



**AGENDA**  
**NEWMAN REDEVELOPMENT SUCCESSOR AGENCY**  
**OVERSIGHT BOARD**  
**REGULAR MEETING AUGUST 9, 2012**  
**CITY COUNCIL CHAMBERS, 3:30 P.M., 1200 MAIN STREET**

1. **Call To Order.**
2. **Roll Call.**
3. **Items from the Public - Non-Agenda Items.**
4. **Approval Of Minutes From The May 10, 2012 Meeting.**
5. **Regular Business**
  - a. Adopt Resolution No. 2012- , A Resolution Of The Newman Redevelopment Successor Agency Oversight Board Approving A Recognized Obligation Payment Schedule Pursuant To Health And Safety Code Section 34177(m).
  - b. Adopt Resolution No. 2012- , A Resolution Of The Newman Redevelopment Successor Agency Oversight Board Approving The Sale Of Real Property And Authorizing The Executive Director To Execute The Required Documents.
6. **Items From Board Members.**
7. **Items From The City Manager And Staff.**
8. **Adjournment.**



**MINUTES**  
**NEWMAN REDEVELOPMENT SUCCESSOR AGENCY**  
**OVERSIGHT BOARD**  
**REGULAR MEETING MAY 10, 2012**  
**CITY COUNCIL CHAMBERS, 3:30 P.M., 1200 MAIN STREET**

1. **Call To Order** - Chairperson Hutchins 3:33 P.M.
2. **Roll Call - PRESENT:** Jim DeMartini, Felt (Arrived At 3:35 P.M.), Hunewill, Lucas, Ocasio And Hutchins.  
**ABSENT:** Anne DeMartini (Excused).
3. **Items from the Public - Non-Agenda Items** - None.
4. **Consent Calendar**
  - a. Approval Of Minutes Of The April 12, 2012 Regular Meeting.

**ACTION:** On Motion By Jim DeMartini Seconded By Lucas, The Minutes From The April 12, 2012 Meeting Were Approved By The Following Vote: **AYES:** Jim DeMartini, Lucas, Ocasio And Hutchins; **NOES:** None; **ABSENT:** Anne DeMartini, Felt; **NOT PARTICIPATING:** Hunewill.

**5. Regular Business**

- a. Approval Of The Recognized Obligation Payment Schedule. (ROPS)

Finance Director Humphries The Recognized Obligation Payment Schedule (ROPS) And Noted That This ROPS Is For The Period Of July To December 2012.

Action: On Motion By Jim DeMartini Seconded By Hunewill And Unanimously Carried, Resolution No. 2012-2, A Resolution Of The Newman Redevelopment Successor Agency Oversight Board Approving A Recognized Obligation Payment Schedule Pursuant To Health And Safety Code Section 34177(L), Was Adopted.

**6. Items From Board Members** - None.

**7. Items From The City Manager And Staff**

Finance Director Humphries Noted That He Had Been Working With The Stanislaus County Auditor-Controller And The State Department Of Finance Regarding The Redevelopment Successor Agency Finances. Humphries Also Mentioned That The City Had Been Cooperating With The State Controller's Office To Complete An Audit Of The City's Highway User Tax Allocations.

**8. Adjournment.**

**ACTION:** On Motion By Hutchins Seconded By Ocasio And Unanimously Carried, The Meeting Was Adjourned At 3:58 P.M.

Honorable Chairman and Members of the  
Newman Redevelopment Successor Agency  
Oversight Board

**RESOLUTION OF THE NEWMAN REDEVELOPMENT SUCCESSOR AGENCY OVERSIGHT BOARD,  
APPROVING A RECOGNIZED OBLIGATION PAYMENT SCHEDULE PURSUANT TO  
HEALTH AND SAFETY CODE SECTION 34177(m)**

**RECOMMENDATION:**

It is recommended that the Oversight Board adopt Resolution No. 2012- approving the Recognized Obligation Payment Schedule pursuant to Health and Safety Code section 34177(m).

**BACKGROUND:**

Pursuant to Health and Safety Code Section 34172, the Redevelopment Agency of the City of Newman ("Agency") was dissolved as of February 1, 2012. The City of Newman ("RDA Successor Agency") is the successor agency of the Agency. The Oversight Board is responsible for approving the actions of the RDA Successor Agency pursuant to Health and Safety Code Section 34179.

**ANALYSIS:**

Pursuant to Health and Safety Code Section 34177(m) successor agencies are to prepare the January 1 to June 30, 2013 Recognized Obligation Payment Schedule ("ROPS") by September 1, 2012, listing all of the outstanding debts and obligations of the former Agency, for that period, and submit the ROPS to the Oversight Board for approval. Once approved by the Oversight board it is to be forwarded to the Department of Finance. Since the passing of AB1484 successor agencies will be assessed a \$10,000 per day penalty for failure to timely submit the ROPS (section 34177(m)(2)). Future ROPS must be submitted to the Department of Finance 90 days prior to property tax distribution dates to avoid this penalty. Future tax distribution dates are on January 2<sup>nd</sup> and June 1<sup>st</sup>.

The Department of Finance after the passing of AB1484 has provided us a redesigned ROPS reporting format. The new "Summary" page has three main sections: the total outstanding debt or obligation, the current period outstanding debt or obligation (January 1, 2013 to June 30, 2013) and the prior completed period estimated vs. actual payments (January 1, 2012 to June 30, 2012). The "ROPS" page now lists all obligations including admin costs, with the exception of pass through agreements which have been handled by the County since the last ROPS. The "ROPS" page no longer requests the debt requirements by month; but, requests the funding source for each of the obligations for the 6 month period. The "Prior Period Estimated vs. Actual" page lists all estimated amounts from the prior ROPS (January to June 2012) vs. what was actually paid. The items listed on both the ROPS and the Estimated vs. Actual pages are the same items as listed on the previous ROPS.

Previously the Department of Finance had three days to overturn or call for review any action taken by the Oversight Board. The Department of Finance now has 45 days to make any determinations. Within 5 days of notification of any Department of Finance determinations successor agencies may request additional review and meet and confer.

**CEQA**

The actions taken by enactment of this Resolution does not commit the Oversight Board to any actions that may have a significant effect on the environment. As a result, this action does not constitute a project subject to the requirements of the California Environmental Quality Act.

**FISCAL IMPACT:**

There is no impact to the Oversight Board. No funds are involved with the approval of the ROPS.

**CONCLUSION:**

Staff recommends that the Oversight Board adopt Resolution No. 2012- approving the Recognized Obligation Payment Schedule.

**ATTACHMENTS:**

1. Resolution No. 2012-
2. Exhibit A – Recognized Obligation Payment Schedule pages 1-5

Respectfully submitted,



Lewis A. Humphries  
Finance Director

**REVIEWED/CONCUR**



Michael Holland  
City Manager

**RESOLUTION NO. 2012-**

**A RESOLUTION OF THE NEWMAN REDEVELOPMENT SUCCESSOR AGENCY  
OVERSIGHT BOARD APPROVING A RECOGNIZED OBLIGATION PAYMENT  
SCHEDULE PURSUANT TO HEALTH AND SAFETY CODE SECTION 34177(m)**

**WHEREAS**, pursuant to Health and Safety Code Section 34173(d), the City of Newman ("RDA Successor Agency") is the successor agency to the dissolved Redevelopment Agency of the City of Newman ("Agency"); and

**WHEREAS**, the Oversight Board is the RDA Successor Agency's oversight board pursuant to Health and Safety Code Section 34179(a); and

**WHEREAS**, Health and Safety Code Section 34177(m), requires the RDA Successor Agency to prepare a "recognized obligation payment schedule" ("ROPS") by September 1, 2012, listing outstanding obligations of the Agency to be performed by the RDA Successor Agency during the time period from January 1, 2013, through June 30, 2013; and

**WHEREAS**, Health and Safety Code Section 34177(m) requires the RDA Successor Agency to submit the ROPS to the Department of Finance for review at least 90 days prior to property tax distribution dates;

**NOW, THEREFORE, THE NEWMAN REDEVELOPMENT SUCCESSOR AGENCY  
OVERSIGHT BOARD DOES HEREBY RESOLVE AS FOLLOWS:**

Recitals. The Recitals set forth above are true and correct and are incorporated into this Resolution by this reference.

CEQA Compliance. The approval of the ROPS through this Resolution does not commit the Oversight Board to any action that may have a significant effect on the environment. As a result, such action does not constitute a project subject to the requirements of the California Environmental Quality Act.

Approval of the ROPS. The Oversight Board hereby approves and adopts the ROPS, in substantially the form attached to this Resolution as Exhibit A, pursuant to Health and Safety Code Section 34177.

Implementation. The Oversight Board hereby directs the RDA Successor Agency to submit copies of the ROPS approved by the Oversight Board to all required agencies after the effective date of this Resolution, and to post the ROPS on the RDA Successor Agency's website.

Severability. If any provision of this Resolution or the application of any such provision to any person or circumstance is held invalid, such invalidity shall not affect other provisions or applications of this Resolution that can be given effect without the invalid provision or application, and to this end the provisions of this Resolution are severable. The Oversight Board declares that the Oversight Board would have adopted this Resolution irrespective of the invalidity of any particular portion of this Resolution.

Certification. The City Clerk of the City of Newman, acting on behalf of the Oversight Board as its Secretary, shall certify to the adoption of this Resolution.

Effective Date. Pursuant to Health and Safety Code Section 34177(m), all actions taken by the Oversight Board may be reviewed by the State of California Department of Finance within 45 days during which time the Department of Finance will provide a determination.

The foregoing resolution was introduced at a regular meeting of the Newman Redevelopment Successor Agency Oversight Board held on the 9<sup>th</sup> of August, 2012 by Board Member \_\_\_\_\_, who moved its adoption, which motion was duly seconded and it was upon roll call carried and the resolution adopted by the following roll call vote:

AYES:  
NOES:  
ABSENT:

APPROVED:

\_\_\_\_\_  
Chairman of the Newman Redevelopment  
Successor Agency Oversight Board

ATTEST:

\_\_\_\_\_  
Secretary of the Newman Redevelopment  
Successor Agency Oversight Board

**SUMMARY OF RECOGNIZED OBLIGATION PAYMENT SCHEDULE**

Filed for the January 1, 2013 to June 30, 2013 Period

**Name of Successor Agency:** Newman Redevelopment Successor Agency

	Total Outstanding Debt or Obligation
<b>Outstanding Debt or Obligation</b>	\$ 9,206,950
<b>Current Period Outstanding Debt or Obligation</b>	<b>Six-Month Total</b>
A Available Revenues Other Than Anticipated RPTTF Funding	-
B Enforceable Obligations Funded with RPTTF	817,144
C Administrative Allowance Funded with RPTTF	106,453
D Total RPTTF Funded (B + C = D)	923,597
Total Current Period Outstanding Debt or Obligation (A + B + C = E) <i>Should be same amount as ROPS form six-month total</i>	\$ 923,597
E Enter Total Six-Month Anticipated RPTTF Funding	220,000
F Variance (D - E = F) <i>Maximum RPTTF Allowable should not exceed Total Anticipated RPTTF Funding</i>	\$ (703,597)
<b>Prior Period (January 1, 2012 through June 30, 2012) Estimated vs. Actual Payments</b> (as required in HSC section 34186 (a))	
G Enter Estimated Obligations Funded by RPTTF <i>(Should be the same amount as RPTTF approved by Finance, including admin allowance)</i>	953,782
H Enter Actual Obligations Paid with RPTTF	64,289
I Enter Actual Administrative Expenses Paid with RPTTF	89,697
J Adjustment to Redevelopment Obligation Retirement Fund (G - (H + I) = J)	\$ 799,796.00
<b>K Adjustment to RPTTF</b>	\$ 123,801.00

Certification of Oversight Board Chairman:  
Pursuant to Section 34177(m) of the Health and Safety code,  
I hereby certify that the above is a true and accurate Recognized  
Obligation Payment Schedule for the above named agency.

\_\_\_\_\_  
Name Title

\_\_\_\_\_  
Signature Date

**Successor Agency Contact Information**

Name of Successor Agency: Newman Redevelopment Successor Agency  
County: Stanislaus

Primary Contact Name: Lewis A. Humphries  
Primary Contact Title: Finance Director  
Address: 938 Fresno St. Newman, CA 95360  
Contact Phone Number: 209-862-3725  
Contact E-Mail Address: lhumphries@cityofnewman.com

Secondary Contact Name: Michael E. Holland  
Secondary Contact Title: City Manager  
Secondary Contact Phone Number: 209-862-3725  
Secondary Contact E-Mail Address: mholland@cityofnewman.com

Name of Successor Agency: Newman Redevelopment Successor Agency  
 County: Stanislaus

Oversight Board Approval Date: August 9, 2012

**RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS III)**  
**January 1, 2013 through June 30, 2013**

Item #	Project Name / Debt Obligation	Contract/Agreement Execution Date	Contract/Agreement Termination Date	Payee	Description/Project Scope	Project Area	Total Outstanding Debt or Obligation	Total Due During Fiscal Year 2012-13	Funding Source						
									LMIHF	Bond Proceeds	Reserve Balance	Admin Allowance	RPTTF	Other	Six-Month Total
<b>Grand Total</b>							\$ 9,206,950	\$ 1,317,572	\$ -	\$ -	\$ -	\$ 106,453	\$ 817,144	\$ -	\$ 923,597
1	1997 Tax Allocation Bonds	12/2/1997	8/1/2027	US Bank	Bond Payment	Project No. 1	\$ 3,271,338	\$ 250,298	\$ -	\$ -	\$ -	\$ -	\$ 61,008	\$ -	\$ 61,008
2	ABX4-36 SERAF Payments	5/2010 & 5/2011	5/2015 & 5/2016	Newman LMIHF - 74	LMIHF loan to RDA from SERAF Payments	Project No. 1	\$ 485,822	\$ 274,904	\$ -	\$ -	\$ -	\$ -	\$ 274,904	\$ -	\$ 274,904
3	Borrowed Funds from Cash Pool	since 2009/2010 FY	until repaid	City of Newman	Negative Cash Position	Project No. 1	\$ 371,232	\$ 371,232	\$ -	\$ -	\$ -	\$ -	\$ 371,232	\$ -	\$ 371,232
4	LMIH Project w/ Housing Authority	3/1/2011	7/1/2017	Housing Authority	Housing Authority 60 units of LMIH	Project No. 1	\$ 250,000	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000
5	Fee Offset Fund	4/1/2011	12/31/2013	SCM	Fee Offset for Sherman Ranch Subdiv	Project No. 1	\$ 125,000	\$ 125,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6	Loan from Stanislaus County for Plaza	1/1/2010	3/1/2018	Stanislaus County	Stanislaus Cnty Economic Dev Bank Loan	Project No. 1	\$ 300,000	\$ 60,000	\$ -	\$ -	\$ -	\$ -	\$ 60,000	\$ -	\$ 60,000
7	Employee Costs - Estimated	on going admin	Estimated 2028	Employees of Agency	Payroll Costs	Project No. 1	\$ 2,816,803	\$ 119,066	\$ -	\$ -	\$ -	\$ 59,533	\$ -	\$ -	\$ 59,533
8	Project Administration Costs - Estim	on going admin	Estimated 2028	City of Newman	Project Administration Costs - Gen Alloc	Project No. 1	\$ 606,010	\$ 25,616	\$ -	\$ -	\$ -	\$ 11,464	\$ -	\$ -	\$ 11,464
9	Audit and Financial Reports - Estim	on going admin	Estimated 2028	Clendenin Bird & Co., P.C.	Audit Services	Project No. 1	\$ 132,482	\$ 5,600	\$ -	\$ -	\$ -	\$ 5,600	\$ -	\$ -	\$ 5,600
10	Theatre Operation - Estimated	on going admin	Estimated 2028	City of Newman	Maintenance of Theatre	Project No. 1	\$ 201,089	\$ 8,500	\$ -	\$ -	\$ -	\$ 4,250	\$ -	\$ -	\$ 4,250
11	Property Tax Admin - Estimated	on going admin	Estimated 2028	Stanislaus County	Property Tax Admin for Collection	Project No. 1	\$ 564,373	\$ 23,856	\$ -	\$ -	\$ -	\$ 23,856	\$ -	\$ -	\$ 23,856
12	Industrial Park Oper - Estimated	on going admin	Estimated 2028	PG&E	Gas & Electric for Industrial Park	Project No. 1	\$ 82,801	\$ 3,500	\$ -	\$ -	\$ -	\$ 1,750	\$ -	\$ -	\$ 1,750

Name of Successor Agency:  
County:

Newman Redevelopment Successor Agency  
Stanislaus

Pursuant to Health and Safety Code section 34186 (a)  
PRIOR PERIOD ESTIMATED OBLIGATIONS vs. ACTUAL PAYMENTS  
RECOGNIZED OBLIGATION PAYMENT SCHEDULE (ROPS I)  
January 1, 2012 through June 30, 2012

Page/Form	Line	Project Name / Debt Obligation	Payee	Description/Project Scope	Project Area	LMIHF		Bond Proceeds		Reserve Balance		Admin Allowance		RPTTF		Other	
						Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual	Estimate	Actual
		<b>Grand Total</b>				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 109,950	\$ 89,697	\$ 843,832	\$ 64,289	\$ -	\$ -
ROPS	1	1997 Tax Allocation Bond	US Bank	Bond Payment	Project No. 1									\$ 253,579	\$ 64,289		
ROPS	2	ABX4-36 SERAF Payments	Newman LMIHF - 74	LMIHF loan to RDA from SERAF Payments	Project No. 1									\$ 177,740	\$ -		
ROPS	3	Borrowed Funds from Cash Pool	City of Newman	Negative cash Position	Project No. 1									\$ 252,513	\$ -		
ROPS	4	LMIH Project w/ Housing Authority	Housing Authority	Housing Authority 60 Units of LMIH	Project No. 1									\$ 50,000	\$ -		
ROPS	5	Fee Offset Fund	SCM	Fee Offset for Sherman ranch Subdiv	Project No. 1									\$ 50,000	\$ -		
ROPS	6	Loan from Stanislaus county for Plaza	Stanislaus County	Stanislaus Cnty Economic Dev. Bank Loan	Project No. 1									\$ 60,000	\$ -		
ROPS	7	Employee Costs	City of Newman	Payroll Costs	Project No. 1							\$ 53,796	\$ 41,879				
ROPS	8	Project Administration Costs	City of Newman	Project Administraion Costs - Gen Alloc	Project No. 1							\$ 35,880	\$ 42,129				
ROPS	9	Audit and Financial Reports	Ctendenin Bird & Co., P.C.	Audit Services	Project No. 1							\$ 3,000	\$ -				
ROPS	10	Theatre Operation	City of Newman	Maintenance of Theatre	Project No. 1							\$ 3,542	\$ 3,988				
ROPS	11	Property Tax Admin	Stanislaus County	Property Tax Admin for Collection	Project No. 1							\$ 11,782	\$ -				
ROPS	12	Industrial Park Oper	PG&E	Gas & Electric for Industrial Park	Project No. 1							\$ 1,950	\$ 1,701				

Honorable Chairman and Members of the  
Newman Redevelopment Successor Agency  
Oversight Board

**RESOLUTION NO. 2012- . APPROVING THE SALE OF REAL PROPERTY AND AUTHORIZING THE  
EXECUTIVE DIRECTOR TO EXECUTE THE REQUIRED DOCUMENTS**

**RECOMMENDATION:**

It is recommended that the Oversight Board adopt Resolution No. 2012- approving the terms for the sale of real property and authorize the Executive Director to execute the required documents.

**BACKGROUND:**

Pursuant to AB1X26, the Successor Agency is charged to “Dispose of assets and properties for the former Redevelopment Agency as directed by this Oversight Board. The disposal is to be done expeditiously and in a manner aimed at maximizing value.” The proposed buyer was in discussion with the Redevelopment Agency prior to the passage of AB1X26 to purchase said the property. However, a deal was not completed prior to its passage and the deal has been delayed.

The proposed buyer still remains interested in moving forward. In an effort to expedite the process, I recommended the buyer pay to have an appraisal prepared (attached). The proposed price for the sale is based upon this report.

**ANALYSIS:**

On July 10<sup>th</sup>, staff met with prospective buyer Ms. Carolyn Beach regarding the appraisal and structuring of a purchase agreement. Based upon this meeting, the buyer and staff are proposing the following terms of the purchase:

Purchase price:	\$290,000 (Appraised value)
Appraisal fee:	- <u>1,800</u>
Total purchase price	\$288,200
Down Payment	- <u>28,820</u>
Agency loan amount	\$259,380
Interest rate on loan	3.500%
Monthly payments	\$3,999.22
Balloon Payment Yr. 3	\$140,481.96
Total interest collected	\$21,074.66

The preceding terms show a three year loan agreement in which the buyer will pay full appraised value; minus the price of the appraisal. The buyer will provide a down payment equal to 10% of the total purchase price. In return, the Agency agrees to finance the remaining amount (\$259,380). The loan amount will be amortized over six years; with the buyer agreeing to make monthly payments in the amount of \$3,999.22 with a balloon payment of \$140,481.96 after three years. At the end of three years, the buyer has included language that would allow the agency to accept the balloon payment or continue to receive monthly payments for an addition three years. The amount of interested received with increase from \$21,074 to \$28,564 with the additional three years. Staff recommends accepting the balloon payment after three years, but keeping the language in the agreement that would allow for future consideration.

Details of the property are contained within the attached appraisal.

**CEQA**

The proposed Resolution does not commit the Oversight Board to any actions that may have a significant effect on the environment. As a result, this action does not constitute a project subject to the requirements of the California Environmental Quality Act.

**FISCAL IMPACT:**

There is no impact to the Oversight Board. No funds are involved with the approval of the ROPS.

**CONCLUSION:**

Staff recommends that the Oversight Board adopt Resolution No. 2012- approving the sale of real property and authorizing the Executive Director to execute all the documents necessary to complete the transaction.

**ATTACHMENTS:**

1. Resolution No. 2012-
2. Exhibit A – Property appraisal

Respectfully submitted,



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Michael E. Holland  
Executive Director

**RESOLUTION NO. 2012-**

**A RESOLUTION OF THE NEWMAN REDEVELOPMENT SUCCESSOR AGENCY  
OVERSIGHT BOARD APPROVING THE SALE OF REAL PROPERTY AND AUTHORIZING  
THE EXECUTIVE DIRECTOR TO EXECUTE THE REQUIRED DOCUMENTS**

WHEREAS, Pursuant to AB1X26, the Successor Agency is charged to "Dispose of assets and properties for the former Redevelopment Agency as directed by this Oversight Board.; and

WHEREAS, the Newman Redevelopment Successor Agency Oversight Board desires to sell certain property described as Merced County APN 054-220-0001 to Ms. Carolyn Beach; and

WHEREAS, the sale of said property will assist the Successor Agency in the disposal of assets and properties for the former Redevelopment Agency; and

NOW, THEREFORE BE IT RESOLVED that the Newman Redevelopment Successor Agency Oversight Board does hereby authorize the Executive Director to execute an agreement and other related documents with Ms. Carolyn Beach for the sale of Merced County APN 054-220-0001 real property.

The foregoing resolution was introduced at a regular meeting of the Newman Redevelopment Successor Agency Oversight Board held on the 9<sup>th</sup> of August, 2012 by Board Member \_\_\_\_\_, who moved its adoption, which motion was duly seconded and it was upon roll call carried and the resolution adopted by the following roll call vote:

AYES:

NOES:

ABSENT:

APPROVED:

\_\_\_\_\_  
Chairman of the Newman Redevelopment  
Successor Agency Oversight Board

ATTEST:

\_\_\_\_\_  
Secretary of the Newman Redevelopment  
Successor Agency Oversight Board

Summary Appraisal Report  
**3.36± Acres Vacant Industrial Land**  
**2161 L Street, Newman, CA 95360**

**Client**

Ms. Carolyn Beach  
 Westside Pallet, Inc.  
 2138 L Street  
 Newman, CA 95360

**Prepared By**

Erik Lundquist, Appraiser  
 2657 Heirloom Way  
 Roseville, CA 95747

**Date of Report** May 30, 2012



**Assignment Conditions**

<b>Intended Use</b>	Purchase negotiations	<b>Date of Inspection</b>	May 13, 2012
<b>Intended User</b>	Client only	<b>Date of As-Is Value</b>	May 13, 2012
<b>Assignment Objective</b>	Develop an opinion of Market Value (per Federal Register guidelines)	<b>Report Option</b>	Summary Appraisal Report, in accordance with Standards Rule 2-2(b) of USPAP
<b>Interest Valued</b>	Fee simple estate	<b>Approaches Utilized</b>	Sales comparison

**Value Conclusions**

**Market Value As-Is** **\$290,000**

*Value conclusion(s) based on the attached Scope of Work, Assumptions, Hypothetical Conditions, and Appraisal Definitions, as of the date of value stated above.*

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## Scope of Work

In preparing this appraisal, the appraiser did the following:

- Completed this analysis as an 'appraisal assignment', as defined by the Uniform Standards of Professional Appraisal Practice (USPAP).
- Inspected the subject property.
- Gathered subject information from city/county websites for assessment data, property taxes, zoning, earthquake zone, and flood zone.
- Gathered subject sales and listing history from MLS, Loopnet, Costar and/or public records.
- Gathered neighborhood and market data from a variety of sources, including personal inspection, brokerage reports, conferences, and market participant interviews.
- Determined the highest and best use of the subject as vacant.
- Gathered listing and sale data from a variety of sources, including Costar, Loopnet, MLS and/or public records; ensured all listings and sales were confirmed with at least one party to the transaction.
- Analyzed all relevant data and utilized the sales comparison approach to value. The cost and income capitalization approaches were excluded from the analysis, as the subject is vacant land and these approaches are not applicable. The cost and income capitalization approaches were not considered necessary to produce credible appraisal results.

## Extraordinary Assumptions & Hypothetical Conditions

This appraisal is made with the following extraordinary assumptions, which can impact the results of an appraisal:

- A preliminary title report was not provided for this report. As such, it is assumed no negative title issues affect the subject property. If this is not the case, the value conclusion(s) could be impacted.
- The subject property boundaries were not delineated during the site inspection, and could not precisely be determined. An engineer's map indicating the exact property boundaries was provided for the appraiser's review. It is assumed the subject boundaries generally coincide with the area viewed and photographed during the site inspection.

This appraisal is premised based on the following hypothetical conditions, defined by USPAP as 'that which is contrary to what exists, but is supposed for the purpose of the analysis':

- None

## Property Overview

<b>Property Type</b>	Industrial land	<b>Assessor's Parcel Number</b>	054-220-001
<b>Owner of Record</b>	City of Newman Redevelopment	<b>Land Area</b>	3.36± acres
<b>Census Tract Number</b>	20.00	<b>Highest and Best Use</b>	Hold for future industrial use
<b>Exposure Time</b>	6-12 months	<b>Interest Valued</b>	Fee simple

The subject property represents a vacant 3.36-acre site, without any onsite improvements and designated for industrial use. The subject is located along the west side of L Street, south of Inyo Avenue. While the subject is physically located in Merced County, all land use and zoning regulations are governed by the city of Newman in Stanislaus County, which is located immediately north. Adjacent uses along L Street are primarily industrial in nature. All utilities are available and underground in L Street, including public water, public sewer, electricity and phone.

According to public records, there have been no transfers of the property within the past three years. However, Westside Pallet (the property owner across the street) is currently negotiating with the owner to purchase the property. As of the date of this report, price and terms had yet to be determined.

## Aerial View



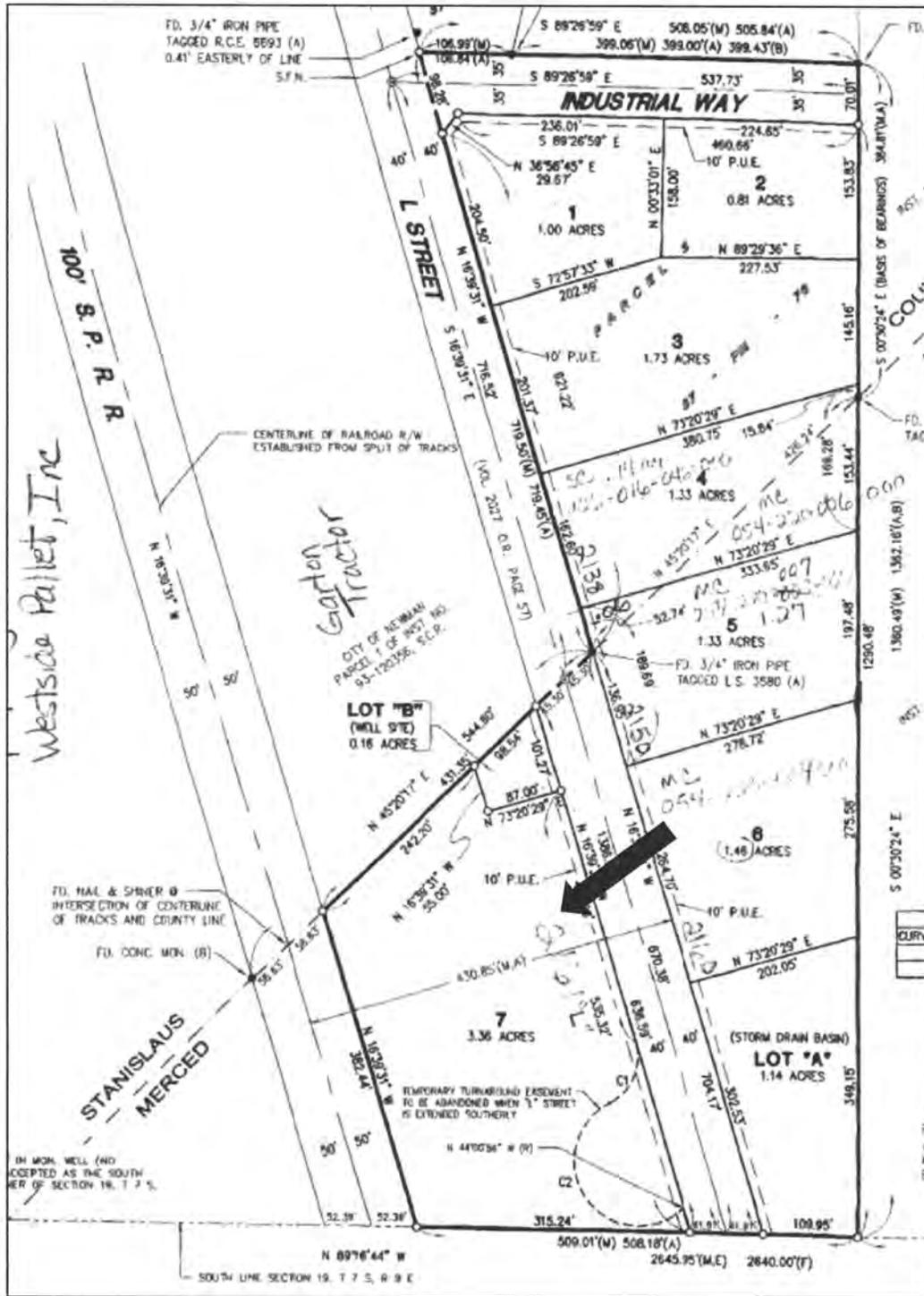
## Site Description

<b>Zoning</b>	HI	<b>Zoning Description</b>	Heavy Industrial
<b>Frontage/Visibility</b>	Average	<b>Legally Conforming?</b>	Yes
<b>Flood Zone</b>	X500 – outside the 100-yr floodplain (Panel 060388-0945E)	<b>Earthquake Zone</b>	Zone 3 – Moderate Seismic Activity
<b>Shape</b>	Rectangular	<b>Topography</b>	Level
<b>Utilities</b>	All public utilities available	<b>Offsite Improvements</b>	All installed (curb, gutter, sidewalks, street lights)

While the subject is physically located in Merced County, the property is under the zoning jurisdiction of the city of Newman (located adjacent and north of the subject). Merced County planning officials indicated the property is designated PD – Planned Development in the county, but all future improvements are governed by Newman zoning regulations. According to the city of Newman, the subject is designated Heavy Industrial in the City's General Plan. The purpose of the Heavy Industrial zone is to provide for manufacturing, processing, assembling, research, wholesale and storage uses, trucking terminals, railroad facilities, public and quasi-public uses, and similar and compatible uses. New industrial development shall be accommodated in planned industrial parks, with the exception of infill and reuse in existing industrial areas. The FAR of new development shall not exceed 0.40.

No negative attributes are noted with the subject site; visibility and accessibility are both average along the west side of L Street, with access to Highway 33 immediately north via Inyo Avenue. The property is located amongst industrial development.

Engineer's Map



### Property Taxes and Assessment Data

<b>Parcel Number</b>	<b>054-220-001</b>
<b>Assessed Land Value</b>	\$0
<b>Assessed Improvement Value</b>	\$0
<b>Total Assessed Value</b>	\$0
<b>Taxes</b>	\$141.44 (Special Assessments only)
<b>Base Tax Rate (2011-2012)</b>	1.1796%

The subject property is currently owned by the City of Newman, and as such, does not pay property taxes. If the parcel was to transfer to a private party, the property would be assessed at market value and taxed at the current rate.

### Highest & Best Use – As Vacant

<b>Legal Permissibility</b>	Industrial development only, in concert with the Heavy Industrial zoning requirements. Likelihood of a zoning change is remote.
<b>Physically Possible</b>	All legally permissible uses are physically possible, as the site is level, has average accessibility, no adverse soil or drainage conditions, and has an adequate size and shape for industrial uses.
<b>Financially Feasible</b>	Industrial uses are currently overbuilt in the subject submarket, with declining rental rates and sale prices. Due to oversupply and construction costs that exceed sale prices, development at this time is not financially feasible.
<b>Maximally Productive</b>	Hold for future industrial development

## Regional Overview

While the subject is physically located in Merced County, it is effectively in the city of Newman. As such, our analysis considers Newman and Stanislaus County as the subject's market area.

Stanislaus County encompasses approximately 1,494 square miles, bordered by Merced County to the south and San Joaquin County to the north. Stanislaus County is one the leading agricultural areas in the Central Valley, and has a population of 514,453 (as of 2010). The topography of the region includes mostly flat land along the valley floor, but also includes rolling hills along the western and eastern boundaries of the county.

The county has been one of the fastest-growing areas in the United States over the past 30 years, with growth of 14% since 2000 and 22% between 1990 and 2000. Most of this growth has occurred in the cities of Modesto and Turlock, with additional growth seen in Ceres, Oakdale, Newman and Riverbank.

Stanislaus County is predominated by agricultural land use characterized with dairies, irrigated field crops and orchards (mostly almonds). Both full and part-time farming units are found in the area as well as semi-rural home sites. Rural residential use is favorable in the area due to the close proximity of Turlock, Ceres and Modesto to most points within the county. These cities are the main population centers of the area that provide off farm employment, health services, and churches, residential housing and shopping complexes. Modesto is the county's largest city, with a population of 201,165 as of 2010. The City of Turlock is the second largest city in Stanislaus County with a population that has grown steadily from 13,992 in 1970 to over 69,000 today, and is home to California State University Stanislaus (CSUS).

For many years Stanislaus County has been one of the leading counties in California in estimated value for farm products. A nine-year record is as follows:

Year	Total	\$ Change	% Change
2009	\$2,310,070,000	(\$163,773,000)	-7.09%
2008	\$2,473,843,000	\$52,193,000	2.11%
2007	\$2,421,650,000	\$273,498,000	11.29%
2006	\$2,148,152,000	\$170,557,000	7.94%
2005	\$1,977,595,000	(\$839,000)	-0.04%
2004	\$1,978,434,000	\$523,502,000	26.46%
2003	\$1,454,932,000	\$86,961,000	5.98%
2002	\$1,367,971,000	\$14,671,000	1.07%
2001	\$1,353,300,000	N/A	N/A

\*Stanislaus County Agricultural Commissioner's Office – 2009 Crop Report

While agriculture provides for the county's financial base, Stanislaus County has a broad range of related and non-related industries. Those sectors which strongly depend on agriculture, such as food processing, wholesale trade, and transportation, have also seen rapid expansion. At the same time, nonagricultural related activities, such as educational institutions, federal defense installations, warehouse/distribution centers, and numerous service industries, have contributed to the county's stability and growth.

Stanislaus County is an integral part of California's and the United States' agricultural base. While unemployment is typically higher than urbanized areas, the county fares better than most other agricultural communities. Several geographical, social and economic advantages have induced businesses and residents to relocate to the region from other parts of the state and nation. Beyond the current downturn, the long-term outlook for the region is good.

## Neighborhood & Market Overview

<b>Region</b>	San Joaquin/Stanislaus	<b>County</b>	Stanislaus
<b>Submarket Unemployment</b>	16.1%	<b>Primary Job Sectors</b>	Agriculture, Services

Newman has an estimated population of 10,224 persons (as of 2010) and has grown at a fairly rapid rate of 4.4% from 2000 through 2010. Much of this growth is due to the city's commuter location for the South Bay Area and much more affordable housing. The area's residential growth has occurred primarily in the northern portion of the city.

As of 2009, Newman's median household income was \$39,460, which was somewhat lower than the state median of \$47,493. According to DataQuick Information Services, the median resale home price in Newman was \$110,000 in the year 2011, which was about 10% lower than the prior year and about 15% lower than the county median of \$130,000. Prices are have stabilized somewhat over the past several months; however, significant bank-owned inventory continues to drive prices lower.

The immediate neighborhood includes mostly industrial properties along L Street, with commercial uses concentrated to the northwest along Highway 33 and Main Street. The subject owner (Westside Pallet) operates three warehouse facilities along L Street, and is one of the primary businesses in the city. Downtown Newman is located less than ½ mile northwest of the subject, concentrated within a three-block portion of Main Street. A tour of downtown Newman indicated very little vacancy, with an estimated 90%+ occupancy rate for retail and office properties.

No formal survey information is available for Newman industrial market. Occupancy in the city appears to be high, with only one small building observed for rent (in the northern portion of town). Market participants have stated that overall vacancy in the county has been stabilizing, following a period of significant contraction. Prices are continuing to be driven downward, due mostly to bank-owned inventory and distressed/high vacancy properties entering the market. In turn, land values have continued to decline over the past few years, as oversupply in the market has eliminated all new development other than a handful of build-to-suit projects.

Industrial rental rates in the area are lower than more urbanized areas, due to lower demand and a predominantly older building supply. Rents for industrial properties in the area typically range from \$0.20 psf/month, gross, for older buildings in fair condition, to \$0.75 psf/month, gross, for newer properties with good visibility. Upon development, the subject could be expected to compete favorably with other similarly-sized industrial buildings in the area, given its location near other industrial development and the limited supply in Newman.

Overall, the subject's area is considered average for industrial uses, which is expected to remain relatively stable in the near term. Downward pricing pressure may continue to occur with both improved properties and vacant land as more foreclosed properties become available.

**Subject Photos**



View of subject facing south



View of subject facing west



Southern portion of subject



Looking north along L Street

## Sales Comparison Approach

In the sales comparison approach, the market value of the subject property is estimated by a comparison to similar properties that have recently sold, are listed for sale, or are under contract. The underlying premise of the sales comparison approach is the market value of a property is directly related to the price of comparable, competitive properties in the marketplace. The following sales are the most recent transactions considered to be reasonably similar to the subject.

### Comparable Sales Summary

	<b>Subject</b>	<b>Sold Comp 1</b>	<b>Sold Comp 2</b>	<b>Sold Comp 3</b>	<b>Sold Comp 4</b>	<b>List Comp 1</b>
<b>Street Address</b>	2161 L Street Newman, CA 95360	Keystone & Baldwin Patterson, CA 95363	Liberty & Tenger Turlock, CA 95380	Technology & Ward Los Banos, CA 93635	Bridget & Winton Winton, CA 95340	Wardrobe & Beechcraft Merced, CA 95341
<b>APN</b>	054-220-001	021-085-006	044-066-007 thru -010	084-250-016	147-190-019	059-132-006
<b>Sale Price</b>	--	\$610,000	\$220,000	\$210,000	\$425,000	\$450,000
<b>Land Area (acres)</b>	3.36	5.29	2.04	1.99	2.70	5.30
<b>Land Area (SF)</b>	146,362	230,432	88,862	86,684	117,612	230,868
<b>Sale Price psf</b>	--	\$2.65	\$2.48	\$2.42	\$3.61	\$1.95
<b>Sale Date</b>	--	January-12	June-11	October-10	July-10	Listing
<b>Transaction Characteristics</b>						
<b>Property Rights</b>	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
<b>Adjustment</b>						
<b>Financing Terms</b>	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent	Cash Equivalent
<b>Adjustment</b>						
<b>Conditions of Sale</b>	Market	Market	REO	Market	Market	Market
<b>Adjustment</b>			5%			
<b>Market Conditions</b>	May-12	January-12	June-11	October-10	July-10	Listing
<b>Adjustment</b>			-10%	-20%	-20%	-5%
<b>Physical Characteristics</b>						
<b>Location</b>	Average	Superior	Superior	Similar	Sl. Superior	Sl. Superior
<b>Adjustment</b>		-10%	-10%		-5%	-5%
<b>Visibility/Accessibility</b>	Average	Superior	Similar	Similar	Sig. Superior	Similar
<b>Adjustment</b>		-10%			-20%	
<b>Land Area (acres)</b>	3.36	5.29	2.04	1.99	2.70	5.30
<b>Adjustment</b>						
<b>Offsite Improvements</b>	All to Site	Similar	Similar	Similar	Similar	Similar
<b>Adjustment</b>						
<b>Onsite Improvements</b>	None	Similar	Similar	Similar	Similar	Similar
<b>Adjustment</b>						
<b>Zoning</b>	H1, Industrial	WPIBP, Industrial	PI, Industrial	M1, Industrial	M1, Industrial	IL, Industrial
<b>Adjustment</b>						
<b>Net Adjustment</b>		-20%	-15%	-20%	-45%	-10%
<b>Adjusted Value (psf)</b>		\$2.12	\$2.10	\$1.94	\$1.99	\$1.75
<b>Similarity to Subject</b>		Average	Average	Average	Average	Average
<b>Value Conclusion (psf)</b>	\$2.00					
<b>Value Conclusion (rd)</b>	\$290,000					

## Sales Comparison Approach



**Sold Comp 1**  
**Northwest Quadrant of Keystone Parkway & Baldwin Road, Patterson, CA**

Buyer	Cynthia Birmingham
Seller	Warren Trust
Confirmation	Public records
Document Number	005227
APN	021-085-006
Sale Date	1/20/2012
Sale Price	\$610,000 (\$2.65 psf)
Land Area	5.29± acres

This comparable is located in the Keystone Pacific Business Park in west Patterson. The property is approximately one mile east of Interstate 5, and is adjacent to a recently completed Kohl's Distribution Center. All utilities and offsite improvements have been completed, and the site is ready for vertical construction. The parcel is now being listed for sale at \$5.25 per square foot; it is unknown if the buyer's intention was to develop the property or to resell immediately.



**Sold Comp 2**  
**South Side of Liberty Square Parkway, East of Tenger Road, Turlock, CA**

Buyer	SAMA Properties, LLC
Seller	RM-J Partnership
Confirmation	Listing broker
Document Number	045963
APN	044-066-007 thru -010
Sale Date	6/1/2011
Sale Price	\$220,000 (\$2.48 psf)
Land Area	2.04± acres

Located ½ mile south of Main Street and two miles west of Highway 99 in Turlock, this comparable represents four contiguous lots within a small newer industrial development. The lots were originally marketed separately for \$55,000 each; the buyer plans to develop all four as a single owner-user property. All offsite improvements were in place at the time of sale.

## Sales Comparison Approach



**Sold Comp 3**  
**North Side of Technology Drive, East of Ward Road,  
 Los Banos, CA**

Buyer	Elizabeth Laplante (et al)
Seller	Carlos & Julia Orta
Confirmation	Public records
Document Number	39891
APN	084-250-016
Sale Date	10/13/2010
Sale Price	\$210,000 (\$2.42 psf)
Land Area	1.99± acres

This comparable is located in the eastern portion of Los Banos, one block south of Highway 152. The property has all offsite improvements in place. The buyers have now listed the property for sale at \$237,000 (\$2.73 per square foot).



**Sold Comp 4**  
**South Side of Bridget Street, East of Winton Way,  
 Winton, CA**

Buyer	Central Valley Opportunity Center, Inc.
Seller	Webb Family Trust
Confirmation	Buyer representative3
Document Number	27297
APN	147-190-019
Sale Date	7/20/2010
Sale Price	\$425,000 (\$3.61 psf)
Land Area	2.70± acres

Located just south of Santa Fe Drive in Winton, this comparable is zoned industrial but is located adjacent to commercial development. The buyers intend to construct a learning center on the property, which is allowable within the industrial zone but more of a commercial/industrial use. All offsite improvements were in place at the time of sale.

## Sales Comparison Approach



### List Comp 1

North Side of Wardrobe Avenue, East of Beechcraft Avenue, Merced, CA

Buyer	N/Ap (Listing)
Seller	Melton & Olmsted, Inc.
Confirmation	Listing broker
Document Number	N/Ap (Listing)
APN	059-132-006
Sale Date	Listing
List Price	\$450,000 (\$1.95 psf)
Land Area	5.30± acres

This comparable is located in a large industrial area near the Merced Airport and approximately one mile south of Highway 99. The property is currently being listed for sale for \$1.95 per square foot; the list price was recently reduced from \$494,000 (\$2.14 psf) after receiving minimal interest. The sellers purchased the property in July 2004 for \$1.80 per square foot. All offsite improvements are installed at the property.

## Sales Comparison Approach

### Discussion of Adjustments

#### Property Rights Conveyed

The fee simple market value of the subject is estimated in this appraisal. To the best of our knowledge, all of the comparables represent similar fee simple transactions. No adjustments are necessary for property rights conveyed.

#### Financing Terms

The market valuation of the subject property assumes cash or cash equivalent financing. All of the comparable sales were all cash to the seller or cash equivalent transactions. No favorable financing was involved with any of the sales. As a result, none of the comparables is adjusted for financing.

#### Conditions of Sale

The confirming parties stated all of the closed sales represent arm's-length market transactions, with no unusual circumstances or motivations. However, Sale 2 was lender-owned at the time of transfer and was adjusted upward to account for the additional risk associated with REO properties (as-is sale, limited or no contingency period, etc). It is noted that the local industrial market is dominated by bank-owned properties. As such, the adjustment for this factor is relatively small.

#### Market Conditions

An adjustment for changes in market conditions was analyzed. In recent quarters there has been some decline in industrial land values in the Central Valley region, following a period of strong growth from 2001 through 2006 (as discussed earlier in this report). Sale 1 transferred four months prior to the date of value and did not require a market conditions adjustment. However, Sales 2, 3 and 4 transferred between July 2010 and June 2011, and were adjusted downward to reflect the superior market conditions at the time of sale. As the current listing price of Sale 3 indicates, the industrial land market has seen fairly significant declines over the past two years. As such, the 2010 sales received a large downward adjustment. List Comp 1 was adjusted downward as most similar properties sell at a discount relative to their asking price.

#### Location

The subject property is considered to possess an average location for industrial land in comparison to the larger regional area. The subject is located amongst primarily industrial development, but is in a small town with minimal industrial uses. Most of the comparables are considered to have generally superior locations amongst larger industrial developments in larger cities; Sales 1, 2, 4 and 5 were all adjusted downward for their superior locations.

#### Accessibility/Visibility

The subject property has average accessibility/visibility along L Street in Newman. Sales 2, 3 and List Comp 1 have generally similar accessibility/visibility near major transportation routes and along secondary roadways. However, Sales 1 and 4 have superior visibility along primary roadways and/or adjacent to highly visible commercial uses. The two comparables were adjusted downward for their superior visibility.

**Land Area**

Land area differences between properties affect the prices per square foot due to the economies of scale associated with larger parcels. That is, all else being equal, larger parcels tend to sell for less per square foot than smaller parcels. The subject property contains 3.36± acres of land area. While the comparables range from 1.99± to 5.30± acres, they are all relatively similar to the subject and did not require adjustment.

**Offsite Improvements**

The subject has all necessary offsite improvements in place, including underground utilities in L Street, paved roads, curbs and gutters. All of the comparables are similarly finished industrial sites, ready for development. No adjustments were required for this factor.

**Onsite Improvements**

Neither the subject nor the comparables have onsite improvements; no adjustments were necessary.

**Zoning**

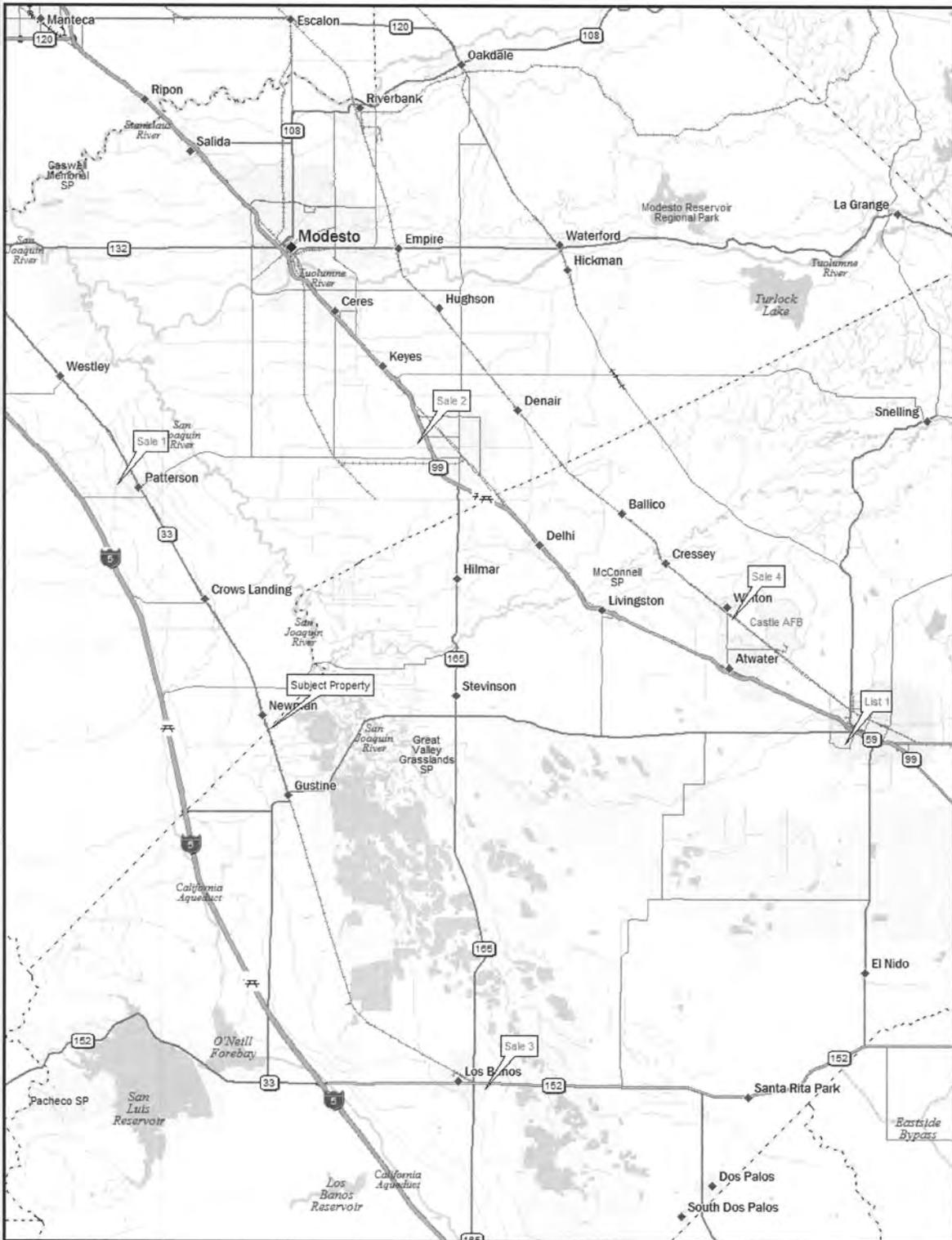
The subject is zoned HI, Heavy Industrial by the city of Newman. All of the comparable have similar industrial zoning and were not adjusted for this factor.

**Market Value Conclusion**

The market data set involves four closed sales and one current listing of properties considered to be reasonable indicators of value for the subject property. The adjustment grid on the preceding page illustrates the quantitative adjustments applied to the market data in order to equate with the subject. The adjusted value range narrowed in comparison to the unadjusted range, to \$1.75 to \$2.12 per square foot. All of the sales required adjustment; however, they were all located in relatively close proximity to the subject and resulted in a narrow adjusted range.

Considering the adjusted range of the value set, a unit value of \$2.00 per square foot is considered reasonable for the subject property. This results in a market value estimate via the sales comparison approach of **\$290,000** (\$2.00 psf x 146,362 SF = \$292,724, rounded to \$290,000).

Comparables Map



## Certification Statement

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

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have not performed any valuation services for the subject property during the three years prior to the date of value noted in this report.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.
- I certify that my State of California general real estate appraisal license has never been revoked, suspended, cancelled or restricted.
- I have the knowledge and expertise to complete this appraisal assignment and have appraised similar properties in the past.



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Erik B. Lundquist, Appraiser  
State Certification No: AG036734 (Expires: March 17, 2013)

## General Assumptions and Limiting Conditions

- No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- No responsibility is assumed for matters of law or legal interpretation.
- The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
- The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.
- It is assumed there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- It is assumed the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
- It is assumed the property conforms to all applicable zoning and use regulations and restrictions unless nonconformity has been identified, described and considered in the appraisal report.
- It is assumed all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- It is assumed the use of the land and improvements is confined within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted in the report.
- The appraiser is not qualified to determine the existence of mold, the cause of mold, the type of mold or whether mold might pose any risk to the property or its inhabitants. Additional inspection by a qualified professional is recommended.
- Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.
- The Americans with Disabilities Act (ADA) became effective January 26, 1992. I (we) have not made a specific survey or analysis of this property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.
- The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.
- The liability of the appraiser in this work is limited to the amount of compensation for the work performed in this assignment.
- Acceptance and/or use of the appraisal report constitutes acceptance of all assumptions and limiting conditions stated in this report.
- This appraisal report is prepared for the exclusive use of the appraiser's client. No third parties are authorized to rely upon this report without the express consent of the appraiser.

## Glossary of Terms

Definitions are from the following sources: Dictionary of Real Estate Appraisal, 4<sup>th</sup> Edition ('Dictionary'); Urban Land Institute ('ULI'); Appraisal of Real Estate, 13<sup>th</sup> Edition ('13<sup>th</sup> Edition'); Marshall Valuation Service ('MVS').

### Accrued Depreciation

The difference between the reproduction or replacement cost of the improvements on the effective date of the appraisal and the market value of the improvements on the same date. (*Dictionary*)

### Common Area

The total area within the shopping center that is not designed for rental to tenants but that is available for common use by all tenants or groups of tenants, their invitees, and adjacent stores. Parking and its appurtenances, malls, sidewalks, landscaped areas, public toilets, truck and service facilities, and the like are included in the common area. (*ULI*)

### Common Area Charges

Income collected from tenants for operating and maintenance items pertaining to the common areas. (*ULI*)

### Deferred Maintenance

Curable, physical deterioration that should be corrected immediately, although work has not commenced; denotes the need for immediate expenditures, but does not necessarily suggest inadequate maintenance in the past. (*Dictionary*)

### Direct Capitalization

The capitalization method used to convert an estimate of a single year's income expectancy or an annual average of several years' income expectancies into an indication of value in one step, either by dividing the income estimate by an appropriate rate or by multiplying the income estimate by an appropriate factor. (*Dictionary*)

### Discounted Cash Flow (DCF) Analysis

The procedure in which a discount rate is applied to a set of projected income streams and a reversion. The analyst specifies the quantity, variability, timing, and duration of the income streams as well as the quantity and timing of the reversion and discounts each to its present value at a specified yield rate. DCF analysis can be applied with any yield capitalization technique and may be performed on either a lease-by-lease or aggregate basis. (*Dictionary*)

### Disposition Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale will occur within a limited future marketing period specified by the client;
2. The actual market conditions currently prevailing are those to which the appraised property interest is subject;
3. The buyer and seller is each acting prudently and knowledgeably;
4. The seller is under compulsion to sell;
5. The buyer is typically motivated;
6. Both parties are acting in what they consider their best interests;
7. An adequate marketing effort will be made in the limited time allowed for the completion of a sale;
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto;
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (*Dictionary*)

### Effective Date

The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. (*Dictionary*)

### Entrepreneurial Incentive

The amount that an entrepreneur expects or wants to receive as compensation for providing coordination and expertise and assuming the risks associated with the development of a project. Entrepreneurial incentive is an amount anticipated, prior to development, whereas entrepreneurial profit is an amount earned, estimated after completion. (*13th Edition*)

## Glossary of Terms

### Entrepreneurial Profit

A market-derived figure that represents the amount an entrepreneur receives for his or her contribution to a project and risk; the difference between the total cost of a property (cost of development) and its market value (property value after completion), which represents the entrepreneur's compensation for the risk and expertise associated with development. *(Dictionary)*

### Excess Land; Surplus Land *(Dictionary)*

**Excess Land:** In regard to an improved site, the land not needed to serve or support the existing improvement. In regard to a vacant site or a site considered as though vacant, the land not needed to accommodate the site's primary highest and best use. Such land may be separated from the larger site and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement.

**Surplus Land:** Land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Such land may or may not contribute positively to value and may or may not accommodate future expansion of an existing or anticipated improvement.

### Exposure Time

The time a property remains on the market. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions. *(Dictionary)*

### Fee Simple Estate

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

### Floor Area Ratio (FAR)

The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area. *(Dictionary)*

### Gross Building Area (GBA)

The total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls; includes both the superstructure floor area and substructure or basement area. *(Thirteenth Edition)*

### Gross Leasable Area (GLA)

The total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines, and measured from the center of interior partitioning to outside wall surfaces; the standard measure for determining the size of shopping centers where rent is calculated based on the GLA occupied. The area for which tenants pay rent. *(Dictionary)*

### Highest and Best Use

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

## Glossary of Terms

### Insurable Value

Value used by insurance companies as the basis for insurance. Often considered to be replacement or reproduction cost plus allowances for debris removal or demolition less deterioration and noninsurable items. Sometimes cash value or market value, but often entirely a cost concept. *(MVS)*

### Leased Fee Interest

An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the lessee are specified by contract terms contained within the lease. *(Dictionary)*

### Leasehold Interest

The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions. *(Dictionary)*

### Liquidation Value

The most probable price that a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale will occur within a severely limited future marketing period specified by the client;
2. The actual market conditions currently prevailing are those to which the appraised property interest is subject;
3. The buyer is acting prudently and knowledgeably;
4. The seller is under extreme compulsion to sell;
5. The buyer is typically motivated;
6. The buyer is acting in what he or she considers his or her best interest;
7. A limited marketing effort and time will be allowed for the completion of a sale;
8. Payment will be made in cash in U.S. dollars or in terms of financial arrangements comparable thereto;
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. *(Dictionary)*

### Market Rent

The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the typical lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs). *(Thirteenth Edition)*

### Market Value

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

*(Dictionary; 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)*

## Glossary of Terms

### Marketing Time

The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by concurrent market conditions. *(Dictionary)*

### Overage Rent

The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakeven sales volume. *(Dictionary)*

### Percentage Rent

Rental income received in accordance with the terms of a percentage lease; typically derived from retail store and restaurant tenants and based on a percentage of their retail sales. *(Dictionary)*

### Prospective Value Opinion

A forecast of the value expected at a specified future date. A prospective value opinion is most frequently sought in connection with real estate projects that are proposed, under construction, or under conversion to a new use, or those that have not achieved sellout or a stabilized level of long-term occupancy at the time the appraisal report is written. *(Dictionary)*

### Replacement Cost

The estimated cost to construct, at current prices as of the effective appraisal date, a building with utility equivalent to the building being appraised, using modern materials and current standards, design and layout. *(Dictionary)*

### Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, superadequacies, and obsolescence of the subject building. *(Dictionary)*

### Stabilized Occupancy

Occupancy at that point in time when abnormalities in supply and demand or any additional transitory conditions cease to exist and the existing conditions are those expected to continue over the economic life of the property; the optimum range of long-term occupancy which an income-producing real estate project is expected to achieve under competent management, after exposure for leasing in the open market for a reasonable period of time at terms and conditions comparable to competitive offerings. *(Dictionary)*

### Value As Is

The value of specific ownership rights to an identified parcel of real estate as of the effective date of the appraisal; relates to what physically exists and is legally permissible and excludes all assumptions concerning hypothetical market conditions or possible rezoning. *(Dictionary)*

### Yield Capitalization

A capitalization method used to convert future benefits to present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that reflects the investment's income pattern, value change, and yield rate. *(Dictionary)*