

**APPRAISAL REPORT
REAL ESTATE APPRAISAL**

Of
Verdemar Pump Station Easement



Verdemar Dr near Flora Vista
City of Alameda, Alameda County
CA, 94501

As of
July 16, 2015

Prepared For
Ms. Erin Smith
Acting Deputy Director
City of Alameda Public Works Department
950 West Mall Square Room 110
Alameda, CA, 94501

Client File:
PO # 1502612

Prepared by
LANDMARK VALUATION
Bruce Hahn, MAI, SRA, ASA
Certified General Real Estate Appraiser
CA-AG004370

File Name:
PO # 1502612

11-17-2015
5-G Exhibit 2

REAL ESTATE APPRAISERS & ANALYSTS

July 28, 2015

Ms. Erin Smith
Acting Deputy Director
City of Alameda Public Works Department
950 West Mall Square Room 110
Alameda, CA 94501

Re: Appraisal Report
Verdemar Pump Station Easement
Verdemar Dr near Flora Vista, Alameda,
Alameda County, CA, 94501

File Name: PO # 1502612

Dear Ms. Smith:

At your request, we have prepared an appraisal for the above referenced property, which may be briefly described as follows:

The acquisition area (108 SF Easement) will expand the existing and adjacent 180 SF Sewer Pump Station Easement on the subject parcel's 9.157 acre common area site. The larger parcel is the common area for 190 townhome/PUD units in the Casitas Alameda Homeowners Association.

Please reference page 13 of this report for important information regarding the scope of research and analysis for this appraisal, including property identification, inspection, highest and best use analysis and valuation methodology.

We certify that we have no present or contemplated future interest in the property beyond this estimate of value. The appraisers have performed the following prior services regarding the subject within the previous three years of the appraisal date: None

Your attention is directed to the Limiting Conditions and Assumptions section of this report (page 7). Acceptance of this report constitutes an agreement with these conditions and assumptions. In particular, we note the following:

Hypothetical Conditions:

- The proposed sewer pump station easement that is the subject of this appraisal does not exist as of the date of this report although it is assumed to exist for the purposes of this appraisal.



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Extraordinary Assumptions:

- See page 25 for a complete list of all extraordinary assumptions included in this appraisal report.

Based on the appraisal described in the accompanying report, subject to the Limiting Conditions and Assumptions, Extraordinary Assumptions and Hypothetical Conditions (if any), we have made the following value conclusion(s):

Current As Is Fair Market Value:

The "As Is" Fair Market Value of the Fee Simple estate of the property (an easement), and recommended Total Compensation, as of July 16, 2015, is

(Nominal)
One Thousand Dollars
(\$1,000)

Respectfully submitted,
Landmark Valuation

A blue ink signature of Bruce Hahn, consisting of stylized initials and a surname.

Bruce Hahn, MAI, SRA, ASA
Certified General Real Estate Appraiser
State of CA - AG004370
Exp. June 19, 2016

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Summary of Important Facts and Conclusions

GENERAL

Subject:	Verdemar Pump Station Easement Verdemar Dr near Flora Vista, Alameda, Alameda County, CA, 94501 The acquisition area (108 SF Easement) will expand the existing and adjacent 180 SF Sewer Pump Station Easement on the subject parcel's 9.157 acre common area site. The larger parcel is the common area for 190 townhome/PUD units in the Casitas Alameda Homeowners Association.
Owner:	Casitas Homeowner's Association
Legal Description:	Common Area of Tract 2936
Census Tract:	4283.01/3
Date of Report:	July 28, 2015
Intended Use:	The intended use is to assist with eminent domain and just compensation for the easement to be acquired on the subject property.
Intended User(s):	The City of Alameda and the Casitas Alameda Homeowner's Association.
Sale History:	The subject has not sold in the last three years, according to public records.
Current Listing/Contract(s):	The subject is not currently listed for sale, or under contract.

Land (Larger Parcel):

Parcel ID	Land Summary					Topography	Shape
	Gross Land Area (Acres)	Gross Land Area (Sq Ft)	Usable Land Area (Acres)	Usable Land Area (Sq Ft)			
074-1063-057-06	9.16	398,879	9.16	398,879		Level	Roughly rectangular

Notes:

Zoning:	R-1-PD
Highest and Best Use of the Site:	Low or medium Density Residential Development.
Highest and Best Use as Improved:	Remain part of the larger parcel - common area for townhomes in a PUD homeowner's association.
Type of Value:	Fair Market Value

VALUE INDICATIONS – TOTAL COMPENSATION		
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Cost Approach:	N/A	
Sales Comparison Approach:	\$1,000	(Nominal Value)
Income Approach:		
Direct Capitalization	N/A	
Reconciled Value(s):	As Is – Fair Market Value	
Value Conclusion(s)	\$1,000	
Effective Date (s)	July 16, 2015	
Property Rights	Fee Simple - Easement	

Limiting Conditions and Assumptions

1. By this notice, all persons, companies, or corporations using or relying on this report in any manner bind themselves to accept these Contingent and Limiting conditions, and all other contingent and limiting conditions contained elsewhere in this report. Do not use any portion of this report unless you fully accept all Contingent and Limiting conditions contained throughout this document.
2. The "Subject" or "Subject Property" refers to the real property that is the subject of this report. An Appraiser is defined as an individual person who is licensed to prepare real estate appraisal-related services in the State of California and affixes his / her signature to this document.
3. Throughout this report, the singular term "Appraiser" also refers to the plural term "Appraisers". The terms "Appraiser" and "Appraisers" also refer collectively to "Landmark Valuation", its officers, employees, subcontractors, and affiliates. The masculine terms "he" or "his" also refer to the feminine term "she" or "her".
4. In these Contingent and Limiting Conditions, the "Parties" refers to all of the following collectively: (a) the Appraiser(s), (b) Landmark Valuation, (c) the client, and (d) all intended users.
5. These Contingent and Limiting Conditions are an integral part of this report along with all certifications, definitions, descriptions, facts, statements, assumptions, disclosures, hypotheses, analyses, and opinions.
6. All contents of this report are prepared solely for the explicitly identified client and other explicitly identified intended users. The liability of the Appraiser is limited solely to the client. There is no accountability, obligation, or liability to any other third party. Other intended users may read but not rely on this report. The Appraiser's maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) is limited to the fee paid to Landmark Valuation for that portion of their services, or work product giving rise to liability. In no event shall the Appraisers be liable for consequential, special, incidental or punitive loss, damages or expense (including without limitation, lost profits, opportunity costs, etc.) even if advised of their possible existence. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all contingent and limiting conditions, assumptions, and disclosures. Use of this report by third parties shall be solely at the risk of the third party.

Contingent and Limiting Conditions

7. This document communicates the results of an appraisal assignment. This communication is not an inspection, engineering, construction, legal, or architectural report. It is not an examination or survey of any kind. Expertise in these areas is not implied. The Appraiser is not responsible for any costs incurred to discover, or correct any deficiency in the property.
8. As part of this appraisal, information was gathered and analyzed to form opinion(s) that pertain solely to one or more explicitly identified effective value dates. The effective value date is the only point in time that the value applies. Information about the subject property, neighborhood, comparables, or other topics discussed in this report was obtained from sensible sources. In accordance with the extent of research disclosed in the Scope of Work section, all information cited herein was examined for accuracy, is believed to be reliable, and is assumed reasonably accurate. However, no guaranties or warranties are made for this information. No liability or responsibility is assumed for any inaccuracy which is outside the control of the Appraiser, beyond the scope of work, or outside reasonable due diligence of the Appraiser.
9. Real estate values are affected by many changing factors. Therefore, any value opinion expressed herein is considered credible only on the effective value date. Every day that passes thereafter, the degree of credibility wanes as the subject changes physically, the economy changes, or market conditions change. The Appraiser reserves the right to amend these analyses and/or value opinion(s) contained within this appraisal report if erroneous, or more factual-information is subsequently discovered. No guarantee is made for the accuracy of estimates or opinions furnished by others, and relied upon in this report.
10. In the case of limited partnerships, syndication offerings, or stock offerings in the real estate, the client agrees that in case of lawsuit (brought by the lender, partner, or part owner in any form of ownership, tenant, or any other party), the client will hold Landmark Valuation, its officers, contractors, employees and associate appraisers completely harmless. Acceptance of, and/or use of this report by the client, or any third party is prima facie evidence that the user understands and agrees to all these conditions.
11. For appraisals of multiunit residential, only a portion of all dwellings was observed. A typical ratio of observed dwellings roughly approximates 10% of the total number of units, and this ratio declines as the number of dwellings grows. It is assumed the functionality, physical condition, construction quality, and interior finish of unseen units are similar to the functionality, physical condition, construction quality, and interior finish of observed units. If unobserved dwellings significantly differ from those that were viewed in functionality, physical condition, quality, or finish, the Appraiser reserves the right to amend theses analysis and/or value opinion(s).

Contingent and Limiting Conditions

12. If the appraised property consists of a physical portion of a larger parcel is subject to the following limitations. The value opinion for the property appraised pertains only to that portion defined as the subject property. This value opinion should not be construed as applying with equal validity to other complementary portions of the same parcel. The value opinion for the physical portion appraised + the value of all other complementary physical portions may or may not equal the value of the whole parcel.
13. Unless specifically stated otherwise herein, the Appraiser is unaware of any engineering study made to determine the bearing capacity of the subject land, or nearby lands. Improvements in the vicinity, if any, appear to be structurally sound. It is assumed soil and subsoil conditions are stable and free from features that cause supernormal costs to arise. It is also assumed existing soil conditions of the subject land have proper load bearing qualities to support the existing improvements, or proposed improvements appropriate for the site. No investigations for potential seismic hazards were made. This appraisal assumes there are no conditions of the site, subsoil, or structures, whether latent, patent, or concealed that would render the subject property less valuable. Unless specifically stated otherwise in this document, no earthquake compliance report, engineering report, flood zone analysis, hazardous substance determination, or analysis of these unfavorable attributes was made, or ordered in conjunction with this appraisal report. The client is strongly urged to retain experts in these fields, if so desired.
14. If this report involves an appraisal that values an interest, which is less than the whole fee simple estate, then the following disclosure applies. The value for any fractional interest appraised + the value of all other complementary fractional interests may or may not equal the value of the entire fee simple estate.
15. If this appraisal values the subject as though construction, repairs, alterations, remodeling, renovation, or rehabilitation will be completed in the future, then it is assumed such work will be completed in a timely fashion, using non-defective materials, and proper workmanship. All previously completed work is assumed completed in substantial conformance with plans, specifications, descriptions, or attachments made or referred to herein. It is also assumed all planned, in-progress, or recently completed construction complies with the zoning ordinance, and all applicable building codes. A prospective value opinion has an effective value date that is beyond or in the future relative to this report's preparation date. If this appraisal includes a prospective valuation, it is understood and agreed the Appraiser is not responsible for an unfavorable value effect caused by unforeseeable events that occur before completion of the project.

Contingent and Limiting Conditions

16. This valuation may or may not include an observation of the appraised property by an Appraiser. The extent of any observation is disclosed in the Scope of Work section of this report. Any observation by an Appraiser is not a professional property inspection. Viewing of the subject was limited to components that were not concealed, clearly observable, and readily accessible without a ladder on the property observation date. As used herein, readily accessible means within the Appraiser's normal reach without the movement of any man made or natural object. Comments or descriptions about physical condition of the improvements are based solely on a superficial visual observation. These comments are intended to familiarize the reader with the property in a very general fashion.
17. Electric, heating, cooling, plumbing, water supply, sewer or septic, mechanical equipment, and other property systems were not tested. No determination was made regarding the operability, capacity, or remaining physical life of any component in, on, or under the real estate appraised. All building components are assumed adequate and in good working order unless stated otherwise. Private water wells and private septic systems are assumed sufficient to comply with federal, state, or local health safety standards. No liability is assumed for the soundness of structural members since structural elements were not tested or studied to determine their structural integrity. The roof cover for all structures is assumed water tight unless otherwise noted. This document is not an inspection, engineering or architectural report. If the client has any concern regarding structural, mechanical, or protective components of the improvements, or the adequacy or quality of sewer, water or other utilities, the client should hire an expert in the appropriate discipline before relying upon this report. No warranties or guarantees of any kind are expressed or implied regarding the current or future physical condition or operability of any property component.
18. The allocation of value between the subject's land and improvements, if any, represents our judgment only under the existing use of the property. A re-evaluation should be made if the improvements are removed, substantially altered, or the land is utilized for another purpose.
19. The Client and all intended users agree to all the following. (A) This appraisal does not serve as a warranty on the physical condition or operability of the property appraised. (B) All users of this report should take all necessary precautions before making any significant financial commitments to or for the subject. (C) Any estimate for repair or alternations is a non-warranted opinion of the Appraiser.

Contingent and Limiting Conditions

20. No liability is assumed for matters of legal nature that affect the value of the subject property. Unless a clear statement to the contrary is made in this report, value opinion(s) formed herein are predicated upon the following assumptions. (A) The real property is appraised as though, and assumed free from all value impairments including yet not limited to title defects, liens, encumbrances, title claims, boundary discrepancies, encroachments, adverse easements, environmental hazards, pest infestation, leases, and atypical physical deficiencies. (B) All real estate taxes and assessments, of any type, are assumed fully paid. (C) It is assumed ownership of the property appraised is lawful. (D) It is also assumed the subject property is operated under competent and prudent management. (E) The subject property was appraised as though, and assumed free of indebtedness. (F) The subject real estate is assumed fully compliant with all applicable federal, state, and local environmental regulations and laws. (G) The subject is assumed fully compliant with all applicable zoning ordinances, building codes, use regulations, and restrictions of all types. (H) All licenses, consents, permits, or other documentation required by any relevant legislative or governmental authority, private entity, or organization have been obtained, or can be easily be obtained or renewed for a nominal fee.
21. Any exhibits in the report are intended to assist the reader in visualizing the subject property and its surroundings. The drawings are not surveys unless specifically identified as such. No responsibility is assumed for cartographic accuracy. Drawings are not intended to be exact in size, scale, or detail.
22. Value opinions involve only real estate, and inconsequential personal property. Unless explicitly stated otherwise, value conclusions do not include personal property, unaffixed equipment, trade fixtures, business-good will, chattel, or franchise items of material worth.
23. Conversion of the subject's income into a market value opinion is based upon typical financing terms that were readily available from a disinterested, third party lender on this report's effective date. Atypical financing terms and conditions do not influence market value, but may affect investment value.
24. All information and comments concerning the location, market area, trends, construction quality, construction costs, value loss, physical condition, rents, or any other data for the subject represent estimates and opinions of the Appraiser. Expenses shown in the Income Approach, if used, are only estimates. They are based on past operating history, if available, and are stabilized as generally typical over a reasonable ownership period.
25. This appraisal was prepared by Landmark Valuation and consists of trade secrets and commercial or financial information, which is privileged, confidential, and exempt from disclosure under 5 U.S.C. 522 (b) (4).

Contingent and Limiting Conditions

26. The Appraiser is not required to give testimony or produce documents because of having prepared this report unless arrangements are agreed to in advance. If the Appraiser is subpoenaed pursuant to court order or required to produce documents by judicial command, the client agrees to compensate the Appraiser for his appearance time, preparation time, travel time, and document preparation time at the regular hourly rate then in effect plus expenses and attorney fees. In the event the real property appraised is, or becomes the subject of litigation, a condemnation, or other legal proceeding, it is assumed the Appraiser will be given reasonable advanced notice, and reasonable additional time for court preparation.
27. Effective January 26, 1992, the Americans with Disabilities Act (ADA) - a national law, affects all non-residential real estate or the portion of any property, which is non-residential. The Appraiser has not observed the subject property to determine whether the subject conforms to the requirements of the ADA. It is possible a compliance survey, together with a detailed analysis of ADA requirements, could reveal the subject is not fully compliant. If such a determination was made, the subject's value may or may not be adversely affected. Since the Appraiser has no direct evidence, or knowledge pertaining to the subject's compliance or lack of compliance, this appraisal does not consider possible noncompliance or its effect on the subject's value.
28. Landmark Valuation and the Appraiser have no expertise in the field of insect, termite, or pest infestation. We are not qualified to detect the presence of these or any other unfavorable infestation. The Appraiser has no knowledge of the existence of any infestation on, under, above, or within the subject real estate. No overt evidence of infestation is apparent to the untrained eye. However, we have not specifically inspected or tested the subject property to determine the presence of any infestation. No effort was made to dismantle or probe the structure. No effort was exerted to observe enclosed, encased, or otherwise concealed evidence of infestation. The presence of any infestation would likely diminish the property's value. All value opinions in this communication assume there is no infestation of any type affecting the subject real estate or the Appraiser is not responsible for any infestation or for any expertise required to discover any infestation. Our client is urged to retain an expert in this field, if desired.
29. All opinions are those of the signatory Appraiser based on the information in this report. No responsibility is assumed by the Appraiser for changes in market conditions, or for the inability of the client, or any other party to achieve their desired results based upon the appraised value. Some of the assumptions or projections made herein can vary depending upon evolving events. We realize some assumptions may never occur and unexpected events or circumstances may occur. Therefore, actual results achieved during the projection period may differ from those set forth in this report. Compensation for appraisal services is dependent solely on the delivery of this report, and no other event or occurrence

Contingent and Limiting Conditions

30. No warranties are made by the Appraiser concerning the property's conformance with any applicable government code or property covenant including but not limited to all laws, ordinances, regulations, agreements, declarations, easements, condominium regulations, restrictions, either recorded or unrecorded. The client is urged to engage the services of a licensed attorney to confirm any legal issue affecting the property appraised. No liability or responsibility is assumed by the Appraiser to determine the cost of replacing or curing any supposedly defective physical component.
31. Superseding all comments to the contrary regardless of date, this report may not be transferred or assigned without the prior written consent of Landmark Valuation.
32. No part of this report shall be published or disseminated to the public by the use of advertising media, public relations media, news media, sales media, electronic devices, or other media without the prior written consent of Landmark Valuation. This restriction applies particularly as to analyses, opinions, and conclusions; the identity of the Appraiser; and any reference to the Appraisal Institute or its MAI or SRA designations; and any reference to the American Society of Appraisers or its ASA designation. Furthermore, no part of this report may be reproduced or incorporated into any information retrieval system without written permission from Landmark Valuation, the copyright holder.

Scope of Work

Introduction

The Uniform Standards of Professional Appraisal Practice (USPAP) defines scope of work as “*the type and extent of research and analysis in an assignment*”. Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is observed;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Assignment Elements

The purpose of this assignment (the problem to be solved) is to form one or more opinions about value. This purpose necessitates identification of seven assignment elements listed below.

1. Client Information

Client Name (<i>always an intended user</i>)	City of Alameda
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Client's Agent **	Not Applicable
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Appraiser(s) Engaged By	Ms. Erin Smith
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Client's Interest In Property Appraised	Public Agency in Acquisition
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2. Other Intended Users

Casitas Alameda Homeowner's Association

3. Intended Use Of Report (*To aid*)

to assist with eminent domain and just compensation for the easement to be acquired on the subject property.
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4. Value Opinion(s) Developed

Fair Market Value

Standard / Definition Of Value Used To Form The Value Opinion(s)	One or more values are defined in this report. Definitions of value were taken from <i>The Dictionary of Real Estate Appraisal, Fifth Edition</i> published by the Appraisal Institute, copyright 2010
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** If the appraiser(s) were engaged by the Client's Agent, then the Client's Agent becomes the effective Client and the true Client is an additional intended user.

Scope of Work

Assignment Elements

5. Key Dates

Effective Value Date (point in time the value applies)	July 16, 2015
Report Preparation Date (date the report was prepared)	July 28, 2015
Date Property Appraised Was Observed By One Or More Appraisers Signing This Report	Land Observed July 16, 2015

6. Assignment Conditions

Extraordinary Assumptions	One Or More Apply, Detailed Later Herein
Hypothetical Conditions	One Or More Apply, Detailed Later Herein
Jurisdictional Exceptions	None Used
Expected Public or Private On- Site or Off-Site Improvements Affect Value	Not Expected
Assemblage of Estates or Component Parts Affects Value	Not Expected

Unless specifically stated otherwise, the estate appraised (listed below) assumes no adverse leases, liens or encumbrances other than normal covenants and restrictions of record.

7a. Physical

Existing Property Use	Park/Open Space – HOA Common Area
Property Use Reflected In One Or More Value Opinions	Continued Use As Is - Remain part of the larger parcel - common area for townhomes in a PUD homeowner's association.
Sources of Information About the Property Appraised Included	Appraiser has made a Site Observation

7b. Legal

Category Of Property Appraised	Real Property - Easement
Estate(s) Appraised	Fee Simple
Legal Issues Considered	No Atypical Legal Issues
Environmental Concerns	There are no known adverse environmental conditions on the subject site. Please reference Limiting Conditions and Assumptions.

7c. Economic

Effect Of Lease(s) On Value	Effect Of A Lease Not Considered In Appraisal
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Extent of Services Provided

Number of Final Value Opinions Developed	One
Value Opinion(s) Reflect The Worth Of the Property Appraised	As Is
Report Preparation Complies With Requirements Set Forth In USPAP Standard Rule	2-2(b)
Other Reporting Requirements	Report Does Not Comply With FIRREA
Extent Of Data Research	Exhaustive
Data Sources	Local MLS; Assessor's Records; Brokers and Principals; Landlords and / or tenants; Appraisers Files.
Documents Considered	Engineering Documents; Proposed Easement Legal Description; Income Tax Records; City Resolutions.
Data Verification	Direct and Indirect Methods Adequate Site Visit
Extent Of Subject Observation By One Or More Appraisers Signing Report	Specifics of this viewing, if any, are detailed in the Extraordinary Assumptions & Disclosures section of this report.

Other Intended Use Considerations

Client's Prior Engagement Of Appraisal Services	The appraisers have performed the following prior services regarding the subject within the previous three years of the appraisal date: None
Atypical Issues	No Atypical Issues
Assignment Complexity	Very Complex
FIRREA Compliance	Not Compliant

Appraisal Development

Appraisal development is the extent of research and analyses that produce one or more credible opinions of value for one or more specifically identified intended users and an explicitly stated intended use. In this context, credible is defined as "worthy of belief".

Depending upon the intended use, intended users, and agreements between the appraiser and the client, the appraisal development process may include several, but not necessarily all of the following tasks.

- observation of the property appraised
- research for appropriate market data
- data verification
- consideration of influential market area, physical, economic, and governmental factors
- determination of the subject's highest and best use(s), if appropriate
- development of one or more applicable approaches to value
- reconciliation of value indications
- preparation of this report

In most cases, the core valuation process begins with a highest and best use analysis. This is essential because it establishes a framework for the proper selection of comparables. Cited comparables should have the same highest and best use as the property appraised.

Appraisal Development

If some property modification like new construction is contemplated, a feasibility analysis may be appropriate. In some cases, feasibility may simply be justified by inferred market evidence like low vacancy or rising rents.

According to USPAP, all approaches that are applicable to the interest being appraised and necessary to produce credible results must be developed. The type of highest and

best use; extent of feasibility considered; and the relevance of each major approach are listed below.

Highest and Best Use	A Fundamental Demand Analysis
Feasibility Analysis <i>(a more detailed study separate from highest & best use)</i>	Separate Feasibility Analysis Not Developed
Cost Approach	was not Applicable And Included In Report
Sales Comparison	was Applicable And Included In Report
Income Approach	was not Applicable And Included In Report

Quoting "*The Appraisal of Real Estate*" Thirteenth Edition published by the Appraisal Institute, page 186 says

"Highest and best use analysis and feasibility analysis are interrelated, but feasibility analysis may involve data and considerations that are not directly related to highest and best use determinations. Such analyses may be more detailed than highest and best use analysis, have a different focus, or require additional research."

Applicable and necessary approaches were selected for development after consideration of available market data, intended use, and intended user(s). An approach considered not applicable was omitted because this methodology is not appropriate for the property interest being appraised, or sufficient data to properly develop the approach was not available. Any approach judged not applicable, yet included in this report, was developed solely at our client's request. Data used to develop an inapplicable but included approach has a low to nil degree of comparability to the subject. Hence, no emphasis was given an approach deemed not applicable but included. Furthermore, no liability or responsibility is assumed for an approach considered not applicable but included at the client's request.

Concept Explanations

Intended use and all intended user(s) should be weighed heavily during the scope of work decision. A single intended user who frequently engages appraisal services is likely very knowledgeable about the appraisal process. For this type user, the appraisal development and reporting for less complex property types might be toward the lower end of the spectrum. By contrast, multiple intended users, especially those with opposing motivations, likely need extensive appraisal development and reporting. Litigation is a prime example when a thorough appraisal development and detailed reporting is warranted.

Prior engagement of appraisal services by a client implies a level of awareness about the appraisal process. A greater awareness may justify a less thorough level of report detail whereas the opposite is true for an individual who has never engaged an appraisal.

A Jurisdictional Exception is an assignment condition, which voids a portion of USPAP that is contrary to law or public policy. When a Jurisdictional Exception applies, only the contrary portion is void. The remainder of USPAP remains in full force and effect. Jurisdiction Exceptions always shrink USPAP, not expand it.

Data verification affects reliability. Direct data verification confirms information used in the report with one or more parties who have in-depth knowledge about physical characteristics for the property being appraised, or related financial details. Indirect verification employs information obtained from a secondary source like a data reporting service, a multiple listing service, or another appraiser. Direct verification is generally more time-consuming and costly, but also more reliable.

Information from all data sources was examined for accuracy, is believed reliable, and assumed reasonably accurate. However, no guaranties or warranties for the information are expressed or implied. No liability or responsibility is assumed by Landmark Valuation or the appraiser(s) for any inaccuracy from any seemingly credible information source.

Scope of Work

Concept Explanations

A statement about observation of the subject property by the appraiser(s) is listed above. If the subject was observed, this viewing was not as thorough as a professional property inspection. A professional inspector determines the precise physical condition, remaining useful life, and operability of major building components like the structural system, roof cover, electrical system, plumbing, and heating plant. Inspectors typically do not ascertain size of the building, or characteristics of the land. By contrast, an appraiser commonly ascertains both land and building size. Ordinarily, appraisers do not determine operability, or remaining useful life of building systems. An appraiser typically views real estate to determine only general attributes like physical condition of the building as a whole, site topography and access, building size, construction quality, floor plan, and functionality of the property as a whole. For this appraisal, no probes, investigations, or studies were made to discover unapparent, adverse physical features.

Highest and best use analyses can be categorized into two groups - inferred and fundamental. A fundamental analysis is quantified from broad demographic and economic data such as population, household size, and income. Supply is inventoried. Subject specific characteristics are considered. Then, the relationship between supply and demand is weighed to determine a specific highest and best use for the subject. An inferred analysis uses local trends and patterns to infer a general highest and best use for the subject. For an inferred analysis, market dynamics that might be considered include prices, market exposure times, rents, vacancy, and listings of similar real estate. Inferred analyses emphasize historical data while fundamental analyses are based on future projections. The kind of highest and best use analysis utilized in this assignment is listed above.

Report Reliance & Use Restrictions

No liability is assumed, expressed, or implied by Landmark Valuation, or the appraiser(s) for unauthorized use of this report. Only those persons, parties, entities, companies, corporations, partnerships, associations, or groups that are explicitly identified as an intended user on page 14 may rely on, and use this report. There are no implied, suggested, inferred, consequential, or indirect intended users of this report. Unauthorized users should not use, or rely on any portion of this document. Unauthorized users do so at their own risk and peril.

Hypothetical Conditions

USPAP defines a hypothetical condition as “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.”

Hypothetical conditions assume conditions that are contrary to known fact. An illustration is the current valuation of a proposed home. For the purpose of a rational analysis, it is assumed the home exists on the effective value date, but it is known the home is nonexistent. Another example is a new zoning classification, that a property does not have today, but the new zoning is assumed for the purpose of a logical current valuation. Uncertainty is not involved with a hypothetical condition. An essential premise underlying the valuation is known not to exist on the effective value date.

USPAP Standard Rule 1-2(g) requires the identification of all hypothetical conditions that are necessary for a credible value opinion. This appraisal employs the following hypothetical conditions:

Hypothetical Conditions:

- The proposed sewer pump station easement that is the subject of this appraisal does not exist as of the date of this report although it is assumed to exist for the purposes of this appraisal.

Extraordinary Assumptions & Disclosures

An extraordinary assumption is defined by the Uniform Standards of Professional Appraisal Practice (USPAP) to be “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 opinion or conclusions”. Extraordinary assumptions presume as fact otherwise uncertain information. In other words, this type assumption involves uncertainty about an underlying premise. An example is a survey that displays a lot size. If the lot size is later found to be much smaller, then the value conclusion may be negatively affected.

USPAP Standard Rule 1-2(f) requires the identification of all extraordinary assumptions that are necessary for credible assignment results. This appraisal employs the following extraordinary assumptions.

- Features of the subject site such as legal description, dimensions, size, etc. were obtained from publicly available sources and engineering documents. All information taken therefrom is assumed reasonably correct.
- Details of the proposed easement were obtained from engineering documents and/or legal description. All are assumed reasonably correct.
- Observation of the subject property was limited to the portions of the larger parcel site, and the proposed easement area. It is further assumed the subject has no hidden defects. The appraiser(s) did not attempt to study, dig, probe, investigate, detect, remove materials, or discover unfavorable physical features of the site.
- Real estate tax information for the subject was obtained from an online copy of the tax bill so it is assumed reasonably correct. All information from any credible source is assumed reasonably correct. Moreover, this information is assumed the most recent that is expeditiously available to the public.
- Assumptions and presumptions discussed in the Noteworthy Issues section of this report, if any, are incorporated by way of reference into these Extraordinary Assumptions & Disclosures.
- A recently issued title policy was not furnished to the appraiser(s). If a value-impairment is identified or suggested in a title policy, another professional report, or some other document, this appraisal does not address issues that are significantly atypical for a valuation of this type property unless specifically identified in the Scope of Work and/or Noteworthy Issues section of this report.

The above extraordinary assumptions as well as other assumptions anywhere herein are integral premises upon which the conclusions in this document are based. If any of these assumptions are later found to be materially untrue or inaccurate, then this report’s assignment results may or may not be affected.

Extraordinary Assumptions:

- See page 25 for a complete list of all extraordinary assumptions included in this appraisal report.

Information Not Available:

- A recent preliminary title report was not available.

Personal Property & Intangibles

Personal property is movable and ***not*** permanently affixed to the real estate. Examples of personal property are freestanding ranges, refrigerators, tables, desks, chairs, beds, linen, silverware, hand tools, and small utensils. An intangible is a nonphysical asset like franchises, trademarks, patents, goodwill, and mineral rights. Personal and intangible property included in this appraisal's value opinion, if any, is considered typical for this type real estate, yet insignificant to the value opinion. Therefore, non-realty is not itemized or valued herein. Moreover, this report's final value conclusion(s) ***excludes*** unaffixed equipment, detached trade fixtures, and chattel unless specifically stated to the contrary.

Definition of Fair Market Value

The following definition of *market value* was taken from Section 1263.320 of the California Code of Civil Procedure which defines fair market value as:

- (a) The fair-market value of the property taken is the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.
- (b) The fair-market value of property taken for which there is no relevant market is its value on the date of valuation as determined by any method of valuation that is just and equitable."

Definition of Eminent Domain

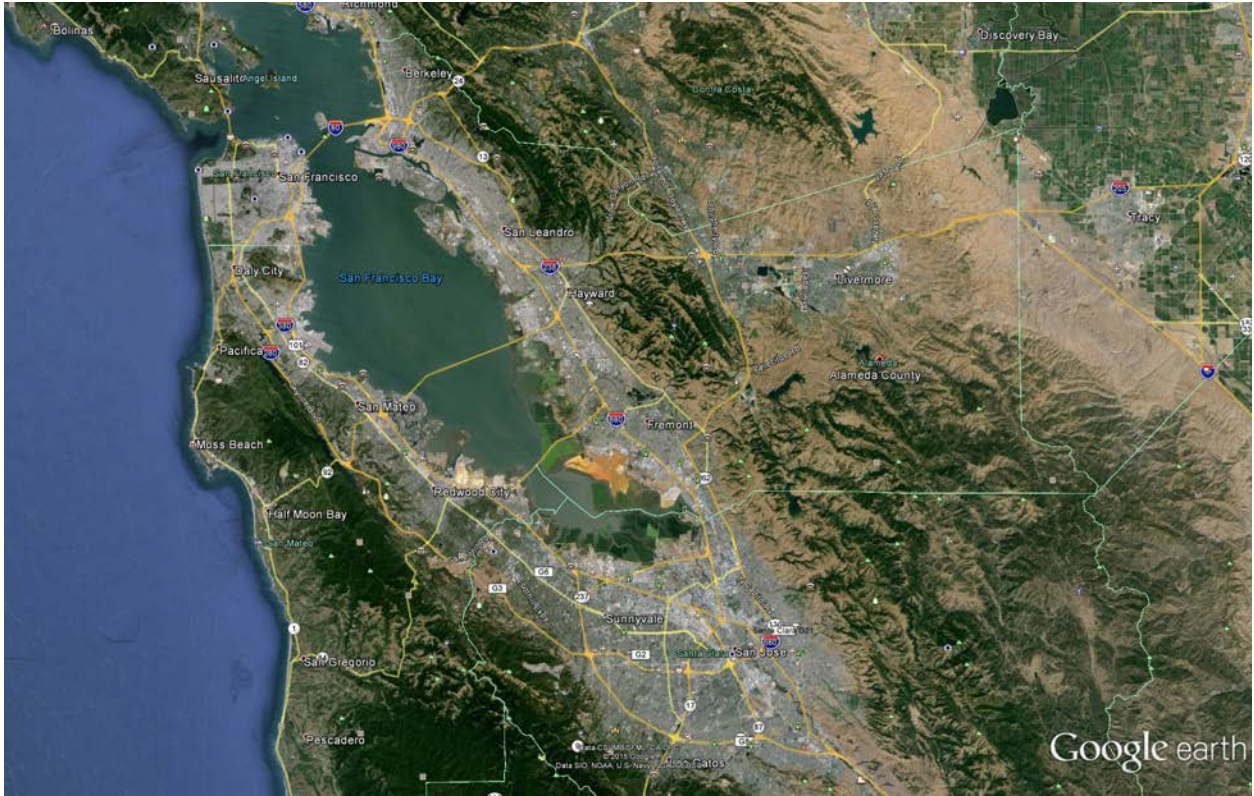
The following definition of *eminent domain* is from the Fifth Edition of the Dictionary of Real Estate which defines eminent domain as:

The right of government to take private property for public use upon the payment of just compensation. The Fifth Amendment of the United States Constitution, also known as the *takings clause*, guarantees payment of just compensation upon appropriation of private property.

Professional Standards

All leading professional appraisal organizations, the U.S. Congress, all state legislatures, and numerous legal jurisdictions recognize the Uniform Standards of Professional Appraisal Practice (USPAP), promulgated by the Appraisal Foundation. Revised bi-annually to keep it contemporary, these standards set forth ethical practices and proper procedures for a competent appraisal. This appraisal fully complies with all relevant portions of the USPAP version in effect on the date this report was prepared.

Market Area Overview



ALAMEDA COUNTY

The San Francisco Bay Area is one of the nation's largest urban centers. Alameda County, one of the Bay Area's nine counties, spans 821 square miles in northern California. It is one of nine San Francisco Bay Area counties. Alameda County encompasses much of the Bay Area's East Bay region. The County stretches from the urban communities edging San Francisco Bay east to the Livermore Valley. Surrounding counties include San Francisco to the west, San Mateo to the southwest, Santa Clara to the south, Contra Costa to the north, San Joaquin to the east, and Stanislaus to the southeast.

The City of Alameda encompasses approximately 22.96 square miles in northwestern Alameda County. 10.6 acres is land while 12.349 acres is water. The City was formerly a military town with the now closed Alameda Naval Air Station. It has attracted some large employers to its newer business parks.

Population

According to the California Department of Finance, Alameda County had a population of 1,594,569 as of January 1, 2015, up 1.3% year over year. Since 2000, however, the county's population has grown an average of 0.7% annually. Growth on the county's western side over the past decade has been concentrated in the small city of Emeryville, which has been particularly aggressive in its growth plan by contributing resources and tax incentives for redevelopment. Growth has also been strong in the eastern county city of Dublin, which still has large areas of land available for development. Growth here has been concentrated near the BART station.

Alameda County Population Growth						
	2000	2014	2015	% Change 2014-2015	% Change 2000-2015	Avg Yrly Chg 2000-2015
Alameda County	1,443,939	1,574,497	1,594,569	1.3%	10.4%	0.7%
Alameda	72,259	75,961	76,638	0.9%	6.1%	0.4%
Albany	16,444	18,457	18,565	0.6%	12.9%	0.9%
Berkeley	102,743	117,383	118,780	1.2%	15.6%	1.0%
Dublin	30,023	53,430	55,844	4.5%	86.0%	5.7%
Emeryville	6,882	10,481	10,570	0.8%	53.6%	3.6%
Fremont	203,413	224,116	226,551	1.1%	11.4%	0.8%
Hayward	140,030	151,047	152,889	1.2%	9.2%	0.6%
Livermore	73,464	84,815	85,990	1.4%	17.1%	1.1%
Newark	42,471	43,821	44,204	0.9%	4.1%	0.3%
Oakland	399,566	405,703	410,603	1.2%	2.8%	0.2%
Piedmont	10,952	11,011	11,113	0.9%	1.5%	0.1%
Pleasanton	63,654	73,028	74,850	2.5%	17.6%	1.2%
San Leandro	79,452	87,661	88,441	0.9%	11.3%	0.8%
Union City	66,869	72,109	72,744	0.9%	8.8%	0.6%
Balance Of County	135,717	145,474	146,787	0.9%	8.2%	0.5%
Source: California Department of Finance						

Oakland is the largest city in Alameda County. The City of Alameda's population as of January 1, 2015, was an estimated 76,638, which reflects a modest growth rate of 6.06% since 2000, or an average growth rate of 0.4% per year. Between 2014 and 2015, however, Alameda's population rose an estimated 0.9%, according to data from the California Department of Finance.

Employment

Alameda County had a labor force of 819,000 as of June 2015, up just 0.97% from a year earlier. By comparison, Alameda had a labor force of 41,400, up 0.1% year over year. Alameda's labor force comprises about 5.05% of Alameda County's overall labor force.

As the following table highlights, major employers in Alameda County are concentrated in law enforcement, government, healthcare and education.

Alameda County Major Employers

Employer Name	Location	Industry
Alameda County Law Enforcement	Oakland	Sheriff
Alameda County Sheriff's Ofc	Oakland	Sheriff
Alta Bates Summit Medical Ctr	Oakland	Hospitals
Alta Bates Summit Medical Ctr	Berkeley	Hospitals
Bayer Health Care	Berkeley	Drug-Manufacturers
California State-East Bay	Hayward	Schools-Universities & Colleges Academic
Cooper Vision Inc	Pleasanton	Optical Goods-Wholesale
East Bay Water	Oakland	Transit Lines
Highland Hospital	Oakland	Hospitals
Kaiser Permanente Medical Ctr	Oakland	Hospitals
Lawrence Berkeley National Lab	Berkeley	Physicians & Surgeons
Lawrence Livermore Natl Lab	Livermore	Small Arms Ammunition (Mfrs)
Life Scan Inc	Fremont	Physicians & Surgeons Equip & Supls-Mfrs
Oakland Police Patrol Div	Oakland	Police Departments
Residential & Student Svc Prog	Berkeley	Schools-Universities & Colleges Academic
Safeway Inc	Pleasanton	Grocers-Retail
Tesla Motors	Fremont	Automobile Dealers-Electric Cars
Transportation Dept-California	Oakland	State Government-Transportation Programs
Ucsf Benioff Children's Hosp	Oakland	Hospitals
University of Ca-Berkeley	Berkeley	Schools-Universities & Colleges Academic
University of California	Berkeley	Schools-Universities & Colleges Academic
Valley Care Health System	Livermore	Hospitals
Washington Hospital Healthcare	Fremont	Hospitals
Waste Management	Oakland	Garbage Collection
Western Digital Corp	Fremont	Electronic Equipment & Supplies-Mfrs

Source: California Employment Development Department, as extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2015 2nd Edition

The City of Alameda's principal employers are listed in the table on the following page. Telecare Corp has grown to be the city's largest employer, accounting for 2.75% of the city's employment base. Wind River Systems is second with about 2.35% of the city's employment base. The top ten employers represent approximately 10% of the labor force within the City of Alameda.

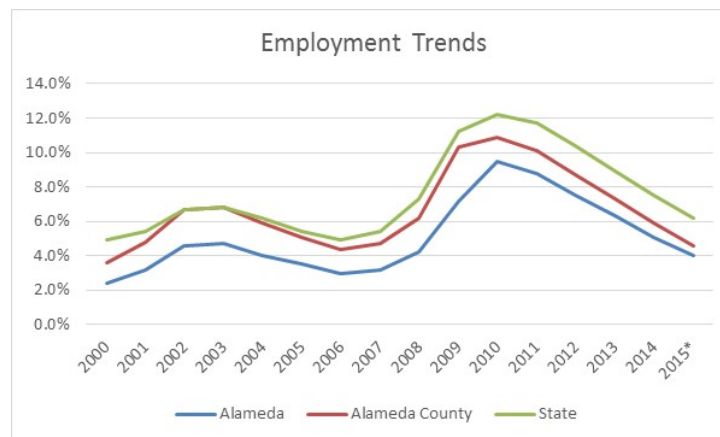
City of Alameda Principal Employers

Employer	2013-14			2005-06		
	Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Telecare Corp	2,100	1	2.75%			
Wind River Systems Inc	1,800	2	2.36%	417	5	0.54%
Alameda Unified School District	863	3	1.13%	647	2	0.83%
VF Outdoor	600	4	0.79%			
City of Alameda	500	5	0.65%	697	1	0.90%
Alameda Hospital	492	6	0.64%	456	4	0.59%
Celera Corp	490	7	0.64%			
A G Ferrari Foods	275	8	0.36%			
ATPA	250	9	0.33%			
Bay Ship & Yacht Co	250	10	0.33%			
Abbott Diabetes Care, Inc.				435	3	0.56%
College of Alameda				278	6	0.36%
UT Starcom Inc.				237	7	0.30%
Golden State Overnight				232	8	0.30%
Associated Third Party Administration				207	9	0.27%
Kaiser Foundation Health Plan				205	10	0.26%
Subtotal	7,620		9.972%	3,811		4.961%
Total City Day Population	76,413			76,824		

Sources: City of Alameda, Infousa.com

Source: City of Alameda 2014 Comprehensive Annual Financial Report

The 2007-2009 Recession caused unemployment to peak throughout the Bay Area in 2009 and 2010. Since 2011, unemployment has fluctuated from month to month but generally has trended downward. Currently, rates in many areas are at or slightly below pre-recessional levels; however job creation remains slow in many sectors. In June 2015, Alameda County's unemployment rate was 4.6%, unchanged from May but down more noticeably from 5.8% in June 2014. Alameda's unemployment rate in June dropped to 4.0%, unchanged from May and down from 5.0% a year earlier. Both Alameda County and Alameda recorded unemployment rates below the state average of 6.2% in June, but Alameda's rate remained slightly above the national average of 5.4%.



*2015 data are for the month of June
Source: California Employment Development Department

Income

Per capita income is a broad measure of well-being or standard of living in a community. This method of measure aggregates all sources of income in a city or community and divides it among the total population. The higher the level of per capita income, the more affluent the community can be considered. Real per capita income tends to follow economic trends, rising in the peaks and falling in the troughs.

Alameda County's per capita income was estimated to be \$57,595 in 2013, up 2.0% from \$56,440 in 2012 and at its highest point in eight years, according to the California Department of Transportation's Office of State Planning-Economic Analysis Branch. The average salary per worker in 2013 was estimated to be \$79,614, which is well above the state average.

Fiscal Year	City Population	Total Personal Income	Per Capita Personal Income
2005	72,782	\$ 2,552,837,000	\$35,075
2006	72,761	2,711,584,000	32,802
2007	72,808	2,950,462,000	40,524
2008	73,359	3,131,575,000	40,688
2009	74,032	3,197,344,000	43,189
2010	74,736	3,110,554,000	41,621
2011	74,081	2,719,701,000	36,066
2012	74,640	2,763,776,399	36,962
2013	75,126	2,824,096,775	37,591
2014	76,413	3,406,033,062	44,574

Source: California State Department of Finance

As stated in Alameda's *2014 Comprehensive Annual Financial Report*, per capita income for the city as of fiscal year 2014 was \$44,574, up 4.5% from 2013. The city's per capita income has risen each year since 2008 and was at a peak level in 2014.

Source: City of Alameda 2014 Comprehensive Annual Financial Report

Transportation

Alameda County is served by four highways—Interstates 80, 880, 580 and 680. Interstate 880 runs the length of the County at its western edge, connecting with Interstate 80 and moving traffic north to Sacramento, the state capital. Interstate 80 also traverses the Bay Bridge, providing access to San Francisco. Interstate 580 runs south from Oakland through the central part of the County to Castro Valley, where it turns eastward and connects with Livermore, in the southeastern part of the County. Interstate 680 also runs through the central part of the County, providing access to the cities of Walnut Creek, Pleasant Hill and Concord in adjacent Contra Costa County.

In the northwest part of the County edging San Francisco Bay, commuter ferry service from Oakland and Alameda to San Francisco is available. The ferry stops in Jack London Square in Oakland.

Amtrak trains serve Alameda County with stations in Berkeley, Emeryville, Fremont, Hayward and Oakland. Trains run north to Sacramento and the Pacific Northwest, south to San Jose/Silicon Valley and Los Angeles, and east to the eastern United States. Freight transportation through Alameda County is provided by the Santa Fe and Union Pacific Railroads, whose main lines serve both the industrial coastal areas as well as the inland farm region.

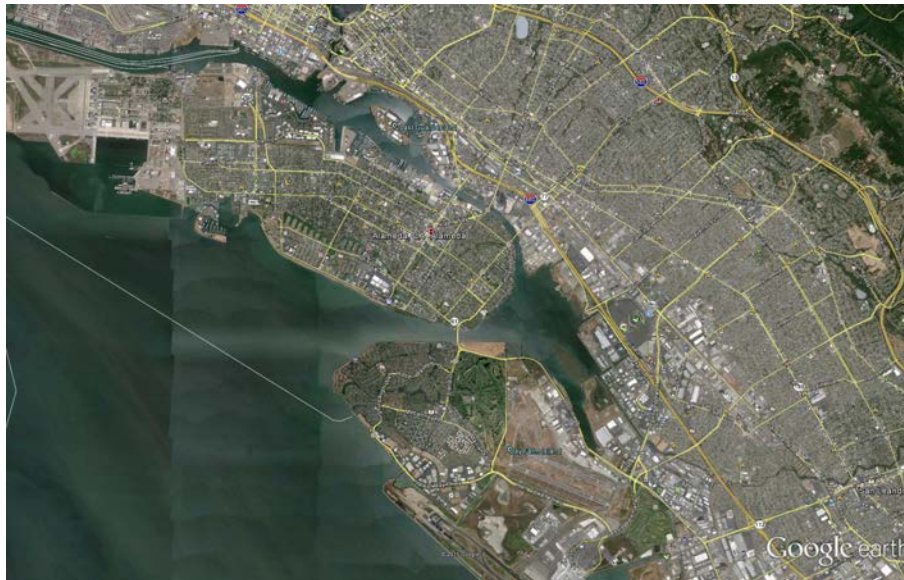
The Port of Oakland occupies 19 miles of waterfront on the eastern shore of San Francisco Bay. It is one of the world's largest seaport facilities for container traffic and was the first container port established on the west coast.

Oakland International Airport, which is owned and operated by the Port of Oakland, provides commercial air travel service. The airport is approximately 3 miles south of the subject.

Transportation throughout Alameda County is also facilitated by AC Transit bus service and BART (Bay Area Rapid Transit) metrorail service. The subject is adjacent to main thoroughfares in the area facilitating commuter travel and providing easy access to bus service. Oakland has eight BART stations throughout the city. The station closest to the subject is the Coliseum station, which is approximately 2.5 mile to the southeast.

Neighborhood

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations also can create neighborhood boundaries.



The subject is located in the Bay Farm Island area of Alameda. The area is a mix of predominately residential, recreational (golf) and commercial uses. The neighborhood is bounded by the Alameda city limits.

Conclusion

Alameda County is well situated with a sound economic base and a good transit system. Residents benefit from BART, AC Transit, the ferry system, the Oakland International Airport and the extensive freeway system. Recovery post-recession continues to be slow. Job creation remains weak, but unemployment and home foreclosure rates continue to drop as home values trend upward.

Alameda County is largely built up within its western corridor. The City of Alameda is mostly built out, with limited land available for development. Since 2000 considerable development has occurred. The housing market crash and subsequent recession brought most development in the area to a halt. As the economy recovers, the area is likely to once again see increased development. Development in other areas could well be focused on transit-oriented, mixed-use projects, which many Bay Area cities are embracing to curb traffic congestion, draw residents and increase revenues.

Market Analysis

The subject is a 9.16 acre parcel of common area space for 190 units of townhomes in the 400 plus unit Casitas Alameda Homeowner's Association in the Bay Farm Island neighborhood in Alameda.

The immediate neighborhood is largely built out with residential and supporting commercial uses. Redevelopment of the existing site would be very difficult due to the need to aggregate over 400 units of residential townhomes.

Demographic Projections

Demographic growth in the subject area will remain low over the next several years, which likely will keep economic growth in check. The following demographic forecasts for Alameda County for the five years spanning 2014 to 2019 are from the California Department of Transportation's Office of State Planning-Economic Analysis Branch.

- **Population growth:** 0.9% average growth per year.
- **Housing growth:** Alameda County is projected to see the number of new homes permitted rise by 16.8%, or an average of 3.4% per year. However, with little available land in the western part of Alameda County, many of the new homes are expected to be in the eastern part of the County, particularly in the cities of Dublin and Livermore.
- **Job growth:** 1.6% average growth per year. Growth is expected to be led by the Professional Services, Education & Healthcare, Leisure & Hospitality and Wholesale & Retail Trade sectors, which together are expected to account for 73% of new jobs between 2014 and 2019.
- **Salary growth:** 1.5% average growth per year
- **Real per capita income growth:** 2.0% per year, on average, remaining above the California average by a widening margin.
- **Retail sales growth:** 2.4% average growth per year.

Local Economic Fundamentals

Economic improvements can be seen in the Bay Area and in the East Bay. While job growth in general remains modest, the strength of the technology sector and its favorable ripple effect into other sectors are moving things in a positive direction. As commercial and residential real estate prices soar in Silicon Valley and San Francisco, many are looking to the nearby East Bay, and Alameda County, in particular, for cheaper options. The Oakland/Alameda area, with its urban amenities and accessibility via public transportation, is once again drawing interest. That being said, as prices rise in Alameda County, affordability becomes a greater challenge and many others are being driven farther afield. In addition, rising prices continue to temper consumer spending. Indicators in the subject market include:

- **San Francisco-Oakland-Hayward MSA Real GDP Growth** – Real gross domestic product (GDP) growth measures the output of goods and services produced by labor and property in a defined area. Economists generally consider healthy GDP growth to be a sustained level that is greater than 2% but less than 4%. Sustained GDP growth below 2% suggests an anemic economy. Sustained GDP growth above 4% can indicate an asset bubble, spur inflation and trigger

contraction. The BEA reports GDP growth in September, resulting in a nine-month lag time for data. According to data released in September 2014 by the U.S. Bureau of Economic Analysis, sustained GDP growth remains elusive. The San Francisco-Oakland-Hayward MSA's real GDP in 2013 was up 2.7% from 2012 and at its highest point in 10 years. However, GDP growth from 2012 to 2013 was considerably lower than the 8.0% growth spike seen from 2011 to 2012. Additionally, gains and losses varied by industry sector, as the table below shows. The Transportation and Warehousing sector saw a 3.3% annual gain in 2013. In comparison, the Retail sector saw a 1.5% annual increase in 2013, while the Professional & Business Services sector saw a 2.2% decline. The table was generated from data available at www.bea.gov.

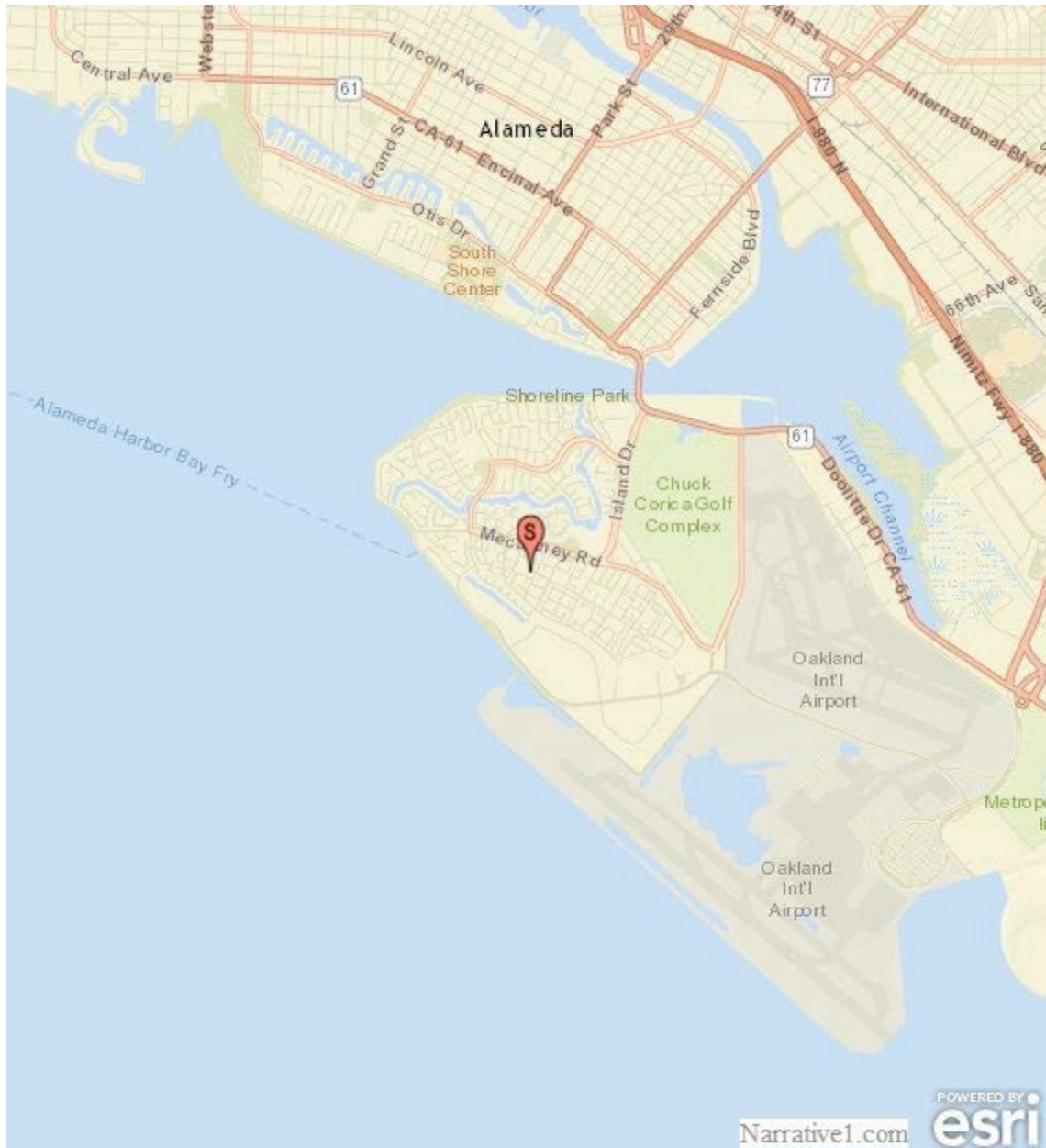
Industry	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
All industry total	258,103	271,808	296,263	314,824	333,580	343,156	327,531	334,610	347,758	378,188	388,272
Utilities	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	5,007	5,913
Construction	10,586	11,935	13,098	13,692	14,549	13,193	11,017	9,829	10,209	11,400	12,507
Manufacturing	26,999	29,805	38,778	41,667	46,068	55,247	47,658	41,324	39,095	41,327	43,003
Wholesale trade	11,843	11,931	12,660	(D)	(D)	(D)	13,215	14,115	15,356	16,540	17,530
Retail trade	16,513	16,956	17,484	17,905	17,777	16,611	15,625	16,373	16,706	17,409	17,669
Transportation and warehousing	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	(D)	9,308	9,617
Information	18,374	19,260	19,114	19,082	21,290	20,243	19,837	21,026	22,233	25,463	28,644
Finance, insurance, real estate, rental, and leasing	62,936	64,453	71,635	76,152	80,263	76,957	77,404	83,208	86,473	91,849	94,099
Professional and business services	40,791	42,690	46,606	50,224	54,558	59,121	55,026	56,858	62,545	76,210	74,490
Educational services, health care, and social assistance	14,557	15,554	16,308	17,376	18,045	19,699	20,635	22,280	22,460	23,374	24,139
Government	27,081	28,565	29,590	31,061	32,449	33,051	33,447	34,262	35,032	35,697	35,813

- **Consumer Prices** - The U. S. Bureau of Labor Statistics (BLS) reported on May 22, 2015 that consumer prices in the San Francisco Bay Area for the two-month period ending in April were up 1.1%, due mainly to higher prices for gasoline and shelter. Year over year, consumer prices were up 2.4%, as food prices rose 2.8%; electricity prices, 23.5%; natural gas service, 7.7%; and shelter costs, 5.1%.

Market Outlook and Conclusion

Demand for single family residences in the region is high and this is expected to continue. Thus, the very limited amounts of new residential construction coming online is projected to have little impact on strong demand. Rents are expected to continue to rise due to the imbalance between supply and demand.

Location Map



Property Description

The acquisition area (108 SF Easement) will expand the existing and adjacent 180 SF Sewer Pump Station Easement on the subject parcel's 9.157 acre common area site. The larger parcel is the common area for 190 townhome/PUD units in the Casitas Alameda Homeowners Association.

Land Summary						
Parcel ID	Gross Land Area (Acres)	Gross Land Area (Sq Ft)	Usable Land Area (Acres)	Usable Land Area (Sq Ft)	Topography	Shape
074-1063-057-06	9.16	398,879	9.16	398,879	Level	Roughly rectangular

Notes:

SITE	
Location:	The parcel comprises the entire block that is bounded by Verdemar Dr, Mecartney Rd, Fontana Dr, and Catalina Ave.
Current Use of the Property:	Common Area for the Homeowner's Association for a condominium project.
Site Size:	Total: 9.157 acres; 398,879 square feet
Shape:	Roughly rectangular
Visibility:	Average
Topography:	The subject has level topography at grade and no areas of wetlands.
Soil Conditions:	The soil conditions observed at the subject appear to be typical of the region and adequate to support development.
Site Improvements:	<ul style="list-style-type: none">The subject has average landscaping.
Flood Zone:	<p>The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is located in FEMA flood zone X, which is not classified as a flood hazard area.</p> <p>FEMA Map Number: 06001C0251G FEMA Map Date: August 3, 2009</p> <p>The subject is outside the 500 year flood plain. The appraiser is not an expert in this matter and is reporting data from FEMA maps.</p>

Wetlands/Watershed:	No wetlands were observed during our site inspection.
Environmental Issues:	There are no known adverse environmental conditions on the subject site. Please reference Limiting Conditions and Assumptions.
Encumbrance / Easements:	There no known adverse encumbrances or easements. Please reference Limiting Conditions and Assumptions.
Site Comments:	The site has average and typical utility.

Flood Map



Environmental Risks

Disclosure

During the course of this appraisal, the appraiser(s) did **not** detect or attempt to discover any environmental hazard on, under, above, or within the subject real estate. No overt evidence of any environmental hazard is apparent to the untrained eye. It should be known the appraiser(s) did not view the subject property with the intent of detecting any environmental hazard. It is beyond the expertise of the appraiser(s) to detect or determine the chemical nature of any substance or gas. No effort was made to dismantle or probe any part of the property to discover enclosed, encased, or concealed hazards. No effort was exerted to ascertain the presence of any environmental hazard including but not limited to the following.

<i>Asbestos</i>	<i>Urea-formaldehyde insulation</i>
<i>Underground storage tanks</i>	<i>Soil contamination or deficiencies</i>
<i>Lead-based paint</i>	<i>Toxic mold</i>
<i>Radon</i>	<i>PCB</i>
<i>Chemical spills</i>	<i>Fire resistant treated plywood (FRTTP)</i>

Flood hazards are detailed elsewhere in this report. Except as enumerated herein, the appraiser(s) were not given the results of any environmental testing on or near the property being appraised. Neither observation of the subject property, or research conducted as part of a typical real estate appraisal suggest the presence of any hazardous substance or detrimental environmental condition affecting the subject. Nearby sites were not investigated to determine whether they are contaminated. Public information and other Internet sources were not researched to determine the presence of hazardous substances or detrimental environmental conditions in the subject's vicinity.

Federal, State, and local laws concerning any hazardous substance or gas are sometimes contradictory. Therefore, any needed clean up should comply with the most stringent laws. The appraiser(s) are **not** informed or trained in environmental legalities. It is assumed no hazardous substance or gas adversely affects the subject real estate. If the subject is adversely influenced by a hazardous condition, then the subject's market value would be impaired.

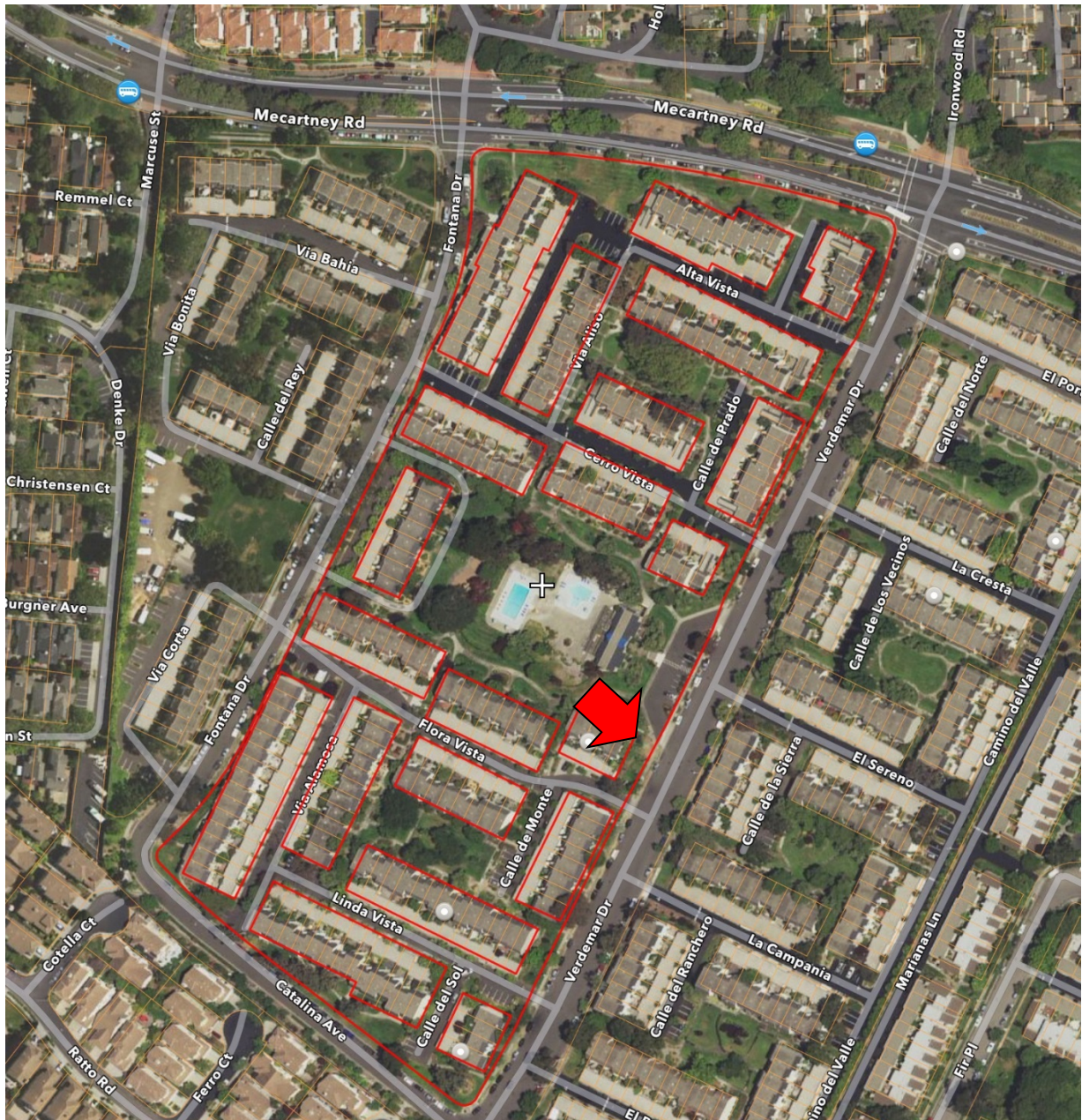
Recommendation

The presence of any hazardous condition usually diminishes market value. The value opinion formed in this report assumes there is no environmental hazard affecting the subject real estate. No responsibility is assumed by the appraiser(s) or Mann & Associates for any hazard, or for any expertise required to discover any environmentally hazardous condition. Our client is urged to retain an expert in this field, if any risks were apparent to the undersigned. Reader should note that there were no obvious environmental risks apparent on the date of observation.

Seismic Hazards

While most properties within the San Francisco Bay Area are subject to some degree of seismic risk, properties with greatest risks are considered to be those most proximate to known earthquake faults. The subject property is not located in an identified Alquist-Priolo special study earthquake zone, unless otherwise stated.

Aerial Photograph



IMPROVEMENTS DESCRIPTION

Development/Property Name:	Verdemar Pump Station Easement
Property Type:	Park/Open Space – Common Area for the Casitas Alameda Homeowner’s Association.
Overview:	The acquisition area (108 SF Easement) will expand the existing and adjacent 180 SF Sewer Pump Station Easement on the subject parcel's 9.157 acre common area site. The larger parcel is the common area for 190 townhome/PUD units in the Casitas Alameda Homeowners Association.

PROPERTY ANALYSIS

Improvements:	A clubhouse and swimming pool, parking lots, private driveways and landscaped areas are located on the subject parcel.
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Proposed Project

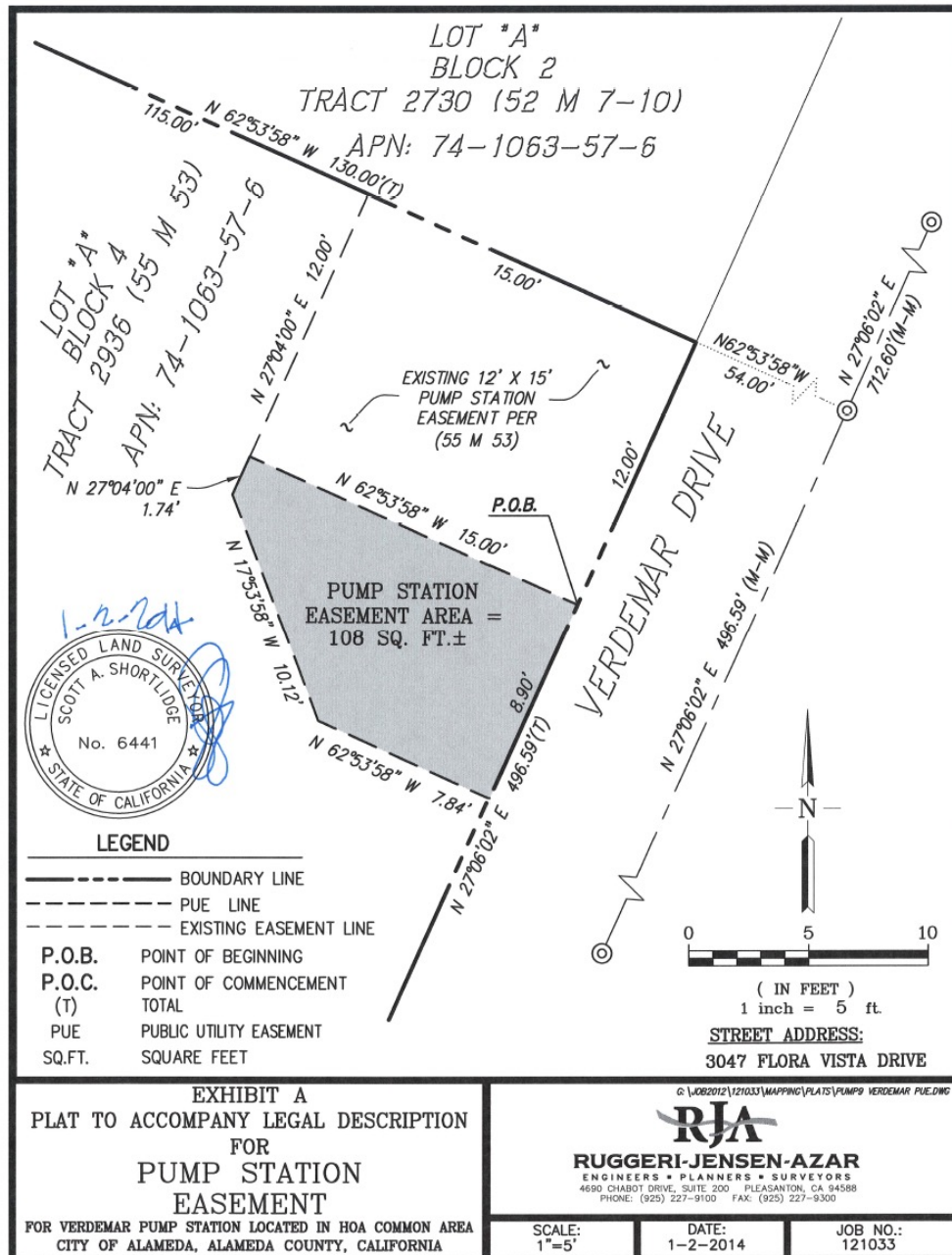
The project involves an upgrade to 36 sewer pump stations throughout the City of Alameda, one of which requires a proposed acquisition over a small portion the subject site. The proposed easement is a 108 SF addition to an existing 12' x 15' (180 SF) easement for an existing sewer pump station. The sewer pump station renovations require both underground and above ground improvements. Possible surface improvements include installation of a new motor control cabinet, a new electrical service pedestal box cabinet, an emergency backup generator connection plug, a SCADA alarm pole, and/or a replacement water back blow preventer. Illustrations of the proposed renovations to the Verdemar Pump Station from an October 2013 public meeting are shown below.



This project will enhance the reliability of the sewer system and is required United States EPA. The existing wet well will remain in the original 180 SF easement area. This project will remove the existing motor control cabinet (MCC) and SCADA pole and relocate them to the proposed 108 SF easement area along with a service pedestal. This will relocate the cabinets much closer to the sidewalk and out of the center of the landscaped area. New landscaping will be installed to cover and buffer the new cabinets.

Partial Acquisition

Includes a 15 foot by 8.9 foot (at its widest points) easement that will be acquired from the existing subject site which is a 9.16 acre common area for the Casitas Alameda Homeowner's Association. This acquisition area totals 108 square feet of site area and is adjacent and contiguous with the existing 180 square foot sewer pump easement. The partial acquisition is shown below.



Effect of Acquisition Upon Remainder Parcel

The larger parcel is a 9.16 acre common area for the Casitas Alameda Homeowner's Association. 190 individual townhomes are located upon this parcel which is owned proportionately by all the units within the homeowner's association. Value in real estate is created by these four factors:

Demand, Utility, Scarcity and Transferability. The subject property is unique as common area for an HOA because this limits its *transferability* and *utility* to the individual homeowners that the parcel services. In California, Assessor's do not assign value, or real estate taxes, to common areas in PUD and condominium projects because the value in the common area transfers with the individual units in the project and not the common area parcel itself. The utility in the common area is limited to use by only the owners and their guests. The transferability of the site is limited only to the proportional transfer of ownership by each individual owner's rights in the common area when PUD/Condo units are sold. The common area itself cannot be sold or transferred.

This is an unusual property type which is intended to serve the nearby and attached properties it serves. The concept is very similar to a public roadway or street which exists only to serve the surrounding and nearby properties. A street, or roadway, has value only because it exists to serve the surrounding properties. It does not have value itself per se. This principle is noted in the *Uniform Appraisal Standards for Federal Land Acquisitions (Yellow Book)*. Which states "It is customary to say that the value of the land in the streets and alleys is 'reflected' in the value of the lots" nearby. The subject's common area is very similar in this regard.

The acquisition will have both positive and negative impacts upon the remainder of the subject parcel after the acquisition. The project will improve the overall reliability of the sewer system which is vital to the 190 townhomes on the subject's larger parcel common area for the Casitas Alameda Homeowner's Association. However it will have minimal or nominal negative impacts on the remainder as well. The proposed easement will have no adverse effects on the market value of any of the individual townhomes within Casitas Alameda.

The proposed easement is currently utilized as landscaped common area with plants and trees. There is (was) no grass or lawn in the area of the proposed easement. As such this area is not utilized as recreational space and is used only as a visual buffer of landscaping. A small portion of the proposed easement will have metal cabinets installed but the remainder of the area will still be landscaped. The existing 180 SF easement represents less than 0.0005% of the larger parcel's site area. Even with the addition of another 108 SF of easement area the total 288 SF sewer pump easement area as proposed will still represent 0.0007% of the larger parcel's total site area. The easement takes some but not all of the bundle of rights in the easement area. These may include both above ground and below ground rights.

The proposed 108 SF easement addition to the sewer pump station will not cause any adverse effect on the remainder parcel in that there is no individual adverse effects on any of the 190 units located on the common area. Since no adverse severance damage is indicated, benefits, if any, have not been estimated. That said there is still a minimal adverse effect on the overall larger parcel. Therefore we have looked to the market to find indications of the value impact of the acquisition area of easement, as detailed further in this report.

Subject Photographs



Verdemar Sewer Pump Station



Sewer Pump Station Easement Area



Casitas Alameda Homeowners Association



Driveway Adjacent to Sewer Pump Station



Sidewalk at Easement Area



Other Utilities Near Sewer Pump Easement Area



Verdemar Dr North



Verdemar Dr South

Assessment and Taxes

In California, real estate tax assessments are based on a property's assessed value, which is multiplied by a tax rate of 1%, plus any outstanding bond indebtedness. These assessments are increased by a maximum of 2% per year, although the bond debt is constant with its amortization schedule. A reassessment is permitted upon change of ownership (based on the market value at time of sale), new construction or additional improvements on a property. The Alameda County Tax Collector reports that there are no supplemental tax assessments due on the subject property and that current year taxes are paid in full. The subject's current assessment values, and property taxes, including special assessments, are shown below.

Real estate taxes throughout the State of California are computed by the following formula. The County establishes the assessed valuation, while the ad valorem tax rate is set at 1% according to the terms of Proposition 13. Special assessments are added to this ad valorem tax.

$$TAX\ AMOUNT = Assessed\ Valuation \times Tax\ Rate$$

The following information is the most current now available.

<i>County</i>	Alameda
<i>Tax Year / Assessment</i>	2015
<i>Assessor's Parcel Number</i>	074-1063-057-06
<i>Land Assess Value</i>	\$0
<i>Improvements Assessed Value</i>	\$0
<i>Total Assessed Value (TAV)</i>	\$0
<i>Ad Valorem Taxes</i>	None
<i>Special Assessments</i>	None
<i>Total Tax Amount</i>	None

The subject parcel is the common area of a PUD/condo association and has no assessment or taxes. It is owned proportionately by the individual owners in the association and taxes are paid by the individual owners.

Zoning

LAND USE CONTROLS	
Zoning Code	R-1-PD
Zoning Description	Zoning is for low density residential while General Plan allows for Medium Density Residential.
Actual Density of Use	70 units per acre max
Current Use Legally Conforming	The subject is legal and conforming use.
Zoning Change Likely	A zoning change is unlikely.
Zoning Change Description	N/A
Set Back Distance	20 feet
Side Yard Distance	5-10 feet
Zoning Comments	The subject is zoned R-1-PD, low density SFR with a planned development. Because the conditions for development are specific to this project and zoning district, the subject is assumed to be fully in conformance with the zoning district requirements.

The subject property is zoned "R-1-PD" District by the City of Alameda. The existing development is conforming to this zoning at approximately 20 units per acre. Although unlikely, a zoning change is possible, based on the higher allowed medium residential density of up to 70 units per acre allowed in the General Plan.

Zoning Map



Zoning

Residential

R-1	ONE FAMILY RESIDENTIAL
R-2	TWO FAMILY RESIDENTIAL
R-3	GARDEN RESIDENTIAL
R-4	NEIGHBORHOOD RESIDENTIAL
R-5	GENERAL RESIDENTIAL
R-8	HOTEL RESIDENTIAL

Commercial

A-P	ADMINISTRATIVE PROFESSIONAL
C-1	NEIGHBORHOOD BUSINESS
C-2	CENTRAL BUSINESS
C-C	COMMUNITY COMMERCIAL
C-M	COMMERCIAL MANUFACTURING

Industrial

M-1	INTERMEDIATE INDUSTRIAL
M-2	GENERAL INDUSTRIAL

Special Zones

M-X	MIXED USE PLANNED DEVELOPMENT
E	ESTUARY
O	OPEN SPACE
PD	PLANNED DEVELOPMENT OVERLAY

A	AGRICULTURAL DISTRICT
B	BUILDING SITE DISTRICT
H	HEIGHT DISTRICT
Y	YARD DISTRICT
G	GOVERNMENT COMBINING

Highest and Best Use

Introduction

A highest and best use identifies the most reasonably probable and appropriately supported use of the property appraised. Since market conditions change, a property's highest and best use may change as well. This analysis is an essential step in the determination of market value. Market dynamics determines a property's use and an appraisal values that use. Practically speaking, a highest and best use analysis forms a framework for the proper selection of comparables.

The “*Dictionary of Real Estate Appraisal*”, fifth edition, copyright 2010 by the Appraisal Institute defines this term on page 93 as:

"The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property - specific with respect to user and timing of the use - that is adequately supported and results in the highest present value"

There are two types of highest and best use. The first is highest and best use of land as though vacant. If a building already exists, the second variety is highest and best use as though now improved. The later considers whether the existing building should be retained as is, demolished, remodeled, renovated, repaired, enlarged, or converted to an alternate use. Both types require separate analyses. Current usage may or may not be different from the near future highest and best use.

Highest and Best Use

The concept of Highest and Best Use is based upon four major criteria, which are summarized below:

1. *Legally Permissible* The use must be legal or probable. That is, the use must conform to existing zoning restrictions, or there must be a reasonable likelihood a rezoning or variance may be granted. Private agreements like deed restrictions and leases must also be considered.
2. *Physically Possible* Physical attributes of the land that must be considered include size, access, shape, orientation, soil conditions, potential hazards, topography, and utilities. Physical attributes of the building that must be analyzed include design, size, efficiency, mechanical systems, floorplan, construction materials, quality, and physical condition.
3. *Financially Feasible* Land may be developed with different uses. Only those uses, which produce a positive net return over time with acceptable risk, are deemed financially viable. This use must not depress surrounding property values.
4. *Maximum Productivity* Of all uses that survive the first three tests, there is only one use, which produces the greatest return with the least risk. This single use represents the property's Highest and Best Use. Supply and demand are constantly fluctuating, so it is common for a property's highest and best use to change.

Highest and Best Use

Introduction

Highest and best use demand analyses can be categorized into two different levels of detail - Inferred and Fundamental. A fundamental analysis forecasts future demand from projections of broad demographic and economic data like population, income, and employment. Existing supply is inventoried. Then, the relationship of supply and demand is weighed to determine net demand. If net demand is positive, more of that property type is needed. Of course, the opposite is also true.

An inferred analysis is based on local trends and patterns from which inferences are made. This type analysis presumes that recent past trends will continue for the near future. Sale prices, number of competitive listings, marketing intervals, and / or price changes for other similar properties infer there is adequate demand for the subject at a price level congruous with the available data. An inferred analysis emphasizes historical data while a fundamental analysis is based on expected future occurrences.

This appraisal's highest and best use was based, in part, on a fundamental demand analysis. Following below are detailed considerations used to form two highest and best use determinations for the property appraised.

There are two types of highest and best use - “as though now vacant” and “as though now improved”. The former presumes the land is vacant and available for development. The latter considers whether the building should be retained as is, renovated, remodeled, repaired, enlarged, demolished, or converted to an alternate use.

Highest and Best Use

Buyer Types

The most likely buyer type is crucial to highest and best use. Different buyer types have different motivations and different perceptions of risk. The buyer type must be identified to better understand applicable approaches and the selection of cap rates and yield rates. Different buyer types are identified below.

Owner-User	Acquires real estate mostly for its use; vacancy & investment yield are not primary criteria. Property suitability is the major objective.
Passive Investor	Seeks an established income stream; usually does not change the property in any meaningful way; generally prefers long-term ownership
Developer	Acquires real estate to physically or legally change it in some significant fashion; accepts substantial risk so expects major reward; short-to-medium holding period
Speculative Investor	Buys real estate solely as an investment with most of the reward at termination; property use is not a primary consideration; medium-to-long-term holding period; usually buys during weak market conditions, so accepts huge risk. Mantra: Buy low, sell high.
Pure Speculator	Buys real estate solely as an investment with most of the reward at termination; property use is usually not a major consideration; buys during conditions of rapidly appreciating prices; short-to-medium ownership period.

Highest and Best Use

Most Likely User

The most likely user is also important. Clearly, users of an age-restricted multiunit residential structure have needs and preferences that are much different from young married couples with small children. These preferences and needs affect value, so the most likely user should be identified to judge the extent that existing or proposed improvements fulfill those needs.

Timing of Use

A crucial component of a highest and best use is timing. If the timing of a use is not now, when is it? When timing for a specific use cannot be identified, then that use is not the best. If the highest use is not within a decade, then the time-value of money usually precludes that use. When the timing of a use is within a few years, what is the interim use? Remaining dormant is a legitimate interim use.

Ideal Improvement

Identification of the "**ideal improvement**" is an essential element of highest and best use. If the property appraised is vacant land, the ideal describes what should be built. If the existing improvements (one or more buildings and site improvements) have the same or similar attributes as the ideal, then the existing improvements have no or minimal depreciation. Obviously, the opposite also applies. The described ideal improvement is as specific as market data will allow. This improvement is a new medium density residential development.

As Though Now Vacant Land

If subject parcel were vacant, how would it be used? This question is answered by applying the four tests of highest and best use.

Legally Permissible

Legal restrictions fall into two main categories - private and public. Private restrictions are agreements imposed by previous owners. Examples include access easements, use limitations, and leases. Public constraints include zoning, right-of-way easements, historic districts, and utility easements.

Unless specifically stated otherwise, there are no known atypical private or public restrictions. Zoning permits a variety of low density residential uses. Rezoning to medium density uses and higher densities is possible based on the General Plan.

As Though Now Vacant Land

Physically Possible

Physical attributes commonly considered include size, shape, access, flood potential, topography, and availability of utilities. Characteristics that may be significantly detrimental but the appraiser(s) are not trained to detect or determine environmental hazards or soil conditions.

There are no known environmental concerns or adverse soil conditions. The land is not located in a FEMA special flood hazard. Sewer and water connections are proximate and access is convenient.

The subject larger parcel's 9.17-acre size, covering an entire block, and efficient rectangular shape are adequate for a variety of uses. Its location in a residential area of Bay Farm Island is very beneficial for a residential use. In summary, the subject's physical attributes are conducive for a myriad of legal uses including multifamily and commercial.

Financially Feasible

Uses that are impossible or improbable physically and legally are first eliminated. Those uses that remain are then tested to determine whether they produce sufficient net income to fully pay for all operating expenses and provide adequate compensation for all invested capital.

Demand for multiunit housing, especially condominium housing, is very strong. As evidence, of same, there are numerous condominium conversions and construction of new residential condominiums and multifamily apartment within a 10-mile radius. This constitutes an inference that residential condominiums or apartments are now financially feasible.

Maximum Productivity

Maximum productivity is considered only if more than one use survives the first three tests. This concept holds land will be developed with the use that returns the greatest positive reward over time assuming it is appropriately supported. However, the numerical return should not be the sole determinant. The numerical reward must be weighted within the context of risk. When a use is expected to produce a very attractive return but the risk is very high, that use is often eliminated.

Highest and Best Use

A medium density residential use is the only use that survives the first three tests. Hence, a medium density residential use is the only possible highest and best use of the land as though vacant. The 9.17 acre larger parcel is only part of the common area for Casitas Alameda Homeowner's Association. It contains 190 units of over 400 townhomes in the association and cannot be sold or redevelopment without the purchase and consolidation of all units within the association. This does not appear to be financially feasible at this time.

Conclusion As Though Now Vacant

The subject larger parcel is the common area for 190 townhomes in the Casitas Alameda Homeowner's Association. It is owned proportionately by all 400 plus units within this homeowner's association. Legal restrictions allow only low and medium density residential uses. As such, a residential use is the only use that seems legally, physically, and financially possible. Therefore, a residential use is deemed the highest and best use of the land as though vacant.

Physical Use	Low or medium Density Residential Development.
Timing of Physical Use	Immediately develop with the physical use
Interim Use	No Interim Use
Market Participants	
Most Likely Buyer	An owner-user
Most Likely User	The buyer

As Though Now Improved

Two major questions must be answered throughout this analysis. When the value of land, as though vacant, exceeds the value of the land and building together, then the structure should be razed. Should the subject building be retained or demolished? If the structure should be kept, is it economically viable to remodel, alter in size, renovate, repair, or convert it to an alternate use? The subject parcel is the common area for 190 PUD/Townhomes and is tied to these 190 single family residences with PD zoning and approvals.

Legally Possible

Several questions may be germane. Is it legally possible to enlarge the existing building? Can the existing building be legally demolished or does a historic element preclude this?

The existing subject structure fully complies with the zoning ordinance. Therefore, its current use is deemed legal.

Physically Possible

Several pertinent questions may apply. Are the site sufficiently large and the existing building appropriately positioned to enlarge the existing building? Should the building be demolished, renovated, repaired, or converted to another use?

Land size and/or another physical attribute are insufficient to support any significant building expansion. The parcel supports 190 townhomes as the common area for them and as such it is tied with proportional ownership to each of these units. Legal approvals for the subject as common area preclude redevelopment of the site.

Financially Feasible

Relevant queries include - Is it financially feasible to expand or alter the subject structure? Is it feasible to convert it to another use?

The subject is one common area of several for over 400 units in the Casitas Alameda Homeowner's Association. Redevelopment of the subject site would require the acquisition of all units in this association. This would be both expensive and difficult to do. This implies there are economic constraints precluding the financial viability of major alterations.

Maximum Productivity

Only one use survives the first three tests. The sole surviving use is its current use.

Conclusion As Though Now Improved

Physical Use	Remain part of the larger parcel - common area for townhomes in a PUD homeowner's association.
Timing of Physical Use	Immediate
Interim Use	No Interim Use
Market Participants	
Most Likely Buyer	Owner-user
Most Likely User	The buyer

The subject land "as though now vacant" has a market value that is less than the worth of the land and building together. This proves the improvements positively contribute to value. These improvements were designed to serve its current use; they are compatible with nearby uses. Local costs, prices, and rents do not justify major building alterations.

Therefore, the improvements should be retained and used "as is". The subject parcel is the common area for 190 PUD/Townhomes and is tied to these 190 single family residences with PD zoning and approvals. After the acquisition of the proposed 108 SF sewer pump easement the highest and best use of the larger parcel will be the same – continued use as the common area for the Casitas Alameda HOA. Furthermore there is no change in highest and best use to any of the individual townhomes located within the larger parcel.

In light of the foregoing highest and best use determinations, land comparables were selected with the same or similar highest and best use. Because common area's for homeowner's association cannot sell, we have relied on properties with similar uses like open space. This data is very influential while forming a value opinion for the acquisition area of the property appraised.

Valuation Methodology

Three basic approaches may be used to arrive at an estimate of market value. They are:

1. The Cost Approach
2. The Income Approach
3. The Sales Comparison Approach

Cost Approach

The Cost Approach is summarized as follows:

$$\begin{array}{r} \text{Cost New} \\ - \text{Depreciation} \\ + \text{Land Value} \\ \hline = \text{Value} \end{array}$$

Income Approach

The Income Approach converts the anticipated flow of future benefits (income) to a present value estimate through a capitalization and or a discounting process.

Sales Comparison Approach

The Sales Comparison Approach compares sales of similar properties with the subject property. Each comparable sale is adjusted for its inferior or superior characteristics. The values derived from the adjusted comparable sales form a range of value for the subject. By process of correlation and analysis, a final indicated value is derived.

Final Reconciliation

The appraisal process concludes with the Final Reconciliation of the values derived from the approaches applied for a single estimate of market value. Different properties require different means of analysis and lend themselves to one approach over the others.

Analyses Applied

A **cost analysis** was considered not considered applicable in the value of land and was not developed.

A **sales comparison analysis** was considered applicable and was developed.

An **income analysis** was not considered relevant as the subject property does not produce any income and was not developed in this appraisal.

Land Value

The subject's land value has been developed via the sales comparison approach.

Sales Comparison Approach – Land Valuation

The Sales Comparison Approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership. It is based on the principles of supply and demand, balance, substitution and externalities. The following steps describe the applied process of the Sales Comparison Approach.

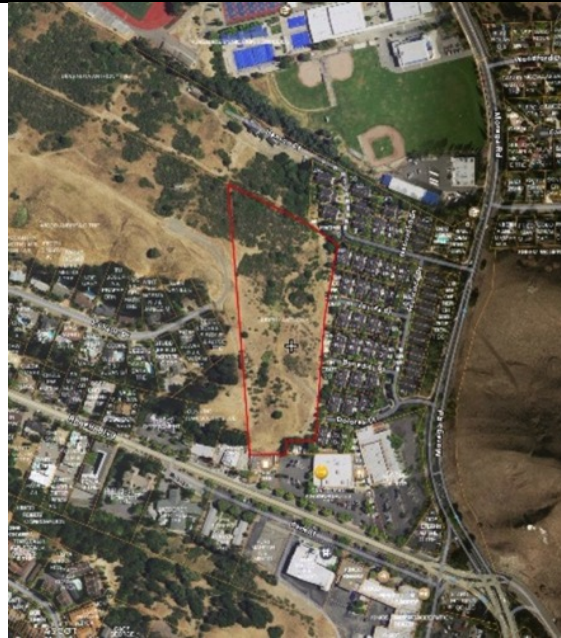
- The market in which the subject property competes is investigated; comparable sales, contracts for sale and current offerings are reviewed.
- The most pertinent data is further analyzed and the quality of the transaction is determined.
- The most meaningful unit of value for the subject property is determined.
- Each comparable sale is analyzed and where appropriate, adjusted to equate with the subject property.
- The value indication of each comparable sale is analyzed and the data reconciled for a final indication of value via the Sales Comparison Approach.

Land Comparables

We have researched four comparables for this analysis; these are documented on the following pages followed by a location map and analysis grid. All sales have been researched through numerous sources, inspected and verified by a party to the transaction.

Comp	Address	Date	Land SF	Acres	Zoning	
Subject	City	Price	Price Per Land SF	Price Per Acre	Property Major	Comments
	Verdemar Dr		398,879	9.16	R-1-PD	The subject is the common space for Casitas Alameda Homeowner's association and has 190 townhome sites located within the parcel. A pool and clubhouse, extensive landscaped common areas, sidewalks and private driveways are located throughout the site.
	Alameda				Land	
1	Moraga Rd	3/18/2014	377,709	8.67	Moraga Open Space	This site is zoned private open space by the Town of Moraga. Slope on the site could preclude any development under the Town's open space ordinance which would allow a maximum of one unit. The site also lacks adequate ingress/egress for development and will continue to be privately owned open space.
	Moraga	\$97,000	\$0.26	\$11,188	Land	
2	Lowry Rd	11/23/2011	18,165	0.42	PUD	This parcel was created by terms of development under the PD approval of Tract 3722 which required a 10 to 15 foot pedestrian easement along the then Southern Pacific Railroad right of way. The City of Fremont deleted this requirement of approval for the development in 1983 after Union City approved a subdivision across the railroad tracks without requiring a pedestrian easement. This effectively made this parcel's easement go "nowhere" and it was removed. The parcel is not developable because it ranges in width between 10' and 40' and is over 1000' long. It is effectively rendered as open space along the now Union Pacific Railroad corridor and behind over a dozen single family residences.
	Fremont	\$27,000	\$1.49	\$64,286	Land	
3	2828 Filbert St B	2/17/2015	700	0.02	RM-4	This is a purchase of an agreement to exclusive right to park in an area adjacent to a condominium unit. This area is approximately 700 SF and is a portion of the common area of the overall condominium association. This is not a sale but is effectively an "easement" for the exclusive right to park on this area which removes nearly all other uses by the other owners in the condo association.
	Oakland	\$7,000	\$10.00	\$350,000	Land	
4	Edinburgh Dr	6/13/2015	1,077,239	24.73	PUD 29-89	This site is two parcels that are encumbered with an easement that restricts the site to open space to be maintained in as close to "natural condition" as possible. No development is possible on the site as a result. The site was taken back by the lender with a deed in lieu of foreclosure on 2/14/2011 in forgiveness on a \$500,000 remaining balance.
	Livermore	\$550,000	\$0.51	\$22,240	Land	

Land Comparable 1



Transaction

Name	Moraga Open Space	Date	3/18/2014
Address	Moraga Rd	Price	\$97,000
City	Moraga	Price Per Land SF	\$0.26
State	CA	Financing	All Cash
Tax ID	255-030-027	Property Rights	Fee Simple
Grantor	Anthony Murphy	Days on Market	NA
Grantee	Ravig Inc	Verification Source	NA
Legal Description	Parcel Map 107 Page 3		

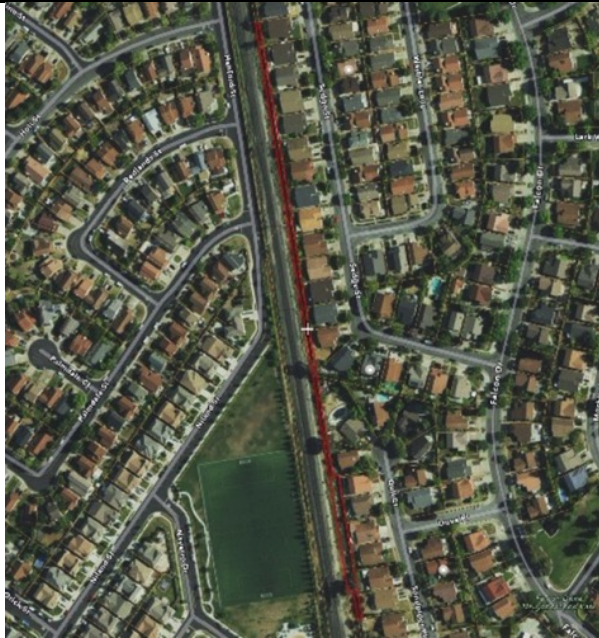
Site

Acres	8.67	Topography	Sloped
Land SF	377,709	Zoning	Moraga Open Space
Road Frontage	NA	Flood Zone	X
Shape	Irregular	Encumbrance or	None Noted
Utilities	Public nearby	Environmental Issues	None Noted

Comments

This site is zoned private open space by the Town of Moraga. Slope on the site could preclude any development under the Town's open space ordinance which would allow a maximum of one unit. The site also lacks adequate ingress/egress for development and will continue to be privately owned open space.

Land Comparable 2



Transaction

Name	Lowry Rd	Date	11/23/2011
Address	Lowry Rd	Price	\$27,000
City	Fremont	Price Per Land SF	\$1.49
State	CA	Financing	All Cash
Tax ID	543-0408-138-00	Property Rights	Fee Simple
Grantor	NA	Days on Market	NA
Grantee	John Gerber Inc	Verification Source	NA
Legal Description	Tract 3722 (portion)		

Site

Acres	0.42	Topography	Level
Land SF	18,165	Zoning	PUD
Road Frontage	NA	Flood Zone	X
Shape	Irregular	Encumbrance or	None noted
Utilities	Public nearby	Environmental Issues	None noted

Comments

This parcel was created by terms of development under the PD approval of Tract 3722 which required a 10 to 15 foot pedestrian easement along the then Southern Pacific Railroad right of way. The City of Fremont deleted this requirement of approval for the development in 1983 after Union City approved a subdivision across the railroad tracks without requiring a pedestrian easement. This effectively made this parcel's easement go "nowhere" and it was removed. The parcel is not developable because it ranges in width between 10' and 40' and is over 1000' long. It is effectively rendered as open space along the now Union

Land Comparable 3



Transaction

Name	Parking Agreement	Date	2/17/2015
Address	2828 Filbert St B	Price	\$7,000
City	Oakland	Price Per Land SF	\$10.00
State	CA	Financing	All Cash
Tax ID	005 -0453-065-00	Property Rights	Fee Simple
Grantor	Bayside Court Owners	Days on Market	NA
Grantee	Alexander Gauld	Verification Source	NA
Legal Description	Common Area of PM 6640		

Site

Acres	0.02	Topography	Levle
Land SF	700	Zoning	RM-4
Road Frontage	NA	Flood Zone	X
Shape	Rectangular	Encumbrance or	None Noted
Utilities	Public on site	Environmental Issues	None Noted

Comments

This is a purchase of an agreement to exclusive right to park in an area adjacent to a condominium unit, This area is approximately 700 SF and is a portion of the common area of the overall condominium association. This is not a sale but is effectively an "easement" for the exclusive right to park on this area which removes nearly all other uses by the other owners in the condo association.

Land Comparable 4



Transaction

Name	Edinburgh Open Space	Date	6/13/2015
Address	Edinburgh Dr	Price	\$550,000
City	Livermore	Price Per Land SF	\$0.51
State	CA	Financing	Conventional
Tax ID	099-1336-109-00 & 099-	Property Rights	Fee Simple
Grantor	HDA Mortgage Fund LLC	Days on Market	33
Grantee	TBD	Verification Source	NA
Legal Description	NA		

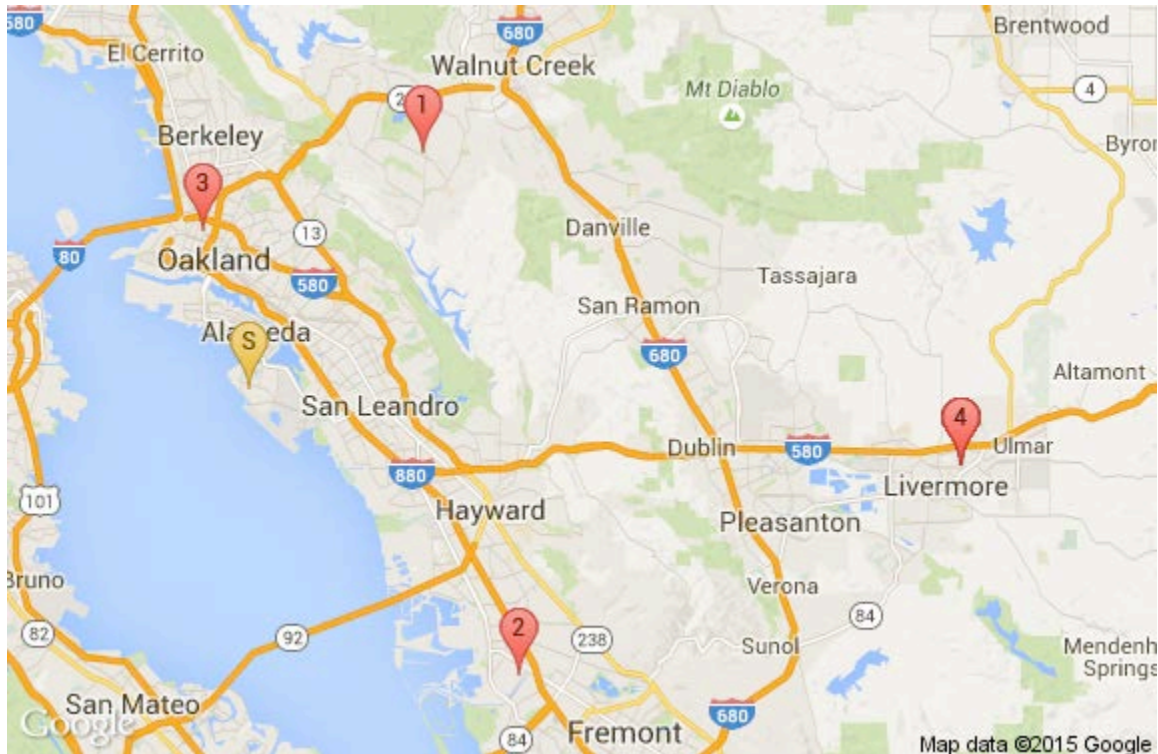
Site

Acres	24.73	Topography	Rolling
Land SF	1,077,239	Zoning	PUD 29-89
Road Frontage	NA	Flood Zone	X
Shape	Irregular	Encumbrance or	Entire site encumbered by
Utilities	Public nearby	Environmental Issues	None Noted

Comments

This site is two parcels that are encumbered with an easement that restricts the site to open space to be maintained in as close to "natural condition" as possible. No development is possible on the site as a result. The site was taken back by the lender with a deed in lieu of foreclosure on 2/14/2011 in forgiveness on a \$500,000 remaining balance.

Comparables Map



Value of the Part Acquired

The value of the part acquired is based on the value of the whole property in the Before Condition and After Condition. We have previously discussed that the value in the common area is reflected in the individual units within Casitas Alameda HOA and not in the parcel itself. No individual unit will suffer any value impairment as a result of the proposed easement so the before and after value of the larger parcel remains the same.

However, a nominal impact is still recognized on the overall utility of the common area. The comparable sales were selected to help analyze this impact on the subject's site.

Comparable 1 is an 8.67 acre parcel with private open space zoning in the Town of Moraga. Theoretically the property could possibly be developed with one home, but existing slope and limited ingress/egress make it very difficult or impossible to develop. The sale price represents a speculative purchase at \$0.26/SF. This property is slightly inferior to the subject's site because it is completely undeveloped.

Comparable 2 is an unusually shaped long and narrow parcel that runs between a railroad right of way and over a dozen homes. The site cannot be developed and the speculative sale price is at \$1.49/SF. This value is much higher than Comparable 1 because this sale is less than half an acre in size or much smaller than Comparable 1. Nonetheless, this sale is still inferior to the subject's common space because it is not as developed.

Comparable 3 is an overall very similar sale that is considered an excellent indicator of market value for the subject property. This is a purchase of an “exclusive right to park” in the common area for the Filbert Street Lofts, a 33 unit live work loft project with common area. This is a deeded sale of approximately 700 SF of parking area whereby the buyer (who owns one loft unit in the project) purchased the exclusive right to park in the parking area. This “exclusive right” to park is effectively an easement over the common area. Other users could pass or walk over the spots when no car is in them but most other uses of this small portion of the common space have been removed from other owners in the Filbert Street Lofts.

Comparable 4 is an active listing of a nearly 25 acre parcel that has an easement for open space that restricts the use of this site to open space to be maintained as close as possible to natural condition. It is surrounded by single family residential development and the most likely users of this area would be nearby residents, if for nothing other than the scenic break the open space provides. The property is marketed for sale by a lender that took it back on a deed in lieu of foreclosure on a \$500,000 forgiveness of outstanding debt. The asking price of \$0.51/SF is inferior to the subject site because it is completely undeveloped.

It has already been concluded that the proposed acquisition of the sewer pump easement area will have a nominal impact on the larger parcel and all of the townhomes located within the parcel. Nonetheless, some impact can be measured as indicated by Comparable 3. We have relied on the approximate \$10.00/SF that is indicated by this sale as a good indicator of the Fair Market Value of the subject’s proposed easement. However, the parking use in Comparable 3 is a much more intensive impact on the bundle of rights. The parking takes 95% or more of the bundle of rights from the common area. The proposed sewer pump station easement does not have as intensive an impact on the bundle of rights.

Therefore, we have utilized a 60% of fee value for the part acquired to reflect the remaining bundle of rights to be acquired. This indicated a \$6.00/SF value for the part acquired and as applied to 108 SF, and a Fair Market Value of the part acquired of \$648 is indicated.

Opinion of Value for the Parts to be Acquired									
Type	Use	Fee Value		x	Sq Ft		x	% of Fee	= Value
Easement	Sewer Pump Station	\$10.00	/Sq Ft	x	108	Sq Ft	x	60%	= \$648
		Nominal Value - Rounded							\$1,000

This is a nominal amount and it would normally be rounded to \$650, however, we have rounded to \$1,000 to reflect some of the time and involvement of the Property Management firm and members of the Casitas Alameda Homeowner’s Association in the management of this easement process.

Severance Damages and Benefits

It has already been concluded that the addition of the proposed 108 square foot easement to the existing 180 square foot sewer pump station easement will be nominal. It has also been concluded that there will be no adverse effect on the remainder of the larger parcel. No severance damages are indicated. As a result, benefits, if any have not been calculated.

Final Opinion of Market Value (Total Compensation)

The proposed easement has a **NOMINAL** value impact on the subject parcel. We have concluded a fair market value of **\$1,000** as total compensation for the proposed acquisition.

Final Reconciliation

During reconciliation, strengths and weaknesses of each developed approach are considered. Adequacy and relevance of the data is weighed. Differences between approaches are examined, rationalized, and resolved when possible. From the various value indications, one is selected as most pertinent and reliable.

Existing structural improvements are considered a legal, conforming use. A highest and best use analysis “as though now improved” concluded a common area use would yield the greatest net return to the land. Considering the three classic approaches to value, the following value indications were developed.

Value Indications

Cost Approach:	N/A
Sales Comparison Approach:	\$1,000
Income Approach:	
Direct Capitalization	N/A

Cost Approach

A cost approach provides an approximation of the depreciated reconstruction cost of the improvements. Added thereto is the worth of the land as though vacant. This approach is most applicable for new, or like new structures due to less uncertainty when estimating reconstruction cost or depreciation, if any. As building age increases, depreciation based on visual observation, becomes subjective. Additionally, the transference of real estate is seldom negotiated on a depreciated cost basis. This value indication was not considered applicable to the subject property and was not developed in this appraisal.

Sales Comparison Approach

In the sales comparison approach to value, sales of similar type properties are compared to the property being appraised. This approach is very significant because it directly reflects the actions of buyers and sellers in the marketplace. It reflects economic conditions, acceptance, or rejection of various features, and trends of general desirability. This methodology is a true measure of supply and demand, accounting for all influential forces affecting the market. Therefore, this value indication was given primary credence in this report.

Income Approach – Direct Capitalization

The income approach is most appropriate where the primary acquisition criterion is a flow of income dollars. This methodology forecasts income that is converted into value via capitalization. It is not very appropriate for properties bought by an owner / user. An owner / user generally purchases real estate for his / her own occupancy and use. Net income and capitalization rates are of little importance to this buyer type. Furthermore the subject property is the common area for the homeowner’s association of 190 townhomes. This property does not produce income, so in this appraisal, this approach was not considered relevant and was not developed.

Value Conclusion

The three approaches are both independent and interdependent. Each approach is independently processed, yet many of the same variables, like building size, are used throughout all three methods, hence the interdependence. In this report, the sales comparison approach was the only indication to market value and the conclusion of this approach is the reconciled market value for this appraisal report.

Based on the data and analyses developed in this appraisal, we have reconciled to the following value conclusion(s), as of July 16, 2015, subject to the Limiting Conditions and Assumptions of this appraisal.

Reconciled Value(s): Premise: As Is
 Interest: Fee Simple - Easement
 Fair Market Value Conclusion: **\$1,000**
 One Thousand Dollars
 Recommended Total Compensation

Appraisal Institute

The Appraisal Institute, the professional organization that awards the MAI and SRA appraisal designations, conducts a program of continuing professional education only for its designated members. Candidate and Affiliated Members may attend educational courses and seminars, but they do not receive continuing education credit from the Appraisal Institute.

Declarations

- Completed The appraiser is a designation member of the Appraisal Institute who declares he / she has completed the continuing education program prior to this report's preparation date.
- Not Completed The appraiser is a designation member of the Appraisal Institute who declares he / she has not completed the continuing education program prior to this report's preparation date.
- Does Not Apply The appraiser is not a designated member of the Appraisal Institute so this organization's continuing education program does not apply.

Each appraiser affixing his / her signature to this document makes the following declaration, which is defined immediately above.

Appraiser	Declaration
Bruce Hahn, MAI, SRA, ASA	Completed

Signatories to this report, who are Appraisal Institute designated members, associates, or affiliates, incorporate the following Certifications to those listed under the bolded topic named "Certifications" contained within this report.

- 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 & Standards of Professional Appraisal Practice of the Appraisal Institute, which includes the Uniform Standards of Professional Appraisal Practice.
- Use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

American Society of Real Estate Appraisers

The American Society of Appraisers has a mandatory recertification program for all its Senior Members. Bruce Hahn, MAI, SRA, ASA, is in compliance with this program.

Certification Statement

We certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions and conclusions.
- We have no present or prospective future interest in the property that is the subject of this report, and have no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report, or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- Our 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 the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
- No one provided significant real property appraisal assistance to the person(s) signing this certification.
- We certify sufficient competence to appraise this property through education and experience, in addition to the internal resources of the appraisal firm.
- The appraisers have performed the following prior services regarding the subject within the previous three years of the appraisal date: None
- Bruce Hahn has made a site inspection of the subject property.



Bruce Hahn, MAI, SRA, ASA
Certified General Real Estate Appraiser
State of CA - AG004370
Exp. June 19, 2016

Addenda



Exhibit A

Pump Station Easement (Verdemar)

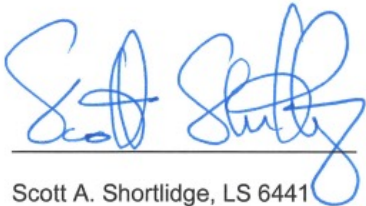
Land Description of a parcel of land situate in the City of Alameda, County of Alameda, State of California, same being a portion of Lot A of Block 4 as created by that certain map entitled "Tract 2936 – Casitas Alameda, Unit 2" filed on August 17, 1967, in Book 55 at Page 53 of Maps, Official Records of said County, and being more particularly described as follows:

Beginning at a point on the southeasterly line of said Lot A and being the southeasterly corner of the Pump Station Easement as shown on said map; Thence along said southeasterly line, South 27° 06' 02" West - 8.90 feet; Thence crossing Lot A for the following four (4) courses: (1) North 62° 53' 58" West - 7.84 feet, (2) North 17° 53' 58" West - 10.12 feet, (3) North 27° 04' 00" East - 1.74 feet to the southwesterly corner of said Pump Station Easement, and (4) along the southwesterly line of said Pump Station Easement, South 62° 53' 58" East - 15.00 feet to the **Point of Beginning**.

Containing 108 square feet, more or less.

End of Description

Prepared By:


Scott A. Shortlidge, LS 6441



1-2-2014
Date

G:\job2012\121033\Survey\CO-Verdemar_Willow_Ballena\Documents\Land Descriptions\Verdemar_PSE.docx

QUALIFICATIONS

BRUCE M. HAHN, MAI, SRA, ASA-RP

Certified General Real Estate Appraiser, California AG004370
Real Estate Broker, California 01118298

GENERAL EDUCATION

B.S. Environmental Policy Analysis & Planning,
College of Agriculture, University of California, Davis

PROFESSIONAL EDUCATION



American Society of Appraisers Courses:

Course ARM 201	Appraisal Review & Management
Course ARM 204	Appraisal Review & Management
Course BV 201	Introduction to Business Valuation
Course RP 401	Allocating Components in Going Concern Appraisals



American Society of Farm Managers and Rural Appraisers Courses:

Course A-20	Principles of Rural Appraisal
Course A-29	Highest and Best Use
Course A-30	Advanced Rural Appraisal
Course 360	Introduction to Appraisal Review
Course 370	Appraisal Review Under USPAP
Course 380	Appraisal Review Under UASFLA
Course 390	Advanced Appraisal Review Case Studies
Seminars:	Timber Appraisal, Minerals Appraisal

Appraisal Institute Courses:

Course 310	Basic Income Capitalization
Course 320	General Applications
Course 330	Apartment Appraisal
Course 410/420	Standards of Professional Practice A&B
Course 510	Advanced Income Capitalization
Course 520	Highest & Best Use and Market Analysis
Course 530	Advanced Sales Comparison and Cost Approaches
Course 540	Report Writing and Valuation Analysis
Course 550	Advanced Applications
AE Course	Quantitative Analysis
AE Course	Practical Regression Analysis Using Excel
Course 600	Income Valuation of Small, Mixed-Use Properties
Course 700	The Appraiser As An Expert Witness
Course 710	Condemnation Appraising: Basic Principles and Applications
Course 720	Condemnation Appraising: Advanced Topics & Applications



International Right of Way Association Courses:

Course 403	Easement Valuation
Course 407	Valuation of Contaminated Properties



Society of Real Estate Appraisers Courses:

Course 101	Introduction to Appraising Real Property
Course 102	Applied Residential Property Valuation

EXPERIENCE

Independent Appraiser, 1991 to date
Staff Appraiser, Smith & Associates, Inc., 1998 to 2000
Staff Appraiser, Glendale Federal Bank, 1997 to 1998
Staff & Review Appraiser, First Interstate Bank of California, 1989 to 1991
City Planner, United States Navy, Naval Facilities Engineering Command, 1988

EXPERT WITNESS	Qualified as an Expert Witness in Alameda, Contra Costa and Solano County Superior Courts, and United States Bankruptcy Court.
REVIEW APPRAISER	Compliance and Quality Review of all types of appraisals for Banks and other Institutions relative to requirements of USPAP and UASFLA.
APPRAISAL ACTIVITIES And LITIGATION SUPPORT	<p>Types of Appraisals:</p> <p>Market Value, Eminent Domain, Partial Takings and Easements, Leasehold, Inverse Condemnation, Financing and Mortgage Considerations, Construction Defects, Subsidence and Slides, Properties with Toxic and/or Environmental Hazards.</p> <p>Types of Properties Appraised:</p> <p>Agricultural, Agribusiness, Commercial, Day Care Centers, Industrial, Retail, Office, Office Parks, Shopping Centers, Apartment and Single Family Residential, Ranch, Row Crops, Land and Subdivision, Orchards, Restaurants, Mini-Storage, Churches, Nursing Homes, Mobile Home Parks, Grocery Stores, Public and Private Schools, and other Special Purpose Properties.</p> <p>Partial Client List:</p> <p>Individuals, Corporations, Businesses, Partnerships, Attorneys, Insurance Companies, County Public Agencies, City Governments, Federal Government Agencies, Banks, Savings and Loans, Credit Unions, and Accountants.</p>
PROFESSIONAL AFFILIATIONS	<p>MAI Member, Appraisal Institute</p> <p>SRA Member, Appraisal Institute</p> <p>ASA-RP Member, American Society of Appraisers</p> <p>CDEI, Certified Distance Education Instructor, IDECC</p> <p>GRI, Graduate Realtor's Institute</p> <p>Real Estate Broker, 1991 to date</p> <p>Certified General Real Estate Appraiser, 1992 to date</p>
PROFESSIONAL SERVICE	<p>Past President (2005*), Northern California Chapter, Appraisal Institute</p> <p>*The Chapter won the AIM award as outstanding chapter nationwide 2005!</p> <p>Executive Committee, 2002-2005, Northern California Chapter, Appraisal Institute</p> <p>Board of Directors, 2001, Northern California Chapter, Appraisal Institute</p> <p>East Bay Branch Chair 2000, Northern California Chapter, Appraisal Institute</p> <p>Residential Guidance Chair 1999-2000, NorCal Chapter, Appraisal Institute</p> <p>Leadership Development & Advisory Council, 2000 & 2004, Appraisal Institute</p> <p>Real Estate Research Council of Northern California, 1995 to date</p>
OTHER AFFILIATIONS	<p>Rotary Club of Walnut Creek Sunrise, Past President</p> <p>Los Aguilas de Diablo, Mt. Diablo-Silverado Council, Eagle Scout Circle</p> <p>Leadership Contra Costa, 2000-2001, Walnut Creek Chamber of Commerce</p>



Bruce M. Hahn, MAI, SRA, ASA-RP

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Glossary

This glossary contains the definitions of common words and phrases, used throughout the appraisal industry, as applied within this document. Please refer to the publications listed in the **Works Cited** section below for more information.

Works Cited:

- Appraisal Institute. *The Appraisal of Real Estate*. 14th ed. Chicago: Appraisal Institute, 2013. Print.
- Appraisal Institute. *The Dictionary of Real Estate Appraisal*. 5th ed. 2010. Print.

Band of Investment

A technique in which the capitalization rates attributable to components of a capital investment are weighted and combined to derive a weighted-average rate attributable to the total investment. (Dictionary, 5th Edition)

Common Area

1. The total area within a property that is not designed for sale or rental but is available for common use by all owners, tenants, or their invitees, e.g., parking and its appurtenances, malls, sidewalks, landscaped areas, recreation areas, public toilets, truck and service facilities.
2. In a shopping center, the walkways and areas onto which the stores face and which conduct the flow of customer traffic. (ICSC) (Dictionary, 5th Edition)

Common Area Maintenance (CAM)

1. 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.
 - CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas

and sometimes the exterior walls of the buildings.

- CAM can refer to all operating expenses.
- CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative

load. An example would be a 15% addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee.

2. The amount of money charged to tenants for their shares of maintaining a center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. The area maintained in common by all tenants, such as parking lots and common passages. The area is often defined in the lease and may or may not include all physical area to be paid for by all tenants. Items charged to common area maintenance may include cleaning services, parking lot

sweeping and maintenances, snow removal, security, and upkeep. (ICSC) (Dictionary, 5th Edition)

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 indicates a greater ability for a property to withstand a downturn in revenue, providing an improved safety margin for a lender. (Dictionary, 5th Edition)

Discount Rate

A yield rate used to convert future payments or receipts into present value; usually considered to be a synonym for yield rate. (Dictionary, 5th Edition)

Effective Age

The age of property that is based on the amount of observed deterioration and obsolescence it has sustained, which may be different from its chronological age. (Dictionary, 5th Edition)

Effective Date

1. The date on which the analyses, opinion, and advice in an appraisal, review, or consulting service apply.
2. In a lease document, the date upon which the lease goes into effect. (Dictionary, 5th Edition)

Exposure Time

1. The time a property remains on the market.
2. The estimated length of time 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; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary, 5th Edition)

External Obsolescence

An element of depreciation; a diminution in value caused by negative externalities and generally incurable on the part of the owner, landlord, tenant. (Dictionary, 5th Edition)

Extraordinary Assumption

An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. 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, 2014-2015 ed.) (Dictionary, 5th Edition)

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, 5th Edition)

Functional Obsolescence

The impairment of functional capacity of a property according to market tastes and standards. (Dictionary, 5th Edition)

Functional Utility

The ability of a property or building to be useful and to perform the function for which it is intended according to current market tastes and standards; the efficiency of a building's use in terms of

architectural style, design and layout, traffic patterns, and the size and type of rooms. (The Appraisal of Real Estate, 14th Edition)

Gross Building Area (GBA)

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 region. (Dictionary, 5th Edition)

Gross Leasable Area (GLA)

Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces. (Dictionary, 5th Edition)

Highest & Best Use

The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity. Alternatively, the probable use of land or improved property—specific with respect to the user and timing of the use—that is adequately supported and results in the highest present value. (Dictionary, 5th Edition)

Highest and Best Use of Land or a Site as Though Vacant

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made

vacant by demolishing any improvements. (Dictionary, 5th Edition)

Highest and Best Use of Property as Improved

The use that should be made of a property as it exists. An existing improvement should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one. (Dictionary, 5th Edition)

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions 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. (Dictionary, 5th Edition)

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary, 5th Edition)

Market Area

The area associated with a subject property that contains its direct competition. (Dictionary, 5th Edition)

Market Rent

The most probable rent that a property should bring is a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions,

expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). (Dictionary, 5th Edition)

Market Value

The major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined.

1. The most widely accepted components of market value are incorporated in the following definition: The most probable price that the specified property interest should sell for in a competitive market after a reasonable exposure time, as of a specified date, in cash, or in terms equivalent to cash, under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, for self-interest, and assuming that neither is under duress.
2. Market value is described in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal. (USPAP, 2014-2015 ed.) USPAP also requires that certain items be included in every appraisal report. Among these items, the following are directly related to the definition of market value:
 - Identification of the specific property rights to be appraised.
 - Statement of the effective date of the value opinion.
 - Specification as to whether cash, terms equivalent to cash, or other

precisely described financing terms are assumed as the basis of the appraisal.

- If the appraisal is conditioned upon financing or other terms, specification as to whether the financing or terms are at, below, or above market interest rates and/or contain unusual conditions or incentives. The terms of above—or below—market interest rates and/or other special incentives must be clearly set forth; their contribution to, or negative influence on, value must be described and estimated; and the market data supporting the opinion of value must be described and explained.
3. The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: 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 the 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 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 sales concessions granted by anyone associated with the sale. (12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)
- 4. The International Valuation Standards Council defines market value for the purpose of international standards as follows: The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion. (International Valuation Standards, 8th ed., 2007)
- 5. Market value is the amount in cash, or on terms reasonably equivalent to cash, for which in all probability the property would have sold on the effective date of the appraisal, after a reasonable exposure of time on the open competitive market, from a willing and reasonably knowledgeable seller to a willing and reasonably knowledgeable buyer, with neither acting under any compulsion to buy or sell, giving due consideration to all available economic uses of the property at the time of the appraisal. (Uniform Standards for Federal Land Acquisitions) (Dictionary, 5th Edition)

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 the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the 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, 5th Edition)

Net Operating Income (NOI)

The actual or anticipated net income that remains after all operating expenses are deducted from effective gross income but before mortgage debt service and book depreciation are deducted. (Dictionary, 5th Edition)

Obsolescence

One cause of depreciation; an impairment of desirability and usefulness caused by new inventions, changes in design, improved processes for production, or external factors that make a property less desirable and valuable for a continued use; may be either functional or external. (Dictionary, 5th Edition)

Parking Ratio

A ratio of parking area or parking spaces to an economic or physical unit of comparison. Minimum required parking ratios of various land uses are often stated in zoning ordinances. (Dictionary, 5th Edition)

Rentable Area

For office buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that

penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice. (Dictionary, 5th Edition)

Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design, and layout. (Dictionary, 5th Edition)

Scope of Work

The type and extent of research and analyses in an assignment. (Dictionary, 5th Edition)

Stabilized Occupancy

An expression of the expected occupancy of a property in its particular market considering current and forecasted supply and demand, assuming it is priced at market rent. (Dictionary, 5th Edition)

Tenant Improvements (TIs)

1. Fixed improvements to the land or structures installed and paid for use by a lessee.
2. The original installation of finished tenant space in a construction project; subject to periodic change for succeeding tenants. (Dictionary, 5th Edition)

Vacancy and Collection Loss

A deduction from potential gross income (PGI) made to reflect income reductions due to vacancies, tenant turnover, and non-payment of rent; also called vacancy and credit loss or vacancy and contingency loss. Often vacancy and collection loss is expressed as a percentage of potential gross income and should reflect the competitive market. Its treatment can differ according to the interest being appraised, property type, capitalization method, and whether the property is at stabilized occupancy. (Dictionary, 5th Edition)