



**Valbridge**  
PROPERTY ADVISORS

## Appraisal Report

Industrial Land  
Comstock Street  
Santa Clara, Santa Clara County, California 95054

Report Date: November 30, 2018



FOR:

Joseph Bruzzone  
Electric Utility Engineer  
Silicon Valley Power | City of Santa Clara  
1500 Warburton Avenue  
Santa Clara, CA 95050

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1500 Warburton Avenue  
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RE: Appraisal Report  
Industrial Land  
Comstock Street  
Santa Clara, Santa Clara County, California 95054

Dear Mr. Bruzzone:

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

The subject property, as referenced above, is located along Comstock Street, Santa Clara, Santa Clara County, California 95054 and is further identified as tax parcel number 224-36-056 (Portion). The subject site contains 6,455 square feet or 0.15-acres. The site was improved with a small electrical shed and electrical power equipment as of the valuation date, though we have appraised the land only. The highest and best use of the property is for an industrial use.

We have appraised the site as if it were its own legal stand-alone parcel, per our client's request (See hypothetical condition). We have appraised the fee simple interest of the subject, and have ignored any potential leases on the property.

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

The City of Santa Clara is our client in this assignment and along with Joseph Bruzzone of Silicon Valley Power will be the sole intended users of this appraisal and report and no others. The sole intended use is for possible internal transfer of the property. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

**Extraordinary Assumptions:**

- Per our client’s request, we have assumed that the subject parcel would continue to be accessed from the existing curb-cut and driveway on the adjoining parcel (APN 224-36-056).

**Hypothetical Conditions:**

- It is a hypothetical condition of this report that the subject is its own legal parcel, and thus capable of sale on the open market.

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

<b>Value Conclusions</b>	
<b>Component</b>	
Value Type	Market Value
Property Rights Appraised	Fee Simple
Date of Value	October 26, 2018
<b>Value Conclusion</b>	<b>\$580,000</b>
<b>Value per SF of Land</b>	<b>\$90 psf</b>

Respectfully submitted,  
Valbridge Property Advisors |



Tony Sciarrilli  
Appraiser Trainee  
California Trainee License #AT3003462



Josh Fronen, MAI  
Director  
California Certified License #AG028548

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# Summary of Salient Facts

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## Property Identification

Property Name	Industrial Land
Property Address	Comstock Street Santa Clara, Santa Clara County, California 95054
Latitude & Longitude	37.375189, -121.949503
Tax Parcel Number	224-36-056 (Portion)
Property Owner	City of Santa Clara

## Site

Zoning	Heavy Industrial (MH)
FEMA Flood Map No.	06085C0064H
Flood Zone	X
Primary Land Area	0.148 acres

## Valuation Opinions

Highest & Best Use - As Vacant	An industrial use
Reasonable Exposure Time	6 to 9 months
Reasonable Marketing Time	6 to 9 months

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## Value Indications

### Approach to Value

Sales Comparison	\$580,000
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## Value Conclusions

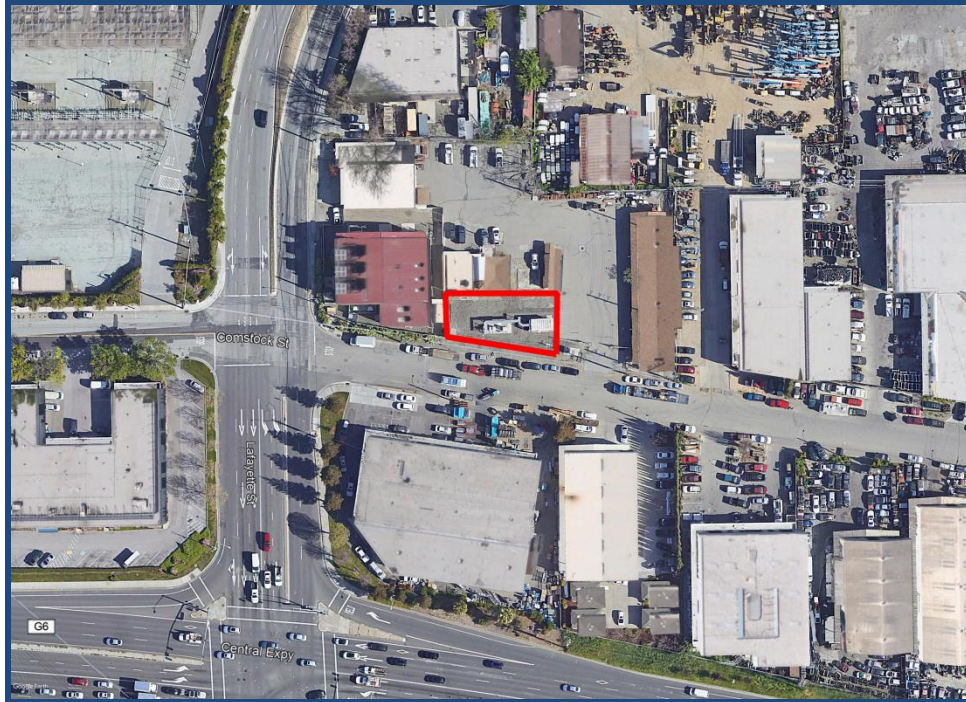
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# Aerial and Front Views

**AERIAL VIEW**



**FRONT VIEW FROM COMSTOCK STREET LOOKING WEST (DATED OCTOBER 26, 2018)**



# Location Map



# Introduction

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## Client and Intended Users of the Appraisal

The City of Santa Clara is our client in this assignment and along with Joseph Bruzzone of Silicon Valley Power will be the sole intended users of this appraisal and report. Under no circumstances shall any of the following parties be entitled to use or rely on the appraisal or this appraisal report:

- i. The borrower(s) on any loans or financing relating to or secured by the subject property,
- ii. Any guarantor(s) of such loans or financing; or
- iii. Principals, shareholders, investors, members or partners in such borrower(s) or guarantors).

## Intended Use of the Appraisal

The sole intended use of this report is for possible internal transfer of the property.

## Real Estate Identification

The subject property is located along Comstock Street, just east of Lafayette Street, in Santa Clara, Santa Clara County, California 95054. The subject property is further identified by the tax parcel number 224-36-056 (Portion).

## Legal Description

We were not provided with a legal description of the subject. We assume the legal description corresponds to a map of the subject property provided to us by the client..

## Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was an industrial property.

## Use of Real Estate as Reflected in this Appraisal

The use that is reflected in the valuation is for an industrial use.

## Ownership of the Property

According to public records, title to the subject property is vested in the City of Santa Clara.

## History of the Property

Ownership of the subject property has not changed within the past three years. When appropriate, we have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

## Listings/Offers/Contracts

The subject is not currently listed for sale or under contract for sale. We are unaware of any offers to purchase the subject property.



## Type and Definition of Value

The purpose of this appraisal is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress."<sup>1</sup> Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

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

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

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

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

<b>Valuation Scenario</b>	<b>Effective Date of Value</b>
Market Value of the Fee Simple Interest	October 26, 2018

We completed an appraisal inspection of the subject property on October 26, 2018.

## Date of Report

The date of this report is November 30, 2018.

## List of Items Requested but Not Provided

- Preliminary Title Report

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<sup>1</sup> *The Dictionary of Real Estate Appraisal*, Sixth Edition, (Appraisal Institute, 2015), 141

## Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

### Extraordinary Assumptions

- Per our client's request, we have assumed that the subject parcel would continue to be accessed from the existing curb-cut and driveway on the adjoining parcel (APN 224-36-056).

### Hypothetical Conditions

- It is a hypothetical condition of this report that the subject is its own legal parcel, and thus capable of sale on the open market.

## Scope of Work

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The elements addressed in the Scope of Work are (1) the extent to which the subject property is identified, (2) the extent to which the subject property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

### Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified via an address, Assessor Parcel Number (APN), and Right of Way Survey provided by the client.
- Economic Characteristics - Economic characteristics of the subject property were identified via information provided by the client, discussion with active market participants, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via a physical property inspection by Josh Fronen, MAI and Tony Sciarrilli.

### Extent to Which the Property Was Inspected

We inspected the subject on October 26, 2018.

### Type and Extent of Data Researched

We researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. We also interviewed people familiar with the subject market/property type.

### Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. One or more of these approaches are used in all estimations of value.

- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.
- Direct Capitalization: Land Residual Method - The land residual methodology involves estimating the residual net income to the land by deducting from total potential income the portion attributable to the improvements, assuming development of the site at its highest and best use. The residual income is capitalized at an appropriate rate, resulting in an indication of land value.

- Direct Capitalization: Ground Rent Capitalization – A market derived capitalization rate is applied to the net income resulting from a ground lease. This can represent the leased fee or fee simple interest, depending on whether the income potential is reflective of a lease in place or market rental rates.
- Yield Capitalization: Subdivision Development Method – Also known as Discounted Cash Flow Analysis (DCF), the methodology is most appropriate for land having multiple lot development in the near term as the highest and best use. The current site value is represented by discounting the anticipated cash flow to a present value, taking into consideration all necessary costs of development, maintenance, administration, and sales throughout the absorption period.

All of these approaches to value were considered. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment, we relied upon the sales comparison approach. The sales comparison approach is the most relevant approach in valuing the fee simple interest in unentitled land. Further discussion of the extent of our analysis and the methodology of the approach used is provided later in the valuation section.

### Appraisal Conformity and Report Type

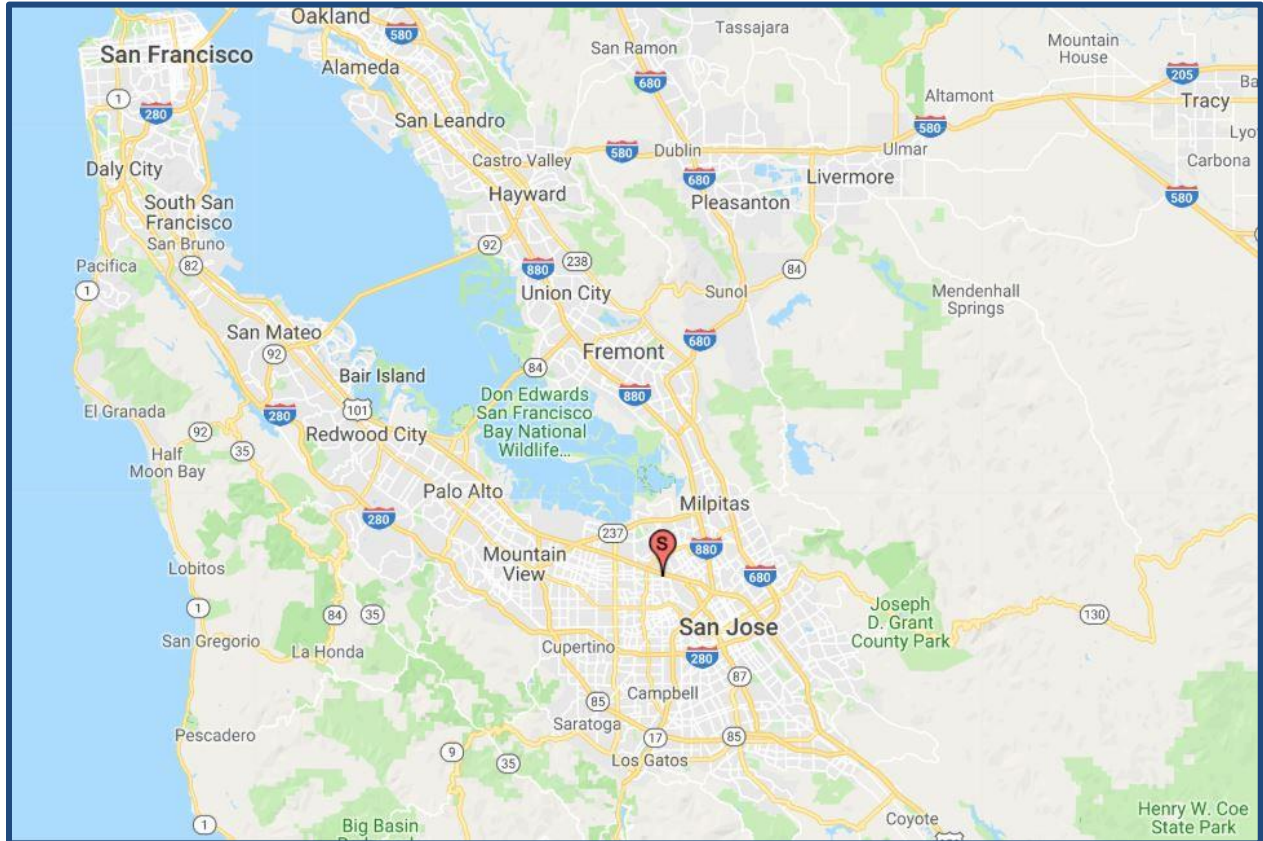
We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

### Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

# Regional and Market Area Analysis

## REGIONAL MAP



## Overview

The subject property is located in the San Francisco Bay Region, an area which is comprised of the nine counties bordering the San Francisco Bay. According to the State of California Department of Finance, the area had a combined population of approximately 7.77 million as of January 1, 2018. The Department of Finance characterizes the San Francisco Bay Area by a moderate climate, diversified economy and one of the highest standards of living in the United States.

## Population

Santa Clara County is the most populous of the nine counties comprising the San Francisco Bay Region, with an estimated 1,956,598 residents as of January 1, 2018 according to the State of California Department of Finance. This was an increase of 1.0% over the previous year. San Jose is the largest city in the county and the third largest in California, surpassing San Francisco.

According to the Site to Do Business projections, presented on the following page, the county's population is expected to increase 1.1% between 2018 and 2023, while Santa Clara will increase approximately 1.3% over the same period.

### Population

Area	2000	2010	Annual % Change 2000 - 10	Estimated 2018	Projected 2023	Annual % Change 2018 - 23
United States	281,421,906	308,745,538	1.0%	330,088,686	343,954,683	0.8%
California	33,871,648	37,253,956	1.0%	39,806,791	41,456,909	0.8%
Santa Clara County	1,682,585	1,781,642	0.6%	1,959,999	2,066,393	1.1%
Santa Clara	101,852	116,470	1.4%	130,046	138,183	1.3%

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

### Transportation

Excellent transportation routes and linkages to all major cities within the region and throughout the state are primary reasons for the advancement of business activity in the Bay Area, including Santa Clara County.



Air service in the area is provided by Norman Y. Mineta San Jose International Airport, which accommodated almost 12.5 million passengers in 2017. San Francisco and Oakland airports are also within an hour's drive from most portions of the county. In 2010, San Jose International Airport completed the first phase of a two-phase expansion with the goal of increasing service to 17.3 million travelers a year, at a cost of \$1.3 billion. Planning for the second phase, nine additional gates and a new concourse extension at the south end of Terminal B, began early in 2018.

The area has a well-developed freeway system although traffic congestion is unquestionably one of the negative aspects. The county's transportation network also includes a number of expressways, which provide streamlined access to most interior locations. Lawrence Expressway, San Tomas Expressway and Foothill Expressway run north-south, while Central Expressway and Montague Expressway run roughly east-west.

### Employment

High-technology employment and a skilled workforce translate into relatively high-income levels, and Santa Clara County is one of the most affluent metropolitan regions in the nation. Silicon Valley's economy is stable, although its narrow range of driving industries has kept recent growth very slow.

Significant employment sectors within Santa Clara County include manufacturing; professional, scientific, and technical services; health care; retail; and educational services. Some of the largest employers are associated with the computer industry such as Adobe, Apple, AMD, and Hewlett-Packard; hospitals such as the VA Medical Center, Kaiser Permanente, and the San Jose Medical

Center; space and aerotech including NASA and Lockheed Martin; and educational facilities such as San Jose State University and Stanford University School of Medicine.

### Employment by Industry - Santa Clara County

Industry	2018 Estimate	Percent of Employment
Agriculture/Mining	5,961	0.6%
Construction	52,653	5.3%
Manufacturing	171,869	17.3%
Wholesale trade	20,863	2.1%
Retail trade	89,412	9.0%
Transportation/Utilities	28,810	2.9%
Information	37,752	3.8%
Finance/Insurance/Real Estate Services	46,693	4.7%
Services	516,600	52.0%
Public Administration	22,850	2.3%
<b>Total</b>	<b>993,462</b>	<b>100.0%</b>

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

### Unemployment

The unemployment rate in Santa Clara County is currently less than the rates of the state and nation. The County unemployment rate was 2.4% as of September 2018 (most recent available). The State of California was at 3.9% while the Nation was at 3.6% for the same time period. Unemployment rates locally and nationwide have been on a decreasing trend over the last several years, as shown in the table below.

### Unemployment Rates

Area	2011	2012	2013	2014	2015	2016	2017	2018-Sep
United States	8.3%	7.6%	6.5%	5.4%	4.8%	4.5%	3.9%	3.6%
California	11.0%	9.6%	8.0%	6.6%	5.6%	5.6%	5.1%	3.9%
Santa Clara County	8.4%	7.0%	5.5%	4.3%	3.7%	3.5%	2.7%	2.4%
Santa Clara	7.6%	6.3%	4.9%	3.9%	3.3%	3.2%	2.5%	2.3%

*Source: Bureau of Labor Statistics - Year End - Not Seasonally Adjusted*

The information below and on the following page was obtained from the "UCLA Anderson Forecast for the Nation: September 2018 Report," presented by the UCLA Anderson School of Management.

### National Economic Overview

The current year finds the national economy shifting from sluggish growth with low inflation into one of accelerating growth and modest inflation. Monetary policy is also transitioning, with three Federal Funds Rate increases in the year thus far. The national budget is expected to move from a moderate deficit to one with a trillion-dollar deficit, which included \$1.5 trillion in tax cuts, and a call for a substantial increase in defense spending.

Real GDP growth is on track to continue its 3% pace, established in the second quarter of 2017. A growth rate of 3.1% is expected for 2018, but will slow to 2.0% in 2019 and to 1.0% in 2020. The

slowdown is forecast because the economy is already operating at full-employment levels, along with a waning of stimulus policies. Job growth, however, is expected to continue, with an unemployment rate forecast at 3.5% in early 2019. Inflation is expected to rise to a median 2.1% in 2019.

Business investments are expected to increase by 7.5% in 2018, and into 2019, before slowing in 2020. This is anticipated to be one of the driving forces in the national economy, largely in response to the reduction in corporate tax rates, and to an allowance to write off 100% of equipment costs during the first year of purchase.

Although housing activity will continue to expand through 2019, but it will be far from a boom, largely because of higher interest rates, which exact a toll on housing prices. After recording 1.2 million housing starts in 2017, the Forecast anticipates 1.3 million units by year end 2018 and 1.35 million units in 2019.

The greatest threats to the current forecast of the U.S. economy stems from an ongoing trade war with China, including a decision to impose tariffs on \$200 billion of Chinese imports, and from looming monetary crisis in a few developing economies, i.e., Turkish lira and Argentine peso.

#### Federal Funds Rate

In an effort to maximize employment and stabilize inflation the Federal Reserve Bank raised the federal funds rate eight times since 2015, when interest rates were almost zero. Already in 2018 the fed has raised the rate thrice; the most recent increase was on September 26, 2018, at 2.25 percent.

The table to the right summarizes the previous nine rate hikes occurring over the past three years. The fed has consistently been increasing by 25 basis points. The rate was raised twice in 2015, once in 2016, three times in 2017, and thrice to date in 2018. The federal funds rate is expected to be over 3.00% by the end of 2019.

**Federal Funds Rate**

Date	Rate	Basis Point Increase
Jul-15	0.25	----
Dec-15	0.50	25
Dec-16	0.75	25
Mar-17	1.00	25
Jun-17	1.25	25
Dec-17	1.50	25
Mar-18	1.75	25
Jun-18	2.00	25
Sep-18	2.25	25

#### The California Forecast

California continued to be a leader in the nation in job growth, hitting all-time high employment in Q3-2018. The Bay Area economy also rocketed to big gains during the same time, adding 11,000 new jobs, primarily in Santa Clara, San Mateo, and Alameda Counties. The job increases marked the 12<sup>th</sup> consecutive month of job gains. It was recently reported that the Bay Area's annual employment growth rate of 4.3% over the past three years was nearly double that the entire country as a whole; the regional GDP was at \$748 billion, behind only 18 countries.

California continues to be the center of high-technology and innovation worldwide, with large work forces in Los Angeles (446,000 jobs), Silicon Valley (346,000) and San Francisco (268,000), as of July 2018. Tech jobs are forecast to grow in between 2.0% to 3.0% during 2019 in many of the state's metropolitan areas (Silicon Valley, San Francisco, East Bay, Los Angeles, Orange County, and San Diego). Startup activities have also been accelerating throughout the state.



The forecast for (end of) 2018, 2019 and 2020 total employment growth in California is at 1.7%, 1.8% and 0.8%, respectively. Payrolls will grow at about the same rate over the forecast horizon. Real personal income growth is forecast to be 2.5%, 3.6% and 2.9% in 2018 (end of) , 2019 and 2020, respectively.

### Median Household Income

In Santa Clara County, San Jose, the county seat, ranks first out of the entire nation in terms of median household income for major metropolitan areas. San Francisco, about 50 miles to the north of San Jose, also ranked as one of the wealthiest cities in the nation: it holds the number two spot with a median household income of about 9% less than San Jose.

Total median household income for the region is presented in the following table. Overall, the subject compares favorably to the state and the country.

#### Median Household Income

Area	Estimated 2018	Projected 2023	Annual % Change 2018 - 23
United States	\$58,100	\$65,727	2.6%
California	\$69,051	\$81,023	3.5%
Santa Clara County	\$104,053	\$118,227	2.7%
Santa Clara	\$102,591	\$116,174	2.6%

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

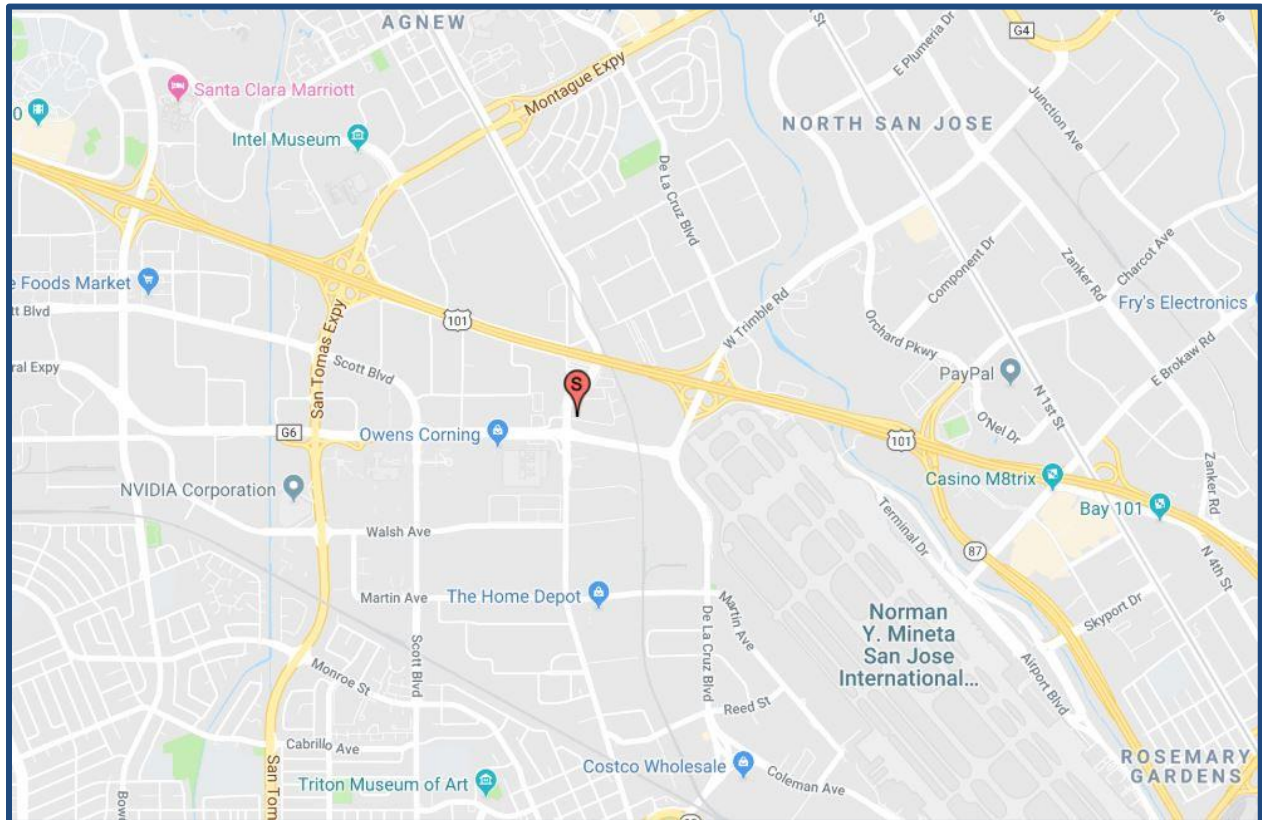
### Conclusions

Historically, the Santa Clara County region has been considered a desirable place to both live and work. Physical features and a strong local economy attract both businesses and residents. It is a worldwide leader in technology and a regional employment center, with an increasingly diversified economy. While traffic congestion will continue to be a problem, residents remain among the most affluent in the country.

The election of Donald Trump signaled a major change in economic policy. In the short run that will bring with it more real growth and inflation along with higher interest rates. However, because the economy is operating at or close to full employment, the growth spurt is expected to be short-lived. Nevertheless, in the short-term 2018 and 2019 are expected to be prosperous as we continue to say goodbye to the effects of the financial crisis.

# City and Neighborhood Analysis

## NEIGHBORHOOD MAP



### City Overview

The City of Santa Clara is located in the “heart” of Silicon Valley and is a progressive community, known for low crime rates and the quality of municipal services, as well as its proximity to a large number of high-technology employers. San Jose borders Santa Clara to the north, east, and south, while Sunnyvale borders it to the west.

Santa Clara is a progressive community which owns and operates its own electric, water and sewer utilities. The quality and reliability of utility services is excellent and service charges are the lowest in the entire Bay Area. Santa Clara has also been chosen by the Association of Bay Area Governments (ABAG) as the pilot city for implementation of an interactive regional on-line guide to government services.

Industrial development in Santa Clara is concentrated north of Central Expressway and most of the retail and residential development is located south of Highway 101. Because of the lack of available land for development, Santa Clara’s population growth is expected to remain relatively low.

The City has good access to local and regional transportation. Highway 101 runs northwest/southeast through the center of Santa Clara providing excellent access to other “Silicon Valley” communities and the San Francisco Peninsula and San Francisco to the north. Interstate 280 also runs through Santa Clara providing an alternative route to San Francisco. Interstate 880 skirts

Santa Clara to the east running in a north/south direction. This provides direct access to such East Bay cities as Fremont, Hayward and Oakland. Overall, the highway and local transportation systems in and around Santa Clara provides for excellent access to and from the city.

The major commercial thoroughfares include El Camino Real and Stevens Creek Boulevard, both running in an east/west direction and connecting Sunnyvale and San Jose. Major north/south thoroughfares include Lafayette Street, Scott Boulevard, San Tomas Expressway, Bowers Avenue and Lawrence Expressway.

The San Jose International Airport is minutes from anywhere in Santa Clara with service to most major U.S. cities.

### Neighborhood Location and Boundaries

The subject neighborhood is located in the Airport section of Santa Clara. The area is urban in nature. The neighborhood is bounded by Highway 101 to the north, San Jose International Airport to the east, El Camino Real to the south, and San Tomas Expressway to the west.

### Immediate Environs

The subject property has an interior block location on the north side of Comstock Street just north of Central Expressway in the City of Santa Clara. The general character of the immediate area is industrial in nature with some supporting retail uses along major arterials and at major intersections. Most buildings in the area are single-story although some are two-story.

The intersection of Lafayette Street and Central Expressway is signalized and improved with a variety of retail, office, and industrial uses. In the area of the subject, Lafayette Street and Central Expressway are asphalt-paved roadways and carry two or three lanes of traffic in each direction. These roads are partially improved with minimal sidewalks, curbs, and gutters.

The property to the east and north of the subject belongs to the City of Santa Clara. The subject property is part of that property at the current time. To the west of the subject, at the corner of Comstock Street and Lafayette Street is another City owned parcel improved with a single-story industrial building containing approximately 5,500 square feet. To the south, across Comstock Street, are several industrial buildings.

Overall, the subject is located in a primarily industrial area with some retail uses, mostly at major intersections and along arterials. Access to the area is average.

## Demographics

The following table depicts the area demographics in Santa Clara within a one-, three-, and five-mile radius from the subject. As shown in the table below, the total population and total households within a 1-mile radius are projected to increase at 0.4% between 2018 and 2023, while within a 3- and 5-mile radius, each are projected to increase at 1.7% to 1.6%. Median household income is projected to increase at 2.7%, 2.6% and 2.7% within the 1-, 3-, and 5-mile radius from the subject between 2018 and 2023. These demographics support a variety of industrial uses.

### Neighborhood Demographics

Radius	1 mile	3 miles	5 miles
<b>Population Summary</b>			
2000 Population	2,578	106,834	412,087
2010 Population	2,504	129,399	457,008
2018 Population	2,580	159,291	534,536
2023 Population Estimate	2,627	172,916	578,613
Annual % Change (2018 - 2023)	0.4%	1.7%	1.6%
<b>Housing Unit Summary</b>			
2000 Housing Units	599	40,930	153,319
% Owner Occupied	57.8%	45.2%	44.6%
% Renter Occupied	42.4%	50.7%	52.4%
2010 Housing Units	613	50,424	175,280
% Owner Occupied	53.8%	41.0%	42.7%
% Renter Occupied	42.6%	54.3%	52.0%
2018 Housing Units	624	61,130	201,501
% Owner Occupied	53.7%	36.2%	40.8%
% Renter Occupied	42.6%	60.3%	54.9%
2023 Housing Units	633	65,835	216,420
% Owner Occupied	57.3%	39.1%	43.0%
% Renter Occupied	38.9%	57.9%	53.2%
Annual % Change (2018 - 2023)	0.3%	1.5%	1.4%
<b>Income Summary</b>			
2018 Median Household Income	\$85,462	\$102,920	\$97,461
2023 Median Household Income Estimate	\$97,637	\$117,269	\$111,488
Annual % Change	2.7%	2.6%	2.7%
2018 Per Capita Income	\$31,216	\$50,239	\$46,541
2023 Per Capita Income Estimate	\$35,598	\$58,972	\$54,677
Annual % Change	2.7%	3.3%	3.3%

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

### Transportation Routes

Within the immediate area of the subject, transportation access helps define the character of its development. Major travel and commuter routes within the area of the subject include Central Expressway and Lafayette Street. Major travel and commuter routes within the larger area include San Tomas Expressway, Highways 101, and the El Camino Real. Access to the area is considered average.

### Conclusions

In summary, the subject property is located in the City of Santa Clara. The area is generally industrial in nature.

## Site Description

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The subject site is located along Comstock Street, Santa Clara, Santa Clara County, California 95054. The characteristics of the site are summarized as follows:

### Site Characteristics

Location:	Comstock Street, Santa Clara, Santa Clara County, California 95054
Gross Land Area:	0.15 Acres or 6,455 SF
Shape:	Trapezoid
Average Depth:	57 feet
Topography:	Level and at grade with fronting streets
Drainage:	Assumed adequate
Grade:	At street grade
Utilities:	All available to the site
Off-Site Improvements:	Comstock Street is an asphalt paved roadway with gutters, curbs, and streetlights with minimal sidewalk improvements. This is a short roadway off Lafayette Street which carries one lane of traffic in each direction, east and west, and ends in a cul-de-sac. There are no sidewalks along the subject's frontage.

A new user would have to install the sidewalks along the subject's frontage in the event of a change in use or planning approvals are sought. These costs are recognized in the valuation

Interior or Corner:	Interior
Signalized Intersection:	No

### Street Frontage / Access

Frontage Road	Primary
Street Name:	Comstock Street
Street Type:	Local
Frontage (Linear Ft.):	115

## Flood Zone Data

Flood Map Panel/Number: 06085C0064H  
Flood Map Date: 05-18-2009  
Portion in Flood Hazard Area: 0.00%  
Flood Zone: X

Areas outside the 1-percent annual chance floodplain, areas of 1-percent annual chance sheet flow flooding where average depths are less than 1 foot, areas of 1-percent annual chance stream flooding where the contributing drainage area is less than 1 square mile, or areas protected from the 1-percent annual chance flood by levees. No Base Flood Elevations or depths are shown within this zone. Insurance purchase is not required.

## Other Site Conditions

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

Environmental Issues: A Phase I Environmental Site Report was not provided for review. We make no representations as to the presence of toxins and hazardous materials on the subject site. We are appraising the site as if clean. If this is of concern to any reader of this report, it is our recommendation that an environmental report be obtained from the appropriate professionals qualified to issue such opinions.

Easements/Encroachments: A Preliminary Title Report was not provided to the appraiser for review. We assume that there are no easements or encumbrances that would materially affect the value of the subject, either positively or negatively.

As stated, we have assumed the subject has dominant tenement easement access over the adjoining City-owned parcel. Please refer to the Extraordinary Assumptions section.

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

## Adjacent Land Uses

North:	Industrial
South:	Industrial
East:	Industrial
West:	Industrial

## Site Ratings

Access:	Average
Visibility:	Average

## Zoning Designation

Zoning Jurisdiction:	City of Santa Clara
Zoning Classification:	MH, Heavy Industrial
General Plan Designation:	Heavy Industrial
Permitted Uses:	A variety of industrial uses

## Zoning Comments:

The subject property is under the jurisdiction of the City of Santa Clara and is zoned Heavy Industrial. The General Plan land use designation is Heavy Industrial.

According to the City of Santa Clara Municipal Code, the Heavy Industrial zoning district is intended to encourage sound heavy industrial development in the City by providing and protecting an environment exclusively for such development, subject to regulations necessary to ensure the purity of the air and the waters in the bay area, and the protection of nearby uses of the land from hazards, noise, or other radiated disturbances.

Permitted uses include manufacturing, processing, assembling, research, wholesale, or storage uses that, in the opinion of the Planning Commission, shall not be objectionable by reason of the production of offensive noise, smoke, odor, dust, noxious gases, vibrations, glare, heat, fire hazards, industrial wastes, or handling of explosives or dangerous materials; Railroad yards, freight stations, trucking and motor freight stations; public utility and public service uses and public utility service yards; outdoor storage and exposed mechanical appurtenances; and other conforming uses.

The minimum lot area is 20,000 square feet. The minimum lot width is 100 feet. The maximum building height is 70 feet. The minimum front yard setback is 15 feet; there are no minimum side or rear yard setbacks. There is no maximum building coverage requirement.

Per our conversation with Ms. Debby Fernandez, Planner at Santa Clara Planning, the City allows legal lots to be developed to zoning standards even if the parcel is substandard with regards to size, as is the subject's case.



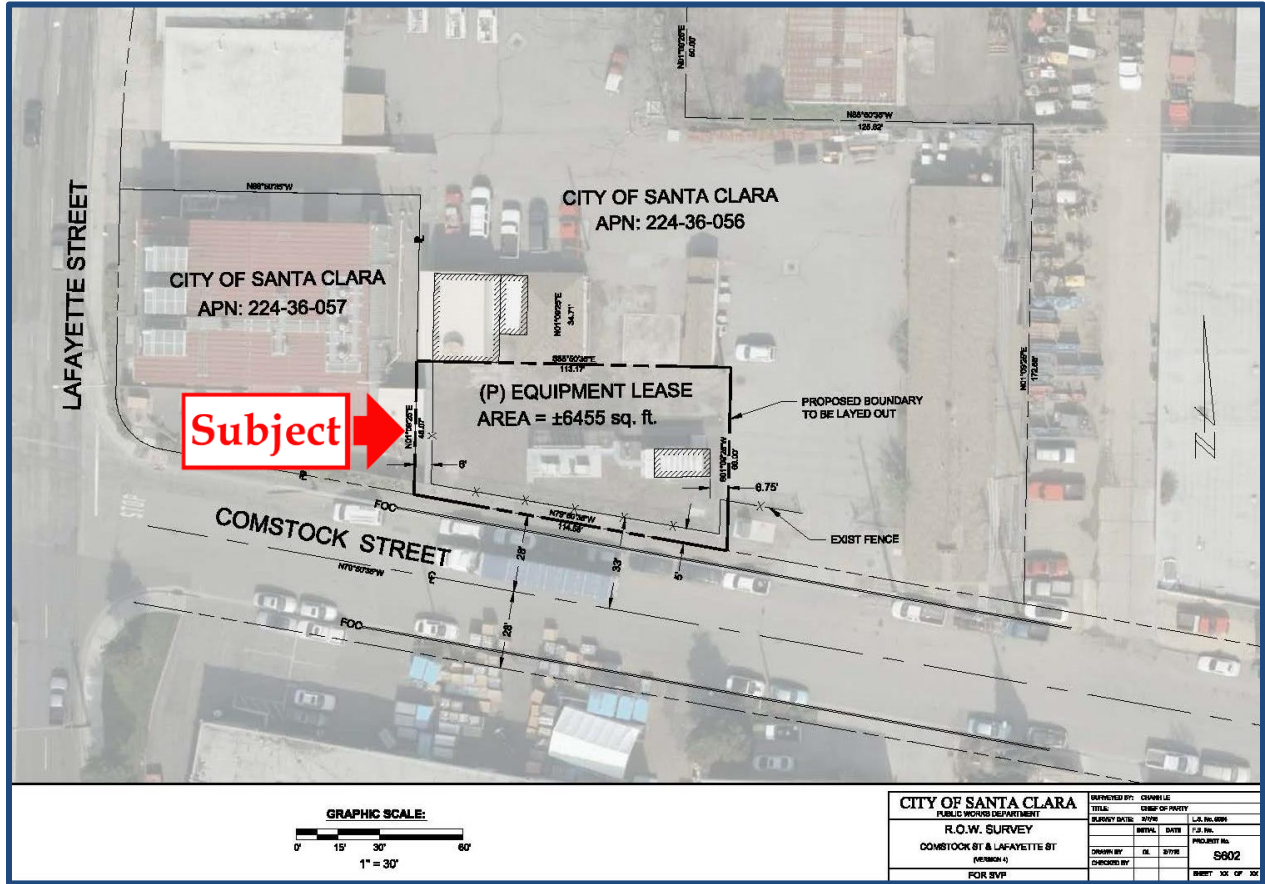
### Analysis/Comments on Site

The subject site consists of a single parcel of industrial land located along the north side of Comstock Street in Santa Clara. The site has a trapezoid shape and an interior lot configuration with approximately 115 feet of frontage along Comstock Street and an average depth of 57 feet. Site access is assumed to be provided by an ingress/egress easement over the adjacent parcel to the northeast. The underlying site contains 6,455 gross square feet or 0.15 gross acres. The property zoning and General Plan land use designation are Heavy Industrial.

Overall, the site is small for the area; however, it is very desirable given the allowed uses permitted by zoning. More specifically, the property would be desirable to open storage users and it can be improved with a small building. A new user of the subject would need to install sidewalk improvements along the property's street frontage; this potential cost is considered in our forthcoming analysis.



**RIGHT OF WAY SURVEY (BY CHANH LE OF CITY OF SANTA CLARA PUBLIC WORKS DEPARTMENT, DATED FEBRUARY 7, 2018)**



## Subject Photos (dated October 26, 2018)

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View of the subject looking west



View of the subject looking towards the southwest corner of the property



View of the existing electrical equipment on the subject (we have appraised the land only)



View of the existing electrical shed structure on the subject

*Additional photos are included in the Addenda*

# Assessment and Tax Data

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## Assessment Methodology

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

## Assessed Values and Property Taxes

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

## General Taxes

The amount of General Taxes due is quantified by multiplying the assessed value by the tax rate. In the State of California, real estate is assessed at 100% of market value as determined by the County Assessor's Office. The tax rate consists of a base rate of 1% plus any bonds or fees approved by the voters. The County Tax Rate for the subject area is 1.15120%.

## Direct Assessments

Direct assessments are tax levies that are not dependent upon the assessed value of the property. They are levied regardless of assessment. According to the Santa Clara County Tax Collector's Office, the direct assessments for the subject area are as follows: Santa Clara Valley Water District flood and safe clean water assessments, Santa Clara County mosquito vector control assessments, San Francisco Bay Restoration Authority assessment, and Santa Clara Valley Open Space Authority assessments.

## Current and Future Taxes

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

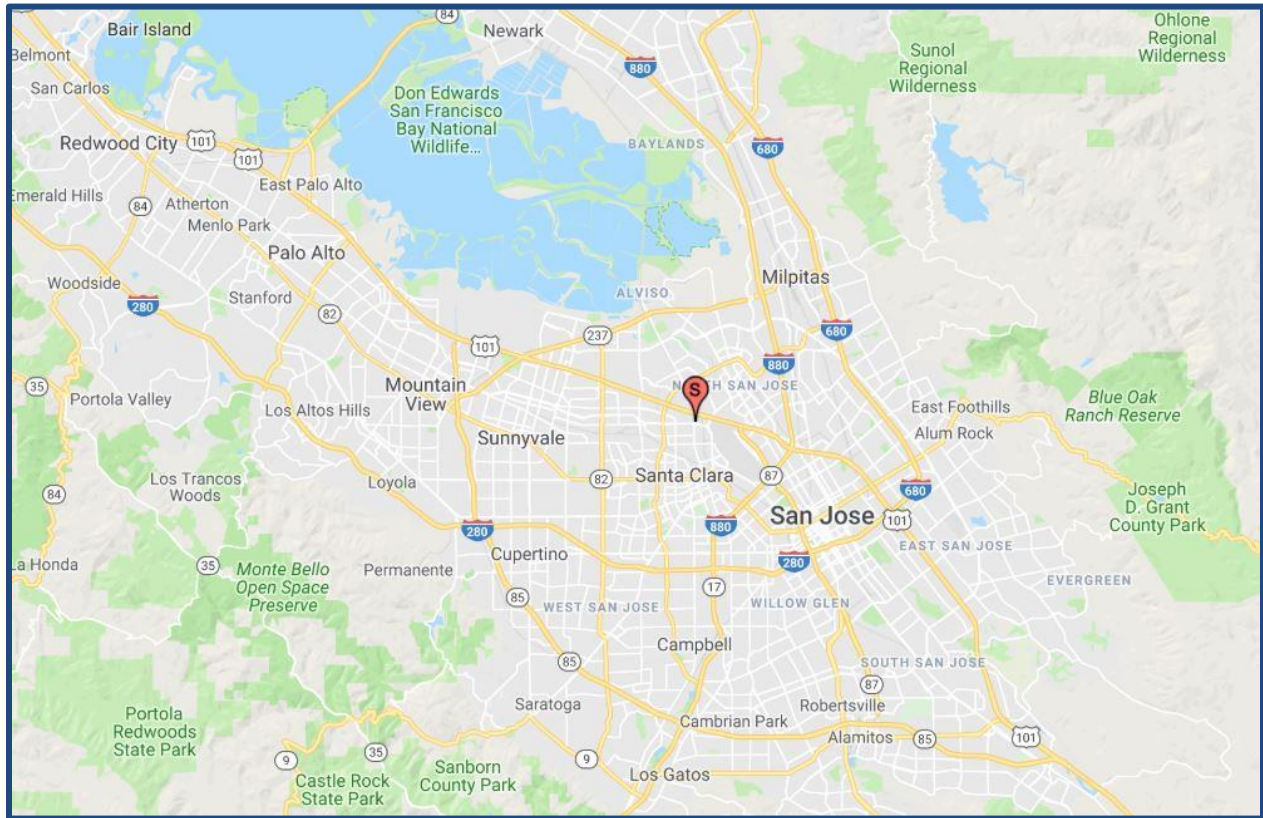
Proposition 8, which passed in November 1978, states that the Assessor shall lower tax roll values to fair market value whenever the assessed value exceeds fair market value. It mandates that the lower of fair market value or factored base value be placed on the assessment roll. When fair market values are enrolled, the Assessor reassesses the property annually until such time as fair market value again equals or exceeds the factored base year value. For properties that have been owned for several years, the assessed value may not reflect the current fair market value. Furthermore, due to adjustments following a Prop 8 reduction, increases in assessed value can increase substantially more than 2% per year until the assessment again matches the factored base year value.

## Conclusions

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

# Market Analysis

## MARKET AREA MAP



### Santa Clara County Industrial Market

Santa Clara County is one of the strongest job markets in the United States. As of September 2018, the unemployment rate stood at a mere 2.4%, with an all-time high of one million employed.

Industrial vacancy decreased slightly in the third quarter 2018 in Silicon Valley to 6.0%. The Silicon Valley industrial market reported a positive net absorption of 336,224 square feet in the third quarter 2018. Much of the available industrial space on the market is older product with varying degrees of functional obsolescence which is impacting occupancy growth.

Santa Clara is widely perceived to be a secondary industrial submarket; however, it is desirable due to its central location and proximity to major employment centers. In terms of supply, the Santa Clara submarket had a total industrial building base of 32,698,451 square feet as of the third quarter of 2018.

In terms of demand, available vacant space totaled 1,397,833 square feet as of the third quarter of 2018, resulting in an overall vacancy rate of 4.3%, which is lower than the overall Silicon Valley Metro vacancy rate, which stood at 6.0%.

There is demand for industrial land sites in the subject submarket. There is a dearth of available industrial land properties that are for sale. Undeveloped land is rare as most properties are already

built up with improvements. Based on our broker surveys and analysis, land values in the area are normally between \$50-\$100+ per square foot of land area, depending on size, location, improvements, and entitlements, among other factors.

Contractor yard space is at a premium and would be very much in demand in today's Santa Clara submarket. Additionally, the ability to improve a small building on the property is a desirable characteristic of the subject and increases its marketability.

Overall, the subject site has average access and site utility; it is a desirable small site that would be met with good demand due to the paucity of other contractor yard type sites that are available.

### Market Analysis Concluding Comments

Investment and owner-user demand for industrial space in the Bay Area is considered good. With older industrial product being razed for new high-density residential and Class A office development, we expect a continued shortage of smaller industrial product. However, stabilized market conditions are projected in 2018 and 2019.

Given the small size, the subject property would appeal to an owner-user. An investor would also be interested in acquiring the subject given the dearth of available industrial land for sale. Supply and demand characteristics are expected to remain favorable in the short and long term.

Overall, the subject is located in a desirable submarket. Market conditions are strong as of the valuation date.



## Highest and Best Use

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

### Analysis of Highest and Best Use As If Vacant

The primary determinants of the highest and best use of the property as if vacant are the issues of (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

#### Legally Permissible

The subject site is zoned MH, Heavy Industrial which controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. A variety of industrial uses are allowed on the subject including Railroad yards, freight stations, public utility and public service uses and public utility service yards, as well as outdoor storage and exposed mechanical appurtenances.

The location of the subject property is appropriate for the uses allowed, as noted previously, and a change in zoning is unlikely. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development.

Per our conversation with Debby Fernandez, Planner at Santa Clara Planning Department, the City would allow development on the subject to zoning standards even though the parcel is substandard to zoning regulations with regards to lot size.

#### Physically Possible

The physical attributes allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered. There are no items of a physical nature that would materially limit appropriate and likely development. Only a very small building would likely be physically possible.

According to the City Planning Department, the property has development potential, assuming it is a legal parcel, and a small building or modular type of office could be developed on the property.

#### Financially Feasible

The probable use of the site for industrial development conforms to the pattern of land use in the market area. A review of published yield, rental and occupancy rates suggest that there is an undersupply and demand is sufficient to support construction costs and ensure timely absorption of additional inventory in this market. Therefore, near-term speculative development of the subject site is financially feasible.

### Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for an industrial use, such as an outdoor storage yard with small modular structure as an ancillary use.

### Conclusion of Highest and Best Use As If Vacant

The conclusion of the highest and best use as if vacant is for an industrial use.

### Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is an owner-user.

# Land Valuation

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## Methodology

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

## Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis is price per square foot. We have also considered a price on a lump sum basis since the property is very small as a crosscheck.

## Elements of Comparison

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

## Comparable Sales Data

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

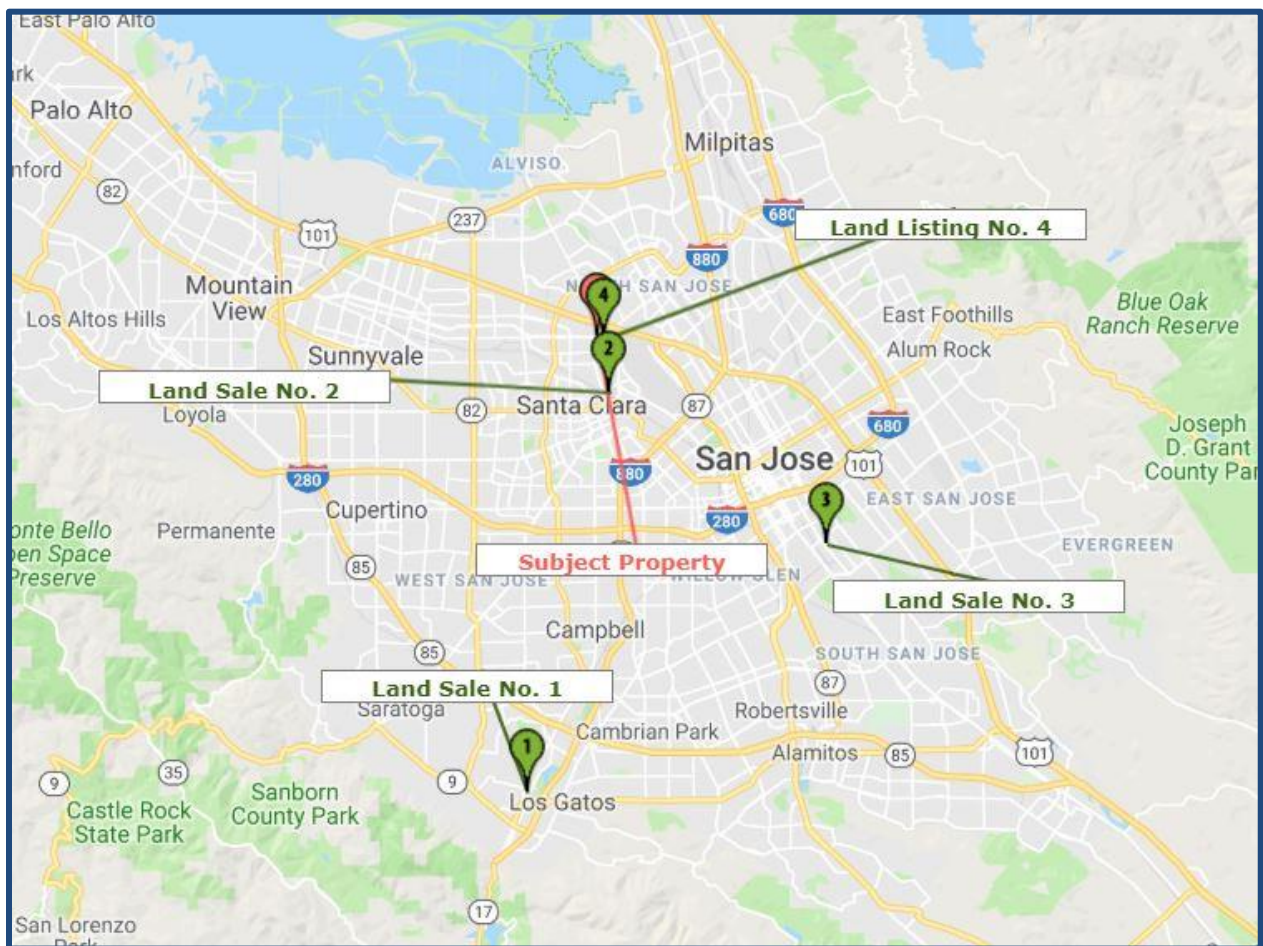
We included several sales in our analysis, as these sales were judged to be the most comparable to develop an indication of market value for the subject property.

The following is a table summarizing each sale comparable and a map illustrating the location of each in relation to the subject. Details of each comparable follow the location map.

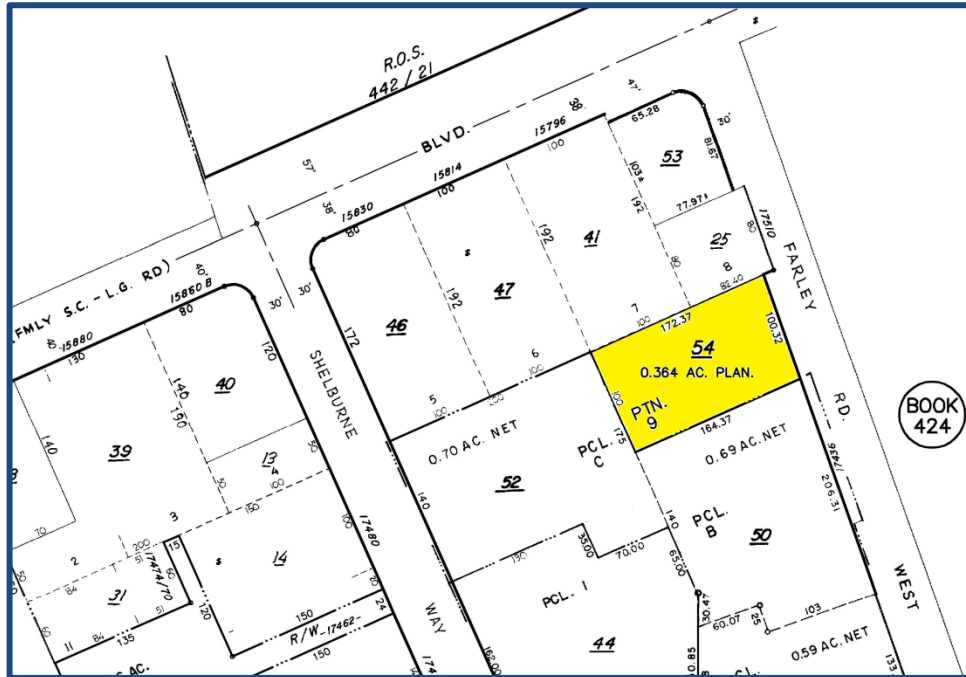
### Land Sales Summary

Comp. No.	COE Date	Site Size Sq. Ft.	Location	Zoning	Sales Price Actual	Per Sq. Ft.
1	December-17	15,855	17500 Farley Road West	Los Gatos LM	\$1,500,000	\$94.61
2	December-16	12,750	1750 Grant Street	Santa Clara MH	\$550,000	\$43.14
3	August-16	7,884	1775 Smith Avenue	San Jose HI	\$465,000	\$58.98
4	November-18	7,100	720 Comstock Street	Santa Clara MH	\$570,000	\$80.28

### COMPARABLE SALES MAP



### COMPARABLE SALE 1



#### Property Identification

<b>Property/Sale ID</b>	131670/436389
<b>Property Type</b>	Industrial
<b>Address</b>	17500 Farley Road West
<b>City, State Zip</b>	Los Gatos, California 95030
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.239262/-121.975950
<b>Tax ID</b>	529-11-054

#### Transaction Data

<b>COE Date</b>	Dec-2017	<b>Grantee</b>	CB Concrete Construction
<b>Sale Status</b>	Recorded	<b>Recording Number</b>	0023828338
<b>Grantor</b>	Steven G. Molho	<b>Sale Price</b>	\$1,500,000

#### Property Description

<b>Gross Acres</b>	0.36	<b>Use Designation</b>	Service Commercial
<b>Gross SF</b>	15,855	<b>Zoning Jurisdiction</b>	City of Los Gatos
<b>Corner/Interior</b>	Interior	<b>Zoning Code</b>	LM
<b>Shape</b>	Rectangular	<b>Zoning Description</b>	Commercial-Industrial

#### Indicators

<b>\$/Gross SF</b>	\$94.61
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**Remarks**

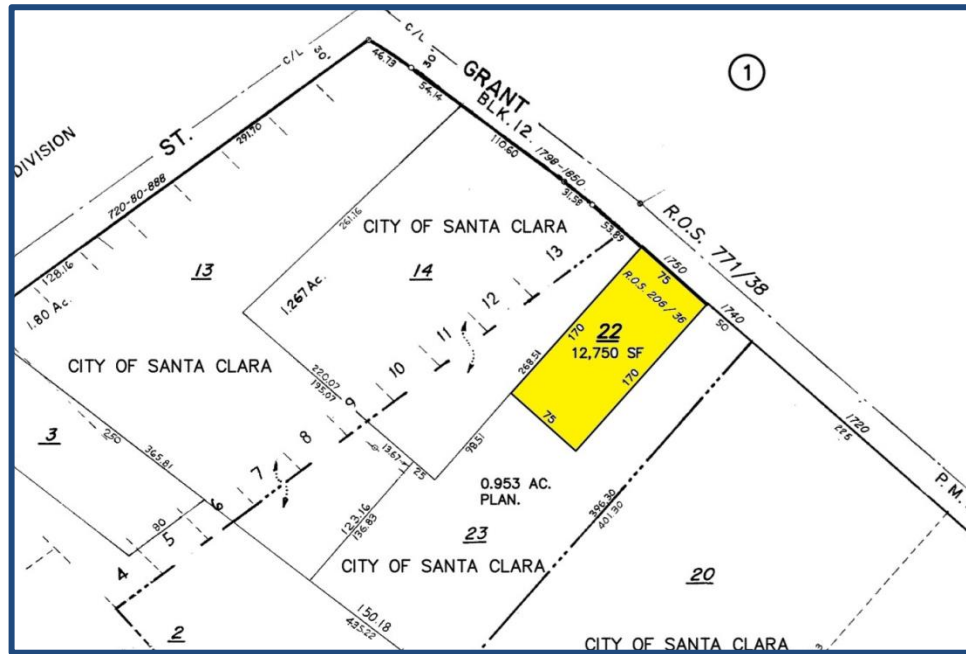
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The property consists of a single parcel of vacant land located along the south side of Farley Road West in Los Gatos. The site has a generally rectangular shape and an interior lot configuration two parcel east of Winchester Boulevard. The site has approximately 100 feet of frontage along Farley Road West (with one curb cut) and an average depth of 168 feet.

The underlying site contains 15,855 gross square feet or 0.36 gross acres. The parcel is zoned Commercial-Industrial and has a General Plan designation of Service Commercial. The maximum height and coverage is 35 feet and 50%, respectively.

CB Concrete Construction purchased this property in December 2017 from Steven G. Molho. The property sold below the asking price of \$1,600,000. The sale price was \$1,500,000 or \$94.63 per square foot of land. The property was on the market for approximately nine months.

### COMPARABLE SALE 2



#### Property Identification

<b>Property/Sale ID</b>	128067/434342
<b>Property Type</b>	Industrial
<b>Address</b>	1750 Grant Street
<b>City, State Zip</b>	Santa Clara, California 95050
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.358304/-121.944519
<b>Tax ID</b>	224-02-022

#### Transaction Data

<b>COE Date</b>	Dec-2016	<b>Grantee</b>	City of Santa Clara
<b>Sale Status</b>	Recorded	<b>Recording Number</b>	0023540059
<b>Grantor</b>	Ricardo Rivera	<b>Sale Price</b>	\$550,000

#### Property Description

<b>Gross Acres</b>	0.29	<b>Use Designation</b>	Heavy Industrial
<b>Gross SF</b>	12,750	<b>Zoning Jurisdiction</b>	City of Santa Clara
<b>Corner/Interior</b>	Interior	<b>Zoning Code</b>	MH
<b>Shape</b>	Rectangular	<b>Zoning Description</b>	Heavy Industrial

#### Indicators

<b>\$/Gross SF</b>	\$43.14
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## Remarks

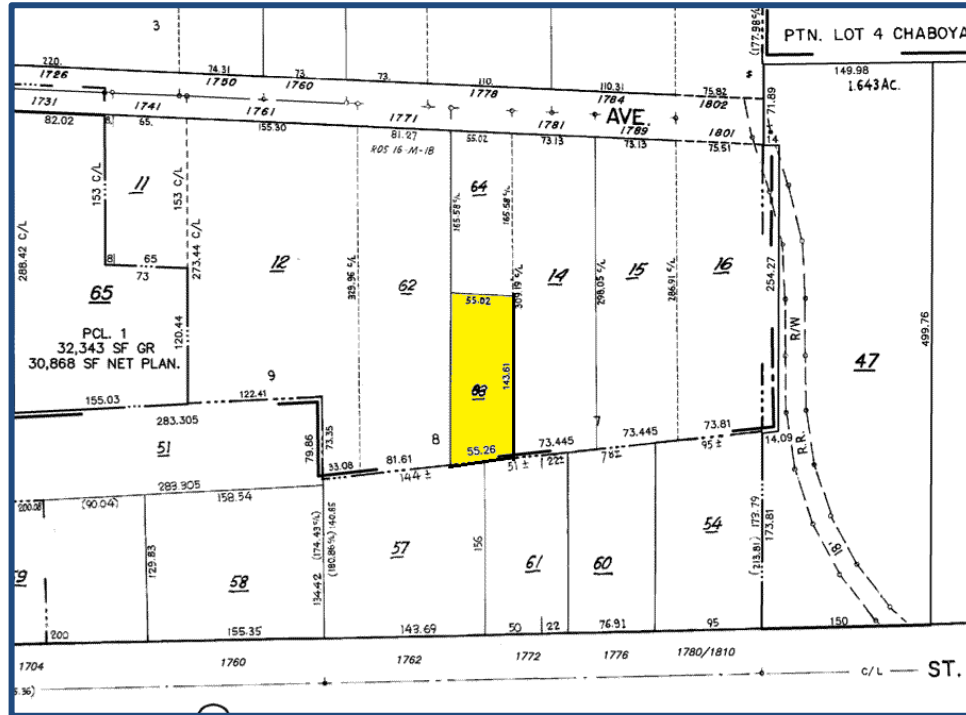
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This property consists of a single parcel of vacant industrial land located along the west side of Grant Street in Santa Clara. The site has a rectangular shape and an interior lot configuration with approximately 75 feet of frontage along Grant Street and a depth of 170 feet. The property is located within an area dominated by industrial land uses just southwest of San Jose International Airport.

The underlying site contains 12,750 gross square feet or 0.29 acres. The property zoning and General Plan land use designation are Heavy Industrial.

The City of Santa Clara purchased this property in December 2016 for \$550,000 or \$43.14 per square foot of land area. According to the broker, the site had limited utility because of an easement which could not be developed upon. It was reported that development potential was very limited due to the size and location of the easement. It was mentioned that the property could be used as a storage yard though which was how it was marketed. The buyer will assemble the property with the adjacent larger site which will be developed into a park. The property sold at market value, based on an industrial underlying use.



**COMPARABLE SALE 3**

**Property Identification**

<b>Property/Sale ID</b>	129048/434852
<b>Property Type</b>	Industrial
<b>Address</b>	1775 Smith Avenue
<b>City, State Zip</b>	San Jose, California 95112
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.312713/-121.863129
<b>Tax ID</b>	477-26-063

**Transaction Data**

<b>COE Date</b>	Aug-2016	<b>Grantee</b>	Pak Y Lee
<b>Sale Status</b>	Recorded	<b>Recording Number</b>	23400867
<b>Grantor</b>	William L & Suan I Radonich	<b>Sale Price</b>	\$465,000

**Property Description**

<b>Gross Acres</b>	0.18	<b>Use Designation</b>	Heavy Industrial
<b>Gross SF</b>	7,884	<b>Zoning Jurisdiction</b>	City of San Jose
<b>Corner/Interior</b>	Key lot	<b>Zoning Code</b>	HI
<b>Shape</b>	Generally Rectangular	<b>Zoning Description</b>	Heavy Industrial

**Indicators**

<b>\$/Gross SF</b>	\$58.98
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**Remarks**

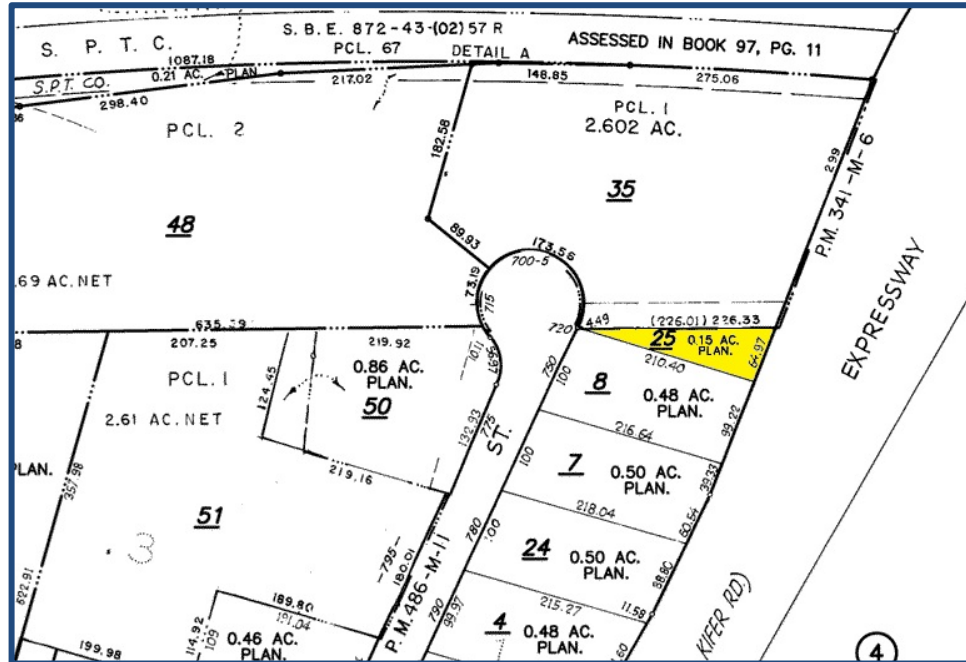
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This property consists of a single parcel improved with an older industrial building located in South San Jose. The site has a rectangular shape with easement ingress/egress access over the adjacent parcel. The improvements contain 4,144 square feet and were reported to be in poor condition. The site dimensions are appropriately 55 feet wide by 145 feet long.

The underlying site contains 0.18 gross acres or 7,884 gross square feet. The property zoning and General Plan land use designation are Heavy Industrial.

Pak Y Lee purchased this property from William L and Suan I Radonich in August 2016. The buyer is an owner-user. The property sold for \$465,000 or \$59 per square foot land value.

### COMPARABLE SALE 4



#### Property Identification

<b>Property/Sale ID</b>	133091/437179
<b>Property Type</b>	Industrial
<b>Address</b>	720 Comstock Street
<b>City, State Zip</b>	Santa Clara, California 95054
<b>County</b>	Santa Clara
<b>Latitude/Longitude</b>	37.374153/-121.947100
<b>Tax ID</b>	224-36-025

#### Transaction Data

<b>COE Date</b>	Nov-2018	<b>Grantee</b>	Hays
<b>Sale Status</b>	Recorded	<b>Sale Price</b>	\$570,000
<b>Grantor</b>	Jeff Olofsen and Cynthia		

#### Property Description

<b>Gross Acres</b>	0.16	<b>Use Designation</b>	Heavy Industrial
<b>Gross SF</b>	7,100	<b>Zoning Jurisdiction</b>	City of Santa Clara
<b>Corner/Interior</b>	Interior	<b>Zoning Code</b>	MH
<b>Shape</b>	Triangular	<b>Zoning Description</b>	Heavy Industrial

#### Indicators

<b>\$/Gross SF</b>	\$80.28
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## Remarks

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This property consists of a single parcel improved with a small office building located along the south side of Comstock Street in Santa Clara. The site has a triangular shape and an interior lot configuration with limited frontage and visibility along Comstock Street. The site has access over the adjacent parcel to the east via an ingress/egress easement. The property backs to Central Expressway.

The underlying site contains approximately 7,100 square feet or 0.16 acres. The existing improvements contain 1,200 square feet and were reported in average condition. The site is fully fenced with an FAR of 17%, which is typical of contractor's yards in the area. The property zoning and General Plan land use designation are Heavy Industrial.

Albanese Park I, LLC purchased this property in November 2018 from Jeff Olofsen and Cynthia Hays. The property sold below the asking price of \$650,000. The sale price was \$570,000 or \$80.28 per square foot of land. The buyer was the adjacent property owner and intends to use the property to expand their business.

## Land Sales Comparison Analysis

When necessary, adjustments were made for differences in various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, and other physical characteristics. If the element in comparison is considered superior to that of the subject, we applied a negative adjustment. Conversely, a positive adjustment was applied if inferior. A summary of the elements of comparison follows.

### Transaction Adjustments

Transaction adjustments include (1) real property rights conveyed, (2) financing terms, and (3) conditions of sale. These items, which are applied prior to the market conditions and property adjustments, are discussed as follows:

#### Real Property Rights Conveyed

Real property rights conveyed influence sale prices and must be considered when analyzing a sale comparable. The appraised value and sale comparables all reflect the fee simple interest with no adjustments required.

#### Financing Terms

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

All of the sale comparables involved typical market terms by which the sellers received cash or its equivalent and the buyers paid cash or tendered typical down payments and obtained conventional financing at market terms for the balance. Therefore, no adjustments for this category were required.

#### Conditions of Sale

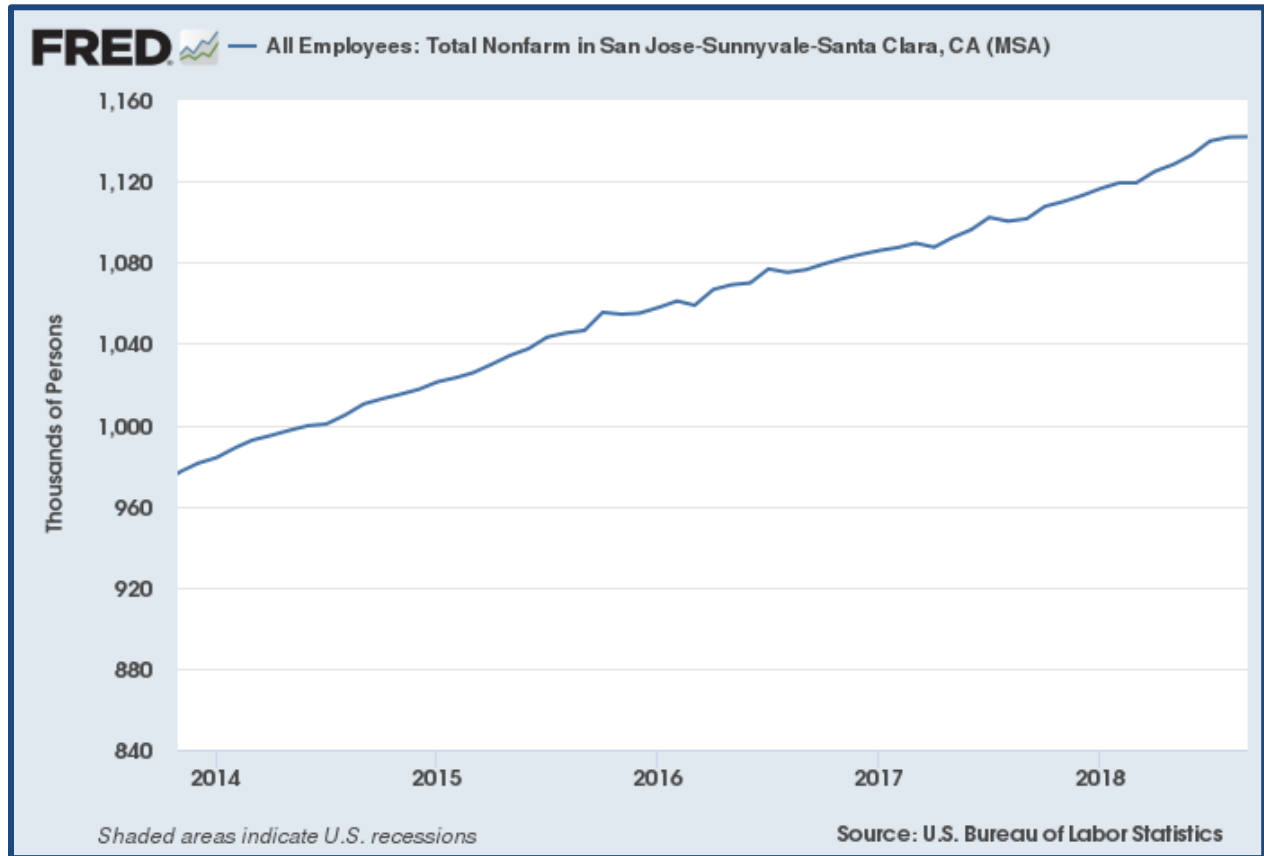
When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale listing price, which usually reflects the upper limit of value. All sale comparables have typical conditions of sale and do not warrant adjustment.

## Market Conditions Adjustment

Market conditions change over time because of inflation, deflation, fluctuations in supply and demand, or other factors. Changing market conditions may create a need for adjustment to comparable sale transactions completed during periods of dissimilar market conditions.

Market conditions have improved over the past several years, reflecting improvements in the overall economy. All of the sales are adjusted upward for market conditions, except for Comparable Four, which was a recent transaction as of the date of value. Comparable Four is not adjusted.

The table on the following page shows improvements to the employment market, which translates into improving market conditions for land.



Current industrial trends as of the third quarter 2018, according to Costar Analytics, show decreasing supply and increasing rents for industrial space. Limited supply and strong demand is placing upward pressure on industrial property values.

### Property Adjustments

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

Our reasoning for the property adjustments made to each sale comparable follows. The discussion analyzes each adjustment category deemed applicable to the subject property.

#### Location

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

The subject has a central location in an industrial area proximate to freeway access. Comparable Four has a similar location and is not adjusted. Comparable One has a superior location in Los Gatos, an area of higher property values, and is downward adjusted. Comparables Two and Three have inferior locations farther from freeway access and are upward adjusted.

### Size

The size adjustment addresses variance in the physical size of the comparables and that of the subject, as a larger parcel typically commands a lower price per unit than a smaller parcel. This inverse relationship is due, in part, to the principle of “economies of scale.”

The subject site contains 6,455 square feet. The comparables range in size between 7,100 and 15,855 square feet and warrant some size adjustment. All comparables are adjusted upward for their larger size, as appropriate. Comparables Three and Four, at 7,881 and 7,100 square feet, were only slightly adjusted.

### Shape/Utility

The subject has a trapezoid shape with average site utility. All comparables have rectangular shapes with similar site utility as the subject except for Comparable Four which has an inferior pie or triangular shape. Comparable Four is upward adjusted for this element of comparison.

### Flood Plain

Comparable Four is located in a flood zone and is upward adjusted. No other comparable is located in a flood zone and no other adjustments were made for this category.

### Improvements

Comparables Four and Five were improved with existing building(s) at the time of sale and warrant downward adjustment. No other adjustments were made for this category.

### Other

A new user of the subject would need to install sidewalk improvements along the street frontage. This additional expense was not required for all comparables except Comparable Two. Comparables One, Three, and Four are adjusted slightly downward.

### Conclusion

After adjustments, the range is from \$58.86 to \$95.59 per square foot of land.

From the market data available, we used several land sales in competitive market areas which were adjusted based on pertinent elements of comparison. Most weight is given to Comparable Four due to its overall similarities to the subject in terms of location and size, as well as its recent transaction date. This sale indicates an adjusted unit value of \$89.92 per square foot of land.

Given the subject’s physical and locational characteristics we have reconciled to a unit value for the subject at \$90.00 per square foot of land.

Based on this analysis, the sales comparison indication is summarized as follows:

#### Sales Comparison Approach Conclusion

$$6,455 \quad \times \quad \mathbf{\$90.00 \text{ psf}} \quad = \quad \$580,950$$

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(Rounded)    **\$580,000**

As a crosscheck, we have considered the implied price on a lump sum basis since the subject site is smaller than the comparables. Comparables Two through Four have adjusted lump sum values of \$630,438, \$499,914, and \$592,800, respectively. Again, Comparable Four is considered the most comparable to the subject and has an adjusted lump sum indication of \$592,800. The estimated subject value of \$580,000 is within the range suggested by the comparables on a lump sum basis.

Furthermore, we also considered the implied price per floor area ratio (FAR) foot. Typically small industrial properties like the subject are used as contractor's yards and might be improved with a small office or warehouse building. When improved, these types of properties have an FAR near 20%. Based on an estimated 20% FAR for the subject location, a likely building size on the subject site is estimated at 1,291 square feet, or 6,455 sf x 20%. The implied price per FAR foot is, therefore, \$450, or \$580,950 / 1,291 sf. This is within range of the comparable sales data (\$133-\$532) and thus the value is considered reasonable.



# Valuation Summary

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The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

<b>Value Indications</b>	
<b>Approach to Value</b>	
Sales Comparison	\$580,000

<b>Value Conclusions</b>	
<b>Component</b>	
Value Type	Market Value
Property Rights Appraised	Fee Simple
Date of Value	October 26, 2018
<b>Value Conclusion</b>	<b>\$580,000</b>
<b>Value per SF of Land</b>	<b>\$90 psf</b>

To reach a final opinion of value, we considered the reliability, relevance, and quality of the market data available. Land sites are typically purchased by owner-users or developers and the sales comparison approach is the typical valuation method. We have employed this method in our analysis.

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

### Extraordinary Assumptions:

- Per our client’s request, we have assumed that the subject parcel would continue to be accessed from the existing curb-cut and driveway on the adjoining parcel (APN 224-36-056).

### Hypothetical Conditions:

- It is a hypothetical condition of this report that the subject is its own legal parcel, and thus capable of sale on the open market.

### Exposure Time and Marketing Periods

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of 6 to 9 months are considered reasonable and appropriate for the subject property.

## General Assumptions and Limiting Conditions

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This appraisal is subject to the following general assumptions and limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Northern California will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Northern California is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.

11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Northern California and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Northern California.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

21. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
22. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
23. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
24. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.
25. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, upon request of the client, the appraiser will submit a revised report for an additional fee.
26. If only preliminary plans and specifications were available for use in the preparation of this appraisal, and a review of the final plans and specifications reveals substantial differences upon request of the client the appraiser will submit a revised report for an additional fee.

27. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
28. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
29. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
30. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
31. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.
32. You and Valbridge Property Advisors | Northern California both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Northern California and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Northern California or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Northern California for this assignment, and under no circumstances shall any claim for consequential damages be made.

33. Valbridge Property Advisors | Northern California shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Northern California. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Northern California and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Northern California harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Northern California in such action, regardless of its outcome.
34. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Valbridge Property Advisors | Hulberg & Associates, Inc. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
35. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
36. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
37. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

## Certification – Tony Sciarrilli

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

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



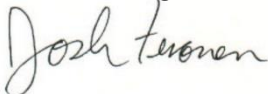
Tony Sciarrilli  
Appraiser Trainee  
California Trainee License #AT3003462

## Certification – Josh Fronen, MAI

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

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



Josh Fronen, MAI  
Director  
California Certified License #AG028548



# Addenda

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Subject Photos

Glossary

Qualifications

- Tony Sciarrilli, - Appraiser Trainee
- Josh Fronen, MAI - Director

Information on Valbridge Property Advisors

Office Locations

Subject Photographs (dated October 26, 2018)



View of the subject looking east from the northwest corner of the property



View of the subject looking east from the southwest corner of the property



View of the existing ingress/egress across the adjacent parcel



View of the subject's street frontage along Comstock Street looking west (subject is on the right)



Street scene looking west from the subject along Comstock Street



Street scene looking east from the subject along Comstock Street

## Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

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

### Amortization

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

### As Is Market Value

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

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

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

### Building Common Area

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

docks outside the building line, and major vertical penetrations. (BOMA)

### Building Rentable Area

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

### Certificate of Occupancy (COO)

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

### Common Area Maintenance (CAM)

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

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

### Condominium

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

### Conservation Easement

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

### Contributory Value

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

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ( $DCR = NOI/Im$ ), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

### Deed Restriction

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

### Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.

In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

### Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

### Easement

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

### EIFS

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

### Effective Date

The date on which the appraisal or review opinion applies. (SVP)

In a lease document, the date upon which the lease goes into effect. (Dictionary)

### Effective Gross Income (EGI)

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

### Effective Rent

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

### EPDM

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

### Escalation Clause

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

### Estoppel Certificate

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

### Excess Land

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

### Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management,

unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

### Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

### Exposure Time

The time a property remains on the market.

The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal;

Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

### Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (USPAP)

### Fee Simple Estate

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

### Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which

are available primarily for the use of tenants on that floor. (BOMA)

#### Full Service (Gross) Lease

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

#### Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

#### Going-Concern Value

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

#### Gross Building Area (GBA)

Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

#### Gross leasable area plus all common areas.

For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

#### Gross Measured Area

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

#### Gross Up Method

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

#### Gross Retail Sellout

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

#### Ground Lease

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

#### Ground Rent

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

#### HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

#### Highest and Best Use

The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.

The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)

[The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

#### Hypothetical Condition

A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP)

#### Industrial Gross Lease

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

#### Insurable Value

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

#### Investment Value

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

#### Just Compensation

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

#### Leased Fee Interest

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

#### Leasehold Interest

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

#### Lessee (Tenant)

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

#### Lessor (Landlord)

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

#### Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.

- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.

The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

#### Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

#### Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

#### Market Rent

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

#### Market Value

The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and

The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

#### Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation)

#### Master Lease

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



### Modified Gross Lease

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

### Operating Expense Ratio

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

### Option

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

### Partial Interest

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

### Pass Through

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

### Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

### Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a

prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed– reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

### Prospective Future Value Upon Stabilization

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

### Replacement Cost

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

### Reproduction Cost

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

### Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some

specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.” (Dictionary)

#### Sandwich Leasehold Estate

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

#### Sublease

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

#### Subordination

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

#### Surplus Land

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

#### TPO

Thermoplastic polyolefin, a resilient synthetic roof covering.

#### Triple Net (Net Net Net) Lease

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

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

#### Usable Area

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

#### Value-in-Use

The value of a property assuming a specific use, which may or may not be the property’s highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)

#### VTAB

Value of the Total Assets of a Business. The value of a going concern (i.e. the business enterprise). (Dictionary)

## Qualifications

## Qualifications of Tony M. Sciarrilli

### Appraiser Trainee

Valbridge Property Advisors | Northern California



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### *Independent Valuations for a Variable World*

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#### State Certifications

Trainee Appraiser License  
State of California

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#### Education

M.B.A., Business Management  
San Jose State University

Bachelor of Arts, Psychology  
California State University,  
Monterey Bay

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#### Professional Associations

Practicing Affiliate, Appraisal Institute

#### Appraisal Institute & Related Courses

- National USPAP
- Appraisal Principles
- Appraisal Procedures
- Market Analysis and Highest and Best Use
- Appraiser Site Valuation and Cost Approach
- Sales Comparison Approach and Income Approach
- Report Writing and Case Studies
- Business Practices and Ethics

#### Experience

##### **Appraiser Trainee**

Valbridge Property Advisors | Northern California  
(2015-present)

##### **Analyst**

Valbridge Property Advisors | Northern California  
(2014-2015)

Mr. Sciarrilli has performed valuation services for a variety of property types including: retail buildings (community, specialty, neighborhood and strip), office buildings (professional and medical/dental), vacant land, agricultural land, warehouses, manufacturing, light industrial, research and development, apartments, single-family, condominiums, subdivisions, auto dealerships, service stations, worship facilities, food processing facilities, and other types of special purpose properties.

## Qualifications of Josh Fronen, MAI Director

Valbridge Property Advisors | Northern California



### *Independent Valuations for a Variable World*

#### State Certifications

Certified General  
State of California

#### Education

Bachelor of Arts  
History, Specializing in  
Business  
University of California  
Los Angeles

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#### Membership/Affiliations

Member: Appraisal Institute MAI Designation  
Grader: Appraisal Institute Demonstration Appraisal Report Panel, Current  
Chairman: Fall Conference Committee, Appraisal Institute, 2009  
Member: Board of Directors, NorCal Chapter of the Appraisal Institute, 2009 – 2012  
Member: Appraisal Institute Membership Development and Recruitment Committee, NorCal Chapter  
Board Member: Appraisal Institute Fall Conference, 2007 – Current.  
Member: Toastmasters International, Competent Communicator (CC)

#### Appraisal Institute & Related Courses

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

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## Experience

### **Director**

Valbridge Property Advisors | Northern California (2018-Present)

### **Senior Appraiser**

Valbridge Property Advisors | Northern California (2013-2018)

### **Senior Appraiser**

Hulberg & Associates, Inc. (2004-2013) (joined to create Valbridge in 2013)

### **Associate Appraiser**

TMG Realty Advisors (2001-2004)

### **Market Researcher/Appraiser Assistant**

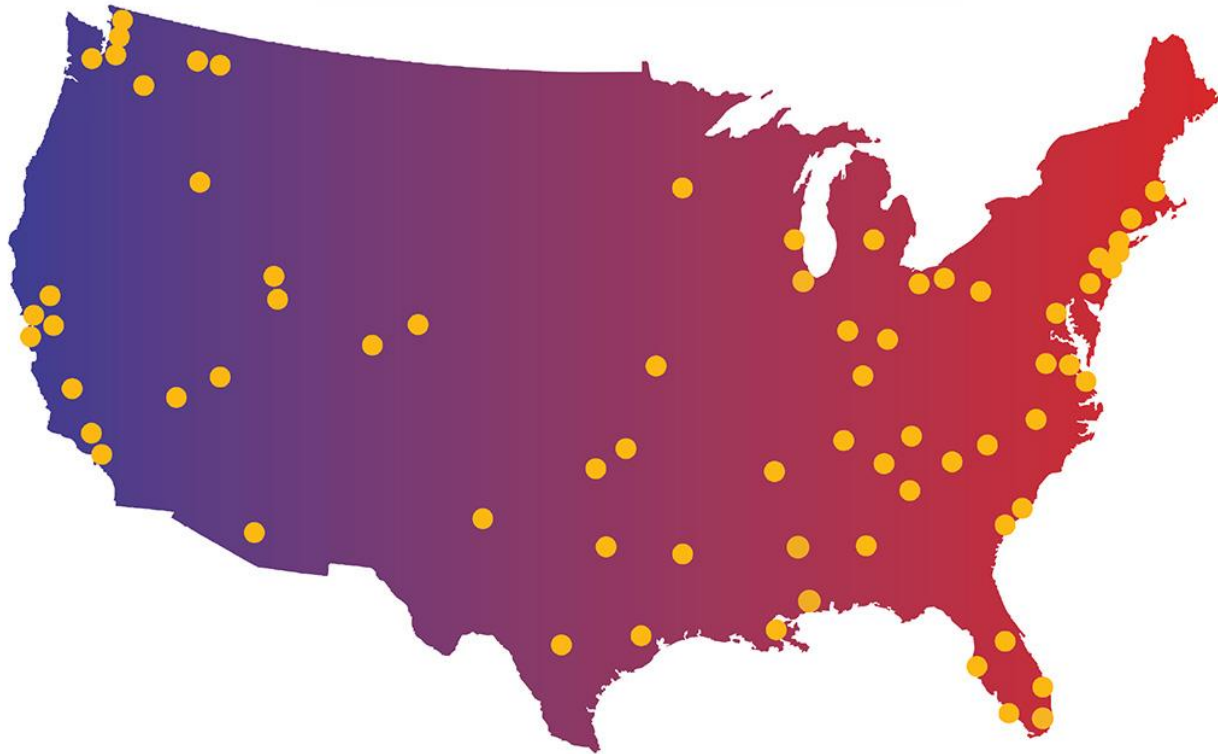
Akiba Appraisal Services (2001)

Appraisal/valuation and consulting assignments include: Offices: professional and medical/dental; suburban and high-rise. Shopping centers: community, specialty, neighborhood, and strip. Swap meets. Storefront retail buildings. Apartments, condominiums, subdivisions, and single-family.

R&D, light industrial, warehouses, food processing, and manufacturing. Land and remnant appraisals. Retrospective valuations. Fractional interest valuations. Arbitration, litigation, estate work, tax appeals, contamination, rent loss, and diminution in value. Has provided court testimony and is a qualified expert witness.



**Valbridge**  
PROPERTY ADVISORS



## FAST FACTS

### COMPANY INFORMATION

- Valbridge is the largest independent national commercial real estate valuation and advisory services firm in North America.
  - Total number of MAI-designated appraisers (200+ on staff)
  - Total number of office locations (70+ across U.S.)
  - Total number of staff (675+ strong)
- Valbridge covers the entire U.S. from coast to coast.
- Valbridge services all property types, including special-purpose properties.
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by our local office leaders.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.



# Valbridge

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