

AN APPRAISAL REPORT

of

Donahue Street ROW
A 0.43 Acre Portion Of
Donahue Street
Santa Rosa, CA 95401

DATE OF VALUE

September 20, 2016

PREPARED FOR

Rick Deringer
Railroad Square Village
808 Donahue Street
Santa Rosa, CA 95401
(707) 310-2291

PREPARED BY

Howard R. Levy, MAI, AI-GRS
Ward Levy Appraisal Group, Inc.
533 Fifth Street, Suite 300
Santa Rosa, CA 95401
(707) 575-7778



September 28, 2016

Rick Deringer
Railroad Square Village
808 Donahue Street
Santa Rosa, CA 95401

RE: Donahue Street ROW
A 0.43 Acre Portion Of
Donahue Street
Santa Rosa, CA 95401

Dear Mr. Deringer:

As requested by you, I have conducted the required investigation, gathered the necessary data and made certain analyses that have enabled the formation of the following opinion of values:

Appraisal Premise	Interest Appraised	Date of Value	Opinion of Value
As Is	Fee Simple	September 20, 2016	\$210,000
Hypothetical Assuming Parking Easement	Fee Simple	September 20, 2016	\$0

This letter and related exhibits must remain attached to the report in order for the value opinions 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 value opinions are 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, the use of which might have affected the assignment results:

Extraordinary Assumptions:

- The subject is a portion of the Donahue Street ROW and is assumed to have typical easements and encumbrances. No title report was provided and thus, no analysis was made of any underground utilities that are atypical of streets in the



WARD LEVY APPRAISAL GROUP, INC

Real Property Valuation

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immediate vicinity. In addition, it is unknown whether there are any underground contaminants that would impact the market value opinion.

Hypothetical Conditions:

- The client has requested a hypothetical market value assuming that the entire subject property would be encumbered by an easement that restricts the use to public parking only.

Respectfully submitted,

Howard R. Levy, MAI, AI-GRS
State of California Certified General Real Property Appraiser
OREA License Number AG003852
Expiration: August 30, 2018

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ADDENDA

Right of Way Vacation Exhibit

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Name:	Donahue Street ROW
Property Type:	Special Purpose
Address:	Donahue Street Santa Rosa, CA 95401
Assessor's Parcel Number:	NA
Site Area:	0.43 Acres / 18,725 Square Feet
Zoning:	The subject has no zoning overlay but is within the areas generally defined by Transit Village-Residential-Station Area.
General Plan Land Use Designation:	The subject has no land use designation but is within the areas generally defined by Transit Village Medium.
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, which is not classified as a special flood hazard area. FEMA Map Number: 06097C0728E FEMA Map Date: December 2, 2008
Earthquake Area:	The subject site is not located in an Alquist Priolo Special Studies Zone.
Soil Conditions:	The appraiser is not qualified as a soils expert and does 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 is presently utilized as part of the public right of way known as Donahue Street.

Improvements:	There are no improvements of material value.
Highest and Best Use:	The highest and best use of the subject property is for continued use as part of the public right of way, for private use for parking or for incorporation into adjoining property developments.
Estimated Marketing Period:	A reasonable marketing period for the subject is estimated to be up to one year 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 appraiser's determination of market value would be up to one year as of the effective date of the report and based upon an analysis of sales of comparable properties.
Date of Inspection:	September 20, 2016
Report Date:	September 28, 2016
Extraordinary Assumptions:	The subject is a portion of the Donahue Street ROW and is assumed to have typical easements and encumbrances. No title report was provided and thus, no analysis was made of any underground utilities that are atypical of streets in the immediate vicinity. In addition, it is unknown whether there are any underground contaminants that would impact the market value opinion.
Hypothetical Conditions:	The client has requested a hypothetical market value assuming that the entire subject property would be encumbered by an easement that restricts the use to public parking only.
Market Value As Is:	\$210,000
Hypothetical Market Value Assuming Parking Easement:	\$0

Identification of the Property

The subject site is a portion of the Donahue Street ROW that is situated on the east side of the street between 8th and 9th Streets, in the City of Santa Rosa.

Ownership and Recent History of Subject Property

The subject ownership is vested in City of Santa Rosa. The City of Santa Rosa is contemplating a sale to the adjoining property owner but no price has been established. 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 September 20, 2016. The report date is September 28, 2016.

Legal Description

The legal description is contained within the Right of Way Vacation exhibit found in the Addenda of the report.

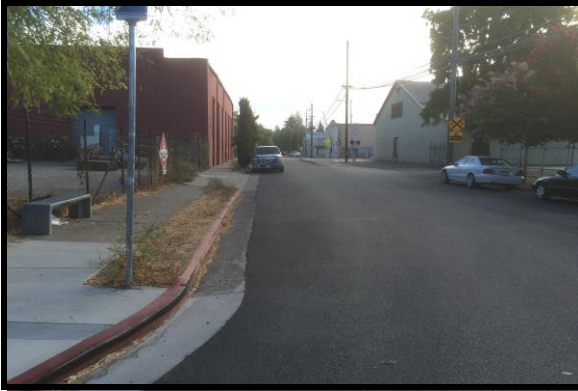
Real Property Tax and Assessment Data

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 is a public right of way with no assessed value or property taxes.

SUBJECT PROPERTY PHOTOGRAPHS



View West Along Eighth Street From NEC
With Donahue Street



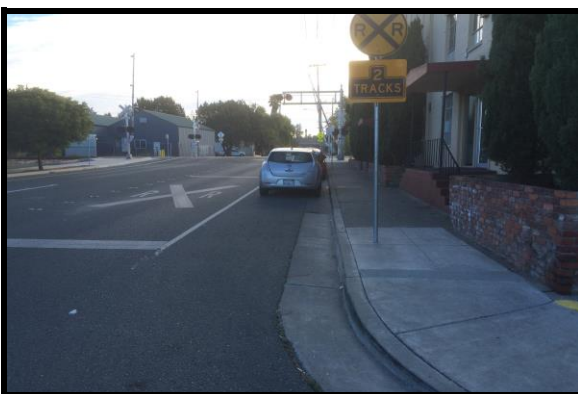
View North Along Donahue Street From
NEC With Eighth Street



View Toward Subject Property Mid-Block



View South Along Donahue Street From
SEC With Ninth Street



View East Along Ninth Street From SEC
With Donahue Street

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:	Railroad Square Village
Intended Use:	Assist in developing a purchase price
Intended User:	Rick Deringer and the City of Santa Rosa
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 the legal description, researching local area use trends and construction activity from public agencies and local market participants, determining probable marketing and exposure time, 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.
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.

Type of Value: Market Value

**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.

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:

The client has requested a hypothetical market value assuming that the entire subject property would be encumbered by an easement that restricts the use to public parking only.

Extraordinary Assumptions:

The subject is a portion of the Donahue Street ROW and is assumed to have typical easements and encumbrances. No title report was provided and thus, no analysis was made of any underground utilities that are atypical of streets in the immediate vicinity. In addition, it is unknown whether there are any underground contaminants that would impact the market value opinion.

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*.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

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.

The Americans with Disabilities Act became effective January 26, 1992. Ward Levy Appraisal Group, Inc. has not made a specific compliance survey and analysis of the subject property to determine whether or not any improvements which are located on the land conform with the detailed requirements of the Act. It is possible that a compliance survey of the property could reveal that some or all of the improvements are not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of the Act in estimating the value of the property.

DEFINITIONS

The following definitions have been taken from the Uniform Standards of Professional Appraisal Practice (USPAP), *The Appraisal of Real Estate*, Twelfth Edition (2001), *The Dictionary of Real Estate Appraisal*, Third Edition (1993), OCC, 12 CFR, Part 34, Subpart C-Appraisals 34.42 Definitions (g) and other sources considered relevant:

As Is Value: Market value as is as of the appraisal date is defined as an estimate of the market value of the subject property in the condition observed upon inspection, and as it physically and legally exists without hypothetical conditions, assumptions or qualifications as of the date the appraisal is prepared.

Cash Equivalent: A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts.

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

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; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

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 rentable area of a building and the usable site area (also called the building-to-land ratio).

Full Service Lease: The lessor pays for all operating expenses. Generally, the lessee pays for increases in base year operating expenses only.

Going Concern: The market value of the going concern is the value of a proven property operation. It includes the incremental value associated with the business concern, which is distinct from the value of the real estate only. The going concern includes an intangible enhancement of the value of an operating business enterprise which is produced by the assemblage of the land, building, labor, equipment and marketing operation. This process creates an economically viable business that is expected to continue. The market value of the going concern refers to the total value of all the property assets, including real property, FF&E and intangible personal property attributed to business value.

Gross Lease: The lessor pays for real property taxes, insurance, common area maintenance and management. The lessee pays for utilities and janitorial. Generally, water, sewer and common area utilities are paid for by the lessor.

Highest and Best Use: The reasonably probable and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible and results in the highest value.

Hypothetical Condition: That which is contrary to what exists, but is supposed for the purpose of analysis. Hypothetical conditions assume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in the analysis.

Hypothetical Value As Proposed or Complete: The market value of a real property interest as proposed or completed assuming its physical completion as of the effective date of value.

Leased Fee Interest: The right of a landlord to convey the use and occupancy rights of a fee simple estate to others through the use of a lease agreement. The leased fee estate retains the right to receive rental income during the term of occupancy or use by the tenant, and the right of repossession at the termination of the lease agreement. The leased fee estate is a partial or fractional interest of the fee simple estate.

Leasehold Interest: The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Market Value: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to buyer under conditions whereby:

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.

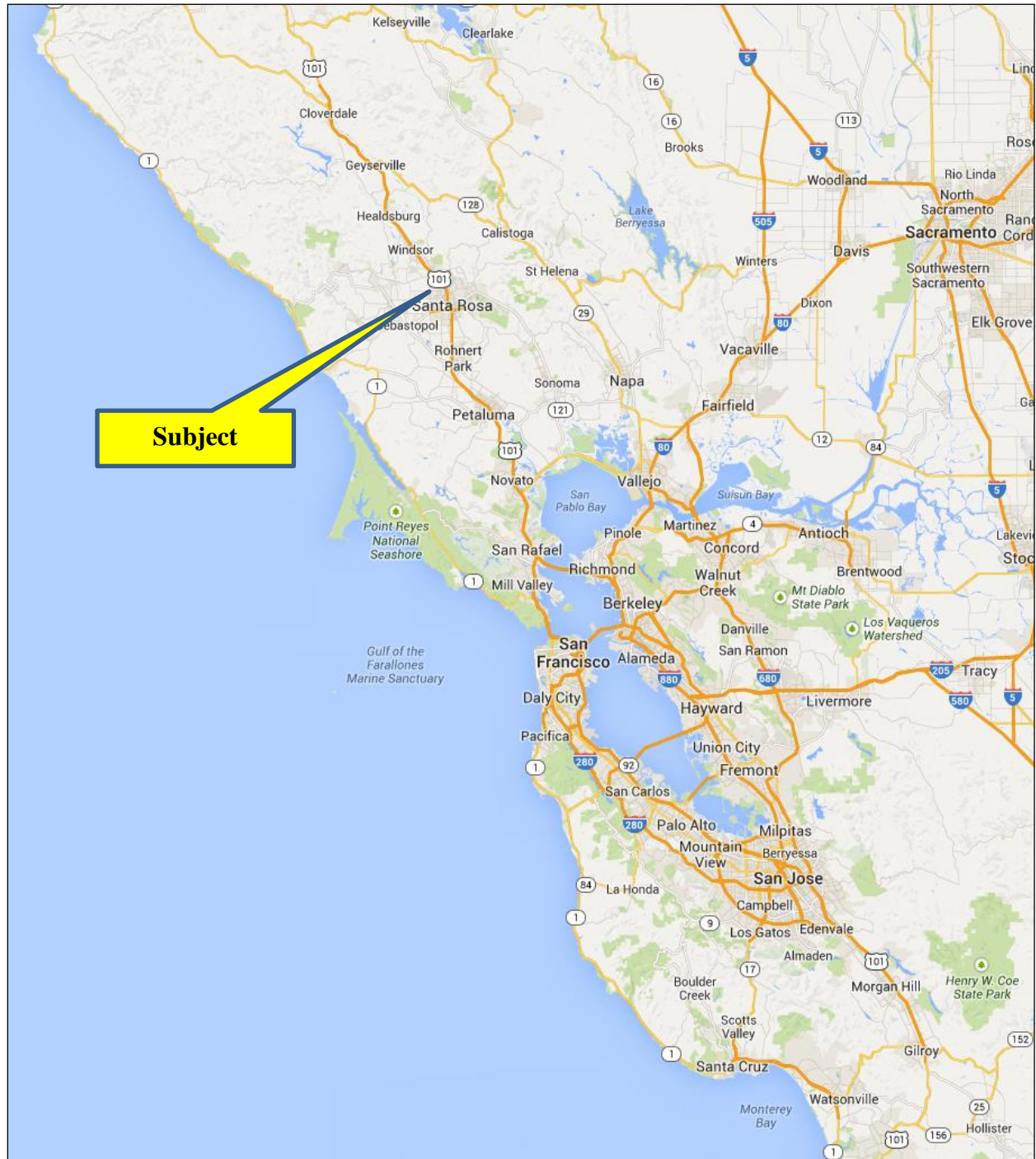
Market Rent: The rental income that a property would probably command in the open market, indicated by the current rents that are either paid or asked for comparable space as of the date of the appraisal.

Marketing Time: The time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal. It is the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiations, the exercise of due diligence and the consummation of a sale at a price supportable by current market conditions.

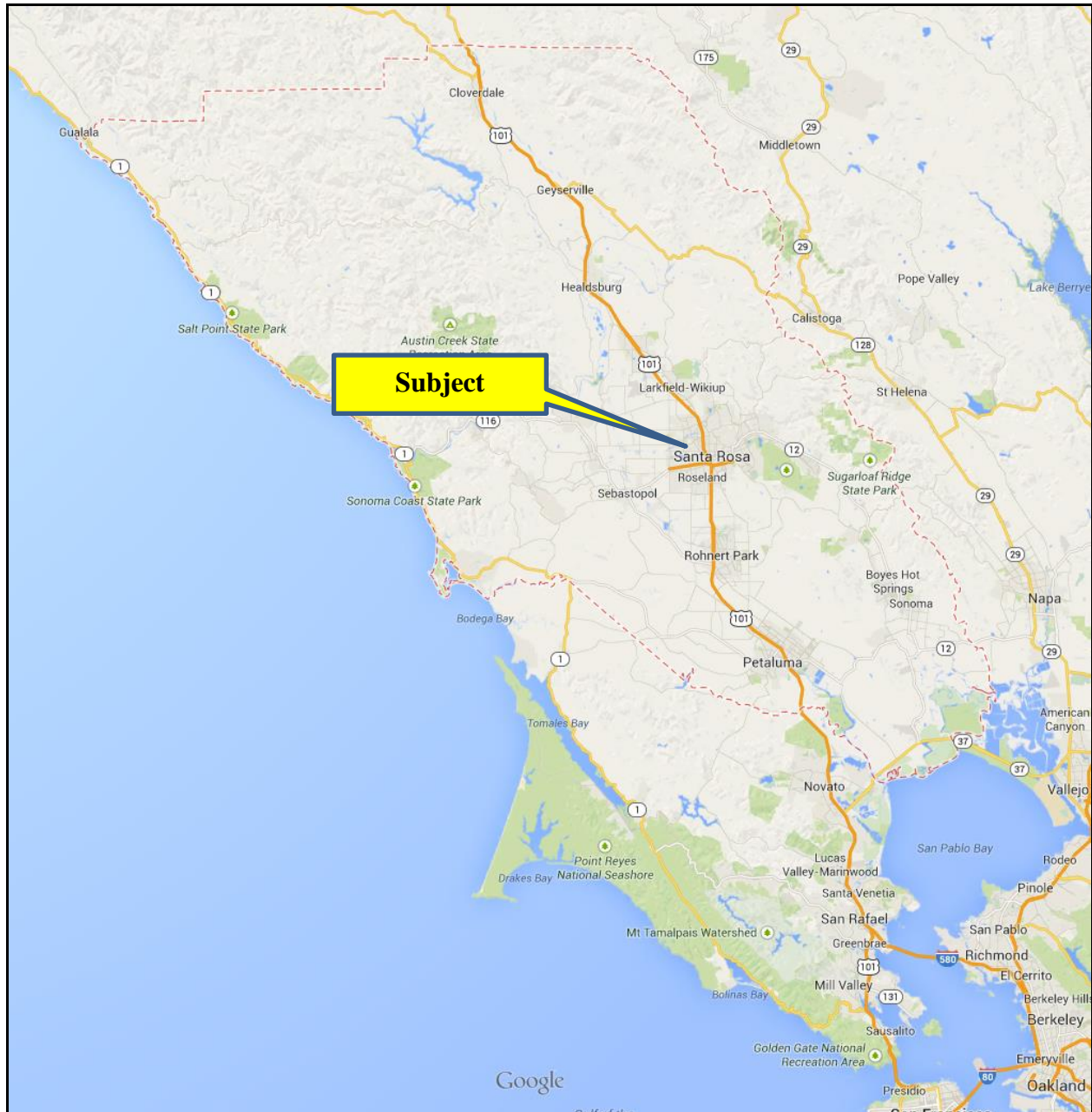
Prospective Value As Proposed or Complete: The market value of a real property interest as of the projected date of completion or stabilization.

Triple Net Lease: The lessor pays for management expenses only. The lessee pays for real property taxes, insurance, common area maintenance, utilities and janitorial. Some net leases require the lessee to pay for management expenses as well.

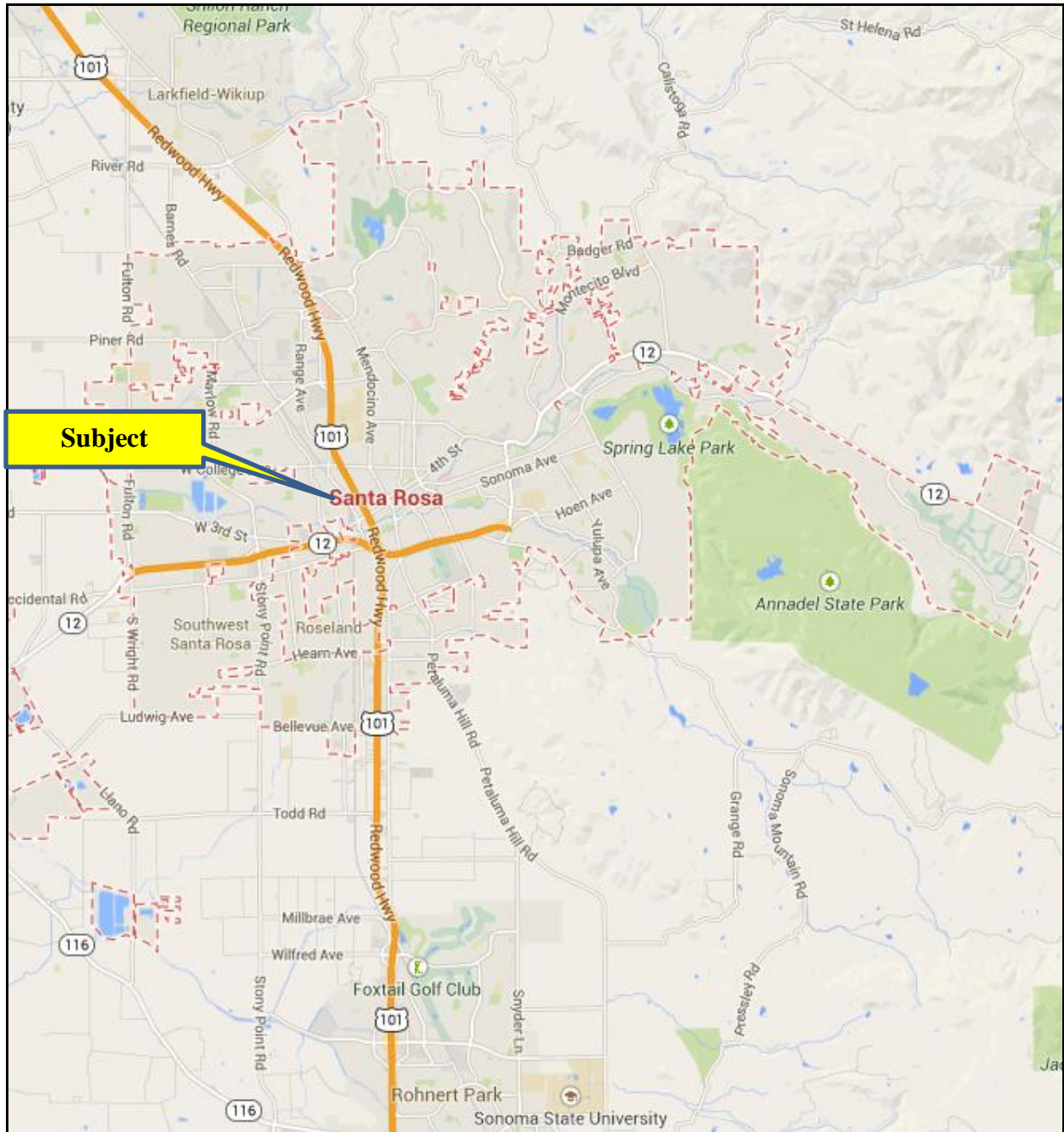
REGIONAL MAP



COUNTY MAP



CITY MAP



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 2016 population of 175,667, 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 15,900 vehicles on the northern end of the county to 162,000 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 6,100 vehicles near the junction of State Highway 121 and as high as 80,000 near the intersection with U.S. Highway 101. Driving time to San Francisco is about one hour, and to Sacramento is about two hours.

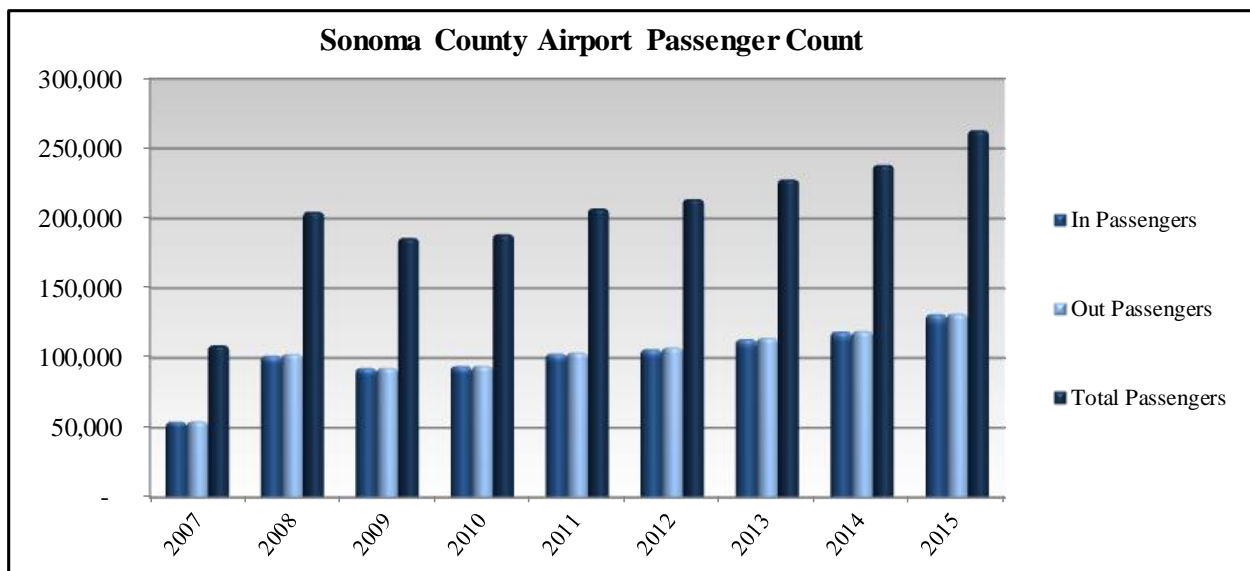
The area is served by a public transit system that consists of local (Santa Rosa CityBus), county (Sonoma County Transit) and regional (Golden Gate Transit) systems. The Greyhound Bus Line operates a state and national connection in Santa Rosa. There is no current rail transport, although Amtrak passenger service is available via the Throughway Service (bus) to Martinez, and the SMART commuter train (described later) is set to begin in late 2016. 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. The 2010 remodel of the terminal helped to increase air passenger traffic and the 227,998 passengers that flew in and out of STS in 2013 set a new record and was an increase of 6.6% over the 213,917 passengers in 2012, according to Alaska Airlines, the parent company of Horizon air which serves the Sonoma County Airport. In 2014, the passenger count increased 4.5% from 2013, and 20% from 2009 when the airline industry took a hit during the recession. 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 (141% growth since 2007) that the company took over its ground operations for its current eight daily roundtrip flights. In

May 2016, Allegiant Air began service at the airport, traveling to Las Vegas and Phoenix with flights on Thursdays and Sundays.

Sonoma County approved an \$84 million expansion project in January 2012 that would extend the main runway by 885 feet to 6,000 feet, and the second runway by 200 feet to 5,202 feet, allowing mid-size commercial jets to land. Work began in September 2013 and was completed in October 2014. In addition, the airport's 20-year master plan includes \$50 million in upgrades such as a new passenger terminal, cargo terminal and traffic control tower. The new passenger terminal is expected to be completed in 2021.

The following chart shows the growth in annual passengers at the Sonoma County Airport since 2007 when Horizon Air commenced service.



Sources: Sonoma County Airport, Alaska Airlines and Ward Levy Appraisal Group, Inc.; September 2016

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 when completed, there will be a continuous HOV lane in each direction from the southern border of Sonoma County to Windsor.

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) is in the process of building 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. On-track testing has begun and passenger service is expected to begin in late 2016.

Economy: Sonoma County ranks sixth among the nine-county Bay Area in terms of labor force supply, and accounts for 6.4% 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	4,058	4,130	-72
Kaiser Permanente	Santa Rosa, Petaluma	Medical Services	2,640	2,555	85
Graton Resort & Casino	Rohnert Park	Casino	2,000	2,000	0
Santa Rosa Junior College	Santa Rosa, Petaluma	Education	1,981	1,721	260
Sutter Medical Center	Santa Rosa	Medical Services	1,797	1,797	0
St. Joseph Health System	Santa Rosa	Medical Services	1,578	1,740	-162
Santa Rosa School District	Santa Rosa	Education	1,502	1,441	61
Keysight Technologies/Agilent	Santa Rosa	Technology	1,300	1,200	100
City of Santa Rosa	Santa Rosa	City Government	1,250	1,220	30
Sonoma State University	Rohnert Park	Education	1,184	1,263	-79
Petaluma School District	Petaluma	Education	880	917	-37
Amy's Kitchen	Santa Rosa	Food Mfg.	870	870	0
Medtronic, AVE	Santa Rosa	Medical Devices	840	840	0
Jackson Family Wines	Santa Rosa	Winery	800	640	160
Lagunitas Brewing Company	Petaluma	Brewery	684	270	414
Hansel Auto Group	Petaluma	Automobile Sales	605	570	35
AT&T	Santa Rosa	Telecommunications	600	600	0
Petaluma Poultry Processors	Petaluma	Poultry Processor	600	475	125
Cotati-Rohnert Park School District	Rohnert Park, Cotati	School	560	514	46
River Rock Entertainment	Healdsburg	Casino	500	500	0
Petaluma Valley Hospital	Petaluma	Hospital	481	490	-9
Ghilotti Construction Company	Santa Rosa	General Engineering	425	425	0
Exchange Bank	Santa Rosa	Bank	400	400	0
JDS Uniphase	Santa Rosa	Optical Innovations	400	400	0
Redwood Credit Union	Santa Rosa	Financial Services	382	322	60
Sonoma Media Investments	Santa Rosa	Newspaper	335	261	74

Sources: North Bay Business Journal, Comprehensive Annual Financial Reports (Sonoma County and Cities of Petaluma, Rohnert Park and Santa Rosa) and Ward Levy Appraisal Group, Inc.; September 2016

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.

The third consecutive year of drought had an impact on the crops produced in Sonoma County in 2014. For example, field crops, including hay, silage and straw, rely almost exclusively on rainfall. According to the latest crop report published for 2014 by the County of Sonoma, the 2014 field crop value of \$4,028,900 represented a decline of 44.7% over the 2013 value of \$7,285,100. While some ranchers reduced their herd size to what they could afford to feed, the actual number of head increased in 2014, but the increase in prices at market for livestock and poultry production resulted in an overall increase of 39%, from \$181,650,300 in 2013 to \$253,153,200 in 2014.

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 2014 was \$592,798,000, a decrease of 2% over the 2013 wine crop, which was the largest wine grape crop in Sonoma County history. Wine grapes represent 66% of the total agricultural production in Sonoma County. Milk production was a distant second, producing over \$109,540,900 in gross revenue in 2014, an increase of 23% over 2013 figures and representing 12.2% 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. Total apple production encompassed 2,320 acres in Sonoma County in 2014, compared to a 2013 total of 2,155 acres. The 2014 total apple crop value of \$3,411,900 represents a 42% decline from 2013, mainly as a result of a mild winter with inadequate chill hours to set flower buds.

Total agricultural production was \$899,015,400 in 2014, an increase of 6% over the 2013 figure of \$848,323,400.

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 cycling, ag-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 2015 Sonoma County Tourism Report for 2014, transient Occupancy Tax (TOT) receipts totaled \$27.5 Million in 2014 after adjusting for inflation. This is the highest level of TOT receipts ever received in Sonoma County, and 36% higher than 2008's figure of \$20.29 Million. Total visitor spending in 2014 was \$1.64 Billion, an increase of 2.5% over the previous year. 2014 was the fifth year that Sonoma County tourism has experienced growth since the economic downturn. According to the Sonoma County Annual Tourism Report, leisure/hospitality will be a major driver of Sonoma County's continuing recovery and expansion of the tourism industry.

Included in the table below are the taxable retail sales per capita for Sonoma County and its incorporated areas for 2014, 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)	2015 Population	Sales Per Capita
Sonoma County	\$5,931,985	499,352	\$11,879
Cloverdale	\$59,329	8,799	\$6,743
Cotati	\$149,493	7,144	\$20,926
Healdsburg	\$260,742	11,667	\$22,349
Petaluma	\$864,189	59,934	\$14,419
Rohnert Park	\$554,376	41,797	\$13,264
Santa Rosa	\$2,540,708	174,475	\$14,562
Sebastopol	\$122,988	7,502	\$16,394
Sonoma	\$215,611	10,826	\$19,916
Windsor	\$234,869	26,961	\$8,711

Note: Taxable retail sales figures are for Calendar Year 2014 and population is for 2015.

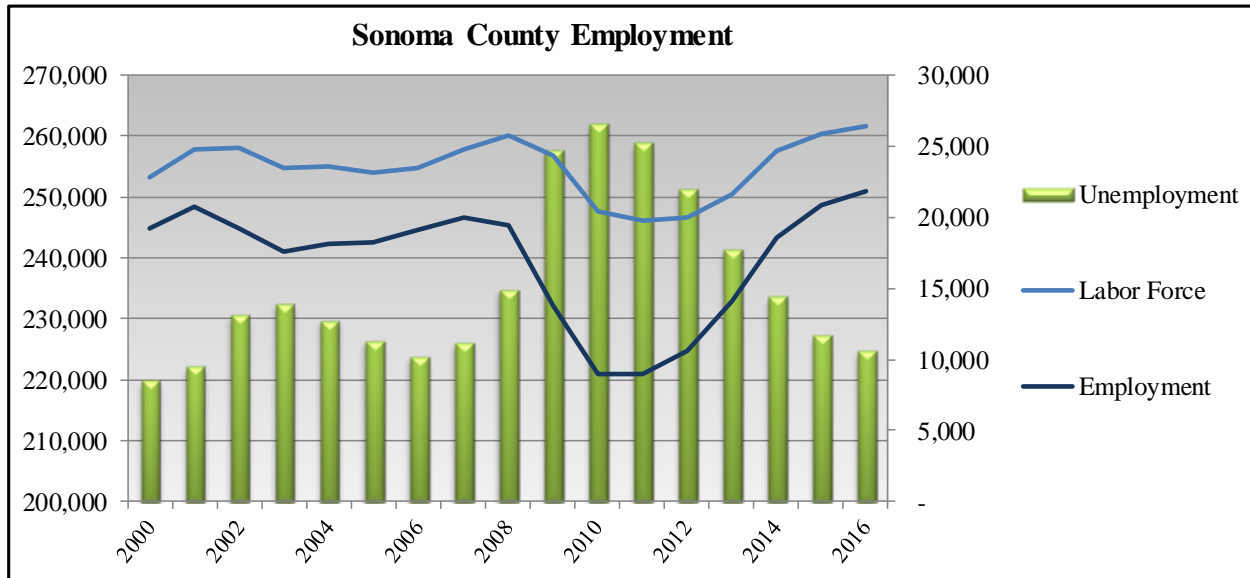
Sources: California State Board of Equalization, U.S. Department of Commerce and Ward Levy Appraisal Group, Inc.; September 2016

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 11.4% by January 2010. It began dropping throughout 2011 and 2012 and was at 8.0% by December 2012. In January 2013, unemployment in Sonoma County rose slightly to 8.5%, but by December had dropped to 6.0%. In January 2014 the unemployment rate rose to 6.4%, but dropped to 4.9% by year's end. It rose slightly to 5.3% in January 2015 before falling to 4.3% by April. By July, it had risen to 4.7% before dropping to 4.0% in September. By November, it had risen slightly to 4.3%, then fell to 4.1% in February 2016 before falling further to 3.4% in May, the lowest it's been since 2007, and a drop of 70% from the high of 11.5% in January 2010.

In June 2016, it rose to 4.2%, then rose again to 4.4% in July. A rate of 4.7% was reported in July 2015. Sonoma County ranked sixth among 58 California counties in unemployment, and lost 400 jobs between June and July, while gaining about 5,800 positions since the same time last year.

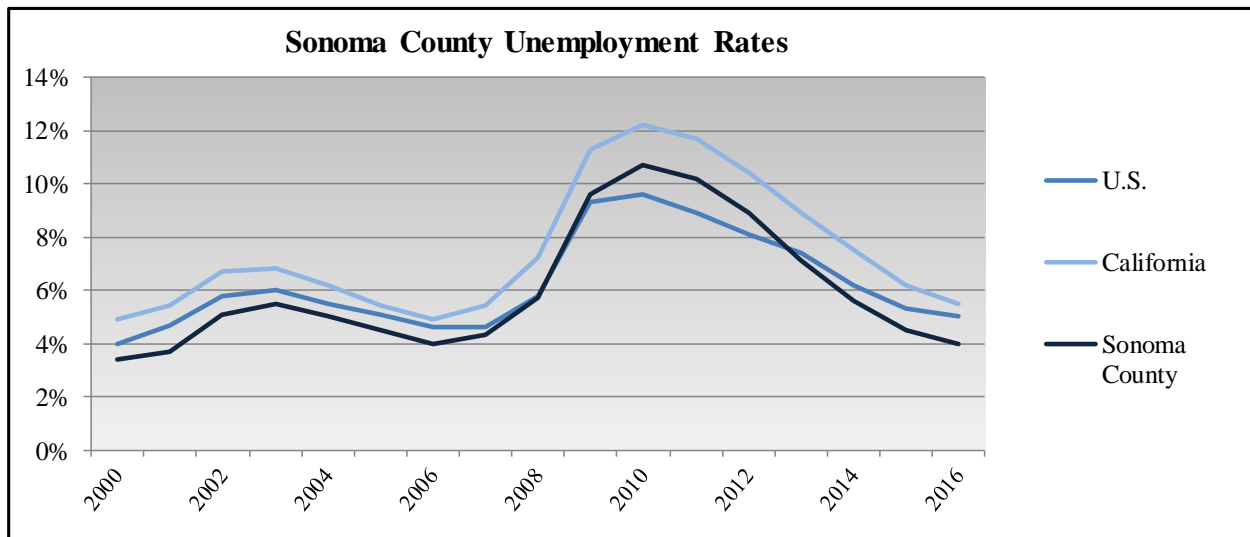
The chart below shows the available labor force and the numbers employed in Sonoma County with county unemployment statistics in green. Information in the chart has been averaged for each year through December except 2016 which is through June. Information is provided by the California Employment Development Department.



All years through December except 2016 which is through June.

Sources: California Employment Development Department and Ward Levy Appraisal Group, Inc.; September 2016

The following chart shows the comparison in unemployment rates in Sonoma County, the State of California and the U.S. over the past 17 years.



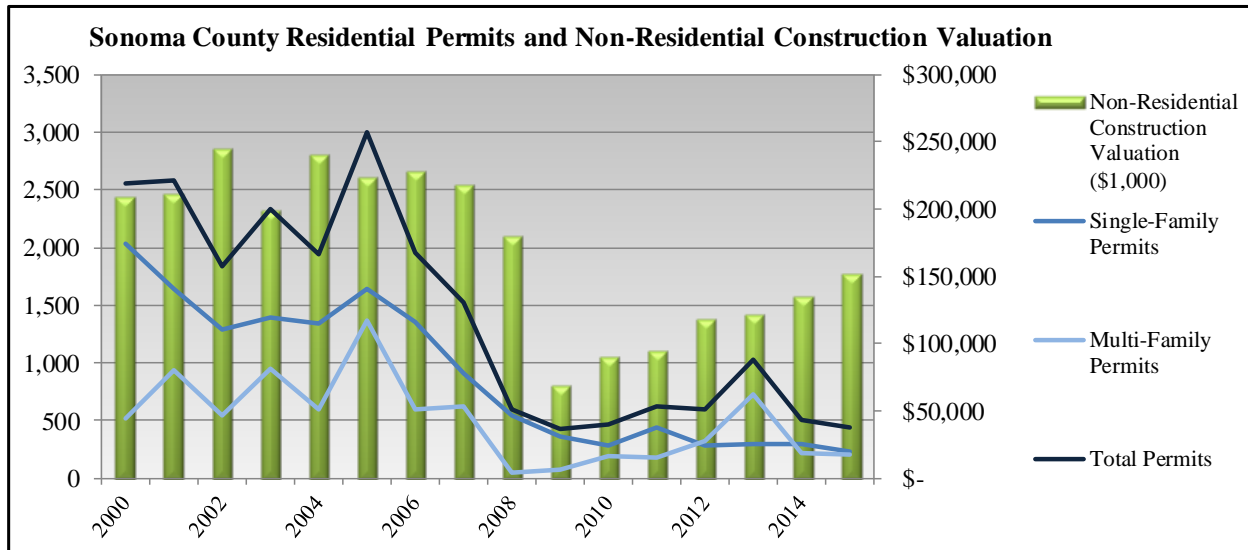
All years through December except 2016 which is through June.

Sources: California Employment Development Department and Ward Levy Appraisal Group, Inc.; September 2016

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, 486 residential permits have been issued so far through July.

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 thru July was \$86,020,574.

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.; September 2016

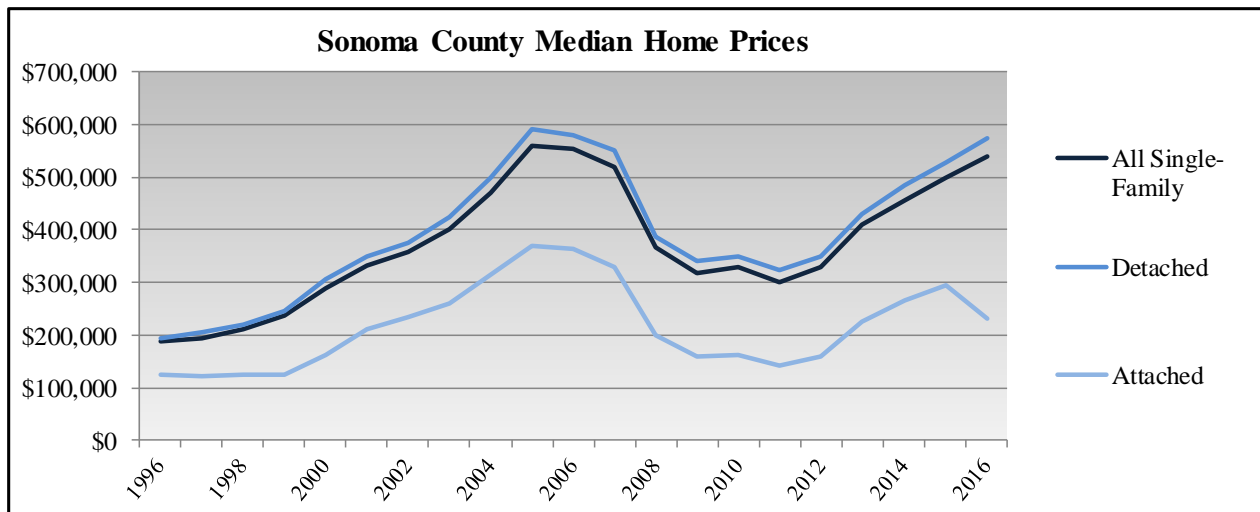
Residential Market: The median single-family home price in Sonoma County did not change measurably during most of the 1990's as the economy fluctuated and supply kept even with demand. In 2005, the overall median home price had risen to \$550,000, its highest year-ending point in history, but with the 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. Through August 2016, 3,426 homes have sold for a median price of \$540,000, which is 8% higher than the overall median price of \$499,000 through August 2015, although the number of homes sold is 7% lower than the 3,666 homes sold through the same period in 2015.

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 August 2016, 447 detached homes sold for a median price of \$590,000. The August 2016 median detached price is 10% higher than the August 2015 price of \$538,750, although the 447 detached homes sold is 6% lower than the 476 homes sold in August 2015.

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. The latest figures for 2016 show that the median attached home price of \$231,000 for 454 homes sold through August has fallen 20% from the median price of \$290,000 through August 2015, and the 454 attached homes sold represent a slight decrease from the 461 attached homes sold through August 2015.

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



All years are annual except 2016 which is through July.

Sources: Sonoma County Multiple Listing Service and Ward Levy Appraisal Group, Inc.; September 2016

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 January 2015, Mr. Nickelsburg stated that Sonoma County employment levels were fully recovered from the recession, and further stated that unemployment could fall below 4% in the Bay Area within the next 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. According to the Sonoma County Economic Development Board's economic indicators report for 2015, the county had the fourth-highest number of businesses among comparable counties, indicating strong economic activity. Tourism, a critical element of the economy in Sonoma County, is also showing strength. Hotel occupancy rates rose by 6.5% in 2014, while transit occupancy tax revenues increased by \$1.14 million. In 2014, tourism brought in \$100 million in tax revenues and now accounts for 10% of the county's jobs.

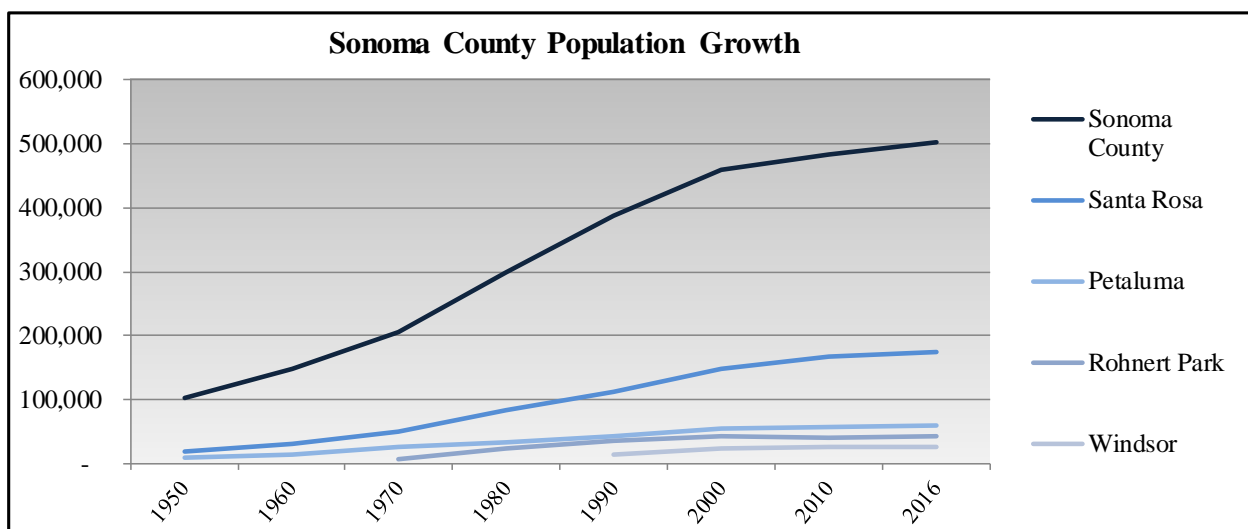
Demography: According to information from the California Department of Finance, Sonoma County is the seventeenth most populous county in the state with a 2016 population of 501,959. From 1950 to 1980 the county's population tripled. Almost half of that growth occurred in the

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 17% 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 2.58 persons per household with a median household income of \$63,799 and a median age of 40.5, according to the 2010-2014 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 an older median age (compared to the state average of 35.6 years) and a higher household income than the state as a whole (\$61,489).

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.; September 2016

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

Population of Sonoma County and Cities									
	1980	1990	2000	2010	2015	2016	Percent Change 1990 - 2000	Percent Change 2000 - 2010	Percent Change 2015 - 2016
Sonoma County	299,681	388,222	458,614	483,878	499,352	501,959	18.1%	5.5%	0.5%
Cloverdale	3,989	4,924	6,831	8,618	8,799	8,825	38.7%	26.2%	0.3%
Cotati	3,346	5,714	6,471	7,265	7,144	7,153	13.2%	12.3%	0.1%
Healdsburg	7,217	9,469	10,722	11,254	11,667	11,699	13.2%	5.0%	0.3%
Petaluma	33,834	43,184	54,548	57,941	59,934	60,375	26.3%	6.2%	0.7%
Rohnert Park	22,965	36,326	42,236	40,971	41,797	42,003	16.3%	-3.0%	0.5%
Santa Rosa	82,658	113,313	147,595	167,815	174,475	175,667	30.3%	13.7%	0.7%
Sebastopol	5,595	7,004	7,774	7,379	7,502	7,527	11.0%	-5.1%	0.3%
Sonoma	6,054	8,121	9,128	10,648	10,826	10,865	12.4%	16.7%	0.4%
Windsor	N/A	N/A	22,744	26,801	26,961	27,031	N/A	17.8%	0.3%
Unincorporated*	134,023	160,167	150,565	145,186	150,247	150,814	-6.0%	-3.6%	0.4%

* 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.; September 2016

As indicated by the preceding population chart, Sonoma County's major population growth has been concentrated in the three cities of Cloverdale, Windsor and Sonoma. 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 of Seattle which commenced service in March 2007.

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 Coddington 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 planned near Guerneville Road is due to begin. This will be the second most northern station for the SMART train for the time being, the northernmost being located at the Sonoma County Airport.

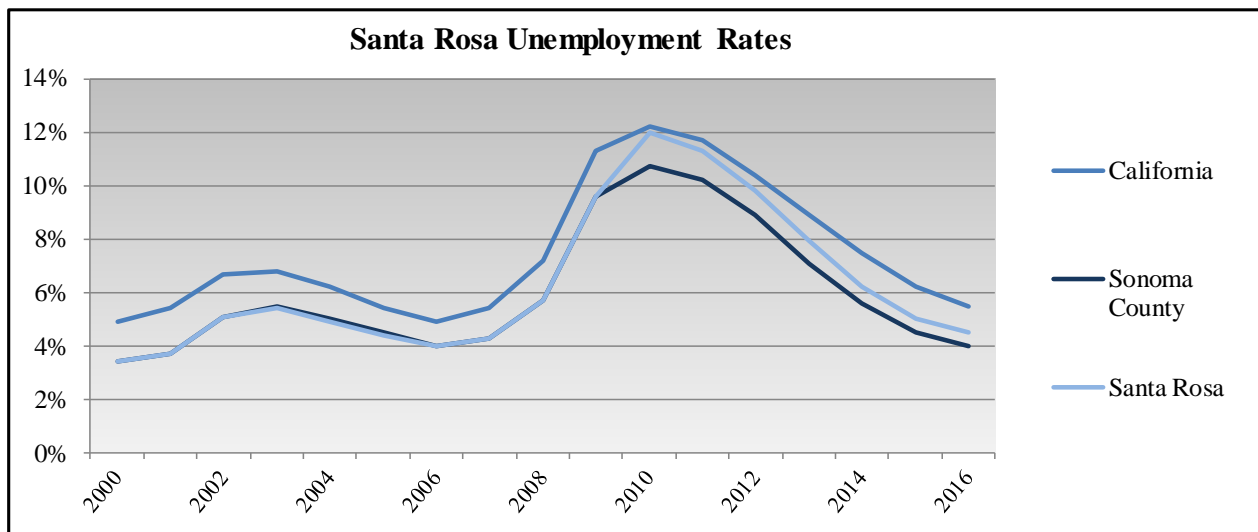
The rebuilding of Sixth Street, which had been buried under U.S. Highway 101 for five decades, was scheduled for completion by 2011, but had been delayed because of budgetary constraints. Construction was restarted in May 2012 and completed in August 2012. The new section of street has signals at both 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. Divided in half by Mendocino Avenue in the 1960's after the old courthouse was torn down, plans are to tear out the roadway in the middle, and add streets on the west and east sides to create a unified plaza in the center. With the closing of a major thoroughfare through the city, it remains to be seen what the traffic impacts will be. The project is estimated to cost \$9.2 million and is expected to be complete by the end of 2016.

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 12.7% in January 2010. However, it began dropping in April and was at 8.9% by December 2012. One year later, it dropped to 6.7%, and year-end 2014 saw a further drop to 5.4%. In January 2015, the unemployment rate rose to 5.9%, but fell to 4.8% by April. The unemployment rate began rising over the next three months and reached 5.3% by July before dropping 4.4% in September. By November, it had risen to 4.8% where it remained through December before falling to 4.6% in February 2016. In May, it fell further to 3.8%, the lowest it's been since 2007, and a drop of 68% from the high of 11.8% in January 2010. In June 2016, it rose to 4.7%, then rose again in July to 4.9%. A rate of 5.3% was reported in July 2015.

Information in the table below has been averaged for each year through December except 2016 which is through July.



All years averaged through December except 2016 which is through July.

Sources: California Employment Development Department and Ward Levy Appraisal Group, Inc.; September 2016

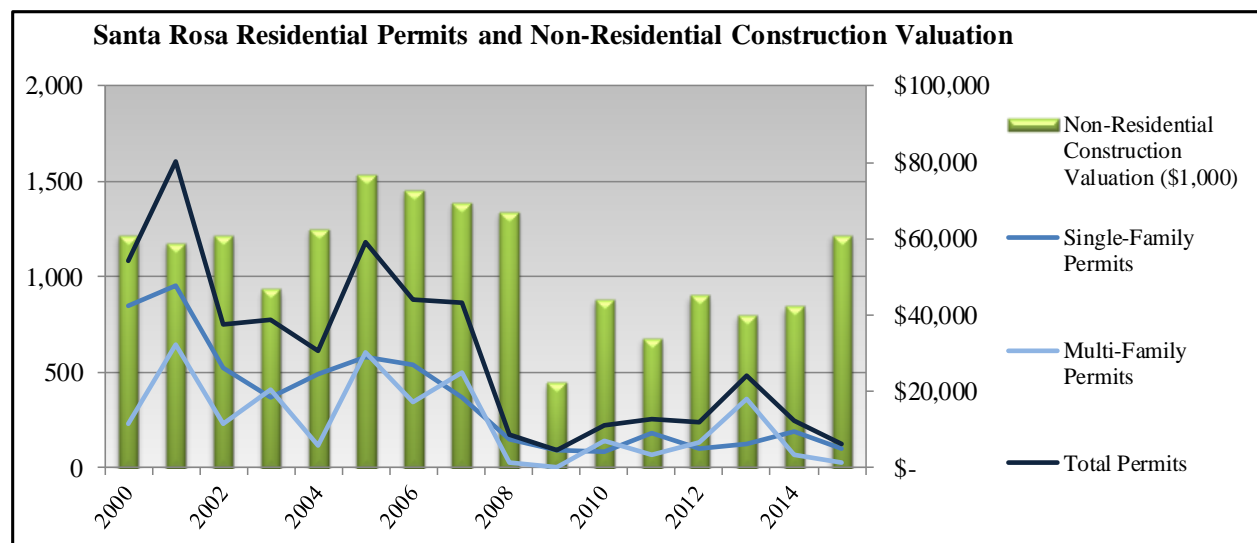
Construction: An Urban Growth Boundary (UGB) referendum was passed by the voters in November 1996. The UGB referendum will not allow the extension of the city services to areas outside the UGB line (with some limited exceptions) without an affirmative vote of the electorate

for a period of 20 years. 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. Through July 2016, 178 residential permits have been issued.

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 through July is \$20,906,840.

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.; September 2016

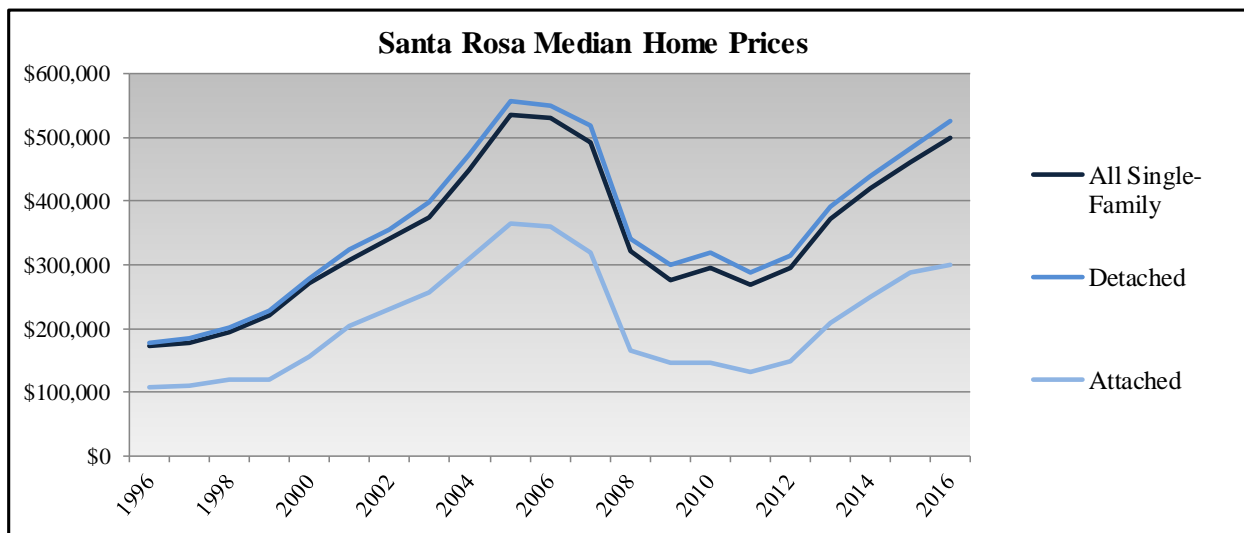
Residential Market: Santa Rosa's median home prices have been consistently below the Sonoma County median due to its inclusion of more affordable and higher density housing in its new developments. With the fall in real estate prices experienced nationwide, the overall median price had dropped 56% from 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. 1,264 homes have sold through August 2016 for an overall median of \$499,000, which is 8% higher than the overall median of \$460,000 through August 2015.

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. 1,079 detached homes have sold through August 2016 for a median of \$525,000. The current median price represents a 94% increase over the low of \$270,000 in February 2009, and a 9% increase over the median of \$482,000 through August 2015. Prior to this year, the last time the median price was over \$500,000 was in August 2007.

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. Through August 2016, 185 attached homes have sold for a median of \$299,900.

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



All years are annual except 2016 which is through August.

Sources: Sonoma County Multiple Listing Service and Ward Levy Appraisal Group, Inc.; September 2016

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 2016 city population estimate of 175,667 shows a dramatically lower growth rate of 19.0% over the 2000 population of 147,595.

There is an average of 2.65 persons per household with a median household income of \$60,758 and a median age of 37.1, according to the 2010-2014 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 2.58 persons) with a lower median age (compared to the county average of 40.5 years) and a lower household income than the county as a whole (\$63,799).

Conclusion

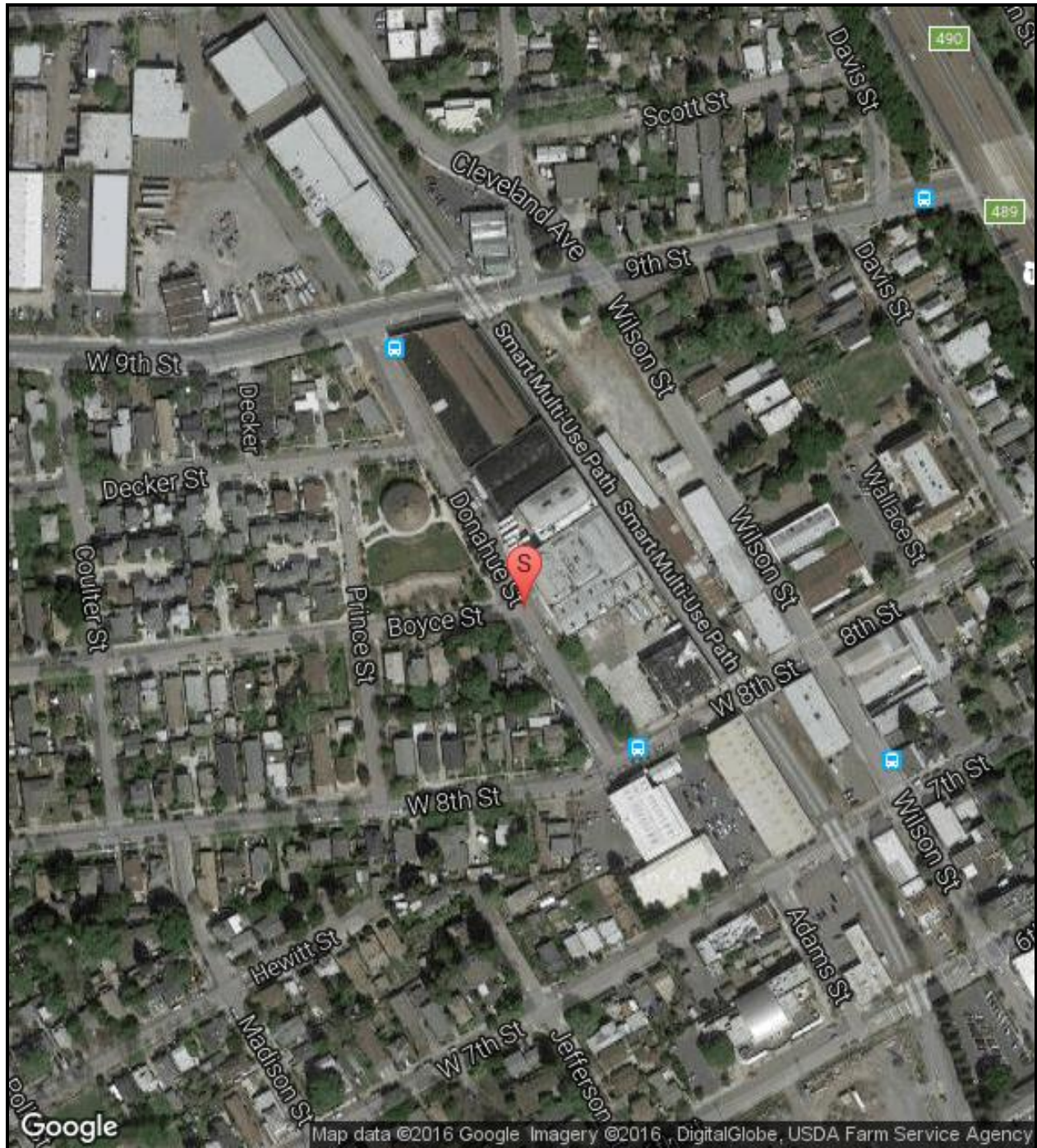
Sonoma County's ample supply of land available for development, the quality of its business parks and industrial areas, its large and well-educated growing work force, affordable housing in relation to other Bay Area counties, abundant recreational areas, moderate climate and aesthetic natural setting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

NEIGHBORHOOD MAP



NEIGHBORHOOD ANALYSIS

The subject is located just on the northern edge of the Railroad Square Historic District of Santa Rosa and within the West End Historic Neighborhood, in the neighborhood area bounded by:

- North: College Avenue
- South: Santa Rosa Creek
- East: Santa Rosa Plaza
- West: Dutton Avenue

The neighborhood is fully developed, though there remains a number of under-developed properties. The dominant uses in the area are specialty retail and visitor related services south of the subject site, industrial uses in the immediate vicinity of the subject and residential further to the west.

As the name implies, the Railroad Square Historic District is centered around the railroad depot that was once the city's hub for tourism, commerce, community and travel, as well as the gathering point for crops and goods on their way to market. Railroad Square was added to the Register of Historic Places in 1979. A number of the buildings in the area are of historical significance, being built between 1888 and 1923. Several were constructed of locally quarried basalt and survived the 1906 earthquake that leveled much of downtown Santa Rosa. The buildings have been structurally reinforced, and renovated to house hotels, restaurants, and specialty shops. The Railroad Depot, centrally located adjacent Depot Park, was fully renovated by the City of Santa Rosa and now serves as the City's tourist information center. Depot Park, located on Wilson Street between Fourth and Fifth Streets is south of the subject.

Specialty retail shops are scattered throughout the neighborhood, but the greatest concentration of retail is along Fourth Street between Davis and Wilson Streets, which is home to many of the neighborhood's restaurants, as well as antique, home furnishing, clothing and specialty retailers. Immediately north, south and west of Railroad Square is a mix of older warehouse and industrial uses, and moderately priced residences.

To the east is the Santa Rosa Plaza, the largest development that has occurred within downtown Santa Rosa in the last three decades. The Plaza is a 700,000 square foot regional shopping mall constructed in 1982 on a 30-acre site between "B" Street and U.S. Highway 101. Sears and Macy's became the anchor tenants, but numerous local and chain merchants have rented space within the two-story structure. The structure divided Downtown Santa Rosa leaving the Railroad Square area west of The Plaza isolated from the Fourth Street business district and Courthouse Square area east of The Plaza.

The most ambitious proposal for the area is the recently approved SMART Transit Depot which is proposed for construction south of the subject property. Sonoma-Marín Area Rail Transit District (SMART) is a passenger train and multi-use pathway project located in San Francisco's North Bay. SMART will provide rail service along 70 miles of the historic Northwestern Pacific Railroad alignment, connecting urban and rural residents of the two counties with jobs, education and health care services in the region. The project revives the long-dormant but publicly owned railroad right of way, serving 14 stations from Cloverdale in Sonoma County to the San Francisco-bound ferry terminal in Larkspur, Marin County. The project is funded by a ¼ cent

sales tax and revenues have fallen behind what was first anticipated. The original plan has been scaled back and the Sonoma County Airport station in northern Santa Rosa would be the northernmost stop until funding permits expansion to Cloverdale. It is projected that the train will begin public operation in late 2016.

The Railroad Square station is located at the site of the 1904 Historic Depot in the Railroad Square District of Santa Rosa, between Fourth and Fifth Streets. This station is adjacent to the site of a proposed mixed-use development project featuring housing, office, and retail space that is expected to become a major attraction in downtown Santa Rosa. As with other vibrant downtown areas with high transit access and strong mixed-use programs, no park and ride lot will be located at this station. The multi-phase, multi-use rail side infill project will include affordable for-rent housing, market rate for-sale condos, a 40,000-square-foot public market, 40,000 square feet of office space, the Sonoma County Food and Wine center, a 263-space parking garage and several restaurants. Recent developments indicate that this project is underfunded and probably infeasible to construct at this time.

Immediately adjacent to the subject to the east is the proposed DeTurk Winery Village that has been undergoing design review after extensive planning. The 3.13-acre site is currently improved with ~110,000 SF of warehouse that is proposed to be redeveloped into 165 apartment units and 35,000 SF of commercial uses.

The other largest development in the immediate vicinity of the subject is the Hyatt Vineyard Creek Hotel, Spa and Convention Center located at 170 Railroad Street. Completed in 2002, the Mediterranean style facility features 155 rooms and suites, 21,000 square feet of indoor meeting space, 15,000 square feet of outdoor event area, a full service spa and a restaurant. The project was developed on publicly owned land and was designed so the hotel's meeting and event capacity exceeds the hotel's service capacity, thereby providing local merchants the opportunity to benefit from the convention and visitor business generated by the hotel. The Santa Rosa Creek bisects the neighborhood and is near the southerly border of the subject neighborhood. It is a year-round waterway that has regained stature as a significant cultural and historical resource. Construction of a bicycle and pedestrian pathway along the creek, spanning the east/west width of Santa Rosa, has been completed to the west of the downtown adjacent to the Hyatt Vineyard Creek Hotel/Convention Center.

Three other projects developed in the last decade in the area are the retail office building at 201 Third Street, Railroad Square Terrace and 200 Fourth Street. The 6,516 rentable square foot two-story office/retail building at 201 Third Street was to be occupied by a Sotheby's Realty, but was leased to Rabobank in 2014. Asking rent is in the \$2.25 - \$2.50 per square foot, gross range. Railroad Square Terrace is a mixed-use, residential and retail building that was constructed on a centrally located site at 123 Fourth Street, between Davis and Wilson Streets. This property has both Fourth and Fifth Street frontage. There is 5,241 square feet of ground floor retail space fronting on Fourth Street with 29 rental units on the upper floors. The building is fully leased. 200 Fourth Street is a three-story 28,870 rentable square feet office building constructed in 2005 that is at full occupancy.

Another project impacting the neighborhood has been the expansion of U.S. Highway 101, which was widened from its current four lanes to six lanes, between State Highway 12 to the south and the Steele Lane interchange to the north. Work on the widening project was

completed in 2009. The project included construction of a new highway under-crossing at Sixth Street that was completed in 2012. The project has enhanced traffic flow in the area and brought more vehicular and pedestrian traffic as well.

In the immediate vicinity of the subject exists a mixture of bulk retail (Western Farm Supply to the west of SMART), restaurant/performing arts in a historic brewery (Arlene Francis Center to the south of 7th Street) and homeless services (St. Vincent de Paul to the east of Wilson Street). Just to the northeast of the subject at 701 Wilson Street is the proposed Pullman Lofts project that recently received approvals for demolition of the existing buildings, construction of 72 multi-family residential apartment units and rehabilitation of a historic building; all on a 1.83-acre site. The proposal includes the construction of 12 connected buildings and 73 podium-level parking spaces, an approximate 2,467 square foot community center and approximately 2,142 square feet of retail commercial space. The site is to be developed with 36 one-bedroom and 36 two-bedroom units in a three story structure. The high density permitted with the new Transit Village zoning indicates a desire by city planners to encourage multi-story residential development within the subject neighborhood and, with approval of the Pullman Lofts, may indicate a coming gentrification of the subject neighborhood.

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

The subject neighborhood is easily accessed by major arterial roadways. Freeway access is excellent, with on-ramps at Third and Morgan Streets with off-ramps on Davis and Third Streets. Walking in the downtown area is prevalent and preferred because of the difficulty in parking. Santa Rosa CityBus operates on a limited schedule but the automobile remains the primary means of transportation, especially if just passing through the downtown area. Bus service is available along Third Street and at the transit mall, the segment of Second Street between B Street and Santa Rosa Avenue which is closed to non-public vehicular traffic. Sonoma County Transit, Santa Rosa CityBus and Golden Gate Transit bus service are available from the transit mall.

The subject's immediate vicinity is somewhat distressed compared to the heart of the Railroad Square Historic District and includes older industrial and residential, the Redwood Gospel Mission's transient housing complex, a St. Vincent de Paul facility, combined with renovated commercial uses such as Teevax Home Appliance and Stark's Steakhouse. On the other hand, to the west are older, smaller homes that are part of the West End Historic District that have been renovated and repopulated with younger families. There are no other neighborhood influences that have been identified that will adversely affect the subject.

LAND ANALYSIS

Address:	Donahue Street Santa Rosa, CA 95401
Location:	The subject site is a portion of the Donahue Street ROW that is situated on the east side of the street between 8th and 9th Streets, in the City of Santa Rosa.
Assessor's Parcel Number:	NA
Shape:	Rectangular
Access:	Good
Site Visibility:	Good
Size:	0.43 gross acres / 18,725 Square Feet 0.43 usable acres / 18,725 Square Feet
Topography:	Level
General Plan Land Use Designation:	The subject has no land use designation but is within the areas generally defined by Transit Village Medium.
Zoning:	The subject has no zoning overlay but is within the areas generally defined by Transit Village-Residential-Station Area.
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, which is not classified as a special flood hazard area. FEMA Map Number: 06097C0728E FEMA Map Date: December 2, 2008
Earthquake Hazard Area:	The subject site is not located in an Alquist Priolo Special Studies Zone.
Public Utilities:	All public utilities are available in the subject street.
Site Status:	The subject is presently utilized as part of the public right of way known as Donahue Street.
Off-Site Improvements:	The subject is within the public right of way with no

curbs and gutters but with streetlights.

Soil Conditions:

The appraiser is not qualified as a soils expert and does 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 appraiser is unaware of any identified biotic resources or wetlands on the subject site, but is not a qualified biologist and does 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:

The subject is a portion of the Donahue Street ROW and is assumed to have typical easements and encumbrances. No title report was provided and thus, no analysis was made of any underground utilities that are atypical of streets in the immediate vicinity. In addition, it is unknown whether there are any underground contaminants that would impact the market value opinion.

Encroachments:

Unknown

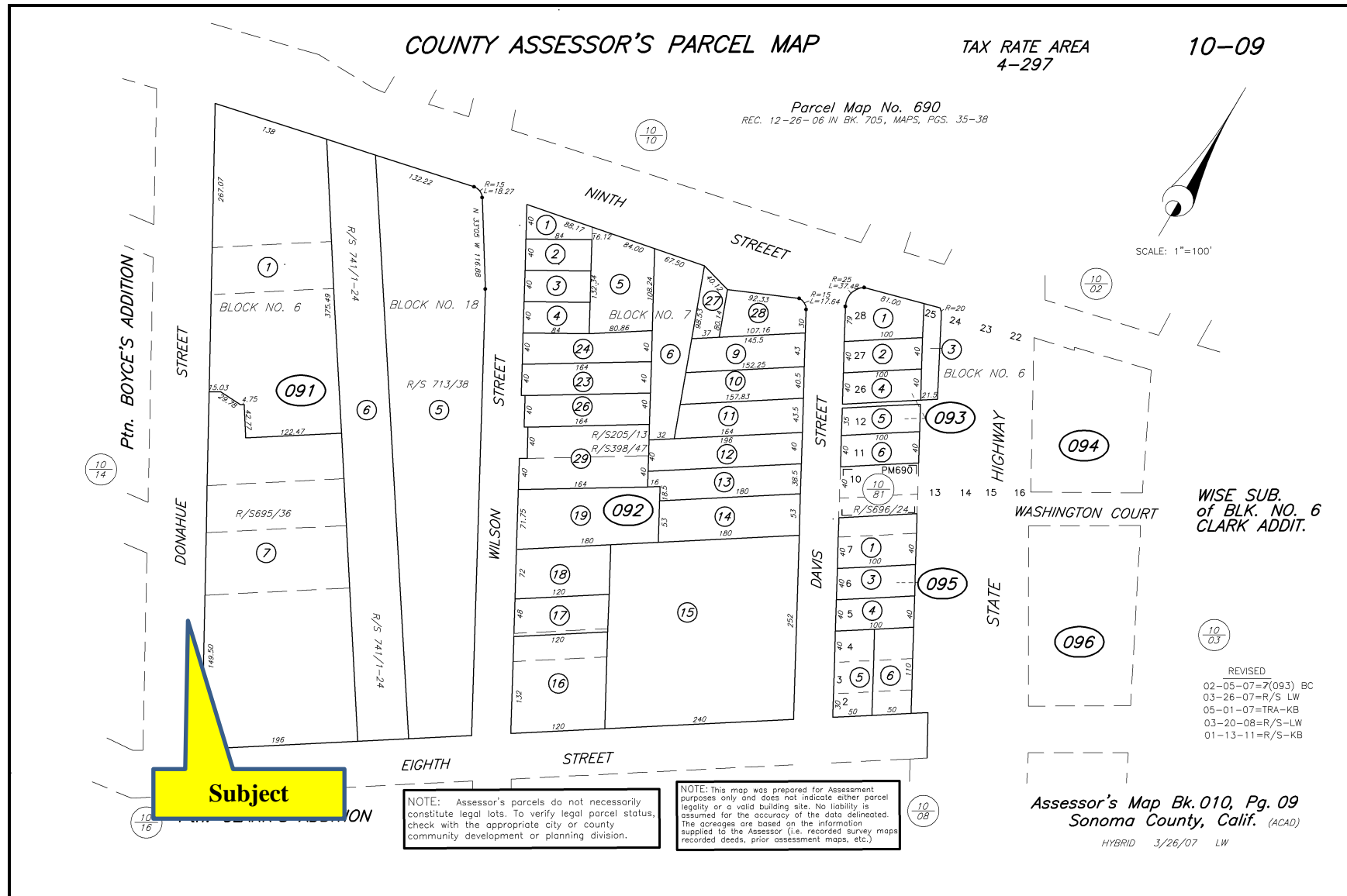
**Covenants, Conditions and
Restrictions:**

Unknown

Conclusion

The subject is a portion of a public right of way that has limited utility and potential uses. All utilities are available within the immediate area and there are no physical attributes that would prevent it from being utilized with similar uses.

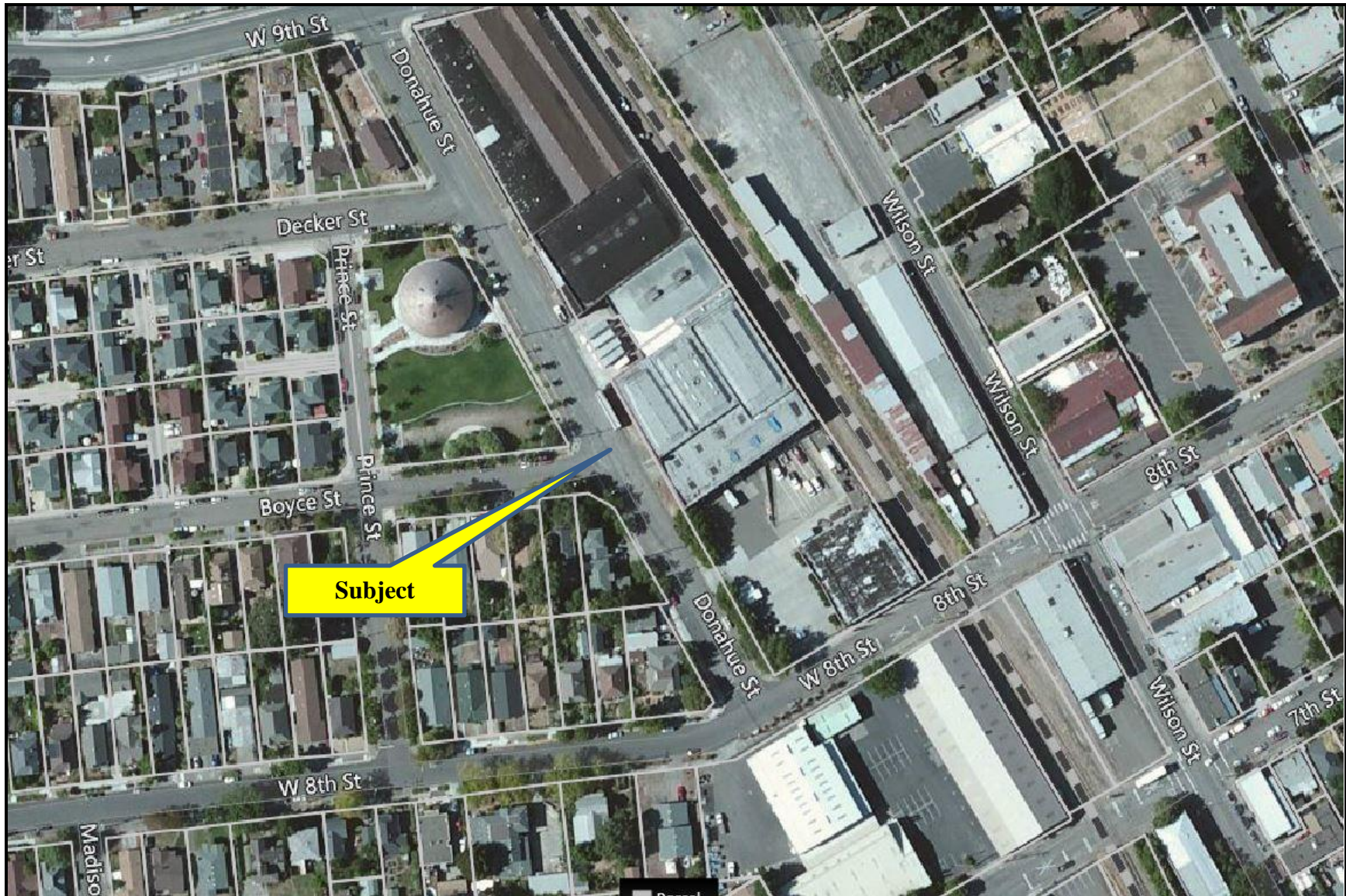
Assessor's Parcel Map



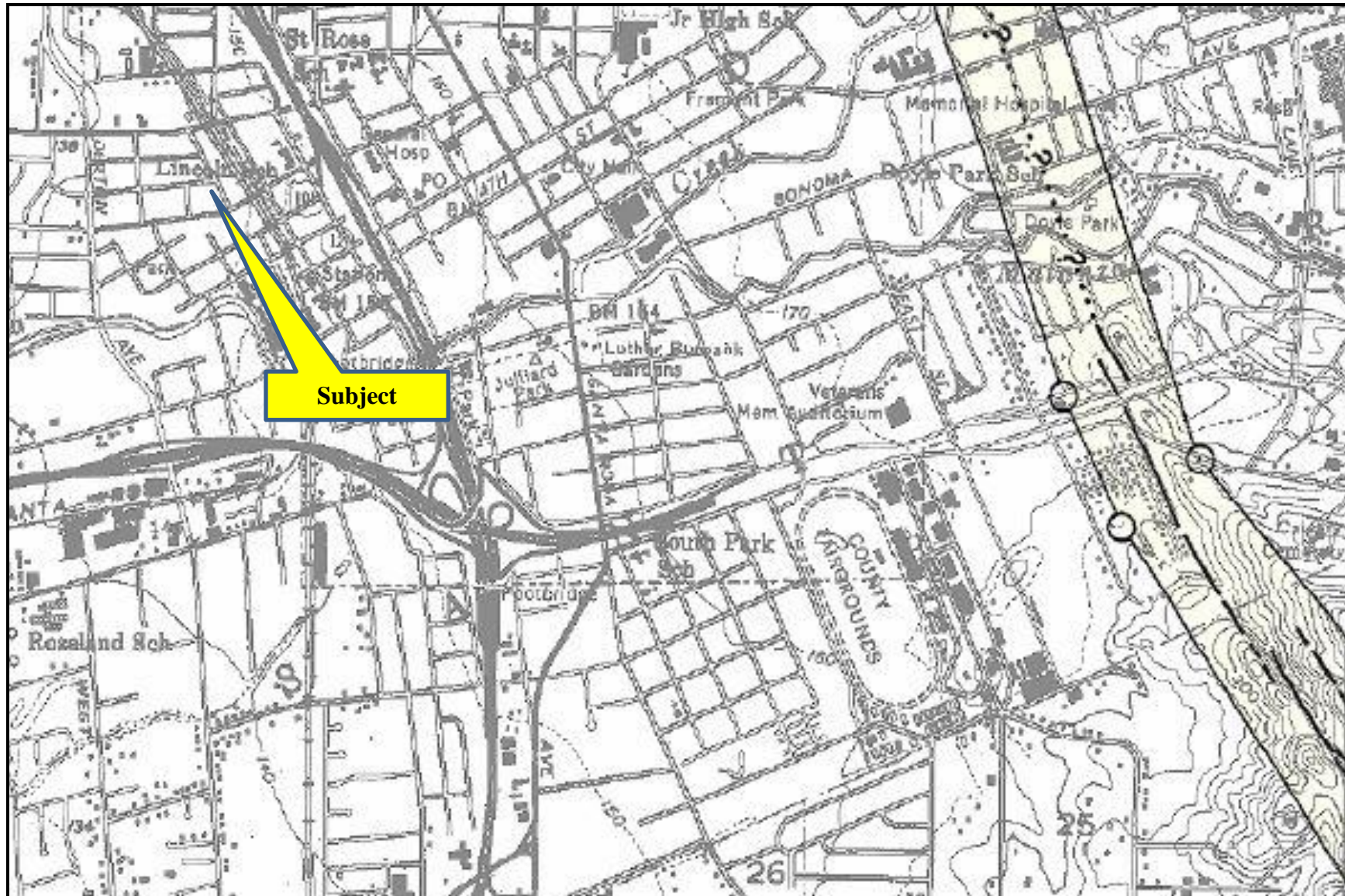
Flood Map



Aerial View



Earthquake 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 has no zoning overlay but is within the areas generally defined by Transit Village-Residential-Station Area. The subject has no land use designation but is within the areas generally defined by Transit Village Medium. The zoning does conform to the General Plan land use designation. The Transit Village-Residential-Station Area District is applied to areas within approximately one-half mile of a transit facility that is appropriate for mixed use development. Development should transition from less intense uses at the outlying edges to higher intensity uses near the transit facility. Residential uses are required, and ground floor neighborhood serving retail and live-work uses are encouraged. The maximum allowable density ranges from 25 to 40 dwellings per acre. The TV-R zoning district is consistent with and implements the Transit Village Medium land use classification of the General Plan.

The -SA combining district is intended to enhance and reinforce distinctive characteristics within the Downtown and North Santa Rosa Station Area Specific Plan areas and created environments that are comfortable to walk in. The subject is within the Downtown Station Area Specific Plan – Railroad Corridor Sub-Area. The Railroad Corridor Sub-Area is the area historically influenced by commercial railway operations. Many of the land uses existing in the Railroad Corridor Sub-Area are low intensity uses such as warehousing or storage. This area presents an opportunity for a diverse mix of multi-family housing, live-work housing and mixed-use residential with neighborhood serving retail along with existing non-conforming uses. Parking for non-residential uses is 1:300 SF of building area.

Physically Possible: The subject is only 18' – 25' wide and is not physically capable of supporting development with any of the legally permissible uses other than parking, a right of way and/or in conjunction with adjoining developments.

Financially Feasible: From a financially feasible standpoint, development of multi-family is nearing feasibility. There are several apartment projects that are in the planning stages, though none yet under construction. The increasing rental rates in Sonoma County and in Santa Rosa are pushing rents toward the feasibility level. However, the subject is not physically capable of supporting multi-family development given its limited utility.

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. Only continued right of way, parking and/or incorporation into adjoining property development is maximally productive.

As Vacant - Conclusion: The highest and best use of the subject property is for continued use as part of the public right of way, for private use for parking or for incorporation into adjoining property developments.

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 appraisal. 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.

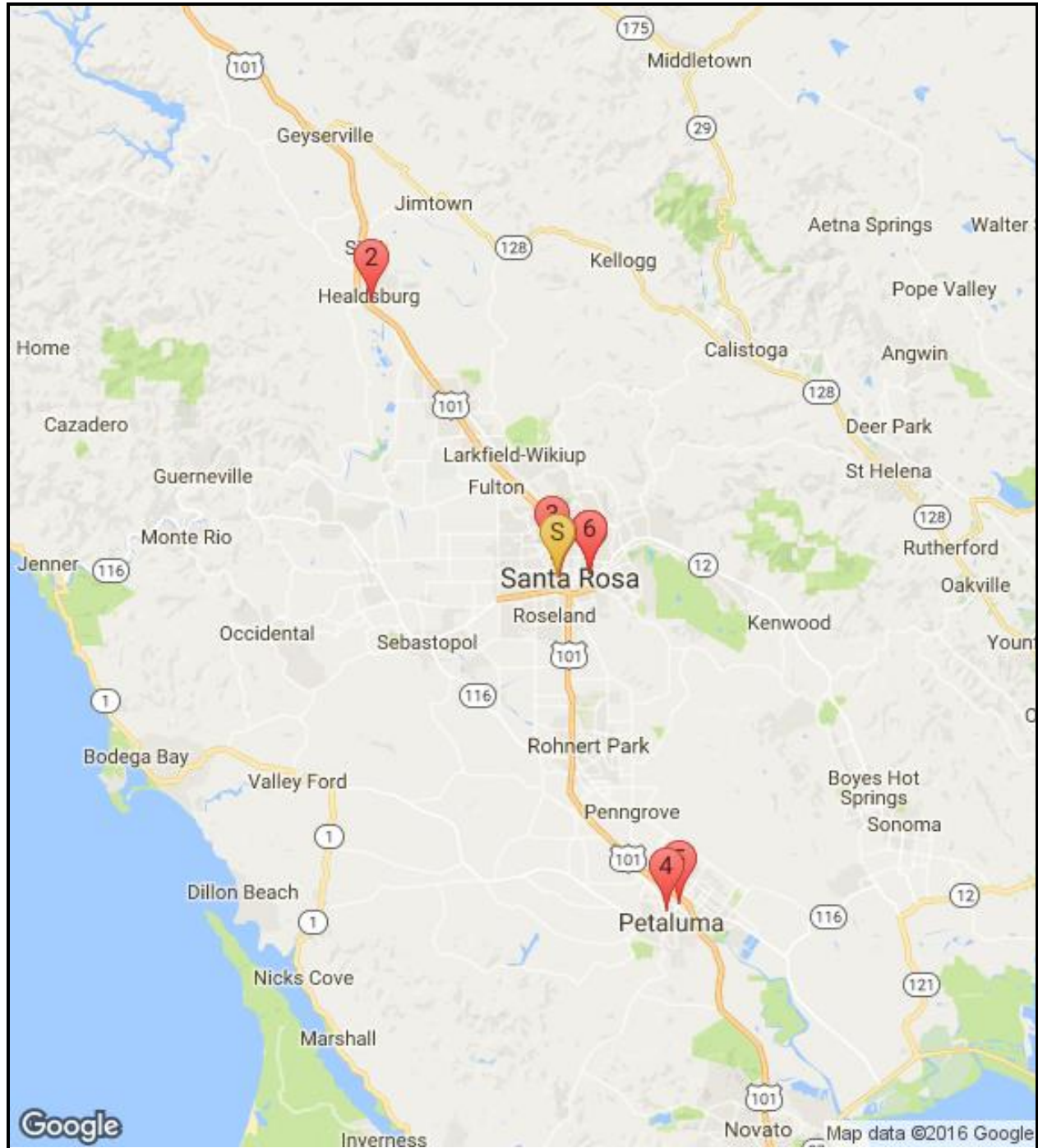
MARKET VALUE AS IS

While it is always best to appraise land based on direct comparison, it is not always possible. Such is the case for the subject property. It is a portion of a right of way that has limited utility, let alone a limited pool of buyers. Direct comparison is not possible and utilizing the Across the Fence (ATF) method is recognized as being best representative of market value.

The ATF method is essentially a variation of the sales comparison approach and a discount is applied to the underlying land value for the limited utility and pool of buyers. The beginning basis of the ATF method is to determine the value of the properties adjacent to the subject.

Included below are the land comparable map, land comparable summary table and analysis and conclusion of land value.

Land Comparable Map



Land Comparable Summary

Comp	Address	Date	Usable Land Area (AC)	Price Per Acre	
Subject	City	Doc#	Usable Land Area (SF)	Price Per Land SF	Comments
	Donahue Street Santa Rosa	09/20/16	0.43 18,725		
1	701 Wilson Street Santa Rosa	In Escrow N/A	1.83 79,715	\$2,524,044 \$57.94	This is the pending sale of a site entitled for 72 apartments on a long-narrow parcel fronting on the SMART rail corridor, north of Railroad Square. There is a 5,000 SF historic building that will be retained and will house some retail space and function as the clubhouse for the apartment buildings. The seller has the right to contribute \$2 million of purchase price and become a limited partner, though buyer is unsure if they will. Buyer felt this did not impact price. The buyer did have to pay commissions of \$90,000 and demolition costs of \$29,000, which are added as a cost. Escrow expected to close in Fall 2016.
2	146 - 180 Healdsburg Avenue Healdsburg	04/06/16 30350 & 15427	10.38 452,153	\$1,664,346 \$38.21	This is the sale of the Nu Forest Products mill and lumberyard as well as the nearby former Chamber of Commerce office building. The buyers intended to redevelop the site with a 20 to 30 room hotel as well as approximately 120 duplex/triplex units, though plans are very preliminary. The mill will remain on site for the next year. Price is adjusted for estimated demolition costs. Sale closed in two transactions with different sellers in March and April of 2016.
3	1300 Range Avenue Santa Rosa	12/24/15 109397	4.98 216,929	\$823,293 \$18.90	Buyer was able to make closing contingent upon obtaining all final discretionary approvals for 120 market rate apartments in the second phase of Annadel Apartments. The project site included a General Plan park overlay, but all dedication was addressed in the first phase, and this site is to be fully developed with multi-family units. Location near Coddington and a future SMART station is a positive.
4	368 & 402 Petaluma Boulevard Petaluma	In Escrow N/A	2.49 108,464	\$883,534 \$20.28	This site had previous approvals for a mixed-use development comprising 80 assisted living units, 114 apartment units and 17,100 SF of commercial. These have expired and current contract is to multifamily developer with plans for up to 232 units plus some commercial space, though density is very high and this many units seems unlikely. Original price was 15% above asking price of \$2,250,000, reflecting seller willing to extend escrow to one year to aid in getting entitlements. During escrow, an abandoned rail spur was reactivated to surprise of parties involved and buyer is negotiating the closure of the rail spur. Seller agreed to discount the price for this and price is reportedly now lower than the original asking price and is included at \$2.2 million. Cost to buyer of rail spur closure was unknown. The site requires significant on-site improvements (public streets that will bisect the site) as well as extending Water Street to subject site from East Washington Street. The agent did not have any estimate of these costs. Usable area is based on previous development plan. This is lender owned (REO).
5	817 - 825 East Washington Street Petaluma	In Escrow N/A	0.74 32,234	\$1,317,568 \$30.25	Property was placed in escrow without entitlements, but close of escrow was to be 45 days from final approval. Approval occurred May 2016 but buyer is working on a drainage issue and escrow is scheduled to close soon. Project will have 24 apartment units on the upper floors with ground floor parking and tenant amenities (laundry, storage, etc.). Commercial requirement of mixed-use zoning was waived in this case.
6	1150 Montgomery Drive Santa Rosa	10/02/14 84066	0.23 10,019	\$2,493,478 \$57.24	This property had been leased by the buyer. Buyer had put a modular trailer on the property several years ago when they rented the property. Option price was established at that time. Buyer's representative felt the price to be high as of the closing date, but since the hospital owned property on either side, this was a key piece and there may have been some plottage value. Buyer indicated price of \$40 to \$50 per square foot was more market oriented. Some paving on-site and landscaping around the modular trailer. The property was not listed on the open market.

Analysis and Conclusion

The appraiser searched for sales of similar mixed-use or multi-family residential land that has occurred in the recent past as the basis for the ATF method. Six comparable sales were analyzed. The adjusted price reflects the sale price plus any immediate extraordinary costs such as demolition. The comparable unit prices range from \$18.90 to \$57.94 PSF.

Land Comparable 1, \$57.94 PSF, is the most similar to the subject in terms of location, zoning, etc. but is the highest indicator and outside the range of all but Land Comparable 6. It includes a \$2,000,000 kicker in the price that is to be paid by the buyer if the seller is to become a limited partner. It is unclear whether this project will be moving forward as costs have been higher than anticipated. In addition, this project was purchased subject to full entitlement approval.

Land Comparable 2, \$38.21 PSF, is also a similar mixed-use property but is located in a superior Healdsburg location that has higher predominant values than the subject's neighborhood.

Land Comparable 3, \$18.90 PSF, is a larger project that sold contingent upon obtaining all final discretionary approvals. Locational attributes are relatively similar, however, the density is lower than is allowed for the subject.

Land Comparable 4, \$20.28 PSF, is in contract in a superior downtown Petaluma location, however, it requires significant on-site improvements, as well as extension of Water Street that could amount to an additional \$1,000,000.

Land Comparable 5, \$30.25 PSF, is in escrow without entitlements but will close upon final approval. Density is similar to the subject's neighborhood and thus, but for the superior location, would have a similar value as the subject.

Land Comparable 6, \$57.24 PSF, is also a high market indicator that is a small site that was recognized by the parties to be above market. This site is located to the east of Santa Rosa's downtown in a primarily medical and professional office area near the Memorial Hospital. The buyer is the hospital itself which paid a premium due to the plottage value. It is a key piece for their development plan and this factored into the price they were willing to pay. The site size is smaller than the subject. The overall unit price is higher than projected for the subject due to the plottage value and location.

The above analysis would indicate a unit price for the subject that is most similar to Land Comparable 5. For the above reasons, a reasonable indication for the ATF value of the underlying subject land is determined to be \$30.00 PSF or \$561,750 for the subject's 18,725 SF.

Arthur G. Rahn, ASA, SR/WA worked as an appraiser for Southern Pacific Transportation Company and has extracted discounts for limited marketability and utility corridors such as the subject. The discount he has experienced in the market is 50% and it is estimated that this would be an adequate discount to attract adjacent owners and/or other entities.

The subject is assumed to have typical public utility easements that further diminishes the value by 25%, based upon the appraiser's 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. The subject parcels will still be able to be utilized for above ground

support areas per the concluded highest and best uses. The 25% discount is applied to the unencumbered market value (ATF) after the discount for marketability and utility.

The indicated value of the fee simple interest in the subject site is calculated as follows:

Market Value As Is	
Unencumbered Market Value (ATF)	\$ 561,750
Discount For Marketability & Utility	\$(280,875)
Discount For Street Easements	\$ (70,219)
Indicated Value	\$ 210,656
Rounded To	\$ 210,000

The market value of the fee simple estate of the property, as is, as of September 20, 2016, is estimated to be \$210,000.

An additional analysis that could lend some support for the above value would be to analyze the subject as if it was a parking lot. Parking in the subject neighborhood would command a monthly fee of \$20 - \$25 per stall. Standard parking spaces in Santa Rosa are required to have a minimum dimension of 9' in width and 19 feet' length. The subject is 758' long and 24.7' wide. This would allow for approximately 84 parking stalls or \$20,160 - \$25,200 per year in potential gross income if all the stalls are leased every month. This would indicate a gross rent multiplier of 8.3 – 10.4 based on the above value and appears reasonable.

Deduction for vacancy, real property taxes, insurance, repairs/maintenance, management and reserves would equate to a net income of ~\$12,850 to \$15,400. This would indicate capitalization rates of 6.0% - 7.3% based on the above value and appears reasonable.

HYPOTHETICAL MARKET VALUE ENCUMBERED BY PARKING EASEMENT

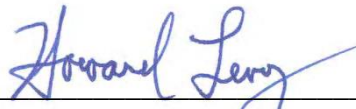
The client has also requested a hypothetical market value assuming that the entire subject property would be encumbered by an easement that restricts the use to public parking only. The subject is currently utilized for public parking and there would be no utility left after this encumbrance. The most probable buyer would place no value on the subject in this hypothetical condition and therefore;

The hypothetical market value of the fee simple estate of the property, assuming it is encumbered by an easement that restricts the use to public parking only, as of September 20, 2016, is estimated to be \$0.

CERTIFICATION OF HOWARD R. LEVY, MAI, AI-GRS

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 our 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 requirements under the continuing education program 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.



Howard R. Levy, MAI, AI-GRS
State of California Certified
General Real Estate Appraiser
OREA License Number AG003852
Expiration: August 30, 2018

QUALIFICATIONS OF HOWARD R. LEVY, MAI, AI-GRS

Education

University of Wisconsin - Madison

- Master of Science, Real Estate Appraisal and Investment Analysis
- Bachelor of Business Administration, Finance

Appraisal Experience

President of Ward Levy Appraisal Group, Inc., an independent real property valuation services firm (2014 – Present)

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

Senior Appraisal Associate 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)

Associate Appraiser with the independent real property valuation firm of Crocker Hornsby in Santa Rosa, California (1988 – 1995)

Associate Appraiser with the independent real property valuation firm of William L. Hafner, MAI, in Santa Rosa, California (1987 – 1988)

Twenty-nine years of experience that includes preparation of appraisal reviews, narrative, form and oral appraisal reports on unimproved lands, conservation easements, single and multi-family residential developments, affordable housing, PUD subdivisions, professional and medical office buildings, retail buildings, shopping centers, light and heavy industrial buildings, restaurants, senior care facilities, funeral homes, resorts, lodging, movie theaters, feasibility and marketability analysis for lending, sale, estate, legal and eminent domain purposes.

Qualified as an expert witness before the Superior Court of California and the United States Bankruptcy Court.

Professional Membership

Designated Member of the Appraisal Institute (MAI)
Appraisal Institute General Review Specialist (AI-GRS)
Continuing Education Requirements Completed

Licensure

California Certified General Real Estate Appraiser, License AG003852, Expires August 30, 2018

Exhibit "A"
RIGHT OF WAY VACATION

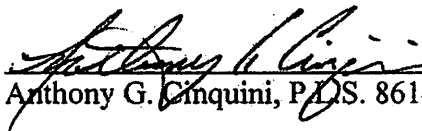
Lying within the City of Santa Rosa, County of Sonoma, State of California and a being portion of Donahue Street as shown on the Map of Boyce's Addition to City of Santa Rosa filed in Book 1 of Maps, Page 17, Sonoma County Records and as shown on the Record of Survey of the Lands of Wester Farm Properties filed in Book 695 of Maps, Page 36, Sonoma County Records, respectively, said portion is more particularly described as follows:

Commencing at the northwest corner of the lands of Railroad Square Village, LLC as recorded under Document Number 2015-185858, Sonoma County Records, said corner being the intersection of the southerly line of West 9th Street and the easterly line of Donahue Street as shown on said Record of Survey; thence along the easterly line of Donahue Street, South 29°29'36" East 18.35 feet to the POINT OF BEGINNING; thence continuing along said easterly line, South 29°29'36" East 758.08 feet; thence leaving said easterly line, South 60°30'24" West 24.70 feet; thence North 29°29'36" West 758.08 feet; thence North 60°30'24" East 24.70 feet to the POINT OF BEGINNING.

Containing 18,725 Square Feet more or less

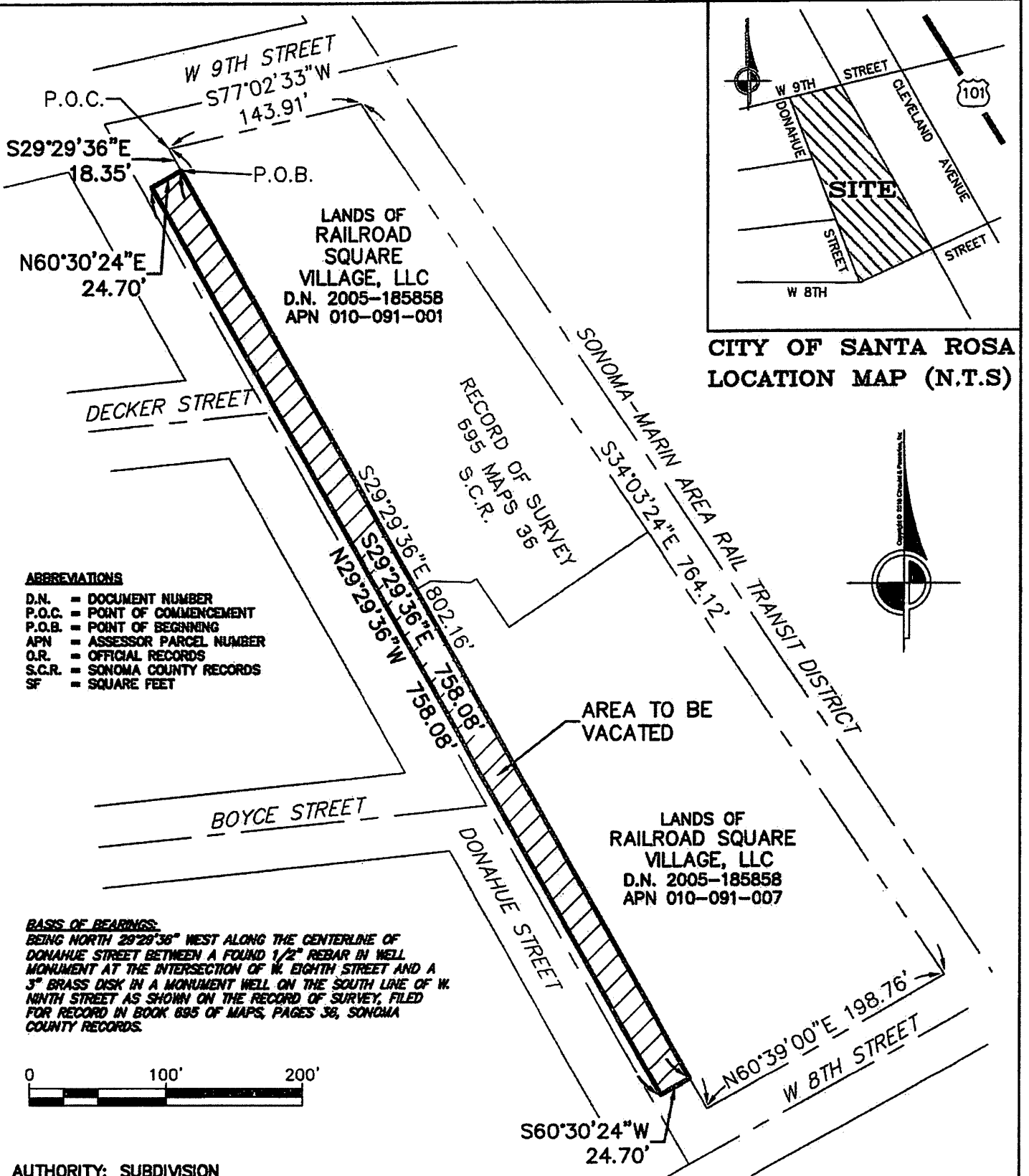
R-Sheet No.: _____

Prepared by Cinquini & Passarino, Inc.


Anthony G. Cinquini, P.L.S. 8614



March 24, 2016
Date



**CITY OF SANTA ROSA
LOCATION MAP (N.T.S)**

C:\UDT\6950\dwg\6950 ROW Vacation R-Sheet.dwg
 Mar 24, 2016 - 2:39pm

OWNER AND MAILING ADDRESS		PROPERTY AREAS		CITY OF SANTA ROSA		
RAILROAD SQUARE VILLAGE, LLC P.O. BOX 1316 SONOMA, CA 95476		ORIG PARCEL: 131,012± SF ROW VACATION 18,725± SF RESLT. PARCEL: 149,737± SF		VACATION OF RIGHT OF WAY CITY OF SANTA ROSA TO RAILROAD SQUARE VILLAGE, LLC		
A.P. No. 010-091-007,010-091-001				Scale: 1"=100'		Date: 3/24/16
O.R. No. D.N. 2005-185858		CITY ACQUISITION DEED		DWN. CHK.	APPROVED	FILE NO.
ADDRESS 808 DONAHUE STREET		O.R. _____				
						R.-