NOTE TO BOARD – The proposed language below will appear for all properties conveyed to the City for governmental use purposes (Nos. 4, 5, 9, 10, 11, 12, 13, and 14)

9. 480 North Canal

This property is used for Fire Station 61. An engine company (Engine 61), ambulance (Rescue 61), Type 1 Heavy Rescue (USAR 61) and BLS Ambulance operate out of this station as well as the on duty Battalion Chief (Battalion 17) who manages the daily operation of each shift. This is also the home of the Fire Administration office and the Fire Prevention Division. The property also contains a four-story training tower. As the only fire station serving the City's downtown central area, this property must remain a public use, particularly as the property was purchased with tax exempt bond funds for this purpose.

Upon transfer of the property to the City the grant deed will include language restriction the use of the property to governmental as follows: "The Successor Agency to the City of South San Francisco Redevelopment Agency, a public entity ("Grantor") hereby grants to the City of South San Francisco, a municipal corporation ("Grantee"), all rights, title and interest Grantor has in the Property, as described more specifically in Exhibit A hereto, and imposes the following restriction on use: The Property may be used only for a governmental purpose. In the event that Grantee discontinues a governmental use or seeks to use the Property for a different purpose, Grantee shall enter into a compensation agreement with the San Mateo County Auditor-Controller or other appropriate entity or entities, pursuant to Assembly Bill x1 26 and Assembly Bill 1484 (collectively, the "Redevelopment Dissolution Law"), providing that all net revenue from such non-governmental use shall be distributed as property tax to the taxing entities as defined in the Redevelopment Dissolution Law. Said Property is held and hereafter shall be held, conveyed, hypothecated, encumbered, leased, rented, used and occupied subject to such covenant to the aforesaid restriction on use, which is intended to constitute both an equitable servitude and a covenant running with the land. Each and every contract, deed or other instrument hereafter executed covering or conveying the Property or any portion thereof shall be held conclusively to have been executed delivered and accepted subject to such covenant, regardless whether such covenant is set forth in such contract, deed or other instrument. Said covenant shall be binding on the parties hereto, and on their successors and assigns."

Permissible Use Category: Sale

Downtown Central Project Area

32. 432 Baden Avenue/429 Third Lane

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

Under current zoning the property can be developed into four residential units and its residual land value is almost zero (-$40,000) meaning a developer will likely find it profitable to purchase the property and develop it. Upon adoption of the DSAP, the property will have the potential to hold up to 12 units, significantly increasing the property's value. The property's residual land value upon adoption of the DSAP will be $880,000, making it very profitable for a future developer.

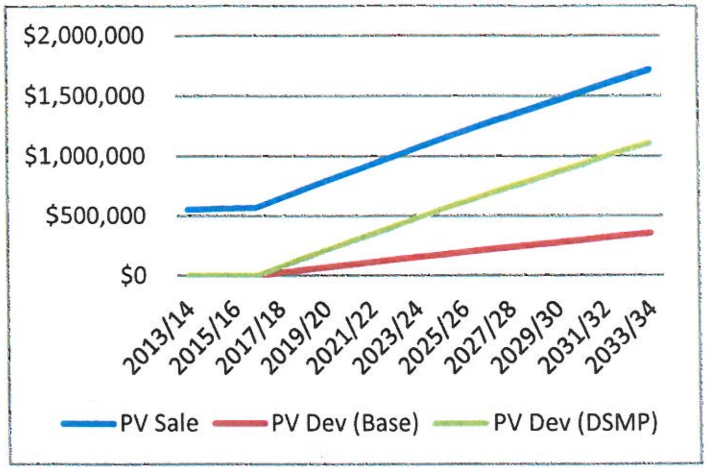
The property will be sold through a negotiated purchase and sale agreement. The Successor Agency will solicit proposals from developers and select the developer that proposes the highest net value to the taxing agencies through a combination of sale proceeds and future tax revenues. The Successor Agency will negotiate a sale price commensurate to the proposed project and will outline the terms in a negotiated Purchase and Sale Agreement. In order to facilitate the sale process, it is possible the Successor Agency will enter into an Exclusive Negotiation Agreement (ENA) with the developer while negotiation the purchase of the property. The Oversight Board will approve both an ENA and a final Purchase and Sale Agreement.

Financial Benefit to Taxing Agencies

It is estimated the property is currently worth approximately $560,000 based on recent estimates of undeveloped land in the downtown area ($80/ sq. ft.). If the buyer waits to develop the property until the adoption of the DSAP, the taxing agencies will be better off in the long run by having the Successor Agency sell the property immediately. As summarized below and shown in more detail in Appendix C and Table 1, the net financial benefit to the taxing agencies would be approximately $607,000 more (in present value) over a 20 year period.

Table 1

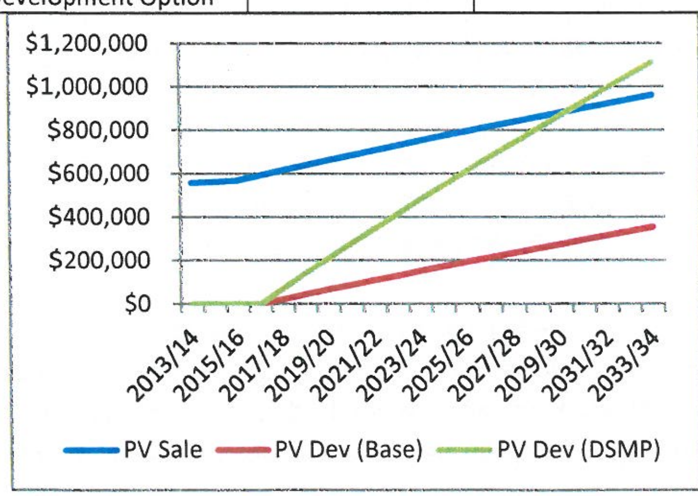
	Nominal Cash Flows	Present Value of Cash Flows
Sell Option	$2,216,000	$1,721,000
Retain for Development Option	$1,641,000	$1,113,000



However, if the buyer develops the property immediately under current zoning, the taxing agencies would be slightly better off having the City hold the property for future development. As summarized below, and show in more detail in Appendix C and Table 2, the net financial loss to the taxing agencies would be approximately $150,000 (in present value) over a 20 year period.

Table 2

	Nominal Cash Flows	Present Value of Cash Flows
Sell Option	$1,126,000	$963,000
Retain for Development Option	$1,641,000	$1,113,000



Given the small benefit of retaining the property for future development, the Successor Agency recommends selling this property immediately. It should be noted that the main reason this property is suitable for disposition is that it is a stand-alone property that does not affect the development potential or the value of other Successor Agency properties. The Successor Agency believes that the property is environmentally clean and that the adoption of the DSAP will not substantially affect development schedule or the financial benefit to the taxing agencies.

27. 216 Miller Avenue (former Ford site)

The Agency acquired this property to ensure the development of high quality housing in the downtown project area. It is an important component of the City's and former Agency's efforts to create a vibrant, transit-oriented and diverse downtown. Development of this property will provide transit supported housing and easy connectivity to the downtown South San Francisco Caltrain station.

Under current zoning the property can be developed into 25 residential units and its residual land value is almost $120,000, meaning a developer will likely find it profitable to purchase the property and develop it. Upon adoption of the DSAP, the property will have the potential to be developed into 50 units, significantly increasing the property's value. The property's residual land value upon adoption of the DSAP will be $6.1 million, meaning this project would move forward without any City or Successor Agency involvement. The project should be very profitable for a future developer.

The property will be sold through a negotiated purchase and sale agreement. The Successor Agency will solicit proposals from developers and select the developer that proposes the highest net value to the taxing agencies through a combination of sale proceeds and future tax revenues. The Successor Agency will negotiate a sale price commensurate to the proposed project and will outline the terms in a negotiated Purchase and Sale Agreement. In order to facilitate the sale process, it is possible the Successor Agency will enter into an Exclusive Negotiation Agreement (ENA) with the developer while negotiation the purchase of the property. The Oversight Board will approve both an ENA and a final Purchase and Sale Agreement.

Financial Benefit to Taxing Agencies

It is estimated the property is currently worth approximately $1.4 million based on recent estimates of undeveloped land in the downtown area ($80/ sq. ft.). If the buyer waits to develop the property until the adoption of the DSAP, the taxing agencies will be better off in the long run by having the Successor Agency sell the property immediately. As summarized below, and shown in more detail in Appendix C and Table 3, the net financial benefit to the taxing agencies would be approximately $1.6 million more (in present value) over a 20 year period. If the buyer develops the property immediately under current zoning instead of waiting for the DSAP, the taxing agencies would reap the same financial benefit in the long run.

Table 3

	Nominal Cash Flows	Present Value of Cash Flows
Sell Option	$6,968,000	$5,259,000
Retain for Development Option	$5,480,000	$3,665,000

Given that the taxing agencies will reap the same financial benefit by retaining the property for future development or selling it immediately, the Successor Agency recommends selling this property. It should be noted that the main reason this property is suitable for disposition is that it is a stand-alone property that does not affect the development potential or the value of other Successor Agency properties. The Successor Agency believes that the property is environmentally clean and that the adoption of the DSAP will not substantially affect the financial benefit to the taxing agencies.

Permissible Use Category: Approved Redevelopment Project Plan

22. 315 Airport Blvd.

315 Airport Blvd. is the first property visible to drivers exiting southbound Highway 101. It also has strong visibility to drivers continuing along Highway 101. The property is an important component of the City's and the former Agency's efforts to create a vibrant, transit-oriented and diverse downtown. Development of this property will provide transit supported housing and easy connectivity to the downtown South San Francisco Caltrain station.

Site Description

This 22,136 sq. ft. (0.51 acre) property is ideal for a major transit oriented development. The Successor Agency worked with a consultant to estimate the development potential of the site. The development consultant estimates that under current conditions the site could accommodate 29 residential units and 9,000 sq. ft. of retail space. Upon adoption of the DSAP, the residential development potential of the sites increases to 58 units and 9,000 sq. ft. of retail space.

Located in the heart of downtown South San Francisco, the highest and best use of the property is to develop it with high intensity uses. The property is currently large enough to be developed on its own, however, two adjacent parcels immediately south of the property are underutilized. The property at 305 Airport Blvd. contains an older commercial building that is vacant and the property at 309 Airport is an SRO hotel that has been informally offered to the City in the past. Combining the two properties with 315 Airport Blvd. would form a 0.85 acre site (37,341 sq. ft.), see Figures A and B below. Such assemblage could best be accomplished by having the City work with a developer that is interested in pursuing a larger project that would incorporate all three parcels.

Figure A

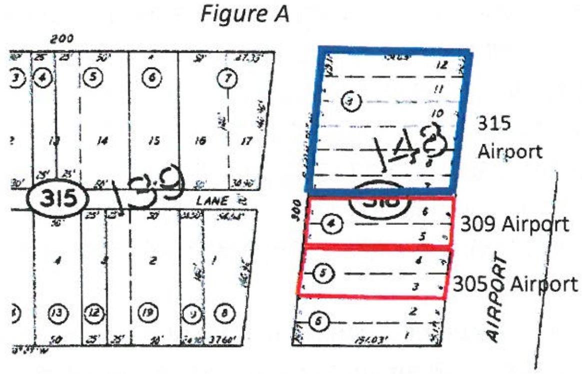
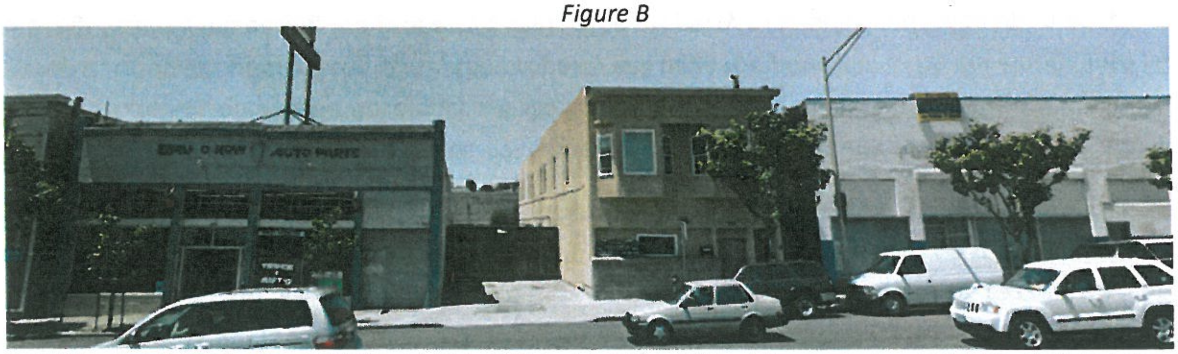


Figure B



305 Airport Vacant, former automotive store	309 Airport SRO hotel	315 Airport (Partial view)

Under present conditions (including poor condition of building, allowable uses and development challenges), the Successor Agency believes the property at 315 Airport Blvd. would be difficult to sell. Nevertheless, a land speculator may be interested in purchasing the property at a discounted price and holding it for development or reselling it to a developer in the future. It is estimated that the property would sell at between $1.8 and $2.1 million. If sold, it is likely that the property will remain undeveloped for an extended period of time, thus eliminating the near term possibility of developing a high density housing development that would fulfill the Redevelopment Plan, region and State goals of developing transit oriented housing.

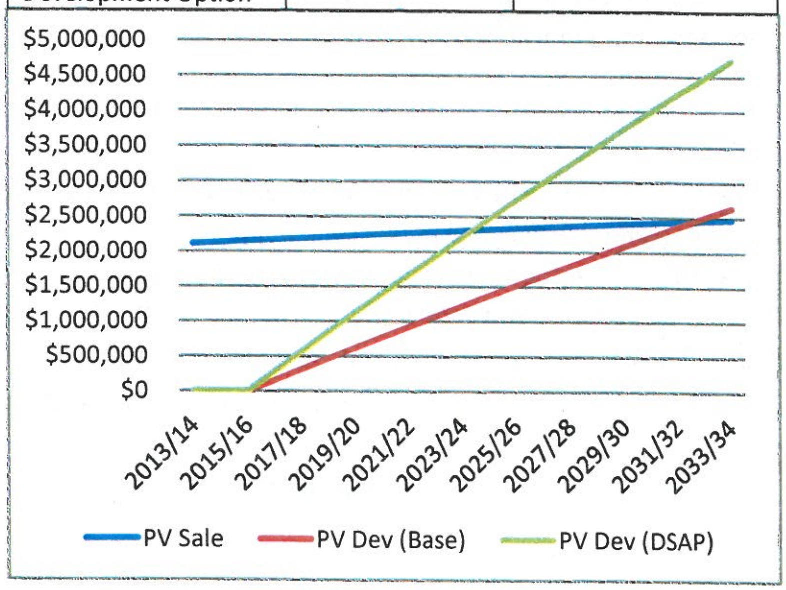
Because of current market conditions, it is estimated that the residual land value of 315 Airport Blvd. is negative (-$4.5 million). However, with the adoption of the DSAP and the increased development and desirability of the area as a result of its full transition into a full TOD area, the property will experience an increase in residual land value. Because it is a challenging development site, it is likely that the value will still be quite small, at $80,000. With the acquisition of 305-309 Airport Blvd, a developer could achieve higher economies of scale and build a larger project that would result in a higher residual land value and a greater benefit to the taxing agencies in the long run.

Financial Benefit to Taxing Agencies

Although the taxing agencies may receive a benefit from the sale of 315 Airport Blvd., in the long run the taxing agencies would receive a greater benefit in the form of property taxes generated by a new development if the City is able to advance the development of site. As summarized below and shown in more detail in Appendix C and Table 7, the net financial benefit to the taxing agencies would be almost $2.3 million more (in present value) over a 20 year period. With a development estimated to be completed in 2016/17, the breakeven point for the taxing agencies would occur in approximately 11 years (2024/25).

Table 7

	Nominal Cash Flows	Present Value of Cash Flows
Sell Option	$2,68,000	$2,470,000
Retain for Development Option	$6,873,000	$4,731,000



23-25. 401, 411 and 421 Airport Blvd.

400 Block Airport Blvd. Land Assemblage
Consisting of 1.06 acres, the properties on the 400 block represent the single largest development opportunity in downtown South San Francisco. The properties have strong visibility to drivers continuing along Highway 101. The property is an important component of the City's and the former Agency's efforts to create a vibrant, transit-oriented and diverse downtown. Development of this property will provide transit supported housing and easy connectivity to the downtown South San Francisco Caltrain station.

Site Description
This 43,043 sq. ft. (1.06 acre) property is ideal for a major transit oriented development. The Successor Agency worked with a consultant to estimate the development potential of the site. The development consultant estimates that under current conditions the site could accommodate 81 residential units and 8,000 sq. ft. of retail space. Upon adoption of the DSAP, the residential development potential of the sites increases to 162 units and 8,000 sq. ft. of retail space.

Under present conditions (including the reduced number of residential units), the Successor Agency believes the property at 411 Airport Blvd. has the potential to be sold on its own for approximately $1 million. If 411 Airport Blvd. is sold on its own, it is unlikely the remaining unimproved properties would sell for an extended period of time. It is possible a land speculator may be interested in purchasing the entire property at a discounted price and holding for it development or reselling it to a developer in the future.

Because of its reduced development potential, it is estimated that the residual land value of the 400 block of Airport Blvd. is negative (-$7.2 million). However, with the adoption of the DSAP and the increased development and desirability of the area as a result of its full transition into a full TOD area, the property will experience an increase in residual land value to $3 million.

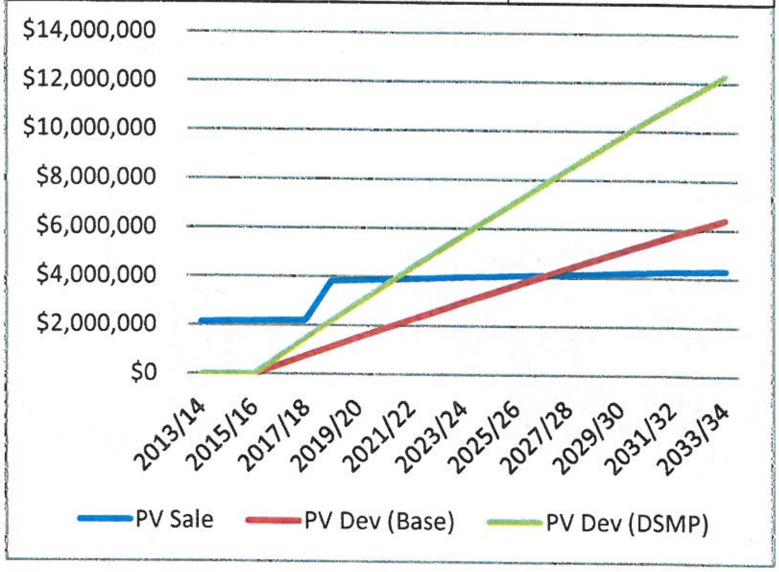
<u>The highest and best use of this property is to develop a project with high intensity uses. To ensure this type of development occurs, the Successor Agency and/or the City will merge these parcels into a single parcel.</u>

NOTE TO BOARD – The proposed parcel merger language above will appear for all of the properties assembled for the purpose of development (Nos. 15-18, 19-21 and 23-25).

Financial Benefit to Taxing Agencies
Although the taxing agencies may receive a benefit from the sale of 411 Airport Blvd., or the potential sale of the entire site to speculative buyer, in the long run the taxing agencies would receive a greater benefit in the form of property taxes generated by a new development if the City is able to advance the development of site. As summarized below and shown in more detail in Appendix C and Table 8, the net financial benefit to the taxing agencies would be approximately $12.3 million more (in present value) over a 20 year period. With a development estimated to be completed in 2016/17, the breakeven point for the taxing agencies would occur in approximately 8 years (2021/22).

Table 8

	Nominal Cash Flows	Present Value of Cash Flows
Sell Option	$4,811,000	$4,313,,000
Retain for Development Option	$17,836,000	$12,277,000



26. 405 Cypress Avenue

Consisting of 8,763 sq. ft., 405 Cypress Avenue has a moderate development opportunity. Nevertheless, coupled with other properties being developed in the area, this property has the potential to be developed according to the former Agency's plan. Development of this property will provide transit supported housing and easy connectivity to the downtown South San Francisco Caltrain station.

Site Description

This 8,762 sq. ft. (0.2 acre) property has the potential to be a transit oriented development. The Successor Agency worked with a consultant to estimate the development potential of the site. The development consultant estimates that under current conditions the site could accommodate 14 residential units. Upon adoption of the DSAP, the residential development potential of the sites increases to 28 units.

The highest and best use of this property is to develop a project with high intensity uses. The property is marginally large enough to be developed on its own under current market condition. However, one adjacent parcel immediately west of the property are underutilized. The property at 204 Miller Avenue is an older commercial building that is vacant. Combining the two properties would form a 15,762 sq. ft. site (see Figures C and D below) that would increase the viability of the site. Such assemblage could best be accomplished by having the City work with a developer that is interested in pursuing a larger project that would incorporate both parcels.

Figure C

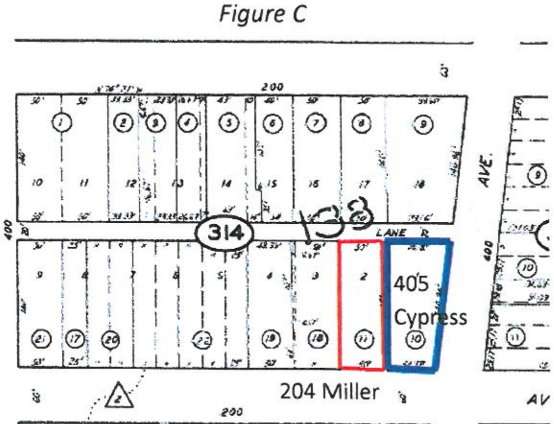
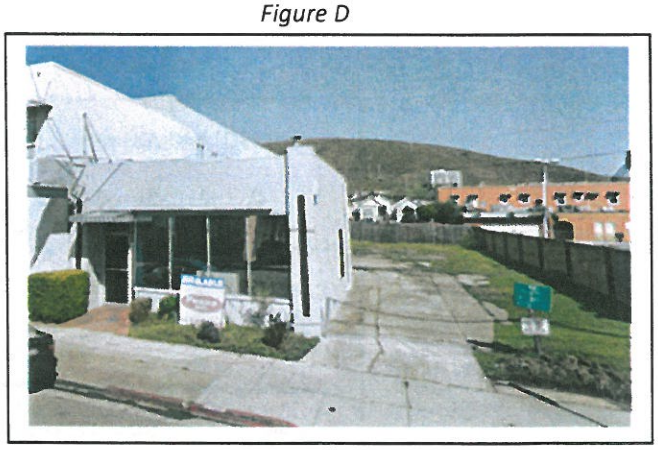


Figure D



204 Miller

Under present conditions (including the reduced number of residential units), the Successor Agency believes the property has little sales potential. It is unlikely that a developer or land speculator would be interested in this property until all major sites in the downtown are developed.

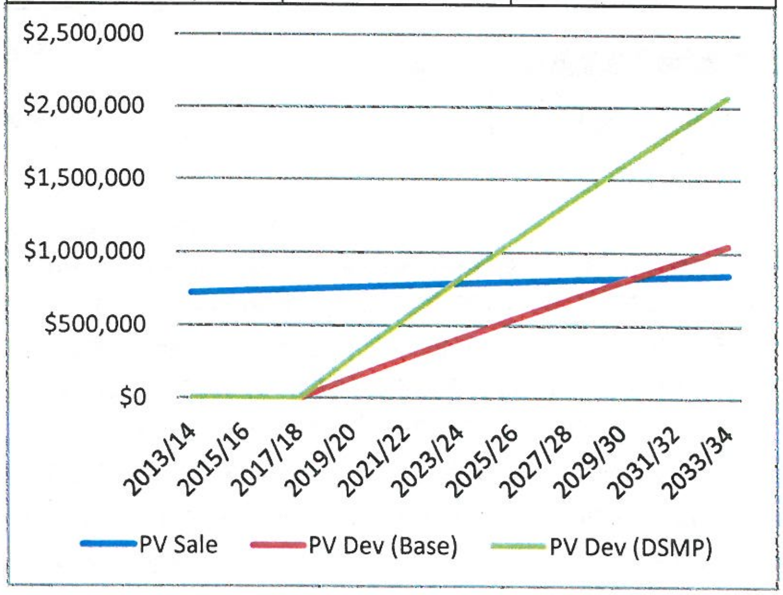
Because of its reduced development potential, it is estimated that the residual land value of the 405 Cypress Avenue is negative (-$1.2 million). However, with the adoption of the DSAP and the increased development and desirability of the area as a result of its full transition into a full TOD area, the property will experience an increase in residual land value to $650,000. With the acquisition of 204 Cypress, a developer could achieve economies of scale and build a larger project that would result in a higher residual land value and a greater benefit to the taxing agencies in the long run.

Financial Benefit to Taxing Agencies

In the short- to medium term, it is unlikely the taxing agencies will receive any benefit from the sale of 405 Cypress Avenue. The greatest potential for this site is if it is bundled with properties on the 400 Block of Airport Blvd. and is developed as part of that project. As summarized below, and shown in more detail in Appendix C and Table 9, the net financial benefit to the taxing agencies of having the City hold the property for development would be approximately $1.2 million more (in present value) over a 20 year period. With a development estimated to be completed in 2018/197, the breakeven point for the taxing agencies would occur in approximately 10 years (2021/22).

Table 9

	Nominal Cash Flows	Present Value of Cash Flows
Sell Option	$893,000	$845,000
Retain for Development Option	$3,094,000	$2,070,000



29. 905 Linden Avenue

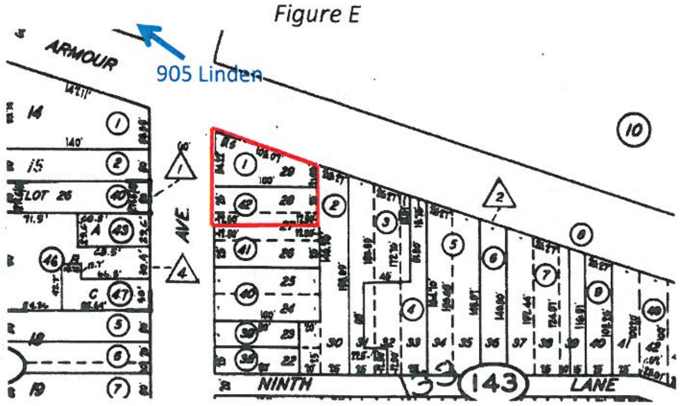
The highest and best use of the property is to hold and combine it with adjacent properties to construct a high density residential project in the future. The property is 1 mile away from the downtown's transit hub but nevertheless has the potential to be a development site in the future as development sites around the downtown core become scarcer.

Site Description

This 15,000 sq. ft. (0.34 acre) property has the potential to be developed on its own despite having better prospects if assembled with adjacent private properties. The Successor Agency worked with a consultant to estimate the development potential of the site. The development consultant estimates that under current conditions the site could accommodate 11 residential units. Although this site is outside of the DSAP area it will still benefit from DSAP adoption as the desirability of the area will grow over time.

Under present conditions (including environmental conditions and development challenges), the Successor Agency believes the property at 905 Linden Avenue would be difficult to sell. Presently there is a comparable vacant property kitty-corner from 905 Linden Avenue that is for sale (see figures E and F). The property for sale is 7,559 sf. ft. and is being offered for $525,000 ($69.45/ sf. ft.). Intero Real Estate listed the property on October 23, 2012 and has not been able to sell it. Previously, Poletti Realty had the listing and had marketed the property for several years. Given the lack of demand for vacant property in this area, it is unlikely this property will sell in the near to medium-term. ~~It is unlikely a land speculator would be interested in purchasing this property, as evidenced by a similar nearby property that has been on the market for several years.~~

Figure E

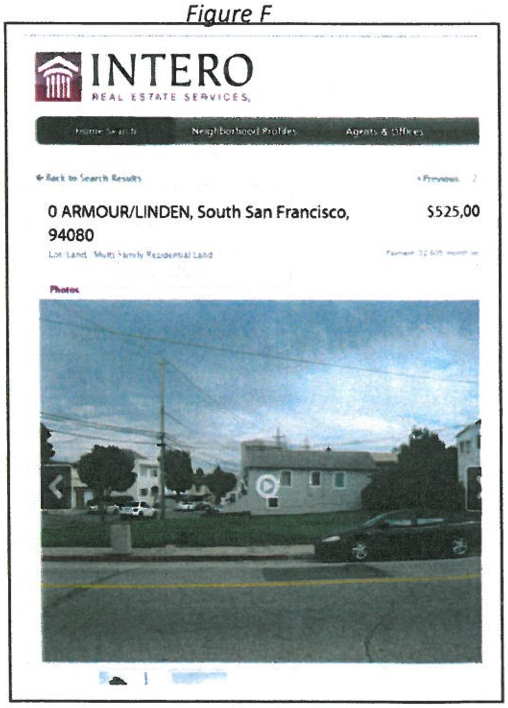


Details

- Property Class: Residential Lots and Land
- City: South San Francisco
- County: SAN MATEO COUNTY
- Listing#: 81238689
- Class: Lot Land
- Approx Lot Size: --

- Listing Status: Active
- Area: 532 Old South SF - Rocca
- State: CA
- List Date: 10 23 2012
- Property Subtype: Multi Family Residential Land

Figure F



If sold in the future, it is estimated that the property would sell for approximately $900,000 if sold with all land remediation completed. The property would have to be discounted by $100,000 to $200,000 if sold without remediation. Even if sold, it is likely the property will remain undeveloped for an extended period of time, thus eliminating the near term possibility of developing a high density housing development that would fulfill the Redevelopment Plan's goal of developing housing.

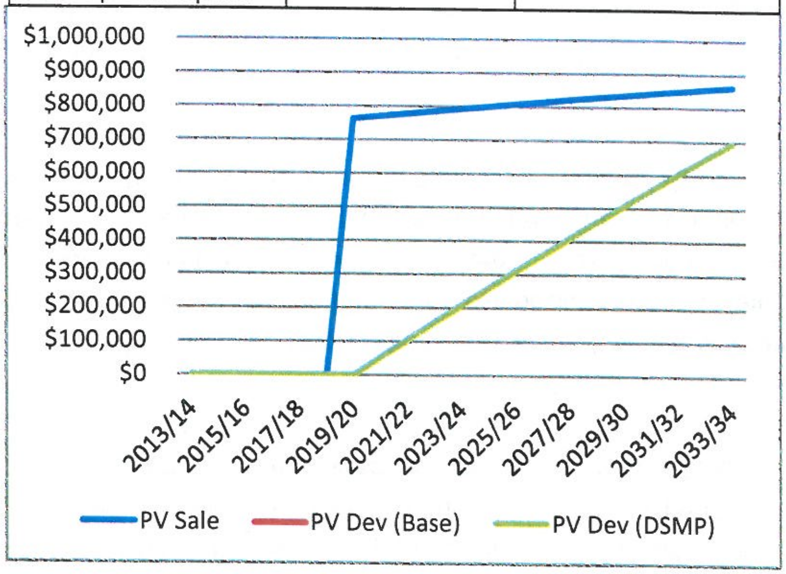
Because of current market conditions, it is estimated that the residual land value of 905 Linden Avenue is negative (-$310,000). However, with increased development in the downtown area, the property will likely experience an increase in residual land value in the future. Because it is a challenging development site, the likely value will be $880,000 (assuming the site has been remediated of all environmental contamination).

Financial Benefit to Taxing Agencies

The taxing agencies are not likely to see any financial benefits from these properties in the short or medium –term. Whether the Successor Agency attempts to sell immediately or the properties are transferred to the City for future development, the properties will sit unsold and undeveloped for years. As summarized below, and shown in more detail in Appendix C and Table 10, the taxing agencies are not going to derive a benefit from this property for years. Given the properties' environmental condition (and the liability for remediation) and their challenging development potential, it would be best to transfer this property to the City to hold, remediate and manage until market conditions have changed dramatically.

Table 10

	Nominal Cash Flows	Present Value of Cash Flows
Sell Option (Sold in 2019/20)	$1,059,000	$861,000
Retain for Development Option	$1,070,000	$696,000



30-31. 616 and 700 Linden Avenue

616-700 Linden Avenue Assemblage

The highest and best use of this property is to hold it until market conditions are such that a high density residential development can be built in the future. The sites are too small to make a project economically feasible at this time and they have petroleum compound contamination in the ground and groundwater. Despite these difficulties, in the future these properties will serve well as transit oriented housing because of their proximity to the downtown's transit hub and the Caltrain station.

Site Description

Each property is 14,387 sq. ft. (0.33 acres) for a total of 0.67 acres. It would be challenging to develop each of these properties individually but combined they can be suitable for development in the future. The Successor Agency worked with a consultant to estimate the development potential of the sites. The development consultant estimates that under current conditions the sites could accommodate 40 residential units. Although this site is outside of the DSAP area it will still benefit from DSAP adoption as the desirability of the area will grow over time.

Presently there is a comparable vacant property at the corner of Linden and Armour Avenue that is for sale (see Figures E and F on page {insert ref to page in final plan} for a description of the property for sale). The property for sale is 7,559 sf. ft. and is being offered for $525,000 ($69.45/ sf. ft.). Intero Real Estate listed the property on October 23, 2012 and has not been able to sell it. Previously, Poletti Realty had the listing and had marketed the property for several years. Given the lack of demand for vacant property in this area, it is unlikely this property will sell in the near to medium-term.

Financial Benefit to Taxing Agencies

Under present conditions (including environmental conditions and development challenges), the Successor Agency believes the properties at 616 and 700 Linden would be difficult to sell. If sold in the future, it is estimated that the property would sell for approximately $1.1 million each if completely remediated. Without remediation, the properties are worth substantially less. Given the environmental condition and the development challenges, the properties would sell for as little as half their estimated future value. Even if sold today, it is likely the properties would remain undeveloped for an extended period of time, thus eliminating the near term possibility of developing a high density housing that would fulfill the Redevelopment Plan's goals.

Because of current market conditions, it estimated that the residual land value of 905 Linden Avenue is negative (-$2.3 million). Even with increased future development in the downtown that would drive property values up, the residual land value if these properties would remain negative (-$480,000). In all likelihood, the City would need to hold these properties undeveloped for an extended period of time.

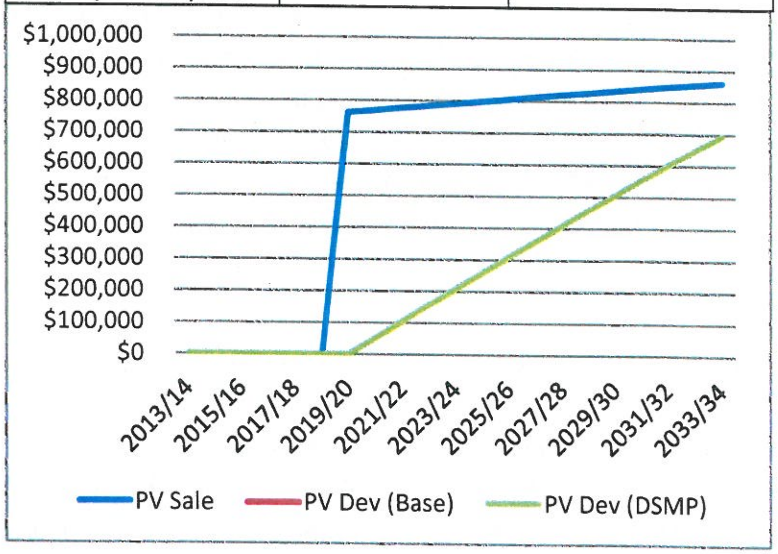
Financial Benefit to Taxing Agencies

The taxing agencies are not likely to see any financial benefits from these properties in the short or medium –term. Whether the Successor Agency attempts to sell immediately or the properties are transferred to the City for future development, the properties will sit unsold and undeveloped for years. As summarized below, and shown in more detail in Appendix C and Table 11, the taxing agencies are not going to derive a benefit from this property for years. Given the properties' environmental condition (and the liability for remediation) and their challenging development potential, it would be best to transfer this property to the City to hold, remediate and manage until market conditions have changed dramatically.

As summarized below, and shown in more detail in Appendix C and Table 11, the net financial benefit to the taxing agencies of having the City hold the property for development would be approximately $111,257 more (in present value) over a 20 year period. With a development estimated to be completed in 2020/21, the breakeven point for the taxing agencies would occur in approximately 19 years (2032/33).

Table 11

	Nominal Cash Flows	Present Value of Cash Flows
Sell Option (Sold in 2019/20)	$1,318,000	$1,072,,000
Retain for Development Option	$1,821,000	$1,183,000



Conclusion

In summary and for the reasons set forth above, this LRPMP directs that each property be used or sold for a project identified in the approved Redevelopment Plan in accordance with Health and Safety Code Section 34191.5(c)(2)(A). Upon approval of this LRPMP, the properties will transfer from the Community Redevelopment Property Trust Fund to the City, subject to the terms of this LRPMP. The Successor Agency is authorized and directed to take all actions necessary to cause such transfer of each Property to the City and to take all necessary steps to carry out goals and objectives of the LTPMP. To carry out the goals and objectives of the LTPMP the City will take the following steps:

Designation of Land as not "surplus property"

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

Guidelines for the Development of Properties

Upon the transfer of properties pursuant to this LRPMP, and pursuant to the Redevelopment Dissolution Law, ~~Statues,~~ the City will use a number of methods and procedures to advance the development of the properties to their full potential. The methods and procedures the City uses will depend on the marketability, financial feasibility, accessibility, condition and complexity of the properties. These methods will include, but not be limited, to:

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

The guidelines will apply to the properties retained for future development *and* the properties with development potential in the Sale category (i.e. 432 Baden Avenue and 216 Miller Avenue).

Use of Sales Proceeds

The proceeds received from the sale of the LRPMP Properties, if any, are anticipated to be programmed to advance the development of the properties in accordance with the Redevelopment Plan and the Redevelopment Dissolution Statutes goal of creating Transit Oriented Development. Proceeds if any will be used for the following purposes:

- Environmental remediation of contaminated properties – for example, several properties have environmental contamination that must be removed prior to being suitable for residential development or public use.
- Development of infrastructure that enhances the development potential of properties – for example, in order to make possible and maximize the development of the former PUC properties, it will be necessary to complete construction of the Oak Avenue Extension.
- Cooperation agreements with developers to facilitate the development of properties – for example, the City will incorporate the inclusion of affordable housing within a proposed market rate development, or on a selected site, to provide the minimum required number of affordable units under of the former Redevelopment Plans.
- Relocation – for example, relocate businesses in Agency owned properties to facilitate development.
- Improvements to Public Use properties in the LRPMP that advance the goals of the Redevelopment Dissolution Statutes such as TOD and the former Redevelopment Plans – for example, make repairs to the County Health Center's (472 Grand Avenue) infrastructure and systems or establish a capital reserve prior to its transfer to the County of San Mateo.

Revenue Sharing

The City and Successor Agency will enter into a revenue sharing agreement (Revenue Sharing Agreement) whereby the taxing agencies will receive the net revenue from the sale of all properties the City retains for future development. The Revenue Sharing Agreement will be approved by the Board of the Successor Agency of the Redevelopment Agency of the City of South San Francisco the City Council, and the Oversight Board, as applicable.

Appendices

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