

APPRAISAL REPORT

VALUATION OF

The Average per Acre Land Value of High-Density Residential, Medium-Density Residential, Low and Very Low-Density Residential, Commercial/Retail, and Industrial Properties

Located in the Three Existing Zip Codes (95050, 95051, and 95054)
City of Santa Clara, California
Santa Clara County

PREPARED FOR

Mr. James Teixeira, Director of Parks and Recreation
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

PREPARED BY

Frank E. Schmidt, MAI, SRA

The Schmidt-Prescott Group, Inc.

EFFECTIVE DATE OF VALUE OPINION

December 31, 2017

THE SCHMIDT - PRESCOTT GROUP, INC.

Real Estate Appraisers — Property Valuation Specialists



Frank E. Schmidt, MAI, SRA

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February 22, 2018

Mr. James Teixeira, Director of Parks and Recreation
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

Re: Appraisal Report
Average Value of Three Hypothetical 1-Acre Lots,
One for Each Zip Code Comprising 95050, 95051, and 95054
Santa Clara, California,
Santa Clara County

Dear Mr. Teixeira:

Pursuant to your request, I have completed the annual appraisal to aid the City of Santa Clara in establishing park impact fees. Following this letter of transmittal is my appraisal and analysis opining the value of a hypothetical 1-acre lot in each of the City's three zip codes.

In June 2016 the City of Santa Clara City Council approved Supplemental Instructions for the Appraisal of the Fair Market Value of land used in the Parkland Dedication In-Lieu Fee. These supplemental instructions and guidelines for the Appraisal are displayed in the Addenda. One of the supplemental instructions was that the valuation date occurs each year on December 31. Since the date of my opinion of value, December 31, 2017 precedes the date I wrote and transmitted this appraisal by about 2 months, this is considered a retrospective appraisal as defined by the Uniform Standards of Professional Appraisal Practice. Since this is a retrospective value, it is important to note that we only considered data that was available and/or public as of the date of value. The exception to this was the 2017 land area data provided by Old Republic Title Company which was not available until February 2018.

Our firm has appraised the subject of this appraisal numerous times since 2014, and most recently on December 31, 2015 and December 31, 2016. The December 2015 and 2016 appraisals, and the current appraisal differ from earlier appraisals because the Supplemental Instructions to conduct the appraisal were revised. The most significant changes were the inclusion of low and very low density residential sales, and estimating the weighted average

based on the land sale area associated with the different property types. In our earlier appraisals low and very low density residential land sales were excluded from our opinion of value and the weighted average was estimated based on the number of sale transactions in the City, rather than the land area associated with each property type.

As was shown in the more recent appraisals, including very low and low-density land sales using a weighted average based on acreage instead of the number of sales of each property type reduced the average value per acre of land value.

Similar to the 2016 appraisal and based on land area, in 2017 about one-half of all the transactions sold in the preceding 12 months were categorized as industrial and commercial, and the other one-half was categorized as residential. This is a change from 2015 when commercial and industrial categories only accounted for about 16% of the land area for all the transactions sold in Santa Clara, and the remaining were residential related.

To facilitate this appraisal, we conducted an investigation, gathered data, and made the analyses necessary to enable us to fulfill the purpose of our assignment, which was to estimate the fair market value of a hypothetical 1-acre lot comprising components of high-density residential, medium-density residential, low and very low-density residential, commercial and industrial, to form and report the average value per acre of land in the three existing Zip Codes in the City of Santa Clara consisting of 95050, 95051, and 95054. The average value was established using the weighted average of these different property types, based on the percentage of total land area associated with the different property types that sold in the City of Santa Clara in the 12 months prior to the date of value.

We understand that this report is intended for use by the Client, the City of Santa Clara, to assist the City in determining park impact fees.

Hypothetical Conditions, Extraordinary Assumptions, and Contingencies

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.”¹ We supposed the following hypothetical condition:

- The fair market value was estimated based on different land value components applied to a hypothetical lot. It was a hypothetical condition of this appraisal that the subject lot was a finished lot and rated average in all other physical, locational, and legal aspects.
- Since the hypothetical lot will be comprised of different land value components and it is unlikely the City’s land use ordinances would allow the different property types on the same lot, it was necessary to apply a hypothetical condition that each of the following uses would be permitted on the subject lot: high-density residential, medium-density residential, low and very low-density residential, commercial, and industrial.

Extraordinary Assumption is defined as “an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser’s opinions or conclusions.”²

In this appraisal, we used the land areas provided by Old Republic Title Company to estimate the weighted average of all the sale transactions that occurred in the City of Santa Clara in 2017. It was an extraordinary assumption of this appraisal that these land areas provided by Old Republic were accurate.

The use of these hypothetical conditions and extraordinary assumption might have affected the assignment results. We did not apply any contingencies.

There are general assumptions and limiting conditions set forth in this report.

¹ *Uniform Standards of Professional Appraisal Practice* (USA, The Appraisal Foundation, 2012)

² *Ibid*

Based on our site visit and the investigation and analyses undertaken, we formed the opinion that the average value per acre on December 31, 2017, the effective date of opinion, for each zip code was:

Zip Code	Average Value per Acre
95050	\$3,738,000
95051	\$3,993,000
95054	\$4,035,000

Sincerely,



Frank E. Schmidt, MAI, SRA
California Certified General Real Estate Appraiser No. AG005421

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EXECUTIVE SUMMARY

CLIENT : City of Santa Clara

LOCATION : City of Santa Clara, California

PROPERTY TYPES : High Density Residential, Medium Density Residential, Low and Very Density Residential, Commercial, and Industrial Land

SITE AREA : Three Hypothetical One-Acre Lots

PRINCIPAL IMPROVEMENTS : None

FLOOD HAZARD STATUS : Zone X; the hypothetical lots are outside any flood zones

EARTHQUAKE FAULT ZONE : The hypothetical lots are not located in an Earthquake Fault Zone as designated under the Alquist-Priolo Earthquake Fault Zoning Act.

GENERAL PLAN, &

HIGHEST AND BEST USE :

Use of Hypothetical Lot	General Plan	Highest & Best Use
Very Low Density Residential	Very Low Density Residential	Very Low Density Residential
Low Density Residential	Low Density Residential	Low Density Residential
High Density Residential	High Density Residential	High Density Residential
Medium Density Residential	Medium Density Residential	Medium Density Residential
Commercial	Regional Commercial	Commercial Building
Industrial	Light Industrial	Light Industrial Building

EFFECTIVE DATE OF VALUE : December 31, 2017

PROPERTY RIGHTS APPRAISED : Fee Simple Estate

AVERAGE VALUE CONCLUSIONS :

Zip Code	Average Value per Acre
95050	\$3,738,000
95051	\$3,993,000
95054	\$4,035,000

GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal and report were made applying these general assumptions:

1. No responsibility was assumed for the legal description or for matters including legal or title considerations. Title to the property was assumed to be good and marketable and free and clear of all liens, encumbrances, easements and restrictions except those specifically addressed in the appraisal and discussed in the report;
2. The property was appraised or evaluated free and clear of any or all liens and encumbrances unless otherwise stated;
3. Responsible ownership and competent property management were assumed;
4. The information furnished by the Client and others was believed to be reliable. However, no warranty is given for its accuracy;
5. All engineering was assumed to be correct. Plot plans or any other illustrative material in this report were included only to assist the reader in visualizing the property;
6. It was assumed that there are no hidden or unapparent conditions in the land or structures that render it more or less marketable or valuable. No responsibility is assumed for such conditions or for arranging for engineering studies that may be required to discover them. We recommend that trained professionals be engaged to ascertain compliance with ADA, and to identify any physical or environmental conditions that could affect market value. The results of these investigations should be revealed to us so we can consider them in our valuation;
7. Unless otherwise stated in this report, the existence of hazardous material, toxic waste, and/or other environmental impairments which may or may not be present on or in the property, was not investigated by this consultant. The Client should identify any known or suspected environmental impairments;

As real estate consultants, we are not qualified to properly investigate this property for any discharge, spillage, uncontrolled loss, seepage, filtration or storage of hazardous substances which may adversely affect the value of this property. Neither are we qualified to detect the presence of substances such as asbestos, urea-formaldehyde foam insulation, nor other materials that could create an environmental impairment to the subject property or to other property caused by conditions present at the subject property. Our opinion(s) were predicated on the assumption that there is no such material on or in the property that would affect market value. No responsibility was assumed for any such conditions or for any expertise or engineering knowledge required to discover and/or correct them;

8. It was assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless non-compliance is stated, defined, and considered in the report;
9. It was assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal and reported in the report;

10. It was assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate or other opinion contained in this report are based;
11. It was assumed that the utilization of the land and improvements are within the boundaries or property lines of the property appraised and that there is no encroachment or trespass unless noted in the report;
12. We will not appear or give testimony in court in connection with this appraisal unless prior arrangements have been made.

This report has been made with the following **limiting conditions**:

1. Any allocation of value between land and improvements was made at the request of, and to assist the Client, and does not constitute a separate market value for either land or improvements;
2. Possession of the report, or a copy thereof, does not carry with it the right of publication or use. It may not be used for any purpose by any person other than the Client(s), for the Intended Use specified in the engagement agreement and/or report;
3. The consultant is not required to give further consultation, testimony, or attend court for matters involving the subject property unless arrangements have been previously made;
4. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the Consultant, or the firm with which the Consultant is connected) shall be disseminated to the public through advertising, public relations, news sales, or other media without prior written consent and approval of the Consultant.

Reader Note:

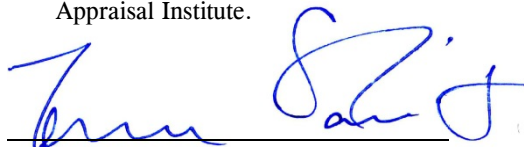
There may be other appropriate and more specific limitations on our opinions or conclusions identified in the cover letter or report as *Hypothetical Conditions, Extraordinary Assumptions, or Contingencies*.

CERTIFICATION

Version.AI.14.06

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I previously appraised the subject of this report for the same Client in 2014.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. 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.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice (USPAP)*.
9. I have not made a personal inspection of the property that is the subject of this report since the subject lot is hypothetical.
10. No one provided significant real property appraisal assistance to the person signing this certification. Ms. Christine Pham and Ms. Carmen Yopez, employees of Schmidt-Prescott Group, verified some of the comparable data and assisted me in preparing exhibits in the appraisal report.
11. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.



Frank E. Schmidt, MAI, SRA

California Certified General Real Estate Appraiser, No. AG005421

February 22, 2018

Date

SCOPE OF THE ASSIGNMENT

Information Provided to the Appraisers

In the earlier the Client provided an Inter-office Memorandum which included excerpts from a statistical analysis completed by a local Realtor of all property sales in 2013. Additionally, excerpts from the Parks and Recreation Facilities Fee Study completed by Willdan Financial Services were provided. The wording of the new Park Impact Fee Ordinance (No. 1928) was also provided.

In this appraisal Old Republic Title Company provided Santa Clara sales statistics of land areas to assist me in estimating the weighted average of all the sale transactions that occurred in the City of Santa Clara in the 12 months preceding the date of value. Lastly, we were provided the Supplemental Instructions approved by Santa Clara City Council on June 7, 2016, which are displayed in the Addenda.

Extent of Research into Physical Factors

We drove several major streets throughout Santa Clara in the months of August and September 2014, July and August 2015, and various times in 2016 and 2017 noting both changes that are occurring or have occurred, particularly with regard to new development. We gathered data about land use ordinances for each hypothetical lot and the comparables from the websites of the appropriate municipalities.

Extent of Research Into Economic Factors

We gathered, analyzed, and applied macro-economic information gleaned from many sources, including:

- The Wall Street Journal
- 12th District Beige Book
- GlobeSt.com
- DataQuick
- The Kiplinger Letter
- CoreLogic

We gathered, analyzed, and applied data about market conditions and other micro-economic information from:

- Web Sites of Commercial Brokerage Houses
- Commercial and/or residential multiple listing services
- Silicon Valley Business Journal
- San Jose Mercury News
- Discussions with agents active in the subject market

We talked to the buyers, sellers, and agents whose names we discovered on signage in the neighborhood. We learned about additional market data from these people.

Extent of Comparable Data Research

We used a variety of subscription and Web-based services to gather comparable data, including:

- Schmidt-Prescott Group Verified Data Files
- CoStar Group
- First American Real Estate Solutions (RealQuest.com)
- Loopnet.com
- MLSlistings.com
- The Registry
- Various Commercial Real Estate Brokerage Web sites

Verification

The most appropriate data that we discovered was verified with a party to the transaction. When that was not possible, we discussed the extent of verification, using public record data, in the Analysis section.

Among the comparables selected we studied copies of the assessor's parcel maps, public record summary, aerial maps, and other data such as structural, geological, or environmental reports, subdivision maps, title reports, etc.

Type and Extent of Analysis Applied

The data is summarized on spreadsheets displayed in the Analysis sections following. The analysis was comparative, iterative, qualitative, and quantitative.

Compliance

It was the intent of this appraisal to comply with the requirements of:

- The Uniform Standards of Professional Appraisal Practice (USPAP) including the Ethics and Competency Provisions as promulgated by the Appraisal Standards Board of the Appraisal Foundation.
- The Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

DEFINITIONS

According to the California Code of Civil Procedure, Section 1263.320 defines **Fair Market Value** as:

“(a) the highest price on the date of valuation that would be agreed to by a seller, being willing to sell but under no particular or urgent necessity for so doing, nor obliged to sell, and a buyer, being ready, willing, and able to buy but under no particular necessity for so doing, each dealing with the other with full knowledge of all the uses and purposes for which the property is reasonably adaptable and available.

(b) The fair market value of property taken for which there is no relevant, comparable market is its value on the date of valuation as determined by any method of valuation that is just and equitable.”

Revised federal definitions in the Uniform Act identify the definitions of “market value” and “fair market value” as one and the same. These terms are used interchangeably in this report.

Central Tendency means “the central point, or representative value, around which items cluster in a frequency distribution. Measures of central tendency (called *averages*) are the mean, the median, and the mode.”¹

Weighted Average means an average resulting from the multiplication of each component by a factor reflecting its importance or contribution.

¹ Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed., (Chicago: Appraisal Institute, 2010)

Average Value means a value that is calculated by adding values together and then dividing the total by the number of values.

Fee Simple Estate means “a freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).”²

REAL PROPERTY, REAL ESTATE, AND PERSONAL PROPERTY APPRAISED

Real Property is defined as all of the interests, benefits, and rights in the ownership of the physical real estate, that is, the bundle of rights with which the ownership of the real estate is endowed. Real estate is defined as physical land and appurtenances attached to the land.

Real Property Rights Appraised

The subject properties are hypothetical unimproved lots and the fee simple estate was appraised.

Real Estate Appraised

It was an assumption of this appraisal that the subject’s hypothetical finished lot is graded and level, all utilities and services are stubbed to the site, is ready for building improvement, and defined as follows:

- | | |
|---------------------------------|--|
| Area | : One acre |
| Shape & Frontage | : Shape is rectangular with typical frontage along one street. |
| Topography | : Level, at street grade |
| Drainage | : Adequate |
| Utilities & Services | : The municipality provides water, electrical and sewer service. A private contractor provides garbage service. Local utility companies provide telephone and cable. All utilities are piped and wired onto the hypothetical lots. |

² Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed., (Chicago: Appraisal Institute, 2010)

- Easements** : Typical public utility easements along frontage presumed.
- Soil Conditions** : It was a general assumption of this appraisal that the hypothetical site is suitable for any legally permissible and physically possible use.
- Environmental Impairment Issues** : It was a general assumption of this appraisal that there are no environmental issues that affect market value. If such were known to have been present on the effective date of opinion, our value opinions would probably have been less.
- Off-Site Improvements** : Street is fully improved and maintained by the City; it is asphalt paved with streetlights, curbs, gutters, and sidewalks.
- Street Access** : Rated average in comparison to competing properties.
- Exposure/Visibility** : Rated average in comparison to competing properties for each hypothetical use.
- Flood Hazard Status** : Each hypothetical lot is presumed to be within Zone X, which denotes areas of minimal flood hazard, usually depicted on FIRMs as above the 500-year flood level.
- Earthquake Fault Zone** : The hypothetical lots are not located in an Earthquake Fault Zone as designated under the Alquist-Priolo Earthquake Fault Zoning Act.
- Improvements** : None

Personal Property Appraised

We did not appraise any personal property.

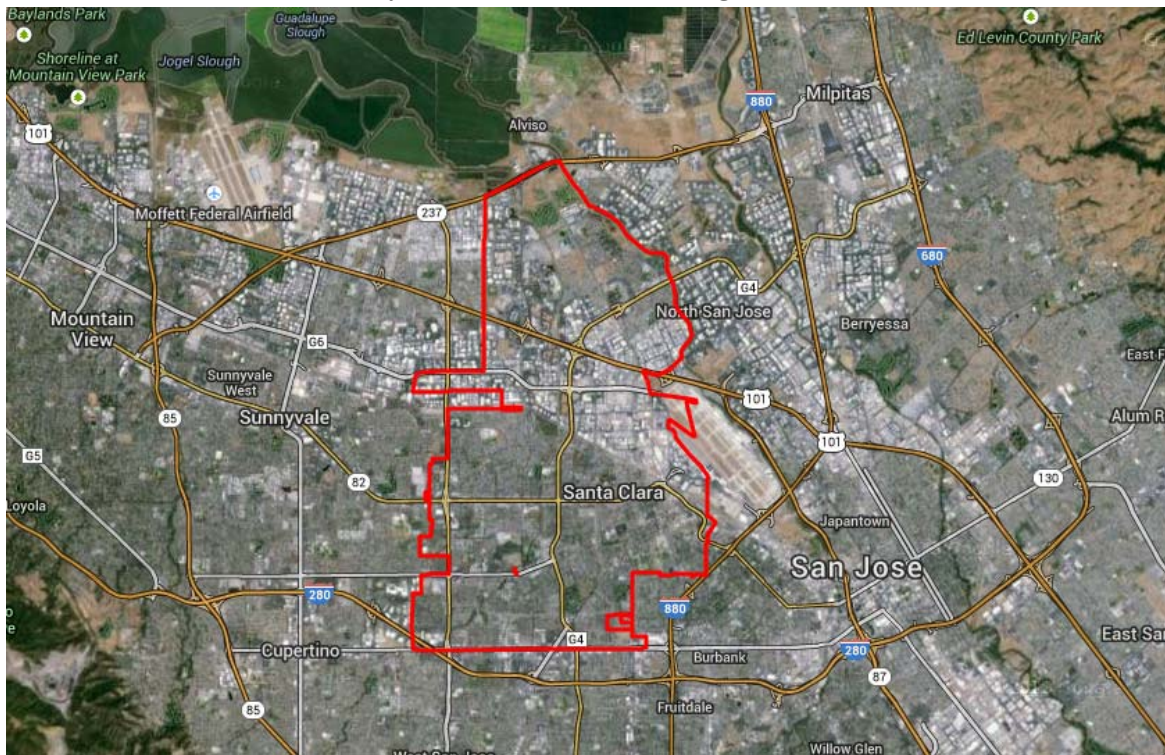
PREVIOUS APPRAISALS

Our firm previously appraised the subject(s) of this report for the City of Santa Clara on previous occasions in an Appraisal Report transmitted November 17, 2014 with an effective date of opinion of September 15, 2014, an Appraisal Report transmitted September 14, 2015 with a date of opinion of August 20, 2015, an Appraisal Report transmitted July 1, 2016 with a date of opinion of December 31, 2015, and an Appraisal Report transmitted March 2, 2017 with a date of opinion of December 31, 2016. The intended use of all the appraisals was the same, to assist the City in determining park impact fees.

REGION & CITY DESCRIPTION

The County of Santa Clara is located at the southern end of San Francisco Bay. It encompasses 449 square miles of land with 15 incorporated cities and towns, and is among the 20th most affluent counties in the United States. According to California Department of Finance (CDF), on July 1, 2016, the county had a population of 1,930,215. Based on CA Employment Development Department statistics, the county had a labor force of about 1,042,300 and an unemployment rate of 2.6% in November 2017, down from an unemployment rate of 3.5% year prior. Santa Clara County, which makes up the bulk of Silicon Valley, is highly dependent on technology employment, including Apple, Applied Materials, Cisco, E-Bay, Google, HP, Intel, Microsoft, and PayPal. Two of the largest employers in the City of Santa Clara are Intel and Applied Materials. Other high-tech companies, such as Nvidia, Palo Alto Networks, and Agilent Technologies have headquarters in the City.

City Aerial and Surrounding Areas



The City of Santa Clara covers about 19.3 square miles and is surrounded by San Jose on the north, east, and south, and adjacent to Sunnyvale and Cupertino on the west. The City of Santa Clara’s population estimate was 123,752 in January 2016, according to the CDF.

Levi’s Stadium, the home of the San Francisco 49ers, opened over the summer of 2014 in the northern portion of the city, adjacent to Great America Theme Park and the existing 49ers practice facility. The stadium was built at an estimated cost of \$1.3 billion with a current seating capacity of 68,500. In February 2016 Levi hosted Super Bowl 50.

The recent opening of the stadium has spurred an increase in demand for nearby properties. There are several proposals in progress that could add thousands of square feet of new retail, office and residential. The largest proposal, from Related California, as reported in the San Jose Mercury news, calls for a massive “city center” project combining retail, entertainment, residential, hotel and office. According to the Related California website, the project is planned for a 240-acre mixed use development, located across from the street from Levi Stadium that is now the site of the Santa Clara Golf & Tennis Club and a bicycle-motocross track. The project would include 5.4 million SF of office, 1.1 million SF of retail, 1,680 residential units, 700 hotel rooms, 250,000 SF of food and beverage, and 190,000 SF of entertainment. The first development phase, including construction of a city center, will likely begin in 2019 and conclude in 2022, according to the Related website.

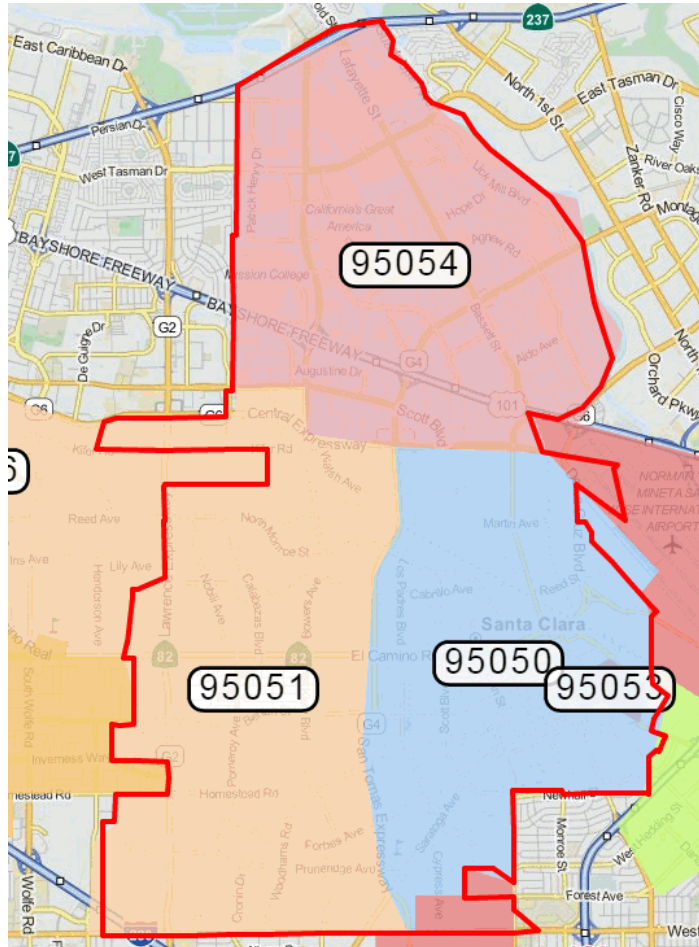
The City's median household income in 2016 was about \$102,533 and the per capita income was about \$44,843. The 2013 United States Census indicated the following demographics in Santa Clara:

Owner-Occupied Housing Units	19,079
Renter-Occupied Housing Units	<u>23,264</u>
Total Households	42,343
Total Housing Units	44,632
Median Age	34.4 Years
Average Household Size	2.63
Average Family Size	3.18

The City of Santa Clara and Santa Clara County benefit from a number of freeways, arterials, and expressways that provide access to most areas of the region, including three interstate highways, I-280, I-880, and I-680 in addition to several federal and state highways, US-101, CA-85, CA-87, CA-17, and CA-237. Caltrain, Amtrak, and ACE rail transportation, light rail, and VTA bus services provide mass transit for the city, connecting Santa Clara to the greater Bay Area. Located adjacent the City's eastern border is the Norman Y Mineta San Jose International Airport.

The City of Santa Clara is the supplier for the City's water and electric power, which it claims can save small industries almost 50% on their utility costs.

There are three primary zip codes within the city, which are shown on the following map as the color coded areas within the red-outlined city limit boundaries. Note that the 95053 zip code applies to Santa Clara University, which is located within the Santa Clara city limits, but was not included as part of this appraisal.



Source: city-data.com

Conclusion

All locations within Santa Clara are proximate to nearby job centers, retail, housing, and linkages, contributing to the long-term demand for sites within the city.

MARKET CONDITIONS

The latest *Allen Matkins UCLA Anderson Forecast Commercial Real Estate Survey* indicated that Silicon Valley development is pointing towards a softening in broad segments of commercial real estate. The report states that retail and office space “face significant headwinds due to an automation of many office functions and the transformation of retail to online shopping.” The industrial market also indicates an easing back from the once red-hot market. The Survey uses a sentiment index rating from 1-100, with an index rating above 50 suggesting an optimistic market and vice versa. The office-market sentiment index rating has been trending down for some time now and was 37.38 with developers showing concern

“about the ability of rents keeping up with inflation and occupancy to remain at its current high level.” For industrial it was 39.33 and for multifamily the sentiment index was 52.94. The above average job opportunities and low unemployment have helped sustain increases in retail and housing prices over the last few years. Following we present some statistics and comments regarding the market conditions for each land use we are appraising. Land market conditions for each of these uses are not typically tracked by any firms that we are aware of; it has been our experience and historically as reported by market participants that the land market for these uses typically shadow the improved markets, oftentimes leading. Next we report on the sale, rental, and construction trends of the respective markets, in estimating the appropriate market conditions adjustments used in our following analysis.

Commercial Market

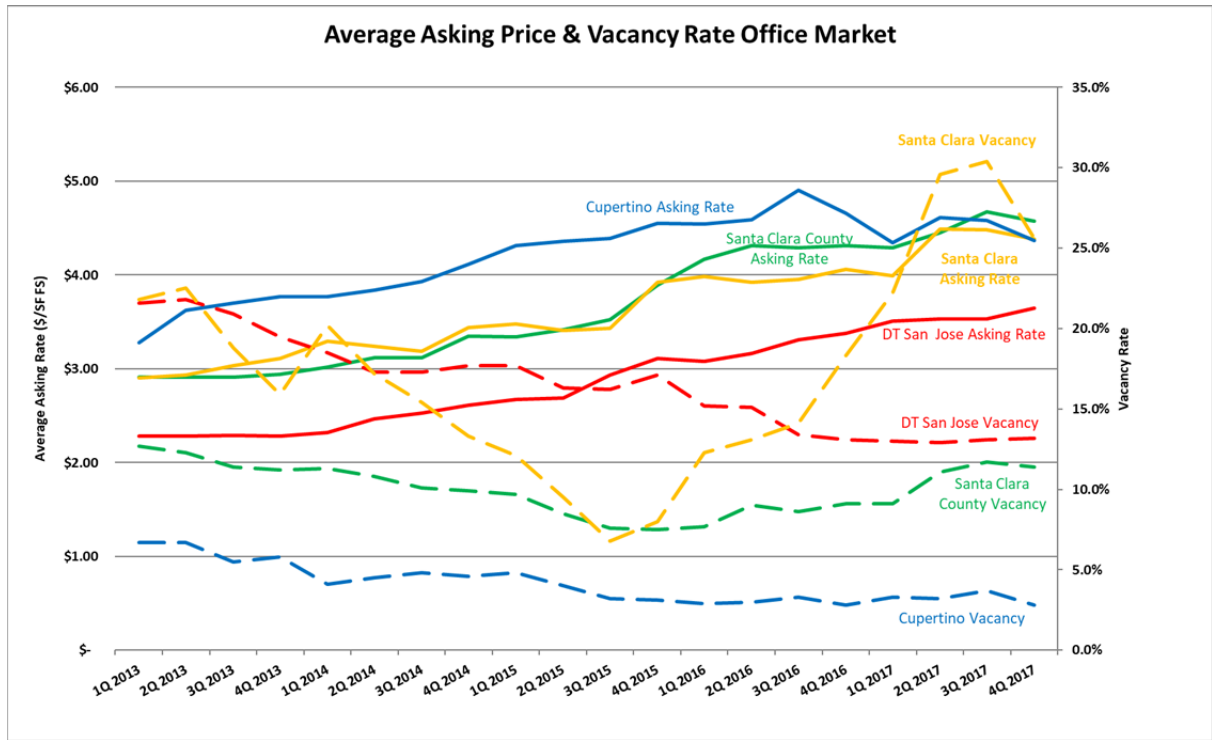
Commercial properties typically include office and retail uses. We discovered that office properties are generally being built along retail corridors and in greater numbers in light industrial locations. Research and development (R&D) properties have historically been a subcategory of industrial. However, in recent years, it has become its own category, and can rival office in terms of finishes and quality. We elected to include the R&D submarket as part of the commercial market and have provided some statistics on this segment of the market. Many of the traditional retail corridors in this region, El Camino Real in particular, have land use ordinances that now allow for residential mixed-uses.

In this market, the brokerage houses track office and retail statistics by city or submarket; they are not broken out by zip code. Following we present the relevant statistics pertaining to the Santa Clara market and provide comments from market participants regarding the perceived differences in each of the Santa Clara zip codes that the three hypothetical lots being appraised are located.

Office Market

The Santa Clara County Valley office market from 2013 through 4Q-2017 was characterized by generally decreasing vacancy, positive net absorption, and overall increasing average asking rental rates. The next table displays data from the Cushman & Wakefield’s 4Q-2017 Silicon Valley Marketbeat Office Snapshot and predecessor reports and includes statistics from the overall Santa Clara County market, the subject’s submarket (Santa Clara), and the adjacent submarkets of Cupertino and downtown San Jose.

OFFICE STATISTICS



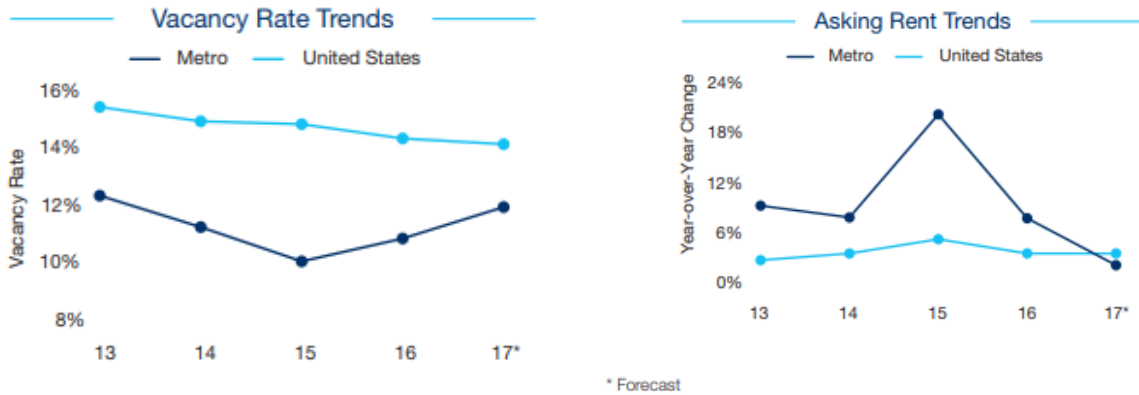
Source: Cushman & Wakefield 4Q-2017 Marketbeat Office Snapshot

The data indicates that vacancy rates in Santa Clara steadily declined from 2013 to 3Q-2015 then started increasing to a high of about 30.0% in the 3Q-2017. The rate then declined in 4Q-2017 to 25.0%. The county has been overall more stable at 11.4% for 4Q-2017 with vacancy continuing to increase in Santa Clara County due to the completion of 574,000 sf of speculative shell space. Neighboring sub-market of Cupertino has been consistently below 5% vacancy since 2Q-2015, due in part to Google’s presence in that market. Cushman & Wakefield reports that the region’s availability has increased 7.2 million square feet from one year ago. The city of Santa Clara’s leasing activity was buoyed in the fourth quarter by Hitachi which leased 220,156 SF and Veritas leased 144,902 SF, both at Santa Clara Square.

The average asking rent in 4Q-2017 for the City of Santa Clara was \$4.38/SF/Month on a Full Service expense basis, whereby taxes, insurance, maintenance, utilities, and janitorial expenses are bundled into the base rent. This is an increase from \$4.06/SF/Month or about 0.7%/month from one year ago, and about 0.9%/month since 4Q2013.

Marcus & Millichap’s 2Q-2017 Office Research Market Report stated San Jose Metro area office vacancies increased 11.4% or 160 basis points over the past year. Asking rents increased 5.4% to \$3.99/SF/Month. In the submarket of Santa Clara, the vacancy rate reported for 1Q-

2017 increased by 540 basis points to 19.3% while asking rents decreased by 0.6% to \$2.97/SF/Month.



Marcus & Millichap’s report also states that the planned expansions from Apple, Google, Nvidia and Palo Alto Networks of more than 4.4 million square feet of space will be on the market in 2017. An additional 5.1 million square feet is made of office campuses such as Moffett plans and Santa Clara Square. With Sunnyvale/Cupertino and Santa Clara submarkets receiving the bulk of the new supply, the available 9.5 million square feet space in will lead to a softening in the market.

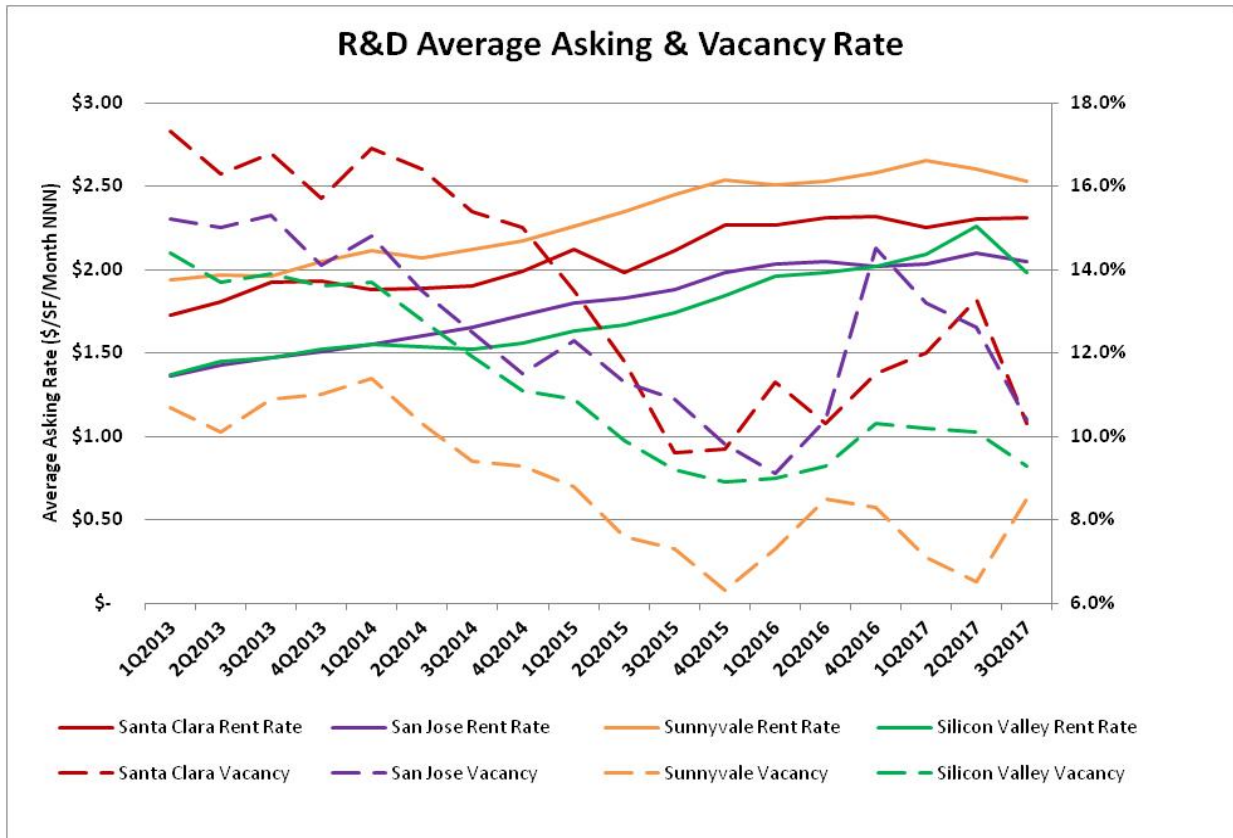
There are several office developments under construction in Silicon Valley and Santa Clara. Notable developments in the City of Santa Clara include Nvidia’s new campus, which will include more than 480,000 square feet of space. Menlo Equities recently planned construction on a 6-story building in the 3300 block of Scott Blvd in Santa Clara, which has been revised upward and is now proposed for 1.350 million square feet of building space in up to six 12-story buildings.

Research and Development (R&D) Market

The next table displays data from the Cushman & Wakefield 3Q-2017 Silicon Valley R&D Market Snapshot and its predecessor reports. It suggests that Silicon Valley’s R&D market experienced an overall decreasing vacancy rate from 1Q-2013 to 3Q-2017, while asking rents have increased from \$1.74/SF/month to \$1.98/SF/month since 3Q-2015, an increase of about 0.5%/month on a NNN expense basis. A NNN expense basis in this market means the landlord is only paying for management of the account and reserves for replacement, while the tenant pays all other operating expenses.

Since 3Q-2015 the average asking rate in the City of Santa Clara increased from \$2.11/SF/month NNN to \$2.31/SF/Mo ending the 3Q-2017 or 0.4%/month. Since 1Q-2013 the rental rate has increased about 0.6%/month. Investor demand for R&D and office product remains strong, especially for well-located, modern buildings with long-term tenants in place. Key transactions for 3Q-2017 include a Best Fang Holding purchase (264,000 SF) and Washington Real Estate Holdings purchase of seven buildings in North San Jose (247,000 SF). A significant purchase of a 266,000 SF speculative building sold in Santa Clara to a confidential tech tenant – the price was not disclosed.

R&D STATISTICS



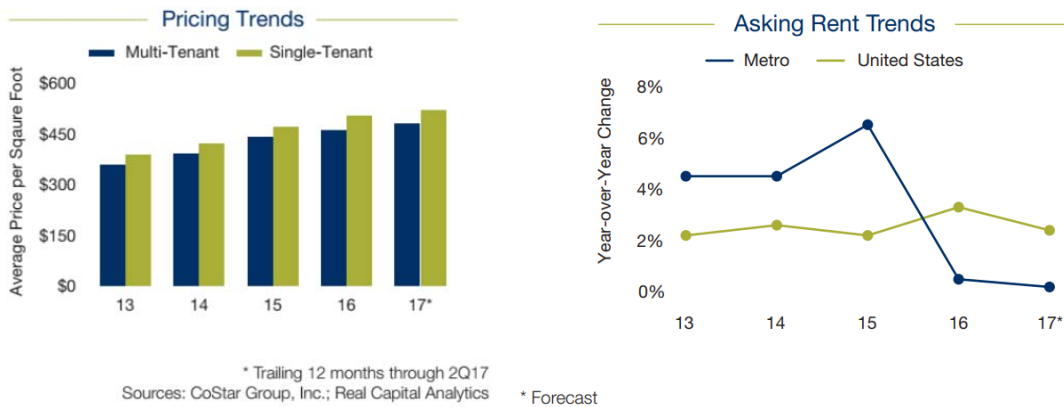
Source: DTZ/Cushman & Wakefield 2Q-2016 R&D Market Snapshot

Colliers International reported in their *2017 Q3 Silicon Valley Research and Forecast Report* a net occupancy loss of 482,959 SF of R&D space in 3Q-2017 within Silicon Valley. The Silicon Valley asking rate averaged \$2.11/SF NNN in 3Q-2017 was 9.6% higher than 3Q-2016 or a 0.8% per month increase.

Retail Market

In their 3Q-2017 *Retail Research Report* for the San Jose Metro area, Marcus & Millichap reported an increase of 1.8% in total employment. The next chart shows increasing rents to 2015, then and a drop in rents over the next 12 months before stabilizing in 2016.

The Marcus & Millichap charts shown below demonstrates an upward trend in selling prices for retail properties in the San Jose Metro area from 2013 to present for single and multitenant properties and a downward trend in asking rents from 2013 to present.

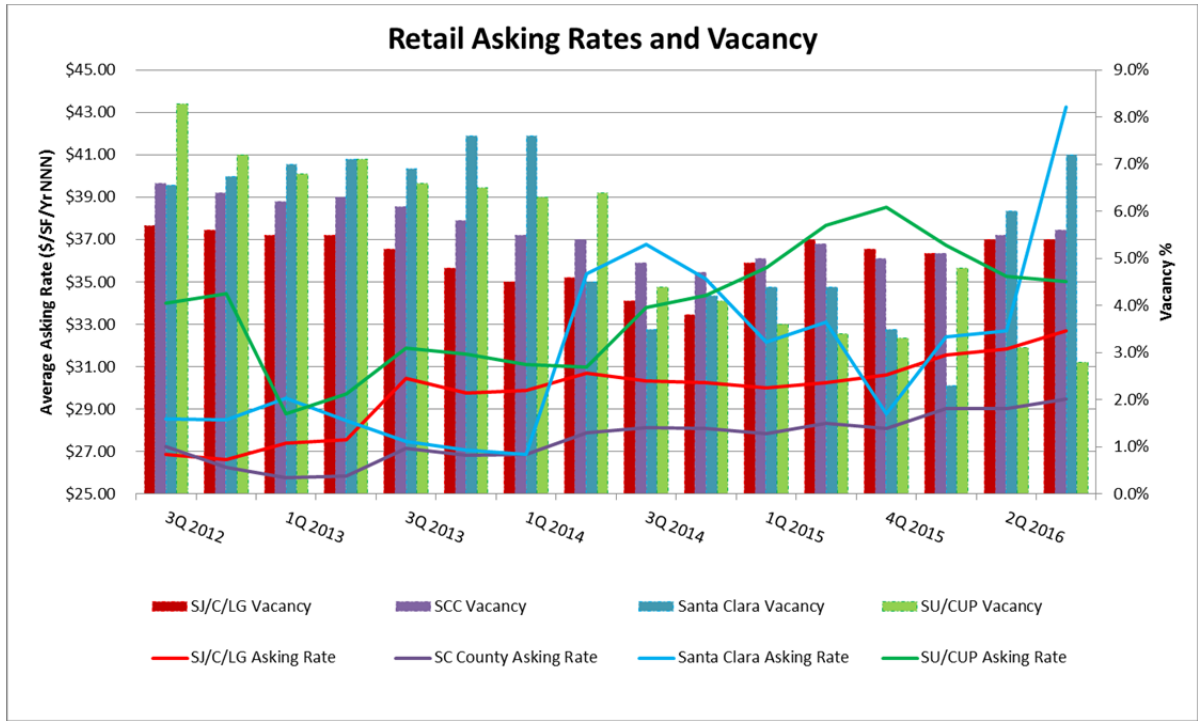


Please note that an asterisk in 2017 denotes a forecast for the entire year. Marcus & Millichap forecast that buyers will look for properties in urban locations benefiting from robust traffic counts and seek long-term leases to shield themselves from lease-up risks.

Cushman Wakefield is a brokerage firm that publishes quarterly reports for the retail shopping center market in the San Jose metro area. They reported in their Q3-2016 *Shopping Centers Snapshot* that 188,100 SF of shopping center space was added to the metro, increasing vacancy from 4.9% in 3Q-2015 to 5.6% in 3Q-2016. Total net absorption for 3Q-2016 was 189,000 SF, mainly due to newly completed projects, according to the report. The Santa Clara County market had an average asking rent of \$2.45/SF/Mo NNN in 3Q-2016, an increase of 6.1% from one year ago.

In 3Q-2016 asking rents averaged \$3.60/SF/Mo NNN in the subject's Santa Clara submarket up from \$2.26/SF/Mo in 4Q2013, an increase of about 1.8%/Mo. In 3Q-2016 vacancy rates in Santa Clara were reported to be 7.2%. An estimated 613,000 SF of new retail product is currently under construction. Class B and C product account for most of the product on the market. Class A space in new centers was reported to command rents upwards of \$5.00/SF/Month with some projects exceeding \$5.83/SF/Month.

The chart below displays the average asking rental rate and vacancy for the Santa Clara submarket, Sunnyvale/Cupertino submarket, and Santa Clara County taken from Cushman Wakefield and its predecessor shopping center reports from 3Q-2012 onwards:



Vacancy rates in the subject’s submarket declined from 7.6% in 4Q2013 to 7.2% in 3Q-2016, while asking rental rates increased 59% from \$2.26/SF/Mo NNN to \$3.60/SF/Mo NNN over that same period, an increase of about 1.3%/Mo.

Based on our observations and discussions with market participants, we estimated current retail vacancy rates to be about 5%. The supply of competing retail investment properties for purchase is undersupplied with less properties on the market and newer properties staying on the market for a short period of time.

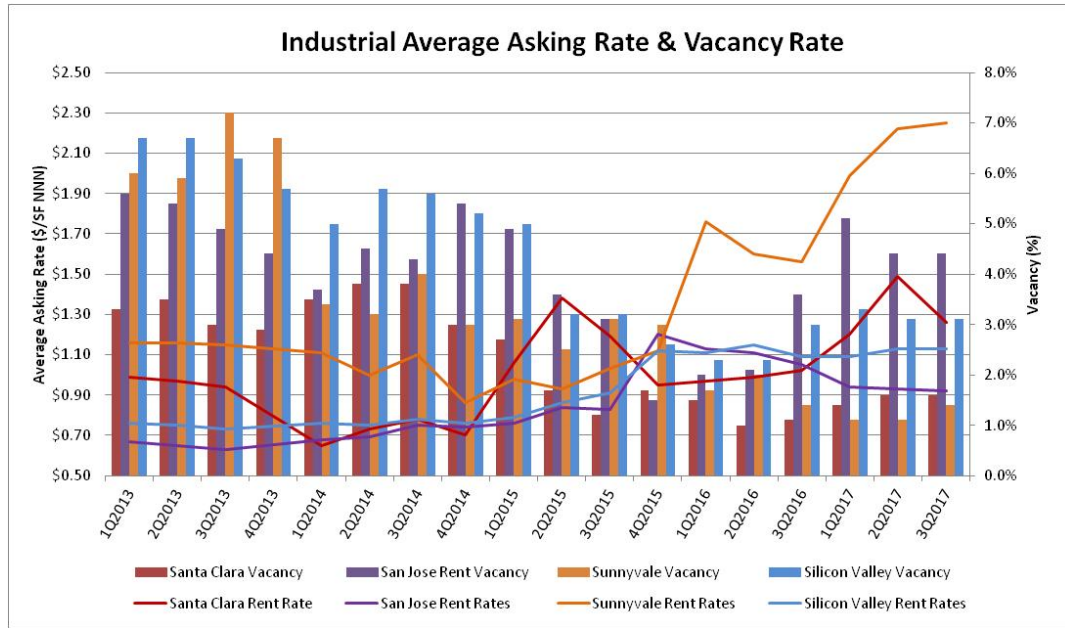
According to Marcus & Millichap, the hotel sector posted statewide occupancy rates in the Second Half of 2017 of 75.8%, which was 40 bp more than one year ago. RevPAR will rise to 4.4% year-over-year statewide. Nationally, there were 17,800 rooms under construction in the second half of 2017 with 2,000 under development in the San Francisco market. Job growth above the national average sparks hospitality demand from business travelers. San Francisco metro area added 22,600 positions, a 2.1% increase in hiring.

Industrial Market Conditions

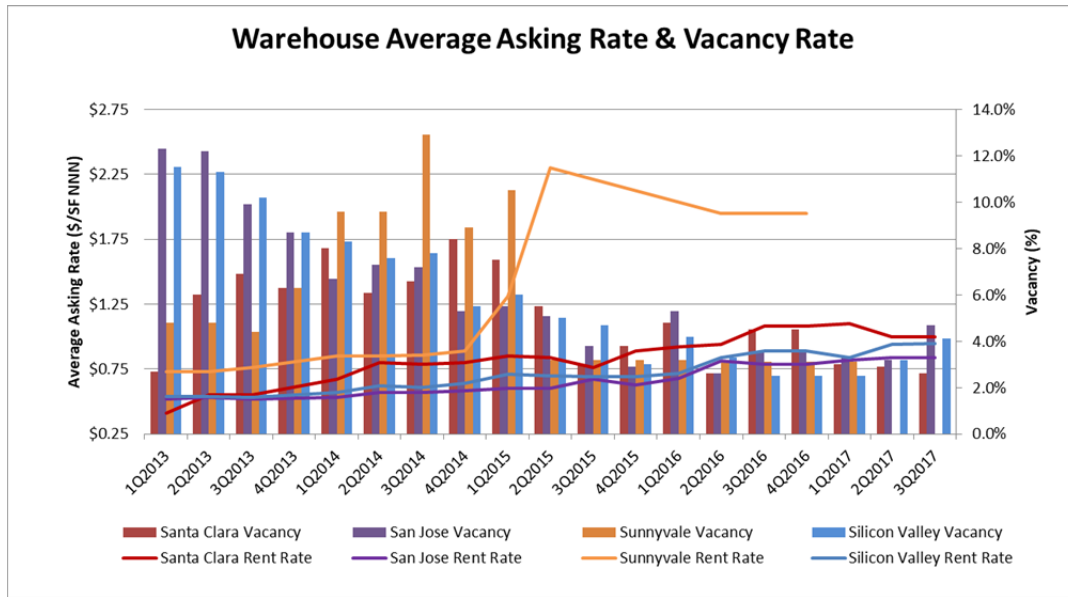
We referenced industrial (manufacturing) and warehouse market data from brokerages Cushman & Wakefield and Colliers International; we also interviewed local market participants for this report. Cushman & Wakefield reported in its *Marketbeat Industrial Snapshot, Silicon Valley, 3-Q-2017*, that vacancy for warehouse product increased in 3Q-2017 to 3.1% from 2.6% in 3Q-2016, while manufacturing product increased to 3.7% from 2.4% in 3Q 2016. The Central Silicon Valley industrial submarket, which includes Santa Clara, San Jose, Campbell and Sunnyvale, had a vacancy of 3.5% and an average asking rate of \$0.99/SF/Month at the end of 3Q-2017. The average asking rental rate in the subject's Santa Clara submarket was reported at \$1.02/SF/Month NNN and a vacancy rate of 1.7%. Moreover, rent increases overall had an upward trend since 1Q-2015 to 3Q-2017 of about 0.6%/SF/Mo. According to Cushman & Wakefield, Santa Clara County has a total of 114,525,652 square feet of industrial manufacturing and warehouse space, with the City of Santa Clara reporting just over 15.1 million square feet or 13.2% of the county's total space.

In their *Third Quarter 2017 Silicon Valley Research & Forecast Report* for industrial properties, Collier's International reported "a negative net absorption of 79,146 SF. Available space in the Silicon Valley climbed 10.6% quarter over quarter, jumping from 1.9 million square feet available to just over 2.1 million square feet at the close of the quarter." The overall availability rate remains at historic lows for the valley at just 3.4%. Average asking rates increased 4.0% from the previous year to \$1.13 SF/Month/NNN, or 0.3%/SF/MO.

The next chart shows industrial rental rate and vacancy trends since 1Q-2013. The chart shows decreasing vacancies and increasing rental rates over the long term.



Warehouse data collected from Colliers International’s *Silicon Valley Research & Forecast Report Q3 2017* and its predecessor reports are displayed in the next chart:



Manufacturing and warehouse vacancy rates in Silicon Valley have been declining since 1Q-2013. Vacancy rates for warehouse in the Sunnyvale and Santa Clara submarkets have been fluctuating since 2Q-2014 but the overall trend has been fewer vacancies. Asking warehouse rental rates in Santa Clara have been increasing since 1Q-2015 from \$0.85/SF/month NNN to \$1.00/SF/month in 3Q-2017, an average increase of 0.5%/month.

Data centers are one of the largest industrial occupancy groups in Santa Clara, due mostly to Silicon Valley Power, which has lower rates than elsewhere in the Bay Area. We discovered several expansion plans and construction occurring on existing sites, notably from DuPont Fabros Technology, CoreSite Realty Corp., and Vantage Data Centers. There was one land sale associated with a proposed data center project submitted by Spieker Properties LP located at 2895 Northwestern Pkwy within the City of Santa Clara. CBRE's U.S. Data Center Trends report for the 1H 2017 stated the following:

“Market activity in Silicon Valley remains relatively handcuffed by a limited number of available wholesale options and scant opportunities for the addition of new supply. The vacancy rate remained near its historical low at midyear, inching up to 5.3% from 4.5% in Q4 2016 and representing only 9MW of existing available wholesale capacity. More than 50% of this vacant capacity is available in second-generation facilities that are more than five years old and often viewed as technologically obsolescent.”

The CBRE chart below shows data center market changes in various major markets from Q4-2016 to Q2-2017.

Figure 1: Market Fundamentals

Market	Inventory (Q4/Q2)	Vacancy (Q4/Q2)	Net Absorption	Rental Rates (kW/mo)*
Northern Virginia	608 MW (↑ 52 MW)	35.2 MW / 5.8% (↑ 120 bps)	41.5 MW	\$120-\$145
Silicon Valley	169 MW (↑ 14 MW)	9.0 MW / 5.3% (↑ 70 bps)	12.0 MW	\$145-\$165
Chicago	188 MW (-0 MW)	4.0 MW / 2.1% (↓ 310 bps)	4.2 MW	\$130-\$145
New Jersey/New York	155 MW (-0 MW)	28.2 MW / 18.2% (↓ 110 bps)	2.9 MW	\$130-\$150
Dallas/Fort Worth	231 MW (↑ 23 MW)	38.8 MW / 16.8% (↓ 300 bps)	22.0 MW	\$120-\$145
Phoenix	169 MW (↑ 14 MW)	14.9 MW / 8.8% (↑ 570 bps)	3.8 MW	\$120-\$135
Atlanta	117 MW (↑ 9 MW)	10.8 MW / 9.2% (↓ 220 bps)	3.0 MW	\$120-\$135
Southern California	88 MW (-0 MW)	14.0 MW / 16.3% (↓ 170 bps)	1.9 MW	\$130-\$160
Seattle	107 MW (↑ 2 MW)	19.9 MW / 18.8% (↓ 220 bps)	2.2 MW	\$120-\$150
Boston	60 MW (-0 MW)	14.7 MW / 24.4% (↓ 170 bps)	1.0 MW	\$150-\$180

*Rental rates are quoted asking rates for 250+ kW at N+1/Tier III requirements. Arrows indicate changes in H1 2017.
Source: CBRE Research/CBRE Data Center Solutions, H1 2017.

¹Atlanta, Chicago, Dallas/Fort Worth, New York Tri-State Region, Northern Virginia, Phoenix and Silicon Valley.

Residential Market Conditions

The *Housing Market Index*, based on a survey by the National Association of Home Builders, reported a builder sentiment of 74 in December 2017 and has remained above 50 all year. Any reading above 50 signals expansion and that home builders feel very confident about the housing market.

Regional Housing Market

According to the *Jobs-Housing Connection Strategy, May 16, 2012*, report released by the Association of Bay Area Governments (ABAG)³ and the Metropolitan Transportation Commission⁴, employment in the SF Bay Area is expected to increase by 1,119,920 jobs, 33%, between 2010 and 2040, with the majority of the employment growth occurring in Santa Clara, San Francisco, San Mateo and Alameda Counties.

The report forecasts that over the next 30 years, due to an aging population and changes in market preferences in housing types, demand for townhouses, multifamily dwellings, condos and apartments will increase and those housing types will make up 30% of new homes in the region over the next 30 years. Demand for detached single family houses is expected to decline, although single family residences will continue to make up 56% of the region's housing inventory. The average household size is forecast to increase from 2.69 people per household in 2010, to 2.75 people per household in 2040. Larger household sizes will necessitate new residential development at higher densities, supported by rising land costs, and fewer detached single-family dwellings.

The following table, taken from the report, shows the supply of multifamily, attached/townhouse, and detached single family houses in 2010 in the region and the projected demand in 2040.

³ The Association of Bay Area Governments is the official comprehensive planning agency for the San Francisco Bay Area region.

⁴The Metropolitan Transportation Commission (MTC) is the transportation planning, coordinating and financing agency for the nine-county San Francisco Bay Area.

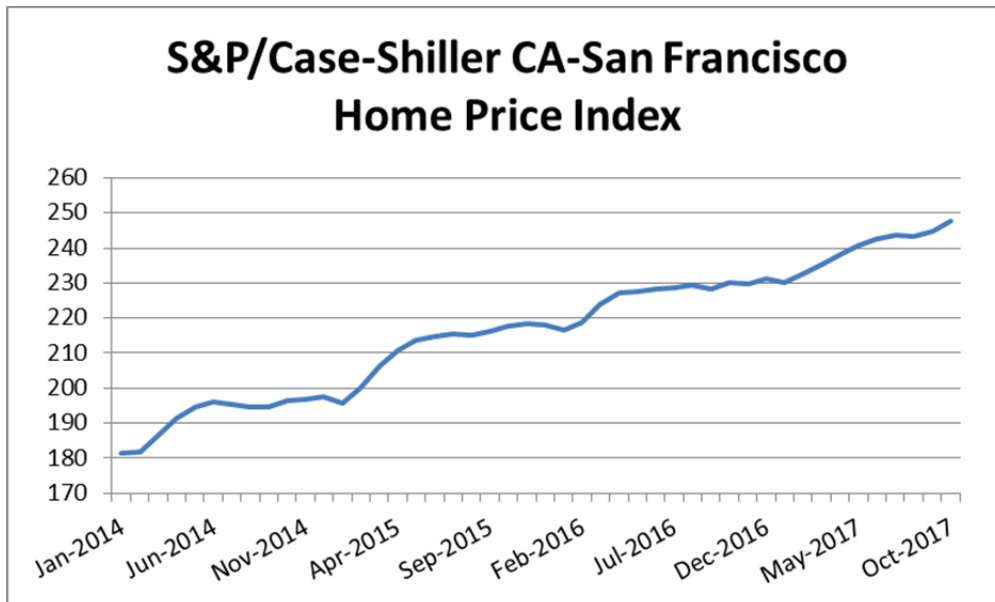
Net Housing Supply and Demand 2010-2040

Building Type	Supply 2010		Demand 2040		Housing Demand 2010-2040	Net Housing Demand 2010-2040
Multifamily	717,000	26%	1,206,100	35%	489,100	393,900
Attached / Townhouse	508,000	18%	888,000	26%	380,000	306,100
Detached / Single Family	1,535,000	56%	1,365,900	39%	-169,100	0
Total	2,760,000		3,460,000		700,000	700,000

Source: ABAG, adapted from Arthur C. Nelson

The report projects an oversupply of detached single family houses over the next 30 years with the greatest demand expected from the multifamily segment. The oversupply will increase the affordability of detached single family houses. According to the report’s projections, the region will continue to grow, adding almost 700,000 households and 1.119 million jobs in the next 30 years, leading to increased demand for housing of all types.

The Standard & Poor/Case-Shiller Home Price Index measures the average change in value of residential real estate in the United States given a constant level of quality and reflects single-family housing. It is sometimes referred to as a repeat sale index. The next chart indicates that the index for the subject’s San Francisco Metropolitan Area increased about 8.0% from \$229.96/SF in October 2016 to \$247.72/SF in October 2017 or about 0.6%/month.



Source: S&P Dow Jones Indices LLC

According to CoreLogic, a national real estate reference source, their Data Brief for November 2017 reported the rate of Bay Area home sales decreased 2.7% from 12 months ago. The median selling price in the Bay Area for new and resale single family houses, townhouses and condominiums reached a new peak at \$787,000, an increase of 12.6% from November 2016, and an increase of 1.5% from one month prior. Within Santa Clara County, the median sale price increased in November 2017 to \$980,550, which is 18.4% higher than November 2016.

According to Marcus & Millichap's Multifamily Market Report for 4Q-2017, 5,440 new units were completed year over year from 3Q-2017 for the San Jose Metro area whose submarkets include, Sunnyvale, Cupertino, Mountain View, Palo Alto, Los Altos, Campbell and Santa Clara. Vacancy for 3Q-2017 was reported to be 3.6%, an increase of 20 basis points from the previous year. The vacancy rate increased 120 basis points to 5.1% in the submarket of Santa Clara. For 3Q-2017 San Jose metro area rents increased by 5.3% to \$2,619/month from the previous year. Asking rents increased 6.1% to \$2,798/month in the submarket of Santa Clara for the same time period. Although there has been significant new multifamily construction added to the market, with the tight labor markets, the region is experiencing the lowest unemployment rate in almost 20 years, which is creating an increase on demand for the housing stock that exists in the market.

Local Housing Market

According to the City of Santa Clara General Plan, an estimated 28,500 new jobs will be created and the population will grow by 32,135 people in the City between 2010 and 2035. The General Plan forecasts that 13,222 new housing units will be needed during that same period, based on an estimated household size of 2.5 people. The General Plan also states that household growth in the City has been much slower than the rest of Santa Clara County due to the lack of vacant residential land. Therefore, in order to meet future housing needs, construction of new housing will primarily occur through the redevelopment of existing sites.

DQ News, now part of CoreLogic, reported the median home price for all homes (single-family, condo, and townhouse) in the City's three ZIP code areas through 2017:

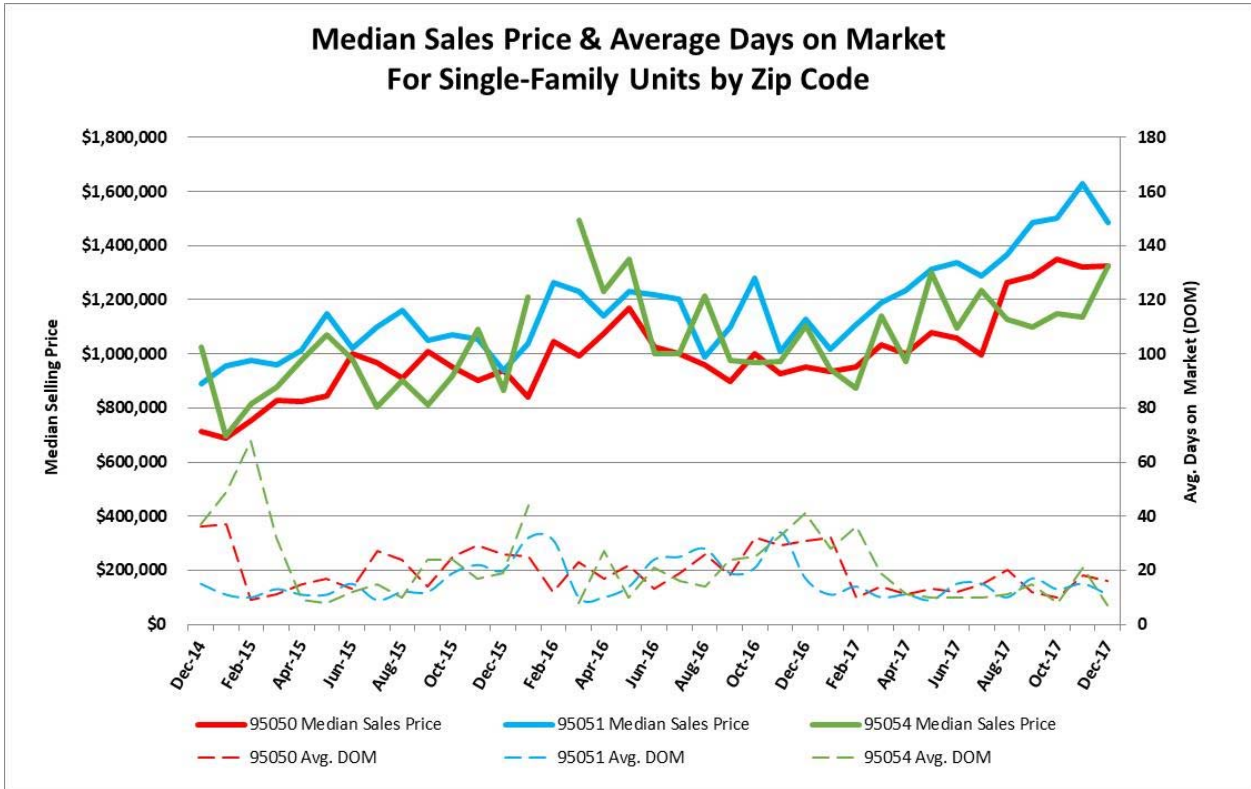
2015 Year End Summary Sales							
Zip	Sales	% Chg	Median Price	% Chg	High Price	\$/SqFt	% Chg
95050	380	1.3%	\$804,000	8.2%	\$1,650,000	\$674	20.6%
95051	711	42.4%	\$930,000	25.4%	\$7,325,000	\$722	15.2%
95054	238	2.1%	\$800,000	6.7%	\$1,825,000	\$594	11.2%

2016 Year End Summary Sales							
Zip	Sales	% Chg	Median Price	% Chg	High Price	\$/SqFt	% Chg
95050	316	-16.8%	\$865,500	7.6%	\$3,875,000	\$647	-4.0%
95051	634	-10.8%	\$948,750	2.0%	\$1,927,000	\$660	-8.6%
95054	218	-8.4%	\$920,000	15.0%	\$3,000,064	\$634	6.7%

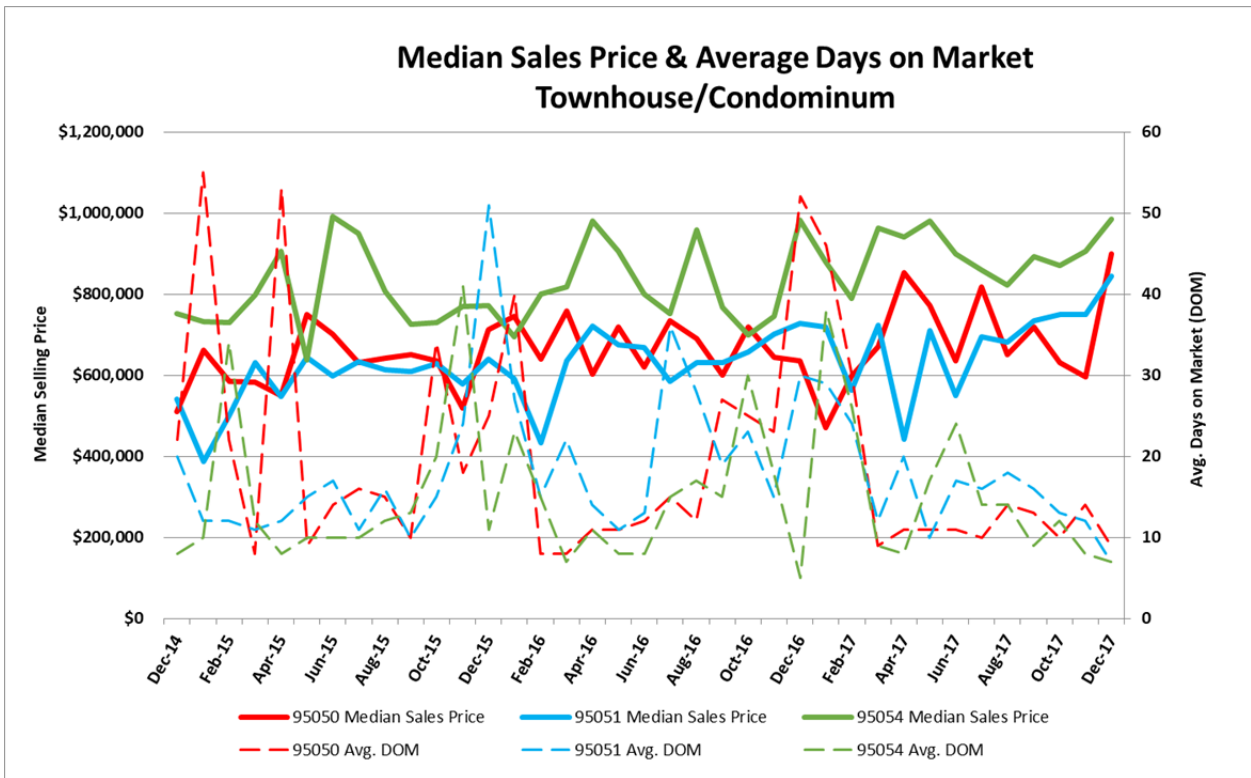
2017 Year End Summary Sales							
Zip	Sales	% Chg	Median Price	% Chg	High Price	\$/SqFt	% Chg
95050	383	21.2%	\$950,000	9.8%	\$2,425,000	\$714	10.4%
95051	580	-8.5%	\$1,161,000	22.4%	\$2,600,000	\$814	23.4%
95054	248	13.8%	\$1,014,000	10.2%	\$2,350,000	\$701	10.6%

The 2016 and 2017 numbers clearly indicate that the 95051 zip code has the highest median price, followed by 95054 and 95050 with the lowest median price. Additionally, 95051 had the highest median price increase from the previous year of 22.4%, while the other two zip codes increased about 10% over the preceding 12 months. The increase in median price in 95051 is likely due in part to more new construction being delivered in this zip code.

The following tables depict the median price trend by zip code over the past 36 months for single family homes and common interest developments (townhouse/condos) in the three zip codes of the City of Santa Clara using closed sale data obtained by MLSlistings.com.



*The gap in the chart is due to insufficient sales data in the 95054 zip code for the month of February 2016.



Similar to the DQ data presented previously, market data derived from local MLS confirms that prices have been trending upward. This is due in part to the low unemployment rate creating more demand than the available supply of existing housing stock.

Housing Type	Zip Code	December-15	December-16	December-17	% Change per Month
SFR	95050	\$941,000	\$950,000	\$1,325,000	1.70%
	95051	\$938,000	\$1,130,000	\$1,486,000	2.43%
	95054	\$865,000	\$1,105,000	\$1,325,000	2.22%
Condo & TH	95050	\$712,000	\$635,000	\$900,000	1.10%
	95051	\$640,000	\$728,000	\$844,000	1.33%
	95054	\$772,000	\$982,500	\$984,944	1.15%

Housing Type	Zip Code	December-15	December-16	December-17	% Change per Month
SFR. Condo & Th	95050	\$932,000	\$992,500	\$1,400,000	2.09%
	95051	\$916,000	\$960,000	\$1,325,000	1.86%
	95054	\$820,000	\$910,000	\$1,280,000	2.34%

Conclusions

Due to increased employment throughout the City and region, the demand generally for all property types is generally greater than the supply. Office vacancy rates have improved but remain above the 5% to 10% range due primarily to recent new construction that hasn't been absorbed yet. The construction of newer Class-A office buildings is occurring in every major submarket throughout Silicon Valley.

Commercial (retail and office) properties are exhibiting softening asking rental rates and increasing vacancy rates. New retail construction is occurring, with some of it being built on a speculative basis. Office construction is also occurring, but it is mostly located in the Bayside portions of the county where larger blocks of land can be found. Based on the market conditions and the sales data we analyzed, we applied a market conditions rate of change to the commercial land sale comparables used following of:

- plus 1.0% per month from 1Q-2014 through 3Q-2016. Then a lower rate of plus 0.5% per month from 3Q-2016 through the date of value to reflect a softening in this market segment.
- vacancies rates have been stable to declining and rental rates continued to increase from 2014 through 3Q-2016. Historically, a 5% vacancy rate is considered stabilized and rates below 5% are typically an indication that demand exceeds supply, putting upward pressure on prices.

Over the past couple of years, industrial market statistics indicated that rental rates have been trending upwards, while occupancy rates are decreasing to less than 5% at this time after being in equilibrium for the better part of 2013 and 2014. Market participants opined that selling prices are also increasing, especially in 2015 and 2016. Based on increasing rents and prices, while vacancies have continued to be less than 5% in the market, we concluded that competing industrial land prices were increasing at the rate of about 1.25% per month through 3Q-2016. Beyond 3Q-2016, the data suggest, supported by lower rental rates, prices were increasing less on the order of 0.5% per month.

Demand for housing is expected to continue into the foreseeable future, with an increased demand for higher density and multifamily housing, supported by the fact that developers in Santa Clara are gradually gaining approvals for increasingly higher density projects, due in part to the scarcity of developable land and increasing prices, and the City's desire for more vertical, higher-density residential.

Residential land prices were reported to have increased for properties closer to the Apple Campus 2 near the southwest corner of Santa Clara (95051 zip code). One market participant opined that residential land values increased 20-25% in a 12-month period in 2014/2015 in Santa Clara. The rise in residential prices appears to have slowed in mid-2016, but increased again in 2017. The increase in land value was also supported by a property that sold in July 2014 and resold July 2016, located at 4170 Jarvis Ave., San Jose, a competing low density residential market. The increase in price change between sales was about 30% or 1.17% per month.

Based on the market reports cited above, sales data analyzed and market participant interviews, we applied a rate of change for market conditions of 1.0% per month through the date of value.

LAND USE ORDINANCES

Since we are analyzing hypothetical lots, we supposed that each use would be based on its appropriate General Plan designation. The appropriate zoning category for each hypothetical use was not a critical factor as the General Plan is the long term planning tool used by the City. Furthermore, comparable land sale transactions typically sell based on their intended use, which is supported by the General Plan in almost all cases. The City’s Phase II Land Use map is now in effect and is intended to guide land uses for the years 2015-2025. It expanded the areas within the city where mixed-uses and higher-density residential is allowed. We supposed the following General Plan designations for each hypothetical use:

Use of Hypothetical Lot	General Plan
Very Low Density Residential	Very Low Density Residential
Low Density Residential	Low Density Residential
High Density Residential	High Density Residential
Medium Density Residential	Medium Density Residential
Commercial	Regional Commercial
Industrial	Light Industrial

HIGHEST AND BEST USE

We examined the legally permissible, physically possible, financially feasible, and maximally productive uses of each hypothetical lot. We considered prevailing market conditions and recent development trends. As indicated in the market conditions section, each product type is experiencing increasing prices, decreasing vacancies, low supply, and increasing construction. These are indications that the highest and best use is to construct the legally permissible product for each respective property type. We concluded to the following components of property uses for the highest and best use of the hypothetical lot based on the instruction of the Client:

Use of Hypothetical Lot	Highest & Best Use
Very Low Density Residential	Very Low Density Residential
Low Density Residential	Low Density Residential
High Density Residential	High Density Residential
Medium Density Residential	Medium Density Residential
Commercial	Commercial Building
Industrial	Light Industrial Building

We applied a hypothetical condition that each of these uses was allowed on the hypothetical subject lot.

For the purpose of this analysis and based on the market and the City's General Plan, we concluded the most reasonable density to support the residential uses was: up to 10 dwelling units per acre (DU/AC) for Very Low Density Residential, about the midpoint of the allowed density ranges or 13.5 DU/AC for Low Density Residential, 28 DU/AC for Medium Density Residential, and 44 DU/AC for High Density Residential.

APPRAISAL PROCESS

The appraisal profession has generally relied upon three traditional approaches in estimating the market value of real property. These are the *Income Capitalization Approach*, the *Sales Comparison Approach*, and the *Cost Approach*. While all three approaches are always considered in a valuation assignment, all three are not always applied. The quantity and quality of available data and the applicability of each approach relative to the value being sought are important factors in reconciling to an opinion of value.

Market value was estimated using the sales comparison approach. The income capitalization approach is seldom used when valuing land. The cost approach did not offer substantial insight into this estimate of market value since there are no building improvements. Sellers, buyers, and our peers in this market rarely rely on the cost and income capitalization approaches when offering, purchasing, or valuing properties similar to the subject lots. Therefore, we did not undertake a cost or income approach.

Following we estimated the value of a hypothetical one-acre lot under each use scenario described above, as if located within the 95050 zip code, since the most data was discovered in this zip code. Next, we applied the weighted average based on the percentage of total land area associated with the different property types (as described above) that sold in the City of Santa Clara in the 12 months prior to the date of value. Lastly, we applied any necessary locational differences from the 95050 zip code conclusion to arrive at the appropriate average lot value in the 95051 and 95054 zip codes.

AVERAGE VALUE ESTIMATE IN 95050 ZIP CODE

High Density Land Value

The writers examined data that was discovered by: talking to brokers, agents, property owners, and market participants from within the subject market, reviewing RealQuest.com, Loopnet.com, MLSlistings.com, and CoStar.com databases for recent sales, and searching Loopnet.com and broker data bases for current listings. We also reviewed development reports provided by the planning departments of Santa Clara and other nearby cities.

As stated above, for the high-density value component, we assumed a density of 44 dwelling units per acre, about the midpoint of the allowed range under the High Density General Plan designation, which allows 37-50 dwelling units per acre. We searched for competing sales and listings of properties throughout Santa Clara and nearby cities which were intended for development with residential densities greater than 20 dwelling units per acre and that closed escrow over the last four years. Those we found most comparable are displayed on the following adjustment grid. An adjustment grid serves two purposes. First, it presents data, analysis, and conclusions about the subject and comparables in a way that facilitates comparison. Second, it presents the data in a format whereby the reader can follow the writers' adjustment process.

Location maps for each of the comparable sales are displayed in the Addenda. Selling prices were verified using our summary of the public transcript and conversations with selling and listing brokers/agents, sellers, and buyers as noted. We were unable to confirm the details of Comparable 3 with a party to the transaction. Also, the buyer of Comparable 2 indicated that the transaction details for this sale were confidential. We relied on published data, subscription service data, and information available from a summary transcript of the public record for transaction details regarding these comparables. A map showing the location of these comparables is displayed in the Addenda.

HIGH DENSITY COMPARABLE LAND SALES

ELEMENT OF ADJUSTMENT	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
ADDRESS	Average Street Santa Clara	2780 El Camino Real Santa Clara 290-16-018	100 N Winchester Blvd. Santa Clara 303-16-073	1890 El Camino Real Santa Clara 269-01-(081, 082)	1525 Alviso St Santa Clara 224-29- (034, 032, & 012)	3305 Kifer Rd Santa Clara 216-33- (001 & 030)
APN		Istar Bowling Centers LP	Santa Clara 632 LLC	Gangi Corp.	Robin L Kay	Moutafian Family LP
SELLER		2780 El Camino LP	Elliott Homes Inc.	Legend Santa Clara LLC		Kifer Road Properties LLC
BUYER		23504636	23371009	23645335		22936646
DOCUMENT NUMBER		Subscription Svcs, Pub Record	Subscription Svcs, Pub Record	MLS, Public Record	Listing Broker	Listing Broker
VERIFICATION SOURCE		\$17,500,000	\$12,000,000	\$10,000,000	\$8,325,000	\$7,500,000
SALE / LISTING PRICE						
SALE / OFFERING PRICE PER SF		\$139.49	\$147.87	\$152.03	\$91.44	\$90.36
TRANSACTIONAL ADJUSTMENTS						
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
FINANCING TERMS		All Cash	Assumed All Cash	Assumed All Cash	All Cash	Private/Seller No Affect
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Arm's Length	Arm's Length	Arm's Length	Arms-Length	Arm's-Length
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
EXPENDITURES AFTER SALE		Demo Offset by Income	None	Demo Offset by Income	None Reported	Demo Offset by Income
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CLOSE OF ESCROW		November 21, 2016	July 19, 2016	5/10/2017	August 2, 2016	May 1, 2015
TIME OF SALE / MARKET CONDITION	December 2017	Estimated July 2016	Estimated July 2014	January 2017	July 2014	September 2014
MOS SINCE SALE THROUGH DATE OF VALUE		19	41	11	41	39
ADJUSTMENT @ % PER MONTH	1.00%	19.00%	41.00%	11.00%	41.00%	39.00%
ADJ PRICE AFTER TRANSACTIONAL ADJS		\$166.00	\$208.50	\$168.75	\$128.94	\$125.60
LOCATIONAL ADJUSTMENTS						
EXPOSURE / VISIBILITY	Average	Similar	Similar	Similar	Similar	Similar
ACCESS	Average	Similar	Similar	Similar	Similar	Similar
APPEAL/SITE INFLUENCES	Average	Similar	Similar	Similar	Inferior/Adjacent RR	Inferior/Ind./Lawrence Expy
ZIP CODE	95050	95051	95050	95050	95050	95051
OVERALL LOCATIONAL RATING		SI Superior	Similar	SI Superior	SI Inferior	SI Inferior
PHYSICAL ADJUSTMENTS						
SITE SIZE (ACRES)	1.00	2.880	1.863	1.51	2.09	1.91
SITE SIZE (SF)	43,560	125,453	81,152	65,776	91,040	83,000
UTILITY/TOPOGRAPHY	Rectangular / 1 Street Front	Similar	Similar	Average	Inferior/Irregular	Similar
USE/ZONING ADJUSTMENTS						
ZONING		PD	Gen Office	CT	PD	ML
GENERAL PLAN	High Density Residential	High Density Residential	High Density Residential	Community Mixed Use	Community Mixed Use	Medium Density Residential
ALLOWED DENSITY (dwelling units per acre)	37-50	PD	37-50%		19-36	19-36
NUMBER OF UNITS	44	158	92	56	40	48
ESTIMATED / PROPOSED DU/ACRE	44.0	54.9	49.4	37.1	19.1	25.2
INTENDED USE	Residential	Apartments	Residential	Residential and retail	Townhouses	Townhouses
AFFORDABLE HOUSING COMPONENT	No	No	No	None known	No	No
ENTITLEMENT STATUS	Has Zoning & GP	Approved Map	Included Entitelments	Had Tentative Map	Subject to T-Map/Zone Chg	Has GP
OVERALL PHYSICAL & USE/ZONING RATING		SI Superior	Superior	SI Superior	Inferior	Slightly Inferior
OVERALL RATING - SUBJECT SHOULD SELL FOR		LESS	LESS	LESS	MORE	MORE

The following additional sales are described briefly but were not selected as comparables for the reasons cited below:

- Related Companies (affiliated with Related California) recently purchased a group of properties that had been assembled by Fairfield Residential. The total site area was about 3.9 acres and the reported purchase price was \$22,325,000, which equates to about \$131/SF on the land. The sale closed in January 2015 and is anticipated to be some type of mixed use project. An additional 1.6-acre site at 5102 Calle Del Sol was acquired in October 2014 from Fairfield Residential for a reported \$9.454 million, which is about \$135/SF on the land. The total assembled site is about 5.5 acres and lies within walking distance of light rail, heavy rail, and the new Levi's Stadium. It is across the street from Related's 230-acre Related Santa Clara project being proposed. The large size, mixed-use nature, and motivation on the part of the buyer suggested that this would not be an appropriate sale for comparison purposes.
- Related Companies also purchased a 6.64-acre industrial parcel at 2101 Tasman Drive in late August 2015, which fronts light rail and is expected to be a future housing site. The reported acquisition price of \$50.1 million works out to about \$173/SF on the land, and appears to show motivation on the part of the buyer since they own several other parcels in the neighborhood. The General Plan currently supports 50 dwelling units per acre here, but planners have expressed interest in increasing the allowed density in this neighborhood. The same reasons as above are cited for preclusion as a comparable.
- The Irvine Company acquired additional acreage in mid-2014 for its Main Street mixed-use project at Hwy 101 and Bowers Ave. This sale was improved and leased to an above average-quality tenant. The Irvine Company now controls about 100 acres in this area and is constructing about 2,000 residential units, 125,000 SF of retail and 1.8 million SF of office. The recent sale here was not for immediate development; therefore, since the buyer intended to continue the improved use in the short-term, this sale was not selected as a comparable.
- Several parcels near the intersection of Lawrence and Central Expressways that were purchased by Summerhill Homes in 2016 and 2017. The fact that these were assemblage transactions (non-arm's length) for a large development precluded their use in our analysis.
- D.R. Horton purchased a 9.94 acre site in April 2015 at 701-709 E Evelyn in neighboring Sunnyvale. The reported purchase price was \$53.2 million, which works out to about \$123/SF, and the buyer intended to construct a 204-unit townhome project.

The large size, lower-density, and different jurisdiction were sufficient reasons to not include this sale as a comparable.

- First and Mission Properties LLC purchased a 3.9 acre site at 4949 Great America Parkway, which recorded 7/19/2017 at a price of \$24,250,000. This transaction was not used as a comparable because it was a ground lease not fee simple.

Adjustment Process

Transactional adjustments were made sequentially for property rights conveyed, financing terms, conditions of sale/motivation of participants, expenditures incurred by the buyer after the sale, i.e. demolition costs, and market conditions since the sale date.

Comparable 2 is a recently closed transaction. The long escrow time was due to the buyer obtaining initial studies and a negative declaration, and procuring approvals for a 92 unit senior apartment complex.

Comparable 3 is a recently sold and closed transaction that included an approved tentative map at the time it was offered. The approval included 56 condominium units and a small retail component.

Comparable 4 is a recently closed transaction. The long escrow was due to ongoing dialog with the City over the type of product the buyer desired to improve on the site; the City felt apartment improvements were appropriate for the site, while the buyer desired to build new townhomes.

Comparables 1, 3 and 5 required the demolition of existing improvements before their new, intended use could be realized. We concluded this expense was offset by the interim income from the improvements. So, no additional adjustment was warranted for this element of comparison.

The comparable sales closed escrow over the preceding 2 years. The lack of more recent sales in Santa Clara was due to a lack of developable vacant land and the time necessary to gain building approvals. As indicated by Comparables 2 and 4, the approval process can take up to two years. We did discover more recent sales located outside Santa Clara, but due to greater differences in development impact fees, in particular the park impact fee, and differences in target market, these other sales were not utilized. Market conditions adjustments were applied from the date of the meeting of minds using the rate(s) of adjustment discussed previously in the Market Conditions section of this report.

Locational adjustments were broken into elements that reflect the property's identity to potential tenants or buyers (exposure, visibility), access (to freeways and amenities), and overall desirability of the location based on neighborhood factors such as age and condition of nearby properties, proximity to enhancing or detrimental factors, or an identifiable valuation element relating to address (locational appeal, zip code). Locational adjustments were warranted for the elements of comparison summarized on the grid. Comparable 4 is adjacent to the Caltrain tracks, rating inferior appeal and warranting an upward adjustment.

As will be discussed in the following material, residential land values in the 95051 zip code rated superior to the 95050 zip code and thus the 95051-located comparables were adjusted downward. Comparable 5's overall appeal however, with a 95051 zip code, rated inferior because it was located in an industrial neighborhood, warranting an upward adjustment.

Physical and Use/Zoning adjustments were broken into elements that reflect property size, utility/topography, allowed land uses and density, intended use/development density, affordable housing component, and entitlement status. The proposed building densities/acre bracket the subject. The comparables with approved entitlement maps rated superior to the subject's unentitled status and were adjusted downward. Physical and use/zoning adjustments were warranted as summarized on the grid.

Conclusion

Following adjustment for the elements summarized on the grid, we concluded to the overall ratings displayed at the bottom of the grid. The range of value was more consistent on a price/SF basis rather than a price/density unit basis, so we gave more weight to the price/SF which was utilized as the primary comparison of value. Bracketed by the comparable ratings, we concluded to the following unit value of unentitled high-density residential land in the 95050 zip code:

Unit \$/SF	x	Land Area (SF)	=	Indicated Value
\$145	x	43,560	=	\$6,316,200

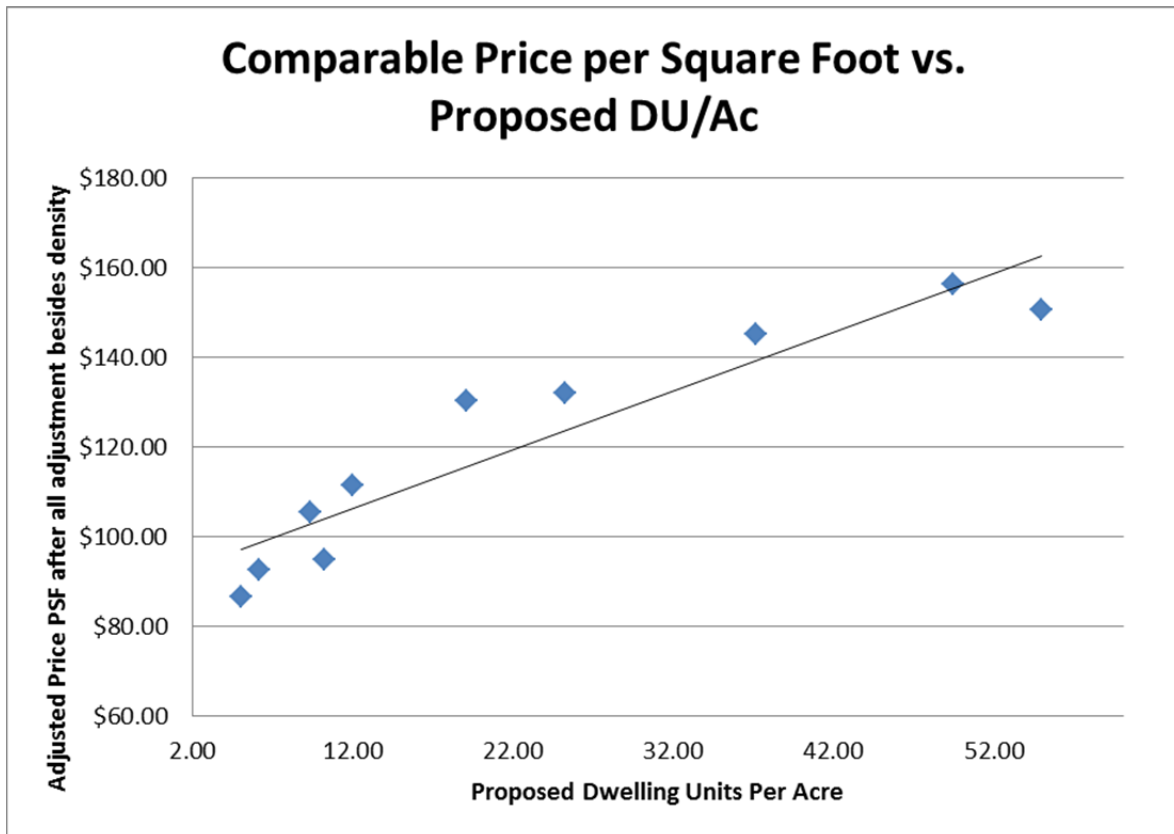
Estimated Market Value of a 1-Acre

High-Density Residential Lot in 95050 Zip Code:

\$6,316,200

Medium Density Land Value

For the medium-density value component, we assumed a density of 28 to 32 dwelling units per acre, slightly above the midpoint of the allowed range under the Medium Density General Plan designation, which allows 19-36 dwelling units per acre, because buyers typically build to the higher end of allowed density. In the market, the primary difference between the medium-density land value and high-density land value relates to density. The density adjustment was estimated based on the relationship between price per SF and density, as evidenced by the comparables. In the chart below, we plotted the preceding high-density comparables and the very-low density comparables used in the following low-density value scenario, we graphed the change in land value per square foot versus the change in density.



As shown in the chart above, the price per square foot of land increases with increasing density. This is congruent with our observations in the market that as density increases, price per SF typically increases. The difference in pricing for changing densities is clear when comparing the lowest to the higher densities. And the price/SF difference is less when comparing the median to higher densities. In fact, one market participant opined that densities above about 37 dwelling units per acre have to be built with podiums, which increases costs in terms of maximizing density. In this regard the difference in value between medium and high

density residential densities in this market is minimal. Based on the preceding comparables, giving greater weight to those with the most similar density, the chart above, and market participant feedback, with a density of 28 to 32 dwelling units per acre for the medium-density land use, we concluded to **\$132/SF**.

Conclusion

We concluded to the following medium-density value in the 95050 zip code for 1-acre of land:

Unit \$/SF	X	Land Area (SF)	=	Indicated Value
\$132	x	43,560	=	\$5,749,920

Estimated Market Value of a 1-Acre

Medium-Density Residential Lot in 95050 Zip Code: \$5,749,920

Very Low Density Land Value

Similar to the preceding high density land search, we searched data sources for very low and low density residential land transactions and examined data that was discovered by talking to brokers, agents, property owners, and market participants from within the subject market. We searched for recent sales and listings of competing residential properties throughout Santa Clara and the competing market in the nearby cities. Those we found most comparable are displayed on the next grid. A map showing the location of these comparables is displayed in the Addenda.

VERY LOW DENSITY COMPARABLE LAND SALES

ELEMENT OF ADJUSTMENT	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4	COMPARABLE 5
ADDRESS	Average Street Santa Clara	3023 Homestead Rd. Santa Clara	297 Bel Ayre Santa Clara	917 Warburton Ave. Santa Clara	1627 Monroe St. Santa Clara	4170 Jarvis Ave. San Jose
APN		290-25-097	303-21-040	224-27-049	224-26-062	451-24-116
SELLER		Chad L & Tran B Kendrick	Greg N. & Mary C Paulson	IRIS2 LLC	1627 Monroe LLC	Terry & Xuan Tran
BUYER		SCIH LLC	John & Margret Faylor	Warburton LLC	A1 Developer LLC	Coral Homes LLC
DOCUMENT NUMBER		23194807	225801582	23765143	23635578	23431178
VERIFICATION SOURCE		Listing Broker, Public Record	Public Records	Lender, Public Record	MLS, Public Record	MLS, Public Record
SALE / LISTING PRICE		\$1,850,000	\$855,000	\$2,650,000	\$1,310,000	\$1,780,000
SALE / OFFERING PRICE PER SF		\$108.19	\$49.07	\$94.63	\$119.81	\$82.88
TRANSACTIONAL ADJUSTMENTS						
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
FINANCING TERMS		All Cash	Private Party/ 30% down	Conv./50% down	Private Loan/70% down	Assumed All Cash
ADJUSTMENT		0.00%	0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Arm's-Length	Motivated Seller	Arm's Length	Arm's Length	Arm's Length
ADJUSTMENT		0.00%	10.00%	0.00%	0.00%	0.00%
EXPENDITURES AFTER SALE		Home to remain	None Known	None Reported	None Reported	Demolition (\$10,000)
ADJUSTMENT		-17.50%	0.00%	0.00%	0.00%	0.56%
CLOSE OF ESCROW		Jan 12, 2016	April 30, 2014	Sept 26, 2017	4/28/2017	9/14/2016
TIME OF SALE / MARKET CONDITION	December 31, 2017	11/1/2015	2/19/2014	June 2017	March 2017	July 2016
MOS SINCE SALE THROUGH DATE OF VALUE		25	46	6	9	17
ADJUSTMENT @ % PER MONTH	1.00%	25.00%	46.00%	6.00%	9.00%	17.00%
ADJ PRICE AFTER TRANSACTIONAL ADJS		\$111.57	\$78.81	\$100.31	\$130.60	\$97.52
LOCATIONAL ADJUSTMENTS						
EXPOSURE / VISIBILITY	Average	Similar	Similar	Similar	Similar	Similar
ACCESS	Average	Similar	Similar	Inferior	Similar	Similar
APPEAL/SITE INFLUENCES	Average	Superior	Inferior/back commercial	Inferior/busy street	Similar	Inferior
ZIP CODE	95050	95051	95050	95050	95120	95118
OVERALL LOCATIONAL RATING		Superior	Inferior	Inferior	Similar	Inferior
PHYSICAL ADJUSTMENTS						
SITE SIZE (ACRES)	1.00	0.393	0.400	0.643	0.251	0.493
SITE SIZE (SF)	43,560	17,100	17,424	28,004	10,934	21,476
UTILITY/TOPOGRAPHY	Rectangular / 1 Street Front	Sl. Superior/ 2 Frontages	Wedge/1 frontage	Deep lot/Inferior	Similar	Sl. Superior/ 2 Frontages
USE/ZONING ADJUSTMENTS						
ZONING		R1	R1	RMS	R1-5	R1-8
GENERAL PLAN	Very Low Density Res	Very Low Density	Very Low Density	Very Low Density	Very Low Density	Similar
ALLOWED DENSITY (dwelling units per acre)	Up to 10	Up to 10	10	6-13		up to 8
NUMBER OF UNITS	10	4	2	3	4	3
ESTIMATED / PROPOSED DU/ACRE	10.0	10.2	5.0	4.7	15.9	6.1
INTENDED USE	Residential	Residential	SFD'S	Residential	Residential	Residential
AFFORDABLE HOUSING COMPONENT	No	No	No	No	No	No
ENTITLEMENT STATUS	Has Zoning & GP	Has Zoning & GP	Has Zoning & GP	Included Tentative Map	Included Tentative Map	Had Zoning & GP
OVERALL PHYSICAL & USE/ZONING RATING		Sl. Superior	Inferior	Superior	Superior	Similar
OVERALL RATING-SUBJECT SHOULD SELL FOR		Less	More	Less	Less	Similar

The following additional sales were considered but were not included as comparables for the reasons stated.

We discovered a sale transaction at 1098 Lily Avenue, Sunnyvale was advertised as two potential lots, but upon confirmation we determined it included a 2,200 SF house in good condition. As a result, this was not a land sale and we concluded it was not an appropriate comparable.

We are aware of a portfolio of properties located at 2220 Calle De Luna and 2101, 2111 and 2121 Tasman Dr., Santa Clara that sold in September 2015 for greater than \$100/SF of land area. This was an assemblage of 5 properties and we could not reasonably determine the market value of each property. Due to these factors we concluded it was not an appropriate comparable.

Adjustment Process

Transactional adjustments were made sequentially for property rights conveyed, financing terms, conditions of sale/motivation of participants, expenditures incurred by the buyer after the sale, i.e. demolition costs, and market conditions since the sale date.

Comparable 1 was marketed as a residential development site for up to 4 lots, but it included a historical home that must remain. The broker opined the homes contributory value, and based on the data and our observation, we concluded to the historical value component adjustment as shown. We deducted this amount from the sale price to get to the residual land value, and it is shown as an expenditure after sale on the adjustment grid.

Comparable 2 could not be confirmed with a party to the transaction but it was advertised as a motivated seller and it was only on the market for 6 days before it went under contract. Supported by the data, we concluded an upward adjustment was warranted for this element of comparison. The comparable was marketed as a lot that could not be subdivided, but City records show the lot was approved for subdivision, and it was subsequently subdivided into two buildable lots.

Comparable 3 is located close to Lafayette Street, which is relatively busy street with resulting traffic noise. The site is trapezoidal shape which somewhat limits its development potential.

Comparable 5 sold with structures that required demolition before their buyers could realize their intended use, new residential. These adjustments were either reported by a party to the transaction or they were based on our observation and utilizing Marshall Valuation Service, a

national cost provider used by appraisers. This comparable sold and resold in July 2014 and July 2016, indicating an increasing price of about 1.17%/month between sale dates.

As discussed in the preceding material, market conditions adjustments were applied from the date of the meeting of minds through the date of value.

Locational adjustments were broken into elements that reflect the property's identity to potential tenants or buyers (exposure, visibility), access (to freeways and amenities), and overall desirability of the location based on neighborhood factors such as age and condition of nearby properties, proximity to enhancing or detrimental factors, or an identifiable valuation element relating to address (locational appeal, zip code). Locational adjustments were warranted for the elements of comparison summarized on the grid.

Comparable 1, although it is located in Santa Clara, it is in a different zip code and is perceived by the market as a superior location, warranting a downward adjustment. Comparable 2 backs to and overlooks retail along Stevens Creek Blvd., rating an inferior location, warranting an upward adjustment. Comparable 3 is in close proximity to a busy street, rating inferior for this element of comparison. Comparable 5 rated an overall inferior location, supported by market perception and lower historical median home prices, warranting an upward adjustment.

Physical and Use/Zoning adjustments were broken into elements that reflect property size, utility/topography, allowed land uses and density, intended use/development density, affordable housing component, and entitlement status. Comparables 3 and 4 had new tentative map approvals in place, warranting a downward adjustment for this element of comparison. All of the comparables are low density residential transactions that bracket the subject in terms of proposed density.

Conclusion

Following adjustment for the elements summarized on the grid, we concluded to the overall ratings displayed at the bottom of the grid. Bracketed by the comparable ratings, giving most weight to the Santa Clara comparables and the most recent sales, we concluded to the following unit value of unentitled very low-density residential land in the 95050 zip code:

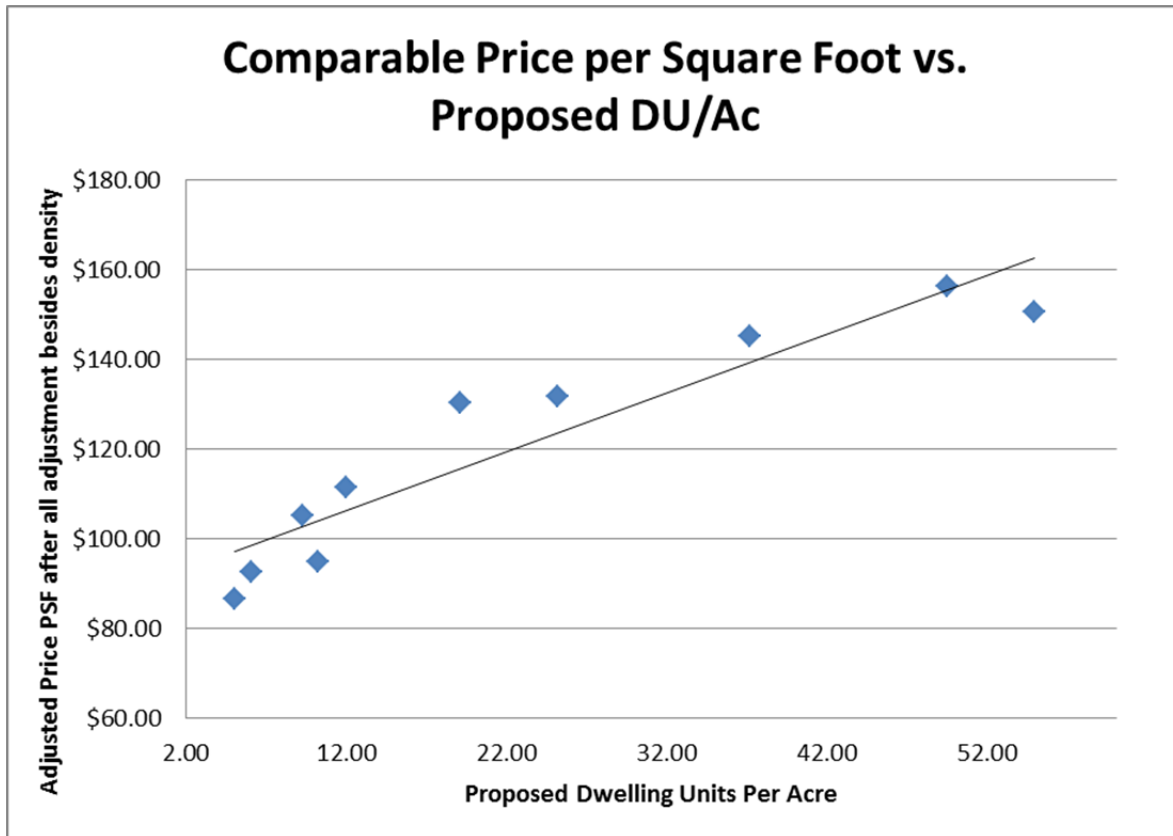
Unit \$/SF	x	Land Area (SF)	=	Indicated Value
\$95	x	43,560	=	\$4,138,200

Estimated Market Value of a 1-Acre

Very Low-Density Residential Lot in 95050 Zip Codes: \$4,138,200

Low Density Land Value

For the low-density value component, the City’s land use classification cites a low density range of 8-19 dwelling units/acre (DU/Ac), which is greater than the maximum 10 DU/AC allowed in the very low-density classification. We assumed a density of 13 DU/Ac, about the mid-point of the density range. In the market, the primary difference between very low and low-density land value land value relates to density. The density adjustment was estimated based on the relationship between price per SF and density, as evidenced by the comparables. Like the previous chart, we graphed the change in land value per square foot vs. the change in density, using the previous high and very low-density comparable sales.



As stated in the preceding material, the data shows the price per square foot of land increases with increasing density, which is congruent with our observations in the market. We concluded there is a difference in value/SF between the preceding very low density and low-density residential which has a higher density. Based on the comparable data, giving greater weight to those with the most similar density, the preceding chart, and market participant feedback, with a density of 13 dwelling units per acre for the low-density land use, we concluded to \$110/SF.

Conclusion

We concluded to the following Low-density value in the 95050 zip code for 1-acre of land:

Unit \$/SF	x	Land Area (SF)	=	Indicated Value
\$110	x	43,560	=	\$4,791,600

Estimated Market Value of a 1-Acre

Low-Density Residential Lot in 95050 Zip Codes:

\$4,791,600

Commercial Land Value

Like the search for residential land sales data, we searched similar data sources and examined data that was discovered by talking to brokers, agents, property owners, and market participants from within the subject market. We searched for recent sales and listings of competing retail and office properties throughout Santa Clara and nearby cities. Those we found most comparable are displayed on the grid on a following page. A map showing the location of these comparables is displayed in the Addenda.

In addition to the comparables depicted on the next grid, we are aware of two transactions of 3935 Freedom Circle in Santa Clara but did not select either of them as a comparable. The first sale included about 3.27 acres of land improved with a restaurant building and sold for a reported \$3.2 million to Legacy Partners Commercial in December 2014. Then in March 2015, Terra Hospitality Inc. purchased this property for a reported \$10,100,000, which equates to about \$71/SF on the land. The listing broker reported that the second purchase was by the tenant and that the sale price was probably pretty close to the market value of the land. However, he indicated that the tenant was going to remain in the building; Santa Clara's Smart Permit Center shows that there are no proposals for the property. Because the intended use is

to continue utilizing the improvement, and we could not reconcile the difference in the two selling prices, neither of this property's two sales were utilized as a comparable.

A parcel adjacent to 3935 Freedom Circle on the east is presently in escrow to Greystar Real Estate Partners, who are working on entitlements for a 275,000 SF office building and 950 residential units on a 13.3-acre site. The selling price is unknown, and the large size was not appropriate for use as a commercial comparable, since we had adequate comparables that were more similar in size.

In July 2015 Apple bought a 43 acre unentitled site at 2347 N. 1st Street in San Jose for a reported \$138,172,000, which is about \$74/SF on the land. New office buildings are anticipated. The large size precluded inclusion as a comparable, since we had adequate comparables that were more similar in size.

We discovered a commercial sale at 3595 Benton Street in Santa Clara that closed escrow in October 2015. We determined however that the transaction included an operating gas station. Since an operating gas station (may include business and/or goodwill value) was included in the price, this was not a land sale and we did not consider it an appropriate comparable.

COMMERCIAL LAND COMPARABLE SALES							
ELEMENT OF ADJUSTMENT	SUBJECT	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5	Comparable 6
ADDRESS		4935 Stevens Creek Blvd	3051 Olcott Street	1031 El Camino Real	2165 The Alameda	1812 Hillsdale Ave	1139-41 Minnesota Avenue
	Santa Clara	Santa Clara	Santa Clara	Santa Clara	San Jose	San Jose	San Jose
APN		296-20-004	224-46-006	224-28-035	230-18-033	419-05-059	429-17-(063 & 071)
SELLER		LJS LLC	Deerfield-Scott LLC	Heidi Weidmann	Patel R & R Trust	T Antraccoli RL & RL 1990 Trust	Lexor Investments Inc.
BUYER		Nevada Deanza Family LP	MDY Properties Inc.	City of Santa Clara	2165 The Alameda LLC	Thao Bui & Mai T Thai	Primus Ventures LLC/Haddad
SALE PRICE		\$3,700,000	\$8,800,000	\$1,700,000	\$1,750,000	\$1,700,000	\$1,950,000
PARCEL SIZE (Acres)	1.00	1.02	2.73	0.60	0.559	0.69	0.55
PARCEL SIZE (SF)	43,560	44,475	118,919	26,136	24,350	29,977	23,958
SALES PRICE/SQUARE FOOT		\$83.19	\$74.00	\$65.04	\$71.87	\$56.71	\$81.39
DOCUMENT NUMBER		22879286	22872801	22712081	23277490	22893779	23444677
EXPOSURE TIME		7 Months	7 Months	Unknown	12+ Months	5 Months	Unknown
TRANSACTIONAL ADJUSTMENTS							
REAL PROP. RIGHTS CONVEYED		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
FINANCING TERMS \$		Conventional	All Cash	All Cash	All Cash	All Cash	All Cash
CONDITIONS OF SALE		Arm's-Length	Arms-Length	Arm's Length	Arm's-Length	Arm's-Length	Arm's-Length
<i>ADJUSTMENT</i>		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EXPENDITURES AFTER PURCHASE		Demo Offset by Income	Demo Offset by Income	Demolition	None Significant	None Significant	Demolition Offset by Income
<i>ADJUSTMENT</i>		0.0%	0.0%	3.8%	0.0%	0.0%	0.0%
CONTRACT DATE / MKT CONDITIONS	December 2017	January 2015	Assumed January 2015	August 2014	April 2015	November 2014	July 2016
RECORDING DATE		March 11, 2015	March 4, 2015	September 22, 2014	April 15, 2016	March 25, 2015	September 27, 2016
MONTHS SINCE SALE THROUGH 3Q-2016		20	20	25	17	22	2
<i>Adjustment rate per month</i>	1.00%	20.00%	20.00%	25.00%	17.00%	22.00%	2.00%
MONTHS SINCE 3Q-2016 THROUGH DATE OF VALUE		15	15	15	15	15	15
<i>Adjustment rate per month</i>	0.50%	7.50%	7.50%	7.50%	7.50%	7.50%	7.50%
ADJ. PRICE/SF WITH TRANS. ADJ.		\$107.32	\$95.46	\$90.72	\$90.39	\$74.38	\$89.25
LOCATIONAL ADJUSTMENTS							
EXPOSURE	Average	Similar	Superior/Corner	Similar	Similar	Similar	Similar
APPEAL/SITE INFLUENCES/ACCESS	Average	Superior/Access & Neigh	Similar	Similar	Similar	Inferior/Rents/Synergies	Inferior Rents
ZIP CODE	95050	95051	95054	95050	95126	95124	95125
LOCATIONAL COMPARISON		Superior	Superior	Similar	Similar	Inferior	Inferior
PHYSICAL & USE/ZONING ADJUSTMENTS							
PARCEL SIZE (Acres)	1.00	1.02	2.73	0.60	0.56	0.69	0.55
UTILITY	Average	Similar	Similar	Similar	Similar	Similar	S1 Inferior/Elongated
OFF-SITE IMPROVEMENTS	Finished Lot	Similar	Similar	Similar	Similar	Similar	Similar
ZONING/GENERAL PLAN	CT / Regional Commercial	CT/ Regional Commercial	ML / High Intensity Office R&D	CT/ Community Mixed-Use	CO/Neigh Community Comm	CN/Neigh Community Comm	CO / Neigh. Commercial
PROPOSED USE(S)	Commercial	Hold/Car Wash Interim	Office	Future Development	Uinknown	Retail	Office
PHYSICAL & USE/ZONING COMPARISON		Similar	Inferior	Similar	Similar	Similar	Slightly Inferior
SUBJECT SHOULD SELL FOR:		SLIGHTLY LESS	SIMILAR	SIMILAR	SIMILAR	MORE	MORE

Adjustment Process

The adjustment methodology was similar as above.

Transactional adjustments were warranted. The seller of Comparable 1 opined that this transaction represents the land only; the building(s) and car wash business sold separately. Comparables 1, 2, and 6 had operating tenants at the time of sale creating income to the new buyer, offsetting the need for any demolition costs, while the buyers worked on entitlements for their new intended use. Comparable 3 however had an existing motel improvement that was demolished subsequent to the sale, warranting a downward adjustment for demolition cost, as depicted on the sales grid. The comparable was purchased by the City of Santa Clara based on an appraisal, which stated the motel improvement was in fair condition and it didn't contribute to the overall value of the property. This was congruent with our observations and supported by the fact that the hotel improvement has been removed from the property, and it is a vacant lot.

Market conditions adjustments were applied from the date of the meeting of minds using the amount(s) of adjustment discussed previously in the Market Conditions section.

Locational adjustments were broken into elements that reflect the property's identity to potential tenants or buyers (exposure, visibility), access (to freeways and amenities), and overall desirability of the location based on neighborhood factors such as age and condition of nearby properties, proximity to enhancing or detrimental factors, or an identifiable valuation element relating to address (locational appeal). Locational adjustments were warranted as summarized on the grid.

Physical adjustments were considered for size, utility, and off-site improvements. Within the range of the comparables, that data did not suggest an adjustment was warranted for differences in land area. The only physical adjustment warranted was for Comparable 6's narrow, elongated lot utility.

- A sale in August 2014 at 800 Laurelwood Rd of a 0.74 acre property improved with an old Quonset-hut building that sold at \$40/SF on the land. We were unable to determine if the improvements were given any value, or what the intent of the buyer was; the building has not been demolished. For these reasons and because we couldn't determine the contributory value of the building improvements, it was not included as a comparable.
- Hunter Storm purchased land along Coleman Ave just south of Brokaw Rd and the City of Santa Clara border for a project titled Coleman Highline. Approximately 23 acres were purchased from the City of San Jose for a reported \$41/SF so that a massive office and hotel project could be built. Hunter/Storm has an option to purchase an additional 19 acres adjacent to this project which must be exercised by the conclusion of 2017. Since we had adequate sales that were closer in size to the subject, the large size of these properties and the mixed-use nature would not make either sale appropriate for use as an industrial land comparable.

INDUSTRIAL LAND COMPARABLE SALES

ELEMENT OF ADJUSTMENT	SUBJECT	COMPARABLE 1	COMPARABLE 2	COMPARABLE 3	COMPARABLE 4
ADDRESS	Average Street Santa Clara	980 Martin Avenue Santa Clara	663 Walnut Avenue San Jose	2365 Lafayette Santa Clara	651 Mathew St. Santa Clara
APN		224-62-010	259-11-007	220-40-010	224-40-001
SELLER		Gaffney MF & JM Trust	Costa, Elmer & Dorthy	Gangi Brokers Packing Company, Inc	Diana Land Co LTD
BUYER		980 Martin Ave. LLC	Oxley Living Trust	Bowles Eckstrom & Associates, LLC	Matthew Property LLC
SALE PRICE		\$1,476,000	\$1,100,000	\$4,135,000	\$8,200,000
DOCUMENT NUMBER		22984379	23739885	22872800	23221231
BONDS ASSUMED / SF		\$0.00	\$0.00	\$0.00	\$0.00
TOTAL COST TO BUYER / SF		\$72.71	\$50.69	\$36.51	\$43.41
TRANSACTIONAL ADJUSTMENTS					
REAL PROPERTY RIGHTS CONVEYED	Fee Simple	Fee Simple	Fee Simple	Fee Simple/Short Lease	Fee Simple
<i>ADJUSTMENT</i>		0.00%	0.00%	0.00%	0.00%
FINANCING TERMS / DOWNPAYMENT		Conv./50% down	Assumed All Cash	All Cash	Assumed All Cash
<i>ADJUSTMENT</i>		0.00%	0.00%	0.00%	0.00%
CONDITIONS OF SALE		Arm's-Length	Arm's-Length	Arm's-Length	Demo 39k buildings
<i>ADJUSTMENT</i>		0.00%	0.00%	0.00%	2.40%
ADDITIONAL COSTS TO BUYER		None	None	None	None
<i>ADJUSTMENT</i>		0.00%	0.00%	0.00%	0.00%
CONTRIBUTORY VALUE OF IMPROVEMENTS		Metal Bldg./\$635k	None Significant	None Significant	None Significant
<i>ADJUSTMENT</i>		-43.00%	0.00%	0.00%	0.00%
CLOSE OF ESCROW		6/12/2015	8/28/2017	3/20/2015	2/16/2016
TIME OF SALE / MARKET CONDITION	December 2017	1-Feb-15	August 2017	January 2015	January 2016
MO'S THROUGH 3Q-2016		19	0	20	8
<i>ADJUSTMENT @ % PER MONTH</i>	1.25%	23.75%	0.00%	25.00%	10.00%
MO'S FROM 3Q-2016 THROUGH DATE OF VALUE		15	4	15	15
<i>ADJUSTMENT @ % PER MONTH</i>	0.5%	7.50%	2.00%	7.50%	7.50%
ADJUSTED PRICE / SF		\$55.13	\$51.71	\$49.06	\$52.57
LOCATIONAL ADJUSTMENTS					
EXPOSURE/VISIBILITY	Average	Similar	Similar	Similar	Similar
ACCESS	Average	Similar	Simnilar	Similar	Similar
NEIGHBORHOOD APPEAL	Average	Similar	Average	Similar	Similar
ZIP CODE	95050	95050	95110	95050	95050
OVERALL LOCATIONAL RATING		Similar	Similar	Similar	Similar
PHYSICAL & USE/ZONING ADJUSTMENTS					
PARCEL SIZE (ACRES)	1.00	0.47	0.50	2.60	4.34
PARCEL SIZE (SF)	43,560	20,300	21,700	113,256	188,876
UTILITY	Average	Average	Average	Easements / Paved	Average
OFF-SITES	Finished Lot	Similar	Similar	Similar	Similar
INTENDED USE		Industrial	Contractor Yard	Industrial	Industrial
ZONING	Heavy Industrial	Heavy Industrial	Heavy Industrial	Heavy Industrial	Light Industrial
GENERAL PLAN	Light Industrial	Heavy Industrial	Heavy Industrial	Heavy Industrial	Light Industrial
OVERALL PHYSICAL & USE/ZONING RATING		Similar	Similar	Inferior	Similar
OVERALL RATING, SUBJECT SHOULD SELL FOR:		SIMILAR	SIMILAR	MORE	SIMILAR

Adjustment Process

Adjustments were considered for and applied in a similar manner as above for the commercial sales. Because there are few industrial land sales in this market, we used two sales that were improved with metal buildings, Comparables 1 and 4. To estimate the residual land value of these transactions, we determined and deducted the contributory value of the building improvements based on our observations, and/or feedback from the broker, MVS cost estimates, and the adjustment that was a good fit for the data.

Market conditions adjustments were applied at the rates concluded to in the Market Conditions section. As stated in the preceding material, industrial property in the City of Santa Clara is in high demand, supported by low vacancy rates below 5% and rising rental rates.

Similar to the commercial grid, locational adjustments were considered for exposure, visibility, access (to freeways and amenities), and overall desirability of the location, including zip code. Locational adjustments were warranted as summarized on the grid.

Physical adjustments were considered for size, utility, intended use, zoning, general plan designation, and off-site improvements. Physical adjustments were warranted as summarized on the grid.

Conclusion

Following transactional adjustments and considering the overall rating comparison for each comparable, the unit values of the comparables suggested a value in the \$55.00 per square foot range.

We concluded to the following unit value for industrial land in the 95050 zip code:

Unit \$/SF	x	Land Area (SF)	=	Indicated Value
\$55.00		43,560		\$2,395,800

**Estimated Market Value of a 1-Acre
Industrial Lot in Zip Code 95050: \$2,395,800**

Average Value Estimate in 95050 Zip Code

The average value was estimated by applying a weighted average based on the land area of the total sales in Santa Clara in 2017 by property type. The information was obtained from Old Republic Title. *It was an extraordinary assumption of this appraisal that the land areas provided by Old Republic were accurate.*

Old Republic Title reported a total of 1,176 arms-length transactions in Santa Clara in 2017. There were 31 commercial sales, 30 industrial sales, 684 residential single family sales, 30 2-4 residential unit sales, and 401 medium to high density residential sales which comprised residential unit sales greater than 5 units, condominiums and townhomes.

Residential transactions included single family, townhomes and condominiums, 2 to 4 unit, and residential units greater than 5 units. Of the total residential sales, similar to 2016, single family transactions comprised the most land area, as shown in the next table, in 2017. And similar to our 2016, in 2017 commercial and industrial sales comprised nearly half of the total land area in the city by area. The most change from 2016 to 2017 was due to increasing land values, as demonstrated in the preceding analysis and changing market conditions. This resulted in higher 2017 values for the hypothetical 1-acre lot, which is congruent with market trends from 2016 to 2017.

The total number of land square feet (SF) sales (broken out by property type) is reflected in the next table:

2017 Santa Clara Sales		
Sale Type	Land SF	Total %
Commercial	1,965,769	16.66%
Industrial	4,123,077	34.93%
Very Low Density Residential	4,278,732	36.25%
Low Density Residential	209,174	1.77%
Medium to High Density Residential	1,226,057	10.39%
Total	11,802,809	100.00%
Source: Old Republic Title Company		

Old Republic Title provided the data depicted in the preceding table, segregated by the property type. The single family sales were grouped into very low density, 2-4 residential sales were grouped into low-density, the townhome and condominium data was grouped into the medium to high-density residential, retail and office was grouped into commercial, and industrial was designated industrial. As shown in the table, within the city limits of Santa Clara, commercial/industrial versus residential sales by land area was nearly evenly split 50/50.

Conclusion

The % of total in the previous table was applied to the appropriate categories for each property type. Since the data provided by the title company did not segregate medium and high-density residential, we split the total percentage evenly between the two densities. As shown in the next table, the appropriate weighted values are summed to produce the average value of a hypothetical 1-acre lot in the 95050 zip code:

95050 ZIP CODE SUMMARY YEAR 2017					
Land Use	Price per SF	Price per Acre	x	Weighted Average	= Weighted Value
Very Low Density Residential	\$ 95	\$4,138,200	x	36.29%	= \$1,501,753
Low Density Residential	\$ 110	\$4,791,600	x	1.77%	= \$84,811
High Density Residential	\$ 145	\$6,316,200	x	5.19%	= \$327,811
Medium Density Residential	\$ 132	\$5,749,920	x	5.19%	= \$298,421
Commercial	\$ 95	\$4,138,200	x	16.64%	= \$688,596
Industrial	\$ 55	\$2,395,800	x	34.91%	= \$836,374
				TOTAL AVERAGE VALUE	\$3,737,766

Average Value of a Hypothetical 1-Acre

Lot in the 95050 Zip Code:

\$3,738,000 (Rounded)

AVERAGE VALUE ESTIMATE IN 95051 ZIP CODE

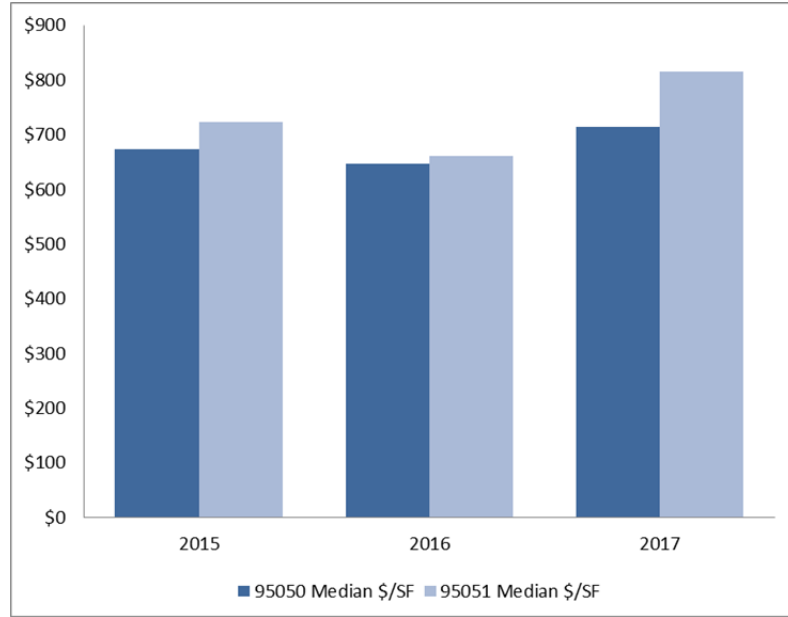
We estimated the value of 1 acre of land for zip code 95050 above. Following we apply any differences in value between the 95051 and 95050 zip codes.

Estimating Differences Between Zip Codes

Differences between the 95050 and 95051 zip code for the various uses was based primarily upon market feedback, anecdotal information, a comparison of values/rents, and industrial uses, and a comparison of median and average selling prices for the residential uses.

Residential Difference

Market participants and average selling prices provided support that residential prices in the 95051 zip code are generally superior compared to the 95050 zip code. Some brokers believed that the 95050 area was slightly better due to Santa Clara University and a larger upper-middle class. Others pointed to the fact that the 95051 zip code includes an area of the city within the Cupertino Union School District, a higher rated school district, which commands residential price premiums. One felt that the new Apple campus construction near the southwest corner of the City has or will increase values in the 95051 zip code. Several brokers reported that some of the nicest neighborhoods in the City are in and around San Tomas Expressway, which bisects 95050 and 95051. One market participant believed all areas of the city balanced out since they offered different price points based on different amenities, whether it was Walk Scores, schools, etc. Recent yearly-summary median prices/SF and Year End 2017 median prices/SF between the 95050 and 95051 zip codes, as reported by DataQuick News, indicated the following:



The chart above indicates that the median selling price/SF has historically been higher in zip code 95051. In 2015 the median price was about 13.5% higher. In 2016 the price gap narrowed and there was about a 9% difference, which was likely due to the closing out of higher priced, new construction project(s) in 95051, in 2017 the median price was about 18% higher in 95051.

In the next table, based on data reported by MLS the median price is less in zip code 95051. However, unlike DataQuick which reports all recorded sales transaction, MLS only reports listings marketed on MLS, which often does not include all new construction. This is because builders, in the current market environment, typically market their product in house without using MLS, which is probably more cost effective and garners more control to the builder.

Housing Type	Zip Code	December-15	December-16	December-17	% Change per Month
SFR. Condo & Th	95050	\$932,000	\$992,500	\$1,400,000	2.09%
	95051	\$916,000	\$960,000	\$1,325,000	1.86%
	95054	\$820,000	\$910,000	\$1,280,000	2.34%
Source Local MLS					

Based on market feedback and giving most weight to the DataQuick data which includes all recorded transactions, historical norms, and taking into consideration there were more higher priced, new construction sales in 95051 which could skew the data, I concluded 2017 residential prices in zip code 95051 were 10% higher than 95050.

Commercial Difference

We discovered that commercial land values are generally similar among commercial uses located along El Camino Real and Stevens Creek Blvd. within the 95050 and 95051 zip codes, which are the primary commercial corridors in Santa Clara. A comparison of the 5-year average asking rental rate, as compiled by CoStar, revealed that the average effective rents between these zip codes were \$26.95/SF Gross in 95050 vs. \$28.50/SF Gross in 95051 which is about 5.8% higher. Additionally, CoStar reported consistently lower vacancy rates in 95051 over the same period. Based on market data, rental rates differences, and vacancy rate differences we concluded that 95051 rated a 5.0% premium compared to 95050, warranting an upward adjustment for commercial land values.

Industrial Difference

Among industrial properties, much of the product in the 95051 zip code is built as, or allows for, R&D and higher intensity office uses, and greater floor area ratios, rating superior to 95050. Furthermore, some of the industrial lands in the 95051 zip code, particularly around Kifer Rd and Lawrence Expy., are converting to residential uses, reducing the supply of industrial properties, and pushing increasing demand and value for them at the same time. A comparison of the 5-year average effective rental rate per SF however, as compiled by CoStar, showed that the average effective rental rates were more in 95051 in the past 5 years. The rental rate is likely skewed to fewer deals being completed in 95051 because much of the industrial land has been converted to non-industrial uses. After consideration for differences in asking rents and the opinions of the market, we concluded that industrial land prices were similar in both zip codes.

Conclusion of Value in 95051 Zip Code

Based on the conclusions above the adjusted price per acre for each land use in the 95051 zip code was adjusted and the appropriate weighted values are summed to produce the average value of a hypothetical 1-acre lot in the 95051 zip code:

95051 ZIP CODE LAND USE VALUES & AVERAGE VALUE PER ACRE					
Land Use	95050 Average			=	95051 Average
	Price/Acre	x	Adjustment		
	Weighted		Factor		
Very Low Density Residential	\$1,501,753	x	110.00%	=	\$1,651,928
Low Density Residential	\$84,811	x	110.00%	=	\$93,292
High Density Residential	\$327,811	x	110.00%	=	\$360,592
Medium Density Residential	\$298,421	x	110.00%	=	\$328,263
Commercial	\$688,596	x	105.00%	=	\$723,026
Industrial	\$836,374	x	100.00%	=	\$836,374
TOTAL AVERAGE VALUE PER ACRE					\$3,993,475

Average Value of Hypothetical 1-Acre

Lot in the 95051 Zip Code: \$3,993,000 (Rounded)

AVERAGE VALUE ESTIMATE IN 95054 ZIP CODE

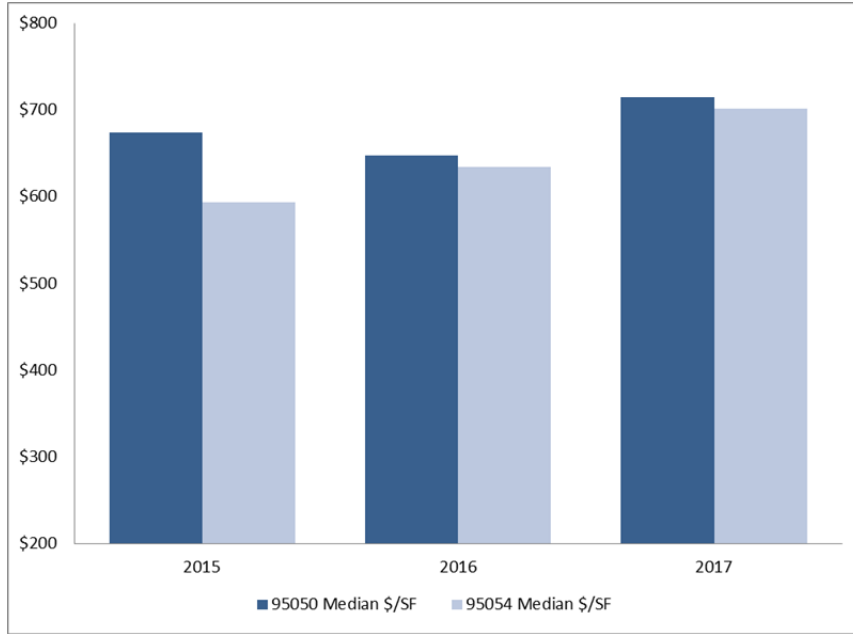
We utilize the same 1 acre of weighted land values from zip code 95050 and apply any differences in value between the 95054 and 95050 zip codes. We then apply the appropriate weighted average number of acres to each 95054 land use value.

Estimating Differences Between Zip Codes

For 95054 value conclusions, I applied the same methodology used above to estimate the value differences between the 95050 and 95051 zip codes.

Residential Difference

Median and average selling prices provided support that the residential prices in the 95054 zip code were generally similar compared to the 95050 zip code. Brokers active in the market reported a range of opinions, supporting the perception that neither was more superior today. Recent yearly-summary median prices/SF and YTD November 2016 median prices between the 95050 and 95054 zip codes, as reported by DataQuick, indicated the following:



As shown in the above chart, although the median selling prices/SF has been historically higher in the 95050 zip code, the gap narrowed to only about a 2.0% difference in 2016 and 2017.

The next table is the same MLS data displayed above. In this data set the higher price differences in 95050 is about 9.0% greater. Again, unlike DataQuick which reports all recorded sales transaction, MLS only reports listings marketed on MLS, which often does not include all new construction.

Housing Type	Zip Code	December-15	December-16	December-17	% Change per Month
SFR. Condo & Th	95050	\$932,000	\$992,500	\$1,400,000	2.09%
	95051	\$916,000	\$960,000	\$1,325,000	1.86%
	95054	\$820,000	\$910,000	\$1,280,000	2.34%
Source Local MLS					

Based on market data, the opinions of market participants, and giving more weight to the DataQuick price differences, I concluded that residential land prices in 95054 were slightly lower than the 95050 zip code, but not enough of a difference to warrant an adjustment, concluding that residential land prices were similar in each zip code.

Commercial Difference

Market participants reported that there has been a greater push for commercial north of U.S. 101 and into the 95054 zip code. This is partly influenced by the new developments along the Great America Pkwy corridor and the synergies created by the presence of Levi Stadium. This area of Silicon Valley includes the Golden Triangle and has historically supported higher intensity uses and properties offering freeway visibility (U.S. 101 and CA-237). The greatest concentration of Class A office is located within this zip code and more is presently under construction.

A comparison of the 5-year average effective rental rate/SF compiled by CoStar, revealed that the average Gross rents between these zip codes was higher in 95054, \$36.71/SF vs. \$26.95/SF in 95050, a difference of about 27.0%. Based on market data, brokers opined that pricing could be about \$500,000 to as much as \$1M more per acre in 95054, which is about 12.0% to 24.0% higher than our commercial valued acre conclusion in the 95050 zip code. Based on the data including broker estimates and rental rate differences in each zip code, I concluded that an upward adjustment of 25% was warranted for the 95054 zip code for higher commercial land value.

Industrial Difference

Among industrial properties, much of the product in the 95054 zip code is built as, or allows for, R&D and higher intensity office uses, rating superior to 95050. This also allows for greater floor area ratios in 95054. Most market participants reported higher prices in 95054 due primarily to superior freeway access and fewer heavy-industrial uses. One market participant believed the heavy-industrial zoned areas would be worth more. A comparison of the 5-year average rent per SF, as compiled by CoStar, showed that effective rents averaged \$10.07/SF Gross in the 95050 zip code vs. \$11.07/SF Gross in the 95054 zip code, about a 10% premium. A local broker estimated that there was a 15-25% premium in the 95054 zip code area compared to 95050. Bracketed by the data, including rental rate differences and broker opinion, I concluded to a 15.0% premium for industrial land within the 95054 zip code.

Conclusion of Value in 95054 Zip Code

Based on the above data and analysis, the adjusted price per acre for each land use in the 95054 zip code was adjusted and the appropriate weighted values are summed to produce the average value of a hypothetical 1-acre lot in the 95054 zip code:

95054 ZIP CODE LAND USE VALUES & AVERAGE VALUE PER ACRE				
Land Use	95050 Average Price/Acre Weighted	x	Adjustment Factor	= 95051 Average Price per Acre
Very Low Density Residential	\$1,501,753	x	100.00%	= \$1,501,753
Low Density Residential	\$84,811	x	100.00%	= \$84,811
High Density Residential	\$327,811	x	100.00%	= \$327,811
Medium Density Residential	\$298,421	x	100.00%	= \$298,421
Commercial	\$688,596	x	125.00%	= \$860,746
Industrial	\$836,374	x	115.00%	= \$961,830
TOTAL AVERAGE VALUE PER ACRE				\$4,035,371

Average Value of a Hypothetical 1-Acre

Lot in the 95054 Zip Code:

\$4,035,000 (Rounded)

RECONCILIATION AND OPINION OF AVERAGE VALUES

The sales comparison approach was the appropriate value approach for each land use. Total sales statistics revealed that similar to 2016, about ½ of the total sales in the city by land area were commercial and industrial transactions and the other ½ was residential. The most change from 2016 to 2017 was due to increasing land values. This resulted in higher 2017 values for the hypothetical 1-acre lot, which is congruent with market trends from 2016 to 2017.

I concluded to the following average values for each zip code on the effective date of value opinion:

Opinion of Average Value of a 1-Acre

Lot in the 95050 Zip Code:

\$3,738,000

(Three Million Seven Hundred and Thirty Eight Thousand Dollars)

Opinion of Average Value of a 1-Acre

Lot in the 95051 Zip Code:

\$3,993,000

(Three Million Nine Hundred and Ninety-Three Thousand Dollars)

Opinion of Average Value of a 1-Acre

Lot in the 95054 Zip Code:

\$4,035,000

(Four Million and Thirty-Five Thousand Dollars)

ADDENDA

- Old Republic Title Company 2017 Sales data in City of Santa Clara (on file)
- City of Santa Clara Supplemental Instructions for the Appraisal of the Fair Market Value of Land
- Maps of the Sale Comparables
- Brokerage Reports (excerpts)
- Qualifications of Appraiser(s)



Date: June 7, 2016

To: City Manager for Council Action

From: Director of Parks & Recreation

Subject: Adopt Supplemental Instructions for the Appraisal of the Fair Market Value of land used in the Parkland Dedication In Lieu Fee Formula and process for setting the Fee Schedule

EXECUTIVE SUMMARY

On January 26, 2016, after considering the 2015 fair market value land appraisal report and concerns raised by the Building Industry Association (BIA) regarding the appraisal methodology, Council created a "task force to recommend, by consensus, the process for setting the Fee Schedule and recommending the fees for 2016 noting that the fees should not be decreased." The task force members included: two City Council members, two Parks & Recreation Commissioners, two representatives of parks & open space (Committee for Green Foothills, Ulistac Natural Area Restoration and Education Project), and two representatives of the housing development community (BIA, and California Apartment Association). The eight-member task force met in February, April and May 2016. The task force meetings were publicly noticed and information was available on the City's website. Staff and subject matter experts were also present at the meetings. Most of the task force discussion focused on understanding the appraisal approach, use of comparable sales data, the definitions of "fair market value" and "average value", and the weight property types should have in arriving at an average value for each Zip Code area.

At the May 5, 2016 meeting, a majority of the task force recommended that Council approve the Supplemental Instructions (see Attachment A) for use by a professional appraiser in determining the "fair market value" for an average acre of land (hypothetical, rectangular, useable) in the City of Santa Clara in each of the City's Zip Code areas. The valuation opinion should conform to the Uniform Standards of Professional Appraisal Practice. The valuation date of the report should be December 31 of each year, and use sales data from January 1 to December 31. All property types should be included in the data set: single family (low and very low density), medium and high density residential, commercial, industrial, lots and land. A "weighted average" of each property type should be based on the percentage of land area sold. If there are insufficient, credible data points (sales), then the appraiser should use comparable sales from the local competitive market area, preferring closer, more recent data. Sales transactions with clouded title, non-arms-length transactions, environmentally impaired sites or more than 3 years old should not be used. Comparable data of 1 to 3 years old should have an inflation factor applied at the professional discretion of the appraiser to reconcile value differences. While the instructions provide a reasonable interpretation of the ordinance language and provide a standardized approach to minimize potential bias and increase confidence in the fair market value results, the Building Industry Association was not in support of the proposed Attachment A—Supplemental Instructions for appraisal, Guideline "a" (found in Attachment A, page 2 of 3).

The proposed process for the annual implementation schedule is:

January to February 15	Collect prior year's sales data, research comparable information
February 16 to March 15	Develop a draft appraisal report
March 16 to 30	Provide draft report for public review /comment
April	Use valuations to compute proposed fees due in lieu of dedication
May-June	Council consideration and adoption of annual Fee Schedule

Subject: Adopt Supplemental Instructions for Appraisal of the Fair Market Value of land used in the Parkland Dedication In Lieu Fee Formula and process for setting the Fee Schedule
Page 2

July Implement new Quimby and Mitigation Fees
However, for the fiscal year 2016-17, if Council approves the Supplemental Instructions, staff will proceed to complete the valuation task by approximately July 5, 2016. Following a two-week public review of the draft report from July 6-19, 2016, and a public notice for the proposed fee resolution incorporating the updated land valuation, fee calculations and necessary findings, Council could consider a fee resolution on August 23, 2016. If approved, new Quimby Act fees would become effective immediately, and the Mitigation Fee Act fees 60 days after adoption for projects whose applications are not yet "deemed complete." Completed housing development project applications would not be affected and remain subject to the prior fee amounts.

ADVANTAGES AND DISADVANTAGES OF ISSUE

City Code 17.35 calls for the fair market valuation of land to be reviewed by Council on an annual basis and for use in calculating fees due in lieu of parkland dedication. Developers may have an independent appraisal done on a per project basis. Adoption of the Supplemental Instructions will provide the City with a standard set of instructions for appraiser use on an annual basis. The alignment of the valuation process with the City's annual Fee Schedule calendar will provide predictability and transparency. There are no known disadvantages.

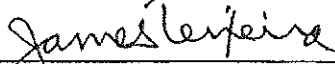
ECONOMIC/FISCAL IMPACT

If approved, the Supplemental Instructions will be used to provide a valuation with an effective date of December 31, 2015 for fiscal year 2016-17, at an estimated contract cost of \$25,000. The contract cost is allocated in Capital Improvement Project 3181.

The 2015 valuation report will reflect more current market conditions. Changes in valuation do not increase or decrease the City's parkland dedication standards per 1000 residents of 2.53 acres for the Mitigation Fee Act, and 3 acres for the Quimby Act. There is no change in fee amounts for projects already "deemed complete." Projects that meet the parkland dedication requirement, or provide a combination of necessary parkland and private recreational space/amenities do not pay in lieu fees. Projects with 50 or less units and those not providing sufficient parkland pay in lieu fees. The proposed fees and the amounts projected to be collected are unknown at this time.

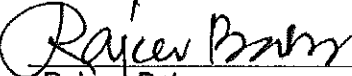
RECOMMENDATION

That the Council adopt Supplemental Instructions for the Appraisal of the Fair Market Value of land used in the Parkland Dedication In Lieu Fee Formula and process for setting the Fee Schedule.



James Teixeira
Director of Parks & Recreation

APPROVED:



Rajeev Batra
Acting City Manager

Documents Related to this Report:

- 1) Supplemental Instructions for the Appraisal of the Fair Market Value of Land

Attachment A
Supplemental Instructions
for the Appraisal of the Fair Market Value of Land

The following information and instructions will be used by the City when setting the land value used in the formula for determining the impact fees due in lieu of park and recreational land dedication pursuant to Santa Clara City Code 17.35.

Background.

On July 15, 2014, Council added Chapter 17.35 "Park and Recreational Land" to the Santa Clara City Code to ensure that new residential development provides adequate community and neighborhood park land for active recreational uses and/or pays a fee in-lieu of parkland dedication to mitigate the impacts of the new growth pursuant to the California Quimby Act and/or Mitigation Fee Act.

17.35.040 Formula for calculation of fee in lieu of land dedication.

(a) When a fee is required to be paid in lieu of parkland dedication, the maximum amount of such fee shall be determined by the fair market value of the amount of land that would otherwise be required to be dedicated pursuant to SCCC 17.35.030, as set forth below. The date of valuation of the property for in-lieu fee purposes shall be the date that the City determines that the developer's application for a parcel map or tentative subdivision map, or application for projects not involving a subdivision, is complete.

(b) Fair Market Value.

(1) The City shall determine the fair market value of the property by using the average per acre land value for property in the City of Santa Clara, based upon a survey of land values and sale records in the City. The City Council shall set a minimum of three such average values, one for each of the three existing Zip Codes in the City (95050, 95051, 95054). The City Council may, at its discretion, set average values for additional subregions of the City. The City Council shall review the fair market values not less than annually and set the values in a Council resolution.

(2) If the developer objects to this determination of fair market value, the developer may elect to have the value established by appraisal. If the developer chooses this option, the developer shall deposit with the City an amount sufficient to cover the cost of an appraisal, which the City shall conduct. The appraisal shall be completed prior to approval of the tentative or parcel map or, for developments not involving a subdivision, prior to the issuance of a building permit.

(c) Based on the determination of fair market value set forth in subsection (b)(1) of this section, for each of the dwelling unit categories, the City Council shall set the amount of fees to be paid in lieu of parkland dedication in a Council resolution, which the Council shall review annually. (Ord. 1928 § 3, 7-15-14).

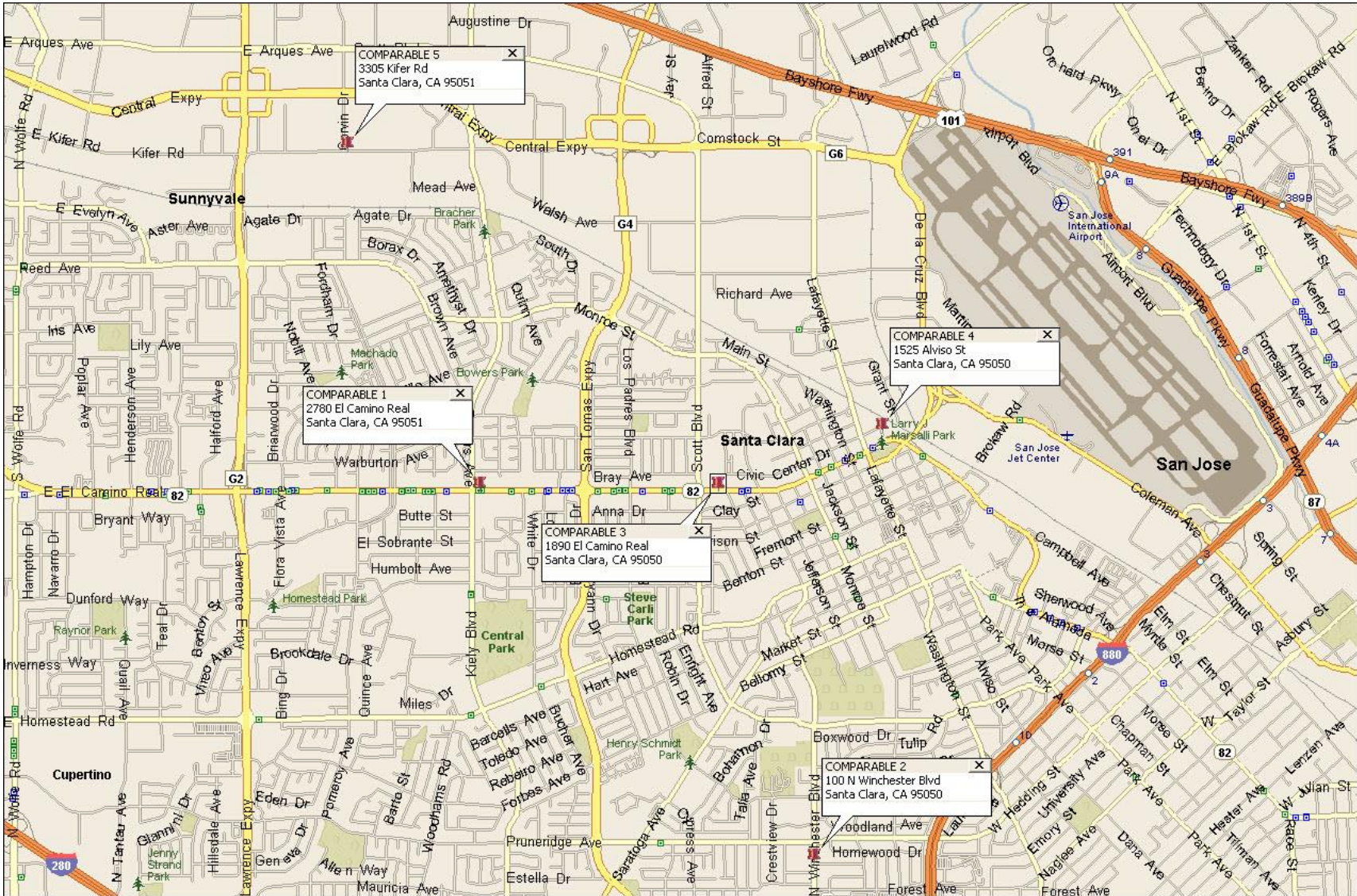
Guidelines for Appraiser:

(As recommended by Park In Lieu Fee Task Force—May 5, 2016)

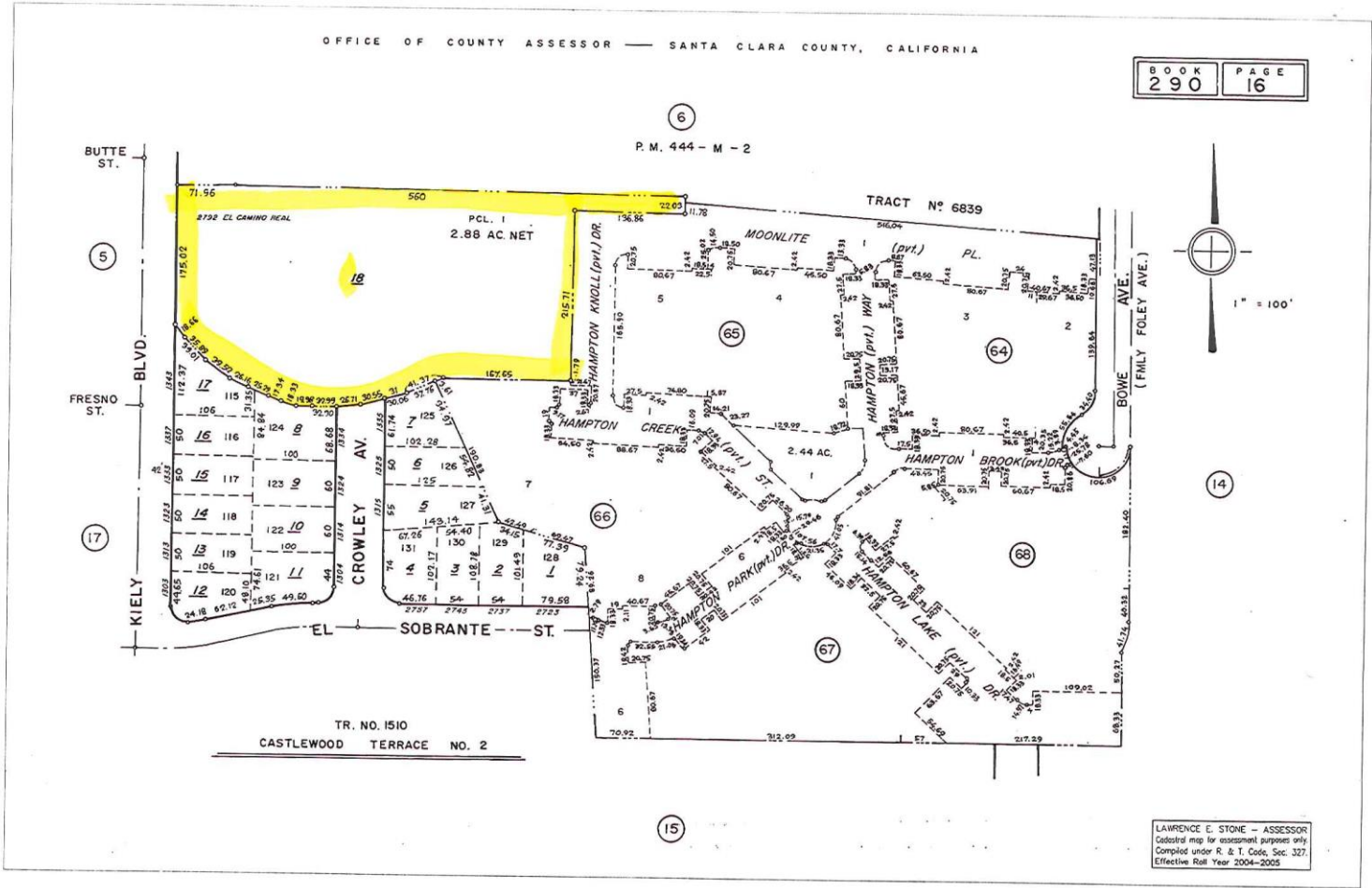
- a. *Appraiser is to provide a "Fair Market Value" for an average acre of land (hypothetical, rectangular, useable site) for property in each of the three existing City of Santa Clara Zip Codes 95050, 95051, 95054. The opinion will conform to Uniform Standards of Professional Appraisal Practice.*
- b. **Valuation Date:** *December 31 of each year.*
- c. **Location & Property Sales Data Set Boundaries:** *Data set will begin with sales data from within Santa Clara City limits.*
- d. **Data Set Date Range:** *Use data from January 1st to December 31st of each year. Example: January 1, 2015 to December 31, 2015 for "December 31, 2015 Valuation Date." See contingencies below.*
- e. **Property Types:** *Use all of the following property types: Single Family (low and very low density), High Density Residential, Medium Density Residential, Commercial, Industrial, Lots and Land.*
- f. **Contingencies for Limited Data Set of each Property Type:** *If there are insufficient, credible data points or sales of a particular property type, then appraiser will explore and use comparable sales from the local competitive market area, adjacent to City of Santa Clara. A fixed distance from City of Santa Clara city limit is not given, however a compelling, rational basis for the selection of the competitive market area must be given by the appraiser in the report. Preference is for closer, more recent, and comparable; discretion is given to the appraiser.*
- g. **Sales Transactions Data not to be used:** *Do not use transactions if they are not an arms-length transaction, have encumbered/clouded title, are environmentally impaired site, or are more than three (3) years old.*
- h. **Inflation factors for Comparable between 1 and 3 years:** *An inflation factor will be computed and applied to comparable sales over one year based on reasonable and rational considerations such as sales and rental trends or other appropriate methods.*
- i. **Sales Transactions Data that may be included:** *May use real estate sales transactions by the City of Santa Clara for additional neighborhood or community parkland.*
- j. **Data Values excluded:** *No values or set of values at the high or low end of the data set are to be excluded from consideration in the average values on the sole basis of being relatively high or low; however, a check for consistency among comparable values will be done, and a rational basis should be provided for credible comparable transactions if not used.*

- k. **Research Factors to be considered for Comparable sales:** *The factors to be used to compare property values include, but are not limited to physical factors, economic factors, market conditions verification to parcel maps, public records, CoStar data bank. Additional factors may be used provided there is a rational basis for doing so.*
- l. **Reconciliation of value differences:** *The approach will be comparative, iterative, qualitative and quantitative, and will be made at the appraiser's discretion.*
- m. **Weight to be applied to Property Types:** *The weighted average of each property type will be based on the percentage of land area in the sales transactions, for example, if 25% of total acreage is high density residential, then the relative weight of that property type will be 25%. (The weight will not be done by the quantity of sales of each type or the percent of value of sales of each type).*
- n. **Reporting:** *A draft valuation report will be generated by March 15. City will provide for a two week circulation and comment period. The valuations included the final valuation report will be used in the calculation formula for fees prepared by staff to be reviewed by Council as part of the annual City budget process and Municipal Fee Schedule adoption by June 30. Fees will be implemented on or after July 1 depending upon Quimby Act or Mitigation Fee Act provisions of the Council resolution.*

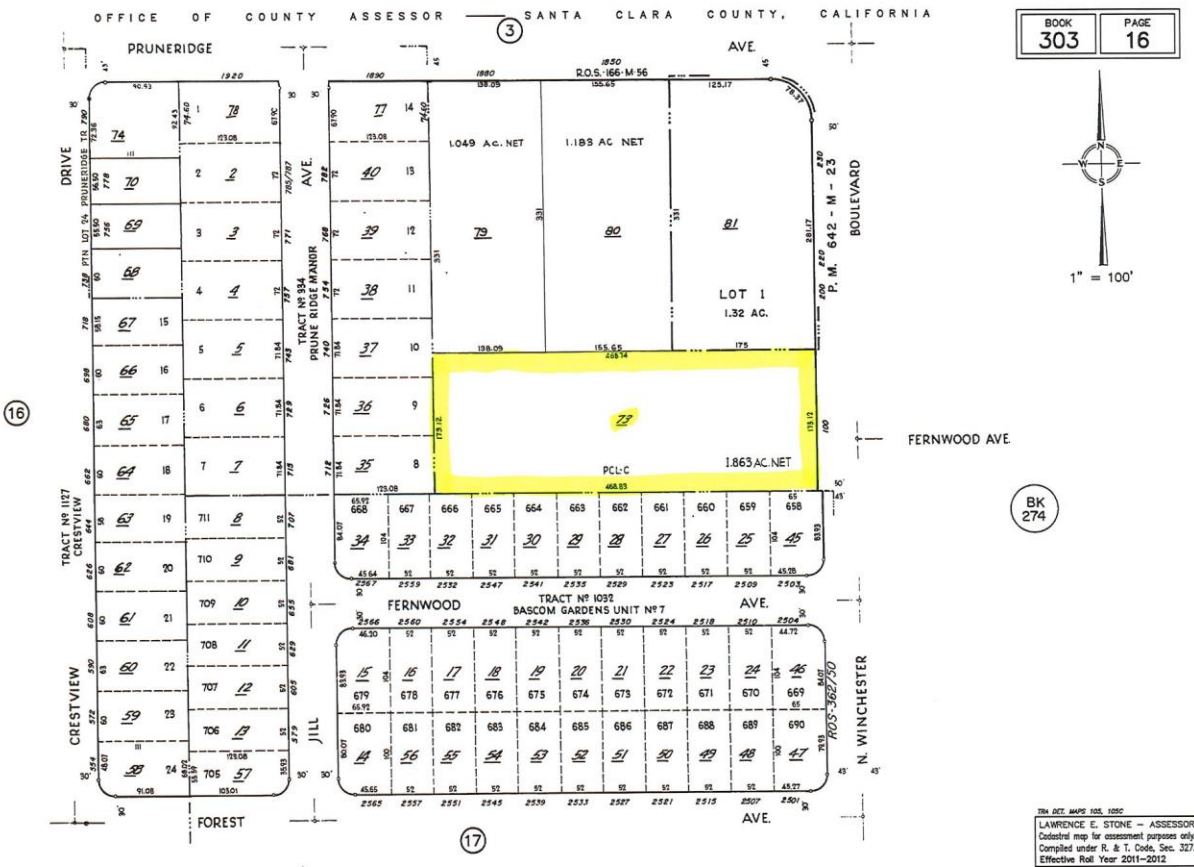
HIGH DENSITY SALES COMPARABLE LOCATION MAP



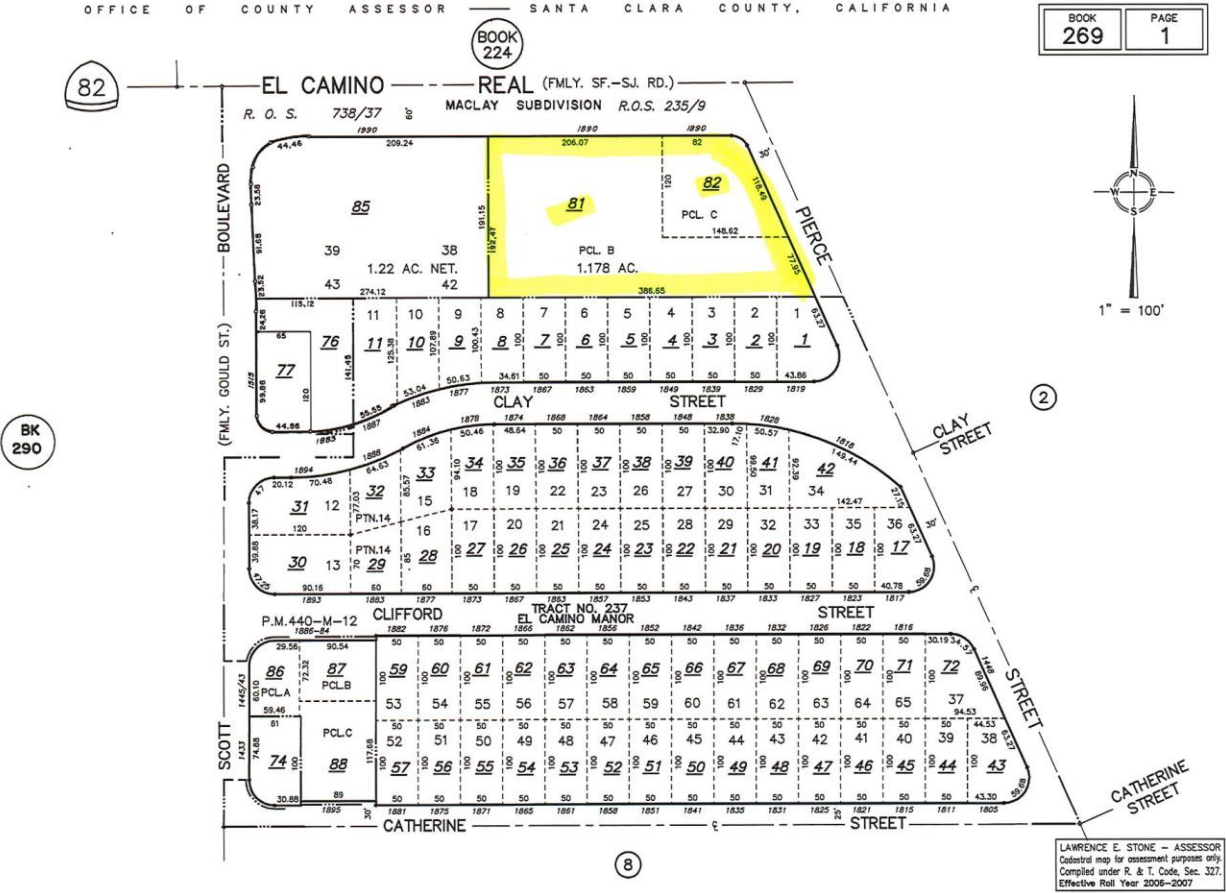
PARCEL MAP - HIGH DENSITY - COMPARABLE 1



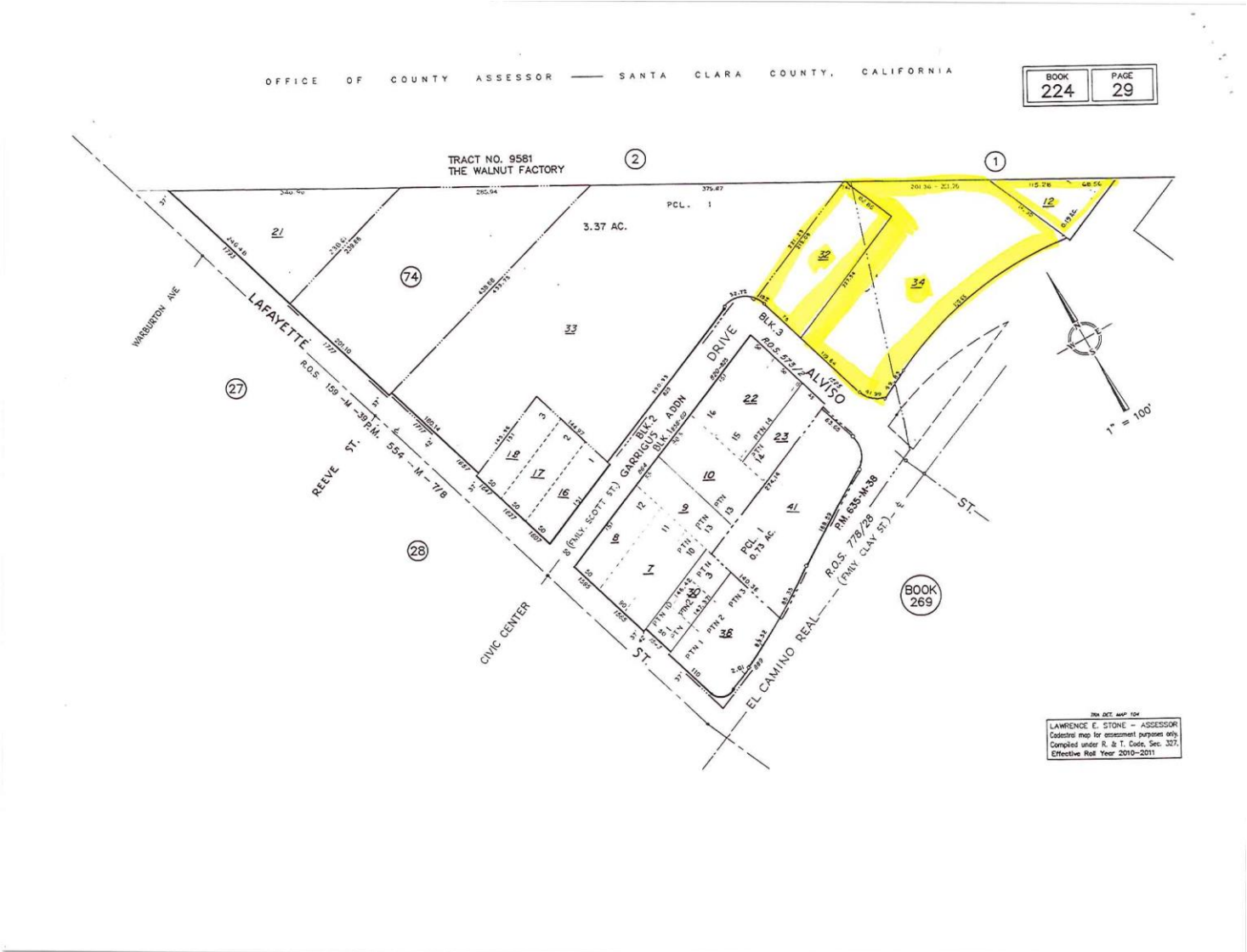
PARCEL MAP - HIGH DENSITY - COMPARABLE 2



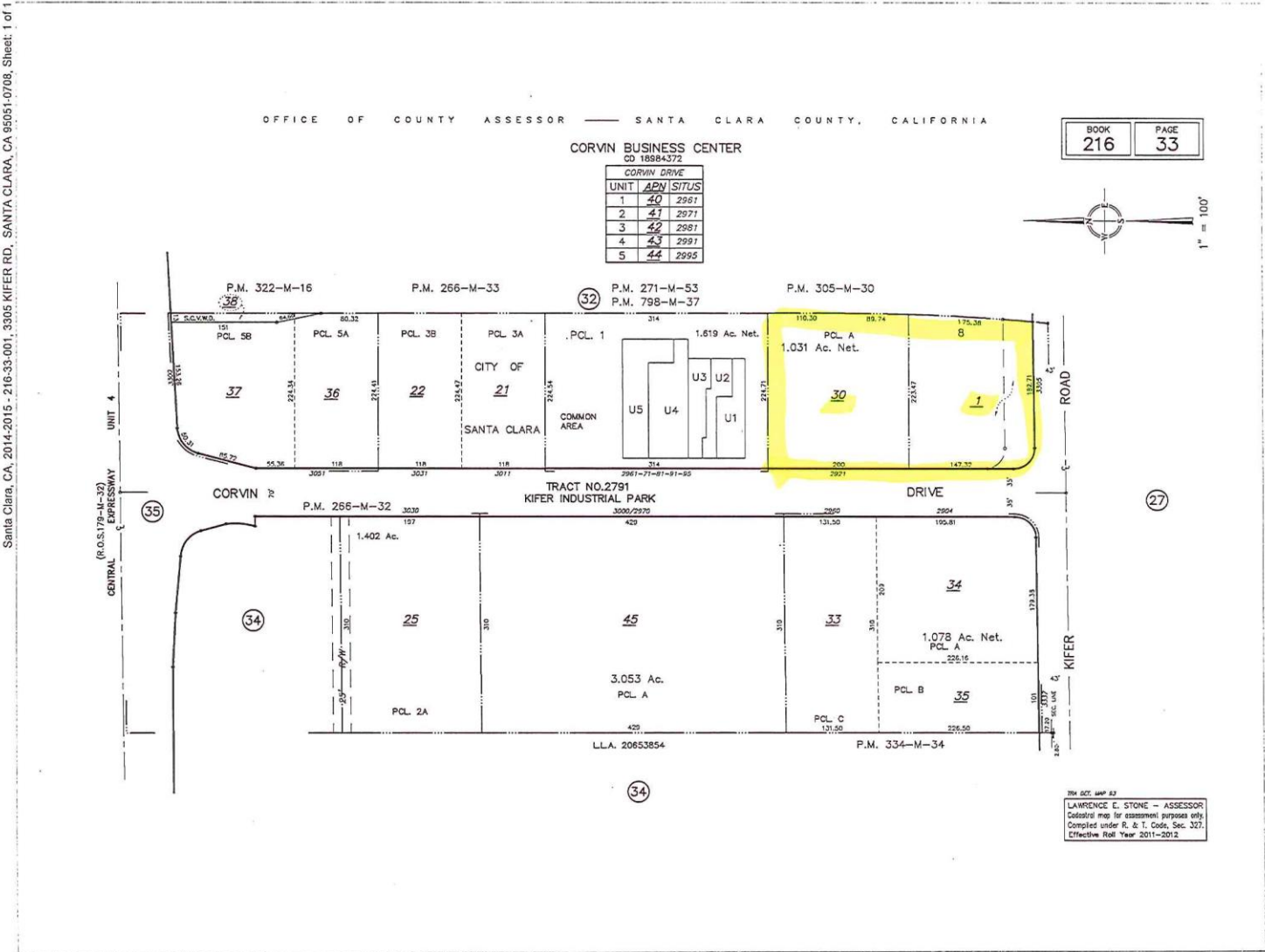
PARCEL MAP - HIGH DENSITY - COMPARABLE 3



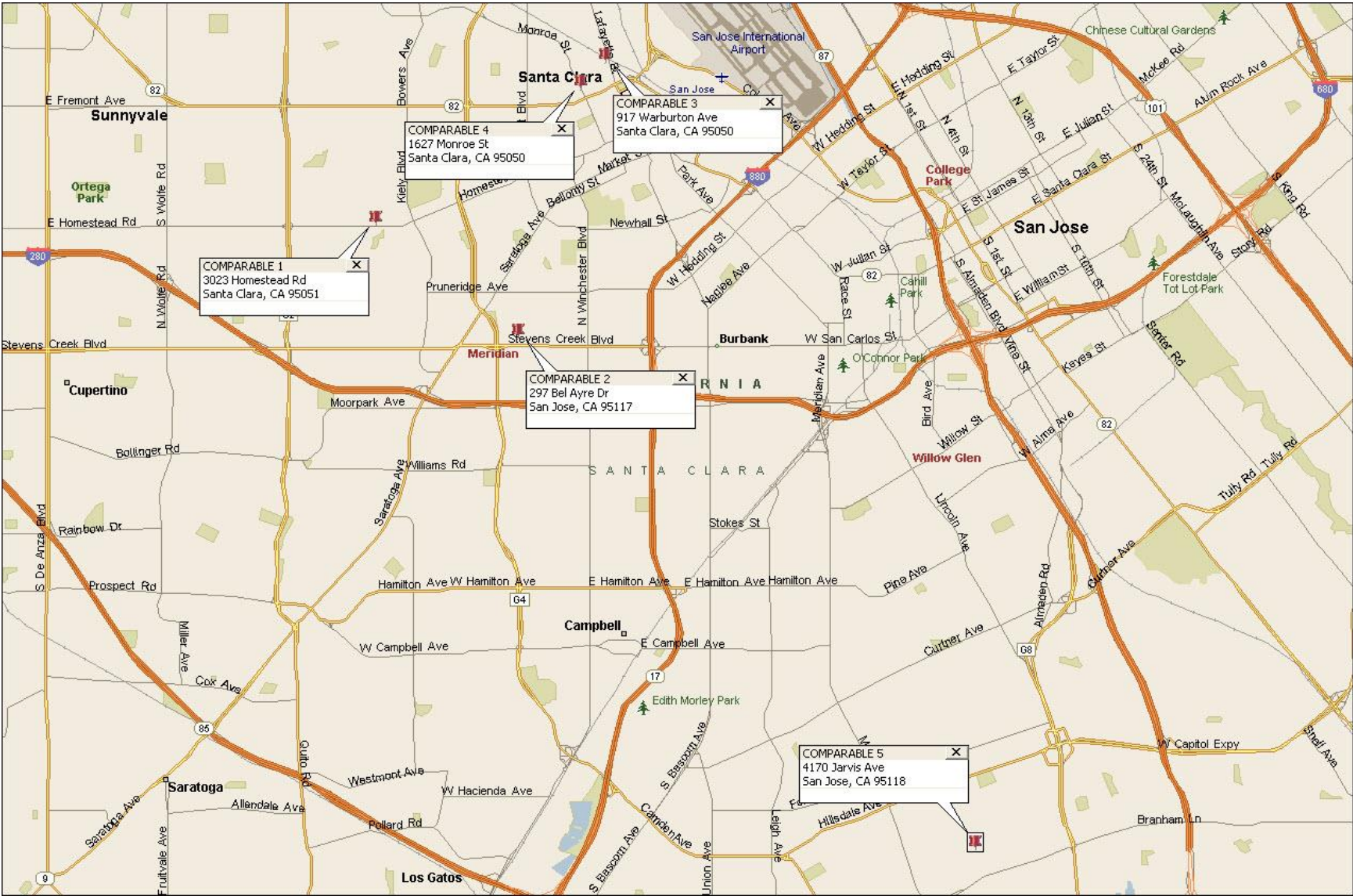
PARCEL MAP - HIGH DENSITY - COMPARABLE 4



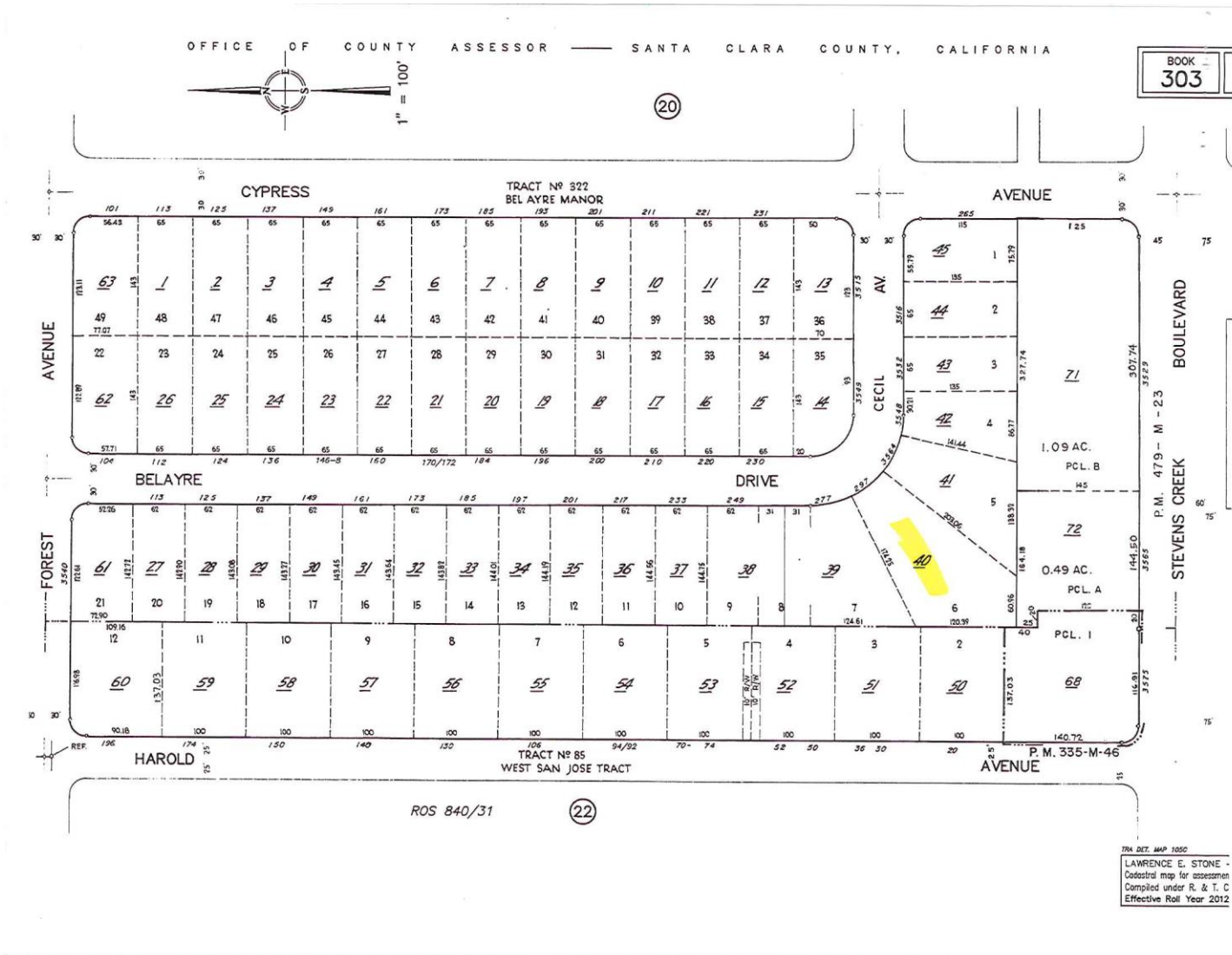
PARCEL MAP - HIGH DENSITY - COMPARABLE 5



VERY LOW DENSITY SALES COMPARABLE LOCATION MAP



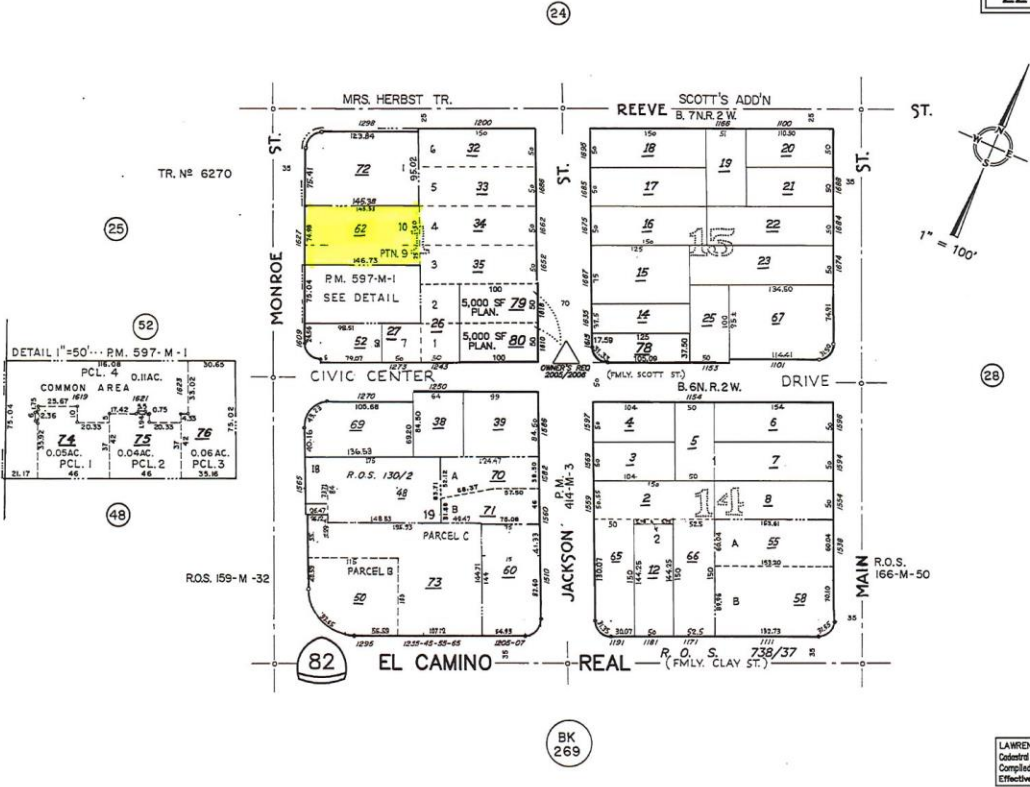
PARCEL MAP - VERY LOW DENSITY - COMPARABLE 2



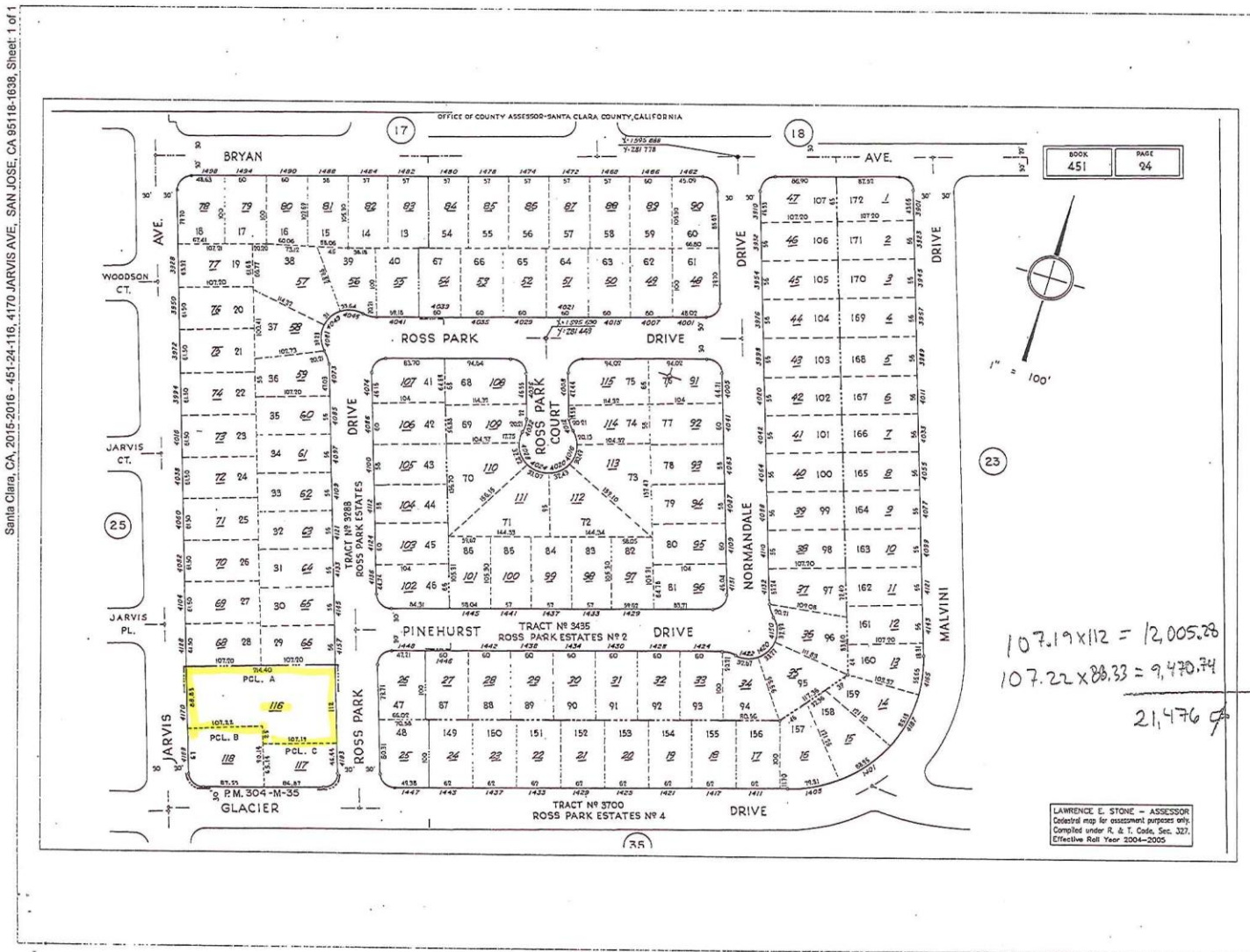
PARCEL MAP - VERY LOW DENSITY - COMPARABLE 4

OFFICE OF COUNTY ASSESSOR - SANTA CLARA COUNTY, CALIFORNIA

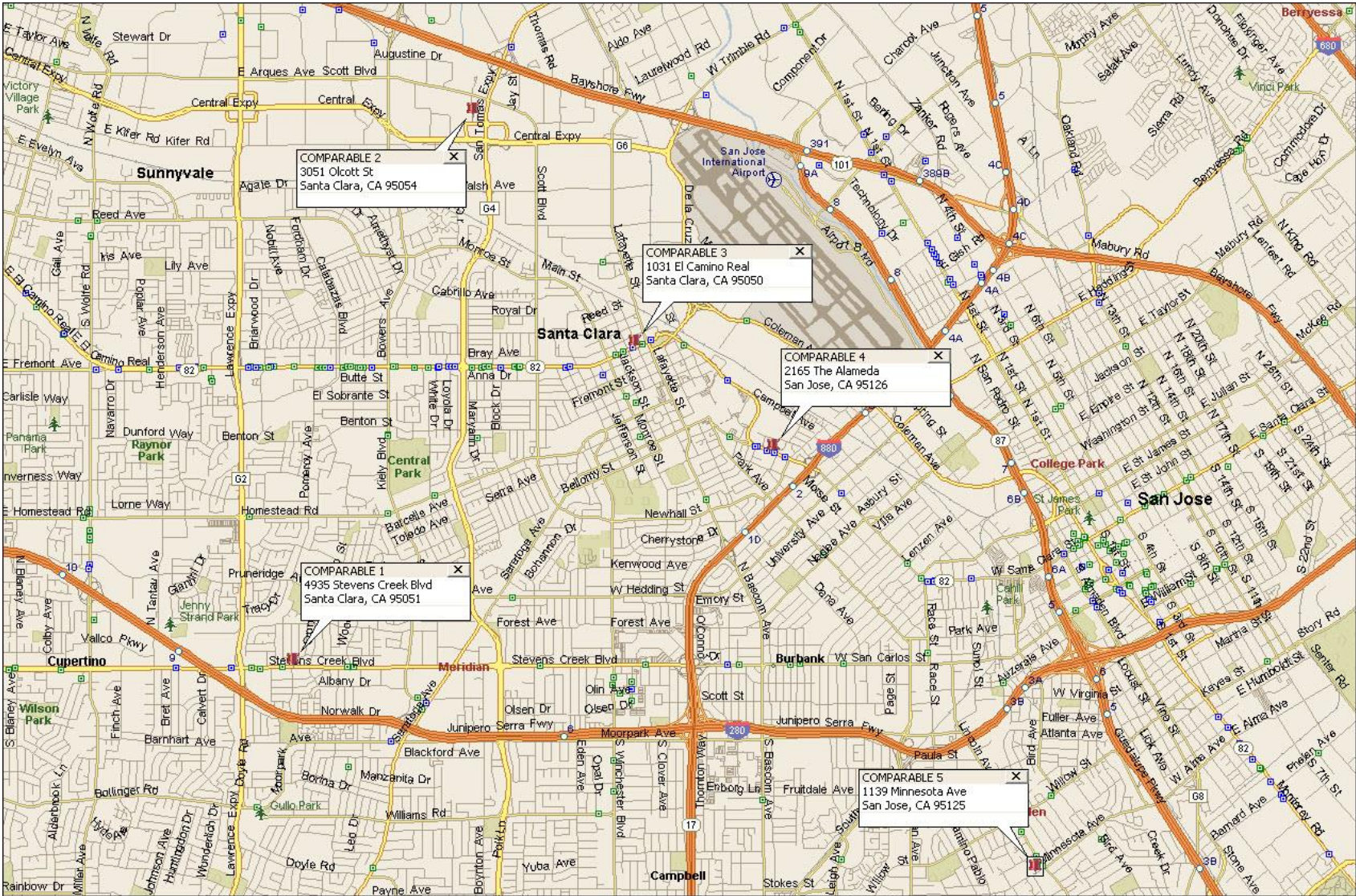
BOOK 224 PAGE 26



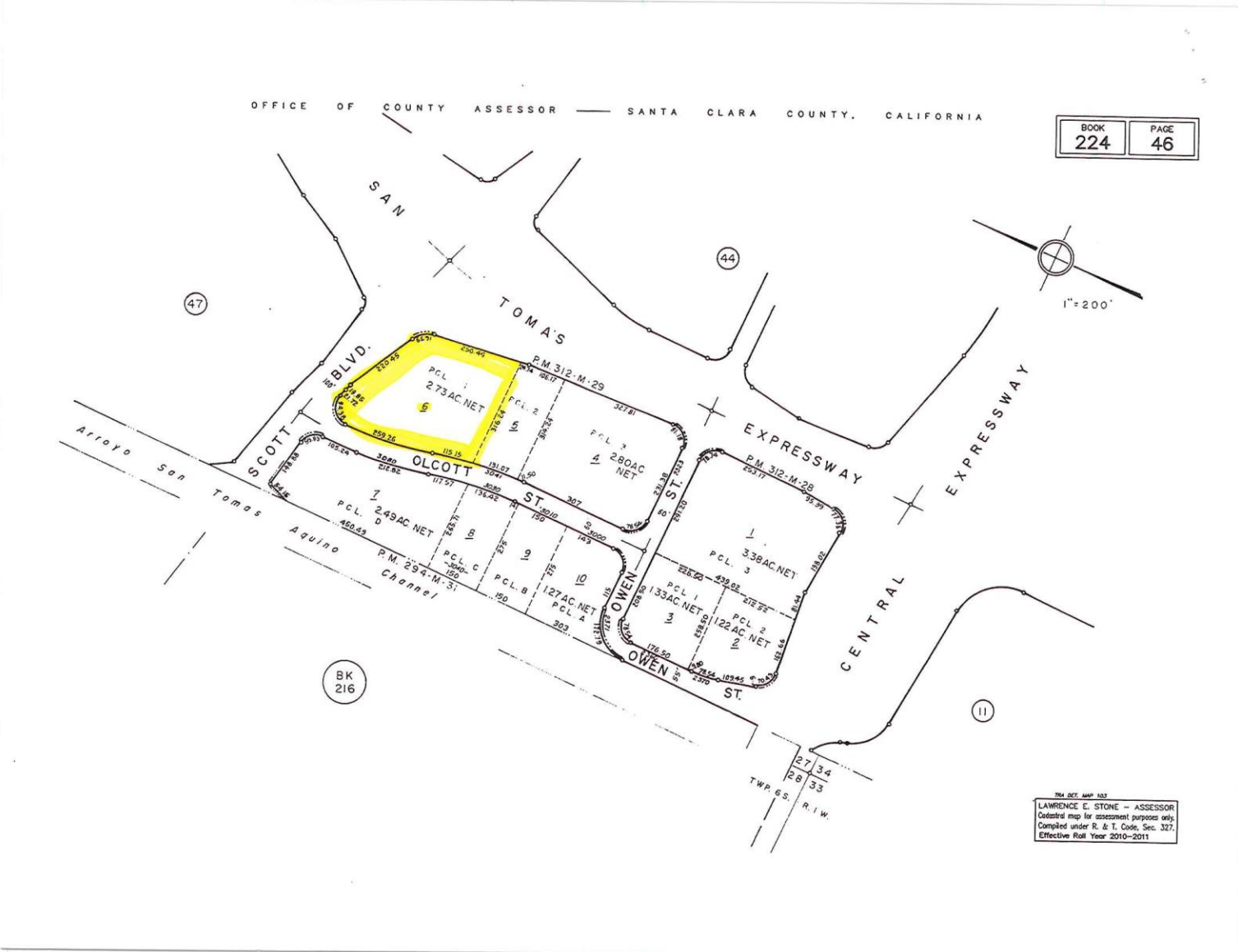
PARCEL MAP - VERY LOW DENSITY - COMPARABLE 5



COMMERCIAL SALES COMPARABLE LOCATION MAP



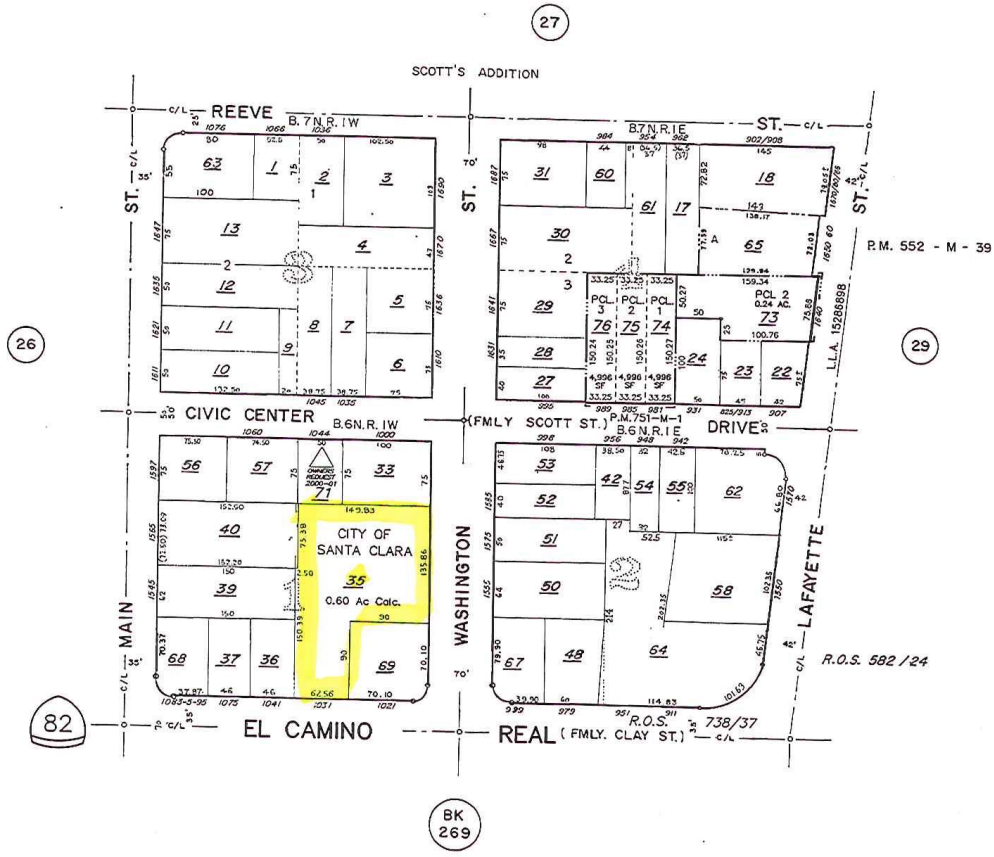
PARCEL MAP - COMMERCIAL - COMPARABLE 2



PARCEL MAP - COMMERCIAL - COMPARABLE 3

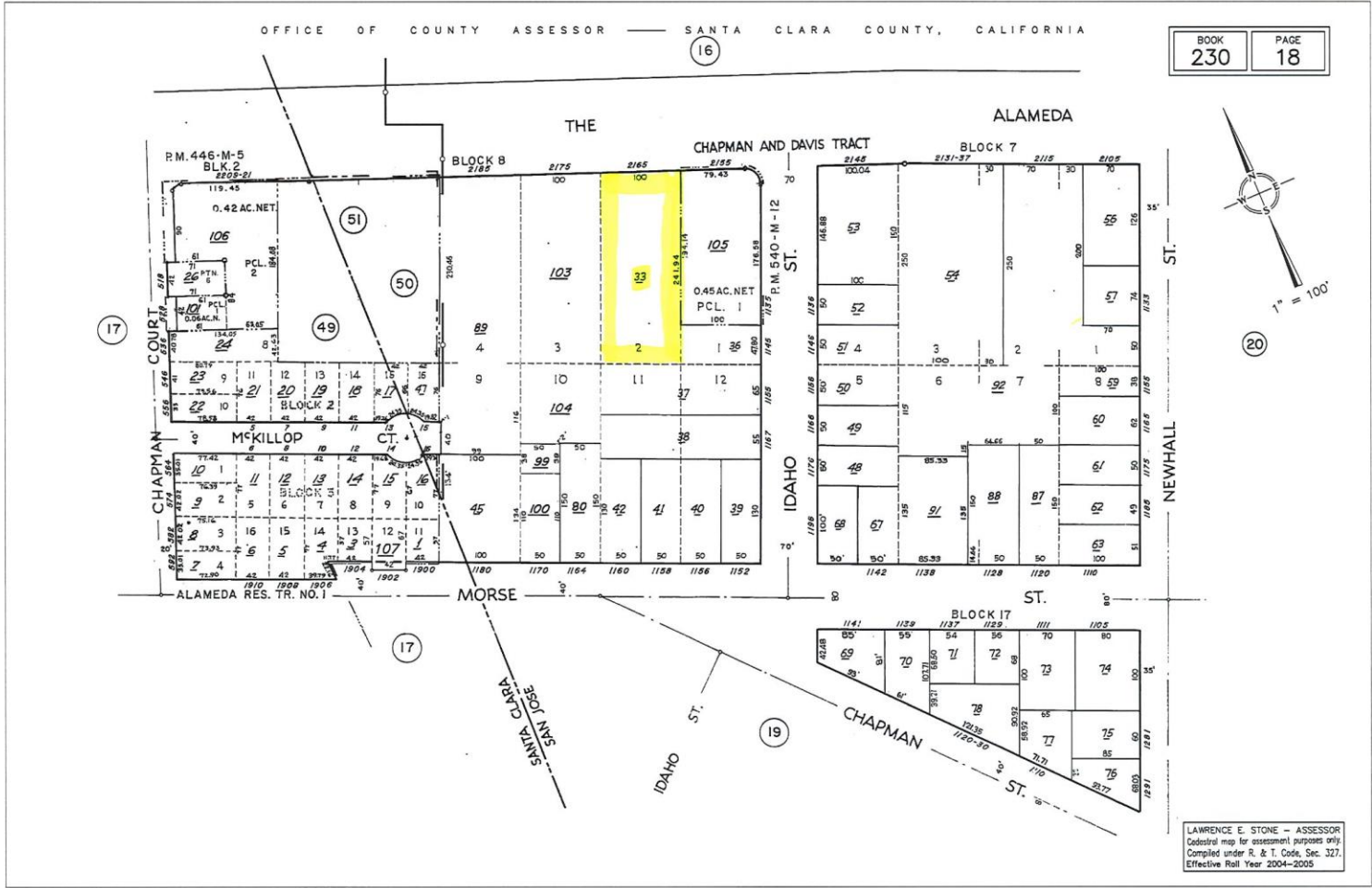
OFFICE OF COUNTY ASSESSOR - SANTA CLARA COUNTY, CALIFORNIA

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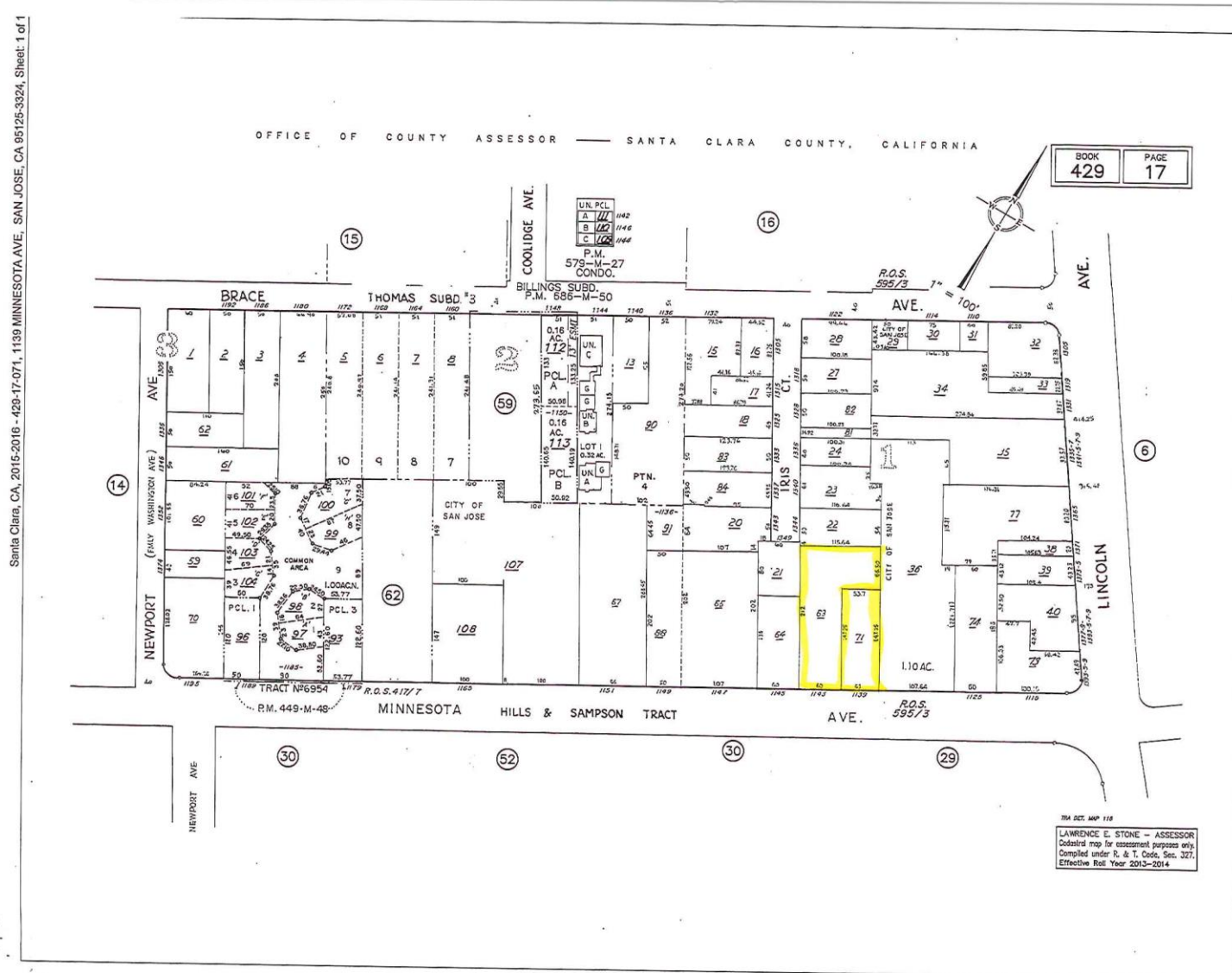


LAWRENCE E. STONE - ASSESSOR
 Cadastral map for assessment purposes only.
 Compiled under R. & T. Code, Sec. 327.
 Effective Roll Year 2015-2016

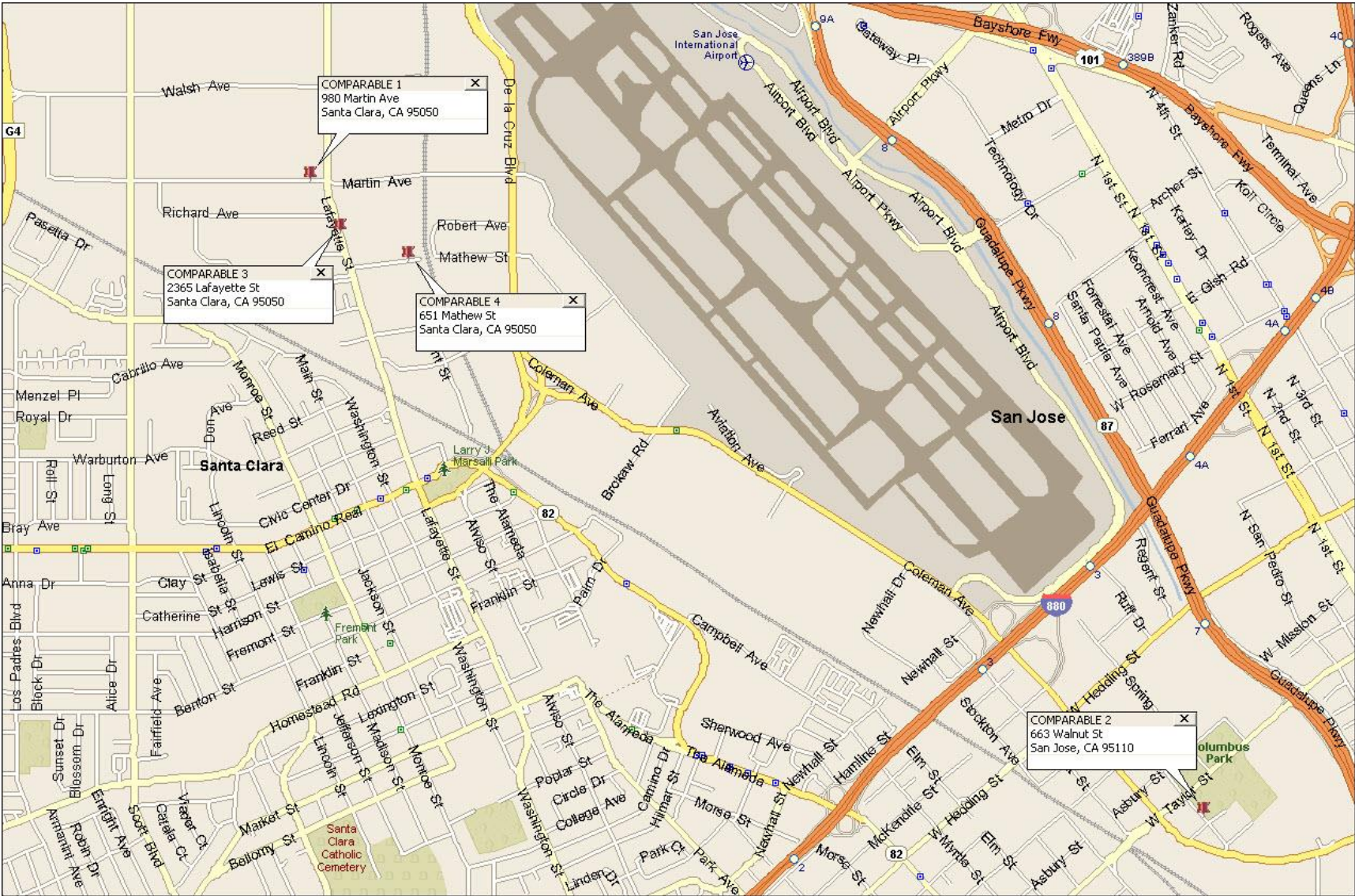
PARCEL MAP - COMMERCIAL - COMPARABLE 4



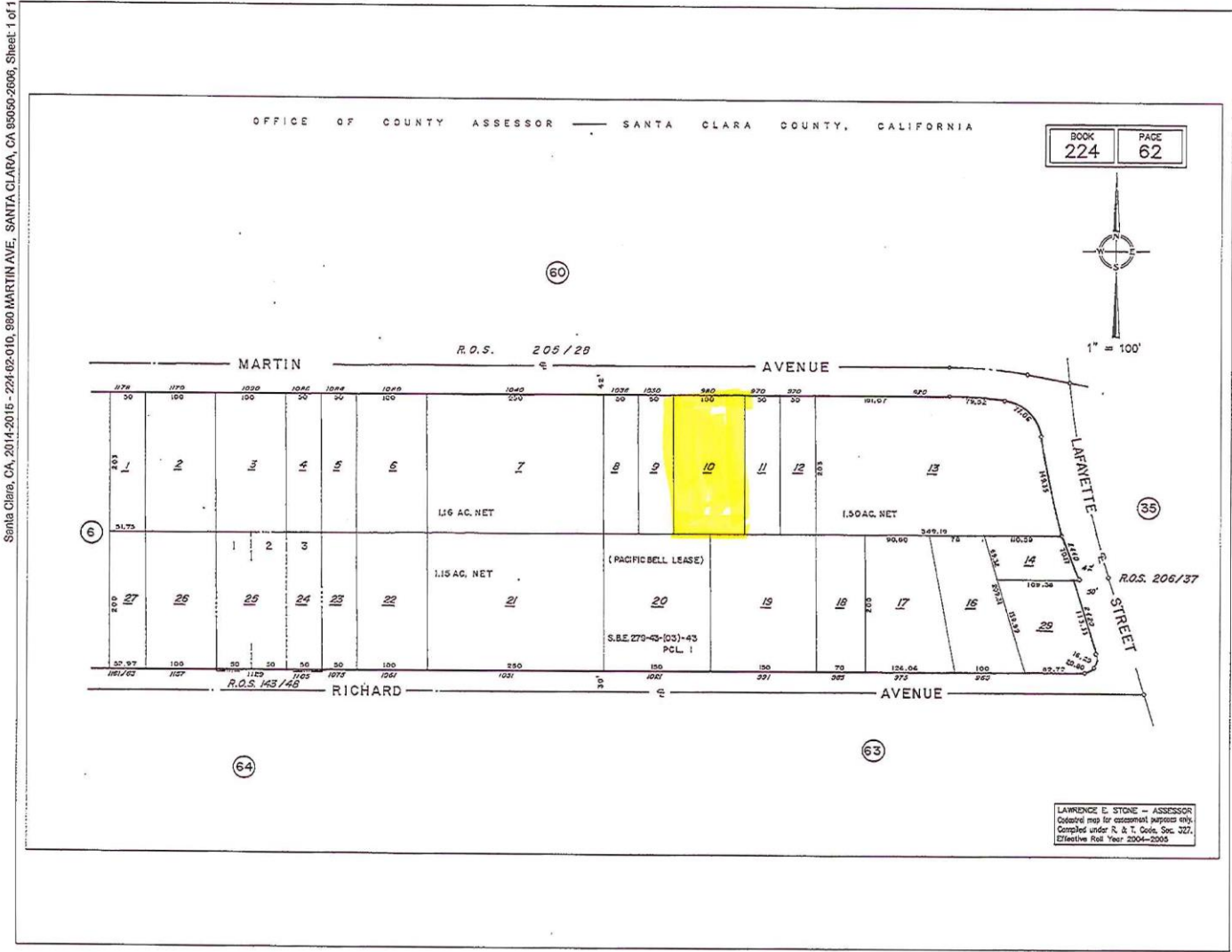
PARCEL MAP - COMMERCIAL - COMPARABLE 5



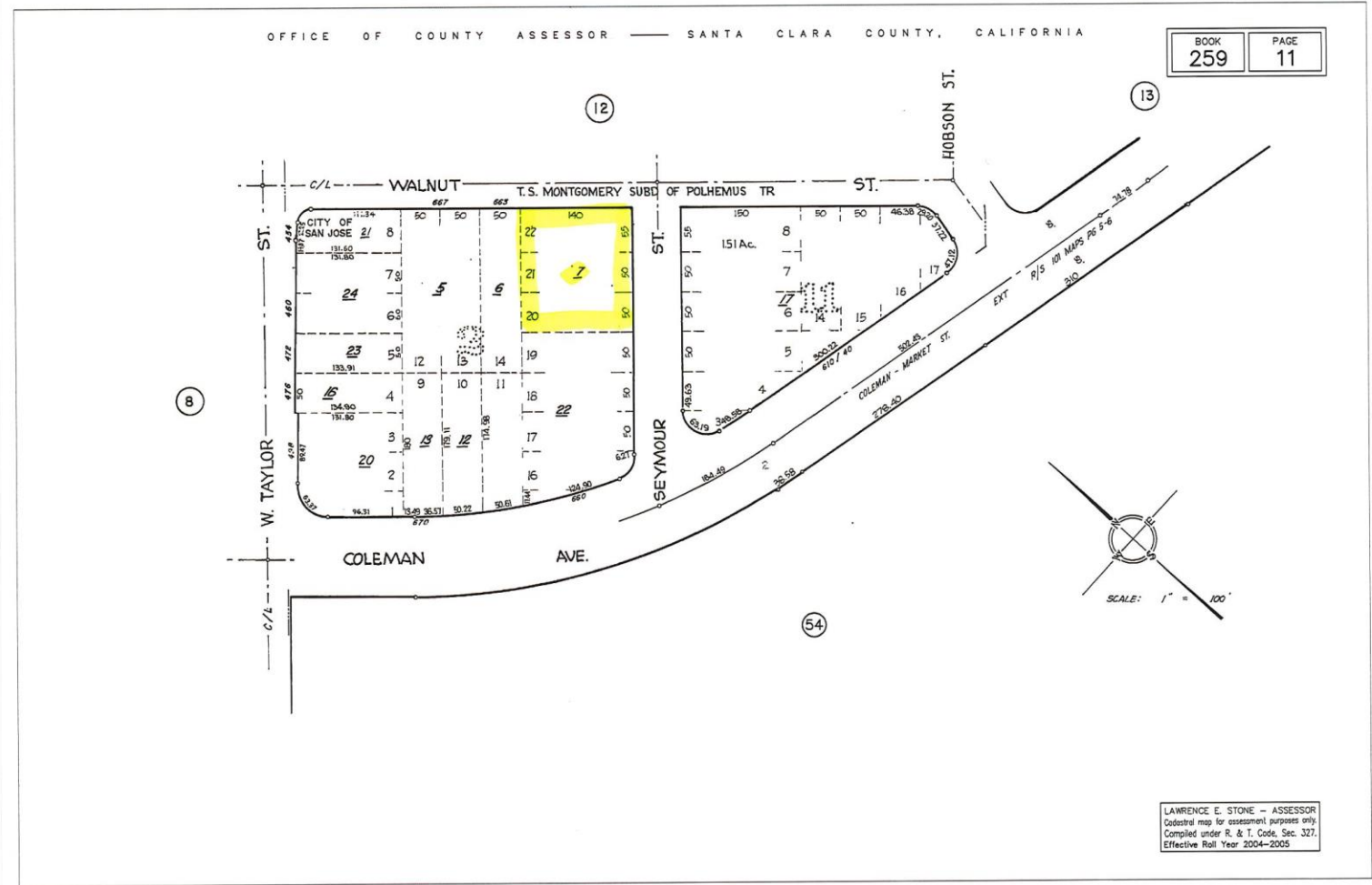
INDUSTRIAL SALES COMPARABLE LOCATION MAP



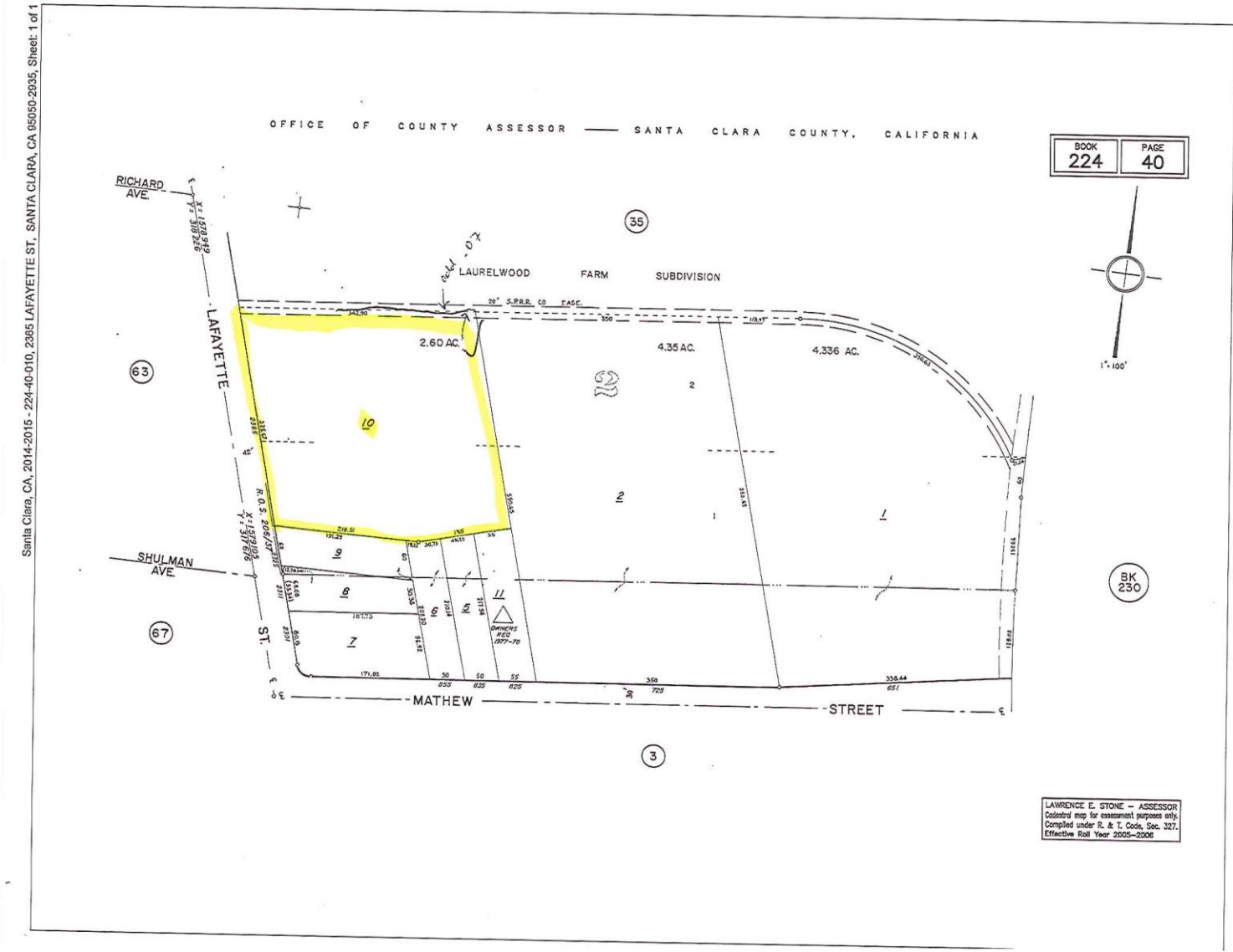
PARCEL MAP - INDUSTRIAL - COMPARABLE 1



PARCEL MAP - INDUSTRIAL - COMPARABLE 2



PARCEL MAP - INDUSTRIAL - COMPARABLE 3



PARCEL MAP - INDUSTRIAL - COMPARABLE 4



FRANK E. SCHMIDT, MAI, SRA
CURRICULUM VITAE, January 2018



Valuation Consulting, Forensic and General Appraisal, Expert Testimony

MAI and SRA MEMBER of the APPRAISAL INSTITUTE, No. 11933

California Certified General Appraiser, License No. AG005421 Certified until 11/30/2018
(408)535-0900, Ext. 107 – Cell (510)468-9219, 1602 The Alameda, Suite 103, San Jose, CA 95126
www.frank@cnaappraisal.com or Visit us on the web @ <http://www.cnaappraisal.com>

Frank has been appraising proposed and existing real estate since 1975. He has testified as an **expert witness** frequently during his career for both plaintiffs and defendants. Mr. Schmidt has served on **numerous professional committees and boards**, including board member of Chapter 42 of the International Right- of-Way Association, member of the Nominating Committee of the Nor Cal Chapter of the Appraisal Institute, member of the Nor Cal Annual Spring Litigation Conference committee, and member of the Santa Clara County Assessment Appeals Board. In 2017 Mr. Schmidt was elected Chairperson of Assessment Appeals Board II for Santa Clara County.

Mr. Schmidt's experience includes **litigation support appraisals, estate and trust work and right-of-way assignments** for public, semi-public and private entities. Notable recent assignments include the appraisal of several San Jose properties in anticipation of Google's planned transit-oriented development that would transform the Diridon Station Area and Downtown San Jose; the appraisal of fee and easement rights for a 350-acre dairy for a **proposed acquisition by a public agency**; a 2,773-acre ranch comprising a residential subdivision, a historic house on 81 acres, and agricultural ranchland for a proposed public agency acquisition; and the appraisal of the 56-acre San Jose Flea Market for the **Berryessa BART Station**. Mr. Schmidt was a **diminution in value** consultant on the San Bruno, CA PG&E gas line that ruptured and ignited in 2010 destroying 38 homes. Frank was recently retained by the City of Santa Clara as an expert to assist the City Council appointed Task Force in recommending the process for setting Parkland Dedication In Lieu Fees.

Mr. Schmidt was raised on a dairy farm which he entitled and converted into a residential subdivision. His **land development** background brings added insight and credibility to his analysis of land and highest and best use assignments

Expert Witness Testimony

U.S. District Court, Santa Clara County Superior Court, San Joaquin County Superior Court,
San Francisco County Superior Court, Public Utility Commission of the State of CA,
American Arbitration Association, Standard of Care, Eminent Domain

Professional Affiliations

Membership in: Appraisal Institute [MAI (2002) and SRA Member (1989)] – Continuing Education Program Completed through December 31, 2021; International Right of Way Association
Certified General Real Estate Appraiser, State of California, No. AG005421

Licensed as:

Work Experience

1/2018 to present:

2/95 to 12/2017:

4/78 - 2/95:

6/76 - 4/78:

1/76 - 6/76:

2/75 - 12/75:

Appraiser with Carneghi-Nakasako, San Jose, CA

The Schmidt-Prescott Group, President
San Jose, California

Schmidt & Associates, Inc., President
San Jose and Fremont, CA

Senior Supervising Appraiser, Mercury Savings & Loan
Cupertino, CA

Staff Appraiser, American Savings & Loan
San Jose, CA

Real Estate Appraiser and Consultant,
B.A. Ericson Appraisal Co., San Jose, CA

Formal Education

B.S. Business Management, 1997
Graduated With Honors

University of Phoenix
San Jose, CA