

**SUMMARY REPORT PURSUANT TO  
SECTION 52201 OF  
CALIFORNIA GOVERNMENT CODE  
IN CONNECTION WITH THE SALE OF PROPERTY  
BY AND BETWEEN THE CITY OF DALY CITY, DUGGAN'S SERRA MORTUARY, AND  
SIERRA ENTERPRISES, INC.**

The City of Daly City ("City") is considering the approval of the proposed sale and disposition of approximately 1.7 acres of property ("Property") located on the east side of Junipero Serra Boulevard north and south of Westlake Avenue in Daly City, California (San Mateo County Assessor Parcel Numbers or "APNs": 002-352-160, 002-352-290, 002-352-310, 002-362-330, and portions of APNs 002-342-250 and 002-352-250 for the development of a mixed-use reception and events facility of approximately 52,000 square feet.

The portion of the Property positioned on the northeast corner of Junipero Serra Boulevard and Westlake Avenue is rectangular-shaped and contains approximately 43,620 square feet of land area. The portion of the Property positioned midblock on the south side of Westlake Avenue between Junipero Serra Boulevard and Niantic Avenue is rectangular-shaped and contains approximately 31,000 square feet of land area. The Property is at street grade, generally level, and currently improved as surface parking. The Property was originally acquired by the former Daly City Redevelopment Agency ("RDA") in 2003. The subject Property is described in greater detail herein and is also identified and defined as such in the proposed Disposition and Development Agreement ("DDA") proposed to be entered into by and between the City and Duggan's Serra Mortuary, a California Corporation and Sierra Enterprises, Inc., a California corporation (collectively the "Developer").

This summary report ("Report") for the proposed sale of the Property has been prepared by the City pursuant to California Government Code Section 52201. This Report sets forth certain details of the proposed sale transaction per the DDA.

## **I. BACKGROUND**

Section 52201 of the California Government Code provides that a city, county, or city and county may sell or lease property to create an economic opportunity. The acquisition, sale, or lease shall first be approved by the legislative body by resolution after a legally noticed public hearing. The city, county, or city and county shall also make available a copy of a report that describes and contains specific elements of the proposed transaction(s) for public inspection prior to the public hearing.

Pursuant to 52201(a)(2)(B), the Report must include the following information:

- A copy of the proposed acquisition, sale, or lease agreement.
- A summary that describes and specifies all of the following:
  - The cost of the agreement to the city, county, or city and county, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the city, county, or city and county, plus the expected interest on any loans or bonds to finance the agreements.

- For the sale or lease of property, the estimated value of the interest to be conveyed or leased, determined at the highest and best uses permitted under the general plan or zoning.
- For the sale or lease of property, the estimated value of the interest to be conveyed or leased, determined at the use and with the conditions, covenants, and development costs required by the sale or lease. The purchase price or present value of the lease payments which the lessor will be required to make during the term of the lease. If the sale price or total rental amount is less than the fair market value of the interest to be conveyed or leased, determined at the highest and best use, then the city, county, or city and county shall provide as part of the summary an explanation of the reasons for the difference.
- An explanation of why the acquisition, sale, or lease of the property will assist in the creation of economic opportunity, with reference to all supporting facts and materials relied upon in making this explanation.

This Report outlines the primary terms of the proposed sale of the Property from the City to the Developer as outlined in the proposed DDA and addresses the reporting requirements pursuant to Government Code Section 52201.

## II. REPORT ORGANIZATION

This Report is based upon information provided in connection with the proposed disposition of the Property and is organized into the following sections:

- **Summary of the Proposed Disposition** – This section includes a description of and other relevant information pertaining to the proposed conveyance of the subject Property between the City and Developer under the DDA;
- **Cost of the Agreement to the City** – This section summarizes the cost of the agreement to the City, including land acquisition costs, clearance costs, relocation costs, the costs of any improvements to be provided by the City, plus the expected interest on any loans or bonds to finance the agreements;
- **Estimated Value of the Interest to be Conveyed Determined at the Highest and Best Use Permitted Under the General Plan or Zoning** – This section estimates the value of the interest to be conveyed, determined at the highest and best use permitted under the general plan or zoning for the subject Property;
- **Estimated Value of the Interest to be Conveyed Determined at the Use and with the Conditions, Covenants, and Development Costs Required by the Sale** – This section estimates the value of the Property interest to be conveyed determined at the use and with the conditions, covenants, and development costs required by the sale of the Property; i.e. the purchase price;
- **Consideration Received and Comparison with the Established Value** – This section includes an explanation of the reasons for the difference, if the sale price of the Property is less than the fair market value of the interest to be conveyed, determined at the highest and best use;

- **Economic Opportunity** – This section includes an explanation of why the sale of the Property will assist in the creation of economic opportunity.

This Summary Report sets forth certain details of the proposed disposition of the Property by the City to the Developer. A copy of the proposed DDA is attached to this Summary Report (see Attachment “A”).

### **III. SUMMARY OF PROPOSED SALE AND DISPOSITION OF THE PROPERTY**

Under the terms of the DDA, the City would sell the Property to the Developer, at fair market value, in “As-Is”, “Where-Is”, and “With All Faults” condition for a purchase price of \$2,689,000 (“Purchase Price”) to effectuate the development of a mixed-use reception and events facility.

The Developer’s proposed “Project”, as outlined in the DDA, is an approximately 52,000 square foot mixed-use reception and events facility with approximately 13,000 square feet of event space, approximately 5,600 square feet of office space, and a two-story parking garage of approximately 28,500 square feet.

### **IV. COST OF THE AGREEMENT TO THE CITY**

There is no cost estimated to the City as part of the agreement.

### **V. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED DETERMINED AT THE HIGHEST AND BEST USE PERMITTED UNDER THE GENERAL PLAN AND ZONING**

The value of the Property at the highest and best use permitted under the General Plan and zoning is estimated at \$2,689,000 by an appraisal approved by the City and the Developer, dated November 2018, and prepared by All Bay Valuation. This value was substantiated recently by a Broker Opinion of Value dated April 2020 from Kosmont Real Estate Services.

### **VI. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED AT THE USE AND WITH THE CONDITIONS, COVENANTS, AND DEVELOPMENT COSTS REQUIRED BY THE SALE**

The estimated value of the interest to be conveyed by the sale (i.e. reuse value) is equal to the estimated value of interest at highest and best use, or \$2,689,000.

In March 2017, the City marketed the Property as a development site through a competitive “request for qualifications” (“RFQ”) process. The RFQ resulted in only one (1) qualified response, which was from the subject Developer. In August 2017, the City subsequently released a “Round Two” request for a proposal and term sheet from the Developer. The Developer provided its proposal and term sheet, including a proposed offer of \$2,689,000. As part of due diligence during the Exclusive Negotiation Rights Agreement (“ENA”) phase of the transaction, the City’s economic development consultant, Kosmont Companies, reviewed the Developer’s financial pro forma and provided a peer review residual land value analysis, validating a fair reuse value of \$2,689,000.

## **VII. CONSIDERATION RECEIVED AND COMPARISON WITH THE ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED AT HIGHEST AND BEST USE**

The consideration proposed to be received by the City is equal to the appraised value of the Property at its highest and best use, or \$2,689,000. The City is not providing an economic development subsidy.

## **VIII. ECONOMIC OPPORTUNITY**

The proposed Project facilitates the retention and expansion of a long-time member of the Daly City business community, providing essential services to the residents of the City and larger San Mateo County area.

The City's economic development advisor, Kosmont Companies, estimates that during construction, an increase in economic activity due to the Project of approximately \$16.4 million will generate approximately 155 temporary direct, indirect, and induced jobs and approximately \$9.3 million in corresponding wage income in the Daly City and San Mateo County region.

After completion, Kosmont estimates that approximately 10 permanent on-site jobs will be created, as well as an additional 2 indirect and induced jobs, approximately \$746,000 in direct, indirect, and induced wage income, and approximately \$1.6 million in direct, indirect, and induced economic activity on an ongoing annual basis in the Daly City and San Mateo County region.

The Project will generate increased property taxes by approximately 1,389% (13.89x) when compared to the year prior to acquisition of the Property by City in 2003, vastly exceeding the 15% threshold identified as a measure of "economic opportunity" in Government Code 52200.2(b).