Appraisal Report

Commercial Land
855, 901, and 905 7th Avenue
Unincorporated Santa Cruz County, California 95062

Report Date: June 16, 2016

FOR:
Mr. Travis Cary
Santa Cruz County Department of Public Works
701 Ocean Street Room 410
Santa Cruz CA 95060
June 16, 2016

Josh Fronen, MAI
408.279.1520 x7113
ejfronen@valbridge.com

Mr. Travis Cary
Santa Cruz County Department of Public Works
701 Ocean Street Room 410
Santa Cruz, CA 95060

RE: Appraisal Report
Commercial Land
855, 901, and 905 7th Avenue
Unincorporated Santa Cruz County, California 95062

Dear Mr. Cary:

In accordance with your request, we have performed an appraisal of the above referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions. This letter of transmittal is not valid if separated from the appraisal report.

The subject property, as referenced above, is located at 855, 901, and 905 7th Avenue, Unincorporated Santa Cruz County, California 95062 and is further identified as Assessor Parcel Numbers (APNs) 026-261-13, 026-261-16 and 026-261-17. The subject site contains 359,806 gross square feet and 259,616 net square feet (the difference being for an area that is relegated to open space).

The site is improved with a single-family residence which generates interim income. Additionally, a portion of the site is leased to the Santa Cruz Port District for overflow vehicle with trailer parking. The remainder of the site is unimproved and is not in use.
The subject is a large, unentitled site and is located in the Coastal Commission Coastal Zone, and within an appeal zone. Any new development project for the subject site would likely receive significant interest and attention from the local community. Land development projects of this sort can take years to entitle, especially given the appeal zone location. Therefore, given its unentitled status, large site area, and location within the appeal zone, there are rather significant land use risks associated with any development of this site. Any buyer for the subject property would expect a big price discount since it is unknown if and when development would ever be approved on the site.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

Travis Cary of Santa Cruz County Department of Public Works is our client in this assignment and along with the County of Santa Cruz (a public entity) will be the sole intended users of this appraisal and report and no others. The intended use is for a possible disposition of the property. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

**Extraordinary Assumptions:**
- A 1-acre park shall be provided upon private redevelopment, per the General Plan. However, per County Planning, it is unclear if the existing subject site area that is designated for Urban Open Space (which measures ±2.3 acres) can satisfy the 1-acre park requirement. We have been asked by the County to assume that an additional 1-acre park would not need to be dedicated and that the Urban Open Space area can meet the 1-acre park requirements. The value as stated in this report would be less if an additional 1-acre park were required as that area would be deducted out of the net developable site area.

**Hypothetical Conditions:**
- None
Based on the analysis contained in the following report, our value conclusions are summarized as follows:

**Value Indications**

<table>
<thead>
<tr>
<th>Approach to Value</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Comparison</td>
<td>$2,855,000</td>
</tr>
</tbody>
</table>

**Value Conclusions**

<table>
<thead>
<tr>
<th>Value Type</th>
<th>Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property Rights Appraised</td>
<td>Fee Simple</td>
</tr>
<tr>
<td>Date of Value</td>
<td>May 9, 2016</td>
</tr>
<tr>
<td><strong>Value Conclusion</strong></td>
<td><strong>$2,855,000</strong></td>
</tr>
<tr>
<td><strong>Value per SF of Net Land Area</strong></td>
<td><strong>$11 psf</strong></td>
</tr>
</tbody>
</table>

Respectfully submitted,
Valbridge Property Advisors

Josh Fronen, MAI  
Senior Appraiser  
California Certified License #AG028548

Yvonne J. Broszus, MAI  
Director  
California Certified License #AG019587
Table of Contents

Cover Page
Letter of Transmittal
Table of Contents .......................................................................................................................... i
Summary of Salient Facts ........................................................................................................... ii
Aerial and Front Views ................................................................................................................ iv
Location Map ............................................................................................................................... v
Introduction .................................................................................................................................. 1
Scope of Work ............................................................................................................................... 4
Regional and Market Area Analysis ........................................................................................... 5
City and Neighborhood Analysis ............................................................................................... 10
Site Description .......................................................................................................................... 16
Subject Photos ............................................................................................................................. 23
Assessment and Tax Data .......................................................................................................... 25
Market Analysis ........................................................................................................................... 27
Highest and Best Use .................................................................................................................. 33
Appraisal Methodology .............................................................................................................. 35
Land Valuation .............................................................................................................................. 36
General Assumptions and Limiting Conditions ......................................................................... 57
Certification – Josh Fronen, MAI ............................................................................................... 63
Certification – Yvonne J. Broszus, MAI ...................................................................................... 64
Addenda ....................................................................................................................................... 65
  Subject Photographs .................................................................................................................. 66
Glossary ........................................................................................................................................ 67
Qualifications ................................................................................................................................. 73
Information on Valbridge Property Advisors
Office Locations
# Summary of Salient Facts

## Property Identification
- **Property Name**: Commercial Land
- **Property Address**: 855, 901, and 905 7th Avenue Unincorporated Santa Cruz County, California 95062
- **Latitude & Longitude**: 36.972267, -121.997294
- **Census Tract**: 1214.03
- **Tax Parcel Numbers**: 026-261-13, 026-261-16 and 026-261-17
- **Property Owners**: Santa Cruz County

## Site
- **Zoning**: Community Commercial - Designated Park Site (C-2-D)
- **FEMA Flood Map No.**: 06087C0351E
- **Flood Zone**: X
- **Gross Land Area**: 8.260 acres

## Valuation Opinions
- **Highest & Best Use - As Vacant**: Future mixed-use development
- **Reasonable Exposure Time**: 12 month
- **Reasonable Marketing Time**: 12 month

## Value Indications

<table>
<thead>
<tr>
<th>Approach to Value</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Comparison</td>
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© 2016 VALBRIDGE PROPERTY ADVISORS
Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

**Extraordinary Assumptions:**
- A 1-acre park shall be provided upon private redevelopment, per the General Plan. However, per County Planning, it is unclear if the existing subject site area that is designated for Urban Open Space (which measures ±2.3 acres) can satisfy the 1-acre park requirement. We have been asked by the County to assume that an additional 1-acre park would not need to be dedicated and that the Urban Open Space area can meet the 1-acre park requirements. The value as stated in this report would be less if an additional 1-acre park were required as that area would be deducted out of the net developable site area.

**Hypothetical Conditions:**
- None
Aerial and Front Views

AERIAL VIEW

FRONT VIEW
Location Map
Introduction

Client and Intended Users of the Appraisal
Travis Cary of Santa Cruz County Department of Public Works is our client in this assignment and along with the County of Santa Cruz (a public entity) will be the sole intended users of this appraisal and report and no others.

Intended Use of the Appraisal
The intended use of this report is for a possible disposition of the property.

Real Estate Identification
The subject property is located at 855, 901, and 905 7th Avenue, Unincorporated Santa Cruz County, California 95062. The subject property is further identified by Assessor Parcel Numbers (APNs) 026-261-13, 026-261-16 and 026-261-17.

Legal Description
We assume the legal description corresponds to the subject’s Assessor Parcel Numbers (APNs).

Use of Real Estate as of the Effective Date of Value
As of the effective date of value, the subject was improved with a single-family residence which generates interim income. Additionally, a portion of the site is leased to the Santa Cruz Port District for overflow vehicle with trailer parking. The balance of the property was unimproved and not in active use.

Use of Real Estate as Reflected in this Appraisal
Same as above.

Ownership of the Property
According to the County Assessor’s Office, title to the subject property is vested in Santa Cruz County.

The Santa Cruz County Redevelopment Agency assembled the subject property between 2000 and 2007 through two separate transactions. The total purchase price was $7,402,000 or $20.57 per square foot of land. The property was acquired to promote development of the site with visitor serving commercial uses and other mixed uses that would enhance the economic vitality and quality of life in the vicinity of the Santa Cruz Small Craft Harbor. These purchases occurred near the top of prior market cycles and the current land value is significantly less based on our analysis of market data.

The County now intends to sell the property on the open market. We are unaware of other any sales, listings or offers for any portion of the subject property within three years of the valuation date. We have considered and analyzed the known history of the property in the development of this appraisal.
**Type and Definition of Value**

The appraisal problem (the term “Purpose of Appraisal” has been retired from appraisal terminology) is to develop an opinion of the market value of the subject property. “Market Value,” as used in this appraisal, is defined as “the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.” Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised, each acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale.”

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date(s) of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

**Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value**

Per the scope of our assignment we developed opinions of value for the subject property under the following scenarios of value:

<table>
<thead>
<tr>
<th>Valuation Scenarios</th>
<th>Effective Date of Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>As-Is, Fee Simple Market Value</td>
<td>May 9, 2016</td>
</tr>
</tbody>
</table>

We completed an appraisal inspection of the subject property on May 9, 2016.

**Date of Report**

The date of this report is June 16, 2016, which is the same as the date of the letter of transmittal.

**List of Items Requested but Not Provided**

- Preliminary Title Report

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1 Source: *The Dictionary of Real Estate Appraisal, 14th Edition, pg. 59*
Assumptions and Conditions of the Appraisal

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

**Extraordinary Assumptions**
- A 1-acre park shall be provided upon private redevelopment, per the General Plan. However, per County Planning, it is unclear if the existing subject site area that is designated for Urban Open Space (which measures ±2.3 acres) can satisfy the 1-acre park requirement. We have been asked by the County to assume that an additional 1-acre park would not need to be dedicated and that the Urban Open Space area can meet the 1-acre park requirements. The value as stated in this report would be less if an additional 1-acre park were required as that area would be deducted out of the net developable site area.

**Hypothetical Conditions**
- None
Scope of Work

The scope of work includes all steps taken in the development of the appraisal. These include 1) the extent to which the subject property is identified, 2) the extent to which the subject property is inspected, 3) the type and extent of data researched, 4) the type and extent of analysis applied, and 5) the type of appraisal report prepared. These items are discussed as follows:

Extent to Which the Property Was Identified

Legal Characteristics
The subject was legally identified via Assessor Parcel Numbers (APNs), Long-Range Property Management Plan, and Site Plan provided by the client.

Economic Characteristics
Economic characteristics of the subject property were identified via information provided by the client, as well as a comparison to properties with similar locational and physical characteristics.

Physical Characteristics
The subject was physically identified via a physical property inspection by Josh Fronen, MAI.

Extent to Which the Property Was Inspected
We inspected the subject on May 9, 2016.

Type and Extent of Data Researched
We researched and analyzed: 1) market area data, 2) property-specific market data, 3) zoning and land-use data, and 4) current data on comparable listings, sales, and rentals in the competitive market area. We also interviewed people familiar with the subject property.

Personal Property/FF&E
All furniture, fixtures, and equipment (FF&E) or any other personal property has been excluded from our analysis. The opinion of market value developed herein is reflective of real estate only.

Type and Extent of Analysis Applied
We valued the subject based on the highest and best use conclusion, relying on the Sales Comparison Approach. The Cost and Income Capitalization Approaches were not used because market participants rarely employ these approaches in their buy/sell decision making processes for properties like the subject.

Appraisal Report Type
This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Appraisal Conformity
We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.
Overview
Santa Cruz County is situated on the California coast between the San Francisco Bay Area and Monterey Peninsula. It is located at the northern tip of Monterey Bay and is 65 miles south of San Francisco, 35 miles north of Monterey, and 35 miles southwest of the Silicon Valley. The second smallest county in California, it encompasses 282,240 acres of land or 441 square miles with the vast majority, 417 square miles, in unincorporated areas. Its natural beauty is present in the pristine beaches, lush redwood forests, and rich farmland. It has an ideal Mediterranean climate with low humidity and sunshine 300 days a year. Santa Cruz County is characterized by three basic regions: the northern region of the county is dominated by the city of Scotts Valley; the mid-county region contains the county seat, the city of Santa Cruz and the city of Capitola as well as the unincorporated areas of Aptos and Soquel; the south county region includes the city of Watsonville as well as the unincorporated areas of Freedom and Pajaro Valley.
Population
As of January 1, 2016, the California Department of Finance reported Santa Cruz County to have a total population of 275,902. This is up 0.8% from January 2015.

According to the Site to Do Business projections, presented below, the county's population is expected to increase 0.5% between 2015 and 2020, while Santa Cruz will increase approximately 0.5% over the same period.

<table>
<thead>
<tr>
<th>Area</th>
<th>2000</th>
<th>2010</th>
<th>Annual % Change 2000 - 10</th>
<th>Estimated 2015</th>
<th>Projected 2020</th>
<th>Annual % Change 2015 - 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>281,421,906</td>
<td>308,745,538</td>
<td>1.0%</td>
<td>318,536,439</td>
<td>330,622,575</td>
<td>0.8%</td>
</tr>
<tr>
<td>California</td>
<td>33,871,648</td>
<td>37,253,956</td>
<td>1.0%</td>
<td>38,371,836</td>
<td>39,802,811</td>
<td>0.7%</td>
</tr>
<tr>
<td>Santa Cruz County</td>
<td>255,602</td>
<td>262,382</td>
<td>0.3%</td>
<td>269,433</td>
<td>276,345</td>
<td>0.5%</td>
</tr>
<tr>
<td>Santa Cruz City</td>
<td>54,490</td>
<td>59,946</td>
<td>1.0%</td>
<td>62,531</td>
<td>64,009</td>
<td>0.5%</td>
</tr>
</tbody>
</table>

Source: Site-to-Do-Business (STDB Online)

Transportation
Transportation in the county is well developed with State Highway 1 traversing the coast between Los Angeles and San Francisco, and Highway 17, which connects Santa Cruz to San Jose and East Bay areas such as Fremont and Oakland.

Because Santa Cruz County is located very close to the “Silicon Valley” area, and because of its natural beauty, lower housing costs and cleaner air, there are an increasing number of commuters traveling Highway 17. It is estimated that 12,000 to 15,000 residents of the Santa Cruz area drive Highway 17 every day to work in the Valley. This volume of traffic prompted the State of California to begin a multi-year project of refurbishing, repaving and repairing Highway 17. The roadway has been expanded to its maximum width, two lanes of traffic in each direction.

In the southern area of the county, Route 152 connects Watsonville to the southernmost area of Santa Clara County in the City of Gilroy to the east. Highway 152 continues east and eventually runs into Interstate 5, connecting south to Los Angeles and north through Sacramento.

Highway 152 from Watsonville to Gilroy is primarily a winding road up and over the hills with one lane of traffic in each direction. Commuters from the southern area of Santa Clara County utilize Highway 152 to reach Silicon Valley.

As commuter tolerance continues to grow, these highway/freeways will become increasingly congested and more difficult to commute.

A major railroad carrier provides freight service to the coastal part of the county, and bus service is provided by Santa Cruz Metropolitan Transit, Greyhound, and Peerless. Major airports are located 40 miles away in San Jose; 60 miles away in San Francisco; and 45 miles south in Monterey. The majority of tourists arrive in Santa Cruz by automobile. There is one airport located in the county, Watsonville Municipal Airport, which serves primarily small private aircrafts.
Employment
The local economy relies heavily on tourism and agriculture. With agriculture and food processing concentrated in the south while service and tourism is concentrated in the north, other economic activities within the county include quarrying, forestry, wood products, fishing, and other manufacturing. A small number of high technology companies are also situated within the county.

### Employment by Industry - Santa Cruz County

<table>
<thead>
<tr>
<th>Industry</th>
<th>2009 - 2013 ACS Estimate</th>
<th>Percent of Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, forestry, fishing and hunting</td>
<td>7,460</td>
<td>5.83%</td>
</tr>
<tr>
<td>Mining, quarrying, and oil and gas extraction</td>
<td>54</td>
<td>0.04%</td>
</tr>
<tr>
<td>Construction</td>
<td>8,714</td>
<td>6.82%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>11,147</td>
<td>8.72%</td>
</tr>
<tr>
<td>Wholesale trade</td>
<td>3,659</td>
<td>2.86%</td>
</tr>
<tr>
<td>Retail trade</td>
<td>14,450</td>
<td>11.30%</td>
</tr>
<tr>
<td>Transportation and warehousing</td>
<td>2,561</td>
<td>2.00%</td>
</tr>
<tr>
<td>Utilities</td>
<td>2,098</td>
<td>1.64%</td>
</tr>
<tr>
<td>Information</td>
<td>2,617</td>
<td>2.05%</td>
</tr>
<tr>
<td>Finance and insurance</td>
<td>811</td>
<td>0.63%</td>
</tr>
<tr>
<td>Real estate and rental and leasing</td>
<td>2,800</td>
<td>2.19%</td>
</tr>
<tr>
<td>Professional, scientific, and technical services</td>
<td>10,213</td>
<td>7.99%</td>
</tr>
<tr>
<td>Management of companies and enterprises</td>
<td>82</td>
<td>0.06%</td>
</tr>
<tr>
<td>Administrative and support and waste mgmt services</td>
<td>5,475</td>
<td>4.28%</td>
</tr>
<tr>
<td>Educational services</td>
<td>14,396</td>
<td>11.26%</td>
</tr>
<tr>
<td>Health care and social assistance</td>
<td>15,725</td>
<td>12.30%</td>
</tr>
<tr>
<td>Arts, entertainment, and recreation</td>
<td>3,751</td>
<td>2.93%</td>
</tr>
<tr>
<td>Accommodation and food services</td>
<td>11,172</td>
<td>8.74%</td>
</tr>
<tr>
<td>Other services, except public administration</td>
<td>6,411</td>
<td>5.01%</td>
</tr>
<tr>
<td>Public administration</td>
<td>4,254</td>
<td>3.33%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>127,850</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

*Source: Site-to-Do-Business (STDB Online)*

Unemployment
While the unemployment rate was affected by the most recent recession, it has recovered significantly in recent years, particularly in the Bay Area. Santa Cruz County’s rate is currently greater than the rates of the state and nation. The County unemployment rate was 8.8% as of March 2016 (most recent available). The State of California was at 5.6% while the nation was at 4.7% for the same time period. This has been one of the lowest unemployment rate figures over the past several years since the Great Recession and reflects the steadily improving market conditions. The City of Santa Cruz’s unemployment rate in March 2016 was 7.8%.
The unemployment forecast for California through 2016 remains positive. The most recent UCLA Anderson Forecast anticipates steady gains in employment right through 2017. Senior Economist Jerry Nickelsburg is quoted as saying "The increase in U.S. growth rates from construction, automobiles, and business investment, as well as higher consumer demand, will continue to fuel our local economy."

The report’s estimate for the state’s 2015 total employment growth was 2.4%, and is 2.2% for 2016, and 1.5% for 2017. The unemployment rate will hover around 6.5% through 2015, and 5.5% in 2016 which is a slight decrease from Anderson’s last forecast. In 2017 an unemployment rate of approximately 5.1% is forecast, essentially the same as their forecast for the nation.

Their report for the national economy says that the nation “looks like an island of stability in a very volatile world.” They believe that the US will stay on track for 3% GDP growth through 2017 despite slow growth and currency devaluations throughout much of the rest of the developed world.

The health of the economy, and the real estate industry, is closely linked to the ability to procure financing. To encourage banks to continue lending, the Federal Reserve (the Fed) held the Federal Funds Rate at historically low levels, between 0% and 0.25% from December of 2008 through December 2015. In December 2012, the Fed announced explicit economic targets for the end of easing programs. Specifically, the Fed said it will hold the Federal Funds Rate at its current level until national unemployment drops below 6.5% or inflation exceeds 2.5% a year, in order to support continued progress toward maximum employment and price stability; previously, they had targeted mid-2015.

On December 16, 2015, the Federal Reserve raised the Federal Funds rate to 0.50%, stating that economic activity has been expanding at a moderate pace, and recent labor market indicators, including ongoing job gains and declining unemployment, show further improvement in the economy.
The Federal Open Market Committee, including Chair Janet Yellen, released a statement that they expect that “... with gradual adjustments in the stance of monetary policy, economic activity will continue to expand at a moderate pace and labor market indicators will continue to strengthen ... Inflation is expected to rise to 2% over the medium term as the transitory effects of declines in energy and import prices dissipate and the labor market strengthens further.”

While the economic climate for real estate has begun to recover, new concerns must be addressed in order for the current growth to be sustainable. The unemployment rate has decreased, and GDP growth is expected to continue over the next couple of years. However, the rate of GDP growth must continue to increase in order for a true economic recovery to materialize.

**Median Household Income**

A skilled high tech workforce that commutes over from the Silicon Valley to live on the coast translates into relatively high-income levels compared to the state and national averages.

Total median household income for the region is presented in the following table. Overall, the subject’s MSA and county compare favorably to the state and the country.

<table>
<thead>
<tr>
<th>Area</th>
<th>Estimated 2015</th>
<th>Projected 2020</th>
<th>Annual % Change 2015 - 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>$53,217</td>
<td>$60,683</td>
<td>2.8%</td>
</tr>
<tr>
<td>California</td>
<td>$60,382</td>
<td>$71,245</td>
<td>3.6%</td>
</tr>
<tr>
<td>Santa Cruz County</td>
<td>$66,845</td>
<td>$78,820</td>
<td>3.6%</td>
</tr>
<tr>
<td>Santa Cruz City</td>
<td>$61,249</td>
<td>$74,823</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

*Source: Site-to-Do-Business (STDB Online)*

**Conclusions**

Overall, Santa Cruz County presents a scenic and natural backdrop and is a desirable place to work and live although many of the residents commute to Silicon Valley. The area’s beauty and attractions have placed an additional burden on local governments, as they balance concerns over the environment while attempting to address the need for affordable housing and commercial/industrial growth.

The Santa Cruz County economy has, generally, been on the upswing over the past couple of years along with the counties that make up the San Francisco Bay Area. Population, job growth and retail spending have been increasing. The expectation is that growth will continue at a moderate pace.
City Overview
The subject is located in unincorporated Santa Cruz County. The City of Santa Cruz is the closest major city and so an analysis of Santa Cruz is provided.

Situated on the north side of the Monterey Bay, Santa Cruz is one of California’s most popular seaside resorts. The Santa Cruz Beach and Boardwalk and the Municipal Pier are primary tourist attractions. The major industries include agriculture, tourism, manufacturing, food processing and high technology firms. The University of California, Santa Cruz campus opened in 1965 and has a current enrollment of approximately 12,000 students. The city contains roughly 12 square miles. The climate is mild with summer temperatures in the mid-70s and winter temperatures in the mid-50s. Humidity is low for a coastal area. An average of 31 inches of rain falls annually, primarily between November and April.

The City of Santa Cruz is the seat of government for Santa Cruz County. Education and government provide the majority of jobs located in the city of Santa Cruz. The University of California employs approximately 4,000, the County of Santa Cruz, approximately 1,700, and the City of Santa Cruz
approximately 1,200. In addition, over 12,000 state and federal employees are located throughout Santa Cruz County.

Access to Santa Cruz from the other county areas is primarily via Highways 1 and 17. Highway 1 parallels the coastline from Daly City to the north, south to Los Angeles. Highway 17 connects Scotts Valley to Santa Cruz where it merges into and becomes Highway 1. This network of highways is currently adequate to service the city’s needs; however, increases in the general population of the county, and the commuter population, have led to increased traffic congestion during rush hours. Public transportation consists of bus service provided by the Santa Cruz Metropolitan Transit District, a public agency based in the City of Santa Cruz.

A long-standing traffic issue in Santa Cruz has been what is commonly referred to as “The Fish Hook”. This is the area where Highway 1 and 17 meet. Major construction was recently completed and there is a new interchange that has greatly helped with traffic during commute times.

The University of California Santa Cruz is planning a major expansion through 2020 which could add as many as 4,500 new students to the county’s current population of 269,466 plus 3.8 million square feet of new facilities. In early 2007, the UC regents committee approved the first major project under the new growth plan that consists of a 92,300-square-foot research building with laboratory, office and administrative space in four stories, which will be known as the Biomedical Science Facility. In addition, this building is said to be the first “green” building at UCSC, which means it will comply with water and energy efficiency standards.

In March 2016, UC Santa Cruz signed a 20 year lease for more than 127,000 square feet of office space in the Enterprise Technology Center located at 100 Enterprise Way in Scotts Valley. This satellite campus will be known as the UC Santa Cruz Scotts Valley Center and will support 500 staff members.

In terms of identity, the City of Santa Cruz caters primarily to the tourism industry with further support from service, retail trade, higher education, and some manufacturing and electronics. The commercial activity in the city is directed mainly toward the local market, with some activity directed toward the larger, regional market. Small independent businesses are common. However, a large number of residents commute to Silicon Valley and beyond for employment. The majority of these commuting residents do so because the housing is more affordable in Santa Cruz than in the area they work.

The popularity of downtown Santa Cruz as a commercial district was experiencing some decline in 1989. However, the final blow to the downtown Santa Cruz commercial district was dealt by the 1989 Loma Prieta earthquake. Out of a total inventory of 858,000 square feet of office and retail space located in Pacific Garden Mall, 625,000 square feet was demolished or damaged as a result of the earthquake. The more prominent buildings located in Pacific Garden Mall that were demolished include the 30,000-square-foot Ford’s Department Store, the 23,591-square-foot Hihn Building, the 21,954-square-foot Cooper House, the 58,604-square-foot Gottschalk’s Department Store, the 39,081-square-foot Pacific Western Bank Building, and the 79,300-square-foot St. George Hotel.

Several redevelopment projects have been completed in the Pacific Garden Mall. Among them are the 74,000-square-foot Cinema Building located at Pacific Avenue and Locust Street, rebuilding of...
the 24,608-square-foot St. George Hotel, construction of the 23,590-square-foot Hihn Building at Pacific Avenue and Lincoln Avenue, the 16,152-square-foot Logo Building on Pacific Avenue near Elm Street, rebuilding of the old 22,014-square-foot Pacific Western Bank Building at Pacific Avenue and Cooper Street, and the renovation of the old Bank of America Building at Pacific Avenue and Soquel Avenue.

The Redtree Properties Project at the northeast corner of Pacific Avenue and Soquel Avenue is a 90,000-square-foot, three-story building with ground level retail, second-story retail, and third-story residential uses. At the north end of the Mall, two landmark buildings destroyed by the earthquake have been replaced. First is the Flatiron Building marking the northern entrance to the mall. Prior to its demolition, the original structure was the oldest in the downtown area, being constructed in 1859. A new 15,675-square-foot retail/office use building has taken its place. Even more significant is the construction of a new 100,000-square-foot building replacing the historic Cooper House destroyed by the earthquake. In addition, there is a 430-space parking structure at Soquel Avenue and Front Street, adjacent to the new Redtree Property. Other developments at the north end of River Street were recently completed, which includes the new Coast Commercial Bank Building. In 2004, a mixed-use six-story project was completed at Pacific Avenue and Cathcart Street, consisting of retail on the first floor and apartments on the upper levels.

Another completed project is located at River Street and North Pacific Avenue which consists of a three and four story project containing 149,600 square feet. There are 70 residential units and 6 retail units on the ground floor. Also on Pacific Avenue in the heart of the downtown area, there is a mixed-use project which is the last vacant site left by the 1989 earthquake. This project consists of a four-story project, with retail on the first floor and condominiums above. The completed projects in the downtown area have greatly improved the desirability of the downtown location.

Future new supply additions in the Santa Cruz area will have to come from redevelopment rather than new site plan construction since there is virtually no supply of vacant land. In the Capitola/41st Avenue area, the majority of retail and office space was constructed in the 1980s, and is still fairly new. In other areas throughout Santa Cruz there are some much older buildings which would benefit from redevelopment particularly once market conditions improve and/or the economy improves.

Because of extensive damage from the October 1989 earthquake, it has taken several years for the Pacific Garden Mall to be rebuilt and position itself as a competitor for 41st Avenue tenants. Even so, 41st Avenue has several advantages over Pacific Garden Mall in its more direct access, superior vehicle circulation, established major retailers, greater shopping availability, etc.

In terms of market area identity, the City of Santa Cruz caters primarily to the tourism industry with further support from service, retail trade, higher education, and an increasing degree of high tech industries. The commercial activity in the city is directed mainly toward the local market with some activity directed toward the larger, regional market. Small independent businesses are common.

**Neighborhood Location and Boundaries**
The subject neighborhood is located in the Live Oak area of Unincorporated Santa Cruz County. The area is suburban in nature. The neighborhood is bounded by California Highway One / Cabrillo
Highway to the north, 41st Street to the east, Monterey Bay / Pacific Ocean to the south, and Santa Cruz Harbor to the west.

**Immediate Environrs**

The subject is located in an area with primarily commercial land uses along major arterials surrounded by low-density residential uses along secondary streets. Access to the area is provided by 7th Avenue, which links to Highway 1, ±five minutes to the north by car. The traffic counts on 7th Avenue are ±10,000 cars per day, which is not very high for a commercial use.

The adjacent use to the north is a dry boat storage yard on ±1.71 acres of land owned and operated by the Santa Cruz Port District. There are low-density residential uses perimetering the subject to the south and across 7th Avenue to the east. The Santa Cruz RV Park and Small Craft Harbor are across Brommer Street to the west of the subject.

The subject site is next to the Santa Cruz Small Craft Harbor and a variety of amenities. There are four major restaurants including the Crow’s Nest and Harbor Cafe. Approximately ½ mile south from the subject is harbor beach which has volleyball courts and food concessions nearby. Additionally, there is a walking trail which completely surrounds the harbor.

North of the subject is Arana Gulch, a scenic natural area which contains 67.7 acres. This open space area is bound by the Santa Cruz Harbor to the south, Soquel Avenue and Capitola Road to the north, and residential neighborhoods to the east and west. The Arana Gulch Mixed-Use Trail is a recent addition which allows the public the opportunity for nature viewing, hiking, and dog walking.

The subject is in the California Coastal Commission appeal zone, and that this has a significant impact on development potential and timeline for approvals. Please refer to the market overview section as to how this specifically impacts future potential development.

Please see the following Neighborhood Demographics for more information about the area.
Demographics
The following table depicts the area demographics in Santa Cruz within a one-, three-, and five-mile radius from the subject. As shown in the table below, the total population within a 1-, 3-, and 5-mile radius are each projected to increase at 0.5%. Median household income is projected to increase at 3.6%, 3.5% and 3.9% within the 1-, 3-, and 5-mile radius from the subject between 2015 and 2020. These demographics support a variety of commercial and residential uses.

<table>
<thead>
<tr>
<th>Neighborhood Demographics</th>
<th>1 mile</th>
<th>3 miles</th>
<th>5 miles</th>
</tr>
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<tbody>
<tr>
<td><strong>Population Summary</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>2000 Population</td>
<td>19,804</td>
<td>87,438</td>
<td>116,713</td>
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<tr>
<td>2010 Population</td>
<td>19,349</td>
<td>88,568</td>
<td>121,715</td>
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<tr>
<td>2015 Population</td>
<td>19,659</td>
<td>90,571</td>
<td>125,546</td>
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<tr>
<td>2020 Population Estimate</td>
<td>20,112</td>
<td>92,820</td>
<td>128,602</td>
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<td>Annual % Change (2015 - 2020)</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.5%</td>
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<tr>
<td><strong>Household Summary</strong></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>2000 Households</td>
<td>8,250</td>
<td>35,600</td>
<td>45,995</td>
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<tr>
<td>% Owner Occupied</td>
<td>42.5%</td>
<td>46.1%</td>
<td>49.6%</td>
</tr>
<tr>
<td>% Renter Occupied</td>
<td>49.9%</td>
<td>47.6%</td>
<td>43.6%</td>
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<tr>
<td>2010 Households</td>
<td>8,337</td>
<td>36,607</td>
<td>47,360</td>
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<tr>
<td>% Owner Occupied</td>
<td>40.3%</td>
<td>42.7%</td>
<td>46.4%</td>
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<tr>
<td>% Renter Occupied</td>
<td>48.8%</td>
<td>48.2%</td>
<td>44.4%</td>
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<tr>
<td>2015 Households</td>
<td>8,477</td>
<td>37,370</td>
<td>48,415</td>
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<td>% Owner Occupied</td>
<td>38.0%</td>
<td>40.5%</td>
<td>44.2%</td>
</tr>
<tr>
<td>% Renter Occupied</td>
<td>50.6%</td>
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<td>46.0%</td>
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<tr>
<td>2020 Households Estimate</td>
<td>8,702</td>
<td>38,449</td>
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<tr>
<td>% Owner Occupied</td>
<td>37.4%</td>
<td>40.0%</td>
<td>43.8%</td>
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<tr>
<td>% Renter Occupied</td>
<td>51.2%</td>
<td>50.4%</td>
<td>46.6%</td>
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<tr>
<td>Annual % Change (2015 - 2020)</td>
<td>0.5%</td>
<td>0.6%</td>
<td>0.6%</td>
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<tr>
<td><strong>Income Summary</strong></td>
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<tr>
<td>2015 Median Household Income</td>
<td>$57,031</td>
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<td>2020 Median Household Income Estimate</td>
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<td>$75,230</td>
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<tr>
<td>Annual % Change</td>
<td>3.6%</td>
<td>3.5%</td>
<td>3.9%</td>
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<tr>
<td>2015 Per Capita Income</td>
<td>$35,022</td>
<td>$35,483</td>
<td>$36,438</td>
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<tr>
<td>2020 Per Capita Income Estimate</td>
<td>$40,864</td>
<td>$41,219</td>
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<tr>
<td>Annual % Change</td>
<td>3.1%</td>
<td>3.0%</td>
<td>2.9%</td>
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</table>

*Source: Site-to-Do-Business (STDB Online)*

Transportation Access
Within the immediate area of the subject property, transportation access helps define the character of its development. Major travel and commuter routes within the area of the subject property include Soquel Avenue/Capitola Road and 7th Avenue. Major travel and commuter routes in the larger area
include California Highway 1 / Cabrillo Highway and Highway 17. Access to the area is considered average.

Conclusions
In summary, the City of Santa Cruz is a desirable place in which to live and serves as a bedroom community for the Silicon Valley. The subject is zoned for a hotel (a minimum of 50% of the future floor area must be a hotel/motel) but the subject location does not experience strong demand generators for a hotel use. It is not located close enough to the beach, and there are other, better-located hotels near the beach or near UC Santa Cruz such that the subject is generally a weak tourist or business travel hotel location. Further, the proximity to the harbor would not generate significant demand either. The low traffic counts are not ideal for a commercial use. A residential use would be ideal given the surrounding residential uses. Any use that is proposed could be appealed to the Coastal Commission, as will be explained, thereby significantly increasing the property’s land use risk profile.
Site Description

The subject site is located at 855, 901, and 905 7th Avenue, Unincorporated Santa Cruz County, California 95062. The characteristics of the site are summarized as follows:

Site Characteristics
Location: 855, 901, and 905 7th Avenue, Unincorporated Santa Cruz County, California 95062

Gross Land Area: 359,806 SF
Net Land Area: 259,616 SF (or 359,806 gross s.f. – 100,190 s.f. for open space)
Shape: Generally rectangular
Topography: Generally level
Drainage: Assumed adequate
Grade: At street grade
Utilities: All available to the site

Off-Site Improvements: 7th Avenue is a fully improved roadway with sidewalks, curbs, gutters, streetlights, and landscaping. This roadway carries one lane of traffic in each direction, north and south. Brommer Street carries one lane of traffic in each direction, east and west. Brommer Street does not have sidewalks or curbs in the vicinity of the subject.

Interior or Corner: Corner

Signalized Intersection: No traffic signal at, or near, the site; however, there is a four-way stop at the intersection of 7th Avenue and Brommer Street.

Street Frontage / Access
Frontage Road Primary Secondary
Street Name: 7th Avenue Brommer Street
Street Type: Mixed Use (Commercial/ Residential) Residential
Frontage (Linear Ft.): 480 650
Number of Curb Cuts: 3 None
Traffic Count (Cars/Day): 10,239 8,320

Flood Zone Data
Flood Map Panel/Number: 06087C0351E
Flood Map Date: 05-16-2012
Flood Zone: X
Areas outside the 1-percent annual chance floodplain, areas of 1-percent annual chance sheet flow flooding where average depths are less than 1 foot, areas of 1-percent annual chance stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 1-percent annual chance flood by levees. No Base Flood Elevations or depths are shown within this zone. Insurance purchase is not required.

Other Site Conditions
Soil Type: We have not been provided a geotechnical report for the subject property. Based on our physical inspection, soil conditions appear stable.

Environmental Issues: We make no representations as to the presence of toxins and hazardous materials on the subject site. We are appraising the site as if clean. If this is of concern to any reader of this report, it is our recommendation that an environmental report be obtained from the appropriate professionals qualified to issue such opinions.

Easements/Encroachments: A Preliminary Title Report was not provided to the appraiser for review.

There are several sanitary sewer easements traversing the subject property, per our client. These utilities lines are reported to be deeply buried. These easements would likely need to be relocated in the event that a subterranean parking garage was ever built. The easements could likely support surface parking or landscaping, however, based on our experience. The presence of easements is considered minor relative to the land use hurdles presented by virtue of the property being located in the Coastal Commission appeal zone, as will be explained.
We assume that there are no other easements or encumbrances that would materially affect the value of the subject, either positively or negatively.

Earthquake Zone:
The property is not located in an Alquist-Priolo Special Studies Zone for earthquake hazard. Earthquake hazard is typical for the overall area.

Adjacent Land Uses
North: Commercial (Santa Cruz Port District dry boat storage yard)
South: Residential
East: Residential
West: Santa Cruz Harbor RV Park / Santa Cruz Small Craft Harbor

Site Ratings
Access: Average
Visibility: Average to good

Zoning Designation
Zoning Jurisdiction: Santa Cruz County
Zoning Classification: C-2-D, Community Commercial - Designated Park Site
General Plan Designation: C-C / O-U
Permitted Uses: Visitor-serving uses (e.g. hotel, motel) and commercial and residential uses

Zoning Comments:
The subject property is under the jurisdiction of Santa Cruz County and is zoned Community Commercial. The General Plan land use designation is split between Community Commercial (C-C) and Urban Open Space (O-U). Development of the subject site is also subject to the 'D' overlay district which designates land as a potential County park site.

The intent of the General Plan’s C-C district is to provide for a concentrated area for general shopping, service, and office needs of the community. Similarly, the intent of the C-2 district is to provide centers of concentrated commercial uses accommodating a broad range and mixture of commercial activities, serving the general shopping and service needs of community-wide service areas, including visitor accommodations. The urban Open Space land use designation along the western (i.e. rear) portion of the property signifies land that is not suitable for development such as steep slopes and wooded ravines.

Per the General Plan, the preferred use of the subject site is for park and open space. Alternate uses include Community Commercial uses and development of visitor-serving commercial uses with a minimum of 50% of the project devoted to Type A visitor accommodations available for rental to the...
general public (e.g. hotel/motel). The remaining site area could be commercial use or residential use, based on our discussions with County Planning. Under the C-2 zoning, a residential use of up to 50% of the building square footage is allowed, with various planning and Board of Supervisors approvals depending on the size of the project.

Perhaps most importantly, any proposed use for the subject (hotel, commercial, or residential), is appealable to the California Coastal Commission. We confirmed with the Coastal Commission that even though only the western portion of the subject site physically lies within the “appeal zone” an entire proposed project on the site (i.e. even outside the physical appeal zone boundary) could be appealable to the Coastal Commission.

This means that once a Coastal Development Permit (CDP) application is approved by the County of Santa Cruz, the CDP for development of the property could be appealed to the Coastal Commission by a member of the public or an actual board member of the Coastal Commission. During the appeal, the property owner would likely be required to perform traffic, biological, and other potential studies, to prove the project is in compliance with the Local Coastal Program (LCP), or local land use plan for the County of Santa Cruz.

Considering the prominence of the site and that any land use would be an intensification of the site's current use, a CDP would likely be appealed to the Coastal Commission, which has the power to deny or significantly stall a project. These land use risks are considered in the analysis.

A 1-acre park shall be provided upon private redevelopment, per the General Plan. However, per County Planning, it is unclear if the existing area that is designated for Urban Open Space (which measures ±2.3 acres) can satisfy the 1-acre park requirement. We have been asked by the County to assume that an additional 1-acre park would not need to be dedicated and that the Urban Open Space area can meet the park requirements. The value as stated in this report would be less if an additional 1 acre park were required as that area would be deducted out of the net developable site area.

We also note that in February 2005, a development proposal was submitted on the subject site to construct a large mixed-use facility with a 56-room upscale hotel with spa and banquet facility, an 8,850-square-foot restaurant, and 15,200 square feet of retail space. The County's initial review indicated there were several concerns with parking, traffic, and drainage issues. This project apparently stalled and the then owner of the property opted to sell the property to the Redevelopment Agency. No other development proposals for the subject have been received, per our client. No further information is available on this prior development proposal but it is noted here as an example of the past interest in the subject and types of development that are envisioned by the zoning.

Analysis/Comments on Site
The subject site consists of three contiguous parcels located at the southwest corner of 7th Avenue and Brommer Street in the Live Oak area of unincorporated Santa Cruz County. The site has a generally rectangular shape and approximately 480 feet of frontage along 7th Avenue (with three curb cuts) and 650 feet of frontage along Brommer Street. A house and boat storage area on the property generates $29,495 per year in gross income. This will help to offset some of the holding costs for a new buyer.
The subject has average access and good physical development potential due to its large size. A portion will need to be kept as open space. Various studies would likely need to be completed, including archaeological, biological, and traffic studies as part of an Environmental Impact Report.

The subject is located in a Coastal Commission appeal zone. Given the site's large size and residential locational characteristics, it is reasonably probable that any future approval of a CDP application by the County of Santa Cruz would trigger an appeal to the Coastal Commission. The appeal process could take years based on our analysis of other coastside projects (as will be discussed). This adds a significant land use risk for the property. We have appraised the property in its as-is condition and without land use approvals or entitlements, recognizing the significant land use hurdles that remain.
Subject Photos

Typical view of the subject from Brommer Street

Typical view of the single-family residence on the subject from 7th Street
View of subject from Santa Cruz Harbor RV Park (not a part of appraisal)

Typical street scene and frontage along 7th Avenue looking south from the subject (subject is on the right)

*Additional photos are included in the Addenda*
Assessment and Tax Data

Assessment Methodology
The State of California has provided for a unified system to assess real estate for property taxes. Assessment Districts are established on a county basis to assess real estate within the county. The appraised property falls under the taxing jurisdiction of Santa Cruz County and is subject to both general taxes and direct assessments.

Assessed Values and Property Taxes
The subject property is not currently taxed because it is under government ownership. When the property sells into private ownership in the future, it will be re-assessed at full market value and taxed at rates similar to other properties in the area.

General Taxes
The amount of General Taxes due is quantified by multiplying the assessed value by the tax rate. In the State of California, real estate is assessed at 100% of market value as determined by the County Assessor’s Office. The tax rate consists of a base rate of 1% plus any bonds or fees approved by the voters. The County Tax Rate for the subject area is 1.1023%.

Direct Assessments
Direct assessments are tax levies that are not dependent upon the assessed value of the property. They are levied regardless of assessment. According to the Santa Cruz County Tax Collector’s Office, the direct assessments for the subject area are as follows: mosquito-vector control assessment, Live Oak School District assessment, county parks assessment, road repair assessment, county highway lighting assessment, county refuse assessment, county residential lighting assessment, Santa Cruz County Sanitation District assessment, streetscape maintenance, and Santa Cruz City High School District assessment.

Current and Future Taxes
Proposition 13 was passed by voters in June 1978 and substantially changed the taxation of real estate in California. This constitutional amendment rolled back the base year for assessment purposes to the tax year 1975-1976. Annual increases in assessed value are limited to 2% per year, regardless of the rate of inflation. Real estate is subject to re-appraisal to current market value upon a change in ownership or new construction. Property assessments in years subsequent to a change of ownership or new construction are referred to as factored base values.

Proposition 8, which passed in 1979, states that the Assessor shall lower tax roll values to fair market value whenever the assessed value exceeds fair market value. It mandates that the lower of fair market value or factored base value be placed on the assessment roll. When fair market values are enrolled, the Assessor reassesses the property annually until such time as fair market value again equals or exceeds the factored base year value. For properties that have been owned for several years, the assessed value may not reflect the current fair market value. Furthermore, due to adjustments following a Prop 8 reduction, increases in assessed value can increase substantially more than 2% per year until the assessment again matches the factored base year value.
Conclusions
The subject property is not currently taxed because it is under government ownership. When the property sells into private ownership in the future, it will be re-assessed at full market value and taxed at rates similar to other properties in the area.
Market Analysis

The subject market overview is focused on the commercial land market with an emphasis on the speculator market.

Market Overview

The subject zoning and land use plan supports visitor serving, commercial, and residential uses. There is virtually no supply of similar-sized development land in the subject area. Land that does become available is usually developmentally challenged considering the significant constraints to building on the coastside (e.g. coastal commission policies, political opposition, etc.).

There are very few buyers willing to make an as-is purchase with no entitlements. Those sales that do sell on an-is basis, with no entitlements, are typically very low-priced sales, between $10-20 per square foot of land area.

Potential buyers for the subject, given the high risk, are a land banker or land speculator. These types of buyers typically have deep pockets and a long development timeframe and recognize the inherent development risks in a property. These buyers do exist, but are few and far between, which
is why unentitled properties can take a long time to sell. A land banker/speculator may also be someone who buys land for the future, and intends to hold the property to realize future price appreciation and may or may not attempt to secure entitlements.

The unincorporated Santa Cruz County area is a difficult market to develop property. However, the County has established an Economic Development Department to enhance economic opportunities in the County going forward. Also, coastside property within the purview of the Coastal Commission is subject to enhanced scrutiny and poses an additional layer of uncertainty and risk to a developer. We recognize some of these case studies may have been impacted by downturn in market conditions, which is a risk the subject also faces considering the long likely entitlement timeline. Below and on the following pages are several case studies:

**Aptos Village**

In 2010, the County Board of Supervisors approved the revised Aptos Village Plan (the original Aptos Village Plan dates to the 1970s). On this 11.5-acre site, a developer (Barry Swenson) has proposed to construct a maximum of 63 residential units and up to 75,000 square feet of commercial space, and other associated improvements, to be completed in phases. The developer has been in planning and engineering states since circa 2010. This project is not in the Coastal Zone and is outside the purview of the Coastal Commission, but is noted here to provide insight on the difficult entitlement/development environment in Santa Cruz County.

After receiving County approvals, a lawsuit was filed against the County and the developer by a citizens group, accusing them of eliminating agreed upon public areas from the plan’s final map. The subject property would likely receive somewhat similar scrutiny given its large size.

**Arana Gulch**

The city of Santa Cruz bought this greenbelt in 1994 and first proposed paving a road through the meadow but later devised a trail system that, with transportation money, would generate funding for the city to manage the tarplant (endangered species) amid deep cuts to its Parks and Recreation Department. In 2011, the state Coastal Commission approved the Arana Gulch Master Plan, which identified as a central component cattle grazing and other measures to revive the seed bed.

This was essentially a trail project with no commercial or residential development. Even so, local opponents tried to stop the project in court and during Coastal Commission hearings, argued that the City of Santa Cruz could have better managed the tarplant without hitching its future to a paved trail system, which they believed would further degrade the meadow by covering habitat.

**Frank Residence**

This property is located on Bayview Drive in Aptos and is within the Coastal Commission appeal zone. It is an undeveloped ocean bluff residential site that was purchased for $2,660,000 by a developer/homeowner in 2006 for the construction of three homes.

The County of Santa Cruz approved three separate Coastal Development permits. An appeal for the entire project was then filed with the Coastal Commission, which eventually ended up approving only one lot after a De Novo hearing in December 2010.
The Commission found “substantial issue” with the proposed development on the basis that the site was an actively eroding bluff, and bluff setbacks were insufficient when accounting for projected sea level rises due to climate change, among other factors. Despite the applicant’s geological studies supporting development and setbacks of ±30 feet, the Commission’s staff geologist recommended that the setback needed to be 116 feet to meet the minimum Local Coastal Program (LCP) requirements.

The applicant’s legal counsel threatened a lawsuit alleging $2,000,000 in damages and out-of-pocket costs although it is unknown what transpired after the Coastal Commission denied two of the three residential developments in late 2010. To date, no houses have been built at the location.

320 Church Street:
This property is located in Half Moon Bay, and in the Coastal Commission appeal zone. The Applicant proposed to convert two existing vacant parcels zoned Commercial-Downtown into a 12-lot residential subdivision, which will include:

- 10 single-family home lots and two multifamily home lots (each future building will contain 3 units);
- a single commercial lot proposed to be developed with community gardens, picnic tables, benches and pedestrian access to the Main Street commercial area of the City of Half Moon Bay; and
- an urban riparian conservation area bordering Pilarcitos Creek along the northern portion of the lots adjacent to the Creek.

The City of Half Moon Bay City Council approved a project on the lots as originally proposed by the Applicant on June 5, 2012, and that decision was appealed to the Coastal Commission.

On July 13, 2012, the Coastal Commission (or Commission) found substantial issue with regard to whether the proposed development was consistent with the sensitive habitat, traffic, and hazards policies contained in the City’s certified Local Coastal Program (LCP). In finding substantial issue, the Commission also directed the Applicant to submit additional information including, but not limited to, additional biological resource studies due to the project’s location immediately adjacent to Pilarcitos Creek, additional floodplain and tsunami hazard analyses, and further analysis of traffic impacts created by the new subdivision. The Applicant submitted all of the additional requested studies by late fall 2013. After reviewing this additional information, Commission staff coordinated with the Applicant to modify the project to bring it into better conformity with the City of Half Moon Bay Local Coastal Program (LCP) by redesigning the proposed subdivision so that residential development would only occur outside of the 50-foot sensitive habitat buffer, and by removing any access to and from the site from Highway 1.

The Coastal Commission issued a CDP in June 2016. The buyer purchased the property in early 2010 and thus secured a CDP after approximately six years of intense effort.

Big Wave Project:
This project is located north of Half Moon Bay in unincorporated San Mateo County, and in the Coastal Commission appeal zone. The applicant proposed to build 225,000 square feet of office and
commercial space, plus housing for 50 developmentally disabled adults and 20 caregivers. Five organizations have appealed the controversial project to the California Coastal Commission. Opposition to the project, according to those that filed the lawsuit, is based on the project being located in a Tsunami zone, next to an active earthquake fault, environmentally sensitive lands, California red-legged frog habitat, and inadequate storm water drainage systems and overflows from its wastewater system.

In 2000, three certificates of compliance were recorded and the concept started. An application for the project was submitted in 2005 and deemed incomplete. The County of San Mateo approved the Big Wave Project in 2011. After the County approved the project, various lawsuits were filed in early 2011. In 2012, the Coastal Commission denied the project and then approved the project in May 2015. Big Wave intends to start construction in the summer of 2016, approximately 11 years after submittal of their first application. This case study demonstrates the significant cost, time, and risks associated with obtaining development entitlements when under the purview of the Coastal Commission.

**Burnham Strip:**
This is a 5.4-acre parcel of vacant land located in El Granada, north of Half Moon Bay. The land was owned by the Harbor District for many years and was a view corridor parcel along the oceanfront. The land was proposed for redevelopment over the years. However, the local community was against any development of this property and formed a committee to create a web site and accept donations to challenge any future development of the site. This successfully reduced the prospects of developing the property. This property signifies the NIMBYism prevalent along the coast. The property was eventually purchased for a water infrastructure project in 2010.

**Wavcrest:**
This is an attractive, flat property near the water’s edge with exceptional beauty, access and usability. In July 1995, Half Moon Bay’s City Council passed an ordinance approving and adopting the Wavcrest Project, which included 750 homes and a golf course. In November 1995, Half Moon Bay voters passed a referendum requiring that the ordinance be repealed. In July 1999, the developer agreed to reduce the size of the project at the City’s request, and provide 225 units, plus 54 affordable housing units, and 18 acres of commercial space. In August 1999, the project was appealed before the Coastal Commission. The Coastal Commission considered appeals against the project and, during its review, the number of units in the project was reduced, commercial uses removed, and a number of new conditions imposed, including retirement of lots (i.e. the developer would need to purchase mitigation lots for land banking for permanent open space). The developer never received a final approval for the project. After an extensive wait, revisions to the project, and ongoing controversy, the developer sold the property to the Peninsula Open Space Trust (POST) in 2008. Based on our conversation with the seller, the seller sold the property primarily since they could not obtain approval for development.

**Pacific Ridge:**
This 114-acre property is located in Half Moon Bay. In 1985, Ailanto Properties acquired the property, which is located near Half Moon Bay High School and Terrace Avenue. In 1987, the property owner applied for a 228-residential lot development. In 1990, the City approved a tentative
map for 216 homes but, in 1991, a lack of available sewer and water connections postponed the project. In 1999, water and sewer utilities expanded service, allowing the project to proceed. The City Council approved the Coastal Development Permit for 197 units. But, the project was appealed in 2001 to the California Coastal Commission. The Commission approved the project but under certain conditions and restrictions. These conditions and restrictions significantly reduced the development potential of the property, reducing the developer’s profit potential. The conditions included a payment of $45,000 per home to be used to retire development rights elsewhere along the coast. The project became stalled and the property owner sued the City in 2001, trying to move the project forward and gain approvals.

The Court eventually ordered both parties to make concessions, but both groups filed appeals. In 2004, the property owner, City, and Coastal Commission agreed to settle the case, allowing the developer to proceed with only 63 units. Then, in 2005, local residents campaigned against the proposed traffic light for the development at Highway 1 and Terrace Avenue. In 2008, after ±21 years in the entitlement process, addressing concerns of the City, the Coastal Commission and the local residents, the original 228-lot project was ultimately approved as a 63-unit subdivision, with a $45,000 per lot cost to retire development rights elsewhere and with the majority of the site (87 acres) dedicated for permanent open space.

930 Railroad Avenue:
This is a 6,098-square-foot lot, identified as APN 064-192-080 and is located in the Wavecrest area of Half Moon Bay. This is a single-family lot located in the Coastal Commission appeal zone. It took the owner 11 years to obtain development entitlements for just one single-family home on the property.

Conclusion
The subject property is located in the Coastal Commission appeal zone. Every development with which we are aware within this zone over the past 10 years has met with substantial opposition and/or required substantial additional studies and review that prolonged the development timeline and required significant expense. At the end, the project was many times limited to just a fraction of what was previously approved by the zoning jurisdiction (i.e. city or county).

A buyer for the subject would likely also spend years in the entitlement process, incurring significant costs to perform biological, archaeological, engineering, traffic and other studies in an attempt to attain entitlements. There is no guarantee that land use approvals could be attained (or that a future approved project would be financially feasible). Even if the County approves a project, and no appeal is filed with the Coastal Commission, it is still possible a citizens group could attempt to stall a project through the filing of a lawsuit.

The overall economy is improving, however, and land markets across Santa Cruz County are also very supply-constrained. A buyer for the subject could purchase the property at a small fraction of what comparable, easily developed commercial land would sell for. A land speculator/land banker is also likely an all-cash buyer, further limiting the buyer pool.
The subject property is located in a generally desirable area but has very significant development difficulties, primarily land use and political challenges. Only a sophisticated, well-heeled, and patient buyer (with a long-term outlook) would attempt to develop and secure land use approvals on this site. The timing for any future commercial development is unknown.
Highest and Best Use

The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

Analysis of Highest and Best Use As If Vacant

Legally Permissible
The subject site is zoned C-2-D, Community Commercial - Designated Park Site which controls the general nature of permissible uses.

Per the General Plan, the preferred use of the subject site is for park and open space. Alternate uses include Community Commercial uses and development of visitor-serving commercial uses with a minimum of 50% of the project devoted to Type A visitor accommodations available for rental to the general public (e.g. hotel/motel). The remaining site area could be commercial use or residential use. Under the C-2 zoning, a residential use of up to 50% of the building square footage is allowed, with various planning and Board of Supervisors approvals. The western portion of the site must also remain in open space (with a General Plan of Urban Open Space) and we estimate this site area to be ±100,190 square feet.

The subject is also located in the Coastal Commission Coastal Zone and within an appeal zone. Any future redevelopment of the property can be appealed to the Coastal Commission, which has the power to delay or deny a project. This factor adds significant risk and uncertainty in obtaining entitlements.

Physically Possible
The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered.

There are several sanitary sewer easements traversing the subject property. These utilities lines are reported to be deeply buried, per our client. These easements would likely need to be relocated in the event that a subterranean parking garage was ever built. The easements could likely support surface parking or landscaping, however, based on our experience. This issue is considered minor relative to the land use hurdles presented by virtue of the property being located in the Coastal Commission appeal zone.

Overall, the site is large, generally rectangular and relatively level and has good physical development potential.
Financially Feasible
Once physically possible and legally permissible uses are determined, an appraiser considers the potential of economic or financial feasibility for the most probable uses via a cost/benefit analysis or through direct market observation.

Market conditions are generally very strong throughout Santa Cruz County. New commercial and residential development is generally financially feasible.

The subject would be a difficult site to entitle, however, and the location is not ideal for a hotel, as previously explained. The ultimate financial feasibility for a project on the subject site remains unknown at the current time in the as-is condition. There are no land use approvals, and there is a great deal of uncertainty as to the timing of future development and as to what could eventually be approved in light of the site's Coastal Commission appeal zone location and challenging entitlement environment.

Maximally Productive
Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for future mixed-use development.

Conclusion of Highest and Best Use as though Vacant
The conclusion of the highest and best use as though vacant is for future mixed-use development. The most likely buyer is a land banker or speculator considering the very difficult entitlement process that is likely for any proposed development on the subject site.

Analysis of Highest and Best Use as Improved
The highest and best use as improved is the same as the highest and best use as vacant, except that there is a house and boat storage area on the property.

The house and boat storage area on the property generate $29,495 per year in gross income. This will help to offset some of the holding costs for a new buyer.

The highest and best use as improved is for future mixed-use development, and the most likely buyer is a land banker or speculator.
Appraisal Methodology

Three Approaches to Value
There are three traditional approaches typically available and applied to the appraisal of land: sales comparison, land development, and income residual approach.

Sales Comparison Approach
The direct sales comparison approach is used most often. This approach involves the direct comparison of sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors.

Land Development Approach
The land development approach involves estimating the development costs of installing all utilities and off-site improvements. These costs can be deducted from a known improved lot value (established by sales comparison) to derive an estimate of raw land value, or added to the known raw land value to indicate the value of an improved site.

Income Residual Approach
The income residual method involves estimating the potential net income of an improved site and the cost of site improvements to determine the portion of income needed to supply a fair return on these costs. The residual income is available for a return on the land. Therefore, this income is capitalized into an indicated land value.

Subject Valuation
As stated within the Scope of Work, we relied upon the sales comparison approach, which is the most commonly used method in the valuation of land.
Land Valuation

Methodology
Site value is most often estimated using the sales comparison approach. This approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on the principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property that the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

Unit of Comparison
The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is per square foot of land area. In this case, the net land size is used because a portion of the property will need to remain in open space.

Elements of Comparison
Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The primary elements of comparison considered in sales comparison analysis are as follows: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, (4) market conditions, (5) location, and (6) physical characteristics.

Comparable Sales Data
To obtain and verify comparable sales of vacant land properties, we conducted a search of public records, field surveys, interviews with knowledgeable real estate professionals in the area, and a review of our internal database.

We included several sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property. We have included in our analysis sales of local property and/or sales of property that exhibited high risk/difficult entitlement characteristics, as these are the most important valuation considerations for the subject.

The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.
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<thead>
<tr>
<th>Comp. No.</th>
<th>Date of Sale</th>
<th>Usable Acres</th>
<th>Location</th>
<th>Zoning</th>
<th>Sale Price</th>
<th>Per Sq. Ft.</th>
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<td>December-14</td>
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<td>SEC Highway 1 and Highway 92</td>
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<td>September-14</td>
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## Comparable Sale 1

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<td>Grantee</td>
<td>Joshua R Simpson</td>
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<td>Net SF</td>
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<td>Zoning Description</td>
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<tr>
<td>$/Net SF</td>
<td>$9.18</td>
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Remarks

This property consists of two continuous parcels located in Half Moon Bay. The site has an irregular shape and a corner lot configuration at the signalized intersection of Highway 1 (Cabrillo Hwy) and Highway 92 (San Mateo Road). The site has approximately 697 feet of frontage along Highway 92 and 329 feet of frontage along Highway 1. The property is located at a very prominent, high-identity, high-traffic corner location with excellent visibility and exposure. However, access is inconvenient, and there is no water main currently extended to the site, and it is unknown how or if the water main could eventually be brought to the site. There are water and sewer allocations available, however, which could support commercial development. The site is level and is below grade. The underlying site contains 283,140 gross square feet or 6.5 gross acres and 185,130 net square feet or 4.25 net acres (due to a portion being in open space).

The site currently represents a low-intensity use (vacant land with a public trail), and any new development would represent a land use intensification. Given the site’s prominent locational characteristics, it is reasonably probable that any future approval of a CDP application by the City of Half Moon Bay would trigger an appeal to the Coastal Commission. The appeal process could take years based on our analysis of other coastside projects. This adds a significant land use risk for the property.

The property is zoned C-D Commercial Downtown. The Commercial Downtown district is intended to provide for visitor serving commercial uses such as restaurants and art galleries, certain public uses, and other retail and service commercial uses and professional offices that serve the local residents on a daily basis. Retail and visitor serving commercial uses are encouraged on the ground or first floor, with professional offices on the upper floors. This policy is not intended to be used to preclude professional offices on the ground floor, particularly in single-story buildings. The property is also part of the Half Moon Bay Downtown Specific Plan (approved in 1995) and is identified as a key development site in the plan.

The buyer purchased the property out of foreclosure in December 29, 2014 for $1,700,000, or $9.18 per net square foot. This was an as-is sale. The buyer paid all cash, and this sale was not contingent on any development approvals.

According to Michael Draeger, previous subject listing broker at Colliers, the seller (Owens Realty Mortgage Inc.) had the property for sale since circa 2009. It is unknown who was the listing agent in 2009. When Mr. Draeger listed the property for sale circa 2013, the asking price was $2,100,000. Mr. Draeger had the property on the market for approximately five months in 2013, and four offers were received. All of the offers were reported to be contingent on entitlements, with one-year escrow periods with limited risk to the buyer. Mr. Draeger reported that the offers were from retail developers and in the range of $1.5 to $2.0 million dollars. The seller rejected these offers as he wanted a quick close. A neighboring property owner reportedly also made an offer of $1.2 million dollars for the property, but the seller did not agree to that price.

The buyer had reportedly made an offer in June 2014 for $1,900,000, but the negotiations were not finalized and the offer reportedly expired. The buyer then re-approached the seller in late 2014 and made an offer of $1,700,000, which was the final sale price. The existing debt on the property at the time of sale was reported to be approximately $1,800,000 to $1,900,000.

Overall, the property was exposed to the marketplace and sold for $1,700,000 or $6.00 per gross square foot of land in December 2014.

The previous owner, Mr. George Cresson, purchased the property for approximately $2,161,500 in 1998 per public records. After approximately 10 years of planning and entitlement effort, Mr. Cresson lost the property through foreclosure during the economic downturn on May 28, 2008.
### Comparable Sale 2

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<td><strong>Address</strong></td>
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<td><strong>City, State Zip</strong></td>
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| **Sale Date**            | Sep-2014      |
| **Sale Status**          | Recorded      |
| **Grantee**              | Elite Developments, Inc. |
| **Recording Number**     | 31322         |
| **Sale Price**           | $2,000,000    |

| **Gross Acres**          | 7.42          |
| **Gross SF**             | 323,215       |
| **Net Acres**            | 7.42          |
| **Net SF**               | 323,215       |
| **Corner/Interior**      | Corner        |

| **Shape**                | Trapezoid     |
| **Use Designation**      | Industrial    |
| **Zoning Jurisdiction**  | City of Watsonville |
| **Zoning Code**          | IG            |
| **Zoning Description**   | Industrial General |

| **$/Gross SF**           | $6.19         |
| **$/Net SF**             | $6.19         |
Remarks
This property consists of a single parcel improved with a former aluminum extrusion plant located along the south side of West Beach Street in Watsonville. The site has a trapezoid shape and a corner lot configuration at the intersection of West Beach Street and Lee Road. The site has approximately 390 feet of frontage along West Beach Street and 770 feet of frontage along Lee Road. The property is across West Beach Street from the Del Mar Food Processing Plant and is bound by agricultural land to the west, south, and east.

The underlying site contains 323,215 gross square feet or 7.42 gross acres. The property is zoned Industrial General (IG), and the General Plan land use designation is Industrial.

The property was listed on the market for 6-7 years with 'To Be Determined' hazardous materials onsite. The property was originally listed at $8.7 million, then dropped to $6.9, then to $6.5, and then to $4.5 million less remediation costs to clean the site. The buyer offered $2.0 million or $6.19 per square foot for the site as-is. The buyer is responsible for site remediation/clean-up. There was acid in the cement.

The cost to raze the existing industrial building was approximately $1,000,000. The cost to remediation site contamination was a few hundred thousand dollars. There were no entitlements in place at the time of sale. The buyer is Elite Development and intends to redevelop the site with a hotel and gas station. The contract date was April 2014, and the sale closed five months later in September 2014.
**Comparable Sale 3**

**Property Identification**
- **Property/Sale ID**: 113000/425844
- **Property Type**: Commercial
- **Address**: 800-1046 Palmetto Avenue
- **City, State Zip**: Pacifica, California 94044
- **County**: San Mateo
- **Latitude/Longitude**: 37.643557/-122.492899
- **Tax ID**: 009-074-070, 080, 090, 100, 110, 130, 140, 150 and 160

**Transaction Data**
- **Sale Date**: Nov-2013
- **Sale Status**: Recorded
- **Grantor**: James Payne
- **Grantee**: David Chin
- **Recording Number**: 152372
- **Sale Price**: $2,100,000

**Property Description**
- **Gross Acres**: 3.18
- **Gross SF**: 138,437
- **Net Acres**: 1.83
- **Net SF**: 79,782
- **Corner/Interior**: Interior
- **Shape**: Generally Rectangular
- **Use Designation**: Commercial/Office
- **Zoning Jurisdiction**: City of Pacifica
- **Zoning Code**: C-3
- **Zoning Description**: Service Commercial

**Indicators**
- **$/Gross SF**: $15.17
- **$/Net SF**: $26.32
Remarks
This property consists of nine continuous parcels of commercial land located along the west side of Palmetto Avenue in Pacifica. The site has a generally rectangular shape, an interior lot configuration, and approximately 370 feet of frontage along Palmetto Avenue and a depth of 400 feet. The property is located along a primary roadway that overlooks the Pacific Ocean; the western portion of the property is actually a cliff that drops to the ocean.

The underlying site contains 138,437 gross square feet or 3.18 gross acres and 79,782 net square feet or 1.83 net acres. The site is improved with various structures including a house, commercial building, and warehouse buildings. The improvements are older and contain approximately 8,061 square feet. The indicated FAR is less than 0.06. The property is zoned C-3, service commercial. The property is also located within the coastal zone. The updated General Plan designation is Commercial/Office. Residential uses are not allowed.

David Chin purchased this property in November 2013 from James Payne. The sale price was $2,100,000 or $15.17 per gross square foot of land or $26.32 per net square foot of land. The property sold through a court auction - bankruptcy probate sale. However, according to the listing agent, the property reportedly sold for at or near a market price. The property was on the market for 3-4 months. There were reportedly four offers made and sold to the highest bidder.

It was reported that the improvements contributed little to no value to the property. However, the property was generating cash flow from existing tenants. According to the listing agent, the buyer was a developer, and his plans are unknown; the buyer is land banking. However, we also spoke to the buyer and were informed that the property was purchased based on its current cash flow with no intentions of redeveloping in the near future.

It was reported by the broker that part of the property is falling into the ocean.
## COMPARABLE SALE 4

![Map of the property](image)

### Property Identification

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<th>Property/Sale ID</th>
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### Property Description

| Gross Acres | 1.78 |
| Gross SF    | 77,402 |
| Net Acres   | 1.32 |
| Net SF      | 57,402 |
| Corner/Interior | Corner |
| Shape       | Generally Rectangular |
| Use Designation | Urban Medium Density |
| Zoning Jurisdiction | Santa Cruz County |
| Zoning Code  | RM-4 |
| Zoning Description | Multiple Family District |

### Indicators

| $/Gross SF | $19.38 |
| $/Net SF   | $26.13 |
Remarks
This property consists of a single parcel located along the south side of Capitola Road in the Live Oak Area of Unincorporated Santa Cruz County. The site has a generally trapezoid shape and a corner lot configuration at the signalized intersection of Capitola Road and Jose Avenue. The site has approximately 420 feet of frontage along Capitola Road and 245 feet of frontage along Jose Avenue. Approximately 90 feet along the east perimeter of the parcel has an open space easement dedication.

The underlying site contains 77,402 gross square feet or 1.8 gross acres and 57,402 net square feet or 1.32 net acres. The property is zoned Multiple Family District, and the General Plan land use designation is Urban Medium Density Residential and Urban Open Space.

According to the listing broker, the buyer obtained approvals for a school prior to closing escrow. While there was interest from multiple parties, the seller ultimately went with the buyer who wanted to construct a school for autistic children. The seller chose the buyer with the idea for a school because the seller felt more confident about that buyer obtaining approvals than the others, who were all seeking density bonuses for their residential-oriented proposals. While the property is zoned for residential, the City of Santa Cruz zoning code allows for the development of a school under the RM-4 designation.

This property closed at $1,500,000 in mid-October 2012. The broker reported that this went on the market in late May 2012 and then went into contract two days later. We are not aware of any other market transactions for this property within the last five years.
### COMPARABLE SALE 5

**Property Identification**

<table>
<thead>
<tr>
<th>Property/Sale ID</th>
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</tr>
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<tbody>
<tr>
<td>Property Type</td>
<td>Residential (Single-Family)</td>
</tr>
<tr>
<td>Address</td>
<td>Obispo Road</td>
</tr>
<tr>
<td>City, State Zip</td>
<td>El Granada, California 94018</td>
</tr>
<tr>
<td>County</td>
<td>San Mateo</td>
</tr>
<tr>
<td>Latitude/Longitude</td>
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</tr>
<tr>
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**Transaction Data**

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<tr>
<td>Sale Status</td>
<td>Recorded</td>
</tr>
<tr>
<td>Grantor</td>
<td>San Mateo County Harbor District</td>
</tr>
<tr>
<td>Grantee</td>
<td>Granada Sanitary District</td>
</tr>
<tr>
<td>Recording Number</td>
<td>045592</td>
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<tr>
<td>Sale Price</td>
<td>$850,000</td>
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**Property Description**

| Gross Acres   | 5.39          |
| Gross SF      | 234,788       |
| Net Acres     | 5.39          |
| Net SF        | 234,788       |
| Corner/Interior | Interior     |
| Shape         | Irregular     |
| Use Designation | Open Space with Park |
| Zoning Jurisdiction | Overlay    |
| Zoning Code   | San Mateo County COSC/DR |
| Zoning Description | Community Open Space Conservation/Design Review District |

**Indicators**

<table>
<thead>
<tr>
<th>$/Gross SF</th>
<th>$3.62</th>
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</thead>
<tbody>
<tr>
<td>$/Net SF</td>
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</tr>
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</table>
Remarks

This property consists of a single parcel of vacant land known as the Burnham Strip, and it is located in the El Granada District of San Mateo County. The property was considered as excess land by the Harbor District. The land is relatively level and below grade of Cabrillo Highway. The property is sandwiched between Cabrillo Highway and Obispo Road, and has a long narrow configuration. Improved property uses in the area are residential, light industrial and commercial.

The underlying site contains 234,788 gross square feet or approximately 5.4 gross acres. The property is zoned COSC/DR Community Open Space Conservation/Design Review District. The land use designation is Open Space with Park Overlay. The intent of this land use is to protect areas designated for general open space by providing low-intensity development, which preserves the visual and open characteristics of the land.

According to the broker, the property was purchased by the Granada Sanitation District to accommodate a wet water storage system. During periods of heavy rainfall, the District needs a storage area for untreated sewage to keep it from overflowing into the ocean at Princeton Harbor. According to the broker, the District was so intent on purchasing the property that they said if the property were sold to a private investor, the District would refuse sewer service to the property. The broker expressed the opinion that this position could have led to legal action. However, the Harbor District reached an agreeable sale price and elected to sell to the Sanitary District.

The property was on the market for almost three years. The broker said that the Sanitary District had been interested in the property from its first listing, but offered a very low price, which was unacceptable to the Harbor District. The final list price was $950,000. The purchase price was $850,000, which was paid in an all-cash transaction. When we asked the broker who, other than the Sanitary District would buy this property, she said that it would have been a land speculator; someone who might challenge the Sanitary District on its refusal to provide sewer service. She said that the property could have accommodated one single-family residence, based on the zoning designation.
## Comparable Sale 6 (Listing)

### Property Identification

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<td>Mixed Use Land</td>
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<tr>
<td>Address</td>
<td>1600 Brommer Street</td>
</tr>
<tr>
<td>City, State Zip</td>
<td>Santa Cruz, California 95062</td>
</tr>
<tr>
<td>County</td>
<td>Santa Cruz</td>
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<tr>
<td>Latitude/Longitude</td>
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<td>Tax ID</td>
<td>026-311-022</td>
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### Transaction Data

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<td>Grantor</td>
<td>Bruce Canepa</td>
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<td>Grantee</td>
<td>Unknown</td>
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<td>Asking Price</td>
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### Property Description

| Gross Acres | 0.85 |
| Gross SF    | 37,026 |
| Net Acres   | 0.85 |
| Net SF      | 37,026 |
| Corner/Interior | Interior |
| Shape       | Rectangular |
| Use Designation | Neighborhood Commercial |
| Zoning Jurisdiction | Santa Cruz County |
| Zoning Code | C-1 |
| Zoning Description | Neighborhood Commercial |

### Indicators

- $/Gross SF: $21.58
- $/Net SF: $21.58
Remarks

This property consists of a single parcel of vacant mixed-use land located along the south side of Brommer Street in the Live Oak area of unincorporated Santa Cruz County. The site has a rectangular shape and an interior lot configuration with approximately 165 feet of frontage along Brommer Street and a depth of 225 feet. The property is one parcel interior, to the west, of the southwest corner of Brommer Street and 17th Avenue and has level topography and is fully fenced.

The underlying site contains 37,026 gross square feet or 0.85 gross acres. The property zoning and General Plan land use designation are Neighborhood Commercial.

This property is currently being marketed for sale as mixed-use land. The asking price is $799,000 or $21.58 per square foot of land. There are no land use approvals in place. The seller has received multiple offers, which have all been contingent on land use approvals with long escrows. The seller wants a quicker close.
Land Sales Comparison Analysis
We analyzed the sales and made adjustments for differences in the elements of comparison previously listed. The comparable sales are adjusted to the subject: if the comparable sale was superior to the subject, we applied a negative adjustment to the comparable sale. A positive adjustment to the comparable property was applied if it was inferior to the subject. A summary of the elements of comparison follows.

Transaction Adjustments
These items are applied prior to the application of property adjustments. Transaction adjustments include:

1. Real Property Rights Conveyed
2. Financing Terms
3. Conditions of Sale

The adjustments are discussed as follows:

Real Property Rights Conveyed
The sale comparables reflect the fee simple interest in the land, with no adjustments required. The adjustment for the subject interim income is performed later.

Financing Terms
The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms.

All comparables sold on cash or cash equivalent terms, and no adjustment is warranted.

Conditions of Sale
When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. When nonmarket conditions of sale are detected in a transaction, the sale should be thoroughly researched and related to the subject property only with great care: If possible, the sale should not be used in an appraisal. Another more typical condition of sale involves the downward adjustment required to a comparable property’s for-sale listing price, which usually reflects the upper limit of value. No adjustments are made for this element of comparison.

Market Conditions Adjustment
Market conditions have been improving over the past few years. The table on the following page shows improvements to the employment market, which translates into improving market conditions for land.
Comparables One through Five are adjusted upward for improving market conditions. Comparable Six is a listing and is adjusted downward.

**Property Adjustments**

Property adjustments are usually expressed quantitatively as percentages that reflect the increase or decrease in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after the application of transaction adjustments.

We have summarized adjustments to the sale comparables below and on the following page. These adjustments are based on our market research, best judgment, and experience in the appraisal of similar properties.

The adjustments are discussed as follows:

**Location**

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner-versus-interior lot location, neighboring properties, view amenities, and other factors.

Comparables One, Three, and Five are either prominent corner locations or ocean proximate locations and are adjusted downward. Comparable Two is located in an inferior Watsonville location and is adjusted upward.
Size
The size adjustment is based on economies of scale. Comparables Three, Four, and Six, are adjusted downward for their smaller sizes. No other adjustments are warranted for this element of comparison.

Allowable Development Intensity
Comparable Five has a much lower allowable potential development intensity relative to the subject (with only one home possible for Comparable Five). As such, Comparable Five is adjusted significantly upward. No other adjustments are warranted for this element of comparison.

Development Risk
The subject is located in the Coastal Commission appeal zone, which raises the risk profile for a property, especially considering the subject’s large size and community interest it would surely garner. Comparable One is located in the Coastal Commission’s appeal zone but has higher development risk due to poor access. Comparables Two, Four, and Six are not located in the Coastal Zone and are adjusted downward. Comparables Three and Five are considered to have similar development risk and are not adjusted.

Demolition Costs
The buyer for Comparable Two would incur significant demolition costs and is adjusted significantly upward. No other adjustments are warranted for this element of comparison.

Interim Income
The subject has interim income (house and boat storage), which positively impacts value. Comparables One and Five had no interim income and these comparables are adjusted upward.

Other Adjustments
This category includes any other type of adjustment not already adjusted for. Comparable Two is adjusted upward for the contamination clean-up costs that the buyer would incur. No other adjustments are warranted for this element of comparison.

Sales Comparison Approach Conclusion
From the market data available, several land sales in competitive market areas were selected as most comparable to the subject.

After adjustment, the comparables range from $7.59 to $13.92 per square foot. Most weight is given to Comparables One and Two due to their overall physical and locational characteristics. Comparable One is a particular probative comparable as it was purchased by a land speculator/developer knowing full well that the property represented significant development constraints and land use entitlement challenges. The development timeline and buyer type are reasonably similar for the subject property. At an adjusted $11.34 per square foot, this comparable is given most weight. Comparable Two, at an adjusted $10.09 per square foot, is a relatively recent sale and is somewhat similar in size. It is located in an inferior Watsonville location but has a much lower land use risk potential since it is not in the Coastal Commission Coastal Zone (or appeal zone).

Overall, we have concluded to a unit value of $11.00 per square foot.
Cross Check
As a cross check, we have considered that 50% of the building area for a new development must be for visitor-serving use (e.g. hotel/motel). The balance can be commercial and/or residential. Note that the zoning allows for no more than 50% of the future building area to be residential.

Various development configurations may be physically possible on the site. We have tested one potential configuration where 100 hotel rooms are built. A different number of hotel rooms may be built but this scenario recognizes that a 100 room hotel is in line with other hotel sizes that were recently built or approved in the Santa Cruz area. Based on our analysis of the sales below, a reasonable land value for a hotel is between $6,000 and $20,000 per unit.

The sales are somewhat dated but are the best available data points. The high end of the range is set by Comparable One, which has a superior location on Ocean Street and sold for $20,000 per room. It is not in the appeal zone, and a lower price per room would be supported for the subject due to the location and land use risk. The low end of the range is set by Comparable Three, at $6,860 per room for a hotel land site in Scotts Valley, an inferior location. Overall, a unit value at the lower end of the range, at $10,000 per room, would be supported for the subject on an unentitled basis. This would equate to a hotel land value component of $1,000,000, or $10,000 x 100 rooms.

Assuming an average hotel size of 620 square feet per room (includes common areas and is based on typical market size standards), the total hotel size would be 62,000 square feet (or 620 x 100 rooms). The remaining development component would need to be less than 62,000 square feet, per
zoning code. Based on our analysis of typical hotel FARs and potential development intensity due to being in the appeal zone, we conclude that a 75% FAR would be reasonable, and thus 82,667 square feet of land area would be needed to support a 100-room hotel (or 62,000 / .75).

At an estimated 60,000 square feet of commercial space, and based on a market typical/reasonable 35% floor area ratio, there would need to be a minimum site area of 171,429 square feet to support 60,000 square feet of commercial space, or 60,000 / 35%. Based on a previously concluded $11 per square foot of land area, the total value for the commercial land component is ±$1,885,000, or 171,429 x $11.

The total value under this cross check is $2,885,000 (or $1,000,000 + $1,885,000) which is within range of the value previously indicated in the sales comparison approach.

Note that under this scenario, the total land area for the project would equate to ±254,000 square feet (or 82,667 s.f. of hotel land + 171,429 s.f. of commercial land), and is slightly less than the developable site area of 259,618 square feet. Thus, a development of this sort would be physically possible.

As an alternative cross check, we have considered a hotel use (which is required), and the balance being a residential use. Market standards are such that a 2,500-square-foot, detached house would likely be close to the optimal use for the subject considering the surrounding neighborhood and market demand. Based on our review of the following data, an average lot area of 6,300 square feet is needed to support a single-family residence (includes streets, sidewalks) for a low-density subdivision.

Assuming 24 residences were built, this would require ±151,200 square feet of site area for a residential subdivision, or 24 x 6,300. When adding the required hotel land area requirement that was previously derived (or 82,667 square feet), the total required site area is 233,867 (or 82,667 + 151,200). Additional net developable land area would remain and some of that area may be needed to develop subdivision streets. Thus, these densities would likely be physically possible.

### COMPARABLE RESIDENTIAL LAND SALES

<table>
<thead>
<tr>
<th>Comp. No.</th>
<th>Location</th>
<th>COE Date</th>
<th>Size (SF)</th>
<th>Zoning</th>
<th>Sale Price</th>
<th>Price Per UNIT</th>
<th>Price/SF LAND</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1000 Rodriguez Street</td>
<td>Nov-15</td>
<td>125,540</td>
<td>R-1-6</td>
<td>$2,925,000</td>
<td>$ 146,250</td>
<td>$23.30</td>
<td>Residential land site. Sold contingent on T-Map approvals. Teardown improvements.</td>
</tr>
<tr>
<td></td>
<td>Unincorporated Santa Cruz County</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>1575 38th Avenue</td>
<td>Jul-15</td>
<td>30,579</td>
<td>PD</td>
<td>$1,150,000</td>
<td>$ 104,545</td>
<td>$37.61</td>
<td>Former industrial property. Seller provided a fully entitled site for 23 units. Buyer will re-do entitlements for 11 SFRs.</td>
</tr>
<tr>
<td></td>
<td>Capitola</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tbody>
</table>
The data points indicate a range of $104,545 to $146,250 per residential unit. Comparable One sold for $146,250 but was contingent on the buyer's receipt of entitlements. However, the subject has no entitlements and the subject is in a Coastal Commission appeal zone, whereas Comparable One was not. After an adjustment for T-map and considering the subject location, a unit value in the order of ±$130,000 per unit would be supported. After further downward adjustment for land use risk, a unit value of ±$80,000 per unit could be supported. This results in a residential land value component for the subject at $1,920,000, or $80,000 x 24 units. This is lower than the two price data points but is reasonable considering the subject is unentitled and located in the Coastal Commission appeal zone.

The total value based on this cross check is, therefore, $2,920,000, or $1,920,000 + $1,000,000 (hotel component). This is reasonably close to the main value indication and serves as an additional cross check.

Ultimately, the cross checks are given less weight than the main valuation approach since the ultimate density is not known at this point.

**Extraordinary Assumptions:**
- A 1-acre park shall be provided upon private redevelopment, per the General Plan. However, per County Planning, it is unclear if the existing subject site area that is designated for Urban Open Space (which measures ±2.3 acres) can satisfy the 1-acre park requirement. We have been asked by the County to assume that an additional 1-acre park would not need to be dedicated and that the Urban Open Space area can meet the 1-acre park requirements. The value as stated in this report would be less if an additional 1-acre park were required as that area would be deducted out of the net developable site area.

**Hypothetical Conditions:**
- None

**Exposure Time and Marketing Periods**
Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of up to 12 months, are considered reasonable and appropriate for the subject property.
General Assumptions and Limiting Conditions

This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.

2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.

3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Hulberg and Associates, Inc. will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.

4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.

5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.

6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.

7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Hulberg and Associates, Inc. is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser’s then current hourly rate plus reimbursement of expenses.

8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.

9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.

13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.

14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Hulberg and Associates, Inc. and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.

15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.

16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Hulberg and Associates, Inc.

17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.

18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.

20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our “Income and Expense Projection” are anticipated.

21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client’s responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.

23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.

24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or “as-built” plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.

26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.

27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.

28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.

29. The Americans with Disabilities Act (“ADA”) became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.

30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.

31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.

33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.

34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Hulberg and Associates, Inc. both agree that any dispute over matters in excess of $5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Hulberg and Associates, Inc. and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Hulberg and Associates, Inc. or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Hulberg and Associates, Inc. for this assignment, and under no circumstances shall any claim for consequential damages be made.

36. Valbridge Property Advisors | Hulberg and Associates, Inc. shall have no obligation, liability, or accountability to any third party. Any party who is not the “client” or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Hulberg and Associates, Inc. “Client” shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Hulberg and Associates, Inc. and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Hulberg and Associates, Inc. harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Hulberg and Associates, Inc. in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Hulberg and Associates, Inc. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.

38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.

39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.

40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.
Certification – Josh Fronen, MAI

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.

2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.

4. The undersigned has not performed services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

9. Josh Fronen, MAI has personally inspected the subject property.

10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.

11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.

Josh Fronen, MAI
Senior Appraiser
California Certified License #AG028548
Certification – Yvonne J. Broszus, MAI

I certify that, to the best of my knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Yvonne J. Broszus, MAI did not personally inspect the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification, unless otherwise noted.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.

Yvonne J. Broszus, MAI
Director
California Certified License #AG019587
Addenda

Subject Photos
Glossary
Qualifications
  • Josh Fronen, MAI - Senior Appraiser
  • Yvonne J. Broszus, MAI - Director
Information on Valbridge Property Advisors
Office Locations
Subject Photographs

View of the subject from 7th Avenue

Alternative view of the subject from 7th Avenue

Alternative view of the subject from 7th Avenue

Alternative view of the subject from 7th Avenue

Street scene along Brommer Street looking east from the subject (subject is on the right)

Street scene along Brommer Street looking west from the subject (subject is on the left)
Glossary
Definitions are taken from The Dictionary of Real Estate Appraisal, 6th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

Absolute Net Lease
A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization
The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value
The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Dictionary)

Base Rent
The minimum rent stipulated in a lease. (Dictionary)

Base Year
The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area
In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area
The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Certificate of Occupancy (COO)
A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)
The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center’s common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium
A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

Conservation Easement
An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value
A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)
Debt Coverage Ratio (DCR)
The ratio of net operating income to annual debt service (DCR = NOI/Im), which measures the relative ability of a property to meet its debt service out of net operating income; also called debt service coverage ratio (DSCR). A larger DCR typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction
A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation
1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset’s life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value
The most probable price that a specified interest in property should bring under the following conditions:
- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Easement
The right to use another’s land for a stated purpose. (Dictionary)

EIFS
Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date
1) The date on which the appraisal or review opinion applies. (SVP)
2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

Effective Gross Income (EGI)
The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent
Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM
Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

Escalation Clause
A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called escalator clause, expense recovery clause or stop clause. (Dictionary)

Estoppel Certificate
A signed statement by a party (such as a tenant or a mortgagee) certifying, for another’s benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black’s) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an estoppel letter. (Dictionary)

Excess Land
Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent
The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)
Expense Stop
A clause in a lease that limits the landlord’s expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time
1) The time a property remains on the market.
2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

Extraordinary Assumption
An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

Fee Simple Estate
Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. (Dictionary)

Floor Common Area
In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

Full Service (Gross) Lease
A lease in which the landlord receives stipulated rent and is obligated to pay all of the property’s operating and fixed expenses; also called a full service lease. (Dictionary)

Going-Concern Value
An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern or market value of the total assets of the business. (Dictionary)

Gross Building Area (GBA)
1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
2) Gross leasable area plus all common areas.
3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area
The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50% or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method
A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as “grossed up.” (Dictionary)

Gross Retail Sellout
The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the aggregate of the retail values, aggregate retail selling price or sum of the retail values. (Dictionary)

Ground Lease
A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent
The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC
Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)
Highest and Best Use
1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition
1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.) (Dictionary)

Industrial Gross Lease
A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

Insurable Value
A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect’s fees). (Dictionary)

Investment Value
The value of a property to a particular investor or class of investors based on the investor’s specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

Just Compensation
In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest
The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest
The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

Lessee (Tenant)
One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)
One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value
The most probable price that a specified interest in property should bring under the following conditions:
• Consummation of a sale within a short time period.
• The property is subjected to market conditions prevailing as of the date of valuation.
• Both the buyer and seller are acting prudently and knowledgeably.
• The seller is under extreme compulsion to sell.
• The buyer is typically motivated.
• Both parties are acting in what they consider to be their best interests.
• A normal marketing effort is not possible due to the brief exposure time.
• Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
• The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)
The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)
Major Vertical Penetrations
Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent
The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value
The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Marketing Time
An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, “Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions” address the determination of reasonable exposure and marketing time.) (Dictionary)

Master Lease
A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

Modified Gross Lease
A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property’s operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease. (Dictionary)

Operating Expense Ratio
The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e., OER = 1 – NIR (Dictionary)

Option
A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the optionee) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest
Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

Pass Through
A tenant’s portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Potential Gross Income (PGI)
The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)
Prospective Future Value Upon Completion
A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. The prospective market value—whether completed or partial—reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

Prospective Future Value Upon Stabilization
A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. The prospective market value—as stabilized—reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

Replacement Cost
The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost
The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion
A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate
The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease
An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination
A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land
Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

Triple Net (Net Net Net) Lease
An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called NNN lease, net net net lease, or fully net lease. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area
The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use
The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)
Qualifications of Josh Fronen, MAI
Senior Appraiser
Valbridge Property Advisors | Hulberg & Associates, Inc.

Independent Valuations for a Variable World

State Certifications
Certified General
State of California

Membership/Affiliations
Member: Appraisal Institute MAI Designation
Grader: Appraisal Institute Demonstration Appraisal Report Panel, Current
Chairman: Fall Conference Committee, Appraisal Institute, 2009
Member: Board of Directors, Nor- Cal Chapter of the Appraisal Institute, 2009 – 2012
Member: Appraisal Institute Membership Development and Recruitment Committee, Nor-Cal Chapter
Board Member: Appraisal Institute Fall Conference, 2007 – Current.
Member: Toastmasters International, Competent Communicator (CC)

Education
Bachelor of Arts
History, Specializing in Business
University of California
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Appraisal Institute & Related Courses
- Appraisal Principles
- Operating Expenses
- Appraisal Procedures
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- Laws and Regulations
- Advanced Sales Comparison and Cost Approaches
- California Eminent Domain Appraisal Practice
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- Estimating Loss in Value
- Advanced Applications
- Litigation Conference
- Entrepreneurial Profit and Return on Cost
- Appraisal Fundamentals
- CAM Escalations/Lease Audit Preparation
- Income Property Valuation
- Business Practices and Ethics
- Advanced Income Capitalization
- Understanding Property Taxes
- Scope of Work
- Legal Aspects of Easements
- Report Writing and Valuation Analysis
- Report Conditions & Assumptions
- Tenant Credit Analysis
- Commercial Lending and Supporting Values
- Fundamentals of Separating Real Property, Personal Property, and Intangible Business Assets
- Litigation Appraising: Specialized Topics and Applications
- Condemnation Appraising: Principles & Applications
Experience

Senior Appraiser
Valbridge Property Advisors | Hulberg & Associates, Inc. (2013-Present)

Senior Appraiser

Associate Appraiser
TMG Realty Advisors (2001-2004)

Market Researcher/Appraiser Assistant
Akiba Appraisal Services (2001)


R&D, Light industrial, warehouses, food processing, and manufacturing. Land and remnant appraisals. Retrospective valuations. Fractional interest valuations. Arbitration, litigation, estate work, tax appeals, contamination, rent loss, and diminution in value. Has provided court testimony and is a qualified expert witness.
Qualifications of Yvonne J. Broszus, MAI
Director
Valbridge Property Advisors | Hulberg & Associates, Inc.

Independent Valuations for a Variable World

<table>
<thead>
<tr>
<th>State Certifications</th>
<th>Membership/Affiliations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certified General</td>
<td>Member: Appraisal Institute MAI Designation</td>
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<tr>
<td>Bachelor of Science, Marketing</td>
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<td>Santa Clara University</td>
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Contact Details

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Experience

Director
Valbridge Property Advisors | Hulberg & Associates, Inc. (2013-Present)

Vice President

Appraisal/valuation and consulting assignments include: retail buildings (community, specialty, neighborhood and strip), office buildings (professional and medical/dental), vacant land, agricultural land, warehouses, manufacturing, mini-warehouse, light industrial, research and development, apartments, single-family, condominiums, subdivisions, mobile home parks, auto dealerships, service stations, worship facilities, truck stops, food processing and cold storage facilities, fixed base operators at airports and other types of special purpose properties.

Ms. Broszus has provided valuation services in a wide variety of complex civil litigation cases including real estate. These matters have included condemnation issues, contract disputes, bankruptcy/creditors matters, and environmental lawsuits, among other issues. She also specializes in property tax appeals, having helped clients recover millions of dollars in property tax refunds.

Qualified as an expert witness, Ms. Broszus has testified in state and federal courts, as well as in major arbitrations and at Assessment Appeal Board hearings. She is a highly experienced forensic appraiser.
Company Information on Valbridge Property Advisors

- Valbridge is one of the Top 3 national commercial real estate valuation and advisory services firms based on:
  - Total number of MAIs (188 on staff)
  - Total number of office locations (68 across the U.S.)
  - Total number of staff (650+ strong)

- Valbridge covers the U.S. from coast to coast.

- Valbridge services all property types, including special-purpose properties.

- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.

- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.

- Valbridge is owned by our local office leaders.

- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.
OFFICE LOCATIONS

ALABAMA
4732 Woodmere Boulevard
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334-277-0077

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520-321-0000

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Each Valbridge office is independently owned and operated.

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Naples, FL 34105
239-514-4666

valbridge.com