

**SUMMARY REPORT PURSUANT TO  
SECTIONS 52201 AND 53083 OF THE CALIFORNIA GOVERNMENT CODE  
IN CONNECTION WITH THE SALE OF PROPERTY  
BY AND BETWEEN THE CITY OF DALY CITY AND 1837 JUNIPERO SERRA HOTEL, LLC**

The City of Daly City (“City”) is considering the approval of the proposed sale and disposition of an approximately 1.263-acre parcel (“Property”) located at 1837 Junipero Serra Boulevard in Daly City, California (APN: 002-292-310) for the development of a full-service hotel project of approximately two hundred (200) rooms.

The Property is vacant, unimproved land and 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 1837 Junipero Serra Hotel, LLC, a limited liability corporation organized and authorized to do business in California (the “Developer”).

This summary report (“Report”) for the proposed sale of the Property has been prepared by the City pursuant to California Government Code Sections 52201 and 53083. This Report sets forth certain details of the proposed 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 Section 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.

Section 53083 of the California Government Code requires that prior to approving an economic development subsidy within its jurisdiction, a local agency must provide all of the following information in written form and on its website:

- The name and address of all corporations or any other business entities, except for sole proprietorships, that are the beneficiary of the economic development subsidy, if applicable.
- The start and end dates and schedule, if applicable, for the economic development subsidy.
- A description of the economic development subsidy, including the estimated total amount of the expenditure of public funds by, or of revenue lost to, the local agency as a result of the economic development subsidy.
- A statement of the public purposes for the economic development subsidy.
- Projected tax revenue to the local agency as a result of the economic development subsidy.
- Estimated number of jobs created by the economic development subsidy, broken down by full-time, part-time, and temporary positions.

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 Sections 52201 and 53083.

## 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:

- **Identity of the Developer** – This section provides the name and address of the Developer, the beneficiary of the economic development subsidy;
- **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 and Description of the Subsidy** – This section summarizes the cost of the agreement to the City, including details of the economic development subsidy;
- **Estimated Value of the Interest to be Conveyed Determined at the Highest and Best Use** – 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 and Public Purpose** – This section describes the existing condition of the Property and includes an explanation of why the sale of the Property will assist in the creation of economic opportunity, i.e. the public purpose of the economic development subsidy, including the estimated number of jobs expected to be created by the Project.

This 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 Report (see Attachment “A”).

### III. IDENTITY OF THE DEVELOPER

Majestic Hospitality Group, Inc.  
2050 South Bundy Drive, Suite 225  
Los Angeles, CA 90025

A F Canta, Inc.  
4341 Birch Street, Suite 203  
Newport Beach, CA 92660

Majestic Hospitality Group, Inc. and A F Canta, Inc. expect to create a single purpose entity tentatively known as 1837 Junipero Serra Hotel, LLC (“LLC”), a California limited liability company, to ultimately acquire the Property, construct the improvements and operate the hotel (“Project”).

### III. SUMMARY OF PROPOSED DISPOSITION OF THE PROPERTY

Under the terms of the DDA, the City would sell the Property to the Developer in “As-Is”, “Where-Is”, and “With All Faults” condition for a purchase price of \$1,000,000 (“Purchase Price”) to effectuate the development of a hotel project.

The Developer’s proposed Project, as outlined in the DDA, is the development of a full-service hotel, which is proposed to be branded with a flag owned by Marriott International, Inc. (e.g., Sheraton and Marriott), that generally consists of approximately two hundred (200) rooms, including approximately 8,500 square feet of meeting space along with bar and restaurant components.

#### **IV. COST OF THE AGREEMENT TO THE CITY AND DESCRIPTION OF THE SUBSIDY**

The City is providing the Developer with a \$150,000 reduction to the amount of planning and permitting fees when due, pursuant to the municipal code. The City is additionally providing a subsidy of approximately \$2,770,000 in the form of a reduced purchase price as detailed in Sections V, VI, and VII herein. The total cost of the agreement is thus estimated to be \$2,920,000, expended on a “one-time” basis in the pre-development phase of the Project.

#### **V. ESTIMATED VALUE OF THE INTEREST TO BE CONVEYED DETERMINED AT THE HIGHEST AND BEST USE**

The City obtained a Broker Opinion of Value (“BOV”) for the Property in April 2020 from Kosmont Realty that values the Property at \$3,770,000 at the highest and best use permitted under the City General Plan and zoning.

#### **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 \$1,000,000. This value represents the maximum amount that the Developer is able to contribute in order for the Project to achieve financial feasibility, based on its development pro forma analysis and required market risk-adjusted return on investment.

In March 2017, the City marketed the Property through a competitive request for qualifications (“RFQ”) process, resulting in four (4) responses from development teams. In August 2017, the City subsequently released a “Round Two” request for proposals (“RFP”) and term sheets from the qualified respondents. The three firms competing with the Developer removed themselves from consideration, and the Developer provided its RFP response and term sheet, eventually arriving at a proposed offer price of \$1,000,000.

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

Consideration proposed to be received by the City is the purchase price of \$1,000,000. This value is \$2,770,000 less than the value of the interest to be conveyed determined at the highest and best use permitted under the General Plan and zoning as outlined in Section V.

City recognizes that the difference above is necessary for the Project to achieve financial feasibility and for the Developer to achieve an adequate financial return on its investment. City is considering the subsidy in light of the substantial fiscal and economic benefits of the Project, including fiscal revenues of approximately \$1.9 million annually or approximately \$54.6 million on a present value basis over 30 years, approximately 484 direct, temporary jobs from construction, and approximately 150 direct, permanent on-site jobs, as detailed in Section VIII.

150 direct, full-time equivalent, permanent jobs and the total cost of the agreement at \$2,920,000 translates into approximately 1.8 jobs per \$35,000 of public investment, which compares favorably

to the identified metric outlined in Government Code Section 52200.2 of approximately 1.0 full-time equivalent, permanent job for every \$35,000 of public investment in the Project.

### VIII. ECONOMIC OPPORTUNITY AND PUBLIC PURPOSE

The City’s economic development consultant, Kosmont Companies, estimates that the Project will generate significant fiscal revenue and job creation in the City and the greater local region:

- Property tax, sales tax, and transient occupancy tax of approximately \$1.9 million per year, or approximately \$54.6 million on a present value basis over 30 years (3% discount rate) to the City;
- During construction, an increase in economic output of approximately \$135 million, creating 782 direct, indirect, and induced jobs and resulting in approximately \$62.0 million in personal income in the greater local region;
- After Project completion, a total economic output of approximately \$29.9 million per year, supporting approximately \$11.8 million in personal income through direct, indirect, and induced impacts. An estimated 150 new permanent, on-site jobs would be created, along with 72 indirect and induced jobs, for a total of approximately 222 jobs to be created.

<b>Estimated Direct, On-Site Job Creation</b>	<b>Construction-Phase</b>	<b>Operation Phase</b>	<b>Total</b>
Full-Time		150	<b>150</b>
Part-Time			
Temporary	484		<b>484</b>
<b>Total</b>	<b>484</b>	<b>150</b>	<b>634</b>

<b>Estimated Total Job Creation*</b>	<b>Construction-Phase</b>	<b>Operation Phase</b>	<b>Total</b>
Full-Time		222	<b>222</b>
Part-Time			
Temporary	782		<b>782</b>
<b>Total</b>	<b>782</b>	<b>222</b>	<b>1,004</b>

*\*Includes direct, indirect, and induced jobs*

In addition, the Project will convert a long-underutilized parcel of vacant land into high-demand hospitality improvements near public transit and a major international airport.

The Project will generate increased property taxes by approximately 3200% (32x) 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).

Additionally, given that the Project is estimated to create 150 new direct, permanent jobs or 1.8 jobs per \$35,000 of public investment, the employment creation benefit exceeds the benchmark measure of “economic opportunity” described in Government Code 52200.2(a) of 1.0 job per \$35,000.