

SUMMARY REPORT OF THE APPRAISAL

FOR

**CITY OF SACRAMENTO
DEPARTMENT OF GENERAL SERVICES**

PREPARED BY:

JILL CLARK, MAI

EFFECTIVE DATE OF VALUATION:

December 17, 2013

**1401 H STREET
NORTHEAST CORNER OF 14TH AND H STREETS
VACANT 12,800 SQUARE FOOT COMMERCIAL SITE
SACRAMENTO, CALIFORNIA**

Clark - Wolcott

March 6, 2014

City of Sacramento
Department of General Services
5730 – 24th Street, Building 4
Sacramento, California 95822-3699

Attention: Bill Sinclair

Subject: Appraisal Report **14/04**
1401 H Street Northeast Corner of
14th and H Streets
Vacant 12,800 Square Foot Commercial Site
Sacramento, CA

Dear Mr. Sinclair:

In response to your request and authorization, an appraisal of the above referenced property has been prepared pursuant to the *Scope of Work* described herein. The appraisal is delivered in the following *Written Appraisal Report*, which has been completed in conformance with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP).

The appraisal develops the opinion of the fee simple market value of the subject property as of a retrospective date of value of *December 17, 2013* pursuant to the valuation premises described herein. A summary of the appraisal, conclusion, and the opinion of value is presented in the attached **Executive Summary**.

The appraisal was performed in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice (USPAP). The opinion of value rendered is subject to the Assumptions and Limiting Conditions and the Extraordinary Assumptions as set forth in the attached report.

Respectfully submitted,

CLARK-WOLCOTT COMPANY, INC.

EXECUTIVE SUMMARY

This appraisal involves the valuations of a vacant 12,800 square foot commercial site located at 1401 H Street in the central business district (CBD) of the City of Sacramento, California. The property is valued as of a retrospective date of value of *December 17, 2013*.

The property is located in the central city area of the City of Sacramento, which is generally bounded by R Street to the south, Interstate 5 to the west, G Street to the north, and 16th Street to the east. The subject property is further defined as being situated in the central business district, which is home to the California State Capitol Building, California State Court Buildings, numerous city and state office buildings, and several privately owned high-rise and low-rise office buildings. The area is the hub of commerce and industry for the Metropolitan Sacramento region. Historically, this was the first urban area to be developed in the City of Sacramento.

The subject property is centrally located proximate to the majority of office and retail uses within the area. Access to the subject property and the area in general is considered excellent. The property appraised is located at the northeast corner of 14th and H streets, within a several block radius of the State Capitol Building, City Hall, Superior Court Building, and the proposed Sacramento Kings arena. Major freeway interchanges with Interstate 5 are provided at P and I streets several blocks to the west. Freeway access via Highway 50 is also provided numerous blocks to the south.

The corner site contains 12,800 square feet and is rectangular in shape. The property has 160 feet of frontage along 14th Street a two-lane north/south bound city street, and 80 feet of frontage along H Street a three-lane, one-way, east bound city street. Access to the property is provided by both 14th and H streets. The property is level and at grade with the adjacent street which are improved with curbs, gutters and sidewalks along the property's street frontages. All necessary utilities are available to the property appraised including water, sewer, storm drainage, gas, electricity, and telephone service.

The property appraised is zoned C-2, General Commercial, by the City of Sacramento. The C-2 zoning designation provides for the sale of commodities, or performance services, including repair facilities, offices, small whole sale stores or distributors, and limited processing and packaging.

Highest and best use of the property appraised as of the effective date of value was for investment purposes to hold the land until such time when economic conditions warrant development. The ultimate use of the site is considered to be for commercial development consistent with the surrounding developments and those uses allowed under its C-2 zoning designation

The purpose of the appraisal is to estimate the fee simple market value of the subject property for the Client, the City of Sacramento, to facilitate in the disposition of the property by the City of Sacramento.

The current condition of the subject property, in concert with the conclusion of highest and best use, forms the basis for selecting the Sales Comparison Approach as the only relevant method of estimating value. This valuation method is based upon the principle of substitution, which suggests that the value of a particular property is indicated by the cost (price) of purchasing a comparable substitute property. An Income Approach has not been utilized in this report since undeveloped land of this nature typically will not produce an economic rent that can be capitalized into an indication of market value. The Cost Approach has also not been applied as the property is vacant.

The appraisal assignment and report thereof is intended to comply with Standards Rule 1 and the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). Furthermore the appraisal was performed in conformity with the requirements of the Code of the Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The appraisal is further predicated on two Extraordinary Assumptions. An Extraordinary Assumption is: "An assumption, directly related to a specific assignment, as of the

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effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions" (USPAP 2014-2015 edition).

Assignments that involve retrospective dates of value often presume that certain characteristics of the property on the effective date of valuation were similar to those observed on the date of inspection.

The appraisal is predicated on the Extraordinary Assumption that the legal and physical characteristics on the effective date of valuation were essentially the same as those observed on the date of inspection and/or documented during the appraisal development process and reported herein.

A Phase II limited Soils Assessment addressing soils contamination issues was completed. While some levels of contamination were found, it was generally determined that no significant impact to the subsurface as a result of the use of glycol, motor oil, hydraulic oil, and the presence of zinc had occurred in the areas of the property assessed. The appraisal extraordinarily assumes that there are no toxic or hazardous waste materials that might be present in the soils.

Pursuant to the Scope of Work described herein, the opined Market Value of the subject property as of a retrospective date of value of *December 17, 2013*, subject to the Assumptions and Limiting Conditions and the Extraordinary Assumptions of the appraisal, is:

SEVEN HUNDRED THOUSAND (\$700,000) DOLLARS

CLARK-WOLCOTT COMPANY, INC.

By:  Date: 3-6-14
Jill Clark, MAI
Certified General Appraiser - #AG003804
State of California

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INTRODUCTION

SCOPE OF WORK

This appraisal assignment requires the valuation of a vacant 12,800 square foot commercial site located at 1401 H Street in the central business district of the City of Sacramento, California. The property is valued as of a retrospective date of value of *December 17, 2013*.

Pursuant to prior agreement with the City of Sacramento (the Client), the following is the agreed upon *Scope of Work* and appraisal services rendered:

- The user of the report shall be the Client, the City of Sacramento. The report is not intended for any other use or user.
- The intended use of the appraisal is to facilitate the Client in the disposition of the property by the City of Sacramento.
- The standard of value shall be consistent with the definition of *Market Value* most commonly associated with the Uniform Standards of Professional Appraisal Practice (USPAP) and more specifically defined in The Dictionary of Real Estate Appraisal, Fourth Edition, unless specified otherwise.
- The appraisal development process is pursuant to Standards Rule 1 of the Uniform Standards of Professional Appraisal Practice (USPAP) and Specific Contractual Requirements attached hereto as Exhibit C. The appraisal is communicated in a *Written Appraisal Report* prepared in compliance with Standards Rule 2-2(a) of the USPAP.
- Said appraisal and report thereof conforms to the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice (USPAP).

The appraisal is predicated on only one of the three traditional approaches to value, the Sales Comparison Approach. An Income Approach has not been utilized in this report since undeveloped land of this nature typically will not produce an economic rent that can be capitalized into an indication of market value. The Cost Approach has also not been applied as the property is vacant.

The appraisal is further predicated on two Extraordinary Assumptions. An Extraordinary Assumption is: "An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions" (USPAP 2014-2015 edition).

Assignments that involve retrospective dates of value often presume that certain characteristics of the property on the effective date of valuation were similar to those observed on the date of inspection.

The appraisal is predicated on the Extraordinary Assumption that the legal and physical characteristics on the effective date of valuation were essentially the same as those observed on the date of inspection and/or documented during the appraisal development process and reported herein.

A Phase II limited Soils Assessment addressing soils contamination issues was completed. While some levels of contamination were found, it was generally determined that no significant impact to the subsurface as a result of the use of glycol, motor oil, hydraulic oil, and the presence of zinc had occurred in the areas of the property assessed. The appraisal extraordinarily assumes that there are no toxic or hazardous waste materials that might be present in the soils.

The appraisal assignment and report thereof is intended to comply with Standards Rule 1 and the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP). Furthermore the appraisal was performed in conformity with the requirements of the Code of the Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

The appraisal assignment required an inspection of the subject property, its environs, and all comparable data utilized for direct comparison (unless stated otherwise). The investigation and analysis considered past, current and future real estate market conditions, trends affecting supply and demand, and other economic factors affecting marketability. Considerable time was spent in analyzing motivations and other factors influencing decisions in the sale and/or purchase of vacant commercial sites. Also considered are certain physical factors that influence the overall utility and value of the property.

Collection of primary and secondary data involved meetings, telephone conversations and/or email communications with: the Client representatives; representatives with the

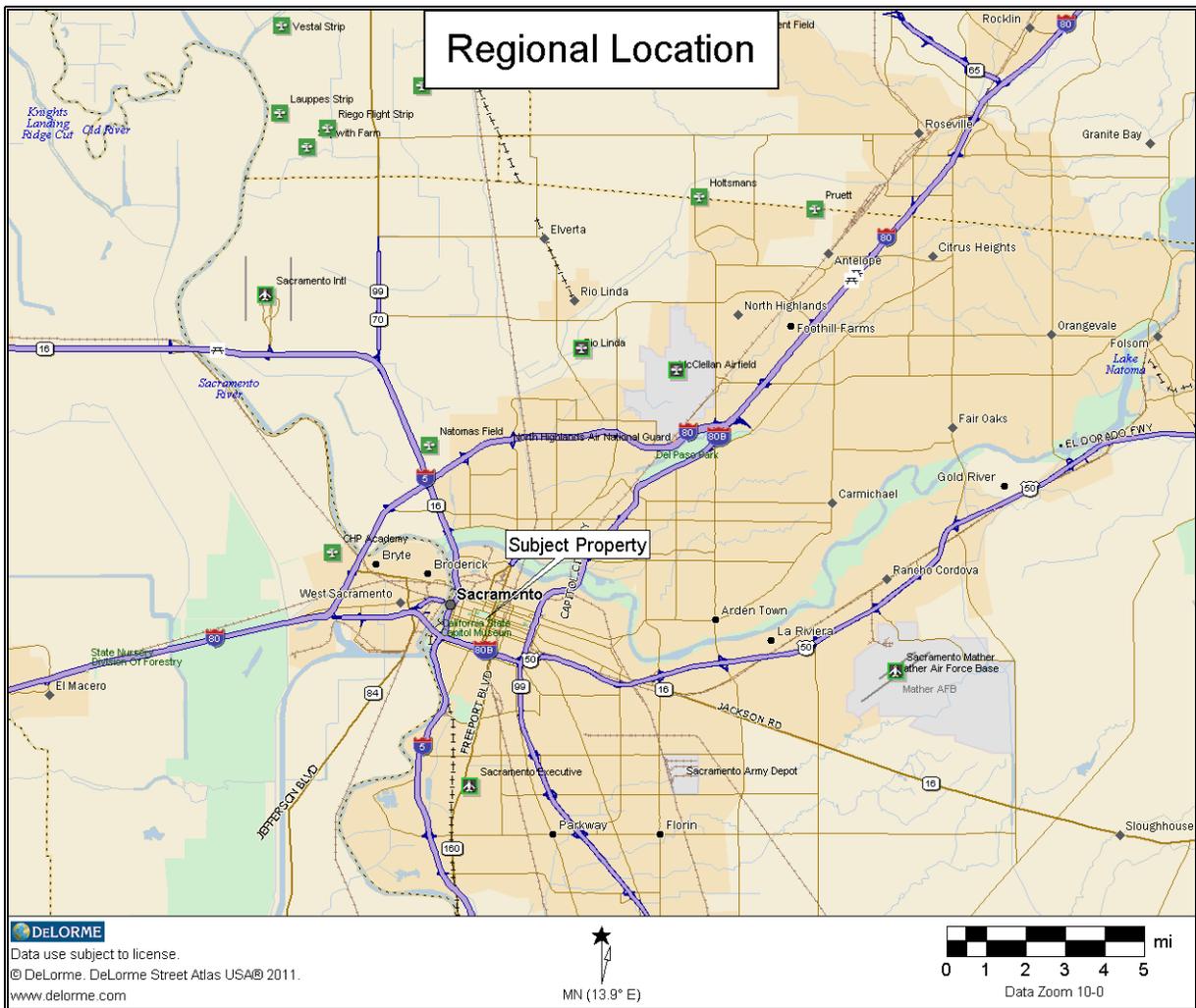
City of Sacramento Planning Department, local knowledgeable commercial real estate brokers, developers, and property owners; and other parties familiar with the downtown Sacramento real estate market.

A preliminary title report with an effective date of December 17, 2013 prepared by Fidelity National Title Company was provided to the appraiser. Other documentation obtained from the Client for purposes of this appraisal assignment is cited in the appropriate and relevant sections of the report.

Market data research included field investigation, as well as referencing public records, COMPS Inc., and the Clark-Wolcott Company, Inc. library. Unless stated otherwise, the verification process for the comparable sales and related data included confirming the transaction price and terms with the buyer, seller, broker or knowledgeable third parties, and obtaining copies of all pertinent documents of record, if any.

PROPERTY IDENTIFICATION AND LEGAL DESCRIPTION

The property appraised is located at 1401 H Street at the northeast corner of 14th and H streets. The property is identified by the Sacramento County Assessor as Assessor Parcel Number 002-0166-013.



The land described herein is situated in the State of California, County of Sacramento, City of Sacramento, and is described as follows:

Lot 8, in the Block bounded by 14th and 15th and G and H streets in the City of Sacramento, according to the Official Plat thereof.

PRIOR SALE HISTORY AND PROPERTY OWNERSHIP

The property appraised was vested in the City of Sacramento, a charter municipal corporation. There have been no arms-length transactions involving the property appraised over the past three years from the date of this appraisal, and the property is not listed for sale.

DATES OF INSPECTION

A detailed inspection of the subject property was made during several site visits during the months of January and February 2014. The appraiser was not accompanied by representatives with the City of Sacramento.

EFFECTIVE DATE OF VALUATION

The effective date of valuation is as of a retrospective date of value of *December 17, 2013*.

EFFECTIVE DATE OF APPRAISAL REPORT

The effective date of the appraisal report is the date it is signed by the appraiser. Reference is made to the Executive Summary of the appraisal and the appraiser's Certification.

PROPERTY RIGHTS APPRAISED

The following definition of *fee simple estate* (interest) provides a basis for the valuation:

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.¹

Included in the foregoing are the rights to sell, lease, encumber, gift, grant an easement and/or restrict access to a property.

¹ The Dictionary of Real Estate Appraisal, Fifth Edition (Appraisal Institute, 2010), pg. 78.

DEFINITION OF MARKET VALUE

The standard of value for this assignment is Market Value. *Market Value* is defined as:

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and each acting in what they consider their own best interest;
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.²

² The Dictionary of Real Estate Appraisal, Fifth Edition (Appraisal Institute, 2010), pg. 122-123

ASSUMPTIONS AND LIMITING CONDITIONS

This Appraisal Report and Valuation contained herein are expressly subject to the following assumptions and/or conditions:

1. Title to the Fee Estate Interest in the property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. Clark-Wolcott Company, Inc., makes no representations relative to the condition thereof.
2. Clark-Wolcott Company, Inc., has made no survey of property boundaries, and boundaries as they appear on the ground or as represented by the client or client representative, are assumed to be correct.

Maps, sketches, photographs and other exhibits depicting the appraisal property are intended for illustrating purposes to supplement the narrative description of the properties and are not intended nor should they be construed to represent an exact survey or location of property boundaries.

3. All factual data furnished by the property owner, owner's representative, or persons designated by the owner to supply said data are accurate and correct unless otherwise specifically noted in the appraisal report. Unless otherwise specifically noted in the appraisal report, Clark-Wolcott Company, Inc., has no reason to believe that any of the data furnished contains any material error. Information and data referred to in this paragraph includes, without being limited to, lot and block numbers, Assessor's parcel numbers, land dimensions, acreage or area of the land, net farmable areas, usable areas, rent schedules, income data, historic operating expenses, budgets, and related data. Any material error in any of the above data has a substantial impact on the value reported. Thus, Clark-Wolcott Company, Inc., reserves the right to amend the value reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within ten days after the date of delivery of this report and should immediately notify Clark-Wolcott Company, Inc., of any questions or errors.
4. All information and data furnished by others in connection with the preparation of this report are accurate and correct, and Clark-Wolcott Company, Inc., has no reason to believe to the contrary unless such is specifically noted in the body of the report. Information included in this context refers to comparable rental and sales data, verification of factual data, and general market data.
5. No responsibility is assumed for building permits, zone changes, engineering or any other services or duty connected with legally utilizing the subject property. Unless otherwise noted in the body of the report, it is assumed that no changes in the present zoning ordinances or regulations governing use, density or shape are being considered.
6. The appraisal has been prepared on the premise that there are no encumbrances or other matters not of record prohibiting utilization of the property under the appraiser's statement of highest and best use.
7. Unless otherwise noted in the body of the report, it is assumed that there are no mineral or sub-surface rights of value involved in this appraisal and that there are no air or development rights of value that may be transferred.

8. This report may not be duplicated in whole or in part without the specific written consent of Clark-Wolcott Company, Inc., nor may this report or copies hereof be transmitted to third parties without said consent, which consent Clark-Wolcott Company, Inc., reserves the right to deny. Exempt from this restriction are duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the owner of the property, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of Clark-Wolcott Company, Inc. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to purchase the property. Any third party, not covered by the exemptions herein, who may possess this report, is advised that they should rely on their own independently secured advice for any decision in connection with this property. Clark-Wolcott Company, Inc., shall have no accountability or responsibility to any such third party.
9. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of Clark-Wolcott Company, Inc., to buy, sell, or hold the property at the value appraised. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.
10. The real estate market is in a state of constant flux, as is the value of the U.S. dollar. Clark-Wolcott Company, Inc., can offer no assurances that the reported value will remain stable or improve in terms of current dollars. The passage of time or changing economic conditions could result in a change in value, as could a change in the relative value of the U.S. dollar. If the client believes such has occurred, an updated valuation may be in order.
11. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described herein unless prior arrangements have been made.
12. 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, or other environmental conditions, were not called to the attention of nor did Clark-Wolcott Company, Inc., become aware of such during the appraiser's inspection. Clark-Wolcott Company, Inc., has no knowledge of the existence of such materials on or in the property unless otherwise stated. Clark-Wolcott Company, Inc., however, is not qualified to test for the presence of such substances or conditions. If the presence of such substances, such as asbestos, ureaformaldehyde foam insulation, or other hazardous substances or environmental conditions, may affect the value of the property, the value estimated is predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, nor for any expertise or engineering knowledge required to discover them.

If questions in these areas are critical to the decision process of the reader, the advice of competent engineering or environmental consultants should be obtained and relied upon. If engineering or environmental consultants retained should report negative factors, of a material nature, relative to the condition of the property, such negative information could have a substantial negative impact on the value reported in this appraisal. Accordingly, if negative findings are reported by engineering or environmental consultants, Clark-Wolcott Company, Inc., reserves the right to amend the value reported herein.

EXTRAORDINARY ASSUMPTIONS

An *Extraordinary Assumption* is: “An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions” (USPAP 2014-2015 edition).

- The appraisal is predicated on the Extraordinary Assumption that the legal and physical characteristics on the effective date of valuation were essentially the same as those observed on the date of inspection and/or documented during the appraisal development process and reported herein.
- A Phase II limited Soils Assessment addressing soils contamination issues was completed. While some levels of contamination were found, it was generally determined that no significant impact to the subsurface as a result of the use of glycol, motor oil, hydraulic oil, and the presence of zinc had occurred in the areas of the property assessed. The appraisal extraordinarily assumes that there are no toxic or hazardous waste materials that might be present in the soils.

CERTIFICATION

The undersigned does hereby certify that, except as otherwise noted in this appraisal report:

1. I have personally inspected the subject property located at 1401 H Street, Sacramento, California that is the subject of this appraisal report.
2. I have no present or contemplated future interest in the property that is the subject of this appraisal report. I have no personal interest or bias with respect to the subject matter of this appraisal report or the parties involved with this assignment.
3. The professional fee for the appraisal service rendered is dependent solely upon completion of the service evidenced by delivery of this report and is in no way contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of a value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
4. To the best of my knowledge and belief, the statements of fact contained in this appraisal report, upon which the analyses, opinions and conclusions expressed herein are based, are true and correct.
5. This appraisal report sets forth all of the assumptions and limiting conditions (imposed by the terms of the assignment or by the undersigned) affecting the impartial and unbiased professional analyses, opinions and conclusions contained in this report.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. 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.
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.
9. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
10. As of the date of this report, Jill Clark, MAI, has completed the continuing education program of the Appraisal Institute.
11. No one other than the undersigned prepared the analyses, conclusions and opinions concerning real estate that are set forth in this appraisal report. No one provided significant real property appraisal assistance to the undersigned.
12. I have not performed any services in regards to the subject property within the prior three year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.

By:  Date: 3-6-14
Jill Clark, MAI
Certified General Appraiser - #AG003804
State of California

PROPERTY DESCRIPTION

LOCATIONAL CHARACTERISTICS AND ACCESSIBILITY

The subject property is located in the central city area of the City of Sacramento, which is generally bounded by R Street to the south, Interstate 5 to the west, G Street to the north, and 16th Street to the east. The subject property is further defined as being situated in the central business district, which is home to the California State Capitol Building, Federal and State Court Buildings, numerous city and state office buildings, and several privately owned high-rise and low-rise office buildings. The area is the hub of commerce and industry for the Metropolitan Sacramento region and was the first urban area to be developed in the City of Sacramento.



For several years the area was considered to be virtually 100% built-out with any new developments in the area requiring the removal of existing structures that did not represent the highest and best use of the property and typically required the assemblage of adjacent parcels for development. However, Sacramento Housing and Redevelopment Agency (SHRA) had acquired several sites downtown and were working on public/private partnerships for the redevelopment of these sites. The SHRA was dissolved under the leadership of Governor Jerry Brown, and the future development of those sites acquired by the agency was uncertain as of the effective date of the appraisal. Additionally, there were a few vacant sites that were a result of defunct development caused by the recession.

The subject property is located within several blocks of the State Capitol Building, City Hall, the Superior Court Building, and other state and governmental agency buildings making the property attractive to many potential investors. The recent resurrection of the location of the Sacramento Kings and their new arena also has a potential positive impact on the area in general, assuming plans go according to projections, the new arena, to be located at 5th and 7th and L and K streets, is scheduled to open by 2017.

The location of the Sacramento Kings and their new arena has been a long and arduous process. Since 2005 rumors were swirling that the owners of the Kings were looking to relocate the National Basketball Association team. In early 2011 the Kings considered a move to Orange County which ultimately failed. The owners then tried to move or sell the team which would relocate the team to Seattle. Ultimately with the assistance of the NBA Commissioner, the team was sold and required to remain in Sacramento. By June 2013 the sale of the Kings was complete and the City of Sacramento had agreed to a term sheet providing a 258 million dollar subsidy for the Kings new arena to be constructed in downtown Sacramento.

While the relocation of the new arena to downtown Sacramento has spurred some new interest in the neighborhood, the ultimate development of the facility still had hurdles to pass as of the effective date of value. Some investors were of the belief that legal hurdles could still stop the forward progress that had been gained and that it was not a

done deal. Others investors had said it was too early to tell what and/or how much benefit the arena will bring to the area especially over the next few years while the facility is being constructed. Generally, however, nearly all real estate professionals believed that arena will positively benefit the downtown area.

In the meantime in an effort to create energy and to drive an urban renewal effort to the downtown area K Street from 7th to 13th streets was opened to vehicular traffic which had been banned from this section of K Street since 1969. The Downtown Plaza shopping mall a hybrid indoor-outdoor shopping mall located between 3rd and 7th streets on K Street was developed in 1971. The mall was meant to bring a significant amount of retail space to the center of the city. The shopping plaza is two levels and had two traditional anchor stores as well as a movie theater. On the west side of the mall a pedestrian passage tunnels under Interstate 5 and connects to Old Town Sacramento. On the eastern end, the mall spills onto the K Street pedestrian mall, where there is access to the City's light rail system.

By the end of the 1970's, the mall was so successful that Weinstock's moved their existing downtown store to the center, and Liberty House joined the roster as the third anchor (Macy's was previously located on K Street prior to the development of the mall). Liberty House was short-lived at the center and was replaced by I. Maginin in 1984 that similarly was short-lived, closing in 1992. The loss of I. Maginin prompted a dramatic re- envision of the center, which resulted in the addition of a second level and refreshed look for the entire center including adding a new tenant, Hard Rock Café. After the renovation, the center contained 1.1 million square feet of floor space.

In recent years, Downtown Plaza struggled to compete with the newer, larger suburban malls especially Arden Fair and Roseville Galleria. The mall had a windswept and abandoned feel with most of the tenants having vacated the mall including the Hard Rock Café. In 2006, Westfield (the malls owner) announced an ambitious plan to refresh the mall including expanding the movie complex, and adding a grocery store and new Target store. In addition, the main mall concourse would be opened up and the decor updated.

Unfortunately, Westfield dragged their feet until the state of the economy made it a bad time for redevelopment and in 2008 Target backed out of the project.

As a means of revitalizing K Street, in early 2009, there had been talk of reopening the street to vehicular traffic and improving its links to the riverfront, Old Sacramento, and the City's various neighborhoods. Ideas that were discussed included eliminating or reconfiguring Westfield Downtown Plaza shopping mall, allowing cars and bikes back on the closed section of K Street; adding colorful old trolleys, creative lighting and more public art; and offering more culture and unique interactive venues that focus on art or technology. Ultimately as of the effective date of value portions of the mall were proposed to be purchased by the City of Sacramento for the new location of the Sacramento Kings arena.

The area in which the subject property is situated is centrally located to the majority of office and retail uses within the central core area. Sacramento City Hall is located four blocks southwest of the subject property. Also within a several block radius are the locations of the State Capitol Building, California EPA building, and the Federal and Superior Court house buildings to name a few.

The more significant developments in proximity to the subject property are the Wells Fargo Pavilion located adjacent to the east side of the subject, and the Sacramento Convention Center situated two blocks south of the property. The Wells Fargo Pavilion is a theater in the round with 53,000 square feet and the ability to seat up to 2,200 guests. The pavilion replaces the old open-air Music Circus tent. Opened in the summer of 2003, the new pavilion is the state of the art complex which offers expanded lighting grid and a variable-level turntable stage.

The Sacramento Convention Center is located two blocks south of the property appraised bounded by 13th and 15th streets and J and K streets. This full service convention and meeting venue hosts over 600 events and approximately 1,000,000 visitors annually. It is open 18 hours a day 350 days are year. The complex consists of 134,000 square feet of exhibit space, 31 meeting rooms, including a 24,000 square foot

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ballroom, and a 2,322 seat Community Center Theater. The Memorial Auditorium is also part of the venue located on the city block bounded by 15th and 16th streets and J and I streets, is a historic landmark seating 3,849 guests.

Access to the subject property and the area in general is considered good. Interstate 5 is located approximately 14 blocks to the west of the subject property with freeway interchanges at I and P streets. Interstate 80 is to the south with freeway access at the 16th Street interchange. Local traffic arteries are Capitol Mall, J Street, N Street, 12th Street, 16th Street and 4th Street, which provide very good city street access.

PHYSICAL CHARACTERISTICS

The site is located at the northeast corner of 14th and H streets, is rectangular in shape, and contains 12,800 square feet. The property has 80 feet of frontage along H Street a three-lane one-way eastbound city street and 160 feet of frontage along 14th Street a two-lane two-way north/south thoroughfare. The property's street frontages are improved with curbs, gutters, and sidewalks, and the site is level and at grade with the adjacent city streets. Direct access to the property is provided from both H and 14th streets with street parking provided along the property's street frontages.

PHOTOGRAPHS OF SUBJECT PROPERTY



VIEW FACING EAST AND SOUTHEAST FROM 14TH STREET



UTILITIES SERVICES

All urban utility services available to the property appraised include electric power, telephone and cable service, natural gas, water, and storm and sanitary sewerage facilities.

EASEMENTS, ENCROACHMENTS AND PRIVATE RESTRICTIONS

A preliminary title report prepared by Fidelity National Title Company dated December 17, 2013 was furnished for the purposes of this assignment. No significant or unusual easements, encroachments or private agreements were noted in the preliminary title report.

ZONING & ENTITLEMENTS

The property appraised is zoned C-2, General Commercial, by the City of Sacramento. The C-2 zoning designation provides for the sale of commodities, or performance services, including repair facilities, offices, small whole sale stores or distributors, and limited processing and packaging.

ENVIRONMENTAL ISSUES

Seismic Conditions

The subject property is not located within an Alquist-Priolo Earthquake Fault Zone, but this factor does not preclude the possibility of seismic activity in the future. The subject property is not subject to any more or less risk of earthquake damage than other properties in the Sacramento regional real estate market.

Wetlands/Other Natural Conditions

No engineering survey or reports addressing the conditions of the site was furnished to the appraiser. No unusual site conditions were observed on the date of inspection. It is assumed that no environmentally sensitive wetlands or other natural conditions exist.

Toxics/Contamination Concerns

The appraiser was furnished with a Phase I Environmental Site Assessment prepared May 16, 2005 and a Phase II limited Soils Assessment dated April 14, 2006; both reports were prepared by Krazan & Associated, Inc. Geotechnical Engineering, Environmental Engineering, and Construction Testing & Inspections Company.

The Phase I report addressed environmental issues specific relating to the building improvements that existed on the site in 2005. The improvements consisted of a repair facility specializing in radiator repairs. The building has since been demolished and all environmental issues involving the building were removed.

The Phase II limited Soils Assessment addressed soils contamination issues. While some levels of contamination were found, it was generally determined that no significant impact to the subsurface as a result of the use of glycol, motor oil, hydraulic oil, and the presence of zinc had occurred in the areas of the property assessed.

Flood Hazard Map Information

Community Parcel Number:	06067C0180H
Map Last Revised:	August 16, 2012
Zone Classification:	Dotted Zone X – Areas of 0.2% annual chance flood; areas of 1% annual chance flood with average depths of less than 1 foot or with drainage areas less than 1 square mile; and areas protected by levees from 1% annual chance flood.

REAL ESTATE TAXES AND ASSESSMENTS

According to the Sacramento County Assessor's on-line records (www.saccounty.net) and its "parcel viewer" data records the subject property is government owned and is not taxed. However, the property is assessed by the Sacramento Area Flood Control Agency (SAFCA) Consolidated Capital Assessment for \$775.46. This Special Capital Assessment finances repayment of bonds issued to construct a series of levee and other flood control improvements in the North Area Local Project as well as a series of projects necessary to provide 100-year flood protection for developed areas in Sacramento's major floodplains. Assessments are based on property-related benefits related to depth of flooding, and damage to structures and land.

Under California's current property tax law (Proposition 13) if the appraised property were to sell to a private ownership the new assessed value would likely be close to the purchase price. The assessed value can be changed or increased during the tax year to reflect improvements to the property, or a sale of the property. The assessed value can be increased on an annual basis not to exceed two percent over the previous year.

For the 2013-2014 tax year property taxes would be based primarily upon a Base Tax Rate of approximately 1.1406± percent, applied to the total assessed valuation. This rate includes the 1.0 percent county wide base tax, plus Los Rios College General Obligation Bond and Sacramento Unified General Obligation Bond.

There are no known extraordinary bonds or special taxes placed on other properties in the area. If assessed and taxed as a privately owned property, taxes and assessments (direct levies) would be typical of properties in the area with no unusual burdens.

STUDY AREA

METROPOLITAN SACRAMENTO REGION AND AREA DATA

The property appraised is located in the metropolitan Sacramento area of northern California. Additional general data pertaining to the region is located in the Addenda of this appraisal report under Exhibit C.

OVERVIEW OF GENERAL ECONOMIC AND REAL ESTATE MARKET CONDITIONS

Through the first half of the past decade, the housing market had, to a large extent, been driving the economy. Rising equities and readily available funds allowed consumers to refinance and spend, and those conditions had an overall positive effect on the economy. However, the traditional winter market slowdown in late-2005 / early-2006 that had been absent for several years, began to emerge. On the heels of the faltering housing market, a severe recession in both the economy and real estate markets took hold. It was not until the end of 2010 did any signs of economic improvement start to emerge. However, the real estate markets had yet to see significant improvement.

As the recession took hold, values in real estate started to decline. It was at that time the scandal in the subprime lending market emerged. Many borrowers obtained high lien-to-value loans at a time when property values were increasing. In many cases, a borrower's ability to pay was not verified or was falsified. Facing lower property values with little or no equity, a slow housing market, and stricter lending practices, homeowners had few alternatives. With homeowner's losing jobs, interest rates on adjustable rate mortgages increasing to unaffordable levels, and poor underwriting practices, foreclosures became the norm.

The high number of foreclosures resulted in the "short sale" market in which a bank sells a home at a price lower (in some cases significantly lower) than the original loan amount. With the housing market suffering from a large inventory of unsold homes, the lowest

sales volumes in decades, and the short sale market, the residential real estate market was significantly negatively impacted.

The commercial real estate market had also suffered greatly from the housing crises and the recession. Many companies significantly reduced their work staff and/or went out of business completely resulting in large vacancies in commercial properties. Like the housing market, many commercial landlords were unable to make their mortgage payments, foreclosures occurred and the market was flooded with commercial properties for sale or for lease. Values and lease rates dropped dramatically.

Since the beginning of 2009, a general consensus had emerged that an economic recovery would likely be slow and difficult to achieve. However, by 2012 most economists believed that the economy and the real estate markets were beginning to experience signs of improvement. The recovery was fostered by a variety of factors but most predominantly from the Federal Reserve's monetary policies enacted over the past several years. Through 2013, the real estate markets continued to improve albeit at a snail's pace. Most notably, the office markets still suffered from significantly high vacancy rates and low rental rates.

As of the effective date of the appraisal, the following events and factors were affecting the prevailing economic outlook:

- As of the week ending December 12, 2013, Freddie Mac reported that the average, 30-year-fixed, residential mortgage rate was 4.42%. This rate is slightly below the year's high of 4.58%, which was reached as of the week ending August 22 but is above the record, six-year low reached during the week ending on November 21, 2012 (3.31%). Mortgage interest rates near or somewhat above current levels remain forecasted over the near term, notwithstanding reports that further rate increases might restrain the housing recovery.
- With regards to the four-county Sacramento region, the year-over-year median home price in for 2013 was approximately 21.8% higher than that reached in 2012, according to Zillow. However, home sales are down for the last part of the year due to a seasonal dip, fewer investors, rising prices, and more significantly increasing interest rates. While home sales and prices had been up significantly from last year numbers, these indices were driven primarily by a low supply of for-sale housing products, strong demand from investors, and historically low interest rates. More recent data indicates increasing levels of for-sale inventory, longer

marketing times, flattening home prices due to increasing interest rates, consumer uncertainty, and declining investor activity.

- Problems in the commercial real estate market sectors are continuing, although commercial and industrial leasing activity is increasing, absent any significant new construction. Declining vacancy rates in the retail and office market sectors were reported in the Sacramento region in recent surveys completed by CB Richard Ellis. Nevertheless, new lending activities remain constrained, as many short-term loans made during better times came due in the current economic climate, while current rental rates have reset to lower levels from those achieved in prior years. Forecasts pertaining to the timing of a full recovery of the Sacramento region's nonresidential real estate market sectors remain varied and uncertain.
- The Dow Jones Industrial Average had continued to drop to below 7,000 by early-March, 2009 when it hit a 12-year low (6,547). However, it has since risen slowly and sometimes erratically recently closing at a new record high above 16,000, further exceeding a previous, all-time high reached on October 9, 2007 (14,164). Prior to early-2010, it had not been at the 10,000-level since October 2008. As of the end of December 2013, the stock market remains near the market highs.
- On November 21, 2011, the 12-member, Joint Select Committee on Deficit Reduction formed by the United States Congress was essentially dissolved after failing to reach agreement on ways to reduce the growing federal budget deficit. There continues to be much disagreement regarding the economy's ability to further stabilize and/or improve without the federal government's continued infusions of cash.
- The continuing debt crisis involving several European countries and the surrounding political turmoil continue to fuel concerns of world-wide economic fallout and potentially impacting the United States fragile and slow economic recovery.
- According to preliminary data released by the State's Employment Development Department for October 2013, the statewide unemployment rate stood at 8.3%. This reflects a significant improvement over that reported in December, 2011 (11.6%). Within the Sacramento area, the unemployment rates for El Dorado (7.6%), Placer (7.2%), Sacramento (8.4%), and Yolo (8.3%) counties generally reflect decreases from the previous months. Monthly unemployment numbers are often revised to reflect seasonal and other factors, but the prevailing rates remain too high to instill the levels of consumer confidence necessary for a sustained economic recovery.
- The California state government continues to operate under a budget deficit, although a dramatic reduction in this regard has been reported since the statewide elections of November, 2012. With high concentrations of governmental employment, the Sacramento regional economy continues to endure some of the related negative impacts, along with concerns regarding governmental pension and healthcare commitments for retirees that remain underfunded.

In summary, the consensus among most economists is that although the overall economy has passed through the worst of the economic crisis, full recovery will be slow and difficult to achieve, with more ups and downs likely along the way. For the Sacramento region, the overall demand for real estate has decreased dramatically since late-2005/early-2006, with few exceptions. In the commercial market sectors, many listing prices have been lowered in order to affect sales, or properties have been withdrawn from marketing in expectation of better times ahead. High unemployment rates, various conditions and constraints in the real estate markets, and negative economic impacts associated with governmental budgetary problems remain the primary concerns.

NEIGHBORHOOD CHARACTERISTICS

Established in 1839, Sacramento has entered into its 174th year of existence. The area, which today is known as the CBD, was one of the first neighborhoods to be developed in the City of Sacramento. The significance of Sacramento and the CBD was exemplified when the State Capital of California was moved to Sacramento in 1854.

Historically, the CBD has been the center of commerce and industry in the metropolitan Sacramento area, consisting of retail commercial structures and government and private office buildings. The boundaries of the district are generally defined as Interstate 5 to the west, 16th Street to the east, "N" Street to the south, and H Street to the north with the boundaries of the central city area being defined as Interstate 5 to the west, S Street to the south, G Street to the north, and 17th Street to the east. Until the mid-1960's, the CBD was dominated by retail commercial activity. As a result of growth, urban sprawl, and changes in retail marketing, the retail commercial market has declined in importance and has been replaced by a strong office market of private and governmental buildings.

The change from the area's retail orientation to office building use came with the advent of the redevelopment project in the westerly section of the downtown Sacramento area in the 1960's. The Redevelopment Agency provided several major building sites that, in

conjunction with the State Capitol Building and the Superior and Municipal Courthouse Buildings, transformed the area into a major office core.

Located just west of the CBD, and of significance to the area, is the Old Sacramento historic area, which runs along the easterly bank of the Sacramento River. This area was also preserved by redevelopment activity. As a result of the redevelopment project, Old Sacramento became recognized nationally as one of the most successful restoration projects in the country and is a nationally registered historic landmark. Old Sacramento is a significant part of the central city area providing boutique shopping facilities, numerous restaurants, and an outstanding museum and historic development. Old Sacramento was recreated by restoring existing historic buildings and by the reconstruction of buildings on their original sites. There are a few business offices, but they play an insignificant role when compared to the mid- and high-rise offices located in the CBD. The only office development of significance in the Old Sacramento area involves the completely rehabilitated One Hundred Capitol Mall building. This project contains approximately 210,000 square feet and fronts Interstate 5 on the north at the freeway entrance to the CBD. The building has been beautifully finished with marble and reflective glass windows.

Other various retail stores are scattered throughout the downtown area. The Downtown Plaza shopping area, running from 5th Street on the west to 13th Street on the east along K Street was the primary shopping area. This area underwent significant renovation completed by Westfield that combined Weinstock's (now closed), Macy's, and other various retail shops into a two-level 900,000 square foot semi-enclosed retail mall that now extends from 3rd Street on the west to 7th Street on the east. With the downturn in the economy and other factors, the mall was failing and several major retail tenants vacated the development.

The mall owner Westfield had proposed a Target Store and grocery anchor in an effort to revive the center; however by 2008 Target pulled out of the deal and neither tenant came to fruition. On August 15, 2012, JMA acquired the mall from Westfield. While the site of the mall had been the subject of a proposed arena for the Sacramento Kings, it was not

until 2012 that this vision came closer to becoming a reality and the end of 2013, the location of the new arena was sealed with the mall being the subject of a pending sale for such use.

Recently completed projects and proposed developments for the downtown area include various residential and commercial developments.

- Maydestone Apartments 1001 15th street – renovation of a 32-unit complex for low income housing.
- K Street Entertainment Projects 1016-1022 K Street – these projects include the “Dive” Bar, Pizza Rock restaurant, District 30 a night club.
- Crocker Art Museum expansion at 216 O Street
- Docks Promenade Parkway, the 14-acre riverfront promenade was extended from Broadway to R Street.
- K Street Streetscape.
- Cars on K Street – this project reintroduced vehicles to the K Street Mall between 8th and 12th streets.
- Greyhound Bus Relocation – located at 715 L Street was relocated to a temporary site on Richards Boulevard.
- 7th and H streets – 150 affordable housing units and a 3,800 square foot on-site health clinic.
- Ebner & Empire Hotel Buildings 116 and 118 K streets – reconstruction of the historic hotel included street level retail uses, office space on the upper floors, and ground floor parking.

Projects Under Construction or Near Completion:

- Hotel Berry at 8th and L streets – revocation of the Hotel Berry will include 104 room for low income residents.
- Township 9 – Richards Boulevard, North 5th and North 7th streets - ±3,000 condominiums, townhouses, and apartments are planned for this 65 acre site.
- Tapestry Square at 20th and T streets – the project will consist of 61 detached townhouses.
- La Valentina at 12th and D streets – this project consists of 81 units of affordable housing including 63 apartments and 18 townhomes.

Since the late 1970’s and early 1980’s, significant changes have occurred in the CBD, including changes in land uses oriented to the economics of office buildings and changes in patterns of development in the central city area. The current and future development of the CBD is dependent on a variety of factors. The most significant factors are:

availability of land large enough to support development of major buildings with on-site parking, and vacancy rates in competing office projects. Although the 240-acre former Union Pacific Railyard site is proposed for a variety of uses, it may be several years before development of any significance occurs due primarily to contamination issues and the question as to who will pay for remediation of the site.

The envisioned plans for the Railyard site would make it the largest urban infill redevelopment project in the United States. The plan was to divide the land into a number of distinct areas each with their own unique identity. These areas consisted of the Fifth Street Emporium, the Riverfront District, Central Shop District, and Transportation District. The Fifth Street Emporium was proposed to incorporate an urban village with street level retail and entertainment facilities with loft-style housing and offices. The Riverfront district was envisioned to include a marina, restaurants, parks, and open space areas incorporating the waterfront amenities. The Central Shop district was centered around notable historic brick structures built by the railroad beginning in 1868, which would be renovated and transformed into a public marketplace. The Transportation district was anticipated to facilitate the needs of the region including Amtrak, light rail, national rail, and bus transportation services.

During the mid-1980's, the CBD office building market suffered high vacancy rates ranging from 20 to 25 percent. However, in 1986, the State initiated a policy to centralize all of their agencies in the downtown area that resulted in a significant portion of the un-leased office space being absorbed. Additionally, private sector leasing increased significantly. However, by the Second Quarter 2009, the recession had set back office vacancy rates in the CBD to 15% topping out at +18% in 2011.

During the years in which declines in vacancy rates occurred, developer interest in constructing additional mid- and high-rise buildings in the central city area was renewed, primarily in late 1986 through 1989. As result of strong market activity during these periods, prices paid for land suitable for high-rise office development escalated at a very significant rate, and patterns of development in the CBD changed.

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Between 1975 and 1985, the preferred office locations were along Capitol Mall and “L” Street, specifically west of the State Capitol Building. One of the major early changes came with the development of 300 Capitol Mall, a 19-story Class “A” office structure which was the first high-rise office building over 15 stories built in the Sacramento area. This development has since been followed by the construction of numerous Class “A” high-rise office buildings.

The downtown office market was the second largest office market in the greater Sacramento area with some 11,205,101 square feet (within buildings over 10,000 square feet). The majority of the Class “A” office buildings are located along Capitol Mall and K Street, with the exception of the 550,000 square foot Lincoln Plaza Building at 400 Q Street, the State of California Public Employees Retirement System (CalPERS) 450,000 square foot headquarters on Q Street between 3rd and 5th streets and the State of California’s East End project at 16th and N Streets.

During the 2004 – 2006 heated economic market, a number of developments were planned or were underway in Downtown Sacramento that held the promise of not only radically changing the City’s skyline, but of the start of the change of the areas Monday-to-Friday metropolis to that of a 24-hour live / work / play city. Multiple new high-rise condominium projects were in various states of development as were numerous retail and mixed-use developments with projects underway throughout the downtown area and along the 16th Street corridor. However, with the onslaught of the demise of the residential housing market, only a handful of the projects were completed. Many of these mixed-use projects were proposed for neighborhoods surrounding the periphery of the central business district. These periphery neighborhoods such as the R Street Corridor were and are intended to provide for mixed-use developments to support the growing employment base of the central business district.

Access to and through the CBD is excellent. Highway 50 runs adjacent to W Street just south of the CBD; major freeway off-ramps are provided at 16th Street and 10th Street. Highway 50 and Interstate 5 bisect just west of the Highway 50 / 10th Street off-ramp. Interstate 5, which parallels 3rd Street, provides access to the CBD at Q and J streets.

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Since the area is laid out in a grid/block pattern with numbered streets running in north / south directions and lettered streets running in east / west directions, access to any section of the area is easily determined. The major thoroughfares through the CBD include I, J, L, and K streets, and Capitol Mall; the first three streets are three-lane, one-way thoroughfares, while K Street is a four-lane, two-way thoroughfare. Capitol Mall is a six-lane two-way thoroughfare with a park-like median running from Interstate 5 to the State Capitol Building at 10th Street. Capitol Mall is non-existent from 10th Street to 15th Street since the State Capitol Building and Capitol Park is located in this area. Capitol Avenue commences at 15th Street and is a four-lane, two-way thoroughfare from that point east.

The primary mode of transportation to and from the CBD and the central business district is by private automobile; however, Sacramento Regional Transit Authority operates a bus system, which is also a significant mode of public transportation to the downtown area. The light rail transportation system, which runs through the central city area along R Street and a major portion of K Street, is also a significant form of transportation to and through the area. Light rail provides an additional mode of transportation between the easterly and northwesterly suburban districts and the central city area. Eventually light rail is proposed to run as far south as Elk Grove and as far east as Roseville, and as far north as the Sacramento International Airport.

In summary, the CBD and the central city area has changed over the past 20 years with the decline of the retail commercial market and the emergence of private sector office and governmental buildings and the residential condominium / loft market. There were numerous new projects and developments planned for the area but many of these projects never made it through the planning and development process. Only time will tell if and when downtown Sacramento's transition into a 24-hour city will occur.

ANALYSIS AND VALUATION

HIGHEST AND BEST USE

Highest and Best Use is defined as:

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

The physical uses of the property as vacant consist of a multitude of uses including residential, commercial, office, and/or industrial. However, of the physical uses only those uses legally allowed are acceptable. The legal uses of the subject property are dictated by the zoning of the site, its general plan designation, and those uses that the City Planning Department and City Council would possible and/or likely approve.

The property appraised is zoned C-2, General Commercial, by the City of Sacramento. The C-2 zoning designation provides for the sale of commodities, or performance services, including repair facilities, offices, small whole sale stores or distributors, and limited processing and packaging. Residential development is also allowed within the C-2 zoning designation.

Given locational and physical constraints along with legal limitations the only physical and legal uses of the property were considered to be residential or commercial developments including retail, office, or hospitality uses. An industrial use of the site was not considered the highest and best use of the property as it does not meet locational needs of most industrial projects and is not a legally allowed or acceptable use of the subject property

Financial or economic feasibility refers to the use(s) that will generate income and/or create value equal to or greater than the total of project expenses or costs, financial

obligations, and capital amortization. All uses that are expected to produce positive incomes or returns are considered financially feasible.

As vacant, market conditions as of the effective date of value did not support new development of office, commercial, or hospitality service uses. Due to office and retail overbuilding during the peak of the market, vacancy rates were high and there was little or no demand for build-to-suit or speculative commercial projects. The prices (i.e. values) of improved commercial properties were distressed due to low occupancy and low rental rates. The latter resulted in opportunities to purchase improved office and/or commercial buildings below replacement costs, with the underlying land seemingly contributing only a nominal amount. Even user driven commercial land sales had been extremely limited.

As of the Fourth Quarter 2013, according to CB Richard Ellis, the overall Sacramento office market direct vacancy rate was 19.6% with the overall downtown office vacancy rate of 16.9%. For all of 2013 the downtown office market experienced a negative net absorption rate of 6,800 square feet. The overall retail vacancy rate as of the Fourth Quarter 2013 stood at 10.8%. A specific vacancy rate for the downtown market was not report by CB Richard Ellis; rather this area is included in the South Sacramento market which had a vacancy rate of 14.0% and a negative net absorption rate of 12,511 square feet for 2013.

Many proponents of the downtown Sacramento market believe new demand for a variety of development projects was created when it was announced in 2013 that the new arena for the Sacramento Kings professional basketball team would be built in downtown Sacramento. The new arena, which is to be operational by 2017, still has various hurdles to overcome, and many feel that is not a done deal. One of the primary obstacles to the new arena is a pending lawsuit by the STOP organization which was trying to obtain a public vote on the matter. If, in fact, the arena is built and completed by 2017, the project is still considered to be in its infancy. With questions looming regarding the relocation and construction of the new arena to downtown Sacramento; high vacancy rates for

³ The Dictionary of Real Estate Appraisal, Fifth Edition (Appraisal Institute, 2010).

existing office, retail, and hotel developments; and a sluggish economy which has still not fully recovered since the commencement of the 2006 recession, there is little if any support for new construction of this kind in the downtown Sacramento market.

There have been a handful of recent sales of land zoned C-2, RMX (Residential Mixed Use), and residential that have been purchased for the development of a limited number of houses. Land purchases for such use appears to be gaining popularity as the residential markets recover and the more specially, the mid-town area continues to be a hot bed for urban uses and demand. The subject property is considered to have the potential for residential use. However, given the property's location near major centers of employment and its surrounding mostly commercial uses, a residential use of the property would likely be a mixed use project with the first floor devoted to commercial development and with the upper floors devoted to residential use.

As vacant as of the effective date of value, the highest and best use of the property would have been speculative in nature to hold the property until market conditions warranted new retail, commercial, or residential development.

PROPERTY MARKETABILITY

The purpose of this report section is to evaluate the property's potential marketability. The most significant element that the property appraised enjoys relative to its marketability is its location within several blocks from several major landmarks/employment generators including the State Capitol Building, the Federal and Superior Court Buildings, and City Hall to name a few. The property is also situated approximately seven blocks northeast of the proposed location of the new arena for the Sacramento Kings which is to be complete by the 2017.

Current market conditions do not warrant immediate development of the site, and it will likely be a several years before new commercial development of any kinds is financially feasible. A mixed use residential commercial project has potential for more near term development.

Overall, the marketability of the subject property is considered equal to other C-2 zoned sites situated within the confines of the central business district. However, there are a limited number of vacant C-2 zoned sites available for immediate development, thus making the site a good prospect for investors will to hold the property for a few years when the neighborhoods future is better established.

EXPOSURE TIME

Exposure time precedes the effective date of valuation. Exposure time is defined as: 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 (USPAP, Edition 2014 – 2015).

Typically exposure times are derived from market sales, specifically the sales utilized in the valuation of the subject property. The sales utilized in the appraisal had been marketed / exposed for sale during a period of several months to just over one year.

Overall, given market conditions that prevailed as of the effective date of value and the location of the subject property, an exposure time of six to nine months was estimated for the property appraised. This estimate presumes that the property is aggressively marketed to a targeted group of likely purchasers (users) at an asking price not much higher than the conclusions of value reported herein.

VALUATION METHODOLOGY AND CONSIDERATIONS

In estimating the value of real property, there are three recognized approaches or techniques available to the appraiser that, when applicable, can be used to process the data considered significant to each of the three approaches into separate value indications. In all instances, the experience of the appraiser, coupled with objectivity and judgment, plays a major role in selecting the appropriate approaches to develop value indicators from which the final estimate of value is derived. The three recognized

approaches include the Cost Approach, the Income Capitalization Approach, and the Sales Comparison Approach.

In estimating the value of vacant land the Sales Comparison Approach is considered to be the only relevant valuation technique. The Cost Approach has not been used as there are no improvements on the site to be valued. The Income Approach has not been employed as the site is vacant, and land the size and nature of the property appraised is not typically the subject of a ground lease, which would be valued by the Income Approach.

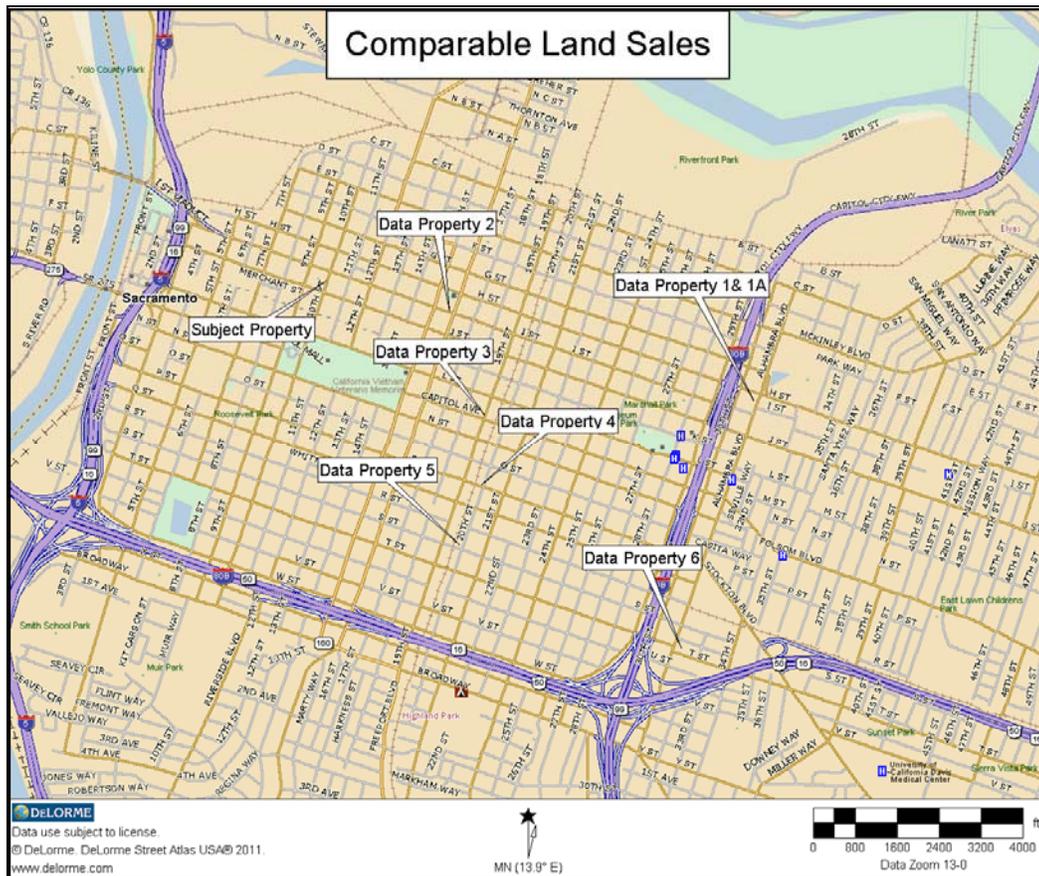
SALES COMPARISON APPROACH

The Sales Comparison Approach is a method of estimating market value by comparing the property appraised to similar properties that have sold or are currently listed for sale. This valuation method is based upon the principle of substitution, in which the value of the property is set by the cost (price) of acquiring a comparable substitute property.

Sales of vacant sites with similar location, zoning, and size characteristics were analyzed and compared to the property appraised. Adjustments to the data have been considered for market conditions, conditions of sale, and location.

The investigation revealed seven sales considered comparable to the property appraised. The following is a tabulation of the sales analyzed:

C-2 ZONED LAND SALES							
COMP LOCATION	SALE DATE	SIZE	ZONING	SALE PRICE	SALE PRICE/SF	DEMO COSTS	TOTAL COSTS
1 SW Cor. Alhambra & I Sts. 007-0052-009 & 023	04/08	12,800	C-2	\$ 625,000	\$ 48.83	\$ 10,000	\$ 49.61
1A Resale of 1	11/13	12,800	C-2	\$ 650,000	\$ 50.78	\$ 10,000	\$ 51.56
2 1630 I St. 006-0064-013	04/08	32,000	C-2	\$3,600,000	\$112.50	\$200,000	\$118.75
3 1926 Capitol Ave. 007-0144-006 & 007	02/08	16,000	C-2	\$1,300,000	\$ 81.25	Interim income offset demo \$200,000 remediation	\$93.75
4 SE Cor. 20 th & P Sts. 007-0315-002, 003, 004	02/09	9,600	C-2	\$ 520,000	\$ 54.17	\$ 20,000	\$ 56.12
5 1915 20th St. & 2010 2012 S Sts. 010-0026-001, 005, & 006	02/11	16,000	C-2	\$ 585,000	\$ 36.56	\$ 10,000	\$ 37.19
6 NE Cor. of 30 th & T Sts. 010-0062-019	Listing	12,800	C-2	\$ 475,000	\$ 37.11	NA	\$ 37.11





Data Property 1 and 1A is located at the southwest corner of Alhambra Boulevard and I streets in the east Sac neighborhood of downtown Sacramento. The sale and subsequent resale involves the purchase of two adjacent assessors parcels that are zoned C-2. The corner site fronts Alhambra Boulevard which runs nearly parallel to Business Loop 80 and is a primary corridor through the neighborhood. The majority of uses along Alhambra Boulevard are commercial in nature; in fact the property had been previously improved and occupied with a motorcycle shop. However, the 2008 buyer as well as the 2013 buyer planned on developing a small nine unit residential subdivision. The property was nearly through the entitlement process when the buyer closed escrow in November 2013 paying \$51.56 per square foot for the site including demolition cost of $\pm 10,000$.

In comparison to the property appraised, upward adjustments are indicated for the overall slightly inferior location characteristics of the data property. While the data property is zoned for commercial development the zoning allows residential uses, and the property was purchased for such use. A downward market condition adjust is not applied to this sale as the residential markets had already experienced a significant decline in property values since they peaked in 2005. A downward adjustment is applied to the data property's 2013 sale date for its pending tentative map status.



Data Property 2 is located at the southwest corner of 16th and I streets at 1630 I Street.

The property involves of a 32,000 square foot site that is improved with an old car dealership that consists of a large concrete showroom building. When the property was listed for sale, it was marketed as land value as the existing improvements were considered to add no value to the property. The property was purchased in April 2008 by a subsidiary of Priority Parking specifically for its interim parking income potential. The buildings have not yet been demolished as portions are used for coveted parking, and a small portion is leased out for storage purposes. Demolition costs, however, were estimated to be approximately \$200,000. According to the buyer, at the time of sale net revenues of over \$100,000 annual were anticipated. The sale of this property is shown primarily for informational as the buyer purchased the site for its interim income producing potential; however, it is located two blocks from the property appraised.

The property sold near the peak of the commercial real estate markets in April 2008 for \$3,800,000 (including demolition costs) or \$118.75 per square foot. In comparison to the property appraised, downward adjustments are warranted for the superior commercial real estate market conditions that existed at the time of sale, as well as for conditions of sale relating to the buyer's business associated purchase for use as parking. Although

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the data property is located less than two blocks southeast of the subject property, the data property's proximity to several new popular dining spots and other commercial venues renders it a superior location and a downward adjustment is applied.



Data Property 3 involves two adjacent parcels located at the southwest corner of 19th Street and Capitol Mall. The two parcels are separated by an alley and while the City was willing to abandon the alleyway, the buyer was not interested because the process is lengthy, the utility easements in the alley would not have been abandoned thus precluding development of this area, and the area south of the alley is designated as a historic district. The northerly larger parcel containing 12,800 square feet was improved with a 7,670 square foot auto body/paint shop that was built in the 1960's. The building has since been removed and this parcel has been paved and is now used for public parking. The property abuts and active rail line through the area. At one time the property was proposed to be developed with a 47,000 square foot office building known as the Tribute Building.

The property was purchased in February 2008 for \$1,500,000 or \$93.75 per square foot; however, the price was reduced by \$200,000 to reflect environmental remediation expenses paid by the buyer. The total price paid by the buyer including remediation

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costs was \$1,500,000. The tenant remained in the building for approximately 11 months after the close of escrow with the income effectively offsetting the cost of demolition. Comparing this sale to the property appraised, downward adjustments are indicated for superior commercial real estate market conditions that prevailed as of the date of sale. A downward adjustment is applied for the data property's location on a primary thoroughfare and for its midtown location, an area that has seen significant revitalization over the past several years.



Data Property 4 is located at the southeast corner of 20th and P streets. The property consists of a three adjacent assessor parcels two of which are currently paved and utilized for parking, and one is improved with an older 3,200 square foot cinder block commercial building. The property sold in 2005 with the buyer proposing the demolition of the existing building, and the development of a mixed-use project. Ultimately, the lending bank took the property back in foreclosure and marketed the property for \$745,000. A year later the price was reduced to \$645,000 in order to affect a sale; the property finally sold in 2009 for \$520,000. The buyer planned to ready the building for occupancy until such time that development of the site was feasible. Thus, the current use is considered an interim use of the property. The reduction in asking price over the

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marketing term was a result of deteriorating market conditions, and the REO condition of the sale did not appear to have negatively impacted the purchase price.

The property is located in the mid-town neighborhood that has recently seen a major resurgence in demand for its eclectic urban uses including numerous restaurants and commercial developments all within walking distance from the residential neighborhoods that it serves. P Street is a two-lane, one-way, westbound city street while 20th Street is a two-lane thoroughfare running north to south.

In comparison to the property appraised, a slight downward adjustment is indicated for the interim income associated with the existing improvements. A location adjustment is not considered; while the subject property is located closer to major centers of employment, the data property enjoys various locational factors that have made it become a hot spot for new development over the past several years resulting in the areas high demand.



Data Property 5 is located at 1915 20th Street and 2010 and 2012 S streets. This sale involved three contiguous lots zoned for commercial development; however, the buyer planned to construct nine single family residences at the time of purchase which were subsequently developed and sold. There was an old single-family house on the lot that

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contributed no value to the property. The three parcels totaling 15,986 square feet were purchased in February 2011 for \$37.19 per square foot including demolition costs.

The property is zoned C-2 which allows residential development. The property is primarily surrounded by residential development and a commercial use of the site would have had limited demand. The property is located in the mid-town area but several blocks from the hub of the commercial centers. The only adjustment applied to this sale is an upward adjustment for the data property's slightly inferior location characteristics compared to the property appraised.



Data Property 6 is located at 1931 30th Street in the area referred to as east Sacramento. The property is located on block south of Alhambra Boulevard and seven blocks south of the Sutter Hospital major medical complex. The property has been on the market for several years during which time site remediation was being completed. In 2013, the site received a "No Further Action" letter. After the letter was received, there was one offer on the property; however, the buyer was hesitant due to the pervious contamination issues and withdrew the offer. The property has been on the market for \$475,000 or \$37.11 per square foot.

Comparing this sale to the property appraised, an upward adjustment appears warranted for the stigma and lack of marketability of the property associated with its past contamination issues. An upward adjustment is also indicated for the overall superior location characteristics of the subject property being situated in the core area of the central business district.

The following table summarizes the adjustments applied predicated on the analysis of each of the sales previously discussed:

Adjustments	#1	#1A	#2
\$/SF	\$49.61	\$51.56	\$118.75
Market Conditions	0	0	-15%
Adj. Value	\$49.61	\$51.56	\$100.94
Conditions of Sale	0	0	-20%
Adj. Value	\$49.61	\$51.56	\$80.75
Total Cumulative Adjustments			
Location	+10%	+10%	-10%
Corner Influences	0	0	0
Size	0	0	0
Zoning	0	0	0
Entitlements	0	-5%	0
Interim Use	0	0	(Conditions of Sale)
Total Cumulative Adjustments.	+10%	+5%	-10%
Adjusted Value	\$54.57	\$54.14	\$72.68

Adjustments	#3	#4	#5	#6
\$/SF	\$93.75	\$56.12	\$37.19	\$37.11
Market Conditions	-15%	0	0	0
Adj. Value	\$79.69	\$56.12	\$37.19	\$37.11
Conditions of Sale	0	0	0	+15%
Adj. Value	\$79.69	\$56.12	\$37.19	\$42.68
Total Cumulative Adjustments				
Location	-10%	0	+10%	+15%
Corner Influences	0	0	0	0
Size	0	0	0	0
Zoning	0	0	0	0
Entitlements	0	0	0	0
Interim Use	0	-15%		
Total Cumulative Adjustments.	-10%	0	+10%	+15%
Adjusted Value	\$71.72	\$47.70	\$40.91	\$49.08

The sales indicated an adjusted value range between \$40.91 and \$72.68 per square foot. The highest indicator of value Data Property 2 and involves an older transaction that was purchased by a parking company for use as a "for rent" parking facility with the property producing significant interim income. Data Property 5 indicated the lowest adjusted value and while it is zoned C-2 it was considered to have limited commercial development potential due to its residentially oriented location. Discounting the high and the low sale yields an adjusted value range between \$47.70 and \$71.72 per square foot, with a tendency towards the \$47.00 to \$56.00 per square foot price range. Predicated on the sales, estimated value of the property appraised is \$55.00 per square foot or:

12,800 SF @ \$55.00/SF	\$704,000
Rounded To:	\$700,000

Pursuant to the Scope of Work described herein, the opined Market Value of the subject property as of a retrospective date of value of *December 17, 2013*, subject to the Assumptions and Limiting Conditions and the Extraordinary Assumptions of the appraisal, is:

SEVEN HUNDRED THOUSAND (\$700,000) DOLLARS

ADDENDA

EXHIBIT A

QUALIFICATIONS OF THE APPRAISER

**QUALIFICATIONS OF
JILL CLARK, MAI**

**CLARK-WOLCOTT COMPANY, INC.
11344 COLOMA ROAD, SUITE 245
RANCHO CORDOVA, CALIFORNIA 95670
PHONE: (916) 852-9470
FAX: (916) 852-1229**

Ms. Clark began her appraisal career with Clark-Wolcott Company, Inc. in November, 1982 and is currently a principal and President of the firm. Ms. Clark has been involved in the appraisal of a variety of different types of real estate including office buildings, apartments, retail commercial properties, industrial buildings, various residential properties, and assessment districts.

EDUCATION

California Polytechnic State University, San Luis Obispo, California - Bachelor of Arts in Political Sciences and minors in Finance and Property Management and Computer Science. Graduated 1982.

REQUIRED PROFESSIONAL REAL ESTATE APPRAISAL EDUCATION

Basic Valuation Procedures 1-B, February, 1983
Capitalization Theory and Techniques Part 2, April, 1983
Capitalization Theory and Techniques Part 3, July, 1983
Case Studies in Real Estate Valuation, June, 1984
Standards of Professional Practice, 1984, 1991 and 1996
Valuation Analysis and Report Writing, June, 1985
Real Estate Appraisal Principles, September, 1986
American Institute of Real Estate Appraisers Comprehensive Exam, August, 1988

CURRENT CONTINUING REAL ESTATE APPRAISAL EDUCATION

7-Hour National (USPAP) Update Course January, 2010
Appraising Distressed Commercial Real Estate, October, 2009
Forecasting Revenues October, 2009
Construction Defects and Cost Trends & Feasibility Analysis October, 2008
Valuation of Detrimental Conditions October, 2008
Attacking/Defending Appraisal in Litigation October, 2007
Condominiums, Co-ops, PUDs October, 2006
Subdivision Analysis October, 2005

PROFESSIONAL AFFILIATIONS

Member (MAI #8079) Appraisal Institute (awarded March 9, 1989)

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Certified General Real Estate Appraiser - State of California - Identification Number
AG003804

LOCATION AND TYPES OF PROPERTY APPRAISED

During the course of Ms. Clark's career, she has completed appraisals and related work in several Northern California counties. A representative list of the types of property she has appraised includes:

- Undeveloped Land: Single- and multifamily residential, residential subdivision, industrial, commercial, and transitional/speculative lands.
- Improved Properties: Single- and multifamily residential, retail commercial, industrial, business/professional office, and research and development (R&D).

Special Purpose: Assessment districts, Mello-Roos community facilities districts, and properties designated for public acquisition.

REPRESENTATIVE LIST OF CLIENTS

- Owners/Developers

SEIU Local 1000
Elliott Homes
Blue Diamond Growers
Mercy Healthcare
Sacramento Regional Community
Foundation

Raley's
Sierra Foundation
Downtown Plaza Towers
Sutter Health
K Hovnanian Homes

- Commercial Lending Institutions/Related Entities

Hearthstone Advisors
Wells Fargo Bank
Bank of the West
Mutual Bank
First Commercial Bank

Mortgage and Realty Trust
Santa Barbara Savings
Capitol Bank
Sacramento First National Bank
U.S. Bank

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Governmental Bodies/School Districts

City of Folsom
City of Sacramento
Department of Fish and Game
City of Woodland
Sacramento City Unified School
District

Elk Grove Unified School District
Rocklin Unified School District
Regional Transit District
Folsom Cordova Unified School
District
City of Lincoln

- Law Firms/Others

Diepenbrock, Wulff, Plant
and Hannegan
Pino & Associates
Girardi/Keese
Dreyer & Traub
Pillsbury Madison & Sutro
Marin County Employees'
Retirement Association
McDonough, Holland & Allen
Wagner, Kirkman, Blaine & Youmans
Sproul Trost

Westhoff, Cone & Holmstedt
(municipal bond financing)
Aerojet General Corporation
Ernst & Young (accountants)
The First Boston Corporation
(financial consultants)
Stone & Youngberg
(municipal bond financing)
Piper Jaffray (municipal bond
financing)

EXHIBIT B

METROPOLITAN SACRAMENTO REGION AND AREA DATA

METROPOLITAN SACRAMENTO REGION AND AREA DATA

LOCATION AND AREA IDENTIFICATION

The property appraised is located in the Sacramento metropolitan area of Northern California.

Sacramento is the California State Capital and the county seat of Sacramento County. The city is located at the confluence of the Sacramento and American rivers near the center of California's Central Valley, approximately 385 miles north of Los Angeles, 85 miles east of San Francisco, and 95 miles west of the Lake Tahoe resort area.

Sacramento is the center of a metropolitan area that extends from the Sierra Nevada foothills to the valley floor, and from the Sacramento-San Joaquin Delta to the farmland of the southern Sacramento Valley. Within a few hours drive from Sacramento, visitors and residents can experience the unparalleled scenic beauty and recreational opportunities of Lake Tahoe and the Sierra Nevada mountains to the east, the San Francisco Bay Area, the coastal redwood forest, and the shores of the Pacific Ocean to the west.

POPULATION CHARACTERISTICS

According to the California Department of Finance, the Sacramento metropolitan area has a total population of 2,173,326 as of January 1, 2012 drawing from Sacramento, El Dorado, Placer, and Yolo counties. The Sacramento regional population has historically experienced slow but steady growth. During 2011, there was a very slight increase of .60 percent. This reverses the slide in population during 2010 which saw a slight decrease of -.57 percent. During 2009, the Sacramento Region experienced a modest increase of 1.10 percent, and 2008 with an increase of 1.80 percent. California's population also experienced only slight growth to a total of 37,678,563. This reflects a very slight increase in statewide rate of .70 percent; however, this stands in contrast to the decrease in population of -2.90 percent in 2010.

POPULATION CHARACTERISTICS CHART

	2007	2008	2009	2010	2011
Sacramento County	1,424,415	1,433,187	1,445,327	1,428,355	1,435,153
El Dorado County	179,722	180,185	182,019	182,498	180,712
Placer County	333,401	339,577	347,102	352,380	355,328
Yolo County	199,066	200,709	202,953	201,759	202,133
TOTAL	2,136,604	2,153,658	2,177,401	2,164,992	2,173,326

Source: California Department of Finance, January, 2012.

LABOR RESOURCES

The Sacramento regional labor market employed 891,200 people as of the end of 2010. A plentiful labor resource characterized by education and skill is an integral component of the local economy. The work force is engaged in broad-based employment encompassing professional, technical, production, transportation, and service occupations. The region's manufacturing sector has grown steadily since the late 1970's, spurred largely by expansion in high-technology industries. By contrast, government's proportion of the labor force has declined in the past several years. However, the Sacramento MSA, as well as the entire nation as a whole experienced a major, economic slowdown in 2009. As evidenced, the Sacramento Metropolitan area had a significant decrease in total employment of 29,900 jobs in 2010 with an equally significant increase in total unemployment from 13.1 percent in 2009 to 12.7 percent in 2010. The year 2011 has continued the trend of slight improvement with total unemployment of 102,800, or 11.00 percent. This job loss is representative of national trends caused by the severe economic downturn.

LABOR RESOURCE CHART

	<u>December, 2009</u>		<u>December, 2010</u>		<u>December, 2011</u>	
	Employed	Percent Unemployed	Employed	Percent Unemployed	Employed	Percent Unemployed
Sacramento MSA	834,800	13.1	891,200	12.7	828,900	11.0
Sacramento	597,900	13.1	576,400	12.6	592,900	11.2
El Dorado	79,900	13.4	77,700	13.1	80,100	11.5
Placer	157,000	12.0	153,500	11.6	155,900	10.1
Yolo PMSA	86,300	14.7	83,600	14.8	85,500	13.9
Total	921,100	13.1	891,200	13.1	891,200	13.1

Source: State of California Employment Development Department Labor Market Information Division, January 2012.

TRANSPORTATION FACILITIES

The Sacramento metropolitan area is served by an excellent transportation network; a favorable factor for the continued growth in population and business. Highway facilities are particularly good with Interstate 80 and U.S. Highway 50 being major east-west freeways, and Interstate 5 and State Highway 99 being major north-south freeways. These freeways connect the downtown area with the suburbs, and their intersections both south and north of the Central Business District serve as junctions of the main overland trucking routes. Delivery service is offered to all sections of the West Coast and nearly every other metropolitan area in the United States. Rail service to all sections of the United States is provided by Union Pacific Railroad. In addition, there are connections to the Transcontinental, Atchison, Topeka, and Santa Fe lines via the Central California Traction Company and Union Pacific at Stockton. The Sacramento Northern is an additional freight line providing service to the Sacramento metropolitan area. Amtrak provides daily passenger service to cities north, south, east, and west of Sacramento.

The Sacramento International Airport provides air freight and passenger service to most principal cities in the United States. The Sacramento Executive Airport provides additional facilities for private and business aircraft. The conversion of Mather Air Force Base to civilian status has proceeded with the housing of several major commercial cargo carriers and conversion of the old main base into a modern business park. McClellan Air Force Base has converted to private use as well, while still retaining air field operations for a combination of business and governmental uses.

The Port of Sacramento, located across the Sacramento River in eastern Yolo County, is a deep-water seaport providing one of the most efficient bulk cargo facilities in the world. Regional Transit provides Sacramento and outlying communities with public bus service. A 9.4-mile light rail system began operating in March, 1987; this system now covers 27± miles and provides service from the central city area of Sacramento to several outlying communities. The South Line is a two-phased 11.2 mile-extension of the existing light rail line south to Elk Grove. The first phase extended the light rail from Downtown Sacramento 6.3 miles to Meadowview Road as of September, 2003. The Folsom Corridor

Project added an additional 10.2-miles of track with the eastward extension to Sunrise Boulevard as of June, 2004, and to Historic Folsom as of October, 2005.

EDUCATIONAL, SHOPPING AND RECREATIONAL FACILITIES

Two universities, three law schools, and four community colleges are located in the region. California State University at Sacramento and the University of California at Davis offer an extensive curriculum of undergraduate and graduate programs. King Hall School of Law at U.C. Davis, McGeorge School of Law (an affiliate of the University of Pacific), and Lincoln Law School provide accredited instruction for the Juris Doctor degree. American River Junior College, Sacramento City College, Cosumnes River Junior College, Sierra Junior College and Folsom Lake are two-year educational facilities offering Associate of Arts degrees.

Shopping facilities abound in the metropolitan; however, the recent recession has had significant impacts upon the ownership and tenancy upon these facilities. In August, 2012, JMA Ventures purchased the Westfield Shopping Downtown Plaza. Mayor Kevin Johnson has been working closely with JMA Ventures on plans to reinvent the Downtown Plaza that will "have a catalytic impact" on the downtown region. Further impacting the downtown shopping scene, the "K" Street Mall in the central city area has opened a portion of K Street to vehicular traffic between 8th and 12th Street to provide better access to commute shoppers. A major renovation of Arden Fair Shopping Center was done in 1989. This center is currently anchored by Sears, Macy's, J.C. Penney, and Nordstrom, a Seattle-based specialty retailer. Additionally, two regional shopping malls are situated in surrounding communities: Sunrise Mall in Citrus Heights and the new Palladio Shopping Center in Folsom. Furthermore, the Westfield Galleria regional shopping mall in southwestern Placer County (Roseville), opened its first phase August, 2000 and completed its more recent expansion in 2009.

Recreational opportunities in the Sacramento metropolitan area are excellent. The Sacramento and American rivers, Folsom Lake, and Lake Natoma are easily accessible and offer a multitude of water-related activities including boating, waterskiing, sailing, river

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rafting, swimming, and fishing. The area has numerous parks, golf courses, and scenic bicycle/running trails fronting the rivers.

The Lake Tahoe Basin, situated approximately 75 miles east of Sacramento, provides vast recreational activities consisting of water/snowskiing, camping, hiking, backpacking, river rafting, and fishing. There are several casinos in Stateline, Nevada, offering gambling and celebrity entertainment. The Sacramento-San Joaquin Delta, located approximately 70 miles south of the city of Sacramento, offers boating, sailing, and unsurpassed fishing. The San Francisco Bay Area, a world-renowned cultural hub, is located approximately 85 miles southwest of Sacramento.

CULTURAL AMENITIES

Sacramento continues to grow as a cultural center for the Central Valley and as a tourist center for the entire county. There is strong support for and recognition of local fine art and crafts, theater, and music. The area's museums and cultural attractions include California State Railroad Museum, Crocker Art Museum, the historic Governor's Mansion, Sutter's Fort State Historic Park, Discovery Museum, the Sacramento Zoo, and the California State Capitol Museum. Each year on Memorial Day weekend, the Sacramento Traditional Jazz Society presents the Sacramento Music Festival. It is the world's largest traditional jazz festival. Sacramento is also the home of the California State Fair which is held at CalExpo. In 1985, Sacramento acquired the Sacramento Kings. The Kings, a member of the National Basketball Association, play home games at Power Balance Pavilion.

Sacramento has also had a long-time love of minor-league baseball dating from 1903 to 1976 as the home of the Sacramento Salons. In 2000, construction of the Raley's Field baseball stadium in West Sacramento brought the Sacramento River Cats, a much-awaited minor-league baseball team back to Sacramento after a 24-year absence.

SUMMARY

Despite the recent economic recession, it is expected that the Sacramento metropolitan area will enjoy a promising economic future. A strong governmental economic base and an efficient highway transportation system contribute to the desirability of the area. These

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factors, coupled with a steady increase in population, will contribute to the area's continued growth.

EXHIBIT C

ENGAGEMENT LETTER



January 22, 2014

CLARK-WOLCOTT COMPANY
Attn: Jill Clark
11344 Coloma Road, Suite 245
Rancho Cordova, CA 95670

Re: Engagement for Appraisal services, Downtown Arena Project.

Dear Ms. Clark,

The City of Sacramento (City) is pleased to accept your appraisal proposal regarding the request for appraisal services in connection with the Downtown Arena Project.

The fee for this service, as submitted by your firm via telephone dated January 22, 2014, is to be a total of \$12,500 (\$7,500 for 921 10th Street and \$5,000 for 1401 H Street), and the completion date has been determined to be March 14, 2014. This fee is a "lump sum" appraisal fee, and includes such items (i.e. review comments, etc.) which are not related to a change in the Assignment Conditions. Any change to the Assignment Conditions and/or fee is to be authorized in advance by the City.

The following Assignment Conditions apply to the appraisal reports. Any concerns or changes to the Assignment Conditions must be discussed and approved in advance by the City.

1. The purpose of the appraisals will be to provide an opinion of the retrospective market value as of December 17, 2013, of the fee interest in the following described real properties in order to facilitate the disposition of the properties by the City of Sacramento.
2. The appraisal reports shall be prepared in compliance with the Uniform Standards of Professional Appraisal Practice, and are to be prepared in a Summary Appraisal Report format, in compliance with USPAP Standards Rule 2-2(b).
3. The client and user of the reports will be the City of Sacramento.
4. The appraisal reports are to utilize most applicable method(s) of valuation in order to arrive at the retrospective market value as of December 17, 2013.
5. The definition of market value to be utilized, as per 12 CFR Part 34.42:

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

- (1) Buyer and seller are typically motivated;
- (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
- (3) A reasonable time is allowed for exposure in the open market;
- (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

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- 6. The appraisal reports shall include a Highest and Best Use analysis.
- 7. The appraisal reports shall include adjustment grids which detail the adjustments made to the comparables being utilized.
- 8. The City will provide the following items to assist in the appraisal. If any other items are required, please inform City in a timely manner.
 - Preliminary Reports of Title
- 9. The Primary contacts for this appraisal assignment are:

For City
Bill Sinclair
Ph. (916)808-1905
bsinclair@cityofsacramento.org

For CLARK-WOLCOTT COMPANY INC.
Jill Clark, MAI
Ph. (916)852-9473
jillclark@clarkwolcott.com

- 10. Copies: Provide 2 copies of each report.
- 11. The subject properties and required appraisals are detailed below:

Appraisal #1

APN: 006-0044-012 aka "The Plaza Building", (an appraisal of this parcel was prepared by the Clark-Wolcott Company for the City of Sacramento in 1989)
Location: 921 10th Street, Sacramento, CA 95814

Appraisal #2

APN 002-0166-013
NE Corner of H Street and 14th Street.
Location: 1401 H Street, Sacramento, CA 95814

Please sign and return this engagement letter to accept the appraisal assignment.

Thank you,



Ken Hancock 1/22/2014
Real Property Agent Date
City of Sacramento
Facilities & Real Property Management

Jill Clark, MAI Date
CLARK-WOLCOTT COMPANY, INC