



## MEMORANDUM

DATE: September 10, 2021

TO: Whom It May Concern

FROM: Andrico Q Penick, Director of Property

A handwritten signature in blue ink, appearing to read "AQ 9/11/21".

**RE: Valuation Analysis – Candlestick Point State Recreation Area,  
San Francisco Block 4886-009**

The City and County of San Francisco ("City") Department of Homelessness and Supportive Housing ("HSH") requested an estimate of the fair market rental value for a portion (312,000 sf) of the Candlestick Point State Recreation Area (Block 4886, Lot 009) ("Property") in San Francisco, owned by the California State Lands Commission ("State Lands") subject to a long-term Ground Lease with the California Department of Parks and Recreation ("State Parks"). State Lands and State Parks also requested an estimate of value. This valuation memo provides that value estimate with the following assumptions:

- a. There is no vertical development potential.
- b. Highest and Best Use is as a state park as there is no other known legally permissible long term use at this time and for the foreseeable future without State Lands' approval and State Parks' consent.

HSH confirmed that it would like to enter into a sublease with State Parks to use the Property for a Vehicle Triage Center under Ordinance No. 82-19, which created the "Safe Overnight Parking Pilot Program" to provide eligible people experiencing homelessness residing in their vehicles a place to park and sleep in their vehicles overnight, case management and other services.

### **The Property and Premises**

State Lands owns the Candlestick Point State Recreation Area ("CPSRA") (the "Property") and leases it to State Parks under a long-term Ground Lease (which goes through June 2080). State Parks agreed to sublease to HSH a portion of the CPSRA (approximately 312,000 square feet) (the "Premises") in exchange for off-site public services that are of benefit to State Lands, State Parks and the citizens of California. The Premises and the on-site improvements are shown on Exhibit A, attached to the draft sublease. The off-site public services are set forth in the Candlestick Safe Parking

City Agreements dated September \_\_\_\_, 2021, attached to the draft sublease as Exhibit B-1. The budget for the off-site public services is attached as Exhibit B-2 to the draft sublease.

### **Project Description**

The Project consists of providing a Vehicle Triage Center for people experiencing homelessness currently living in their vehicles at CPSRA, District 10, and the surrounding area. As part of the Project, HSH will cause the restriping a parking lot area within the Premises and installing: a perimeter fence with privacy screen, solar lights, toilet and shower trailers, approximately 150 guest stalls (RV and vehicles) and 15 stalls for staff; guard shack, picnic area, mobile trailers, potable water hose bibs, trash containers, security cameras,, repair and/or upsizing of the water and sewer pipes as needed, upgraded electrical service, fire water service to the Premises, and provide 24/7 staffing. Although not considered at part of the consideration for the sublease, the City will spend approximately \$45,000 per month or \$540,000 per year to operate the Project.

### **Term**

The sublease, if approved by State Lands and State Parks, would be for two years, with review and possible renewal at that time.

### **Valuation Analysis**

Discussions with an appraiser indicated that the valuation of the Property would be difficult as it has limited to no development potential because it is owned by State Lands and under a long-term lease with State Parks. In addition, most of the coastline, especially vacant land, is owned and purchased by governmental agencies resulting in very few comparable sales to support a clear option of value. Even leasing a portion of the land, other than to another public entity for a public purpose such as in this situation, is improbable.

### **Port of San Francisco Comps**

The Port of San Francisco has a few existing leases near the Property. The Port's existing rental rates for these leases ranges from \$0.37 per square foot to \$0.47 per square foot per month or approximately \$4.44 to \$5.64 per square foot per year.

In light of the development and use restrictions on the Property, and the long-term Ground Lease, using the lower rental rate of \$4.44 per square foot per year calculates to \$1,385,380 per year (\$4.44 x 312,000 sf).

## **Caltrans Comps**

Caltrans' current leasing rate for vacant land and parking areas is \$0.16 per square foot per month or \$1.92 per square foot per year. Using \$1.92 per square foot per year calculates to \$599,040 per year.

## **Valuation**

Unlike this Property, both the Port and Caltrans are able to lease to both public and private parties for different uses. While Caltrans has some limitations as to uses and development on its Property, both entities allow more flexibility and options than the current Property.

Assuming the Property is not developable, has no current or foreseeable use other than as a park, and based upon the above and my knowledge of the San Francisco real estate market, a "nominal rental value" for the Property is warranted. Any income potential would not be a justifiable consideration given the Property has limited leasing possibilities.

**In my opinion the fair market rental value is \$1.00 per square foot per year or \$312,000 per year.**

## **In Kind Consideration for the Sublease and State Public Benefit**

The City and State Parks agree that City Police enforcement and peace officers exercising authority throughout the park against unauthorized encampments, black water dumping into the Bay, intimidation of would be park visitors and staff, vandalism, drug use, public resource degradation, and theft punctuated by the RV encampment on Hunter's Point Expressway since early 2020 are needed in this area and are public benefits of value to State Lands, State Parks and the citizens/ residents of the State of California. People need this so they can safely come enjoy Candlestick again.

The City will be providing the following off-site public services during the term of the sublease to address the needs identified above:

### **Police Services - Estimated Costs: \$12,500 per month**

- Set up a schedule of daily passing calls to the Park and program
- SFPD will advise the design and operations teams on Crime Prevention Through Environmental *Design* (CPTED) to ensure that the program is designed and operated in a way that prioritizes public safety.
- SFPD Bayview station officers will meet regularly with park staff and Safe Parking Program Staff to address safety issues in the Park and surrounding the safe parking program.
- SFPD will create an emergency access plan with the safe parking program to ensure that emergency vehicles can efficiently access the site.
- Support SFMTA in enforcing parking regulations in the area

- SFPD will provide crime data for the neighborhood to inform the public about safety and crime stats in the neighborhood upon request from the community.

#### San Francisco Public Works - **Estimated Costs: \$104,000 per month**

San Francisco Public Works will provide regular cleaning to the encampments along Hunter's Point Expressway and the surrounding the Candlestick Point State Park and will implement dumping prevention and mitigation efforts including:

- Litter and debris removal at least 3 days per week
- Posting no dumping signs
- Explore the possibility of deploying Illegal Dumping Surveillance Cameras

#### San Francisco Municipal Transportation Authority (SFMTA) - **Estimated Costs: \$62,160 per month plus a one-time cost of \$4,250 for signage replacement.**

SFMTA will take the following actions along Hunter's Point Expressway between Jamestown Avenue/Harney Way and Arellio Walker Drive to support the Candlestick Point neighborhood and the operations of the Safe Parking Program:

- Repost the removed or damaged parking regulations signs that reflect the current parking regulations.
- When the program opens, and people encamped in the area are invited into the program the SFMTA will focus on enforcing parking regulations in the area to prevent re-encampment.

#### Performance Measures

The City through HSH and others will provide data related to program success to help measure the success of both on-site and off-site services, including but not limited:

- Placement and occupancy
- Service connections
- Housing placement and exit data
- Inhabited vehicle count in the area
- Outreach attempts and service/placement offers
- Encampment resolution information

In conclusion, the City will provide **off-site public benefits** at an estimated aggregate cost of **\$178,600 per month or \$2,143,920 per year**. This figure does not include certain one-time costs nor does it include the costs of operating the Project. The City's proposed off-site services convey a benefit to State Lands, State Parks and citizens / residents of the State of California far in excess of the **fair market rental value of \$26,000 per month or \$312,000 per year** that could be charged for the Property for the term.