

**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 AND THUNDER VILLAGE PROPERTY II LLC**

The City of Daly City (“City”) is considering the approval of the proposed sale and disposition of an approximately 1.02-acre property (“Property”) located at 2123 to 2157 Junipero Serra Boulevard in Daly City, California (San Mateo County Assessor Parcel Numbers or “APNs”: 002-352-200, 002-352-210, 002-352-220, 002-352-230, 002-352-240, 002-342-160, and portions of APNs 002-352-250 and 002-342-250) for the development of an automobile “Vehicle Vending Machine / Fulfillment Center”.

The Property is rectangular-shaped and positioned on the southeast corner of Junipero Serra Boulevard and Westlake Avenue that contains approximately 44,352 square feet of land area. The Property is at street grade, and is generally level. Improvements include asphalt paving and exposed concrete foundations, and three aging commercial buildings in poor-to-fair condition. 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 Thunder Village Property II, a limited liability company 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 Section 52201. This Report sets forth certain proposed sale transaction details per 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 in "As-Is", "Where-Is", and "With All Faults" condition for a purchase price of \$2,770,000 ("Purchase Price") to effectuate the development of an automobile dealership project ("Project").

The Developer's proposed Project, as outlined in the DDA, is a "Vehicle Vending Machine / Fulfillment Center" where the principal use involves displaying vehicles temporarily in a vertical automated, multi-tier car mechanical storage and retrieval system until the vehicles are retrieved for customers, and may include accessory space for office and vehicle preparation.

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 City obtained a Broker Opinion of Value of the Property dated April 13, 2020 from Kosmont Real Estate Services that values the Property at \$2,840,000 at the highest and best use permitted under the 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 \$2,770,000. 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 risk-adjusted return on investment. This value is substantiated by an appraisal dated November 2018 prepared by Kidder Matthews Valuation Advisory Services, which assumed a change in the PD-54 zoning to allow for the proposed Project.

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 \$2,770,000. 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 the fair reuse value of \$2,770,000.

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

The City recognizes that the difference of \$70,000 between the fair reuse value and the value at highest and best use can partially be attributed to the passage of timing since the Developer entered into negotiations with the City. More importantly, the City recognizes that the Purchase Price represents the amount necessary for the Project to achieve financial feasibility and for the Developer to achieve an adequate risk-adjusted return on its investment, particularly in light of significant impacts on consumer spending (including on automobiles) from the COVID-19 pandemic.

The City can consider accepting the \$70,000 difference in light of the fiscal and economic benefits of the Project, including net fiscal revenues to the City General Fund within the range of \$115,800 to \$641,442 annually, the creation of approximately 11 permanent on-site jobs, and approximately 104 temporary jobs from construction, as detailed in Section VIII.

VIII. ECONOMIC OPPORTUNITY

The October 2019 Fiscal and Economic Impact Analysis prepared by ALH Urban & Regional Economics explains that the Project will generate new jobs and support local business activity in Daly City:

- Net revenue surplus to the City of Daly City in the range of approximately \$115,800 to 641,442 annually (the range is based upon how sales tax revenues for the automobile dealership tenant are reported and allocated by the State Board of Equalization);
- After completion, approximately 11 new permanent on-site jobs will be created within the Project.

In addition:

- The City's economic development advisor, Kosmont Companies, estimates that during construction, an increase in economic activity due to the project of approximately \$11.0 million will generate approximately 104 temporary direct, indirect, and induced jobs and approximately \$8.0 million in corresponding wage income in the Daly City and San Mateo County region;
- After completion, in addition to the 11 permanent on-site jobs indicated above, Kosmont estimates that an additional 3 indirect and induced jobs will be created as a result of the project, generating a total of approximately \$551,000 in direct, indirect, and induced wage income and approximately \$1.2 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 765% (7.65x) 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).