

AN APPRAISAL OF

**1 Fee Owned Parcel
Known as APN 006-0087-059
in the Downtown Plaza and Parking Garage
Sacramento, California**

PREPARED FOR

Mr. John Dangberg
Assistant City Manager
City of Sacramento
915 I Street, 5th Floor
Sacramento, California 95814

PREPARED BY

William Sinclair, California Certified Appraiser
Appraiser AG018533

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May 2, 2014

Mr. John Dangberg
Assistant City Manager
City of Sacramento
915 I Street, 5th Floor
Sacramento, California 95814

Re: An Appraisal of the fee owned parcel in the Downtown Plaza known as APN 006-0087-059, Sacramento, California.

Dear Mr. Dangberg:

At your request, I have appraised the above referenced property and prepared a Restricted Appraisal Report providing an opinion of Market Value of the Fee Simple Estate in the Subject Property. The client is the City of Sacramento. The intended users are the City of Sacramento and Sacramento Basketball Holdings. The intended use is to facilitate the acquisition of the property rights by Sacramento Basketball Holdings from the City of Sacramento.

The property inspection and all necessary investigation and analysis were made by the appraiser. This appraisal is for the sole use of the client and intended users and only for the specified use, and I am not responsible for unauthorized use of the report. This Letter of Transmittal must only be used in conjunction with the entire report.

The Subject Property consists of one fee owned parcel in the Downtown Plaza and Parking Garage. The parcel will be identified and explained in the attached Restricted Appraisal Report. The Market Value opinion is of last date of inspection, which is April 30, 2014.

Based on the investigation and analysis, described in the attached report, it is my opinion that the Market Value of the Fee Simple Estate of the subject parcel, and subject to the attached General and Extraordinary Assumptions and Limiting Conditions, and Hypothetical Conditions, as of April 30, 2014, is:

APN 006-0087-059 \$1,000

Respectfully submitted,



William Sinclair,
Certified General Real Estate Appraiser
California AG018533

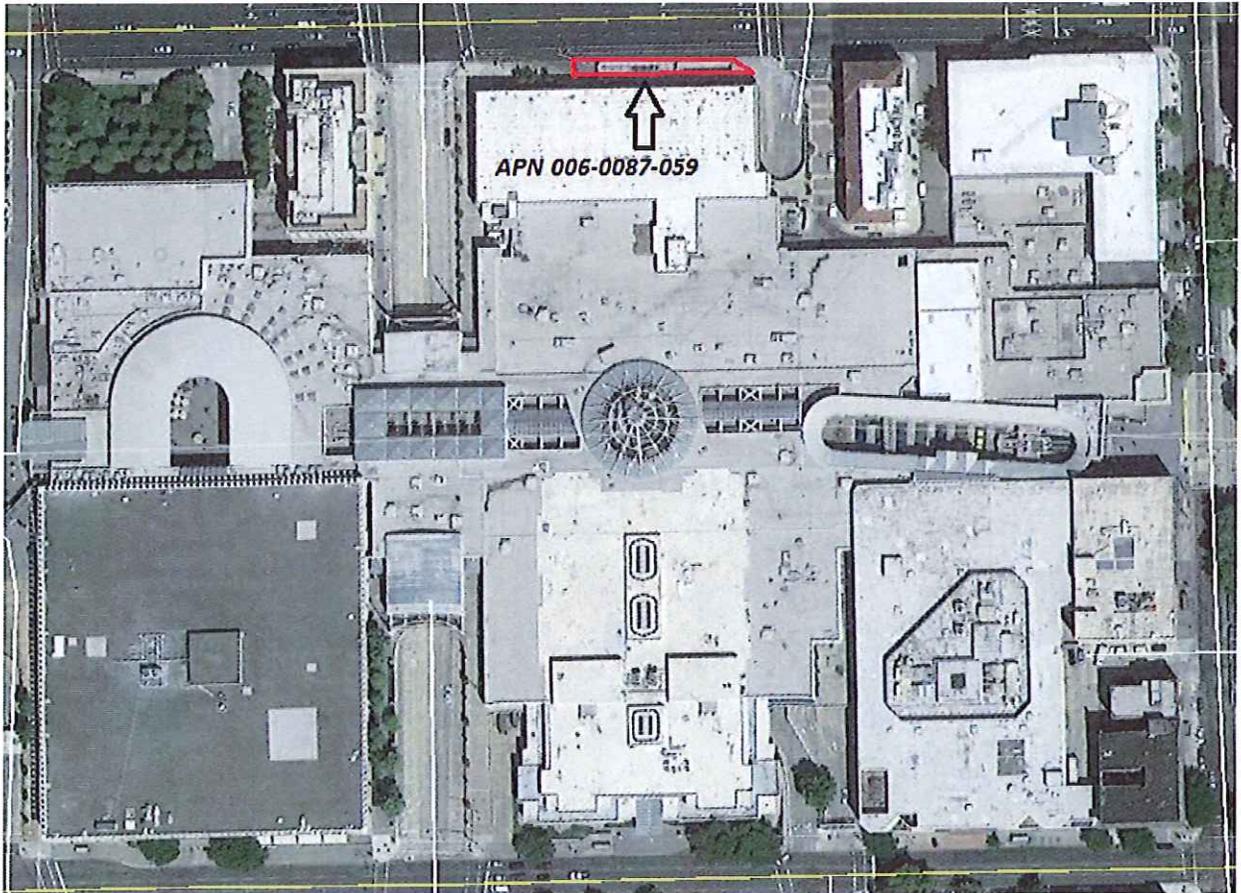
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SUBJECT PHOTOGRAPHS

EXISTING DOWNTOWN PLAZA SITE



006-0087-059 Parking Lot Ramp Looking east along J Street



APN 006-0087-059 looking east from J Street



SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Location: 1 Fee Owned Parcel in the Downtown Plaza and Parking Garage Sacramento, California

Property Type: Parking entrance ramp with above grade ornamental structure.

Zoning: C3 – Central Business District

General Plan: Central Business District

Highest and Best Use: Retail Shopping Center

Client: City of Sacramento

Intended Users: City of Sacramento, Sacramento Basketball Holdings

Intended Use: Facilitate the acquisition of the property rights by Sacramento Basketball Holdings.

Purpose of Appraisal: Provide an Opinion of Value

Type of Value: Market Value

Value Premise: As Is

Property Interest Appraised: Fee Simple

Appraisal Report: Restricted Appraisal Report

Date of Property Inspection: April 30, 2014

Date of Value: April 30, 2014

Conclusion of Market Value: APN 006-0087-059 \$1,000

Appraiser: William Sinclair
Certified General Real Estate Appraiser
California # AG018533 exp. 7/1/2014

CERTIFICATION

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved. My employment is with the City of Sacramento, the prospective seller. I have not been given any direction other than to appraise the market value of the subject property. The buyer is aware of my involvement in the process and the fact that I am employed by the City of Sacramento.
4. I have no bias with respect to the property that is the subject of this report. I have no bias with respect to the buyer of the property. I am currently employed with the City of Sacramento and have been asked to appraise the market value of the subject property. I have no bias with respect to the property's appraised value or the rights being sold.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. I receive no compensation other than my normal salary for completing this assignment.
7. William Sinclair has made a personal inspection of the property that is the subject of this appraisal report.
8. Rich Sanders has provided significant real property appraisal assistance to the person signing this certification.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, according to the Uniform Standards of Professional Appraisal Practice (USPAP), and client guidelines which are simply to estimate the market value of the subject property.
10. I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

William Sinclair
Certified General Real Estate Appraiser
AG018533



GENERAL ASSUMPTIONS

This appraisal has been made with the following General Assumptions. An Assumption is defined as: "that which is taken to be true".

1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management are assumed.
4. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.
5. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
7. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
8. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the opinion of value contained in this report is based.
10. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user is urged to retain an expert in this field, if desired.

GENERAL LIMITING CONDITIONS

This appraisal has been made with the following General Limiting Conditions. A Limiting Condition is defined as: "a condition that limits the Use of an Appraisal".

1. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization. The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
2. Any opinions of value provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the opinion of value, unless such proration or division of interests has been set forth in the report.
3. Possession of this report, or a copy thereof, does not carry with it the right of publication.
4. The appraiser, by reason of this appraisal, is not required to give further consultation or testimony or to be in attendance in court with reference to the property in question unless arrangements have been previously made.
5. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to the property value, the identity of the appraiser, professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser is connected) shall be used for any purposes by anyone but the client and intended users specified in the report without the previous written consent of the Appraiser; nor shall it be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser. Any other party who uses or relies upon any information in this report, without the preparer's written consent, does so at their own risk.

EXTRAORDINARY ASSUMPTIONS

This appraisal has been made with the following Extraordinary Assumptions. An Extraordinary Assumption is defined as: "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". The use of the Extraordinary Assumptions might have affected the assignment results.

1. None.

HYPOTHETICAL CONDITIONS

This appraisal has been made with the following Hypothetical Conditions. A Hypothetical Condition is defined as: "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis". The use of the Hypothetical Conditions might have affected the assignment results.

1. APN 006-0087-059 is appraised subject to proposed reserved easements for existing parking garage related improvements plus vehicular ingress and egress.

DEFINITIONS

Market Value

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

- *Buyer and seller are typically motivated;*
- *Both parties are well informed or well advised, and acting in what they consider their own best interests;*
- *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 creative financing or sale concessions granted by anyone associated with the sale."*¹

Fee Simple Estate

"Absolute ownership unencumbered by any other interest of estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."²

As-Is Market Value

"The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date."³

Cash Equivalency

"An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash."⁴

Highest and Best Use

"The reasonably probable & legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, & results in the highest value. The four criteria the highest and best use must meet are: 1) legally permissible, 2) physical possibility, 3) financial feasibility, and 4) maximum productivity."⁵

Value in Use

"The value of a specific property has to a specific person or specific firm as opposed to the value to persons or the market in general. Special-purpose properties such as churches, schools, and public buildings, which are seldom bought and sold in the open market, can be valued on the basis of value in use. The value in use to a specific person may include a sentimental value component. The value in use to a specific firm may be the value of the plant as part of an integrated multi-plant operation."⁶

¹ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 122

² The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 78

³ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 12

⁴ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 30

⁵ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 93

⁵ The Dictionary of Real Estate Appraisal, Fourth Edition, 2002, The Appraisal Institute, Page 306

⁶ The Dictionary of Real Estate Appraisal, Fifth Edition, 2010, The Appraisal Institute, Page 93

IDENTIFICATION OF THE SUBJECT PROPERTY

The Subject Property consists of one fee owned parcel in the Downtown Plaza and Parking Garage in Sacramento, Sacramento County, California known as APN 006-0087-059. Per the Preliminary Report, ownership is vested in: The City of Sacramento.

OWNERSHIP HISTORY

The subject property has been under the ownership of the City of Sacramento after it was transferred from the Redevelopment Agency. I am aware of no market transactions affecting the property in the last 5 years and the property is not currently available for sale.

SCOPE OF WORK

This Summary Appraisal Report includes the following Scope of Work.

1. Review documentation provided to understand the purpose of the appraisal, the client, intended user, intended use, type of value, and value premise.
2. Identify the appraisal problem and appropriate approaches to value necessary to provide credible results.
3. Physically inspect the Subject Property and the immediate neighborhood.
4. Research local and regional factors that impact the Subject Property and value.
5. Review and analyze all pertinent data to determine the subject's Highest and Best Use.
6. Select, review and drive-by of all pertinent sale and rental comparables.
7. Generally, in the appraisal of real property, the Sales Comparison, Income Capitalization, and Cost Approaches to value are used to appraise the Subject Property. In this case, the subject property consists of 1 fee owned parcel within the Downtown Plaza and Parking Garage developed with parking garage related improvements. The highest and best use of the subject property is for continued use as part of the parking garage. These facts of the appraisal make the traditional three approaches to value very difficult as we are unaware of any sales or leases of similar properties. Therefore, the valuation of the Subject Property consists of discussion points addressing the unique characteristics of this parcel, and then valuing the fee owner's interest in the property based on the appraiser's judgment. Comparable sales and leases were researched, but none were found that are relevant for this appraisal.
8. The fee simple estate of the subject property is appraised subject to the existing easements and encumbrances of record plus proposed reserved easements.
9. Existing leases and financing, if any, are not considered.
10. Goodwill and separation of value between leasehold (tenant) and leased fee (landlord) are beyond the scope of this assignment.
11. It is beyond the scope of this assignment to allocate the value of the property between the owners or to allocate the value between the land and improvements.
12. Prepare and review report for compliance with the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, the Uniform Standards of Professional Appraisal Practice (USPAP), and client guidelines.

13. The property inspection and all necessary investigation and analysis were made by the appraiser.
14. This appraisal is for the sole use of the client and intended users and only for the specified use, and we are not responsible for unauthorized use of the report.

PURPOSE OF APPRAISAL, TYPE OF VALUE AND INTEREST APPRAISED

The purpose of the appraisal is to provide an opinion of the Market Value of the Fee Simple Estate in the subject property subject to the proposed easements.

CLIENT, INTENDED USER AND INTENDED USE

The client is the City of Sacramento. The intended users are the City of Sacramento and Sacramento Basketball Holdings. The intended use is to facilitate the acquisition of the property rights by Sacramento Basketball Holdings from the City of Sacramento. .

COMPETENCY RULE

The appraiser possesses both the knowledge and ability to appraise the Subject Property, has appraised numerous properties of a similar type, and the property is within the City of Sacramento defined service area.

EFFECTIVE DATE OF VALUE

The effective date of value is April 30, 2104. The last date of inspection is April 30, 2104.

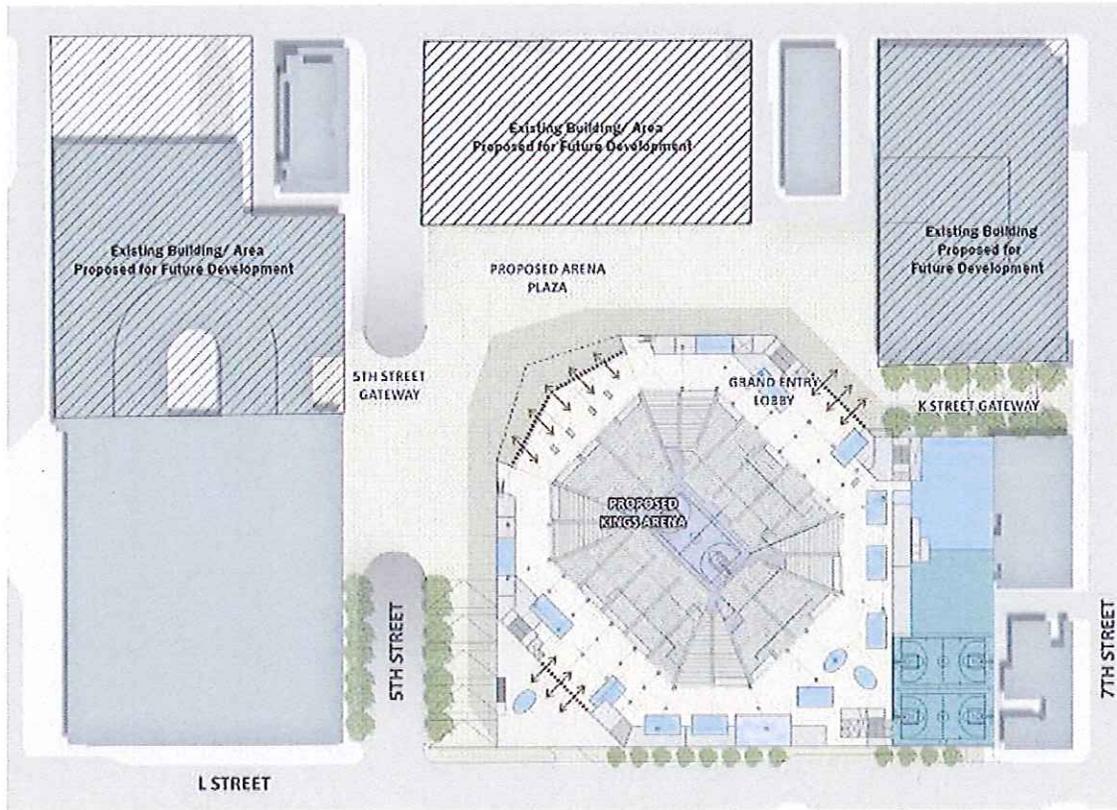
AREA AND NEIGHBORHOOD ANALYSIS

No area and Neighborhood Analysis is shown with the body of this Restricted Appraisal Report.

PROPOSED ENTERTAINMENT AND SPORTS CENTER (ESC)

The City of Sacramento and Sacramento Basketball Holdings propose to build a new sports arena (the Entertainment and Sports Center (ESC) within the existing downtown shopping mall, known as the Downtown Plaza. The goal is to provide a new long-term home for the NBA Sacramento Kings basketball team and a venue for numerous other events as well provide revitalization into the downtown market. While it is still in the planning stages with no formal approvals, the City is making progress and all parties appear to be committed to the project. The property being appraised will be utilized for the development of the ESC and/or surrounding development.

CONCEPTUAL SITE PLAN FOR ESC



MARKET CONDITIONS

No analysis of market conditions is provided within the body of this Restricted Appraisal Report.

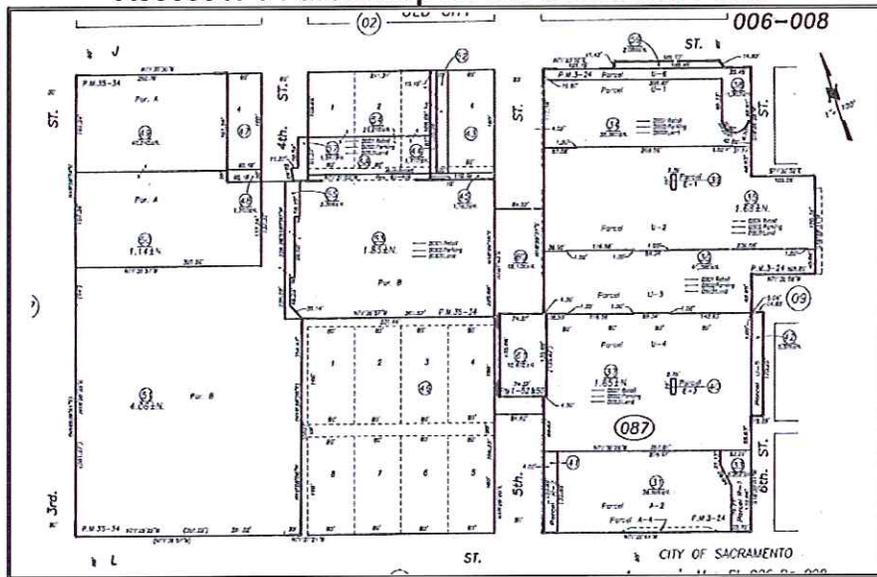
PROPERTY DESCRIPTION

The Subject Property consists of one fee owned parcel within the Downtown Plaza Shopping Mall parking garage. Fidelity National Title Company has researched this parcel as well and prepared a Preliminary Report with all exceptions.

The subject property is described as follows:

APN 006-0087-059: This property is located on the south side of J Street, between 5th and 6th Streets. It is located adjacent to parcel 006-0087-038 but enjoys no possible advantage from future merger, given the reserved easements protecting the existing parking improvements. The reserved easement will be for existing parking garage improvements and appurtenances 20' above and 30' below street grade. The property is improved with a parking garage entrance monument/structure plus garage ramping. It measures approximately 11.43' wide and 189.45' long.

Assessor's Parcel Map for the Downtown Plaza



Legal Description

No legal descriptions are provided within the report.

Easements and Encumbrances

The Preliminary Report identifies a number of easements and other recorded documents. However, since the ultimate conclusion of value is Nominal, the recorded easements and documents do not affect the appraisal results.

Off-Site Improvements and Utilities

Off-site improvements consist of asphalt paved, city maintained, streets with concrete curbs, gutters, sidewalks and streetlights. Utilities available include natural gas, electric service, water, storm and sanitary sewer and telephone. This is typical of the general area.

The property is not located in an Alquist Priolo Special Study Earthquake Zone. I was not provided with an Environmental Site Assessment and assume the site is clean. I was not provided with a Soils Report and assume the soils are stable with no adverse impacts. There are no wetlands on the site. The site is not an agricultural preserve.

Conclusion

The subject parcel is very unique and an integral part of the operation of the Downtown Plaza Parking Garage. The only likely buyer would be the owners of the Downtown Plaza and Garage. It is my opinion that the parcel has no positive economic value and potentially represents a liability to a buyer not associated with the Downtown Plaza. It is highly questionable if this parcel is marketable outside of the adjacent property owner

GENERAL PLAN AND ZONING

The General Plan for the subject parcel is Central Business District - CBD. This district permits high density commercial and residential developments. The Zoning District is C-3 – Central Business District. The purpose of the C-3 zone is to provide for the most intense residential, retail, commercial, and office developments in the city. The zoning and General Plan are compatible with each other, the current use, and the neighborhood in general.

HIGHEST AND BEST USE

Highest and Best Use As Though Vacant

Legally Permissible and Physically Possible

The Commercial Zoning and General Plan designations are compatible and appropriate for the overall Plaza site given its size and location. The overall site is stable, level, regular shaped and in a neighborhood that would support a number of uses. The overall site is currently developed as a shopping center.

The subject property has no development potential by itself but in combination with the entire Plaza site, many development options exist.

Financially Feasible and Maximally Productive

The Highest and Best Use of the overall site As Vacant is for a downtown development consisting of retail, office, residential, and entertainment, or a combination of these as a mixed-use project.

Highest and Best Use As Improved

For the same reasons as mentioned above, the Highest and Best Use of the overall property As Improved is concluded to be the current use.

APPRAISAL METHODOLOGY

Generally, in the appraisal of real property, the Sales Comparison, Income Capitalization, and Cost Approaches to value are used to appraise the Subject Property. In this case, the subject property consists of 1 fee owned parcel within the Downtown Plaza and Parking Garage consisting of parking lot ramps, portions of parking garage improvements and related appurtenances plus a surface pedestrian access. The highest and best use of the parcel is for continued use as part of the Plaza and its parking garage. These facts of the appraisal make the traditional three approaches impractical to use. Sales of similar parcels with similar improvements are difficult to find and properties such as these are not leased. With this in mind, I will now analyze the market value of the subject property.

Rights of Ownership of the Subject Property

As part of my research, I have determined of this parcel. It is part of the Downtown Plaza and the underground Parking Garage. The original development of the project (Downtown Plaza and Underground Parking Garage) was a joint project between the developer and the City of Sacramento Redevelopment Agency. At completion of development,

The City did derive economic benefit from parcel 006-0087-059 as part of the parking garage operations. The City will be reserving easements for on-going parking lot operations and thus will retain the economic benefit of this parcel, unless transferred by a subsequent agreement.

Given the uniqueness of this parcel, with no likely future economic benefit, the ownership of the fee simple estate has no income stream to offset the liability of owning the underlying fee upon which will have on-going vehicular and pedestrian circulation. In other words, the legal liability associated with owning the fee simple estate of this site more than offsets any creative use of the fee parcel that could generate income.

The dimensions for each of the parcel is insufficient to be developable on its own. It would need to be combined with the adjoining parcels to gain the size needed to be developable.

Parcel 006-0087-059 would only be developable above 20" above the street grade, as stated in the reserved easement. This would leave only improvements that could be cantilevered out over the height of reserved easement as a possible future development of this property. Therefore, future development relies on cooperation of the adjoining property owner, which is speculative at best.

Therefore, the next question is "who would buy this property" subject to the proposed reserved easements and restrictions. The only logical buyer is the owner of the adjacent land as they would derive an economic benefit. However a market of one potential buyer connotes a "Value in Use" scenario versus a determination of "Market Value". All other buyers would have no economic benefit from owning this property. Therefore, the market for other buyers is likely non-existent. Given the costs and potential liability of owning this site, it may not be marketable at all.

Given this analysis, in my opinion, the Market Value of the Fee Simple Estate of the Subject Property, is nominal, say, \$1,000.

FINAL VALUE CONCLUSION

Based on the investigation and analysis, it is my opinion that the Market Value of the Fee Simple Estate of the subject parcel, and subject to the attached General and Extraordinary Assumptions and Limiting Conditions, and Hypothetical Conditions, as of April 30, 2014 is as follows:

006-0087-059 = \$1,000