



3530 Camino del Rio North, Ste. 205  
San Diego, California 92108  
Tel: 619-282-0800  
[www.hendricksonappraisal.com](http://www.hendricksonappraisal.com)

# Appraisal Report



## APPRAISAL OF LEASED FEE INTEREST

*Walker Scott Building*  
1014 5th Avenue  
San Diego, CA 92101

## EFFECTIVE DATE OF VALUE:

January 1, 2011

## DATE OF REPORT:

August 29, 2025

## APPRAISED FOR:

City of San Diego  
Economic Development Real Estate Division  
1200 Third Avenue, Suite 1700  
San Diego, CA 92101

August 29, 2025

Mr. Jeff Zinner  
Vice President, Community Development  
Civic Communities  
8989 Rio San Diego Drive, Suite 100  
San Diego, CA 92108  
T: (619) 533-7122

**RE: LEASED FEE APPRAISAL – Walker Scott Building Appraisal**

Address: 1014 5th Avenue, San Diego, CA 92101  
Ownership: City of San Diego  
APN: 533-525-05

Dear Mr. Zinner:

At your request and authorization, the above-referenced property has been inspected and analyzed to develop an opinion of the fair market value of the leased fee interest in the property, which is subject to a long-term ground lease. The requested retrospective date of value is January 1, 2011. The intended users of this appraisal are the Civic Communities and the City of San Diego. The client is Civic Communities. The intended use of the appraisal is to establish the fair market value of the property to facilitate implementation of the Amended and Restated Long-Range Property Management Plan (ARPMP) of the successor agency to the City of San Diego Redevelopment Agency per California Health and Safety Code (HSC) Section 34180(f)(2).

The property, commonly referred to as the “Walker Scott Building, comprises an approximately 10,131 square foot parcel (APN 533-525-05), improved with an 8-story historic building, located on the northwest corner of the intersection of 5<sup>th</sup> Avenue and Broadway in downtown San Diego. The property is encumbered by a ground lease between the City of San Diego (current Landlord) and On Broadway SD Partners LP (current Tenant). The lease commenced in 2001 with an initial term of 55 years, with the option for two, 22-year extensions.

This appraisal report describes the facts and reasoning upon which our opinions are based. The analysis and final report have been prepared in compliance with and subject to the requirements of the Uniform Standards of Professional Appraisal Practice (USPAP) as published by the Appraisal Foundation, the California Code of Civil Procedure (CCP), and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

Based upon our investigations and analysis, and by virtue of our experience as real estate appraisers, it is our opinion that the leased fee value of the real property as of January 1, 2011, is:

Leased Fee Value .....\$1,150,000

This appraisal is subject to certain additional assumptions and limiting conditions that are made a part of this report. Acceptance and use of this report by the client or any other party constitutes acceptance of these assumptions and limiting conditions.

Thank you for this opportunity to be of service. Should you have any questions regarding this appraisal, please contact us at (619) 282-0800.

Respectfully submitted,



Mark J. Hendrickson, MAI, AI-GRS  
California Certified General Appraiser  
License No: AG041338



Ted G. Hendrickson, MAI  
California Certified General Appraiser  
License No: AG004974

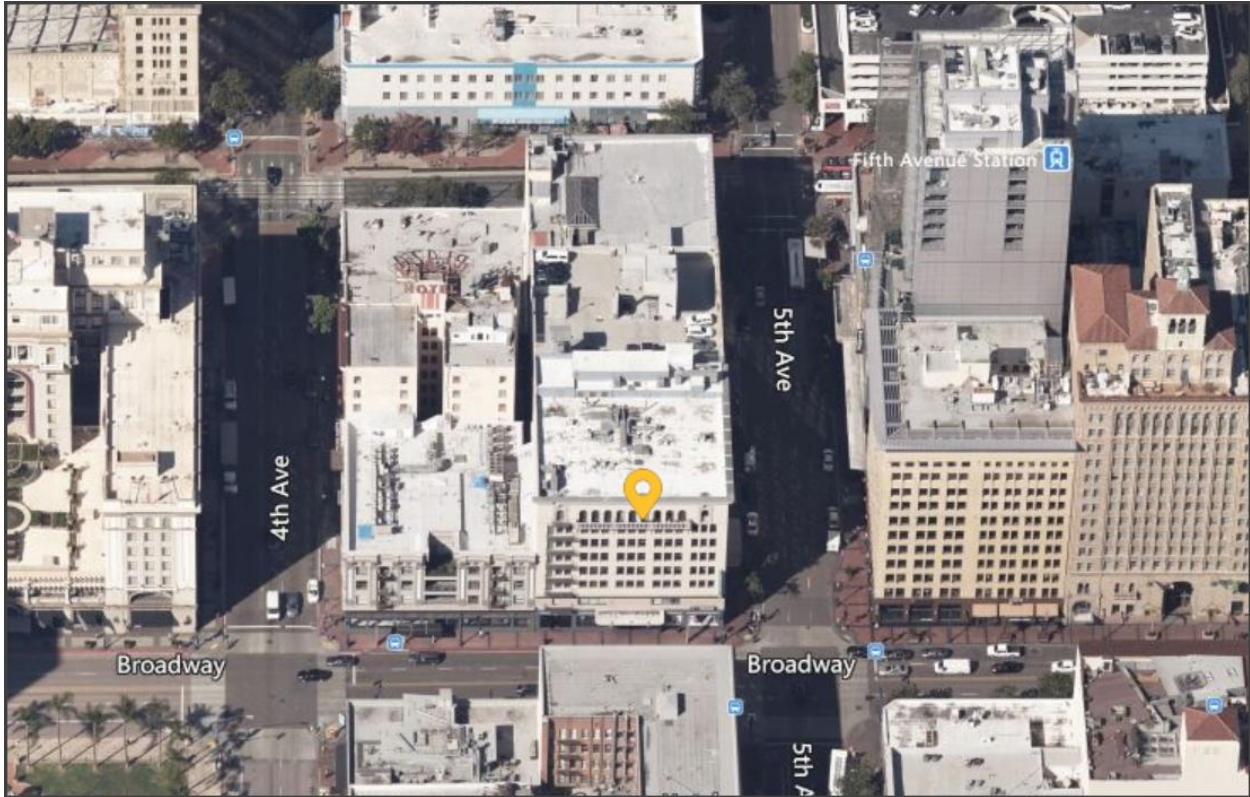
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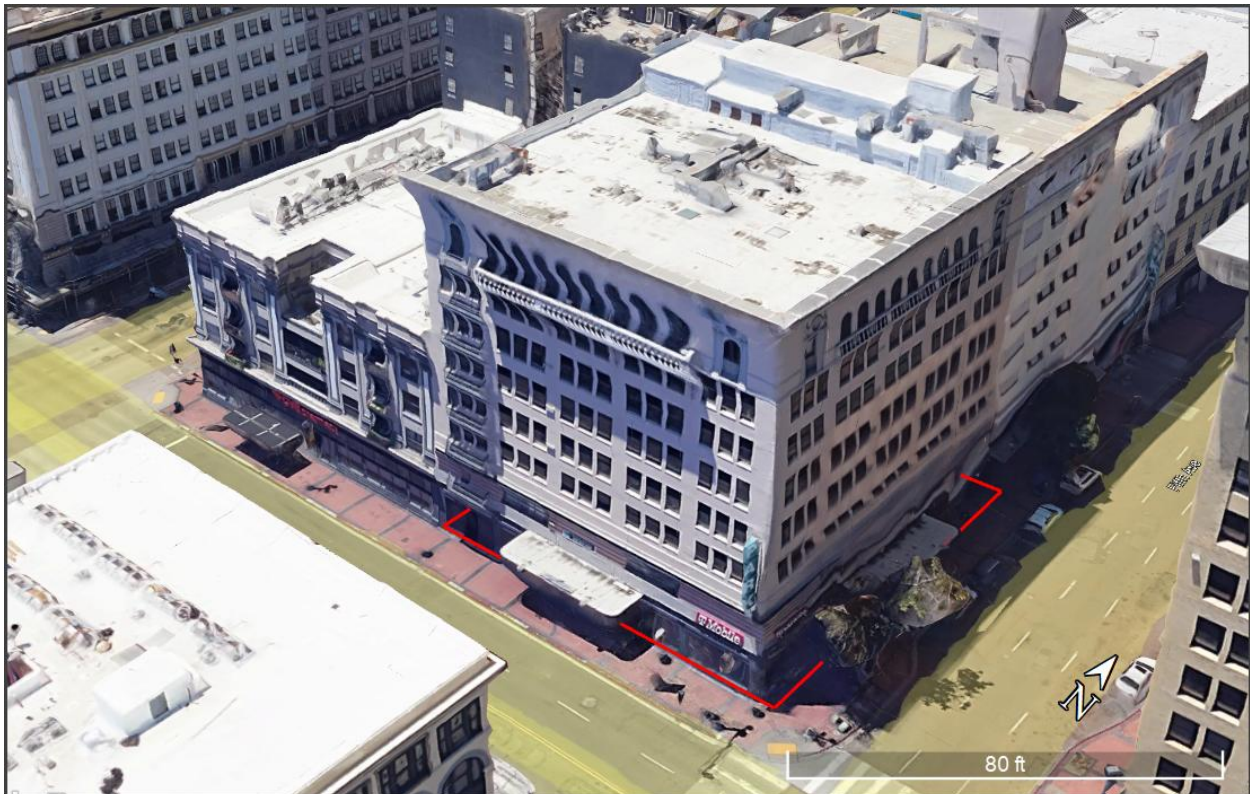




## AERIAL PHOTOGRAPHS



**Subject Property:** Aerial view of the Walker Scott Building, looking generally northerly.



**Subject Property:** Aerial view of the property looking generally northwesterly. The parcel boundaries are approximate.

**SUMMARY OF SALIENT FACTS AND CONCLUSIONS**

<b>Property Location:</b>	The property is located at the northwest corner of the signalized intersection of Broadway and Fifth Avenue, in the Civic/Core District of downtown San Diego. The property address is 1014 5th Avenue, San Diego, CA 92101.
<b>Assessor Parcel No:</b>	533-525-05
<b>Ownership:</b>	<i>Ground Lessor (landlord):</i> City of San Diego <i>Ground Lessee:</i> On Broadway SD Partners LP
<b>Interests Valued:</b>	Leased Fee ( <i>Long-Term Ground Lease – 55 years with (2) 22-year options</i> )
<b>Intended Use:</b>	To establish the fair market value of the property to facilitate implementation of the Amended and Restated Long-Range Property Management Plan (ARPMP) of the successor agency to the City of San Diego Redevelopment Agency per California Health and Safety Code (HSC) Section 34180(f)(2).
<b>Inspection Date:</b>	The subject property was inspected and photographed on April 29, 2025.
<b>Date of Appraisal:</b>	January 1, 2011 ( <i>Retrospective Date - as of the 2011 property tax lien</i> )
<b>Land Area:</b>	10,131 square feet (0.23 acres)
<b>Zoning:</b>	Centre City Planned District - Core (CCPD-Core); Municipal Code
<b>Land Use:</b>	Core; Downtown Community Plan, City of San Diego
<b>Lease Duration:</b>	Initial base term of 55 years, with the option of two 22-year extensions for a total of 99 years.
<b>Lease Commencement Date:</b>	July 12, 2001
<b>Lease Expiration Dates</b>	2056 (base term), 2078 (1 <sup>st</sup> renewal), and 2100 (2 <sup>nd</sup> renewal).
<b>Purchase Option:</b>	The tenant may exercise their option to purchase the property at any time after October 31, 2023.
<b>Property Use:</b>	The subject site is part of a mixed-use development, including commercial spaces and parking facilities.
<b>Present Use:</b>	Eight-story mixed-use project consisting of retail, commercial, and parking uses.
<b>Property Description:</b>	The subject property is a component of a larger mixed-use project that was redeveloped in 2001 as part of a Disposition and Development Agreement (DDA). The project involved the renovation of two historic buildings located at 402 Broadway and 1014 Fifth Avenue (subject property), and the construction of an eight-story parking garage structure at 1026 Fifth Avenue. The combined mixed-use project features a mix of retail, commercial, residential, and parking uses.
<b>Value Conclusions:</b>	\$1,150,000 (Leased Fee Interest)



## **ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal report is prepared subject to the following conditions and stipulations:

### **EXTRAORDINARY ASSUMPTIONS**

An extraordinary assumption is defined as “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.”<sup>1</sup> Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property.

*The purpose of this appraisal is to determine the fair market value of the leased fee interest in the subject property as of January 1, 2011 (as of the 2011 property tax lien). The condition and quality of the property as of this retrospective date is based on the extraordinary assumption that it was in a fairly similar condition as currently exists, given regular maintenance schedules and typical depreciation.*

### **HYPOTHETICAL CONDITIONS:**

A hypothetical condition is defined as “a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.”<sup>2</sup> Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property. By definition, the use of a hypothetical condition might affect the assignment results.

*No hypothetical conditions were used in this appraisal*

### **GENERAL ASSUMPTIONS**

- (1) A Preliminary Title Report was not provided for the appraisers to review. It is an assumption of this report that no overly burdensome easements exist that would materially affect the development and use of the property to a productive use.
- (2) No responsibility is assumed for matters legal in character or nature. No opinion is rendered as to title, which is assumed to be good and marketable. All existing liens, encumbrances, and assessments have been disregarded unless otherwise noted, and the property is appraised as though free and clear, having responsible ownership and competent management.
- (3) Information, estimates, and opinions furnished by others and contained in this report are assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, the appraisers assume no responsibility for its accuracy. Should any of this information prove to be incorrect, we reserve the right to amend our appraisal accordingly. The photographs, plats, and maps furnished in this report are intended to assist the reader in visualizing the property.
- (4) No soil or geotechnical investigation report was provided by the client. It is assumed that no hidden or unapparent conditions of the property, subsoil, or structures would render it more or less valuable than otherwise comparable properties. No responsibility is assumed for such conditions or for engineering that might be required to discover such factors. The appraisers are not qualified

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<sup>1</sup> Uniform Standards of Professional Appraisal Practice (USPAP), 2024-25 edition, Definitions, p.4

<sup>2</sup> Ibid





to analyze said conditions and urge the client to retain an expert in this field if desired. No visible evidence of soil subsidence was observed during our inspection of the property.

- (5) No opinion is rendered as to the value of sub-surface gas, oil, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated in this appraisal report.
- (6) All opinions of value are presented as the appraisers' opinions based upon the facts and data set forth in this report. The appraisers assume no responsibility for changes in the market conditions or the owner's inability to locate a purchaser within a reasonable time at the appraised fair market value.
- (7) It is assumed that no legitimate environmental or ecological issues would prevent the orderly development of the land to its highest and best use under economically feasible conditions.
- (8) Testimony or attendance in court or other hearing by reason of this appraisal, with reference to the property in question, shall not be required unless arrangements have previously been made with the client a reasonable amount of time in advance relative to such additional employment. Additional pre-trial and court testimony is beyond the scope of this appraisal assignment and will be compensated for at the appraiser's regular hourly rates in effect at that time for expert/testimonial services.
- (9) In the event that our firm or any of its owners, appraisers, or employees are required by subpoena or another legal process to provide testimony or produce documents relating to my services or work product in connection with this engagement, whether as an expert or percipient witness, and whether in court, deposition, arbitration or in any other proceeding and regardless of the identity of the party requiring such testimony or production of documents, the client agrees to compensate the appraiser and/or my firm for the time incurred in connection with preparation for and provision of such testimony and/or documents at my/our regular hourly rates in effect at that time for expert/testimonial services and to reimburse our reasonable, actual expenses. The foregoing shall not apply to the extent that a third party pays my/our fees or expenses.
- (10) By acceptance and use of this report, the user agrees that any liability for error, omissions, or judgment of the appraisers is limited to the amount of the fee charged for this appraisal. Anyone acting in reliance upon the opinions, judgments, conclusions, or data contained herein who has the potential for monetary loss due to this reliance is advised to secure an independent review and verification of all such conclusions and/or facts. The user agrees to notify the appraiser, prior to any irrevocable investment decision, of any error that could reasonably be determined from a thorough and knowledgeable review.
- (11) The date of value to which the opinions expressed in this report apply is set forth in the letter of transmittal. The appraisers assume no responsibility for economic or physical factors occurring at some later date that may affect the opinions herein stated. The appraisers reserve the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available.
- (12) The projections included in this report are used to assist in the valuation process and are based on market conditions and anticipated short-term supply and demand factors as of the effective date of value.



- (13) The possession of this report, or a copy thereof, does not carry with it the right of publication, nor may it be used for any purpose other than described in this report, without the previous written consent of Hendrickson Appraisal Company, Incorporated.



**CERTIFICATION**

The undersigned certify that, to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- (3) We 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) We have performed no services, as appraisers 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) We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- (6) Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- (7) Our 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) The reported analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice and the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- (9) The undersigned both made personal inspections of the property that is the subject of this report.
- (10) No one provided significant real property appraisal assistance to the persons signing this certification.
- (11) The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representative.
- (12) As of the date of this report, Ted G. Hendrickson, MAI, has completed the continuing education program for Designated Members of the Appraisal Institute.
- (13) As of the date of this report, Mark J. Hendrickson, MAI, AI-GRS, has completed the continuing education program for Designated Members of the Appraisal Institute.

Mark J. Hendrickson, MAI, AI-GRS  
California Certified General Appraiser  
AG041338

Ted G. Hendrickson, MAI  
California Certified General Appraiser  
AG004974



## **INTRODUCTION / PURPOSE OF APPRAISAL**

### **PURPOSE OF THE APPRAISAL**

The property is subject to a long-term lease between the City of San Diego (current Landlord) and On Broadway SD Partners LP (current Tenant). The purpose of the appraisal is to develop an opinion of the fair market value of the City's leased fee interest in the property as of January 1, 2011.

### **INTENDED USE OF THIS APPRAISAL**

The intended use of the appraisal is to establish the fair market value of the property to facilitate implementation of the Amended and Restated Long-Range Property Management Plan (ARPMP) of the successor agency to the City of San Diego Redevelopment Agency per California Health and Safety Code (HSC) Section 34180(f)(2).

California Health and Safety Code (HSC) Section 34180(f)(2) states, "if no other agreement is reached on the valuation of the retained assets, the value will be the fair market value as of the 2011 property tax lien date as determined by an independent appraiser approved by the oversight board."

### **INTENDED USERS AND CLIENT OF THIS APPRAISAL**

The client and intended user of this appraisal is Civic San Diego, the successor agency of the former City of San Diego redevelopment agency (Centre City Development Corporation (CCDC)).

### **PROPERTY RIGHTS APPRAISED**

The property ownership rights appraised in this appraisal are the *Leased Fee Interest*, defined as follows:

*Leased Fee Interest: "The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires."*<sup>3</sup>

### **DEFINITION OF VALUE**

The value opined in this appraisal is "*Fair Market Value*," defined by the California Health and Safety Code as:

*"Fair market value" means 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.*<sup>4</sup>

<sup>3</sup> Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7<sup>th</sup> ed. (Chicago: Appraisal Institute, 2022)

<sup>4</sup> CA Health and Safety Code § 35805 (b) (2024)

**PROPERTY INSPECTION**

The subject property was viewed and photographed on April 29, 2025, by Mark Hendrickson, MAI, AI-GRS, of Hendrickson Appraisal. It was viewed on several previous and subsequent dates by Mark Hendrickson and Ted Hendrickson.

**SCOPE OF WORK**

This report was prepared and is presented under the “*Appraisal Report*” reporting option as set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). As such, it presents a summary discussion of the data, reasoning, and analyses used in the appraisal process to develop the appraiser’s opinion of value. The appraiser’s file retains supporting documentation concerning the data, reasoning, and analyses. The depth of discussion in this report is tailored to the client’s specific needs and intended use, as stated above. The appraisers are not responsible for unauthorized use of this report.

The appraisal’s scope of research and analysis included:

- (1) Thorough inspection of the property by the appraisers. The exterior and interior of the building were viewed and photographed.
- (2) Researched and investigated district, neighborhood, and regional data related to the subject property and comparable properties. The client is knowledgeable of the local market area and requested abbreviated reporting.
- (3) Conducted detailed land use and market analysis, including a review of the City of San Diego’s General Plan, the Downtown Community Plan, the City’s Municipal Code, and other relevant public records.
- (4) Reviewed and analyzed multiple ground lease agreements, amendments, a Disposition and Development Agreement, an Implementation Agreement, and 15 years of financial statements relevant to the property being appraised.
- (5) Valued the leased fee interest in the property using the discounted cash flow analysis of the income approach. Information gleaned from the lease and financial documents was utilized to support assumptions in the cash flow analysis.
- (6) The appraisal findings are communicated in an “Appraisal Report” in accordance with Standard Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP).

**REASONABLE EXPOSURE TIME**

Exposure time is defined as:

- (1) The time a property remains on the market.



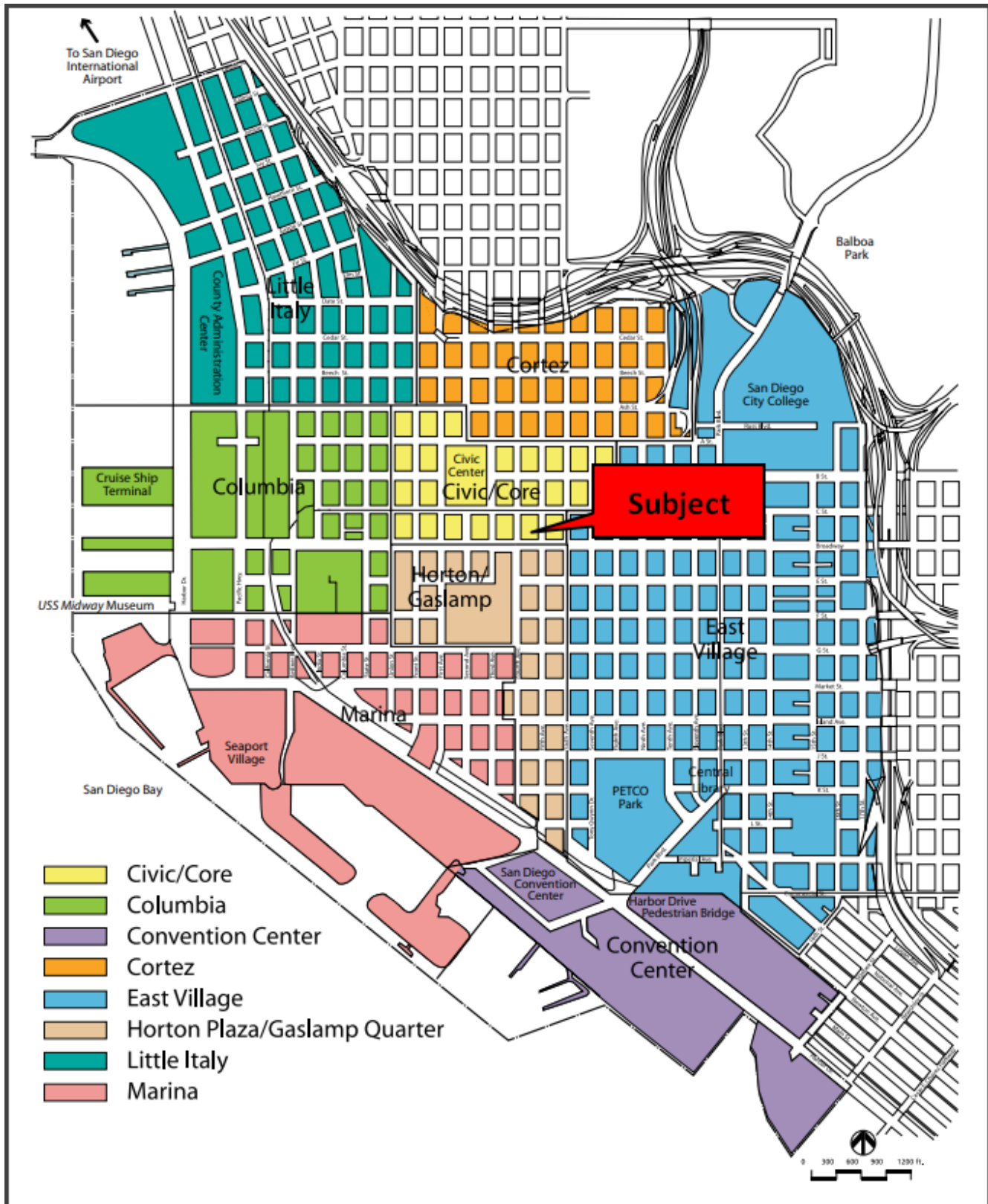
- (2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. A retrospective estimate based on an analysis of past events assuming a competitive and open market.<sup>5</sup>

*Based on the definition of fair market value under the Code of Civil Procedures cited above, developing an opinion of exposure time is not required, as it is not a component of the value definition. Therefore, an opinion of reasonable exposure time has not been developed for this appraisal.*

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<sup>5</sup> Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 7th ed. (Chicago: Appraisal Institute, 2022).



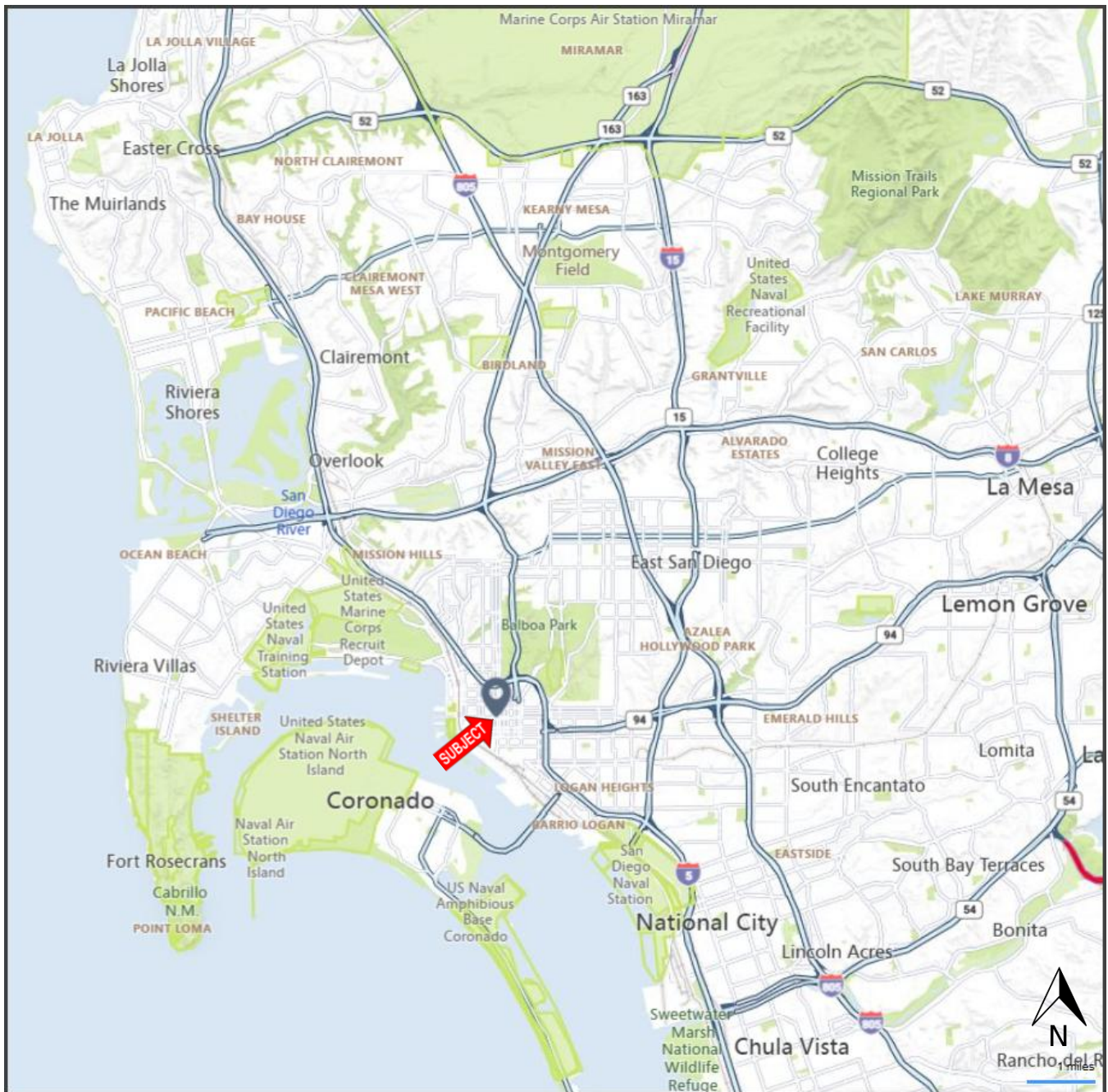
**DISTRICT MAP**

The property is located in the Civic/Core District of downtown San Diego.

Source: Community Plan | City of San Diego



AREA MAP





## AREA DESCRIPTION

*The intended users of this appraisal report are knowledgeable of downtown San Diego. Therefore, comprehensive region and district descriptions are not required to provide credible assignment results, and an abbreviated summary discussion is provided.*

### DOWNTOWN SAN DIEGO

The downtown area was developed in the mid-to-late 1800s. The area encompasses the historic Gaslamp Quarter, Little Italy, Seaport Village, the San Diego Zoo, Balboa Park, Petco Park, the Convention Center, and the San Diego International Airport. Naval Base San Diego is also located downtown, which is the second-largest surface ship base of the United States Navy.

Downtown is a well-established business center in San Diego, and the Convention Center serves as a forum to host international events, attracting tourists and guests from around the world. Numerous redevelopment projects have been completed or are currently underway, continually transforming the area's economic outlook.



The waterfront Embarcadero (or “landing place” in Spanish) lines the western edge of downtown. Its boardwalk extends along the San Diego Bay, home to the cruise terminal, the Navy Pier, Seaport Village, and The Rady Shell at Jacobs Park. In October 2018, the Port of San Diego became the owner and operator of Seaport Village, with Protea Property Management, Inc. managing and operating the shopping and dining center on behalf of the Port.<sup>6</sup> Currently, the Port of San Diego is pursuing a potential \$3.7 billion redevelopment plan for the Central Embarcadero, including Seaport Village. The site in consideration is approximately 70 acres of land and water situated between downtown San Diego and the San Diego Bayfront.

According to the Port of San Diego, the proposed redevelopment project will consist of mixed-use development that includes more than 70 percent of public realm space with parks, open spaces and plazas, piers, walkways, beaches, nature trails, shared streets, and public rooftop; hotels at various service levels and price points; an event center; a “Blue Tech Innovation Center” block made up of an aquarium, blue tech office space, and an observation tower; commercial fishing facilities; a Yacht Center, restaurants,

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<sup>6</sup> SeaportVillage.org





retail, and more.<sup>7</sup> This project is expected to have a \$9.2 billion economic impact for the County of San Diego, establishing about 40,000 direct jobs within the local area and 64,000 jobs across the county.

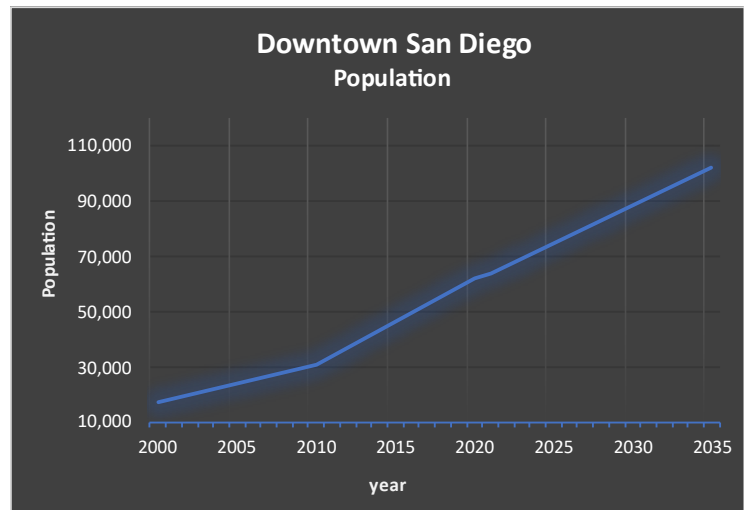
### **TRANSPORTATION CORRIDORS**

Downtown San Diego is easily accessible via multiple freeways and thoroughfares, providing access from other regional locations across the County and the State. Downtown is served by three major freeways, including I-5, SR-163, and SR-94, and I-8 is also a short distance north of downtown.

Rail service includes Amtrak and the Coaster, as well as the San Diego Trolley light-rail service and multiple bus routes that extend north, east, and south out of the area. San Diego International Airport is located immediately north, and the San Diego Bay is home to terminals for both cruise and container ships.

### **DEMOGRAPHICS**

As of January 1, 2023, the population in Downtown San Diego was estimated at 50,693.<sup>8</sup> Downtown's population has grown more than three times as fast as the region overall, up 36.7% from 2010 to 2019. It is largely a community of young, urban professionals who are more likely to walk or use public transit to get around than the rest of San Diego County. This robust population growth is attributed to infill redevelopment projects, which typically replace surface parking lots or older single-story buildings



with high-rise residential towers. Most of the high-rise redevelopment has occurred in the neighborhoods of East Village (near San Diego Ballpark) and Little Italy. There continues to be demand for additional dwelling units in Downtown. Future plans for additional high-rise towers from companies such as BOSA Development are underway and will continue to transform this area. The median household income within the Downtown community plan area is estimated at \$91,380 (adjusted for inflation).<sup>9</sup>

<sup>7</sup> PortofSanDiego.Org

<sup>8</sup> SANDAG – Population and Housing Estimates

<sup>9</sup> United States – Census Quick Facts \$2023





## **PROPERTY DATA**

### **PROPERTY IDENTIFICATION**

The subject property comprises a historic building commonly referred to as the *Walker Scott Building*. It is located in the Civic/Core District of downtown San Diego, with a property address of 1014 5th Avenue, San Diego, CA 92101. The site is located at the northwest corner of Broadway and Fifth Avenue.

The property is a component of a larger mixed-use project that was redeveloped in 2001 as part of a Disposition and Development Agreement (DDA). The project involved the renovation of two historic buildings located at 402 Broadway and 1014 Fifth Avenue (subject property), and the construction of an eight-story parking garage structure at 1026 Fifth Avenue. The combined mixed-use project features a mix of retail, commercial, office, residential, and parking facility uses.

### **LATITUDE/LONGITUDE**

32.715935°/-117.160451°

### **ASSESSOR'S PARCEL NUMBER**

533-525-05

### **LEGAL DESCRIPTIONS**

The legal description of the subject property was extracted from the Ground Lease and Grant of Option agreement dated July 12, 2001, and is as follows:

#### **AGENCY PARCEL (PARCEL A)**

*LOTS "G" AND "H" IN BLOCK 36 OF HORTON'S ADDITION, IN THE CITY OF SAN DIEGO, COUNTY OF SAN DIEGO, STATE OF CALIFORNIA, ACCORDING TO MAP THEREOF MADE BY G.A. D'HEMECOURT, ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAN DIEGO COUNTY.*

### **OWNERSHIP INFORMATION**

<i>Current Ground Lessor (landlord):</i>	City of San Diego
<i>Current Ground Lessee (tenant):</i>	On Broadway SD Partners LP

### **USE HISTORY**

Prior to redevelopment, the building was formerly used as a department store. Reportedly, the building was designed by architect John Terrel Vawter and constructed in 1919 in the Spanish Colonial Revival style. The property was redeveloped in 2001 as part of a mixed-use development and is currently configured with a parking facility, retail, and residential uses, with the historic building façade preserved. The building was listed as historic at the local level under Criterion A in the area of commerce for the importance of the Walker Scott Department store in San Diego's retail history on February 27, 2005.

**SALE & LEASE HISTORY**

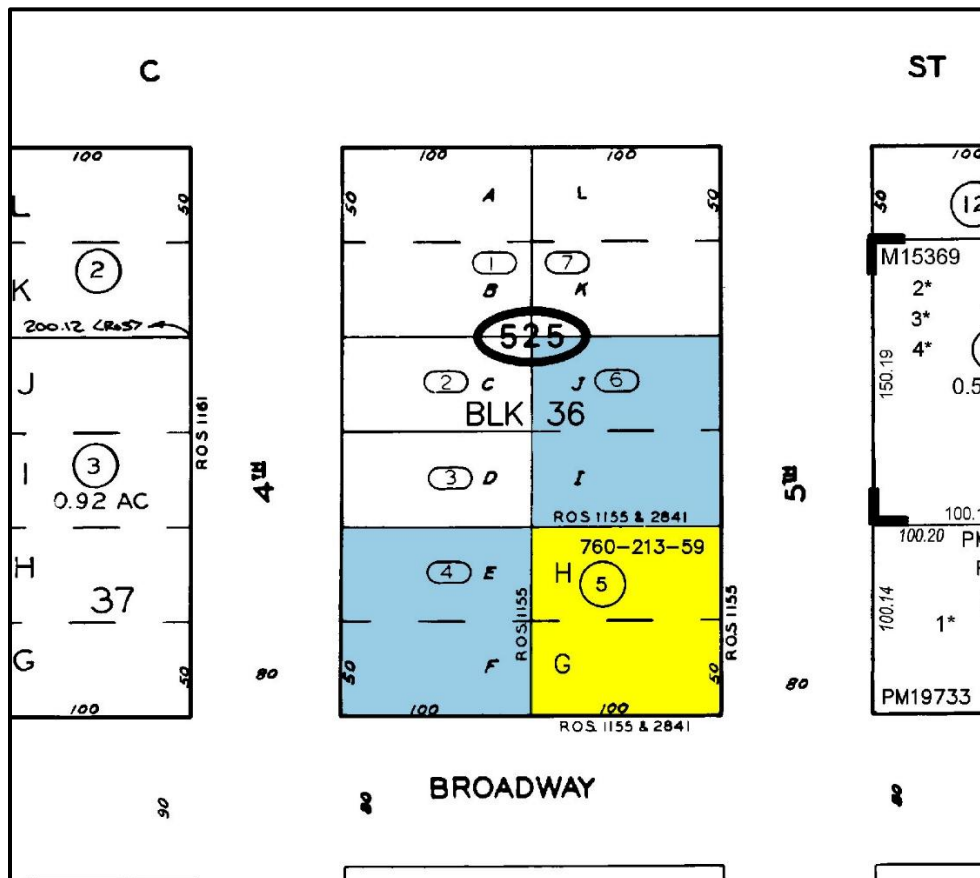
According to public records, there were no recent sales of the subject property. In addition, the property is not currently listed for sale or lease.

The property is currently encumbered by a long-term ground lease between the City of San Diego and On Broadway SD Partners LP. The initial term of the lease is 55 years, beginning on July 12, 2001, with the option for two, 22-year extensions.

- The base lease term expires on July 13, 2056
- First renewal extends the lease to July 13, 2078
- Second renewal extends the lease to July 13, 2100

[illegible]

**Subject APN 533-525-05 (Yellow). Privately-owned third-party APNs 533-525-04 & 06 (Blue)**





## **SITE DESCRIPTION**

### **LOCATION**

The subject property address is 1014 5th Avenue, San Diego, CA 92101. The site is located at the northwest corner of Broadway and Fifth Avenue.

The property is a component of a larger mixed-use project that was redeveloped in 2001 as part of a Disposition and Development Agreement (DDA). The project involved the renovation of two historic buildings located at 402 Broadway and 1014 Fifth Avenue (subject property), and the construction of an eight-story parking garage structure at 1026 Fifth Avenue.

### **SIZE AND SHAPE**

According to the assessor's plat map, the subject parcel (APN 533-525-05) encompasses approximately 0.23 acres or 10,131 square. The parcel is square in shape, with approximate dimensions of 100' by 100'.

The two privately owned parcels included in the mixed-use project each total approximately 10,000 square feet, with dimensions of about 100 feet by 100 feet. The combined mixed-use project totals approximately 30,000 square feet and has an "L" shaped configuration.

Please refer to the previous Assessor's Plat Map for details of the parcel's dimensions and shapes.

### **FRONTAGE, EXPOSURE, AND ACCESS**

The combined project has three street frontages and benefits from high-volume traffic exposure. It features 200 feet of frontage along Broadway, 200 feet along 5<sup>th</sup> Avenue, and 100 feet along 4<sup>th</sup> Avenue. Vehicle access to the parking garage is provided via the 5<sup>th</sup> Avenue frontage. The subject site has legal vehicle access through an adjacent privately owned parcel (APN 533-525-06), established through a parking sublease agreement that commenced on July 12, 2001, with a term of 99 years. Pedestrian access to the ground-floor retail spaces and residential lofts is available through various entry points.

### **STREET IMPROVEMENTS**

The frontage streets are all 80-foot-wide public thoroughfares with concrete sidewalks, curbs, and gutters. All of the intersections are signalized with pedestrian crosswalks.

- **Fourth Avenue** is a one-way southbound arterial street with three traffic lanes. Parallel street parking is available along both sides of the street.
- **Fifth Avenue** is a northbound one-way arterial street striped with three traffic lanes. Parallel street parking is available along both sides of the street.
- **Broadway** is a major thoroughfare that facilitates west-to-east traffic. The street is striped with four lanes of traffic. No vehicle parking is permitted along the property's Broadway frontage.



**UTILITIES**

All utilities are available and operating at the site. San Diego Gas and Electric Company provides natural gas and electric service. The City of San Diego provides water and sewer services. Several companies provide telephone and telecommunication services.

**TOPOGRAPHY / DRAINAGE**

The site is developed with generally level topography at street grade. The average elevation of the site is about 30' AMSL and slopes gradually to the south. Street gutters and storm drains provide adequate stormwater conveyance.

**TOXIC OR HAZARDOUS MATERIALS**

No toxic or hazardous waste report was available for review, and a thorough physical investigation of the property is beyond the scope of the assignment. This report assumes that the soil is free from contamination and satisfactory for supporting the development of the site to its highest and best use.

**FLOOD HAZARD**

The property is identified as being located within Flood Zone "X," with minimal chance of flood.<sup>10</sup>

**ENVIRONMENTAL INFLUENCES**

The site is developed, and there are no known environmental issues.

**GEOLOGIC / SEISMIC CONDITIONS**

According to the California Geological Survey (CGS) and the Community Plan's Fault and Liquefaction Map, the larger parcel is not located in an Earthquake Fault Zone. However, several faults do extend through portions of downtown San Diego, and most of southern California is subject to potentially damaging earthquakes. The subject property and all the comparable sales are considered to have generally similar potential earthquake threats.

**SOIL CONDITIONS**

The client did not provide a site-specific soil and geotechnical investigation report. The site inspection did not reveal any obvious visible evidence of soil subsidence or other adverse soil conditions. This report assumes that the site's load-bearing capacity is adequate to support development similar to that of surrounding properties in the area.

**COMMUNITY PLAN / ZONING / PLANNED DISTRICT**

The property is located in the Centre City Planned District, which encompasses the downtown area. Its general boundaries are Laurel Street and I-5 on the north, I-5 on the east, Pacific Highway/Harbor Drive

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<sup>10</sup> FEMA Flood Panel 06073C1884H, dated 12/20/2019



on the west and southwest, and Barrio Logan on the south. Surrounding communities include Uptown, Balboa Park, Golden Hill, Southeastern San Diego, and Barrio Logan.

The *Downtown Community Plan* designates the property as “Core.” This classification is primarily intended to encourage, support, and enhance high-intensity office and employment centers. Areas with this designation include Civic/Core and most of Columbia. The Community Plan supports the Core’s role as a center of regional importance and as a primary hub for business, communications, office, and hotels, with fewer restrictions on building bulk and tower separation than in other districts.

In addition, the Core classification allows for mixed-use development (office combined with hotel, residential, and other uses). Retail, cultural, educational, civic and governmental, and entertainment uses are also permitted. All development must be pedestrian-oriented, and street-level retail use is a development requirement along Broadway. The community plan indicated that the property’s base minimum and maximum Floor Area Ratio (FAR) ranges from 5.5 to 9 FAR. It also noted that the property could achieve a FAR of up to 20 with all bonuses and density payments.

According to the City’s Municipal Code, the property is zoned CCPD-CORE (Centre City Planned District Ballpark Core)<sup>11</sup>. The property’s zoning is in conformance with its land use.

#### **EASEMENTS / ENCUMBRANCES / ENCROACHMENTS**

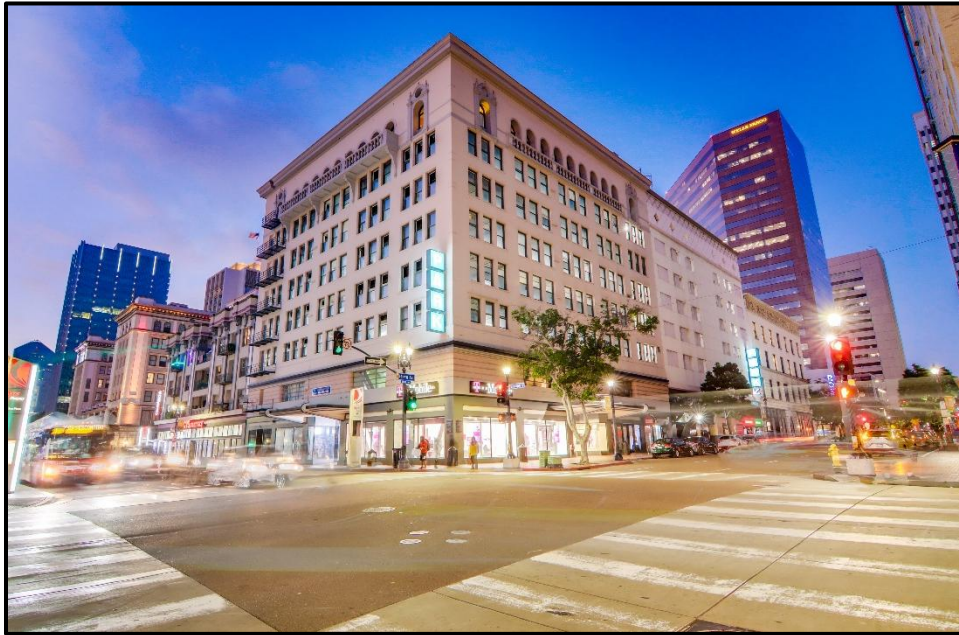
A title report was not provided for review to identify easements encumbering the property. However, the site and larger mixed-use project were developed efficiently, and it is assumed that no overly burdensome easements exist that would materially affect the property’s development potential.

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<sup>11</sup> City of San Diego Official Zoning Map – grid 15



**SUBJECT EXTERIOR PHOTOGRAPHS**



*Looking generally northwesterly from the intersection of Broadway and Fifth Avenue.*



*Looking generally northerly across Broadway.*



**SUBJECT EXTERIOR PHOTOGRAPHS**



*Looking generally northerly from the intersection of Broadway and Fifth Avenue.*





## IMPROVEMENT DESCRIPTION

The subject property is a component of a larger mixed-use project that was redeveloped in 2001 as part of a Disposition and Development Agreement (DDA). The project involved the renovation of two historic buildings located at 402 Broadway (formerly the Owl Drug building) and 1014 Fifth Avenue (subject property – Walker Scott building), and the construction of an eight-story parking garage structure at 1026 Fifth Avenue.

The combined mixed-use project features a diverse range of uses, including retail, commercial, office, residential, and parking facilities. According to the DDA, the total development includes approximately 230,000 square feet of gross building area, comprising 77,280 square feet for retail, commercial, and residential uses and 144,720 square feet for parking (with a minimum of 270 spaces). The total project floor area ratio of all uses above ground must be less than 8.0 FAR, and the maximum building height must be less than the existing Walker Scott Building (approximately 95 feet), excepting certain architectural roof projections allowed by the Uniform Building Code.



*Historic image of former Walker Scott Department Store*

*Source: The Department Store Museum*

The mixed-use development is summarized below:

- **402 Broadway:** This building, containing approximately 52,544 square feet, was renovated to include retail and commercial uses on the first floor and basement, with retail, office, commercial, and residential uses on floors 2-4.
- **1014 Fifth Avenue (Subject Property):** This building, containing approximately 90,882 square feet, was renovated to include retail and commercial uses on the first, second, and basement floors, with floors 3 through 8 used for parking. Alternatively, floors 2, 7, and 8 may be used for any combination of parking, retail, commercial, office, and/or residential uses.
- **1026 Fifth Avenue:** This newly constructed building, containing approximately 90,000 square feet, is an eight-story parking garage structure, comprising retail and commercial uses on approximately 50% of the first floor and parking on floors 2 through 8 and the roof.

**SUBJECT BUILDING – 1014 FIFTH AVENUE**

Before redevelopment, the building served as a department store. According to reports, it was designed by architect John Terrel Vawter and built in 1919 in the Spanish Colonial Revival style. The property was transformed in 2001 into a mixed-use space, now housing a parking garage, street-level retail, and residential units, with the historic building façade kept intact. It was designated as a historic site at the local level under Criterion A for its significance in commerce, recognizing the Walker Scott Department Store's role in San Diego's retail history, on February 27, 2005. The parking structure is accessible via an adjacent privately owned parcel (APN 533-525-06), established through a parking sublease agreement starting July 12, 2001, with a 99-year term. Pedestrian access to the retail spaces and residential lofts on the ground floor is provided through multiple entry points.

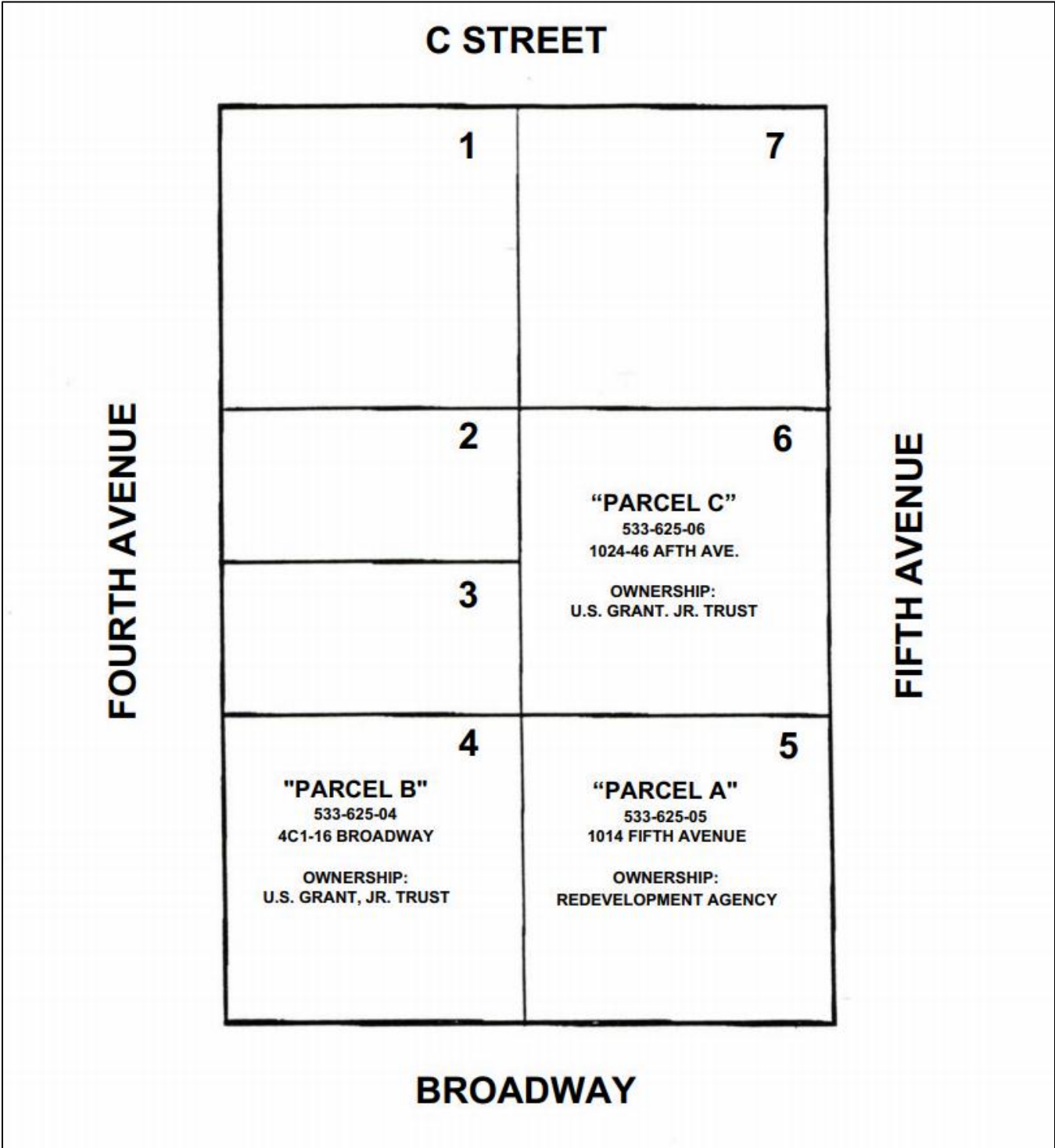
**Building Improvement Summary**

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Subject Property:	Historic Walker Scott Building
Construction Type:	Reinforced Concrete
Physical Age:	Actual building age 24 years (Remodel completed in 2001)
Overall Condition:	Good – Remodeled
Building Quality:	Good – Historic façade with seismic retrofitting
Effective Age:	15 years
Economic Life:	60 years
Remaining Economic Life:	45 years
Physical Depreciation:	25%
Coverage Ratio:	100%
Floor Area Ratio:	9.0 FAR ( <i>base maximum</i> ) 8.97 FAR ( <i>as built</i> )
Gross Building Area:	90,882 square feet, over eight floors
Foundation:	Reinforced concrete slab. Individual floors are concrete waffle slabs supported by reinforced concrete columns.
Windows:	Dual-glazed with anodized aluminum frames
Roof Structure:	Concrete with torch-down roofing and waterproof membrane
Fire Protection:	Fully sprinklered building with hand-held fire extinguishers
Parking:	Six-level parking garage striped with a minimum of 270 parking spaces.



SITE MAP



*Site Map from the Ground Lease and Option Agreement, dated July 12, 2001*



### **HIGHEST AND BEST USE**

Highest and best use is defined as:

*The reasonably probable use of property that results in the highest value.<sup>12</sup>*

For a use to be reasonably probable, it must meet the following four criteria:

1. **Legally Permissible** – What uses are permitted, given existing deed and lease restrictions, zoning, building codes, historic controls, and environmental regulations?
2. **Physically Possible** – What uses of the site are possible, given its size, shape, and topography as revealed in the site analysis?
3. **Financially Feasible** – Which possible and permissible uses are economically viable in the market considering development costs and potential income?
4. **Maximally Productive** – Which financially feasible use will provide the highest residual land value or rate of return on investment?

These criteria are generally considered sequentially; however, the tests of physical possibility and legal permissibility can be applied in either order, but they both must be applied before the tests of financial feasibility and maximum productivity.

### **HIGHEST AND BEST USE – AS THOUGH VACANT**

The determination of the Highest and Best Use of a property as though vacant is contingent upon the proposed use being legally permissible, physically possible, financially feasible, and maximally productive.

The subject property is situated in the desirable Core District of downtown San Diego. The site has a square shape, totaling approximately 10,000 square feet, and features frontage along two streets. The site gains legal vehicular access through an adjoining parcel to the north via a long-term parking sublease. According to the Downtown Community Plan and Municipal Code, the property is assigned zoning and land use designations of CCPD-Core. This classification is primarily intended to encourage, support, and enhance high-intensity office and employment centers, as well as mixed-use development (office, hotel, residential, retail, education, civic, and governmental uses). The site's base minimum and maximum Floor Area Ratio (FAR) ranges from 5.5 to 9 FAR, but could achieve a FAR of up to 20 with all bonuses and density payments.

Considering the property's appealing location, along with strong demand in the downtown submarket, developing the site with a mixed-use project comprising both commercial and residential components at

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<sup>12</sup> The Dictionary of Real Estate Appraisal, 7<sup>th</sup> Edition, Appraisal Institute, Chicago, Illinois, (US, 2022).



the maximum permitted density would constitute a legally permissible, physically possible, and financially feasible use of the site.

**HIGHEST AND BEST USE – AS IMPROVED**

As with the as though vacant analysis, the four tests of highest and best use are also applied, considering the existing improvements. Consideration is given to the continued existing use of the subject, as well as potential alternative uses of the property. Potential alternative uses include demolition, expansion, conversion, or renovation.

The site is improved with the historic Walker Scott Building, which was remodeled in 2001 as part of a larger mixed-use redevelopment project. During the renovation, the subject building was converted to an 8-story parking facility with ground-level retail. To implement the development, the property was leased to the developer and is currently encumbered by a long-term ground lease. The property, as improved, functions well as a parking facility and continues to receive adequate demand to support this use. Therefore, the highest and best use as improved is continued use as a parking facility as a part of the larger mixed-use development.



## VALUATION

Typically, when developing an opinion of the value of a property, three approaches to value are used: the sales comparison approach, the income approach, and the cost approach. However, since the purpose of the appraisal is to determine the fair market value of the leased fee interest of a long-term ground lease, only the income approach is considered relevant.

The income approach analyzes the economic characteristics of a property by examining its ability to generate income. This approach involves capitalizing a property's net operating income to form an opinion on the property's value. In the case of the subject property, a discounted cash flow analysis will be used to analyze the income generated by the ground lease over the investment period.

The first step in the income approach is to analyze the contractual obligations of the lessee and lessor (landlord). In the case of the subject property, eight documents are germane for the income analysis:

- 1) Disposition and Development Agreement (DDA), recorded May 4, 1999.
- 2) Implementation Agreement to Disposition and Development Agreement
- 3) Second Implementation Agreement to Disposition and Development Agreement
- 4) Ground Lease and Grant of Option (*Agency "Landlord"*)
- 5) Parking Sublease
- 6) Amended and Restated Ground Lease (*Trust*)
- 7) Excess Parking Audited Financial Statements (2009 through 2011)
- 8) Excess Parking Financial Data Spreadsheet (11/2003 through 2010)

These documents were thoroughly reviewed and analyzed to determine the overall scope of development, project financing, and lease terms. The documents were provided by the client and are retained in the appraisal work file.

### GROUND LEASE AND GRANT OF OPTION SUMMARY

The ground lease agreement, dated July 12, 2001, was between the Redevelopment Agency of the City of San Diego (the "Landlord") and CIM/Broadway, L.P. (the "Tenant"). The agreement outlines the fundamental contractual obligations, including rent, duration, use, insurance, compliance with laws, and the responsibilities of both parties.

*The key details of the lease agreement relevant to the discounted cash flow valuation are summarized below.*

**Lease Duration:** Initial base term of 55 years, with the option of two 22-year extensions for a total of 99 years.





<b>Lease Commencement Date:</b>	July 12, 2001
<b>Certificate of Completion Date:</b>	October 31, 2003
<b>Lease Expiration Dates</b>	2056 (base term), 2078 (1 <sup>st</sup> renewal), and 2100 (2 <sup>nd</sup> renewal).
<b>Property Use:</b>	The subject site is part of a mixed-use development, including commercial spaces and parking facilities.
<b>Rent Structure:</b>	The Tenant pays a combination of Basic Rent and Additional Rent (expense reimbursement), calculated based on the revenue generated from the parking facility.
<b>Basic Rent Calculation:</b>	<p>The tenant pays 50% of the “Excess Parking Income” from the parking facility. According to the lease, Excess Income is calculated as the net operating parking income minus a predefined Cost Return base amount of \$570,000.</p> <p><i>*It should be noted that although the property does generate revenue from retail and residential uses, the ground lease agreement does not include compensation for these items. The landlord only receives rent from the calculated Excess Parking Income.</i></p>
<b>Payment Terms:</b>	Basic Rent is paid annually in arrears, based on the previous year’s financial performance. The tenant must submit an audited statement of income and expenses within 90 days after the end of each lease year.
<b>Expense Obligations:</b>	The lease is written under absolute triple-net expense terms, where the tenant is responsible for all property-related expenses, including utility expenses, maintenance costs, real estate taxes, property insurance, and compliance with city regulations.
<b>Assignment &amp; Subletting:</b>	Restrictions apply, requiring approval from the landlord.
<b>Option to Purchase:</b>	<p>The tenant is granted an option to purchase the fee simple title to the property 20 years after the recordation of the Certificate of Completion. The date the option can be exercised is October 31, 2023.</p> <p>The option price is based on the greater of:</p> <ul style="list-style-type: none"><li>(1) the three-year average of Basic Rent, capitalized at 9.5% or</li><li>(2) the sum of \$800,000, escalated at 2% per year commencing at the 6<sup>th</sup> year following the recordation of the Certificate of Completion, plus \$1,700,000.</li></ul>



**Agency Participation Payment:** The landlord is entitled to a one-time payment based on a formula that accounts for equity and return on investment upon the tenant's sale or transfer of the leasehold interest.

The payment amount is 22% of proceeds exceeding a 25% Internal Rate of Return (IRR) on equity. According to representatives from Civic San Diego, the landlord received this payment prior to January 2011. Consequently, as this one-time payment was received before the appraisal valuation date of January 1, 2011, it has not been factored into the projected cash flow.

**Default & Remedies:** The lease outlines procedures for addressing defaults, including potential termination, foreclosure rights, and agency intervention.

**Parking Sublease** The *Parking Sublease*, dated July 12, 2001, is an agreement between CIM/Broadway, L.P. (Sublandlord) and the Redevelopment Agency of the City of San Diego (Subtenant) for the nonexclusive use and access to the parking facilities in the mixed-use development project. The term of the lease is 99 years, expiring July 11, 2100.

The City prepaid Access Rent (\$3.8M) and Parking Rent (\$2.8M) as lump-sum payments which were used to partially finance the project. As of the appraisal's effective date of value, the City is not responsible for any additional parking or access rent payments.

#### **GROUND LEASE PARKING REVENUE AND EXPENSE ANALYSIS**

The client provided 21 audited statements that reported the parking structure's financial performance from 2009 through 2024. Additionally, a spreadsheet containing financial data from 2008 to 2010 was also provided. The tenant's Certified Public Accountant prepared the audited statements, which indicated the annual parking revenue and 15 permitted expense deductions. The data provided is assumed to be accurate and was relied upon in the cash flow analysis.

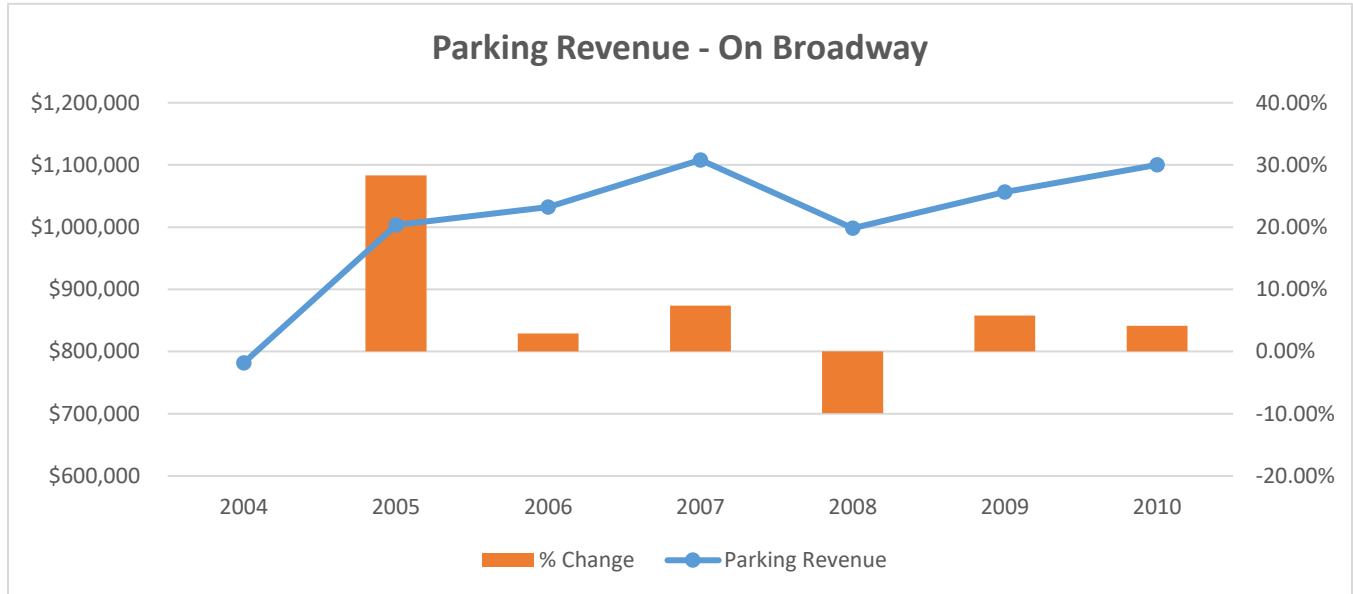
*\*The purpose of this appraisal is to estimate the retrospective fair market value of the leased fee interest as of January 1, 2011. While financial data was provided up to 2024, the appraisal must only consider information that would have been readily available to the appraiser as of the effective date in early 2011. Consequently, the valuation relies solely on financial data and economic conditions leading up to 2011. No consideration was given to unforeseen future market events, such as the COVID-19 pandemic, which has had a significant impact on the downtown office market and parking demand.*



### Parking Revenue Analysis

According to the financial data provided by the client, the parking facility began receiving revenue in November 2003, with the first full year of operation in 2004, reporting revenue of \$781,880. The reported parking revenue is plotted in the graph below, followed by a brief discussion of market trends during this time period.

ITEM	2004	2005	2006	2007	2008	2009	2010
Parking Revenue	\$ 781,880	\$1,003,203	\$1,032,107	\$1,108,105	\$ 998,335	\$1,056,331	\$1,100,075
		28.31%	2.88%	7.36%	-9.91%	5.81%	4.14%



### Revenue and Market Trends

- **Up to 2007 (Operational and Revenue Expansion):** The parking garage reported revenue growth and expansion since its opening in 2003, up to 2007. During this time period, the office, residential, and hospitality submarkets exhibited strong fundamentals in downtown San Diego. There was robust employment growth for white-collar jobs, and an active convention calendar at the San Diego Convention Center. Transient demand and monthly parking users both supported rate growth and higher utilization. Since its full-operational year in 2004, parking revenue rose nearly 42% or at a compound annual growth rate of 12.3% up to 2007.
- **2008 to 2009 (The Great Recession)** The Great Recession was a severe global economic downturn that began in the United States in December 2007 and officially ended in June 2009. The recession was primarily triggered by the collapse of the US housing market and the associated subprime mortgage crisis. It had far-reaching impacts on both the national and local economies, with the financial market collapse and rising levels of unemployment and foreclosures. In downtown San Diego, the recession led to less CBD commuting due to job layoffs, less corporate



travel, fewer conference events, and lower overall hotel occupancy. According to the financial data, parking revenue declined about 10% from 2007 to 2008.

- **2009 to 2011 (Post-Recession Recovery and Growth):** As a result of the 2008 financial crisis, parking demand declined in 2008. However, since that time, revenue has recovered and reported relatively robust growth up to 2011. Factors such as improved economic activity in downtown areas, rising employment rates, and increased parking fees contributed to this steady growth. From 2008 to 2011, reported parking revenue increased by approximately 21%, or at a compound annual growth rate of 6.5%.

### **Parking Revenue Summary**

Despite the financial crisis of 2008, the subject parking garage performed fairly well from 2004 to 2011, achieving a compound annual growth rate of 6.4% during that period. The future performance of the facility will be influenced by several factors, including macroeconomic conditions, office occupancy rates, parking demand, and commuter patterns in downtown San Diego, changes in parking rates and policies in the facility, as well as competition and alternative transportation options. For example, in the late 2000s, several novel forms of app-based ride-sharing and electric bike/scooter services entered the marketplace. Added competition from these alternative modes of travel has the potential to be disruptive to future short-term parking demand. However, the adoption and use of these technologies by users is unknown at this time.

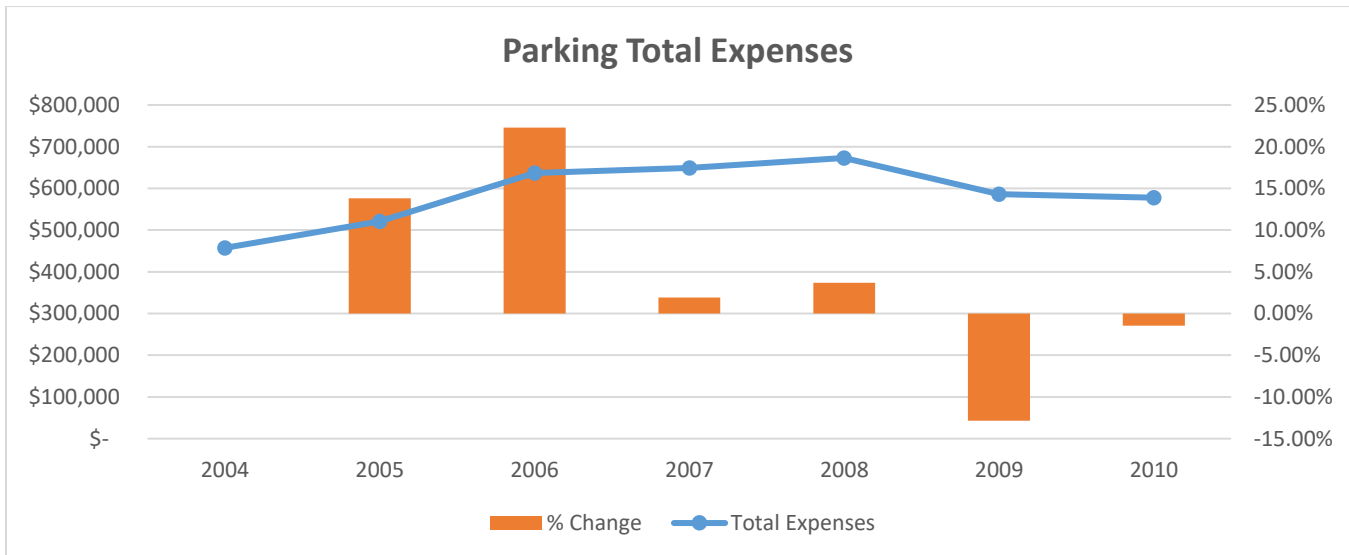
Due to potential changes in the marketplace and market cycles, future forecasts of parking demand should factor in more conservative growth, as the parking facility is likely to be nearing full utilization. Future revenue growth in the facility will likely be the result of inflationary factors and pricing policy changes. Therefore, a conservative growth rate in the range of 3% to 5% is considered a reasonable long-term growth rate for future parking revenue, with 4% per year utilized in the cash flow analysis.

### **PARKING EXPENSES ANALYSIS**

The property's expense data from 2004 to 2010 was reviewed and analyzed to forecast future trends and expenses. The financial statements included 15 permitted expense deductions. As a check of reasonableness, the subject expense data was also compared to a similar parking garage in downtown San Diego, located at 6th & Market. Overall, the operating expenses appeared to be generally in line with the comparable property and at market levels for a multi-level downtown parking garage. The permitted expense items are summarized in the tables below:

**Consolidated Statement Parking Expenses (2004–2010)**

ITEM	2004	2005	2006	2007	2008	2009	2010
Real Estate Taxes	111,658	92,125	101,041	115,491	140,149	176,460	169,622
Garage Direct Operating Costs	183,500	226,421	242,118	261,855	249,498	125,860	126,198
Security	50,027	49,444	86,913	83,827	97,105	87,262	79,221
Utilities	34,894	26,905	29,893	36,088	35,815	34,987	34,340
Parking Management Fee - Related Party	13,441	17,578	18,745	13,332	19,772	31,690	33,002
Insurance	25,267	14,622	32,096	32,485	21,706	25,299	25,299
Elevator Contract And R&M	15,199	11,682	19,577	12,180	11,673	16,608	23,891
Repairs And Maintenance	2,075	7,052	35,807	26,558	22,643	13,838	15,088
Fire And Safety	3,267	7,648	8,489	10,336	6,031	13,356	12,906
Professional Fees	465	12,169	7,689	495	15,740	11,979	9,877
General And Administrative	8,249	13,283	12,692	10,302	5,760	1,873	945
Pest Control	2,746	1,742	1,745	1,784	685	991	1,190
Capital Expenditures	-	-	-	-	-	-	-
20% Of Base Land Lease Pmt To US Grant Jr	6,667	40,000	40,000	44,247	46,371	46,371	46,371
20% Of Participating Rent Paid To US Grant Jr	-	-	-	-	-	-	-
Total Expenses	\$ 457,455	\$ 520,671	\$ 636,805	\$ 648,980	\$ 672,948	\$ 586,574	\$ 577,950
Operating Expense Ratio (OER)	57.7%	47.9%	57.8%	54.6%	62.8%	51.1%	48.3%
Expense Ratio	58.5%	51.9%	61.7%	58.6%	67.4%	55.5%	52.5%



The expenses for the parking facility initially increased by nearly 40% from 2004 to 2006, primarily due to higher land lease rates and increased repairs and maintenance costs. Since then, expenses have stabilized and even decreased by 13% in 2009. The operating expense ratio (excluding capital expenditures and land lease payments) has ranged from 48% to 63%, with an average of 55%. The peak operating expense ratio of 63% occurred in 2008, largely as a result of reduced parking revenue due to the financial crisis, while fixed expenses remained constant.

Typically, operating expense ratios for multi-level parking garages range from 40% to 50%, depending on factors such as location, labor rates, parking rates, the age of the facility, and the management model. For the subject property, considering its newer facility age but facing high labor, security, and maintenance costs, a reasonable long-term stabilized operating expense ratio benchmark is concluded around 50%.



The individual expense items were further analyzed with statistical metrics to infer future trends. Based on this analysis, the following expense inputs were concluded and utilized in the cash flow analysis.

Subject Parking Expenses DCF Conclusions	
Permitted Expense	Concluded DCF Input
Real Estate Taxes	2.5% Escalated Annually
Garage Direct Operating Costs	15% of Parking Revenue
Security	2.0% Escalated Annually
Utilities	3.0% of Parking Revenue
Parking Management Fee - Related Party	2.5% of Parking Revenue
Insurance	2.0% of Parking Revenue
Elevator Contract And R&M	2.0% Escalated Annually
Repairs And Maintenance	2.0% of Parking Revenue
Fire And Safety	1.5% of Parking Revenue
Professional Fees	1.0% of Parking Revenue
General And Administrative	0.2% of Parking Revenue
Pest Control	1.0% Escalated Annually
Capital Expenditures	5.0% of Parking Revenue. This allowance is intended to normalize future capital expenditures by providing a reserve account for these items.
Base Land Lease Payment to US Grant Jr. (20%)	<p>The tenant is permitted to expense 20% of the land lease rate paid to the US Grant Jr. According to the lease agreement, the initial land lease rate was \$200,000, which is adjusted every five years based on the CPI, capped at 3% compounded per annum; rent cannot decrease. The court approved certificate of lease commencement was April 27, 2001. Therefore, the rent is adjusted every five years, with the fifth-year rent being 1/3 of the old rate and 2/3 of the new rate.</p> <p>In the DCF for the land lease rental adjustment, the Federal Reserve's inflationary benchmark rate of 2.5% per year was used as a long-term average for CPI.</p>

### **OPTION PRICE / REVERSION**

According to the Grant of Option Agreement, the tenant is granted the option to purchase the fee simple title to the property 20 years after the recordation of the Certificate of Completion, which occurred on October 31, 2003. This means the tenant can exercise the option to purchase at any time after October 31, 2023.

The agreement specifies that the option price will be determined by whichever is greater: (1) the three-year average of Basic Rent, capitalized at 9.5%, or (2) \$800,000, increased by 2% per year starting from the sixth year after the recordation of the Certificate of Completion, plus \$1,700,000. Based on the terms





of the option price agreement, the base option price as of January 1, 2011, is \$2,532,320, which will escalate by 2% each subsequent year.<sup>13</sup>

In the discounted cash flow analysis, the cash flow is projected until the three-year average of Basic Rent, capitalized at 9.5%, exceeds the Base Option Price. This point would represent the most advantageous time for the tenant to exercise their option to purchase. Due to the combined structures of the Option Agreement and the Lease Agreement, there is minimal incentive for the tenant to exercise its purchase option unless it anticipates a significant future increase in the net operating income from parking.

Based on the inputs applied in the discounted cash flow analysis, the three-year average capitalized excess rent is expected to exceed the base option price in year 2033. This option price will be used as the reversion in the analysis.

### **DISCOUNT RATE**

A discount rate will be used to convert future cash flows into present value, reflecting the time value of money and perceived risk. The discount rate should represent the expected property yield under current conditions in the capital and real estate markets, as well as the actions, perceptions, and expectations of real estate investors. An appropriate rate should consider the following:

- The degree of perceived risk of receiving the projected income stream
- Market expectations regarding future inflation and escalators
- Prospective rates of return on alternative investments or opportunity costs
- Rates of return of comparable properties in the past
- Availability of debt financing and prevailing tax law

To support an appropriate discount rate, several real estate investor and developer surveys were reviewed that compile rates of return for ground leases. The Realty Rates Investor Survey and the PricewaterhouseCoopers Real Estate Investor Survey are market analysis services that provide various metrics for investors across multiple commercial property types, including apartments, healthcare facilities, industrial spaces, lodging, office buildings, and retail properties.

### **Realty Rates Investor Survey**

Each quarter, Realty Rates polls over 300 appraisal and brokerage firms, developers, investors, and brokers nationwide. They also supply discount rate data specific to land leases. The land leases surveyed are typically long-term agreements with periodic rental escalators.

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<sup>13</sup> Base Option Price in 2011:  $\$800,000 \times 1.02^2 = \$832,320 + \$1,700,000 = \$2,532,320$



According to the Fourth Quarter 2010 survey (based on third-quarter data), discount rates for 11 types of land leases ranged from 8.05% to 11.23%, with an average discount rate of 9.10%.

While discount rates for parking garages were not specifically surveyed, several other property types with a somewhat similar risk profile were included. The average reported discount rates for apartments were 8.08%, for lodging 8.95%, for office 8.21%, and for retail 8.38%.

RealtyRates.com INVESTOR SURVEY - 4th Quarter 2010*						
LAND LEASES						
Property Type	Capitalization Rates			Discount Rates		
	Min.	Max.	Avg.	Min.	Max.	Avg.
Apartments	2.81%	10.82%	7.05%	5.41%	11.32%	8.05%
Golf	3.30%	16.24%	10.23%	5.90%	16.74%	11.23%
Health Care/Senior Housing	3.40%	12.19%	7.53%	6.00%	12.69%	8.53%
Industrial	3.01%	10.82%	7.22%	5.61%	11.32%	8.22%
Lodging	3.25%	15.96%	7.95%	5.85%	16.46%	8.95%
Mobile Home/RV Park	3.00%	10.82%	7.99%	5.60%	11.32%	8.99%
Office	3.00%	10.82%	7.21%	5.60%	11.32%	8.21%
Restaurant	4.40%	16.22%	9.10%	7.00%	16.72%	10.10%
Retail	2.90%	12.19%	7.38%	5.50%	12.69%	8.38%
Self-Storage	3.15%	10.82%	9.37%	5.75%	11.32%	10.37%
Special Purpose	3.95%	16.90%	9.41%	6.58%	18.67%	9.56%
All Properties	2.81%	16.90%	8.22%	5.41%	16.74%	9.10%

\*3rd Quarter 2010 Data

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### PwC Real Estate Investor Survey

The PricewaterhouseCoopers Real Estate Investor Survey for the Fourth Quarter of 2010 reported discount rates ranging from a low of 8.65% for office properties to a high of 9.81% for regional malls.

#### PwC Real Estate Investor Survey Fourth Quarter 2010

	REGIONAL MALL		CBD OFFICE		WAREHOUSE		APARTMENT	
	4Q 2010	3Q 2010	4Q 2010	3Q 2010	4Q 2010	3Q 2010	4Q 2010	3Q 2010
Discount Rate (IRR) a								
Range	6.00% - 14.00%	6.25% - 14.00%	6.00% - 11.00%	6.50% - 12.00%	6.80% - 12.50%	7.10% - 12.50%	5.50% - 14.00%	6.00% - 14.00%
Average	9.81%	9.98%	8.65%	9.11%	9.05%	9.28%	8.91%	9.40%
Change (b.p.)		- 17		- 46		- 23		- 49

Source: PwC Real Estate Investor Survey. Personal survey of a cross section of major institutional equity real estate market participants conducted during October 2010 by PricewaterhouseCoopers LL

The subject property is leased to an institutional developer who invested a significant amount of capital into the building improvements. The likelihood of the lessee failing to meet their lease obligations, especially considering the low rental rates, is considered low. As a result, the perceived risk associated with this lease is viewed as below average compared to other ground lease investments. Consequently, a discount rate towards the lower end of the indicated range, or 8.5%, is deemed reasonable and will be applied in the discounted cash flow analysis.

*The discounted cash flow analysis is presented on the following pages.*

**DISCOUNTED CASH FLOW ANALYSIS**

DISCOUNTED CASH FLOW ANALYSIS												
Excess Parking Income Year Ended			12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15	12/31/16	12/31/17	12/31/18	12/31/19
ITEM	Cash Flow Year		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
	Inputs											
Parking Revenue	4.0%	Esc	\$ 1,100,075	\$ 1,144,078	\$ 1,189,841	\$ 1,237,435	\$ 1,286,932	\$ 1,338,409	\$ 1,391,946	\$ 1,447,624	\$ 1,505,529	\$ 1,565,750
Permitted Expenses												
Real Estate Taxes	2.5%	Esc	169,622	173,863	178,209	182,664	187,231	191,912	196,710	201,627	206,668	211,835
Garage Direct Operating Costs	15%	of Rev	126,198	171,612	178,476	185,615	193,040	200,761	208,792	217,144	225,829	234,862
Security	2.0%	Esc	79,221	80,805	82,422	84,070	85,751	87,466	89,216	91,000	92,820	94,676
Utilities	3.0%	of Rev	34,340	34,322	35,695	37,123	38,608	40,152	41,758	43,429	45,166	46,972
Parking Management Fee - Related Party	2.5%	of Rev	33,002	28,602	29,746	30,936	32,173	33,460	34,799	36,191	37,638	39,144
Insurance	2.0%	of Rev	25,299	22,882	23,797	24,749	25,739	26,768	27,839	28,952	30,111	31,315
Elevator Contract And R&M	2.0%	Esc	23,891	24,369	23,797	24,749	25,739	26,768	27,839	28,952	30,111	31,315
Repairs And Maintenance	2.0%	of Rev	15,088	22,882	23,797	24,749	25,739	26,768	27,839	28,952	30,111	31,315
Fire And Safety	1.5%	of Rev	12,906	17,161	17,848	18,562	19,304	20,076	20,879	21,714	22,583	23,486
Professional Fees	1.0%	of Rev	9,877	11,441	11,898	12,374	12,869	13,384	13,919	14,476	15,055	15,657
General And Administrative	0.2%	of Rev	945	2,288	2,380	2,475	2,574	2,677	2,784	2,895	3,011	3,131
Pest Control	1.0%	Esc	1,190	1,202	1,214	1,226	1,238	1,251	1,263	1,276	1,289	1,301
Capital Expenditures	5.0%	of Rev		57,204	59,492	61,872	64,347	66,920	69,597	72,381	75,276	78,287
20% Of Base Land Lease Pmt To US Grant Jr	2.5%	Esc	46,371	50,433	52,465	52,465	52,465	52,465	57,061	59,359	59,359	59,359
20% Of Participating Rent Paid To US Grant Jr												
Total Expenses			\$ 577,950	\$ 699,065	\$ 721,235	\$ 743,628	\$ 766,816	\$ 790,829	\$ 820,295	\$ 848,349	\$ 875,026	\$ 902,658
Operating Expense Ratio (OER)			48%	52%	51%	51%	51%	50%	50%	50%	49%	49%
Net Operating Parking Income (NOI)			\$ 522,125	\$ 445,013	\$ 468,606	\$ 493,807	\$ 520,116	\$ 547,580	\$ 571,651	\$ 599,274	\$ 630,502	\$ 663,092
less Cost Return			\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000
Excess Parking Income			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,651	\$ 29,274	\$ 60,502	\$ 93,092
Basic Rent Payable to City (50%)			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 826	\$ 14,637	\$ 30,251	\$ 46,546
Option Price / Reversion (Greater of)												
1) 3 Yr Avg Rent Capitalized @ 9.5%			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,897	\$ 54,256	\$ 160,400	\$ 320,823
2) Option Base Price			\$ 2,532,320	\$ 2,548,966	\$ 2,565,946	\$ 2,583,265	\$ 2,600,930	\$ 2,618,949	\$ 2,637,328	\$ 2,656,074	\$ 2,675,196	\$ 2,694,699
Present Value of Basic Rent @ 8.5%	\$	631,608	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 506	\$ 8,269	\$ 15,751	\$ 22,336
Present Value of Reversion @ 8.5%	\$	517,998	\$ 2,532,320	\$ 2,349,278	\$ 2,179,656	\$ 2,022,459	\$ 1,876,764	\$ 1,741,720	\$ 1,616,537	\$ 1,500,486	\$ 1,392,893	\$ 1,293,131
Leased Fee Value	\$	1,149,606										

DISCOUNTED CASH FLOW ANALYSIS													
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25	12/31/26	12/31/27	12/31/28	12/31/29	12/31/30	12/31/31	12/31/32
ITEM	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033
Parking Revenue	\$ 1,628,380	\$ 1,693,515	\$ 1,761,256	\$ 1,831,706	\$ 1,904,974	\$ 1,981,173	\$ 2,060,420	\$ 2,142,837	\$ 2,228,550	\$ 2,317,692	\$ 2,410,400	\$ 2,506,816	\$ 2,607,088
Permitted Expenses													
Real Estate Taxes	217,131	222,559	228,123	233,826	239,671	245,663	251,805	258,100	264,552	271,166	277,945	284,894	292,016
Garage Direct Operating Costs	244,257	254,027	264,188	274,756	285,746	297,176	309,063	321,425	334,283	347,654	361,560	376,022	391,063
Security	96,570	98,501	100,471	102,481	104,530	106,621	108,753	110,929	113,147	115,410	117,718	120,073	122,474
Utilities	48,851	50,805	52,838	54,951	57,149	59,435	61,813	64,285	66,857	69,531	72,312	75,204	78,213
Parking Management Fee - Related Party	40,709	42,338	44,031	45,793	47,624	49,529	51,510	53,571	55,714	57,942	60,260	62,670	65,177
Insurance	32,568	33,870	35,225	36,634	38,099	39,623	41,208	42,857	44,571	46,354	48,208	50,136	52,142
Elevator Contract And R&M	32,568	33,870	35,225	36,634	38,099	39,623	41,208	42,857	44,571	46,354	48,208	50,136	52,142
Repairs And Maintenance	32,568	33,870	35,225	36,634	38,099	39,623	41,208	42,857	44,571	46,354	48,208	50,136	52,142
Fire And Safety	24,426	25,403	26,419	27,476	28,575	29,718	30,906	32,143	33,428	34,765	36,156	37,602	39,106
Professional Fees	16,284	16,935	17,613	18,317	19,050	19,812	20,604	21,428	22,286	23,177	24,104	25,068	26,071
General And Administrative	3,257	3,387	3,523	3,663	3,810	3,962	4,121	4,286	4,457	4,635	4,821	5,014	5,214
Pest Control	1,315	1,328	1,341	1,354	1,368	1,382	1,395	1,409	1,423	1,438	1,452	1,467	1,481
Capital Expenditures	81,419	84,676	88,063	91,585	95,249	99,059	103,021	107,142	111,428	115,885	120,520	125,341	130,354
20% Of Base Land Lease Pmt To US Grant Jr	59,359	64,559	67,159	67,159	67,159	67,159	73,043	75,984	75,984	75,984	75,984	82,641	85,969
20% Of Participating Rent Paid To US Grant Jr													
Total Expenses	\$ 931,280	\$ 966,129	\$ 999,443	\$ 1,031,263	\$ 1,064,230	\$ 1,098,386	\$ 1,139,660	\$ 1,179,272	\$ 1,217,271	\$ 1,256,649	\$ 1,297,457	\$ 1,346,405	\$ 1,393,565
Operating Expense Ratio (OER)	49%	48%	48%	48%	47%	47%	47%	46%	46%	46%	46%	45%	45%
Net Operating Parking Income (NOI)	\$ 697,100	\$ 727,386	\$ 761,812	\$ 800,442	\$ 840,744	\$ 882,787	\$ 920,760	\$ 963,564	\$ 1,011,279	\$ 1,061,043	\$ 1,112,943	\$ 1,160,411	\$ 1,213,523
less Cost Return	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000
Excess Parking Income	\$ 127,100	\$ 157,386	\$ 191,812	\$ 230,442	\$ 270,744	\$ 312,787	\$ 350,760	\$ 393,564	\$ 441,279	\$ 491,043	\$ 542,943	\$ 590,411	\$ 643,523
Basic Rent Payable to City (50%)	\$ 63,550	\$ 78,693	\$ 95,906	\$ 115,221	\$ 135,372	\$ 156,393	\$ 175,380	\$ 196,782	\$ 220,639	\$ 245,522	\$ 271,472	\$ 295,205	\$ 321,762
Option Price / Reversion (Greater of)													
1) 3 Yr Avg Rent Capitalized @ 9.5%	\$ 492,447	\$ 662,418	\$ 835,611	\$ 1,016,913	\$ 1,215,787	\$ 1,428,024	\$ 1,639,107	\$ 1,854,582	\$ 2,080,006	\$ 2,326,116	\$ 2,588,184	\$ 2,849,819	\$ 3,117,328
2) Option Base Price	\$ 2,714,593	\$ 2,734,885	\$ 2,755,583	\$ 2,776,695	\$ 2,798,229	\$ 2,820,193	\$ 2,842,597	\$ 2,865,449	\$ 2,888,758	\$ 2,912,533	\$ 2,936,784	\$ 2,961,519	\$ 2,986,750
Present Value of Basic Rent @ 8.5%	\$ 28,107	\$ 32,078	\$ 36,032	\$ 39,898	\$ 43,203	\$ 46,002	\$ 47,545	\$ 49,168	\$ 50,810	\$ 52,110	\$ 53,104	\$ 53,223	\$ 53,466
Present Value of Reversion @ 8.5%	\$ 1,200,625	\$ 1,114,839	\$ 1,035,277	\$ 961,483	\$ 893,032	\$ 829,531	\$ 770,619	\$ 715,957	\$ 665,236	\$ 618,167	\$ 574,483	\$ 533,937	\$ 517,998
Leased Fee Value													

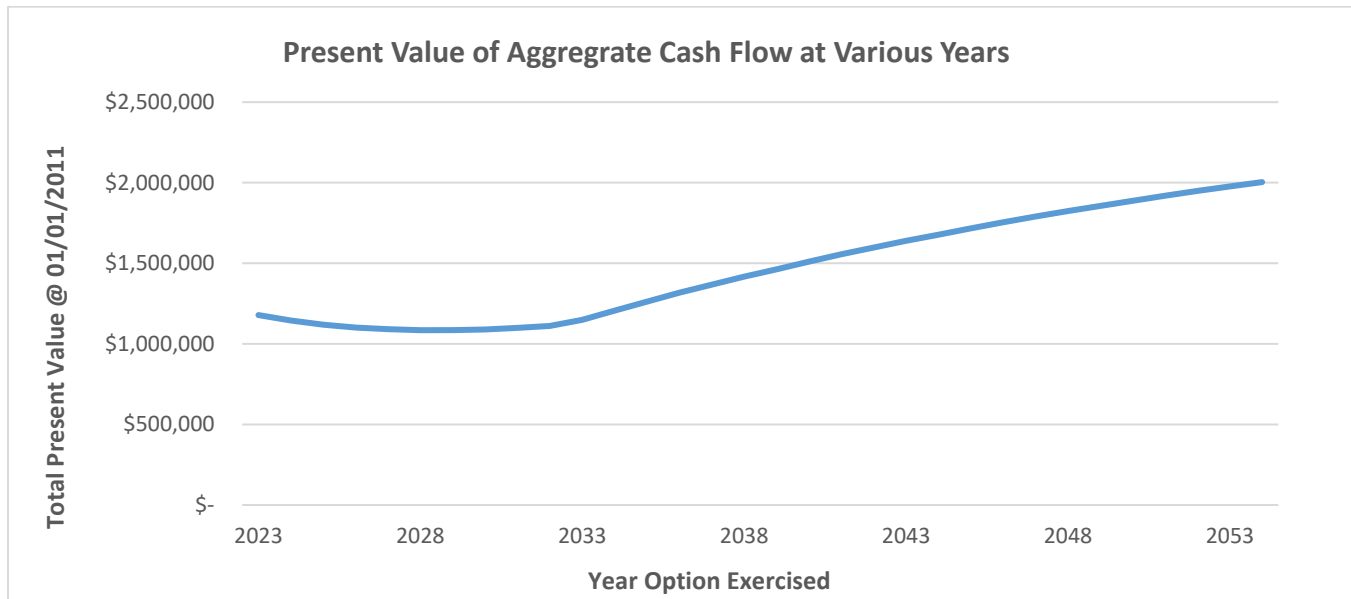
**VALUE CONCLUSION**

The fair market value of the leased fee interest in the subject property as of January 1, 2011, is as follows:

Present Value of Basic Rent .....	\$631,608
<u>Present Value of Reversion (Option Price).....</u>	<u>\$517,998</u>
Fair Market Value of Leased Fee Interest.....	\$1,149,606
	<b>rounded: \$1,150,000</b>

\*It is important to note that the tenant has the right to exercise the option to purchase the property at any time after October 31, 2023. In the discounted cash flow analysis, the cash flow was projected until the three-year average of Basic Rent, capitalized at 9.5%, exceeded the Base Option Price; this would likely be the most advantageous time for the tenant to exercise their option. Based on the cash flow inputs, this event is expected to occur in the year 2033. However, various market events and differing tenant motivations could certainly prompt the purchase option to be exercised in other years, either before or after 2033, which may impact the value conclusion.

The graph below demonstrates how the option date affects the value conclusion. The values remain relatively stable between 2023 and 2033. However, after 2033, the value begins to increase at a more significant rate, as Basic Rents continue to grow at a greater rate than the Base Option Price. It is in the tenant's best interest to exercise the option sometime between 2023 and 2033, as this would reduce the leased fee value and maximize their leasehold interest.





**APPRAISAL ADDENDUM**



# ATTACHMENT B

## Centre City Development Corporation On Broadway Project Excess Parking Income Calculations

	11/03 to 12/03	1/04 - 12/04	1/05 - 12/05	1/06 - 12/06	1/07 - 12/07	1/08 - 12/08	1/09 - 12/09	1/10 - 12/10	
<b>Revenues</b>									
Parking Operations Income	\$ 93,325	\$ 781,880	\$ 1,003,203	\$ 1,032,107	\$ 1,108,105	\$ 998,335	\$ 1,056,331	\$ 1,100,075	3.98%
Proceeds of Business Interruption Insurance	\$ -	\$ -	\$ -	\$ -					
Interest and/or Investment Income	\$ -	\$ -	\$ 481	\$ -					
Portion of Permitted Expenses Recovered from sub-tenants or others	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total Revenues</b>	\$ 93,325	\$ 781,880	\$ 1,003,684	\$ 1,032,107	\$ 1,108,105	\$ 998,335	\$ 1,056,331	\$ 1,100,075	
<b>Permitted Expenses</b>									
Real Estate Taxes	\$ 16,180	\$ 111,658	\$ 92,125	\$ 101,041	\$ 115,491	\$ 140,149	\$ 176,460	\$ 169,622	-4.03%
Garage Direct Operating Costs	\$ 25,752	\$ 183,500	\$ 226,421	\$ 242,118	\$ 261,855	\$ 249,498	\$ 125,860	\$ 126,198	0.27%
Security	\$ 8,858	\$ 50,027	\$ 49,444	\$ 86,913	\$ 83,827	\$ 97,105	\$ 87,262	\$ 79,221	-10.15%
Utilities	\$ 7,995	\$ 34,894	\$ 26,905	\$ 29,893	\$ 36,088	\$ 35,815	\$ 34,987	\$ 34,340	-1.88%
Parking Management Fee - 3rd Party	\$ 1,850	\$ 13,441	\$ 17,578	\$ 18,745	\$ 13,332	\$ 19,772	\$ 31,690	\$ 33,002	3.98%
Insurance	\$ 5,264	\$ 25,267	\$ 14,622	\$ 32,096	\$ 32,485	\$ 21,706	\$ 25,299	\$ 25,299	0.00%
Elevator Contract and R&M	\$ -	\$ 15,199	\$ 11,682	\$ 19,577	\$ 12,180	\$ 11,673	\$ 16,608	\$ 23,891	30.48%
Repairs & Maintenance	\$ 2,113	\$ 2,075	\$ 7,052	\$ 35,807	\$ 26,558	\$ 22,643	\$ 13,838	\$ 15,088	8.28%
Fire & Safety	\$ 478	\$ 3,267	\$ 7,648	\$ 8,489	\$ 10,336	\$ 6,031	\$ 13,356	\$ 12,906	-3.49%
Professional Fees	\$ -	\$ 465	\$ 12,169	\$ 7,689	\$ 495	\$ 15,740	\$ 11,979	\$ 9,877	-21.28%
General & Administrative	\$ -	\$ 8,249	\$ 13,283	\$ 12,692	\$ 10,302	\$ 5,760	\$ 1,873	\$ 945	-98.20%
Pest Control	\$ 442	\$ 2,746	\$ 1,742	\$ 1,745	\$ 1,784	\$ 685	\$ 991	\$ 1,190	16.72%
Other	\$ 31	\$ 43	\$ 4,000	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total Operating Expenses</b>	\$ 3,064	\$ 32,044	\$ 57,576	\$ 85,999	\$ 61,655	\$ 62,532	\$ 58,645	\$ 63,897	8.22%
20% of Base Land Lease Payments to USG	\$ 6,667	\$ 40,000	\$ 40,000	\$ 44,247	\$ 46,371	\$ 46,371	\$ 46,371	\$ 46,371	0.00%
20% of Participating Rent Made to USG	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total Payments to USG</b>	\$ 6,667	\$ 40,000	\$ 40,000	\$ 44,247	\$ 46,371	\$ 46,371	\$ 46,371	\$ 46,371	0.00%
<b>Total Permitted Expenses</b>	\$ 9,731	\$ 72,044	\$ 97,576	\$ 130,246	\$ 108,026	\$ 108,903	\$ 105,016	\$ 110,268	4.76%
<b>Net Operating Parking Income</b>	\$ 83,594	\$ 709,836	\$ 906,108	\$ 901,861	\$ 1,000,079	\$ 889,432	\$ 951,315	\$ 989,807	3.89%
<b>Cost Return:</b>									
Threshold is \$570,000	\$ 95,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	
Add: 12.5% of Capital Expenditures allocable to Parking Facility	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
<b>Total Cost Return</b>	\$ 95,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	\$ 570,000	
<b>Excess Parking Income</b>	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
50% of Excess Parking Income Payable to the Agency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

**ON BROADWAY SD PARTNERS, LP****STATEMENT OF EXCESS PARKING INCOME***Year Ended December 31, 2009*

Revenues	<u>\$ 1,056,331</u>
Permitted expenses:	
Real estate taxes	176,460
Garage direct operating costs	125,860
Security	87,262
Utilities	34,987
Parking management fee - related party	31,690
Insurance	25,299
Elevator	16,608
Repairs and maintenance	13,838
Fire and safety	13,356
Professional fees	11,979
General and administrative	1,873
Pest control	991
20% of base land lease payments to US Grant, Jr., Redevelopment Company, LLC (Note 2)	46,371
20% of participating rent paid to US Grant, Jr., Redevelopment Company, LLC (Note 2)	-
Total permitted expenses	<u>586,574</u>
Net operating parking income	<u><u>\$ 469,757</u></u>
Cost return:	
\$570,000 per year	<u>\$ 570,000</u>
Excess parking income	<u><u>\$ -</u></u>
50% of excess parking income payable to SD Agency	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes.

## ON BROADWAY SD PARTNERS, LP

## STATEMENT OF EXCESS PARKING INCOME

*Year Ended December 31, 2010*

Revenues	<u>\$ 1,100,075</u>
Permitted expenses:	
Real estate taxes	169,622
Garage direct operating costs	126,198
Security	79,221
Utilities	34,340
Parking management fee - related party	33,002
Insurance	25,299
Elevator	23,891
Repairs and maintenance	15,088
Fire and safety	12,906
Professional fees	9,877
Pest control	1,190
General and administrative	945
20% of base land lease payments to US Grant, Jr., Redevelopment Company, LLC (Note 2)	46,371
20% of participating rent paid to US Grant, Jr., Redevelopment Company, LLC (Note 2)	-
Total permitted expenses	<u>577,950</u>
Net operating parking income	<u><u>\$ 522,125</u></u>
Cost return:	
\$570,000 per year	<u>\$ 570,000</u>
Excess parking income	<u><u>\$ -</u></u>
50% of excess parking income payable to SD Agency	<u><u>\$ -</u></u>

See independent auditor's report and accompanying notes.

## ON BROADWAY SD PARTNERS, LP

## STATEMENT OF EXCESS PARKING INCOME

*Year Ended December 31, 2011*

Revenues	<u>\$ 1,204,569</u>
Permitted expenses:	
Real estate taxes	171,134
Garage direct operating costs	149,168
Security	78,718
Repairs and maintenance	38,419
Utilities	36,387
Parking management fee - related party	36,137
Insurance	25,458
Elevator	19,033
Professional fees	9,577
Fire and safety	7,879
General and administrative	1,657
Pest control	1,190
20% of base land lease payments to US Grant, Jr., Redevelopment Company, LLC (Note 2)	50,600
20% of participating rent paid to US Grant, Jr., Redevelopment Company, LLC (Note 2)	-
Total permitted expenses	<u>625,357</u>
Net operating parking income	<u>\$ 579,212</u>
Cost return:	
\$570,000 per year	<u>\$ 570,000</u>
Excess parking income	<u>\$ 9,212</u>
50% of excess parking income payable to SD Agency	<u>\$ 4,606</u>

See independent auditor's report and accompanying notes.



**GENERAL APPRAISAL ADDENDA**





## MARK J. HENDRICKSON, MAI, AI-GRS

### APPRAISAL EXPERIENCE:

- Hendrickson Appraisal Company, Inc.  
*President & Principal Real Property Appraiser*

### PROFESSIONAL:

- MAI Designation – Member of the Appraisal Institute, *Appraisal Institute*
- AI-GRS Designation – General Appraisal Review, *Appraisal Institute*
- Certified General Real Estate Appraiser, *State of California (License No: AG041338)*
- Certified General Appraiser, *State of Arizona (License No: CGA-2003732)*
- 2021 President – *Board of Appraisal Institute, San Diego Chapter*
- Committee Chairman – *Appraisal Institute, San Diego Chapter*
- Past Region VII Committee Member – *Appraisal Institute*
- LDAC San Diego Rep. – *Leadership Development & Advisory Council, Appraisal Institute, Washington, D.C.*
- Treasurer – *International Right of Way Association (IRWA – Ch. 11)*
- Appraisal Representative – *International Right of Way Association (IRWA – Ch. 11)*
- Panelist – *California Eminent Domain Conference (CLE)*
- Moderator – *San Diego Market Symposium (Appraisal Institute)*

### COURT EXPERIENCE:

- Qualified Expert Witness in the Superior Court of California
- Qualified Expert Witness for Lease Arbitration Matters (Neutral Arbitrator/3<sup>rd</sup> Appraiser & Appraiser)

### EDUCATION: Undergraduate and post-graduate professional studies

- San Diego State University:  
*Bachelor of Science Degree - Business Administration with emphasis in Finance*

### *Appraisal Institute, International Right of Way Association & San Diego State University:*

- |  |  |
|--|--|
| ▪ Real Estate Appraisal Principles             | ▪ Standards of Professional Appraisal Practice                       |
| ▪ Real Estate Appraisal Procedures             | ▪ Uniform Standards of Professional Appraisal Practice (USPAP)       |
| ▪ RE Market Analysis and Highest & Best Use    | ▪ Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) |
| ▪ RE Income Approach-1 (Direct Capitalization) | ▪ Yellow Book Changes – 2017 Overview                                |
| ▪ RE Income Approach-2 (Yield Capitalization)  | ▪ Business Practices and Ethics                                      |
| ▪ Advanced Income Capitalization               | ▪ Real Estate & Corporate Finance                                    |
| ▪ RE Finance Statistics & Valuation Modeling   | ▪ Real Estate & Business Law   |
| ▪ Site Valuation & Cost Approach               | ▪ Economics (Micro and Macro)  |
| ▪ Sales Comparison Approach                    | ▪ Entrepreneurial Finance  |
| ▪ Advanced Concepts & Case Studies             | ▪ Business Management & Organization                                 |
| ▪ RE Report Writing & Case Studies             | ▪ Managerial & Financial Accounting                                  |
| ▪ The Appraiser as an Expert Witness           |  |
| ▪ General Appraisal Review Theory              |  |

Mark has over 20 years of experience in the appraisal profession and is a qualified expert witness in real property matters. He is skilled in valuing commercial, retail, industrial, and residential properties. He has appraised several specialized industrial manufacturing facilities, retail centers, office properties, multi-unit residential, and mixed-use properties throughout California and Arizona. He has experience valuing vacant land, including unentitled, entitled, agricultural, and land with biologically sensitive habitats. He has completed complex leasehold valuations for the Department of the Navy, involving the outleasing of government-owned real property throughout the southwestern United States.

Mark specializes in eminent domain valuation and provides legal counsel with litigation support and expert witness testimony. He has completed large linear infrastructure projects for public agencies and private property owners, which required fee and easement acquisitions of real property. He is involved in several professional organizations and has served as President of the San Diego Chapter of the Appraisal Institute, an Officer and Appraisal Representative of the International Right of Way Association (IRWA) - Chapter 11, and a guest speaker for several real estate and legal organizations.



## TED G. HENDRICKSON, MAI

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### APPRAISAL EXPERIENCE:

#### *Hendrickson Appraisal Company, Inc. (1986-present)*

Real estate appraiser, reviewer, consultant, analyst, and expert witness  
Full range of Appraisal/Consulting services, including mediation and arbitration services  
Right of Way Eminent Domain Valuation Specialist

#### *Home Federal*

*Appraiser Analyst* – specializing in appraisals of subdivisions, commercial, retail centers, office, and industrial properties.

*Appraisal Dept. Manager, Vice President* – Responsible for reviewing and appraising commercial, residential, and industrial properties.

#### *California Department of Transportation*

Staff appraiser specializing in valuation of residential and commercial properties for right-of-way eminent domain purposes.

### EDUCATION: Undergraduate and postgraduate professional studies

*California State University, Northridge* - B.S. degree in Real Estate Finance

*University of Southern California* (Graduate School of Business)

*University of Washington* (Graduate School of Business)

#### *Appraisal Institute Courses and Seminars: (Courses taken at various universities throughout the U.S.)*

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| ▪ Industrial Appraising                | ▪ Valuation of Easements                           |
| ▪ Appraisal of Income Properties       | ▪ Impact of Hazardous Substances on Real Estate    |
| ▪ Investment Analysis                  | ▪ Highest and Best Use Analysis                    |
| ▪ Capitalization Theory                | ▪ Market Land Use Analysis                         |
| ▪ Litigation Testimony                 | ▪ Financial Forecasting                            |
| ▪ Skills of Expert Testimony           | ▪ Environmental and Biological Issues              |
| ▪ Real Estate Risk and Analysis        | ▪ Cost Analysis                                    |
| ▪ Discounted Cash Flow Analysis        | ▪ Master Planned Communities/Land Planning         |
| ▪ Valuation of Partial Interests       | ▪ Mitigation Land Analysis                         |
| ▪ Subdivision Analysis and Feasibility | ▪ Standards for Federal Lands Acquisitions (USFLA) |
| ▪ Analysis of Money Market Rates       | ▪ Valuation of Lease Interests                     |
| ▪ Standards of Professional Practice   | ▪ Eminent Domain Law                               |
|  | ▪ Yellow Book Changes – 2017 Overview              |

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### PROFESSIONAL: Membership and Service

- *MAI Designation (#6603) with the Appraisal Institute*
- *California Certified General Appraiser (AG004974)*
- *California Real Estate Broker's License (#530471)*
- *Member of the International Right of Way Association (#1148112)*
- *Chairman and member of several Appraisal Institute committees*
- *Past President of the San Diego Chapter of the Appraisal Institute*

### COURT EXPERIENCE: Qualified Expert Witness

- Testified in California State Superior Court and U.S. Federal Court
- Testified in Arbitration and Mediation Proceedings - government agencies and private corporations