

APPRAISAL REPORT

**TENANT ACTIVITY BUILDING
AND ADJACENT LAND
6901-6921 LINDA VISTA ROAD
SAN DIEGO, CALIFORNIA**

APPRAISED FOR

Jeff Zinner
Senior Project Manager
Civic San Diego
401 B Street, Suite 400
San Diego, CA 92101-4298

DATES OF VALUATION

Current: March 30, 2018
Retrospective: January 1, 2011

DATE OF REPORT

April 2, 2018

APPRAISED BY

Anderson & Brabant, Inc.
353 West Ninth Avenue
Escondido, California 92025

File No. 18-008

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April 2, 2018

Jeff Zinner
Senior Project Manager
Civic San Diego
401 B Street, Suite 400
San Diego, CA 92101-4298

**RE: Tenant Activity Building & Adjacent Land
6901-6921 Linda Vista Road
San Diego, Linda Visa, California**

Dear Mr. Zinner:

As requested, we have personally inspected and appraised the above-referenced property in the community of Linda Vista, City of San Diego, California. The subject involves a 52,708 square foot parcel improved with a 29,003 square foot, 1943 genre 800 Series Military Field House building, and a vacant 17,115 square foot vacant corner lot; both of which are zoned for commercial use. The purpose of our analysis is to estimate the market value of the fee simple estate in its "as-is" physical condition as of January 1, 2011, and as of March 30, 2018.

As agreed, our findings and conclusions are set forth in an Appraisal Report format as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). This report is intended to comply with the reporting requirements set forth under Standards Rule 2-2 (a) of USPAP. It has been prepared in conformance with the Code of Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute. Based upon our analysis, it is our opinion that the market values of the subject property, as of the dates referenced, are as shown below.

MARKET VALUE – FEE SIMPLE INTEREST - January 1, 2011: \$2,149,000

MARKET VALUE – FEE SIMPLE INTEREST -March 30, 2018: \$2,815,000

The opinions of value expressed herein are subject to certain assumptions and limiting conditions as set forth in the attached report. A description of the subject property and discussions of the data and analyses that support the value conclusions are also included in the report.

Respectfully submitted,

ANDERSON & BRABANT, INC.



Stephen J. Beck
Certified General Real Estate Appraiser
BREA Appraiser No. AG002799



William B. Anderson, MAI, SRA
Certified General Real Estate Appraiser
BREA Appraiser No. AG002315

6901-6921 Linda Vista Road, San Diego, CA

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EXECUTIVE SUMMARY

Location: 6901-6921 Linda Vista Road
San Diego, Linda Vista, California

Assessor's Parcel Nos.: 431-320-19 & 15

Owner of Record: City of San Diego

Land Description:

Size: APN 431-320-15-00: 17,115 square feet
APN 431-320-19-00: 52,708 square feet

Zoning: CC-2-3, Community Commercial, City of San Diego

General Plan: Linda Vista Community Plan, Community Commercial

Flood Zone: According to FEMA Map Community Map Panel No. 06073C01616G, dated May 16, 2012, the subject is located within Flood Zone X, an area determined to be outside of the 500-year floodplain. Flood insurance is not required in Zone X.

Seismic Hazard: None known

Topography: Level at street grade.

Access: APN 431-320-15-00: North side Comstock Street
APN 431-320-19-00: East side Linda Vista Road

Utilities: All utilities are available and connected to the property.

Improvements: A 29,003 square foot 800 Series Military Field House originally constructed in 1943 as a community center and subsequently used as a grocery store, and a skating rink plus multi-tenant retail spaces. This building was listed on the National Register of Historical Places in May 2011. The adjacent parcel 431-320-15 was previously improved as a gas station but is currently unimproved.

Interest Appraised: Fee Simple

Highest and Best Use: New Commercial Development

Dates of Value: January 1, 2011
March 30, 2018

Date of Report: April 2, 2018

Estimated Market Value: **March 30, 2018: \$2,815,000**

Estimated Market Value: **January 1, 2011: \$2,149,000**

Exposure Time: 12 months

Special Assumptions: (see page 2)

ASSUMPTIONS AND LIMITING CONDITIONS**This appraisal is subject to the following special assumptions and limiting conditions:**

1. This is an Appraisal Report, which is intended to comply with the reporting standards set forth under the Uniform Standards of Professional Appraisal Practice for an Appraisal Report. The report presents summary discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraisers' opinion of value. In some instances, supporting documentation concerning data, reasoning, and analyses has been retained in the appraisers' file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraisers are not responsible for the unauthorized use of this report.
2. An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The use of an extraordinary assumption might have an affect on value. For purposes of this analysis we have assumed that the two, separate legal subject parcels, APN 431-320-15-00 and APN 431-320-19-00 would be marketed and sold as a single property. Additionally, for purposes of the valuation we have assumed that in order to achieve the subject's highest and best use, the existing improvements must be demolished. Our report also acknowledges the prior use of the property as a gasoline station, which has been demolished with hazardous waste remediation. It was reported to us that an hazardous waste analysis concluded that remediation to remove metal impacted soil likely will not be required if soil is not exported from the site. However, any soil impacted with petroleum hydrocarbons encountered during redevelopment will require appropriate handling and/or disposal. This appraisal analysis is predicated on the assumption that no significant amount of hazardous waste of any kind remains in the subject soils that would result in a loss in value.

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

1. It is assumed that information furnished to us by our client, including maps, cost estimates, and legal descriptions, is substantially correct.
2. No responsibility is assumed for matters legal in character, nor do we render an opinion as to title, which interest is assumed to be held as the fee simple estate as of the date of valuation unless otherwise specified.
3. It is assumed that the property is readily marketable, free of all liens and encumbrances except any specifically discussed herein, and under responsible ownership and management.
4. Photographs, plats, and maps furnished in this appraisal are to assist the reader in visualizing the property. No survey of any property has been made and no responsibility has been assumed in this matter.
5. It is assumed that there are no legitimate environmental or ecological reasons that would prevent the continued use of the property or orderly development of the land as though vacant to its highest and best use under economically feasible conditions.

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6. We are not qualified to detect hazardous waste and/or toxic materials. Any comment by us that might suggest the possibility of the presence of such substances should not be taken as confirmation of the presence of hazardous waste and/or toxic materials. Such determination would require investigation by a qualified expert in the field of environmental assessment. The presence of substances such as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property.
7. Our value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value unless otherwise stated in this report. No responsibility is assumed for any environmental conditions, or for any expertise or engineering knowledge required to discover them. Our descriptions and resulting comments are the result of the routine observations made during the appraisal process. However, given the historical use of the subject it is recommended that an environmental assessment be completed. Should any contamination or other environmental issues be identified it could affect our opinion of value.
8. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom it is addressed and the identified intended users without the written consent of Anderson & Brabant, Inc., and in any event, only with proper written qualification and only in its entirety.
9. Disclosure of the contents of this appraisal report is governed by the by-laws and regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication without prior written consent and approval of Anderson & Brabant, Inc.
10. The submission of this report constitutes completion of the services authorized. It is submitted on the condition that the client will provide the appraisers customary compensation relating to any subsequent required depositions, conferences, additional preparation or testimony.
11. The valuation estimate is of surface rights only and the mineral rights, if any, have been disregarded. No warranty is made as to the seismic stability of the subject property.

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APPRAISER'S CERTIFICATE

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

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



Stephen J. Beck
Certified General Real Estate Appraiser
BREA Appraiser No. AG002799

April 2, 2018
Date

6901-6921 Linda Vista Road, San Diego, CA

APPRAISER'S CERTIFICATE

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

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



William B. Anderson, MAI, SRA
Certified General Real Estate Appraiser
BREA Appraiser No. AG002315

April 2, 2018
Date

INTRODUCTION

IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is located at the northeast corner of Linda Vista Road and Comstock Street in the community of Linda Vista, addressed as 6901 to 6921 Linda Vista Road, San Diego. The appraised property is comprised of two adjacent legal lots which originally were parts of the same property known as the Tenant Activity Building, an arch-clear-spanned 800 Series Military Field House building originally built in 1943 for use as a community center. The building was subsequently used as a grocery store with perimeter retail units and is now a skating rink with multi-tenant retail spaces. The subject includes a vacant parcel that was originally part of the Tenant Activity Building property, but was subdivided from the original site, sold to private ownership, and was developed to a gas station which has been torn down. These two adjacent properties have been utilized for many years as separate commercial uses but could easily function together as a single property.

Legal Description

The subject can be legally described as portions of Lot 5, Block 54 of Linda Vista Unit No. 1, in the City of San Diego, County of San Diego, State of California, according to Map Thereof No. 2883 on file in the office of the County Recorder of San Diego County, July 2, 1952.

Ownership

According to public records, title to the subject is vested in the City of San Diego.

PURPOSE OF THE ASSIGNMENT

The purpose of this appraisal assignment is to estimate the market value of the subject property based on certain assumptions and limiting conditions as set forth in this report. **Market Value** is defined as follows:

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

1. Buyer and seller are typically motivated;
2. Both parties are well-informed or well-advised, and each 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 United States dollars or in terms of financial arrangements comparable thereto; and
5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”¹

¹ *The Appraisal of Real Estate*, 14th ed. (Chicago: Appraisal Institute, 2013), p. 59

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ESTIMATED EXPOSURE PERIOD

The final value estimates reflect a reasonable exposure time for the subject property under the indicated valuation scenario of up to 12 months. According to the Uniform Standards of Professional Appraisal Practice, Exposure Time is defined as 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.

EFFECTIVE DATES OF VALUE

The opinions of market value expressed herein are January 1, 2011 and March 30, 2018.

DATE OF REPORT

The date of this appraisal report is April 2, 2018.

INTENDED USE AND USER

It is understood that the appraisal report will be used by the client, Mr. Jeff Zinner and other agents of Civic San Diego and the City of San Diego, and their designated parties, for purposes of setting an appropriate marketing price for the subject property. Any other party who may obtain this report is not an intended user. We are not responsible for unauthorized use of this report.

PROPERTY RIGHTS APPRAISED

The property rights appraised by this report are the **Fee Simple Estate**, defined as follows.

"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."²

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The use of an extraordinary assumption might have an affect on value. For purposes of this analysis we have assumed that the two, separate legal subject parcels, APN 431-320-15-00 and APN 431-320-19-00 would be marketed and sold as a single property. Additionally, for purposes of the valuation we have assumed that in order to achieve the subject's highest and best use, the existing improvements must be demolished.

HYPOTHETICAL CONDITIONS

Hypothetical conditions are known to be false, but are presumed to be true for the purpose of reasonable analysis. No hypothetical conditions were considered in our analysis.

² *The Dictionary of Real Estate Appraisal*, 6th ed. (Chicago: Appraisal Institute, 2015), p. 90

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SCOPE OF WORK

The indicated value expressed in this appraisal report reflects the property condition as it physically, legally, and economically existed on the effective dates of value. In preparing this appraisal, we took the following steps.

- The first step in the analysis was to conduct a preliminary survey of the subject property and surrounding area in order to more accurately define the appraisal problem and identify the methods and techniques necessary to accomplish the objective of this appraisal report. Legal aspects of the subject property were investigated regarding its potential uses within the context of its surrounding area.
- The general area was inspected for the purpose of identifying those specific boundaries within which data that could be considered relevant to this analysis would most likely be located. The intent of this inspection was also to identify physical conditions, neighborhood development trends, and other factors that affect real property value in the subject area.
- A detailed search of the primary competitive market area of the subject was performed in order to collect relevant and comparable sales data. Sources of data included the County Recorder's office, various market data services, published reports, and personal contacts. These data were confirmed with principals, their representatives, or agents. In order to obtain a thorough understanding of real estate market trends in the subject area, interviews were conducted with local market participants and real estate agents.
- On the day of inspection, the subject land and building were inspected, measured and photographs were taken. The estimated square footage of the subject improvements is based on this inspection, information provided by the client, and old copies of the original plans.
- The three traditional approaches to value include the Cost, Sales Comparison, and Income Approaches. Of these three, the Sales Comparison Approach and the Income Approach were considered relevant methods of determining the highest and best use of the subject property. Upon determination of highest and best use of the subject as being reflected by its land value only, the Sales Comparison Approach was deemed the only applicable method of appraisal of the subject property.
- The final step entailed the organization and drafting of the appraisal report.

REPORT OPTION

This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice (USPAP). It presents summary discussions of the data, reasoning and analyses that were used in the appraisal process to develop the appraisers' opinions of value.

PRIOR APPRAISAL SERVICES

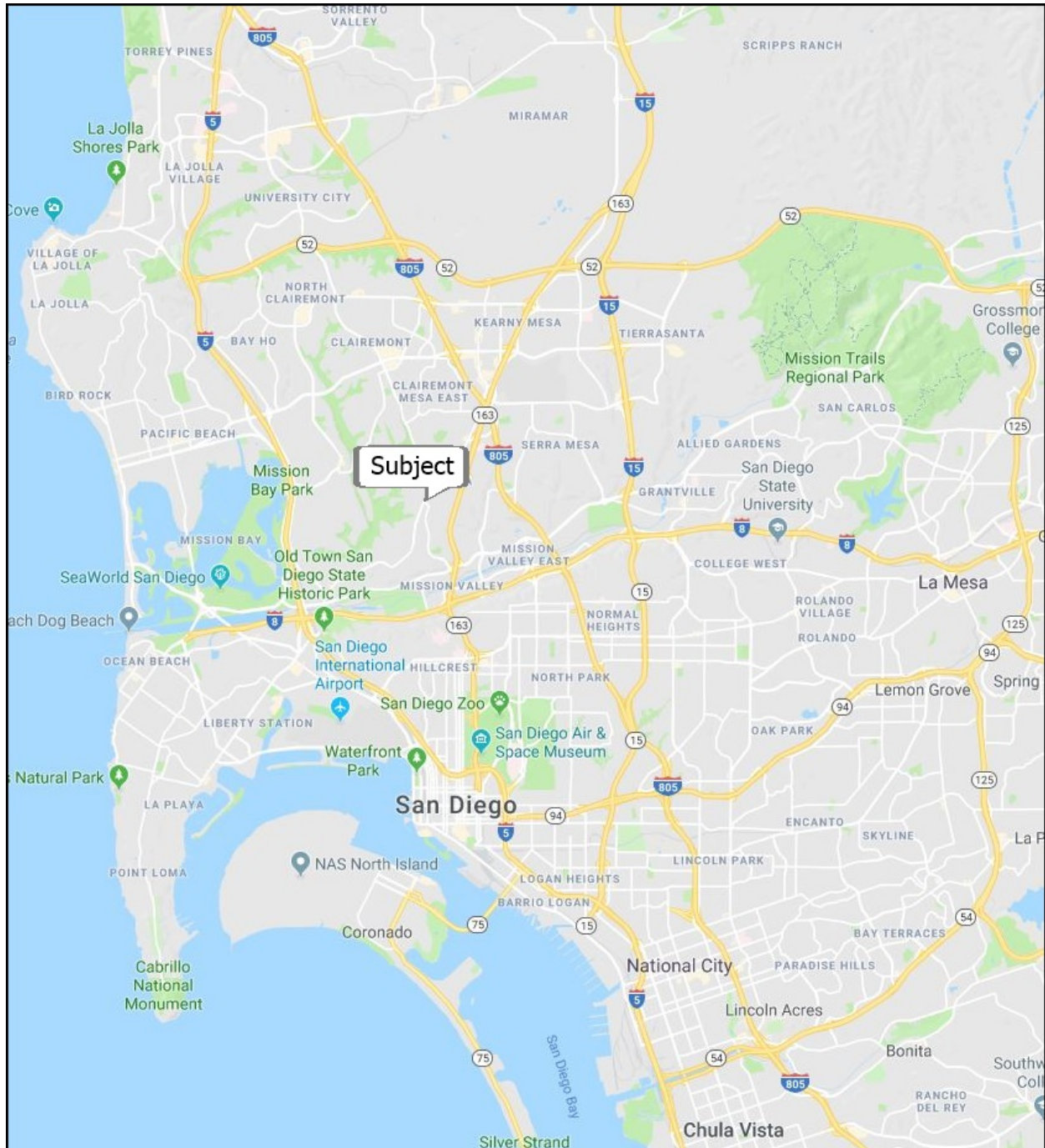
We have not performed an appraisal of the subject property within the past five years.

SALES HISTORY OF THE SUBJECT PROPERTY

The subject property has not transferred in the five years prior to the date of value. It is not currently listed for sale.

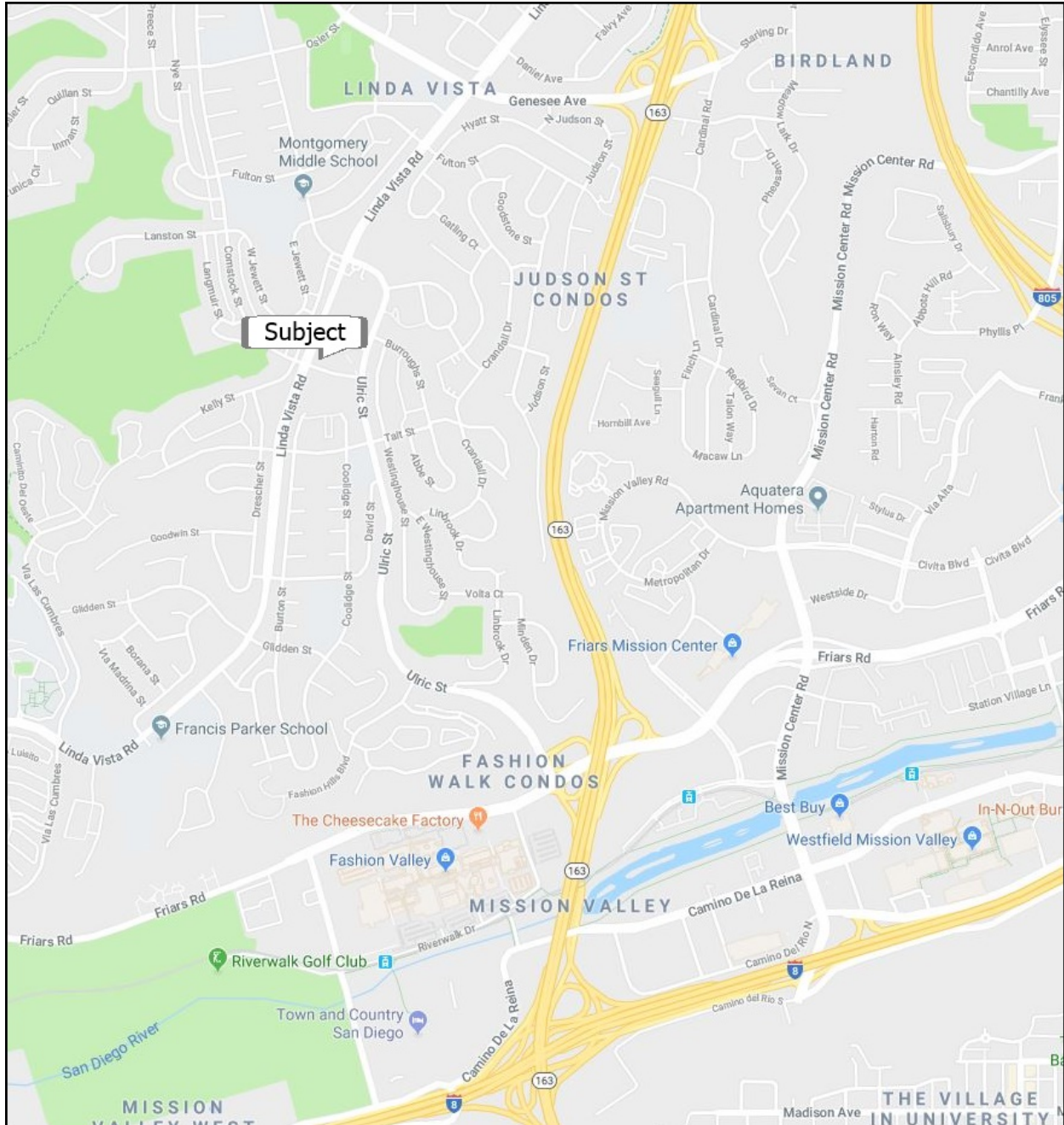
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Regional/City Location Map



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Community Location Map



LOCATION DESCRIPTION**LOCATION DESCRIPTION****County/City Region**

The subject property is located in the City of San Diego/San Diego County Region. San Diego County is located in the extreme southwesterly corner of the United States and is bordered by the Pacific Ocean to the west, the California/Mexico border to the south, Orange and Riverside Counties to the north, and Imperial County to the east. San Diego County is the second largest county in the State of California, based on population. It includes the State's second most populous city; and offers such geographic features as mountainous regions of the Cleveland National Forest, the Anza Borrego Desert, the International Border with Mexico, and over 50 miles of Pacific Ocean coast line. These features, and the area's temperate year-round climate, are among the County's major attractions. Most of the County's population is located along the coastal region, inland valleys, and foothills, within approximately 25 to 35 miles of the ocean. The mountains and deserts are only sparsely developed and populated.

The San Diego region has enjoyed steady population growth. Between 1985 and 1990, the population increased 19.21 percent. This increase slowed dramatically between 1990 and 1995 to only 9.71 percent. Annual population growth rates between 1984 and 1991 were in the range of 2.3 to 3.8 percent annually while between 1992 and 2014, annual growth rates increased by more than 2.1 percent in only one annual period. As of January 1, 2017, the San Diego region reflected a population of 3,316,192, whereas the population of the City of San Diego was 1,406,318.

Once primarily thought of as a Navy town, San Diego now has a very diverse economy with expanding service and retail sectors. The economy within the San Diego region has improved since experiencing a global financial crisis, considered the worst of its kind since the Great Depression. However, times have changed and we are in the midst of an economic recovery. The stock market has reached record highs. Home values have been increasing, as have apartment and home rental rates. Optimism in this growing economy is further evidenced in notably improved employment statistics. Based on statistical data from the California Employment Development department, the unemployment rate in San Diego County in November 2017 was 3.3 percent. This is an improvement over the rate of 4.3 percent one year earlier, and it represents a continuing annual improvement over the past seven years when the November unemployment rate reached 10.9 percent in November 2010. The San Diego County unemployment rate in November 2017 was below both the state level of 4.6 percent and the national rate of 4.1 percent.

The University of San Diego publishes an Index of Leading Economic Indicators for the San Diego regional economy. The index had posted positive numbers from April 2003 up to March 2006 when it peaked at 144.2. The Index declined nearly every month thereafter until March 2009 when it reached 100.7. Since March 2009 the index has increased every month, reaching a recovery high of 150.8 in January 2018, the most recent figure available. From an economic standpoint, the outlook for the future of San Diego County appears positive.

COMMUNITY DESCRIPTION

The subject property is located in the Linda Vista Community Planning area. The Linda Vista Community comprises about 2,400 acres and is bounded on the south by Friars

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Road, on the west by Interstate 5, on the north by Tecolote Canyon and Mesa College Drive, and on the east by State Route 163. Linda Vista is a primarily residential community with distinct neighborhoods. It is centrally located near Centre City, Mission Valley, and Mission Bay, with easy freeway access and a street system with relatively good traffic flow. Despite its strategic location, Linda Vista has remained a low to medium density residential area; and aside from the Morena Industrial District, its immediately surrounding area, and several large educational institutions, it is not a major employment center for the City.

Based upon information in the Linda Vista Community Plan the community is projected to experience moderate growth over the next twenty years. Increases in residential density will occur primarily in the central area of the community. This increase will occur through the redevelopment of existing parcels, rather than through the development of raw land. New residential development will be accompanied by adequate parking and landscaping, and by commensurate improvements to the community including a library, parks, roads, and other public facilities. The neighborhood has a wide range of zoning areas from single-family residential to industrial zones. The majority of the commercial uses are concentrated mainly along Linda Vista Road as well as east of the University of San Diego. All industrial properties are located along the southwest portion of the specific plan area which provides easy access to Interstate 5.

The Linda Vista Planning Area has 16 distinct residential neighborhoods. The subject property is surrounded by Neighborhood 4, Central Linda Vista. This large and diverse area is the center and heart of Linda Vista. It extends along the original street network established in the 1940s, centering on Linda Vista Road, the central spine of the community. Much of the housing remains the original housing of the 1940s, including single-family, duplex, and small apartment buildings. This neighborhood is, for purposes of analysis, divided into five sections. Section 4A, located west of Linda Vista Road along Ulric and Comstock Streets, has a mixture of single-family homes and duplexes, with the occasional two-on-one or triplex. Section 4B, surrounding Linda Vista Community Park, contains mostly four- and six-unit apartment buildings which date to the 1940s. The units are arranged as garden apartments, in a U- or X-shape surrounding a central open area. Section 4C, which runs south of Genesee and east of Linda Vista Road, contains single-family homes and duplexes. Section 4D has a wide variety of housing types, ranging from single-family homes and duplexes to large apartment buildings. The highest densities occur east of Linda Vista Plaza. Section 4E is predominantly single-family, with duplexes in the Drescher Street area.

There are about 155 acres of commercially-designated land in Linda Vista, and about twenty acres of land designated for industrial use. The majority of the commercial acreage occurs in the Morena and Linda Vista Plaza areas. Several sites scattered throughout the community are also designated for commercial use. The industrial acreage is exclusively in the Morena area.

The two major commercial areas in Linda Vista are the Morena general commercial area and Linda Vista Plaza (subject neighborhood). The Morena area serves a regional as well as local market, and has a concentration of businesses related to home furnishings and home improvement. There are also numerous warehouse and distribution facilities, as well as some light manufacturing, automobile repair, and materials storage businesses in that area. Linda

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Vista Plaza, located in central Linda Vista, is a shopping center containing an Asian food market, chain drug store, and several smaller shops and restaurants. Augmenting the plaza are commercial uses immediately to the north along the east side of Linda Vista Road.

IMMEDIATE AREA DESCRIPTION

The subject is located at the south end of the block comprising the Linda Vista Plaza shopping center. This shopping center is occupied by several Asian markets and other small retailers and restaurants as well as a Rite Aid drugstore. The subject is not a part of this shopping center, but lies immediately adjacent to its parking lot at the northeast corner of Linda Vista Road and Comstock Street. There is no vehicular access from the shopping center's parking lot to that of the subject's front parking lot. The closest tenant to the subject within the Plaza is a Yum Yum Donuts store in a satellite building. The Linda Vista Public Library parking lot lies immediately adjacent to the east of the subject. Although there is a connecting drive between the Linda Vista Plaza and the Library this does not appear to represent legal vehicular access to the east side of the subject building or to the parking spaces in that area.

Immediately south of the subject building is the subject vacant parcel, which is located at the northeast corner of Linda Vista Road and Comstock Street. Adjacent to the east of the vacant parcel is a self-service car wash and a convenience store/dry cleaner. South and across Comstock Street from the subject is a San Diego Fire Department Station and United States Post Office. Diagonally across the traffic lighted intersection of Linda Vista Road and Comstock Street is the Bayside Community Center, and west across Linda Vista Road are the Morley Street Apartments.

Some of the specific goals of the Linda Vista Community Plan are to enhance commercial usage of the Linda Vista Plaza area, to reinforce the commercial area around the Plaza as the community center and to create safe and pleasant pedestrian linkages between the Plaza and the surrounding residential neighborhoods. The construction of apartments in areas designated for commercial use should be permitted, except in the Linda Vista Plaza block, where no residential uses should be permitted. In the commercial areas around the Linda Vista Plaza block, residential uses should be permitted above the ground floor or behind the street frontage. Residential-only projects should be permitted in areas designated for neighborhood commercial or office commercial uses. Given the trends in the immediate vicinity of the subject property and the goals of the Linda Vista Community Plan, it is anticipated that the area will remain a central commercial district augmented by community serving civic uses well into the foreseeable future.

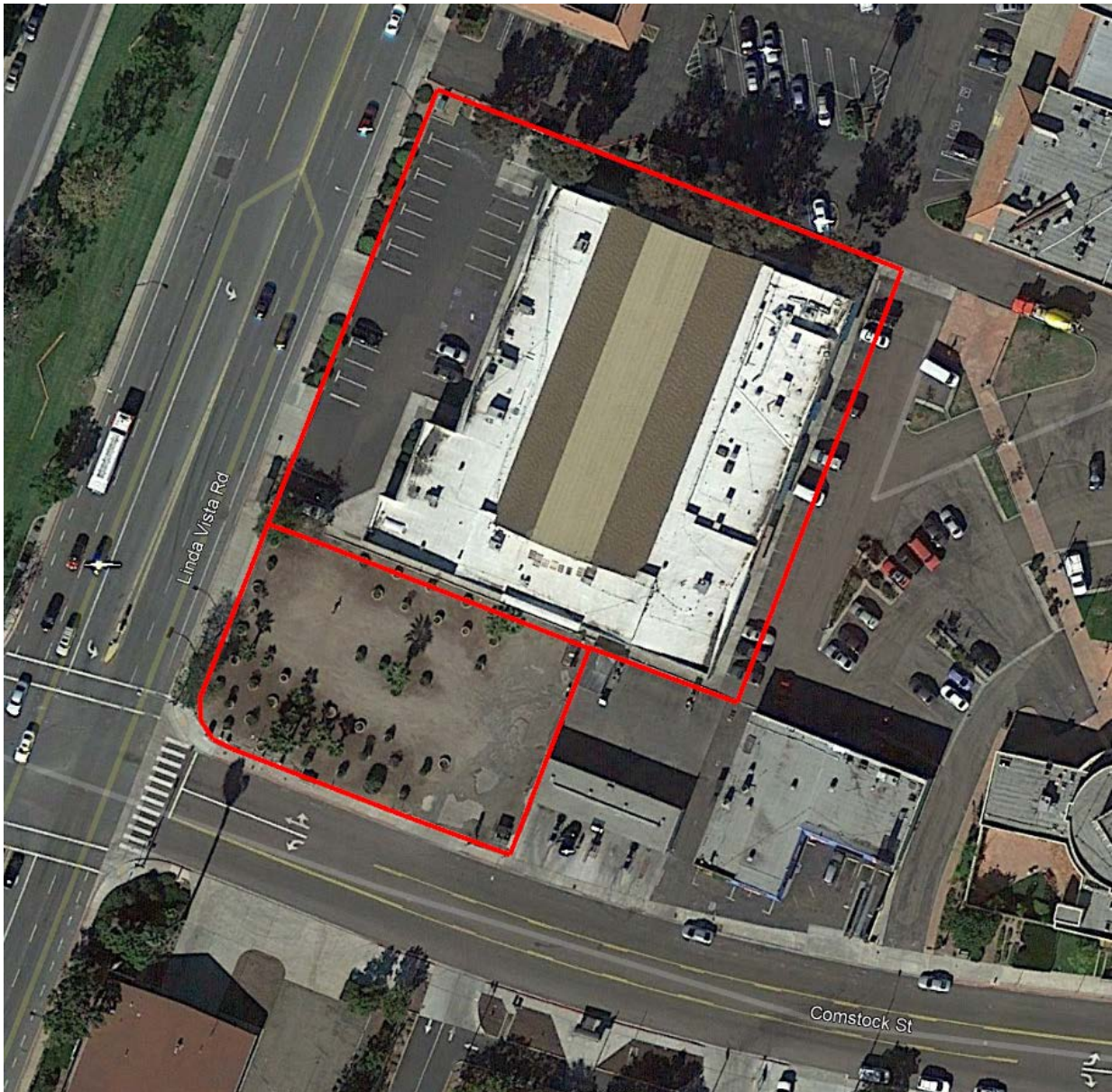
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AERIAL OF SUBJECT PROPERTY & SURROUNDING AREA



6901-6921 Linda Vista Road, San Diego, CA

DETAIL AERIAL OF SUBJECT PROPERTY



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PHOTOGRAPHS OF THE SUBJECT PROPERTY



Looking south along Linda Vista Road from the southwest corner of the subject vacant parcel.



Looking north along Linda Vista Road from the southwest corner of the subject vacant parcel.

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PHOTOGRAPHS OF THE SUBJECT PROPERTY



View looking east along Comstock Street from the southeast corner of the vacant subject lot.



View of the boundary line between the Linda Vista Shopping Center and the subject property.

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PHOTOGRAPHS OF THE SUBJECT PROPERTY



View along the north end of the subject building looking west.



The rear of the building at its interface with Linda Vista Shopping Center and library parking lot.

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PHOTOGRAPHS OF THE SUBJECT PROPERTY



Typical view of rear retail units off of the library parking lot.



Typical view of street frontage retail units.

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PHOTOGRAPHS OF THE SUBJECT PROPERTY



View of the main entrance to Skateworld.



View of the south end of the building across the adjacent vacant lot.

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PHOTOGRAPHS OF THE SUBJECT PROPERTY



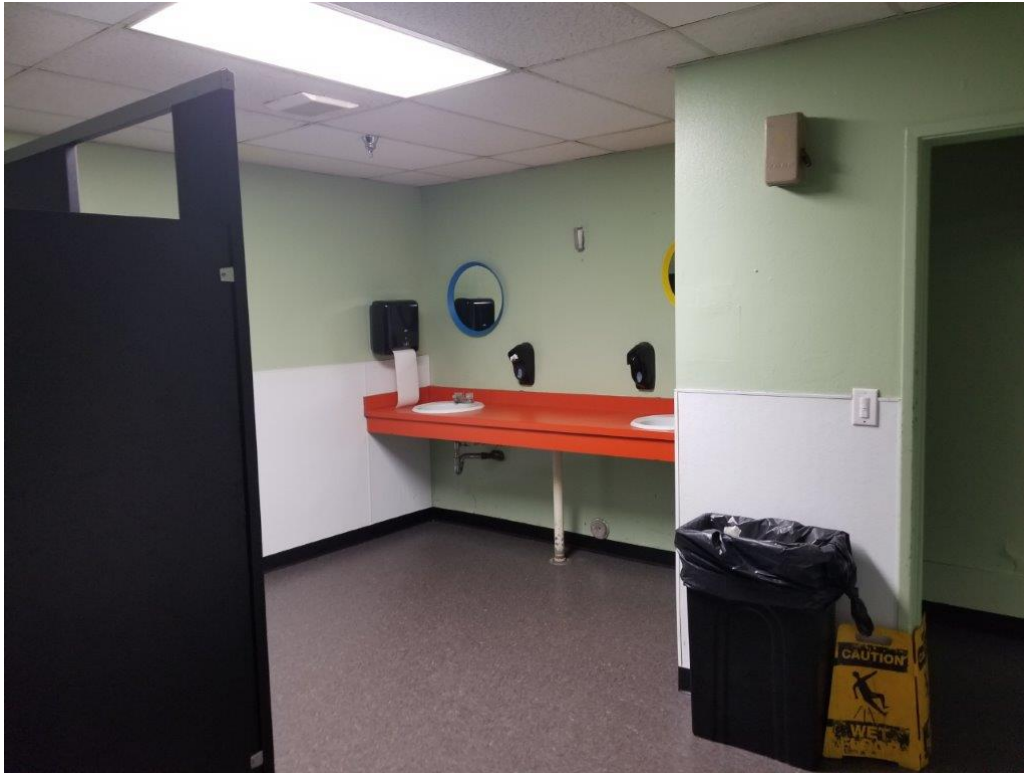
Typical open interior of eating/entertainment zone at Skateworld.



View of the barrel arched skating rink.

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PHOTOGRAPHS OF THE SUBJECT PROPERTY



Typical view of Skateworld restrooms.



Interior of Pizza Hut pick up lobby. The only newer tenant improvements in the building.

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PHOTOGRAPHS OF THE SUBJECT PROPERTY



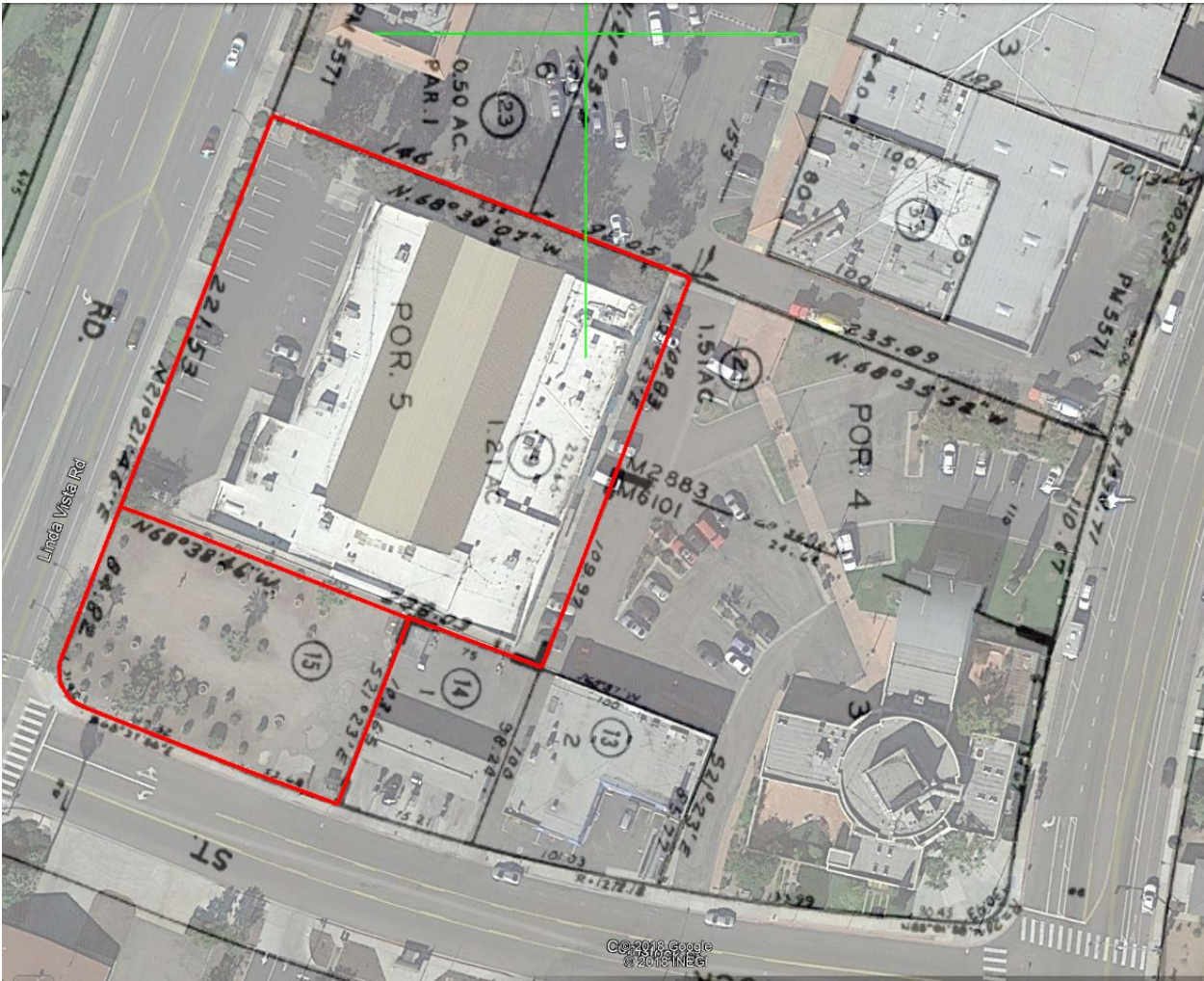
View along the north side of the building. Note interior of front corner hair salon.



Interior of rear corner Pho Hoa restaurant.

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ASSESSOR MAP AERIAL OVERLAY



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DESCRIPTION OF REAL ESTATE APPRAISED – 2018

SITE DESCRIPTION

Land Area/Shape

The subject property consists of two adjacent, but separate legal parcels. Both sites are essentially rectilinear; the building improved site being nearly square. The areas of the parcels under appraisal are summarized as follows.

Vacant Parcel:	APN 431-320-15-00: 17,115 square feet
Building Improved Parcel:	APN 431-320-19-00: 52,708 square feet

Topography/Drainage

The subject parcels have been finish graded. It appears that water runoff drains toward the adjacent streets and into the storm drain system.

Toxic/Hazardous Substances

No Phase I environmental report was available for our review. No evidence of hazardous waste spillage was observed during our inspection of the subject property. APN 431-320-19 has been improved with the same building since 1943 and used for civic and commercial uses resulting in a probable condition of being clean of hazardous waste.

APN 431-320-15 was improved with a gas station for many years that was torn down in the mid 1990's. It has been reported to us that in the *Letter Report of the Review of Phase II Environmental Site Assessment Reports, Review Historical Records, and Preparation of a Health Risk Assessment for the Property Located at 6901 Linda Vista, San Diego, California*, prepared by Environmental Business Solutions, Inc. in March 1999, the previous owners of the subject property conducted limited remedial actions in the cleanup of the site including the removal of three underground storage tanks before selling the property to the Former RDA. The County of San Diego Department of Environmental Health issued a letter of no further action regarding this property. However, some petroleum impacted soil remains at the site. Reportedly the *Phase I Environmental Site Assessment, 6901-6921 Linda Vista Road, San Diego, California*, prepared by Advantage Environmental Consultants, LLC in April 2011, and a follow-up *Phase II Environmental Site Assessment, 6901-5921 Linda Vista Road, San Diego, California 92111*, prepared by Advantage Environmental Consultants, LLC also in April 2011, assessed the subject property and adjacent property for elevated concentrations of metals. The report concluded that remediation to remove metal impacted soil likely will not be required if soil is not exported from the site. However, any soil impacted with petroleum hydrocarbons encountered during redevelopment will require appropriate handling and/or disposal.

This appraisal analysis is predicated on the assumption that no significant amount of hazardous waste of any kind remains in the subject soils that would result in a loss in value, however it is reasonable to assume that any buyer of the subject property would have an additional complete environmental study done to verify the need, if any, for further hazardous waste cleanup.

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Soils

No soils report was provided for this assignment. For purposes of this appraisal, it is assumed that the soil throughout the subject property possesses the potential bearing capacity that would allow for the development or redevelopment of the subject properties to their highest and best use or continued use as improved.

Utilities

All typical utilities including electricity, water, sewer, gas, telephone and internet are available and connected to the building improved parcel, and are available to the vacant parcel.

Access

The building improved parcel APN 431-320-19 has two curb cut/concrete drive ramps along the east side of Linda Vista Road that permits access to the subject's front parking lot. A connecting driveway between the Linda Vista Plaza shopping center and the Linda Vista Public Library parking lot and parking spaces that front the east side of the subject building are currently used by the patrons of the subject retail units on that side of the building. However, the subject's east boundary line runs through the center of these parking spaces, are contained only partially within the subject parcel and that the only physical access to them is through the library parking lot.

Easements & Encumbrances

We were not provided with a Preliminary Title Report for the subject property. It is an assumption of this report that there are no liens or easements in place that would have an adverse effect on the value or use of the subject property.

Land Use Designations and Controls**Zoning and Community Plan**

The subject is zoned CC-2-3, Community Commercial, by the City of San Diego. According to the City of San Diego zoning code, the purpose of the CC zones is to accommodate community-serving commercial services, retail uses, and limited industrial uses of moderate intensity and small to medium scale. The CC zones are intended to provide for a range of development patterns from pedestrian-friendly commercial streets to shopping centers and auto-oriented strip commercial streets. Some of the CC zones may include residential development. Property within the CC zones will be primarily located along collector streets, major streets, and public transportation lines. The subject's specific CC-2-3 is intended to accommodate development with an auto orientation. The Linda Vista Community Plan designation of the subject is also Community Commercial and suggests that development of such sites should provide retail and office, as well as automobile services and entertainment. Within the City of San Diego, onsite parking requirements for commercial uses varies, but typically ranges between 4 spaces/1000 SF GFA (retail) and 10 spaces/1000 SF GFA (restaurants). The maximum FAR allowed for commercial use is 2.0.

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Airport Influence Area

The subject property is also located within the Montgomery Field Airport Influence Area (AIA) and the jurisdiction of the County's Airport Land Use Commission (ALUC). It is the duty of the ALUC to prepare "compatibility plans" for airports within the County and to review land use plans, development proposals and certain airport development plans for consistency with the compatibility plans. In San Diego County, the ALUC function rests with the Board of the San Diego County Regional Airport Authority (SDCRAA). The Montgomery Field Airport Land Use Compatibility Plan (ALUCP) illustrates the various subzones impacting the property. Although the subject lies within Airport Influence Area it is not situated in an area of direct overflight, and is neither within the Approach Zone nor the Departure Zone or even the Traffic Pattern Zone. All properties located in the AIA Zone are either within Review Area 1 or Review Area 2.

The subject is located within Review Area 2 of the Plan of the Montgomery Field Airport's AIA. The AIA is the area in which current or future airport-related noise, overflight, safety, or airspace protection factors may significantly affect land uses or necessitate restrictions on those uses. Review Area 2 consists of locations beyond Review Area 1 but within the airspace protection and/or notification overflight areas depicted on the maps associated with its ALUCP. Limits on the heights of structures, particularly in areas of high terrain, are the only restrictions on land uses within Review Area 2. The recordation of overflight notification documents is also required in locations within Review Area 2.

With respect to new development, the subject's location within these zones necessitates evaluation of airspace protection compatibility in accordance with regulations enacted by the FAA and the State of California. Proposals for new construction on the subject property would require submittal of the proposed project to the ALUC for review and compliance with the ALUCP in accordance with FAA and State mandated regulations. It is pointed out that the initial development of the subject property occurred in 1943 at which time the airport was known as Gibbs Axillary Field and was under control of the United States Army Air Force. After the war the airport returned to civil control and was renamed Montgomery Field. The FAA has maintained an air traffic control tower at the airport only since 1965. Therefore, considering the date of construction of the subject improvements, its initial construction was not subject to ALUC review as any new proposal of development of the site would be today.

Historic Register Listing

In May 2011 the subject building and site were designated as being historically significant and added to the Register of Historical Resources as site No. 984. Any future redevelopment of the structure is expected to be conducted in accordance with the U.S. Secretary of Interior Standards for Rehabilitation of Historic Buildings. Within this context, rehabilitation is defined as the act or process of making possible a compatible use for a property through repair, alterations, and additions while preserving those portions or features which convey its historical, cultural, or architectural values. Rehabilitation acknowledges the need to alter or add to a historic property to meet continuing or changing uses while retaining the property's historic character. Proposals for redevelopment of the subject building would be expected to include qualified professional(s) to address the specific needs of the site due to these considerations. An approved development team will be required to complete a historical resources assessment report which conforms to the City of

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San Diego Historical Resources Board Historical Resources Technical Report Guidelines and Requirements (Appendix E, Part 1.2 of the City's Historical Resources Guidelines).

The subject's Historical Register listing does not, however, preclude major redevelopment, including entirely new development. The historical designation pertaining to the subject primarily relates to the retention of the building shell. According to City of San Diego Municipal Code §126.0505 entitled 'Findings for Site Development Permit Approval', it is possible to have a designated historical resource relocated to another site or substantially altered upon securing approval or conditional approval of a Site Development Permit to allow another use of the property that aligns with the underlying zoning. We were informed that substantial alteration could involve complete demolition and would require the owner to chronicle and register the building features through photographic means. Relocation of the building is highly unlikely due to its size and quality of the original construction.

Flood Zone

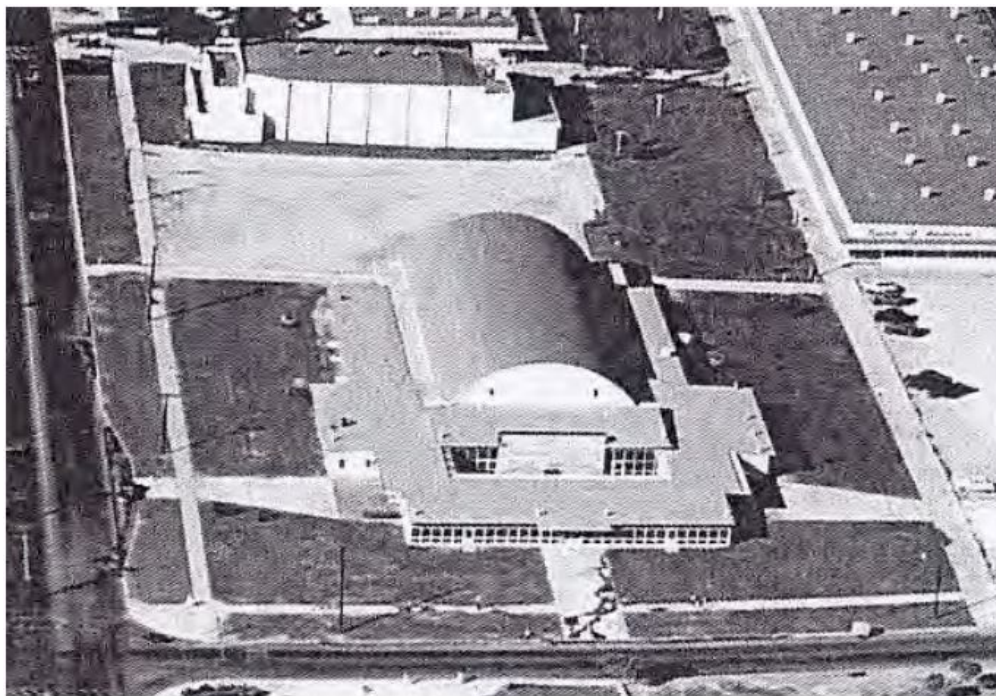
According to FEMA Map Community Map Panel No. 06073C01616G, dated May 16, 2012, the subject is located within Flood Zone X, an area determined to be outside of the 500-year floodplain. Flood insurance is not required in Zone X.

Earthquake Zone

The subject property is not within an Alquist-Priolo Earthquake Special Studies Zone. However, the site is located in an area prone to seismic events, a condition shared with other properties located in the Southern California area.

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HISTORICAL VS. CURRENT AERIAL OF THE SUBJECT PROPERTY



Aerial view of the subject property circa 1946.



Current Google Earth Aerial of the subject property.

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DESCRIPTION OF THE IMPROVEMENTS

All of the building improvements are contained within APN 431-320-19. The subject building was originally known as the Tenant Activity Building, an arch-clear-spanned 800 Series Military Field House built in 1943 for use as a community center for the Linda Vista Housing Project. The Linda Vista Housing Project was developed as a garden city in the 1940s through a series of WWII federal housing initiatives with the objective of constructing 3,000 dwelling units on 60-foot wide lots for more than 13,000 people. The Tenant Activity Building pre-dates the development of the Linda Vista Shopping Center adjacent to the north. Because it is located within the physical boundaries of the Linda Vista Shopping Center block, the Tenant Activity Building has in the past been erroneously identified as having been built as part of the shopping center complex. The Tenant Activity Building was constructed independent of the shopping center for the separate and distinct purpose of housing community activities and uses for tenants of the federally constructed Linda Vista Housing Project.

Typical of quickly constructed wartime housing developments, Linda Vista lacked local community services facilities or amenities including schools, shops, public services, grocery stores and recreational facilities. In 1941 an amendment to the Lanham Act provided for public works grants that could be used for the construction of community facilities. In June 1942 plans were prepared for the Tenant Activity Building, using temporary military construction methods, which commenced in August 1943 and were completed within 90 days. Part of the historical significance of the subject building is that it was a part of the 800 Series of structures designed and built by the United States military for the construction of temporary and permanent military facilities from 1941-1942. Typical specifications for the 800 Series Field House include steel or glue laminated timber trusses that ascend to a height of approximately 32' and that are installed approximately 20' apart, a building width (including single-story wings) of approximately 110', and a building length of approximately 155' (including any single-story wings).

The subject building was constructed in a 257' x 168' wood frame and stucco form by O.L. Carpenter for \$125,625. With a principal barrel vault roof, the building accommodated approximately 2,000 persons and featured a gymnasium, an auditorium, and a large social and recreation room (24' x 48') with two smaller activity rooms measuring 16' x 24' along with a game and recreation terrace. Additional elements of the building included offices at the perimeter; check rooms, a projection booth and storage space, lockers and showers, and a kitchen. A patio with an outdoor fireplace and an open courtyard was located at the southern end of the building, which was the original main entrance to the building. Other entrances were located on the southern portion of the east and west walls, with all entrances having concrete pathways that connected the building across wide expanses of lawn area to Linda Vista Road to the west, Comstock Street to the south and a parking lot to the east. An additional exit appears to have been located at the north elevation of the building. Consistent with the symmetrical nature of a Field House, the Tenant Activity Building was symmetrically built about the north/south axis with flat-roofed wings wrapping the east, west, and south walls of the centrally located barrel-roofed form. Historic aerial photographs, building records and permit applications disclose that the building retained its original form from 1943 to 1953 when the building was decommissioned as a federally owned building and was sold into private ownership. It is apparent that during this pre-private ownership period that the subject building was a part of a much larger parcel which appears to have included all of the land area south of the building all

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the way to Comstock Street (main entrance elevation) and all of the land east of the building all the way to Ulric Street (Linda Vista Library).

The building continued to function as a community center through Fall 1953 when it was closed, subsequently sold to private ownership and reopened as a supermarket. Supermarkets and chain grocery stores continued to occupy the old Tenant Activity Building through 1976 including Roy's Markets, Inc. in 1961, Alpha Beta Acme Markets from 1962-1968, and Hometown Markets & Pharmacy from 1969-1973. Numerous changes were made to the building during this period, the most significant of which was the removal of the entire south courtyard building improvements between 1961 and 1965.

In 1975, the current main occupant, Skateworld moved into the building, prompting an interior remodel for use as a roller skating rink. One year after Skateworld moved in, the City of San Diego deemed the building as violating City of San Diego Building Codes, which required the occupant to install "X" bracing between ribs of the barrel-vaulted portion of the building or vacate the premise for non-compliance. In 1983, after eight years of occupying the building, Skateworld underwent an extensive remodel, stripping the Tenant Activity Building down to its shell and installing the proper features of a roller rink, such as a skate rental space, a pro shop, a game room, a snack bar, private offices, a mini-rink that is now a party area, and outward-facing retail shops that share the east and west walls of the centrally located, barrel-vaulted rink. Most of the modifications were made to the interior of the building, with few changes to the building envelope. Exterior changes included filling in the northeast corner of the building and adding an overhang to the new main entrance which is still located at the southwest corner of the building.

A paved parking lot with 27 spaces is located in front of the building's west elevation surrounded by perimeter landscaping. The wide lawn area and connecting sidewalks out to the original parking lot that were originally on the east side of the building are now gone, replaced by the Linda Vista Public Library. Although there are parking spaces fronting the subject's east/rear wall only about half of the area of those spaces are within the Tenant Activity Building's legal parcel and therefore, the subject has no legal access to these parking spaces. The subject's east property line is only about 15 feet from the east wall of the building inclusive of the perimeter sidewalk. Based on the 27 parking spaces of the subject's front parking lot the subject reflects a parking ratio of 0.93 spaces/1000 SF of GFA, which is far below the City's minimum parking requirements for onsite parking for any commercial use. These modifications to the original building were extant as of both January 2011 and the present.

As of the dates of valuation the subject building reflected a wood frame, concrete block and stucco exterior with contemporary storefront glass in metal frames on the west and east walls of the building. Total building area is reported as 29,003 square feet. The west and east wings of the building house several smaller retail tenants in unit sizes ranging from 756 square feet to 2,948 square feet with most of the small units occupying less than 1,400 square feet. We have reviewed several historical rent rolls and a rent roll from current management for the subject as well as the July 2009 leases (month to month leases). Other than one new lease for the Jiu Jitsu tenant (one-year lease) all leases, including that for Skateworld, are month to month. The individual square footages for each space were taken from the description of the leased premises in the leases. Skateworld, the dominant tenant, occupies 19,795 square feet according to their lease. The area includes the approximate 14,000 square foot barrel-vaulted, hardwood floor,

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single room skate rink plus single-story height retail, game, locker and office space. The interiors of all of the individual retail/service commercial units are typically demised with wood frame/drywall walls, dropped acoustical ceilings and various floor finishes.

It was reported to us that the roof of the building was either replaced or received substantial rehabilitation in the recent past. The quality and condition of the building is judged overall as average to, in some cases, significantly below average. The client has indicated to us that all of the vacant spaces at the rear of the building, which have been vacant for approximately eight years, are in below average condition with one of the spaces being in poor condition. Property management confirms this condition for these currently boarded up spaces, revealing that the unit in poor condition requires a new dropped ceiling among other items of rehabilitation. Property management revealed that new glass fronts are planned for the vacant units. These vacant spaces have no true commercial identity as they can only be observed from the library parking lot. One other space on the rear/east wall is located at the building's northeast corner facing the Linda Vista Plaza shopping center. Like the three vacant units there are no parking spaces in the immediate vicinity of this unit except for those in the Linda Vista Plaza parking lot or that of the Linda Vista Library.

The four tenants that do enjoy direct commercial exposure from Linda Vista Road are Skateworld, Pizza Hut (take-out only), Jiu Jitsu and Linda Hair Salon. The only space in the entire building considered to reflect interior improvements in good condition are those of the Pizza Hut pick-up which amounts to only a few square feet in a public pick-up area and a rear pizza kitchen. The exterior of the building reflects its 74-year age with some cosmetic attention. The parking lot, hardscape and landscaping is judged to be of average quality and condition. The following table summarizes the square footages for the existing and vacant tenant spaces as taken from the actual leases and historical rent rolls.

<u>Tenant</u>	<u>Entry Location</u>	<u>Square Feet</u>	<u>% of Total</u>
San Diego SkateWorld Center, Inc.	Front SW Corner	19,795	68.25%
Linda Hair Salon	FrontNW Corner	756	2.61%
Summit Pizza West, LLC	Front Inline	1,344	4.63%
12.22 Jiu Jitsu	Front Inline	816	2.81%
Pho Hoa Restaurant	Rear NE Corner	2,948	10.16%
Occupied		25,659	88.47%
Vacant Units	Rear Inline	3,344	11.53%
Total Leaseable Area		29,003	100.00%

REAL ESTATE TAXES AND ASSESSMENTS

The appraised property is owned by a municipal entity and is not subject to ad valorem taxation. The subject is located in tax rate area 008160, which reflects a current tax rate of 1.17432%.

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VALUATION – 2018

HIGHEST AND BEST USE

Highest and Best Use is an important concept in real estate valuation as it represents the premise upon which value is based. As used in this report, Highest and Best Use is defined as:

“The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability.”³

The conclusion of highest and best use is determined by social, economic, governmental and physical forces. The concept addresses the question of legally allowable, physically possible, economically feasible, and maximally productive uses. Potential alternative uses of the property must be considered in the highest and best use analysis. Once the legally allowable and physically possible uses have been identified, the economic viability of the various uses must be determined. The use is financially feasible if it provides a positive return to the land. The highest and best use is that use that provides the highest overall return.

As If Vacant

Legally Permissible and Physically Possible: The land under appraisal involves two adjacent rectangular legal lots that are located at a high identity, fully traffic light-controlled intersection. One is 17,115 square feet and the other 52,708 square feet. Both are level at adjacent public street grade, have all perimeter improvements including concrete curbs, gutters and sidewalks, have direct access to paved public streets, and are either already connected to or have immediate availability to all common utilities. The subject’s City of San Diego’s CC-2-3 zoning can accommodate a wide range of commercial and office uses, but precludes residential development. This zone’s 2.0 maximum FAR would permit a single-story building on the larger site (currently improved site) of 26,354 square feet as long as a parking ratio of between 4/1000 SF GFA and 10/1000 SF GFA could be accommodated. The maximum FAR would permit development of a single-story building on the smaller corner site up to 8,557 square feet assuming sufficient parking spaces. New development of the subject sites would also be within the jurisdiction of San Diego County Regional Airport Authority (SDCRAA) due to subjects’ location within the Montgomery Field Airport Influence Area (AIA). However, this land use overlay zone is not expected to impact potential development of the subject as it lies in the less airport-significant Review Area 2. Nevertheless, with respect to new development, the subject’s location within this zone would necessitate evaluation of airspace protection compatibility in accordance with regulations enacted by the FAA and the State of California. The subject has been listed on the National Historic Register, but this fact would not preclude major redevelopment, including entirely new development of the property if appropriate steps were taken to chronicle and document the building features through photographic means.

³ *The Dictionary of Real Estate Appraisal*, 6th edition. (Chicago: Appraisal Institute, 2015), p. 109

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Financially Feasible and Maximally Productive: The issue of economic viability primarily focuses on supply and demand characteristics of the local marketplace as it relates to land with and without development limitations. A maximally productive use is one that provides the greatest return or value. Typically, any proposed use that supports a positive land value is considered financially feasible. As of the 4th Quarter 2017 the total vacancy rate for the retail market in San Diego reflected an all-time low of only 3.78% and the asking NNN lease rate was \$1.81/square foot with total positive absorption of 1,639,889 square feet—all very strong indicators. Additionally, 833,923 square feet of new retail projects were completed in 2017. The current construction pipeline is being driven by infill projects with few development sites being pursued outside of the built-out areas of the County. With limited availability of vacant commercial sites left in the County commercial land values are at an all-time high. In the final analysis, it is our opinion that the highest and best use of both subject parcels as if vacant would be to some form of commercial use consistent with existing zoning.

As Improved

Legally Permissible and Physically Possible: The property under appraisal is currently improved with a 29,003 square foot commercial building that was originally constructed in 1943 as a community center. Approximately half of the existing structure is contained within the barrel-vaulted single-room space that has been used as a skate rink since 1975, but which was also used from the 1950's to the early 1970's as a supermarket. The balance of the building is contained within single-story east and west wings that are of mixed wood frame and concrete block construction with retail storefronts that are occupied by various retail tenants. The building as a whole is in average at best to below average condition. The original construction and most of the current configuration of the building is comprised of an historically listed 800 Series Military Field House. As such, in May 2011 the subject building was designated as being historically significant and was added to the Register of Historical Resources as site No. 984. Any improvements made in the future to the subject building would be required to conform to the U.S. Secretary of the Interior's Standards for Rehabilitation of Historic Buildings. However, provisions within this code also allow for another use of the property that aligns with the underlying zoning. We were informed that "substantial alteration" could involve complete demolition that would require the owner to chronicle and register the building features through photographic means.

Onsite parking for the building is contained in a single parking lot located at the front/west side of the building that provides 27 parking spaces. Based on the 29,003 square feet of building area located entirely within APN 431-320-19, the existing parking for the building reflects a parking ratio of only 0.93/ spaces/SF of GFA, which is far below the minimum parking ratio for commercial use required by the City of San Diego, as well as being significantly substandard for commercial uses in the subject's competitive market area. Even if the building improved subject parcel was combined with the adjacent vacant 17,115 square foot subject parcel APN 431-320-15 to provide a total site area of 69,823 square feet and approximately 48 parking spaces could be added to the larger project (at 350 SF/space) for a total of 75 parking spaces, the entire project would still reflect the relatively low parking ratio (for retail/commercial use) of only 2.59 spaces/1000 SF of GFA.

Financially Feasible and Maximally Productive: Although 74 years old, the subject property is improved with a building that has accommodated a variety of leased commercial uses

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for many years, up through the present. Notwithstanding this fact and the very strong condition of the current retail market, the subject's recent historical income and future income potential, as presently improved are relatively low. Our reviews of the current rent roll and income and expense statements over the past year have provided, in our opinion, the best source for estimation of the subject's potential gross and net incomes. As a rentable commercial building the subject is very unique in its market. Firstly, it is essentially three-quarters of a century old and was originally constructed with partially prefabricated wood frame materials using an 800 Series Field House design often used by the military for temporary structures. This is not a construction technique used for very long-term buildings, though it has functioned remarkably well for certain uses for probably much longer than originally intended. Since the early 1950's the property has had many tenants move in and out; while maintenance of the building has been average at best. Presently the leasable spaces are in average to significantly below average condition. Part of the reason for minimal upkeep of the building has been that its income has not supported sufficient maintenance expenditures. Our review of the recent historical income and expense statements provided to us by Hughes Property Management and discussions with Jamie Hughes, property manager, have provided us with what we feel is an accurate representation of the current income characteristics of the subject property. Given the non-market standard construction and unique tenancy of the subject including the fact that 68% of the leaseable space in the building is a 19,795 square foot windowless high ceiling volume space that houses a skating rink, the historical income and expense statements and historical operations represent the best insight into the income potential of the subject property.

Up until May 2009 the subject property was operated on relatively normal terms with typical three to five-year lease terms and NNN pass throughs, although it is our understanding that Skateworld was previously leased under a Percentage Lease Agreement. In 2009 the Redevelopment Agency converted all lease arrangements at the subject property to month to month agreements. The reason given for this rental basis conversion was to provide to the Agency "more control" over the site for proper maintenance and for an anticipated redevelopment of the property. Prior to the conversion, all but a single 1,316 square foot unit at the rear of the building was occupied. The rental rates offered by the Agency in 2009 to the tenants with commercial exposure ranged between \$1.82/SF/Mo. And \$2.08/SF/Mo. with provisions for NNN pass throughs on a pro-rata basis. The video store in one of the non-commercially exposed units at the rear of the building was offered the substantially lower rental rate of \$1.11/SF/Mo. Subsequent to the conversion, with the tenants now freed of actual leases, the property lost all of the tenants at the rear of the building that have no commercial exposure (Vien Tien Video & Binh Financial Services). All three of the rear/non-identity spaces have remained vacant up through to the present time (approximately eight years).

Beginning in approximately 2011 marketing and management of the building was performed by professional management groups, initially with Overland Pacific & Cutler (OPC), followed by Right Way Landscape Maintenance, then Hughes Management up through to the present. Over this period of professional management, the rents for the occupied retail units at the subject appear to have remained stagnant. Hughes Management has explained the reason for this as being partially due to the inability to offer normal three to five-year leases, the lack of sufficient onsite parking, the condition of many of the spaces and in the case of the rear units the lack of any commercial exposure. The rear units, lacking any direct commercial exposure, have always been difficult to rent even under joint City ownership of both the subject property and the adjacent library

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parking lot. The marketing potential of these spaces in the future, under assumed private ownership will be severely handicapped by the new owner's inability to extend parking rights for the parking spaces in front of those units that are located in the library parking lot. The current tenants depend heavily on illegal parking in the adjacent Linda Vista Shopping Center and the Linda Vista library parking lots.

This appraisal of the subject property assumes a partial cure of the subject's parking functional obsolescence, which would still result in an under parked condition. We have assumed that the 17,115 square foot adjacent vacant lot would be sold with the building improved parcel and developed as a paved, hardscaped and lighted parking lot. This parking expansion of the subject would supply an estimated addition of 48 parking spaces resulting in 75 parking spaces for the subject. With 75 parking spaces the subject's parking ratio would be 2.59 spaces/1000 SF GFA, which is still far under planning code and market standards. Nevertheless, this potential expansion of parking would constitute a very much needed minimal addition to the subject in order that it be marketed at the highest price possible inclusive of the existing building improvements.

In order for us to assess the value of the subject property assuming a continued use of the subject building versus that of its land value only, and to address its highest and best use as improved, we have analyzed the recent historical income and expenses and compared them to rents being achieved at the adjacent Linda Vista Plaza shopping center. Our analysis of the income and expenses reported by Hughes Management for the past eight months has resulted in a reasonable representation of total existing gross income and expenses despite certain inconsistencies revealed in the Rent Roll and "Linda Vista Cash Flows" for 2017 and 2018. The reconstructed Linda Vista Rent Roll supplied to us by Hughes Management with appraiser added "Occupied" column is shown below. The Rent Roll and Cash Flows represent the same recent historical indication of income and expenses that a prospective buyer of the subject would have to review for consideration of continued use of the land as presently improved.

Linda Vista Rent Roll

Exported On: 03/20/2018 07:45 AM

Properties: Linda Vista - 6905 Linda Vista Road San Diego, CA 92111

Units: All

As of: 03/01/2018

Unit	Tenant	Rent	Status	Occupied	Sq. Ft.
Linda Vista - 6905 Linda Vista Road San Diego, CA 92111					
6905			Vacant-Unrented		1,200
6907	San Diego SkateWorld Center, Inc.	9,769.25	Current	19,795	19,795
6909			Vacant-Unrented		1,412
6911	Summit Pizza West, LLC	3,049.36	Current	1,344	1,344
6913	12.22.Jiu Jitsu	1,650.00	Current	825	825
6915			Vacant-Unrented		1,023
6919	Linda Hair Salon	1,517.56	Current	756	756
6921	Pho Hoa Restaurant	5,917.66	Current	2,948	2,948
Total 8 Units		21,903.83	62.5% Occupied	25,668	29,303
			(5 of 8 spaces)	87.60%	

The "Rent" for each tenant reflected above is total rent per month inclusive of CAM charges. Base Rent is not separately itemized. The Hughes percentage "occupied" is simply the

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percentage of rented number of units, not the percentage of leased square footage. The square footages of the occupied units is roughly consistent with prior known rent rolls (reported by the Redevelopment Agency). However, the square footages listed above for the vacant spaces are different than those reported in previous rent rolls adding 300 square feet to the 29,003 square feet of total square footage for the building above that which has been consistently reported by City agencies for many years. The property manager indicated that the square footages listed in his rent roll could be incorrect. This is a minor difference of only about one percent. For purposes of this appraisal we have utilized the long-standing operational square footage of the subject building of 29,003 square feet.

Our review of the Hughes Management Cash Flows revealed Total Operating Income per month (inclusive of CAM) that varied only slightly over the past 8 months, regardless of significant fluctuations in total operating expenses. The total monthly income inclusive of CAM as shown above as “Rent” of \$21,903.83 was reported exactly the same for five of the eight past months with minor differences for three months, inconsistent with the amount of total expenses in those months. Although we have serious issues about the way in which income and expenses are being managed and reported, we are fairly confident that the total amounts of received income and operating expenses are reasonably accurate. Our analysis of the Cash Flows for the past eight months revealed that the average monthly income inclusive of CAM has been \$22,007 per month, only slightly different than reflected as “Rent” in the Rent Roll. Our review of the operating expenses per month over the past eight months revealed that monthly expenses varied from \$4,118 to \$8,030 per month, averaging \$6,708 per month. In several of the past eight months where expenses have been significantly higher than the average, the same \$21,903.83 shown as “Rent” in the Rent Roll was reported, indicating that not all operating expenses are being passed through to the tenants as is provided for in the rental agreements. Our interviews of the property manager confirmed that the reported total received incomes and amounts of operating expenses are accurate. However, what was also revealed is that the current administration of the rental agreements does not actually “pass through” actual expenses.

The property manager revealed that he has continued to administer the operation of the subject as did his predecessor. Reportedly, rather than monthly pass throughs of actual expenses a “constant” CAM rate was estimated and was and still is charged at the same rate every month. The base rents for each tenant as shown on the original month to month rental agreements are utilized and a constant CAM rate of \$0.15/SF is charged on a pro-rata basis. This non-market method rent administration results in the current total monthly rent norm as previously identified as \$21,903.83 per month inclusive of “CAM”. Indeed, as suspected, not all actual operating expenses are being passed through to the tenants as stipulated by the rental agreements. Property management indicated that the reason for this is that there have been inordinately high expenses in some months due to high levels of maintenance and repair brought about by a history of ignoring deferred maintenance and the task of maintaining an older building in below average condition. The currently received gross monthly rents and CAM charges at the subject property are summarized in the following table.

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Existing Gross Income	Rent + CAM		Square Feet	Rent + CAM		CAM/SF	Total CAM	Base	
	/Month	% Total SF		/SF/Mo.	/SF/Mo.			Rent/Mo.	/SF/MO
San Diego SkateWorld Center, Inc.	\$9,769.25	68.25%	19,795	\$0.49	\$0.15	\$0.15	\$2,969.25	\$6,800.00	\$0.34
Linda Hair Salon	\$1,517.56	2.61%	756	\$2.01	\$0.15	\$0.15	\$113.40	\$1,404.16	\$1.86
Summit Pizza West, LLC	\$3,049.36	4.63%	1,344	\$2.27	\$0.15	\$0.15	\$201.60	\$2,847.76	\$2.12
Pho Hoa Restaurant	\$5,917.66	10.16%	2,948	\$2.01	\$0.15	\$0.15	\$442.20	\$5,475.46	\$1.86
12.22.Jiu Jitsu	\$1,650.00	2.81%	816	\$2.02	\$0.15	\$0.15	\$122.40	\$1,527.60	\$1.87
Occupied Current Totals	\$21,903.83		25,659				\$3,848.85	\$18,054.98	
Rear Vacant Units & CAM Loss	\$0.00	11.53%	3,344	\$0.00	\$0.15		\$501.60	\$0.00	\$0.00
Totals	\$21,903.83	100.00%	29,003				\$4,350.45	\$18,054.98	

Recognizing that the current, and apparently long-term, management and administration of rents at the subject is entirely inconsistent with market standards, we nevertheless find value in the most recent income and expense reporting as an appropriate index for purposes of estimating a stabilized proforma of income and expenses for the subject property. Our capitalized value for the subject property is based on appropriate estimates of market level rents assuming 3 to 5-year leases, a realistic vacancy and collection loss, market level expenses as a percentage of effective gross income, pro-rata NNN CAM pass throughs of actual expenses (excluding professional management, structural maintenance and reserves), and a capitalization rate reflective of the non-stabilized operational condition of the subject as of the date of valuation.

Our estimates of market level rents are based on existing rents in relative comparison to retail rents achieved at the immediately adjacent, superior Linda Vista Plaza shopping center. Analysis of the actual composite rents (base +CAM) that are currently being paid at the subject, when individually reflected on the basis of their pro-rata shares based on square footage (per rental agreement) provides us with the current effective base unit rents for each tenant. These rents are consistent with the actual face rates stipulated in the original rental agreements. This analysis also reveals the \$0.15/SF constant CAM charge currently administered. Where composite rents for the small retail spaces currently range from \$2.01/SF/Mo. To \$2.27/SF/Mo., subtraction of pro-rata expenses reveals that the effective base rents for these units currently ranges from \$1.84/SF/Mo. to \$2.12/SF/Mo. Our interview of property management for Linda Vista Plaza revealed that they are currently achieving monthly rental rates for their inline retail units between \$2.00/SF and \$2.25/SF with \$0.55 NNN's. These inline retail comparables represent significantly superior retail spaces within a multiple anchor shopping center. The effective base rent amounts currently being paid at the subject are only about 6% to 8% lower than the far superior spaces at Linda Vista Plaza. Consequently, we are of the opinion that the base rents for the occupied retail units at the subject are already at market levels. With respect to the three non-commercially exposed units at the rear of the subject building that have been vacant for eight years, the reasonable estimate of base rent for these spaces must be indexed significantly downward from the subject's street frontage units. Adjusting downward from the \$1.84/SF/Mo. rent of the inline Jui Jitsu space by 30% to 35% suggests an appropriate rent for the rear units between approximately \$1.20/SF and \$1.29/SF. We have concluded with a market rent for these spaces at \$1.25/SF/Mo.

The contract base rent currently being paid by Skateworld is \$6,800/month or \$0.34/SF/Month. Skateworld, at 19,795 square feet is a large volume space somewhat similar to other large volume spaces typically occupied by anchor tenants in large shopping centers. It differs from those spaces by its severe disadvantages of not only being in somewhat below average condition, but also due to its complete absence of a large windowed store front, ample lighting, a truck delivery dock and sufficient parking. At Linda Vista Plaza, the significantly superior 29,300

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square foot Thuan Phat Supermarket's base rent is \$0.78/SF/Mo. with \$0.42/SF NNN's. Adjusting downward from this rent by 35% suggests a more appropriate current market base rent for the Skateworld space of approximately \$0.50/SF/Mo. for an increase over current base rent of 45.6%.

Our estimate of proforma stabilized income and expenses includes expenses at a market standard ratio against effective gross income. Analysis of historical expenses over the past eight months, excluding professional property management revealed an average total monthly operating expense of \$5,123, or approximately \$0.20/SF/Mo. and \$61,476 per year based on existing occupancy of 25,659 square feet. Annualizing these existing costs and assuming 100% occupancy, the existing total potential existing expenses would be extended to \$69,488/year. All of these expenses should be reimbursable under market NNN terms as would real estate taxes and building insurance, which are not currently included in the subject's expense cash flows (due to public ownership). Our estimate of recoverable expenses results in an annual reimbursable amount of \$107,810 (historical existing, plus real estate taxes and insurance). This reflects a monthly NNN CAM reimbursed by the tenants of approximately \$0.31/SF/Month, reasonably lower than the NNN's charged at the adjacent (much higher value) Linda Vista Plaza of between \$0.42/SF/Mo. and \$0.55/SF/Mo. The table below summarizes our estimated proforma stabilized base rent and CAM charges for each of the leasable units. Total potential gross rent per month is estimated at \$25,332.48 or \$303,990 annualized. Stabilized vacancy and collection loss has been estimated at 14.00%. Current vacancy at the subject property involves the three rear units which are expected to remain problematic. At market rent these units, which have remained vacant for eight years, represent approximately 14.00% of total potential gross revenue. In our opinion the typical investor would consider this factor as the reasonable projection of overall vacancy and collection loss.

Stabilized Proforma Potential Gross Income	Rent + CAM		Square	Rent + CAM	CAM/SF	Total	Base	Base
	/Month	% Total SF	Feet	/SF/Mo.	/SF/Mo.	CAM	Rent/Mo.	/SF/MO
San Diego SkateWorld Center, Inc.	\$9,769.25	68.25%	19,795	\$0.49	\$0.31	\$6,131.83	\$9,897.50	\$0.50
Linda Hair Salon	\$1,517.56	2.61%	756	\$2.01	\$0.31	\$234.18	\$1,404.16	\$1.86
Summit Pizza West, LLC	\$3,049.36	4.63%	1,344	\$2.27	\$0.31	\$416.33	\$2,847.76	\$2.12
Pho Hoa Restaurant	\$5,917.66	10.16%	2,948	\$2.01	\$0.31	\$913.19	\$5,475.46	\$1.86
12.22.Jiu Jitsu	\$1,780.37	2.81%	816	\$2.18	\$0.31	\$252.77	\$1,527.60	\$1.87
Occupied	\$22,034.20		25,659			\$7,948.31	\$21,152.48	
Rear Vacant Units	\$5,215.86	11.53%	3,344	\$1.56	\$0.31	\$1,035.86	\$4,180.00	\$1.25
Totals	\$27,250.06	100.00%	29,003			\$8,984.17	\$25,332.48	
Annualized						\$107,810.00	\$303,989.76	

Non-recoverable expenses include professional management at 3.50% of effective gross income, structural maintenance at 1.00% and reserves at 2.50%. Total reimbursable expenses plus non-reimbursable expenses total \$132,600 or \$0.38/SF/Mo. and 37.44% of effective gross income, well within market parameters for this category of building. Subtraction of all expenses from effective gross income results in an estimate of net operating income of \$221,548.

We have capitalized our estimate of NOI by an overall rate of 8.00%. Investor grade stabilized shopping centers can command OAR's in the 5.5% to 7.0% range. The subject property is neither stabilized in its operation or condition nor is it considered to represent investor grade real estate as currently improved. In our opinion, an 8.00% OAR for purposes of capital value analysis would represent an optimistic rate of return on the continued operation of the subject as improved, giving the subject's as is value the benefit of the doubt. The resulting stabilized market value estimated for the subject upon direct capitalization by our analysis is \$2,769,344.

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This estimate of stabilized market value represents a future prospective value and not an as is value. The analysis of the subject property also assumes that the adjacent 17,115 square foot vacant parcel would be joined with the building improved parcel and developed as a paved, landscaped and lighted parking lot. We have estimated the cost for this development project at \$7.50 per square foot of land area. In addition, as previously described, the units at the rear of the building are in significantly below average to poor condition and in need of refurbishment. We have estimated a cost for basic refurbishment of these units at \$15.00 per square foot. Lastly the subject will incur leasing commission costs during lease up of the vacant spaces, which have been estimated at 5% of gross rent for 3 years. Although no rental income is anticipated for the problematic vacant rear units for the near-term foreseeable future, it is unnecessary to subtract lost rent through to stabilized operations as the subject is essentially already at stabilized occupancy by virtue of the assumed 14.00% vacancy and collection loss factor. Another fundamental assumption of this analysis is that the existing tenants will remain in place for the foreseeable future. Upon subtraction of these stabilization costs from the estimate stabilized value, a current as is market value is estimated for the subject.

On the following page will be found the direct capitalization analysis summary as well as the stabilization cost subtractions which result in a capitalized estimate of the as is market value of the subject property assuming continued use as improved.

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DIRECT CAPITALIZATION ANALYSIS
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POTENTIAL GROSS REVENUE:	Square Feet	Potential Gross Rent/Month		
Estimated Potential Gross Rent	29,003	\$25,332.48	\$303,990	
Plus Reimbursements			<u>\$107,810</u>	
Estimated Potential Gross Revenue			\$411,799	
Less Vacancy and Collection Loss @		14.00%	<u>\$57,652</u>	
TOTAL ESTIMATED EFFECTIVE GROSS INCOME			\$354,147	
RECOVERABLE EXPENSES:				
R.E. Taxes @	1.174320%	\$32,521		
Insurance @	\$0.20	\$5,801		
Existing Annualized Expenses		<u>\$69,488</u>		
TOTAL RECOVERABLE EXPENSES		\$107,810	\$0.31 /SF/Mo.	
NON-RECOVERABLE EXPENSES:				
Management @	3.50%	\$12,395		
Replacement Reserves @	2.50%	\$8,854		
Structural Maintenance @	1.00%	<u>\$3,541</u>	/SF/Mo.	% EGI
		\$24,790		
TOTAL ESTIMATED EXPENSES			<u>\$132,600</u>	\$0.38 37.44%
ESTIMATED NET OPERATING INCOME			\$221,548	
CAPITALIZATION:				
\$221,548 -:-	8.00%			
INDICATED STABILIZED MARKET VALUE			\$2,769,344	\$95.48 /SF
LESS COST TO STABILIZE	Square Feet	Cost/SF		
Parking Lot Development	17,115	\$7.50	(128,363)	
Vacant Space Tenant Improvements	3,344	\$15.00	(50,160)	
Leasing Commissions Vacant Space	3,344	@ 5%	<u>(7,524)</u>	
			(186,047)	
INDICATED STABILIZED MARKET VALUE AS IS			\$2,583,298	
ROUNDED			\$2,580,000	

Continuing Highest and Best Use As Improved: The preceding capital value analysis of the subject property has provided to us with an estimate of the total as is market value of the subject property inclusive of its joinder with the adjacent vacant parcel APN 431-320-15-00, assuming it's continued use as improved and that the required steps needed to stabilize the subject are implemented. Aware of the physical and functional handicaps of the subject relating to its income potential, and that demand for and value of commercial land have continued to increase, this income analysis was necessary in order to ascertain whether or not the subject's as is value as improved is greater than that of land value only i.e. whether the subject's highest and best use is as improved or as vacant.

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In the analysis that follows we have performed a complete Sales Comparison Approach regarding the current market value of the subject's land as if vacant and available for development to its highest and best use, previously concluded to be to some form of commercial use consistent with existing zoning. The subject land is comprised of two legal and potentially separately developable parcels, a vacant corner parcel of 17,115 square feet and an interior block parcel (one parcel removed from the corner) of 52,708 square feet. In the Sales Comparison Approach we determined that the highest total market value for both subject parcels would be for them to be marketed and sold together as a single site rather than as separate parcels. The reason for this is that by joining the subject's larger interior block site with the adjacent vacant lot that is situated at the corner of a fully traffic lighted intersection, the result is a larger, more valuable parcel overall by essentially making the entire site a corner site.

The Sales Comparison Approach considered several recent sales of vacant commercially zoned land considered to be generally comparable to the subject as a 69,823 square foot (1.60 acre corner site). The comparison of the subject to these sales resulted in an indicated market unit value for the subject land of \$43.50/square foot or approximately \$3,000,000. Even after adjusting this figure for costs to demolish the existing improvements and have the subject building professionally documented and chronicled through photographic means for historic preservation purposes, the market value of the subject land as if vacant exceeds its value assuming continued use as improved by a significant margin. As a result, we have formed the opinion that the highest and best use as improved is represented by its marketing for sale based on land value only and ultimate demolition of the existing improvements to allow for development of a contemporary commercial use.

VALUATION METHODOLOGY

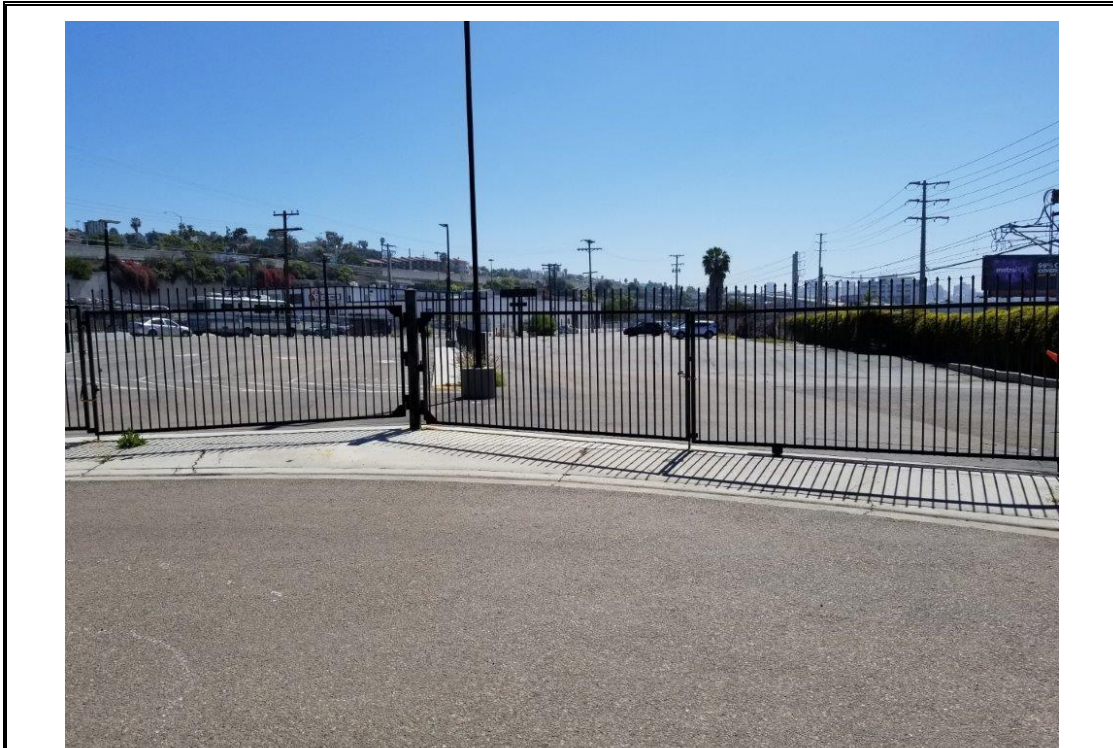
The **Sales Comparison Approach** relies on the concept that a prudent purchaser would pay no more to buy a property than it would cost to acquire a comparable substitute. In the preceding analysis the highest and best use of the subject property was determined to be reflected by its land value only. As a result, the Sales Comparison Approach, which in the subject case compares sales and listings of similar commercially zoned land to the subject property constitutes the only appropriate method of valuation of the subject property.

The **Income Approach** to value is based on the idea that there is a relationship between future income produced by a property and its present value. This methodology was considered in our determination of the highest and best use of the subject property. As was demonstrated by that analysis, the subject's capitalized value based on its use as improved is less than that of land value only and, therefore it is not capable of producing an appropriate estimate of market value for the subject property based on its highest and best use.

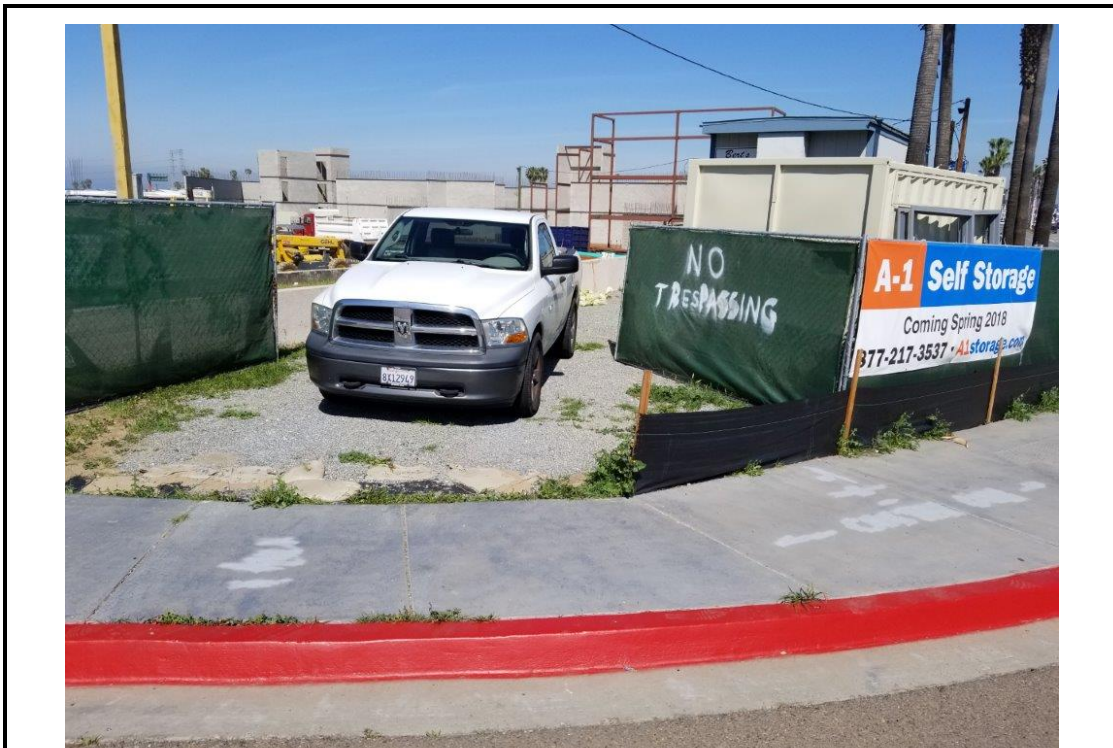
The **Cost Approach** is based on the idea that value is indicated by the cost to create an adequate substitute. This approach is particularly applicable when the improvements are new or nearly new, constitute a special use and they represent the highest and best use of the site. Due to the age and specialized building design technique used to construct the building (800 Series Field House) it is our opinion that the Cost Approach is an inappropriate method of valuation of the subject property and has been excluded from the current analysis.

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LAND SALES COMPARABLES PHOTOGRAPHS



Sale 1

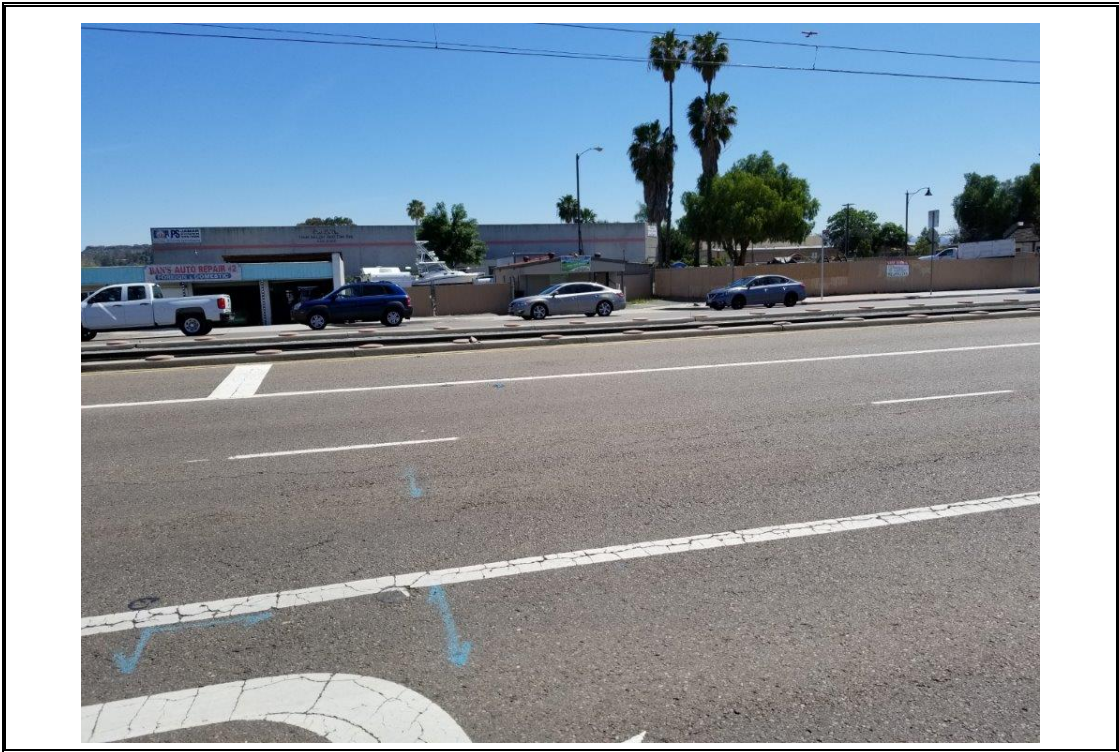


Sale 2

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Sale 3



Sale 4

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Sale 5



Sale 6

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SALES COMPARISON APPROACH – 2018

The Sales Comparison Approach involves the comparison of the subject property to recent sales of comparable properties that have a similar highest and best use and the isolation of pertinent units of comparison that can be applied to the subject. The most common unit of comparison considered in the analysis of this type of commercial land is the price per square foot of net site area. Our search for comparable sales data was focused on commercially zoned parcels that were either vacant at the time of sale or were acquired for new development upon demolition of insignificant improvements. Numerous sales were initially reviewed resulting in a data set considered to reflect the most comparable data, which is summarized in the following table.

Summary of Commercial Land Sales								
No.	Location/APN	Buyer/ Owner/Seller	Date Doc. No.	Square Feet		Use at Time of Sale	Price	
				Acres	Zoning		Total	Per Sq Ft
Subj.	6901-6921 Linda Vista Road San Diego 431-320-15 & 19	-- City of San Diego	--	69,823 1.60	CC-2-3	Retail and Entertainment Commercial	--	--
1	3596-3636 California Street San Diego 451-690-13,56,57	California & Bean LLC Tob Properties LLC	Apr-16 0179248	52,272 1.20	IS-1-1	Paved parking fencing	\$2,500,000	\$47.83
2	3200 National City Blvd National City 562-330-35, 42	Nat.City Blvd. Storage Thomas W. Moynahan	Aug-16 0421205	106,286 2.44	IL	Paved towing yard small building	\$4,000,000	\$37.63
3	4290 Main Street Chula Vista 624-060-56	2000 Family Trust Wen & Zane Liang	Oct-16 0579633	37,331 0.86	C-N	Vacant Lot	\$1,450,000	\$38.84
4	9808-9822 Prospect Avenue Santee 384-161-25, 26, 27	Cuyamaca Invest. Props. Crossman Family Trust	Apr-17 0151416	33,106 0.76	GC	Auto Repair Yard two small old bldgs	\$1,400,000	\$42.29
5	7120 Miramar Road San Diego 343-070-11	Larry Bedrosian Ben Smith Jr Trust	Feb-15 0083071	84,071 1.93	IL-3-1	Contractor Yard small old bldgs	\$3,600,000	\$42.82
6	425 W. Mission Avenue Escondido 229-172-38	NLA Escondido LLC Kyu Jin & Joy Tokmi Heo	Jul-17 0303232	97,574 2.24	GC	Old Restaurant & Motel	\$4,250,000	\$43.56

Discussion and Analysis of Land Sales

Comparable No. 1 involves a 1.20 acre IS zoned parcel located on both sides of California Street at Chalmers Street in the Five Points area immediately north of Pacific Highway and the San Diego International Airport. Although zoned Industrial Small Lot, this zoning designation allows for both industrial and commercial uses with reduced landscaping and parking requirements. The comparable involves two irregularly shaped non-contiguous parcels positioned across from each other but separated by California Street. Both parcels are improved as vehicle storage parking lots. Prior to this sale the properties were leased by Enterprise Rent-A-Car; the buyer has continued to use these parcels for the same use but is considering alternative commercial development. The property sold in April 2016 for \$2,500,000 or \$47.83/square foot. The general location of this comparable near the Airport approximately one

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and one-half miles north of downtown is considered superior to the subject's location warranting downward adjustment, however its specific location is considered inferior with respect to commercial identity warranting a partially offsetting upward adjustment. Upward adjustment is warranted for the irregular shape and non-contiguous aspect of this property. No adjustment is warranted for size.

Comparable No. 2 involves a 2.44-acre IL, light industrial zoned parcel located one parcel north of the 54 Freeway at the northwest corner of National City Boulevard and 33rd Street in National City. The light industrial designation also allows for most retail commercial uses and at this location the comparable enjoys significant commercial identity, although the site has no visual exposure to the nearby 54 Freeway. The comparable is irregularly shaped and its side street frontage is significantly below street grade, therefore access is possible only from National City Boulevard. At the time of sale, the property was used as a towing yard with a small building that does not add value to its highest and best use. The cost to demolish these improvements was not considered significant and they provided offsetting interim rental value, thus no adjustment is warranted. The site is positioned across 33rd Street from a self-storage facility and is currently being improved as an A-1 Self-Storage facility. North of this site is National City's "Mile of Cars" new car dealership corridor. The property sold in August 2016 for \$4,000,000 or \$37.83/square foot. The general location of this comparable is considered of similar quality to that of the subject but its inferior commercial exposure and access warrant upward adjustment. Upward adjustment is warranted for the irregular shape and larger size of this comparable.

Comparable No. 3 involves a 37,331 square foot, commercially zoned parcel located along the south side of Main Street one parcel west of its intersection with Melrose Avenue and one block west of the 805 Freeway in Chula Vista. The corner parcel adjacent to the east is improved with a 7/11 convenience store and the surrounding neighborhood to the south, north and west reflects residential development. The comparable is nearly rectangular in shape and is about half the size of the subject property. Subsequent to the purchase the buyer split the property into two smaller sites for separate development. The property is currently being improved as a Starbuck coffee shop and a car wash. The property sold in October 2016 for \$1,450,000 or \$38.84/square foot. The general location of this comparable is considered inferior to that of the subject as is its commercial exposure and access, both warranting upward adjustment. Downward adjustment is warranted for the smaller size of this comparable.

Comparable No. 4 involves a 33,106 square foot, commercially zoned parcel located at the fully traffic lighted northeast corner of Prospect Avenue and Cuyamaca Street one block south of 52 Freeway in Santee that is minimally improved with two small structures. Although this corner site is located in a generally industrial neighborhood, its highest and best use is clearly for commercial application. South across Prospect Avenue is a 7/11 convenience store anchored strip retail center and diagonally across the intersect from the comparable is another strip center oriented more toward office uses. The comparable is comprised of three small parcels that joined create a single very usable, essentially rectangular site that is less than half the size of the subject property. The property sold in April 2017 for \$1,400,000 or \$42.29/square foot. The cost to eventually demolish the existing improvements is not considered significant and they provide offsetting interim rental value, consequently no adjustment is warranted for demolition. The general location of this comparable is considered inferior to that of the subject

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warranting upward adjustment, but it has fairly similar commercial exposure and access. Downward adjustment is warranted for the smaller size of this comparable.

Comparable No. 5 involves a 1.93-acre IL, light industrial zoned parcel located on the north side of Miramar Road one parcel east of Distribution Way at the southerly edge of the Miramar industrial district just north of the Miramar Naval Air Station. The comparable's light industrial designation also allows for most retail commercial uses and at this location the comparable enjoys significant commercial identity. The comparable is situated between two strip retail commercial centers and is currently being developed to a 40,000 square foot Bedrosian Tile retail showroom. The light weight buildings that existed on the site at the time of purchase, now demolished, had no impact on the purchase price. At the time of sale, the property was used as a contractor yard. The property sold in February 2015 for \$3,600,000 or \$42.82/square foot. The site does not enjoy a corner location but does benefit from a high level of commercial exposure due to high traffic volume along Miramar Road resulting in downward adjustments for location and commercial exposure.

Comparable No. 6 involves a 2.24-acre, commercially zoned parcel located at the fully traffic lighted southeast corner of Centre City Parkway and Mission Avenue in Escondido. This neighborhood is intensely developed to commercial uses and Centre City Parkway is also a still heavily used segment of Old Highway 395. At the time of sale this site was improved with an old 16,650 square foot motel and old freestanding restaurant, both of which have been demolished to allow for the current ongoing development of the site to the Centre City Shopping Center. The shopping center will consist of three buildings (currently nearing completion of framing) that will total 11,778 square feet of general retail and restaurant uses plus a 4,308 square foot car wash. The property sold in July 2017 for \$4,250,000 or \$43.56/square foot. The general location of this comparable is slightly superior to that of the subject warranting minor downward adjustment, and its commercial identity is also considered superior warranting additional downward adjustment. At 2.24 acres it is generally comparable to the subject's 1.60-acre size warranting only minimal upward adjustment. As we are initially adjusting the comparables to an assumed condition for the subject as vacant and available for development (after demolition condition) upward adjustment is warranted for the significant amount of demolition required to remove the motel and restaurant improvements existing on this site at the time of purchase.

Sales Comparison Adjustment Analysis

In the section that follows each of the comparables will be adjusted relative to the characteristics of the subject property. Transactional elements of adjustment would include differences in property rights, advantageous financing, conditions of sale, buyer expenditures after the purchase and market conditions. Most of these elements were considered similar with respect to the subject with no adjustments warranted. In the case of Comparable 6 the buyer incurred demolition costs subsequent to the sale warranting upward adjustment. Initially we are adjusting to the subject property assuming that it is vacant and available for development and will subsequently make a bottom line adjustment for the cost of demolition and historic documentation of the subject improvements. The Marshall Valuation cost manual indicates a range of demolition costs for wood framed buildings between \$3.64/SF and \$5.62/SF before

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dumping fees. We have estimated total demolition and dumping costs for the 16,650 square foot hotel and restaurant buildings of Comparable 6 at \$7.00/SF or \$116,550.

Regarding our adjustments for market conditions one of these sales occurred in 2015, three occurred in 2016 and two occurred in 2017. Adjustment for market conditions is warranted for these comparables. The subject's submarket is relatively stable, but discussions with local brokers suggests that there is upward movement in prices though the data does not clearly indicate this. For purposes of this analysis we have assumed moderate upward escalation of prices for the subject market based on 3.00% per year or approximately 0.25% per month.

The relevant physical characteristics requiring consideration for adjustment were discussed in the preceding section and included differences in locational advantages or disadvantages, commercial exposure/access, size, and shape. Adjustments made to the comparables for general location and size are primarily subjective relative considerations. Comparable 1, located near downtown and the airport was considered significantly superior to the subject's location warranting a larger downward adjustment. Comparables 2 and 6 involve sites that are larger than the subject warranting upward adjustments. Comparables 3 and 4 involve smaller sites than the subject with warranted downward adjustment. Adjustments for commercial exposure were heavily influenced upward by locations at traffic lighted intersections or high-volume traffic corridors. None of the comparable's improvements were considered to add value to overall total value of the properties. The adjustments to the comparables are summarized in the following Commercial Land Sales Adjustment Grid.

COMMERCIAL LAND SALES ADJUSTMENT GRID							
6901-6921 Linda Vista Road, San Diego, CA							
Property	SUBJECT	1	2	3	4	5	6
Date of Sale	N/Ap	Apr-16	Aug-16	Oct-16	Apr-17	Feb-15	Jul-17
Sale Price	N/Ap	\$2,500,000	\$4,000,000	\$1,450,000	\$1,400,000	\$3,600,000	\$4,250,000
Size (Square Feet)	69,823	52,272	106,586	37,331	33,106	84,071	97,574
Price / Square Foot		\$47.83	\$37.53	\$38.84	\$42.29	\$42.82	\$43.56
COMPARISONS:							
Property Rights	Fee Simple	0%	0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%	0%
Buyer Expenditures		0%	0%	0%	0%	0%	\$116,550
Net Initial Adjustments		0%	0%	0%	0%	0%	\$116,550
Initial Adjusted Prices		\$47.83	\$37.53	\$38.84	\$42.29	\$42.82	\$44.75
Months Since Transaction		23.2	19.3	17.0	11.7	37.0	8.7
Market Conditions Adjustment		5.81%	4.82%	4.24%	2.93%	9.25%	2.17%
Market Conditions Adj Prices		\$50.61	\$39.34	\$40.49	\$43.53	\$46.78	\$45.72
Physical & Other Adjustments:							
Location	Good Linda Vista Neigh.	-20%	0%	5%	5%	-5%	-2%
Size/Economies of Scale	69,823 square feet	0%	5%	-5%	-5%	0%	2%
Shape	Good Rectangular Shapes	5%	2%	0%	0%	0%	0%
Commercial Exposure/Access	Good Signalized Corner	5%	5%	5%	0%	-5%	-5%
Net Physical Adjustments		-10%	12%	5%	0%	-10%	-5%
Indicated Values		\$45.55	\$44.06	\$42.51	\$43.53	\$42.10	\$43.44
Overall Average Indicated Value	\$43.53						

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The adjustment grid indicates a range of unit values for the subject site as if vacant and available for development between \$42.10/SF and \$45.55/SF and an overall average indicated unit value inclusive of all six comparables of \$43.53 per square foot of land area. In consideration of all of the separate indications of value provided by the comparables with approximately equal consideration given to all of the comparables, we have formed the opinion that \$43.50 per square foot of land area appropriately represents the current market value of the subject property as if vacant. The total value indicated for the subject by the Sales Comparison Approach, as if it were vacant and currently available for development, is indicated by the summary calculation that follows.

Indicated Market Value of the Underlying Land – As If Vacant

69,823 square feet X \$43.50/SF =	\$3,037,301
Rounded	\$3,040,000

As Is Market Value - 2018

The preceding valuation of the subject property rendered an opinion of value for the subject property assuming that it was vacant and currently available for development—which it is not. As previously described the subject property is improved with a 29,003 square foot, primarily wood framed building, which would require demolition if it were to be redeveloped to an entirely new project that did not incorporate the existing improvements. Although development of the subject could involve the incorporation of the existing improvements, it is likely that redevelopment of the subject under such substantial reuse scenario would be economically equivalent to development from the ground up. This adjustment also takes into consideration the concept of interim income providing offsetting value as was the case for a few of the comparables. In the subject case, it is our opinion that the highest and best use is to proceed to development as soon as possible. The existing improvements are relatively large and their cost to demolish substantial, thus warranting full subtraction of these expenditures.

Regardless of whether or not redevelopment of the subject might involve the incorporation of the existing improvements, for historical preservation purposes, for example, the as is condition of the existing improvements does not support added value above land value only. Consequently, the as is value of the subject property should reflect the probability of demolition costs; which we have estimated at \$7.00 per square foot rounded to a total of approximately \$200,000. In addition, due to the subject's historic register designation a cost for professional documentation of the historical aspect of the subject should also be assumed if complete demolition of the improvements proves to be the most reasonable reuse alternative. In these regards we have estimated a cost for historical documentation of the subject building of \$25,000. These additional costs must be subtracted from our previously estimated market value of the subject land as if vacant and available for development.

Indicated Current Market Land Value As If Vacant	\$3,040,000
Less Estimated Demolition Costs	\$ 200,000
Less Professional Historic Documentation	<u>\$ 25,000</u>
Indicated Current As Is Value	\$2,815,000

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DESCRIPTION OF REAL ESTATE APPRAISED - 2011

Land and Improvements

As of January 1, 2011, all conditions regarding the physical and legal aspects of the subject property were, for the most part, the same as they currently exist. The only exception to this was that rental agreements with prospective tenants could legally permit parking in the library parking lot as it was also owned by the City of San Diego. As for the 2018 analysis, which assumes the transfer of the subject property to private ownership, our retrospective analysis of the subject property as of January 1, 2011 must also assume that that private ownership of the subject as of that date could not offer legal parking rights to its tenants for those spaces at the rear of the building.

Leased Status

We were not provided with a rent roll for the subject as of January 1, 2011. We were however able to discover a copy of the rent roll that was proposed as of May 2009 and made effective as of July 2009 that modified the rental agreements at the subject to the current primary month to month rental status. At that time there was only one 1,316 vacant space at the rear of the building. It is our understanding that shortly after the initiation of the month to month rent arrangement, that the other two rear inline units also became unoccupied and have remained so up through to the present. Our review of the original month to month “leases” revealed that the rental unit sizes and base rental amounts were the same as they are today. The leases also provide for NNN pass throughs of operating expenses, which was apparently attempted for some period, but subsequently abandoned due to tenant revolt against the amounts levied as reimbursable expenses.

VALUATION – 2011

HIGHEST AND BEST USE

As If Vacant

The physical and legal conditions at the subject property were essentially as they currently are in 2018. Although market conditions were not as strong as they are today they had been improving and were somewhat encouraging. In the first quarter 2011 the total vacancy rate for the retail market in San Diego was 5.37%, a slight decrease from the 2010 vacancy rate of 5.41%. The asking NNN lease rate at that time was \$1.85/square foot, which was down from the previous all-time high asking rate in 2008 of \$2.12/square foot. Total positive absorption for the first quarter of 2011 was low to moderate at 83,452 square feet and construction activity was relatively low with only 135,000 square feet under construction. Investor sales transactions were low with CoStar reporting only 37 investor sales of retail properties between January 2009 and December 2011 with 9 reported cap rates ranging from 5.8% to 9.6%, averaging 7.6%. Price Waterhouse Coopers in their 4th Quarter National Investor Survey reports an overall range of cap rates for investor grade strip retail properties between 5.50% and 9.50%, averaging 7.63% (up nearly a full percentage point from the prior year) similar to the San Diego retail market. The market for existing retail for leasing purposes and investor acquisition was not as healthy as it is today, however there were several encouraging signs for a continuation of the ongoing recovery from the downturn caused by the recession. In the final analysis, we have formed the opinion

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that the highest and best use of the subject as if vacant in 2011 was as a purchase for ultimate development to a retail commercial use after a relatively brief period of hold.

As Improved

The physical and legal conditions at the subject property as improved in January 2011 were very similar to the current conditions for 2018, though the improvements would have been seven years younger. As previously described, the leased condition for the subject had changed to a month to month arrangement for all tenants as of July 2009 as they have remained through to the present and therefore also existed in January 2011. Vacancy at the subject was similar to the current condition of the subject with all three inline tenant spaces at the rear of the building vacant, reflecting 3,344 unoccupied square feet and an 11.53% vacancy rate. Rental rates in 2011 were similar to what is achievable today, but property management had abandoned full NNN pass throughs. In assessing the relative value of the subject as improved versus its land value as of January 2011, as in the analysis of the subject as of 2018 we have performed a capital value analysis and have compared the resulting capitalized value to that of the subject's market land value as of 2011.

As in our 2018 analysis of the subject we have attempted to give the value of the subject as improved the benefit of the doubt by positive assumptions. As in the 2018 analysis we have for the most part used the contract rents that were in place and have applied in this case a slightly lower potential rent for the rear units at \$1.00/SF/Month. We have also assumed that strong professional management was in place and that full NNN operating expenses could be consistently passed through to the tenants as reimbursable income. The resulting net operating income for this analysis is then capitalized by an appropriate rate for a higher than average risk retail property as of January 2011. As previously indicated, cap rates for retail properties on both a nationwide and local San Diego market basis were significantly higher than they are today, ranging from 5.8% to 9.6%, averaging about 7.6% for investor-grade retail properties. In being as positive as is reasonably possible in this regard we have selected a 9.00% overall rate of return for the 2011 capital value analysis of the subject property. We have also used the same bottom line deductions for costs to stabilize the operation of the subject including the cost to develop the adjacent lot for parking, tenant improvements to the rear units and broker commissions. The 2011 capital value analysis is presented on the following page.

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DIRECT CAPITALIZATION ANALYSIS - 2011
6901-6921 Linda Vista Road, San Diego, California

POTENTIAL GROSS REVENUE:	Square Feet	Potential Gross Rent/Month		
Estimated Potential Gross Rent	29,003	\$21,398.98	\$256,788	
Plus Reimbursements			<u>\$99,488</u>	
Estimated Potential Gross Revenue			\$356,275	
Less Vacancy and Collection Loss @		14.00%	<u>\$49,879</u>	
TOTAL ESTIMATED EFFECTIVE GROSS INCOME				\$306,397
RECOVERABLE EXPENSES:				
R.E. Taxes @	1.174320%	\$24,199		
Insurance @	\$0.20	\$5,801		
Existing Annualized Expenses		<u>\$69,488</u>		
TOTAL RECOVERABLE EXPENSES		\$99,488		\$0.29 /SF/Mo.
NON-RECOVERABLE EXPENSES:				
Management @	3.50%	\$10,724		
Replacement Reserves @	2.50%	\$7,660		
Structural Maintenance @	1.00%	<u>\$3,064</u>		/SF/Mo. % EGI
		\$21,448		
TOTAL ESTIMATED EXPENSES			<u>\$120,935</u>	\$0.35 39.47%
ESTIMATED NET OPERATING INCOME				\$185,461
CAPITALIZATION:				
\$185,461 ÷	9.00%			
INDICATED STABILIZED MARKET VALUE			\$2,060,683	\$71.05 /SF
LESS COST TO STABILIZE	Square Feet	Cost/SF		
Parking Lot Development	17,115	\$7.50	(128,363)	
Vacant Space Tenant Improvements	3,344	\$15.00	(50,160)	
Leasing Commissions Vacant Space	3,344	@5%	<u>(7,524)</u>	
			(186,047)	
INDICATED STABILIZED MARKET VALUE AS IS			\$1,874,636	
ROUNDED			\$1,875,000	69823 \$26.85

Continuing Highest and Best Use As Improved: The preceding capital value analysis of the subject property has provided us with an estimate of the total as is market value of the subject property inclusive of its joinder with the adjacent vacant parcel APN 431-320-15-00, assuming it's continued use as improved and that the required steps needed to stabilize the subject are implemented as of January 2011. This analysis indicates a Stabilized Market Value for the subject upon its stabilization of \$2,060,683 and an as is value as of January 2011 of \$1,875,000

As in our analysis of the current market value of the subject property, we have performed a complete Sales Comparison Approach regarding the current market value of the subject's land as if vacant and available for development to its highest and best use, previously concluded to be to some form of commercial use consistent with existing zoning.

The Sales Comparison Approach considered several recent sales of vacant commercially zoned land considered to be generally comparable to the subject as a 69,823 square foot (1.60

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acre corner site). The comparison of the subject to these sales resulted in an indicated market unit value for the subject land as of January 2011 of \$34.00/square foot or approximately \$2,374,000. Even after adjusting this figure for costs to demolish the existing improvements and have the subject building professionally documented for historic preservation purposes, the market value of the subject land as if vacant had already exceeded its value as improved as of January 2011. As a result, we have formed the opinion that the highest and best use as improved in January 2011 is represented by its marketing for sale based on land value only and ultimate demolition of the existing improvements to allow for development of a contemporary commercial use.

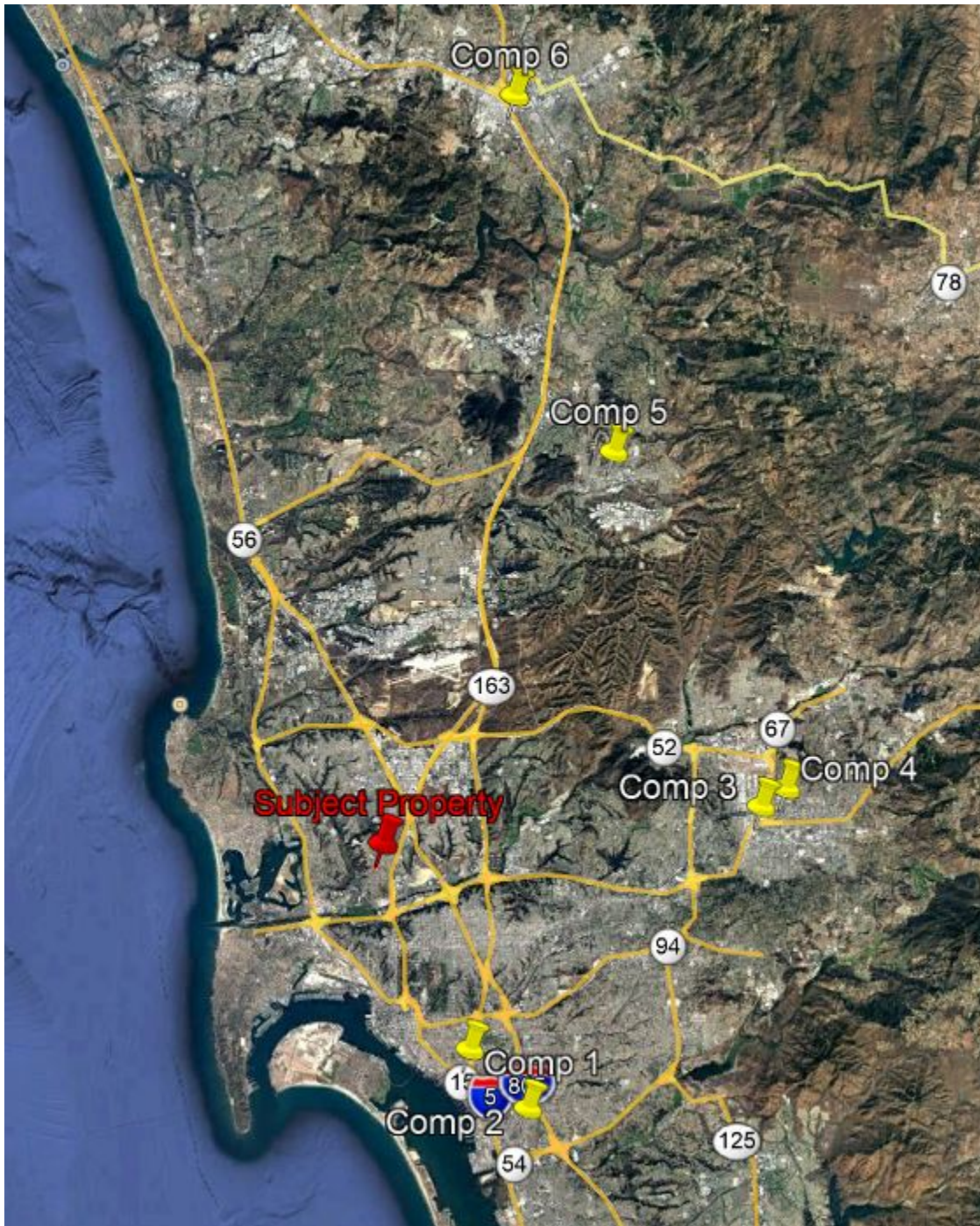
VALUATION METHODOLOGY

The three common valuation techniques include the Cost Approach, Sales Comparison Approach, and Income Approach. Of these only the Sales Comparison Approach is applicable to the valuation of the subject as of January 2011.

The **Sales Comparison Approach** relies on the concept that a prudent purchaser would pay no more to buy a property than it would cost to acquire a comparable substitute. In the preceding analysis the highest and best use of the subject property was determined to be reflected by its land value only. As a result, the Sales Comparison Approach, which in the subject case compares sales and listings of similar commercially zoned land to the subject property constitutes the only appropriate method of valuation of the subject property.

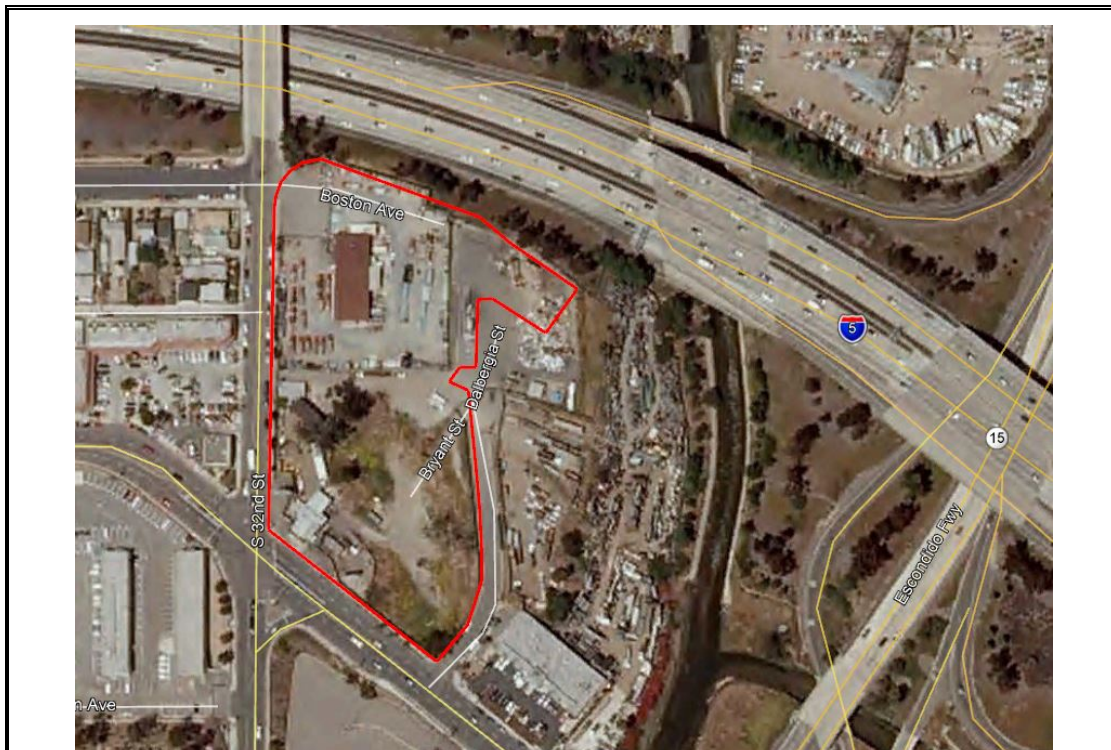
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Comparable Land Sales Location Map – 2011



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LAND SALES COMPARABLES HISTORICAL AERIALS - 2011

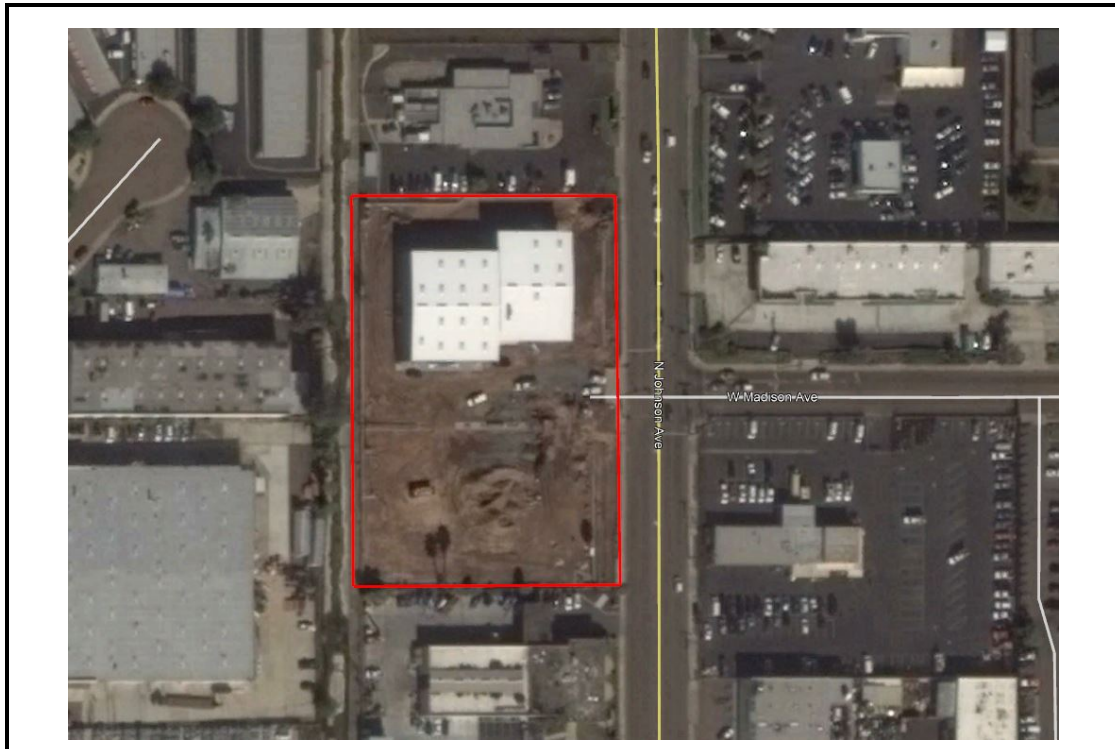


Sale 1 – Photo Taken 9/2010



Sale 2 – Photo Taken 9/2010

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Sale 3 – Photo Taken 11/2011 (new development)



Sale 4 – Photo Taken 9/2010

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Sale 5 – Photo Taken 9/2010



Sale 6 – Photo Taken 9/2010

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SALES COMPARISON APPROACH – 2011

The Sales Comparison Approach involves the comparison of the subject property to recent sales of comparable properties that have a similar highest and best use and the isolation of pertinent units of comparison that can be applied to the subject. The most common unit of comparison considered in the analysis of this type of commercial land is the price per square foot of net site area. Our search for comparable sales data was focused on commercially zoned parcels that sold that were either vacant at the time of sale or were acquired for new development upon demolition of insignificant improvements. As there were fewer sales of commercial parcels during this period our search for comparable land sales included data from as far back as 2008. Of those sales that were initially reviewed the resulting data set, summarized below, was considered to reflect the most comparable data.

Summary of Commercial Land Sales								
No.	Location/APN	Buyer/ Owner/Seller	Date Doc. No.	Square Feet		Use at Time of Sale	Price	
				Acres	Zoning		Total	Per Sq Ft
Subj.	6901-6921 Linda Vista Road San Diego 431-320-15 & 19	-- City of San Diego	--	69,823 1.60	CC-2-3	Retail and Entertainment Commercial	--	--
1	3202-3227 Main Street San Diego 550-280-03-06, 21,23, 25-27,30 550-290-15,17,19,22	SA Recycling LLC Kimberley Crouch	Jun-10 0320700	116,175 2.67	BLPD Mixed use	Recycling Yard	\$4,890,000	\$42.09
2	2120 Highland Avenue National City 560-320-13..15,26	Highland Sd Auto LLC Highland Partners Inc	Sep-10 0489750	33,846 0.78	CG	Vacant Lot	\$1,370,000	\$40.48
3	440-542 North Johnson Ave El Cajon 487-121-40	Inland Properties El Cajon Redev Agency	Jun-11 0318816	104,544 2.40	CM	Vacant Lot	\$2,500,000	\$23.91
4	380 Broadway El Cajon 483-110-15, 483-090-39	Cedar Brdwy & Ballantine Arroyo Petcare Center llc	Feb-08 0092694	57,064 1.31	C	Vacant Lot	\$1,600,000	\$28.04
5	13010 Poway Road Poway 317-101-01	Neighborhood Healthcare Urode Family Trust	Mar-08 0125452	48,787 1.12	C	Parking Lot & prior foundation demolished	\$1,200,000	\$24.60
6	1260 West Valley Parkway Escondido 232-141-42	In-N-Out Burger Pacifica Escondidi LLC	Dec-09 0708431	50,965 1.17	SP	Vacant Lot	\$2,094,545	\$41.10

Discussion and Analysis of Land Sales

Comparable No. 1 involves a 2.67 acre multi-parcel site located at the fully traffic lighted northeast corner of Main Street and 32nd Street less than one fourth mile west of access to the Interstate 5 Freeway in the Barrio Logan community of San Diego. The comparable is zoned BLPD (Barrio Logan Planned Development)–Redevelopment; which permits primarily commercial uses, some limited light industrial and technically, single family uses; however residential use at this location would not be compatible with the existing surrounding uses. Immediately to the west is a freestanding Churches Chicken restaurant and strip retail center. Immediately to the east is another good quality strip center. Although the rear of the site backs

to the Interstate 5 Freeway, a raised landscaped berm precludes visual exposure to the freeway. The property was purchased for continued use as an automobile recycling yard though its highest and best use would be for development of some form of commercial use. The property sold in June 2010 for \$4,890,000 or \$42.09/square foot. The general location of this comparable in a transitioning district of Barrio Logan near the San Diego Naval Station a short distance south of downtown is characteristically different and is considered superior to the subject's Linda Vista neighborhood, warranting downward adjustment. Its fully lighted corner location between good quality commercial uses provides similar commercial exposure to that enjoyed by the subject not requiring adjustment. Upward adjustment is warranted for the larger size of this property. There are old very small structures on this site which do not in this case warrant adjustment for minor demolition costs associated with potential future development.

Comparable No. 2 involves a vacant 33,846 square foot, commercially zoned parcel located at the fully traffic lighted southwest corner of Highland Avenue and East 21st Street in National City. This neighborhood is a mixture of old boulevard retail commercial, and single family and multifamily residential. An older Mexican restaurant is located across East 21st Street and older retail commercial lay at the northeast and southeast corners of the intersection. The site stretches to Highland Avenue's intersection with East 22nd Street where there is a newer office building and chapel. The comparable is rectangular shaped and enjoys very good street frontage identity along Highland Avenue. At the time of sale, the property was a level finished site having been previously improved. Subsequent to the acquisition this site was developed to a Popeye's Chicken restaurant and an AutoZone. The property sold in September 2010 for \$1,370,000 or \$40.48/square foot. Both the general and commercial exposure enjoyed by this comparable are considered similar to that of the subject. Downward adjustment is warranted for the smaller size of this comparable.

Comparable No. 3 involves a vacant 2.40 acre, commercially zoned, mid-block parcel located along the west side of Johnson Avenue one block south of the Interstate 8 Freeway in El Cajon. East bound West Madison Avenue terminates at this comparable at a fully traffic lighted intersection. This is an area of various showroom commercial including retail furniture and new and used automobile dealerships. It is not a primary commercial district and is more of an industrial style, destination-oriented showroom location. At the time of sale, the site was a vacant finished lot having had its prior improvements demolished by the City of El Cajon (seller) in 2010. The property sold in June 2011 for \$2,500,000 or \$23.91/square foot. Subsequent to the acquisition the buyer developed the site to a Kenworth truck dealership. The general location of this comparable is considered inferior to that of the subject as is its commercial exposure and access, both warranting upward adjustment. Upward adjustment is also warranted for the larger size of this comparable.

Comparable No. 4 involves a 1.31 acre, commercially zoned vacant parcel located at the fully traffic lighted northwest corner of Broadway and Ballantyne Street one block west of the SR-67 Freeway in El Cajon. This area is heavily developed to various anchored and strip retail facilities. Across Ballantyne Street to the east is a Food 4 Less supermarket, adjacent to the west is a bank and Target anchored retail center. Across Broadway to the south is a small sewing machine store and a church. This level rectangular parcel was previously developed to an older veterinary clinic that was torn down prior to its purchase. The property sold in February 2008 for \$1,600,000 or \$28.04/square foot. The site has since been developed to a two-tenant

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(Starbucks and Speedy Cash) retail building. The general location of this comparable is considered inferior to that of the subject warranting upward adjustment, but it has fairly similar commercial exposure and access. Size is considered overall similar for comparison purposes.

Comparable No. 5 involves a 1.12-acre commercially zoned parcel located mid-block on the north side of Poway Road between Community Road one-half mile to the east and Carriage Road one quarter mile to the west. This is the older commercial neighborhood of Poway that is located approximately 3.50 miles east of Interstate 15. This is not a primary commercial location with most commercial properties in this area involving low scale local goods and services facilities. Adjacent to the east is a Salvation Army store, wood lot and equipment rental facility. Across Poway Road to the south are both Enterprise Rent-A-Car and Hertz as well as older strip retail and a vacant lot. Adjacent to the west is multi-tenant residential. At the time of sale, the property was vacant of all structures with only asphalt and concrete paving remaining. The property sold in March 2008 for \$1,200,000 or \$24.60/square foot. The parcel has since been developed to a Neighborhood Healthcare facility. Both the general location and commercial exposure and access characteristics of this site are inferior to the subject warranting upward adjustment.

Comparable No. 6 involves a vacant 1.17-acre, previously developed commercially zoned parcel located two parcels north of Valley Parkway, a major east/west commercial corridor in the City of Escondido. Although not directly located on Valley Parkway this site enjoys good exposure to the Interstate 15 Freeway. This neighborhood is intensely developed to commercial uses including the Target, Toys R Us and Dick's Sporting Goods anchored Escondido Promenade shopping center located on the south side of Valley Parkway. This site is positioned between Comfort Inn and Holiday Inn Express hotels, adjacent to Del Taco and CoCo's restaurants. The property sold in December 2009 for \$2,094,545 or \$41.10/square foot and was subsequently developed to an In-N-Out Burger restaurant. The general location and access of this comparable is considered generally similar to that of the subject, however the superior commercial identity enjoyed by this comparable warrants downward adjustment.

Sales Comparison Adjustment Analysis

In the section that follows each of the comparables will be adjusted relative to the characteristics of the subject property. Transactional elements of adjustment would include differences in property rights, advantageous financing, conditions of sale, buyer expenditures after the purchase and market conditions. All of these elements except market conditions were considered similar with respect to the initial assumed condition of the subject as if vacant with no adjustments warranted. Initially, as was the case for our 2018 analysis, we will adjust to the subject property assuming that it is vacant and available for development and will subsequently make a bottom line adjustment for the relatively significant cost of demolition and historic documentation of the subject improvements (Buyer Expenditure).

Due to the relative scarcity of commercial land sales available in San Diego County immediately prior to the January 2011 date of value our search for comparable data was extended through to February 2008. During this period of time commercial land values were increasing at a relatively slow rate. Regarding our adjustments for market conditions two of the discovered commercial land sales (Comps 1 and 2) occurred in 2010 within three to six months of the date of value and warrant minimal adjustment for time. Comparables 4, 5 and 6 occurred in 2008 and 2009

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and warrant greater upward adjustments. Comparable 3 occurred six months after the date of value warranting downward adjustment for the increases in value beyond the valuation date. For purposes of this analysis we have assumed a relatively conservative upward escalation rate of prices for the subject market based on 2.50% per year or approximately 0.21% per month.

The relevant physical characteristics requiring consideration for adjustment were discussed in the preceding section and include differences in locational advantage or disadvantage, commercial exposure/access, size, and shape. Adjustments made to the comparables for general location and size are primarily subjective relative considerations. Comparable 1, located in a unique neighborhood near downtown was considered significantly superior to the subject's location warranting a larger downward adjustment. Conversely, Comparables 3 and 5 were considered to warrant larger upward adjustments for their inferior location relative to the subject. Comparables 1 and 3 involve sites that are larger than the subject warranting upward adjustments. Comparable 2 involves a smaller site warranting a downward adjustment. Adjustments for commercial exposure/access were heavily influenced upward by locations at traffic lighted intersections or high-volume traffic corridors. The adjustments to the comparables are summarized in the following Commercial Land Sales Adjustment Grid.

COMMERCIAL LAND SALES ADJUSTMENT GRID							
6901-6921 Linda Vista Road, San Diego, CA							
Property	SUBJECT	1	2	3	4	5	6
Date of Sale	N/Ap	Jun-10	Sep-10	Jun-11	Feb-08	Mar-08	Dec-09
Sale Price	N/Ap	\$4,890,000	\$1,370,000	\$2,500,000	\$1,600,000	\$1,200,000	\$2,094,545
Size (Square Feet)	69,823	116,175	33,846	104,544	57,064	48,787	50,965
Price / Square Foot		\$42.09	\$40.48	\$23.91	\$28.04	\$24.60	\$41.10
COMPARISONS:							
Property Rights	Fee Simple	0%	0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%	0%
Buyer Expenditures		0%	0%	0%	0%	0%	0%
Net Initial Adjustments		0%	0%	0%	0%	0%	0%
Initial Adjusted Prices		\$42.09	\$40.48	\$23.91	\$28.04	\$24.60	\$41.10
Months Since Transaction		6.2	3.5	-5.7	34.3	33.8	12.3
Market Conditions Adjustment		1.30%	0.73%	-1.18%	7.15%	7.03%	2.56%
Market Conditions Adj Prices		\$42.64	\$40.77	\$23.63	\$30.04	\$26.33	\$42.15
Physical & Other Adjustments:							
Location	Good Linda Vista Neigh.	-20%	0%	15%	5%	20%	0%
Size/Economies of Scale	69,823 square feet	5%	-10%	5%	0%	0%	0%
Shape	Good Rectangular Shapes	0%	0%	0%	0%	0%	0%
Commercial Exposure/Access	Good Signalized Corner	0%	0%	15%	0%	10%	-20%
Net Physical Adjustments		-15%	-10%	35%	5%	30%	-20%
Indicated Values		\$36.24	\$36.70	\$31.90	\$31.55	\$34.22	\$33.72
Overall Average Indicated Value	\$34.06						

The overall range of unit values indicated for the subject as of January 2011 by the preceding analysis is between \$31.55/SF and \$36.70/SF. The adjustment grid indicates that the

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overall average indicated unit value inclusive of all six comparables is \$34.06 per square foot of land area. In consideration of all of the separate indications of value provided by the comparables with equal consideration given to all of the comparables, we have formed the opinion that \$34.00 per square foot of land area appropriately represents the market value of the subject property as of January 1, 2011. The total value indicated for subject by the Sales Comparison Approach, as if it were vacant and available for development as of the valuation date, is indicated by the summary calculation that follows.

Indicated Market Value of the Underlying Land – As If Vacant - 2011

69,823 square feet X \$34.00/SF =	\$2,373,982
Rounded	\$2,374,000

Retrospective As Is Market Value - 2011

The preceding valuation of the subject property rendered an opinion of value for the subject property as of January 1, 2011 assuming that it was vacant and available for development—which it was not. As previously described the subject property is improved with a 29,003 square foot, primarily wood framed building, which would have required demolition if it were to be redeveloped to an entirely new project in 2011 that did not incorporate the existing improvements. Although development of the subject could have involved the incorporation of the existing improvements, it is likely that redevelopment of the subject under such substantial reuse scenario would be economically equivalent to development from the ground up.

Again, regardless of whether or not redevelopment of the subject might have involved the incorporation of the existing improvements, for historical preservation purposes, for example, the as is condition of the existing improvements did not support added value above land value only as of January 2011. Consequently, the as is value of the subject property should reflect the probability of demolition costs; which we have estimated at \$7.00 per square foot rounded to a total of approximately \$200,000. In addition, due to the subject's historic register designation a cost for professional documentation of the historical aspect of the subject should also be assumed if complete demolition of the improvements proves to be the most reasonable reuse alternative. In these regards we have estimated a cost for historical documentation of the subject building of \$25,000. These additional costs must be subtracted from our previously estimated market value of the subject land as if vacant and available for development.

Indicated Current Market Land Value As If Vacant	\$2,374,000
Less Estimated Demolition Costs	\$ 200,000
Less Professional Historic Documentation	<u>\$ 25,000</u>
Indicated Retrospective As Is Value - 2011	\$2,149,000

6901-6921 Linda Vista Road, San Diego, CA

ADDENDA

ANDERSON & BRABANT, INC.

REAL ESTATE APPRAISERS AND CONSULTANTS
353 W. NINTH AVENUE
ESCONDIDO, CALIFORNIA 92025-5032
TELEPHONE (760) 741-4146
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STEPHEN J. BECK

Certified General Real Estate Appraiser
BREA Appraiser No. AG002799

Curriculum Vitae

GENERAL APPRAISAL EXPERIENCE

COMMERCIAL PROPERTY

High-rise office buildings; office condominiums; regional and neighborhood shopping centers; specialty retail; golf and tennis clubs; hotels; restaurants; existing and proposed.

INDUSTRIAL PROPERTY

Single and multi-tenant industrial buildings; business parks; hangars; aviation and marine-related industrial; specialty manufacturing; existing and proposed.

RESIDENTIAL PROPERTY

Single-family estates; condominiums; apartments; subdivisions; existing and proposed.

VACANT LAND

Industrial; commercial; residential; rural of all types, including agricultural, desert and mountain; large Specific Plan areas; highest and best use and feasibility land use analyses.

RIGHT-OF-WAY ACQUISITIONS

Appraisals for federal, state, county and city agencies of property needed for public projects; Fair Market Value standard; separate identification and valuation of the Larger Parcel, the Acquisition and Remainder Parcels, and Benefits and Severance Damages.

TITLE INSURANCE POLICY ERROR APPRAISALS

Appraisals comparing the value of a property with and without a specific property interest insured by title insurance and subsequently found not to exist in conformance with the court findings of Overholtzer vs. Northern Counties Title Insurance Company.

SPECIAL PURPOSE APPRAISALS, LITIGATION PREPARATION AND CONSULTATION

Leasehold estates; possessory interests; fractional interests; historical appraisals; complex reversionary interests; Yellow Book format; deposition/percipient witness experience.

SPECIALTY APPRAISAL SPECIALTY APPRAISAL EXPERIENCE

AVIATION

General aviation and commercial aviation airports; publicly-owned airport land and associated leasehold valuation requiring special skills and methodology; improved and unimproved airport property rental valuations; airport hangars; Fixed Based Operations facilities (FBO); airport offices and commercial buildings.

AGRICULTURE

High and low-value row crop land; avocado and citrus tree crop properties; produce packing plants; container nurseries; large greenhouse nurseries; grazing fees; agricultural rental values and fee simple agricultural interests; agricultural lands transitioning to commercial and/or residential applications; family background in farming, agricultural real estate sales, and farm lending.

ANDERSON & BRABANT, INC.

REAL ESTATE APPRAISERS AND CONSULTANTS
353 W. NINTH AVENUE
ESCONDIDO, CALIFORNIA 92025-5032
TELEPHONE (760) 741-4146
FAX (760) 741-1049

ENVIRONMENTAL PROPERTY

Conservation, preservation and environmental mitigation land; uplands and both freshwater wetland habitat and saltwater wetland habitat; personally owned and sold interests in environmental mitigation land.

MARINE PORT DISTRICT/TIDELANDS TRUST

Marine industrial uses; marine shipping container terminals, offices; rental car facilities; hotels; restaurants and tourist-commercial uses; existing and proposed marinas; percentage rents; salt water wetland habitat.

LAND AND SITE VALUATION

Construction Details and Trends	Introduction to Green Building
Market Analysis from the Buyer's Viewpoint	Profitable Appraising
Introduction to the Internet	REAMUG Computer Seminars (multiple)
E.D.I. Computer Training	Spreadsheets for Appraisers
Applying Economic Forecast – SD Regional	San Diego Ground Leasing Workshop
So. Cal. Chapter – Annual Litigation Seminar	S. D. Apartment and Housing Seminars
Economic Forecast – Update	Federal Laws and Regulations Workshop

CERTIFICATION

Certified General Real Estate Appraiser (AG002799 – expires October 6, 2019)
Office of Real Estate Appraisers, State of California

PROFESSIONAL EDUCATION

Intro. to Appraising Real Property (SREA 101)	Capitalization Theory and Techniques, Part A
Capitalization Theory and Techniques, Part B	Report Writing & Valuation Standards
Standards of Professional Practice, Part A	Case Studies in Real Estate Valuation
Standards of Professional Practice, Part B	Federal and State Laws and Regulations
Business Practices and Ethics	Limited Appraisals and Scope of Work
Effective Appraisal Writing	Principals of Condemnation Appraisals
Fair Housing	Loss Prevention
National USPAP Update (continuing)	

ACADEMIC EDUCATION

California State Polytechnic University - Pomona, CA
Three-year Master of Architecture Program – Urban Planning Focus (1980-1983)

Northern Arizona University - Flagstaff, AZ
Bachelor of Science (1972)
Double Major: Communication and Anthropology

APPRAISAL EMPLOYMENT

2016 – Present - ANDERSON & BRABANT, INC., Commercial Appraiser.

2011 – 2016 – THE DORE GROUP, Commercial Appraiser.

1988 – 2011 - ANDERSON & BRABANT, INC., Commercial Appraiser.

1983 to 1988 – PARKCENTER REALTY ADVISORS, 801 North Parkcenter Drive, Suite 210, Santa Ana, California. Provided investment and marketing consulting services in the acquisition, sale, leasing, portfolio management, valuation, land use and development planning of investment real estate. Clients included industrial corporations, development companies, investors, financial institutions, governmental agencies, and non-profit organizations.

1978 to 1983 – LANDAUER ASSOCIATES, INC., Santa Ana, California. Provided consultation and appraisal services for all types of investment real estate.

QUALIFICATIONS OF THE APPRAISER

William B. Anderson, MAI, SRA

Anderson & Brabant, Inc.
353 W. 9th Avenue
Escondido, CA 92025
(760) 214-7752 Cell

I. Resident of San Diego County since 1970

II. **Professional Affiliations:**

- A. Member, Appraisal Institute, MAI, SRA
- B. Member, International Right of Way Association
- C. 1988 President, AIREA, San Diego Chapter No. 42
- D. Certified General Real Estate Appraiser (AG002315)
Bureau of Real Estate Appraisers, State of California

III. **Appraisal Experience:**

Co-Owner – Anderson & Company, 1985 to present
Co-Owner — Anderson & Brabant, Inc., 1979 to present
Co-Owner — Robert M. Dodd & Associates, Inc., 1977 to 1979
Staff Appraiser, Vice President and Appraisal Manager — Financial Appraisals, Inc.,
1968 to 1977
Staff Appraiser — Financial Savings and Loan Association, Culver City, California,
1964 to 1966

IV. **Expert Witness:**

Superior Court, San Diego County
Municipal Court, San Diego County
Federal Bankruptcy Court, San Diego County, San Bernardino County
Assessment Appeals Board, San Diego County
Various Arbitration Hearings as Witness and Arbitrator

V. **Educational Background:**

- A. Graduated from El Segundo High School — 1963
- B. Attended El Camino Junior College, Palomar Junior College, and U.C.L.A.
- C. Professional Education Completed:
 - 1. Appraisal Institute
 - a. Real Estate Appraisal I — Principle Methods and Techniques
 - b. Real Estate Appraisal II — Urban Properties
 - c. Real Estate Appraisal VI — Investment Analysis
 - d. Real Estate Appraisal VIII
 - e. Standards of Professional Practice
 - f. Litigation Valuation
 - 2. Society of Real Estate Appraisers:
 - a. Course 101 — Real Property Valuation
 - b. Course 201 — Income Property Valuation
 - 3. Partial List of Seminars:
Condemnation Valuation, 11/94
Court Preparation in Litigation Cases, 11/95
California Laws & Regulations, 3/96
Litigation Valuation, 11/96

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Standards of Professional Appraisal Practice, 12/97
 Damages, Diminution and Mitigation, 8/98
 31st Annual Litigation Seminar, 11/98
 Land Development, 3/99
 Gramm-Leach Privacy Act, 10/01
 34th Annual Litigation Seminar, 11/01
 Real Estate Disclosure, 1/02
 Applying Economic Forecast, 2/02
 Partial Interest Valuation – Divided, 3/02
 Price Indexing Real Estate Markets, 7/02
 Statistical Analysis Using the Database, 7/02
 Eminent Domain Case Study Update, 10/02
 35th Annual Litigation Seminar, 11/02
 Standards of Professional Practice, Part C, 12/02
 National USPAP Update Course, 4/04
 Applying Economic Forecast – SD Regional Analysis, 2/05
 Uniform Appraisal Standards for Fed. Land Acquisitions, 1/07
 San Diego Economic Forecast, 2/07
 Business Practices and Ethics, 6/07
 IR/WA's Eminent Domain Case Update Seminar; 10/07
 40th Annual Litigation Seminar; 9/08

San Diego Apt. & Housing Seminar, 9/08
 7-Hour National USPAP Update Course, 4/10
 IR/WA's Eminent Domain Case Update, 4/10
 San Diego Apt. & Housing Seminar, 9/10
 43rd Annual Litigation Seminar, 11/10
 San Diego Economic Forecast, 2/11
 Loss Prevention Seminar, 4/11
 Operating Expense Seminar, 4/11
 San Diego Housing Seminar, 9/11
 2012 San Diego Economic Forecast, 2/12
 Business Practices and Ethics, 7/12
 Appraisal Curriculum Overview – General, 7/12
 Appraisal Curriculum Overview - Res., 7/12
 Vineyard Valuation, 11/12
 Unique Appraisal Assignments, 2/14
 Subdivision Analysis, 8/14
 Digging into Ground Leases, 2/15
 Downtown San Diego Development, 9/15
 IRWA Chapter 1 Valuation Seminar, 4/16
 Fed/CA Statutory & Regulatory Laws, 4/16
 Business Practices and Ethics, 7/16

VI. Types of Appraisals:

Residential Property:	Single-Family Residence, Condominiums, Apartments, Subdivisions, Mobile Home Parks, Existing and Proposed
Commercial Property:	Automobile Dealerships, Office Buildings, Shopping Centers, Office Condominiums, Etc., Existing and proposed
Industrial Property:	Single/Multi-Tenant, Business Parks, Etc., Existing and proposed
Vacant Land:	Industrial, Commercial, Residential, and Rural
Agricultural:	Ranches, Avocado and Citrus Groves, Nurseries, Etc.
Special Purpose Appraisals:	Partial Takings for Road Rights of Way, Easements, Leasehold Estates, Possessory Interest, Historical Appraisals, Etc.
Special Purpose Properties:	Hangers, Golf Courses, Churches, Yacht Club & Marina, Etc.
Special Projects:	Fire Damaged Property, Encinitas Ranch, Pomerado Business Park, Parkway Business Park, San Marcos County Landfill and Keller Canyon Landfill

VII. Partial List of Appraisal Clients:

<u>Lenders</u>	
Fallbrook National Bank	Great Western Bank
Downey Savings	Imperial Bank
Bank of America	Pacific Coast Savings & Loan
North County Bank	Palomar Savings & Loan
Grossmont Bank	Rancho Santa Fe National Bank
Pomona First Federal	Union Bank
GE Capital	Wells Fargo Bank
California Bank & Trust	First Community Bank of Santa Rosa

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Title Companies

Chicago Title Co.
First American Title Co.
Safeco Title Co.
St. Paul Title Co.
Title Insurance & Trust

Government Agencies and Municipalities

San Diego Association of Governments
Civic San Diego
United States Justice Department
CA Department of Transportation -Caltrans
City of Encinitas
City of Chula Vista
City of National City
City of Escondido
City of Oceanside
City of San Diego
City of San Marcos
City of Vista
County of San Diego
Escondido Union School District
Encina Wastewater Authority
North County Transit District
San Diego Port District
Federal Deposit Insurance Corp.
Olivenhain Municipal Water District
Poway Municipal Water District
Ramona Unified School District
Small Business Administration
Vallecitos Water District
Valley Center Municipal Water District

Law Firms

Daley & Heft
Meyers Fozi, LLP
Law Offices of Wesley W. Peltzer
Winet, Patrick & Weaver
Endeman, Lincoln, Turek & Heater
Best Best & Krieger
Gray, Cary, Ware & Freidenrich
Jones, Hatfield & Penfield
Nugent & Newnham
Skripek & Miller
Paul, Hastings, Janofsky & Walker
Quinn Emanuel Urquhart & Sullivan
Bartz Law Firm
Incorvaia & Associates
Garth O. Reid
Koenig Jacobsen

Others

Rincon Band of Luiseno Indians
AT&T
County Counsel
Stone & Youngberg
Trust for Public Land
The Willett Company
Pacific Bell
Hollandia Dairy
Pardee Construction
Sutro Mortgage Company
Wessell Construction Company
Palomar College
Granite Construction
Homer Heller Ford
The Kissell Company
Los Alamitos Race Course
MCI
MTS
Helix Water District
Pacific Realty Advisors
Bender Rosenthal, Inc.
San Diego Gas & Electric Co.
Tesoro South Coast Co., LLC
San Diego County Water Authority
Yuima Municipal Water District
Rincon Band of Luiseno Indians
Bell Enterprises
San Diego River Park Foundation
The Nature Conservancy
Fallbrook Hospital District
Gregory Canyon Ltd., LLC

White & Bright
Law Offices of Donald W. Detisch
Post, Kirby, Noonan & Sweat
Rutan & Tucker
Jeffrey Scott
Sternberg, Eggers, Kidder & Fox
Sullivan, Delafield, McGrath & McDonald
Wingert, Grebing, Anello & Chapin
Ito Law Group LLC
Andrew Rauch, APC
Early Sullivan Wright Gizer & McRae LLP
Quinn Emanuel Urquhart & Sullivan, LLP
Higgs Fletcher & Mack