

**AN APPRAISAL REPORT OF**

2 Sports Parkway  
100.41 AC of Vacant Land  
Sacramento, CA 95834

**VALUATION AS OF**

February 26, 2013 – “Retrospective Date of Valuation”

**DATE OF REPORT**

March 14, 2014

**PREPARED FOR**

Mr. Ken Hancock  
City of Sacramento

**PREPARED BY**

**SMITH & ASSOCIATES, INC.**

John E. Carrothers, MAI

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March 14, 2014

Mr. Ken Hancock  
Real Property Agency  
City of Sacramento Facilities & Real Property Management  
5730 24<sup>th</sup> Street, Building 4  
Sacramento, CA 95822

RE: An Appraisal Report of  
2 Sports Parkway  
100.41 AC of Vacant Land  
Sacramento, CA 95834

Dear Mr. Hancock:

According to the engagement letter dated January 27, 2014, an appraisal report has been completed in conformance with the 2014-2015 Uniform Standards of Professional Appraisal Practice. This property is generally located immediately north of Sleep Train Arena bounded by Del Paso Road to the north, E. Commerce Way to the west, and Truxel Road to the east.

This property is owned by the City of Sacramento and is identified as parcel 225-0070-076. It reflects a land area of approximately 100.41 acres and is currently utilized for multiple applications including a partially developed stadium (foundations and excavation), parking lots (used by Sleep Train Arena), and vacant land. The property was initially proposed for development of a multi-use stadium and significant grading and excavation completed in the 1990s. The property has been vacant for the past 10+ years and the improvements for the stadium have created a man-made pond (observed on February 11, 2014 – Date of Inspection). The only utilization of this property is for parking (via reciprocal parking agreement) along the southeastern and southwestern portion of the project.

Long term, this property is envisioned in the 2030 General Plan as “Urban Center High – Density: 24-250/FAR 1.75 – 8.0 units per acre. Currently, this property is designated for public use and zoned SPX SPX-PUD; Sports Complex Zone.

The purpose of this report is to provide an opinion of the market value “As Is” of the fee simple estate in the subject property as of February 26, 2013. This represents a retrospective date of valuation as the property was inspected on February 11, 2014. The intended use of this report is for the exclusive use of the City of Sacramento (Intended User) to facilitate the disposition of the property. This appraisal is not authorized for any other use and/or for any other user.

The scope of this assignment necessitated the use of some hypothetical conditions. With the inclusion of these elements, an additional opinion of value is presented indentified throughout this report as the Hypothetical Market Value “As Proposed”. These elements are identified throughout the report.

**MR. KEN HANCOCK  
CITY OF SACRAMENTO  
PAGE TWO**

**MARKET VALUE "AS IS" (FEE SIMPLE ESTATE)**

Based on all pertinent data described herein, my opinion of the market value "As Is" of the fee simple estate in the subject property, subject to the assumptions and limiting conditions, and the Extraordinary Assumptions as of the retrospective date of valuation, February 26, 2013, is:

| ITEM                 | SITE AREA (AC) | OPINION OF VALUE |
|----------------------|----------------|------------------|
| Market Value "As Is" | 100.41 AC      | \$1              |

*An exposure period of 12 months is concluded based on the opinion of value expressed above. Nominal value is assigned in the "As Is" condition based on the inclusion of reciprocal easement and operating agreements for this property.*

**HYPOTHETICAL MARKET VALUE "AS PROPOSED" (FEE SIMPLE ESTATE)**

Based on all pertinent data described herein, my opinion of the hypothetical market value "As Proposed" of the fee simple estate in the subject property, subject to the assumptions and limiting conditions, the Extraordinary Assumptions, and the **hypothetical conditions** as of the retrospective date of valuation, February 26, 2013, is:

| ITEM                                    | SITE AREA (AC) | OPINION OF VALUE |
|---|----------------|------------------|
| Hypothetical Market Value "As Proposed" | 100.41 AC      | \$14,815,000     |

*An exposure period of 12 months is concluded based on the opinion of value expressed above. This value is presented in conjunction with the following **Hypothetical Conditions**:*

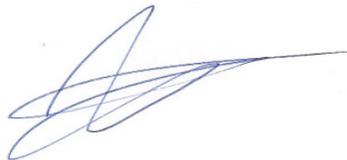
- ⇒ The easement for reciprocal parking and joint use with the adjacent arena is no longer in effect.
- ⇒ The potential lease/leaseback documents are no longer in effect.

The following report contains the factual data and reasoning upon which the opinion of value is based. The assumptions and limiting conditions and the hypothetical conditions are a vital part of this report.

My experience with respect to the valuation of vacant land properties is quite extensive. Furthermore, I have the appropriate education to have completed this assignment in a competent manner. This appraisal assignment was not based on condition of loan approval or a requested minimum value. Please feel free to call if there are any questions regarding this assignment.

Respectfully Submitted,

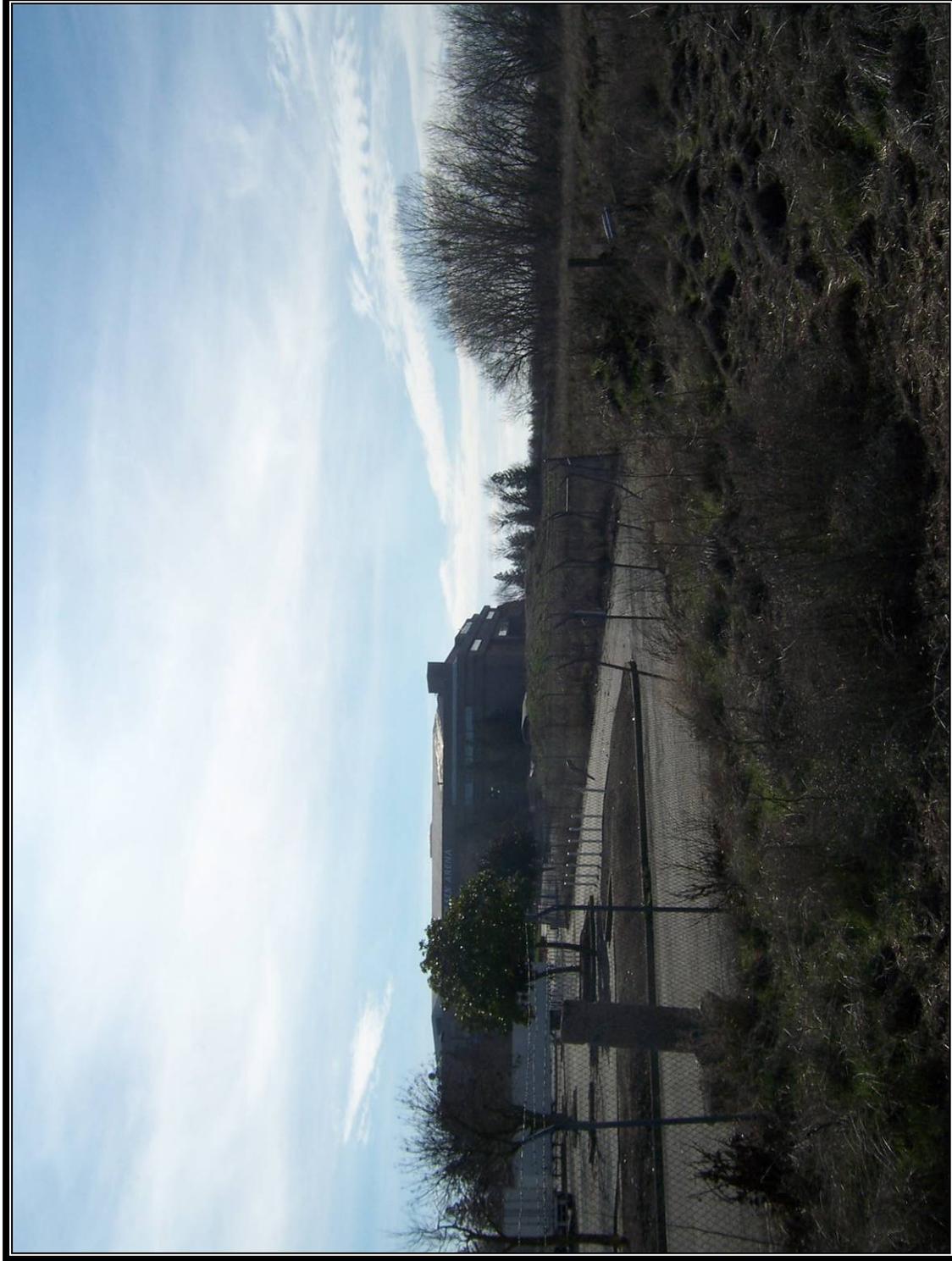
**SMITH & ASSOCIATES, INC.**



---

John E. Carrothers, MAI  
Certified General Real Estate Appraiser  
AG014187, Expiration 04/11/15

**SUBJECT PHOTOGRAPHS**



**View along southern portion of project (Taken 2-11-14 JC)**

**SUBJECT PHOTOGRAPHS**



**View of Southeastern Parking Area (Taken 2-11-14 JC)**



**View of Land Area along Eastern Side (Taken 2-11-14 JC)**

**SUBJECT PHOTOGRAPHS**



**View South toward Stadium Improvements (Taken 2-11-14 JC)**



**View of Land Area along Western Side (Taken 2-11-14 JC)**

**SUBJECT PHOTOGRAPHS**



**View of Land Area along Northern Side (Taken 2-11-14 JC)**



**View of Southwestern Parking Area (Taken 2-11-14 JC)**

## TABLE OF CONTENTS

|  |     |
|--|-----|
| Assumptions and Limiting Conditions -----                      | i   |
| Extraordinary Assumptions-----                                 | ii  |
| Certification of the Appraiser -----                           | iii |
| Summary of Salient Facts and Value Conclusions -----           | iv  |
| <b>Part 1 – Introduction</b>                                   |     |
| Identification of the Subject Property -----                   | 1   |
| Property Rights Appraised-----                                 | 2   |
| Definition of Market Value -----                               | 2   |
| Purpose, Intended Use and Intended User of the Appraisal ----- | 3   |
| Effective Date of Valuation -----                              | 3   |
| Scope of the Appraisal-----                                    | 3   |
| Ownership and History of the Property-----                     | 4   |
| Definition of Exposure Time -----                              | 4   |
| <b>Part 2 – Factual Descriptions</b>                           |     |
| Regional Description -----                                     | 5   |
| Area Description -----   | 14  |
| Site Description-----  | 20  |
| <b>Part 3 – Market Analysis and Highest and Best Use</b>       |     |
| Market Overview -----  | 36  |
| Highest and Best Use -----                                     | 44  |
| <b>Part 4 – Valuation</b>                                      |     |
| Methodology-----   | 47  |
| Hypothetical Market Value “As Proposed” -----                  | 48  |
| Sales Comparison Approach -----                                | 48  |
| Reconciliation – Hypothetical Market Value “As Proposed” ----- | 72  |
| Market Value “As Is” -----                                     | 73  |
| <b>Addenda</b>   |     |

## ASSUMPTIONS AND LIMITING CONDITIONS

The certification of the Appraiser appearing in the appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the Appraiser in the report.

- ⇒ The Appraiser assumes no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor does the Appraiser render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.
- ⇒ Any sketch in the report may show approximate dimensions and is included to assist the reader in visualizing the property. The Appraiser has made no survey of the property.
- ⇒ The Appraiser is not required to give testimony or appear in court because of having made the appraisal with reference to the property in question unless arrangements have been previously made therefore.
- ⇒ Any distribution of the valuation in the report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.
- ⇒ The Appraiser assumes that there are no hidden or unapparent conditions of the property, subsoil or structures, which would render it more or less valuable. The Appraiser assumes no responsibility for such conditions, or for engineering which might be required to discover such factors.
- ⇒ Information, estimates and opinions furnished to the Appraiser, and contained in this report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished the Appraiser can be assumed by the Appraiser.
- ⇒ Disclosure of the contents of the appraisal report is governed by the Bylaws and Regulations of The Appraisal Institute.
- ⇒ 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 specified in the report, the borrower, if appraisal fee paid by same, the mortgagee or its successors and assigns, mortgage insurers, consultants, professional appraisal organizations, any state or federally approved financial institution, any department, agency or instrumentality of the United States or any state or the District of Columbia, without the previous written consent of the Appraiser; nor shall it be conveyed by anyone to the public relations, news, sales, or other media, without the written consent and approval of the Appraiser. Any party who uses or relies upon any information, without the preparer's written consent does so at their own risk.
- ⇒ On all appraisals, subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner.
- ⇒ 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 the appraiser become aware of such during the appraiser's inspection. The appraiser has no knowledge of the existence of such materials on or in the property unless otherwise stated. The appraiser, however, is not qualified to test such substances or conditions. If the presence of such substances, such as asbestos, urea formaldehyde 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.
- ⇒ The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of the ADA in estimating the value of the property.

## EXTRAORDINARY ASSUMPTIONS

An assumption directly related to a specific assignment, which, if found to be false could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends, or about the integrity of data used in an analysis. This appraisal has been made with the following Extraordinary Assumptions.

- ⇒ The costs for removal and remediation of the former stadium improvements can be removed at a cost of \$5,958,640. These costs, dated February 19, 2014 were provided by the City of Sacramento and were utilized in conjunction of this assignment.
- ⇒ The total area identified for the parking lots on the property were 1,931,988 square feet, or approximately 44.35 Acres as provided by the City of Sacramento. Also, additional area was based on a contingency of 10% for a total area of 48.79 AC. It is noted that no detailed ALTA Survey was provided for review in preparation of this assignment. The land area for the parking lot improvements are based on information provided for review in preparation of this assignment. Also, demolition costs were provided from the City of Sacramento and reliance has been placed on these costs.
- ⇒ Part of the change to private use for this property includes the development obligations for an overpass in the region. If used as a stadium, additional studies and/or roadway improvements would be required. Essentially, if the stadium were used in conjunction with the arena, a traffic study would be needed. If this study called out mitigation for southbound traffic then the overpass would be constructed with development costs passed to the Arena owner and the owner of the subject property. It was identified by the City of Sacramento that this use and other uses would have to be extremely intense to justify the construction. As of the effective date, no development plans were proposed nor was this overcrossing identified for future construction. It is noted that the opinions of value identified in this report are presented in conjunction with the **Extraordinary Assumption** that there are no future obligations for traffic improvements as they relate to the proposed overpass.

## 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. This appraisal has been made with the following Hypothetical Conditions presented in conjunction with the Hypothetical Market Value "As Proposed".

- ⇒ The easement for reciprocal parking and joint use with the adjacent arena is no longer in effect. This element was identified in that that certain document entitled "Reciprocal Easement and Operating Agreement", dated July 22, 1997, executed between the Kings Arco Arena Limited Partnership, a California limited partnership and the City of Sacramento recorded July 30, 1997, Book 19970730, Page 1717, of Official Records. This document identifies the rights and use of the common area as part of reciprocal easements between the subject property and the adjacent arena property. This agreement runs for a period of 75 years from the effective date. Under the Hypothetical Market Value "As Proposed", this easement is assumed no longer in effect.
- ⇒ The potential unrecorded lease/leaseback documents are no longer in effect. These documents show that there is the potential for CFDs for this property upon conversion to private ownership. Under the Hypothetical Market Value "As Proposed", these documents are no longer in effect, rather the impact of the CFD districts are analyzed in conjunction with the underlying value.

## CERTIFICATION

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

- ⇒ The statements of fact contained in this report are true and correct.
- ⇒ The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions and conclusions.
- ⇒ 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.
- ⇒ 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 proceeding acceptance of this assignment.
- ⇒ I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- ⇒ My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- ⇒ 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.
- ⇒ My analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.
- ⇒ I have made a personal inspection of the property that is the subject of this report.
- ⇒ No one provided significant real property appraisal assistance to the person signing this certification.
- ⇒ The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- ⇒ The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- ⇒ As of the date of this report, I John E. Carrothers have completed the continuing education program for Designated Members of the Appraisal Institute.



\_\_\_\_\_  
John E. Carrothers, MAI  
State Certified General Real Estate Appraiser  
AG014187, Expiration 4/11/15

March 14, 2014  
Date

## SUMMARY OF SALIENT FACTS AND VALUE CONCLUSIONS

|                              |   |
|------------------------------|---|
| <b>Property Type:</b>        | 100.41 AC of vacant land  |
| <b>Property Location:</b>    | This property is generally located immediately north of Sleep Train Arena bounded by Del Paso Road to the north, E. Commerce Way to the west, and Truxel Road to the east. The physical address of this property is 2 Sports Parkway, Sacramento, CA 95834. It is located within zip code area 95834 and Census Tract: 70.18.   |
| <b>APN:</b>                  | 225-0070-076  |
| <b>Site Description:</b>     | This parcel contains a total area of approximately 100.41 acres of land and is currently utilized for multiple applications including a partially developed stadium (foundations and excavation), parking lots (used by Sleep Train Arena), and vacant land. The property was initially proposed for development of a multi-use stadium and significant grading and excavation completed in the 1990s. The property has been vacant for the past 10+ years and the improvements for the stadium have created a man-made pond (observed on February 11, 2014 – Date of Inspection). The only utilization of this property is for parking (via reciprocal parking agreement) along the southeastern and southwestern portion of the project. Long term, this property is envisioned in the 2030 General Plan as “Urban Center High – Density: 24-250/FAR 1.75 – 8.0 units per acre. Currently, this property is designated for public use and zoned SPX SPX-PUD; Sports Complex Zone. |
| <b>Flood Zone:</b>           | The subject property is located in a flood zone identified by FEMA as Zone AE, with no base elevations determined. It is within the 1% annual flood (100-year flood), also known as the base flood, or the flood that has a 1% chance of being equaled or exceeded in any give year. The Special Flood Hazard Area is the area subject to flooding by the 1% annual chance flood. Flood Insurance Rate Map (FIRM) Number 06067C0045H, with an effective date of August 16, 2012. Recently, FEMA changed the flood boundaries for this property to A99, outside the 100-year flood. Still, there are approvals needed to remove the boundaries out of the flood zone, but this element was in place as of the effective date of valuation (February 26, 2013).   |
| <b>Highest and Best Use:</b> | The highest and best use as vacant is for a holding use for future development.   |
| <b>Earthquake Zone:</b>      | The subject is not located within the Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone) as defined by Special Publication 42 of the California Department of Conservation, Division of Mines and Geology. The subject is not within a special study area.  |

## Summary of Salient Facts and Value Conclusions (Continued)

**Effective Date of Valuation:** February 26, 2013 – “Retrospective Date of Valuation”

**Date of Inspection:** February 11, 2014

**Date of Report:** March 14, 2014

### Value Conclusions

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**Appraisal Premise:** Market Value “As Is”

**Property Rights Appraised:** Fee Simple Estate

**Retrospective Date of Valuation:** February 26, 2013

#### **OPINION OF MARKET VALUE “AS IS”**

**\$1**

*An exposure period of 12 months is concluded based on the opinion of value expressed above. Nominal value is assigned in the “As Is” condition based on the inclusion of reciprocal easement and operating agreements for this property.*

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**Appraisal Premise:** Hypothetical Market Value “As Proposed”

**Property Rights Appraised:** Fee Simple Estate

**Retrospective Date of Valuation:** February 26, 2013

#### **OPINION OF HYPOTHETICAL MARKET VALUE “AS PROPOSED”**

**\$14,815,000**

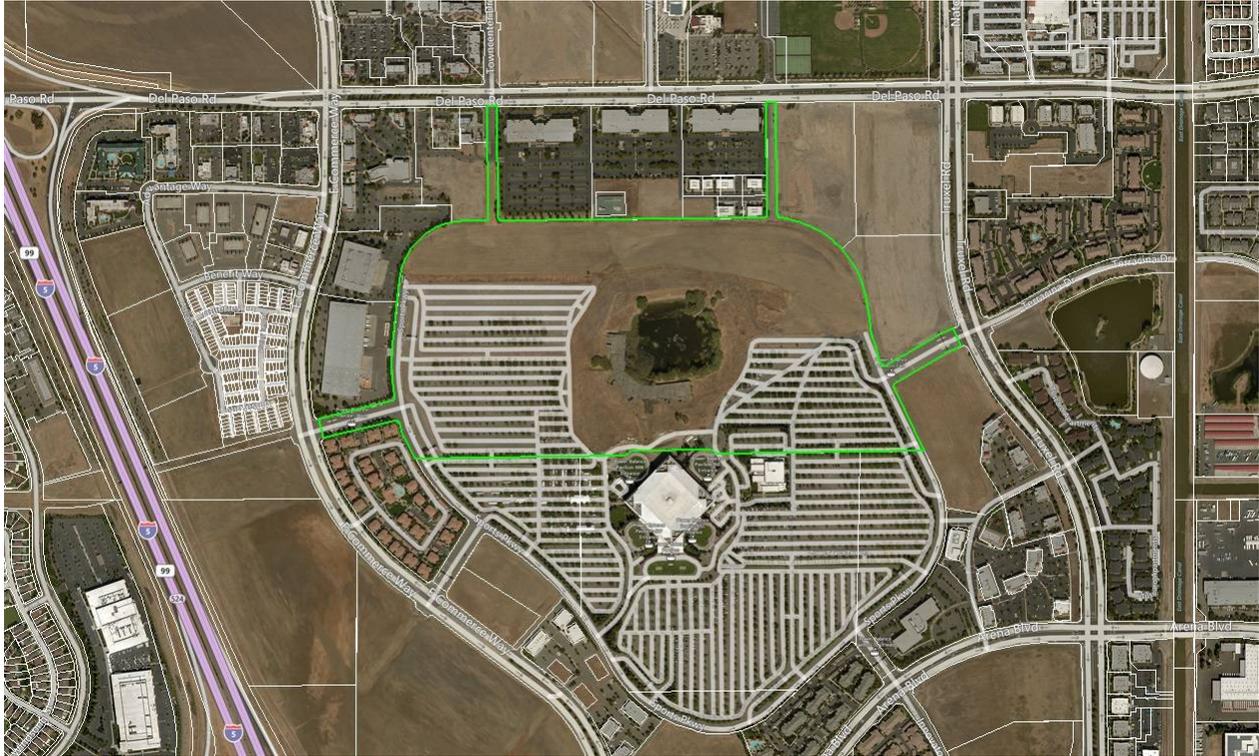
*An exposure period of 12 months is concluded based on the opinion of value expressed above. This value is presented in conjunction with the following **Hypothetical Conditions**:*

- ⇒ The easement for reciprocal parking and joint use with the adjacent arena is no longer in effect.
- ⇒ The potential lease/leaseback documents are no longer in effect.

## PART 1 – INTRODUCTION

### IDENTIFICATION OF THE SUBJECT PROPERTY

The subject property is generally located immediately north of Sleep Train Arena bounded by Del Paso Road to the north, E. Commerce Way to the west, and Truxel Road to the east. The physical address is 2 Sports Parkway, Sacramento, CA 95834. The following aerial photograph is a depiction of the subject property.



The subject property is currently identified by the Sacramento County Assessor's Office as parcel 225-0070-076. The legal description for this property was provided in the Preliminary Title Report, prepared by Fidelity National Title Company, dated March 3, 2014. This description is noted below and a copy of the preliminary title report is included in the addenda of this report.

## Legal Description

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

### PARCEL 1:

Parcel 1, as shown on the Parcel Map entitled "Master Parcel Map Of Del Paso Road Property, Parcels 1, 6 & 7 Of 8903-07 O.R., Page 1400, Being Portions Of Lots 47, 48, 49, 50, 51, 52, 53, 54 & 55 Of 16 B.M. 3", filed in the office of the Recorder of Sacramento County, California, on October 17, 1995, in Book 143 of Parcel Maps, Map No. 10, as corrected by Certificate of Correction recorded March 11, 1998, in Book 19980311 of Official Records at Page 750.

Excepting therefrom all oil, mineral, gas and other hydrocarbon substances below a depth of 500 feet under the above described real property, without the right of surface entry; as reserved in the deed from Richard N. Moseman, et al., to Sacramento Sports Association, a partnership, dated June 28, 1979, recorded July 10, 1979, in Book 790710 of Official Records, Page 1243.

### PARCEL 2:

An easement for ingress and egress through that certain party tunnel as more particularly indentified and shown in that certain "Tunnel Easement Agreement" dated March 2, 1989 and recorded March 7, 1989 in Book 890307, Page 1514, Official Records, and the non-exclusive right to use said party tunnel for purposes of moving equipment, supplies, food, materials and revenues incidental to the use of the land more particularly described in Parcel No. 1 above.

## PROPERTY RIGHTS APPRAISED

The property rights appraised for the subject property under all scenarios reflect the Fee Simple Estate. This is defined in **The Appraisal of Real Estate, Thirteenth Edition, Appraisal Institute, Page 114**, as follows:

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

## DEFINITION OF MARKET VALUE

*Market Value* is defined by the federal financial institutions regulatory agencies as follows:

"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 knowledgeable, and assuming the price is not affected by undue stimulus. Implicit in this definition are 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 US dollars or in terms of financial arrangements compatible 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 associates with the sale."

(Source: Office of the Comptroller of the Currency under 12 CFR, Part 34, subparts C-appraisals, 34.42 Definitions (f).)

Definitions applicable to this appraisal are as follows.

### "As Is" Value

The estimate of market value of real property in its current physical condition, use, and zoning as of the appraisal date (Proposed Interagency Appraisal and Evaluation Guidelines). **The Dictionary of Real Estate Appraisal, Fifth Edition, The Appraisal Institute.**

### **Retrospective Value Opinion**

A value opinion as of a specified historical date. The term does not define a type of value. Instead, it identifies a value as being effective at some specific prior date. Value as of a historic date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., “retrospective market value opinion.” The Dictionary of Real Estate Appraisal, Fifth Edition, The Appraisal Institute.

### **Market Value “As Proposed”**

Market value “As Proposed” of a property with all proposed construction, conversion, or rehabilitation completed, or under other specified hypothetical conditions as of the date of the appraisal.”

### **Hypothetical Conditions**

That which is contrary to what exists, but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in the analysis”. The Dictionary of Real Estate Appraisal, Fifth Edition, The Appraisal Institute, Page 97.

## **PURPOSE, INTENDED USE & INTENDED USER OF THE APPRAISAL**

The purpose of this report is to provide an opinion of the market value “As Is” of the fee simple estate in the subject property as of February 26, 2013. This represents a retrospective date of valuation as the property was inspected on February 11, 2014. The intended use of this report is for the exclusive use of the City of Sacramento (Intended User) to facilitate the disposition of the property. This appraisal is not authorized for any other use and/or for any other user.

The scope of this assignment necessitated the use of some hypothetical conditions. With the inclusion of these elements, an additional opinion of value is presented indentified throughout this report as the Hypothetical Market Value “As Proposed”. These elements are identified throughout the report.

## **DATES OF THE APPRAISAL**

|                              |   |
|------------------------------|---|
| Effective Date of Valuation: | February 26, 2013 – “Retrospective Date of Valuation” |
| Inspection Date:             | February 11, 2014                                     |
| Date of Report:              | March 14, 2014  |

## **SCOPE OF THE APPRAISAL**

This appraisal report is prepared in compliance with the 2014-2015 Uniform Standards of Professional Appraisal Practice (USPAP), as promulgated by the Appraisal Foundation, FIRREA appraisal regulations, most notably 12CFR, part 34, section 34.44, and Appraisal Standards of the Office of the Comptroller of the Currency (as modified June 7, 1994). Elements inherent with this process include the following.

1. Review of all documents provided to determine the purpose, intended use and intended user of the appraisal report. Identify the appraisal problem and appropriate approaches of value necessary to provide credible results.
2. Complete a physical inspection including applicable photographs on February 11, 2014. The inspection included an exterior inspection of the subject property based on the land nature of this property, as well as review of the improvements configured on site. It is clearly noted that this analysis includes retrospective analysis of this property as of February 26, 2013.
3. Research of the neighborhood, city and county factors was based on neighborhood analysis, information from local government sources, and data sources utilized by Smith & Associates, Inc. Though the research of this element along with meetings with the City of Sacramento, it was deemed applicable to provide an opinion of

Hypothetical Market Value "As Proposed" in addition to an opinion of the market value "As Is" as of the retrospective date of valuation.

4. In developing the approaches to value, market data was used and verified. Data sources included in-house data files, brokers and agents, property owners, and other knowledgeable market participants. Data is believed reliable but not guaranteed (Refer to assumptions and limiting conditions).
5. Review and analyze all pertinent data to determine the subject's highest and best use. Steps 1-4 noted above were considered with particular emphasis placed on current market conditions and trends.
6. Assemble and analyze the data outlined above and opinions of value formulated. The sales comparison approach to value was utilized in preparation of this assignment.
7. Review the report for content and compliance with USPAP 2014-2015 and client requirements.
8. Preparation of an appraisal report with information presented to the client that is adequate to allow for an understanding of the appraisal process and the opinion of value. The depth of discussion contained in this report is specific to the needs of the client and for the intended use.

## **OWNERSHIP AND HISTORY OF THE PROPERTY**

Title to the subject property is currently vested in the City of Sacramento, a municipal corporation. No transfers of ownership within the past three years (preceding the effective date of valuation) were noted for this property. This property is not encumbered with a purchase agreement nor is it currently offered for sale.

## **EXPOSURE TIME**

An important concept in the definition of market value includes references to exposure time. The definition of exposure time as defined in the **2014-2015 Uniform Standards of Professional Appraisal Practice (Page U-2)**, is as follows.

*"Exposure time may be defined as: the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective opinion based on an analysis of past events assuming a competitive and open market."*

Exposure time is always presumed to occur prior to the effective date of the appraisal. It is substantiated by related facts in the appraisal process including supply/demand conditions as of the effective date of the appraisal; the use of current cost information, the analysis of historical sales information (sold after exposure and after completion of negotiations between the seller and buyer); and the analysis of future income expectancy projected from the date of the appraisal. In the context of this assignment, the exposure period is discussed and concluded after the reconciliation of value.

## **PART 2 – FACTUAL DESCRIPTIONS**

The analysis of the subject property is a retrospective assignment as of February 2013. Accordingly, regional and area data are predicated on information at this time.

### **REGIONAL DESCRIPTION**

The Sacramento region is comprised of four counties, which include Sacramento, El Dorado, Placer and Yolo Counties. The region encompasses approximately 5,361 square miles from the Sacramento River Delta to the Sierra Nevada Mountain Range. At the center of this region is the City and County of Sacramento that includes approximately 1,105 square miles near the middle of the 400-mile long central valley. The region is the north-central part of California, approximately 382 miles north of Los Angeles, 273 miles south of the Oregon border, and 85 miles northeast of San Francisco.

### **Geography, Climate, & Seismic Conditions**

The topography of the region ranges from relatively flat land along the valley floor to steep mountain terrain. Elevations range from 15 feet below sea level near the Sacramento/San Joaquin River Delta to 10,000 feet above sea level at the summit of the Sierra Nevada Mountains. The American River and the Sacramento River are the two major waterways in the region. The American River flows from the east and travels west along the southern portion of the Sacramento Metropolitan Statistical Area (MSA) and joins the Sacramento River just north of Old Sacramento. The Sacramento River flows from the north and heads south along the west side of the area and marks the western boundary of the region. Yolo County occupies an area west of the Sacramento River.

The climate of Sacramento is warm and dry in the summer with an average daytime temperature of 91°, and a cool 58° at night. During winter months, temperatures range from 36° to 61°. Due to the Sierra Nevada Mountains, the region has adequate water supply during summer months and is shielded from snowstorms in the winter. During the rainy season, November through April, an accumulation of 17 to 18 inches is the norm. Besides the relatively mild climate, the area is known for its stable seismic conditions. According to information published by the California Department of Mines and Geology, in accordance with the Alquist-Priolo Special Studies Zone Act of 1972, there are no areas within the Sacramento region identified as a special fault-hazard zone. Unlike the Bay Area and Los Angeles, Sacramento and adjoining cities rank among the lowest in the state for the probability of a major earthquake. This factor has attributed to job growth and expansion into the area.

### **Transportation**

The region's strategic location in Northern California makes it easy to access other Western cities. The metropolitan area includes four major freeways, which converge in Sacramento, including two of the nation's most vital interstate routes. Interstate 5 runs from Canada to Mexico, and Interstate 80 stretches from the Atlantic Ocean in New York City, to the Pacific Ocean in San Francisco. They link up in Sacramento with State Highway 99, which parallels Interstate 5 throughout the length of California, and US Highway 50, which connects the capital with Lake Tahoe, and extends to the east coast.

By rail, intercity commuter rail service is throughout the region, with the hub of freight operations located in Roseville. In 1998, Union Pacific made its western headquarters in Roseville. The Roseville headquarters is among the largest and most modern rail systems in the western United States. Rail service is available near the subject location, however, there are no spurs identified within the immediate vicinity for heavier distribution users.

Sacramento International Airport is served by several commercial airlines. The 30-year-old airport is located just off Interstate 5, about a 15 minute drive northwest of downtown. The total number of passengers has drastically increased since the arrival of Southwest Airlines in 1991 and its discounted fares. Passenger travel peaked in 2007 with 10.7 million passengers, but declined to 8.9 million passengers in 2009. A large construction project occurred at Sacramento International Airport with the modernization of Terminal B. This project broke ground in June 2008 and was completed in 2011. Sacramento County officials reduced the budget to \$1.08 billion from \$1.3 billion by eliminating plans for a parking garage and hotel. The project included an automatic train system and a new central

terminal building and concourse that is more than 670,000 square feet, or three times the size of the former Terminal B.

Sacramento is linked to the Pacific Ocean by a 42-mile deep-water ship channel into San Francisco Bay. The inland Port of West Sacramento is located 79 nautical miles northeast of San Francisco, and is centered in one of the richest agricultural and industrial regions in the world.

## Population

The Sacramento region experienced growth over the past ten years from 1,806,857 in 2000 to the current 2013 estimate (State of California Department of Finance) of 2,191,554. The following table represents the total population increase in the Sacramento region since the 2000 census, as well as information in the recent 2010 census.

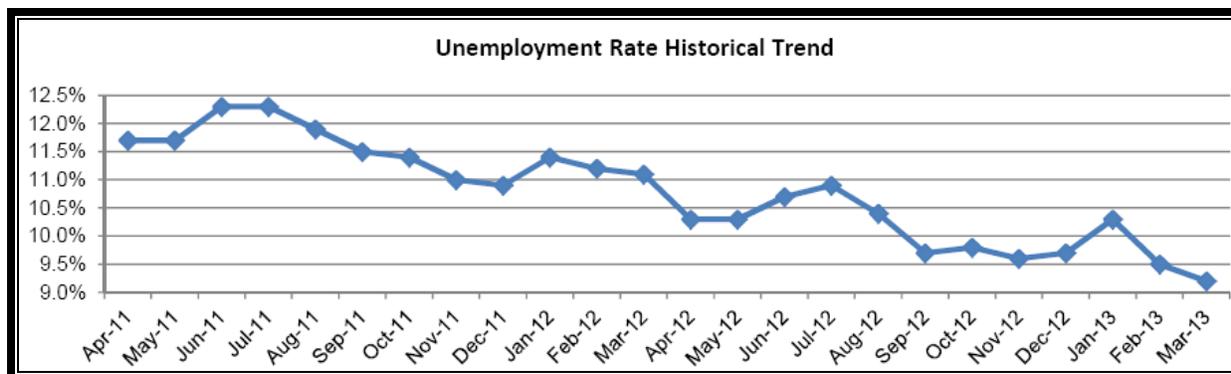
| COUNTY              | 2000 (CENSUS)    | 2010 (CENSUS)    | 2012 POPULATION (ESTIMATES) | 2013 POPULATION (ESTIMATES) | % CHANGE 2012-13 |
|---------------------|------------------|------------------|-----------------------------|-----------------------------|------------------|
| Yolo                | 168,660          | 200,848          | 204,349                     | 205,999                     | 0.8%             |
| El Dorado           | 156,299          | 181,058          | 181,711                     | 182,286                     | 0.3%             |
| Placer              | 248,399          | 348,432          | 355,455                     | 357,463                     | 0.6%             |
| Sacramento          | 1,233,499        | 1,418,788        | 1,433,525                   | 1,445,806                   | 0.9%             |
| <b>Total Region</b> | <b>1,806,857</b> | <b>2,149,126</b> | <b>2,175,040</b>            | <b>2,191,554</b>            | <b>0.8%</b>      |
| State of California | 33,873,086       | 37,253,956       | 37,668,804                  | 37,966,471                  | 0.8%             |

Source: State of California Department of Finance

There is continued population growth in the region, albeit at slower rates than identified in the earlier part of the decade. The region has increased by approximately 42,428 residents since the 2010 census or total growth of 2.0% over this time frame. This is similar to the entire State of California showing a total growth rate of 1.9% over the same period. In addition, population growth was slight over the past year represented by the 0.8% increase noted above the levels identified in the 2012 projections.

## Local Economy/Job Formation

The unemployment rate in the Sacramento-Arden Arcade-Roseville MSA was 9.2 percent in March 2013, down from a revised 9.5 percent in February 2013, and below the year-ago estimate of 11.1 percent. This compares with an unadjusted unemployment rate of 9.4 percent for California and 7.6 percent for the nation during the same period. The unemployment rate was 9.5 percent in El Dorado County, 8.0 percent in Placer County, 9.2 percent in Sacramento County, and 11.1 percent in Yolo County. Overall trends in the unemployment rate are exhibited on the following table.



Source: State of California Employment Development Department

Between February 2013 and March 2013, total wage and salary employment located in the counties of El Dorado, Placer, Sacramento, and Yolo increased by 5,000 to total 835,000 jobs. Government gained 2,100 jobs over the month. The growth in local government (up 1,300 jobs) and state government (up 900 jobs) overshadowed the small loss reported in federal government (down 100 jobs). Leisure and hospitality picked up 1,000 jobs. The expansion was

concentrated in accommodation and food services (up 700 jobs), but arts, entertainment, and recreation contributed 300 jobs. Professional and business services added 900 jobs over the month. The gains in professional, scientific, and technical services (up 1,100 jobs) and management of companies and enterprises (up 100 jobs) more than offset the reduction in administrative and support and waste services (down 300 jobs). The three industries experiencing minor losses included other services (down 200 jobs), construction (down 100 jobs), and financial activities (down 100 jobs).

Between March 2012 and March 2013, total jobs located in the region increased by 13,800, or 1.7 percent. Professional and business services led the expansion with a 7,000-job gain over the year. Additions were scattered among administrative and support and waste services (up 4,100 jobs), professional, scientific, and technical services (up 2,700 jobs), and management of companies and enterprises (up 200 jobs). Trade, transportation, and utilities picked up 5,400 jobs. Retail trade (up 3,100 jobs), transportation, warehousing, and utilities (up 1,700 jobs), and wholesale trade (up 600 jobs) all contributed to the improvement. Education and health services and manufacturing each gained 1,800 jobs over the year. Government declined by 1,700 jobs. The cutbacks in local government (down 2,200 jobs) and federal government (down 100 jobs) more than offset the expansion in state government (up 600 jobs).

The local economy and job formation element has shown recovery in terms of employment in the past year as noted as follows.

| YEAR       | LABOR FORCE | EMPLOYMENT | UNEMPLOYMENT | RATE  |
|------------|-------------|------------|--------------|-------|
| 2013 (YTD) | 1,049,100   | 952,700    | 96,300       | 9.2%  |
| 2012       | 1,048,000   | 938,700    | 109,300      | 10.4% |
| 2011       | 1,039,400   | 916,200    | 123,200      | 11.9% |
| 2010       | 1,026,200   | 896,900    | 129,300      | 12.6% |
| 2009       | 1,038,600   | 911,300    | 127,400      | 12.3% |
| 2008       | 1,058,500   | 983,600    | 74,900       | 7.1%  |
| 2007       | 1,047,000   | 991,200    | 55,800       | 5.3%  |
| 2006       | 1,033,100   | 984,700    | 48,400       | 4.7%  |
| 2005       | 1,017,600   | 967,500    | 50,000       | 4.9%  |
| 2004       | 1,002,200   | 947,000    | 55,200       | 5.5%  |
| 2003       | 990,900     | 933,600    | 57,300       | 5.8%  |
| 2002       | 970,100     | 916,300    | 53,800       | 5.5%  |
| 2001       | 936,200     | 894,200    | 42,000       | 4.5%  |
| 2000       | 908,800     | 869,900    | 38,900       | 4.3%  |

Source: State of California Employment Development Department. YTD information as of March 2013

The information above identifies elements of recovery in the Sacramento region, especially noted over the past year. As of March 2013, the total employment was identified at 952,700 jobs, reflecting a slight increase from the annualized totals in 2012 at 938,700 and 2011 at 916,200 jobs. Essentially, this element has trended to modest recovery in the past year after significant job losses from 2008 to 2009, when 72,300 jobs were lost, or 12.3%. Effectively, this loss in jobs has pushed total employment to levels identified between 2004 and 2005 for the region. Total employment is trending upward in the Sacramento region.

## Housing

The Sacramento housing market experienced strong growth between 2000 and 2010, but the last four years of the decade saw significant reductions in demand and deterioration of pricing. The perfect storm of unsustainable lending practices along with price escalation that became increasingly divorced from income levels created a bruising period for new home builders and related industries. Much of the reduction in building was caused by excess supply of existing homes due to foreclosures. The total foreclosures in the Sacramento region were at their highest levels in 2008 and 2009, but are trending downward as existing inventories are being absorbed. Foreclosure properties are playing less of a role in the current market climate as the market is trending upward. The following table summarizes the total number of "Notices of Default" identified in the Sacramento Region according to DataQuick. This is identified for Sacramento, Placer, Yolo and El Dorado County. This includes annual information through 2012.

| COUNTY            | 2007           | 2008           | 2009           | 2010           | 2011           | 2012           |
|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Sacramento        | 17,828         | 23,950         | 24,952         | 17,941         | 16,236         | 11,627         |
| Yolo              | 1,095          | 1,733          | 1,930          | 1,369          | 1,252          | 905            |
| Placer            | 2,723          | 4,018          | 5,612          | 4,422          | 3,853          | 2,690          |
| El Dorado         | 1,023          | 1,489          | 2,331          | 1,879          | 1,712          | 1,086          |
| <b>Totals</b>     | <b>22,669</b>  | <b>31,190</b>  | <b>34,825</b>  | <b>25,611</b>  | <b>23,053</b>  | <b>16,308</b>  |
| <b>California</b> | <b>254,824</b> | <b>404,487</b> | <b>456,250</b> | <b>304,165</b> | <b>269,650</b> | <b>198,111</b> |
| <b>% of Total</b> | <b>8.9%</b>    | <b>7.7%</b>    | <b>7.6%</b>    | <b>8.4%</b>    | <b>8.6%</b>    | <b>8.2%</b>    |

Source: Data Quick, Through 4<sup>th</sup> Quarter 2012

In 2007, there were 22,669 housing units with “Notices of Default” filed against homeowners, as compared to 31,190 in 2008. This element continued to its highest point in 2009 with 34,825 notices of default. This element trended downward in 2010 as the total decreased to 25,611, a reduction of 26.5%. It represents the lowest level since 2007. Based on the 2011 statistics, 23,053 NOD’s were noted, which is lower than the past three years. The year end statistics of 2012 shows a continued decline, with a count of 16,308 NOD’s in the four county regions as of the end of December 2012.

With foreclosures slowing in the region and the low inventory levels, the homes closed in the secondary market (resale homes) are capturing market share. This element has influenced new home building in the region to low points in the decade in terms of both building permits and sales. However, with low inventory levels, the market is starting to shift back to new home sales. The following table shows the total number of homes sold in each county according to Metrolist in the past five years, as well as the median home price. YTD info through March 2013.

| COUNTY        | 2008          | 2009          | 2010          | 2011          | 2012          | YTD 2013*    | ACTIVE       | MOS. INVENTORY  |
|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|-----------------|
| Sacramento    | 21,925        | 22,361        | 14,531        | 18,973        | 21,492        | 3,300        | 1,616        | 0.9 Mos.        |
| Placer        | 4,620         | 4,673         | 5,193         | 5,367         | 6,038         | 939          | 599          | 1.2 Mos.        |
| El Dorado     | 1,604         | 1,823         | 2,079         | 2,146         | 2,762         | 432          | 495          | 2.2 Mos.        |
| Yolo          | 2,001         | 1,868         | 1,739         | 1,703         | 1,997         | 281          | 186          | 1.1 Mos.        |
| <b>Totals</b> | <b>30,150</b> | <b>30,725</b> | <b>23,541</b> | <b>28,189</b> | <b>32,289</b> | <b>4,952</b> | <b>2,896</b> | <b>1.1 Mos.</b> |
| COUNTY        | 2008          | 2009          | 2010          | 2011          | 2012          | YTD 2013*    | ACTIVE       | MOS. INVENTORY  |
| Sacramento    | \$205,000     | \$170,000     | \$172,500     | \$165,000     | \$167,000     | \$193,000    | \$249,000    | -               |
| Placer        | \$330,000     | \$287,000     | \$270,000     | \$260,000     | \$273,200     | \$290,000    | \$449,000    | -               |
| El Dorado     | \$375,000     | \$320,000     | \$295,000     | \$269,900     | \$270,000     | \$285,000    | \$422,900    | -               |
| Yolo          | \$290,000     | \$241,000     | \$240,000     | \$225,000     | \$230,000     | \$243,000    | \$327,108    | -               |

Sales in the secondary market spiked in 2008 and 2009 due to the added inventory of foreclosures. Sales trends dropped in 2010, but were still higher than historic averages. The resales in 2011 indicate slightly higher totals than 2010, whereas total sales in 2012 are showing a slight gain based on annualized totals. Year-to-date information for 2013 shows significantly higher pricing due to the lack of inventory. The most noteworthy statistic noted above is the total inventory. Recovery in pricing is dependant upon inventory characteristics. Currently, the four counties are showing a total supply (based on absorption of all available properties) from 0.9 months to 2.2 months. This is predicated on the sales rate attained in 2012. Inventory levels are shrinking and approaching a shortage.

The average price of a new home ranges from \$204,615 (Yuba County) to \$484,165 (El Dorado County) in the Sacramento region by the end of the Third Quarter 2012. According to the Gregory Group (New Housing Trends), 4<sup>th</sup> Quarter 2012, the historic average pricing for the Sacramento region are identified on the following table.

| COUNTY            | 4Q 2010          | 4Q 2011          | 4Q 2012          | %Δ 10-12    | %Δ 11-12     |
|-------------------|------------------|------------------|------------------|-------------|--------------|
| El Dorado County  | \$870,520        | \$456,709        | \$484,165        | -44.4%      | 6.0%         |
| Placer County     | \$358,801        | \$326,600        | \$361,685        | 0.8%        | 10.7%        |
| Sacramento County | \$315,285        | \$293,883        | \$327,385        | 3.8%        | 11.4%        |
| Yolo County       | \$303,251        | \$351,317        | \$383,103        | 26.3%       | 9.0%         |
| Sutter County     | \$275,684        | \$260,732        | N/A              | N/A         | N/A          |
| Yuba County       | \$200,627        | \$192,892        | \$204,615        | 2.0%        | 6.1%         |
| <b>REGIONWIDE</b> | <b>\$342,112</b> | <b>\$313,056</b> | <b>\$353,391</b> | <b>3.3%</b> | <b>12.9%</b> |

Source: The Gregory Group, 4<sup>th</sup> Quarter 2012

Pricing changes from 2010 to 2012 (Fourth Quarter), as well as changes over the past year are identified on the table above. This information shows that pricing has increased in the entire region by 3.3% since the 4<sup>th</sup> quarter of 2012. The region appears to be showing signs of stabilization as indicated by the 4<sup>th</sup> quarter 2012 increases in new home pricing at 12.9% over the past year. Altogether, there were 2,841 new homes sold in the Sacramento region during 2009. This represents a decrease of 39.5% when compared to the sales figures for 2008, and 62% from rates identified in 2007. This rate dropped to 1,776 units in 2010 and data compiled for 2011 shows a total sales figure of 1,668 new home sales in the six county regions. Data shown in 2012 suggests an improvement in demand. The following table shows historic trends in the overall sales for the Sacramento region since 2010 based on information derived from the Gregory Group.

| COUNTY            | 2010         | 2011         | 2012         |
|-------------------|--------------|--------------|--------------|
| El Dorado County  | 35           | 40           | 136          |
| Placer County     | 863          | 663          | 1,087        |
| Sacramento County | 739          | 786          | 1,259        |
| Sutter County     | 24           | 16           | 10           |
| Yolo County       | 88           | 105          | 226          |
| Yuba County       | 27           | 58           | 64           |
| <b>REGIONWIDE</b> | <b>1,776</b> | <b>1,668</b> | <b>2,782</b> |

Source: The Gregory Group, 4<sup>th</sup> Quarter 2012

The subject property is located in the Sacramento County market area which is gaining momentum with respect to new home sales. 2012 annual sales are above the annualized totals noted over the past two years.

### Commercial Real Estate Market Characteristics

The decline in the employment market and the overall economic environment impacted the commercial markets throughout the region. However, these markets are improving and the latest positions for each segment are noted below based on excerpts from the CB Richard Ellis Market Index Brief, 4<sup>th</sup> Quarter 2012 for these various components.

#### Industrial

After a slow start to 2012, the second half of the year brought new hopes of progress in the Sacramento industrial market. The fourth quarter recorded 912,435 square feet of positive net absorption and marks the second consecutive quarter of over 700,000 square feet of positive net absorption. However, a positive trend in absorption is not the sole reason to be optimistic. One of the largest industrial portfolios in the region, formerly owned by the JB Company, was sold to Westcore Properties/DRA Advisors at the end of the fourth quarter. Of the 11 million square feet acquired, 9 million square feet is located in Sacramento. This, along with Indcor Properties, a subsidiary of Blackstone who took over 1 million square feet earlier this year, indicates that the market should see a drastic shift towards institutional ownership opportunities in the near future. As one of the slower industrial markets in the western region to recover, Sacramento has shown signs of promise by recording over half a million square feet of positive net absorption in 2012.

Leasing activity was strong during the fourth quarter. Food and beverage distribution related users remain one of the largest and most active users in the market as United Natural Foods and NorCal Beverage accounted for two of the largest lease transactions both over 130,000 square feet each. Optimistically, these are just the beginning of larger

lease transactions. There is a number of 100,000-200,000 square foot deals in the market where the tenant is expected to occupy in 2013.

Sales activity also remained relatively stable during the fourth quarter. The most notable sale transaction was the purchase of one of the former Hewlett Packard buildings in Roseville. The 326,173 square foot facility at 9000 Foothills Boulevard was sold to Coveka, a third party aftermarket support and services provider of high technology and complex products. This was the only building sale over 100,000 square feet for the fourth quarter and also represented the largest sale transaction of the quarter and the year.

Despite the positive numbers, the Sacramento region saw the departure of three of the largest users in the market as HP, Campbell's and Comcast vacated nearly 3 million square feet during 2012. The amount of positive net absorption reflected at year end speaks volumes about the resiliency of the market. However, losing three large national tenants will continue to challenge the overall market. On a smaller scale, leasing of light industrial product continued to prove challenging particularly in business parks. Lastly, there were not any new construction projects during the fourth quarter of 2012. It is anticipated that speculative construction of larger footprint buildings will reach the drawing board in 2013. Current data elements of the Sacramento Industrial Market are identified as follows.

| AREA                    | RENTABLE SF | VACANT SF  | VACANCY RATE | YTD NET ABSORPTION | UC      |
|-------------------------|-------------|------------|--------------|--------------------|---------|
| Greater Sacramento Area | 171,703,334 | 21,715,469 | 12.6%        | 615,838            | 319,311 |

Source: CB Richard Ellis, Market Index Brief, 4<sup>th</sup> Quarter 2012

## Office

Driven by a handful of transactions, the Sacramento office market recorded over half a million square feet of net absorption in the fourth quarter. 2012 marks the first time the office market has recorded positive net absorption of each quarter of a calendar year since 2006. The fourth quarter saw vacancy rate drop 1.1 percentage points to 22.2%, which is as low as it has been since 2010. Average asking lease rates dropped \$0.01 to \$1.69 per square foot, full service, and have shown minimal change over the past year and a half. While some large transactions inflated the fourth quarter numbers, the market displayed slow and steady improvement throughout 2012.

There was notable activity in a handful of submarkets. Sutter Health signed a lease for 312,000 square feet at 9100 Foothills Boulevard in the Roseville/Rocklin submarket with occupancy slated for the first quarter of 2013. Reports indicate that they will be consolidating back office space in the Bay Area and in the Sacramento area, so it remains to be seen what the net effect will be on the market. Roseville/Rocklin recorded over 500,000 square feet of net absorption for the years, dropping the vacancy rate to 24.3% in the submarket. Highway 50 was also the beneficiary of a large Sutter Health transaction, as the company leased 110,000 square feet at 10391 Peter McCuen Boulevard. After flat net absorption through the first three quarters of the year, Highway 50 will finish 2012 with over 170,000 square feet of positive net absorption. The Folsom submarket continued to see strong activity in the fourth quarter and finished the year with just over 100,000 square feet of positive net absorption. Finally, the California Correctional Health Care transaction, which includes the existing product as well as new construction, resulted in positive gains for Elk Grove.

Incidentally, the completion of the build-to-suit for California Correctional Health Care is the first completed construction project in the Sacramento office market since the third quarter of 2011. Current construction activity in the market is limited to two projects in Roseville comprising of 106,140 square feet. 400 Sunrise Avenue and 400 Oaks Street, which are unrelated, each total approximately 53,000 square feet and had been stalled under former ownerships; the new owners of these projects are expected to complete the buildings and bring them to market for lease.

While 2012 has seen a number of large leases, the pace of recovery for small to mid-sized tenants has been relatively modest. The segment of the market, comprised largely of local businesses, is more closely tied to the local economy, which has lagged recoveries elsewhere. As the unemployment rate remains high, the office market will continue to face challenges. There are questions looming with the national economy, but two encouraging trends are that the housing market is improving and that larger California office markets have begun to experience recovery. Current data elements of the Sacramento Office Market are identified as follows.

| AREA                    | RENTABLE SF | VACANCY RATE | YTD NET ABSORPTION | UC      |
|-------------------------|-------------|--------------|--------------------|---------|
| Greater Sacramento Area | 53,123,162  | 22.2%        | 783,837            | 106,140 |

Source: CB Richard Ellis, Market Index Brief, 4<sup>th</sup> Quarter 2012

## Retail

At year end, the Sacramento retail market reported 601,431 square feet of positive year-to-date net absorption, the largest amount recorded since the fourth quarter of 2008. Although the fourth quarter ended relatively flat, it marked the sixth consecutive quarter of positive net absorption.

Retail vacancy rates continued to decline throughout the year from a high of 14.9% reported in 2010 to the current level of 11.3%. While the vacancy rate remained unchanged from the previous quarter, fourth quarter's vacancy rate was lower than levels recorded in the beginning of 2008.

The first major retail development broke ground at the end of 2012 at the SEC of Sierra College Boulevard and Interstate 80 in Rocklin. Donahue Scribers', Rocklin Crossings, a 543,500 square foot shopping center is currently underway with a Walmart Super Center (180,000 SF) and Home Depot (128,000 SF). The project is expected to open in spring 2014. Most notably, Rocklin Crossings is the largest retail development to break ground since 2008 when Folsom's Palladio at Broadstone started construction.

During the course of the year, Class A centers experienced a steady flow of leasing activity from national tenants. Active tenants include: Hobby Lobby, Total Wine and More and Walmart National Grocery. A majority of the space backfilled during the year occurred in second generation space previously occupied by retail stores such as Borders Books and Linens N Things. For example, the Fresh Market occupied the former Borders Books location in the Rocky Ridge Town Center (Roseville), Total Wine and More backfilled the Borders Books in phase 1 at Broadstone Plaza (Folsom), while DSW shoes will occupy the former Borders location in Laguna Crossroads (Elk Grove).

Relocations also played a major role in retail leasing throughout the year. Several national tenants upgraded their current retail sites to locations previously unavailable to them. A few examples are Bed Bath & Beyond, UTLA, Sports Authority and Old Navy. It is anticipated that national tenants will continued to actively seek retail locations throughout the Sacramento region. For example, Life Time Fitness, a 120,000 square foot health club, recently submitted plans to the City of Roseville to build what would be the largest health club in the Sacramento region, and first to California, if the project moves forward.

Sacramento area store closures slowed by the end of 2012 and many retailers successfully positioned themselves in highly sought after locations. Moving into the beginning of next year the retail market will continue to improve at a slow and steady pace. New construction will be unlikely until a majority of the current vacant space is absorbed and housing construction occurs, this will allow the existing vacant space to be absorbed. As a result, the vacancy rate should continue to trend upward. The average asking lease rate in Class C centers should increase as they near full occupancy. However, Class B and C centers will remain flat. Watch for the grocery sector to remain competitive as new grocers such as Walmart Neighborhood Grocery edge in on its competitors. New customer shopping patterns will also to shape competition. Current data elements of the Sacramento Retail Market are identified as follows.

| AREA                    | RENTABLE SF | VACANT SF | VACANCY RATE | YTD NET ABSORPTION | UC      |
|-------------------------|-------------|-----------|--------------|--------------------|---------|
| Greater Sacramento Area | 44,650,923  | 5,028,266 | 11.3%        | 601,431            | 308,000 |

Source: CB Richard Ellis, Market Index Brief, 4<sup>th</sup> Quarter 2012

Overall trends in the commercial real estate market suggest an improving outlook. The economic climate took its toll on these segments and common trends show limited new construction with increases in demand lowering vacancies in existing spaces.

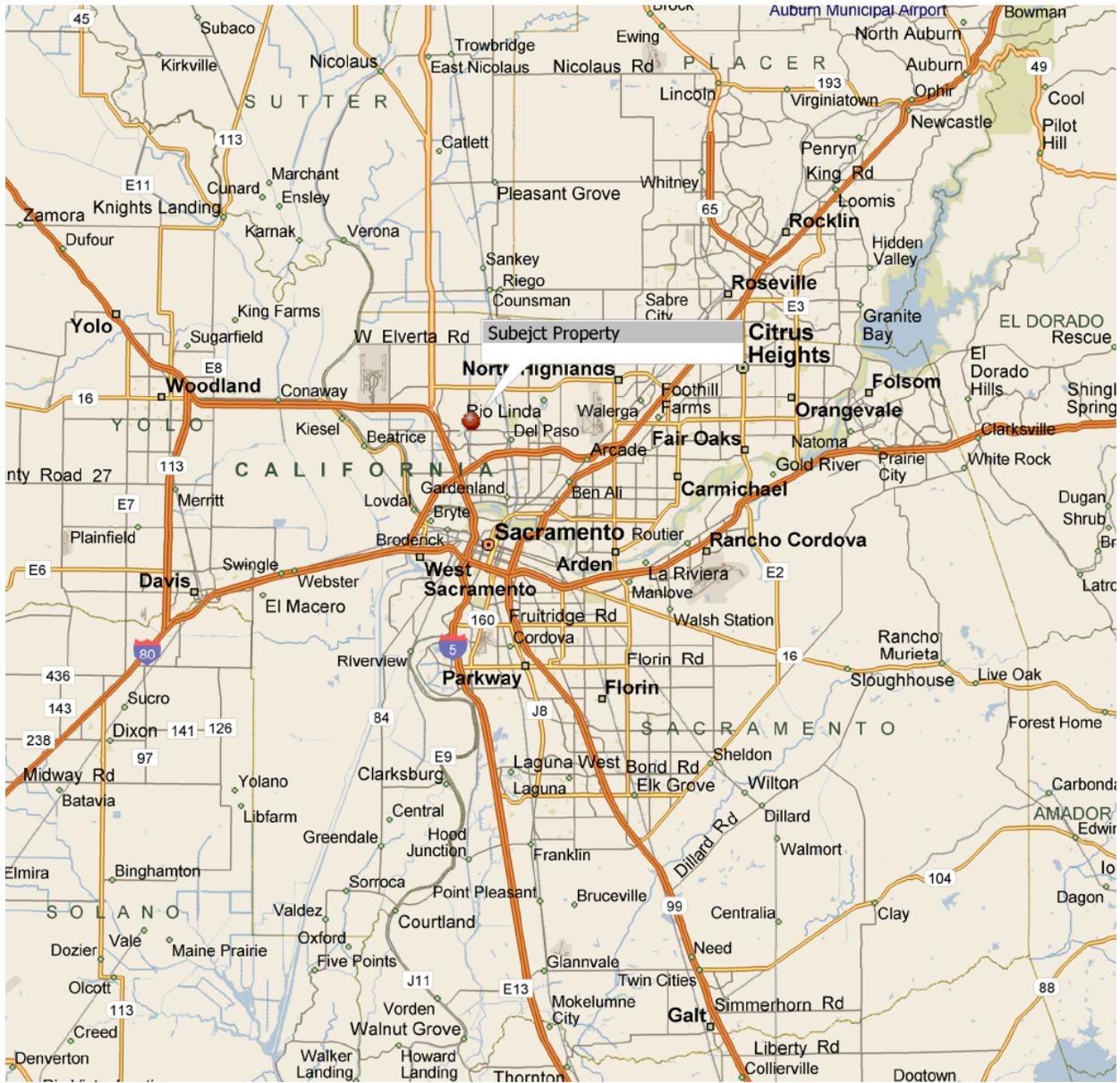
## **Leisure Activities**

For leisure activities, Sacramento's best asset is its location. The city makes a good base camp to sample the sights of Northern California. San Francisco, Lake Tahoe, Yosemite National Park, the Napa Valley, Monterey Bay, and historic towns of the gold rush era are all within a few hours by car. In Sacramento itself there are the Kings of the National Basketball Association, professional opera and ballet companies, a symphony orchestra and the West's oldest public art museum. Mild weather makes most outdoor sports available year round, including tennis, golf, boating and bicycling. With picturesque Gold Rush-era towns dotting the foothills east of Sacramento, and with the majestic Sierra Nevada beckoning skiers, backpackers, boaters and anglers, it is easy to understand the Sacramento appeal to tourists. About 20 percent of Sacramento's visitors came to town while vacationing, 17 percent were visiting friends and relatives, and 20 percent were passing through town.

## **Conclusion**

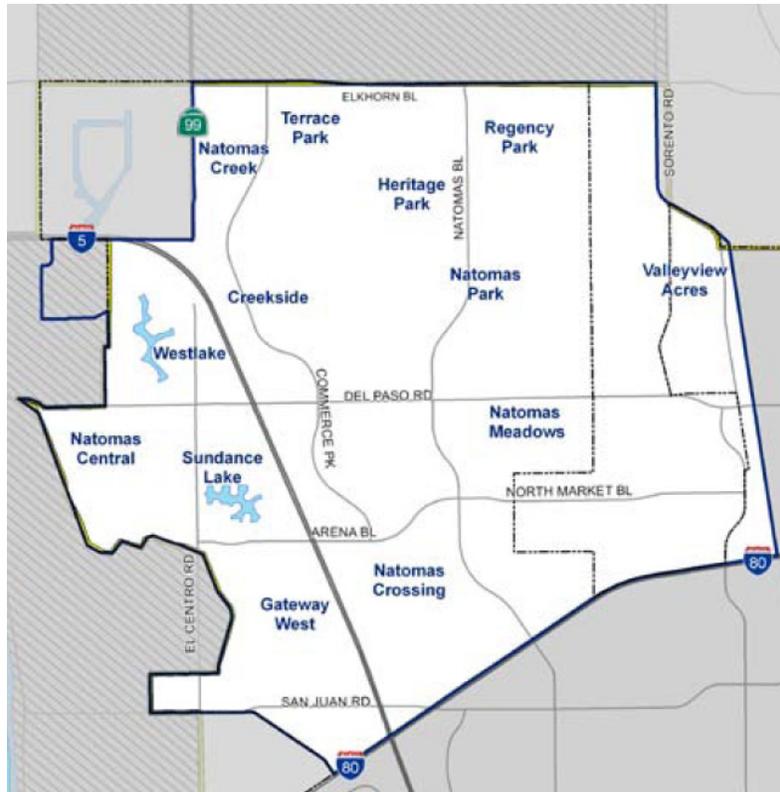
The Sacramento region enjoys a favorable location, central within California and the West Coast. All forms of transportation are well developed and easily accessible. The work force is relatively stable, educational facilities are abundant, and the generally favorable government attitude allows the area to be attractive to both individuals and corporations. In 2008 and into 2010, the negative job growth and the housing market created a recessionary environment. Jobs contracted back to levels seen in the early part of the past decade, whereas housing prices have moved backward to levels prior to 2000. These elements are recovering noted by the job growth since the end of 2011 with 36,500 additional jobs and significant improvement in the housing markets. Current trends show a recovering economy, likely to influence the other markets in the foreseeable future.

# REGIONAL MAP



## AREA DESCRIPTION

The subject property is located within the boundaries of the North Natomas Community Plan. The North Natomas Community Plan Area (9,001 acres), located in the northwest portion of the city of Sacramento, is part of the greater Natomas Basin (55,000 acres). It consists of approximately 7,440 acres in the city limits and 1,561 acres in Sacramento County. The southern edge of the community is approximately 3 miles from Downtown Sacramento and the northwestern edge is approximately 2 ½ miles from the Sacramento International Airport. The community is bounded by Elkhorn Boulevard on the north, Interstate 80 on the south, the Natomas East Main Drainage Canal on the east, and the West Drainage Canal, Fisherman's Lake, and Highway 99 on the west. The South Natomas Community Plan Area borders North Natomas on the south and North Sacramento on the east. Unincorporated areas of Sacramento County and the Natomas Joint Vision Area border on the north and west.



The North Natomas Community Plan includes an integrated mixture of residential, employment, commercial and civic uses. Residential development is predominantly suburban single-family with some multi-family dwelling units. Neighborhoods including Natomas Creek, Regency Park, Heritage Park, Natomas Meadows, Valleyview Acres, Natomas Park, Terrace Park, Creekside, Natomas Central, Westlake, Sundance Lake, Natomas Crossing, and Gateway West are spread throughout the Plan Area.

There is a significant amount of vacant land in the North Natomas Community Plan Area. Much of this land is located in the Panhandle which is in unincorporated Sacramento County that abuts the city portion of North Natomas on the east, north, and west.

North Natomas is a major employment center for the Sacramento region with multiple office and light industrial employment centers. The majority of North Natomas jobs are either in office or industrial sectors. Northgate Industrial Park, located in the south portion of the Panhandle, provides light industrial and manufacturing jobs for North Natomas and regional employees. There is a cluster of office parks along Interstate 5 and Arena Boulevard that provide jobs for North Natomas and regional employees. Unlike other area of Sacramento that have large federal and state employment centers, only a small amount of North Natomas jobs are in the public sector. The jobs-to-housing ration is relatively balanced with 1.2 jobs for every housing unit in the incorporated area. The

Downtown-Natomas-Airport (DNA line) will eventually link the employment centers and the airport to the greater Sacramento area.

North Natomas has local-serving retail plazas, the regional-scale retail center, Natomas Marketplace, and the Promenade located at the corner of Truxel Road and Interstate 80, which serves the retail goods and services needs of North Natomas, South Natomas, and North Sacramento, as well as the region. Other key features in the area include the Sleep Train Arena Sports complex, home to the NBA's Sacramento Kings and is the site of other sports, cultural, and entertainment events. The North Natomas Plan Area has over thirty small neighborhood parks and community recreation parks distributed throughout residential areas, which will provide the largest number of parks per resident in the city. North Natomas Regional Park (207 acres) is located in the city of the community of Natomas Park Bouelvard, north of Interstate 80.

Residential development flourished in this area starting with the development of Natomas Park. Over 5,000 homes have been constructed in this master planned community, to the point where vacant land for residential uses is diminishing in this area. However, this area is not immune from the contraction in the housing market, which has impacted resale pricing as well as the new home markets.

Another variable that influenced potential demand for housing in the region was the decertification of the flood areas in North Natomas in December 2008. As of this date, the Federal Emergency Management Agency (FEMA) issued new flood risk maps for the Natomas region. These maps moved Natomas from a moderate risk "X" flood zone to a higher risk "AE" flood zone – a change that triggered the federal flood insurance requirement. This change was in response to a major levee upgrade for the region at a total estimated cost of \$618 million. This created a de-facto building moratorium. More specifically, if residential projects in the area did not pull building permits (prior to December 2008), they would not be issued. This is not a legal requirement; however, any new structure constructed will be required to build one foot above the base flood elevation. In Natomas, this will mean that buildings will need to be elevated more than 20 feet in some areas. Effectively, the costs of construction is not likely feasible with this requirement. Recently, FEMA changed the flood boundaries for this property to A99, outside the 100-year flood. Still, there are approvals needed to remove the boundaries out of the flood zone, but this element was in place as of the effective date of valuation (February 26, 2013).

These flood elements were not necessarily bad news with respect to home development. At this time, the market was entering a recession as new home prices were driven downward as demand disappeared. Foreclosures entered the market, to the point of an over-supply from 2009-2011, but it appears that these additional inventory units have been absorbed. This is best observed through resale trends in the immediate area. The following table shows the resale activity in the subject's area since 2009 based on parameters identified from the Sacramento County Board of Realtors. It is predicated on the subject's zip code (95834).

| YEAR    | # OF SALES | AVERAGE PRICE | AVERAGE SF | AVERAGE \$/SF |
|---------|------------|---------------|------------|---------------|
| 2009    | 508        | \$197,252     | 1,794      | \$109.95      |
| 2010    | 402        | \$192,776     | 1,837      | \$104.94      |
| 2011    | 403        | \$162,452     | 1,725      | \$94.18       |
| 2012    | 463        | \$185,509     | 1,883      | \$98.52       |
| 2013    | 53         | \$198,308     | 1,795      | \$110.48      |
| Pending | 98         | \$187,505     | 1,780      | \$105.34      |
| Active  | 18         | \$282,263     | 2,158      | \$130.80      |

Source: Metrolist as of March 2013

The average home price in the subject's area (Zip Code 95834) increased 14.2% from the end of 2011 to the end of 2012. Continued improvement is noted by the average price noted for the first quarter of 2013. Most significant, inventory levels are low in the region. There are currently 18 homes on the market which reflects approximately 0.5 month of existing inventory. With the average asking price approximately 50% higher than the sales price (2013 indicator), average indicators are likely to trend upward into the foreseeable future.

Currently, there are no new home projects offering new homes for sale in the North Natomas Area. Flood control elements have stopped new home building in the region. However, in the past decade this was one of the strongest submarkets in the region. Sales trends were identified as follows.

| YEAR | PROJECTS | # OF SALES | AVERAGE PRICE (4Q) | AVERAGE SF | AVERAGE \$/SF |
|------|----------|------------|--------------------|------------|---------------|
| 2005 | 20       | 1,838      | \$358,465          | 1,568      | \$228.61      |
| 2006 | 24       | 1,064      | \$341,850          | 1,702      | \$200.85      |
| 2007 | 35       | 978        | \$302,957          | 1,799      | \$168.40      |
| 2008 | 24       | 678        | \$256,929          | 1,798      | \$142.90      |
| 2009 | 7        | 230        | \$294,878          | 2,329      | \$126.61      |
| 2010 | 2        | 36         | \$286,746          | 2,411      | \$118.96      |

New home projects were flourishing in the mid part of the past decade. However, when the flood control elements were announced in 2008, the number of active projects diminished. Without availability of permits several developers shut down operations, whereas others acquired as many permits as possible for future development. At the end of 2010, only 2 projects remained and no new development has occurred since this time frame.

From an apartment standpoint, Natomas is fairly strong. As of the 4<sup>th</sup> quarter of 2012, the average rental rate in Natomas was \$961 per month, or \$1.07 per square foot based on an average unit size of 898 square feet. Occupancy was stable identified at 94.1% in this region which benefits from the lack of new construction in the region.

The subject property is located in the North Natomas region as defined by Colliers International. All of the commercial sectors are impacted by the lack of building in the region. Elements for the various sectors are summarized as follows.

**RETAIL** – The retail sector in North Natomas includes approximately 3.3 million square feet of existing space allocated among community centers, regional centers, and strip centers. Current vacancy is at 12.2% concentrated mostly among regional centers as of the 4<sup>th</sup> quarter of 2012. Key elements for this area are identified as follows.

| TYPE              | RENTABLE AREA - SF | VACANT SF      | VACANCY %    | YTD NET ABSORPTION | AVERAGE RENT (NNN) |
|-------------------|--------------------|----------------|--------------|--------------------|--------------------|
| Community Centers | 1,432,930          | 129,651        | 9.0%         | 6,457 sf           | \$1.73/SF          |
| Power Regional    | 1,742,572          | 242,362        | 13.9%        | (11,504) sf        | \$2.17/SF          |
| Strip Centers     | 197,839            | 39,403         | 19.9%        | (8,730) sf         | \$1.34/SF          |
| <b>TOTALS</b>     | <b>3,373,341</b>   | <b>411,416</b> | <b>12.2%</b> | <b>(13,777) sf</b> |                    |

Source: Colliers International, 4<sup>th</sup> Quarter 2012

This sub-market accounts for approximately 5.7% of the total rentable area for the entire Sacramento region. Vacancy is slightly below that of the entire region noted at 13.2% as of the 4<sup>th</sup> quarter of 2012.

**INDUSTRIAL** – The industrial sector in North Natomas (identified as Northgate/Natomas) includes approximately 14.8 million square feet of existing space allocated among warehouse and flex buildings. Current vacancy is at 18.0% as of the 4<sup>th</sup> quarter of 2012. Key elements for this area are identified as follows.

| TYPE          | RENTABLE AREA - SF | VACANT SF        | VACANCY %    | YTD NET ABSORPTION  | AVERAGE RENT (NNN) |
|---------------|--------------------|------------------|--------------|---------------------|--------------------|
| Warehouse     | 12,570,641         | 2,064,208        | 16.4%        | (187,048) sf        | \$0.37/SF          |
| Flex          | 2,225,869          | 598,936          | 26.9%        | (26,834) sf         | \$0.68/SF          |
| <b>TOTALS</b> | <b>14,796,510</b>  | <b>2,663,144</b> | <b>18.0%</b> | <b>(213,882) sf</b> |                    |

Source: Colliers International, 4<sup>th</sup> Quarter 2012

This sub-market accounts for approximately 7.8% of the total rentable area for the entire Sacramento region. Vacancy is above that of the entire region noted at 12.9% as of the 4<sup>th</sup> quarter of 2012. Recovery of the industrial market is slow in the region.

**OFFICE** – The office sector in North Natomas (identified as Northgate/Natomas) includes approximately 6.3 million square feet of existing office space. Current vacancy is at 24.8% as of the 4<sup>th</sup> quarter of 2012. Key elements for this area are identified as follows.

| TYPE         | RENTABLE AREA - SF | VACANCY % | YTD NET ABSORPTION | AVERAGE RENT (FS) |
|--------------|--------------------|-----------|--------------------|-------------------|
| Office Space | 6,364,230          | 24.8%     | 1,805 sf           | \$1.67/SF         |

Source: Colliers International, 4<sup>th</sup> Quarter 2012

This sub-market accounts for approximately 6.9% of the total rentable area for the entire Sacramento region. Vacancy is above that of the entire region noted at 16.1% as of the 4<sup>th</sup> quarter of 2012. Recovery of the industrial market is slow as the overall vacancy rate is one of the highest in the region.

Overall, the retail market segment in the North Natomas region is the only sector outpacing the entire region in terms of vacancy. Combined, the three segments have approximately 4.6 million square feet of vacant space, or approximately 19.0% of existing space. While new construction is hindered in part due to the flood control measures and the requirement for flood insurance, these markets are also stagnant in terms of recovery from recessionary impacts in the past decade.

The subject property is generally a larger, infill site in this area. Currently it is identified for public use noted by the SPX zoning on the property, but ultimately the area is identified for a higher use. The underlying land use for the subject property according to the recently adopted 2030 General Plan is identified as “Urban Center High – Density: 24-250/FAR 1.75 – 8.0. Sacramento’s Urban Center High provides thriving areas with concentrations of uses similar to downtown. Each center includes employment-intensive uses, high-density housing, and a wide variety of retail uses including large format retail, local shops, restaurants, and services. These areas include major transportation hubs accessible by public transit, major highways, and local arterials and pedestrian travel. Building heights vary from low to high rise (e.g. two to twenty-four stories). Other characteristics, such as building orientation, frontage-type, access parking, streetscape, and open space are similar to those in the Central Business District. Urban form guidelines include the following.

- ⇒ A mix of low- and mid-rise buildings (two to twenty-four stories) creating a varied and defined skyline
- ⇒ Lot coverage generally does not exceed 90 percent.
- ⇒ Building heights stepping down to not more than one story higher at the property line than permitted in the adjacent neighborhood unless separated by a roadway, rail corridor, or other setback or buffer
- ⇒ Buildings sited to positively define the public streetscape and public spaces.
- ⇒ Buildings and facades and entrances directly addressing the street and having a high degree of transparency.
- ⇒ An interconnected street system providing greater distribution of traffic and route flexibility.
- ⇒ Vertical and horizontal integration of residential uses.
- ⇒ Public parks and open space areas within walking distance of local residents.
- ⇒ Parking integrated into buildings or placed in separate structures.
- ⇒ Minimal or no curb cuts along primary street facades, with side or rear access to parking and service functions.
- ⇒ Consistent planting of street trees providing shade and enhance character and identity.
- ⇒ Street design integrating safe pedestrian, bicycle, transit, and vehicular use and incorporates traffic calming features and on-street parking
- ⇒ Broad sidewalks appointed with appropriate pedestrian amenities/facilities.

This designation provides for a balanced mix of high-density/intensity single-use commercial or residential development or horizontal and vertical mixed-use development that includes the following.

**ALLOWED USES**

- ⇒ Retail, service, office, and residential uses
- ⇒ Gathering places such as plazas, courtyard or parks
- ⇒ Compatible public, quasi-public and special uses

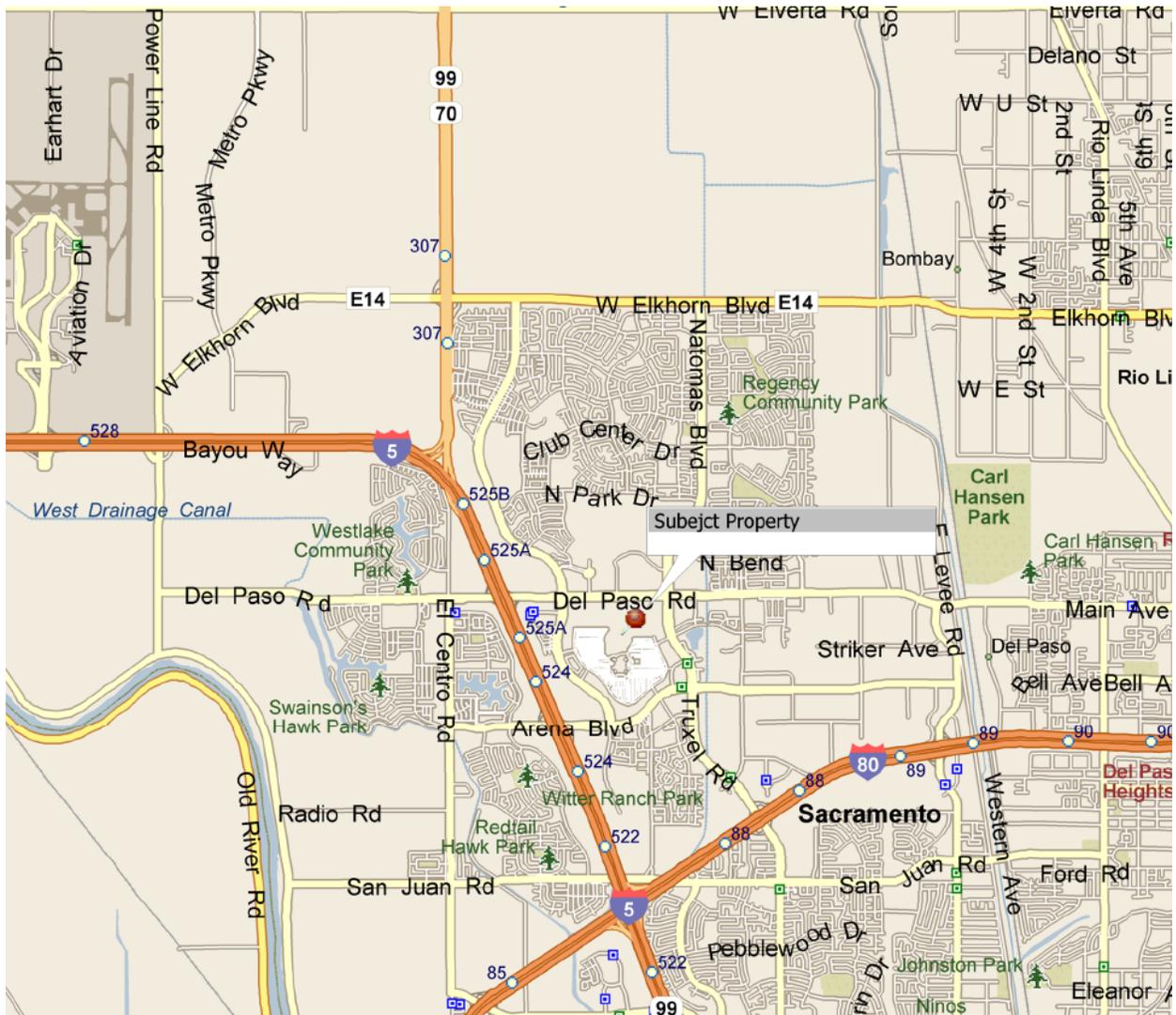
**DEVELOPMENT STANDARDS**

- ⇒ Minimum Density: 24.0 Units/Net Acre
- ⇒ Maximum Density: 250.0 Units/Net Acre
- ⇒ Minimum FAR: 1.75 FAR
- ⇒ Maximum FAR: 8.00 FAR

According to the 2030 General Plan, the long-term use identified for this property is higher density residential uses. Currently, the property is vacant land with improvements initially constructed for a proposed stadium including significant concrete work below grade. Construction estimates provided for review in preparation of this assignment noted over 20,000 cubic yards of concrete in place. The improvements in place will require demolition to facilitate development to a higher use as noted by the General Plan.

Overall, the immediate area is carefully planned to facilitate long term growth. Currently, this element is hindered with the flood control measures noted by the lack of new building. This element coupled with the recessionary period in the past decade stalled all viable markets in the region. Elements are showing recovery in the region, but vacancy levels and rental growth will have to occur for new development to become feasible once again. This element is likely over a period of time. The first element which will have to occur is flood control measures as once properties are out of the flood zone, development opportunities could accelerate.

# AREA MAP



## SITE DESCRIPTION

The subject property reflects approximately 100.41 acres of land currently utilized for multiple applications including a partially developed stadium (foundations and excavation), parking lots (used by Sleep Train Arena), and vacant land. The following descriptions are based on inspection of the site, as well as information provided by the client for review in preparation of this assignment.

### Location / Access

The subject property is generally located immediately north of Sleep Train Arena bounded by Del Paso Road to the north, E. Commerce Way to the west, and Truxel Road to the east. The physical address is 2 Sports Parkway, Sacramento, CA 95834. This parcel has four-points of access. There are two existing points from Del Paso Boulevard to the northern point of the site, with additional access along Sports Parkway along the western side (Western Entrance) and Truxel Road along the eastern side (Eastern Entrance).



### Adjacent Land Uses

The subject property is generally bounded by Sleep Train Arena to the south, office uses immediately west (across Sports Parkway) and north (Del Paso Road), with vacant land generally at the northeastern and eastern boundary of this property.

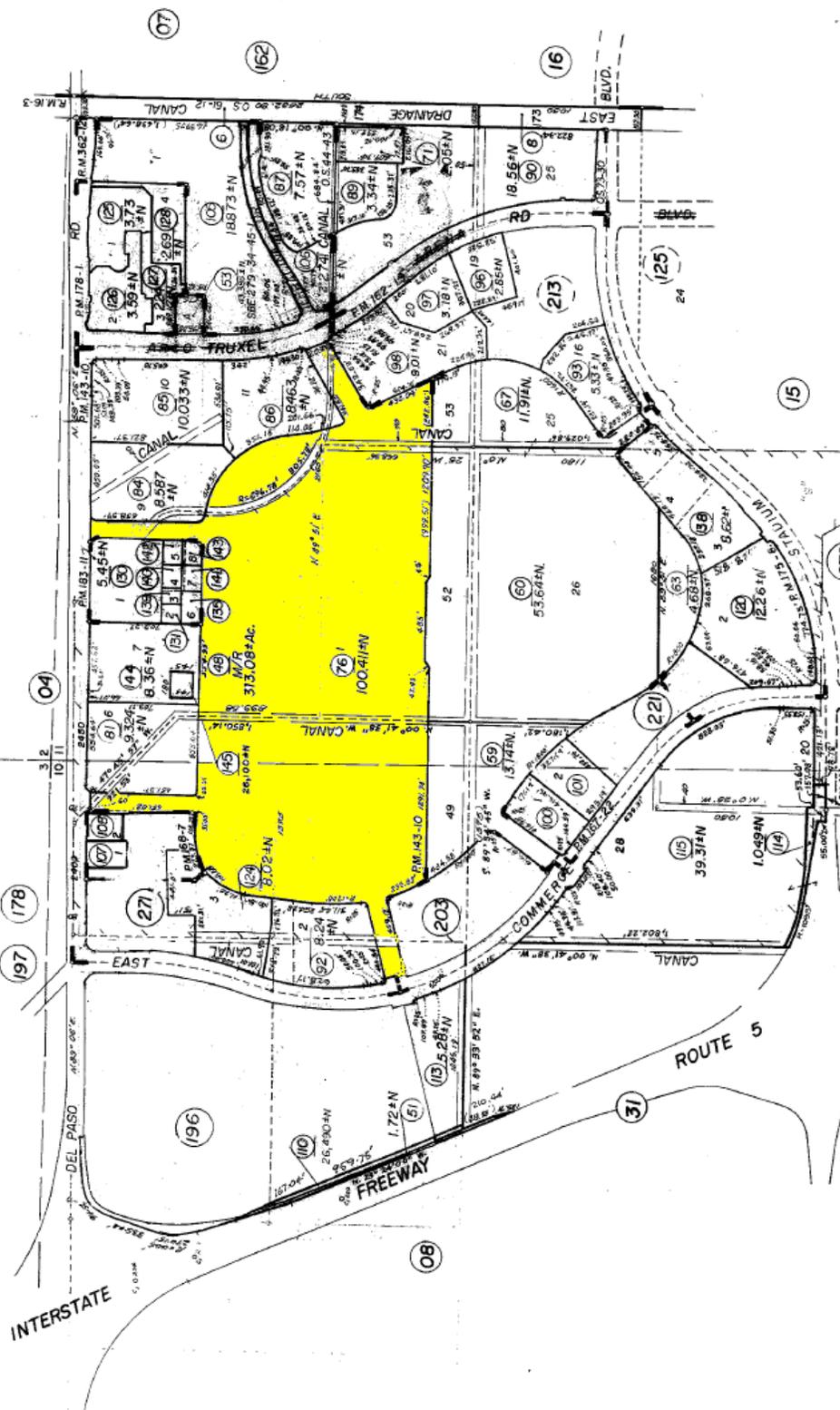
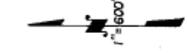
### APNs/Legal Description

The subject property is currently identified by the Sacramento County Assessor's Office as parcel 225-0070-076. The legal description for this property was provided in the Preliminary Title Report, prepared by Fidelity National Title Company, dated March 3, 2014. This description is included in the addenda of this report. The current assessors parcel map, as well as excerpts from the final map are depicted on the following pages.

225-07

Tax Area Code

POR. SEC'S. 10 & 11, T.9N., R.4E., M.D.B. & M.



CITY OF SACRAMENTO  
Assessor's Map Bk. 225-Pg. 07  
County of Sacramento, Calif.

NOTE—Assessor's Block Numbers Shown in Ellipses.  
Assessor's Parcel Numbers Shown in Circles.

O.S. Bk. 73, Pg. 30 (8-1-2007)  
Por North Natomas Villa, P.M. Bk. 168, Pg. 7 (10-2-2002) - 10/11  
Arena Corporate Center Phase 2, P.M. Bk. 167, Pg. 22 15/14 (8-29-2002)  
Por Record of Survey Recl. Dist. 1000R/WOSBk. 61 Pg. 12 (9-11-2001)  
Natomas Central Sub., R.M. Bk. 16, Pg. 3  
O.S. Bk. 44, Pg. 43 (2-1-88)



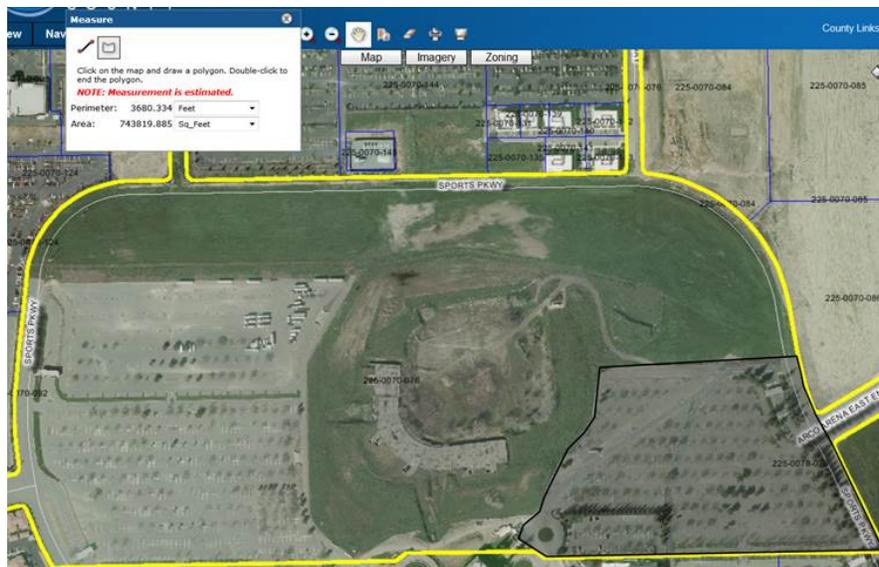
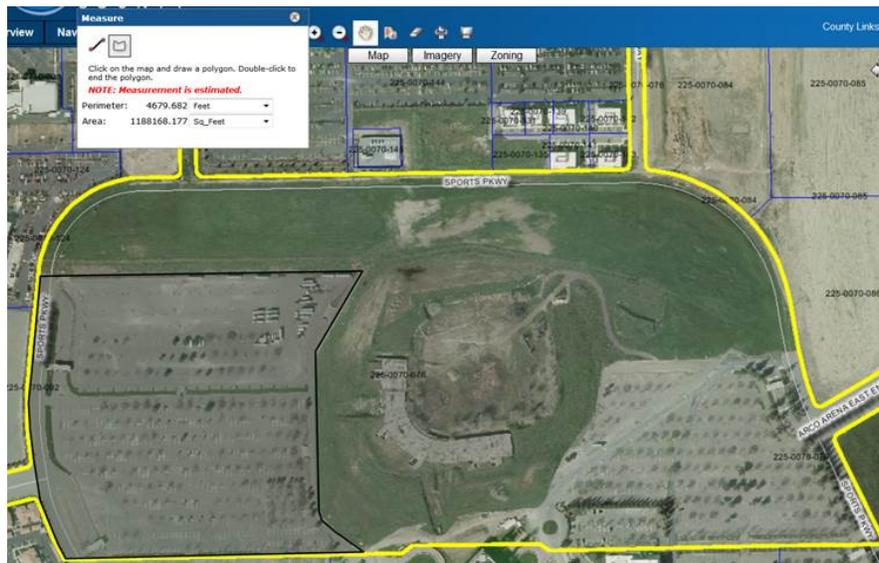
## Site Size

According to the final map for the subject property the total land area is as follows.

Total AC: 100.41 AC

Total SF: 4,373,860 SF

In addition, a larger portion of this project is developed with parking lot improvements. The total area identified for the parking lots on the property were 1,931,988 square feet, or approximately 44.35 Acres as provided by the City of Sacramento. Also, additional area was based on a contingency of 10% for a total area of 48.79 AC. It is noted that no detailed ALTA Survey was provided for review in preparation of this assignment. The land area for the parking lot improvements are identified at 44.35 AC as provided for review in preparation of this assignment. (Refer to Extraordinary Assumptions). Illustrations of these improvements are as follows.



The hypothetical value presented in this report assumes that the easement for reciprocal parking and joint use with the arena is no longer in effect. As such, the removal of the parking is included in this analysis. Detailed costs were provided from the City of Sacramento. These costs estimates included allocations for hard costs,

contingencies, general conditions and overhead and profit. These costs were provided as a range from \$1,884,700 to \$2,261,640 and are depicted below.

|                                     | Quantity  | Unit cost      | Units | Extended Low       | Extended High      | Detail Est Comments |
|-------------------------------------|-----------|----------------|-------|--------------------|--------------------|---------------------|
| Rip & grind 6" AC paving / recycle  | 2,125,187 | \$0.50         | SF    | \$1,062,594        | \$1,275,112        |                     |
| Break & remove tree wells / recycle | 600       | \$150.00       | EA    | \$90,000           | \$108,000          |                     |
| Tree removal / compost              | 600       | \$50.00        | EA    | \$30,000           | \$36,000           |                     |
| Cap / remove irrigation             | 1         | \$12,500.00    | LS    | \$12,500           | \$15,000           | Allowance           |
| Cap / remove storm water system     | 1         | \$15,000.00    | LS    | \$15,000           | \$18,000           | Allowance           |
| SWPPP                               | 1         | \$20,000.00    | LS    | \$20,000           | \$24,000           | Allowance           |
| <b>Extended Total</b>               |           |                |       | <b>\$1,230,094</b> | <b>\$1,476,112</b> |                     |
|                                     |           | <b>Percent</b> |       | <b>Amount</b>      | <b>Amount</b>      |                     |
| <b>Contingency SubTotal</b>         |           |                | 20.0% | \$246,019          | \$295,222          |                     |
| <b>General Conditions SubTotal</b>  |           |                | 12.0% | \$177,133          | \$212,560          |                     |
| <b>O &amp; P and Bonds SubTotal</b> |           |                | 14.0% | \$231,454          | \$277,745          |                     |
| <b>Total</b>                        |           |                |       | <b>\$1,884,700</b> | <b>\$2,261,640</b> |                     |

### Topography/Drainage

The topography of the property generally varies. It is generally level near the northern, eastern, and western boundaries of this site with areas of excavation noted toward the central and southern portions of the property. The project site is improved with parking lots (eastern and western sides), vacant land, and approximately 5 acres of excavated land identified for a future stadium and baseball field. Currently, the City of Sacramento maintains this portion of the project through a dewatering program. During the inspection of this parcel, the appraiser noted several feet of water built-up in this project area (refer to Subject Photographs).

Because of this element, the City of Sacramento commissioned a Biological Constraints Analysis, dated March 4, 2014. This report noted the following.

"An approximate 5.14 acre pond is located towards the center of the study area in the borrow pit/ball field area. The pond does not have any natural inflows or outflows and based on site topography has a minimal watershed. Prior to 2012, this pond was dewatered on a regular basis to prevent excess ponding, however, acres of seasonal wetland habitat was likely present in this area during that period. The pond is ringed with approximately 2.1 acres of established riparian vegetation, including mature cottonwoods and willows, and vegetated portions of the pond had established emergent vegetation. During the site visit the pond was completely inundated with water. Given the dry year, lack of adjacent watershed, and the presence of established riparian vegetation in this area; the pond likely forms due to groundwater/surface interface.

Two remnant discharge ditches were also identified within the study area, one in the northwest portion of the site north of the parking lot, and another along the northern boundary of the site. The northern most ditch may be a storm water retention feature as two rises pipes were located on either end. The northwestern ditch was filled at the westernmost end and dead ends into a field on the easternmost end. Neither of these drainage ditches exhibited any evidence of flow or recent ponding and were dominated by ruderal and upland plant species. These drainage ditches no longer appear to have wetland indicators. However, based on topography there is the potential for isolated wetlands to form within the drainage areas during high rain years. A full delineation of wetlands and other waters would provide more in-depth review of these features. Based on observations during the site survey, they do not exhibit field indicators of federal jurisdictional

wetlands or other waters, but are shown as potential waters due to landscape position and historic use.”

This information generally shows that there is water ponding on the property and identified at the time of inspection. It was identified in the Biological Constraints Analysis, dated March 4, 2014 as a 5.1 acres area. It was identified that when operational dewatering equipment was in place, a maximum of 1.5 acres of wetlands are present. Mitigation of these potential wetlands is generally at the time when development plans are drawn and land uses identified. Currently mitigation costs are approximately \$95,000 per acre resulting in potential mitigation costs from \$142,500 (1.5 AC) to \$488,300 (5.14 AC). These costs are a future expense to the ultimate developer of the property and likely to be paid once development occurs on the property.

### **Utilities**

All public utilities are available to the subject property and available at the subject street frontages. Initial site development has placed the connections underground.

Part of the change to private use for this property includes the development obligations for an overpass in the region. If used as a stadium, additional studies and/or roadway improvements would be required. Essentially, if the stadium were used in conjunction with the arena, a traffic study would be needed. If this study called out mitigation for southbound traffic then the overpass would be constructed with development costs passed to the Arena owner and the owner of the subject property. It was identified by the City of Sacramento that this use and other uses would have to be extremely intense to justify the construction. As of the effective date, no development plans were proposed nor was this overcrossing identified for future construction. It is noted that the opinions of value identified in this report are presented in conjunction with the **Extraordinary Assumption** that there are no future obligations for traffic improvements as they relate to the proposed overpass.

In addition, the subject includes 100 shares of water stock on the property with the Natomas Central Mutual Water Company (See Exception 19). According to the Natomas Central Mutual Water Company,

“A severance of water stock rights is not an automatic event upon a change from agricultural to another type of use. Natomas Water Company charges a severance fee which is adjusted from time to time by the board of directors. Unless the severance fee is paid, the property is still with the Natomas Water Company system and annual tariffs are levied against the property for water delivery services whether or not the landowner receives water deliveries.

In addition, if there are conveyance facilities or easements on the land, the landowner must obtain the consent of Natomas Water Company to abandon and remove the conveyance facilities or easements prior to development. Natomas Water Company may charge a fee for any such abandonment or removal and the amount of the fee depends, in part, on the costs incurred by Natomas Water Company, the effect of the abandonment or removal on the rest of the water conveyance system, and the value of the easement. The overall integrity of Natomas Water Company's water delivery system must be preserved and all costs incident to the abandonment or removal must be paid by the landowner. “

The current owner has paid maintenance fees in this district. The current cost to sever the water stock shares is \$3,500 per acre, but represents a future development obligation for this property.

### **Demolition Costs**

The client has provided a summary of demolition costs for this project as provided by Sierra West Group, dated February 19, 2014. These costs are summarized as follows with detailed costs included in the addenda of this report.

| ITEM   | TOTAL COSTS        |
|--|--------------------|
| Demolition Costs                                   | \$4,855,069        |
| Soft Costs<br>(Including Contingency, OH & Profit) | \$1,103,572        |
| <b>TOTAL COSTS</b>                                 | <b>\$5,958,641</b> |
| <b>ROUNDED</b>                                     | <b>\$5,958,640</b> |

The total demolition costs for the former stadium improvements are identified at \$5,958,640. This equates to approximately \$1.36 per square foot of land area (based on total project size). It is clearly noted that the opinion of value noted in this report is presented in conjunction with the following **Extraordinary Assumption**:

The costs for removal and remediation of the former stadium improvements can be removed at a cost of \$5,958,640. These costs, dated, February 19, 2014 were provided by the City of Sacramento and were utilized in conjunction of this assignment.

#### Soil Conditions

No Geotechnical Investigation Report or Soils Report was provided for review in preparation of this assignment. In the absence of a professional report provided for review, the opinion of value demonstrated in this report assumes that the soils are capable of supporting future improvements for the subject property. The appraiser is not a recognized expert in this field and does not warrant any opinions regarding the soil conditions for this property. Please refer to the assumptions and limiting conditions of this report.

#### Nuisances and Environmental Hazards

The inspection of this property occurred on February 11, 2014. This included an inspection of the entire project area. Onsite inspection of the property revealed no evidence of any potential contaminants. It is noted that no environmental report was provided for review in preparation of this assignment. The appraiser is not a recognized expert in this field and does not warrant any opinions regarding environmental hazards for this property. Please refer to the assumptions and limiting conditions of this report.

#### Easements, Encroachments & Adverse Conditions

A preliminary title report prepared by Fidelity National Title Company, dated March 3, 2014 was provided for review in preparation of this assignment. Exceptions to title include the following.

**Items 1 and 2: Property Taxes** – This exception is for property taxes not yet due (as of issuance date) and payable including any assessments collected with taxes to be levied for the fiscal year 2013-2014. The subject property is owned by a municipal corporation and is not subject to property taxes. Direct levies for this property are current.

**Item 3: The Lien of Supplemental Taxes** – No supplemental taxes are issued for the subject property with the continuous ownership of record.

**Item 4: An Assessment by the SAFCA Consolidate Capital Assessment** – This assessment is collected with the county/city property taxes. This element is classified as a 1915 Act Bond which is a special assessment imposed on those real property owners within a development area. 1915 Act bonds are for public financing usually for improvements, such as streets, curbs, gutters and underground sewer and water infrastructure that generally enhance land value. The subject property includes a 1915 Act Bond for the SAFCA Consolidate Capital Assessment as part of the Natomas Basin / North Area Local Project. This district was issued in 1997 and runs over a 30-year period. Within the North Area Local Project, assessments are proportionate to the 1) Depth of flooding (0-5 feet, 5-10 feet, greater than 10 feet); 2) Type of Land Use (Residential, Commercial-Industrial, Vacant or Agricultural); 3) Parcel Acreage; and 4) Building Square Footage. The subject

property is identified by SAFCA as a public use property with average depths of 2 feet. The annual assessment is identified at **\$6,541.92 per annum** and is collected with property taxes.

**Item 5: Any unpaid amounts now owing for municipal services - None**

**Item 6:** Rights of the public and/or Reclamation District, in and to highways, roads, ditches, canals, and levees embraced within the boundaries of the land describer herein. – As part of Item 6.

**Item 7:** Easement to Reclamation District No. 1000 for drainage facilities, recorded June 25, 1926, Book 76, Page 388 of Official Records. This is an older easement encumbering subject and most properties in the immediate area.

**Item 8:** Matters contained in that certain document entitled “Agreement for Installation of Weirs” dated September 16, 1953, executed by and Between Reclamation District No. 1000 and Natomas Central Mutual Water Company recorded April 26, 1954, Book 2593, Page 584 of Official Records. This is an older agreement pertaining to the construction of weirs for farming operations.

**Item 9:** Matters contained in that certain document entitled “Development Agreement” dated October 6, 1987, executed by and between ARCO Arena LTD, et al and the City of Sacramento recorded October 13, 1987, Book 871013, Page 2241 of Official Records. This document states intended uses for subject property for public uses.

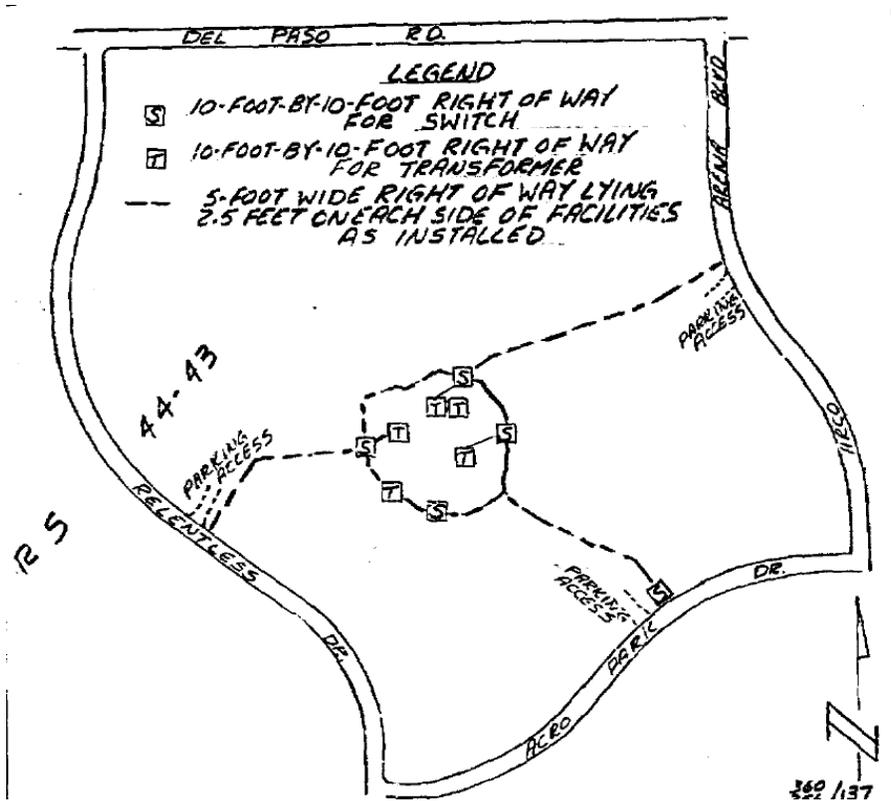
**Item 10:** Matters contained in that certain document entitled “Improvement Agreement” dated September 16, 1987, executed by and between Sacramento Sports Association, a California general partnership and ARCO Arena LTD, et al and the City of Sacramento recorded October 15, 1987, Book 871015, Page 1743 of Official Records.

**Item 11:** Matters contained in that certain document entitled “Tunnel Easement Agreement” dated March 7, 1989, executed by and between Sacramento Sports Association, a California general partnership and ARCO Arena, LTD., a California limited partnership recorded March 7, 1989, Book 890307, Page 1514, of Official Records. This document grants the easement for the tunnel which is located along the southern side of the property. It was intended to link the proposed stadium (subject property) to the adjacent arena on the property. It was designed to cross the subject site but terminates at the subject property line. A representative photograph is noted below.



**View of Tunnel Easement (Taken 2-11-14 JC)**

**Item 12:** Easement to Sacramento Municipal Utility District for electrical facilities recorded June 23, 1989, Book 890623, Page 1667, of Official Records. This agreement was recorded prior to the property divided among the arena and the stadium site. Illustrative map in this agreement seems to impact the Arena parcel as depicted below.



**Item 13:** Matters contained in that certain document entitled "Interim Drainage Agreement", dated September 28, 1989, executed by and between ARCO Arena LTD, a California limited partnership, et al, and Reclamation District No. 1000 recorded October 11, 1989, Book 891011, Page 1193 of Official Records. This document was an agreement to provide temporary drainage for 65 acres of temporary drainage for a Coca-Cola bottling site envisioned for the property in 1989. This facility was never constructed.

**Item 14:** Easements for public utilities for planting and maintaining trees. The interior boundaries of this property have a 65' right-of-way for public utilities.

**Item 15:** Notes, Recitals, Legends, and/or Conditions – As illustrated on the final map.

**Items 16-18:** Address the development agreement, subdivision improvement, issuance of revocable licenses, and relinquishment of certain easements in connection with the adjacent arena. This includes the Deed Restriction identifying this property for public use.

**Item 19:** Pertains to the Water Company Stock Shares for the subject property. As discussed, the current owner has paid maintenance fees in this district. The current costs to sever the water stock shares is \$3,500 per acre, but represents a future development obligation for this property.

**Items 20-24:** Matters contained in that certain document entitled "Reciprocal Easement and Operating Agreement", dated July 22, 1997, executed between the Kings Arco Arena Limited Partnership, a California limited partnership and the City of Sacramento recorded July 30, 1987, Book 19970730, Page 1717, of Official Records.

This document identifies the rights and use of the common area as part of reciprocal easements between the subject property and the adjacent arena property. This agreement runs for a period of

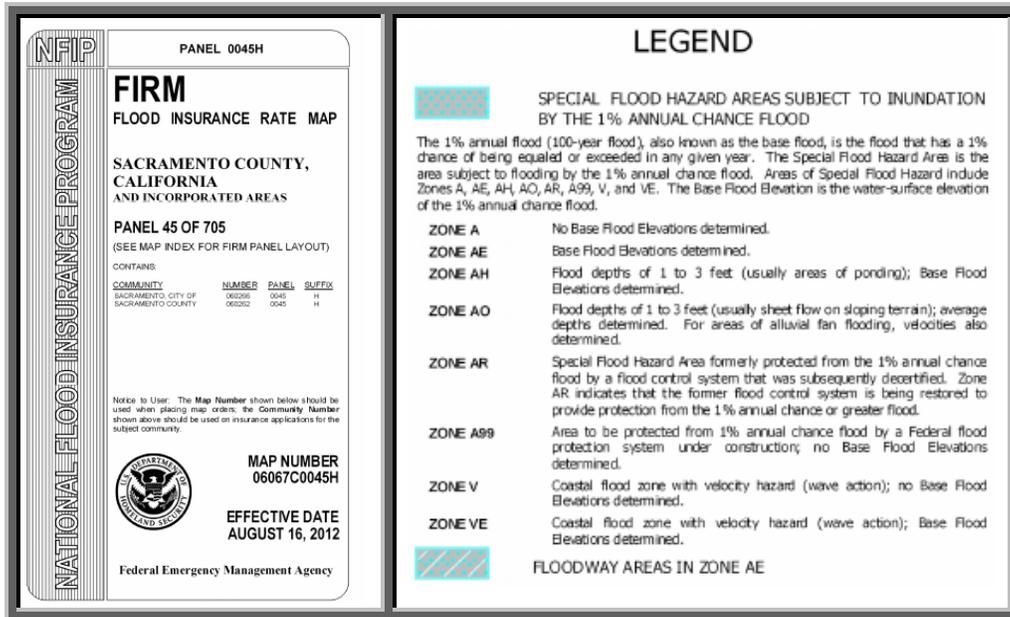


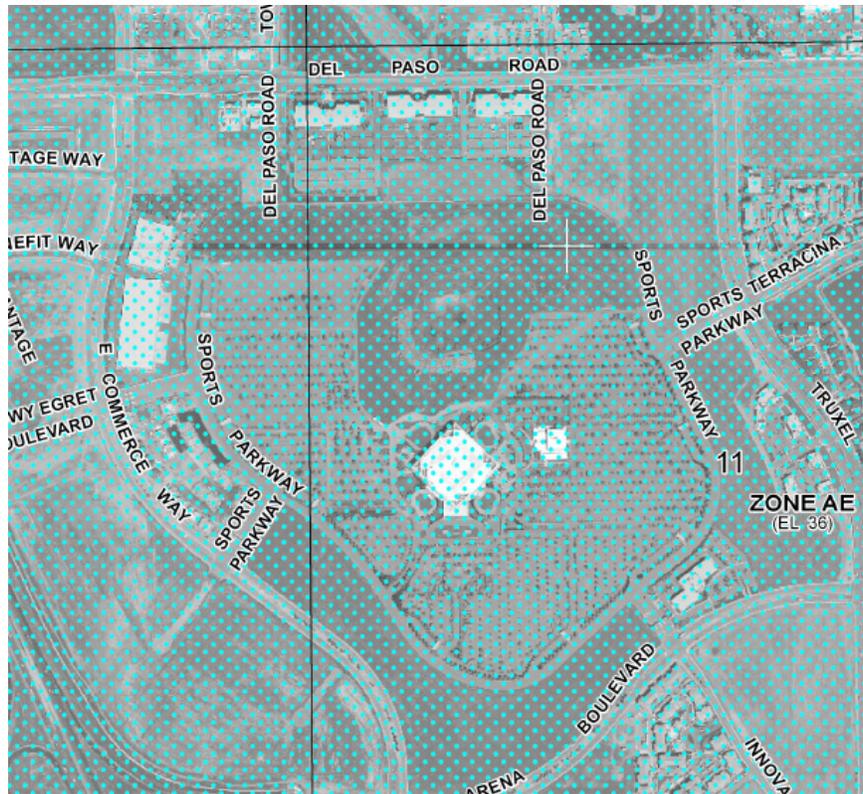
The total bond payoff for the subject property is identified at \$2,491,533 or approximately \$0.57 per square foot of land area.

**Items 27-28:** Easements to Sacramento Municipal Utility District for Electrical Facilities and Communication Facilities. These address the use of electrical and communication facilities within the 65' right-of-way for public utilities.

**Flood Zone**

The subject property is located in a flood zone identified by FEMA as Zone AE, with no base elevations determined. It is within the 1% annual flood (100-year flood), also known as the base flood, or the flood that has a 1% chance of being equaled or exceeded in any give year. The Special Flood Hazard Area is the area subject to flooding by the 1% annual chance flood. Flood Insurance Rate Map (FIRM) Number 06067C0045H, with an effective date of August 16, 2012.





Recently (subsequent to the effective date of valuation), the flood districting reverted back to zone “A99”, allowing development in the region, and placing properties outside the 100-year floor plain. Still, there are approvals needed to remove the boundaries out of the flood zone, but this element was in place as of the effective date of valuation (February 26, 2013).

**Seismic Hazard**

The subject is not located within the Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone) as defined by Special Publication 42 of the California Department of Conservation, Division of Mines and Geology. The subject is not within a special study area.

**Zoning**

The subject property is located within the jurisdiction of the City of Sacramento. The current zoning for the subject property is SPX-PUD; Sports Complex Zone. This is identified in the current zoning code for the City of Sacramento as follows.

**SPX – Sports Complex Zone**

The purpose of the SPX zone is to ensure the proper development and use of land and improvements to achieve a sports complex that, at a minimum, accommodates the design requirements of professional and amateur sports; and accommodates events, exhibitions, and performances that provide for the education, information, recreation, culture, or entertainment of Sacramento area residents and visitors, in accordance with the specific land use policies of the city general plan, community plans, and the planned unit development (PUD) guidelines. A conditional use permit is required for each use in this zone.

**PUD – Planned Unit Development**

The purpose of the Planned Unit Development is to provide for greater flexibility in the design of integrated development than otherwise possible through strict application of zoning regulations. It

is the intent of Planned Unit Development to encourage the design of well-planned facilities that offer a variety of housing or other land uses through creative and imaginative planning.

Currently, this project is designated for a sports complex. Furthermore, there are Deed Restrictions noted for this property as identified in the vesting grant deed for this project as Exhibit "A". These elements are noted below.

#### **EXHIBIT "A"**

##### **THE GRANT TO THE CITY OF SACRAMENTO SET FORTH ABOVE IS SUBJECT TO THE FOLLOWING RESTRICTIONS:**

- 1. The Grantee's use of the real property described above shall be exclusively for public purposes.**
- 2. The Grantee shall not sell, exchange or otherwise dispose of any portion of the real property described above before January 1, 1998; provided, however, that a lease of all or a portion of said property for a term (including renewal options) of less than thirty (30) years shall not be a sale, exchange or other disposition.**

The main element in the Deed Restriction is Item 1 specifying the use for public purposes. The title insurance underwriter and the City Attorney's Office have opined that the deed restriction is vague and ambiguous. First, there is no reversionary clause associated with the deed restriction in Item 1, which would have identified a consequence if Grantee were to not adhere to the public use restriction. Second, the restriction in Item 1 applies to the Grantee but does not identify any successors and/or assigns, which in turn, suggests that the Grantee and the Grantee alone is restricted to the requirement that the parcel be solely for a public use. Lastly, since the Grantee and the Grantee alone is identified in Item 1, and due to the fact that Item 2 identifies that Grantee may not, "...sell, exchange or otherwise dispose of any portion of the real property...before January 1, 1998," by implication then, after January 1, 1998, Grantee may sell, exchange or otherwise dispose of any portion of the property as Grantee so desires.

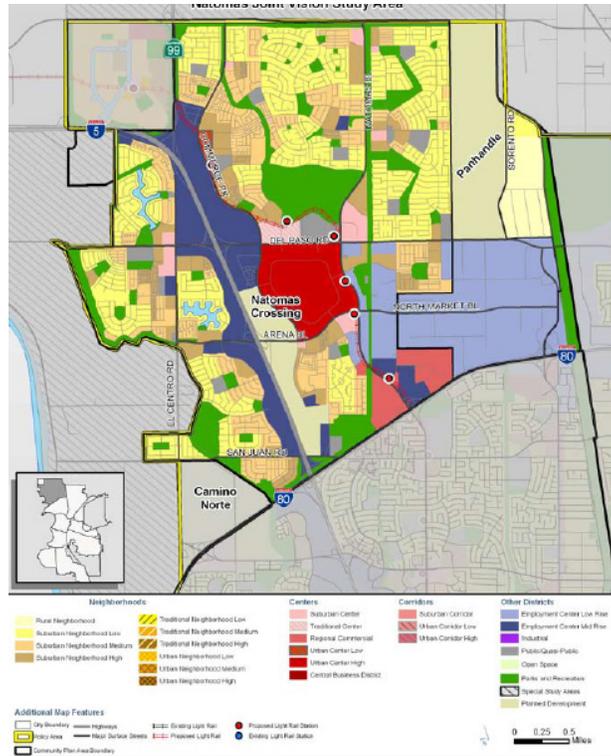
Additional documents were referenced for the potential uses for this parcel including the North Natomas Community Plan and the City of Sacramento 2030 General Plan. The North Natomas Community Plan references the subject property and the adjacent arena as "Sports Complex" in the Land Use section of this document. It is identified as follows.

##### **SPORTS COMPLEX**

The Sports Complex consists of a 15+ acre, 19,000-seat arena and an 18.5+ acre, 65,000-seat stadium that will house major professional leagues sports teams. The complex also includes a 7.3+ acre amphi-plaza, 145+ acres of parking, a private loop road, and four driveway entrances. The existing (2007) Arco Arena is the home of the Sacramento Kings, a National Basketball Association franchise team and is home to other sports, cultural, and entertainment events.

**Source: North Natomas Community Plan (Adopted March 3, 2009), Page 3-NN-6**

Further into this document, in the Land Use and Urban Design Element the subject property is classified as Urban Center High. These uses are noted on the following map as provided from the North Natomas Community Plan.



**Source: North Natomas Community Plan (Adopted March 3, 2009), Page 3-NN-13**

The Land Use and Urban Design Element includes a diagram and set of designations that combine direction for both land use and urban form. The system includes components that address standards and guidelines for allowed uses, population density, and building intensity, as well as urban form criteria from the different neighborhoods and centers throughout the city. These components work together to define allowed uses and building intensities as well as the overall role of the city.

The subject is identified for Urban Center High in the North Natomas Community Plan. As noted on this land use map, there are proposed Light Rail Stations along the western edge of Truxel Road and along the eastern edge of the property. In the Town Center portion of this project they identify the need of these light rail sections with the Sports Complex playing a role. This is noted as follows.

**SPORTS COMPLEX**

Joint Use Parking with Regional Transit. The City shall provide three hundred joint-use park-n-ride spaces for Regional Transit near the Arco Arena light rail station. Any joint use of the sports complex parking lot shall not interfere with parking for stadium or arena event.

**Source: North Natomas Community Plan (Adopted March 3, 2009), Page 3-NN-25**

The 2030 General Plan identifies this property as “Urban Center High – Density: 24-250/FAR 1.75 – 8.0. Sacramento’s Urban Center High provides thriving areas with concentrations of uses similar to downtown. Each center includes employment-intensive uses, high-density housing, and a wide variety of retail uses including large format retail, local shops, restaurants, and services. These areas include major transportation hubs accessible by public transit, major highways, and local arterials and pedestrian travel. Building heights vary from low to high rise (e.g. two to twenty-four stories). Other characteristics, such as building orientation, frontage-type, access parking, streetscape, and open space are similar to those in the Central Business District. Urban form guidelines include the following.

- ⇒ A mix of low- and mid-rise buildings (two to twenty-four stories) creating a varied and defined skyline
- ⇒ Lot coverage generally does not exceed 90 percent.
- ⇒ Building heights stepping down to not more than one story higher at the property line than permitted in the adjacent neighborhood unless separated by a roadway, rail corridor, or other setback or buffer
- ⇒ Buildings sited to positively define the public streetscape and public spaces.
- ⇒ Buildings and facades and entrances directly addressing the street and having a high degree of transparency.
- ⇒ An interconnected street system providing greater distribution of traffic and route flexibility.
- ⇒ Vertical and horizontal integration of residential uses.
- ⇒ Public parks and open space areas within walking distance of local residents.
- ⇒ Parking integrated into buildings or placed in separate structures.
- ⇒ Minimal or no curb cuts along primary street facades, with side or rear access to parking and service functions.
- ⇒ Consistent planting of street trees providing shade and enhance character and identity.
- ⇒ Street design integrating safe pedestrian, bicycle, transit, and vehicular use and incorporates traffic calming features and on-street parking
- ⇒ Broad sidewalks appointed with appropriate pedestrian amenities/facilities.

This designation provides for a balanced mix of high-density/intensity single-use commercial or residential development or horizontal and vertical mixed-use development that includes the following.

#### **ALLOWED USES**

- ⇒ Retail, service, office, and residential uses
- ⇒ Gathering places such as plazas, courtyard or parks
- ⇒ Compatible public, quasi-public and special uses

#### **DEVELOPMENT STANDARDS**

- ⇒ Minimum Density: 24.0 Units/Net Acre
- ⇒ Maximum Density: 250.0 Units/Net Acre
- ⇒ Minimum FAR: 1.75 FAR
- ⇒ Maximum FAR: 8.00 FAR

The subject property currently is zoned for public uses. Future property owners will need the opportunity to secure entitlements including specific studies, zoning change, etc, for this property to be developed to a higher use. This is likely over a period of time in order to accommodate future uses.

**Taxes and Assessments**

The subject property is presently identified on the tax roll of Sacramento County as parcel 225-0070-076. The 2012/2013 property taxes for this property include the following.

| <b>PARCEL REFERENCE</b>              | <b>225-0070-076</b> |
|--------------------------------------|---------------------|
| Assessed Value (Land Only)           | Exempt              |
| Assessed Value (Improvements)        | Exempt              |
| Total Assessed Value                 | Exempt              |
| <b>Base Property Taxes</b>           | <b>Exempt</b>       |
| <b>DIRECT LEVIES AND ASSESSMENTS</b> |                     |
| --Reclamation District #1000 M&O     | \$1,732.08          |
| --SAFCA Consolidate Capital Assmt.   | \$6,541.92          |
| <b>Total Levies And Assessments</b>  | <b>\$8,274.00</b>   |
| <b>TOTAL TAXES AND ASSESSMENTS</b>   | <b>\$8,274.00</b>   |
| Status                               | Paid                |

Tax rates are also limited by Proposition 13 to 2% of the property’s assessed value. The subject property is currently identified as a public use parcel and is exempt from property taxes. It is not exempt from direct levies and special assessments and requires payment for the Reclamation District #1000 and SAFCA Consolidate Capital Assessment.

The subject property includes a 1915 Act Bond for the SAFCA Consolidate Capital Assessment as part of the Natomas Basin / North Area Local Project. This district was issued in 1997 and runs over a 30-year period. Within the North Area Local Project, assessments are proportionate to the 1) Depth of flooding (0-5 feet, 5-10 feet, greater than 10 feet); 2) Type of Land Use (Residential, Commercial-Industrial, Vacant or Agricultural); 3) Parcel Acreage; and 4) Building Square Footage. The subject property is identified by SAFCA as a public use property with average depths of 2 feet. The annual assessment is identified at **\$6,541.92 per annum** and is collected with property taxes.

As noted previously, once the property transfers to private use, the CFDs identified for this property become taxable. The total principal payoff as provided from the City of Sacramento, Office of the City Treasurer is identified as follows.

CFD 97-01: \$823,720  
 CFD 2: \$1,667,813  
  
 TOTAL: \$2,491,533

The total bond payoff for the subject property is identified at \$2,491,533 or approximately \$0.57 per square foot of land area.

**Comments**

Overall, the subject property reflects a larger infill site in the North Natomas community of the City of Sacramento. This property has been held in public ownership and if this property is developed with uses other than public uses several elements are likely including demolition of the stadium improvements, as well as the inclusion of CFD assessments for the property. Currently, the reciprocal easement and operating agreement encumbers all of the land area surrounding the building improvements. It limits the functional utility for any potential use as it runs for a 75-year period and encompasses the majority of the land area of the subject property.

The next section of this report illustrates supply and demand variables identified in this market environment.

## PART 3 – MARKET ANALYSIS AND HIGHEST & BEST USE

A market analysis has been undertaken in conjunction with this appraisal. Its function is to estimate market demand relative to the project. This is examined in all sectors, including housing, retail, industrial, and office markets.

### Housing Markets

This element is examined for the single-family housing market as well as for the multi-family market.

### Single-Family Market Conditions

### Local Foreclosure and Resale Trends

The Sacramento housing market experienced strong growth between 2000 and 2010, but the last four years of the decade saw significant reductions in demand and deterioration of pricing. The perfect storm of unsustainable lending practices along with price escalation that became increasingly divorced from income levels created a bruising period for new home builders and related industries. Much of the reduction in building was caused by excess supply of existing homes due to foreclosures. The total foreclosures in the Sacramento region were at their highest levels in 2008 and 2009, but are trending downward as existing inventories are being absorbed. Foreclosure properties are playing less of a role in the current market climate as the market is trending upward. The following table summarizes the total number of “Notice of Default” (NOD) documents recorded in the Sacramento Region according to DataQuick. This is identified for Sacramento, Placer, Yolo and El Dorado County. This includes annual information through 2012.

| COUNTY            | 2007           | 2008           | 2009           | 2010           | 2011           | 2012           |
|-------------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Sacramento        | 17,828         | 23,950         | 24,952         | 17,941         | 16,236         | 11,627         |
| Yolo              | 1,095          | 1,733          | 1,930          | 1,369          | 1,252          | 905            |
| Placer            | 2,723          | 4,018          | 5,612          | 4,422          | 3,853          | 2,690          |
| El Dorado         | 1,023          | 1,489          | 2,331          | 1,879          | 1,712          | 1,086          |
| <b>Totals</b>     | <b>22,669</b>  | <b>31,190</b>  | <b>34,825</b>  | <b>25,611</b>  | <b>23,053</b>  | <b>16,308</b>  |
| <b>California</b> | <b>254,824</b> | <b>404,487</b> | <b>456,250</b> | <b>304,165</b> | <b>269,650</b> | <b>198,111</b> |
| <b>% of Total</b> | <b>8.9%</b>    | <b>7.7%</b>    | <b>7.6%</b>    | <b>8.4%</b>    | <b>8.6%</b>    | <b>8.2%</b>    |

Source: Data Quick, Through 4<sup>th</sup> Quarter 2012

In 2007, there were 22,669 housing units with NODs filed against homeowners, as compared to 31,190 in 2008. This element continued to its highest point in 2009 with 34,825 notices of default. This element trended downward in 2010 as the total decreased to 25,611, a reduction of 26.5%. It represents the lowest level since 2007. Based on the 2011 statistics, 23,053 NOD’s were noted, which is lower than the past three years. The year end statistics of 2012 shows a continued decline, with a count of 16,308 NOD’s in the four county region as of the end of December 2012.

With foreclosures slowing in the region along with low inventory levels, the homes closed in the secondary market (resale homes) are capturing market share. This element has influenced new home building in the region to low points in the past 15 years in terms of both building permits and sales. However, with low inventory levels, the market is starting to shift back to new home sales. The following table shows the total number of homes sold in each county according to Metrolist in the past five years, as well as the median home price.

| COUNTY        | 2008          | 2009          | 2010          | 2011          | 2012          | YTD 2013*    | ACTIVE       | MOS. INVENTORY  |
|---------------|---------------|---------------|---------------|---------------|---------------|--------------|--------------|-----------------|
| Sacramento    | 21,925        | 22,361        | 14,531        | 18,973        | 21,492        | 3,300        | 1,616        | 0.9 Mos.        |
| Placer        | 4,620         | 4,673         | 5,193         | 5,367         | 6,038         | 939          | 599          | 1.2 Mos.        |
| El Dorado     | 1,604         | 1,823         | 2,079         | 2,146         | 2,762         | 432          | 495          | 2.2 Mos.        |
| Yolo          | 2,001         | 1,868         | 1,739         | 1,703         | 1,997         | 281          | 186          | 1.1 Mos.        |
| <b>Totals</b> | <b>30,150</b> | <b>30,725</b> | <b>23,541</b> | <b>28,189</b> | <b>32,289</b> | <b>4,952</b> | <b>2,896</b> | <b>1.1 Mos.</b> |
| COUNTY        | 2008          | 2009          | 2010          | 2011          | 2012          | YTD 2013*    | ACTIVE       | MOS. INVENTORY  |
| Sacramento    | \$205,000     | \$170,000     | \$172,500     | \$165,000     | \$167,000     | \$193,000    | \$249,000    | -               |
| Placer        | \$330,000     | \$287,000     | \$270,000     | \$260,000     | \$273,200     | \$290,000    | \$449,000    | -               |
| El Dorado     | \$375,000     | \$320,000     | \$295,000     | \$269,900     | \$270,000     | \$285,000    | \$422,900    | -               |
| Yolo          | \$290,000     | \$241,000     | \$240,000     | \$225,000     | \$230,000     | \$243,000    | \$327,108    | -               |

\*As of March, 2013

Sales in the secondary market spiked in 2008 and 2009 due to the added inventory of foreclosures. Sales trends dropped in 2010, but were still higher than historic averages. The resales in 2011 indicate slightly higher totals than 2010, whereas total sales in 2012 are showing a slight gain based on annualized totals. Year-to-date information for 2013 shows significantly higher pricing due to the lack of inventory. The most noteworthy statistic noted above is the total inventory. Recovery in pricing is dependant upon inventory characteristics. Currently, the four counties are showing a total supply (based on absorption of all available properties) from 0.9 months to 2.2 months. This is predicated on the sales rate attained in 2012. Inventory levels are shrinking and approaching a shortage.

Residential development flourished in this area from the mid 1990s to the mid 2000s starting with the development of Natomas Park. Over 5,000 homes have been constructed in this master planned community, to the point where vacant land for residential uses is diminishing in this area. However, this area was not immune from the contraction in the housing market, which impacted resale pricing as well as the new home markets.

Another variable that influenced potential demand for housing in the region was the decertification of the flood areas in North Natomas in December 2008. As of this date, the Federal Emergency Management Agency (FEMA) issued new flood risk maps for the Natomas region. These maps moved Natomas from a moderate risk "X" flood zone to a higher risk "AE" flood zone – a change that triggered the federal flood insurance requirement. This change was in response to a major levee upgrade for the region at a total estimated cost of \$618 million. This created a de-facto building moratorium. More specifically, if residential projects in the area did not pull building permits (prior to December 2008), they would not be issued. This is not a legal requirement; however, any new structure constructed will be required to build one foot above the base flood elevation. In Natomas, this will mean that buildings will need to be elevated more than 20 feet in some areas. Effectively, the costs of construction is not likely feasible with this requirement.

Recently, FEMA changed the flood boundaries for this property to A99, outside the 100-year flood. Still, there are approvals needed to remove the boundaries out of the flood zone, but this element was in place as of the effective date of valuation (February 26, 2013).

These flood elements were not necessarily bad news with respect to home development. At this time (December 2008), the market was entering a recession as new home prices were driven downward as demand disappeared. Foreclosures entered the market, to the point of an over-supply from 2009-2011, but it appears that these additional inventory units have been absorbed. This is best observed through resale trends in the immediate area. The following table shows the resale activity in the subject's area since 2009 based on parameters identified from the Sacramento County Board of Realtors. It is predicated on the subject's zip code (95834).

| YEAR    | # OF SALES | AVERAGE PRICE | AVERAGE SF | AVERAGE \$/SF |
|---------|------------|---------------|------------|---------------|
| 2009    | 508        | \$197,252     | 1,794      | \$109.95      |
| 2010    | 402        | \$192,776     | 1,837      | \$104.94      |
| 2011    | 403        | \$162,452     | 1,725      | \$94.18       |
| 2012    | 463        | \$185,509     | 1,883      | \$98.52       |
| 2013    | 53         | \$198,308     | 1,795      | \$110.48      |
| Pending | 98         | \$187,505     | 1,780      | \$105.34      |
| Active  | 18         | \$282,263     | 2,158      | \$130.80      |

Source: Metrolist as of March 2013

The average home price in the subject's area (Zip Code 95834) increased 14.2% from the end of 2011 to the end of 2012. Continued improvement is noted by the average price noted for the first quarter of 2013. Most significant, inventory levels are low in the region. There are currently 18 homes on the market which reflects approximately 0.5 month of existing inventory. With the average asking price approximately 50% higher than the sales price (2013 indicator), average indicators are likely to trend upward into the foreseeable future.

As of the effective date of valuation (February 26, 2013) there were no new home projects offering new homes for sale in the North Natomas Area. Flood control elements have stopped new home building in the region. However, in the past decade this was one of the strongest submarkets in the region. Sales trends were identified as follows.

| YEAR | PROJECTS | # OF SALES | AVERAGE PRICE (4Q) | AVERAGE SF | AVERAGE \$/SF |
|------|----------|------------|--------------------|------------|---------------|
| 2005 | 20       | 1,838      | \$358,465          | 1,568      | \$228.61      |
| 2006 | 24       | 1,064      | \$341,850          | 1,702      | \$200.85      |
| 2007 | 35       | 978        | \$302,957          | 1,799      | \$168.40      |
| 2008 | 24       | 678        | \$256,929          | 1,798      | \$142.90      |
| 2009 | 7        | 230        | \$294,878          | 2,329      | \$126.61      |
| 2010 | 2        | 36         | \$286,746          | 2,411      | \$118.96      |

New home projects were flourishing in the mid part of the past decade. However, when the flood control elements were announced in 2008, the number of active projects diminished. Without availability of permits, several developers shut down operations, whereas others acquired as many permits as possible for future development. At the end of 2010, only 2 projects remained and no new development has occurred since this time frame.

The overall market environment for single-family residential development is in the recovery process. There were no new home projects and pricing in the resale market is showing improvement above the bottom end of the cycle caused by excess foreclosures during the recessionary period. Limited recovery in the residential market for new homes is likely to occur until the flood zone is altered and flood insurance is not mandatory. This land use is suggestive of a holding use.

### Multi-Family Residential Uses

According to Colliers International during the 4<sup>th</sup> quarter 2012, the Sacramento apartment sector continued to maintain strong fundamentals with average rent increasing once again, pushing the year-over-year escalation in average rent to \$30 per unit and the 12-month gain to over 3.2%. The items noted below summarize the performance of several of the leading apartment market indicators measuring the health of Sacramento's multi-family market.

Some of the key takeaways from Sacramento's 4<sup>th</sup> Quarter 2012 market performance include:

- ⇒ Overall market inventory remained at near full economic occupancy ending the quarter at 94.6%, a slight decline of 50 basis points from the September 30<sup>th</sup> level of 95.1%.
- ⇒ The average apartment market rent in Sacramento ended December 31, 2012 at \$964, just slightly above the 3<sup>rd</sup> quarter average rent level of \$960, and well above the average rent level of \$934 reported one year earlier.
- ⇒ Multi-family permit issuance continues to remain low, with 247 issued during 4<sup>th</sup> quarter 2012, bringing the total issuance to Sacramento to 488 during 2012.
- ⇒ There were no properties delivered to Sacramento's apartment inventory base during 4<sup>th</sup> quarter 2012, bringing the total completions to 697 units during 2012.
- ⇒ As of December 31, 2012, there were five multi-family properties under construction in the Sacramento area totaling 370 units, with all of those units expected to be delivered sometime in 2013
- ⇒ Recent events continue to bode well for apartment investment including extremely low home ownership rates and limited new multi-family construction in the region.

The subject property is located in the Natomas sub-market as identified by Colliers. From a multi-family standpoint, Natomas is fairly strong. As of the 4<sup>th</sup> quarter of 2012, the average rental rate in Natomas was \$961 per month, or \$1.07 per square foot based on an average unit size of 898 square feet. Occupancy was stable identified at 94.1% in this region which benefits from the lack of new construction in the region.

Looking forward it was identified in the 4<sup>th</sup> quarter of 2012 by Colliers that the apartment occupancy and lease rates would continue responding favorably to upward pressures coming from current market conditions. The lack of any meaningful supply for the next 12 months, coupled with limited new permit issuance activity recently, will continue to put upward pressure in both occupancy and rates during 2013.

The overall market environment for multi-family residential development is in the recovery process. There were no projects under construction in the region, nor were any recently completed. Occupancy levels are strong in the area and new development would likely be well received. New development is not likely to occur until the flood zone is altered and flood insurance is not mandatory.

## **Retail Characteristics**

According to Colliers International, performance during the 4<sup>th</sup> quarter 2012 in the Sacramento Retail Market continues to improve, particularly in the Class A power centers, but is also reflective of a segmented market whereby some centers are doing well while others just blocks away are struggling. Key elements include the following.

- ⇒ Overall vacancy rate declined by another 20 basis points to 13.2%, the second consecutive decline in the rate after experiencing the first quarterly increase in the rate in three years during second quarter 2012.
- ⇒ Total leasing activity remained steady with almost 650,000 square feet of available space being occupied during this quarter, yielding 196,920 square feet of positive net absorption from October through December.
- ⇒ Good opportunities continue to exist for Class B and C tenants, as certain landlords remain aggressive in chasing quality leases and concessions continue to be used as a bargaining tool.

- ⇒ The recovery in the retail sector continues to move forward, but the prolonged economic uncertainty in the region is tempering the pace of growth.
- ⇒ The volume of sales activity increased during the quarter, and average pricing of consummated deals jumped during the three-month period by more than 60% from the 3<sup>rd</sup> quarter average.
- ⇒ Overall lease rates showed stability during the quarter, while rates in the Power regional subsector showed strong growth of almost \$0.06 per square foot. Rents continuing to favor tenants until the region's economic climate improves, and stable employment sources are identified are projected.
- ⇒ Lease rates are projected to remain stable with absorption and vacancy continuing to record positive movement.

Key Metrics identified in this survey included the following.

| KEY RETAIL METRICS - 4Q 2012 (See "note" Below) |              |            |
|---|--------------|------------|
|   | TOTAL MARKET | ADJUSTED   |
| Vacancy   | 13.2%        | 13.3%      |
| Net Absorption                                  | 196,920 SF   | 164,670 SF |
| Deliveries                                      | 36,816 SF    | 31,816 SF  |
| Construction                                    | 3,800 SF     | 3,800 SF   |
| Average Direct Asking Rate NNN/MO               | 1.44 / SF    | \$1.45 SF  |

*Note: Statistics in the "Total Market" column include all space in shopping centers/regional malls in the Sacramento MSA. Statistics in the "Adjusted" column do not include owner-occupied or government buildings.*

The retail sector in North Natomas includes approximately 3.3 million square feet of existing space allocated among community centers, regional centers, and strip centers. Current vacancy is at 12.2% concentrated mostly among regional centers as of the 4<sup>th</sup> quarter of 2012. Key elements for this area are identified as follows.

| TYPE              | RENTABLE AREA - SF | VACANT SF      | VACANCY %    | YTD NET ABSORPTION | AVERAGE RENT (NNN) |
|-------------------|--------------------|----------------|--------------|--------------------|--------------------|
| Community Centers | 1,432,930          | 129,651        | 9.0%         | 6,457 sf           | \$1.73/SF          |
| Power Regional    | 1,742,572          | 242,362        | 13.9%        | (11,504) sf        | \$2.17/SF          |
| Strip Centers     | 197,839            | 39,403         | 19.9%        | (8,730) sf         | \$1.34/SF          |
| <b>TOTALS</b>     | <b>3,373,341</b>   | <b>411,416</b> | <b>12.2%</b> | <b>(13,777) sf</b> |                    |

Source: Colliers International, 4<sup>th</sup> Quarter 2012

This sub-market accounts for approximately 5.7% of the total rentable area for the entire Sacramento region. Vacancy is slightly below that of the entire region noted at 13.2% as of the 4<sup>th</sup> quarter of 2012.

## Industrial Characteristics

Overall performance during 4<sup>th</sup> quarter 2012 in the Sacramento industrial market continued in the right direction, once again moving forward in the recovery process. The following is a summary of the industrial market during the quarter.

- ⇒ Vacancy improved, dropping by 40 basis points to end the three-month period at 12.9%.
- ⇒ Total leasing activity continues to remain active with just over 1.8 million square feet of available space occupied during the quarter, yielding 720,631 square feet of positive net absorption from October through December.
- ⇒ Tenants still hold the upper hand in lease negotiations, and continue negotiating favorable concessions as part of their basket of bargaining tools.
- ⇒ Industrial sales continue to get consummated, but on mostly favorable buyer prices.
- ⇒ Monthly lease rates remained flat during the quarter at \$0.40 per square foot on a NNN basis. Lease rates will continue to favor tenants until economic stability returns to the region and long-term employment sources are identified.
- ⇒ Tenants in the market generally continue to remain steady, but consolidations and closures are still a factor.
- ⇒ There are no new industrial buildings in the market as of December 31, 2012, with the 200,000 square foot Mori Seki building completed in September, being the last industrial facility under construction to be delivered in the market.

Key Metrics identified in this survey included the following.

| KEY INDUSTRIAL METRICS - 4Q 2012* |              |             |
|-----------------------------------|--------------|-------------|
|                                   | TOTAL MARKET | ADJUSTED    |
| Vacancy                           | 12.9%        | 16.8%       |
| Net Absorption                    | 720,631 SF   | 438,644 SF  |
| Deliveries                        | 0 SF         | 0 SF        |
| Construction                      | 235,553 SF   | 235,553 SF  |
| Average Direct Asking Rate NNN/Mo | 0.40 / SF    | \$0.40 / SF |

*\*Statistics in the "Total Market" column include all flex & industrial buildings in the Sacramento MSA. Statistics in the "Adjusted" column does not include owner-occupied & government buildings.*

The industrial sector in North Natomas (identified as Northgate/Natomas) includes approximately 14.8 million square feet of existing space allocated among warehouse and flex buildings. Current vacancy is at 18.0% as of the 4<sup>th</sup> quarter of 2012. Key elements for this area are identified as follows.

| TYPE          | RENTABLE AREA - SF | VACANT SF        | VACANCY %    | YTD NET ABSORPTION  | AVERAGE RENT (NNN) |
|---------------|--------------------|------------------|--------------|---------------------|--------------------|
| Warehouse     | 12,570,641         | 2,064,208        | 16.4%        | (187,048) sf        | \$0.37/SF          |
| Flex          | 2,225,869          | 598,936          | 26.9%        | (26,834) sf         | \$0.68/SF          |
| <b>TOTALS</b> | <b>14,796,510</b>  | <b>2,663,144</b> | <b>18.0%</b> | <b>(213,882) sf</b> |                    |

Source: Colliers International, 4<sup>th</sup> Quarter 2012

This sub-market accounts for approximately 7.8% of the total rentable area for the entire Sacramento region. Vacancy is above that of the entire region noted at 12.9% as of the 4<sup>th</sup> quarter of 2012. Recovery of the industrial market is slow in the region.

### Office Characteristics

Overall performance during 4<sup>th</sup> quarter 2012 in the Sacramento Office market was the strongest in seven years. Key elements include the following.

- ⇒ Vacancy declined 80 basis points down to 16.1% during this quarter and 120 basis points over the four-quarter period.
- ⇒ Total leasing activity yielded 821,579 square feet of positive net absorption from October through December.
- ⇒ Tenants are generally holding steady, and closures and consolidations are reducing.
- ⇒ Office sales continue to get consummated, but mostly at buyer favorable prices.
- ⇒ The direct average lease rate during 4<sup>th</sup> quarter 2012 declined by approximately \$0.02 per month ending December 31, 2012 at \$1.66 per square foot, full service, following 10 consecutive quarter declines in a drop of \$0.42 per square foot (21%) during that more than four year period.
- ⇒ There are four office buildings totaling approximately 257,449 square feet under construction in the market as of December 31, 2012 with most of the space expected to be completed by the end of the first quarter of 2013.

Key Metrics identified in this survey included the following.

| KEY OFFICE METRICS - 4Q 2012 (See "note" Below) |              |            |
|---|--------------|------------|
|   | Total Market | Adjusted   |
| Vacancy   | 16.1%        | 19.3%      |
| Net Absorption                                  | 821,579 SF   | 758,847 SF |
| Deliveries                                      | 130,000 SF   | 130,000 SF |
| Construction                                    | 257,451 SF   | 257,451 SF |
| Average Direct Asking Rate FS/MO                | \$1.66/SF    | \$1.67/SF  |

*Note: Statistics in the "Total Market" column include all office buildings 5,000 sf and greater in the Sacramento MSA. Statistics in the "Adjusted" column do not include owner-occupied or government buildings.*

The office sector in North Natomas (identified as Northgate/Natomas) includes approximately 6.3 million square feet of existing office space. Current vacancy is at 24.8% as of the 4<sup>th</sup> quarter of 2012. Key elements for this area are identified as follows.

| TYPE         | RENTABLE AREA - SF | VACANCY % | YTD NET ABSORPTION | AVERAGE RENT (FS) |
|--------------|--------------------|-----------|--------------------|-------------------|
| Office Space | 6,364,230          | 24.8%     | 1,805 sf           | \$1.67/SF         |

Source: Colliers International, 4<sup>th</sup> Quarter 2012

This sub-market accounts for approximately 6.9% of the total rentable area for the entire Sacramento region. Vacancy is above that of the entire region noted at 16.1% as of the 4<sup>th</sup> quarter of 2012. Recovery of the office market is slow as the overall vacancy rate is one of the highest in the region.

### Conclusions

The market environment for virtually all sectors in the North Natomas area is in a period of recovery. The impact of flood zone requirements has stopped all new building in the region until levy improvements are upgraded to a point where properties are out of the flood zone. While this is a detrimental element to new construction, it occurred at a point in time when the local and national economies went into a prolonged recession. This is seen in the new home market with dramatic reductions in pricing in the secondary market and elimination of new home projects. The multi-family market has weathered the storm as rents have trended upward while keeping occupancy at stabilized levels. The commercial markets are backfilling existing space as all of the markets are near or above vacancy levels for the entire region. While the flood zone element impacted new construction, it is unlikely any new development would have occurred due to the economic environment.

The subject property reflects 100.41 acres of vacant land for future development. The location of this property is strong and the availability of infrastructure surrounding this property is positive for the long-term development of the property. This property is identified for public uses and entitlements for private development will need to be achieved. This will include development obligations in the region as well as the addition of CFDs on the property. The most obvious element for privatization of this property will include the removal of the former stadium improvements on this property, as well as the elimination of cross easements with the adjacent arena ownership.

## HIGHEST AND BEST USE

*"Highest and best use may be 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 highest and best use of a specific parcel of land is not determined through subjective analysis of the property owner, the developer, or the appraiser; rather highest and best use is shaped by the competitive forces within the market where the property is located. Therefore, the analysis and interpretation of highest and best use is an economic study of market forces focused on the subject property. The use that maximizes value represents the highest and best use.

### Highest and Best Use Analysis

In accordance with the definition of highest and best use, it is appropriate to analyze the subject site as though vacant as it relates to legality of use, physical possibilities, financial feasibility, and maximal productivity.

### Legally Permissible

The subject site is currently zoned SPX-PUD; Sports Complex Zone. This is identified in the current zoning code for the City of Sacramento as follows.

#### **SPX – Sports Complex Zone**

The purpose of the SPX zone is to ensure the proper development and use of land and improvements to achieve a sports complex that, at a minimum, accommodates the design requirements of professional and amateur sports; and accommodates events, exhibitions, and performances that provide for the education, information, recreation, culture, or entertainment of Sacramento area residents and visitors, in accordance with the specific land use policies of the city general plan, community plans, and the planned unit development (PUD) guidelines. A conditional use permit is required for each use in this zone.

#### **PUD – Planned Unit Development**

The purpose of the Planned Unit Development is to provide for greater flexibility in the design of integrated development than otherwise possible through strict application of zoning regulations. It is the intent of Planned Unit Development to encourage the design of well-planned facilities that offer a variety of housing or other land uses through creative and imaginative planning.

Currently, this project is designated for a sports complex. Furthermore, there are Deed Restrictions noted for this property as identified in the vesting grant deed for this project as Exhibit "A". These elements are noted below.

## **EXHIBIT "A"**

**THE GRANT TO THE CITY OF SACRAMENTO SET FORTH ABOVE IS SUBJECT TO THE FOLLOWING RESTRICTIONS:**

- 1. The Grantee's use of the real property described above shall be exclusively for public purposes.**
- 2. The Grantee shall not sell, exchange or otherwise dispose of any portion of the real property described above before January 1, 1998; provided, however, that a lease of all or a portion of said property for a term (including renewal options) of less than thirty (30) years shall not be a sale, exchange or other disposition.**

The main element in the Deed Restriction is Item 1 specifying the use for public purposes. However it is the opinions of the title insurance underwriter and the City Attorney's Office that this condition no longer applies to this property.

Long term, the property is identified in the 2030 General Plan for "Urban Center High – Density: 24-250/FAR 1.75 – 8.0". Sacramento's Urban Center High provides thriving areas with concentrations of uses similar to downtown. Each center includes employment-intensive uses, high-density housing, and a wide variety of retail uses including large format retail, local shops, restaurants, and services. These areas include major transportation hubs accessible by public transit, major highways, and local arterials and pedestrian travel. Building heights vary from low to high rise (e.g. two to twenty-four stories). Other characteristics, such as building orientation, frontage-type, access parking, streetscape, and open space are similar to those in the Central Business District.

Ultimate development consistent with the general plan is a logical land use for the subject property. This would create opportunity to secure entitlements for this property including specific studies, zoning change, etc, for the property to be developed to a higher use. This is likely over a period of time to accommodate future uses.

### **Physically Possible**

The subject property consists of 100.41 acres of land. This property includes parking lots on the property which are encumbered by a reciprocal easement and operating agreement appurtenant to the subject property and the adjacent arena property. The total area identified for the parking lots on the property was 1,931,988 square feet, or approximately 44.35 Acres as provided by the City of Sacramento. It is noted that no detailed ALTA Survey was provided for review in preparation of this assignment. The land area for the parking lot improvements is identified at 44.35 AC as provided for review in preparation of this assignment. (Refer to Extraordinary Assumptions). While the hypothetical value for this property assumes that this easement is non-existent, the parking lot areas require demolition for the entire acreage to become useable land area. Other elements for this property include the demolition of the former stadium improvements.

The last element influencing the development of this property is the overall orientation of the project in a flood zone. The decertification of the flood areas in North Natomas occurred in December 2008. As of this date, the Federal Emergency Management Agency (FEMA) issued new flood risk maps for the Natomas region. These maps moved Natomas from a moderate risk "X" flood zone to a higher risk "AE" flood zone – a change that triggered the federal flood insurance requirement. This change was in response to a major levee upgrade for the region at a total estimated cost of \$618 million. This created a de-facto building moratorium. More specifically, if projects in the area did not pull building permits prior to December 2008, they will not be issued until the property is not in a recognized flood zone. This is not a legal requirement; however, any new structure constructed will be required to build one foot above the base flood elevation. In North Natomas, this will mean that buildings will need to be elevated more than 20 feet in some areas. Effectively, the cost of construction is not likely feasible with this requirement. Recently (subsequent to the effective date of valuation), the flood districting reverted back to zone "A99", allowing development in the region,

and placing properties outside the 100-year flood plain. Still, there are approvals needed to remove the boundaries out of the flood zone, but the AE designation was in place as of the effective date of valuation (February 26, 2013).

The next two criteria, financially feasible and maximally productive, will determine if development of Urban Center High Density uses are feasible in the current market.

### **Financially Feasible/Maximally Productive**

Any use of the subject site that provides a financial return to the land in excess of that required to satisfy operating expenses, financial expenses, and capital amortization is considered financially feasible. The cost of the land limits those uses that are financially feasible for the site. The maximally productive criterion considers the specific use that is physically possible, legally permissible, and financially feasible and produces the greatest return to the property. In considering the financial feasibility of the subject property, consideration must be given to current market trends.

The Urban Center High Density land use for this property offers an intensive land use. As noted in the market overview section of this report, the commercial markets are all in a period of transition shown by recovering elements with the past recession. Elements included the following.

- ⇒ Single-Family housing in the region was slow as there were no new projects offering homes for sale. Resale housing was starting to recover in terms of pricing, but pricing still well below peak levels for the region.
- ⇒ Multi-Family developments were stable showing occupancy levels near 94.1%. Rents were trending upward as this sector benefited from lack of additional projects entering the market.
- ⇒ The retail sector was showing vacancy at 12.2% with negative absorption noted for 2012. Area currently includes over 3.0 million square feet of retail space.
- ⇒ The industrial sector was showing vacancy at 18.0% with over 200,000 square feet of negative absorption for 2012. This use was the largest user in the region with nearly 14.8 million square feet of existing space.
- ⇒ The office sector was showing vacancy at 24.8% with 1,805 square feet of positive absorption for 2012. Recovery of the office market is slow as the overall vacancy rate is one of the highest in the region.

The market characteristics show no new development in the entire region, nor in the North Natomas area. The flood zone de-certification impacted building in the region, but the market environment was also an element. Property values in the past recessionary period were impacted by job losses and several operations shut down leaving vacant space. Existing space was selling below replacement costs as new construction was not feasible. Market conditions in place as of the effective date of valuation show a holding use for future development when development to Urban Center High Density Uses is feasible.

### **Conclusion – Highest and Best Use**

Current market trends obviously dictate the highest and best use of the subject site as though vacant. A holding use is most applicable based on the need of entitlements, the location of the property in a flood zone, and the applicable market conditions. In the current use of this property, the project has nominal value. The majority of the land area, except the area for the former stadium is identified as common area in the reciprocal access and operating agreement with the adjacent owner. The demolition costs for these improvements exceed the land value, as through vacant and a nominal value is attributed to the property in the "As Is" condition. Under the hypothetical valuation for this property, this easement is assumed to be non-existent. Still, the physical improvements for this property would require demolition, but a holding use for future development to Urban Center High Density Uses is feasible.

## PART 4 – VALUATION

### Methodology

The valuation process is the orderly program in which data is used to derive an opinion of value for the subject property as it is acquired, classified, analyzed and presented. The first step in the process is to define the appraisal problem, i.e., identify the real estate, the effective date of the value estimate, the property rights being appraised, and the type of value sought. Once this has been accomplished, the appraiser collects and analyzes the factors that affect the market value of the subject property. These factors are addressed in the area and neighborhood analysis, the site and improvement analysis, and the highest and best use analysis, and in the application of the three approaches to value. Appraisers generally use three approaches to value; the Cost Approach, the Sales Comparison Approach and the Income Approach. The final step in the valuation process is the reconciliation or correlation of the value indications. In the reconciliation, the appraiser considers the relative applicability of each of the approaches used, examines the range of the value indications, and gives most weight to the approach that appears to produce the most reliable solution to the appraisal problem.

The first step in the appraisal of the subject property is to examine the different value scenarios requested by the client.

⇒ Market Value “As Is”

The scope of this assignment necessitated the use of some hypothetical conditions. With the inclusion of these elements, an additional opinion of value is presented identified throughout this report as the Hypothetical Market Value “As Proposed”. These elements are identified throughout the report.

In order to derive an opinion of value for this property, the sales comparison approach is presented. The property is valued first under the hypothetical market value “As Proposed”. The sales comparison approach compares similar transactions to the subject property under this scenario under the specific hypothetical conditions. These transactions provide meaningful comparison to the subject property. Once this value is identified, refinements for the elements for the creation of vacant land are required in order to provide an opinion of value.

It is noted that the Income Approach (DCF model) was not provided for this assignment. There are no specific plans in place for the use of nor any infrastructure costs prepared for the subject property. With limited data identified for future use, in conjunction with the highest and best use conclusion for this property, the income approach (DCF model) is not viewed as a credible opinion of value.

The sale comparables were also used in application of the market value “As Is”. The main variance in this value as compared to the hypothetical value is the assumption that the reciprocal easement and operating agreement is existent.

After an indication of value is achieved in each of the approaches, the applicability and reliability of each approach is then evaluated and weighed by the appraiser. Through physical inspection of the property and the appraiser’s investigation, judgment, and experience, a final opinion of value is then made for the subject property.

**LAND VALUATION  
SALES COMPARISON APPROACH  
HYPOTHETICAL MARKET VALUE "AS PROPOSED"**

The sales comparison approach included analysis of comparable sales derived from the extended market area. The highest and best use conclusion for this property is for a holding use for future development when development to Urban Center High Density Uses is feasible. The North Natomas area has included several land sales in the past part of the past decade when market conditions were viable for development. Recently, with the recessionary environment of the latter half of the past decade, as well as the flood zone elements, land sales are not as frequent. As noted throughout this report, this opinion of value is being prepared in conjunction with the following hypothetical conditions.

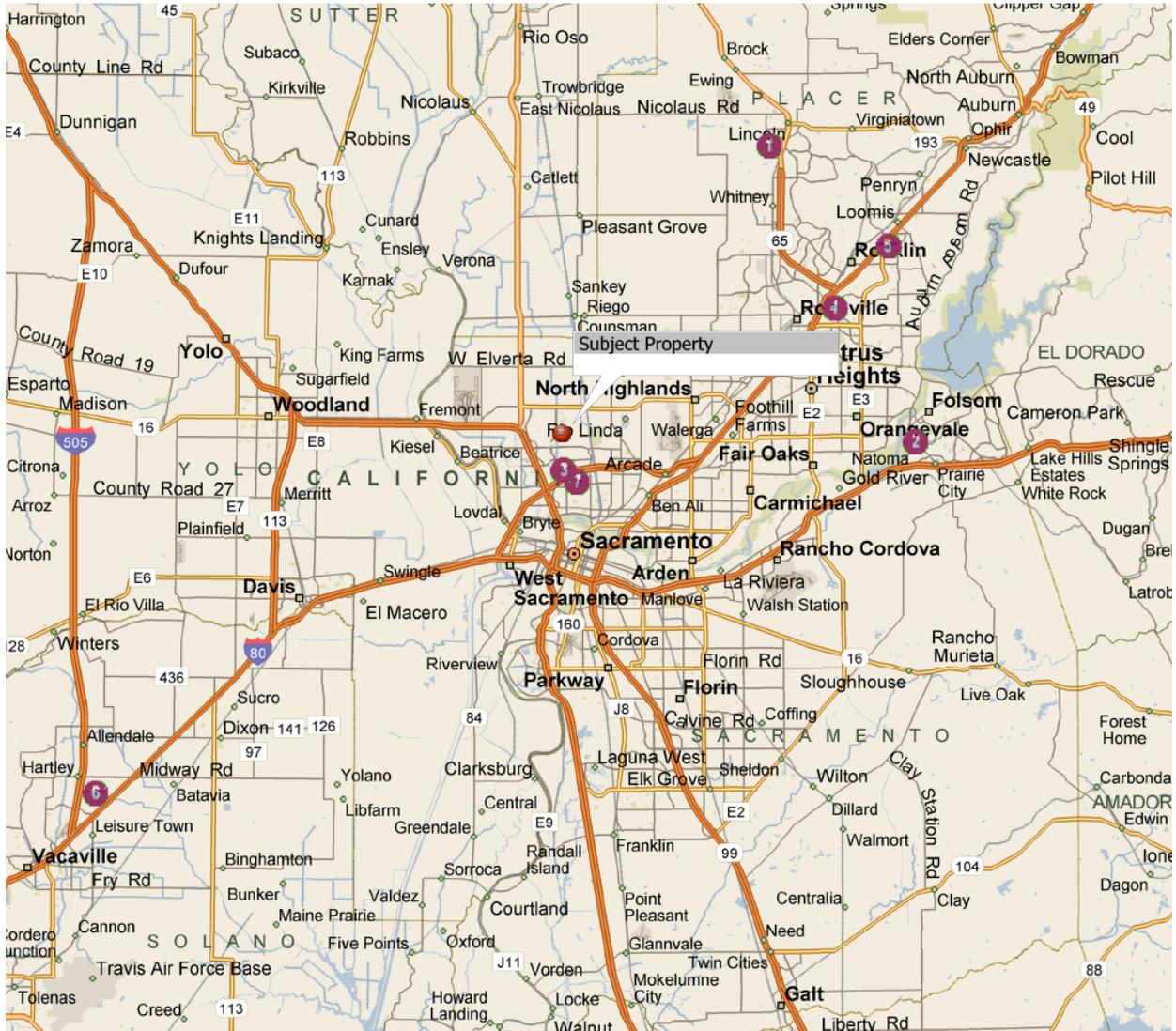
- ⇒ The easement for reciprocal parking and joint use with the adjacent arena is no longer in effect.
- ⇒ The potential lease/leaseback documents are no longer in effect.

The following table summarizes the comparable sales utilized in this assignment, followed by detailed sales sheets. It is noted that additional sales utilized to develop an opinion of value for this property, under this scenario are presented later in the analysis of the adjustments. These sales are older in nature, but provide some insight to the potential value for properties in North Natomas.

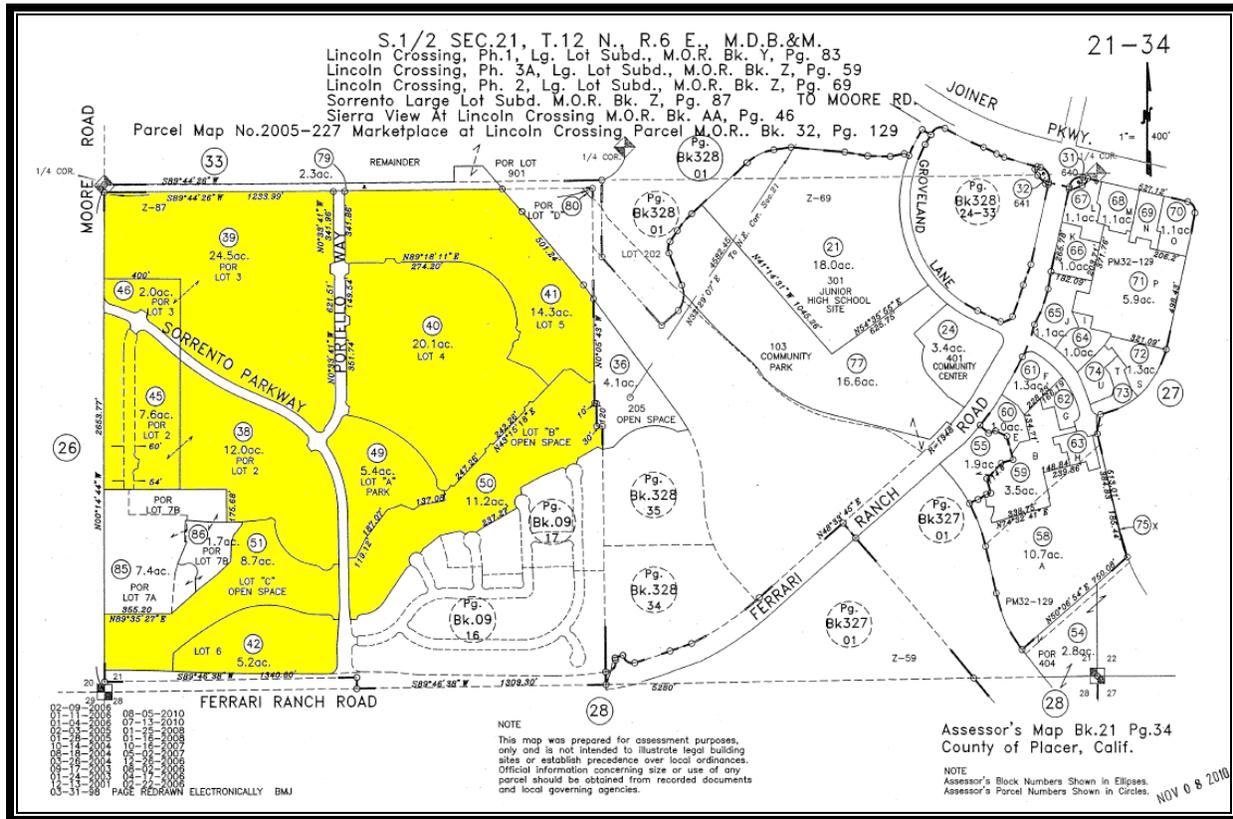
| NO. | LOCATION<br>APN  | SALE DATE<br>SALES PRICE                                  | TOTAL AC<br>TOTAL SF | ZONING<br>INTENDED USE  | PRICE<br>PER SF |
|-----|--|---|----------------------|---|-----------------|
| 1   | N. Side of Ferrari Ranch Road, E/W sides<br>of Sorrento Parkway<br>Lincoln, CA<br>021-340-039..042, 045, 046, 049..051 | Nov.-2012 (COE)<br>\$12,250,000                           | 111.000<br>4,835,160 | PD<br>Future Residential<br>Development                         | \$ 2.53         |
| 2   | N. and S. Sides of Park Shore Boulevard<br>Folsom, CA<br>071-0020-083, 084   | Feb-2011 (COE)<br>\$8,200,000                             | 34.390<br>1,498,028  | M-1; Lt. Indust.<br>Holding Use<br>for future Residential       | \$ 5.47         |
| 3   | NEC of I-80 and Truxel Road<br>Sacramento, CA<br>225-2110-028, 055, 056, 059   | April-2010 (COE)<br>\$5,000,000                           | 12.860<br>560,182    | EC50/SC<br>Future Commercial<br>Development                     | \$ 8.93         |
| 4   | Southern side of Stone Point Drive, E.<br>of N. Sunrise Avenue<br>Roseville, CA<br>048-460-042, 043                    | Apr-2012 (COE)<br>\$6,019,543<br>Includes \$7.82 in Bonds | 11.800<br>514,008    | C; Commercial<br>Holding Use<br>For future office               | \$ 11.71        |
| 5   | Sierra College Boulevard at<br>Interstate 80<br>Rocklin, CA<br>045-043-068, 045-053-058                                | June-2012 (COE)<br>\$8,695,500                            | 16.300<br>710,028    | C-2: Commercial<br>Retail Development                           | \$ 12.25        |
| 6   | NEC of I-505 and I-80<br>Vacaville, CA<br>0133-450-010, 020 (Por.)   | Mar. - 2011 (COE)<br>\$4,000,000                          | 22.000<br>958,320    | CO: Commercial<br>Holding use for Dev.<br>of Religious Facility | \$ 4.17         |
| 7   | NEQ of Interstate 80 and Truxel Road<br>Sacramento, CA<br>225-2460-001..003  | Dec. 2009 (COE)<br>\$4,575,000                            | 90.530<br>3,943,487  | PUD, Planned Dev,<br>Holding Use for<br>Future Residential      | \$ 1.16         |

A location map of these sales is presented followed by detailed sales sheets summarizing these transactions.

# LOCATION MAP – COMPARABLE LAND SALES



**COMPARABLE LAND SALE NUMBER ONE**



| IDENTIFICATION         |  |
|------------------------|--|
| Location:              | N. side of Ferrari Ranch Road<br>E/W sides of Sorrento Parkway |
| City:                  | Lincoln, CA  |
| APN:                   | 021-340-039..042, 045, 046, 049..051                           |
| Grantor:               | Signature at Sorrento LLC                                      |
| Grantee:               | Meritage Homes   |
| Area:                  | Lincoln  |
| Development Time Line: | Current  |

| SITE CHARACTERISTICS |                         |
|----------------------|-------------------------|
| Zoning:              | PD; Planned Development |
| Parcel Size (AC):    | 111 Acres               |
| Parcel Size (SF):    | 4,835,160 SF            |
| Shape:               | Irregular               |
| Planning Area:       | Sorrento                |
| Onsite Improvements: | Paper Lots              |
| Entitlements:        | T-Map approval / Zoning |

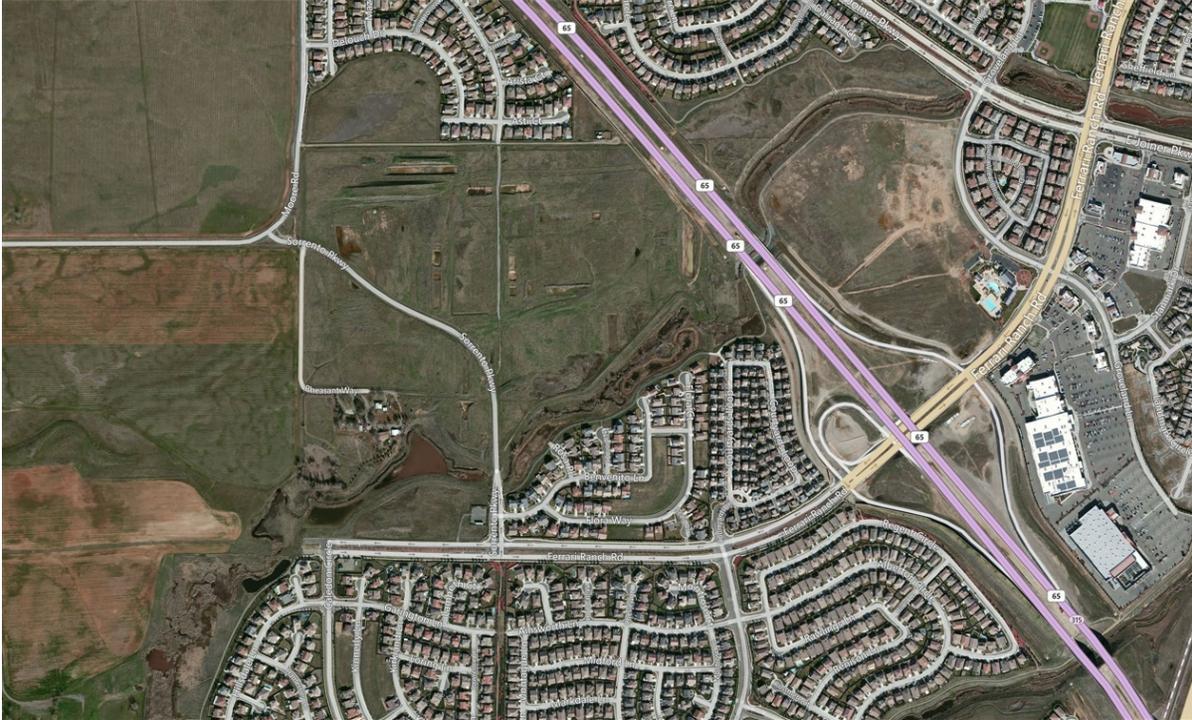
| SALE CHARACTERISTICS         |                       |
|------------------------------|-----------------------|
| Prior Sales (3 Years)        | None                  |
| Property Rights Transferred: | Fee Simple Estate     |
| Financing:                   | Cash                  |
| Conditions of Sale:          | Arms-Length           |
| Sale Date                    | November 28, 2012 COE |
| Doc #:                       | 161850                |

| INDICATORS           |                        |
|----------------------|------------------------|
| Sales Price:         | \$12,250,000           |
| Bonds:               | Assumed by buyer       |
| Total Consideration: | \$12,250,000           |
| Sales Price/AC:      | \$110,360 per Gross AC |
| Sales Price/SF       | \$2.53/SF              |
| Confirmation:        | Public Records / Buyer |

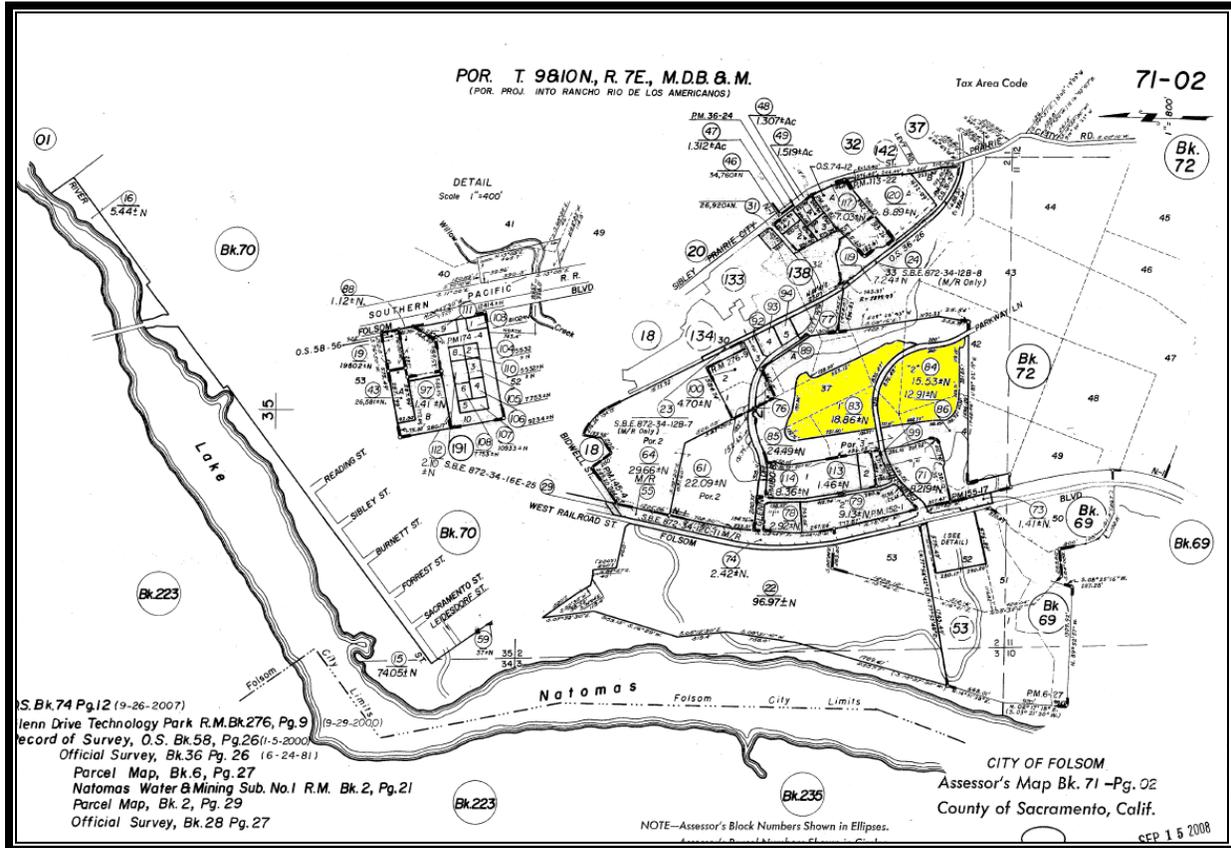
## Comparable Land Sale 1 (Continued)

### COMMENTS

This property represents the sale of vacant land identified as Sorrento. At the time of sale this property included tentative map approval for 356 lots, as well as 5.2 acres of multi-family land. This property was marketed in late 2012 and sold quickly to Meritage Homes. The total land area for this property is identified at 111 acres including 25.3 acres for the development of a park, as well as the open space component for this property. Backbone infrastructure was in place as of the effective date of valuation. However, it was identified that these costs were processed through a CFD for this project ultimately passed on to the individual home buyers.



**COMPARABLE LAND SALE NUMBER TWO**



| IDENTIFICATION         |  |
|------------------------|--|
| Location:              | N. and S. sides of Parkshore Blvd., E. of Folsom Blvd. |
| City:                  | Folsom, CA   |
| APN:                   | 071-0020-083, 084                                      |
| Grantor:               | Parkshore Plaza Development                            |
| Grantee:               | Lewis Investment Co.                                   |
| Area:                  | City of Folsom   |
| Development Time Line: | 1-2 Years  |

| SITE CHARACTERISTICS |                        |
|----------------------|------------------------|
| Zoning:              | M-1; Industrial Office |
| Parcel Size (AC):    | 34.39 Acres            |
| Parcel Size (SF):    | 1,498,028 SF           |
| Shape:               | Irregular              |
| Planning Area:       | None                   |
| Onsite Improvements: | None                   |
| Entitlements:        | None (See Comments)    |

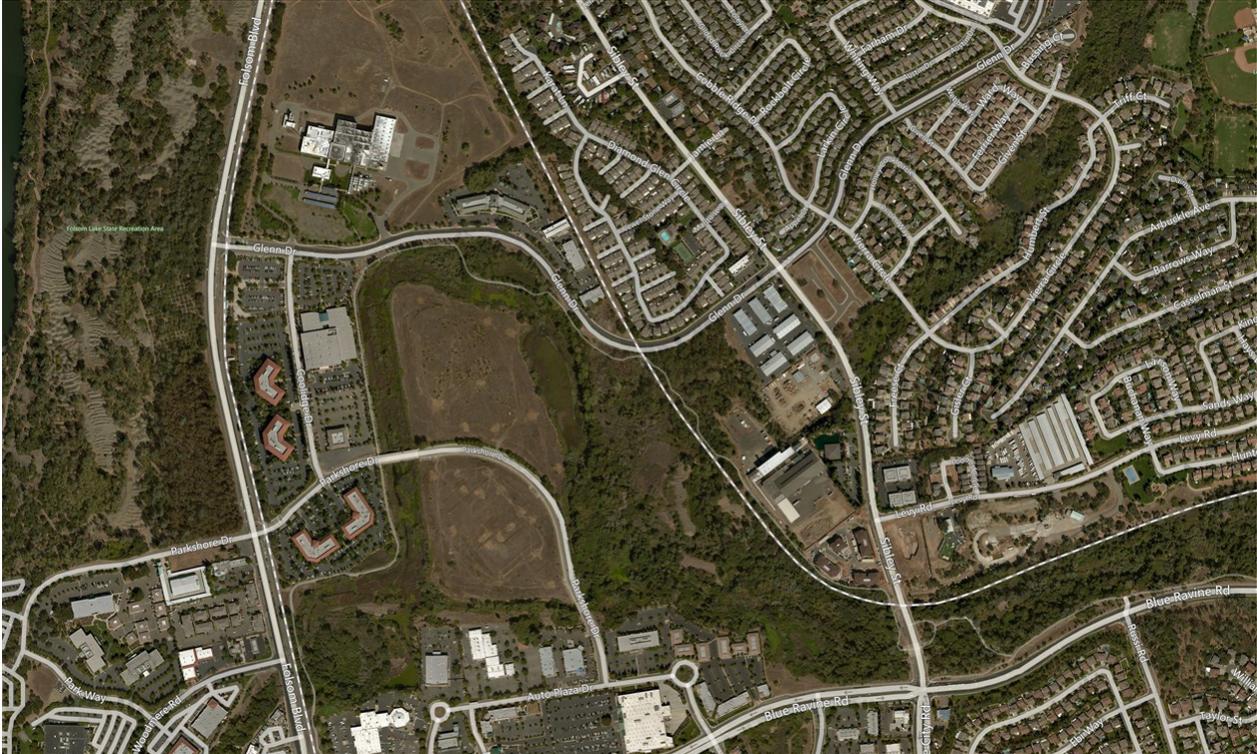
| SALE CHARACTERISTICS         |                      |
|------------------------------|----------------------|
| Prior Sales (3 Years)        | None                 |
| Property Rights Transferred: | Fee Simple Estate    |
| Financing:                   | Cash                 |
| Conditions of Sale:          | Arms-Length          |
| Sale Date                    | February 4, 2011 COE |
| Doc #:                       | 110204608            |

| INDICATORS           |                         |
|----------------------|-------------------------|
| Sales Price:         | \$8,200,000             |
| Bonds:               | None                    |
| Total Consideration: | \$8,200,000             |
| Sales Price/AC:      | \$238,441 per Gross AC  |
| Price/SF             | \$5.47                  |
| Confirmation:        | Broker / County Records |

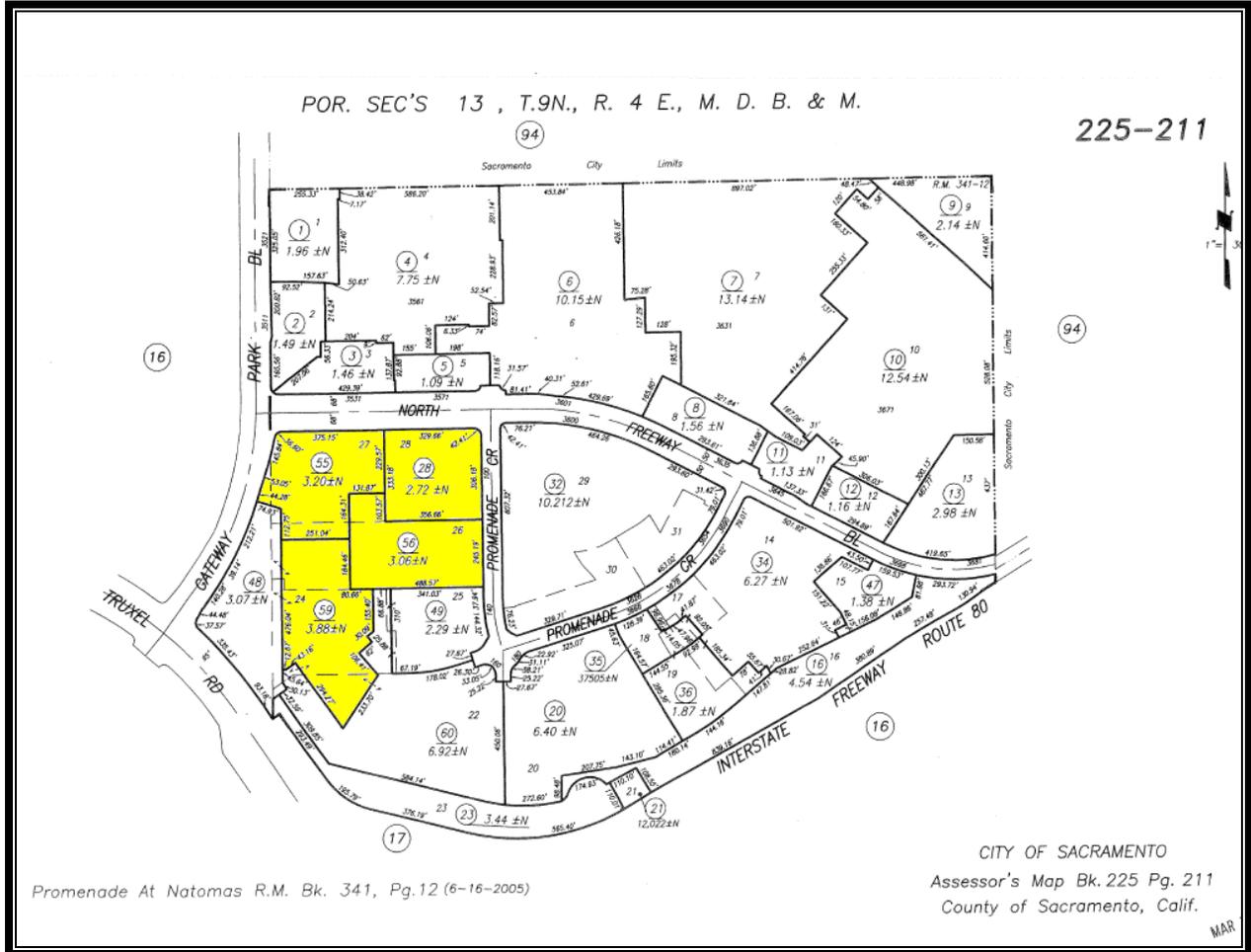
## Comparable Land Sale 2 (Continued)

### COMMENTS

This property reflects the transfer of the remaining two parcels in the Parkshore business park. This property represents 34.39 acres of land, which includes a .42 acre common area component and a 5.4 acre ring park. The net acreage was identified at 28.57 acres. The underlying zoning was for office/industrial development at the time of sale. However, after the purchase the buyer submitted a formal application to the City of Folsom for a General Plan Amendment, Specific Plan Amendment, Vesting Tentative Map application, and Planned Development application. The intended future use as identified by this application is for the development of 315 single-family, detached units. All of these entitlements are at the expense of the buyer. No additional bonds or assessments were assumed with this transaction.



**COMPARABLE LAND SALE NUMBER THREE**



**PLAT MAP**

| IDENTIFICATION         |                             |
|------------------------|-----------------------------|
| Location:              | NEQ of I-80 and Truxel Road |
| City:                  | Sacramento, CA              |
| APN:                   | 225-2110-028, 055, 056, 059 |
| Grantor:               | Bank of America             |
| Grantee:               | Kaiser Permanente           |
| Area:                  | North Natomas               |
| Development Time Line: | 1-2 Years                   |

| SITE CHARACTERISTICS |               |
|----------------------|---------------|
| Zoning:              | EC50 & SC PUD |
| Parcel Size (AC):    | 12.86 Acres   |
| Parcel Size (SF):    | 560,182 sf    |
| Shape:               | Irregular     |
| Planning Area:       | North Natomas |
| Onsite Improvements: | None          |
| Entitlements:        | See Comments  |

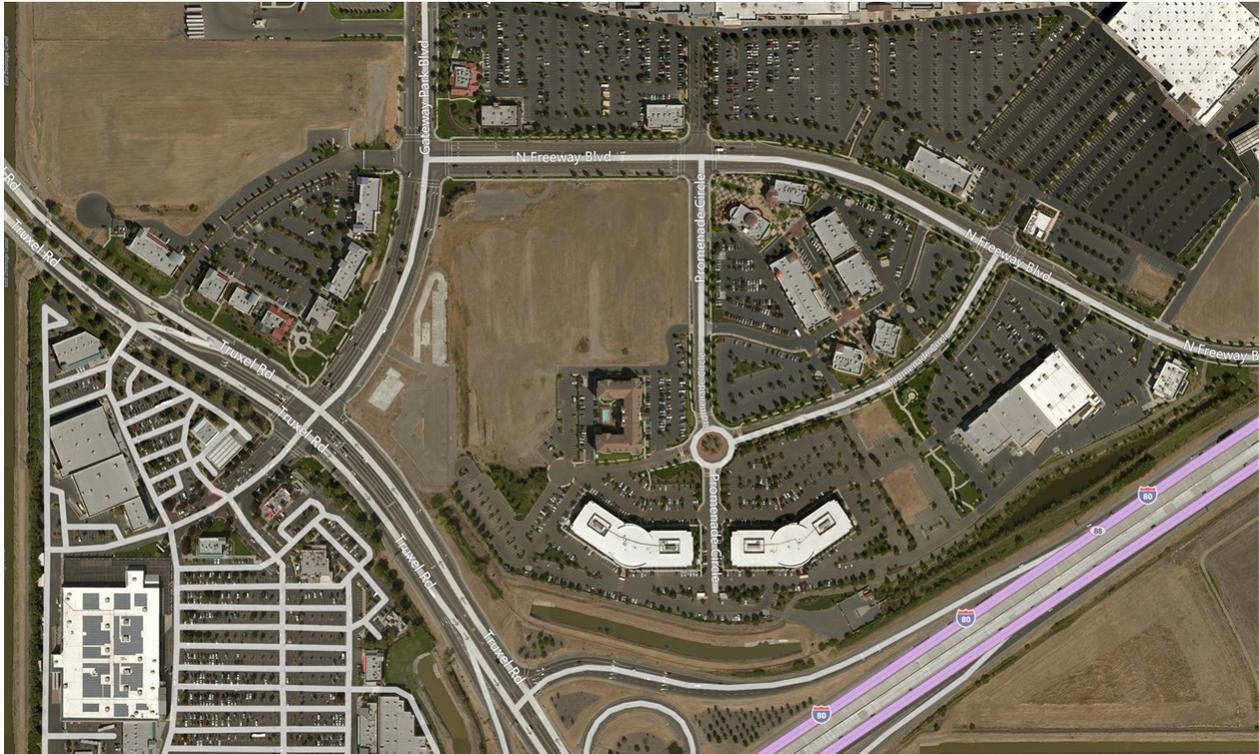
| SALE CHARACTERISTICS         |                   |
|------------------------------|-------------------|
| Prior Sales (3 Years)        | None              |
| Property Rights Transferred: | Fee Simple Estate |
| Financing:                   | Cash Equivalent   |
| Conditions of Sale:          | Arms-Length       |
| Sale Date                    | April 27, 2010    |
| Doc #:                       | 157               |

| INDICATORS           |                       |
|----------------------|-----------------------|
| Sales Price:         | \$5,000,000           |
| Bonds:               | None                  |
| Total Consideration: | \$5,000,000           |
| Sales Price/AC:      | \$388,802             |
| Sales Price/SF:      | \$8.93                |
| Confirmation:        | Broker/County Records |

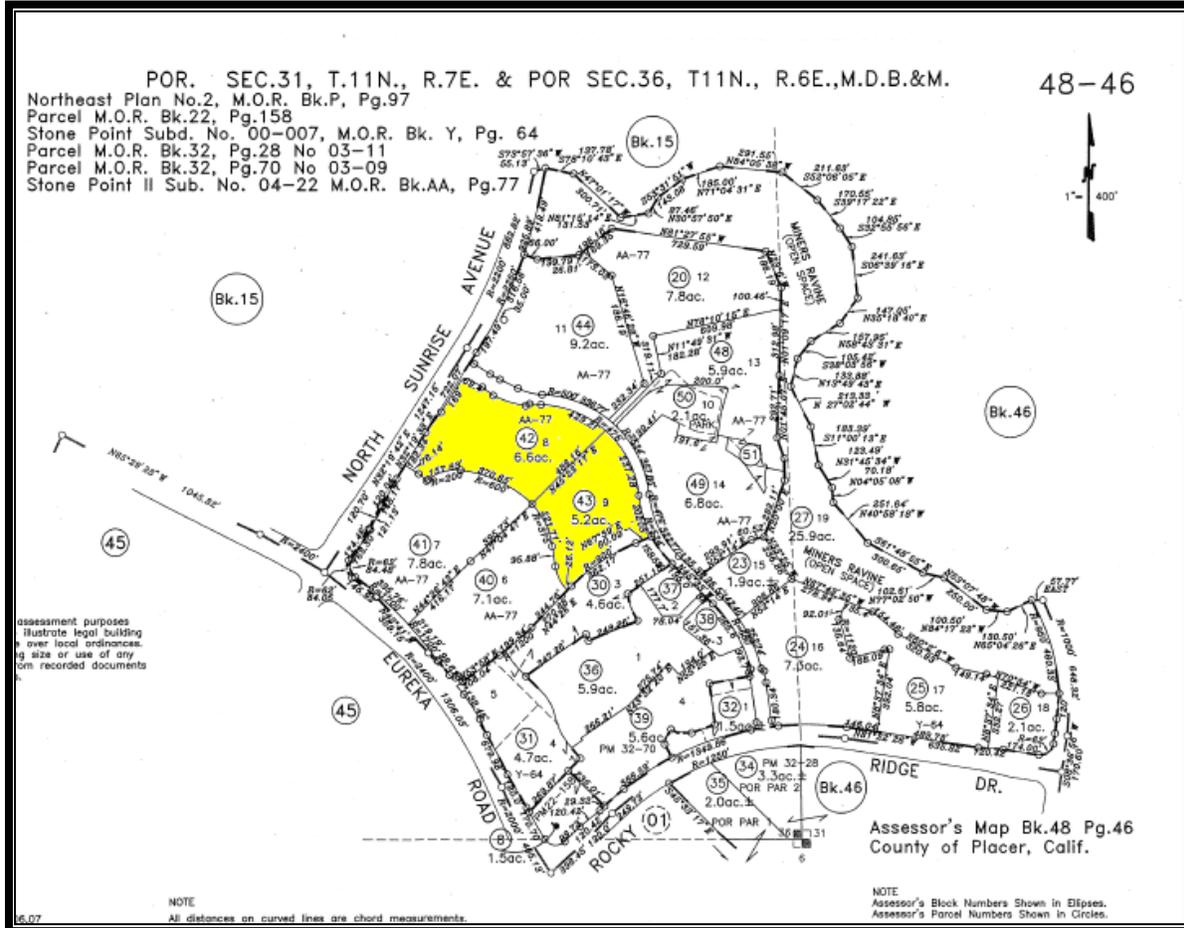
### Comparable Land Sale 3 (Continued)

#### COMMENTS

This comparable represents the April 2010 sale of 12.86 gross acres of commercial land located at the intersection of Interstate 80 and Truxel Road. The seller, Bank of America, acquired the property in December 2009 following the bankruptcy of the former owner, Opus West Corporation. Kaiser purchased this site for eventual development with an 80,000 square foot medical office building. Due to flood concerns, a moratorium on new construction throughout Natomas effectively restricts all new construction. This element is likely in place until levy improvements are upgraded. Prior to the close of escrow on this property, it was encumbered with an agreement between the City and RT to provide 350 park-and-ride spaces on the site (to serve light rail station); however, the city Council reportedly voted to absolve Kaiser of such responsibilities days before the close. No bonds were assumed with this transaction.



**COMPARABLE LAND SALE NUMBER FOUR**



| IDENTIFICATION         |   |
|------------------------|---|
| Location:              | Southern side of Stone Point Drive, East of N. Sunrise Avenue |
| City:                  | Roseville, CA   |
| APN:                   | 048-460-042, 043  |
| Grantor:               | Bank of the West  |
| Grantee:               | Cordova 83 Properties LLC                                     |
| Area:                  | City of Roseville   |
| Development Time Line: | Current   |

| SITE CHARACTERISTICS |                   |
|----------------------|-------------------|
| Zoning:              | Commercial        |
| Parcel Size (AC):    | 11.8 Acres        |
| Parcel Size (SF):    | 514,008 SF        |
| Shape:               | Irregular         |
| Planning Area:       | City of Roseville |
| Onsite Improvements: | None              |
| Entitlements:        | See Comments      |

| SALE CHARACTERISTICS         |                        |
|------------------------------|------------------------|
| Prior Sales (3 Years)        | None Noted             |
| Property Rights Transferred: | Fee Simple Estate      |
| Financing:                   | Cash or its Equivalent |
| Conditions of Sale:          | Arms-Length            |
| Sale Date                    | April 6, 2012          |
| Doc #:                       | 30670                  |

| INDICATORS           |                         |
|----------------------|-------------------------|
| Sales Price:         | \$2,000,000 (\$3.89/sf) |
| Bonds:               | \$7.82/sf               |
| Total Consideration: | \$6,019,543             |
| Sales Price/AC:      | \$510,131               |
| Sales Price/SF:      | \$11.71                 |
| Confirmation:        | Broker/County Records   |

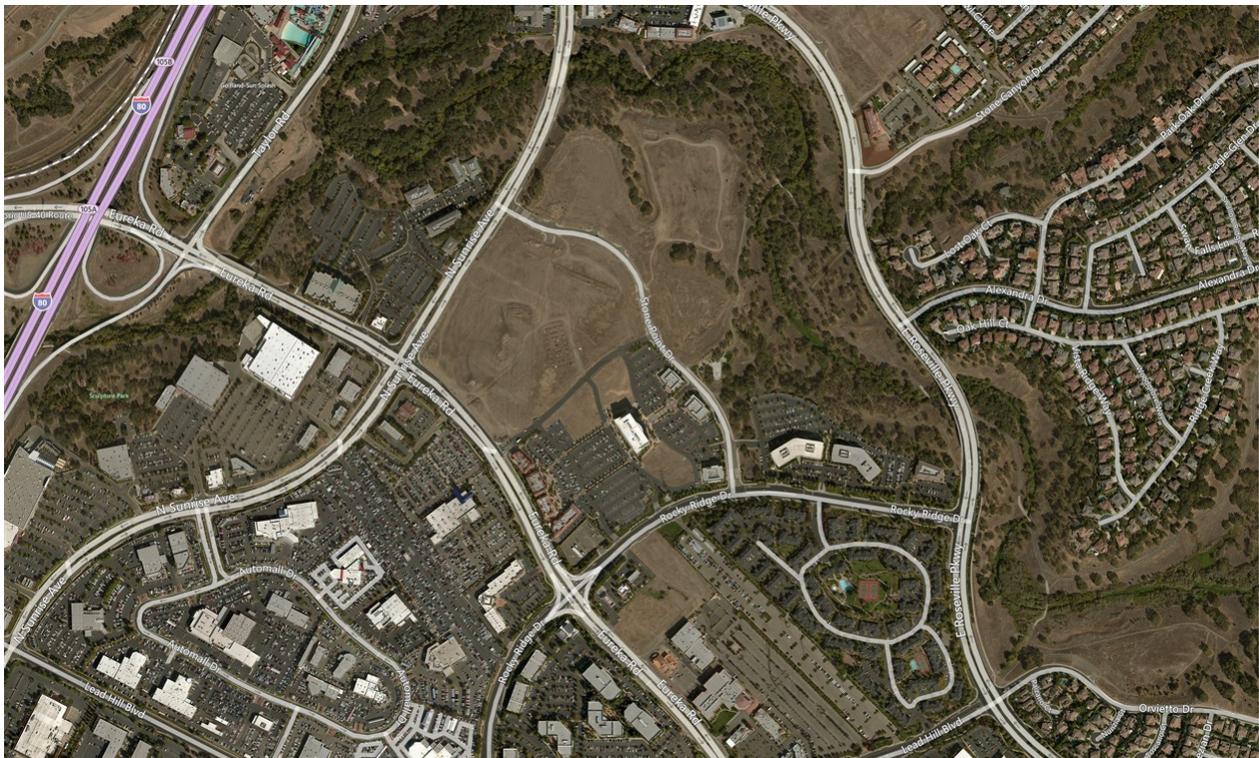
## Comparable Land Sale 4 (Continued)

### COMMENTS

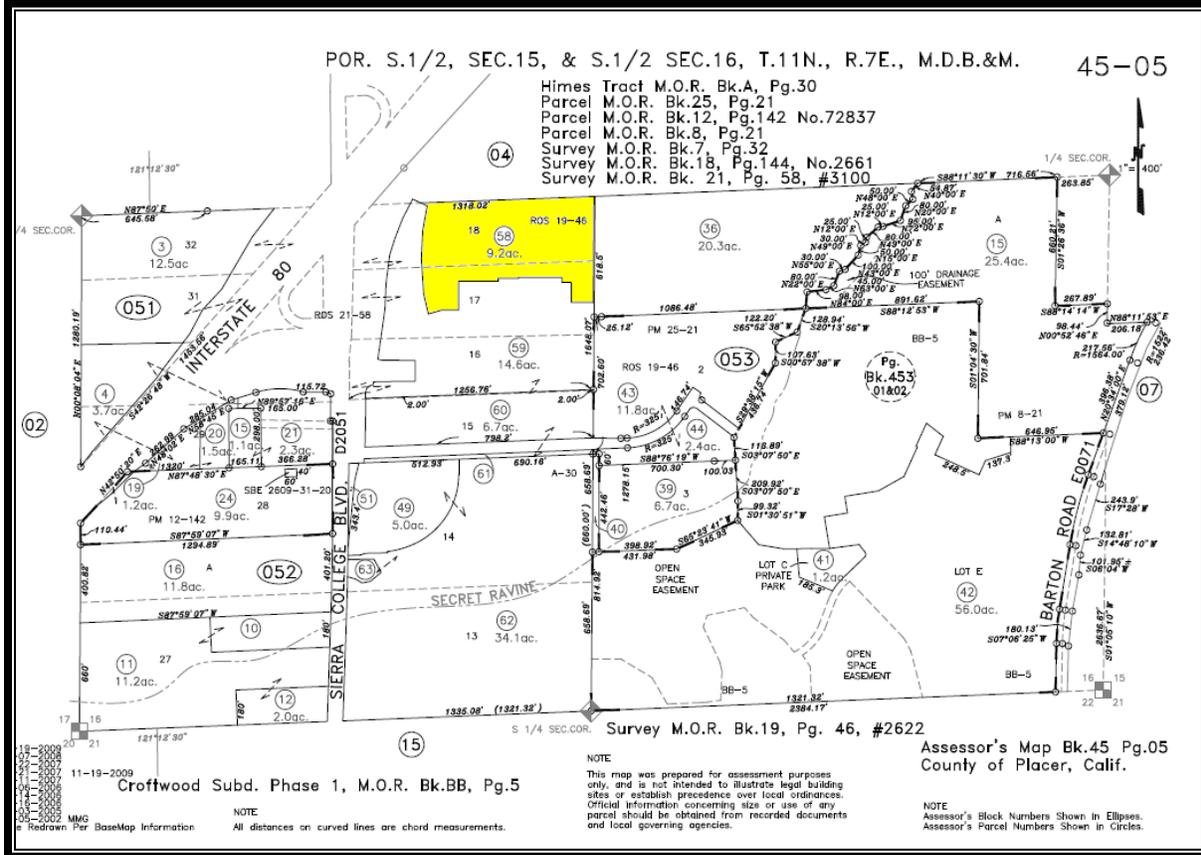
This property represents the transaction of 11.8 acres as part of an overall listing of 42.17 acres in Roseville located along the southern side of Stone Point Drive, east of North Sunrise Avenue. The property was listed at \$7.35 per square foot. This property is comprised of 11.8 acres identified for commercial uses as well as 30.37 acres identified for MDR uses. The residential component is identified for the development of up to 350 residential units. Entitlements for the commercial properties include entitlements for office development.

This property includes significant special assessments. The annual debt service for the entire project is identified at \$927,605.65 per annum. This includes the bonds for this property for 4 assessment districts. Stone Point CFD #1 includes annual debt service of \$465,752, with the bond maturing in 2028 with no provisions for increases. Stone Point CFD #2 includes annual debt service of \$32,380.83 with no maturity rate and annual increases capped at 4%. Stone Point CFD #4 includes annual debt service of \$54,338.48 with no maturity rate and annual increases capped at 4%. Lastly, Stone Point CFD #5 includes annual debt service of \$352,445.86 with the bond maturing in 2036 and increases capped at 4%. The present value of these bonds for the entire project is approximately \$7.82 per square foot, including amortization of CFD #'s 2 and 4 over a 10-year holding period.

Tom Heacox with Cornish & Carey, the listing broker, reported that the asking price for the commercial component was identified at \$7.00 per square foot. He indicated that several offers have been received for this property near \$4.00 per square foot, plus the assumption of bonds, or \$11.82 per square foot. He cited that this site is a premier location in the entire region and significant interest has been placed on this portion of the project. This property closed escrow at \$3.89 per square foot, plus bonds, in April 2012.



**COMPARABLE LAND SALE NUMBER FIVE**



**PLAT MAP**

| IDENTIFICATION         |                                      |
|------------------------|--------------------------------------|
| Location:              | Sierra College Blvd. @ Interstate 80 |
| City:                  | Rocklin, CA 95677                    |
| APN:                   | 045-043-068, 045-053-058             |
| Grantor:               | Rocklin Crossings LLC                |
| Grantee:               | Wal-Mart                             |
| Area:                  | City of Rocklin                      |
| Development Time Line: | Current                              |

| SITE CHARACTERISTICS |                 |
|----------------------|-----------------|
| Zoning:              | C-2; Commercial |
| Parcel Size (AC):    | 16.30 Acres     |
| Parcel Size (SF):    | 710,028 sf      |
| Shape:               | Irregular       |
| Planning Area:       | City of Rocklin |
| Onsite Improvements: | None            |
| Entitlements:        | See Comments    |

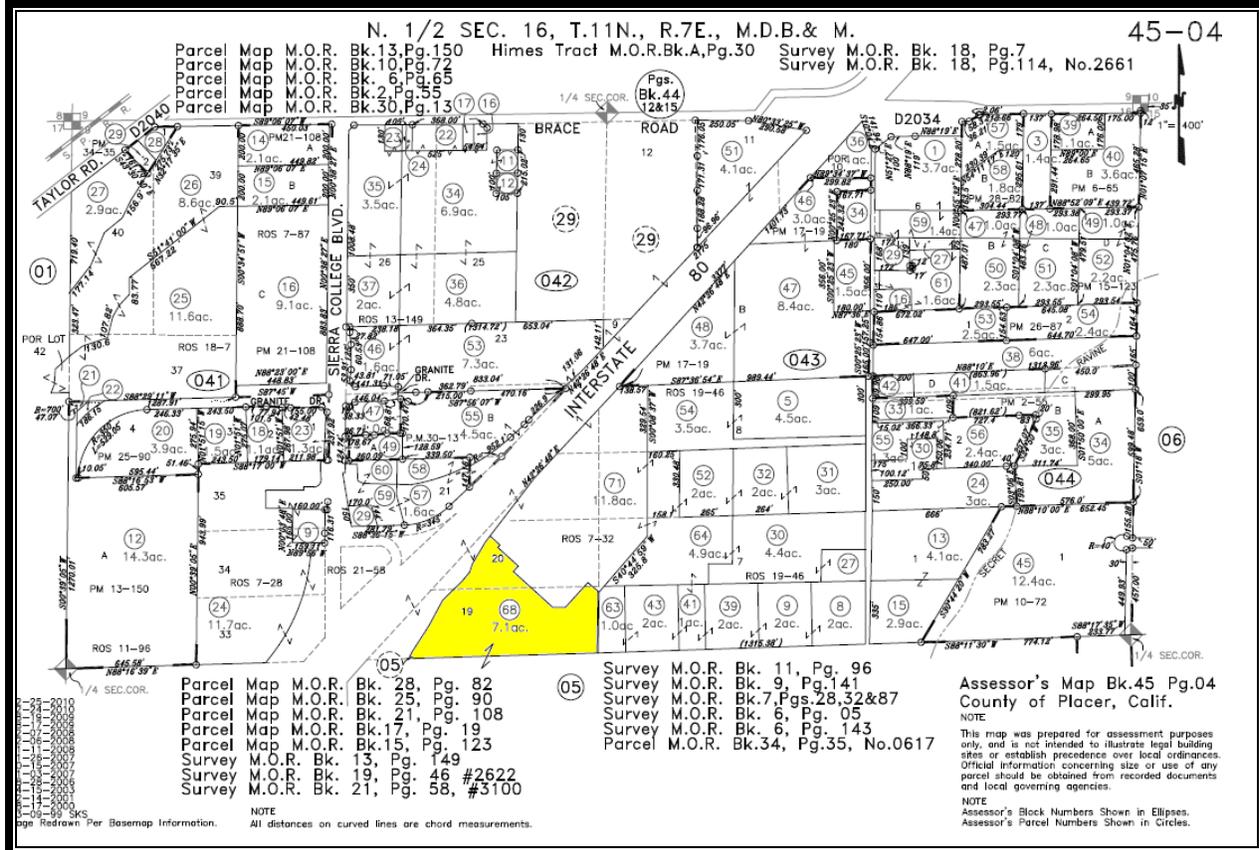
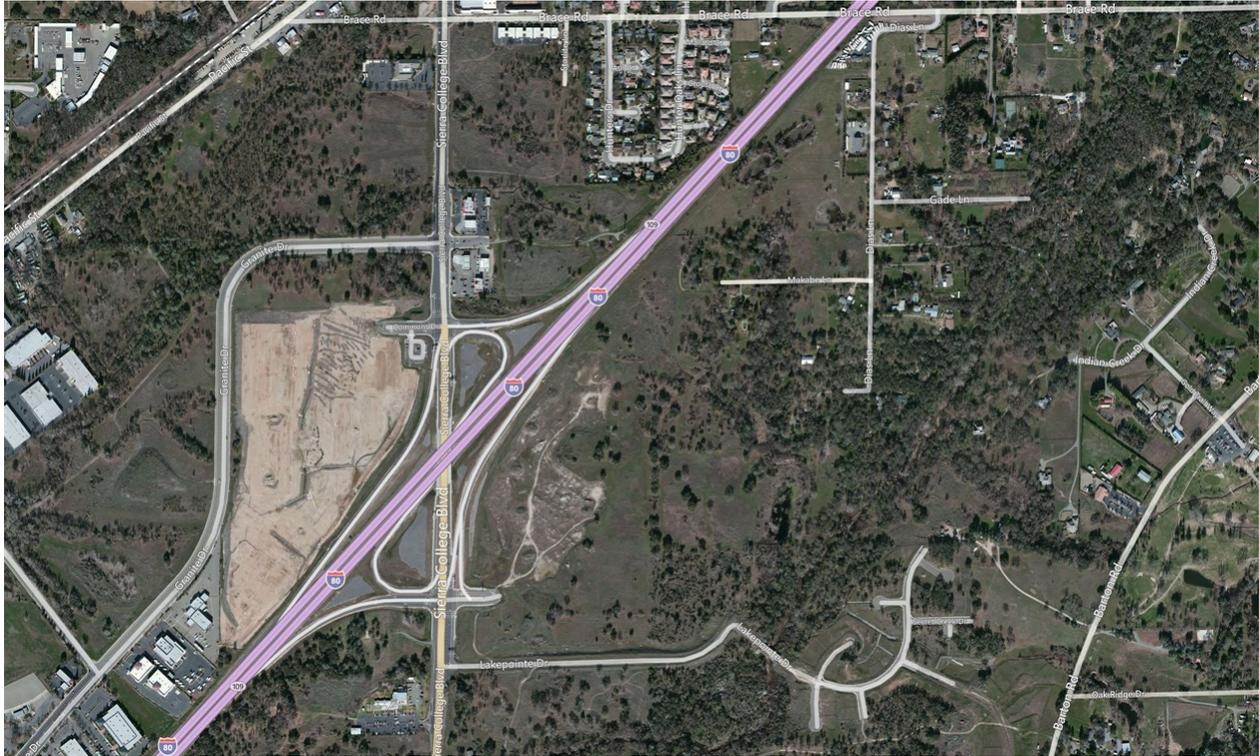
| SALE CHARACTERISTICS         |                   |
|------------------------------|-------------------|
| Prior Sales (3 Years)        | None Noted        |
| Property Rights Transferred: | Fee Simple Estate |
| Financing:                   | All Cash Sale     |
| Conditions of Sale:          | Arms Length       |
| Sale Date                    | June 4, 2012 COE  |
| Doc #:                       | 0051020           |

| INDICATORS           |                       |
|----------------------|-----------------------|
| Sales Price:         | \$8,695,500           |
| Bonds:               | \$0.00/sf             |
| Total Consideration: | \$8,695,500           |
| Sales Price/AC       | \$533,466             |
| Sales Price/SF       | \$12.25               |
| Confirmation:        | Broker/County Records |

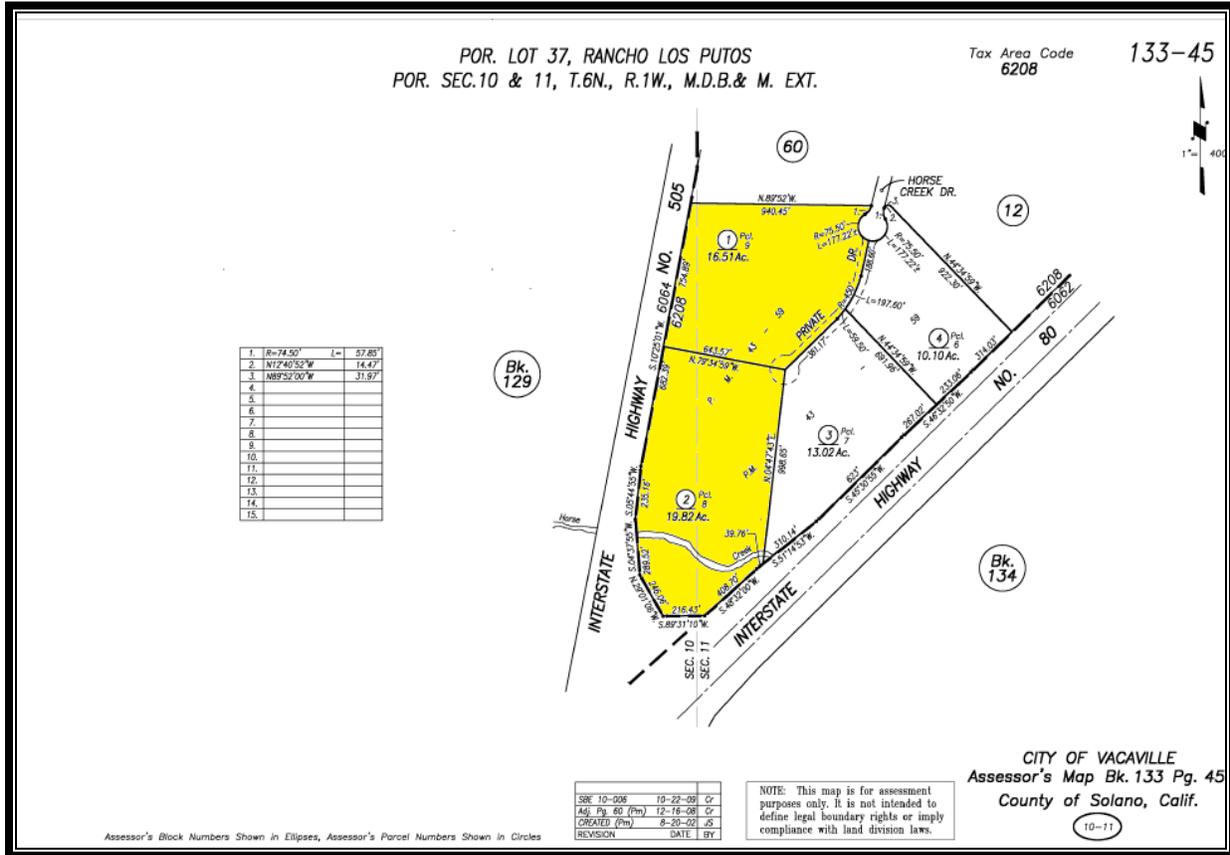
**COMMENTS**

This property represents the June 2012 closing of 16.30 acres of vacant land in the City of Rocklin. This property sold for all cash at \$8,695,500 or approximately \$12.25 per square foot. This was an arms-length agreement for the development of an 180,000 square foot Wal-Mart supercenter as part of the larger Rocklin Crossing retail project. No bonds or special assessments were assumed with this transaction.

Comparable Land Sale 5 (Continued)



**COMPARABLE LAND SALE NUMBER SIX**



| IDENTIFICATION         |                             |
|------------------------|-----------------------------|
| Location:              | NEC of I-505 & I-80         |
| City:                  | Vacaville, CA               |
| APN:                   | 0133-450-010, 020 (por. of) |
| Grantor:               | A.G. Spanos Co.             |
| Grantee:               | Fathers House               |
| Area:                  | City of Vacaville           |
| Development Time Line: | Current                     |

| SITE CHARACTERISTICS |                   |
|----------------------|-------------------|
| Zoning:              | CO; Commercial    |
| Parcel Size (AC):    | 22.0 Gross Acres  |
| Parcel Size (SF):    | 958,320 sf        |
| Shape:               | Irregular         |
| Planning Area:       | City of Vacaville |
| Onsite Improvements: | None              |
| Entitlements:        | See Comments      |

| SALE CHARACTERISTICS         |                    |
|------------------------------|--------------------|
| Prior Sales (3 Years)        | None               |
| Property Rights Transferred: | Fee Simple Estate  |
| Financing:                   | All Cash Sale      |
| Conditions of Sale:          | Arms-Length        |
| Sale Date:                   | March 31, 2011 COE |
| Doc #:                       | 028219             |

| INDICATORS           |                      |
|----------------------|----------------------|
| Sales Price:         | \$4,000,000          |
| Bonds:               | None                 |
| Total Consideration: | \$4,000,000          |
| Sales Price/AC:      | \$181,818/AC         |
| Sales Price/SF:      | \$4.17/sf            |
| Confirmation:        | Seller / Co. Records |

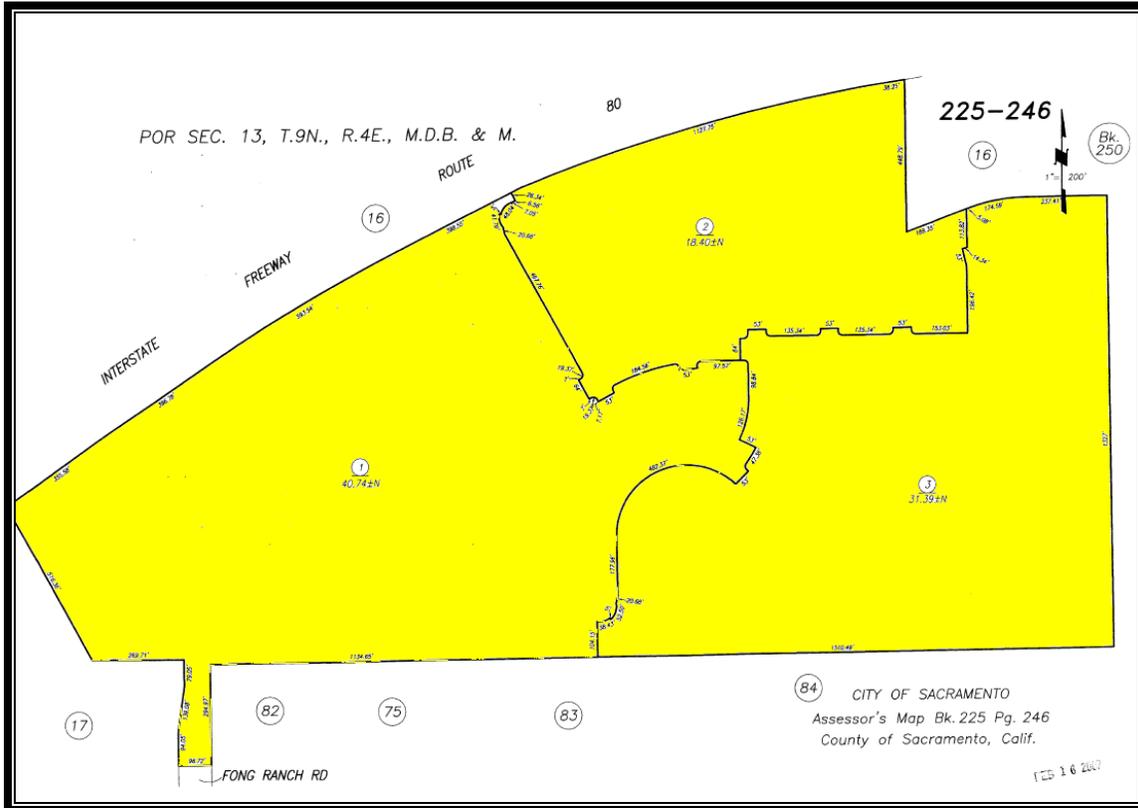
## Comparable Land Sale 6 (Continued)

### COMMENTS

This property reflects the transfer of 22.0 acres of vacant land along the east side of I-505, and along the north side of Interstate 80. The property and additional land was listed for sale for \$14.00 per square foot, however, the seller accepted a lower price due to the tax benefit of selling to a religious facility. The property was in escrow for one year to obtain approvals for a religious facility on the site. The underlying zoning for this property is for office development and the use as a religious facility requires a conditional use permit.



**COMPARABLE LAND SALE NUMBER SEVEN**



**IDENTIFICATION**

|                        |                                      |
|------------------------|--------------------------------------|
| Location:              | NEQ of Interstate 80 and Truxel Road |
| City:                  | Sacramento, CA                       |
| APN:                   | 225-2460-001..003                    |
| Grantor:               | PB REO LLC (Key Bank)                |
| Grantee:               | BKT II Parkbridge 531 LLC            |
| Area:                  | Natomas Area                         |
| Development Time Line: | 1 to 3 Years                         |

**SITE CHARACTERISTICS**

|                      |   |
|----------------------|---|
| Zoning:              | PUD; Single Family Residential                            |
| Parcel Size (AC):    | 90.53 AC  |
| Parcel Size (SF):    | 3,943,487 SF  |
| Shape:               | Irregular   |
| Planning Area:       | City of Sacramento  |
| Onsite Improvements: | None  |
| Entitlements:        | Tentative Map. Property is Subject to building Moratorium |

**SALE CHARACTERISTICS**

|                              |                   |
|------------------------------|-------------------|
| Prior Sales (3 Years)        | None              |
| Property Rights Transferred: | Fee Simple Estate |
| Financing:                   | Cash              |
| Conditions of Sale:          | REO Sale          |
| Sale Date                    | December 31, 2009 |
| Doc #:                       | 2010012311283     |

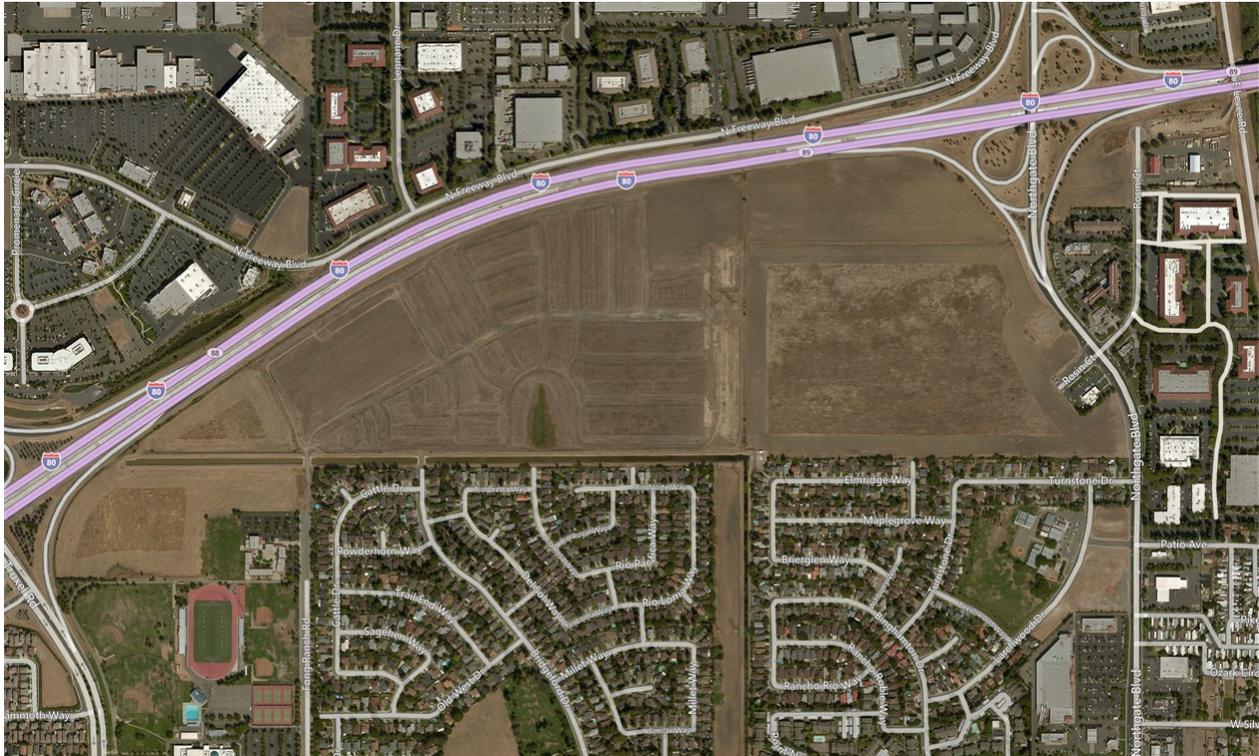
**INDICATORS**

|                      |                         |
|----------------------|-------------------------|
| Sales Price:         | \$4,575,000             |
| Bonds:               | \$0                     |
| Total Consideration: | \$4,575,000             |
| Sales Price/AC:      | \$50,536/AC             |
| Sales Price/SF:      | \$1.16/sf               |
| Confirmation:        | Broker / County Records |

## Comparable Land Sale 7 (Continued)

### COMMENTS

This property represents the transfer of 90.53 acres of vacant land in the North Natomas area of the City of Sacramento. It represents an REO property sold to an investment group from Southern California. The location of this property in North Natomas is subject to a building moratorium of all properties until the levee improvements are upgraded to the region. Effectively, it sold as transitional land prices due to this element. This property has tentative map approval for 489 lots which were rough graded at the time of sale. Other infrastructure improvements include bridge crossings (culverts) and partial completion trunk sewer extensions. Site work for this property was completed by Griffin Housing, which lost the property through the foreclosure property. This property has significant frontage along Interstate 80, which opens the possibility for re-entitlement of this property to include some form of commercial development.



## APPLICATION OF ADJUSTMENTS

As noted, the seven comparable sales presented for review are applicable for the subject property. The subject property is valued under the hypothetical conditions noted in this report which were noted in the introductory part of this section. Prior to adjustments to the comparable sales the overall range is from \$1.16 to \$12.25 per square foot. The comparable sales presented in this analysis are applicable indicators to the subject property based on the stipulated hypothetical conditions. In addition, several older (mid 2000) transactions are noted below which occurred in the North Natomas area. While these sales are somewhat dated, they do provide some insight to value ranges near the subject property. Granted, the market environment was superior for development due to housing growth, no flood plain issues, etc., but these sales show the potential viability of this location. These transactions are viewed as secondary data utilized to develop an opinion of value.

| LOCATION   | SALE DATE                      | TOTAL AC            | PRICE                    |
|--|--------------------------------|---------------------|--------------------------|
|  | SALES PRICE                    | TOTAL SF            | PER SF                   |
| N. side of Arena Boulevard,<br>W. of Truxel Road<br>225-0070-121, 122, 123 (ATOS)  | Oct-2004 (COE)<br>\$2,868,000  | 8.230<br>358,499    | EC-40 \$ <b>8.00</b>     |
| COMMENTS: This property is a 2004 land sale of 8.23 net acres of land along the periphery of the arena. This property was purchased by a developer who constructed multi-family units on the site.   |                                |                     |                          |
| NEC of Arena Boulevard and<br>Truxel Road<br>225-000-094, 095 (ATOS)   | May-2003 (COE)<br>\$2,877,507  | 9.970<br>434,293    | RC-40/PUD \$ <b>6.63</b> |
| COMMENTS: This property is a 2003 land sale of 9.97 net acres of land along the periphery of the arena. This property was purchased by a developer who constructed a retail center on the site.  |                                |                     |                          |
| S. side of Arena Boulevard, W.<br>of Truxel Road<br>225-1250-028 (ATOS)  | Feb.-2004 (COE)<br>\$3,657,566 | 11.720<br>510,523   | MDR \$ <b>7.16</b>       |
| COMMENTS: This property is a 2004 land sale of 11.72 net acres of land along the periphery of the arena. This property was purchased by a developer who intended on development of condominiums for the property. Subsequently sold at a liquidation price toward the latter half of the decade  |                                |                     |                          |
| S. side of Arena Boulevard, E.<br>of I-5<br>225-0150-014, 025, 027, 028, 030, 036  | Mid-2004<br>\$41,000,000       | 98.100<br>4,273,236 | R1-PUD \$ <b>9.59</b>    |
| COMMENTS: This property reflects the sale of approximately 98.1 acres identified as Natomas Field. The property was sold based on the developer securing all entitlements for development with remediation costs included in the price.  |                                |                     |                          |
| S. side of Del Paso Road, E. of<br>Gateway Park Boulevard<br>225-0060-025 (ATOS)   | Mid-2006<br>\$59,756,250       | 95.610<br>4,164,772 | MP-U \$ <b>14.35</b>     |
| COMMENTS: This property reflects the sale of approximately 95.61 acres identified as Natomas Meadows. The property was sold based on the developer securing all entitlements for development for development of residential homes. Property transferred for approximately \$25,000,000 to an investor with partial completion of site improvements in latter part of decade. |                                |                     |                          |

### ATOS – At Time of Sale

These secondary transactions noted above were transacted from 2003 to 2006. The variety of land uses shows an overall range in price from \$6.63 to \$14.35 per square foot. While not presented as primary data in this analysis, these transactions aid in the adjustment process in developing an opinion of value for the subject property.

The following is a discussion of the adjustments made to the comparable sales.

## **Property Rights Conveyed**

Each of the comparable sales represents a conveyance of the fee simple estate and therefore no adjustments are necessary.

## **Financing**

Each of the comparables represents all cash transactions or transactions with equivalent financing vehicles in place at the time of sale and no adjustments are necessary to the comparable sales.

## **Conditions of Sale**

Each of the comparables is considered to be an arms-length transaction and no adjustments are necessary. Some of the comparable sales presented for analysis were bank owned at the time of sale. However, these properties were exposed to the open market through various brokerages and no adjustments are identified for this element. Still, this element is referenced in the underlying land value and this is considered in qualitative analysis.

## **Market Conditions**

As discussed previously in the Market Overview section of this report, the overall demand for commercial properties was in the initial stages of the recovery period as of the effective date of valuation (February 26, 2013). Still, new construction was minimal region wide as existing properties were being sold below replacement costs and new construction was not highly feasible. The same impacts were observed for the residential component as prices dropped to levels able to absorb higher than typical inventory levels in the secondary market. While pricing is trending upward for the residential sector, new home projects are at low levels and construction of existing product is slow to follow.

The primary comparable sales identified in this analysis show a range in the date of sale from December 2009 to November 2012. Sales prices in existing homes dropped over this period as the market was correcting in terms of pricing and lingering impacts of the recessionary period. For example, median home pricing in Sacramento County was \$170,000 and \$172,500, respectively from 2009 to 2010. This dropped to \$167,000 in 2012, a change from approximately 1% to 3% over this time frame. Still, as of March 2013 shows recovery in pricing to \$193,000. In commercial markets, rental rates were steady after periods of decline and increases in vacancy, with no new construction to measure changes. Based on review of these elements, no adjustments were applied for market conditions.

## **Site Size / Utility**

The subject site contains a total area of 100.41 acres of land. Under the hypothetical scenario, the property is valued under the assumption that the wetland area is mitigated, the easements are non-existent, and the former stadium improvements, and parking lot areas have been removed. These elements are considered in the reconciliation section as costs for the removal were provided for review, as well as the highest and best use conclusion for the property.

Two comparable sales do not require any adjustment in this analysis. Comparables 1 and 7 are larger acreage transactions considered similar with respect to the overall size of this property. Still, these properties required other adjustments for physical units of comparison making paired sales analysis difficult. The subject property is a larger property, which in turn, will require larger capital improvement and investment. Comparables from 20 to 50 acres in size were adjusted downward 10%, whereas the smaller properties were adjusted downward 15% for this element.

## Exposure/Visibility

The subject property has excellent visibility in North Natomas in proximity to Interstate 5. Comparable 2 required an upward adjustment for this element based on the distance from US Highway 50 in the City of Folsom. It is an urban property which is somewhat distant from freeways.

## Location

Some of the comparable sales vary in location as compared to the subject property. The subject property is located in North Natomas. A main variable that influenced potential demand for housing in the region was the decertification of the flood areas in North Natomas in December 2008. As of this date, the Federal Emergency Management Agency (FEMA) issued new flood risk maps for the Natomas region. These maps moved Natomas from a moderate risk "X" flood zone to a higher risk "AE" flood zone – a change that triggered the federal flood insurance requirement. This change was in response to a major levee upgrade for the region at a total estimated cost of \$618 million. This created a de-facto building moratorium. More specifically, if residential projects in the area did not pull building permits (prior to December 2008), they would not be issued. This is not a legal requirement; however, any new structure constructed will be required to build one foot above the base flood elevation. In Natomas, this will mean that buildings will need to be elevated more than 20 feet in some areas. Effectively, the costs of construction is not likely feasible with this requirement. While this element is supportive of the highest and best use as a holding use, it creates difficulty in support of the overall location adjustment due to this element. Considerations in deriving the overall adjustment for location, specifically for each sale include the following:

**Comparable Sale 1** is located in the City of Lincoln. This is a secondary market in the Sacramento region in terms of residential and commercial development. It has grown in the past decade in response to vast development in Roseville and the expansion of Placer County in a northern direction. However, residential pricing is generally lower than prime areas of Placer County, whereas rents in commercial properties are typically lower. An upward adjustment of 40% is applied to this transaction which is atypical, but justified given the position of this property in the region.

**Comparable Sale 2** is located in the City of Folsom. This is a primary market area of the Sacramento region, generally attributed to housing prices and employment. While an adjustment was noted for the inferior exposure and visibility for this property, no adjustments were noted for the overall location relative to the subject property.

**Comparable Sale 3** is located in North Natomas near the subject property along Truxel Road. No adjustments for the overall location are identified as this property is in close proximity to Interstate 80.

**Comparable Sale 4** is located in the City of Roseville near the Douglas Boulevard corridor. This property is heavily bonded as the land sold at \$3.89 per square foot, and the buyer assumed approximately \$7.82 in existing bonds at the time of sale. This is a site identified for future office use as Roseville is a desired address for this type of use. Rents command a slight premium in Roseville for office uses, desire vacancy in excess of 20%. A downward adjustment was applied for this element.

**Comparable Sale 5** is located in the City of Rocklin and visible from Interstate 80. It is smaller than the subject and was purchased for the development of a Wal-mart. It was purchased for immediate development in June 2012 and with the proposed retail use for this property construction was feasible. A downward adjustment for location was applied for this property based on this element and the desired location in Placer County.

**Comparable Sale 6** is located in the City of Vacaville in Solano County at the confluence of Interstate 505 and Interstate 80. This property was zoned for an office use, however, surrounding properties generally offer industrial related uses with interspersed offices throughout the region. Vacaville is typically identified as part of the Bay Area, but a secondary county primarily home to residential uses

serving the employment centers. While the overall location is desired, the industrial uses surrounding this property warrant an upward adjustment. This element is aided by the fact that the property is zoned for office uses, but is proposed for development of a religious facility with a conditional use permit.

**Comparable Sale 7** is located in the Natomas area near the subject property along Truxel Road. This property is located along the southern portion of Interstate 80 and requires a slight upward adjustment for this element. Localized retail and office uses are concentrated along the northern side of Interstate 80, east of Interstate 5. This property is just outside this influence and an upward adjustment is noted for this element.

These adjustments for location are difficult to quantify, especially based on the nature of this project with building restrictions due to flood control element.

### **Development Time Line**

The highest and best use conclusion for the subject property is for an interim holding use based on the market environment, flood control measures, etc. Comparable sale 5 was sold for immediate development and downward adjustment is required. This adjustment is predicated on the holding costs and yield rates on land typically from 8% to 12% for a 3-5 year period until development is likely feasible. This provides an overall adjustment as follows.

8% Yield – 21% to 32%  
12% Yield – 29% to 43%

Based on this observed range, comparable sale 5 is adjusted downward 25% for this element.

The following table summarizes the adjustments applied to the comparable sales, as well as the overall discussion of the qualitative elements.

| ELEMENTS OF COMPARISON        | SUBJECT                 | 1               | 2              | 3              | 4               | 5               | 6              | 7               |
|-------------------------------|-------------------------|-----------------|----------------|----------------|-----------------|-----------------|----------------|-----------------|
| Indicated Price per SF        |                         | \$2.53          | \$5.47         | \$8.93         | \$11.71         | \$12.25         | \$4.17         | \$1.16          |
| Property Rights Conveyed      | Fee Simple              | Fee Simple      | Fee Simple     | Fee Simple     | Fee Simple      | Fee Simple      | Fee Simple     | Fee Simple      |
| -Adjustment                   |                         | \$0             | \$0            | \$0            | \$0             | \$0             | \$0            | \$0             |
| -Adjusted Base                |                         | \$2.53          | \$5.47         | \$8.93         | \$11.71         | \$12.25         | \$4.17         | \$1.16          |
| Financing Terms               | Cash                    | Cash            | Cash           | Cash           | Cash            | Cash            | Cash           | Cash            |
| -Adjustment                   |                         | \$0             | \$0            | \$0            | \$0             | \$0             | \$0            | \$0             |
| -Adjusted Base                |                         | \$2.53          | \$5.47         | \$8.93         | \$11.71         | \$12.25         | \$4.17         | \$1.16          |
| Conditions of Sale            | Arms-Length             | Similar         | Similar        | Similar        | Similar         | Similar         | Similar        | REO             |
| -Adjustment                   |                         | \$0             | \$0            | \$0            | \$0             | \$0             | \$0            | \$0             |
| -Adjusted Base                |                         | \$2.53          | \$5.47         | \$8.93         | \$11.71         | \$12.25         | \$4.17         | \$1.16          |
| Market Conditions             | Feb-13<br>Retrospective | Nov-12          | Feb-11         | Apr-10         | Apr-12          | Jun-12          | Mar-11         | Dec-09          |
| -Adjustment                   |                         | 0%              | 0%             | 0%             | 0%              | 0%              | 0%             | 0%              |
| -Adjusted Base                |                         | \$2.53          | \$5.47         | \$8.93         | \$11.71         | \$12.25         | \$4.17         | \$1.16          |
| <b>ADJUSTED PRICE PER SF</b>  |                         | <b>\$2.53</b>   | <b>\$5.47</b>  | <b>\$8.93</b>  | <b>\$11.71</b>  | <b>\$12.25</b>  | <b>\$4.17</b>  | <b>\$1.16</b>   |
| Physical Characteristics      |                         |                 |                |                |                 |                 |                |                 |
| Size (sf)                     | 100.41 AC               | 111.00 AC       | 34.39 AC       | 12.86 AC       | 11.80 AC        | 16.30 AC        | 22.0 AC        | 90.53 AC        |
| -Adjustment                   |                         | 0%              | -10%           | -15%           | -15%            | -15%            | -10%           | 0%              |
| Exposure/Visibility           | Good                    | Similar         | Inferior       | Similar        | Similar         | Similar         | Similar        | Similar         |
| -Adjustment                   |                         | 0%              | 5%             | 0%             | 0%              | 0%              | 0%             | 0%              |
| Location                      | Good                    | Inferior        | Similar        | Similar        | Superior        | Superior        | Inferior       | Inferior        |
| -Adjustment                   |                         | 40%             | 0%             | 0%             | -10%            | -10%            | 10%            | 10%             |
| Development Time Line         | Holding Use             | Similar         | Similar        | Similar        | Similar         | Superior        | Similar        | Similar         |
| -Adjustment                   |                         | 0%              | 0%             | 0%             | 0%              | -25%            | 0%             | 0%              |
| <b>Net Adjustment</b>         |                         | <b>40%</b>      | <b>-5%</b>     | <b>-15%</b>    | <b>-25%</b>     | <b>-50%</b>     | <b>0%</b>      | <b>10%</b>      |
| <b>INDICATED PRICE PER SF</b> |                         | <b>\$3.54</b>   | <b>\$5.20</b>  | <b>\$7.59</b>  | <b>\$8.78</b>   | <b>\$6.13</b>   | <b>\$4.17</b>  | <b>\$1.28</b>   |
| Entitlements/Approvals        | Needed                  | Yes             | Needed         | Yes            | Yes             | Yes             | Needed         | Yes             |
| <b>Overall Comparability</b>  |                         | <b>Inferior</b> | <b>Similar</b> | <b>Similar</b> | <b>Superior</b> | <b>Superior</b> | <b>Similar</b> | <b>Inferior</b> |

### Conclusion - Sales Comparison Approach

The comparable sales presented for review in this analysis show a wide range after quantitative adjustments from \$1.20 to \$8.78 per square foot in conjunction with the hypothetical conditions of this report. Discussions of these sales are identified as follows.

**Comparable Land Sale Number 1** represents the November 2012 transaction of 111 acres of land in Lincoln. While this property was identified for residential uses and entitlements were in place, the developer purchased this property for a holding use. The transaction price was noted at \$2.53 per square foot. The only adjustment applied for this property is an upward adjustment for the inferior location providing an adjusted value at **\$3.54 per square foot**. This is viewed as an inferior indication to the subject based on the overall variances due to location.

**Comparable Land Sale Number 2** represents the February 2011 transaction of 34.39 acres of land in Folsom. This property was purchased by a land developer intending on changing the zoning, general plan, and specific plan to accommodate residential uses in contrast to the M-1 light industrial uses noted for the property. The transaction price was noted at \$5.47 per square foot. A downward adjustment was noted for the smaller land size of this property, partially offset by the upward adjustment for the inferior exposure away from US Highway 50. It provides an adjusted value of **\$5.20 per square foot** and is viewed as a similar indicator to the subject based on the need of entitlements and holding use.

**Comparable Land Sale Number 3** represents the April 2010 transaction of 12.86 acres of land in the North Natomas area of the City of Sacramento. While this sale was sold from the lender, it was actively marketed and sold to Kaiser for the development of an office building. This property is subject to similar building restrictions based on the location in North Natomas. The transaction price was noted at \$8.93 per square foot. As compared to the subject, a downward adjustment was applied for the smaller transaction size. It provides an adjusted value of **\$7.59 per square foot** and is viewed as a similar indicator based on the similar location and building restrictions imposed on properties in North Natomas.

**Comparable Land Sale Number 4** represents the sale of 11.8 acres of vacant land identified for office development along the south side of Stone Point Drive, east of North Sunrise Avenue in Roseville. The asking price for this property was \$14.82 per square foot, heavily influenced by the bonds on this property at \$7.82 per square foot. The listing broker, Tom Heacox, identified that the land component (exclusive of bonds) sold at \$3.89 per square foot. As compared to the subject property, a downward adjustment was noted for the superior location, as well as the smaller land area. It provides an adjusted value of **\$8.78 per square foot**. This is a superior indicator to the potential value for the subject due to the heavy influence of bonds in the underlying price.

**Comparable Land Sale Number 5** represents the June 2012 sale of 16.3 acres of vacant land identified for retail development at Sierra College Boulevard and Interstate 80. It sold at \$12.25 per square foot and no bonds were assumed with the transaction. Downward adjustments were applied for this sale including those for the smaller land area, superior location, and immediate development time-line. It provides an adjusted value of **\$6.13 per square foot**. This is a superior indicator to the potential value for the subject due to the purchase for immediate development.

**Comparable Land Sale Number 6** represents the March 2011 transaction of 22.00 acres of vacant land identified at the confluence of Interstate 505 and Interstate 80 in Vacaville. This property was zoned for office uses at the time of sale, although the buyer intends on utilizing the site for a religious institution. The transaction price for this property was \$4.17 per square foot. No net adjustments are noted for this property as the downward adjustment for the smaller land area is offset by an upward adjustment for the inferior location. It provides an adjusted value of **\$4.17 per square foot** and is viewed as a similar indicator. This property was purchased for a holding use and reflects a larger land holding near quality infrastructure.

**Comparable Land Sale Number 7** represents the December 2009 transaction of 90.53 acres of land just outside the North Natomas area. This property reflects a larger land transaction in the region, but was sold as an REO transaction with the buyer liquidating the property for a year-end closing. The transaction price was noted at \$1.16 per square foot. As compared to the subject, an upward adjustment outside the immediate North Natomas area. It provides an adjusted value of **\$1.28 per square foot**, and is an inferior indicator relative to the subject due to the REO nature of this transaction.

The following grid displays the adjusted unit price for each comparable sale as well as the degree of comparability as compared to the subject property.

| DEGREE OF COMPARABILITY |                           |           |                            |
|-------------------------|---------------------------|-----------|----------------------------|
| Sale #                  | Low (Inferior Indicators) | Similar   | High (Superior Indicators) |
| 1.                      | \$3.54/SF                 |           |                            |
| 2.                      |                           | \$5.20/SF |                            |
| 3.                      |                           | \$7.59/SF |                            |
| 4.                      |                           |           | \$8.78/SF                  |
| 5.                      |                           |           | \$6.13/SF                  |
| 6.                      |                           | \$4.17/SF |                            |
| 7.                      | \$1.28/SF                 |           |                            |

After adjustments, the comparable sales indicated a range from \$1.28 to \$8.78 per square foot. Statistical variables note a mean (average) adjusted price of \$5.24 per square foot, with a median adjusted price of \$5.20 per square foot. The properties deemed similar to the subject fall in this range showing an overall price from \$4.17 to \$7.59 per square foot.

The secondary indicators to value noted in earlier parts of this section are an aid in deriving value. The difficulty in analyzing these sales as primary data is that they were transacted prior to the de-certification of the flood zones in the region and were transacted at a point in time when market conditions were at peak levels. The first three transactions were smaller land holdings surrounding the arena and sold from 2003 to 2004. Smaller properties sold between 2003 and 2004 from \$6.63 to \$8.00 per square foot. Applying typical adjustment for land area would provide a value range from \$5.97 to \$7.20 per square foot. This reflects non-adjusted range in values for variable in market conditions. The last two sales were larger land holdings in the region in excess of 90 acres in



**Parking Lot Removal** – Currently there is approximately 44.35 acres of the sited paved and utilized for a parking lot. Also, additional area was based on a contingency of 10% for a total area of 48.79 AC. This land area is tied to Items 21-22 in the exceptions of under the Reciprocal Easement and Operating Agreement”, dated July 22, 1997, executed between the Kings Arco Arena Limited Partnership, a California limited partnership and the City of Sacramento, recorded July 30, 1987. Under the terms of this document, the rights and use of the common area as part of reciprocal easements between the subject property and the adjacent arena property are identified. As noted, this agreement runs for a period of 75 years.

The value identified in this section of the report is a hypothetical value with one of the conditions noted that the easement for reciprocal parking and joint use with the arena is no longer in effect. As such, the removal of the parking is included in this analysis. Detailed costs were provided from the City of Sacramento. These costs estimates included allocations for hard costs, contingencies, general conditions and overhead and profit. These costs were provided as a range from \$1,884,700 to \$2,261,640 and are depicted below.

|                                     | Quantity  | Unit cost      | Units | Extended Low       | Extended High      | Detail Est Comments |
|-------------------------------------|-----------|----------------|-------|--------------------|--------------------|---------------------|
| Rip & grind 6" AC paving / recycle  | 2,125,187 | \$0.50 SF      |       | \$1,062,594        | \$1,275,112        |                     |
| Break & remove tree wells / recycle | 600       | \$150.00 EA    |       | \$90,000           | \$108,000          |                     |
| Tree removal / compost              | 600       | \$50.00 EA     |       | \$30,000           | \$36,000           |                     |
| Cap / remove irrigation             | 1         | \$12,500.00 LS |       | \$12,500           | \$15,000           | Allowance           |
| Cap / remove storm water system     | 1         | \$15,000.00 LS |       | \$15,000           | \$18,000           | Allowance           |
| SWPPP                               | 1         | \$20,000.00 LS |       | \$20,000           | \$24,000           | Allowance           |
| <b>Extended Total</b>               |           |                |       | <b>\$1,230,094</b> | <b>\$1,476,112</b> |                     |
|                                     |           |                |       | <b>Percent</b>     | <b>Amount</b>      | <b>Amount</b>       |
| <b>Contingency SubTotal</b>         |           |                |       | 20.0%              | \$246,019          | \$295,222           |
| <b>General Conditions SubTotal</b>  |           |                |       | 12.0%              | \$177,133          | \$212,560           |
| <b>O &amp; P and Bonds SubTotal</b> |           |                |       | 14.0%              | \$231,454          | \$277,745           |
| <b>Total</b>                        |           |                |       | <b>\$1,884,700</b> | <b>\$2,261,640</b> |                     |

These costs are concluded at \$1,885,000 as they included the contingent land area noted for this portion of the project.

**CFD Assessments** – The subject property will include future CFD assessments. Currently they are paid directly by the City of Sacramento or are exempt due to the public ownership. The total principal payoff as provided from the City of Sacramento, Office of the City Treasurer is identified as follows.

CFD 97-01: \$823,720

CFD 2: \$1,667,813

TOTAL: \$2,491,533

The total bond payoff for the subject property is identified at \$2,491,533 or approximately \$0.57 per square foot of land area.

## Conclusions

The total costs for the creation of a vacant site are identified as follows. They include the total costs for demolition of the stadium improvements, the parking lot, and payoff of the CFD Assessments. These costs are illustrated as follows.

| ITEM                                    | TOTAL COSTS         |
|---|---------------------|
| Demolition Costs – Stadium Improvements | \$5,958,640         |
| Demolition Costs – Parking Lot          | \$1,885,000         |
| CFD Assessments                         | \$2,491,543         |
| <b>TOTAL COSTS</b>                      | <b>\$10,335,183</b> |

The total costs for removal of the various elements are identified at \$10,335,183. These costs are deducted from the opinion of value noted in the prior section at \$25,149,695. It results in an opinion of value at \$14,815,000 (rounded from \$14,814,512).

Based on all pertinent data described herein, my opinion of the hypothetical market value “As Proposed” of the fee simple estate in the subject property, subject to the assumptions and limiting conditions, extraordinary assumptions, and the **hypothetical conditions** as of the retrospective date of valuation, February 26, 2013, is:

| ITEM                                    | SITE AREA (AC) | OPINION OF VALUE    |
|---|----------------|---------------------|
| Hypothetical Market Value “As Proposed” | 100.41 AC      | <b>\$14,815,000</b> |

The **Hypothetical Conditions** noted in this report (and summarized below) are presented in conjunction with the opinion of value.

- ⇒ The easement for reciprocal parking and joint use with the adjacent arena is no longer in effect.
- ⇒ The potential lease/leaseback documents are no longer in effect.

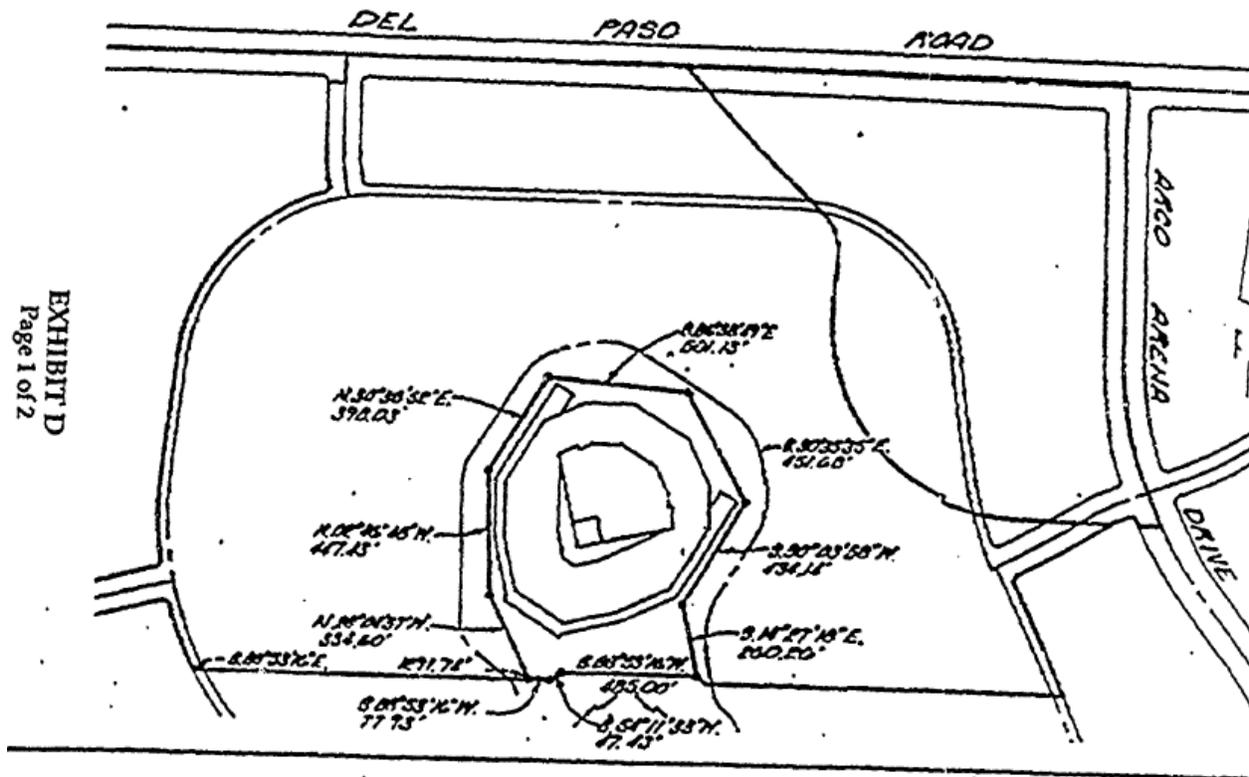
#### **EXPOSURE PERIOD**

Exposure period is a difficult element to project for this project based on its total size and resultant opinion of value. Potential buyers of this property will need access to capital and are most likely to be publicly traded companies. Based on the nature of this project, it is reasonable to assume multiple developers, acting as a single entity based on the total number of units. The market participants surveyed in this analysis were favorable toward this project and most stated willingness to develop land uses in this project. For this analysis, an exposure period of 12 months has been projected.

**MARKET VALUE "AS IS"**

The analysis of the market value "As is" is similar to the previous analysis. The main variances are attributed reciprocal easements and operating agreements.

The reciprocal easement and operating agreements for this property identifies the rights and use of the common area as part of reciprocal easements between the subject property and the adjacent arena property. This agreement runs for a period of 75 years from the effective date. Currently, the common area for this property is effectively all of the area surrounding the building area as noted on the following exhibit.



Essentially, this encumbers all of the land area surrounding the building improvements. It limits the functional utility for any potential use as it runs for a 75-year period and encompasses the majority of the land area for the subject property. The only land area which could be economically viable is the land area for the building area. However, this land area requires demolition of the existing improvements at \$5,958,640, which exceeds the land value as though vacant for this area of the property.

Accordingly, nominal value of \$1 is assigned.

Based on all pertinent data described herein, my opinion of the market value "As Is" of the fee simple estate in the subject property, subject to the assumptions and limiting conditions, and the extraordinary assumptions as of the retrospective date of valuation, February 26, 2013, is:

| ITEM                 | SITE AREA (AC) | OPINION OF VALUE |
|----------------------|----------------|------------------|
| Market Value "As Is" | 100.41 AC      | \$1              |

## **EXPOSURE PERIOD**

The exposure period is a difficult element to project for this project based on its total size and resultant opinion of value. Potential buyers of this property will need access to capital and are most likely to be publicly traded companies. Based on the nature of this project, it is reasonable to assume multiple developers, acting as a single entity based on the total number of units. The market participants surveyed in this analysis were favorable toward this project and most stated willingness to develop land uses in this project. For this analysis, an exposure period of 12 months has been projected.

# **ADDENDA**

Qualifications of the Appraiser

Engagement Letter

Preliminary Title Report

Demolition Costs

## **Qualifications of the Appraiser**





Business, Transportation & Housing Agency  
OFFICE OF REAL ESTATE APPRAISERS  
REAL ESTATE APPRAISER LICENSE

John E. Carrothers

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

OREA APPRAISER IDENTIFICATION NUMBER: AG 014187

Effective Date: April 12, 2013  
Date Expires: April 11, 2015

  
Jim Martin, Director, OREA

3006362

# **Engagement Letter**

January 27, 2014

Smith & Associates  
Attn: John E. Carrothers  
111 Woodmere Road, Suite 140  
Folsom, CA 95630

Re: Engagement for Appraisal services, Downtown Arena Project.

Dear Mr. Carrothers,

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 27, 2014, is to be a total of \$25,000, 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 report. Any concerns or changes to the Assignment Conditions must be discussed and approved in advance by the City.

1. The purpose of the appraisal will be to provide an opinion of the retrospective market value as of February 26, 2013, of the fee interest in the following described real property in order to facilitate the disposition of the property by the City of Sacramento.
2. The appraisal report shall be prepared in compliance with the Uniform Standards of Professional Appraisal Practice, and is 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 report will be the City of Sacramento.
4. The appraisal report is to utilize most applicable method(s) of valuation in order to arrive at the retrospective market value as of February 26, 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.

6. The appraisal report shall include a Highest and Best Use analysis.
7. The appraisal report shall include an adjustment grid which details 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 Report of Title
9. The Primary contacts for this appraisal assignment are:

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

For Smith & Associates  
John Carrothers, MAI  
Ph. (916)357-5860 x 101  
[jcarrothers@smithassociatesinc.com](mailto:jcarrothers@smithassociatesinc.com)

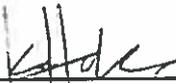
10. Copies: Provide 2 copies of the report.
11. The subject property and required appraisal is detailed below:

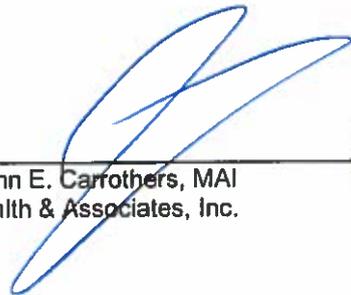
Property Address: 2 Sports Parkway  
Sacramento, CA 95834

APN: 225-0070-076

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

Thank you,

  
\_\_\_\_\_  
Ken Hancock                      1/27/2014  
Real Property Agent              Date  
City of Sacramento  
Facilities & Real Property Management

  
\_\_\_\_\_  
John E. Carrothers, MAI              1/28/14  
Smith & Associates, Inc.              Date

## **Preliminary Title Report**



# Fidelity National Title Company

## PRELIMINARY REPORT

*In response to the application for a policy of title insurance referenced herein, **Fidelity National Title Company** hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a policy or policies of title insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an exception herein or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations or Conditions of said policy forms.*

*The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Attachment One. The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Attachment One. Copies of the policy forms should be read. They are available from the office which issued this report.*

*This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.*

*The policy(s) of title insurance to be issued hereunder will be policy(s) of Fidelity National Title Insurance Company, a California corporation.*

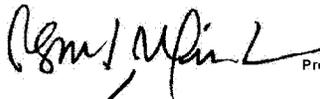
*Please read the exceptions shown or referred to herein and the exceptions and exclusions set forth in Attachment One of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.*

*It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.*

  
Countersigned



**Fidelity National Title Company**

BY  President

ATTEST  Secretary



# Fidelity National Title Company

**ISSUING OFFICE:** 11050 Olson Dr., Suite 200 • Rancho Cordova, CA 95670

**FOR SETTLEMENT INQUIRIES, CONTACT:** Fidelity National Title Company - Sacramento Commercial & Industrial  
8950 Cal Center Drive, Bldg. 3, Suite 100 • Sacramento, CA 95826  
916 364-4070 • FAX 916 364-4093

## PRELIMINARY REPORT

**Amended**

Title Officer: Chuck Strong  
Escrow Officer: Paul Avila  
Escrow No.: 13-**5015203**-PA

Title No.: 13-**5015203**-A-CS  
Locate No.: CAFNT0934-0934-0010-0005015203

TO: City of Sacramento  
5730 24th St., Bldg 4  
Sacramento, CA 95822

ATTN: Bill Sinclair  
YOUR REFERENCE: Sports Parkway

**PROPERTY ADDRESS:** 2 Sports Parkway, Sacramento, California

**EFFECTIVE DATE: March 3, 2014, 07:30 A.M.**

The form of policy or policies of title insurance contemplated by this report is:

CLTA STANDARD 1990 POLICY

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:  
  
A Fee
2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:  
  
**City of Sacramento, a municipal corporation**
3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:  
  
SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

TP\TP 09/16/2013

**LEGAL DESCRIPTION**

**EXHIBIT "A"**

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SACRAMENTO, COUNTY OF SACRAMENTO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

PARCEL 1:

Parcel 1, as shown on the Parcel Map entitled "Master Parcel Map Of Del Paso Road Property, Parcels 1, 6 & 7 Of 8903-07 O.R., Page 1400, Being Portions Of Lots 47, 48, 49, 50, 51, 52, 53, 54 & 55 Of 16 B.M. 3", filed in the office of the Recorder of Sacramento County, California, on October 17, 1995, in Book 143 of Parcel Maps, Map No. 10, as corrected by Certificate of Correction recorded March 11, 1998, in Book 19980311 of Official Records at Page 750.

Excepting therefrom all oil, mineral, gas and other hydrocarbon substances below a depth of 500 feet under the above described real property, without the right of surface entry; as reserved in the deed from Richard N. Moseman, et al., to Sacramento Sports Association, a partnership, dated June 28, 1979, recorded July 10, 1979, in Book 790710 of Official Records, Page 1243.

PARCEL 2:

An easement for ingress and egress through that certain party tunnel as more particularly identified and shown in that certain "Tunnel Easement Agreement" dated March 2, 1989 and recorded March 7, 1989 in Book 890307, Page 1514, Official Records, and the non-exclusive right to use said party tunnel for purposes of moving equipment, supplies, food, materials and revenues incidental to the use of the land more particularly described in Parcel No. 1 above.

APN: 225-0070-076

**AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:**

1. **Property taxes**, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2014-2015.

2. Property taxes, including any personal property taxes and any assessments collected with taxes are as follows:

Code Area: 03314  
Tax Identification No.: 225-0070-076-0000  
Fiscal Year: 2013/2014  
1st Installment: \$4,293.98, Paid  
2nd Installment: \$4,293.98, Unpaid  
Exemption: \$  
Land: \$0.00  
Improvements: \$0.00  
Personal Property: \$0.00  
Bill No.: 13218247

3. **The lien of supplemental taxes**, if any, assessed pursuant to the provisions of Chapter 3.5 (Commencing with Section 75) of the Revenue and Taxation code of the State of California.

4. **An assessment** by the improvement district shown below

Assessment  
(or Bond) No:  
District: SAFCA Consolidate Capital Assmt

Said assessment is collected with the county/city property taxes.

5. **Any unpaid amounts now owing for municipal services**, of record or not, amounts can be ascertained by contacting the following:

County of Sacramento at (916) 875-5555, **and/or including** :  
City of Sacramento at (916) 808-5454.

6. Rights of the public and/or Reclamation District , in and to highways, roads, ditches, canals and levees embraced within the boundaries of the land described herein.

7. **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: Reclamation District No. 1000  
Purpose: Drainage facilities  
Recorded: June 25, 1926, Book 76, Page 388, of Official Records

Reference is made to said document for full particulars.

- 8. **Matters** contained in that certain document entitled "Agreement for Installation of Weirs" dated September 16, 1953, executed by and between Reclamation District No. 1000 and Natomas Central Mutual Water Company recorded April 26, 1954, Book 2593, Page 584, of Official Records.

Reference is hereby made to said document for full particulars.

- 9. **Matters** contained in that certain document entitled "Development Agreement" dated October 6, 1987, executed by and between ARCO Arena LTD., et al. and the City of Sacramento recorded October 13, 1987, Book 871013, Page 2241, of Official Records.

Reference is hereby made to said document for full particulars.

- 10. **Matters** contained in that certain document entitled "Improvement Agreement" dated September 16, 1987, executed by and between Sacramento Sports Association, a California general partnership and the City of Sacramento recorded October 15, 1987, Book 871015, Page 1743, of Official Records.

Reference is hereby made to said document for full particulars.

- 11. **Matters** contained in that certain document entitled "Tunnel Easement Agreement" dated March 7, 1989, executed by and between Sacramento Sports Association, a California general partnership and ARCO Arena, LTD., a California limited partnership recorded March 7, 1989, Book 890307, Page 1514, of Official Records.

Reference is hereby made to said document for full particulars.

- 12. **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

|             |  |
|-------------|--|
| Granted to: | Sacramento Municipal Utility District                      |
| Purpose:    | Electrical facilities                                      |
| Recorded:   | June 23, 1989, Book 890623, Page 1667, of Official Records |
| Affects:    | various portions as described therein                      |

Reference is made to said document for full particulars.

- 13. **Matters** contained in that certain document entitled "Interim Drainage Agreement" dated September 28, 1989, executed by and between ARCO Arena LTD., a California limited partnership, et al. and Reclamation District No. 1000 recorded October 11, 1989, Book 891011, Page 1193, of Official Records.

Reference is hereby made to said document for full particulars.

Matters contained in that certain First Amendment to Interim Drainage Agreement, recorded December 28, 1989 in Book 891228 of Official Records at Page 3717.

**14. Easement(s)** for the purpose(s) shown below and rights incidental thereto as delineated or as offered for dedication, on the map of said tract.

Purpose: Public utilities  
Affects: various portions delineated thereon

Purpose: Planting and maintaining trees  
Affects: various portions delineated thereon

**15. Notes, Recitals, Legends and/or Conditions** as contained on the herein mentioned Map.

**16. Matters** contained in that certain document entitled "Subdivision Improvement Agreement for Interim Drainage Improvements" dated October 17, 1995, executed by and between Marvin L. Oates, et al. and the City of Sacramento recorded October 17, 1995, Book 19951017, Page 999, of Official Records.

Reference is hereby made to said document for full particulars.

**17. Matters** contained in that certain document entitled "North Natomas Development Agreement" dated October 11, 1995, executed by and between Marvin L. Oates, et al. and the City of Sacramento recorded October 19, 1995, Book 19951019, Page 518, of Official Records.

Reference is hereby made to said document for full particulars.

**18. Matters** contained in that certain document entitled "Grant Deed-Donation" dated December 4, 1995, executed by and between Marvin L. Oates, et al. and the City of Sacramento recorded December 22, 1995, Book 19951222, Page 815, of Official Records.

Reference is hereby made to said document for full particulars.

**19.** Matters contained in that certain document

Entitled: WATER COMPANY STOCK CERTIFICATE NATOMAS CENTRAL MUTUAL WATER COMPANY  
Dated: March 12, 1996  
Executed by: Natomas Central Mutual Water Company and The City of Sacramento  
Recording Date: April 22, 1996  
Recording No.: Book 19960422, Page 0980 of Official Records

Reference is hereby made to said document for full particulars.

**20. Matters** contained in that certain document entitled "Agreement for Issuance of Revocable License" dated December 13, 1996, executed by and between Marvin L. Oates, et al. and the City of Sacramento recorded December 16, 1996, Book 19961216, Page 234, of Official Records.

Reference is hereby made to said document for full particulars.

- 21. **Matters** contained in that certain document entitled "RELINQUISHMENT OF CERTAIN EASEMENTS AND RIGHTS UNDER 1989 AND 1992 RECIPROCAL EASEMENTS AGREEMENTS AND FURTHER DEFINITIONS OF EXERCISE OF REMAINING RIGHTS AND GRANT OF EASEMENTS " dated July 22, 1997, executed by Sanwa Bank California, City of Sacramento, a municipal corporation and Kings Arco Arena Limited Partnership, a California limited partnership recorded July 30, 1997, Book 19970730, Page 1715, of Official Records.

Reference is hereby made to said document for full particulars.

- 22. **Matters** contained in that certain document entitled "RELINQUISHMENT OF CERTAIN EASEMENTS AND RIGHTS UNDER 1989 AND 1992 RECIPROCAL EASEMENT AGREEMENTS AND FURTHER DEFINITION OF EXERCISE OF REMAINING RIGHTS AND GRANT OF EASEMENTS" dated July 22,1997, executed by Marving L. Oates, Trustee of the Marvin L. Oates, dated March 7, 1995 et al, the City of Sacramento, a municipal corporation and Kings Arco Arena Limited Partnership, a California limited partnership recorded July 30, 1997, Book 19970730, Page 1716, of Official Records.

Reference is hereby made to said document for full particulars.

- 23. **Matters** contained in that certain document entitled "Reciprocal Easement and Operating Agreement" dated July 22, 1997, executed by and between Kings ARCO Arena Limited Partnership, a California limited partnership and the City of Sacramento recorded July 30, 1997, Book 19970730, Page 1717, of Official Records.

Reference is hereby made to said document for full particulars.

- 24. **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

|             |  |
|-------------|--|
| Granted to: | Kings ARCO Arena Limited Partnership, a California limited partnership |
| Purpose:    | Ingress, egress, parking, utilities etc.                               |
| Recorded:   | July 30, 1997, Book 19970730, Page 1717, of Official Records           |
| Affects:    | various portions as described therein                                  |

Reference is made to said document for full particulars.

- 25. **An unrecorded lease** with certain terms, covenants, conditions and provisions set forth therein as disclosed by the document

|           |  |
|-----------|--|
| Entitled: | Site Lease   |
| Lessor:   | City of Sacramento   |
| Lessee:   | Sacramento City Financing Authority (for the City of Sacramento 1999 North Natomas Drainage Project) |
| Recorded: | January 19, 1999, Book 19990119, Page 1067, of Official Records                                      |

The present ownership of the leasehold created by said lease and other matters affecting the interest of the lessee are not shown herein.

- 26. An unrecorded lease** with certain terms, covenants, conditions and provisions set forth therein as disclosed by the document

Entitled: Project Lease  
Lessor: City of Sacramento  
Lessee: Sacramento City Financing Authority (for the City of Sacramento 1999 North Natomas Drainage Project)  
Recorded: January 19, 1999, Book 19990119, Page 1068, of Official Records

The present ownership of the leasehold created by said lease and other matters affecting the interest of the lessee are not shown herein.

- 27. Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: Sacramento Municipal Utility District  
Purpose: Electrical facilities and communication facilities  
Recorded: October 5, 2001, Book 20011005, Page 824, of Official Records  
Affects: various portions as described therein

Reference is made to said document for full particulars.

- 28. Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.

Granted to: Sacramento Municipal Utility District  
Purpose: Electrical facilities and communication facilities  
Recorded: October 4, 2002, Book 20021004, Page 1212, of Official Records  
Affects: various portions as described therein

Reference is made to said document for full particulars.

- 29. Before issuing its policy of title insurance,** this Company will require the following:

**Written verification by the owner(s) that the property is unencumbered as we currently find no open Deeds of Trust against the property.**

The Company reserves the right to add additional items or make further requirements after review of the requested documentation.

- 30. **Any rights of the parties in possession** of a portion of, or all of, said land, which rights are not disclosed by the public record.

This Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage. The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

- 31. **Any facts, rights, interests or claims** which a correct survey would disclose and which are not disclosed by the public records.

- 32. **This Company will require a ALTA/ACSM Land Title Survey.** If the owner of subject property is in possession of a current ALTA/ACSM Land Title Survey, this Company will require that said Survey be submitted for review and approval; otherwise, a new survey, satisfactory to this Company, must be prepared by a licensed land surveyor and supplied to the Company prior to the close of escrow. The Company reserves the right to except additional items and/or make additional requirements after review of such survey.

- 33. **Before issuing its policy of title insurance,** this Company will require the following:

Pursuant to the provisions of Government Code Section 27281, Certificate of Acceptance executed by a duly authorized officer of the City of Sacramento consenting to the transfer to be insured in this transaction, be attached to the deed to be recorded and made a part thereof

The Company reserves the right to add additional items or make further requirements after review of the requested documentation.

- 34. **This Company will require** an Owner's Affidavit to be completed by the party(ies) named below before any title assurance requested under this application will be issued.

Party(ies):                      City of Sacramento, a municipal corporation

The Company reserves the right to add additional items or make further requirements after review of the requested Affidavit.

- 35. **The transaction contemplated** in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

**END OF ITEMS**

- Note 1.** There are NO deeds affecting said land, recorded within twenty-four (24) months of the date of this report.

**Note 2.** The application for title insurance was placed by reference to only a street address or tax identification number.

Based on our records, we believe that the description in this report covers the parcel requested, however, if the legal description is incorrect a new report must be prepared.

If the legal description is incorrect, in order to prevent delays, the seller/buyer/borrower must provide the Company and/or the settlement agent with the correct legal description intended to be the subject of this transaction.

**Note 3.** If a county recorder, title insurance company, escrow company, real estate broker, real estate agent or association provides a copy of a declaration, governing document or deed to any person, California law requires that the document provided shall include a statement regarding any unlawful restrictions. Said statement is to be in at least 14-point bold face type and may be stamped on the first page of any document provided or included as a cover page attached to the requested document. Should a party to this transaction request a copy of any document reported herein that fits this category, the statement is to be included in the manner described.

**Note 4.** Wiring instructions for Fidelity National Title Company, Sacramento, CA, are as follows:

|                      |   |
|----------------------|---|
| Receiving Bank:      | Citibank (West), F.S.B.<br>1116 Alhambra Blvd.<br>Sacramento, CA 95816  |
| ABA Routing No.:     | 321171184   |
| Credit Account Name: | Fidelity National Title Company - Sacramento Commercial & Industrial<br>8950 Cal Center Drive, Bldg. 3, Suite 100, Sacramento, CA 95826 |
| Credit Account No.:  | 202125712   |
| Escrow No.:          | 13- <b>5015203</b> -PA  |

These wiring instructions are for this specific transaction involving the Title Department of the Rancho Cordova office of Fidelity National Title Company . These instructions therefore should not be used in other transactions without first verifying the information with our accounting department. It is imperative that the wire text be exactly as indicated. Any extraneous information may cause unnecessary delays in confirming the receipt of funds.

**Note 5.** Any documents being executed in conjunction with this transaction must be signed in the presence of an authorized Company employee, an authorized employee of an agent, an authorized employee of the insured lender, or by using Bancserv or other approved third-party service. If the above requirements cannot be met, please call the company at the number provided in this report.

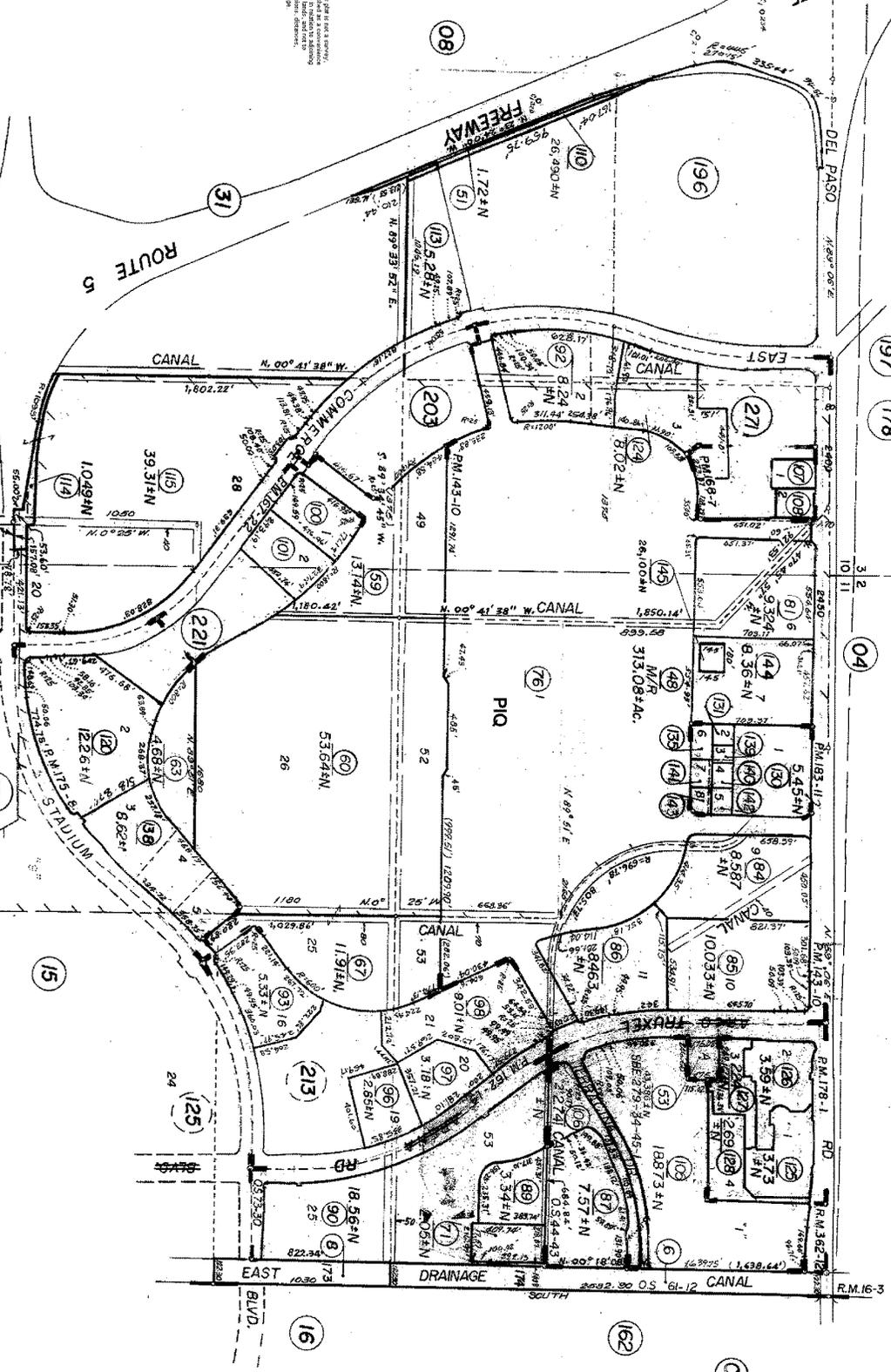
**END OF NOTES**

INTERSTATE

POR. SEC'S. 10 & 11, T. 9N., R. 4E., M. D.B. 8M.

Tax Area Code

225-07



O.S. Bk 73, Pg 30 (8-1-2007)  
 Por North Notomas Villa, P.M. Bk. 168, Pg 7 (10-2-2002) — 1011  
 Arena Corporate Center Phase 2, P.M. Bk. 167, Pg. 22 — 1514 (8-29-2002)  
 Por Record of Survey Reel 1000R/WOS Bk. 61 Pg 12 (9-11-2001)  
 Notomas Central Sub., R.M. Bk. 16, Pg. 3  
 O.S. Bk 44, Pg. 43 (2-1-89)

NOTE—Assessor's Block Numbers Shown in Ellipses:  
 Assessor's Parcel Numbers Shown in Circles.

CITY OF SACRAMENTO  
 Assessor's Map Bk. 225-Pg. 07  
 County of Sacramento, Calif.



THE INFORMATION CONTAINED ON THIS MAP IS FOR GENERAL INFORMATION ONLY. IT IS NOT TO BE USED AS A BASIS FOR ANY LEGAL ACTION. THE ASSessor'S OFFICE IS NOT RESPONSIBLE FOR ANY ERRORS OR OMISSIONS. THE ASSessor'S OFFICE IS NOT RESPONSIBLE FOR ANY DAMAGES, INCLUDING CONSEQUENTIAL DAMAGES, ARISING FROM THE USE OF THIS MAP.

**ATTACHMENT ONE**  
**AMERICAN LAND TITLE ASSOCIATION**  
**RESIDENTIAL TITLE INSURANCE POLICY (6-1-87) EXCLUSIONS**

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
  - land use
  - improvements on the land
  - land division
  - environmental protection

This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at policy date.

This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.

2. The right to take the land by condemning it, unless:
  - a notice of exercising the right appears in the public records on the Policy Date
  - the taking happened prior to the Policy Date and is binding on you if you bought the land without knowledge of the taking

In addition to the Exclusions, you are not insured against loss, costs, attorneys' fees, and the expenses resulting from:

1. Any rights, interests, or claims of parties in possession of the land not shown by the public records.
2. Any easements or liens not shown by the public records. This does not limit the lien coverage in Item 8 of Covered Title Risks.

3. Title Risks:
  - that are created, allowed, or agreed to by you
  - that are known to you, but not to us, on the Policy Date - unless they appeared in the public records
  - that result in no loss to you
  - that first affect your title after the Policy Date - this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
4. Failure to pay value for your title.
5. Lack of a right:
  - to any land outside the area specifically described and referred to in Item 3 of Schedule A
  - or
  - in streets, alleys, or waterways that touch your landThis exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

3. Any facts about the land which a correct survey would disclose and which are not shown by the public records. This does not limit the forced removal coverage in Item 12 of Covered Title Risks.
4. Any water rights or claims or title to water in or under the land, whether or not shown by the public records.

**ATTACHMENT ONE  
(CONTINUED)**

**CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990  
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.  
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:

- (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
- (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
- (c) resulting in no loss or damage to the insured claimant;
- (d) attaching or created subsequent to Date of Policy; or
- (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

**SCHEDULE B, PART I  
EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

**PART I**

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

**ATTACHMENT ONE  
(CONTINUED)**

**FORMERLY AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92)  
WITH A.L.T.A. ENDORSEMENT-FORM 1 COVERAGE  
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.  
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters:  
(a) created, suffered, assumed or agreed to by the insured claimant;  
(b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;  
(c) resulting in no loss or damage to the insured claimant;  
(d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or

material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy); or

- (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:  
(i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or  
(ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or  
(iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:  
(a) to timely record the instrument of transfer; or  
(b) of such recordation to impart notice to a purchaser for value or a judgement or lien creditor.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

**EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

**ATTACHMENT ONE  
(CONTINUED)**

**2006 AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (06-17-06)  
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - (i) the occupancy, use, or enjoyment of the Land;
  - (ii) the character, dimensions, or location of any improvement erected on the Land;
  - (iii) the subdivision of land; or
  - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
  - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
  - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

- (c) resulting in no loss or damage to the Insured Claimant;
- (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
- (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
  - (a) a fraudulent conveyance or fraudulent transfer, or
  - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

**EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records;
- (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.

**ATTACHMENT ONE  
(CONTINUED)**

**FORMERLY AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (10-17-92)  
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.  
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.

3. Defects, liens, encumbrances, adverse claims, or other matters:
  - (a) created, suffered, assumed or agreed to by the insured claimant;
  - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
  - (c) resulting in no loss or damage to the insured claimant;
  - (d) attaching or created subsequent to Date of Policy, or
  - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
  - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
  - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
    - (a) to timely record the instrument of transfer; or
    - (b) of such recordation to impart notice to a purchaser for value or a judgement or lien creditor.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

**EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records. Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

**ATTACHMENT ONE  
(CONTINUED)**

**2006 AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (06-17-06)  
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - (i) the occupancy, use, or enjoyment of the Land;
  - (ii) the character, dimensions, or location of any improvement erected on the Land;
  - (iii) the subdivision of land; or
  - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed, or agreed to by the Insured Claimant;

(b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

(c) resulting in no loss or damage to the Insured Claimant;

(d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or

(e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.

4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
  - (a) a fraudulent conveyance or fraudulent transfer; or
  - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage.

In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

**EXCEPTIONS FROM COVERAGE**

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.

**ATTACHMENT ONE  
(CONTINUED)**

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (10-22-03)  
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (10-22-03)  
EXCLUSIONS**

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes ordinances, laws and regulations concerning:
  - a. building
  - b. zoning
  - c. Land use
  - d. improvements on Land
  - e. Land division
  - f. environmental protection

This Exclusion does not apply to violations or the enforcement of these matters if notice of the violation or enforcement appears in the Public Records at the Policy Date.  
This Exclusion does not limit the coverage described in Covered Risk 14, 15, 16, 17 or 24.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at the Policy Date.
3. The right to take the Land by condemning it, unless:
  - a. notice of exercising the right appears in the Public Records at the Policy Date; or
4. Risks:
  - a. that are created, allowed, or agreed to by You, whether or not they appear in the Public Records;
  - b. that are Known to You at the Policy Date, but not to Us, unless they appear in the Public Records at the Policy Date;
  - c. that result in no loss to You; or
  - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.d, 22, 23, 24 or 25.
5. Failure to pay value for Your Title.
6. Lack of a right:
  - a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
  - b. in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 18.

**LIMITATIONS ON COVERED RISKS**

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 14, 15, 16 and 18, Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

|                  | <u>Your Deductible Amount</u>                                      | <u>Our Maximum<br/>Dollar Limit of<br/>Liability</u> |
|------------------|--|--|
| Covered Risk 14: | 1.00% of Policy Amount<br>or<br>\$ 2,500.00<br>(whichever is less) | \$ 10,000.00   |
| Covered Risk 15: | 1.00% of Policy Amount<br>or<br>\$ 5,000.00<br>(whichever is less) | \$ 25,000.00   |
| Covered Risk 16: | 1.00% of Policy Amount<br>or<br>\$ 5,000.00<br>(whichever is less) | \$ 25,000.00   |
| Covered Risk 18: | 1.00% of Policy Amount<br>or<br>\$ 2,500.00<br>(whichever is less) | \$ 5,000.00  |

**ATTACHMENT ONE  
(CONTINUED)**

**CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)  
ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)  
EXCLUSIONS**

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
  - a. building;
  - b. zoning;
  - c. land use;
  - d. improvements on the Land;
  - e. land division; and
  - f. environmental protection.

This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
  - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
  - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
  - c. that result in no loss to You; or
  - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
  - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
  - b. in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.

**LIMITATIONS ON COVERED RISKS**

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- For Covered Risk 16, 18, 19 and 21, Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

|                  | <u>Your Deductible Amount</u>   | <u>Our Maximum Dollar Limit of Liability</u> |
|------------------|---|--|
| Covered Risk 16: | <u>1.00%</u> of Policy Amount<br>Shown in Schedule A<br>or<br><u>\$ 2,500.00</u><br>(whichever is less) | \$ <u>10,000.00</u>                          |
| Covered Risk 18: | <u>1.00%</u> of Policy Amount<br>Shown in Schedule A<br>or<br><u>\$ 5,000.00</u><br>(whichever is less) | \$ <u>25,000.00</u>                          |
| Covered Risk 19: | <u>1.00%</u> of Policy Amount<br>Shown in Schedule A<br>or<br><u>\$ 5,000.00</u><br>(whichever is less) | \$ <u>25,000.00</u>                          |
| Covered Risk 21: | <u>1.00%</u> of Policy Amount<br>Shown in Schedule A<br>or<br><u>\$ 2,500.00</u><br>(whichever is less) | \$ <u>5,000.00</u>                           |

**ATTACHMENT ONE  
(CONTINUED)**

**ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (10/13/01)  
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the Land; (ii) the character, dimensions or location of any improvements now or hereafter erected on the Land; (iii) a separation in ownership or a change in the dimensions or areas of the Land or any parcel of which the Land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.  
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the Land has been recorded in the Public Records at Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 12, 13, 14, and 16 of this policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the Public Records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without Knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:  
(a) created, suffered, assumed or agreed to by the Insured Claimant;  
(b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;  
(c) resulting in no loss damage to the Insured Claimant;  
(d) attaching or created subsequent to Date of Policy (this paragraph does not limit the coverage provided under Covered Risks 8, 16, 18, 19, 20, 21, 22, 23, 24, 25 and 26); or  
(e) resulting in loss or damage which would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of the Insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the Land is situated.
5. Invalidity or unenforceability of the lien of the Insured Mortgage, or claim thereof, which arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, except as provided in Covered Risk 27, or any consumer credit protection or truth in lending law.
6. Real property taxes or assessments of any governmental authority which become a lien on the Land subsequent to Date of Policy. This exclusion does not limit the coverage provided under Covered Risks 7, 8(e) and 26.
7. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This exclusion does not limit the coverage provided in Covered Risk 8.
8. Lack of priority of the lien of the Insured Mortgage as to each and every advance made after Date of Policy, and all interest charged thereon, over liens, encumbrances and other matters affecting the title, the existence of which are Known to the Insured at:  
(a) The time of the advance; or  
(b) The time a modification is made to the terms of the Insured Mortgage which changes the rate of interest charged, if the rate of interest is greater as a result of the modification than it would have been before the modification. This exclusion does not limit the coverage provided in Covered Risk 8.
9. The failure of the residential structure, or any portion thereof to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This exclusion does not apply to violations of building codes if notice of the violation appears in the Public Records at Date of Policy.

**ATTACHMENT ONE  
(CONTINUED)**

**ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07/26/10)  
EXCLUSIONS FROM COVERAGE**

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
  - (i) the occupancy, use, or enjoyment of the Land;
  - (ii) the character, dimensions, or location of any improvement erected on the Land;
  - (iii) the subdivision of land; or
  - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters (a) created, suffered, assumed, or agreed to by the Insured Claimant;  
(b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;  
(c) resulting in no loss or damage to the Insured Claimant;  
(d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28);  
or  
(e) resulting in loss or damage that would not have been

sustained if the Insured Claimant had paid value for the Insured Mortgage.

4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury, or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.
7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
  - (a) a fraudulent conveyance or fraudulent transfer, or
  - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.

## **Notice**

You may be entitled to receive a \$20.00 discount on escrow services if you purchased, sold or refinanced residential property in California between May 19, 1995 and November 1, 2002. If you had more than one qualifying transaction, you may be entitled to multiple discounts.

If your previous transaction involved the same property that is the subject of your current transaction, you do not have to do anything; the Company will provide the discount, provided you are paying for escrow or title services in this transaction.

If your previous transaction involved property different from the property that is subject of your current transaction, you must - prior to the close of the current transaction - inform the Company of the earlier transaction, provide the address of the property involved in the previous transaction, and the date or approximate date that the escrow closed to be eligible for the discount.

Unless you inform the Company of the prior transaction on property that is not the subject of this transaction, the Company has no obligation to conduct an investigation to determine if you qualify for a discount. If you provide the Company information concerning a prior transaction, the Company is required to determine if you qualify for a discount which is subject to other terms and conditions.

Fidelity National Financial, Inc.  
**Privacy Statement**

Fidelity National Financial, Inc. and its subsidiaries ("FNF") respect the privacy and security of your non-public personal information ("Personal Information") and protecting your Personal Information is one of our top priorities. This Privacy Statement explains FNF's privacy practices, including how we use the Personal Information we receive from you and from other specified sources, and to whom it may be disclosed. FNF follows the privacy practices described in this Privacy Statement and, depending on the business performed, FNF companies may share information as described herein.

**Personal Information Collected**

We may collect Personal Information about you from the following sources:

- Information we receive from you on applications or other forms, such as your name, address, social security number, tax identification number, asset information, and income information;
- Information we receive from you through our Internet websites, such as your name, address, email address, Internet Protocol address, the website links you used to get to our websites, and your activity while using or reviewing our websites;
- Information about your transactions with or services performed by us, our affiliates, or others, such as information concerning your policy, premiums, payment history, information about your home or other real property, information from lenders and other third parties involved in such transaction, account balances, and credit card information; and
- Information we receive from consumer or other reporting agencies and publicly recorded documents.

**Disclosure of Personal Information**

We may provide your Personal Information (excluding information we receive from consumer or other credit reporting agencies) to various individuals and companies, as permitted by law, without obtaining your prior authorization. Such laws do not allow consumers to restrict these disclosures. Disclosures may include, without limitation, the following:

- To insurance agents, brokers, representatives, support organizations, or others to provide you with services you have requested, and to enable us to detect or prevent criminal activity, fraud, material misrepresentation, or nondisclosure in connection with an insurance transaction;
- To third-party contractors or service providers for the purpose of determining your eligibility for an insurance benefit or payment and/or providing you with services you have requested;
- To an insurance regulatory authority, or a law enforcement or other governmental authority, in a civil action, in connection with a subpoena or a governmental investigation;
- To companies that perform marketing services on our behalf or to other financial institutions with which we have joint marketing agreements and/or
- To lenders, lien holders, judgment creditors, or other parties claiming an encumbrance or an interest in title whose claim or interest must be determined, settled, paid or released prior to a title or escrow closing.

We may also disclose your Personal Information to others when we believe, in good faith, that such disclosure is reasonably necessary to comply with the law or to protect the safety of our customers, employees, or property and/or to comply with a judicial proceeding, court order or legal process.

Disclosure to Affiliated Companies - We are permitted by law to share your name, address and facts about your transaction with other FNF companies, such as insurance companies, agents, and other real estate service providers to provide you with services you have requested, for marketing or product development research, or to market products or services to you. We do not, however, disclose information we collect from consumer or credit reporting agencies with our affiliates or others without your consent, in conformity with applicable law, unless such disclosure is otherwise permitted by law.

Disclosure to Nonaffiliated Third Parties - We do not disclose Personal Information about our customers or former customers to nonaffiliated third parties, except as outlined herein or as otherwise permitted by law.

#### **Confidentiality and Security of Personal Information**

We restrict access to Personal Information about you to those employees who need to know that information to provide products or services to you. We maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard Personal Information.

#### **Access To Personal Information/ Requests for Correction, Amendment, or Deletion of Personal Information**

As required by applicable law, we will afford you the right to access your Personal Information, under certain circumstances to find out to whom your Personal Information has been disclosed, and request correction or deletion of your Personal Information. However, FNF's current policy is to maintain customers' Personal Information for no less than your state's required record retention requirements for the purpose of handling future coverage claims.

For your protection, all requests made under this section must be in writing and must include your notarized signature to establish your identity. Where permitted by law, we may charge a reasonable fee to cover the costs incurred in responding to such requests. Please send requests to:

Chief Privacy Officer  
Fidelity National Financial, Inc.  
601 Riverside Avenue  
Jacksonville, FL 32204

#### **Changes to this Privacy Statement**

This Privacy Statement may be amended from time to time consistent with applicable privacy laws. When we amend this Privacy Statement, we will post a notice of such changes on our website. The effective date of this Privacy Statement, as stated above, indicates the last time this Privacy Statement was revised or materially changed.

## Notice of Available Discounts

Pursuant to Section 2355.3 in Title 10 of the California Code of Regulations Fidelity National Financial, Inc. and its subsidiaries ("FNF") must deliver a notice of each discount available under our current rate filing along with the delivery of escrow instructions, a preliminary report or commitment. Please be aware that the provision of this notice does not constitute a waiver of the consumer's right to be charged the filed rate. As such, your transaction may not qualify for the below discounts.

You are encouraged to discuss the applicability of one or more of the below discounts with a Company representative. These discounts are generally described below; consult the rate manual for a full description of the terms, conditions and requirements for such discount. These discounts only apply to transactions involving services rendered by the FNF Family of Companies. This notice only applies to transactions involving property improved with a one-to-four family residential dwelling.

### **FNF Underwritten Title Companies**

FNTC – Fidelity National Title Company

FNTCCA – Fidelity National Title Company of California

### **FNF Underwriter**

FNTIC – Fidelity National Title Insurance Company

### **Available Discounts**

#### **CREDIT FOR PRELIMINARY REPORTS AND/OR COMMITMENTS ON SUBSEQUENT POLICIES (FNTIC)**

Where no major change in the title has occurred since the issuance of the original report or commitment, the order may be reopened within 12 or 36 months and all or a portion of the charge previously paid for the report or commitment may be credited on a subsequent policy charge.

#### **FEE REDUCTION SETTLEMENT PROGRAM (FNTC, FNTCCA and FNTIC)**

Eligible customers shall receive a \$20.00 reduction in their title and/or escrow fees charged by the Company for each eligible transaction in accordance with the terms of the Final Judgments entered in *The People of the State of California et al. v. Fidelity National Title Insurance Company et al.*, Sacramento Superior Court Case No. 99AS02793, and related cases.

#### **DISASTER LOANS (FNTIC)**

The charge for a Lender's Policy (Standard or Extended coverage) covering the financing or refinancing by an owner of record, within 24 months of the date of a declaration of a disaster area by the government of the United States or the State of California on any land located in said area, which was partially or totally destroyed in the disaster, will be 50% of the appropriate title insurance rate.

#### **CHURCHES OR CHARITABLE NON-PROFIT ORGANIZATIONS (FNTIC)**

On properties used as a church or for charitable purposes within the scope of the normal activities of such entities, provided said charge is normally the church's obligation the charge for an owner's policy shall be 50% or 70% of the appropriate title insurance rate, depending on the type of coverage selected. The charge for a lender's policy shall be 32% or 50% of the appropriate title insurance rate, depending on the type of coverage selected.

## **Demolition Costs**

City of Sacramento  
 Demolition of Arco Park Stadium  
 Rough Order of Magnitude Estimate



ARCHITECT: HOK Sports

CYDS: 21,482  
 DATE: 19-Feb-14  
 BY: J. Moreno

DETAILED ESTIMATE

| TRADE        | SYSTEM      | DESCRIPTION  | QUAN.         | UNIT       | UNIT COST   | TOTAL              | COST/GSF        |
|--------------|-------------|--|---------------|------------|-------------|--------------------|-----------------|
|              |             | <b>WELLS FOR DEWATERING</b>                        |               |            |             |                    |                 |
|              |             | MOVE IN/ MOVE OUT OF EQUIPMENT                     |               |            |             |                    |                 |
|              |             | AUGER HOLE, DRILL ONLY - 16" DIAMETER              | 480           | VLF        | \$9.60      | \$4,608            | \$0.21          |
|              |             | PLACE DRAIN ROCK                                   | 153.6         | TONS       | \$36.60     | \$5,622            | \$0.26          |
|              |             | RENT CASINGS (24/EA)/ PUMPS (24/EA)/ GENERATOR     |               |            |             |                    |                 |
|              |             | PLACE 12" PVC CASING IN DRILLED HOLE               | 480           | LF         | \$24.00     | \$11,520           | \$0.54          |
|              |             | RENT PUMPS - 2.5HP - 24/EA (\$250 PER WK EACH)     | 12            | WKS        | \$6,000.00  | \$72,000           | \$3.35          |
|              |             | POWER PEDESTAL W. FUSED DISCONNECT                 | 24            | EA         | \$1,200.00  | \$28,800           | \$1.34          |
|              |             | GENERATOR RENTAL                                   | 12            | WKS        | \$450.00    | \$5,400            | \$0.25          |
|              |             | RENTAL OF POWER CABLING                            | 2000          | LF         | \$3.00      | \$6,000            | \$0.28          |
|              |             | RENTAL OF OUTFALL HOSE W. CHECK VALVES             | 2000          | LF         | \$3.00      | \$6,000            | \$0.28          |
|              |             | RENTAL OF OUTFALL CONTAINER/ ACCUMULATOR           | 4             | MOS        | \$750.00    | \$3,000            | \$0.14          |
|              |             | PURCHASE WELL CASINGS                              | 1             | LS         | \$2,037.27  | \$2,037            | \$0.09          |
|              |             | MONITOR PUMPS AND GENERATOR                        | 200           | HR         | \$67.39     | \$13,479           | \$0.63          |
|              |             | FUEL FOR PUMPS AND GENERATOR                       | 5500          | GAL        | \$4.35      | \$23,914           | \$1.11          |
|              |             | EXTRA DIRT WORK                                    | 1             | LS         | \$25,000.00 | \$25,000           | \$1.16          |
|              |             | DISPOSAL FEE EXCLUDED                              |               |            |             |                    |                 |
|              |             | DEWATERING TO BE REVISED WHEN VOLUME IS CALCULATED |               |            |             |                    |                 |
|              |             | REMOVE (E) TREES                                   | 40            | EA         | \$500.00    | \$20,000           | \$0.93          |
|              |             | DEMOLISH STRUCTURAL CONCRETE                       | 21,482        | CYDS       | \$55.00     | \$1,181,505        | \$55.00         |
|              |             | STOCK PILE DEBRIS                                  | 21,482        | CYDS       | \$6.00      | \$128,891          | \$6.00          |
|              |             | ALLOW FOR LABOR WITH TORCH TO SEPARATE CONCRETE    | 21,482        | CYDS       | \$25.00     | \$537,048          | \$25.00         |
|              |             | WASH OFF RACK PRIOR TO ENTERING TRAFFIC - TRUCKING | 1             | LOT        | \$15,000.00 | \$15,000           | \$0.70          |
| OPTION       |             | OFF HAUL TO LOCAL DUMP SITE                        | 42,964        | TONS       | \$8.50      | used as backfill   |                 |
| <b>205.0</b> | <b>1.0</b>  | <b>SUBTOTAL-DEMOLITION</b>                         | <b>21,482</b> | <b>CYD</b> |             | <b>\$680,939</b>   | <b>\$31.70</b>  |
|              |             | <b>SITE CUT AND FILL</b>                           |               |            |             |                    |                 |
|              |             | CLEAR AND GRUB - 14.8 Ac.                          | 640,307       | SF         | \$0.25      | \$160,077          | \$7.45          |
|              |             | OVER EXCAVATE 'SATURATED' TOP SOIL AND TURN TO DRY | 307,347       | CYDS       | \$2.50      | \$768,369          | \$35.77         |
|              |             | BACKFILL WITH CONCRETE DEBRIS                      | 21,482        | CYDS       | \$1.50      | \$32,223           | \$1.50          |
|              |             | PLACE (E) STOCK PILED TOP SOIL                     | 307,347       | CYDS       | \$1.50      | \$461,021          | \$21.46         |
|              |             | BACK FILL IMPORT SOIL                              | 179,950       | CYDS       | \$8.00      | \$1,439,600        | \$67.01         |
|              |             | COMPACTION TO TOP SOIL                             | 179,950       | CYDS       | \$2.65      | \$476,868          | \$22.20         |
|              |             | FINE GRADING                                       | 640,307       | SF         | \$0.10      | \$64,031           | \$2.98          |
| <b>220.0</b> | <b>14.0</b> | <b>SUBTOTAL-EXCAVATION, FILL AND GRADING</b>       | <b>21,482</b> | <b>CYD</b> |             | <b>\$3,402,188</b> | <b>\$158.37</b> |

City of Sacramento  
 Demolition of Arco Park Stadium  
 Rough Order of Magnitude Estimate



ARCHITECT: HOK Sports

CYDS: 21,482  
 DATE: 19-Feb-14  
 BY: J. Moreno

DETAILED ESTIMATE

| TRADE                                | SYSTEM      | DESCRIPTION   | QUAN          | UNIT        | UNIT COST   | TOTAL              | COST/GSF        |
|--------------------------------------|-------------|---|---------------|-------------|-------------|--------------------|-----------------|
|                                      |             | <b>STORM DRAIN- MODIFY OUTFALLS</b>                       | 1             | LOT         | \$25,000.00 | \$25,000           | \$1.16          |
|                                      |             | <b>EROSION CONTROL</b>                                    |               |             |             |                    |                 |
|                                      |             | FIBER ROLL / WATTLES - EROSION CONTROL                    | 1,000         | LF          | \$5.00      | \$5,000            | \$0.23          |
|                                      |             | HYDROSEED / MULCH   | 50,000        | SF          | \$0.25      | \$12,500           | \$0.58          |
|                                      |             | <b>GAS - (N) VALVE BOX AND ISOLATION VALVE</b>            | 1             | LOT         | \$5,000.00  | \$5,000            | \$0.23          |
|                                      |             | <b>DOMESTIC/ FIRE WATER - ALLOWANCE TO REMOVE AND CAP</b> | 1             | LOT         | \$10,000.00 | \$10,000           | \$0.47          |
|                                      |             | <b>SEWER - ALLOWANCE TO REMOVE AND CAP</b>                | 1             | LOT         | \$10,000.00 | \$10,000           | \$0.47          |
|                                      |             | SITE LIGHTING   |               |             |             | NO WORK            |                 |
|                                      |             | SITE ELECTRICAL   |               |             |             | NO WORK            |                 |
|                                      |             | SITE COMMUNICATION  |               |             |             | NO WORK            |                 |
| <b>277.0</b>                         | <b>15.0</b> | <b>SUBTOTAL- SITE UTILITIES</b>                           | <b>21,482</b> | <b>CYDS</b> |             | <b>\$67,500</b>    | <b>\$3.14</b>   |
|                                      |             |   |               |             |             |                    |                 |
| <b>299.0</b>                         | <b>16.0</b> | <b>SUBTOTAL-GENERAL SITE WORK</b>                         | <b>21,482</b> | <b>CYDS</b> |             |                    |                 |
|                                      |             |   |               |             |             |                    |                 |
|                                      |             | BLDG SUBTOTAL   |               |             |             | \$4,855,069        |                 |
|                                      |             | GENERAL CONDITIONS  |               | 5.0%        |             | \$242,753          |                 |
|                                      |             | OVERHEAD & PROFIT   |               | 5.0%        |             | \$254,891          |                 |
|                                      |             | BONDS AND INSURANCE                                       |               | 1.2%        |             | \$64,233           |                 |
|                                      |             | CONTINGENCY   |               | 10.0%       |             | \$541,695          |                 |
|                                      |             | SUBTOTAL OF MARK UP                                       |               |             |             | \$1,103,572        |                 |
|                                      |             | TOTAL MARK UP PERCENTAGE                                  |               | 22.73%      |             |                    |                 |
| <b>TOTAL ON BID DAY PER BUILDING</b> |             |   |               |             |             | <b>\$5,958,640</b> | <b>\$277.38</b> |