



**CITY OF SOUTH SAN FRANCISCO  
CITY MANAGER'S OFFICE  
MEMORANDUM**

**DATE:** September 9, 2022

**TO:** Honorable Chair and Board Members  
San Mateo Countywide Oversight Board

**FROM:** Mike Futrell, City Manager  
City of South San Francisco

**SUBJECT:** South San Francisco Development of Public Park at 616 and 700 Linden Avenue  
for Underserved Community

**I. INTRODUCTION**

The City of South San Francisco (“**City**”) is attempting to develop a public park on two vacant lots at 616 and 700 Linden Avenue (“**Properties**”) to provide a much needed public benefit to an underserved, low-income community. The City does not intend to sell the Properties for market-rate housing development. Rather, it intends to expend its funds to develop and maintain the Properties as a public park. Nonetheless, in a good faith effort to recognize the Taxing Entities expectation regarding the disposition of the Properties, the City sought approval from the San Mateo Countywide Oversight Board (“**Board**”) of a sale price based upon market rate housing development. Since disposition for market rate housing is not actually occurring and, thus there is no proposal from a developer to be considered, the Board is being asked to reasonably balance the need to serve some of the lowest income residents in the County it represents with the need to maximize funds for the Taxing Entities.

**II. DISCUSSION**

A. The City Seeks to Develop a Park to Serve Some of the County’s Poorest Residents

The Properties are located in the City’s lowest income census tract, in a racially and ethnically diverse neighborhood where many households speak a language other than English at home. The neighborhood is significantly underserved when it comes to open, green spaces for families and residents to use and enjoy.

In 2015, the City completed a Parks and Recreation Master Plan which highlighted that the area is underserved and cites the need for at least two acres of additional parkland, stating that, “the City should consider converting under-used parking areas or acquiring property for additional parkland in this area.” The same recommendation was made in the City’s Downtown Station Area Specific Plan which recommends that a plaza or pocket park be developed in the

neighborhood to provide critical open space for new and existing residents. Recognizing this significant unmet need, the City determined it should deliver a public park to this neighborhood.

#### B. Disposition of the Properties for a Non-Park Use is Subject to the Surplus Land Act

Again, the City has no intention to sell the Properties for market rate housing and, thus, will not receive market rate compensation for their disposition. In fact, if the City was to dispose of the Properties for housing, it would be subject to the Surplus Land Act (SLA), as amended by Assembly Bill 1486.

The SLA clarifies that the law applies not just to City-owned land, but also to land governed by an Long Range Property Management Plan (“LRPMP”). (Government Code § 54221(b)(2).) The SLA requires local agencies disposing of surplus land to give priority to affordable housing developers. (Government Code § 54222(a)(1).)

As explained by the Oversight Board’s appraiser, although affordable housing developers may report a high land acquisition value enabling them to compete for other funding sources, such as tax credits, they actually will only agree to a sale price that is a nominal or significantly lower than market value.

Evidencing this fact are letters from Bridge Housing and ROEM Development Corporation, local affordable housing developers, speaking to their interest in the Properties if they were offered for sale as surplus and to their need to pay no more than a nominal amount to develop the Properties as affordable housing. (See Attachments 1 and 2.) The City is required to engage in good faith negotiations with such entities to agree on a sales price. (Government Code § 54223.) Further, even if an agreement cannot be reached with affordable housing developers, the SLA requires that at least fifteen percent (15%) of the total number of units must be sold or rented to lower income households where 10 or more units are developed which would be the case here. (Government Code §§ 54223 and 54233.)

Consequently, if the City did not develop the Properties as a public park, it would be required follow the SLA disposition procedures which prioritize development of affordable housing, affordable housing developers have expressed an interest in the Properties and have asserted that they would require a minimal sale price resulting in little to no funds dispersed to the Taxing Entities.

#### C. City’s Request Represents a Reasonable Outcome

The Taxing Entities have an expectation that the Properties would be sold for market rate housing. Based on that expectation, the City obtained an appraisal in support a land value for market-rate housing. The Oversight Board obtained its own appraisal which determined that the City’s appraisal was “overall ... prepared to a very high standard” and used “appropriate techniques” explaining that the “[l]and residual analysis is often used by developers to set prices they are willing to offer for land, but it is more commonly used by appraisers for highest and best use analysis”, the type of appraisal commissioned by the City. (June 20, 2022 Review of City Appraisal by Joseph I. Napoliello, MAI at pp. 6, 7 and 14.)

The Board is now in the unenviable position of reviewing dueling appraisals and their reciprocal critiques. However, no appraisal can demonstrate an exact land value. Moreover, the Board's evaluation of the appraisals will not necessarily result in an appropriate policy determination. Rather, the Board is being asked to arrive at a reasonable outcome by balancing the interests of maximizing funds for the Taxing Entities and the needs of one of the County's lowest income communities.

### **III. CONCLUSION**

Approving the City's proposal to remit \$2,008,000 to the Taxing Entities in order to deliver a public park to some of the County's lowest income residents is a reasonable outcome balancing both the needs of those residents and the need to maximize funding to the Taxing Entities.

Attachments:

- 1) Letter from Bridge Housing
- 2) Letter from ROEM Development Corporation

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BUILDING SUSTAINING LEADING

BRIDGE HOUSING CORPORATION

BRIDGE PROPERTY MANAGEMENT COMPANY

BRIDGE ECONOMIC DEVELOPMENT CORPORATION

September 9, 2022  
San Mateo County Oversight Board

RE: City of South San Francisco Surplus Land

Dear Countywide Oversight Board:

We have become aware of the City of South San Francisco’s (“City”) request for the Oversight Board to approve a proposed sale price for the disposition of two former Redevelopment Agency properties, 616 and 700 Linden Avenue (“Properties”). We understand the City has proposed a sale price based on an appraised value of the development of market rate housing, but that it actually intends to develop the properties as a public park. We further understand, if the City were to instead offer the Properties for development as housing, it would be required to comply with the Surplus Land Act which prioritizes disposition of surplus land for development as affordable housing.

We have executed on several Surplus Land properties for construction of affordable housing and understand this process well. We actively seek these opportunities to help meet the ever-increasing need for affordable and permanent supportive housing.

If the City offered the Properties for sale as surplus land, our organization would likely be interested in acquiring the Properties to develop affordable housing. We understand that the City has obtained an appraisal of the Properties supporting a sale price of \$2,008,000. We further understand that the Oversight Board has obtained an appraisal supporting a sale price of \$4,375,000. Although both appraisals evaluate generally similar development potential (Oversight Board 38 residential units over ground floor retail and parking vs. City 40 residential units over ground floor retail and parking) and include similar environmental remediation costs (Oversight Board \$531,000 deduction vs. City \$447,000 deduction), the Oversight Board appraisal is more than double the valuation of the City’s.

Even though the City’s appraisal is an accurate estimate of a market rate housing valuation, our organization would seek a deep discount from the City’s proposed sale price in order to develop affordable housing on the Properties. In fact, it is likely that our organization would offer to lease or purchase the Properties and develop affordable housing for a negligible value (i.e. \$1) especially in light of the environmental remediation required to develop the Properties.

Sincerely,

Brad Wiblin  
EVP, BRIDGE Housing

September 8, 2022

Dear San Mateo Countywide Oversight Board:

We have become aware of the City of South San Francisco's ("City") request for the Oversight Board to approve a proposed sale price for the disposition of two former Redevelopment Agency properties, 616 and 700 Linden Avenue ("Properties"). We understand the City has proposed a sale price based on an appraised value of the development of market rate housing, but that it actually intends to develop the properties as a public park. We further understand, if the City were to instead offer the Properties for development as housing, it would be required to comply with the Surplus Land Act which prioritizes disposition of surplus land for development as affordable housing.

If the City offered the Properties for sale as surplus land, our organization would likely be interested in acquiring the Properties to develop affordable housing. We understand that the City has obtained an appraisal of the Properties supporting a sale price of \$2,008,000. We further understand that the Oversight Board has obtained an appraisal supporting a sale price of \$4,375,000. Although both appraisals evaluate generally similar development potential (Oversight Board 38 residential units over ground floor retail and parking vs. City 40 residential units over ground floor retail and parking) and include similar environmental remediation costs (Oversight Board \$531,000 deduction vs. City \$447,000 deduction), the Oversight Board appraisal is more than double the valuation of the City's.

Based on our experience in the City, we consider the City's appraisal to be more accurate. First, the City's appraisal was developed using the industry standard for vacant lot valuation – land residual analysis and is, therefore, more reliable. Second, the City's appraisal utilized comparable sales data more relevant to the valuation. Because the Oversight Board's appraisal is based on examples of sales in other cities and properties offered for sale, but not sold, including properties that differ significantly in size, more adjustments need to be made to those values to equate for the differences including economies of scale. The more adjustments required to be made to a land value, the less reliable it is.

Even though the City's appraisal is an accurate estimate of a market rate housing valuation, our organization would require a deep discount from the City's proposed sale price in order to develop affordable housing on the Properties. In fact, it is likely that our organization would offer to purchase the Properties and develop affordable housing for a negligible value (i.e. \$1), especially in light of the environmental remediation required to develop the Properties and its location outside of a difficult development area (DDA) and a qualified census tract (QCT).

Sincerely,



Stephen Emami  
Vice President  
**ROEM Development Corporation**