WARD LEVY APPRAISAL GROUP, INC

Real Property Valuation

APPRAISAL OF REAL PROPERTY

The Kawana Terrace Right-Of-Way
An 8,941 Square Foot Right-Of-Way
Kawana Terrace
Santa Rosa, CA 95404

DATE OF VALUE

May 10, 2018

PREPARED FOR:

Vintage Housing Development, Inc.
369 San Miguel Drive, Suite 135
Newport Beach, CA 92660
(949) 721-6775

PREPARED BY:

Ward Levy Appraisal Group, Inc.
1160 North Dutton Avenue, Suite 160
Santa Rosa, CA 95401
(707) 575-7778

WARD LEVY APPRAISAL GROUP, INC
Real Property Valuation

1160 North Dutton Avenue, Suite 160
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(707) 921-5050
info@wardlevy.com

May 24, 2018

Carl Dominguez
Vintage Housing Development, Inc.
369 San Miguel Drive, Suite 135
Newport Beach, CA 92660

RE: The Kawana Terrace Right-Of-Way
An 8,941 Square Foot Right-Of-Way
Kawana Terrace
Santa Rosa, CA 95404

As requested by you, we have prepared an appraisal of the market value of the above referenced property. Our reasoning and analysis is presented in the following Appraisal Report.

The subject is an 8,941 square foot legal but paper right-of-way for the western extension of Kawana Terrace, and is situated between Kawana Springs Road and Franz Kafka Avenue. The subject is vacant and unimproved and bisects adjoining property to the north and south which is proposed for development with the Kawana Springs Apartment Homes project. The owners of these adjoining sites have development entitlements for 120 multi-family residences, and their site development plan shows the inclusion of the subject property into the project and its intended development as a community farm/garden area. The subject right-of-way is under consideration for abandonment by the City of Santa Rosa which would enable it to be included into the approved project and developed. As discussed in more detail herein, this is also considered to be the highest and best use of the subject site. The subject is more fully described in the enclosed report.

The appraisal is subject to the Statement of Assumptions and Limiting Conditions and Certifications set forth in this report, as well as the following Extraordinary Assumptions and Hypothetical Conditions:

Extraordinary Assumptions:

- No Preliminary Title Report was provided, but the appraisers were provided with a graphical exhibit showing the existence and location of underground gas and water pipeline easements on the site. The value opinion set forth in this appraisal report is subject to and conditioned upon the accuracy of this information as well as the absence of any other easements or encumbrances that would materially affect the subject's market value. The use of this extraordinary assumption may have affected assignment results.

Hypothetical Conditions:

- None

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Based upon the research and analysis contained in the following report, the market value of the subject is concluded as follows:

Appraisal Premise	Interest Appraised	Date of Value	Opinion of Value
As Is	**Fee Simple**	**May 10, 2018**	**$25,000**

This letter and related exhibits must remain attached to the report in order for the value opinion set forth to be considered valid.

The appraisal that follows is a narrative appraisal report that sets forth the scope of the assignment, identification of the property, pertinent facts about the area and the subject property, comparable data, the results of the research and analyses and the reasoning leading to the conclusions set forth. The appraisal report has been prepared in conformance with our understanding of the Uniform Standards for Professional Appraisal Practice (USPAP) and the requirements of the Code of Professional Ethics and Standards of the Professional Appraisal Practice of the Appraisal Institute. It also conforms to the Title XI Regulations and the Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) updated in 1994 and further updated by the Interagency Appraisal and Evaluation Guidelines promulgated in 2010.

Respectfully submitted,

Robert Horning, MAI
State of California Certified General Real Property Appraiser
OREA License Number AG028396
Expiration: October 18, 2019

Ryan C. Ward, MAI
State of California Certified General Real Property Appraiser
OREA License Number AG026338
Expiration: December 22, 2018

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SUBJECT PROPERTY PHOTOGRAPHS


View West From East Boundary


View East From West Boundary


View Northeast Along Kawana Springs Road


View Southwest Along Kawana Springs Road


View Southeast Along Franz Kafka Avenue


View Northwest Along Franz Kafka Avenue (Subject ROW To Left)

View East From East Boundary Toward Kawana Terrace

View South From Subject ROW Toward Adjoining Property

View North From Subject ROW Toward Adjoining Property

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Name:	The Kawana Terrace Right-Of-Way
Property Type:	Land
Address:	Kawana Terrace Santa Rosa, CA 95404
Assessor's Parcel Number:	N/A
Census Tract:	1514.01
Site Area:	0.21 Acres / 8,941 Square Feet
Zoning:	N/A
General Plan Land Use Designation:	N/A
Flood Hazard Area:	The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is located in FEMA flood zone X (unshaded), which is not classified as a special flood hazard area. FEMA Map Number: 06097C0737F FEMA Map Date: October 16, 2012
Earthquake Area:	The subject site is not located in an Alquist Priolo Special Studies Zone.
Soil Conditions:	The appraisers are not qualified as soil experts and do not possess the skills to determine if the site is contaminated in any manner which might have a negative impact on the overall value of the subject property. The reader of this report is advised to determine the development potential of the site and ensure that no soil contamination exists prior to making any financial commitments on the subject property. This appraisal assumes that the site can be improved to its highest and best use, and that no contamination exists which would negatively impact the subject property.
Site Status:	The subject comprises a legal but paper right-of-way for the western extension of Kawana Terrace, and extends from Kawana Springs Road to Franz Kafka Avenue. The subject currently comprises vacant land.

Improvements: None

Highest and Best Use: The highest and best use of the subject site is considered to be to combine it with the adjoining property and develop the sites jointly with multi-family residential uses in accordance with the adjoining owners' current Kawana Springs Apartment Homes project entitlements.

Estimated Marketing Period: A reasonable marketing period for the subject is estimated to be three to nine months based upon an analysis of sales of comparable properties and assumes no foreseeable changes in market conditions.

Estimated Exposure Time: A reasonable exposure time for the subject at the appraisers' determination of market value would be three to nine months as of the effective date of the report and based upon an analysis of sales of comparable properties.

Date of Inspection: May 10, 2018

Report Date: May 24, 2018

Extraordinary Assumptions: No Preliminary Title Report was provided, but the appraisers were provided with a graphical exhibit showing the existence and location of underground gas and water pipeline easements on the site. The value opinion set forth in this appraisal report is subject to and conditioned upon the accuracy of this information as well as the absence of any other easements or encumbrances that would materially affect the subject's market value. The use of this extraordinary assumption may have affected assignment results.

Hypothetical Conditions: None

Value Indications

	As Is
Value Conclusion	$25,000
Date of Value	May 10, 2018
Property Rights	Fee Simple

Identification of the Property

The subject site is located along the southeast side of Kawana Springs Road and the southwest side of Franz Kafka Avenue, just west of Kawana Terrace and east of Petaluma Hill Road, in the City of Santa Rosa, County of Sonoma, California. The subject does not feature an assessor's parcel reference but is located directly south of Sonoma County Assessor's Parcel Number 044-

370-002 and directly north of APN 044-051-049. It does not have a common situs address, but while it has frontage along both Kawana Springs Road and Franz Kafka Avenue, it comprises a legal right-of-way for the western extension of Kawana Terrace. It has generally been referred to throughout this report simply as Kawana Terrace, Santa Rosa, Sonoma County, CA 95404.

Ownership and Recent History of Subject Property

The subject ownership is vested in the City of Santa Rosa. Ward Levy Appraisal Group, Inc. is unaware of any transfers, offers, options or agreements to purchase pending on the subject property within the last three years.

Date of Inspection, Valuation & Report Date

The date of inspection and valuation is May 10, 2018. The report date is May 24, 2018.

Legal Description

A legal description for the subject was provided by the client and is contained in the Addenda of the report. A graphical exhibit showing the precise location of the subject is also contained in the Addenda.

Real Property Tax and Assessment Data

As a result of the passage of Proposition 13, or the Jarvis Gann initiative in 1978, real property taxes in the State of California are limited to 1% of market value, based upon the Assessor's market value estimate for the 1975 base year, unless there is a transfer of ownership, new construction or the property is leased on a long-term basis. Whenever any of the foregoing occurs, the property is reassessed at full market value. If there is no reassessment, the assessed value is increased at 2% annually. Assessed values in California rarely have any relationship to market value due to the increase limit. Thus, comparison to other similar properties is irrelevant since the assessed values are not based upon current market value.

Proposition 13 limits the annual real property taxes to 1% of the assessed value, plus an amortized amount for voter approved bonded indebtedness. The voter approved bonded indebtedness can take the form of a percentage of value or as a fixed per parcel charge. In addition, special tax assessments which have a finite life are collected with the regular tax roll and represent a supplemental debt to the owner that can be paid off in one lump sum or over time.

The subject property consists of a legal but paper right-of-way and does not have an assessor’s parcel reference. It does not have any assessed valuation, nor does it have any tax liability.

SCOPE OF WORK

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s). Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

Scope of Work	
Client:	Vintage Housing Development, Inc.
Intended Use:	Assist in establishing a purchase price, and no other use is permitted.
Intended User:	Vintage Housing Development, Inc., and no other user may rely on our report unless specifically indicated in the report.
Purpose of the Appraisal:	The purpose of this appraisal is to estimate the market value of the subject property. The definition of market value used in this appraisal is as follows: The most probable price which 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: 1. buyer and seller are typically motivated; 2. both parties are well informed or well advised, and acting in what they consider their own best interests; 3. a reasonable time is allowed for exposure in the open market; 4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 5. 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.[1]

Report Type: This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a summary of the appraisal process, subject and market data and valuation analyses.

Property Identification: The subject has been identified by the legal description.

Inspection: A complete inspection of the subject property has been made, and photographs taken.

Information Sources: Obtaining the site size from documentation provided by the client, researching local area use trends and construction activity from public agencies and local market participants, determining probable marketing and exposure time based on recent sales and interviews with local real estate professionals, conducting telephone and personal interviews with persons considered knowledgeable regarding the subject property and general market conditions, verifying the comparable market data with at least one party to the transactions.

Market Area and Analysis of Market Conditions: A complete analysis of market conditions has been made. The appraisers maintain and have access to comprehensive databases for this market area and have reviewed the market for sales and listings relevant to this analysis.

Highest and Best Use Analysis: A complete as vacant highest and best use analysis for the subject has been undertaken. Legally permissible, physically possible and financially feasible uses were considered, and the maximally productive use was concluded.

Interest Appraised: Fee Simple

Personal Property, Fixtures and Intangible Items: The valuation opinion included within this appraisal is for the real property only. No personal property, fixtures or intangible items of material value are included as part of the real property.

[1] OCC, 12 CFR, Part 34, Subpart C-Appraisals 34.42 Definitions (g)

Valuation Analyses

Cost Approach: A cost approach was not applied as there are no improvements to analyze.

Sales Comparison Approach: A sales approach was applied as market participants consider similar type properties when determining the subject's market value and thus the Sales Comparison Approach is utilized in the analysis.

Income Approach: An income approach was not applied as the subject is not a typical income producing property.

Hypothetical Conditions: None

Extraordinary Assumptions: No Preliminary Title Report was provided, but the appraisers were provided with a graphical exhibit showing the existence and location of underground gas and water pipeline easements on the site. The value opinion set forth in this appraisal report is subject to and conditioned upon the accuracy of this information as well as the absence of any other easements or encumbrances that would materially affect the subject's market value. The use of this extraordinary assumption may have affected assignment results.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is for no purpose other than property valuation, and the appraisers are neither qualified to nor attempting to go beyond that narrow scope. The reader should be aware that there are inherent limitations to the accuracy of the information and analyses contained in this appraisal. Before making any decision based on the information and analyses contained in this report, it is critically important to read this entire section to understand these limitations. Please note that all of the following assumptions and limiting conditions are considered to be effective *unless otherwise noted within this report*.

1. *Appraisal is not a Survey:* It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless noted within the report.

2. No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Any maps, plats or drawings reproduced and included in this report are intended only for the purpose of showing spatial relationships. The reliability of the information contained on any such map or drawing is assumed by the appraisers and cannot be guaranteed to be correct. A surveyor should be consulted if there is any concern on boundaries, setbacks, encroachments or other survey matters.

3. *Appraisal is not a Legal Opinion:* No responsibility is assumed for legal matters that affect title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable. The value estimate is given without regard to any questions of title, boundaries, encumbrances or encroachments. We are not usually provided a complete title report of the property being appraised and, in any event, we neither made a detailed examination of it nor do we give any legal opinion concerning it.

4. It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws, unless non-compliance is stated, defined and considered in the appraisal report. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal.

5. It is assumed that all applicable zoning and land use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. Information and analyses shown in this report concerning these items are based only on a preliminary investigation. Any significant question should be addressed to local zoning or land use officials and/or an attorney.

6. It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns on these items, inasmuch as we have not made a comprehensive examination of laws and regulations affecting the subject property.

7. *Appraisal is not an Engineering or Property Inspection Report:* This appraisal should not be considered a report on the physical items that are a part of this property. Although the

appraisal may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not construction, engineering, environmental or legal experts, and any statement given on these matters in this report should be considered preliminary in nature.

8. If the subject property is improved with structures, the observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service and all mechanical and construction are based on casual inspection only and no detailed inspection was made. The structures were not checked for building code violations, and it is assumed that all buildings meet applicable building codes unless so stated in the report.

9. It is assumed that there are no hidden or unapparent conditions of the property, sub-soil or structures that would render it more or less valuable. No responsibility is assumed for such conditions, nor for the engineering that may be required to discover such factors. Since no engineering or percolation tests were made, no liability is assumed for soil conditions. Sub-surface rights (mineral and oil) were not considered in making this appraisal.

10. We are not environmental experts, and we do not have the expertise necessary to determine the existence of environmental hazards such as the presence of urea-formaldehyde foam insulation, toxic waste, asbestos or hazardous building materials, or any other environmental hazards on the subject or surrounding properties. If we know of any problems of this nature which we believe would create a significant problem, they are disclosed in the report. Nondisclosure should not be taken as an indication that such a problem does not exist, however. An expert in the field should be consulted if any interested party has questions on environmental factors.

11. No chemical or scientific tests were performed by the appraisers on the subject property, and it is assumed that the air, water, ground and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the property does not contain any type of dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report.

12. Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any condition or other comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, flooring, heating system, air conditioning system, plumbing, electrical service, insulation or any other components of buildings or structures that are located on the land. If any interested party is concerned about the existence, condition or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

13. *Appraisal is Made Under Conditions of Uncertainty with Limited Data:* As can be seen from the limitations presented above, this appraisal has been performed with a limited amount of data. Data limitations result from a lack of certain areas of expertise by the appraisers (that go beyond the scope of the ordinary knowledge of an appraiser), the inability of the appraisers

to view certain portions of the property and the inherent limitations of relying upon information provided by others. We have spent our time and effort in the investigative stage of this appraisal in those areas where we think it will do the most good, but inevitably there is a significant possibility that we do not possess all information relevant to the subject property.

14. Information provided by local sources, such as government agencies, financial institutions, accountants, attorneys and others is assumed to be true, correct and reliable. No responsibility for the accuracy of such information is assumed by the appraisers.

15. The comparable sales data relied upon in the appraisal is believed to be from reliable sources. Though all of the comparable sales were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

16. Engineering analyses of the subject property were neither provided for use nor made as a part of this appraisal contract. Any representation as to the suitability of the property for uses suggested in this analysis is therefore based only on a preliminary investigation by the appraisers and the value conclusions are subject to said limitations.

17. All values shown in the appraisal report are projections based on our analyses as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions or circumstances affecting the property's market value that take place subsequent to either the date of value contained in this report or the date of our field inspection, whichever occurs first.

18. Since projected mathematical models and other projections are based on estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

19. This appraisal is an estimate of value based on an analyses of information known to us at the time the appraisal was made. We do not assume any responsibility for incorrect analyses because of erroneous or incomplete information. If new information of significance comes to light, the value estimates are subject to change without notice.

20. Opinions and estimates expressed herein represent our best judgment, but should not be construed as advice or a recommendation to act. Any actions taken by you, the client, or any others should be based on your own judgment, and the decision process should consider many factors in addition to the value estimates and information given in this report.

21. Appraisal reports are technical documents addressed to the specific technical needs of clients. Casual readers should understand that this report does not contain all of the information we have concerning the subject property or the real estate market.

22. This appraisal was prepared at the request of and for the exclusive use of the client to whom the appraisal is addressed. No third party shall have any right to use or rely upon this appraisal for any purpose.

23. There are no requirements, by reason of this appraisal, to give testimony or appear in court or any pretrial conference or appearance required by subpoena with reference to the property in

question, unless agreed to previously by the appraiser, sufficient notice is given to allow adequate preparation and additional fees are paid by the client at our regular rates for such appearances and the preparation necessitated thereby.

24. This report is made for the information and/or guidance of the client, and possession of this report, or a copy thereof, does not carry with it a right of publication. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the appraisers. Nor shall the appraisers, firm or professional organization of which the appraisers are members be identified without the written consent of Ward Levy Appraisal Group, Inc.

25. It is suggested that those who possess this appraisal report should not give copies to others. Legal advice should be obtained on potential liability issues before this is done. Anyone who gives out an incomplete or altered copy of the appraisal report (including all attachments), does so at his/her own risk and assumes complete liability for any harm caused by giving out an incomplete or altered copy. Neither the appraisers nor Ward Levy Appraisal Group, Inc. assumes any liability for harm caused by reliance upon an incomplete or altered copy of the appraisal report given out by others.

26. Values and conclusions for various components of the subject property as contained within this report are valid only when making a summation; they are not to be used independently for any purpose and must be considered invalid if so used.

DEFINITIONS

The following definitions have been taken from *The Dictionary of Real Estate Appraisal*, Sixth Edition (2015).

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. (Interagency Appraisal and Evaluation Guidelines) Note that the use of the “as is” phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States. The concept of an “as is” value is not included in the Standards of Valuation Practice of the Appraisal Institute, Uniform Standards of Professional Appraisal Practice, or International Valuation Standards.

Cash-Equivalent Price: The price of a property with nonmarket financing expressed as the price that would have been paid in an all-cash sale.

Contract Rent: The actual rental income specified in a lease.

Easement: The right to use another’s land for a stated purpose.

Effective Date: The date on which the appraisal or review opinion applies.

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

Extraordinary Assumptions: An assumption, directly related to the specific assignment, which if found to be false, could alter the appraisers’ opinions or conclusions.

Fee Simple Interest: 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.

Floor Area Ratio (FAR): The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.

Full Service Lease: A lease in which the landlord receives stipulated rent and is obligated to pay all of the property’s operating and fixed expenses.

Going Concern: The market value of an established and operating business including the real property, personal property, financial assets, personal property, financial assets, and the intangible assets of the business.

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.

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.

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 the integrity of data used in the analysis.

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.

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.

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.

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.

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).

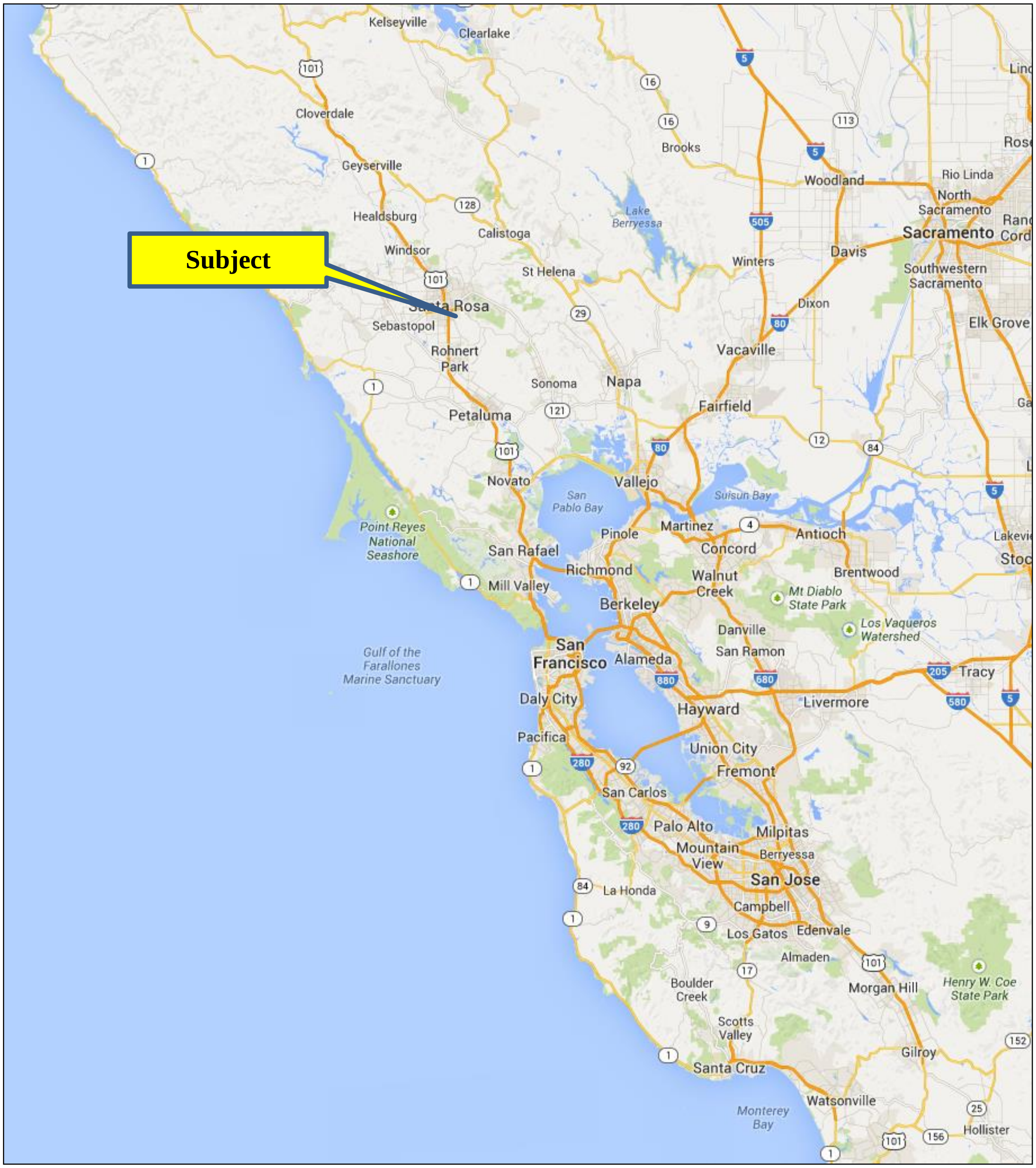
Modified Gross Lease: A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a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

Prospective Market Value "As Completed and "As Stabilized": 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. Prospective value opinions are intended to reflect the current expectations and perceptions of market participants, based on available data. Two prospective value opinions may be required to reflect the time frame during which development, construction, and occupancy will occur. The prospective market value "As Completed" reflects the property's market value as of the time that development is expected to be completed. 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 at comparable terms and conditions to other similar properties.

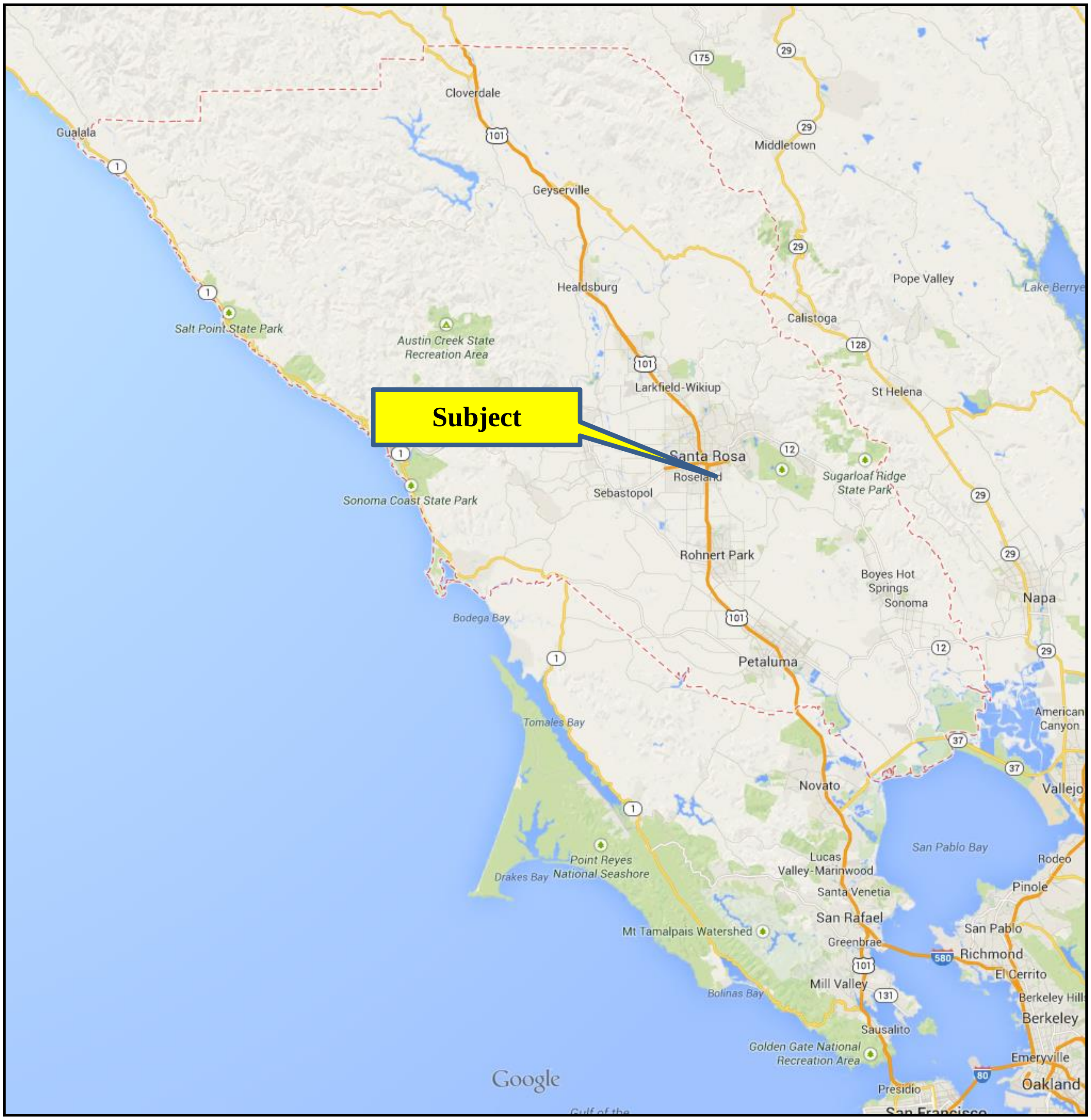
NNN (Triple Net) Lease: A lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management.

Reserves Allowance: An allowance that provides for the periodic replacement of building components that wear out more rapidly than the building itself and must be replaced during the building's economic life; sometimes referred to as reserves or replacement allowance.

REGIONAL MAP

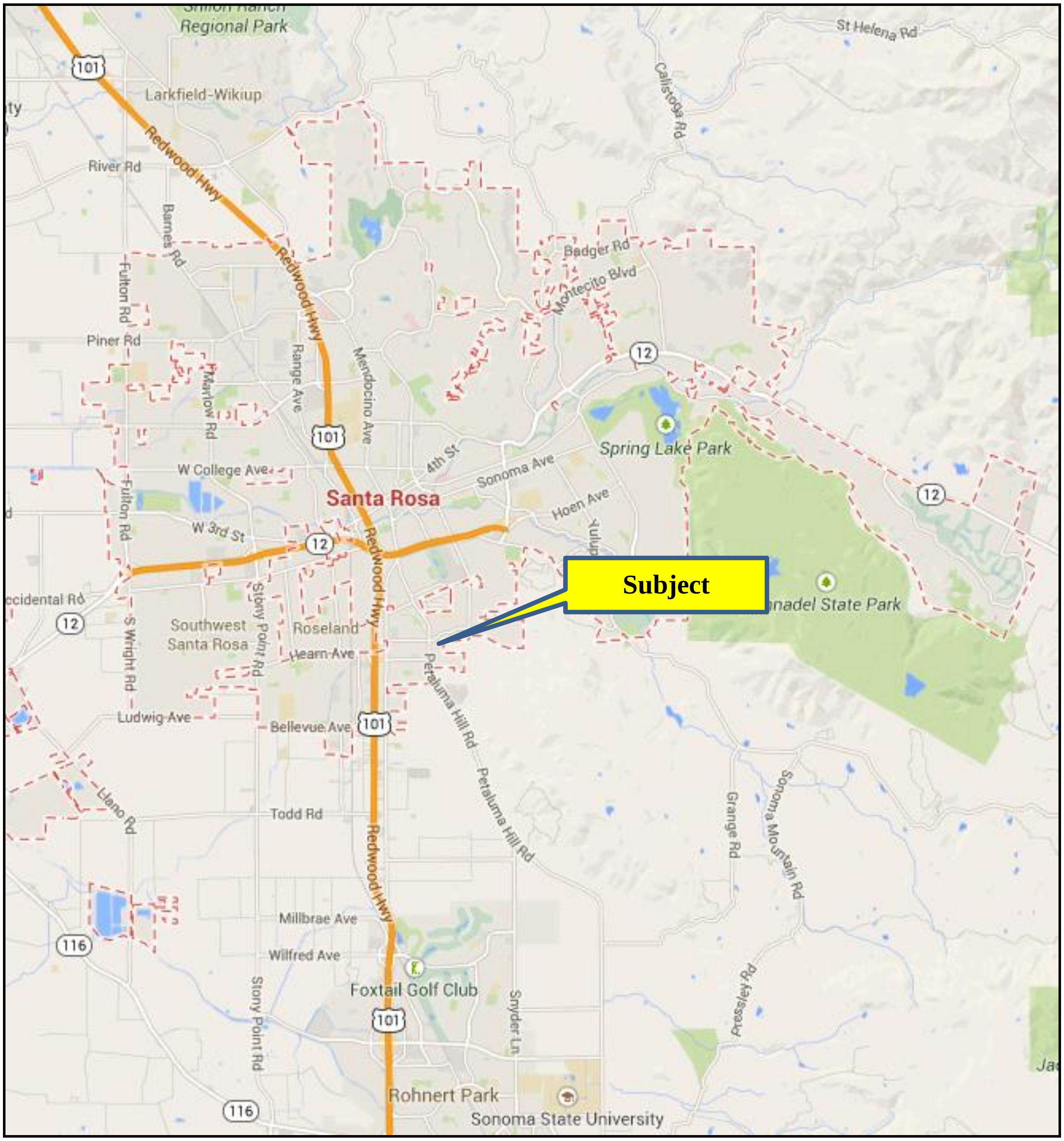


COUNTY MAP



Subject
Cloverdale
Gualala
Middletown
Geyserville
Healdsburg
Pope Valley
Lake Berryessa
Calistoga
Salt Point State Park
Austin Creek State Recreation Area
Larkfield-Wikiup
St Helena
Santa Rosa
Roseland
Sugarloaf Ridge State Park
Sebastopol
Sonoma Coast State Park
Rohnert Park
Boyes Hot Springs
Sonoma
Napa
Bodega Bay
Petaluma
American Canyon
Tomales Bay
Novato
Vallejo
Point Reyes National Seashore
Drakes Bay
Lucas Valley-Marinwood
San Pablo Bay
Rodeo
Pinole
Santa Venetia
San Rafael
Mt Tamalpais Watershed
Greenbrae
San Pablo
Richmond
El Cerrito
Mill Valley
Bolinas Bay
Berkeley
Sausalito
Golden Gate National Recreation Area
Emeryville
Oakland
Presidio
Google

CITY MAP


Subject
Santa Rosa
Regional Park
Larkfield-Wikiup
Redwood Hwy
River Rd
Barnes Rd
Fulton Rd
Piner Rd
Marlow Rd
Range Ave
Mendocino Ave
Badger Rd
Montecito Blvd
Spring Lake Park
4th St
Sonoma Ave
Hoen Ave
W College Ave
W 3rd St
Southwest Santa Rosa
Roseland
Hearn Ave
S Wright Rd
Stony Point Rd
Ludwig Ave
Bellevue Ave
Petaluma Hill Rd
Todd Rd
Llano Rd
Millbrae Ave
Wilfred Ave
Foxtail Golf Club
Snyder Ln
Rohnert Park
Sonoma State University
Grange Rd
Sonoma Mountain Rd
Pressley Rd
Calistoga Rd
St Helena Rd
nadel State Park

AREA ANALYSIS

Sonoma County

Geography: The subject property is located within the incorporated area of the City of Santa Rosa in Sonoma County, California. Sonoma County is the northernmost of the nine San Francisco Bay Area counties, comprised of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma, all of which form a physical, social and economic entity and a geographic area of approximately 4.4 million acres of land, of which approximately 5.5% is available for development.

Encompassing an area of 1,768 square miles (consisting of land at 1,576 square miles and water at 192 square miles), Sonoma County ranks twenty-eighth in size out of fifty-eight counties in the State of California and has the largest land area of any Bay Area county, with the second smallest ratio (trailing only Napa) of land already developed to total land area. Between 2000 and 2010, an annual average of 677 acres was developed in Sonoma County. There are nine incorporated cities in Sonoma County. Santa Rosa, the County Seat and located approximately fifty miles north of the Golden Gate, is the largest Bay Area city north of San Francisco with a 2018 population of 178,488, according to the California Department of Finance.

Linkages: Sonoma County is linked to the Bay Area by U.S. Highway 101 and State Highway 12. U.S. Highway 101 runs the length of California north to south and connects Sonoma County to Marin County on the south and to Mendocino County on the north. According to the California Department of Transportation, average daily traffic counts range from 14,000 vehicles on the northern end of the county to 154,000 vehicles at Baker Avenue in Santa Rosa. State Highway 12 runs west to east from Sebastopol to Napa County and beyond, and has average daily traffic counts as low as 5,700 vehicles near the junction of State Highway 121 and as high as 84,000 near the intersection with U.S. Highway 101. Driving time to San Francisco is about one hour, and to Sacramento is about two hours.

The area is served by a public transit system that consists of local (Santa Rosa CityBus, Petaluma Transit and Cloverdale Transit), county (Sonoma County Transit) and regional (Golden Gate Transit) systems. The Greyhound Bus Line operates a state and national connection in Santa Rosa. There is no current long distance passenger rail transport, although Amtrak passenger service is available via the Throughway Service (bus) to Martinez, and the SMART commuter train (described later) currently travels between Santa Rosa and San Rafael. Bus transportation to and from both Oakland and San Francisco airport terminals operates at a minimum of once every two hours from Santa Rosa, Rohnert Park and Petaluma.

The Sonoma County Airport (STS) is located just to the north of Santa Rosa and is the largest commercial airport in the vicinity. Alaska Airline's Horizon Air of Seattle has been serving the airport since 2007 and has daily flights to and from Los Angeles, Seattle, Portland, San Diego and Orange County. Horizon Air considers the Sonoma County market to be so successful (211% growth since 2007) that the company took over its ground operations for its current seven daily roundtrip flights.

In 2014, a $55 million runway expansion was completed, extending the main runway by 885 feet to 6,000 feet, and the second runway by 200 feet to 5,202 feet, and making it possible for larger commercial aircraft to fly in and out of Sonoma County. This opened the door for other airlines to consider Sonoma County.

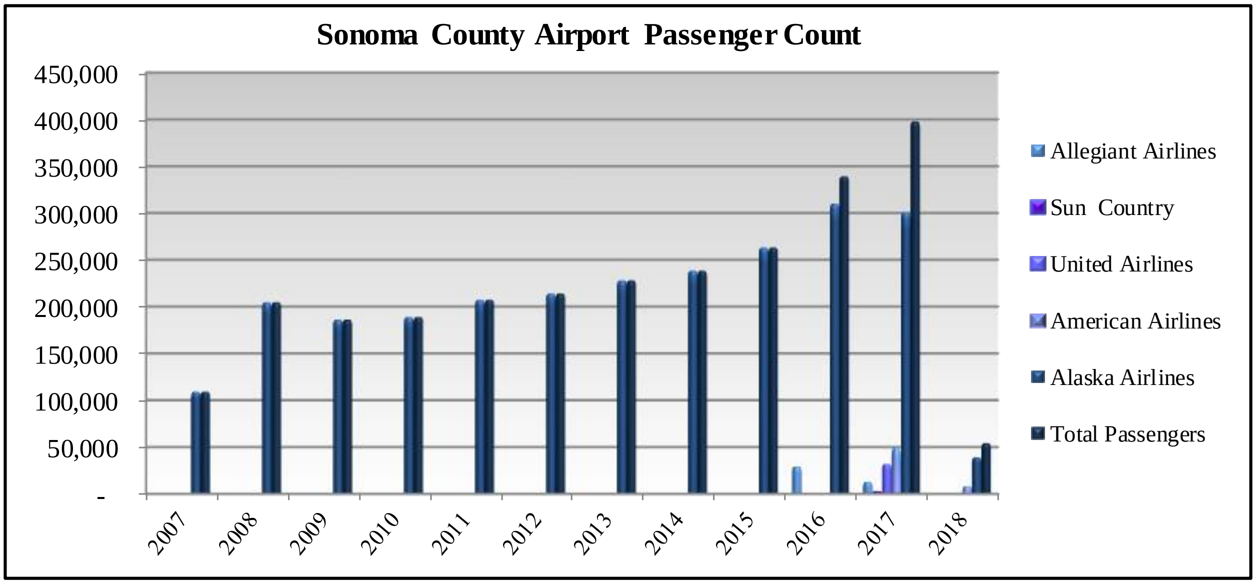
In May 2016, Allegiant Air began service at the airport, traveling to Las Vegas and Phoenix-Mesa airport with flights on Thursdays and Sundays, and total passengers counts increased by another 29% with Horizon increasing by 18%. However, Allegiant discontinued service to Arizona in January 2017 due to lack of demand, and service to Las Vegas ended in July 2017 due to lower than expected passenger numbers. In February 2017, American Airlines partner SkyWest began daily service to Phoenix Sky Harbor Airport. Phoenix provides a hub to eastbound destinations including Albuquerque, Newark, Palm Springs, Colorado and Salt Lake City. And with hubs in Dallas, New York and Miami, American Airlines flights will open up travel to international routes including Cuba.

United Airlines began daily non-stop service from Santa Rosa to San Francisco in June 2017. The flights are being operated as United Express by Skywest Airlines and have a total of three flights to SFO and three return flights to STS. And in August 2017, Sun Country Airlines began weekly service from Minneapolis-St. Paul International Airport. This is a seasonal service, running in 2018 from late June to late October, allowing Midwest visitors a chance to experience the Northern California wine region. Sun Country will also begin a seasonal service to Las Vegas beginning August 30th through December 2nd. During its seasonal run, planes depart Minneapolis on Thursdays, and stop in Santa Rosa before continuing on to Las Vegas. They return to Santa Rosa from Las Vegas on Sundays before continuing back to Minneapolis.

Now that STS has four airlines, three of which offer daily, year-round service, the airport has had to erect a modular check-in building and a new tent-like structure with over 4,000 square feet of waiting area for passengers. The waiting area will be expanded to 8,000 square feet at a later time. Meanwhile, the airport is making plans to construct a new terminal that would be 28,000 square feet and be ready by 2020. Parking has been expanded with the addition of a 450-space parking lot. In addition, the airport's 20-year master plan includes $50 million in upgrades such as the new passenger terminal, a cargo terminal and a new traffic control tower.

As a direct result of the wildfires in Sonoma County during October 2017, passenger numbers at the airport dropped 30% from September's numbers during the month of October as passenger service at the airport was suspended for about a week due to power failure and heavy smoke, and to allow firefighting aircraft full access to the runways.

The following chart shows the growth in annual passengers at the Sonoma County Airport since 2007 when Horizon Air commenced service. 2016 shows the addition of Allegiant Airlines. American Airlines began service on February 16, 2017 and United Airlines on June 8, 2017. Sun Country began service on August 24, 2017.



All years through December except 2018 which is through March.
Sources: Sonoma County Airport, Alaska Airlines, Allegiant Airlines and Ward Levy Appraisal Group, Inc.; May 2018

On November 2, 2004, the voters of Sonoma County approved Measure M, a new 1/4 cent sales tax that would collect $470 million for transportation improvements over the next 20 years. This tax includes $188 million for expansion and widening of U.S. Highway 101, $47 million for buses, $23 million for rail, $19 million for bicycle and pedestrian improvements and $188 million for other road improvements. U.S. Highway 101 has been undergoing construction to widen the freeway since 2002. Construction is ongoing in Petaluma and in the five mile stretch south of the Petaluma River Bridge, and when completed, there will be a continuous HOV lane in each direction from the southern border of Sonoma County to Windsor. Construction is expected to continue through 2019.

Several highway projects begun in 2012 have been completed or are still in progress. This includes the Airport Boulevard overpass at U.S. Highway 101, completed in May 2014, improving access to the Sonoma County Airport and the Airport Business Center. A $123 million project to create a new interchange and frontage roads at Petaluma Boulevard South as well as replacing the bridge over the Petaluma River is still in progress.

Sonoma Marin Area Rail Transit (SMART) has completed the first phase of a commuter rail line in the North Bay. Originally designed to run from Cloverdale in Northern Sonoma County to Larkspur in Southern Marin County, the plan was modified to build an initial line of 38.5 miles from Guerneville Road in Santa Rosa to the Marin Civic Center in San Rafael in Marin County, with extensions delayed to Cloverdale and Larkspur and points between because of the economy. However, in December 2013, SMART announced that the Metropolitan Transportation Commission had approved $16.7 million in funds to extend rail service and establish a passenger rail station at the Sonoma County Airport. Completion of the southern end of the rail line, connecting it to the Larkspur ferry terminal, is planned by 2018. Extending the line to Cloverdale is planned for a later date. Passenger service had been expected to begin in late 2016. However, in October 2016, SMART officials announced the possibility of catastrophic engine failure due to a problem at the factory where the engines were built, and service was delayed. All engines on the trains were replaced and service began in late August 2017.

Economy: Sonoma County ranks sixth among the nine-county Bay Area in terms of labor force supply, and accounts for 6.3% of the regional force, according to information provided by the California Employment Development Department. Although agriculture remains an important factor in the traditionally agrarian based economy, retail trade, service industries and manufacturing currently represent approximately 78% of the private sector jobs.

Sonoma County Major Employers

Employer	Location	Industry	Current Employees	Year-Ago Employees	Gain / Loss
County of Sonoma	Santa Rosa	County Government	3,894	3,886	8
Santa Rosa Junior College	Santa Rosa, Petaluma	Education	3,676	3,733	-57
Kaiser Permanente	Santa Rosa, Petaluma	Medical Services	3,508	2,640	868
St. Joseph Health System	Santa Rosa	Medical Services	2,500	1,578	922
Graton Resort & Casino	Rohnert Park	Casino	2,000	2,000	0
Santa Rosa School District	Santa Rosa	Education	1,691	1,608	83
Sonoma State University	Rohnert Park	Education	1,505	1,505	0
Petaluma School District	Petaluma	Education	1,347	1,300	47
Keysight Technologies/Agilent	Santa Rosa	Technology	1,300	1,300	0
City of Santa Rosa	Santa Rosa	City Government	1,267	1,249	18
Jackson Family Wines	Santa Rosa	Winery	1,152	800	352
Sutter Santa Rosa Regional Hospital	Santa Rosa	Medical Services	1,050	936	114
Medtronic, AVE	Santa Rosa	Medical Devices	1,000	840	160
Amy's Kitchen	Santa Rosa	Food Mfg.	988	870	118
Oliver's Market	Santa Rosa	Retail Grocer	760	N/A	N/A
Hansel Auto Group	Petaluma	Automobile Sales	675	600	75
Cotati-Rohnert Park School District	Rohnert Park, Cotati	School	590	583	7
Petaluma Poultry Processors	Petaluma	Poultry Processor	561	597	-36
Petaluma Valley Hospital	Petaluma	Hospital	507	501	6
Redwood Credit Union	Santa Rosa	Financial Services	456	428	28
Exchange Bank	Santa Rosa	Bank	392	400	-8
City of Petaluma	Petaluma	City Government	372	362	10
Lagunitas Brewing Company	Petaluma	Brewery	346	320	26
Korbel	Guerneville	Wine	311	343	-32
Ghilotti Construction Company	Santa Rosa	General Engineering	300	425	-125

Sources: North Bay Business Journal, Comprehensive Annual Financial Reports (County of Sonoma and Cities of Petaluma, Rohnert Park and Santa Rosa) and Ward Levy Appraisal Group, Inc.; May 2018

The technology-based industries were the most important driving industries in the county in the 1990's. Employment in information technology, including computer programming and data processing, as well as the manufacture of electronics, telecom equipment and optical goods, had soared over the latter part of the decade, but has since waned as approximately 5,500 jobs have been lost in this sector. Equally important, however, is the balanced nature of the county's growth. Wine & food, tourism and other professional services have generated healthy employment gains, and the income growth seen throughout Northern California has in turn boosted retail trade.

After four years of drought, 2016 saw a lessening of drought conditions. Over six inches of rain in December 2015 along with another 14 inches of rain in January and March 2016 significantly helped crop yields. For example field crops, including hay, silage and straw, rely almost exclusively on rainfall. According to the latest crop report published for 2016 by the County of

Sonoma, the field crop production was higher than in 2016, with a 10% increase over the 2015 value.

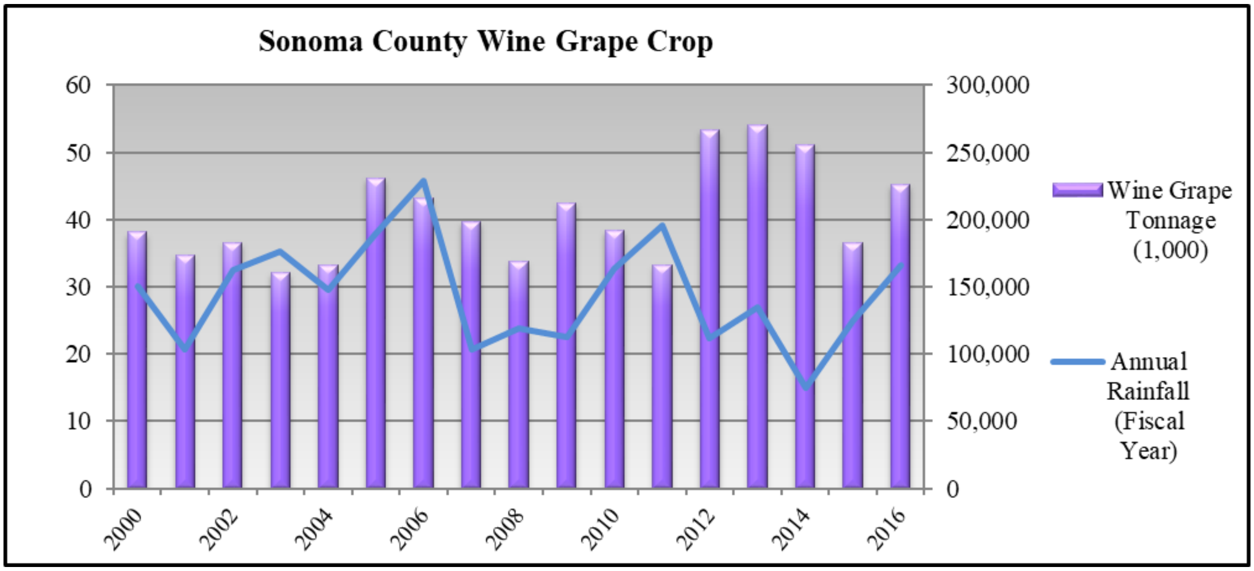
Sheep and hog prices were up in 2016, but beef values decreased, resulting in an overall 4% decrease for livestock and poultry production from $257,542,300 in 2015 to $248,150,700 in 2016. The value of egg products fell 41% in 2016 as Prop. 2 took effect in January 2015, requiring producers to provide larger cages. While some reduced their flocks and are slowly building them back up, others went out of business entirely.

Apiary value (including honey wax and hives rented for pollination) saw a 170% jump in production revenue since one year ago, going from $97,400 in 2015 to $263,200 in 2016. This doesn't account for the fruit and vegetables that the bees pollinate. With the wildfires in October 2017, there was a loss in bee colonies, both wild and domestic. There was also a loss in habitat, with both cultivated and wild forage destroyed in the fires. How this affects agricultural production in the next year remains to be seen.

Wine grapes lead in agricultural production in Sonoma County with over 62,000 acres devoted to vineyards. The total gross value of the wine grape crop in 2016 was $586,517,700, an increase of 31% over the 2015 wine crop value of $446,538,900. Wine grapes represent 65% of the total agricultural production in Sonoma County. Milk production was a distant second, producing over $146,475,400 in gross revenue in 2016, an increase of 13% over 2015 figures and representing 16% of total agricultural production.

Gravenstein apples, brought by Russian settlers in 1812 and the first apple variety planted in Northern California, were a mainstay of agricultural production in Sonoma County for many decades. In the last 30 years, apple producing acreage has fallen precipitously in favor of housing developments and wine grape production. Whereas in 1958 there were 5,449 acres devoted to Gravensteins alone, there were only 467 acres in 2013. That number climbed to 732 acres in 2014, then dropped to 704 in 2015 where it remained through 2016. Total apple production encompassed 2,193 acres in Sonoma County in 2016, compared to a 2015 total of 2,229 acres. The 2016 total apple crop value of $5,466,800 represents a 46% increase from 2015 which had the worst apple crop in recent history.

Total agricultural production was $898,125,200 in 2016, an increase of 19% over the 2015 figure of $756,508,500. The table below details the wine grape crop grown in Sonoma County (wine grapes are the primary crop in Sonoma County) and how it relates to the annual rainfall. Drought conditions tend to have a damping effect on the amount of wine grapes produced, although the 2013 wine grape tonnage exceeded expectations based on less than 15 inches of rain because of the heavy rainfall in November and December 2012, as well as nearly two inches of rain in late June 2013.



Sources: County of Sonoma Agricultural Division, Weather DB and Ward Levy Appraisal Group, Inc.; May 2018

Tourism plays an increasingly important role in Sonoma County's economic profile. Long famous for its spectacular Pacific coastline, scenic Russian River area and historic Valley of the Moon, the county is now attracting more than 7,500,000 visitors annually, primarily to its wineries which have gained national and international recognition for their premium wine production and bucolic settings, especially given that Sonoma County wines have a competitive advantage over Napa County wines in terms of affordability. Excluding the wine industry, the four major pull attractions in Sonoma County are scenery, culinary offerings, outdoor recreation and the craft beer, cider and spirits industry, with niche opportunities of culinary tourism, cycling, eco-tourism and a gay-lesbian friendly market.

Tourism in Sonoma County declined less severely than the economy as a whole during the Great Recession. And in the current recovery period, Sonoma County has experienced relatively modest growth with definite improvement seen in the industry over the past year. According to the Sonoma County Tourism Report for 2016 and published in 2017, transient Occupancy Tax (TOT) receipts totaled $37.5 Million in 2016 after adjusting for inflation. This is the highest level of TOT receipts ever received in Sonoma County, and 85% higher than 2008’s figure of $20.29 Million when the economy hit its low point. Total visitor spending in 2016 was $1.93 Billion, an increase of 6.3% over the previous year’s total of $1.82 Billion. 2016 was the seventh year that Sonoma County tourism has experienced growth since the economic downtown. According to the Sonoma County Annual Tourism Report, culinary tourism, craft beer and outdoor recreational activities (hiking, biking and eco-tourism) were identified as the most popular niche market opportunities for Sonoma County in the coming year.

Included in the table below are the taxable retail sales per capita for Sonoma County and its incorporated areas for 2016, the last year in which annual data is available. As shown in the table, Healdsburg, Cotati and Sonoma capture a significantly higher proportion of sales per capita than the other areas in the county. This is probably due to high tourism dollars in Healdsburg and Sonoma, and Cotati’s location near Sonoma State University and its large student population.

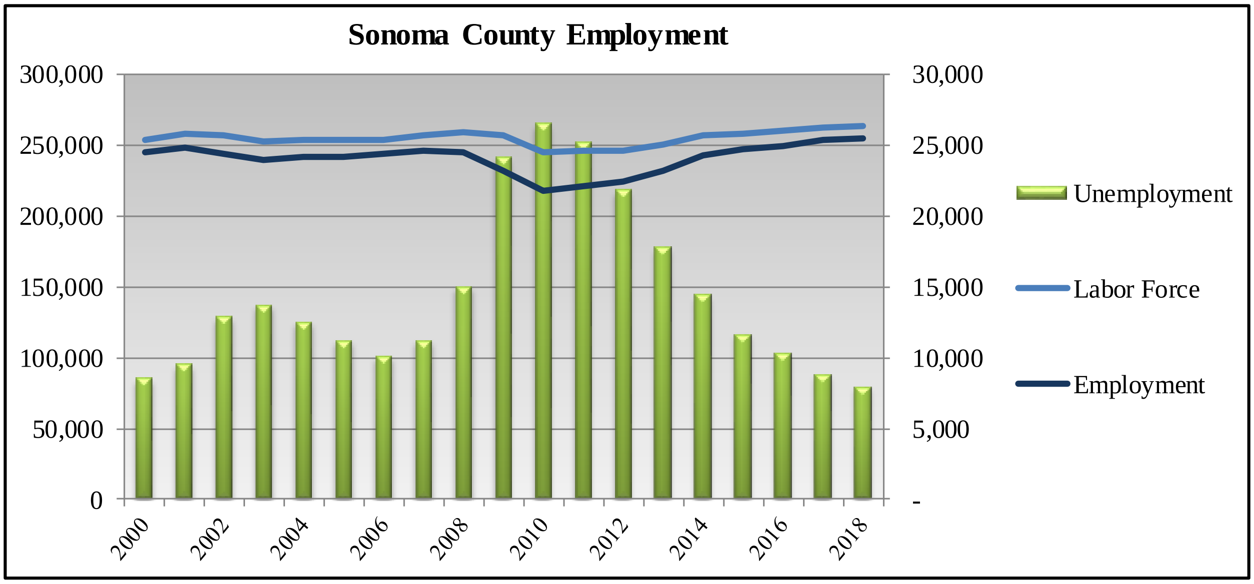
Taxable Retail Sales Per Capita			
County/City	**Retail Sales (1,000's)**	**2017 Population**	**Sales Per Capita**
Sonoma County	$6,348,476	505,120	$12,568
Cloverdale	$60,160	8,931	$6,736
Cotati	$148,727	7,272	$20,452
Healdsburg	$283,903	11,800	$24,060
Petaluma	$928,189	60,941	$15,231
Rohnert Park	$532,033	42,067	$12,647
Santa Rosa	$2,675,876	176,799	$15,135
Sebastopol	$127,981	7,579	$16,886
Sonoma	$227,020	10,989	$20,659
Windsor	$244,468	27,371	$8,932

Note: Taxable retail sales figures are for Calendar Year 2016 and population is for 2017.
Sources: California State Board of Equalization, U.S. Department of Commerce and Ward Levy Appraisal Group, Inc.; May 2018

Employment: Sonoma County's unemployment rate is relatively low compared to the region and state, but the local labor market began to soften as companies laid off workers in the early 2000's from high tech businesses following rapid expansions in the late 1990's. Unemployment declined between 2004 and 2006, with a 2006 year-end average of 4.0%. However, as unemployment began to rise across the country in 2007 because of the recession, it rose in Sonoma County as well, due in part to the laying off of workers within real estate related business services such as mortgage companies. By the end of 2008 unemployment had reached 7.2%.

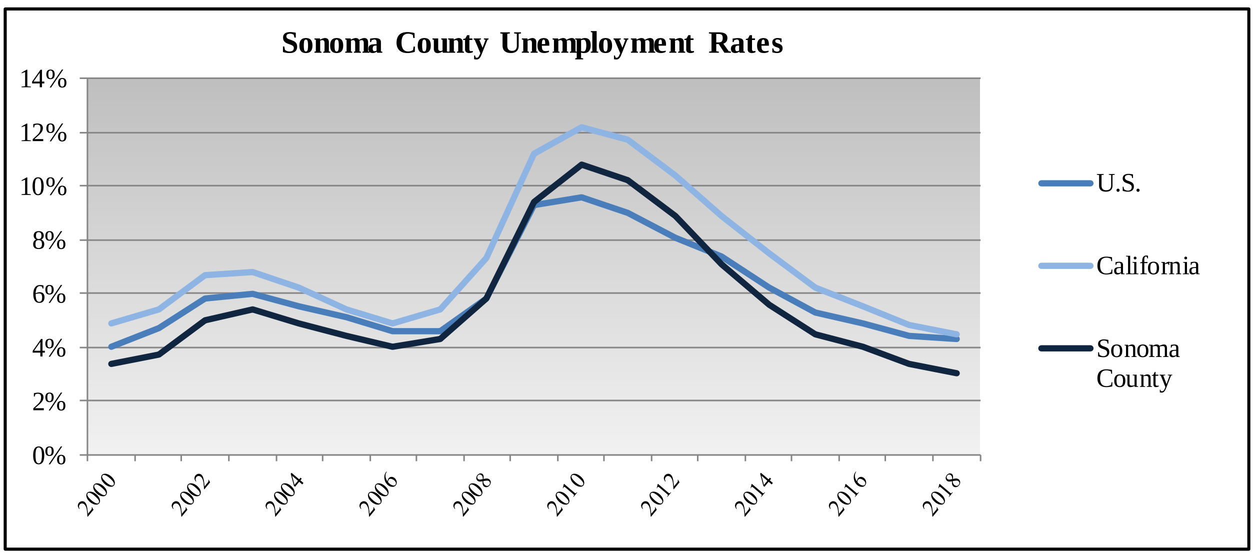
From 2009 through 2010, unemployment continued to rise, reaching double digits and a high of 11.5% by January 2010. It began dropping in 2011 and 2012 and was at 7.9% by November 2012. In January 2013, unemployment in Sonoma County rose slightly to 8.5%, but by December had dropped to 6.0%. It fell further to 4.9% by the following December. In January 2015, it rose slightly to 5.3% before falling to 4.3% by April. It continued to fluctuate before dropping to 3.9% in September. By November, it had risen slightly to 4.2%, before falling again to 3.5% in May 2016. In July 2016, it rose to 4.3%, then dropped to 3.7% by December. It rose to 4.2% in January 2017 before dropping to 3.0% by May. However, the unemployment rate had risen to 3.4% in June before rising further to 3.7% in July, dropped to 2.9% in September. It rose to 3.5% in October before dropping to 2.8% in December, the lowest it's been since 2007, and a drop of 76% from the high of 11.5% in January 2010. The unemployment rate rose slightly to 3.2% in January 2018 before dropping again to 2.8% in March. A rate of 3.6% was reported in March 2017. Sonoma County ranked sixth among 58 California counties in unemployment, and added 800 jobs between February and March, while gaining about 3,900 positions since the same time last year.

The chart below shows the available labor force and the numbers employed in Sonoma County with county unemployment statistics in green. Information in the chart has been averaged for each year through December except 2018 which is through March. Information is provided by the California Employment Development Department.



All years through December except 2018 which is through March.
Sources: California Employment Development Department and Ward Levy Appraisal Group, Inc.; May 2018

The following chart shows the comparison in unemployment rates in Sonoma County, the State of California and the U.S. over the past 18 years.



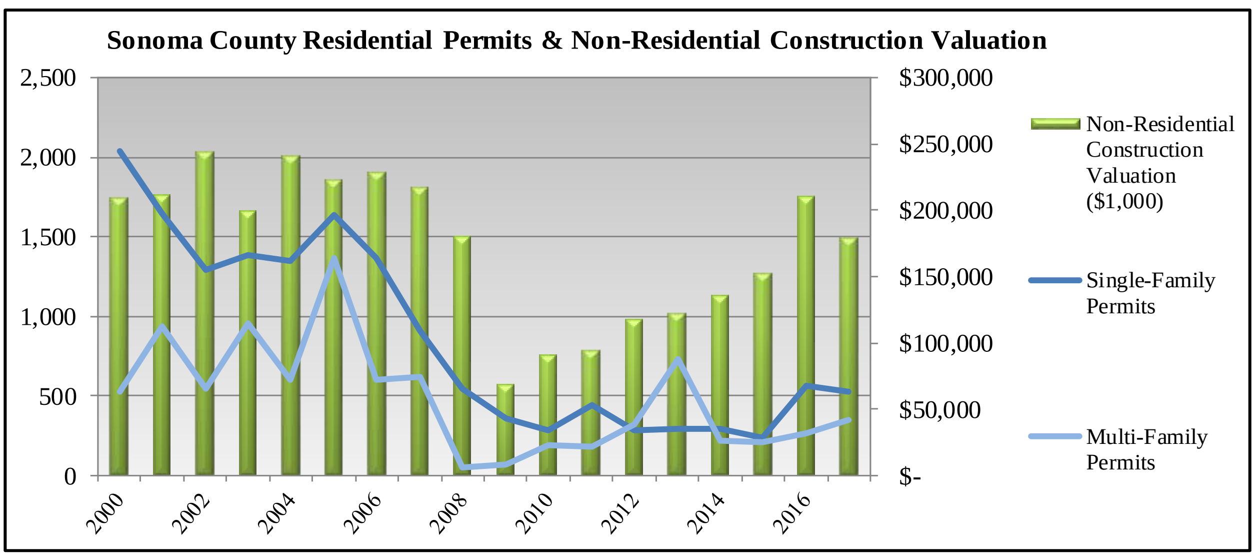
All years through December except 2018 which is through March.
Sources: California Employment Development Department and Ward Levy Appraisal Group, Inc.; May 2018

Construction: Commercial production has roughly paralleled the economy, as expected, with the peak during the late 1990's. The economy recovered from the previous recession with increased development in 2003 with 2,339 residential permits, decreased in 2004 to 1,941 permits, and increased again in 2005 to 3,003 permits. In 2006 through 2008, development slowed as the economy again fell into a recession. In 2009, permit activity for single-family and multi-family construction was at 430, the lowest it's been in over 15 years due to the vast drop in housing prices. Permit activity for single-family homes slowed even more in 2010 while multi-family activity increased by more than double over 2009. As the economy began to recover from the Great Recession, construction and permit activity picked up in 2013 with 1,027 residential permits issued, a 72% increase over the previous year. However, in 2014, 506 residential permits were issued, a drop of 51% over 2013. The number of residential permits fell 13% lower in 2015 to 442. In 2016, the number of permits issued increased 86% for 824 residential permits as construction picked up. 876 residential permits were issued through December 2017, a 6% increase, and included 525 single-family and 351 multi-family permits. Through March 2018, 419 residential permits were issued, including 96 multi-family permits.

In 2006, non-residential construction valuation was at an all-time high at ~$228,091,000. It slipped 5% to ~$217,552,000 the following year, and continued to fall to a low of $68,580,000 in 2009 as a result of the recession. It began rising in 2010 and continued through 2015, reaching $152,168,105 by year's end. In 2016, the total non-residential construction valuation rose another 38% to $209,821,248. In 2017, the total non-residential construction valuation was $179,122,520 through December, a 15% drop from 2016. The non-residential construction valuation through March 2018 was $56,515,917.

In light of the damage from the wildfires that occurred in October 2017, and destroyed over 6,900 homes and other structures in Sonoma County, construction is expected to increase over the next few years. According the Press Democrat, the county will be opening a new consolidated planning and permitting center to help fast track the rebuilding of homes lost in the fires. Reports of damage to residences and commercial properties in Sonoma County was estimated at more than $7.5 Billion.

Information through 2011 was provided by the Construction Industry Research Board (CIRB) which ceased operations in January 2012. California Homebuilding Foundation took over the compilation of permit data in early 2012; however, it appears that the methodology used to compile information is slightly different from that used by the CIRB.



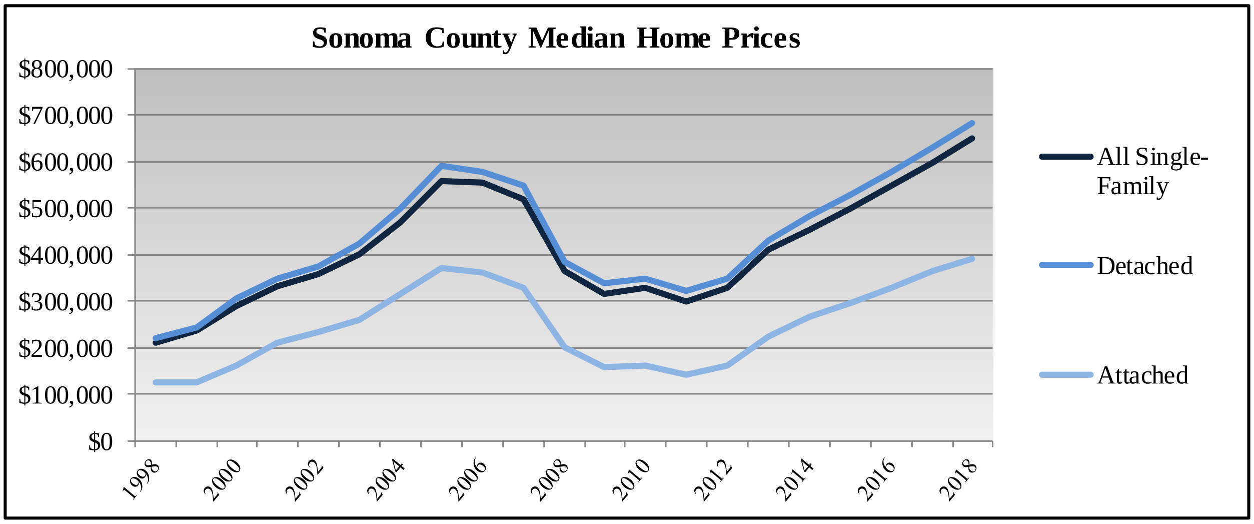
All years through December.
Sources: Construction Industry Research Board (through 2011), California Homebuilding Foundation (2012 and forward) and Ward Levy Appraisal Group, Inc.; May 2018

Residential Market: The median single-family home price in Sonoma County did not change measurably during most of the 1990's as the economy fluctuated and supply kept even with demand. In 2005, the overall median home price had risen to $550,000, its highest year-ending point in history, but with the fall in real estate prices experienced nationwide, it was at $290,000 by February 2009, a drop of 47%. Prices fluctuated slightly from 2009 through the first half of 2012, but by the Fall of 2012, prices began to stabilize and even rise, ending the year at $357,500. The 6,085 homes sold in 2012 was an increase of 13% over the 5,386 homes sold in 2011, leading analysts to believe that the fence-sitters were beginning to take advantage of the low prices and low mortgage rates. The annual median price for 2014 was $455,000 for 5,279 homes sold. 6% fewer homes sold in 2014 than in 2013, but the overall median price was 11% higher in 2014. In 2015, 5,481 homes sold for an overall median price of $500,000, 10% higher than the 2014 median price. 5,126 homes sold in 2016 for a median price of $548,000, which is 10% higher than the overall median price in 2015. In 2017, 5,086 homes sold through December for an overall median of $598,125, which is 9% higher than the overall median of $548,000 through December 2016. In 2018, 1,325 homes have sold through April for an overall median of $650,000.

The median detached home price reached a high of $618,450 in August 2005, but by January 2009 had fallen 49% to $315,000. The detached price remained flat on average through to the first half of 2012 and only began to rise in October 2012, reaching $390,000 by December for 381 homes sold. In 2013, the annual detached median price was $430,000 for 4,921 homes. In 2014, 4,677 homes sold for a median price of $484,000, which was 13% higher than the median price in 2013, but represented 5% less homes sold from the previous year. 4,805 detached homes sold in 2015 for an overall median price of $529,000, 9% higher than the 2014 median price. In 2016, 4,462 detached homes sold for a median price of $580,000, a 10% increase from 2015. In December 2017, 327 detached homes sold for a median of $665,000, a 15% hike over the December 2016 median of $580,000, and surpassing the previous high of $650,500 set in November 2017. Realtors attributed the increase since October to the loss of housing due to the October fires, and the rush to buy new housing in an already limited market. 4,421 detached homes sold in 2017 for a median price of $629,700, which is 9% higher than the median price of $580,000 in 2016 for 4,462 homes. In April 2018, 346 detached homes sold for a median of $680,000, which is 4% higher than the detached median of $652,500 in April 2017.

In October 2005, the median attached home price had reached a high of $394,000, but by February 2009, it had fallen 65% to $139,500. During the next few years, the median price fluctuated, but remained at historic lows until late 2012 when they began climbing again. While the market is still experiencing small fluctuations in price, this is mainly due to the location, quality and size of the individual units and overall, prices are reaching new highs after the slump during the recession. In 2014, 602 attached homes sold for a median price of $265,000. 676 attached homes sold in 2015 for a median price of $295,000. 664 attached homes sold in 2016 for a median of $327,650. In 2017, 666 attached homes have sold through December for a median of $365,000, which is 11% higher than the median of $327,650 through December 2016 for 664 homes. In 2018, 147 attached homes have sold through April for a median of $390,000.

The following table provides a comparison of median Sonoma County home prices over the last 21 years.



All years are annual except 2018 which is through April.
Sources: Sonoma County Multiple Listing Service and Ward Levy Appraisal Group, Inc.; May 2018

Economic Forecast: An economic outlook was prepared by the UCLA Anderson Forecast for The Press Democrat, the county's largest newspaper, in September 2008 that forecast below historical growth for California's economy. Later that year, the National Bureau of Economic Research declared that the U.S. had been in a recession since late 2007, confirming what many had already suspected. Private forecasters were also predicting that the recession would be prolonged and that there were no signs that the national economy was nearing the bottom. California's economy was projected to be weaker than the nation as a whole as its downward spiraling real estate market was more severe than the majority of other states.

In its fourth quarterly report of 2013, UCLA Anderson Senior Economist Jerry Nickelsburg asserted that California had just about recovered all jobs lost during the recent recession. Jobs had declined by 1.065 million, but rebounded by 1.044 million through October 2013. However, payroll jobs alone recovered only a portion of this, suggesting that Californians were creating their own jobs by starting new enterprises at faster rates than established businesses were hiring.

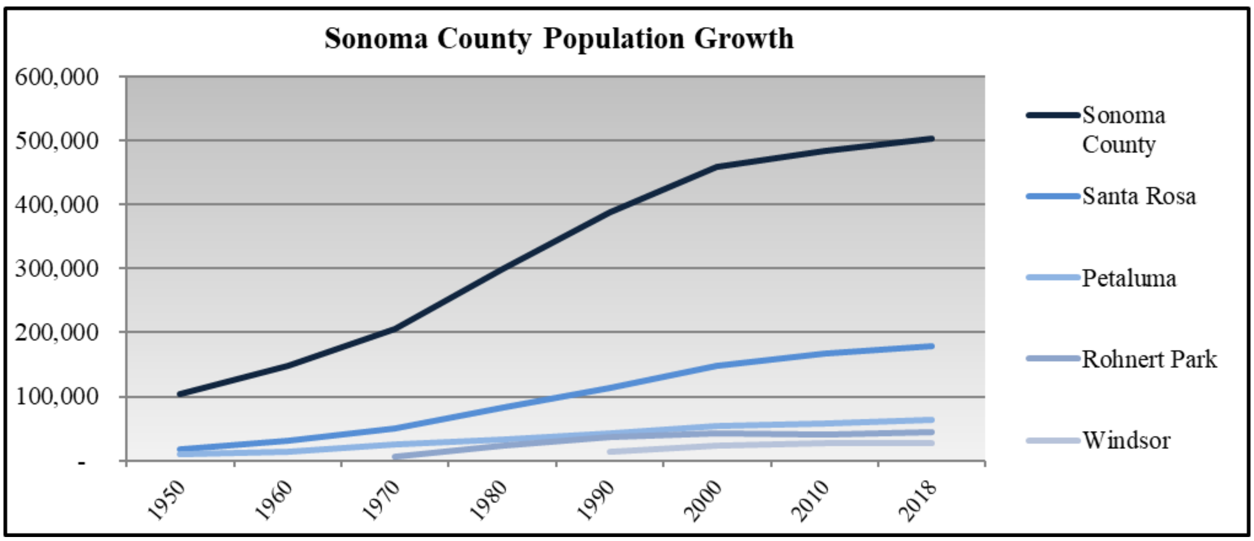
In the past few years, unemployment in the Bay Area has mostly fallen below 4.0%, fulfilling a prediction from Mr. Nickelsburg in January 2015 that this would happen within two years. The U.S. economy is slowly moving toward full employment with California coastal communities like Sonoma County leading the way. Sonoma County's local economy has benefitted greatly from strong growth in technology manufacturers and companies that produce wine, beer and specialty food products. Tourism, a critical element of the economy in Sonoma County, is also showing strength. Hotel occupancy rates have risen each year, while transit occupancy tax revenues increased by $3.5 million in 2015, according the to the 2016 Sonoma County Annual Tourism Report. In 2015, tourism brought in $1.82 billion in destination spending, bringing it on track with pre-recession spending levels, and now accounts for over 12% of the county's jobs.

Demography: According to information from the California Department of Finance, Sonoma County is the seventeenth most populous county in the state with a 2018 population of 503,332. From 1950 to 1980 the county's population tripled. Almost half of that growth occurred in the 1970's, during which time period the county experienced a 46.3% population increase as compared with an increase of only 11.9% for the San Francisco Bay Area, 18.5% for the State of California and 11.4% for the nation as a whole.

The 2010 U.S. Census population data for the county indicated a 5.5% increase in population for Sonoma County over the last decade, a relatively low rate compared to both California at 10.0% and the U.S. as a whole at 9.7%, and much lower than the 18.1% increase from the previous decade or the 29.5% increase in the 1980's. The total increase in county population in the 1980's was approximately 88,000, and the 1990's increase in population was 70,000 while 2010 saw a much lower increase of 25,000. The county's population during the twenty year period from 2010 to 2030 is expected to increase by 15.4% while the number of households is projected to increase by 19%. Over the next ten years the population is predicted to slow in growth in contrast to the higher growth rates of the previous decades.

There is an average of 2.59 persons per household with a median income of $66,833 and a median age of 41.2, according to the 2012-2016 American Community Survey five year estimates from the U.S. Census. Sonoma County has fewer people per household (relative to California’s average of 2.95 persons) with a higher median age (compared to the state average of 36.0 years) and a higher income than the state as a whole ($63,783).

The following chart details the population growth patterns since 1950 of Sonoma County and its four largest cities.



Rohnert Park incorporated in 1962. Windsor incorporated in 1992.
Sources: U.S. Dept. of Commerce, California Dept. of Finance and Ward Levy Appraisal Group, Inc.; May 2018

The following table details the population since 1980 of Sonoma County and the cities within the county.

Population of Sonoma County and Cities									
	1980	1990	2000	2010	2017	2018	Percent Change 1990 - 2000	Percent Change 2000 - 2010	Percent Change 2017 - 2018
Sonoma County	299,681	388,222	458,614	483,878	504,613	503,332	18.1%	5.5%	-0.3%
Cloverdale	3,989	4,924	6,831	8,618	8,988	9,134	38.7%	26.2%	1.6%
Cotati	3,346	5,714	6,471	7,265	7,453	7,716	13.2%	12.3%	3.5%
Healdsburg	7,217	9,469	10,722	11,254	11,757	12,061	13.2%	5.0%	2.6%
Petaluma	33,834	43,184	54,548	57,941	61,657	62,708	26.3%	6.2%	1.7%
Rohnert Park	22,965	36,326	42,236	40,971	42,490	43,598	16.3%	-3.0%	2.6%
Santa Rosa	82,658	113,313	147,595	167,815	178,064	178,488	30.3%	13.7%	0.2%
Sebastopol	5,595	7,004	7,774	7,379	7,624	7,786	11.0%	-5.1%	2.1%
Sonoma	6,054	8,121	9,128	10,648	11,072	11,390	12.4%	16.7%	2.9%
Windsor	N/A	N/A	22,744	26,801	27,492	28,060	N/A	17.8%	2.1%
Unincorporated*	134,023	160,167	150,565	145,186	148,016	142,391	-6.0%	-3.6%	-3.8%

** Included Town of Windsor until incorporation July 1, 1992*
Sources: U.S. Dept. of Commerce, California Dept. of Finance and Ward Levy Appraisal Group, Inc.; May 2018

As indicated by the preceding population chart, Sonoma County's major population growth has been concentrated in the three cities of Cotati, Sonoma and Healdsburg. Santa Rosa’s growth rate has slowed since the 1990’s, falling from a 30.3% growth rate to 13.7% in the past decade. Santa Rosa's and Sonoma County's overall populations are both slightly older than the general population, primarily due to the large number of persons 65 or older who are attracted to the area.

City of Santa Rosa

Geography: The City of Santa Rosa, with a current area of 41.50 square miles, is located in the approximate geographic center of the county on the Santa Rosa Plain. The city is served by two major highways: U.S. Highway 101 bisects the city in a north/south direction and State Highway 12 runs in an east/west direction. Local bus service is provided by Santa Rosa CityBus and regional service is provided by Sonoma County Transit and Golden Gate Transit systems. Air service is provided by Horizon Air (a subsidiary of Alaska Airlines), Allegiant Air and American Airlines.

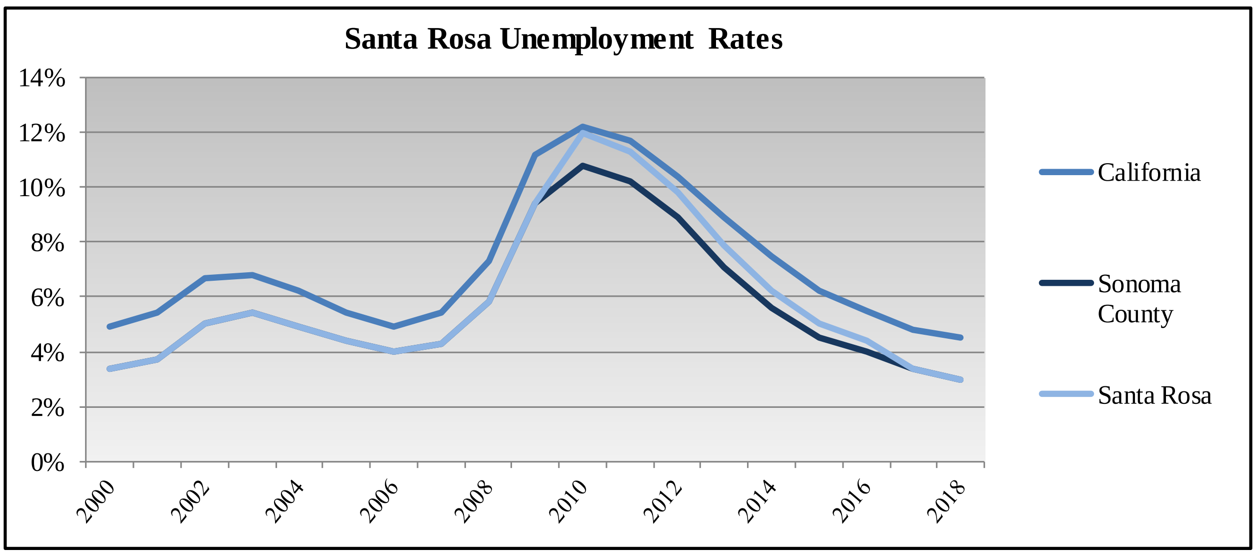
Linkages: Widening of U.S. Highway 101 to six lanes has been completed on the section located within Santa Rosa city limits. A pedestrian bridge over U.S. Highway 101, linking Santa Rosa Junior College with Coddingtown Mall and its recently opened Whole Foods Market, has been in discussion, but may be years away from realization. In the same neighborhood, construction of a SMART rail station near Guerneville Road is complete. This is the second most northern station for the SMART train for the time being, the northernmost being located at the Sonoma County Airport.

The rebuilding of Sixth Street, which had been buried under U.S. Highway 101 for five decades, was scheduled for completion by 2011, but had been delayed because of budgetary constraints. Construction was restarted in May 2012 and completed in August 2012. The new section of street has signals at both ends, wide sidewalks, decorative lamp posts, landscaping and bike lanes in each direction. And more importantly, it reunites the east and west sides of downtown Santa Rosa.

In May 2016, construction began on the reunification of Old Courthouse Square in the center of downtown Santa Rosa and was finished in April 2017. The former site of two county courthouses, each of which had been destroyed in separate earthquakes in 1906 and 1969, the square had subsequently been divided in half by Mendocino Avenue. Reunification included tearing out the roadway in the middle, and adding streets on the west and east sides to create a unified plaza in the center. Originally budgeted at $9.2 million, the project ended up costing $10.5 million and being finished five months behind schedule. Finishing touches, such as the Ruth Asawa designed fountain, will be added at a future date.

Employment: Santa Rosa has consistently been at the upper-middle of the range of unemployment rates within Sonoma County, as would be expected by the largest city and County Seat. The lowest rate of 2.8% occurred during the high technology boom of 1999 - 2000. However, the unemployment rate had increased to an annual average of 5.4% by 2003. By 2006 it had dropped to a low of 3.7%. It began climbing again in 2007 as a result of the most recent recession, and reached a high of 11.7% in March 2010. However, it began dropping in April and was at 8.1% by December 2012. One year later, it dropped to 6.1%, and year-end 2014 saw a further drop to 5.0%. By December 2016, the unemployment rate dropped further to 3.8% before falling to 2.9% in September 2017, the lowest it's been since 2007, and a drop of 75% from the high of 11.7% in March 2010. It rose to 3.2% in January 2018, but by March had fallen back to 2.9%. A rate of 3.7% was reported in March 2017.

Information in the table below has been averaged for each year through December except 2018 which is through March.



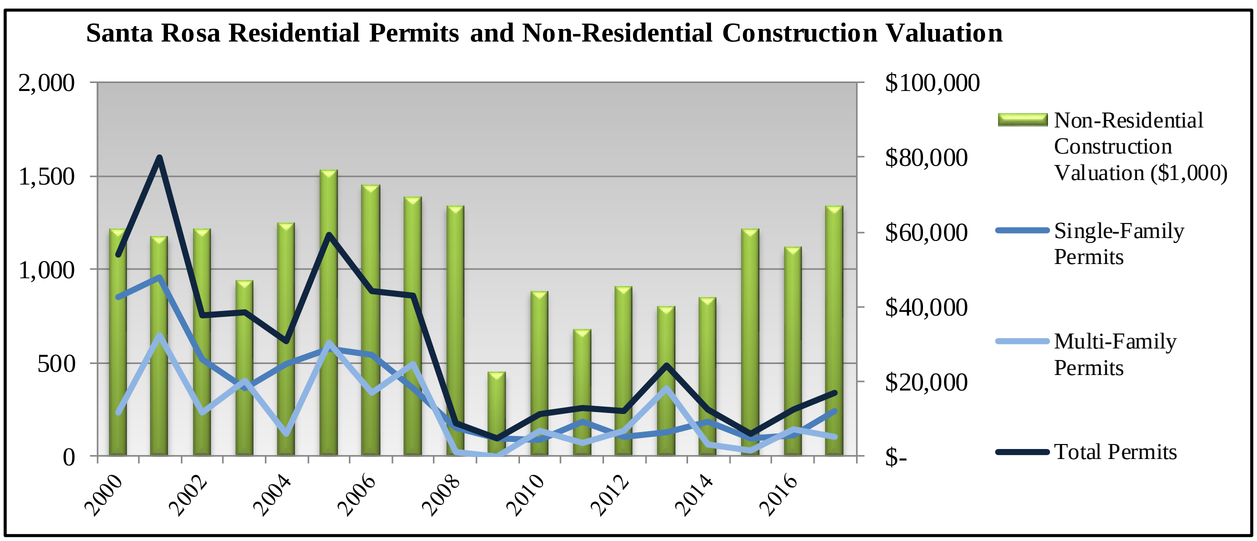
All years averaged through December except 2018 which is through March.
Sources: California Employment Development Department and Ward Levy Appraisal Group, Inc.; May 2018

Construction: An Urban Growth Boundary (UGB) referendum was passed by the voters in November 1996. The UGB referendum will not allow the extension of the city services to areas outside the UGB line (with some limited exceptions) without an affirmative vote of the electorate for a period of 20 years. In November 2010, Measure O passed which resulted in the extension of the ordinance through to December 31, 2035. The UGB line is the same as the LAFCO adopted Sphere of Influence and allows for some expansion of city limits without voter approval.

Residential construction activity in Sonoma County in general and Santa Rosa in particular, was strong during the mid to late 1980's with a significant downturn during the early to mid-1990's. Permit activity increased in the subsequent years, primarily reflecting the new construction within the southeast and southwest quadrants. There was also renewed demand in both the detached single-family and apartment markets from 1998 through 2001. Construction decreased significantly in 2008 due to the most recent recession and the downturn in housing prices, and in 2009 the lowest permit activity in over 15 years was recorded. It began to rise over the next four years, and 2013 saw the issuance of 484 residential permits. The number of permits fell by 48% in 2014 with 250 residential building permits, and dropped another 51% in 2015 with 122 permits. In 2016, 250 residential permits have been issued, a 105% increase. In 2017, 340 residential permits were issued through December, including 240 single-family permits and 100 multi-family permits. 205 residential permits were issued through March 2018, including 133 single-family permits and 72 multi-family permits. Residential permits are expected to rise significantly over the next few years as a result of the October 2017 fires.

In 2005, non-residential construction valuation was at a high of $76,634,000, but fell 71% to $22,253,000 by 2009. It rose over the next few years to $42,199,892 in 2014, and then rose to $60,662,166 in 2015. In 2016, the total non-residential construction valuation was $55,758,965, an 8% drop from 2015. In 2017, the non-residential construction valuation through December was $66,926,149, a 20% increase over 2016. The non-residential construction valuation through March 2018 was $11,187,243.

Information through 2011 was provided by the Construction Industry Research Board (CIRB) which ceased operations in January 2012. California Homebuilding Foundation took over the compilation of permit data in early 2012; however, it appears that the methodology used to compile information is slightly different from that used by the CIRB.



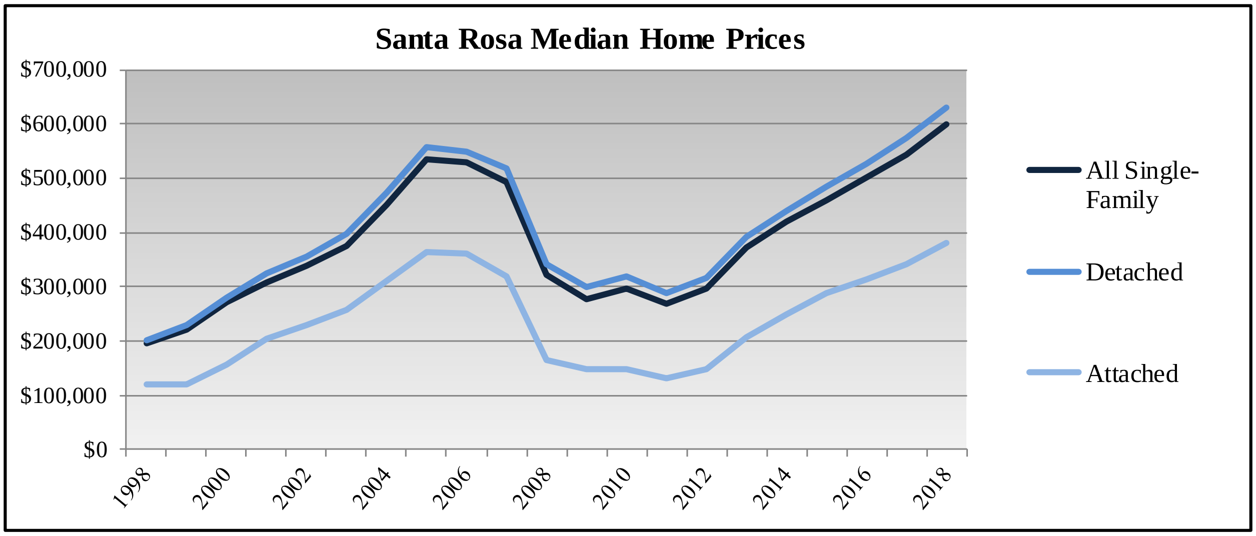
All years through December.
Sources: Construction Industry Research Board (through 2011), California Homebuilding Foundation (2012 and forward) and Ward Levy Appraisal Group, Inc.; May 2018

Residential Market: Santa Rosa's median home prices have been consistently below the Sonoma County median due to its inclusion of more affordable and higher density housing in its new developments. With the fall in real estate prices experienced nationwide, the overall median price had dropped 56% from a high of $565,000 in November 2005 to $250,000 by February 2009. It fluctuated through the rest of 2009 through 2011, but began to rise in early 2012. It continued a steady uptick through 2012 and into 2013, and in 2014, the overall annual median price was $420,000 for 2,002 homes sold. 3% fewer homes sold in 2014 than in 2013, but the overall median price was 13% higher in 2014. Through December 2015, 2,101 homes have sold for a median price of $460,000. 1,938 homes sold in 2016 for an overall median of $500,000, a 9% increase over the overall median of $460,000 in 2015. In 2017, 1,914 homes sold through December for an overall median of $542,000 which is 3% higher than the overall median of $525,000 through December 2016. In 2018, 472 homes sold through April for an overall median of $600,000, which is 15% higher than the overall median of $523,000 through April 2017.

The median detached price was at a high of $585,000 in September 2005, but by February 2009, it had fallen 54% to $270,000. After rising to a high of $340,500 in December 2009, it fell once again in December 2011 to $272,500. In 2012, the median detached price began climbing once again and 2,030 detached homes were sold during the year, showing an increase of 11% over the 1,819 homes sold in 2011, proving that buyers were sensing that a bottom might have been reached in the market. Prices continued to climb in 2012, by December 2014, the median price was $454,500 for 142 detached homes. 1,716 detached homes sold through December for an annual median price of $440,000, which is 4% less than the 1,786 homes that sold through December 2013, although is 12% higher than the 2013 median price of $391,750. In 2015, 1,839 detached homes sold for a median price of $483,000. 1,672 detached homes sold in 2016 for a median of $525,000 which is 9% higher than the median of $483,000 in 2015. Prior to 2016, the last time the median price was over $500,000 was in August 2007. In December 2017, 118 detached homes sold for a median of $615,000. 1,639 detached homes in 2017 for a median of $575,000, a 10% increase over the detached median of $525,000 in 2016. In January 2018, 90 detached homes sold for a median of $635,500, which is 20% higher than the median of $530,000 in January 2017 for 86 homes, and representing a 135% increase over the low of $270,000 in February 2009. January's high is a direct result of the scramble for housing after the devastating 2017 fires, and is 12% over the median of $567,500 in September 2017, one month before the fires. In April, 105 detached homes sold for a median of $615,000, 8% higher than the detached median of 567,000 in April 2017.

The median attached home price had reached an all-time high of $398,900 in September 2005, but by February 2009 had fallen 69% to $123,500. It fluctuated wildly over the next few years, but by January 2012, it had fallen to a new low of $112,000. The median price slowly climbed through the rest of 2012 and into 2013. In 2013, 271 attached homes sold for a median price of $208,000. 286 attached homes sold in 2014 for a median price of $250,000. 262 attached homes sold in 2015 for a median price of $287,000. In 2016, 266 attached homes sold for a median of $312,750. In 2017, 275 attached homes have sold through December for a median of $340,000, a 9% annual increase. 66 attached homes have sold through April 2018 for a median of $380,000.

The following table provides a comparison of median Santa Rosa home prices over the last 21 years.



All years are annual except 2018 which is through April.
Sources: Sonoma County Multiple Listing Service and Ward Levy Appraisal Group, Inc.; May 2018

Demography: Although Cloverdale has been Sonoma County's fastest growing city in the past two decades, Santa Rosa, the county's largest city, has had the greatest numerical increase in population. The city experienced 66% growth between 1970 and 1980, 37% growth between 1980 and 1990 and 30% growth between 1990 and 2000, showing a decreasing growth rate in each successive decade. The 2018 city population estimate of 178,488 shows a dramatically lower growth rate of 20.9% over the 2000 population of 147,595.

There is an average of 2.64 persons per household with a median household income of $62,705 and a median age of 38.0, according to the 2012-2016 American Community Survey five year estimates from the U.S. Census. Santa Rosa has more people per household (relative to Sonoma County's average of 2.59 persons) with a lower median age (compared to the county average of 41.2 years) and a lower household income than the county as a whole ($66,833).

Conclusion

Sonoma County's ample supply of land available for development, the quality of its business parks and industrial areas, its large and well-educated growing work force, affordable housing in relation to other Bay Area counties, abundant recreational areas, moderate climate and aesthetic natural setting all contributed to the fact that it fared quite well in the recessionary economy of the 1990's.

The latest national recession reduced local employment, particularly in the manufacturing and construction sectors which was the impetus behind the growth in the residential, office and industrial sectors since 2000. Vacancies in the office and industrial sectors were relatively high, along with retail vacancy. Unemployment had reached an all-time high, but since 2011, figures have been dropping and there has been positive job growth. Tourism is strong and is expected to grow thanks to increased employment. Also contributing to tourism growth are the Sonoma County Airport's recently extended runways which are expected to attract regional carriers with larger aircraft.

Homebuilding is on the rise again, although the number of permits issued in the past several years is still slightly below the numbers issued before 2006. Home prices have been increasing as well after dropping over 45% during the recession.

Sonoma County is projected to continue its growth with the wine industry and tourism as its strongest economic drivers. Manufacturing and construction, which were two of the hardest hit industries of the Great Recession, are once again experiencing growth and are expected to continue to expand along with improved regional and U.S. economic growth.

MARKET ANALYSIS

Regional Overview

The market for multi-family properties in the Bay Area has improved and vacancy levels have decreased substantially in the past few years. The subject is part of the larger Bay Area economy but while activity in the core markets in the East Bay, South Bay, San Francisco/Peninsula are, to a degree, indicators as to the direction of the subject market, North Bay market trends are somewhat different than those impacting the rest of the San Francisco Bay Area apartment market, mostly as a result of transportation issues.

Vacancy rates have overall decreased in the past several years in these core markets with increasing rental rates. However, apartment construction in San Francisco, and to a lesser extent in the East and South Bay, has significantly increased and the significant increasing rental rates have begun to level off as new projects come on-line.

The Bay Area category encompasses San Francisco, Alameda, Contra Costa, San Mateo and Santa Clara Counties as well as the North Bay Counties. Rents have continued to grow to all-time peaks, while vacancy in every North Bay County is extremely low in historical terms. However, in the Bay Area, approximately 10,400 units have been delivered in the past year with 27,000 currently under construction. This led to a slight softening of the broader market, though conditions still remained favorable for landlords. The overall vacancy rate in the Bay Area edged higher, and asking rents dipped marginally as well; both the decrease in rents and increase in vacancy are tied to the increase in the number of new apartments.

Sonoma County – Wildfire Impact

In October 2017, the wildfires once again boosted the need for housing and tipped the balance in favor of landlords. The appraisers know of at least one new Santa Rosa project in particular which received especially strong demand from those who lost their homes in the fires. In February of 2018, Sonoma County supervisors discussed several ideas intended as part of an effort to alleviate the regional housing crisis exacerbated by the devastating wildfires in October 2017. They floated an ambitious goal of building 30,000 new housing units over the next five years, a number equal to 130% of Petaluma's current housing stock. They also discussed putting a housing bond before voters that could speed reconstruction by tapping taxpayer dollars, as well as mulled a relocation of most administrative county government offices as part of an attempt to free up both the county campus and the Santa Rosa City Hall complex for future housing development. Repurposing the county campus by itself, excluding the courthouse, jail and sheriff's office, which would all remain, would free up 26 acres. The goal of 30,000 units, which has not yet been formally adopted by the Board of Supervisors, reflects what various estimates indicate the county would need to correct the current imbalance of demand and supply.

In May 2018, Sonoma County supervisors signed off on a wide-ranging suite of policy changes intended to encourage construction of more new homes, loosening restrictions on granny units and lowering other development hurdles. Under the revised rules, homeowners in unincorporated areas could build a larger granny unit or fit one on a smaller property than the county allowed before, depending on the size of the site as well as its water and sanitation systems. County permitting officials will be able to sanction second units on even smaller lots through a separate process. Finally, homeowners looking to build more compact granny units will have to pay less in fees, part of an effort on the part of the Board of Supervisors to promote what the county sees as one of its best options to expand housing in rural areas. The new policy alone is not likely to trigger a large influx of housing in unincorporated neighborhoods, but it is seen as the first in a series of housing initiatives expected to be brought forward in the coming months by county planning staff. Supervisors also voted to expand the amount of residential space allowed in mixed-use developments, eased the process for establishing single-room occupancy facilities, and delayed the collection of affordable housing fees to take financial pressure off developers.

Also in May 2018, Santa Rosa City Council members voted to streamline the city's approval process for new housing and related development. Under the new rules, many proposals for single-family homes, apartments, mobile home parks, mixed-use projects, child care facilities and emergency shelters can be approved by city staff members without a hearing before the Design Review Board. Builders are still required to host pre-application neighborhood meetings, and a concept review by the Design Review Board is mandatory for projects larger than 10,000 square feet.

Vacancy

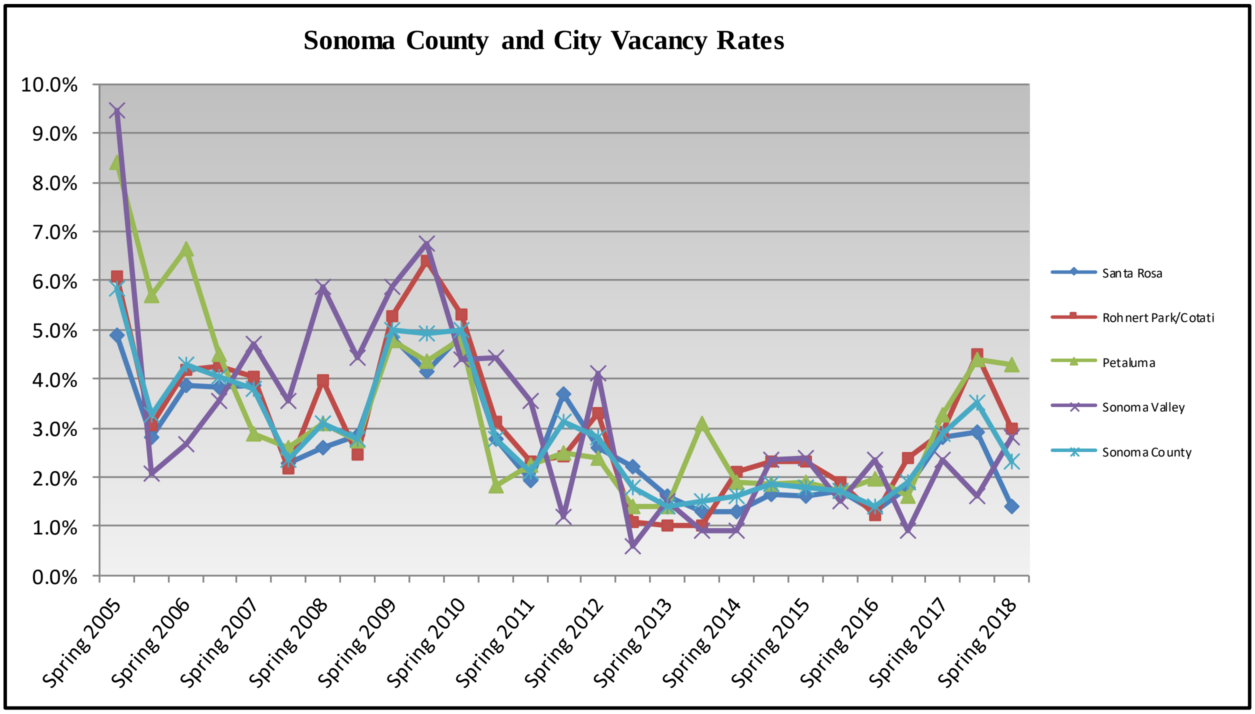
The information below is provided by Scott Gerber, formerly with Cushman & Wakefield and now with Bradley Real Estate. He publishes a secondary report every six months surveying fewer properties but with greater detail. The following reflects data from the most recently published Spring 2018 market survey.

Sonoma County Vacancy Rates

Submarket	Units	# Vacant	Vacancy %
Santa Rosa	6,488	94	1.4%
Rohnert Park/Cotati	2,662	79	3.0%
Petaluma	1,686	73	4.3%
Sonoma Valley	396	11	2.8%
Total	**11,232**	**257**	**2.3%**

Sources: Bradley Real Estate and Ward Levy Appraisal Group, Inc.; May 2018

The graph below summarizes the vacancy rate for each of the four major submarkets and the county as a whole since the beginning of 2005. As can be seen in the graph, the market has improved substantially since 2009.



Sources: Bradley Real Estate and Ward Levy Appraisal Group, Inc.; May 2018

Rental Rate Trends

As vacancies have decreased in the market, rental rates have risen, with the last year being particularly strong and rents rising for every floor plan type. The following table shows that in the Sonoma County market as a whole, rents have increased for all unit types in the past year, with increases ranging roughly from 4% to as high as 12%, and most sectors experiencing rent growth of 10% to 12%. The Santa Rosa market also featured rent growth in every single sector over the past year, with increases ranging from 1% to as high as 12%, and most sectors experiencing growth of roughly 6% to 10%.

Rental Rate Trends

	Sonoma County					Santa Rosa					
	Rent	SF	Rent/SF	Change From Fall 2017	Change From Spring 2017		Rent	SF	Rent/SF	Change From Fall 2017	Change From Spring 2017
Studio	$1,553	508	$3.06	4.4%	6.3%	Studio	$1,150	460	$2.50	9.3%	10.8%
1BR/1BA	$1,788	681	$2.63	6.6%	10.3%	1BR/1BA	$1,678	664	$2.53	7.0%	8.2%
2BR/1BA	$1,941	873	$2.22	4.8%	11.1%	2BR/1BA	$1,810	854	$2.12	2.1%	6.3%
2BR/2BA	$2,332	1,076	$2.17	5.5%	10.6%	2BR/2BA	$2,237	1,021	$2.19	2.9%	8.1%
2BR/1.5BA	$2,027	1,024	$1.98	6.1%	11.6%	2BR/1.5BA	$1,954	994	$1.97	5.2%	12.4%
3BR/2BA	$2,578	1,196	$2.16	0.4%	4.2%	3BR/2BA	$2,317	1,177	$1.97	-3.3%	0.6%

Sources: Bradley Real Estate and Ward Levy Appraisal Group, Inc.; May 2018

The anticipation is that rental rates should eventually plateau in Sonoma County and Santa Rosa amid more new construction projected to come online. While a couple of large projects are currently under construction, there are relatively few projects planned, and since population is increasing, the rental outlook is strong for the near future. However, it is anticipated that eventually heightened new construction in Sonoma County will begin to push the market back towards equilibrium. At this point, it is unclear how long it will be before this happens.

Market Participant Discussions

In the course of this and other similar recent assignments, the appraisers discussed market conditions with several brokers active in the market for multi-family properties. These brokers include Steven Level, Pat Ripple and Scott Gerber with Bradley Real Estate, Brad Pennington, John Garrett and Erich Reichenbach with Marcus & Millichap, and Ken Bizzell with Keegan and Coppin. According to these brokers, demand for investment properties had improved substantially over the past few years, but the market for multi-family properties in the North Bay appears to finally be slowing. Local experts attribute this not so much to lack of interest among investors but rather to the lack of buying opportunities and pricing uncertainties, specifically regarding the impact of future rent controls as discussed below.

Mr. Gerber stated that it is a good time to sell, as the stage is set for price moderations that have not yet occurred due to a shortage of inventory and buyers that have been overpaying. He stated that buyers of four- to eight-unit properties are still aggressive and optimistic, and pricing seems as robust as ever, with continued low interest rates likely to fuel buying in this category. Buyers in the 10- to 100-unit category also appear to still be paying aggressive prices, including higher than asking prices. However, Mr. Gerber noted that buyers of institutional-level properties, typically with more than 200 units, seem to be getting less aggressive in chasing prices and more cautious about overpaying.

The average price per unit in the Sonoma County market is more dependent on the quality of the assets being sold. A large Class A sale in one quarter can skew the results upward on price per unit (and downward on overall rate). Mr. Gerber noted that owners of Class B and C (market position) properties comprise the bulk of the listings at the present time as they have made it through the recovery and are trading out of these properties. He also noted that over the last year, buyers are seeking higher capitalization rates on deals, needing rents to better justify pricing.

Investment Market Trends

Financing for multi-family properties is available at very competitive rates in the 3.0% to 5.0% range on a 25- to 30-year amortization with 25% to 50% down and a 1.10 to 1.14 debt-coverage-ratio. While rates remain competitive, the lack of more product on the market has kept the sales volume from rising higher. The typical property will sell within just a few months on the market, with particularly well-priced or marketed properties selling even quicker in some cases.

The following table summarizes the results of the First Quarter 2018 PriceWaterhouseCoopers survey for the apartment market.

Apartment Market Capitalization Rates

Property Type	Overall Rate Range			Average	Last Quarter	Year Ago	3 Years Ago
National Apartment Market	3.75%	-	8.50%	5.33%	5.32% +1	5.33% 0	5.36% -3
Pacific Region Apartment Market	3.50%	-	6.00%	4.48%	4.45% +3	4.49% -1	4.77% -29

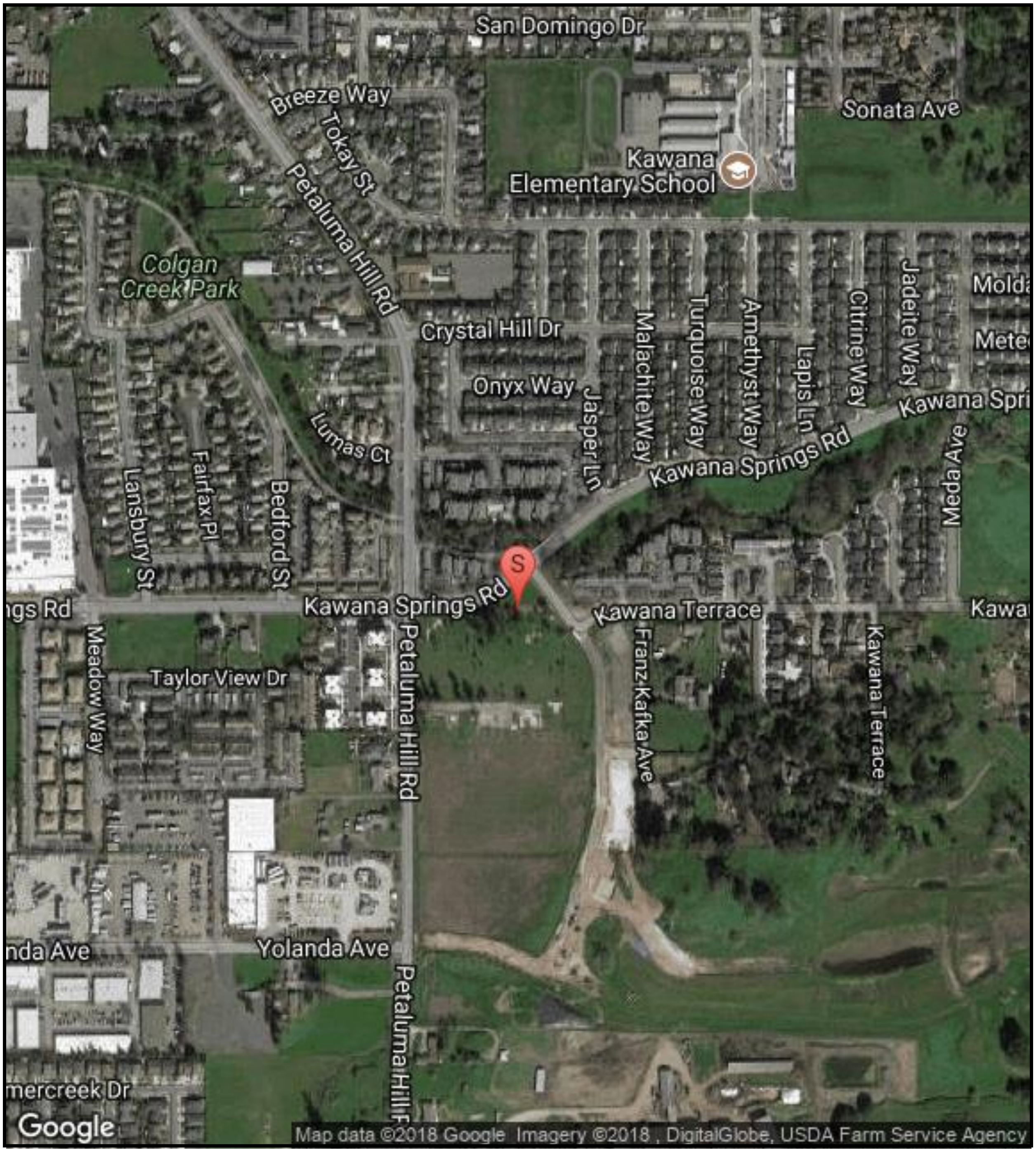
Sources: PriceWaterhouseCoopers, LLP and Ward Levy Appraisal Group, Inc.; May 2018

As is shown in the table above capitalization rates have effectively stabilized over the past year after declining in previous years. It should be noted that the above survey is typically for institutional investors of Class A properties in core markets. In the strongest markets, 4% cap rates are not uncommon for higher end product, while older properties have commanded rates of 6% to 7% or lower and distressed projects have generally traded at 8% or higher rates. For the North Bay sector as a whole, Class A product is generally trading with cap rates of 4.0% to 5.0%, Class B projects are typically moving at 4.75% to 5.75% and Class C and value-add rates are generally starting at 6.0% and moving up from there.

Conclusion

The market may have already absorbed such substantial growth over the last few years that housing affordability concerns will become even more of a factor placing a ceiling on growth. Nonetheless, market conditions have clearly continued to improve in the past year, as has demand for multi-family properties from both renters and investors. An economy hopefully continuing to slowly improve and the increase in available financing should continue to support the market, although national economic conditions and interest rates are greater risk factors currently than they were a year ago. The destruction from the recent North Bay fires will add to the housing demand. Therefore, the short and long term outlooks for the multi-family sector are positive.

NEIGHBORHOOD MAP



NEIGHBORHOOD ANALYSIS

The subject is located within the incorporated limits of the southeast quadrant of the City of Santa Rosa, and within the Southeast Area Plan boundary which was slated as the focus of much of the residential development activity in Santa Rosa over the past decade. The area plan was adopted in June 1994 and was subsequently incorporated into the General Plan update adopted by the City Council on June 18, 2002. The General Plan is to guide the development of the City through 2010.

The Southeast Area Plan is the blueprint for development of 640 acres with the majority now within the current city limits. The Area Plan provides for the development of approximately 2,100 homes, a community shopping center, a smaller mixed-use town center and three parks totaling 44 acres. A population increase of approximately 5,500 residents was projected at the time of approval. Approximately one-half of the new residences would be traditional single-family detached homes and a third would be small lot single-family homes and lower density multi-family units. The remaining would be higher density multi-family or very low density single-family homes in the hillside area.

Major infrastructure improvements were required to realize this plan and some have been completed to date. The most ambitious and far-reaching of these is the proposed extension of Farmers Lane (an existing arterial roadway in the southeast part of the city) through the study area to connect with Santa Rosa Avenue and U.S. Highway 101. The Farmers Lane Extension Draft Environmental Impact Report was approved in May 2003 and recommended a plan line that includes a major intersection at Yolanda Avenue and widening thereof. However, budget woes afflicting the City of Santa Rosa stalled this project and it is uncertain when, if ever, this project will proceed. Substantial improvements to sewer and water systems are also ongoing.

The subject neighborhood is primarily residential in nature, and a significant amount of new construction has taken place since 2000. Kawana Springs, located a short distance northeast of the subject, is a 347 lot single-family detached project that commenced sales in early 2000 in the mid-$200,000 range, with prices rising to the mid-$300,000's by the final release in 2003. Other detached home subdivisions have also been built more recently in this area, and several newer multi-family projects have also been developed in the last 20 years in close proximity to the subject.

Approximate neighborhood boundaries are:

- North: State Highway 12/Sonoma County Fairgrounds
- South: Incorporated limits/Yolanda Avenue
- East: Incorporated limits
- West: Petaluma Hill Road

Trends

The surrounding area has grown quite substantially in the past decade, and with the eventual extension of Farmers Lane, it will be at the epicenter of much of the growth that will occur in Santa Rosa over the next decade. There are a relatively high number of subdivisions which have been built and sold in this area over the past decade. The most significant of these is Linwood at Ragle

Ranch, although other major projects in the area have included Glennview, Taylor Mountain, Brookwood, Grasslands at Ragle Ranch, Chaparral at Ragle Ranch, and Kawana Town Center.

Neighboring Properties

Immediately north of the subject is a small parcel also designated for development with the Vintage Housing Kawana Springs Apartment Homes project. Just to the north and east of this is the 138-unit Renaissance Apartments complex. This is a mid to upper range apartment project that was originally known as Oaks at Kawana Springs, but which was subsequently purchased for condominium conversion and renamed Bella Oaks Condominiums. However, the project was purchased again in 2007 and rebranded again. Units are no longer offered for sale. This project offers three floor plans ranging from a 716 square foot one bedroom, one bath unit to a 1,156 square foot three bedroom, two bath unit.

To the immediate south of the subject is vacant land with approvals for the Kawana Springs Apartment Homes project, with more rural properties farther to the south. Slightly farther to the east is a mix of rural residences and small subdivisions, while to the west is Petaluma Hill Road. Across Petaluma Hill Road is a 42 unit affordable apartment project known as Tierra Springs which was developed in the last few years.

Support Services

While the subject is located in a primarily residential neighborhood, there are larger commercial uses situated in close proximity, including the Santa Rosa Marketplace as well as various shops and commercial uses farther to the north on Petaluma Hill Road. The Santa Rosa Marketplace is the largest big-box retail center in Sonoma County with anchor tenants of Costco, Best Buy, Target, Office Depot, Trader Joe's and a variety of in-line shop space. This center is located approximately one-quarter mile west of the subject at the corner of Santa Rosa Avenue and Kawana Springs Road. Santa Rosa Avenue is a busy commercial thoroughfare and contains much of the big-box retail space serving the City of Santa Rosa. To the north of the subject within one mile is a Lola's Market. This store, measuring about 14,000 square feet is a renovated former furniture store and helps to meet the needs of the surrounding community. Other than for Trader Joe's at the Santa Rosa Marketplace, there are no other nearby grocery stores but for a newer Smart & Final which now occupies space in Santa Rosa Towne Center farther to the southwest.

Clearly, extensive support services are available within the Santa Rosa Avenue commercial area, including shopping, restaurants, grocery and other services.

Public Utilities

All municipal services are available throughout the neighborhood including water, sewer, natural gas, electricity, cable television and telephone, in sufficient quantities to support current and anticipated future development.

Access/Transportation

Primary vehicular access to the subject neighborhood is available from Petaluma Hill Road, a major two-lane, north/south arterial. Access to U.S. Highway 101 is available from an interchange at Yolanda/Hearn Avenues to the southwest within one mile, and also Colgan Avenue to the northwest, also within one mile. State Highway 12 can be accessed from U.S. Highway 101 or from Bennett Valley Road, accessed via Santa Rosa Avenue to the north. Farmers Lane Extension plans indicate that Yolanda Avenue, south of the subject property, may be the eventual feeder to U.S. Highway 101, though the exact plan line in the vicinity of the subject property has not been determined. This would increase the accessibility of the subject neighborhood, should it ever be constructed.

The subject neighborhood is served by Santa Rosa CityBus with daily bus service on the half-hour Monday through Friday and limited weekend service. Intercity service is provided by Sonoma County Transit; inter-regional service is provided by Golden Gate Transit with transfers available at the transit mall on Second Street in downtown Santa Rosa. Transit services will likely be increased throughout the Southeast Plan Area upon continued development. However, private automobile is still the primary means of transportation in the area.

Conclusion

Overall, the subject is located in an area of Southeast Santa Rosa which has experienced substantial new development in the past couple of decades. The neighborhood's proximity to parks, recreational facilities, neighborhood and regional shopping, schools, employment centers and freeway access are all deemed to be average to good, and the neighborhood is well-suited for low and medium density residential uses. The area is eventually expected to continue being built out with new residences, as development extends to the current urban growth boundary, consequently increasing demand for commercial and office uses as well as for support services, and enhancing the desirability of the subject neighborhood. The recent and proposed new developments to the north and east of the subject, in conjunction with the proposed Farmers Lane extension, should help to ensure that the neighborhood is one of the fastest growing areas in Santa Rosa.

LAND ANALYSIS

Address:	Kawana Terrace Santa Rosa, CA 95404
Location:	The subject site is located along the southeast side of Kawana Springs Road and the southwest side of Franz Kafka Avenue, just west of Kawana Terrace and east of Petaluma Hill Road, in the City of Santa Rosa, County of Sonoma, California.
Assessor's Parcel Number:	N/A
Census Tract:	1514.01
Shape:	The site features an irregular narrow shape which limits potential uses, thus adversely impacting the site's utility.
Frontage:	Kawana Springs Road: 103 feet Franz Kafka Avenue: 50 feet
Access:	Average
Site Visibility:	Average
Size:	0.21 acres / 8,941 square feet
Topography:	The subject has level topography at grade.
General Plan Land Use Designation:	N/A
Zoning:	N/A
Zoning Description:	The subject does not have a City of Santa Rosa zoning or General Plan land use designation.
Flood Hazard Area:	The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is located in FEMA flood zone X (unshaded), which is not classified as a special flood hazard area. FEMA Map Number: 06097C0737F FEMA Map Date: October 16, 2012
Earthquake Hazard Area:	The subject site is not located in an Alquist Priolo Special Studies Zone.

Public Utilities:	
Electricity:	PG&E
Natural Gas:	PG&E
Water:	City water
Sewer:	City sewer

Site Status: The subject comprises a legal but paper right-of-way for the western extension of Kawana Terrace, and extends from Kawana Springs Road to Franz Kafka Avenue. The subject currently comprises vacant land.

Improvements: None

Off-Site Improvements:	
Curbs & Gutters:	Yes
Sidewalks:	No
Streetlights:	Yes

Soil Conditions: The appraisers are not qualified as soil experts and do not possess the skills to determine if the site is contaminated in any manner which might have a negative impact on the overall value of the subject property. The reader of this report is advised to determine the development potential of the site and ensure that no soil contamination exists prior to making any financial commitments on the subject property. This appraisal assumes that the site can be improved to its highest and best use, and that no contamination exists which would negatively impact the subject property.

Biotic Resources: The appraisers are unaware of any identified biotic resources or wetlands on the subject site, but are not qualified biologists and do not possess the skills necessary to determine if the site is impacted in any manner which might have a negative effect on the overall value of the subject property. The reader of this report should satisfy himself/herself as to the accuracy of these assumptions before any loan commitments are made.

Scenic Resources: None

Aviation Constraints: None

Riparian Corridors: None

Environmental Issues: There are no known adverse environmental conditions on the subject site. Please reference Limiting Conditions and Assumptions.

Easements Issues: No Preliminary Title Report was provided, but the appraisers were provided with a graphical exhibit showing the existence and location of underground gas and water pipeline easements on the site. The impact of these easements upon the subject's value is addressed later in this report. The value opinion set forth in this appraisal report is subject to and conditioned upon the accuracy of the provided information as well as the absence of any other easements or encumbrances materially impacting value which would have been revealed in such a title report.

Encroachments: Physical inspection of the site indicated no observable encroachments.

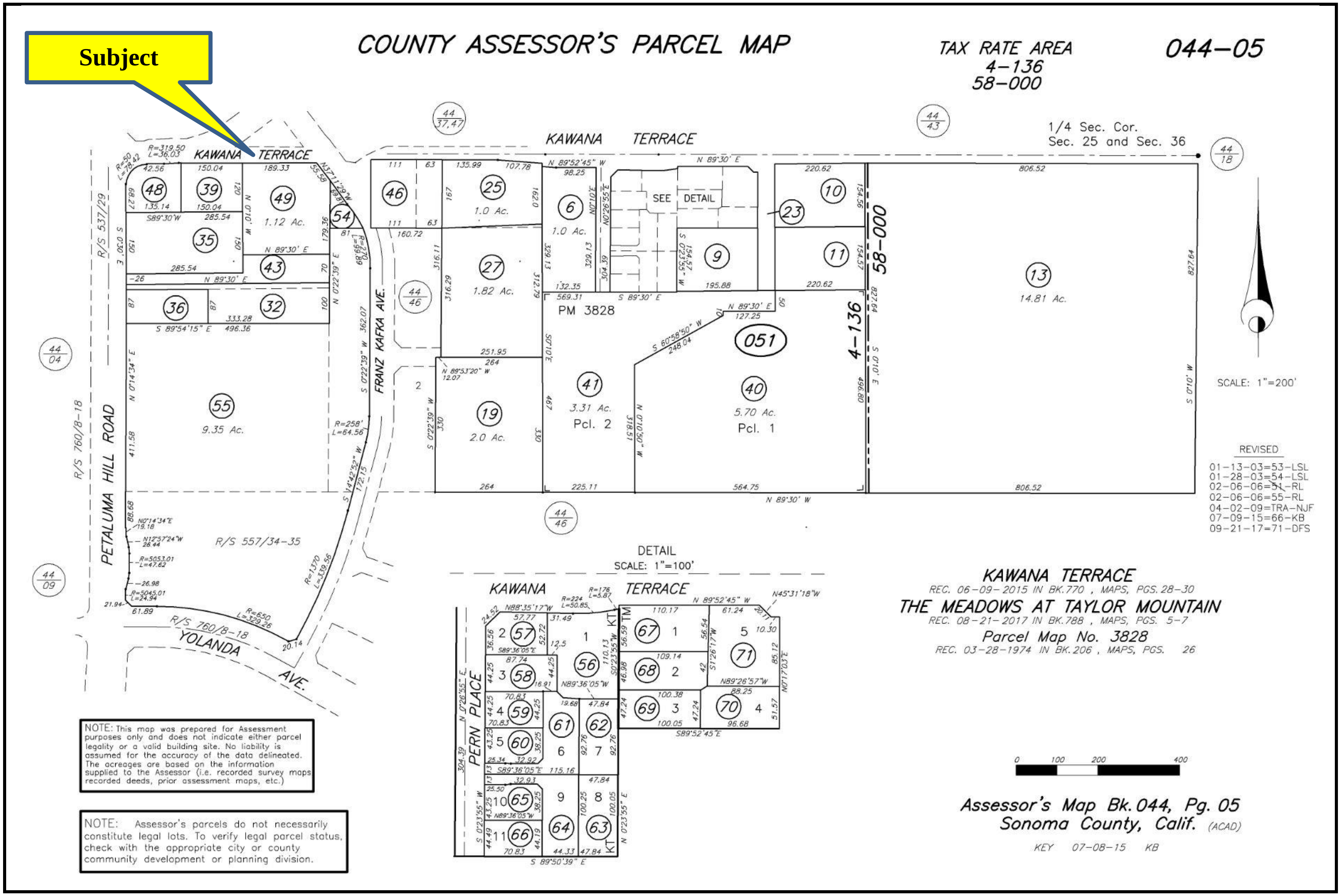
Other Features: Overhead power transmission lines are located along the southern boundary of the subject, and are estimated to affect an approximately 1,500 square foot portion of the subject. Their impact upon the subject's value is addressed later in this report.

Covenants, Conditions and Restrictions: Unknown

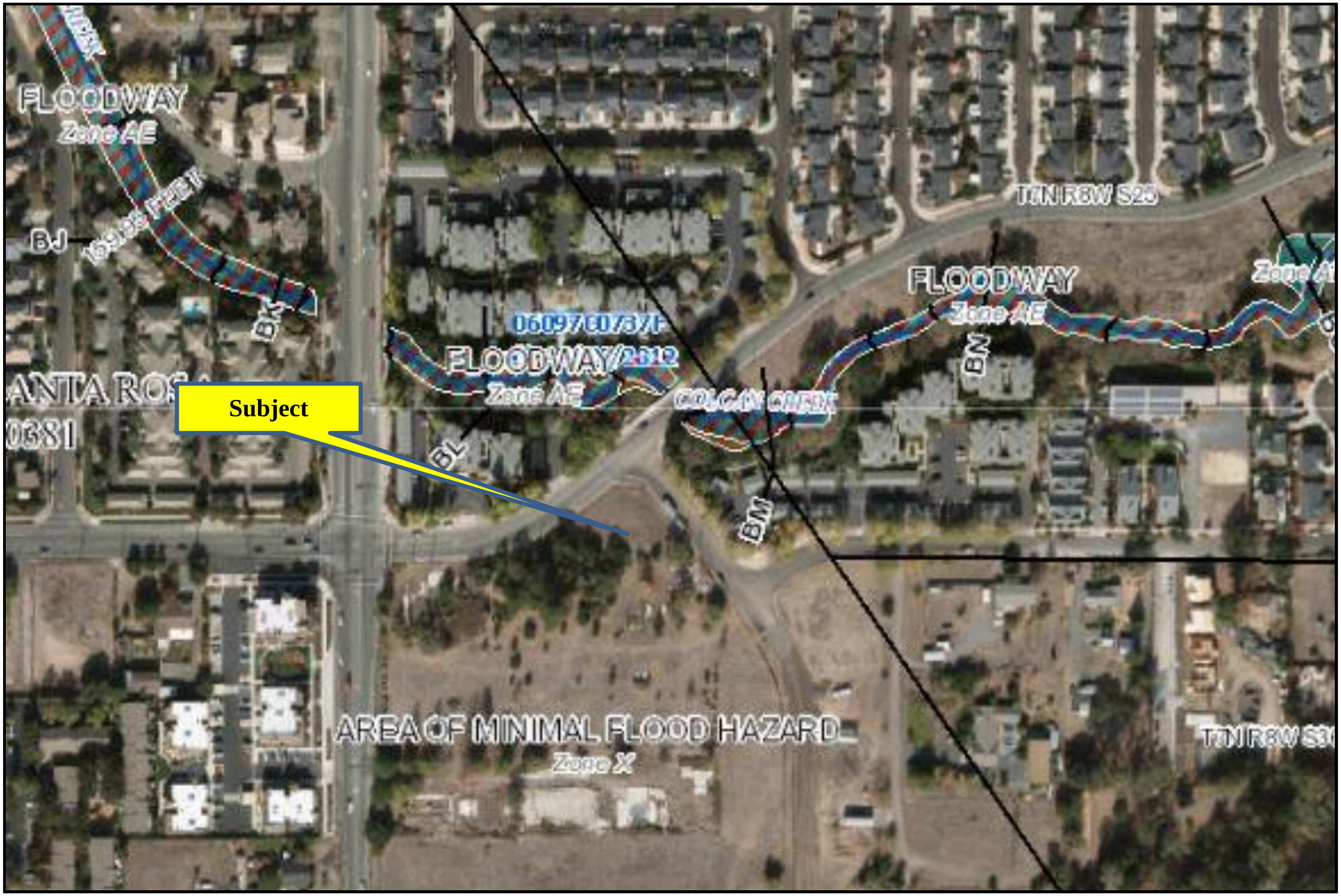
Conclusion

The subject site is served by all public utilities and is level and at street grade. It is not located in a special flood zone, nor is it located in an earthquake zone. However, the small size and narrow shape limit potential uses of the site, thus adversely impacting the site's utility, and the presence of existing easements for underground gas and water pipelines, as well as the presence of overhead powerlines, also have an adverse impact upon the subject's value, as described in more detail later in this report. Given its size and shape, the highest and best use of the site is considered to be to combine it with the adjoining northern and southern properties for joint development in accordance with the existing Kawana Springs Apartment Homes entitlements for 120 multi-family residential units. Otherwise, there are no known adverse conditions likely to negatively impact value and prevent the subject from being developed to its highest and best use.

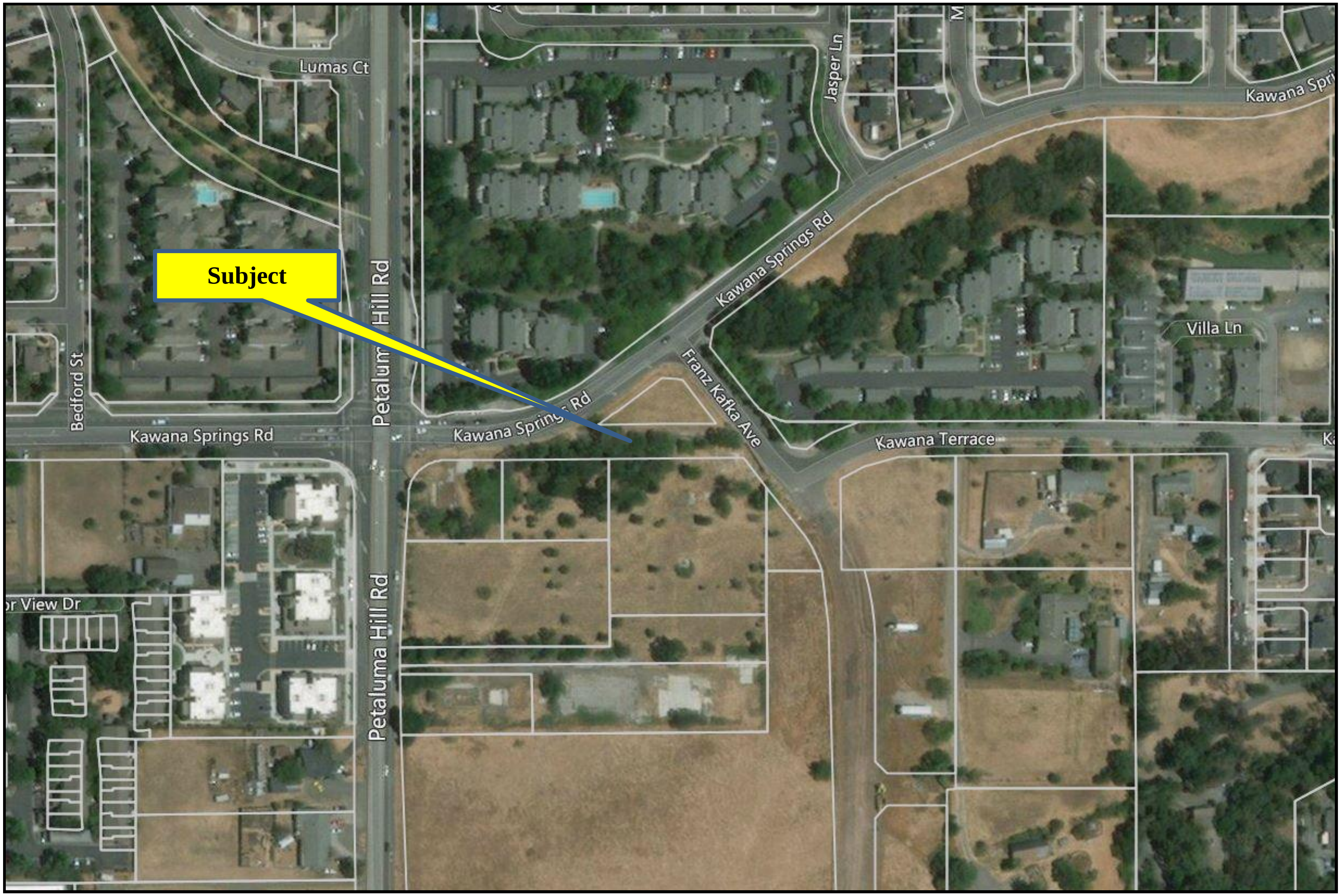
Assessor's Parcel Map Showing Subject's Contextual Location



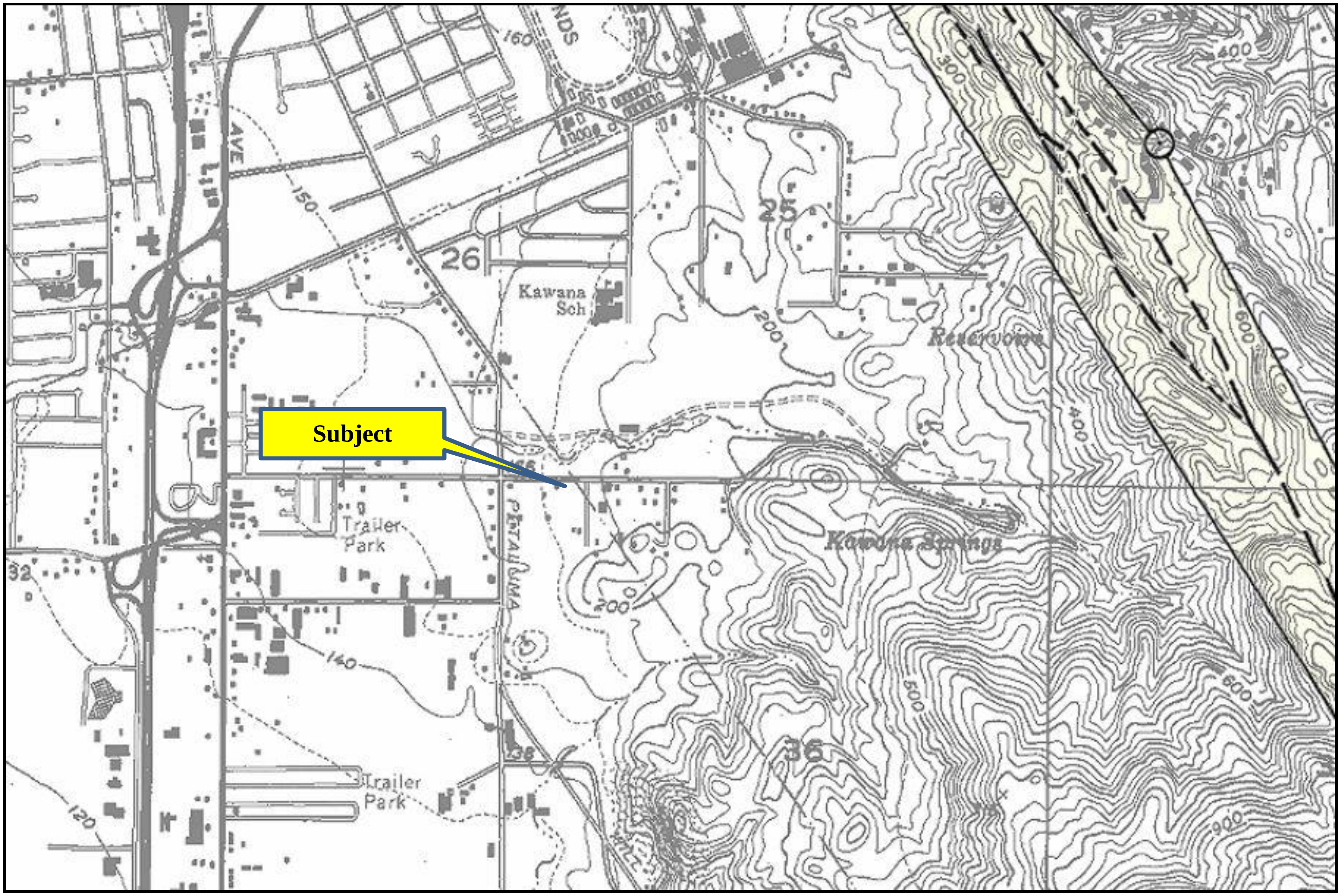
Flood Map


FLOODWAY
Zone AE
BJ
BK
FLOODWAY
Zone AE
06097C0737F
FLOODWAY/2312
Zone AE
COLGAN CREEK
BN
BL
BM
T7N R8W S25
Subject
AREA OF MINIMAL FLOOD HAZARD
Zone X

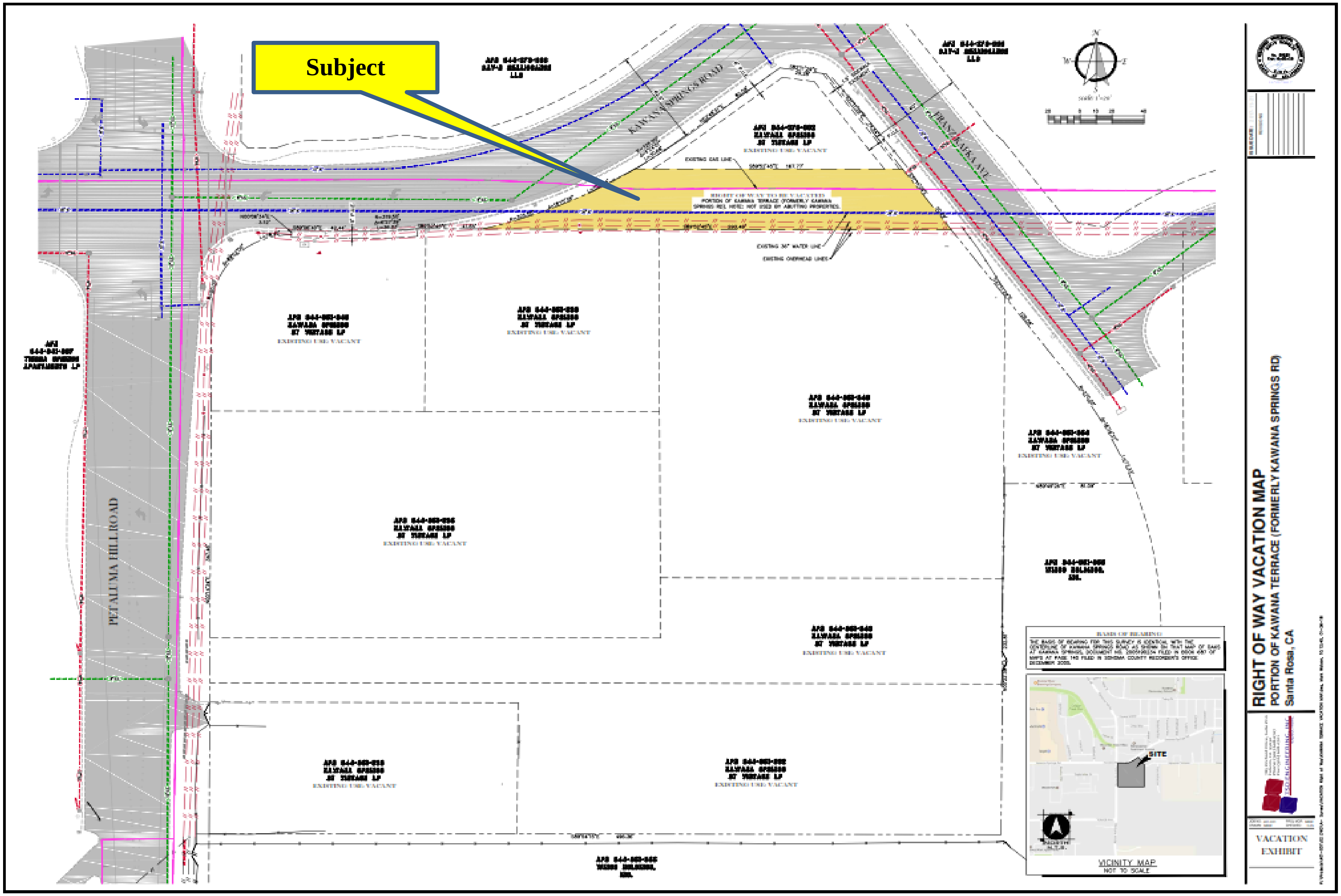
Aerial View


Subject
Lumas Ct
Jasper Ln
Kawana Springs Rd
Petaluma Hill Rd
Bedford St
Villa Ln
Franz Kafka Ave
Kawana Terrace
Kawana Springs Rd
Kawana Springs Rd
Petaluma Hill Rd

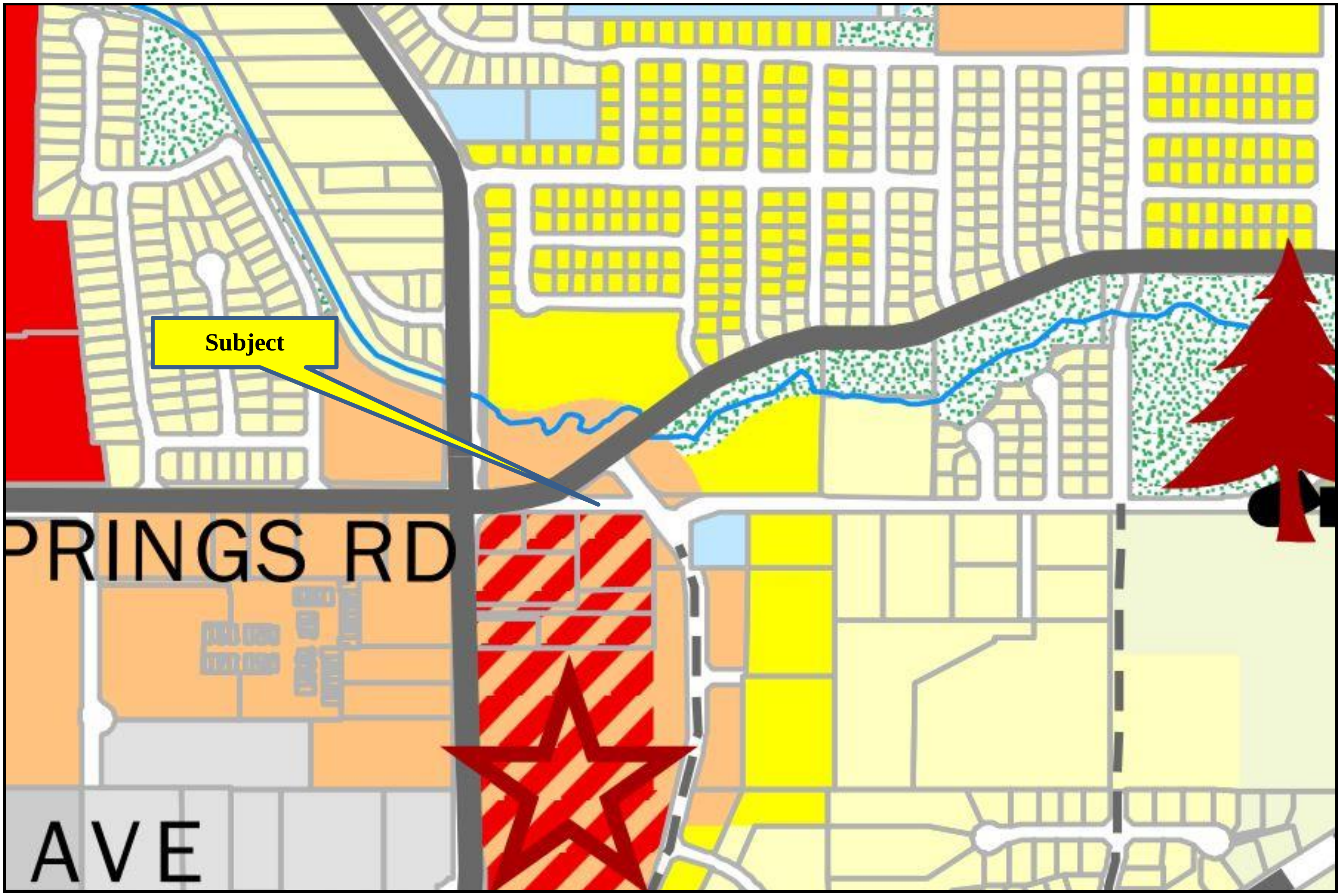
Earthquake Map



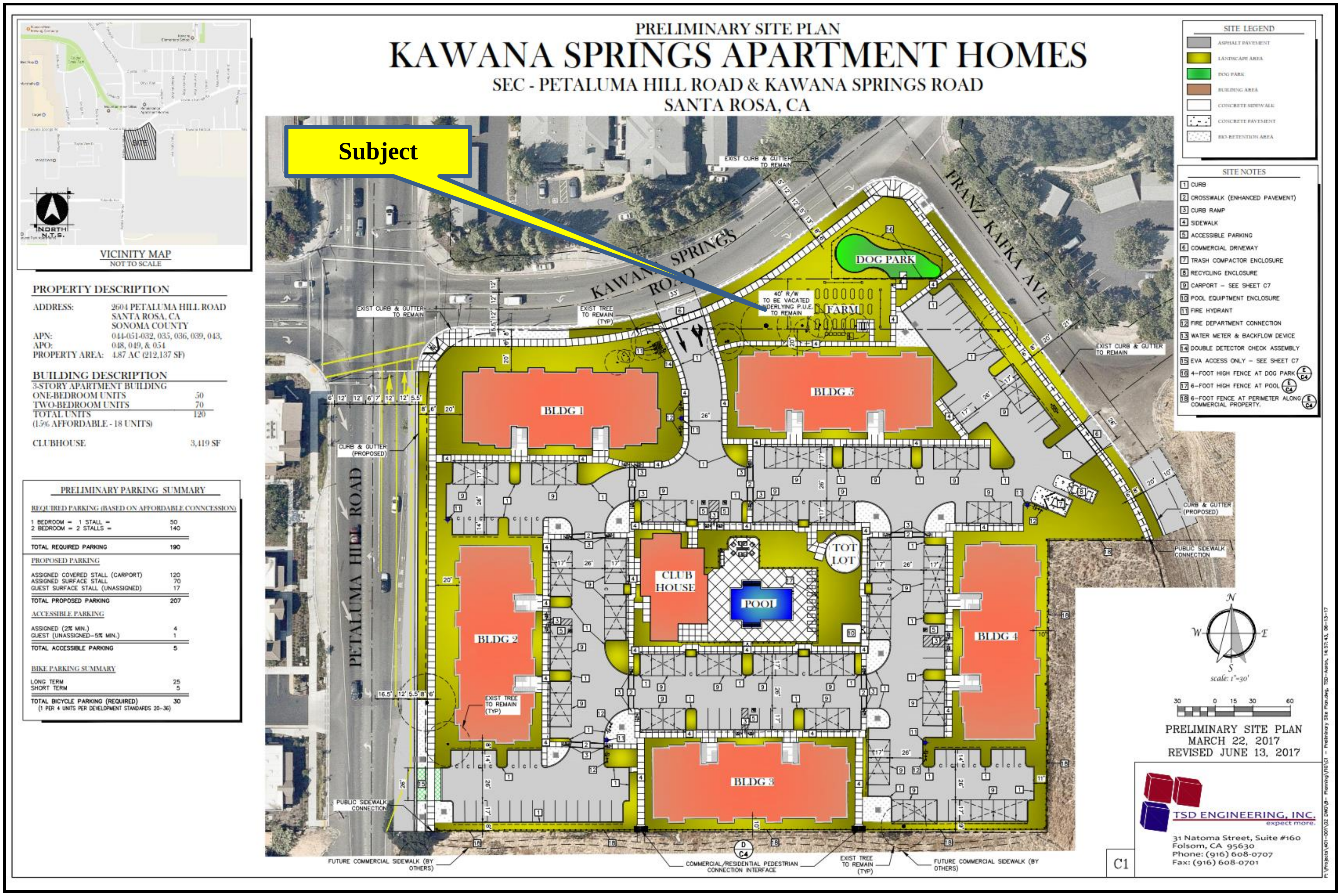
Site Plan Showing Subject Right-Of-Way (Highlighted In Yellow)



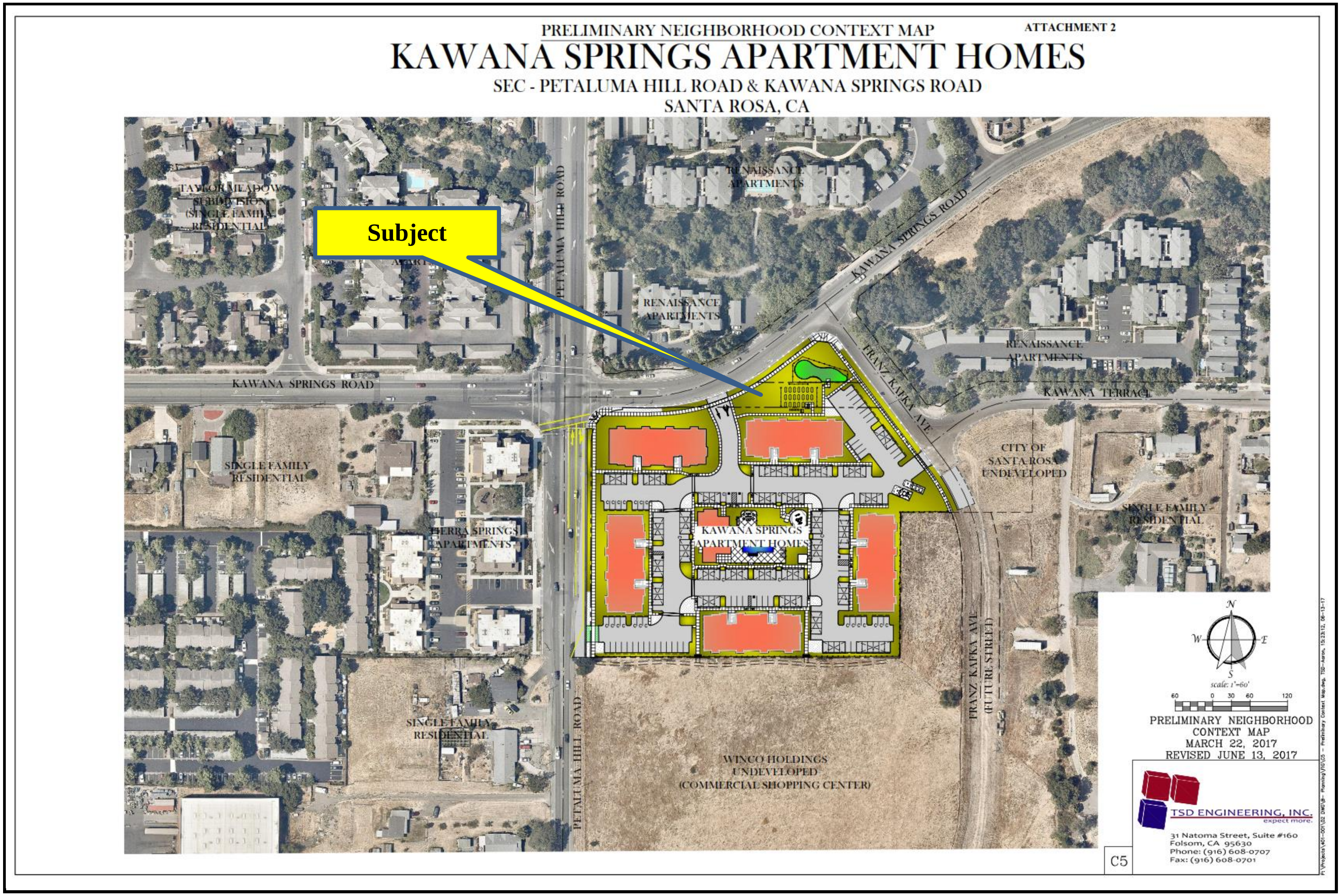
General Plan Land Use Designation Map Showing Subject And Surrounding Properties



Proposed Site Development Plan



Proposed Site Development Plan - Neighborhood Context Map



HIGHEST AND BEST USE

Highest and best use of a property as improved pertains to the use that should be made of an improved property in light of its improvements. The existing improvement is compared with the ideal improvement. The use that maximizes an investment property's value, consistent with the rate of return and associated risk, is its highest and best use as improved. It is to be recognized that in cases where a site has an existing improvement, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use. Thus, the highest and best use requires the estimate of the highest and best use of the land as if vacant.

Analysis of the highest and best use of land or a site as though vacant assumes that a parcel of land is vacant or can be made vacant by demolishing any improvements. The questions to be answered during the analysis of the highest and best use of the land as if vacant are 1) if the land is, or were, vacant, what use should be made of it, and 2) what type of building or other improvement, if any, should be constructed on the land and when?

Highest and best use is an analysis of those uses which are legally, physically and financially feasible. Once the potential uses are identified within these parameters, the most probable highest and best use can be identified.

Highest and Best Use As Vacant

Legally Permissible: Legal uses of a site are governed by land use policies and regulations of local governmental entities. The subject does not have an assessor's parcel reference but consists of a legal right-of-way, and has neither a City of Santa Rosa zoning nor a Santa Rosa General Plan land use designation. Given the lack of either classification to apply to the subject, the appraisers have analyzed the General Plan designations of the surrounding properties, as these would form the basis for the most likely classification to be assigned to the subject site, as well as the existing Kawana Springs Apartment Homes entitlements. As shown on the General Plan map contained previously in the Land Analysis section of this report, the properties to the immediate north of the subject feature a General Plan designation of Medium Density Residential (8.0 – 18.0 units per acre). The properties to the immediate south of the subject feature a mixed General Plan designation of Medium Density Residential (8.0 – 18.0 units per acre) and Retail & Business Services. However, the Kawana Springs Apartment Homes project is to be developed almost entirely on this land to the south of the subject, and these entitlements call for the development of 120 multi-family residential units with no additional commercial space. Therefore, the appraisers have analyzed the subject under the assumption that the most likely zoning and General Plan designation which would be assigned to the site would be consistent with Medium Density Residential, with an associated permissible density range of 8.0 to 18.0 units per acre.

Physically Possible: Other than for the narrow shape of the parcel, there are no physical features that would preclude any of the legally permissible uses. The subject is level and at street grade and is not located within a special flood zone or earthquake zone. The site comprises a 40' strip and would be difficult to feasibly develop on its own, but it could be combined with adjoining property and developed jointly. While there are overhead powerlines as well as easements for underground gas and water pipelines, these do not physically preclude development.

Financially Feasible: Given the assumed residential zoning and the adjoining sites with approvals for 100% multi-family residential development in the Kawana Springs Apartment Homes project, combining the subject site with the adjoining parcels and developing them jointly with legally permissible multi-family residential uses in accordance with the existing entitlements is projected to be the most likely and financially feasible use.

Maximally Productive: The test of maximum productivity is applied to the uses that have passed the first three tests. Of the financially feasible uses, the highest and best use is the use that produces the highest residual land value consistent with the market's acceptance of risk and reward. In the subject's case, the maximally profitable use is considered to be combining the site with adjoining property and developing jointly with legally permissible multi-family residential uses. Theoretically one could abandon the existing entitlements and pursue new approvals for a different project, but given the entitled density which is already above the nominal range under the General Plan designation as a result of a density bonus for providing on-site affordable units, and the cost, time and investment risk of pursuing new entitlements, this is not considered maximally productive.

As Vacant - Conclusion: The highest and best use of the subject site is considered to be to combine it with the adjoining property and develop the sites jointly with multi-family residential uses in accordance with the adjoining owners' current Kawana Springs Apartment Homes project entitlements.

APPRAISAL PROCESS

There are three basic approaches that may be utilized by appraisers in the estimating of market value for the subject improvements. These three approaches provide data from the market from three different sources when all are available. These three approaches include the Cost Approach, the Sales Comparison Approach and the Income Approach.

The Cost Approach is based upon an assumption that an informed purchaser would pay no more for a property than the cost of producing a substitute property with the same utility as the subject. In the Cost Approach, value is estimated by comparing the current cost of replacing the subject improvements, and then subtracting depreciation for physical deterioration and functional or economic obsolescence. The cost of replacing a property is generally estimated on a per square foot basis using a construction cost manual published by a recognized cost reporting service, and through continued cost updating by the appraiser to account for local conditions. The value of land is added to the depreciated cost of the improvements for the final value indication by this approach.

The Sales Comparison Approach is based upon the assumption that an informed purchaser will pay no more for a property than the cost of acquiring an existing property of the same utility. This approach estimates market value by comparing the sales prices of recent similar transactions with the various attributes of the property under appraisement. Any dissimilarities are resolved by making appropriate adjustments. These differences may pertain to time, age, location, construction, condition, size or external economic factors.

Also analyzed within the Sales Comparison Approach is the relationship between the gross income and sales price. This ratio, called the Gross Income Multiplier (G.I.M.), when properly extracted from the market, may be used to indicate the value of the subject property. The Sales Comparison Approach often provides a highly supportable estimate of value for homogeneous properties. For larger and more complex properties, the required adjustments often become numerous and more difficult to estimate.

The Income Approach converts the anticipated future benefits of property ownership (dollar income) into an estimate of present value. The Income Approach is generally selected as the preferred technique for income-producing properties because it most closely reflects the investment rationale and strategies of typical buyers. To utilize the Income Approach, the appraiser must project net income, select an appropriate capitalization rate and then capitalize the net income into value, applying the proper discounting procedure.

Normally, these three approaches will each indicate a different value. After all of the factors in each of the approaches have been carefully weighed, the indications of value derived from each of the approaches are correlated to arrive at a final opinion of value.

Analyses Applied

A **Cost Approach** was considered and was not developed because there are no improvements to analyze.

A **Sales Comparison Approach** was considered and was developed because market participants consider similar type properties when determining the subject's market value and thus the Sales Comparison Approach is utilized in the analysis.

An **Income Approach** was considered and was not developed because the subject is not a typical income producing property.

In the following analysis, the appraisers have first utilized sales of residential development land in order to conclude a value for the fee simple interest of the subject ROW assuming typical developability. We have then applied a substantial deduction based on our opinion that while we are unaware of any legal restrictions against residential development, the narrow shape and location of the parcel are such that the typical buyer would most likely assume that the parcel would either need to be combined with adjoining property or would be virtually unusable. As an additional check, we have also undertaken a secondary analysis utilizing sales of undevelopable or nearly undevelopable parcels and not applying a deduction.

LAND VALUATION

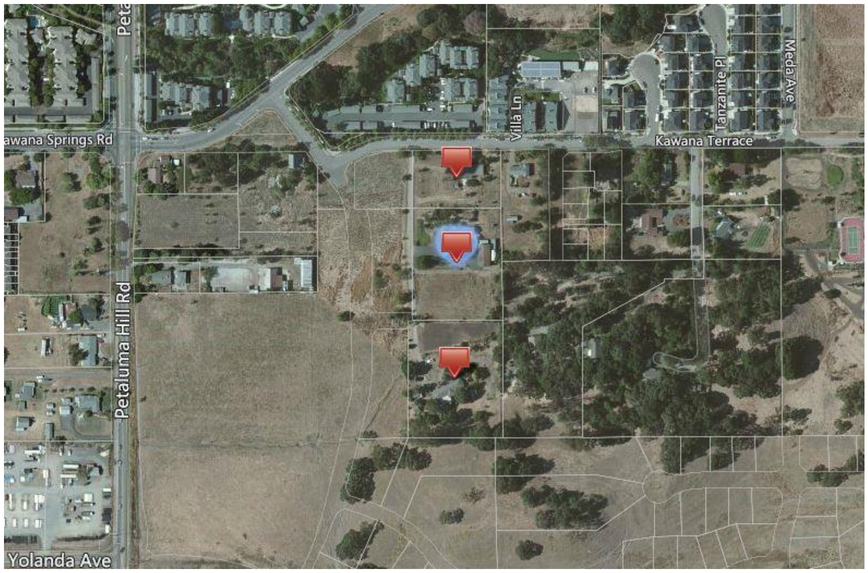
When appraising commercial property, it is customary to value the land as though vacant and able to be developed to its highest and best use. The preferable method of determining the market value of the fee simple interest of the subject site is by comparison to properties that have recently sold, are listed for sale or are under contract. Comparable properties are analyzed and compared with the subject property.

The comparative analysis performed in this approach focuses on similarities and differences among properties, and transactions that impact market value. These may include differences in the property rights appraised, the motivation of buyers and sellers, financing terms, market conditions at the time of sale, size, location, utility of the site, zoning and site conditions. The various attributes of comparison are tested against market evidence to determine their relative importance, if any.

The appraisers confirmed the sales with at least one party to the transaction and verified all characteristics discussed in the analysis with either public sources, such as site size from County Assessor's records, or from parties to the transaction, including buyers, sellers or agents.

Included below are the comparable land sales followed by a locational map, summary table and analysis and conclusion of land value.

Land Comparable 1



Transaction

Land Type	Single-Family Residential	**Date**	N/A
APN	044-051-019, -025 and -027	**Transaction Type**	In Contract
Address	1166 Kawana Terrace	**Price**	$3,200,000
City	Santa Rosa	**Adjustments to Price**	$0
County	Sonoma	**Adjusted Price**	$3,200,000
Grantor	Cassidy	**Price Per Land SF**	$15.37
Grantee	N/A	**Days on Market**	154
Doc#	N/A	**Verification Source**	Randy Waller
Financing	Cash To Seller	**Affiliation**	Listing Agent

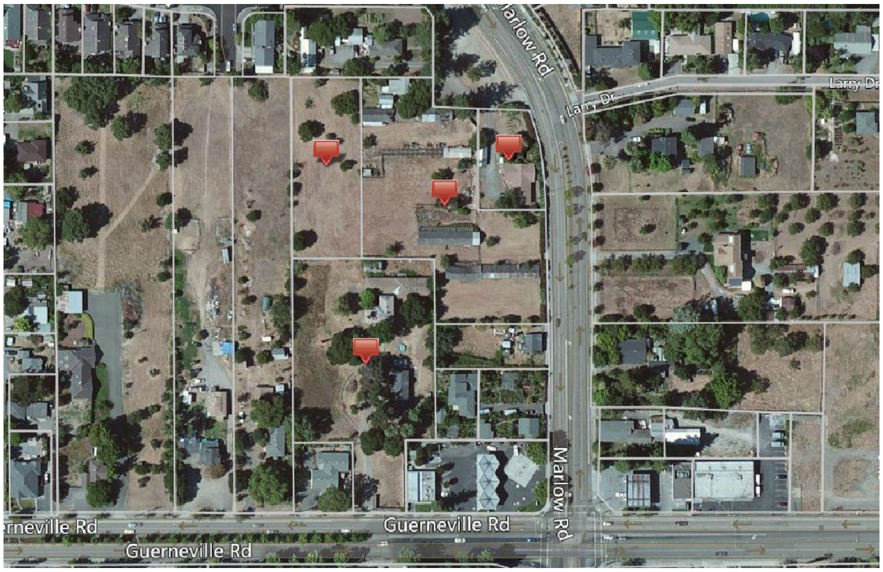
Site

Gross Land Area (AC)	4.78	**Site Status**	Raw
Gross Land Area (SF)	208,217	**Entitlements**	Tentative Map
Usable Land Area (AC)	4.78	**Topography**	Level
Usable Land Area (SF)	208,217	**Utilities**	All Public Utilities
Zoning	R-1-6	**Shape**	Rectangular
General Plan Designation	Medium Low Density Residential (8.0 - 13.0 units per acre)	**Improvements of Value**	No

Comments

Site has tentative map approval for the Kawana Village project, to comprise 39 lots ranging from ~2,500 to 9,600 sf and averaging 4,127 sf. There will be 27 detached homes ranging from 1,530 to 2,428 sf and 12 duet homes each comprising 1,509 sf. Listed for $3.2 million and was placed in contract after ~80 days on market. Agent did not confirm price but based on days on market, transaction has simply been analyzed on basis of listing price. Three older SFR's had no contributory value but for interim income offsetting demolition costs. Within SESR Redevelopment Area, and impact fees are estimated at ~$58,000 per lot.

Land Comparable 2



Transaction			
Land Type	Single-Family Residential	**Date**	February 28, 2018
APN	036-061-028, -064, -068 & -069	**Transaction Type**	Closed
Address	2199 Marlow Road	**Price**	$3,800,000
City	Santa Rosa	**Adjustments to Price**	$0
County	Sonoma	**Adjusted Price**	$3,800,000
Grantor	Hall, et al.	**Price Per Land SF**	$17.11
Grantee	Morgan Properties	**Days on Market**	455
Doc#	13928	**Verification Source**	Katy Clark
Financing	Cash To Seller	**Affiliation**	Listing Agent
Site			
Gross Land Area (AC)	5.10	**Site Status**	Raw
Gross Land Area (SF)	222,156	**Entitlements**	See Comments
Usable Land Area (AC)	5.10	**Topography**	Level
Usable Land Area (SF)	222,156	**Utilities**	All Public Utilities
Zoning	R-3-18	**Shape**	Irregular
General Plan Designation	Medium Density Residential (8 - 18 units per acre)	**Improvements of Value**	No

Comments

Site comprises four parcels near NWC of Guerneville and Marlow Roads, and has frontage along both. Irregular shape provides for better privacy, with majority of site situated away from roads. Assessor lists gross site area of 4.84 acres, but planning documents indicated ~5.1 acres. Site was re-zoned with a GP amendment in 2016 to allow for up to 18 units per acre, or a maximum of 91 units. Three older homes and a manufactured home had no contributory value other than interim income and hookup fee credits offsetting demolition costs. There were no development entitlements in place, and closing was not contingent upon approvals, but sellers had done significant survey work including Phase 1 ESA, biotic and cultural resources, storm drain and sewer analyses, and an arborist report. Buyer pursued entitlements for a subdivision to comprise 44 lots, including 25 attached single-family units and 19 duplexes, for a total of 63 residential units. Contract was signed in August 2016 and buyer made substantial non-refundable payments toward the purchase price in order to extend closing until February 2018. Buyer has developed a number of projects in NWSR.

Land Comparable 3

Transaction

Land Type	Multifamily Residential	**Date**	June 27, 2016
APN	044-051-032, et al.	**Transaction Type**	Closed
Address	2630 Petaluma Hill Road	**Price**	$1,850,000
City	Santa Rosa	**Adjustments to Price**	$470,625
County	Sonoma	**Adjusted Price**	$2,320,625
Grantor	Regency-Alliance SR	**Price Per Land SF**	$11.17
Grantee	Kawana Springs By Vintage	**Days on Market**	~700
Doc#	55699	**Verification Source**	Ron Reinking
Financing	Cash To Seller	**Affiliation**	Listing Agent

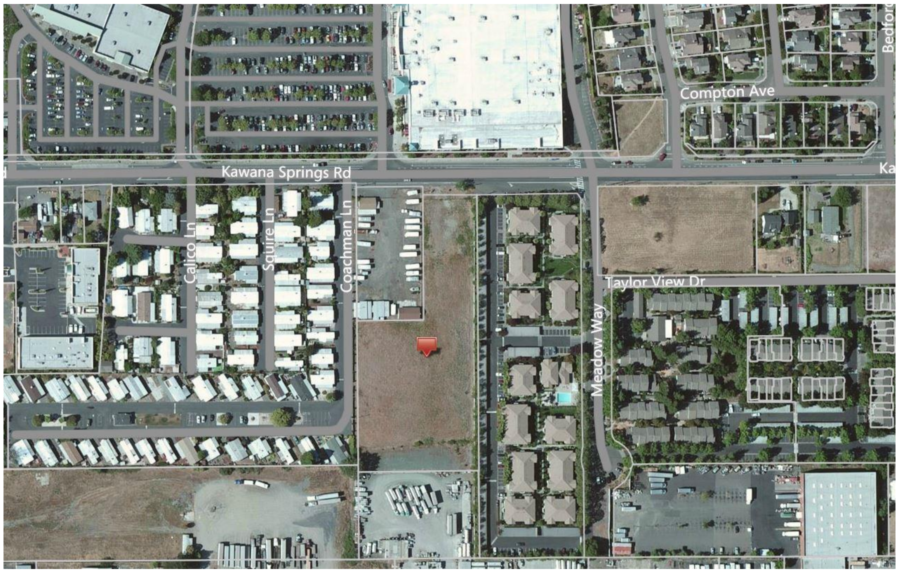
Site

Gross Land Area (AC)	4.77	**Site Status**	Raw
Gross Land Area (SF)	207,781	**Entitlements**	Unentitled
Usable Land Area (AC)	4.77	**Topography**	Level
Usable Land Area (SF)	207,781	**Utilities**	All Public Utilities
Zoning	CSC	**Shape**	Rectangular
General Plan Designation	MDR (8-18 du/a) & Retail & Business Services	**Improvements of Value**	No

Comments

Site comprises nine contiguous parcels at the SEC of Kawana Springs and Petaluma Hill Roads. Had old expired entitlements for 98 townhomes and commercial. Zoning requires mixed-use and buyers originally wanted 115 units and no commercial but were rebuffed and plans are for 96 units and undetermined but minimal commercial space. Site will not require CTS mitigation but will need mitigation for 0.10 acres of on-site wetlands and plants with total cost estimated at $70,625. The original contract price was $2.25 million but soils contamination was found during escrow; seller agreed to fully discount price for projected soils remediation. The closing price of $1,850,000 has thus been adjusted upward by $470,625 to reflect $400,000 in projected soils remediation along with the wetlands mitigation. Adjusted price thus reflects a clean, fully developable site. Sale was not contingent on entitlements at close of escrow.

Land Comparable 4



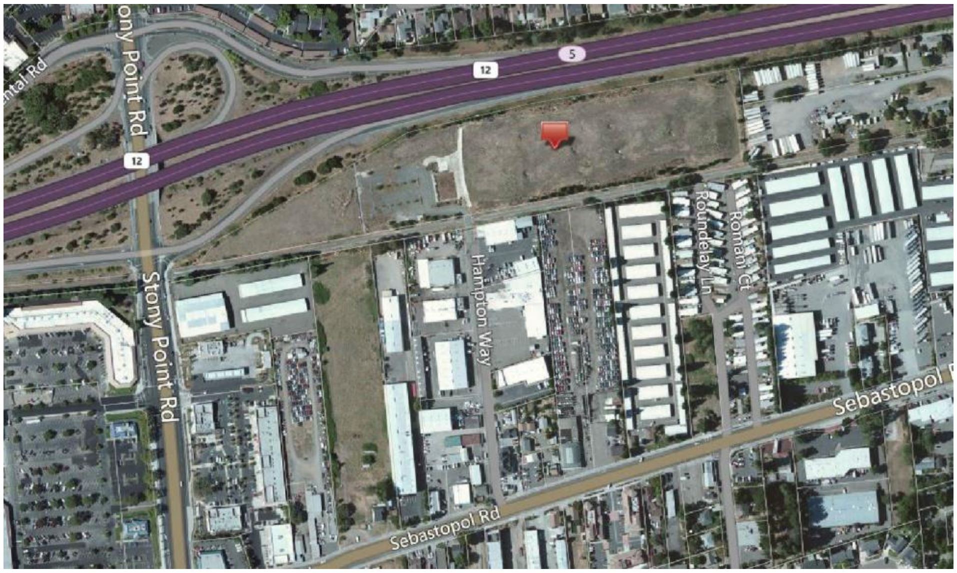
Transaction			
Land Type	Multifamily Residential	**Date**	N/A
APN	044-041-034 and -096	**Transaction Type**	In Contract
Address	500 Kawana Springs Road	**Price**	$3,500,000
City	Santa Rosa	**Adjustments to Price**	$0
County	Sonoma	**Adjusted Price**	$3,500,000
Grantor	Gateway Financial Corp., et al.	**Price Per Land SF**	$22.63
Grantee	N/A	**Days on Market**	1000+
Financing	Cash To Seller	**Verification Source**	Ken Bizzell
Doc#	N/A	**Affiliation**	Listing Agent

Site			
Gross Land Area (AC)	3.67	**Site Status**	Raw
Gross Land Area (SF)	159,865	**Entitlements**	Contingent Upon Final Design Review
Usable Land Area (AC)	3.55	**Topography**	Level
Usable Land Area (SF)	154,638	**Utilities**	All Public Utilities
Zoning	PD and RR-40	**Shape**	Irregular
General Plan Designation	Medium-High Density Residential (18 - 30 units per acre)	**Improvements of Value**	No

Comments

Two parcels situated just across Kawana Springs Road from Santa Rosa Marketplace shopping center. Closing is contingent upon buyers receiving full design review entitlements for an assisted living facility which also was to include 10 affordable apartments. Density shown is simply the maximum allowable under the zoning. Northerly boundaries are encumbered by public utility and sidewalk easements which reduce net usable area as shown above. An older SFR/office had no contributory value.

Land Comparable 5



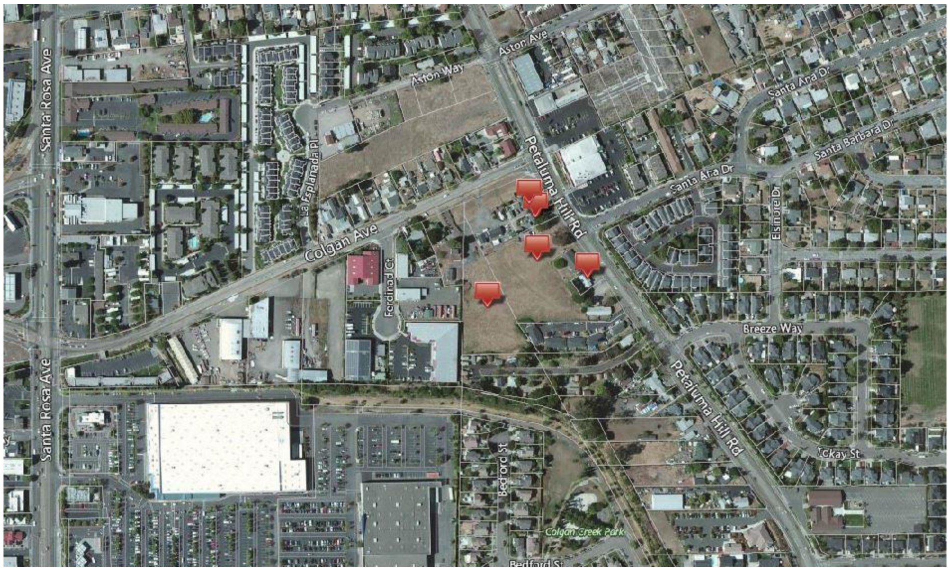
Transaction			
Land Type	Mixed-Use	**Date**	June 28, 2016
APN	010-311-028, 125-031-022 and 125-071-014	**Transaction Type**	Closed
Address	1755 Sebastopol Road	**Price**	$7,038,000
City	Santa Rosa	**Adjustments to Price**	($65,000)
County	Sonoma	**Adjusted Price**	$6,973,000
Grantor	Canary Asset	**Price Per Land SF**	$11.37
Grantee	OSL Properties	**Days on Market**	750
Doc#	55991	**Verification Source**	Will Gallaher
Financing	Cash To Seller	**Affiliation**	Buyer

Site			
Gross Land Area (AC)	14.28	**Site Status**	Raw
Gross Land Area (SF)	622,037	**Entitlements**	Tentative Map
Usable Land Area (AC)	14.08	**Topography**	Level To Gently Sloping
Usable Land Area (SF)	613,325	**Utilities**	All Public Utilities
Zoning	R-3-15	**Shape**	Irregular
General Plan Designation	Medium Density Residential (8.0 - 18.0 units per acre)	**Improvements of Value**	No

Comments

This is the site of a former golf driving range which had been demolished. The site sold with entitlements for The Villas, consisting of 197 townhomes ranging from 1,417 to 1,600 sf as well as 5,000 sf of commercial space. Buyer is a senior housing/assisted living facility developer and will slightly modify the entitlements to develop the same number of market rate multi-family units instead in a project to be known as Sebastopol Road Townhomes. The commercial portion of the site comprises 0.72 gross and 0.52 usable acres and will now be developed with the apartment leasing office and common amenities facilities rather than rental space. Price adjusted down by $65,000 for estimated fee credits due to previous construction. Site costs will be high given undulating topography and need for sound wall along extensive Highway 12 frontage. The seller was First Community Bank, of which the buyer is the Chairman of the Board, but the site was marketed conventionally for a significant time and there was strong competition and reportedly multiple offers from other buyers around a similar price, so the price is considered to be at market with no adjustment indicated for the REO sale conditions or a possibly less than 100% arms' length transfer. Long time on the market was partly due to site having fallen out of a previous escrow at a similar price.

Land Comparable 6



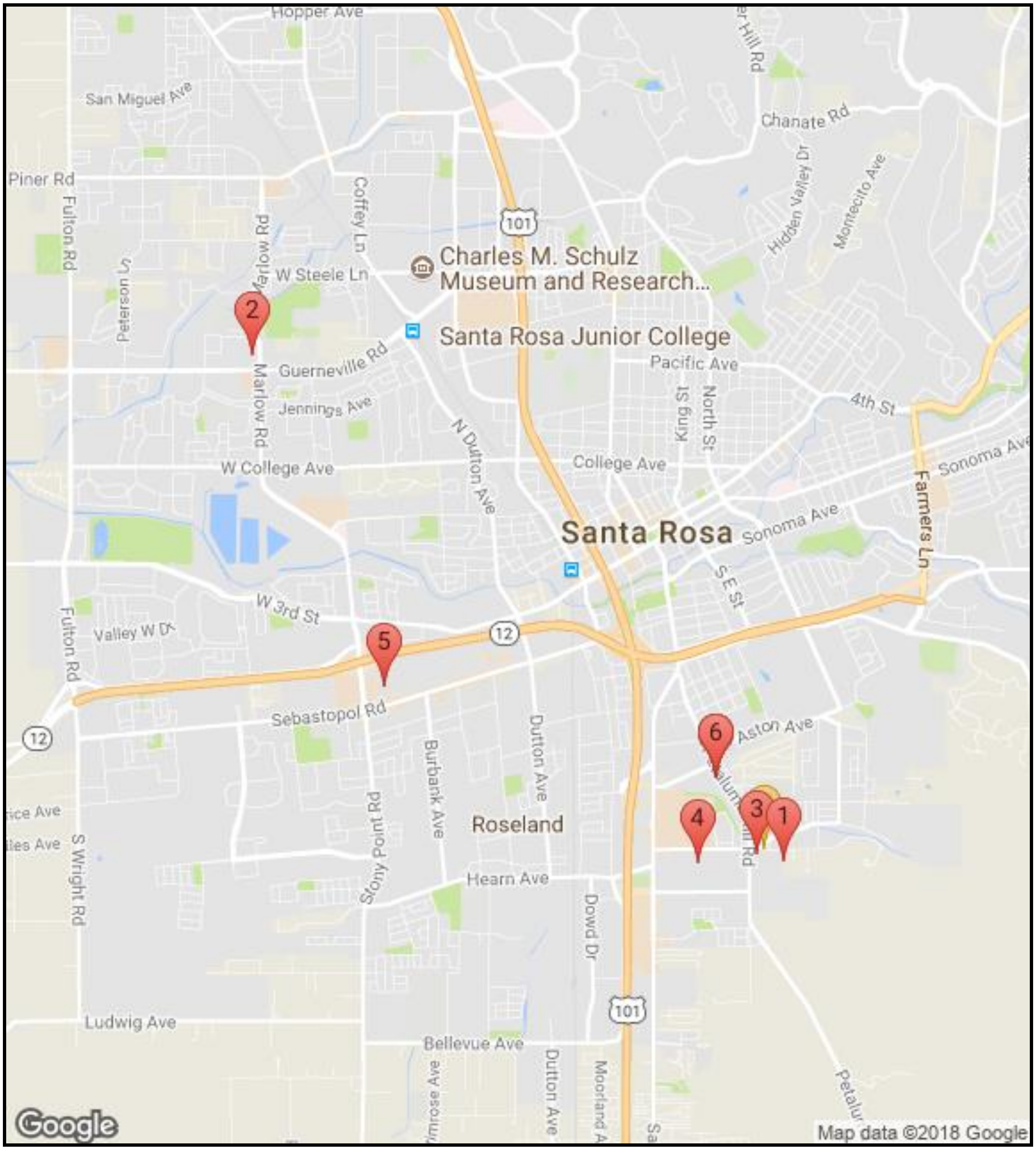
Transaction			
Land Type	Multifamily	**Date**	N/A
APN	044-021-019, -022, -035, -071 and -072	**Transaction Type**	In Contract
Address	1683 - 1775 Petaluma Hill Road	**Price**	$5,250,000
City	Santa Rosa	**Adjustments to Price**	$0
County	Sonoma	**Adjusted Price**	$5,250,000
Grantor	Hagerman	**Price Per Land SF**	$24.55
Grantee	N/A	**Days on Market**	380
Doc#	N/A	**Verification Source**	Ken Bizzell
Financing	Cash To Seller	**Affiliation**	Listing Agent

Site			
Gross Land Area (AC)	4.91	**Site Status**	Raw
Gross Land Area (SF)	213,880	**Entitlements**	Unentitled
Usable Land Area (AC)	4.91	**Topography**	Level
Usable Land Area (SF)	213,880	**Utilities**	All Public Utilities
Zoning	R-3-30	**Shape**	Irregular
General Plan Designation	Medium High Density Residential (18 - 30 units per acre)	**Improvements of Value**	No

Comments

Site comprises five adjacent parcels which can be developed with up to 30 units per acre, or a maximum of 147 units. There are eight existing residential rental units, but agent stated that neither party attributed any value to them other than interim income and fee credits offsetting demolition. Buyer's plans were unknown. Contract was signed around start of October 2017 and closing is not contingent upon entitlements, but buyer has up to 18 months to close, including options. As of March 2018, buyer had already released two large deposits. Listed for $5.2 million, agent confirmed that price was slightly over asking, and it has been estimated as shown above. No CTS or biotics mitigation required, and site is outside of the SESR redevelopment area so will not feature higher than typical impact fees.

Land Comparable Map



Land Comparable Summary and Adjustments

Land Analysis Grid		Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6
Address	Kawana Terrace	1166 Kawana Terrace	2199 Marlow Road	2630 Petaluma Hill Road	500 Kawana Springs Road	1755 Sebastopol Road	1683 - 1775 Petaluma Hill Road
City	Santa Rosa	Santa Rosa	Santa Rosa	Santa Rosa	Santa Rosa	Santa Rosa	Santa Rosa
State	CA	CA	CA	CA	CA	CA	CA
Date	5/10/2018	In Contract	2/28/2018	6/27/2016	In Contract	6/28/2016	In Contract
Price		$3,200,000	$3,800,000	$1,850,000	$3,500,000	$7,038,000	$5,250,000
Adjustments to Price		$0	$0	$470,625	$0	-$65,000	$0
Adjusted Price		$3,200,000	$3,800,000	$2,320,625	$3,500,000	$6,973,000	$5,250,000
Usable Land Area (SF)	8,941	208,217	222,156	207,781	154,638	613,325	213,880
Price per SF		$15.37	$17.11	$11.17	$22.63	$11.37	$24.55
Transaction Adjustments							
Property Rights	Fee Simple	Fee Simple 0%	Fee Simple 0%	Fee Simple 0%	Fee Simple 0%	Fee Simple 0%	Fee Simple 0%
Financing	Cash to Seller	Cash To Seller 0%	Cash To Seller 0%	Cash To Seller 0%	Cash To Seller 0%	Cash To Seller 0%	Cash To Seller 0%
Conditions of Sale	None	None 0%	None 0%	None 0%	None 0%	REO 0%	None 0%
Price per SF		**$15.37**	**$17.11**	**$11.17**	**$22.63**	**$11.37**	**$24.55**
Market Trends Through	5/10/2018 15%	0%	3%	30%	0%	30%	0%
Price per SF		$15.37	$17.58	$14.50	$22.63	$14.76	$24.55
Location	SE Santa Rosa	Similar	Superior	Similar	Similar	Inferior	Inferior
% Adjustment		0%	-5%	0%	0%	15%	5%
$ Adjustment		$0.00	-$0.88	$0.00	$0.00	$2.21	$1.23
Impact Fees/Unit	SESR	SESR	NWSR - Lower	SESR	SESR - Lower	SWSR - Lower	SESR - Lower
% Adjustment		0%	-29%	0%	-22%	-4%	-21%
$ Adjustment		$0.00	-$5.07	$0.00	-$5.07	-$0.53	-$5.07
Usable Land Area (AC)	~5.00 - See Comments	4.78	5.10	4.77	3.55	14.08	4.91
% Adjustment		0%	0%	0%	0%	5%	0%
$ Adjustment		$0.00	$0.00	$0.00	$0.00	$0.74	$0.00
Topography	Level	Level	Level	Level	Level	Level To Gently Sloping	Level
% Adjustment		0%	0%	0%	0%	5%	0%
$ Adjustment		$0.00	$0.00	$0.00	$0.00	$0.74	$0.00
Density (DU/AC)	8.0 - 18.0	8.2	12.4	20.1	31.0	14.0	29.9
% Adjustment		25%	15%	0%	-15%	10%	-15%
$ Adjustment		$3.84	$2.64	$0.00	-$3.40	$1.48	-$3.68
Entitlements	Unentitled	Tentative Map	See Comments	Unentitled	Contingent Upon Final Design Review	Tentative Map	Unentitled
% Adjustment		-30%	-15%	-5%	-15%	-30%	0%
$ Adjustment		-$4.61	-$2.64	-$0.73	-$3.40	-$4.43	$0.00
Site Utility	Fair-Avg - Shape	Average	Average	Average	Average	Fair-Avg - Shape	Average
% Adjustment		-5%	-5%	-5%	-5%	0%	-5%
$ Adjustment		-$0.77	-$0.88	-$0.73	-$1.13	$0.00	-$1.23
Price per SF		**$13.83**	**$10.75**	**$13.05**	**$9.64**	**$14.97**	**$15.80**
Net Adjustments		-10%	-39%	-10%	-57%	1%	-36%
Gross Adjustments		60%	69%	10%	57%	69%	46%

Analysis and Conclusion

Economic adjustments are made as follows:

Adjustments To Price: Land Comparable 3 is adjusted upward for soils remediation and biotics mitigation costs. Land Comparable 5 is adjusted downward for impact fee credits due to previous construction.

Real Property Rights Conveyed: A transaction price is always predicated on the real property interest conveyed. In the case of the comparable sales, all the sales sold as fee simple interests, the appraised subject site interest, and thus, no real property rights adjustments are required.

Financing Terms: All of the sales utilized were sold all cash to the seller, and thus no cash equivalency adjustments were required.

Conditions of Sale: Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. When non-market conditions of sale are detected in a transaction, an adjustment may be required. The market for the subject property is sufficiently active so that there were no unusual market conditions or atypical motivations during the period in which the sales occurred that would require an adjustment. While the seller for Land Comparable 5 was First Community Bank (since renamed Poppy Bank), of which the buyer is the Chairman of the Board, this site had been marketed for a significant period of time and there were multiple offers at similar prices; therefore, no adjustment is considered to be warranted.

Market Conditions: Comparable sales that occurred under different market conditions than those applicable to the subject on the date of value require adjustment for any differences that affect their values. This set of comparables consists of three current escrows as well as sales which closed between June 2016 and February 2018. The for-rent housing market has continued to improve over this time period, and discussions with local agents with significant recent experience marketing residential development land in the subject's local market area indicate that values for this type of land have also grown over this period. It is much more difficult to extract a precise growth rate given the greater scarcity of land sales relative to improved sales, but based on the growth in multi-family housing prices and upon discussions with market participants, the appraisers have applied upward adjustments to those comparables that are closed sales at an annualized rate of 15%.

No adjustments were considered necessary for differences in the availability of utilities. Similarly, the subject site and all of the comparables would require extensive new infrastructure and street improvements as a condition of development, and no adjustments were considered to be warranted for differences in site status.

Further adjustments for material differences between the subject and comparable sales are described as follows:

Location: The subject's location has been discussed previously. Land Comparable 1 is located just to the east of the subject and is considered similar in terms of location. Land Comparable 2 is located in Northwest Santa Rosa and has received a 5% downward adjustment based on the slightly higher property values there and the nature of the surrounding properties. Land Comparable 3 is located immediately south and north of the subject and is the site of the Kawana Springs Apartment Homes project wherein the developers intend to incorporate the subject and develop it as a community farm/garden area. This location is considered overall similar. Land Comparable is also located in Southeast Santa Rosa, just a short distance west of the subject, and no adjustment is indicated. Land Comparable 5 is located in Southwest Santa Rosa, which features the lowest property values of any quadrant of the city. In addition, this site features extensive frontage along State Highway 12, which is a negative factor for the vastly residential majority of this mixed-use project. An upward adjustment of 15% has been made. Finally, Land Comparable 6 is located in Southeast Santa Rosa a short distance northwest of the subject, but based on the inferior nature of the surrounding properties and the greater through traffic along Petaluma Hill Road, a 5% upward adjustment is made.

Impact Fees: Impact fees can vary substantially between different cities, or even between different sectors of the same city. Adjustments for differences in projected impact fees are less precise in the case of properties such as the subject, where a precise development density has not been determined, but it is still a significant consideration for developers, as higher impact fees will reduce the residual land value, all other attributes being equal.

It is noted that the owners of the adjoining property propose to incorporate the subject into their development plan. According to the planning documents, the Kawana Springs Apartment Homes project has entitlements for 120 multi-family residential units on a site of 4.87 acres, equating to a density of 24.6 units per acre. This exceeds the permissible density under the General Plan, but is possible as the developers are receiving a 35% density bonus in exchange for providing on-site affordable units. However, for the purposes of this analysis and the impact fee adjustment, it is considered more appropriate to simply analyze the subject site based on its permissible density range under the assumed General Plan designation allowing between 8.0 and 18.0 units per acre. In this density range, developers generally prefer to develop as close to the maximum density as they can, and thus the adjustments are based on an estimated density for the subject of 18.0 units per acre.

The subject is located within Southeast Santa Rosa and within the boundaries of the Southeast Area Plan (as are Land Comparables 1 and 3). Impact fees in this area are higher than those in most other parts of Santa Rosa (and also other areas of the county), due to a special development impact fee required for new construction in this area. Given the subject's assumed density range, a development on the subject site would be projected to have impact fees that were approximately $12,264 per unit higher than a Santa Rosa project located outside of the Southeast Area Plan.

Land Comparables 4 and 6 are also located in Southeast Santa Rosa but would not have to pay this fee given their locations outside of the Southeast Area Plan boundary. These comparables have been adjusted downward based on the lower projected impact fees. The adjustment is calculated by first multiplying the per unit fee of $12,264 by the subject's projected density of 18 units per acre (since a separate adjustment is made for differences in density). This equates to $220,752 per acre, or $5.07 per square foot. Upward adjustments equating to this amount, respectively shown in the preceding table as 29% (for Land Comparable 4) and 22% (for Land Comparable 6), have therefore been made. The different percentages simply reflect each comparable's particular adjusted value basis. Land Comparable 2 is located in Northwest Santa Rosa and would also not be subject to this fee. It has also been adjusted downward by $5.07 per square foot, shown in the preceding table as 21%.

Land Comparable 5 is located in Southwest Santa Rosa and within the boundaries of the Southwest Area Plan. This area is also subject to a special fee which is actually approximately $1,280 per unit lower than the subject's Southeast Area Plan fee. Therefore, this comparable has been adjusted downward on this basis. Based on the subject's assumed density of 18.0 units per acre, the adjustment equates to $23,040 per acre, or $0.53 per square foot.

The adjustments are not absolutely precise as they do not reflect differences in density between the subject and comparables, but these are adjusted for separately, and the impact fee adjustments are still considered a reasonable reflection of the adjustments a developer would require commensurate with the impact of the higher fees.

Usable Land Area: The subject comprises 0.21 acres, but its highest and best use is to combine it with the adjoining property and develop the sites jointly. Therefore, a typical size adjustment based solely on the subject's very small relative site size is not considered to be appropriate, and in fact would have to be offset by a corresponding upward adjustment for inferior site utility given the very small size, required setbacks, and narrow shape. The larger Kawana Springs Apartment Homes project, excluding the subject, is situated on a 4.87 acre site (according to city planning documentation), and combined with the subject site, this equates to a total site size for the project of ~5.00 acres. For the purposes of comparison, size adjustments based on this effective site size for the subject are considered to most accurately reflect value differences between the comparables.

Land Comparable 5 is adjusted upward for its larger size, reflecting the fact that developers will typically pay more on a per square foot basis for smaller projects than for larger ones, all other attributes being equal. The other comparables range from 3.55 to 5.10 acres and are considered similar enough to the subject in terms of size that no adjustments are considered to be indicated.

Topography: The subject parcel features level topography, as do all of the comparables except for Land Comparable 5. While Land Comparable 5 has a generally level slope overall, it also features undulating topography as a result of the previous golf driving range use, and the additional grading which will be necessary will add to site development costs. It has therefore received a 5% upward adjustment.

Density: As discussed previously, the subject has been analyzed based on the permissible density range under the assumed General Plan designation allowing development with between 8.0 and 18.0 units per acre. Land Comparable 3 has a projected density of 20.1 units per acre and has not been adjusted. Land Comparables 1, 2 and 5 have been adjusted upward for their inferior lower density, as developers will typically pay more on a per square foot basis for sites that can be developed to a greater intensity, all other attributes being equal. Land Comparables 4 and 6 have been adjusted downward for their superior higher density.

Entitlements: While the subject is proposed for incorporation into the Kawana Springs Apartment Homes project which does have entitlements, the site currently comprises a legal right-of-way which would still need to be abandoned by the City of Santa Rosa in order to allow for development. The most likely buyers, the owners of the adjacent property, are the ones who have obtained entitlements, and should not have to effectively pay again for the value of these entitlements. The subject is therefore analyzed here as unentitled land. Land Comparable 6 is also selling without entitlements and is not adjusted.

Land Comparable 3 technically sold without entitlements, but the buyers had engaged in substantial pre-entitlement discussions with city officials regarding potential development before they purchased the site. However, this is slightly offset by the fact that this site was zoned for a Community Shopping Center and needed re-zoning, adding somewhat to the risk of the entitlement process. Overall, a 5% downward adjustment has been made to this sale.

While there were no entitlements in place and closing was not contingent upon entitlements, the seller for Land Comparable 2 had undertaken significant survey work, and the buyer was able to extend closing enough to secure entitlements for his project. A downward adjustment of 15% has been made to this sale despite the technical lack of entitlements in place at the time of contract.

Land Comparables 1 and 5 sold with an approved tentative map in place. Based on paired sales of land selling with and without entitlements, and upon discussions with market participants, we have made downward adjustments of 30% to these comparables.

Finally, the buyers of Land Comparable 4 were able to place this site in contract with closing contingent upon obtaining entitlements for their proposed project, and thus were able to remove significant risk. While they will still be responsible for the costs of obtaining entitlements, a downward adjustment of 15% has been applied to this sale for the superior entitlement status.

Site Utility: The subject's narrow shape features inferior site utility, but as noted previously, it is analyzed in conjunction with combining it as though it could be combined with adjacent property. Given its location toward the northern boundary of the site within an irregularly shaped little area, it is still considered to have mildly inferior utility, but nowhere near the level of it were analyzed on a standalone basis. Land Comparable 5 also features an irregular shape which somewhat impacts its site utility and has not been adjusted. The other comparables feature typical site utility and have received 5% downward adjustments.

After the above adjustments, the comparable sales indicate a range of $9.64 to $15.80 per square foot, with an average of $13.01 per square foot.

This is a relatively wide range but it is noted that Land Comparables 4 and 6, respectively comprising the low and high indicators, are both current escrows rather than closed sales. They also required relatively high levels of absolute adjustment, although they are both located in close proximity to the subject, and slightly less weight is placed on them.

Land Comparable 3, $13.05 per square foot, is a multi-parcel site located immediately south and north of the subject and is the site of the Kawana Springs Apartment Homes project with which the subject would optimally be combined as per its concluded highest and best use. It required by far the lowest level of absolute adjustment, and significant weight is placed upon it.

The other comparables range from $10.75 to $14.97 per square foot and are all considered meaningful indicators. While they all required relatively high levels of adjustment, they squarely bracket the value indication of Land Comparable 3. Land Comparable 1, $13.83 per square foot, has been analyzed based on its listing price as the agent would not confirm the current contract price, but given the relatively short period of time the site was on the market before being placed in contract, it is assumed that the price is equal to or only slightly lower than the listing price.

Based on the preceding analysis, a reasonable value indication for the subject property ***assuming typical utility as residential development land*** is considered to be $13.00 per square foot. This figure has effectively been utilized as the starting basis for valuation in the following analysis of the subject.

Analysis Of Subject's Utility And Existing Easements

The value of the subject right-of-way is less than the value of the adjoining residential property as it has limited marketability and usability as a 40' wide corridor. Given its narrow shape and its location, the parcel would generally be considered virtually unusable on its own by most users. However, it is important to note that the appraisers are unaware of specific legal constraints against any uses, and the subject could clearly be combined with adjoining property and developed in conjunction with a larger project, as in fact is planned. Additionally, since the site is not currently being utilized, it is presumed that buyers could simply re-sell the subject to the adjoining owners given its greater utility to that property, or could even consider the possibility of acquiring the adjacent entitled property for a joint development, although this would admittedly be somewhat implausible.

The total reduction in value from this inferior standalone utility is estimated to be 50%; that is, 50% of the value remains, based upon the appraisers' experience in the market and an easement analysis utilizing paired sales completed by Donald Sherwood, SR/WA and reported in the May/June 2006 "Right of Way" publication. This results in a market value of $6.50 per square foot for this site, which is somewhat higher than the value of similarly sized unbuildable land in the market area. This is considered reasonable given the strong likelihood that the subject would be developed in conjunction with the adjoining property, and thus the base value conclusion appears reasonable.

The Easement Valuation Matrix is summarized in the table below:

Easement Valuation Matrix

% of Fee	Comments	Potential Types of Easements
90% - 100%	Severe impact on surface use	Overhead electrical
	Conveyance of future uses	Flowage easements
		Railroad ROW
		Irrigation canals
		Access roads
75% - 89%	Major impact on surface uses	Pipelines
	Conveyance of future uses	Drainage easements
		Flowage easements
51% - 74%	Some impact on surface uses	Pipelines
	Conveyance of ingress/egress rights	Scenic easements
50%	Balanced use by both owner and easement	Water or sewer lines
	holder	Cable line
		Telecommunications
26% - 49%	Location along a property line, location	Water of sewer lines
	across non-usable land area	Cable lines
11% - 25%	Subsurface or air rights that have minimal	Air rights
	impact on use and utility	Water or sewer lines
	Location within a setback	
0% - 10%	Nominal impact on use and utility	Small subsurface easement

According to documentation provided by the client, the subject also features existing easements for both underground gas lines and an underground water line. These easements extend across the entire length of the subject and while they do not have a significant impact upon the surface use of the property, they still constrain potential development uses given the presumed need to be able to access, inspect, maintain and repair the lines for the foreseeable future. While the appraisers were not provided with any information regarding the width of these easements, based on their location and our experience, it is our opinion that between the two of them, they effectively impact the entire site, and their adverse impact upon the value of the property is estimated at 25% of the fee simple value. This equates to a further reduction in value of $1.63 per square foot, (or $6.50 psf x 25%), equating to a value net of these easements of $4.87 per square foot, or $43,543 based on the subject's size of 8,941 square feet.

Finally, there are existing overhead power lines extending across the southern boundary of the site. As supported in the table above, these would be expected to have a significant impact upon the use and value of the property, and their impact is estimated at 90% of the fee simple value. Based on the provided documentation, it is estimated that these overhead lines affect an approximately 1,500 square foot portion of the site, thus equating to a further reduction in value of $6,575 (or $4.87 psf x 1,500 sf x 90%). This equates to a final value indication for the subject of $36,968, which is rounded to $37,000. This equates to a value per square foot of $4.14 per square foot.

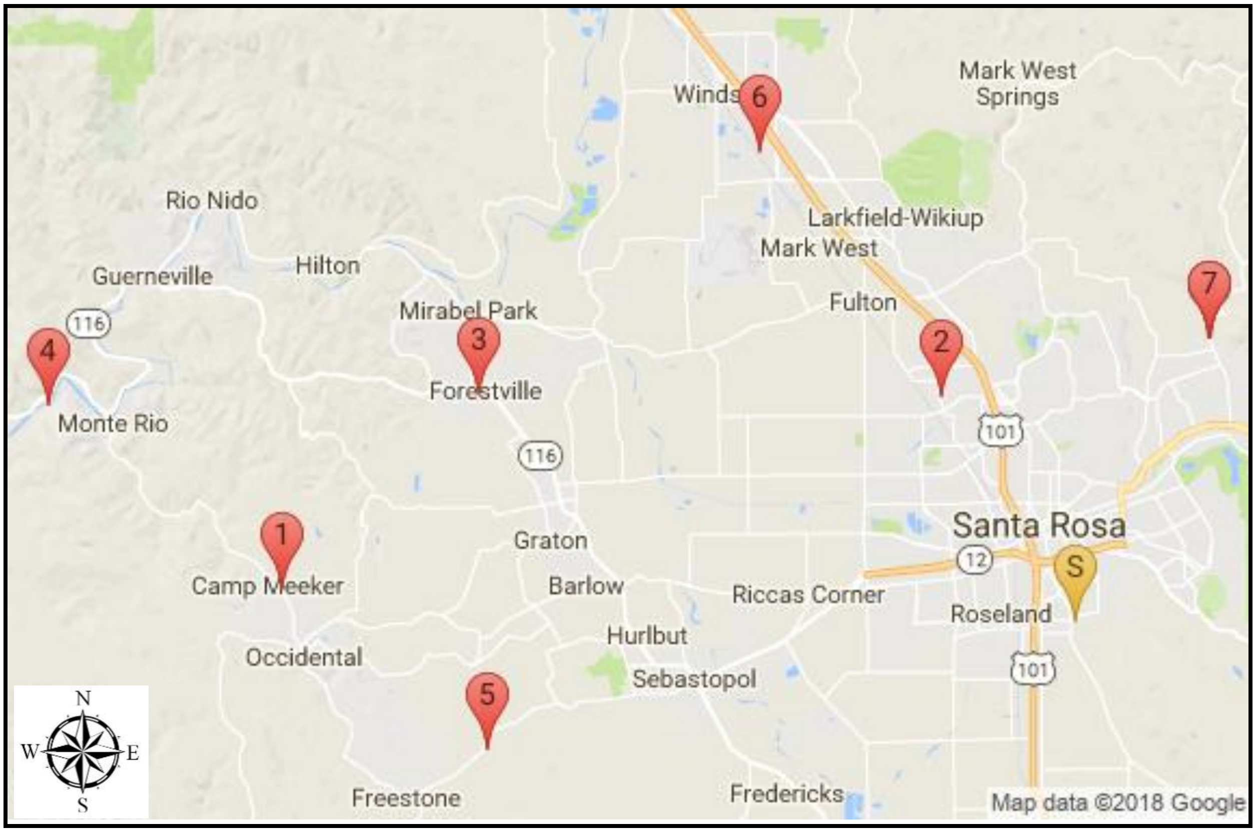
Value As Nearly Unbuildable Land

As an additional check on value, we have also analyzed the subject in comparison with sales of unbuildable land and other parcels with below average utility and/or development potential, thus eliminating the need for separate deductions for the existing easements and overhead power lines impacting the site's utility.

The comparative analysis performed in this approach focuses on similarities and differences among properties, and transactions that impact market value. These may include differences in the property rights appraised, the motivation of buyers and sellers, financing terms, market conditions at the time of sale, size, location, utilities and topography. The various attributes of comparison are tested against market evidence to determine their relative importance, if any.

Included below are the location map, summary table and analysis and conclusion of land value. The comparable land sales include properties which have very limited development potential, most often due to lack of utilities, septic capability or to the presence of wetlands and California Tiger Salamander (CTS). They would have similar highest and best uses that are generally judged roughly equal to or somewhat inferior to the subject's most likely use potential of being combined with adjoining property and being developed jointly.

Land Comparable Map



Land Comparable Summary and Adjustments

Comp	Address City	Date Doc#	Adjusted Price Zoning	Gross Land Area (AC) Gross Land Area (SF)	Price Per Land SF	Comments
Subject	Kawana Terrace Santa Rosa	Value: 5/10/18		0.21 8,941		
1	Occidential-Camp Meeker Road Camp Meeker	11/29/16 110244	$2,665 AR 10	0.06 2,800	$0.95	Site was too small to allow for development with a well and septic. Permissible uses were extremely limited, and lot was considered undevelopable. Buyer wanted to have a lot for storage and possibly to camp there occasionally as needed. Price is adjusted downward for a credit granted the buyer for closing costs.
2	3364 Coffey Lane Santa Rosa	6/19/15 53413	$45,000 R-1-6	0.13 5,663	$7.95	This is an unbuildable parcel remnant from the small lot Furia Place sudivision in NW Santa Rosa. There were problems with encroachments and easements that prevented it from development. The buyer intended on putting a travel trailer on the site.
3	First Street Forestville	6/5/12 53126	$27,000 LC, SD	0.13 5,750	$4.70	This virtually landlocked site featured inferior access and was sandwiched in between two developed properties, one of which encroached onto this site. Given its size, lack of street frontage and negligible visibility, it had inferior utility to most buyers, but was purchased by the adjacent (encroaching) southerly property owner. Buyer is reportedly an active and astute investor, and agent felt price was low since seller rejected an offer of $50,000 in 2011. Buyer's intentions for site were unknown but agent thought he purchased to avoid having to remove encroachment and since he was able to get a low price. County assessor lists site as comprising 6,269 sf, but legal description and parcel map show site as a 50' x 115' rectangle comprising 5,750 sf.
4	21980 Moscow Road Monte Rio	6/28/13 67454	$20,500 RR-B6-1-BR-F1-F2	0.17 7,405	$2.77	Unbuildable parcel that is almost entirely on the land but adjacent to the Russian River. There were no utilities available and the site is entirely located within a 100-year flood zone. No well or perc. Price was driven up by bidding between two neighbors that were purchasing for privacy.
5	204 Wagnon Road Sebastopol	2/3/17 9083	$50,000 DA 10	0.30 13,068	$3.83	Site was not large enough to install a well and septic, and was considered undevelopable. Approximately one half of the site is within a creek and its steeply sloping banks. Buyers owned the adjacent property and purchased to augment their existing lot size.
6	Mitchell Lane Windsor	4/27/12 40095	$32,500 LI	0.36 15,682	$2.07	This triangular site is located along the south side of Mitchell Lane, immediately east of railroad tracks. The buyer owns a plumbing business and intends to build a warehouse with a small office portion for owner-occupancy. The seller had purchased the site from a motivated seller in February 2012 for $23,000 and initially intended to hold the site, but then wanted to take his cash out to pursue alternate investments.
7	5171 Rincon Avenue Santa Rosa	10/9/12 99187	$35,000 RR, B6, 5, SR, VOH	0.83 36,155	$0.97	Site is located at intersection of Calistoga Road and Rincon Avenue. Site could not perc. Buyer intended to put a garage building on the site and store vehicles.

Analysis and Conclusions

Adjusting unbuildable or open space parcels within an adjustment grid is an exercise in futility as there is no market evidence for any percentage adjustments. The sales are utilized to bracket the subject given the dearth of comparable sale information available in the market.

Economic adjustments are made as follows:

Real Property Rights Conveyed: A transaction price is always predicated on the real property interest conveyed. In the case of the comparable sales, all the sales sold as fee simple interests, the appraised subject site interest, and thus no real property rights adjustments are required.

Financing Terms: All of the sales utilized were sold either with all cash to the seller or with seller financing at market rates, and thus required no cash equivalency adjustments.

Conditions of Sale: Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. When non-market conditions of sale are detected in a transaction, an adjustment may be required. The market for unbuildable land such as the subject property proposed for dedication is not especially active, but there were no unusual market conditions or atypical motivations during the period in which the sales occurred.

Market Conditions: Comparable sales that occurred under different market conditions than those applicable to the subject on the date of value require adjustment for any differences that affect their values. The appraisers did not find any market support for any material appreciation or decline in open space or unbuildable land values within the period of the comparable sales. All the sales occurred since April 2012, and while general economic conditions have improved over this time, the sales are considered adequately recent to warrant no material market conditions adjustments given this particular niche of property.

The sales range in size from 2,800 to 36,155 square feet acres and provide a unit price range of $0.95 to $7.95 per square foot. Sales of unbuildable land generally show an inverse correlation between size and price per square foot; small parcels have a higher price per square foot when compared to larger parcels, all other attributes being equal.

Land Comparable 1 ($0.95 per square foot): This residentially zoned rural lot was too small to allow for development with a well and septic, and the lot was considered unbuildable. The buyer wanted to have a lot for storage and possibly camp there occasionally. The location in Camp Meeker is very remote and markedly inferior. Despite its smaller size, and given the lack of any foreseeable development potential, this comparable is considered to have a lower unit value than that projected for the subject.

Land Comparable 2 ($7.95 per square foot): This lot was effectively a remainder parcel from a small subdivision in Northwest Santa Rosa that was entitled within the last decade. The selling agent stated that it was generally considered unbuildable at the time of sale in 2015. However, it was subsequently placed back on the market in 2017 as a typical residential lot and actually sold in April 2018 for $85,000, or $15.01 per square foot. Given its smaller size and apparently superior development potential, this comparable is considered to have a higher unit value than that projected for the subject.

Land Comparable 3 ($4.70 per square foot): This downtown Forestville site was essentially landlocked, and given its small size and lack of frontage, it would have had poor utility to most buyers. An adjacent property owner purchased it, ostensibly to avoid having to remove an existing encroachment of his property onto this site. Agent felt the buyer paid a somewhat low price for the site, but given its smaller size and the greater utility to the ultimate buyer, this comparable is considered to have a slightly higher unit value than that projected for the subject.

Land Comparable 4 ($2.77 per square foot): This site was entirely unbuildable given the lack of utilities and the location adjacent and even partially within the Russian River. The purchase price was bid up between two neighbors interested in acquiring the lot to augment their existing privacy attributes. Given the lack of development potential, and despite the slightly smaller size, this comparable is considered to have a lower unit value than that projected for the subject.

Land Comparable 5 ($3.83 per square foot): This site was considered undevelopable as it was not large enough to install a well and septic. Approximately one half of the site is within a creek and its sloping banks. The buyers owned adjacent property and purchased this site to increase their existing lot size. Given the inferior development potential, this comparable is considered to have a lower unit value than that projected for the subject.

Land Comparable 6 ($2.07 per square foot): This site is nearly twice as large as the subject and features an irregular shape which impacts its utility. The buyer reportedly intended to build a warehouse for owner-occupancy, but the site sold more than six years ago and the lot is still undeveloped. Given required setbacks, the shape and size would severely restrict the size of any development. The site is also situated adjacent railroad tracks, and overall, this comparable is considered to have a lower unit value than that projected for the subject.

Land Comparable 7 ($0.97 per square foot): This site is just over four times as large as the subject and was unbuildable as it could not perc. Given the larger size and lack of development potential, this comparable is considered to have a lower unit value than that projected for the subject.

The above analysis would indicate a unit price for the subject slightly lower than the indication of Land Comparable 3, at $4.70, and higher than the indications of Land Comparables 4 and 5, at $2.77 and $3.83 per square foot, respectively. From within this range, given the subject's size and the fact that the site would appear to be a good candidate to be combined with adjacent property and developed jointly, as in fact is currently planned, a reasonable value indication for the subject property is considered to be $4.25 per square foot. This equates to a value indication of $37,999, which is rounded to $38,000.

MARKET VALUE AS IS - CONCLUSION

The first analysis utilizing sales of residential development land and assuming typical developability, and then applying deductions based on the subject's inferior utility to a typical buyer as well as existing subsurface easements and overhead powerlines, provides a value indication of $37,000. The second analysis utilizing sales of unbuildable or nearly unbuildable land sales provides a value indication of $38,000.

The approaches provide indications within extremely close range of one another, and in the final analysis, we have placed equal weight upon each approach.

One final consideration is that the City of Santa Rosa requires a fee to vacate a right of way, a fee that is payable by the acquiring party. This fee is part of the city's master fee schedule and the reported cost is $12,337. A buyer would view such a fee as an offset to any value the property might have and this fee warrants deduction from the above concluded value. Therefore, deducting this from the $37,500 value above, a market value of $25,163 is indicated. This is rounded to $25,000.

The market value of the Fee Simple estate of the subject property, as is, as of May 10, 2018, is therefore estimated to be $25,000.

CERTIFICATION OF ROBERT A. HORNING, MAI

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

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 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. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. 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 the value estimate, a requested minimum valuation, a specific valuation, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
7. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
8. My engagement in this appraisal assignment was not contingent upon developing or reporting predetermined results.
9. I have made a personal inspection of the property that is the subject of this report.
10. No one provided significant professional assistance to the person signing this report.
11. This appraisal report conforms to the current Uniform Standards of Professional Appraisal Practice (USPAP).
12. I meet all of the requirements of the Competency Provision of the current Uniform Standards of Professional Appraisal Practice (USPAP).
13. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.
14. I have not performed or provided any services regarding this property in the three years prior to accepting this assignment.

Robert A. Horning, MAI
State of California Certified
General Real Estate Appraiser
OREA License Number AG028396
Expiration: October 18, 2019

CERTIFICATION OF RYAN C. WARD, MAI

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

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 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. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. 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 the value estimate, a requested minimum valuation, a specific valuation, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.
7. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
8. My engagement in this appraisal assignment was not contingent upon developing or reporting predetermined results.
9. I have made a personal inspection of the property that is the subject of this report.
10. No one provided significant professional assistance to the person signing this report.
11. This appraisal report conforms to the current Uniform Standards of Professional Appraisal Practice (USPAP).
12. I meet all of the requirements of the Competency Provision of the current Uniform Standards of Professional Appraisal Practice (USPAP).
13. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.
14. I have not performed or provided any services regarding this property in the three years prior to accepting this assignment.

Ryan C. Ward

Ryan C. Ward, MAI
State of California Certified
General Real Estate Appraiser
OREA License Number AG026338
Expiration: December 22, 2018

1160 North Dutton Avenue, Suite 160
Santa Rosa, CA 95401
(707) 575-7778
rob@wardlevy.com

QUALIFICATIONS OF ROBERT A. HORNING, MAI

Education

Boston University, Boston, Massachusetts
- Bachelor of Science, Business Administration – summa cum laude
- Winner of Albert Grace Prize, Dubofsky Real Estate Prize

Santa Rosa Junior College, Santa Rosa, California
- Commercial Real Estate Appraisal
- Principles of Real Estate

Appraisal Institute
- Basic and Advanced Income Capitalization
- Small Hotel/Motel Valuation
- Standards of Professional Practice
- Business Practices and Ethics
- Anatomy of Residential Housing
- Highest & Best Use and Market Analysis
- Appraisal Consulting
- Going Concern Valuation
- Analyzing Commercial Lease Clauses
- Advanced Concepts & Case Studies

Appraisal Experience

Partner with the independent real property valuation services firm of Ward Levy Appraisal Group, Inc. (2014 – present)

Senior Appraisal Associate with the independent real property valuation and right of way acquisition services firm of Howard Levy Appraisal Group, Inc., formerly Hornsby Levy Appraisal Group, Inc. (2002 – 2014)

Appraiser with the independent real property valuation and right of way acquisition services firm of G.F. Hornsby and Associates in Santa Rosa, California (1995 – 2002)

Twenty-three years of experience that includes preparation of narrative appraisal reports on unimproved lands, easements, single and multi-family residential developments, PUD subdivisions, professional and medical office buildings, retail buildings, shopping centers, light industrial buildings, restaurants, churches, funeral homes, lodging, automobile dealerships, and related work involving full and partial acquisitions for government agencies.

Professional Affiliations

Appraisal Institute (MAI) - Continuing Education Requirements Completed

Licensure

California Certified General Real Estate Appraiser, License AG 028396, Expires October 18, 2019

1160 North Dutton Avenue, Suite 160
Santa Rosa, CA 95401
(707) 575-7778
ryan@wardlevy.com

QUALIFICATIONS OF RYAN C. WARD, MAI

Education

University of California – San Diego, California
- Bachelor of Arts, Economics
- Bachelor of Arts, Urban Studies and Planning

Appraisal Institute
- Capitalization Theory
- Real Estate Valuation Theory
- Vineyard Valuation
- Highest and Best Use and Market Analysis
- Advanced Income Capitalization
- Advanced Cost and Sales Comparison Approach
- Advanced Applications
- Business Practice & Ethics
- Report Writing and Valuation Analysis
- Introduction to Green Buildings
- Residential and Commercial Valuation of Solar
- Case Studies in Appraising Green Commercial Buildings
- Completion of the Valuation of Sustainable Buildings Professional Development Program

Appraisal Experience

President of Ward Levy Appraisal Group, Inc., an independent real property valuation services firm (2017 – Present)

Partner, Ward Levy Appraisal Group, Inc., an independent real property valuation services firm (2014 – 2016)

Senior Appraisal Associate with the independent real property valuation and right of way acquisition services firm of Howard Levy Appraisal Group, Inc., formerly Hornsby Levy Appraisal Group, Inc. (2004 – 2014)

Project Manager with the independent real property valuation firm of Carneghi-Blum & Partners, Inc. (Formerly Carneghi-Bautovich & Partners, Inc.), San Francisco, California (1996 – 2004)

Twenty-two years of experience that includes preparation of narrative appraisals for a variety of property types including single-family residential subdivisions, multi-family housing, office buildings, industrial properties, shopping centers, marinas, retail centers, hotels, lodging facilities, auto service stations and special uses.

Professional Affiliations

Appraisal Institute (MAI) - Continuing Education Requirements Completed

Licensure

California Certified General Real Estate Appraiser, License AG026338, Expires December 22, 2018

EXHIBIT "A"
RIGHT OF WAY VACATION

All that real property situate in the State of California, County of Sonoma, described as follows:

All that portion of Kawana Terrace, formerly Kawana Springs Road, more particularly described as follows:

Beginning at the Southeast corner of Lot 2 as shown on the Map of Kawana Springs 2A, filed in the office of the Recorder of Sonoma County on May 17, 2000 in Book 608 of Maps, at Pages 1-7; thence from said **POINT OF BEGINNING**, along the South line of said Lot 2, also being the North line of said Kawana Terrace, North 89°52'45" West, 167.77 feet to the Southwest corner of said Lot 2; thence along the southwesterly prolongation of the northwesterly line of said Lot 2, along a non-tangent curve to the right, having a radius of 325.50 feet, through a central angle of 18°15'38", said curve being subtended by a chord bearing South 67°20'21" West, 103.30 feet to the South line of said Kawana Terrace; thence, along said South line, South 89°52'45" East, 293.49 feet to a point located on the southeasterly prolongation of the northeasterly line of said Lot 2, said point being the Northwest corner of the real property described in the Grant Deed to the City of Santa Rosa, recorded as Document No. 2000-077840, Official Records of Sonoma County; thence, along said southeasterly prolongation, North 37°11'29" West 50.29 feet to the **POINT OF BEGINNING**; containing 8,941 square feet, more or less.

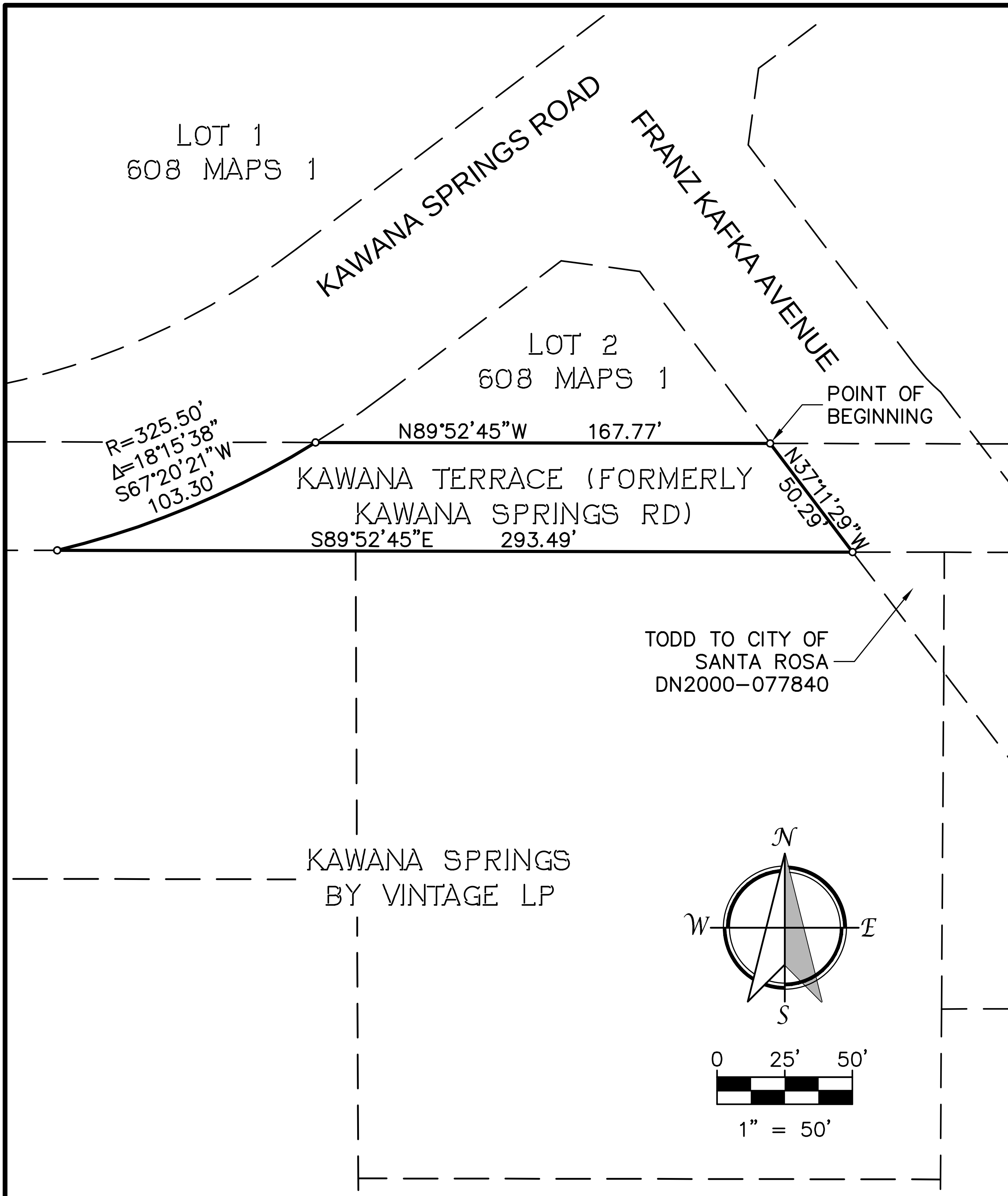


EXHIBIT "B"

PLAT TO ACCOMPANY DESCRIPTION
PORTION OF KAWANA TERRACE
COUNTY OF SONOMA
STATE OF CALIFORNIA

785 Orchard Drive, Suite #110
Folsom, CA 95630
Phone: (916) 608-0707
Fax: (916) 608-0701
TSD ENGINEERING, INC.
expect more.

SCALE:	1"=50'
DATE:	1/25/2018
SHEET	1 OF 1