

**RETROSPECTIVE MARKET VALUATION
LEASED FEE INTEREST
CHINESE HISTORY MUSEUM
404 3RD AVENUE
SAN DIEGO, CALIFORNIA**

BUSS-SHELGER ASSOCIATES

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June 24, 2025

Civic Communities
8989 Rio San Diego Drive, Suite 100
San Diego, California 92108

Attention: Mr. Jeff Zinner
Senior Project Manager

Reference: Retrospective Market Valuation
Leased Fee Interest
404 3rd Avenue,
San Diego, California

Our File No.: 6009-25

Mr. Zinner:

Pursuant to your request, we have appraised the above referenced ground leased land parcel for the purpose of providing our opinion of the retrospective, fair market value of the leased fee interest in the site. The land is improved with a tenant-owned, historical structure, presently utilized as a museum; the existing ground lease extends until June 30, 2050. As a result of our investigation and analyses, the following opinion of retrospective fair market value has been formed as of January 1, 2011.

TWO HUNDRED THIRTY-THREE THOUSAND DOLLARS

(\$233,000)

Following is an appraisal report that addresses the subject property; this document contains factual information, market data, and analyses which form the basis for the opinion rendered. This appraisal has been prepared in accordance with the standards and reporting requirements of the Uniform Standards of Professional Appraisal Practice.

Respectfully submitted,

BUSS-SHELGER ASSOCIATES



Lara Z. Buss, MAI

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BUSS-SHELGER ASSOCIATES**GENERAL INFORMATION****INTRODUCTION**

Buss-Shelger Associates has been asked to appraise the value of a ground leased land parcel beneath a historical building identified as the Chinese Mission Building which presently houses the Chinese History Museum. The property is located in Downtown San Diego, at the northwest corner of 3rd Avenue and J Street. As of the retrospective date of value of January 1, 2011, there were 39.5 years remaining on the land lease, at which point the improvements will either be removed or revert to the City of San Diego, the Landlord. For the purposes of the appraisal, it is assumed that the improvements will revert to the City.

PURPOSE OF APPRAISAL

The purpose of this appraisal is to determine a retrospective fair market value of the land, subject to the ground lease in-place.

DATE OF VALUE

The opinions and matters expressed in this report are stated retrospectively as of January 1, 2011; the property was inspected on June 24, 2025.

PROPERTY RIGHTS APPRAISED

This appraisal addresses the retrospective fair market value of the leased fee interest in the land, subject to the current ground lease in effect; the current market value of the fee simple interest in the property, both land and improvements, has been determined for reversionary purposes assuming the improvements will revert to the landlord at the end of the lease in 25 years (39.5 years from the date of value).

BUSS-SHELGER ASSOCIATES**USE OF APPRAISAL**

This appraisal was prepared at the request of Jeff Zinner, Senior Project Manager for Civic Communities, for internal purposes related to the closure of the Redevelopment Agency and the transfer of the property to the City of San Diego.

PROPERTY OWNERSHIP AND IDENTIFICATION

The improvements on the site are owned by the San Diego Chinese Historical Society & Museum. The underlying land is owned by the City of San Diego. The Assessor's reference is Book 535, Page 074, Parcel 02.

SCOPE OF APPRAISAL

To achieve the stated purpose, the appraisers have evaluated the subject property and surrounding neighborhoods, plus collected, confirmed, and analyzed pertinent market data necessary to form the opinion of current and retrospective market value. The improvements will transfer to the City of San Diego upon lease expiration in 25 years. The value of the entire property in 25 years, discounted to January 1, 2011, plus the interim land rent, results in the retrospective leased fee value of the land. The current fee simple market value of the facility has been determined by a sales comparison approach. The comparative study has examined recent transfers of similar facilities in the marketplace which have been compared to the subject holding resulting in an indicator of value. This value has been indexed to the lease expiration date in 2050, when the City will own the property fee simple. The future value has then been discounted to the retrospective value as of January 1, 2011, based on prevailing market discount rates; the retrospective value of the property is considered to be leased fee interest in land subject to the ground lease arrangement.

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EXPOSURE TIME

Exposure time is estimated to be the time period the property interest being appraised would have been offered on the market in order to hypothetically consummate a sale as of the effective date of appraisal. The subject of this study is a unique interest in a ground leased land parcel. Due to the limited interim income based on the nominal rent, as well as the longer holding period, it is our judgment that a minimum time frame of twelve months would be a reasonable estimate of exposure time for the holding to consummate a transaction at a price consistent with the value opinion expressed in this study assuming the land was professionally marketed. In evaluating the current fee simple market value of the property, inclusive of both land and improvements, an exposure time of six to nine months would be considered reasonable in the present market environment.

DEFINITIONS**Market Value (The Dictionary of Real Estate Appraisal, 7th Edition)**

“The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.”

Fee Simple Estate (The Dictionary of Real Estate Appraisal, 7th Edition)

“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.”

As Is Market Value (The Dictionary of Real Estate Appraisal, 7th Edition)

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

Leased Fee Interest (The Dictionary of Real Estate Appraisal, 7th Edition)

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

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Leasehold Estate (The Dictionary of Real Estate Appraisal, 7th Edition)

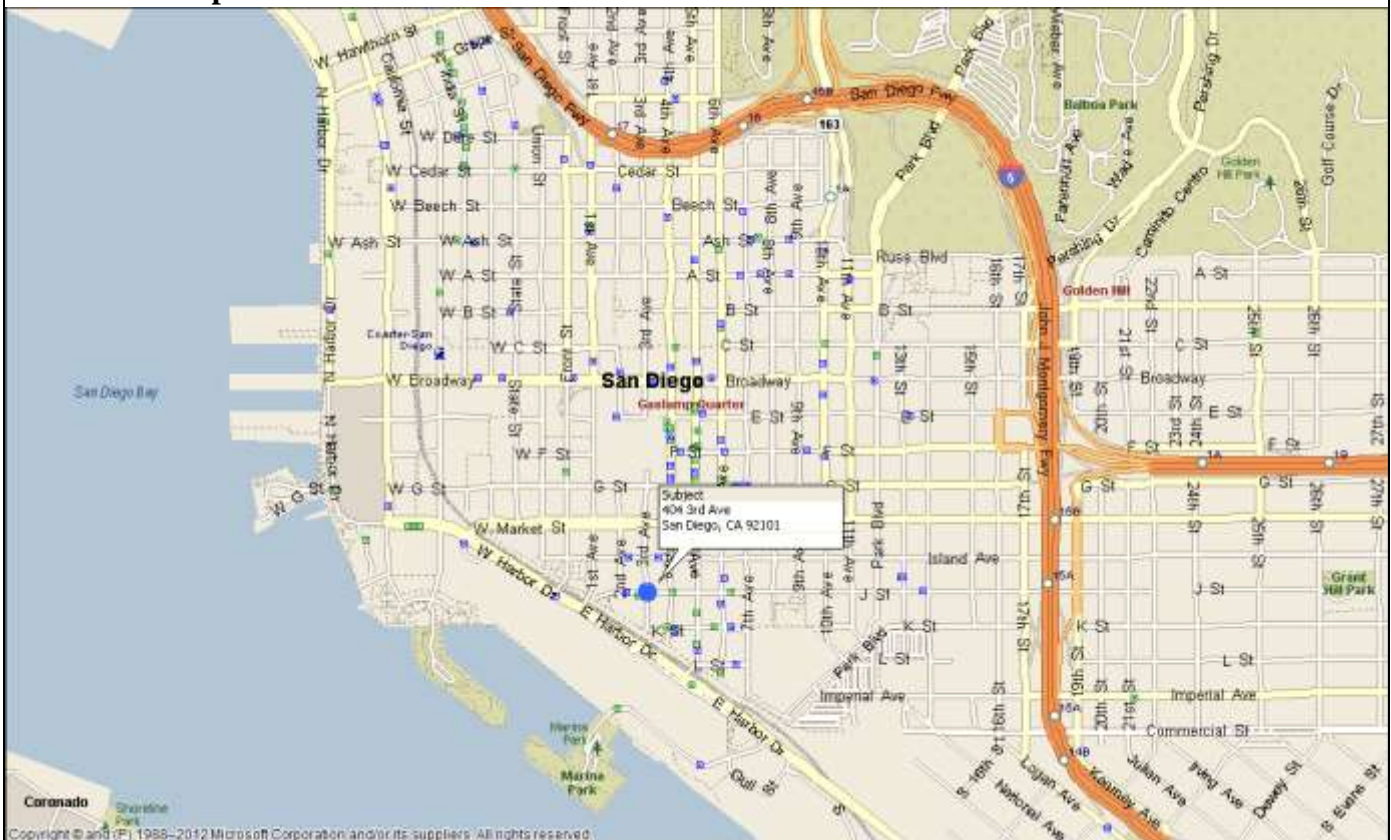
“The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.”

Retrospective Value Opinion (The Dictionary of Real Estate Appraisal, 7th Edition)

“A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation.”

LOCATION**Background**

Located a few blocks from the San Diego Bay, the subject is situated at the northwest corner of 3rd Avenue and J Street. The location of the holding within the Downtown area is found on the following map.

Location Map

PROPERTY DESCRIPTION

PLAT MAP

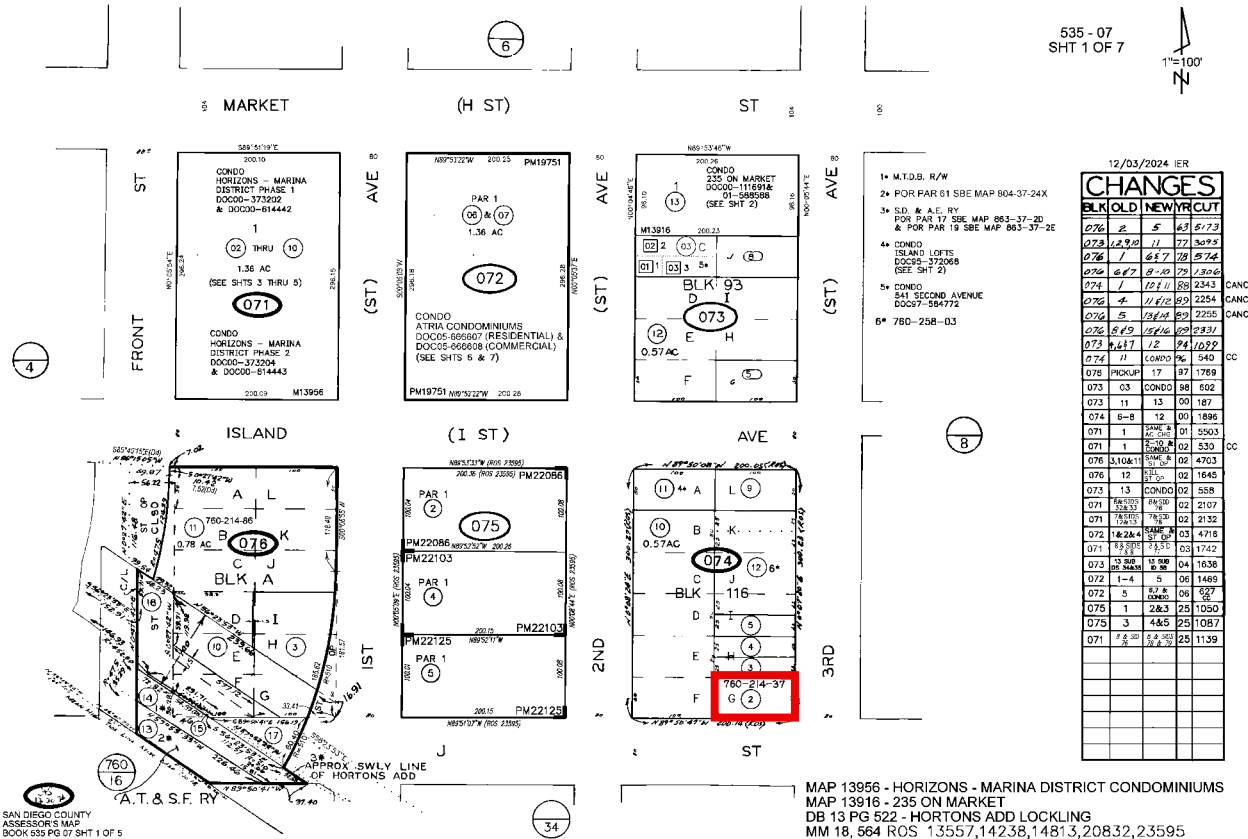
08

535 - 07
SHT 1 OF 7

1"=100'
N

535-071-076

THIS MAP WAS PREPARED FOR ASSESSMENT PURPOSES ONLY. NO LIABILITY IS ASSURED FOR THE ACCURACY OF THE DATA SHOWN. ASSESSOR'S PARCELS MAY NOT COMPLY WITH LOCAL SUBDIVISION OR BUILDING ORDINANCES.



PROPERTY FEATURES

Location:

General Description:

Assessor's Reference:

Land Area:

Zoning:

Northwest corner of 3rd Avenue and J Street

The property is comprised of a historic building identified as the Chinese Mission Building which now houses the Chinese History Museum. Originally located on 1st Street, the structure was relocated to its current parcel in 1996.

535-074-02

5,000 square feet per the Plat Map.

CCPD-RE – Centre City Planned District-Residential Emphasis. This district accommodates primarily residential development. Small-scale businesses, offices, services, and ground-floor active commercial uses are allowed, subject to size and area limitations. Within the RE District, at least 80 percent of the gross floor area must be occupied by residential uses. Non-residential uses may occupy no more than 20 percent of the gross floor area. Small lots of 5,000 square feet or less may apply for a deviation to the percentage requirements of the RE District through the Conditional Use Permit process. There is a minimum 2.0 FAR and a maximum FAR of 3.5.

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Airport Influence:	Airport Land Use Compatibility – Review Area 2 for both San Diego International Airport and NAS North Island. The property is also within the FAA Part 77 Noticing Area for both airfields.
Earthquake Zone:	The property is within an Alquist Priolo Special Study Area – Geological Hazard Category 11. Geologic Hazard Category 11 is a specific designation in California used to identify and manage areas at risk from surface fault rupture due to earthquakes.
Flood Zone:	The property is not within a Special Flood Hazard Area; it is within Zone X which is an area of minimal flood hazards.
Building Area:	2,250 square feet. The original Mission Building has 1,500 square feet per the National Register of Historic Places Inventory – Nomination Form. There is a two-story addition at the back of the building which approximates 750 square feet per the appraiser’s measurements.
Construction:	Concrete foundation with raised concrete footings; walls are of masonry brick construction with a wood truss roof. The walls are reinforced. At the front façade, there is a red-tiled sloping roof over the central bell tower at the entrance.
Interior Finishes:	The interior of the Mission Building is finished with painted drywall and track spotlighting; the ground floor is sealed concrete. There is a central HVAC unit servicing the entire facility. Within the addition to the Mission Building, there is a carpeted stairway leading to office space on the second floor. The office has fluorescent lighting and industrial carpeting; the interior walls are finished with a combination of painted brick and drywall. The ground floor of the addition has two individual restrooms, a storage/maintenance room, and a small foyer leading to the patio to the rear of the building.
Year Built:	Mission Building was constructed in 1927, and it was relocated and renovated with the two-story addition in 1996; the building has been well-maintained.
Comments:	The north side of the building has been landscaped with a Chinese garden. There is gated, paved patio area behind the building for outdoor functions. In front of the entrance is one of two six-foot high “guarding stone lions” which mark the entrance to the Asian Pacific Historic District.
Surroundings:	The subject holding is located at the gateway to the Asian Pacific Thematic Historic District of Downtown San Diego, which partially overlaps with the Gaslamp Quarter Historic District. The asset benefits from surrounding streetfront retail establishments and restaurants within mixed-used residential and hospitality buildings, as well as an abundance of apartment buildings. There are also tourist attractions in the immediate locale including the Convention Center and the harbor/port several blocks to the southwest.

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SUBJECT PICTURES

Aerial



Street View



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GROUND LEASE SYNOPSIS

Lessor:	Redevelopment Agency of the City of San Diego
Lessee:	Chinese Historical Society of Greater San Diego and Baja California, Inc.
Terms:	January 5, 1995 – June 30, 2050
Annual Rent:	\$1 per year
Expenses:	Totally net to Lessor; tenant is responsible for all maintenance, repairs, utilities, property taxes, and all other costs associated with operating the facility.
Options:	There are no options to purchase the land or extend the lease. The improvements revert to the Lessor upon lease expiration if the Lessee chooses not to demolition or relocate them.

ASSESSED VALUE AND TAXES

Since the land is owned by the City of San Diego, the Assessor's land parcel 535-074-02 is exempt from property taxes.

HIGHEST AND BEST USE**Definition**

"The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value."

Comment

The underlying land is zoned for residential and mixed-use residential projects. As a historical structure on public land, the subject facility is an approved non-conforming use. As a museum, the property serves as a public benefit, enhancing the surroundings and educating the public about the history of the Chinese immigrants who settled in San Diego. Based on the historical designation of the building, it cannot be demolished in favor of new construction, and the current lease extends until 2050. With the property's location at the gateway to the Asian Pacific Thematic Historic District, the property as improved is being put to its optimum interim use.

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LEASED FEE VALUATION**BACKGROUND**

The retrospective market value of the leased fee interest in the ground leased land is comprised of the future value of the property, when the improvements revert to the City of San Diego in 25 years, plus the interim income from land rent, discounted to the date value in this appraisal. A comparative analysis has been utilized to determine the current fee simple market value of the property as improved. This value has been indexed forward to the lease expiration date and then discounted back to the retrospective date of January 1, 2011. Since the land rent is \$1 per year, realistically, there is no interim rent. As a result, the retrospective discounted value of the property, inclusive of both land and improvements, is considered to be the leased fee value of the land.

CURRENT FEE SIMPLE VALUE ANALYSIS**Background**

Recent transactions from Downtown San Diego have been researched for purchases of vintage/historical structures similar to the subject holding. Due to the small Downtown marketplace, a two-year timeframe has been considered. A Sales Map has been provided on the next page which reflects the situs of each data item in relationship to the property being evaluated.

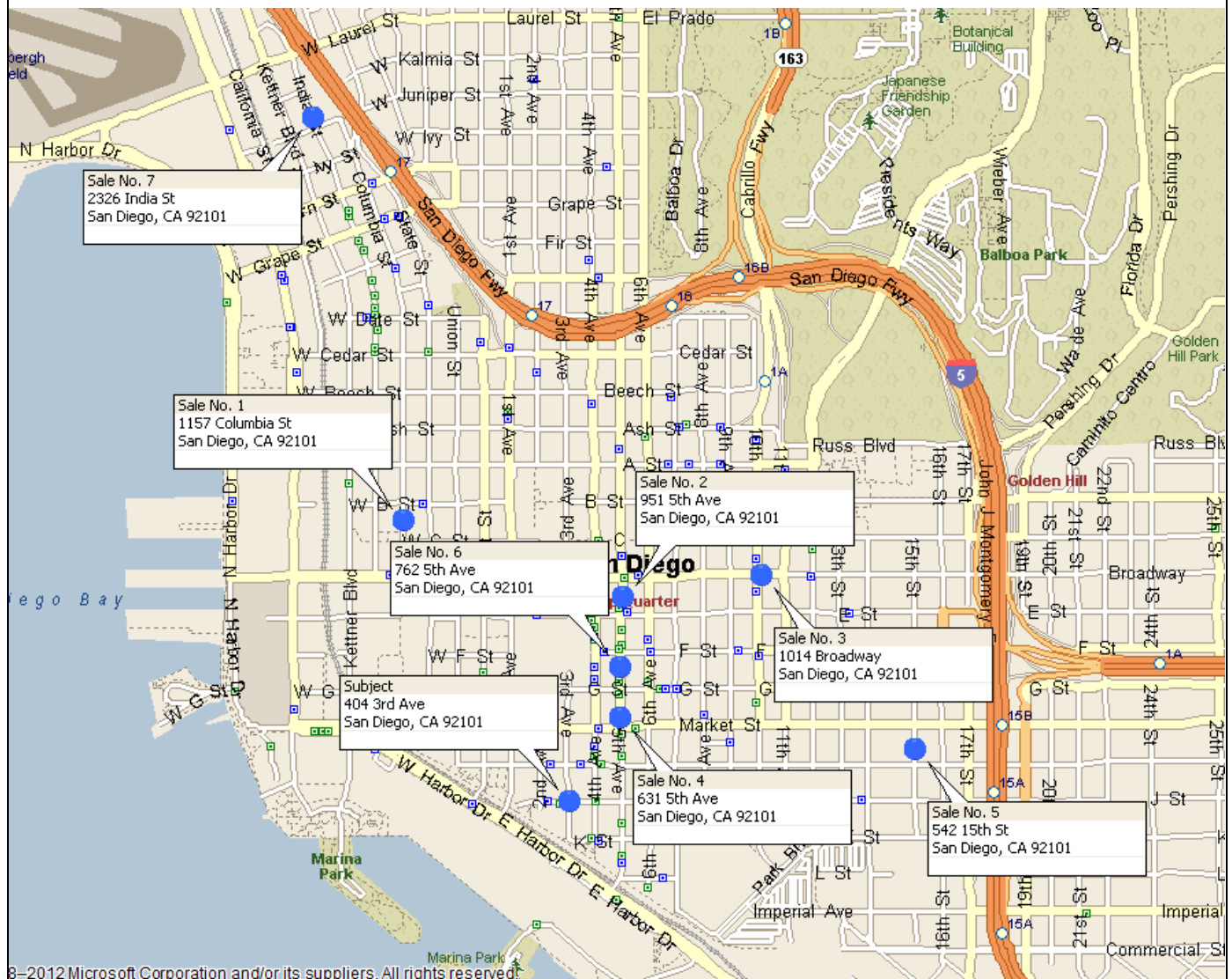
Sales Summary

<u>Sale No.</u> <u>Date</u>	<u>San Diego</u> <u>Address</u>	<u>Land Area</u> <u>Current Use</u>	<u>Bldg. Area</u> <u>Year Built</u>	<u>Sale Price</u> <u>Price/SF</u>
Subject ---	404 3rd Avenue	5,000 SF Museum	2,250 SF 1927	---
1 9/23	1157 Columbia Street	5,000 SF Restaurant	5,000 SF 1923	\$2,000,000 \$400
2 12/23	951-955 5 th Avenue	5,000 SF Mixed-Use	15,000 SF 1904/R08	\$4,878,200 \$325
3 10/24	1014 Broadway	10,000 SF Retail	10,000 SF 1932	\$3,850,000 \$385

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Sale No. Date	San Diego Address	Land Area Current Use	Bldg. Area Year Built	Sale Price Price/SF
4 10/24	631 5 th Avenue	2,520 SF Mixed-Use	7,500 SF 1882	\$3,250,000 \$433
5 1/24	542 15 th Street	4,000 SF Office	2,400 SF 1932	\$1,800,000 \$750
6 2/25	762-764 5 th Avenue	2,500 SF Mixed-Use	7,440 SF 1901	\$4,750,000 \$638
7 4/25	2326 India Street	5,000 SF Office	1,828 SF 1938	\$2,200,000 \$1,204

Sales Map



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Value Analysis

The purchases in this study indicate a broad price range from \$325 to \$1,204 per square foot. The price for Sale No. 1, at \$400 per square foot, was influenced by the existing tenant purchasing the building; the details regarding this purchase option have not been disclosed. The other six transactions involved standard acquisitions.

The main factor influencing price per square foot is building size; there is an inverse relationship between size and price per square foot with the larger facilities transferring for a lower price per square foot. This has been illustrated in the following table which has reordered the sales by building size, with the exception of the previously discussed Sale No. 1.

<u>Sale No.</u>	<u>Building SF</u>	<u>Price/SF</u>
7	1,828	\$1,204
Subject	2,250	--
5	2,400	\$750
6	7,440	\$638
4	7,500	\$433
3	10,000	\$385
2	15,000	\$325

Based on the price pattern in this table, the subject holding is most closely related to Sale No. 5 in terms of size; however, the property under analysis is slightly smaller, as well as having a stronger location near the bay and Gaslamp Quarter. A value of \$915 per square foot has been adopted for the property under analysis.

2,250 SF x \$915/SF	\$2,058,750
Rounded to	\$2,060,000

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RETROSPECTIVE VALUE DETERMINATION

The subject ground lease has 25 years remaining until expiration at which time the improvements on the subject land either need to be removed, or they revert to the City of San Diego and are owned fee simple. It has been assumed for the purpose of the analysis that the improvements will revert back to the City. During the interim, the current lessee will continue to operate and maintain the facility. Accordingly, the current fee simple market value has been indexed to a future value as of the lease expiration in 25 years; the index used has been based on the average CPI annual increase over the past 30 years of 3.5% per year.

Future Value – \$2,060,000 x 2.363245	\$4,868,285
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The future value of the property has then been discounted to a retrospective value as of January 1, 2011 (39.5 years) based on a discount rate taken from the PricewaterhouseCoopers Investor Survey of Net Leased assets; a rate of 8.0% has been utilized. The following is the retrospective market value of the leased fee interest in the land under evaluation, subject to the existing ground lease.

Present Value:	
\$4,868,285 x 0.047837	\$232,884
Rounded to	\$233,000

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VALUATION

Based on our investigation and analysis, the following retrospective fair market value emerges for the leased fee interest in the ground leased land under evaluation as of January 1, 2011.

TWO HUNDRED THIRTY-THREE THOUSAND DOLLARS

(\$233,000)

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LIMITING CONDITIONS

This report is made expressly subject to the following conditions and stipulations:

- 1) No responsibility is assumed by us for matters which are legal in nature.
- 2) No opinion of title is rendered and the property is appraised as though free of all encumbrances and the title marketable.
- 3) The appraisal covers the property described only.
- 4) No survey of the boundaries of the property has been made. All areas and dimensions furnished are assumed to be correct.
- 5) Sources of information are believed to be correct and, where feasible, have been verified.
- 6) By reason of this appraisal we are not required to give testimony or to be in attendance in court or at any governmental or other hearing with reference to the property without arrangements having been made relative to such additional employment.
- 7) Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, or any reference to the Appraisal Institute, or to the MAI or RM 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 the prior written consent and approval of the author(s).
- 8) Unless otherwise stated in this report, the existence of hazardous substances, including without limitation asbestos, polychlorinated biphenyls, petroleum leakage, or agricultural chemicals, which may or may not be present on the property were not called to the attention of nor did the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test for such substances. The presence of such hazardous substances may affect the value of the property. The value estimated herein is predicated on the assumption that no such hazardous substances exist on or in the property or in such proximity thereto which would cause a loss in value.

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CERTIFICATION

The following certification applies to the retrospective market value of the ground leased land located at 404 3rd Avenue in San Diego, California.

- The undersigned has not performed any appraisals as an appraiser on the subject property within the three-year period immediately preceding acceptance of this assignment.
- The undersigned appraiser certifies that she has personally inspected the property described herein, and that she has no past, present or prospective, direct or indirect interest in or bias with respect to the subject property, nor personal interest or bias toward the parties involved.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are the personal, unbiased professional analyses, opinions, and conclusions of the undersigned; employment in this appraisal report is not in any manner contingent upon returning appraisal findings in any specified or implied amount or otherwise contingent upon anything other than the delivery of this report.
- This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- To the best of the appraiser's knowledge and belief, all of the statements contained herein, upon which the analyses, opinions and conclusions expressed are based, are true and accurate; that no one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate set forth in this report.
- The appraiser's analyses, opinions, and conclusions were developed and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation.
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.

As of the date of this report, Lara Z. Buss, MAI has completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.

Respectfully submitted,
BUSS-SHELGER ASSOCIATES



Lara Z. Buss, MAI

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PROFESSIONAL QUALIFICATIONS

LARA Z. BUSS

EXPERIENCE

Buss-Shelger Associates, Los Angeles, California (since 2003).

Associate. Provides consultive and valuation services on all types of vacant and improved properties.

AmerisourceBergen Corp., Orange, California (2001-2003).

Project Manager. Prioritized, designed and managed enhancements to web, desktop and Palm based customer systems including ordering, receiving, inventory and reporting applications. Designed new web and desktop based customer systems.

Accenture, San Ramon, California (1997-2001).

Consultant. Provided technology consulting services including project management, software design and development, and business process analysis.

Buss-Shelger Associates, Los Angeles, California (1995).

Analyst. Conducted field investigations, sales analyses, rental surveys and cost strategies. Analyzed market information, demographic trends and real estate price patterns.

PROFESSIONAL ACTIVITIES

Phi Beta Kappa (Member)

Appraisal Institute (Southern California Chapter)

Lambda Alpha International (Member)

CERTIFICATION/EDUCATION

MAI designated and certified under The Appraisal Institute voluntary program of continuing education for its designated members.

Certified General Real Estate Appraiser in the State of California.

OREA Appraiser Certification No. AG036684

Bachelor of Arts – Vanderbilt University (1997)