

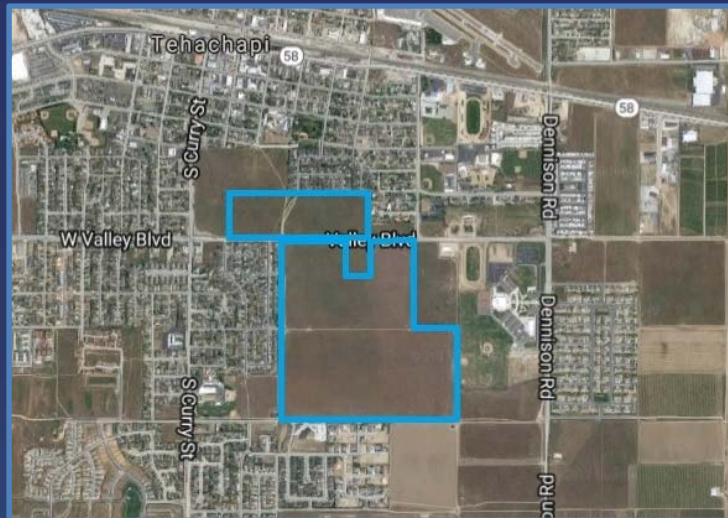


**Valbridge**  
PROPERTY ADVISORS

## Appraisal Report

Transitional Land  
NEC of Cummings Valley Blvd.  
Tehachapi, Kern County, California 93561

Report Date: August 8, 2017



FOR:

Greenbriar Capital Corp.  
9 Landport  
Newport Beach, CA 92660

**Valbridge Property Advisors |  
Michael Burger and Associates**

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Valbridge File Number:  
CA08-17-505



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valbridge.com

August 8, 2017

Greenbriar Capital Corp.  
9 Landport  
Newport Beach, CA 92660

RE: Appraisal Report (CA08-17-505)  
Cummings Valley Blvd.  
Tehachapi, Kern County, California 93561

Dear Jeff Ciachurski, CEO:

In accordance with your request, we have prepared an appraisal of the above-referenced property. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to our value opinions.

The subject property, as referenced above, is located along the north and south sides of Cummings Valley Blvd., east of Curry St., and further identified as Assessor Parcel Numbers (APN) 415-012-14; and 417-012-01, 25, 27, 28. The site contains approximately 160.88 acres.

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of the client as we understand them.

Greenbriar Capital Corp. and Captiva Verde Land Corp. are the clients in this assignment. Greenbriar Capital Corp., Toronto Stock Exchange, Greenbriar Capital Corporation Shareholders and Captiva Verde Land Corp. Shareholders are the intended users of this report. The intended use is described as internal planning. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

If there are extraordinary assumptions or hypothetical conditions used in this report, the use of which might have affected the assignment results. The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are contingent on the following extraordinary assumptions:

**Extraordinary Assumptions:**

- An environmental site assessment was not provided. For purposes of this appraisal, it is assumed no hazardous-toxic material contamination has occurred. Therefore, the cost of clean-up, encasement or removal and its effect on value, have not been considered. Furthermore, no consideration has been given in the appraisal to the value, if any, attributable to current crops growing or mineral rights.


**Hypothetical Conditions:**

- None


Based on the analysis contained in the following report, our as-is market value conclusion involving the subject property, as of July 18, 2017 with an exposure time of twelve-months, is summarized as follows:

<b>Value Conclusions</b>	
<b>As Is</b>	
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	July 18, 2017
<b>Value Conclusion</b>	<b>\$4,600,000</b>
	<b>\$28,593 Per Acre</b>

Respectfully submitted,  
Valbridge Property Advisors | Michael Burger and Associates



Michael C. Burger, MAI, R/W-AC  
Senior Managing Director  
California License #AG003817  
License Expires May 17, 2018



Michael P. Tiede  
Appraiser  
California License #AG041652  
License Expires November 28, 2018

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# Summary of Salient Facts

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## Summary of Salient Facts

### Property Identification

Property Name	Transitional Land
Property Address	Cummings Valley Blvd. Tehachapi, Kern County, California 93561
Census Tract	0061.00
Assessor's Parcel Number	415-012-14; 417-012-01, 25, 27, 28
Property Owner	Greenbriar Capital (U.S.), LLC

### Site

Zoning	Neighborhood General (T4)
General Plan	T-4
FEMA Flood Map No.	06029C2839E, 06029C3250E
Flood Zone	X
Primary Land Area	160.88 acres

### Valuation Opinions

Highest & Best Use - As Vacant	Residential: Single and Multifamily
Reasonable Exposure Time	12 months

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### Value Conclusions

	As-Is
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	July 18, 2017
<b>Value Conclusion</b>	<b>\$4,600,000</b>

---

### Extraordinary Assumptions:

- An environmental site assessment was not provided. For purposes of this appraisal, it is assumed no hazardous-toxic material contamination has occurred. Therefore, the cost of clean-up, encasement or removal and its effect on value, have not been considered. Furthermore, no consideration has been given in the appraisal to the value, if any, attributable to current crops growing or mineral rights.

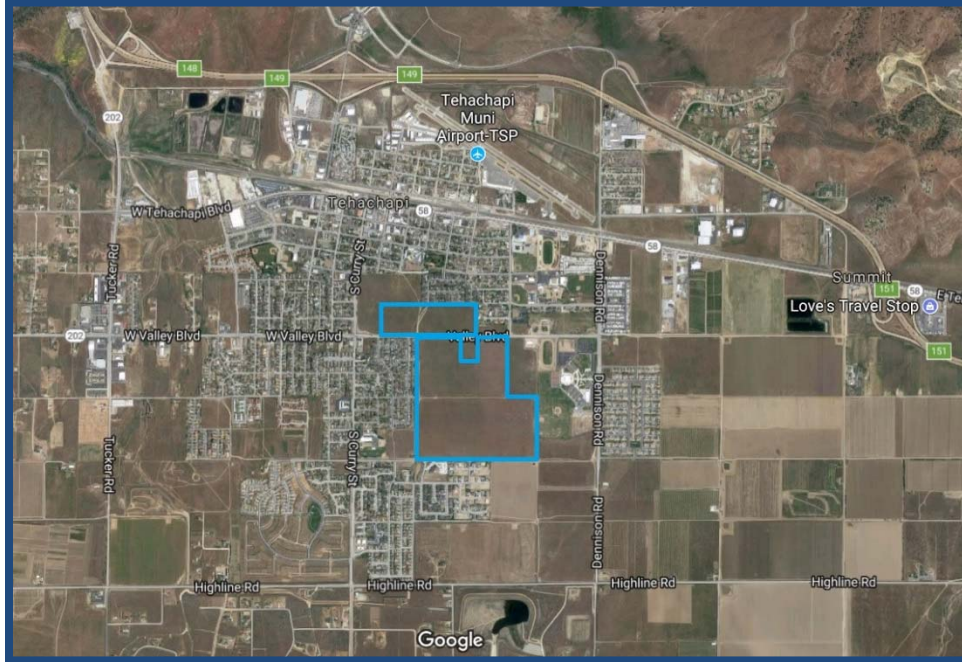
### Hypothetical Conditions:

- None

# Aerial and Front Views

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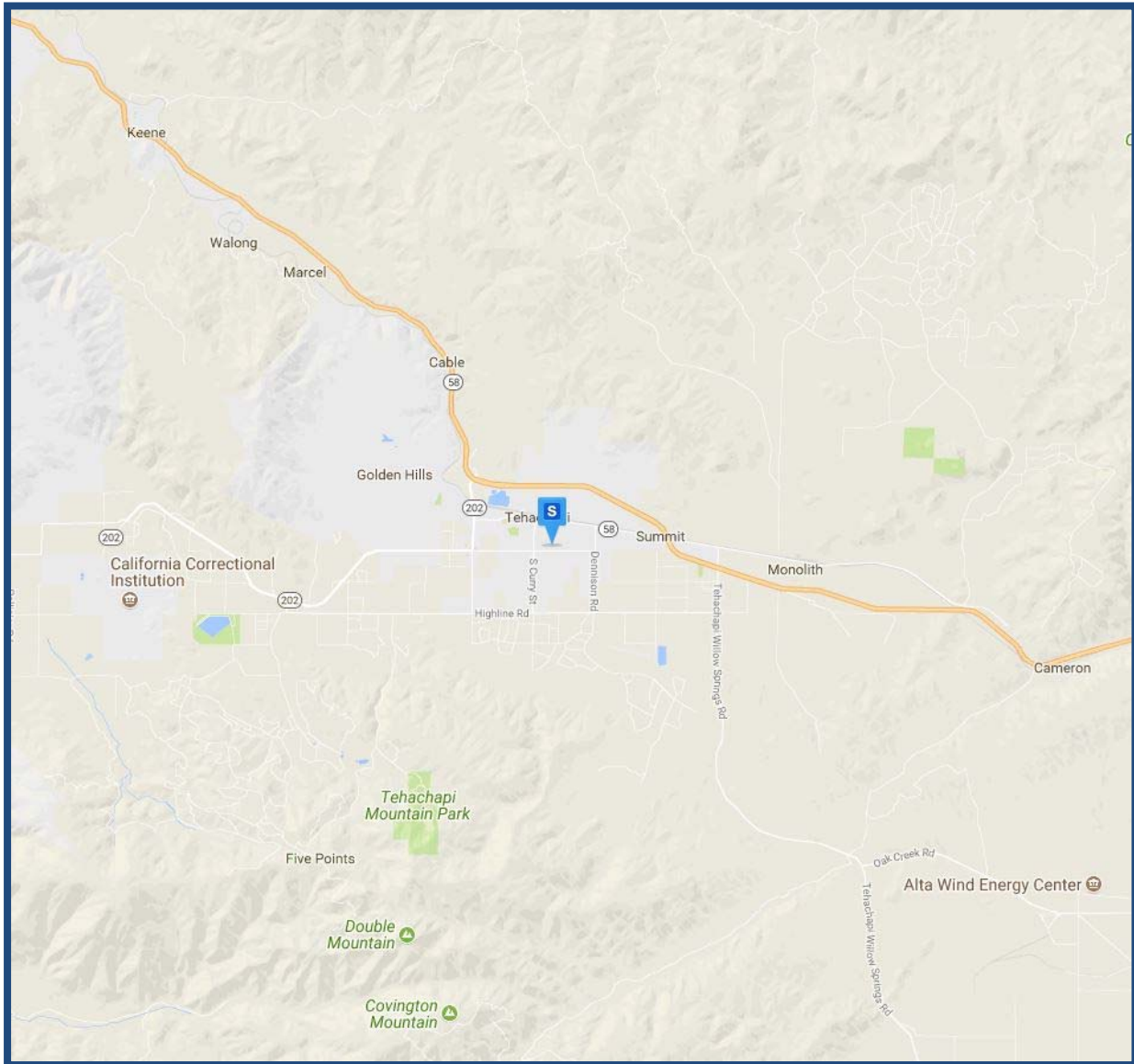
**AERIAL VIEW**



**FRONT VIEW**



# Location Map



# Introduction

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## Client and Intended Users of the Appraisal

The client in this assignment is Greenbriar Capital Corp. and Captiva Verde Land Corp. The intended users of this report are Greenbriar Capital Corp., Toronto Stock Exchange, Greenbriar Capital Corporation Shareholders, and Captiva Verde Land Corp. Shareholders.

## Intended Use of the Appraisal

The intended use of this report is described as internal planning.

## Real Estate Identification

The subject property is located along the north and south sides of Cummings Valley Blvd., Tehachapi, Kern County, California 93561. The northerly parcel containing 28.75 acres along the north side of Valley Blvd., east of South Curry St., west of South Snyder Ave., and along the south side of Holly Dr. The four parcels totaling 132.13 acres are along the south side of Valley Blvd., east of South Curry St., west of Dennison Rd., and along the north side of Pinon St. It is also 0.5 mile south of Tehachapi Blvd., and 1 mile south of Hwy. 58. The subject property is further identified as Assessor Parcel Numbers 415-012-14; and 417-012-01, 25, 27, 28.

## Legal Description

Portion of the Southwest  $\frac{1}{4}$  of Section 21, Township 32 South, Range 33 East, M.D.B.M, City of Tehachapi, County of Kern, California

## Use of Real Estate as of the Effective Date of Value

As of the effective date of the appraisal, the subject was vacant land zoned for residential use.

## Use of Real Estate as of the Date of this Report

Same as above.

## Ownership

According to public records, the property is vested in Greenbriar Capital (U.S.), LLC.

## Sales History

The property has been under common ownership for over 5 years.

The property was acquired by Tehachapi ET Ventures, LLC on June 7, 2004, with entities consisting of Empire Development and Tower Investments. Empire Development filed for bankruptcy and the property transferred to Marks & Kilkenny, LLC, which is related to Tower Investments, on March 19, 2010. Greenbriar Capital (U.S.), LLC purchased the subject property on September 27, 2011, for \$1,040,000, or \$6,464/acre. Reportedly, the property was not actively marketed but negotiated with the buyer for approximately six months.

Tehachapi ET Ventures obtained approval on APN 415-012-14 (Site 1) for Tentative Tract 6909 containing 88 single family lots. Tehachapi ET Ventures obtained approval on APN 417-012-01 and



25-27 (Site 2) for Tentative Tracts 6218, containing 428 lots/units, and 6723, containing 173 single family lots. According to the Tehachapi Planning Department, the tentative maps are originally approved for two years, requiring one year extensions thereafter. Reportedly, the tentative maps related to the subject property have expired.

Since acquisition, the owner partnered with a farmer who farms the property to organic spinach and kale. Reportedly, four crops per year are harvested with high yields. This is considered an interim use.

Reportedly, the only changes that have been made to the subject parcels since the previous appraisal completed in March 2014 is the zoning from R-1, R-2, and R-3 to Neighborhood General (T-4). The property remains vacant.

The property was listed in October 2014 by Berkshire Hathaway California Properties at \$1,150,000, or \$7,148/acre. Reportedly, the listing expired at the time the zone designations were amended.

It is not currently listed for sale. The property has no other marketing or listing history within the last five years.

We have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

## Real Property Rights Appraised

We have appraised the fee simple interest in the subject property.

## Type and Definition of Value

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

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

(Source: The Dictionary of Real Estate Appraisal, Fifth Edition, pg 123)

The "as is" value is the value of the property in its present condition under market conditions prevalent on the effective date of value. Please refer to the Glossary in the Addenda section for further definitions of value type(s) employed in this report.

### Valuation Scenarios and Effective Dates of Value

Per the scope of the assignment we developed opinions of value for the subject property under the following scenarios for the identified property right interests as of the corresponding effective dates of value:

Value Perspective	Value Premise	Property Right Interest	Effective Date of Value
Current	As-Is Market Value	Fee Simple	July 18, 2017

We completed an appraisal inspection of the subject property on July 18, 2017.

### Date of Report

The date of this report is August 8, 2017, which is the same as the date of the letter of transmittal.

### Assumptions and Conditions of the Appraisal

If there are extraordinary assumptions and/or hypothetical conditions used in this report, the use of these extraordinary assumptions and hypothetical conditions might have affected the assignment results.

#### Extraordinary Assumptions

- An environmental site assessment was not provided. For purposes of this appraisal, it is assumed no hazardous-toxic material contamination has occurred. Therefore, the cost of clean-up, encasement or removal and its effect on value, have not been considered. Furthermore, no consideration has been given in the appraisal to the value, if any, attributable to current crops growing or mineral rights.

#### Hypothetical Conditions

- None

## Scope of Work

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The scope of work includes all steps taken in the development of the appraisal. These include 1) the extent to which the subject property is identified, 2) the extent to which the subject property is inspected, 3) the type and extent of data researched, 4) the type and extent of analysis applied, and the type of appraisal report prepared. These items are discussed as follows:

### Extent to Which the Property Was Identified

#### Legal Characteristics

The subject was legally identified via public records.

#### Economic Characteristics

The subject property contains no current income.

#### Physical Characteristics

The subject was physically identified via a site inspection of the property.

### Extent to Which the Property Was Inspected

We inspected the subject from Cummings Valley Blvd.

### Type and Extent of Data Researched

We researched and analyzed: 1) market area data, 2) property-specific market data, 3) zoning and land-use data, and 4) current data on comparable listings, sales, and rentals in the competitive market area. We also interviewed people familiar with the subject market/property type.

### Type and Extent of Analysis Applied

We observed surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on that highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. One or more of these approaches are used in all estimations of value.

- Cost Approach - In the cost approach, the value indication reflects the sum of current depreciated replacement or reproduction cost, land value, and an appropriate entrepreneurial incentive or profit.
- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.
- Income Capitalization Approach - In the income capitalization approach, value is indicated by the capitalization of anticipated future income. There are two types of capitalization: direct capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

- Approaches Applied - The Cost, Income, and Sales Comparison Approaches were considered. In application of determining the as-is value, only the Sales Comparison Approach is applicable. The Cost and Income Approaches are not relevant as the subject is only vacant land.

### Appraisal Report Type

This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a. Please see the Scope of Work above for a description of the level of research completed.

### Appraisal Conformity

We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; and the requirements of our client as we understand them.

### Other Appraisal Information

This appraisal was requested by Jeff Ciachurski, Greenbriar Capital Corp., on July 12, 2017.

Mr. Ciachurski answered questions relative to property history and property characteristics.

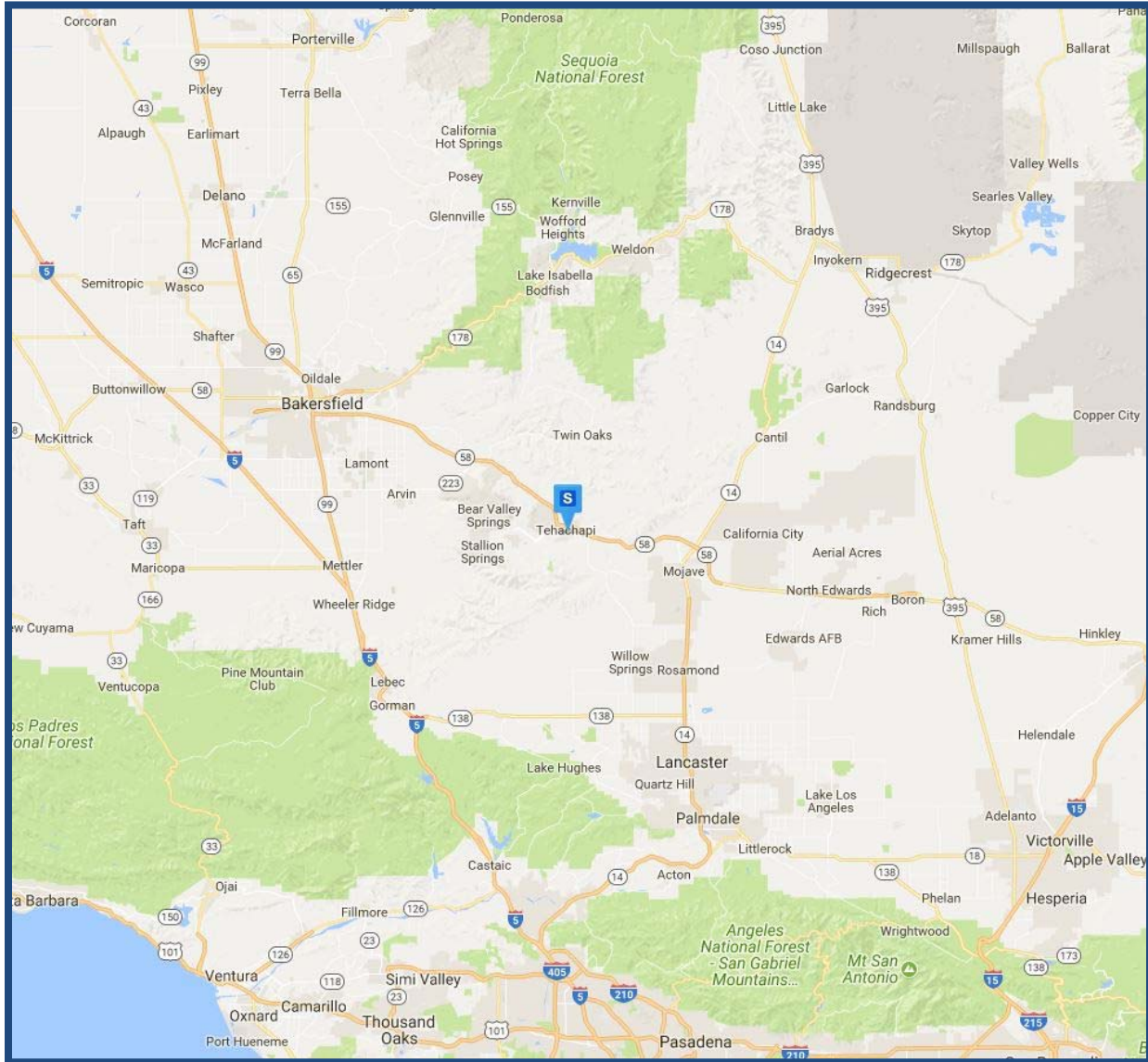
The appraisers have not performed an appraisal or provided any other services relative to the subject property within the three years prior to this appraisal. The appraisers did appraise the property in March 2014 and June 2011.

### Competency Statement

I, Michael C. Burger, MAI, R/W-AC, am a designated member of the Appraisal Institute, and I hold the Certified General Real Estate Appraiser license from the State of California. I, Michael P. Tiede, hold the Certified General Real Estate Appraiser license from the State of California. We appraise and have appraised vacant land, transitional land, and residential land throughout Kern County. Because of our education and experience in the subject market area, and experience with the subject property type, we have the competence necessary to perform this appraisal report.

# Regional and Market Area Analysis

**REGIONAL MAP**



## Population

Population characteristics relative to the subject property are presented in the following table as obtained from the U.S. Census Bureau.

<b>People QuickFacts</b>	<b>Bakersfield</b>	<b>California</b>
Population, 2013 estimate	363,630	38,332,521
Population, 2010 (April 1) estimates base	347,568	37,253,959
Population, percent change, April 1, 2010 to July 1, 2013	4.6%	2.9%
Population, 2010	347,483	37,253,956
Mean travel time to work (minutes), workers age 16+, 2009-2013	22.9	27.2
Housing units, 2010	120,725	13,680,081
Homeownership rate, 2009-2013	57.8%	55.3%
Housing units in multi-unit structures, percent, 2009-2013	24.3%	31.0%
Median value of owner-occupied housing units, 2009-2013	\$179,700	\$366,400
Households, 2009-2013	109,932	12,542,460
Persons per household, 2009-2013	3.18	2.94
<b>Business QuickFacts</b>	<b>Bakersfield</b>	<b>California</b>
Total number of firms, 2007	27,628	3,425,510
Manufacturers shipments, 2007 (\$1000)	820,806	491,372,092
Merchant wholesaler sales, 2007 (\$1000)	3,299,857	598,456,486
Retail sales, 2007 (\$1000)	5,104,097	455,032,270
Retail sales per capita, 2007	\$16,336	\$12,561
Accommodation and food services sales, 2007 (\$1000)	593,070	80,852,787
<b>Geography QuickFacts</b>	<b>Bakersfield</b>	<b>California</b>
Land area in square miles, 2010	142.16	155,779.22
Persons per square mile, 2010	2,444.2	239.1

As shown on the following table, Kern County had the thirteenth highest growth relative to population, and the sixteenth highest percentage growth for counties in California between April 2010 (Census) and the estimates from January 1, 2016, summarized as follows:

California Population Growth					
	County	April 1, 2010	January 1, 2016	Increases	% Change
1	Los Angeles	9,818,605	10,241,335	422,730	4.31%
2	Orange	3,010,232	3,183,011	172,779	5.74%
3	San Diego	3,095,313	3,288,612	193,299	6.24%
4	Riverside	2,189,641	2,347,828	158,187	7.22%
5	Santa Clara	1,781,642	1,927,888	146,246	8.21%
6	Alameda	1,510,271	1,627,865	117,594	7.79%
7	San Bernardino	2,035,210	2,139,570	104,360	5.13%
8	Contra Costa	1,049,025	1,123,429	74,404	7.09%
9	Sacramento	1,418,788	1,495,297	76,509	5.39%
10	Fresno	930,450	984,541	54,091	5.81%
11	San Francisco	805,235	866,583	61,348	7.62%
12	San Mateo	718,451	766,041	47,590	6.62%
13	Kern	839,631	886,507	46,876	5.58%
14	San Joaquin	685,306	733,383	48,077	7.02%
15	Ventura	823,318	856,508	33,190	4.03%

Source: California Department of Finance

The most attractive features of living in Kern County include affordable housing, low-cost transportation, and a wide range of household consumer goods and services.

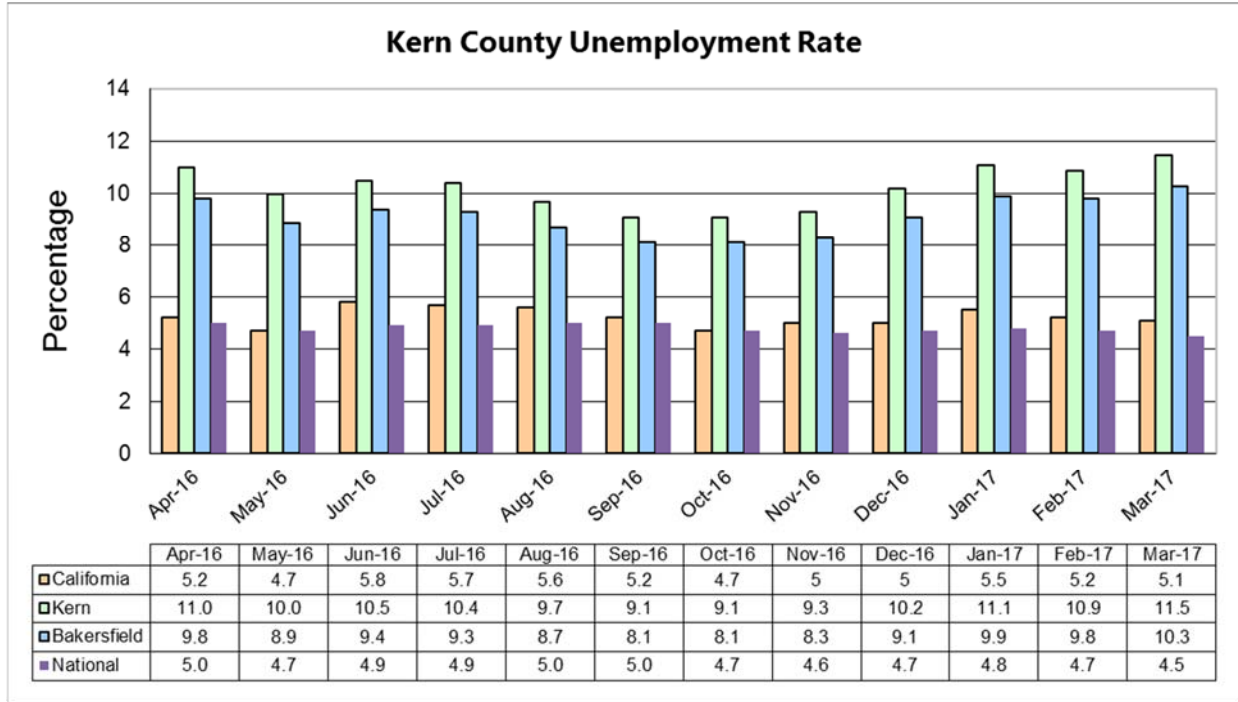
Percent change in population over the year for the incorporated communities and remainder of Kern County are summarized as follows:

KERN COUNTY POPULATION GROWTH				
Cities	April 1, 2010	January 1, 2016	Increases	% Change
Arvin	19,304	20,978	1,674	8.67%
Bakersfield	347,483	379,110	31,627	9.10%
California City	14,120	13,992	( 128)	-0.91%
Delano	53,041	52,999	( 42)	-0.08%
Maricopa	1,154	1,140	( 14)	-1.21%
McFarland	12,707	14,658	1,951	15.35%
Ridgecrest	27,616	28,064	448	1.62%
Shafter	16,988	18,048	1,060	6.24%
Taft	9,327	9,405	78	0.84%
Tehachapi	14,414	12,217	(2,197)	-15.24%
Wasco	25,545	26,471	926	3.62%
Balance Of County	297,932	309,050	11,118	3.73%
<b>Kern County Total</b>	<b>839,631</b>	<b>886,132</b>	<b>46,501</b>	<b>5.54%</b>

Source: California Department of Finance

As demonstrated on the preceding table, incorporated Bakersfield has exceeded the 300,000 population mark. Kern County grew over 40% from 2010 to 2016, and estimated 9.10% between 2010 and 2016. During the last year greatest growth has been in McFarland, Shafter, and Bakersfield.

One-year unemployment rate in Kern County, as well as the State of California, and Bakersfield, the center of county government in Kern County, is summarized as follows:



*Source: California Employment Development Department Data not seasonally adjusted*

Agriculturally oriented counties such as Kern tend to have greater seasonal variations in employment and higher unemployment rates, as demonstrated on the preceding table.

The unemployment rate in the Kern County was 11.1 percent in January 2017, up from a revised 10.2 percent in December 2016, and unchanged the year-ago estimate of 11.1 percent. This compares with an unadjusted unemployment rate of 5.5 percent for California and 5.1 percent for the nation during the same period.

According to the State of California Employment Development Department, Labor Market Information Division, in its monthly release March 3, 2017, preliminary employment distribution for the Bakersfield Delano Metropolitan Statistical Area (MSA) (Kern County) for January 2017 is summarized as follows:

JANUARY 2017 PRELIMINARY KERN COUNTY EMPLOYMENT DISTRIBUTION*		
INDUSTRIES	EMPLOYEES	DISTRIBUTION
ALL INDUSTRIES TOTAL	311,200	<b>100.00%</b>
Farm	55,300	17.77%
Non-Farm	255,900	82.23%
Mining and Logging	23,000	9.29%
Construction	14,100	5.70%
Manufacturing	13,800	5.58%
Trade, Transportation, & Utilities	51,100	20.65%
Information	2,000	0.81%
Financial Activities	8,200	3.31%
Professional & Business	26,100	10.55%
Education & Health	35,300	14.26%
Leisure & Hospitality	2,500	1.01%
Other Services	7,900	3.19%
Government	63,500	25.66%
	<b>247,500</b>	<b>100.00%</b>

\*Source: Employment Development Department State of California



Total wage and salary jobs in the Bakersfield MSA (Kern County) decreased by 2,400 between December 2016 and January 2017, with a decrease of 400 jobs from January 2016.

Major employers in the governmental and private sectors are summarized as follows:

Employer Name	Location	Industry
Bakersfield Memorial Hospital	Bakersfield	Hospitals
California Correctional Instn	Tehachapi	Government Offices-State
Chevron Corp	Bakersfield	Management Services
Edwards Afb	Edwards	Government Offices-Us
Foster Care Human Svc	Bakersfield	Social Service & Welfare
Giumarra Vineyards	Bakersfield	Wineries
Grimmway Farms	Arvin	Farms
Human Services Dept.	Bakersfield	County Govt.- Human Resources
Kern County Human Svc Dept.	Bakersfield	Government Offices-County
Kern County School Supt	Bakersfield	Schools
Kern Medical Center	Bakersfield	Hospitals
Marko Zaninovich Inc	Mc Farland	Fruits & Vegetables – Growers/Ship
Mercy Hospitals of Bakersfield	Bakersfield	Hospitals
Nabors Completion-Production	Bakersfield	Oil Field Service
Nasa/Dryden Flight Research	Edwards	Research Service
Ridgecrest Regional Hospital	Ridgecrest	Hospitals
Rio Tinto Minerals	Boron	Mining Companies
Robertson's Ready Mix	Cal. City	Concrete-Ready Mixed
San Joaquin Cmnty Hosp Med	Bakersfield	Hospitals
San Joaquin Community Hospital	Bakersfield	Hospitals
Sun Pacific	Bakersfield	Fruits & Vegetables-Growers/Ship
US Naval Air Weapons Station	Ridgecrest	Federal Govt.-National Security
Wasco State Prison	Wasco	Government Offices-State
Wm Bolthouse Farms Inc	Bakersfield	Agricultural Consultants
Wonderful Pistachios & Almonds	Lost Hills	Farms

*\*Includes seasonal workers*

*Source: State of California Employment Development Department*

## Economic Circumstances

The Kern Economic Journal, 2016 Second Quarter, section entitled, "Economy at a Glance!" prepared by Dr. Richard S. Gearhart III and Dr. Nyakundi Michieka in the Economics Department, CSUB reports:

"The world's largest economy of more than \$16.5 trillion, the United States, grew by 1.2 percent the second quarter of 2016, at a higher clip than the first quarter of 2016 growth rate of 0.8 percent. Real GDP increased largely because of an increase in consumer spending on services, mainly accounted for by increases in spending on housing, utilities, and healthcare. The growth rate was moderated in part by a decrease in inventory and business investment, which declined substantially."

"Real disposable personal income, which is adjusted for inflation and taxes, increased by a modest 1.2 percent in the second quarter of 2016, slowing after an increase of 2.2 percent in the first quarter of 2016. Increases happened in the later part of the year, as March saw a majority of the increase. This modest increase in real disposable income growth was met with substantial increases in real consumer spending in April and in June. Though this may hint that households are being overstretched, the increase in consumer spending was funded by a decrease in household savings, which fell to 5.3

percent in June. Though drawing down on family savings is not a long-term outcome that is beneficial, it hints that long-term economic spending outlooks are improving, as modest wage growth is met with sizable increases in consumer spending.”

“The Conference Board’s Index of Leading Economic Indicators – a measure of future economic activity – declined slightly, to 123.7 in June of 2016, after rising 0.4 percent in June (and falling in May). This compares to the indicator being 123.4 at the end of March of 2016. The continued increase in the LEW measure means that it is stabilizing at levels found pre-recession, in 2005, hinting that economic outlook for the country as a whole is optimistic. On a slightly less optimistic note, the moderating labor market is the culprit behind the May decrease, as claims for unemployment insurance ticked up. Similarly, the University of Michigan’s Consumer Sentiment Index increased from 91.0 in March of 2016 to 93.5 in June of 2016, stabilizing at levels not seen since 2007. However, there was considerable month-to-month variation in the outlook, as the index was 89.0 in April of 2016 and 94.7 in May, hinting that economic uncertainty is still a worry.”

“In California, the unemployment rate remained stable at 5.4 percent. Among counties, San Francisco (2.9 percent), Santa Clara (3.3 percent), Orange (3.6 percent), San Luis Obispo (3.5 percent), San Diego (4.2 percent), Los Angeles (4.3 Percent, and Sacramento (4.9 percent), had unemployment rates below the state average. In contrast, Sacramento (5.5 percent), Riverside (5.9 percent), San Joaquin (7.1), Fresno (8.5 percent), and Kings (8.6 percent), and Kern (10.4 percent) had unemployment rates above the state average.”

“The state’s civilian labor force lost 47,033 members, where 90,567 secured paying jobs (employed) and 43,567, fewer were left jobless (unemployed). While nonfarm industries hired 122,500 more workers, farming enterprises employed 2,000 fewer workers. A wide range of industries added jobs, including goods producing, manufacturing, information, financial activities, education and health services, leisure and hospitality, and government. However, jobs were lost in manufacturing.”

“The rate of unemployment ranged from 4.9 percent in Inyokern to 21.1 percent in California City. No city in Kern County experienced an increase in the unemployment rate. IN Bakersfield 9.23 percent of persons in the labor force are unemployed. In fact, there were sizable declines in the unemployment rate in many rural communities in Kern County, hinting that these workers are able to find employment in Bakersfield itself. Interestingly, and importantly, the median housing price in Kern County increased to \$210,000, the highest level since 2008. This is important, as buying a house (when prices are the highest that they have been since 2008) means that the future economic outlook is positive, as the purchase of a house is a long-term investment in the community. 827 more homes were purchased in the second quarter of 2016, compared to the first quarter of 2016, highlighting that again, future economic outlook in Kern County is positive. Coupled with this, however was a slight 6-unit increase in new building permits, hinting that retail stores and new housing stock may be over saturated, or reaching their saturation point. This highlights that there may be enough stock in both markets to satisfy demand.”

“The weighted price index for the five publicly traded companies doing business in Kern County (Sierra Bancorp, Tejon Ranch Company, Chevron Corporation U.S., Granite Construction, and Wells Fargo Company) increased significantly from 98.9 in the first quarter of 2016 to 103.1 in the second quarter of 2016, an increase of 4.2percentage points. Future expectations of the economic activity of local “market-makers” is optimistic, even with the continued stagnation of oil prices in Kern County. Chevron

(0.6 percent), Tejon Ranch (16.5 percent), Granite Construction (11.2 percent), and Sierra Bancorp (0.9 percent) all experienced an increase in share prices; only Wells Fargo (4.6 percent) experienced a decrease in share prices, likely related to larger, state-wide and nation-wide economic issues.”

“With the continued stagnation in oil prices, gas prices increased slightly, up \$0.09 per gallon since the last quarter, averaging \$2.89 a gallon. The unit price of California’s Class III milk also decreased, though substantially, from \$15.03 in the first quarter of 2016 to \$13.12 in the second quarter of 2016. Though the price that farmers received increased substantially, by 2.2 percentage points since the first quarter of 2016, it was slightly negated by increases in prices paid by farmers, an increase of 0.2 percentage points, meaning that farmers are better off, though still much worse off than they were four quarters ago. This bears watching, as water costs and minimum wage increases are potential areas that may alter the composition of profits.”

“As the oil price, has stabilized and slightly increased into the \$40’s, even with increased unemployment in June of 2016 and the potential for more layoffs later this year, there was a significant increase in personal income, increasing by nearly 46%, on an annual basis, compared to the first quarter of 2016. This amounted to an increase, in total income, of nearly \$3 billion. This increase was driven by sizable increases in labor income (increasing by \$3.0 billion) and property income (increasing by over \$130 million) during the second quarter of 2016 that offset falling business profits of over \$700 million. The diversification of Kern County economy continues to accelerate, mitigating some of the long-term oil price shocks.”

“The weighted price index for the five publicly traded companies doing business in Kern County (Sierra Bancorp, Tejon Ranch Company, Chevron Corporation U.S., Granite Construction, and Wells Fargo Company) increased significantly from 90.2 in the third quarter of 2015 to 95.6 in the fourth quarter of 2015, an increase of 5.4 percentage points. This hints that the oil price shock is impacting firms that have a more local presence, as they likely do not have business diversification in other regions to offset regional level shocks. Chevron (a decline of 1.1 percent) and Tejon Ranch (a decline of 15.0 percent) were the companies to experience declines in their stock prices. Granite Construction (a 30.7 percent increase), Wells Fargo (a 0.5 percent increase), and Sierra Bancorp (an 8.9 percent increase) all gained, largely because banks have a much more regionally diversified portfolio, and the impact on construction companies has not yet been felt.”

“In the second quarter of 2016, Kern County hired 10,333 more farm workers. As a result, farm employment increased from 49,400 to 59,733. Though this is the cyclical nature of farm employment, this is encouraging about the viability of agriculture in the Central Valley with the sustained drought, even with the recent rains brought by El Nino (and the perhaps higher temperatures and less rainfall brought by the subsequent La Nina). Compared to the second quarter of 2015, 1,233 more farmworkers were hired, again hinting that the rainfall improved medium-term farmwork and crop yield expectations.”

## Agriculture

The Kern County agricultural industry relates to 915,000 acres of irrigated farmland, primarily on the valley floor surrounding Bakersfield. It is one of the most diverse farming regions in the nation, producing over 250 different crops to include more than 30 types of fruits and nuts, over 40 types of vegetables, and over 20 field crops, as well as lumber, nursery stock, livestock, poultry, and dairy

products. Kern's value-added agriculture is 8½ times more specialized in the production of farm products than the nationwide cluster.

According to the USDA News Release dated May 2, 2014 and the 2012 Census of Agriculture, Kern County is ranked third in farm returns, both in the U.S. and in California, behind Fresno and Tulare Counties. "The market value of agricultural products sold in California totals \$42.6 billion, up \$8.7 billion from 2007. In 2012, the number of farms with a value of sales \$500,000 or more increased from 8,580 in 2007 to 9,519 in 2012. Total farm production expenses for California increased from \$27.0 billion in 2007 to \$35.5 billion in 2012."

Leading export commodities to include almonds, apricots, carrots, cotton, grapes, hay, honeydews, lettuce, nectarines, peaches, plums, potatoes, roses, and watermelons are exported to over 85 foreign countries.

The county leads the state in production of almonds, pistachios, carrots, watermelons, sheep, and wool. The most current data for total crop value and the top crops produced in the county are summarized as follows:

5-YEAR CROP SUMMARY - KERN COUNTY										
	2015		2014		2013		2012		2011	
TOTAL CROP VALUE	\$7,500,000,000		\$7,552,323,690		\$6,769,855,590		\$6,352,061,100		\$5,596,975,600	
COMMODITY	Value (Millions)	Rank	Value (Millions)	Rank	Value (Millions)	Rank	Value (Millions)	Rank	Value (Millions)	Rank
Grapes	\$1,643.10	1	\$1,718.18	1	\$1,882.09	1	\$1,498.99	1	\$707.58	3
Almonds	\$1,487.78	2	\$1,488.18	2	\$970.81	2	\$821.86	2	\$727.41	2
Milk	\$594.82	4	\$915.12	3	\$764.73	3	\$690.06	3	\$745.47	1
Citrus	\$927.69	3	\$892.87	4	\$620.35	4	\$620.35	4	\$540.04	4
Cattle	\$355.78	5	\$428.85	5	\$408.90	5	\$382.91	6	\$338.54	7
Pistachios	\$245.17	7	\$401.05	6	\$388.19	6	\$486.21	5	\$389.53	6
Carrots	\$299.39	6	\$288.06	7	\$355.09	7	\$350.44	7	\$418.74	5
Hay (Alfalfa)	\$133.68	9	\$227.97	8	\$219.96	8	\$213.47	8	\$246.60	8
Cotton	n/a	9	\$117.57	9	\$146.54	9	\$147.64	9	\$174.23	10
Pomegranates	\$190.93	8	\$87.31	10	\$88.47	11	\$58.78	12	\$55.07	14
Silage & forage	\$84.77	10	\$81.33	14	\$68.52	13	\$75.15	11	\$83.89	12

Source: Kern County Agricultural Commissioner's Office

According to the 2015 Kern County Agricultural Crop Report, published September 12, 2016, the 2015 gross value of all agricultural commodities produced in Kern County is \$6,878,823,690. This represents a decrease (9%) from the 2014 crop value (\$7,552,323,690).

The top five commodities for 2015 were Grapes, Almonds, Milk, Citrus, Mild, and Cattle & Calves, which make up more than \$4.6 Billion (67%) of the Total Value; with the top twenty commodities making up more than 80% of the Total Value.

Oil-Energy: California is one of the nation's pre-eminent producers of oil. It is the fourth-largest oil producer in the United States, behind Texas, Louisiana and Alaska, respectively.

Kern County has four of the nation's 10 largest oilfields and is the number one oil producing county, with the four largest fields being Midway-Sunset, Kern River, Begrudge-South, and Elk Hills.

Overall production in Kern County over the past several years is summarized in the following table:

<b>OIL AND GAS PRODUCTION*</b>			
<b>YEAR</b>	<b>OIL PRODUCTION (Barrels)</b>	<b>GAS PRODUCTION (Billion Cu. Ft.)</b>	<b>WELLS DRILLED</b>
<b>2008</b>	238.6	296.0	3,410
<b>2009</b>	230.1	278.6	1,920
<b>2010**</b>	200.9	255.4	2,103
<b>2011</b>	196.8	244.4	2,294
<b>2012</b>	197.5	222.4	2,081
<b>2013</b>	199.6	239.6	2,723
<b>2014</b>	205.2	199.4	2,087
<b>2015</b>	201.7	182.8	1,016

\*Production in millions of barrels, \*\*Figure does not include Federal Wells

Source: Preliminary Annual Report of the State Oil and Gas Supervisor, California Department of Conservation

According to the Department of Conservation, Division of Oil, Gas and Geothermal Resources, in its 2015 Preliminary Report of California Oil and Gas Production, California's overall oil production rate decreased in 2015, averaging about 552.8 thousand barrels per day, a decrease of 1.7 percent from the 2014 average of about 562.2 thousand barrels per day. The state onshore area production decreased about 1 percent from 2014 and the state offshore area decreased 9.1 percent from 2014.

Midway-Sunset oil field continued to be the largest producing oil field in California during 2015. Kern River has maintained second place, San Ardo has also maintained eighth place and Ventura oil field is holding in the tenth position.

Historical crude oil prices for California are summarized as follows:

<b>California Crude Oil First Purchase Price (Dollars per Barrel)</b>												
<b>Year</b>	<b>Jan</b>	<b>Feb</b>	<b>Mar</b>	<b>Apr</b>	<b>May</b>	<b>Jun</b>	<b>Jul</b>	<b>Aug</b>	<b>Sep</b>	<b>Oct</b>	<b>Nov</b>	<b>Dec</b>
<b>2011</b>	85.89	89.16	105.20	114.11	105.84	101.46	103.58	95.56	105.58	107.25	113.46	104.06
<b>2012</b>	105.00	112.02	116.47	114.91	104.45	92.80	97.09	103.25	105.32	100.82	97.72	99.99
<b>2013</b>	106.23	106.86	105.21	101.41	101.73	99.98	105.72	105.36	105.24	98.54	94.26	100.03
<b>2014</b>	97.41	102.16	101.99	102.27	102.01	104.08	100.58	94.62	89.84	79.17	70.11	53.77
<b>2015</b>	42.93	47.02	44.95	50.81	56.91	57.25	49.17	41.66	42.87	42.2	38.38	32.95
<b>2016</b>	24.98	23.07	31.35	34.11	39.20	39.12	37.22	38.61	38.53	43.50	39.23	45.74

Source: US Energy Information Administration

Oil prices in 2016 have hovered in the \$30/barrel range, down from the \$100/barrel range experienced for nearly three years between 2011 and 2014, as shown above. The results of the drastic decline in price directly affect the Kern County economy. The Bakersfield Californian reports that more than 2,500 oilfield workers were displaced in 2015. Chevron, a leading employer in Kern County, announced on February 23, 2016 that companywide employment would be reduced by 4,000 people of which 237 will be from within the San Joaquin Valley.

Historical U.S. crude oil production is summarized as follows:

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>2011</b>	5,486	5,390	5,601	5,545	5,605	5,569	5,419	5,635	5,562	5,855	5,970	5,991
<b>2012</b>	6,141	6,240	6,224	6,245	6,301	6,259	6,418	6,287	6,556	6,932	7,018	7,079
<b>2013</b>	7,078	7,095	7,161	7,375	7,301	7,264	7,453	7,502	7,727	7,702	7,897	7,873
<b>2014</b>	7,998	8,087	8,244	8,568	8,577	8,678	8,754	8,835	8,959	9,129	9,198	9,423
<b>2015</b>	9,341	9,451	9,648	9,694	9,479	9,315	9,433	9,407	9,452	9,377	9,328	9,235
<b>2016</b>	9,191	9,133	9,127	8,947	8,882	8,711	8,691	8,759	8,567	8,785	8,874	8,783

**Source: US Energy Information Administration**

## Commercial/Industrial

In Kern County, there has been an aggressive effort to diversify the local economy from oil, agriculture and military to compatible commercial/industrial growth. Primary emphasis has been directed to the county's location in consideration of plentiful land and affordable housing, abundant and affordable office and industrial space, large labor force with a strong work ethic and wages lower than the national average.

The economy is largely driven by housing related industries and the region's traditional base of employers such as Edwards Air Force Base, energy companies and the agricultural industry.

The Paramount Logistics Center, formally the International Trade and Transportation Center (ITTC) is situated on a 702-acre parcel at 7th Standard Road and Hwy. 43, within the city limits of Shafter, approximately 10 miles north of Bakersfield. The ITTC is part of the Port of Los Angeles Foreign Trade Zone which offers companies freedom from having to pay import taxes and duties as long as goods are in the zone.

Growth continues in the airport area and along 7th Standard Rd. This area has three business parks and is easily accessible to Hwy. 99 and Hwy. 65. CarQuest, a 140,000 SF distribution center, was constructed on an 88-acre site near 7th Standard Road, between Quinn Road and Porterville Hwy. Generally, smaller users (less than 100,000 SF) are attracted to this area; whereas, larger users will prefer to the ITTC and Tejon Ranch.

In addition, the Tejon Industrial Complex at I-5 and Laval Road attracts larger users. IKEA, a furniture retailer, developed their first distribution warehouse, containing approximately 900,000 SF on an approximate 80-acre site in the complex.

## Housing

Kern County's outlying communities remain more affordable than many areas and are attracting home buyers from across the state. Median housing prices for each community over the year 2015 to 2016 is summarized on the following table:

<b>Kern County Cities: Median House Prices</b>				
<b>Cities</b>	<b># Sold</b>	<b>January – 17</b>	<b>January - 16</b>	<b>% Change</b>
ARVIN	7	\$125,000	\$199,000	-37.2%
BAKERSFIELD	535	\$205,500	\$211,000	-2.6%
BODFISH	4	\$106,750	\$76,000	40.5%
CALIFORNIA CITY	20	\$115,500	\$79,000	46.2%
DELANO	26	\$188,750	\$195,000	-3.2%
FRAZIER PARK	9	\$118,000	\$127,500	-7.5%
KEENE	3	\$510,000	\$540,000	-5.6%
LAKE ISABELLA	4	\$116,250	\$135,000	-13.9%
LAMONT	2	\$111,500	\$100,000	11.5%
MARICOPA	2	\$31,000	N/A	N/A
MCFARLAND	3	\$215,000	\$129,500	66.0%
MOJAVE	2	\$181,050	\$42,500	326.0%
RIDGECREST	43	\$175,000	\$172,500	1.4%
ROSAMOND	23	\$215,000	\$185,000	16.2%
SHAFTER	19	\$180,000	\$175,000	2.9%
TAFT	13	\$117,500	\$150,250	21.8%
TEHACHAPI	58	\$254,250	\$229,000	10.0%
WASCO	26	\$198,000	\$189,000	4.8%
<b>Kern County</b>	<b>834</b>	<b>\$195,000</b>	<b>\$198,000</b>	<b>-1.5%</b>

Source: CoreLogic

## Environmental Conditions

Kern County is the third largest county in California. Geographically, the county is approximately one-third desert, one-third mountainous and the remaining one-third, valley. It is strategically located approximately 110 miles north of Southern California and 280 miles south of San Francisco Bay area marketplaces, interconnected by Hwy. 99 and I-5. In addition, the county is served by 13 public, four private and two government airports, as well as Amtrak passenger rail service. As a result of its central location, freeway systems and proximity to major western cities, there are nearly 200 truck carrier operations in Kern County.

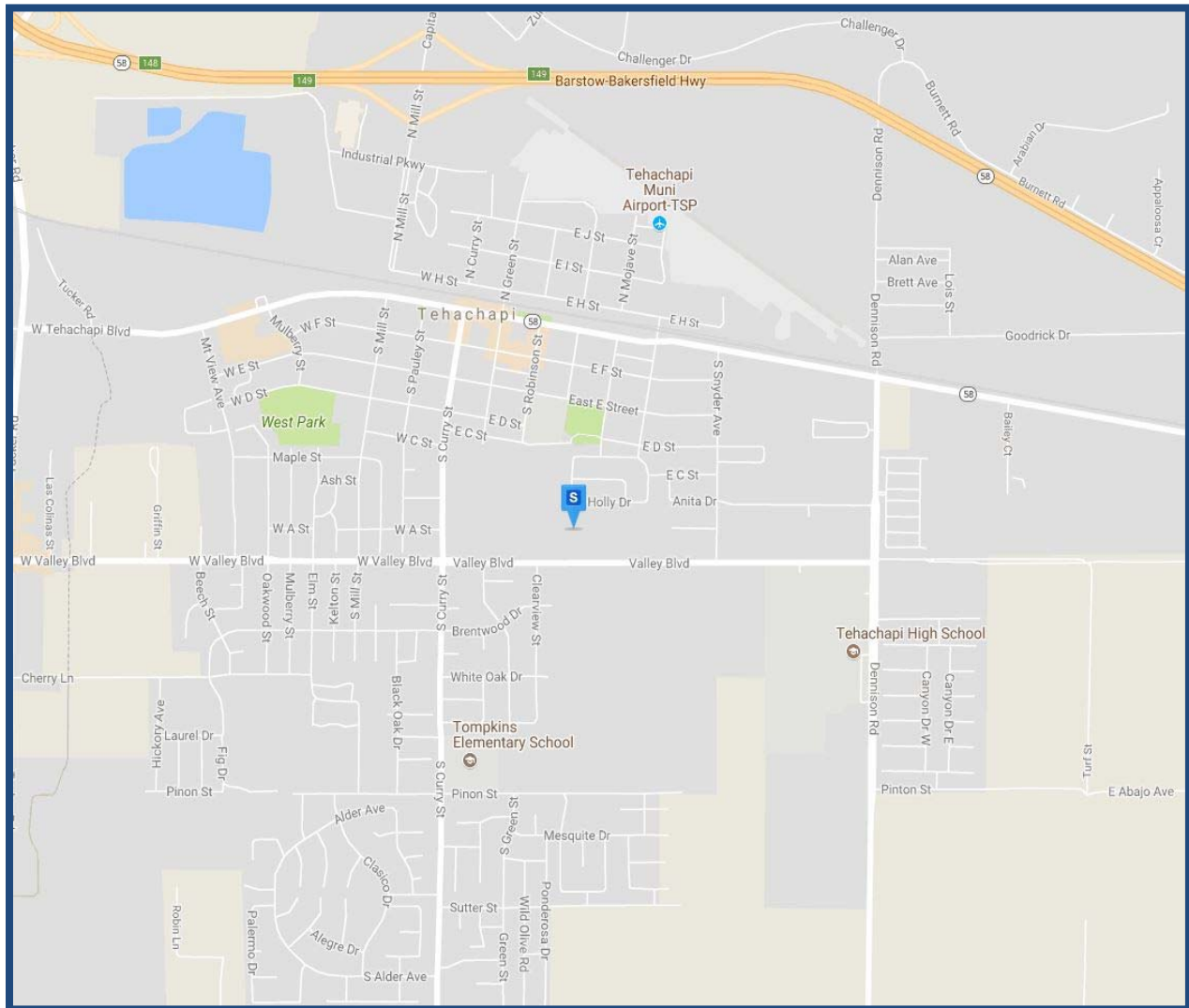
Kern County is situated at the southern end of the San Joaquin Valley, with the Temblor Range on the west, Tehachapi Mountains on the south and the Sierra Nevada's on the east. Elevation levels range from 200-400 feet above sea level in the valley, to 3,000 feet in the desert and 9,000 feet in the mountains. Diverse geography creates large climatic variations, with annual temperature ranges from 20-115°. Average temperature is 65°. Average annual rainfall in the valley is 5-6 inches and in the mountains, 10-40 inches.

## Conclusion-Trend

The overall economic outlook for Kern County is optimistic relative to employment, the real estate market and business condition. However, due to declining trends in gas and oil prices, the oil industry, one of the major industries in Kern County, has experienced significant job losses resulting in lay-offs in 2016.

# City and Neighborhood Analysis

## NEIGHBORHOOD MAP



### City of Tehachapi

Tehachapi is located in the mountainous area of Kern County at an approximate elevation of 3,800-4,000 feet above sea level, 40 miles southeast of Bakersfield, the center of Kern County government. It encompasses 264 square miles.

The greater Tehachapi area is comprised of the towns of Alpine Forest Park, Bear Valley Springs, Brite Valley, Cummings Valley, Golden Hills, Keene, Sand Canyon and Stallion Springs.

### City/Neighborhood Location and Boundaries

The subject is located in the southwest portion of the City. The area is semi-rural in nature. The city is bounded by Olive Drive to the north, Coffee Road to the east, Rosedale Highway to the south, and Calloway Drive to the west.



### Transportation Access

Highway 58 (now a 4-lane freeway) provides access to Bakersfield and intersects Freeway 14, approximately 20 miles to the southeast, providing access to Los Angeles, approximately 100 miles to the southwest.

The property is located at the northeast quadrant of W. Tehachapi Blvd. and Tucker Rd., within an incorporated area of west Tehachapi. The Old W. Tehachapi Blvd. is adjacent to the subject's east (as depicted on the enclosed Assessor's Parcel Map). It is a cul-de sac.

W. Tehachapi Blvd. (Rte. 202) is a primary east-west arterial through the community. Tucker Rd. is a primary north-south connector through the neighborhood. Tucker Rd. merges with W. Tehachapi Blvd. at the subject intersection. W. Tehachapi Blvd. provides access to Hwy. 58 approximately ¾ mile north.

### Demographics

The demographics of the City of Tehachapi, as reported by the most recent data provided by the US Census, is as follows:

#### **Population**

Total Population	14,414
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#### **Housing Status**

( in housing units unless noted )

Total	3,539
Occupied	3,121
Owner-occupied	1,841
Population in owner-occupied ( number of individuals )	4,913
Renter-occupied	1,280
Population in renter-occupied ( number of individuals )	3,574
Households with individuals under 18	1,199
Vacant	418
Vacant: for rent	180
Vacant: for sale	61

#### **Population by Sex/Age**

Male	10,109
Female	4,305
Under 18	2,599
18 & over	11,815
20 - 24	1,208
25 - 34	3,242
35 - 49	3,787
50 - 64	1,977
65 & over	1,267

### Employment

The Greater Tehachapi Chamber of Commerce provides a summary of the largest employers in the area, as reported on the table below:

Company	Number of Employees
California Correctional Institution	1,911
Tehachapi Unified School District	464
Tehachapi Hospital	175
GE Energy	150
Lehigh Southwest Cement Company	120
Home Depot	115
Albertson's Supermarket	112
Big K Mart	107
Benz Sanitation	70
Save Mart Supermarket	65
City of Tehachapi	58
Terra-Gen Power, LLC	54
Selecta Products	45
Chemtool	39

### Housing

According to the City of Tehachapi Website, the city has 13,616 households, with an average size of 2.70 persons. The average home price is \$252,000, with owner-occupancy at 73.3%. Average household income is reported at \$80,000.

### City and Revenue Growth

The City's growth relative to revenue and city employees is reported as follows:

**Growth in the City of Tehachapi  
2000 to 2016**

	2000	2016	% Increase
Sales Tax Revenue	\$769,479	\$2,412,227	313.5%
Transient Occupancy Tax	\$143,713	\$641,191	446.2%
Property Tax Revenue	\$498,692	\$921,618	184.8%
Water Accounts	2070	3039	146.8%
Full-Time Employees	20	60	300%

Source: *City of Tehachapi 2016 Year End Report*

## Development

A summary of recent and in progress development is summarized as follows:

- Tehachapi Hospital: This is an under-construction facility located on a 22.36 ac site. The building will contain 28 beds, an emergency room, and a surgery room. The cost to develop is reported at \$85 to \$95 million. This is the first full-service hospital in the area and was projected to be complete by late 2016. However, there has been significant delay due to state permitting and signoffs. The new date of completion has been set for mid-2017.
- Recycled Wastewater Pump Station: In 2016, the City constructed a recycled water pump station. This station is intended to save potable water from use within the waste water district. The cost to develop is reported at \$250,000 and saves 120 -acre feet of potable water/year.
- Hampton Inn: In late 2015, the city approved the development of a 51,232 SF, 3-story, 85 room Hampton Inn. This hotel will be located along Challenger Dr., north of Hwy. 58 near the under-construction hospital. Timing of the development is unknown.
- Walmart: Since 2011, Walmart has attempted to develop a location on a 25-acre parcel located at the southeast quadrant of Tucker Rd. and W. Tehachapi Blvd. However, due to litigation relative to environmental planning, its development has been put on hold. In late 2016, the California Appeals Court declared that all environmental concerns have been adequately addressed and that development could continue. The site is proposed for development into a 165,000 SF super center. Groundbreaking is expected to occur by late-2017 with an anticipated opening in 2018.
- Red Apple Pavilion: The proposed Red Apple Pavilion is at the southwest corner of Tucker Rd. and West Tehachapi Blvd./Red Apple Ave. The development will consist of a multi-tenant retail building and four pad buildings, totaling 98,700 SF. Currently, the proposed suites are offered for lease at negotiable rates. However, timing of the development is unknown.

## Neighborhood Location and Boundaries

The subject is located within an incorporated area of Tehachapi in Kern County. The subject's market area is identified as Tehachapi, which is roughly defined by the general boundaries: Hwy. 58 to the north, Highline Rd. to the south, Stueber Rd. to the east, and Woodford-Tehachapi Rd. to the west.

## Transportation Routes

Major travel and commuter routes within the area of the subject include Hwy. 58. Hwy. 58 is a primary east-west highway through Kern County.

## Neighborhood Land Use

The subject neighborhood is located in an area with mainly agricultural and residential land uses. An approximate breakdown of the development in the area is as follows:

### LAND USES

Developed:	80%
Residential:	40%
Agriculture:	25%
Retail:	5%
Office:	5%
Industrial:	5%
Vacant:	20%

## Conclusions

Overall, the subject neighborhood is in the stable stage of its life cycle.

## Site Description

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Site 1 is along the north side of Cummings Valley Blvd identified as APN 415-012-14. It was formerly approved for Tentative Tract 6909, containing 88 buildable lots. Site 2 is along the south side of Cummings Valley Blvd. identified as APN's 417-012-01, 25, 27, and 28. These parcels were formerly approved for development to Tentative Tracts 6218 and 6723. Tentative Tract 6218 contains 428 lots/units and 6723 contains 173 buildable lots. Both Tentative Tract maps have expired.

The following description is based on our appraisal inspection of the subject, public records, and information provided by the client, owner, property manager, and/or broker.

### General Data

Assessor Parcel Number:	415-012-14; and 417-012-01, 25, 27, 28
Location:	Cummings Valley Blvd.
Number of Lots:	Five (5)

### Site Areas

Site Size:	160.88 acres
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### Site Characteristics

Shape:	Rectangular
Topography:	Level
Drainage:	Adequate
Grade:	At street grade
Interior or Corner:	Interior
Signalized Intersection:	None

### Street Frontage / Access

#### Frontage Road

Street Name:	Cummings Valley Blvd.
Street Type:	2-Lane Roadway

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### Site Improvements

Off-Site Improvements:	No Curbs, Gutters, or Sidewalks
Utilities:	Water, Sewer, Electricity, Gas, Phone, and Cable are adjacent, within the street right of way, or across the street.
On-Site Improvements:	None
Landscaping:	None
Summary:	The property is vacant with adjacent utilities. At the time of inspection, Cummings Valley Blvd. was being widened along the subject parcels.

## Flood Zone Data

Flood Map Panel/Number:	06029C2839E, 06029C3250E
Flood Map Date:	09-26-2008
Flood Zone:	The property is within Zone X, an area determined to be outside the 0.2% annual chance flood plain.

## Other Site Conditions

Soils:	No soils report was provided to the appraiser. However, soils appear Stable, with no displacement evident in adjacent residences.
Environmental Issues:	An environmental site assessment has not been provided or reviewed. For purposes of this appraisal, it is assumed no toxic-hazardous material contamination exists. Therefore, the cost of clean-up and its effect on value have not been considered.
Easements/Encroachments:	A current preliminary title report was not provided. However, a preliminary title report dated March 22, 2011 was provided for a previous assignment. It indicated typical public utility easements, with no adverse easements or encroachments indicated. This appraisal assumes there are typical public utility easements. It is assumed no adverse easements or encroachments exist.
Earthquake Zone:	The site is not located within an Alquist-Priolo Earthquake Fault Zone.
Endangered Species:	<p>Endangered species may be prevalent in undeveloped land in the area. Visual inspection denotes no presence of an endangered species of habitat.</p> <p>However, the appraiser is not an expert in the identification of endangered species or habitats, and this report should not be relied upon to determine whether sensitive ecological issues impact the property. This fact can only be determined by a biological survey of the property. Existence of such species or habitats on the property could affect potential uses and value.</p> <p>Further, it should be emphasized, this appraisal report was prepared for the sole use of the client and does not constitute an expert biological assessment of the subject property.</p>
Other Restrictions:	<p>Additional restrictions are applicable as the property is partially within an Airport Zone C which are described as follows:</p> <p>The C Zone prohibits schools, hospitals, and nursing homes. Acceptable uses include parks, playgrounds, most retail uses, duplexes, medium-density apartments, and two-story motels. Maximum density allowed is 15 units per acre. This area requires dedication of an overflight easement for residential uses.</p>

The C Zone allows single and multifamily development, and will have no effect on future density.

### Adjacent Land Uses

North:	Residential Subdivision
South:	Vacant Land, Residential Subdivision
East:	Vacant Land, Tehachapi High School
West:	Vacant Land, Residential Subdivision

### Surrounding Uses

Tehachapi Airport is north of Tehachapi Blvd., ½ mile north. Adventist Health Tehachapi Valley Hospital is north of Hwy. 58 at Capital Hills Parkway, 2 miles north of the subject. Tehachapi High School is adjacent to the east at the southwest corner of Valley Blvd. and Dennison Rd.

### Site Ratings

Access:	Average
Visibility:	Average
Exposure:	Average
Overall Site:	Average

### Zoning Designation

Zoning Jurisdiction:	County of Kern
Zoning Code/Category:	Neighborhood General (T4). The NG zone is applied to Tehachapi's general neighborhood areas to provide for a variety of single-family and multiple-family housing choices in a small-town neighborhood setting. Single family uses are permitted and multifamily housing is permitted with a Minor Use Permit.
General Plan:	General Urban (T-4). The General Urban designation is intended to create a 'neighborhood character' that is distinct from the suburban character of T3 and the downtown character of T5. Rooted in the traditional American neighborhoods, the General Urban designation allows for a wide range of housing types, neighborhood-serving commercial and civic uses within a walkable neighborhood setting. This designation is for predominantly residential areas with a balance of housing types, but a focus on detached single-family homes.  Additionally, the subject is within an area designated as an Infill Growth Sector (G4), which is the Highest Priority designated area by the City for development. It is described as areas that are already developed, having the potential to be modified or completed in the pattern of Infill Traditional Neighborhood Development (TND). A TND is described as a community type that

is primarily residential with a wide variety of building types, organized at the scale of a ¼-mile radius pedestrian shed toward a common destination consisting of a mixed-use center or adjacent corridor. Corridors typically define one or more edges of a TND.

Permitted Uses: Residential: Single Family, Multifamily  
Zoning Comments: Zoning allows a wide variety of residential uses, consistent with the General Plan.

Note: The City of Tehachapi revised the zoning ordinance and zoning system. The previous zoning designations were R-1-8 PD, R-2 PD, and R-3 PD. The new zoning of NG (T4) allows a wide range of design and density options.

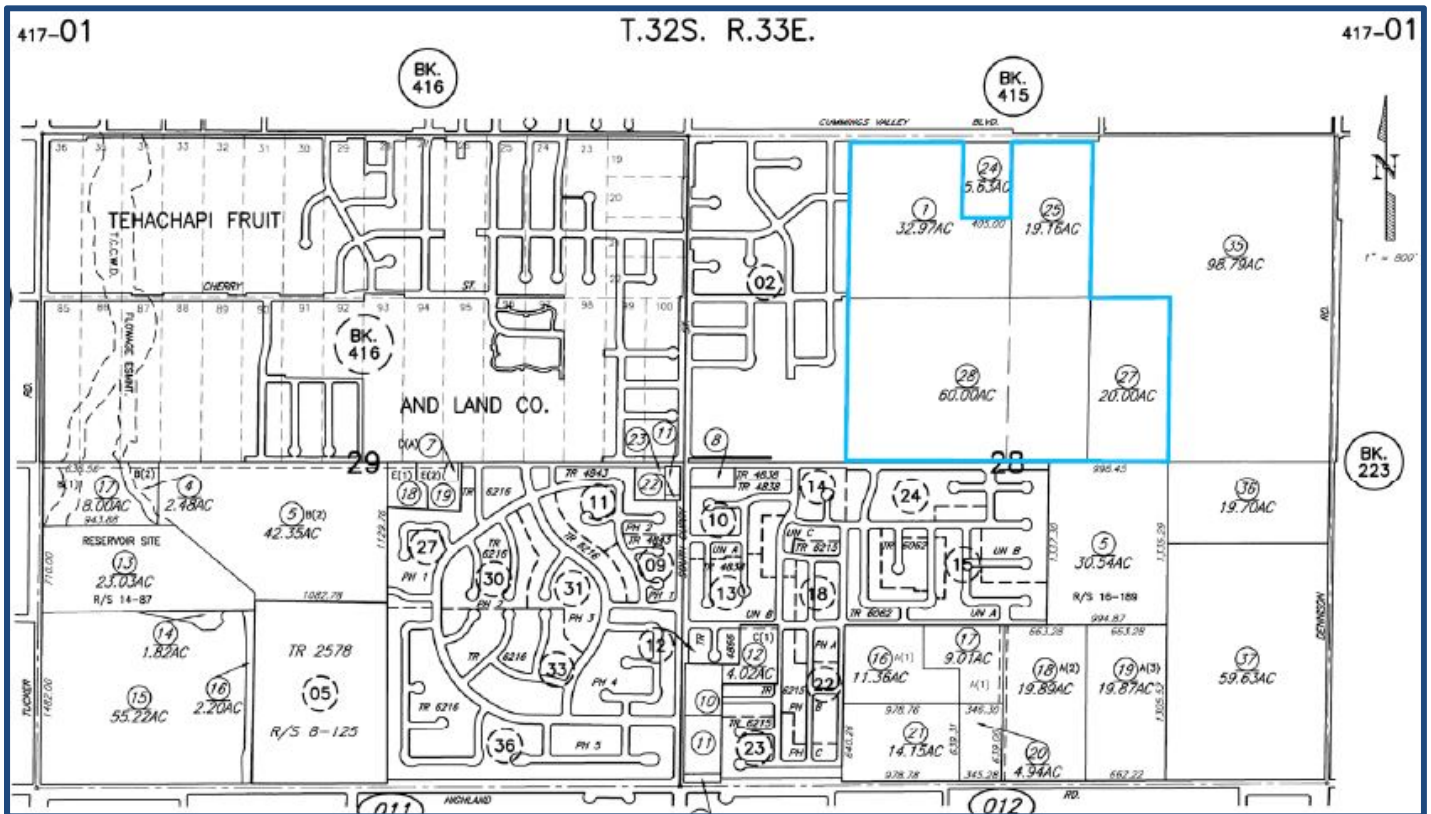
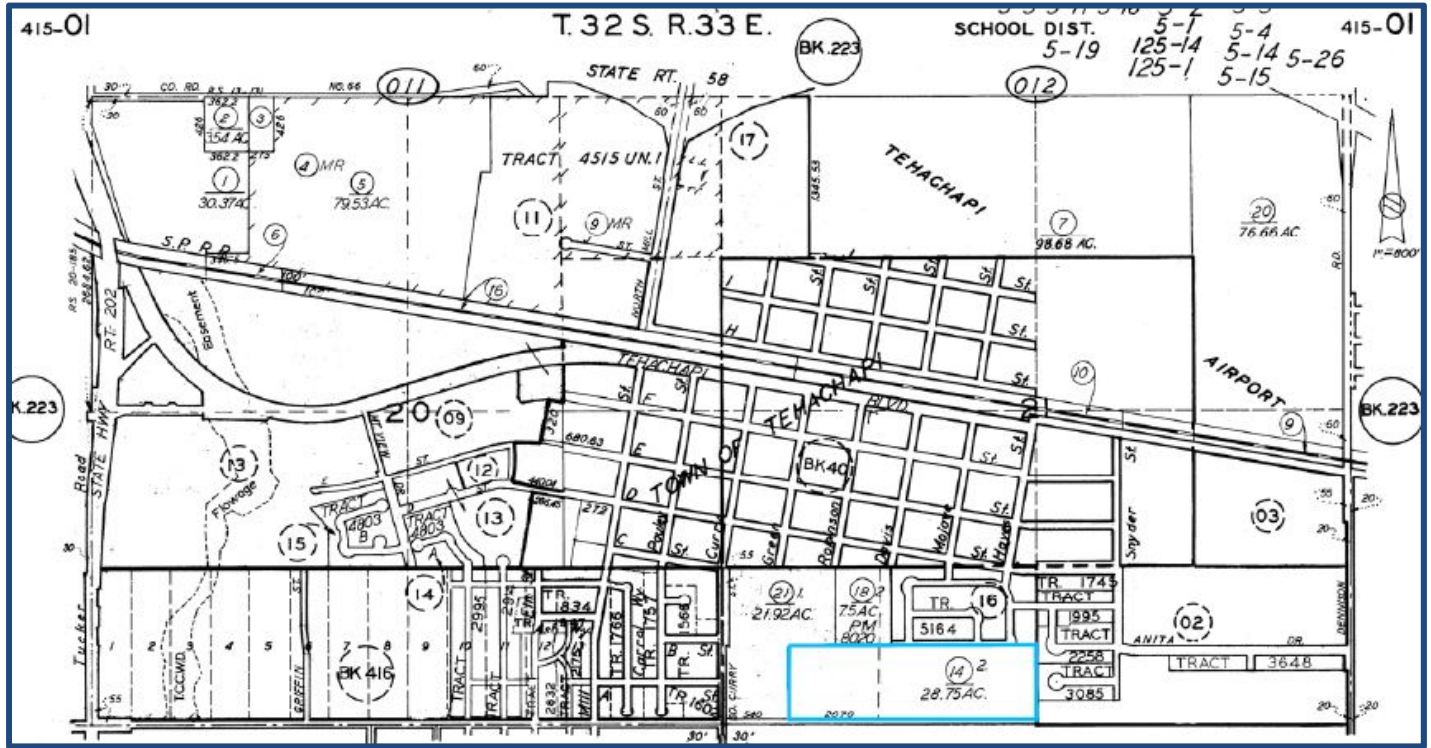
### Analysis/Comments on Site

The parcel's location and physical characteristics meet the requirements for development consistent with zoning and the general plan. There are no current entitlements or approvals for development. Based on trends within the surrounding area and on adjacent parcels, the subject is considered transitional from vacant land to residential uses.

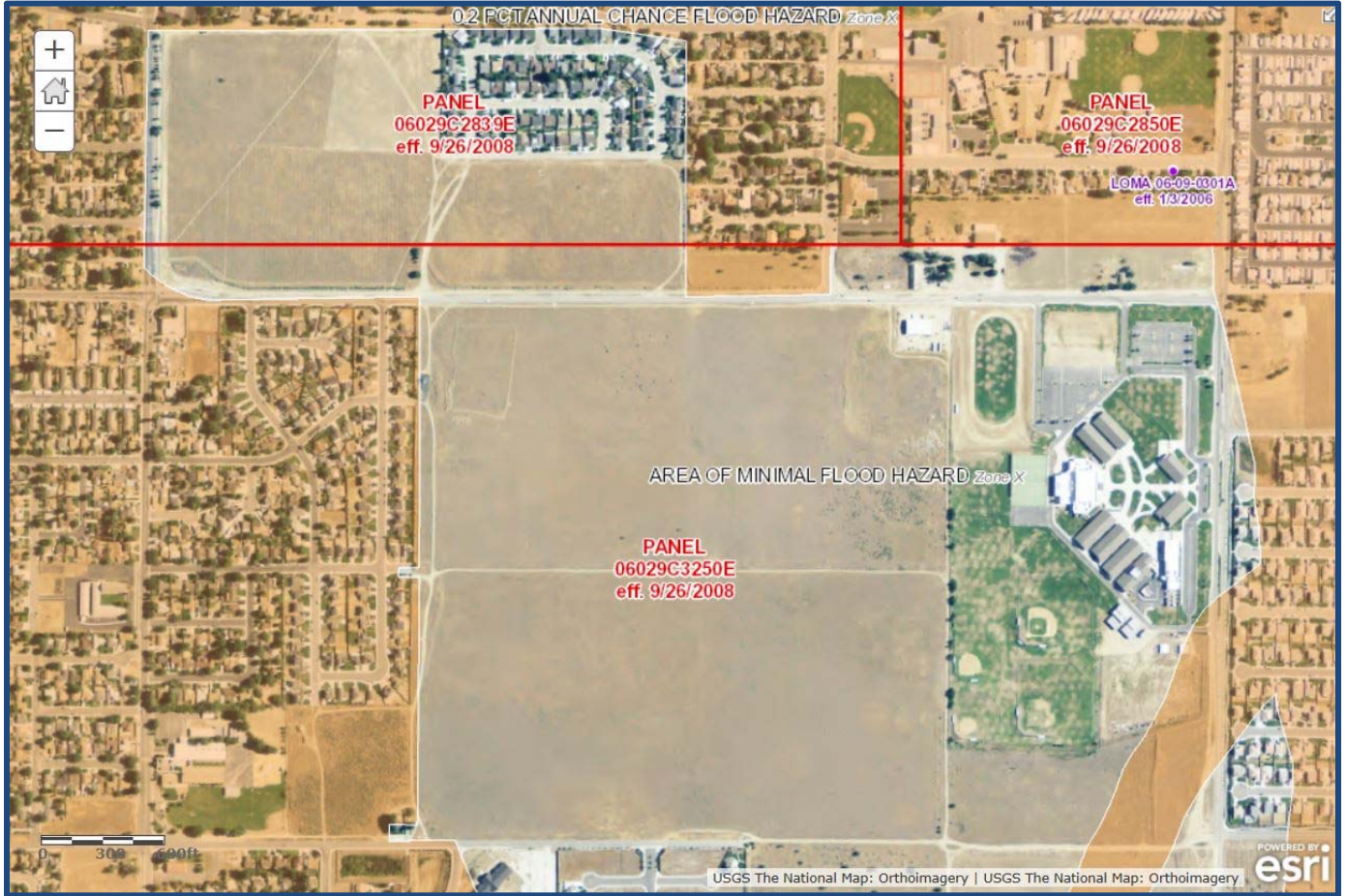
The portion south of Valley Blvd. is farmed to organic spinach and kale. This is an interim use in transition to residential development. It was formerly approved for development to Tentative Tracts 6218 and 6723. The tentative maps have expired.



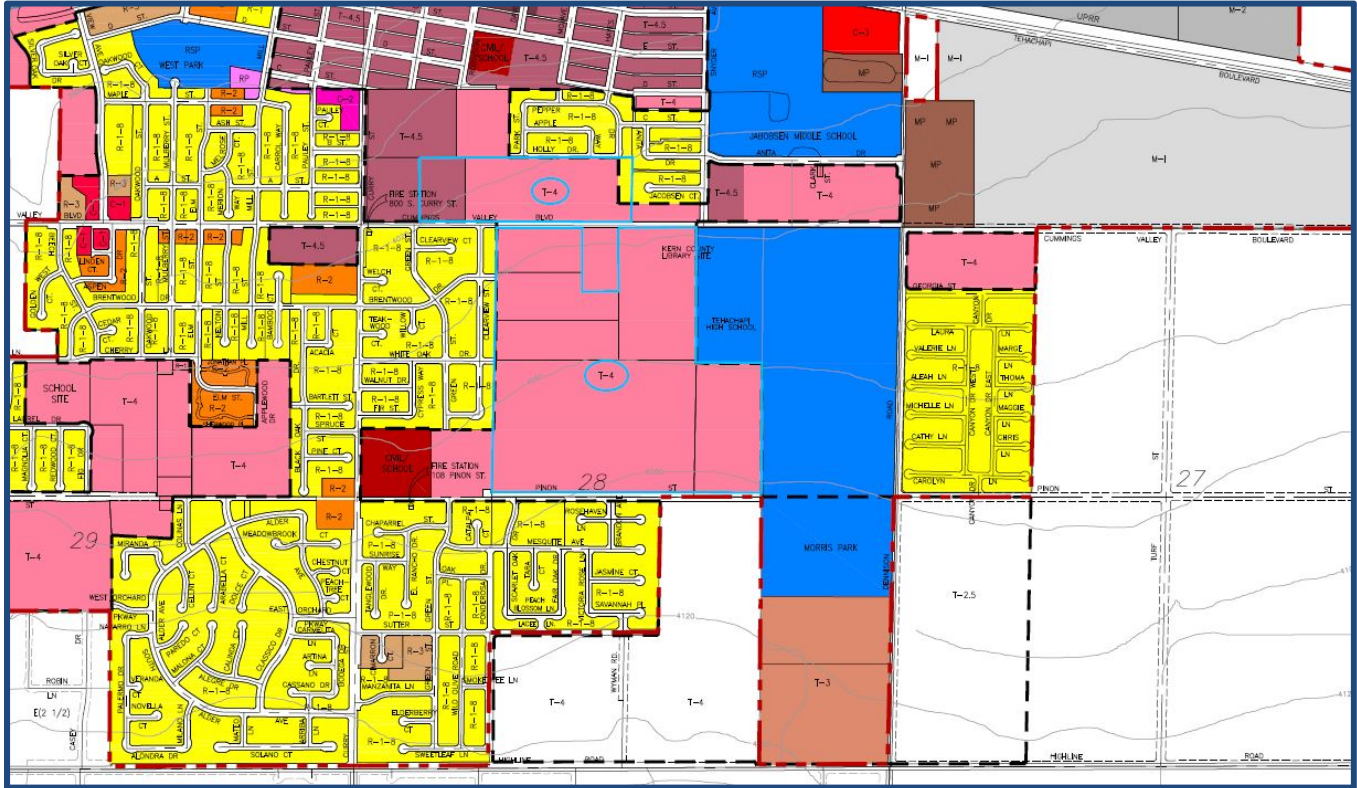
**ASSESSOR PARCEL MAPS**



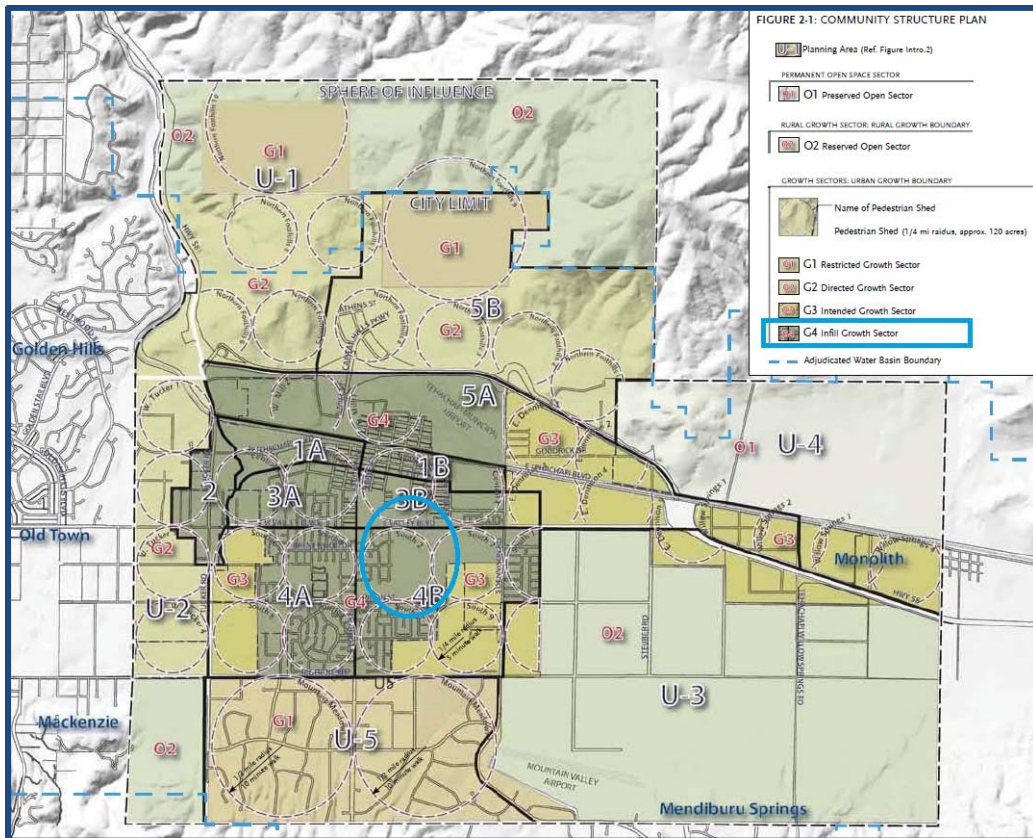
**FLOOD MAP**



**ZONING MAP**



**GENERAL PLAN MAP**



## Subject Photos

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Looking north from Cummings Valley Blvd.



Looking east along the north property line of APN 417-012-01



Looking south from Valley Blvd. along the west property line of APN 417-012-01



Looking north from Pinon St.

# Assessment and Tax Data

## Assessment Methodology

The current method of taxation of real property in California is mandated by Proposition 13, under which real estate taxes were reduced to one percent of the property's full market value as of the 1975/76 fiscal year, plus any voter-approved bond indebtedness. The Assessor's assessment of market value is limited to a maximum of two percent annual increase, unless the property is transferred or there is substantial new construction. In either of these two events, the property is re-appraised to current market value, usually as evidenced by the sales price or the construction cost.

## Assessed Values and Property Taxes

The property is assessed by the Kern County Assessor's Office. Assessments and taxes for the 2016-17 fiscal year are summarized as follows:

### Tax Schedule

#	Assessor's Parcel Number	Assessed Value - Land	Assessed Value - Imp.	Total Assessed Value	Tax Rate	General Taxes	Special Assessments	Total Tax Expense
1	415-012-14	\$143,239	\$0	\$143,239	1.231399%	\$1,763.84	\$5.04	\$1,768.88
2	417-012-01	\$175,070	\$0	\$175,070	1.231399%	\$2,155.81	\$555.47	\$2,711.28
3	417-012-25	\$100,797	\$0	\$100,797	1.231399%	\$1,241.21	\$322.88	\$1,564.09
4	417-012-27	\$106,103	\$0	\$106,103	1.231399%	\$1,306.55	\$67.57	\$1,374.12
5	417-012-28	\$318,311	\$0	\$318,311	1.231399%	\$3,919.67	\$1,010.69	\$4,930.36
<b>Total</b>		<b>\$843,520</b>	<b>\$0</b>	<b>\$843,520</b>		<b>\$10,387.07</b>	<b>\$1,961.66</b>	<b>\$12,348.73</b>

**NOTE:** Assessments and taxes are typical of the area. Pursuant to Article XIII-A of the California State Constitution (Proposition 13) upon sale or transfer, the property will be reassessed and taxes adjusted accordingly.

## Highest and Best Use

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The Highest and Best Use of a property is the use that is physically possible, legally permissible and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Implied in the definition is that the determination of highest and best use results from the judgment and analytical skills of the appraiser; that is, that the use determined from analysis represents an opinion, not necessarily a fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

### Analysis of Highest and Best Use as if Vacant

In determining the highest and best use of the property as though vacant, I examine the potential for: 1) near term development, 2) a subdivision of the site, 3) an assemblage of the site with other land, or 4) holding the land as an investment.

### Physically Possible

The physical attributes allow for a number of potential uses. Elements such as availability of utilities, known hazards (flood, environmental, etc.), and other potential influences are described in the Site Description and have been considered.

The parcel is of sufficient size to accommodate uses permitted by zoning. This would include residential development of varying densities. All utilities are adjacent and assumed sufficient to support future development consistent with surrounding uses.

### Legally Permissible

The zoning, Neighborhood General (T4), does control the general nature of permissible uses and is appropriate for the location and physical elements of the subject. Zoning allows a wide range of residential uses. The location of the subject is appropriate for the uses allowed. The subject is considered transitional from vacant land to residential uses, based on surrounding land use trends. A change in zoning is unlikely as zoning is consistent with the general plan.

The subject contains no approvals for development, as previously approved tentative tract maps have expired. However, new zoning designations allow a path for approvals through only the Planning Department. The owner reported the Planning Department would allow 200 units on APN 415-012-14 containing 28.75 acres.

### Financially Feasible

Once physically possible and legally permissible uses are determined, an appraiser considers the potential of economic or financial feasibility for the most probable uses via a cost/benefit analysis or through direct market observation.

The probable use of the site for residential use conforms to the pattern of land use in the market area.

Based on the factors discussed, development of the subject is not currently feasible. There is a significant number of finished lots in the area, for which the subject will most likely follow anticipated in 4 to 8 years based on historical trends.

However, based on discussions with the property owner and Linda Costelloe-Clough, Broker Associate, RE/MAX Tehachapi, who have had numerous discussions with city officials, to include the City Manager, Assistant City Manager, and the City Planner, the City is deficient new single-family homes, townhomes, and-or condominiums priced from \$200,000 to \$260,000. Demand in this price range is from numerous sources, including younger first time home buyers, employees from the Mojave spaceport, NASA, wind energy sector, and new hospital, as well as seniors downsizing from larger homes-parcels from the surrounding area. According to Ms. Clough, there have been no new homes built in this price range in over ten years, with the current and most recent builders selling homes in the \$280,000 to \$400,000 price range. Reportedly, there is unmet demand from which the property owner intends to fulfill, which has general approval of the City based on new zoning and general plan designations for higher density attached single-family homes containing smaller lots. Costs to develop were unavailable and this product type is unproven in Tehachapi. Feasibility is unknown but may be possible.

#### Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is for residential development, upon demand.

#### Conclusion of Highest and Best Use as though Vacant

The conclusion of the highest and best use as though vacant is to hold for residential development.

#### Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is residential developer

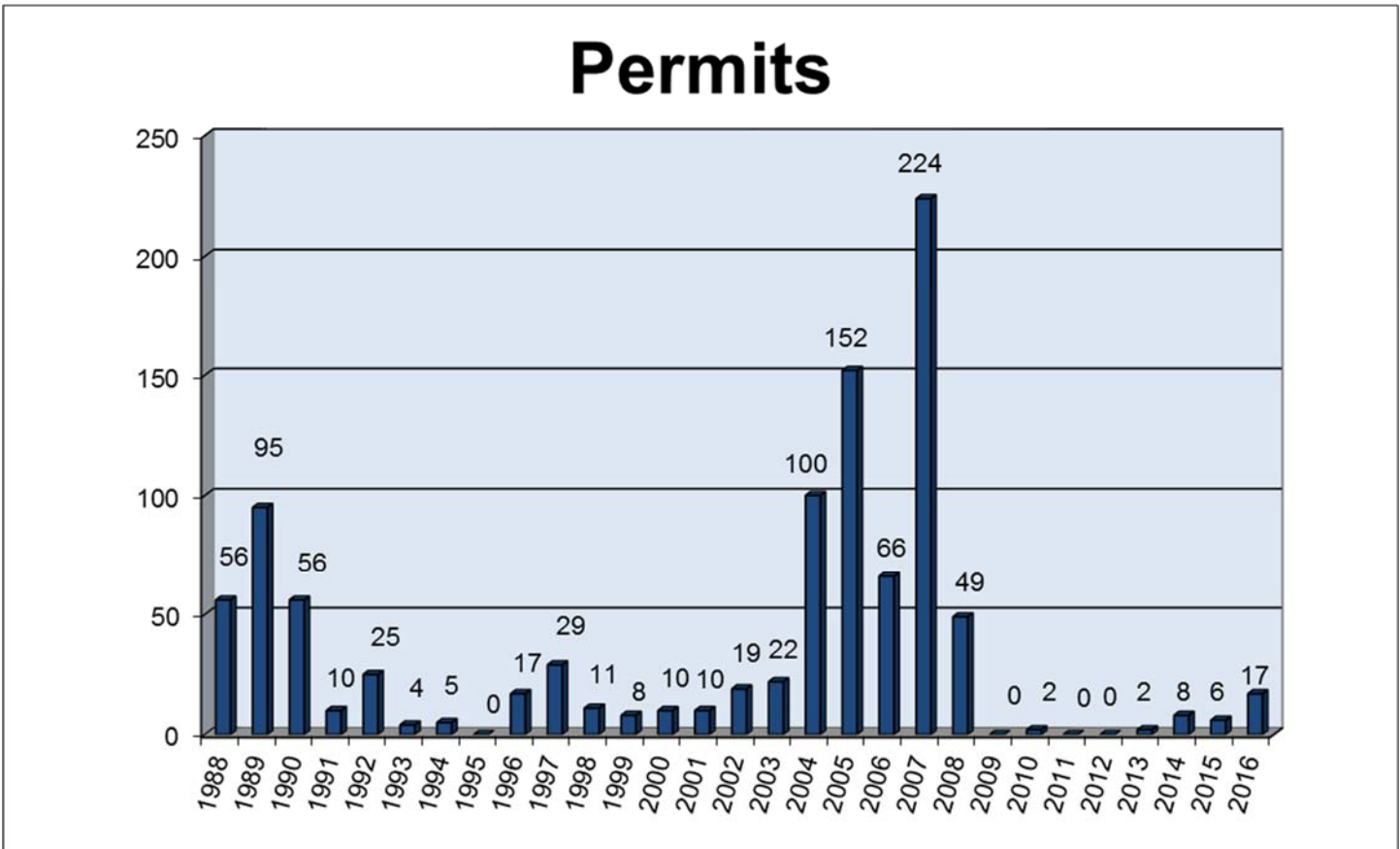


# Housing Market

## DEMAND FOR NEW HOMES

### SINGLE FAMILY PERMITS

Total single family residential permits for Tehachapi, are summarized since 1988, as follows:



Since 1988, Tehachapi has averaged 34.6 permits per year. The residential market experienced a significant increase in 2004 to 2008, similar to that experience in Kern County and the State of California. Only four permits were pulled between 2009-2013, indicating a significant decrease from 2004-2008. Between 1991 and 2003, a thirteen year span, permits averaged 13 per year. It appears home construction is starting to increase based on the number built in 2014 to 2016 at 12.6 per year, similar to the average between 1991 and 2003.

New homes have been sold within three tracts in the last three years: Tracts 6062, 6216, and 4927 (Mulberry St.). In these three tracts, 6 homes sold in 2014, 2 homes sold in 2015, 18 sold in 2016, and 12 have sold to date in 2017 with 2 in escrow. This indicates demand has increased slightly in 2016 and 2017.

## SUPPLY OF LOTS

There are two subdivisions in Tehachapi containing finished lots: Tract 6062 and Tract 6216.

Tract 6062 is located south of Pinon St. from the subject. There are approximately 15 remaining finished lots within Tract 6062.

Tract 6216 contains a total of 371 lots in five phases, south of Pinon St. and west of South Curry St. Phases 1-3 have been completed, containing 119 lots. The developer, Prestige Homes, built 3 models, constructed and sold 59 residences, and 11 homes were in various stages of construction, which have been boarded and construction halted in 2012. The tract was sold in 2012 to an investor who completed and sold the 11 homes that were under construction in 2013-2014. The remaining lots were sold a home builder. Alta Homes sold 8 homes in 2016 and 5 to date in 2017. There are approximately 25 remaining finished lots. In addition, there are 252 partially completed lots in Phases 4-5. Improvements completed include rough grading, some block walls, some curbs/gutters, and some paving.

A home builder acquired 13 lots on Mulberry St., north of Cherry Ln., in 2015, to build and sell homes. Three homes were sold in 2016, four have sold in 2017, with four in escrow, and two listed for sale. There are no remaining lots available.

There are approximately 40 finished lots with these two subdivisions and 252 partially completed lots, totaling 292 lots. No other subdivisions in Tehachapi contain finished lots available for single family construction.

Based on the number of permits averaged between 1991-2003 and 2015-2016 of 13/year, the 40 existing finished lots equates to a 3-4 year supply.

## HOUSING PRICES - TEHACHAPI

According to the Tehachapi Area Association of Realtors MLS, sales within the City of Tehachapi are summarized as follows:

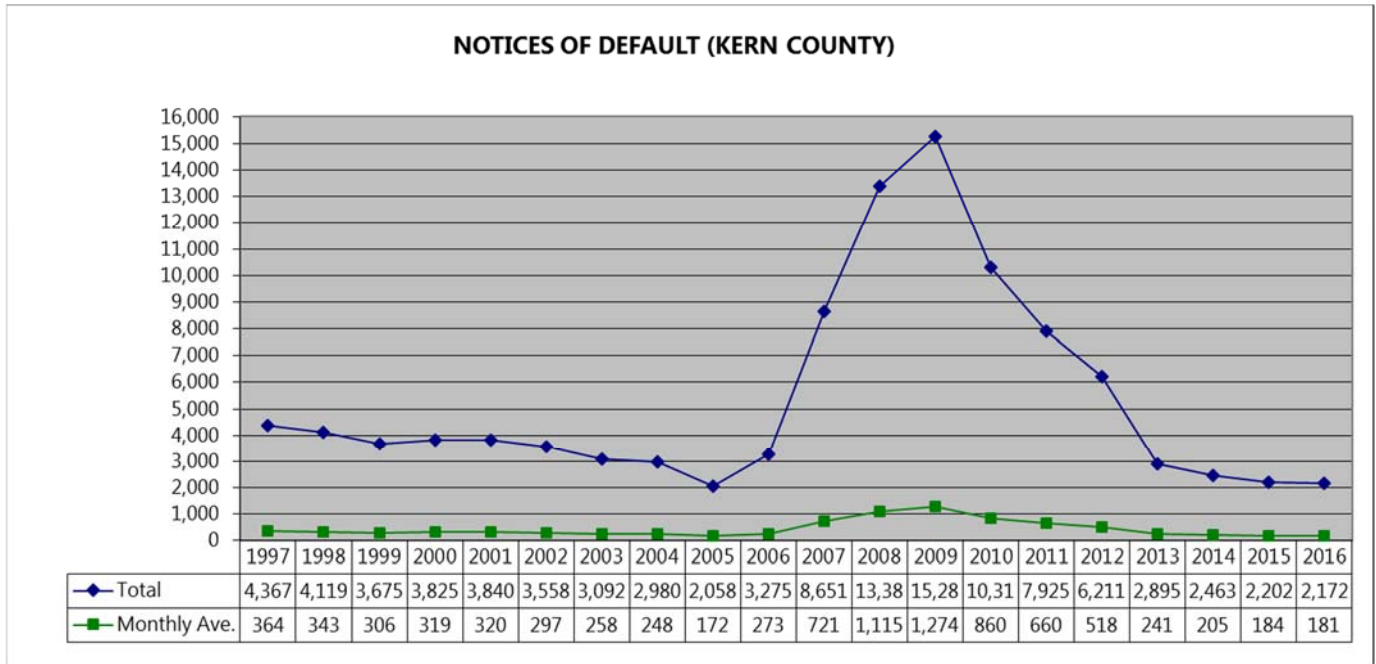
Time Period	Number Sold		Median Sale Price		Average Sale Price	
2013	104		\$165,000		\$164,115	
2014	117	+12.5%	\$185,500	+12.4%	\$187,739	+14.4%
2015	133	+13.7%	\$195,100	+5.2%	\$210,959	+12.4%
2016	143	+7.5%	\$216,500	+11.0%	\$219,304	+4.0%
Previous 6 Months	74		\$250,000		\$245,472	
First Quarter 2017	30		\$209,750		\$231,309	
Second Quarter 2017	29		\$245,000		\$244,344	
Current Listings	31		\$278,000		\$287,272	

The property was previously appraised during the First Quarter 2014. The median home price in Tehachapi during the First Quarter 2014 was \$134,000, compared to the Second Quarter 2017 at \$245,000, an increase of 82.8%. However, the number of closed sales increased from 22 in the First

Quarter 2014 to 34 in the Second Quarter 2017. It appears demand and prices are increasing over the last four years.

### FORECLOSURE-DEFAULT SUMMARY

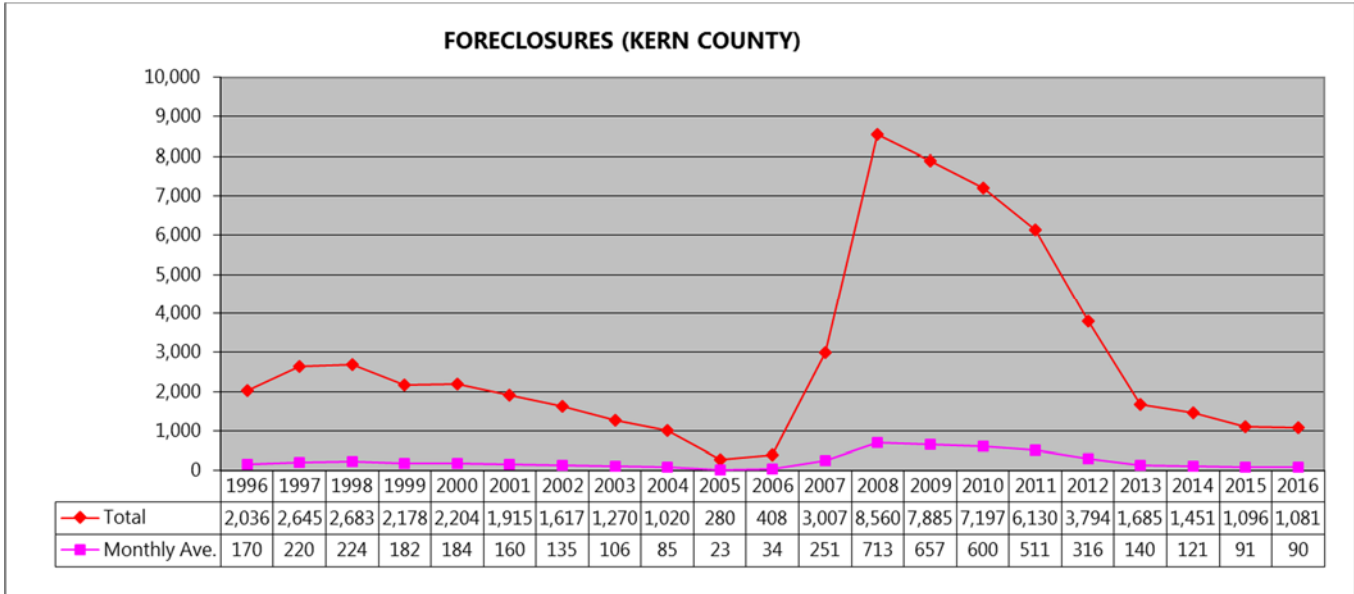
Notices of Default are issued prior to foreclosure action. Significant increases were indicated in 2007-2009, but declined in 2010-2015. The following chart summarizes the notices of default issued in Kern County:



Source: Kern County Recorder (2016)

Notices of Default in 2011 decreased 23.2% from 2010, and decreased 21.6% from 2011 to 2012. The decrease from 2012 to 2013 equates to 53.4%. A decrease of 14.9% was indicated from 2013 to 2014, averaging 241/month in 2013 and 205/month in 2014. The numbers indicated in 2015 averaged 184/month, which is a decrease of 10.6% from 2014. A decrease of 1.4% was indicated from 2015 to 2016. Default notices are considered to be stabilized.

The number of foreclosures increased significantly in 2008-2010 from previous years. Foreclosure activity in Kern County is summarized as follows:



Source: Kern County Recorder (2016)

Foreclosures in 2012 decreased 38.1% from 2011, and 14.8% from 2010 to 2011. Foreclosures in 2013 were a decrease of 55.6% from 2012. The average monthly foreclosures in 2014 was 121, which was down from 140 in 2013. The numbers indicated in 2015 averaged 91/month, which is a decrease of 24.5% from 2014. A decrease of 1.4% was indicated from 2015 to 2016. Foreclosures are considered to be stabilized.

## CONCLUSION

Single family permits have averaged 34.6 per year, between 1988 and 2016. This equates to 2.9 permits/month. In consideration of the supply of 40 finished lots, discussed above, there is a 14 month supply. Based on the 292 remaining finished and partially completed lots, there is an 101 month supply, or 8-9 years. Population is not anticipated to increase significantly. The housing market, relative to the supply of finished lots, in Tehachapi is in a state of oversupply. This is considered in the final value estimated within this appraisal.

# Appraisal Methodology

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## Three Approaches to Value

There are three traditional approaches typically available and applied to the appraisal of land: the sales comparison, land development and the income residual approach.

### [Sales Comparison Approach](#)

The most often used approach is the direct sales comparison approach. The sales comparison approach involves the direct comparison of sales and listings of similar properties, adjusting for differences between the subject property and the comparable properties. This method can be useful for valuing general purpose properties or vacant land. For improved properties, it is particularly applicable when there is an active sales market for the property type being appraised – either by owner-users or investors.

### [Land Development Approach](#)

A second method of land appraisal is the land development approach. This approach involves estimating the development costs of installing all utilities and off-sites. These costs can be subtracted from a known improved lot value (established by sales comparison) to arrive at an estimate of raw land value or added to the known raw land value to arrive at the value of an improved site.

### [Income Residual Approach](#)

The third method employed is an income residual method. An estimate is made of the potential net income, which can be earned, from the site improved with buildings. The cost of these improvements is estimated to determine the portion of the income needed to supply a fair return on these costs. The residual income is available for a return on the land. Therefore, this income is capitalized into an indicated land value.

## Subject Valuation

As stated within the Scope of Work, we have relied upon the Sales Comparison Approach. This is the most common approach applicable to the valuation of land or vacant lots.

# Land Valuation

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## Methodology

Land is most often valued using the Sales Comparison Approach. The opinion of market value is based on an analysis of sales, listings and pending sales of properties similar to the subject property, using the most relevant units of comparison. The comparative analysis focuses on the difference between the comparable sales and the subject property using all appropriate elements of comparison.

## Unit of Comparison

The unit of comparison depends on land use economics and how buyers and sellers use the property. The unit of comparison in this analysis price per acre.

## Elements of Comparison

Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The main elements of comparison that are considered in sales comparison analysis are as follows: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, (4) expenditures made immediately after purchase, (5) market conditions, (6) location and (7) physical characteristics.

## Comparable Sales Data

A search of data sources and public records, a field survey, interviews with knowledgeable real estate professionals in the area, and a review of our internal database were conducted to obtain and verify comparable sales and listings of vacant land properties.

Note: There are no sale transactions of transitional residential land in the Tehachapi area. Therefore, it is necessary to research comparisons in similar communities within Kern County and Central Valley.

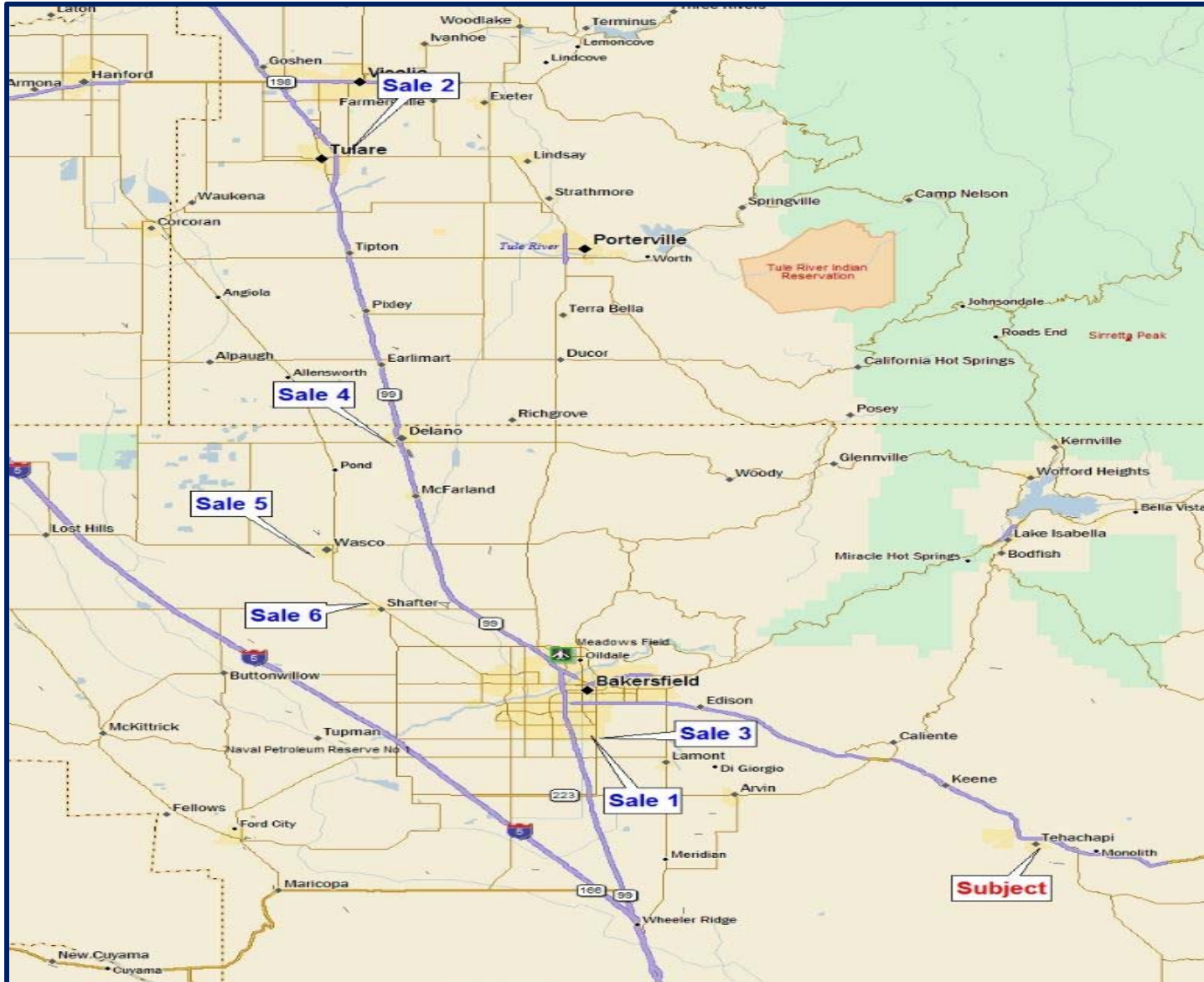
We used six vacant land sales in our analysis, these representing the sales judged to be the most comparable in developing an indication of the market value of the subject property. Four listings of parcels within Tehachapi are shown which are the most comparable relative to location and zoning.

The following table summarizes each of the land sale comparables and is followed by a map displaying the location of each comparable in relation to the subject.

**Land Sales Summary**

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6
Address/Location	Cummings Valley Blvd.	Boomerang Dr., S. of Fairview Rd.	Mooney Blvd., N. of Seminole Ave.	Panama Ln., E. of South Union Ave.	South Albany St., S. of Diaz St.	Filburn Ave., W. of Palm Ave.	W. Tulare Ave., E. of Poplar Ave.
Area	Southeast	Southeast	Northeast	Southeast	Southwest	Southeast	Northwest
City	Tehachapi	Bakersfield	Tulare	Bakersfield	Delano	Wasco	Shafter
APN	417-012-14; 417-012-01, 25, 27, 28	413-020-28, 31, 34, 42	172-010-043, Portion of -044	414-190-24	422-18; 422-19; 521-24; 521-25	490-010-25, 26, 27, 28	026-010-07, 08
<b>Sales Data</b>							
Date of Sale	N/A	10/24/2014	5/1/2015	11/18/2015	12/10/2015	3/21/2016	3/29/2017
Sale Price		\$850,000	\$1,115,650	\$1,822,500	\$4,250,000	\$970,000	\$1,100,000
Price/Acre		\$52,404	\$44,448	\$33,819	\$71,973	\$19,679	\$28,661
Grantor		Housing Authority of the County of Kern	Dyt Properties, LLC	East Panama, LLC	Ledges, LLC	Wasco Land Holdings, LLC	Aarin Ann Wilson; Koehn Rev Liv Tr.
Grantee		Gateway Housing, LLC	Central Valley Land Company, LLC	Gateway Housing, LLC	Leora, LLC	Las Rosas, LLC	Millennium Homes, LLC
Document #		14-132345	15-22877	15-160592	15-171555	16-34108	17-40039, 40040
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Financing		Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Conditions of Sale		Conventional	Conventional	Conventional	Conventional	Conventional	Conventional
<b>Physical Characteristics</b>							
Usable Land Area (Acres)	28.75, 132.13	16.22	25.10	53.89	59.05	49.29	38.38
Number of Lots/Units		85	106	235	267	229	158
Density Units/Acre		5.24	4.22	4.36	4.52	4.65	4.12
Zoning	NG (T4)	R-1	R-1	R-1	R-1	R-1-6	Estate
Flood Zone	X	X	X	X	X	X	X
Topography	Level	Level	Level	Level	Level	Level	Level
Shape	Rectangular	Irregular	Rectangular	Mostly Rectangular	Mostly Rectangular	Irregular	Mostly Rectangular
Utilities	Adjacent	Adjacent	Adjacent	Requires Sewer Extension	Requires Sewer-Storm Drain Extension	Adjacent	Nearby
Location Influence	Interior	Interior	Corner	Corner	Interior	Interior	Interior
Access	Average	Average	Average	Average	Average	Average	Average
Visibility	Average	Average	Average	Average	Average	Average	Average
Proposed Use	Residential	Residential	Residential	Residential	Residential	Residential	Residential
Status-Approvals/Engineering	None	Yes - TT Map	Yes - TT Map	Yes - TT Map	Yes - TT Map, All Engineering	None	None
Improvements	None	None	None	None	Some On-site	Some Off-site	None

**COMPARABLE SALES MAP**





Sale 1 is located south of Fairview Rd. and west of South Union Ave., in Southeast Bakersfield. The property included vacant land approved for Tentative Tract 6209 Phases 2 and 3, containing 77 lots, as well as APN 413-020-31 proposed for 8 additional lots, totaling 85 paper lots, as well as 6 finished lots in Phase 1. The purchase price for the entire holding was \$1,000,000, in which the six lots were allocated at \$150,000, or \$25,000/lot; and the land was allocated \$850,000, or \$10,000/paper lot for 85 lots. This is an infill location. All utilities are adjacent.

Sale 2 is located at the northeast corner of Mooney Blvd. and Seminole Ave., in Tulare. The property included tentative map approval for 106 lots. The sale price was based on a price of \$10,525/paper lot. No improvements are complete. All utilities are adjacent. The property was being utilized as open farmland as part of a larger 128.46 acre holding, which has been planned for residential development since approximately 2005.

Sale 3 is located on the north side of Panama Ln., east of South Union Ave., in Southeast Bakersfield. The property included vacant land approved for Tentative Tract 6865 containing 235 lots. No improvements are complete. Sewer requires extension from Berkshire Rd. approximately 2,000' south at an estimated cost of \$270,000, or \$1,149/lot. Remaining utilities are adjacent.

Sale 4 is located along the east side of South Albany St. and the south side of Diaz St., in Delano. The purchase included two recorded tract maps, Tracts 6326 and 6327, containing 267 lots. However, the parcels were mostly vacant. Water and sewer pipelines were installed in Phase A of Tract 6326 in 2006. The developer of these two tracts is required to install offsite storm drain improvements to a drainage basin west of Albany St. and south of Woollomes Ave. Some of the costs will be reimbursed by adjacent property owners. Remaining utilities are adjacent. As the maps have been recorded, all engineering is complete. Tract 6326 previously sold May 11, 2012 for an initial amount of \$490,500, or \$3,633/lot. However, the buyer agreed to pay the seller an additional \$10,000/lot upon the sale of each home or lot, which equates to an effective price of \$13,633/lot or \$57,428/acre.

Sale 5 is located on the east side of Central Ave. and the west side of Palm Ave., north of Filburn Ave., in Wasco. The property previously included tentative map approval for 229 lots, as an extension of Tract 6589. Some offsite improvements are complete. All utilities are adjacent. The property was purchased for use as open farmland, but the City denied their request due to location adjacent to single family residences on two sides.

Sale 6 is located on the north side of Tulare Ave., west of Hwy. 43 and east of Poplar Ave., in Shafter. The property consists of two adjacent parcels, of which one contains an older residence given no value by the buyer or seller. The buyer is a local home builder who is in the process of obtaining approvals for residential development. Utilities are nearby, requiring short extensions. Reportedly, development can utilize the adjacent drainage basin. No improvements are complete. The property is in escrow anticipated to close within 90 days.

These are the most current transitional land sales of similar zoning and development potential.

The following listings are within the market area of Tehachapi with somewhat similar characteristics to the subject:

### Land Listings Summary

	Subject	Listing # 1	Listing # 2	Listing # 3	Listing # 4
Location	Cummings Valley Blvd.	Pinon St., E. of S. Curry St.	S. Robinson St., E. of Curry St.	SWC Cummings Valley Blvd., Steuber Rd.	NWC Cummings Valley Blvd., Mtn. View Ave.
City	Tehachapi	Tehachapi	Tehachapi	Tehachapi	Tehachapi
APN	417-012-14; 417-012-01, 25, 27, 28	417-020-07	415-012-18	223-500-17, 24	416-010-25
<b>Listing Data</b>					
Listing Date	N/A	4/7/2008	7/31/2007	6/19/2017	3/27/2017
Asking Price		\$495,000	\$399,000	\$895,000	\$895,000
Price/Acre		\$58,649	\$53,200	\$23,721	\$84,196
<b>Physical Characteristics</b>					
Usable Land Area (Acres)	28.75, 132.13	8.44	7.5	37.73	10.63
Zoning (GP)	NG (T4)	NG (T4)	NG (T4)	A	NG (T4), C-1, R-3
Topography	Level	Level	Level	Level	Level
Shape	Rectangular	Rectangular	Rectangular	Rectangular	Irregular
Utilities	Adjacent	Adjacent	Adjacent	Electricity	Adjacent
Access/Visibility	Average	Average	Average	Average	Average
Proposed Use	Residential	Residential	Residential	Agriculture	Residential, Commercial
Improvements	None	None	None	None	C/G/S on Valley Blvd., and corner
Status-Approvals	None	None	Approved TTM, All Engineering	None	None

Listing 1 is adjacent to the west of the 132.13-acre portion (Site 2) of the subject. It is along the north side of Pinon St., east of South Curry St., and adjacent to the east of Tompkins Elementary School. It contains similar zoning and within the 0.2% annual chance flood plain. It has been on and off the market for eight years, and at the price shown for over three years. The agent indicated the owner intends to hold unless a full price offer is received, and that the price is above market. The owner originally designed the property for 28 lots, but not approvals or formal engineering was completed. Utilities are adjacent and no on or offsite improvements are completed.

Listing 2 is adjacent to the north of the 28.75-acre portion (Site 1) of the subject. It is at the south end of South Robinson St. at C St. It contains similar zoning and previously approved for Tentative Tract 6248 containing 29 lots. All engineering was completed years ago, and will require updating to current standards. This is superior to the subject. The agent indicated the property owner would accept \$300,000, which equates to \$40,000/acre. It has been on the market for approximately ten years with no formal offers received. However, there has recently been interest from a builder and an investor intended to hold. Utilities are adjacent and no on or offsite improvements are completed.

Listing 3 is an agricultural property at the southwest corner of Steuber Rd. and the alignment of Cummings Valley Blvd. This property is zoned for agriculture use and is designated as rural growth on the general plan. This listing is shown to indicate the low end of the market. It has very low potential

for urban development and will remain utilized for agricultural purposes. Electricity is adjacent and no on or offsite improvements are completed.

Listing 4 is a mixed zone site at the northwest corner of Cummings Valley Blvd. and Mountain View Ave. Approximately 1.35 acres are zoned C-1 (Neighborhood Commercial), 0.28 acres are zoned R-3 (High Density Multifamily Residential), and 9.0 acres are zoned NG (T4) similar to the subject. Utilities are adjacent. Offsite improvements were completed along Valley Blvd., including the corner. The multifamily portion is small and likely will be developed in conjunction with the NG portion. There are three office buildings adjacent to the west of the C-1 portion fronting Valley Blvd.

## Land Sales Comparison Analysis

Sales are summarized as follows:

### Land Sale Statistics

Metric	Per Acre
Minimum Sale Price	\$19,679
Maximum Sale Price	\$71,973
Median Sale Price	\$39,134
Mean Sale Price	\$41,831

We analyzed the sales and made adjustments for differences in the elements of comparison previously listed. The comparable sales are adjusted to the subject: if the comparable sale was superior to the subject, we applied a negative adjustment to the comparable sale. A positive adjustment to the comparable property was applied if it was inferior to the subject. A summary of the elements of comparison follows.

### Transaction Adjustments

These items are applied prior to the application of property adjustments. Transaction adjustments include:

1. Real Property Rights Conveyed
2. Financing Terms
3. Conditions of Sale
4. Expenditures Made Immediately After Purchase

The adjustments are discussed as follows:

### Real Property Rights Conveyed

No adjustments were warranted.

### Financing Terms

The transaction price of one property may differ from that of an identical property due to different financial arrangements. Sales involving financing terms that are not at or near market terms require adjustments for cash equivalency to reflect typical market terms. A cash equivalency procedure discounts the atypical mortgage terms to provide an indication of value at cash equivalent terms.

No adjustments were warranted.

### Conditions of Sale

When the conditions of sale are atypical, the result may be a price that is higher or lower than that of a normal transaction. Adjustments for conditions of sale usually reflect the motivations of either a buyer or a seller who is under duress to complete the transaction. Another more typical condition of sale involves the downward adjustment required to a comparable property's for-sale listing price, which usually reflects the upper limit of value.

No adjustments were warranted.

### Expenditures Made Immediately After Purchase

A knowledgeable buyer considers expenditures that will have to be made upon purchase of a property because these costs affect the price the buyer agrees to pay. Such expenditures may include: (1) costs to demolish and remove any portion of the improvements, (2) costs to petition for a zoning change, and/or (3) costs to remediate environmental contamination.

The relevant figure is not the actual cost incurred, but the cost that was anticipated by both the buyer and seller. Unless the sales involved expenditures anticipated upon the purchase date, no adjustments to the comparable sales are required for this element of comparison.

No adjustments were warranted.

### Market Conditions Adjustment

Market conditions change over time as a result of inflation, deflation, fluctuations in supply and demand and other factors. Changing market conditions creates the need for adjustments to sale comparables that represent transactions during periods of dissimilar market conditions.

Market conditions have remained relatively stable during the last three years. No adjustments are warranted for this factor.

### Property Adjustments

Property adjustments are usually expressed quantitatively as percentages that reflect the increase or decrease in value attributable to the various characteristics of the property. In some instances, however, qualitative adjustments are used. These adjustments are based on locational and physical characteristics and are applied after the application of transaction and market conditions adjustments.

We have summarized our comparison of the subject to the sales comparables below. These comments are based on our market research, best judgment, and experience in the appraisal of similar properties.

The comparison comments are discussed as follows:

#### Location

Location adjustments may be required when the locational characteristics of a comparable are different from those of the subject. These characteristics can include general neighborhood characteristics, freeway accessibility, street exposure, corner- versus interior-lot location, neighboring properties, view amenities, and other factors to include city.

Sales 1-4 are located in Bakersfield, Tulare, or Delano, considered superior relative to anticipated absorption and development timing. Significant downward adjustments are warranted for this factor. Development timing and absorption for Sale 5 is within Wasco, an overall inferior location relative to home prices. Sale 6 is similar to the subject, with no adjustments warranted.

#### Overall Size

The size adjustment identifies variances in the physical size of the comparables and the subject improvements. Typically, the larger a parcel, the lower the sale price per unit. This inverse relationship is due, in part, to the principle of "economies of scale."

Site 1 of the subject consists of 28.75 acres, with the Sales containing 16.22 to 59.05 acres. Typically, as size increases, price/acre decreases and as size decreases, price/acre increases. Therefore, it is reasonable to assume, with all other factors being equal, a smaller parcel would sell for a higher price/acre and a larger parcel would sell for a lower price/acre. However, there appears to be no direct correlation in size with this group of sales, with no adjustment warranted.

Site 2 of the subject consists of 132.13 acres, which is significantly larger than the Sales. It is reasonable to assume, with all other factors being equal, a smaller parcel would sell for a higher price/acre and a larger parcel would sell for a lower price/acre. This is related to the anticipated holding period to absorption all units or lots. Downward adjustments are warranted for this factor. It is reasonable to state that a value of Site 2 would be lower than Site 1.

#### Shape

The subject site consists of rectangular-shaped parcel similar to Sales 2-4 and 6. Sales 1 and 5 are irregular, however, this did not affect design and layout of development. No adjustments are warranted.

#### Easements

The subject and Sales contain no easements that effect development. No adjustments are warranted for this factor.

#### Zoning

The highest and best use of sale comparables should be very similar to the subject property. When comparables with the same zoning as the subject are lacking or scarce, parcels with slightly different zoning, but a highest and best use similar to that of the subject may be used as comparables. These comparables may have to be adjusted for differences in utility if the market supports such adjustment.

The subject site is zoned NG (T4), which allows typical single family residential subdivision, as well as higher densities related to multifamily development. Sales are zoned for single family use. Overall, this is inferior to the subject, which could be developed to an overall higher density, or more units per acre. The sales are proposed for lot densities ranging from 4.12 to 5.24 lots per acre. Reportedly, the planning department will allow 200 units on Site 1, which equates to approximately 6.96 units per acre. Upward adjustments are warranted for this factor.

Site 2 contains the same zoning as Site 1 and could be developed to a similar density. However, is unlikely the entire 132.13 acres will be developed to high density, with some range at 4-15 units per

acre. Zoning does require some open space for design features. An overall density of 6-8 units per acre is anticipated by the appraisers.

#### Topography

The subject is level, similar to the Sales.

#### Utilities

The subject contains adjacent utilities. Sales 1-2 and 5-6 include adjacent or nearby utilities. No adjustments are warranted for this factor. Sales 3 and 4 require sewer extensions with upward adjustments warranted.

#### Status-Approvals/Engineering

The subject contains previous approvals and design. Sales 1-4 tentative tract map approvals with some engineering complete. Sale 4 includes all engineering completed and approved, ready for development. Downward adjustments are warranted for these factors. Sales 5 and 6 do not contain approvals or engineering.

#### On-Site, Off-Site Improvements

The subject contains no offsite improvements, similar to Sales 1-3 and 6. Sale 4 contains partial grading, sewer, and water improvements completed. Sale 5 includes some curbs, gutter, and sidewalks. Downward adjustments are warranted for this factor.

#### Demolition Costs

No demolition costs are estimated for the subject or Sales.

The following is a summary of the comparison analysis described above:

**Land Sales Adjustment Grid**

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6
Date of Value & Sale	7/18/2017	10/24/2014	5/1/2015	11/18/2015	12/10/2015	3/21/2016	3/29/2017
Location	Cummings Valley Blvd.	Boomerang Dr., S. of Fairview Rd.	Mooney Blvd., N. of Seminole Ave.	Panama Ln., E. of South Union Ave.	South Albany St., S. of Diaz St.	Filburn Ave., W. of Palm Ave.	W. Tulare Ave., E. of Poplar Ave.
Unadjusted Sale Price		\$850,000	\$1,115,650	\$1,822,500	\$4,250,000	\$970,000	\$1,100,000
Usable Acres	28.75	16.22	25.10	53.89	59.05	49.29	38.38
Usable Square Feet	1,252,350	641,639	216,493	1,625,224	1,055,459	425,146	1,491,059
<b>Sale Price per Usable Acre</b>		<b>\$52,404</b>	<b>\$44,448</b>	<b>\$33,819</b>	<b>\$71,973</b>	<b>\$19,679</b>	<b>\$28,661</b>
<b>Transactional Adjustments</b>							
Property Rights Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Sale Price Per Acre		\$52,404	\$44,448	\$33,819	\$71,973	\$19,679	\$28,661
Financing Terms		Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Sale Price Per Acre		\$52,404	\$44,448	\$33,819	\$71,973	\$19,679	\$28,661
Conditions of Sale							
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted Sale Price Per Acre		\$52,404	\$44,448	\$33,819	\$71,973	\$19,679	\$28,661
Expenditures after Sale							
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Adjusted Sale Price Per Acre</b>		<b>\$52,404</b>	<b>\$44,448</b>	<b>\$33,819</b>	<b>\$71,973</b>	<b>\$19,679</b>	<b>\$28,661</b>
<b>Market Conditions Adjustments</b>							
Elapsed Time from Date of Value		2.73 years	2.22 years	1.67 years	1.61 years	1.33 years	0.30 years
Market Trend Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Adjusted Sale Price Per Acre</b>		<b>\$52,404</b>	<b>\$44,448</b>	<b>\$33,819</b>	<b>\$71,973</b>	<b>\$19,679</b>	<b>\$28,661</b>
<b>Physical Adjustments</b>							
Location	Cummings Valley Blvd.	Boomerang Dr., S. of Fairview Rd.	Mooney Blvd., N. of Seminole Ave.	Panama Ln., E. of South Union Ave.	South Albany St., S. of Diaz St.	Filburn Ave., W. of Palm Ave.	W. Tulare Ave., E. of Poplar Ave.
Adjustment		-35.0%	-20.0%	-30.0%	-30.0%	20.0%	0.0%
Size	28.75 acres	16.22 acres	25.10 acres	53.89 acres	59.05 acres	49.29 acres	38.38 acres
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Shape/Depth	Rectangular	Irregular	Rectangular	Mostly Rectangular	Mostly Rectangular	Irregular	Mostly Rectangular
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Easements	None	None	None	None	None	None	None
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Zoning	NG (T4)	R-1	R-1	R-1	R-1	R-1-6	Estate
Adjustment		15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Topography	Level	Level	Level	Level	Level	Level	Level
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Site Improvements	None	None	None	None	Some On-site	Some Off-site	None
Adjustment		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Utilities	Adjacent	Adjacent	Adjacent	Requires Sewer Extension	Requires Sewer-Storm Drain Extension	Adjacent	Nearby
Adjustment		0.0%	0.0%	13.7%	5.0%	0.0%	0.0%
Status-Approvals/Engineering	None	Yes - TT Map	Yes - TT Map	Yes - TT Map	Yes - TT Map, All Engineering	None	None
Adjustment		-15.0%	-14.3%	-19.3%	-9.4%	0.0%	0.0%
Improvements	None	None	None	None	Some On-site	Some Off-site	None
Adjustment		0.0%	0.0%	0.0%	-22.0%	-5.2%	0.0%
Net Physical Adjustment		<b>-35.0%</b>	<b>-19.3%</b>	<b>-20.6%</b>	<b>-41.4%</b>	<b>29.8%</b>	<b>15.0%</b>
<b>Adjusted Sale Price Per Acre</b>		<b>\$34,063</b>	<b>\$35,891</b>	<b>\$26,844</b>	<b>\$42,168</b>	<b>\$25,553</b>	<b>\$32,960</b>

### Adjusted Land Sale Statistics

Metric	Per Acre
Minimum Adjusted Price	\$25,553
Maximum Adjusted Price	\$42,168
Median Adjusted Price	\$33,511
Mean Adjusted Price	\$32,913

### Conclusion

As discussed, it is reasonable to estimate the value of Site 1 at 28.75 acres higher than the value of Site 2 at 132.13 acres, due to its smaller site size. Values between \$28,000 and \$42,000 per acre are reasonable based on adjusted sales.

Based on this analysis, market value, as of July 18, 2017, with a 12-month exposure time, is summarized is as follows:

Land Value Indications					
<b>Market Value Opinion</b>					(Rounded)
Site 1	28.75 Acres	x	<b>\$40,000</b>	<b>Per Acre</b>	= \$1,150,000
Site 2	132.13 Acres	x	<b>\$30,000</b>	<b>Per Acre</b>	= \$3,960,000

Value conclusion is within the range of the Sales and considered reasonable based on utilities and the current market.



## Summary of Valuation

The client requested a value of the project as a whole. There are no recent sale transactions of sites including similar size to the subject, or multiple tentative tracts, of which to derive comparison. As a larger holding, it is necessary to discount the total of the values of the individual Sites. This is reasonable as the property would most likely be developed separately and require individual approvals, mapping, engineering, design, and development. Based on discussions with developers, a discount of 10% is reasonable to account for the additional considerations. This appears reasonable, based on the current market, anticipated absorption upon development, and other factors discussed. It is calculated as follows:

<b>Value Calculations</b>	
Site 1	\$1,150,000
Site 2	<u>\$3,960,000</u>
Sum of Site 1 and Site 2	\$5,110,000
Discount of 10%	<u>(\$511,000)</u>
<b>Total</b>	<b>\$4,599,000</b>
<b>Rounded</b>	<b>\$4,600,000</b>

The concluded market value for the subject property, with an exposure time of twelve-months, is summarized in the following table:

<b>Value Conclusions</b>	
<b>As Is</b>	
Value Type	Market Value
Property Rights Appraised	Fee Simple
Effective Date of Value	July 18, 2017
<b>Value Conclusion</b>	<b>\$4,600,000</b>
	<b>\$28,593 Per Acre</b>

The Sales Comparison Approach is influenced by transactions and Sales from outside the subject's primary market area. There are no recent Sales within this primary market area of Tehachapi. The quality of data is considered average, supporting the value concluded above.

### Exposure Time

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, an exposure time estimate of 12 months, is considered reasonable and appropriate for the subject property.

## General Assumptions and Limiting Conditions

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This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Michael Burger and Associates will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory, or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Michael Burger and Associates is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.

9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.
12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Michael Burger and Associates and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Michael Burger and Associates.

17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.
22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy 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 conclusion contained in this report is based unless specifically stated to the contrary.
24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some

- factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire a greater level of measuring detail, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer). We reserve the right to use an alternative source of building size and amend the analysis, narrative and concluded values (at additional cost) should this alternative measurement source reflect or reveal substantial differences with the measurements used within the report.
  26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, we reserve the right to amend this appraisal (at additional cost) if substantial differences are discovered.
  27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, then this appraisal is subject to a review of the final plans and specifications when available (at additional cost) and we reserve the right to amend this appraisal if substantial differences are discovered.
  28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and 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, or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
  29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.

30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.
35. You and Valbridge Property Advisors | Michael Burger and Associates both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Michael Burger and Associates and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Michael Burger and Associates or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Michael Burger and Associates for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | Michael Burger and Associates shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents

of the appraisal without the express written consent of Valbridge Property Advisors | Michael Burger and Associates. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Michael Burger and Associates and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Michael Burger and Associates harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Michael Burger and Associates in such action, regardless of its outcome.

37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Michael Burger and Associates. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

## Certification – Michael C. Burger

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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 have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
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 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.
9. I have made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification.
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 and 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, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Michael C. Burger, MAI, R/W-AC  
Senior Managing Director  
California License #AG003817  
License Expires May 17, 2018



## Certification – Michael P. Tiede

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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 have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
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 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.
9. I have made a personal inspection of the property that is the subject of this report.
10. No one provided significant real property appraisal assistance to the person signing this certification.
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 and 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 Standards and Ethics Education Requirements for Candidates of the Appraisal Institute.



Michael P. Tiede  
Appraiser  
California License #AG041652  
License Expires November 28, 2018

# Addenda

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Zoning Information

Engagement Letter

Glossary

Qualifications

- Michael C. Burger, MAI, R/W-AC
- Michael P. Tiede

Information on Valbridge Property Advisors

Office Locations

## Zoning Information

## 2.10.030 Site Planning Standards for Walkable Neighborhoods

### C. Transect Zone Allocation

#### 1. Traditional Neighborhood Development

TABLE 2.20.010. TRADITIONAL NEIGHBORHOOD DEVELOPMENT REQUIRED ALLOCATION MIX OF TRANSECT ZONES	
TRANSECT ZONE	MINIMUM % OF LAND
Sites greater than or equal to 10 acres but less than 40 acres	
T2 Rural Edge	Transect allocation varies by growth sector. See growth sector requirements in the Town Form Element of the General Plan.
T2.5 Rural General	
T3 Neighborhood Edge	
T4 Neighborhood General	
T4.5 Neighborhood Center	
T5 Downtown	

### D. Civic Space Requirements

#### 1. Civic Space Requirements

- a) Projects shall set aside a minimum of five percent of the project area as Civic Space. This number shall be calculated after street rights-of-way are taken out.
- b) Civic spaces shall be fronted by buildings or by thoroughfares with building frontages on all sides.
- c) Larger sites shall have multiple civic spaces, dispersed throughout the pedestrian shed, within the neighborhood to meet these requirements.

## 3.10.020 Official Regulating Plan and Zones

### A. Adoption

The Council hereby adopts the City of Tehachapi Regulating Plan (Regulating Plan), which is on file with the Department. See Chapter 10.10 (Regulating Plan). The Regulating Plan is hereby incorporated into this Zoning Code by reference as though it were fully included here.

### B. Zones Established

The City of Tehachapi shall be divided into non-transect zones and transect zones that implement the Tehachapi General Plan. The zones shown in Table 3.10.020 are hereby established, and shall be shown on the Regulating Plan.

**C. Interpretation of Zone Boundaries.** Where uncertainty exists as to the boundaries of any of the zones shown on the Regulating Plan or plans, the Commission, upon written application or upon its own motion, shall determine the location of such boundaries on said Regulating Plan or plans. All dedicated public streets within the City shall be zoned.

Table 3.10.020 Non-Transect Zones		
Zone Symbol	Name of Zone	General Plan Designation Implemented by Zone
<b>Transect Zones</b>		
RE /T2	Rural Edge Zone	T-2
RG/T2.5	Rural General Zone	T-2.5
NE/T3	Neighborhood Edge Zone	T-3
NG/T4	Neighborhood General Zone	T-4
NC/T4.5	Neighborhood Central Zone	T-4.5
D/T5	Downtown Zone	T-5
SD-2.1	Tehachapi Blvd West Zone	SD
<b>Residential Zones</b>		
E	Estate Zone	T-2
R1	Low-density Single Family	T-2.5
R2	Medium-density Residential	T-3
R3	High-density Residential	T-4
MP	Mobile Home Park	T-2.5
<b>Commercial Zones</b>		
RP	Residential Professional	T-4.5
C1	Neighborhood Commercial	T-4.5
C2	Central Commercial	T-5
C3	General Commercial	T-5
C4	Highway Commercial	T-5
<b>Industrial Zones</b>		
M1	Light Industrial	T-5
M2	Medium Industrial	T-5
<b>Agriculture and Open Space Zones</b>		
A	Agriculture	-
OS	Open Space Zone	Open Space
<b>Other Zones</b>		
PD	Planned Development Zone	

## 3.10.030 Transect Zones

The Transect Zones are described in Chapter 3.20 (Transect Zones). They primarily focus on mixed-use, walkable areas of the City and range in function and density from primarily residential areas with a mix of building types (NE-Neighborhood Edge Zone), to medium density neighborhoods and other commercial and retail areas near Downtown (DT-Downtown Zone).

## Chapter 3.20 Transect Zones

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### Sections:

- 3.20.010 Purpose
- 3.20.020 Applicability
- 3.20.030 Rural Edge (T2) Zone
- 3.20.040 Rural General (T2.5) Zone
- 3.20.050 Neighborhood Edge (T3) Zone
- 3.20.060 Neighborhood General (T4) Zone
- 3.20.070 Neighborhood Center (T4.5) Zone
- 3.20.080 Downtown (T5) Zone
- 3.20.090 Tehachapi Blvd. West (SD2.1) Zone

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### 3.20.010 Purpose

Chapter 3.20 provides regulatory standards governing land use and building form within the Transect-based zoning areas. The Zoning Code is a reflection of the community vision for implementing the intent of the General Plan. These standards are intended to ensure that proposed development is compatible with existing and future development on neighboring properties, and produces an environment of desirable character, consistent with the General Plan and any applicable specific plan.

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### 3.20.020 Applicability

The requirements of Chapter 3.20 shall apply to all proposed development within Transect-based zones, and shall be considered in combination with the standards for the applicable zone in Article 4 (General to Zones) and those in Article 6 (Specific to Uses). If there is a conflict between any standards, the provisions of Article 3 (Specific to Zones) control over Article 4 and the provisions of Article 6 control over Articles 3 and 4.

# Chapter 3.20 Transect Zones

TABLE 3.20 SUMMARY OF ZONES	DOWNTOWN (T5)	NEIGHBORHOOD CENTER (T4.5)	NEIGHBORHOOD GENERAL (T4)
SUMMARY OF INTENDED PHYSICAL CHARACTER			

BUILDINGS (See Section 5.10 for all requirements)						
BLOCK - FORM TYPES	ALLOWED	MAX STORIES/FT	ALLOWED	MAX STORIES/FT	ALLOWED	MAX STORIES/FT
Lined Building	Lined Building	3 / 35 (G, T)				
Flex Building Large	Flex Building Large	3 / 35 (G)				
Flex Building Small			Flex Building Small (3)	2.5 / 26		
Barn						
Rowhouse 'BF'	Rowhouse 'BF'	3 / 30 (G)				
HOUSE - FORM TYPES	ALLOWED	MAX STORIES/FT	ALLOWED	MAX STORIES/FT	ALLOWED	MAX STORIES/FT
Rowhouse 'HF'			Rowhouse 'HF'	2.5 / 26	Rowhouse 'HF'	2 / 24
Courtyard Building	Courtyard Building	2.5 / 30	Courtyard Building	2.5 / 26	Courtyard Building	2 / 24
Bungalow Court			Bungalow Court	2.5 / 24	Bungalow Court	2 / 22
Villa	Villa	2.5 / 26 (T)	Villa	2.5 / 26	Villa	2 / 22
Duplex			Duplex	2.5 / 26	Duplex	2 / 22
House	House	2.5 / 26 (T)	House	2.5 / 26	House	2 / 22
Estate						

FRONTAGES (See Section 5.20 for all requirements)			
TYPE	ALLOWED	ALLOWED	ALLOWED
Gallery	Gallery	Gallery (3)	
Shopfront	Shopfront	Shopfront (3)	
Forecourt	Forecourt		
Parking Court	Parking Court (2)		
Terrace	Terrace		
Walled Yard	Walled Yard	Walled Yard	Walled Yard
Stoop		Stoop	Stoop
Porch		Porch	Porch
Front Yard		Front Yard	Front Yard
Common Yard			

OPEN SPACE (See Section 8.10 for all requirements)			
TYPE	ALLOWED	ALLOWED	ALLOWED
Nature			Nature
Agriculture	Agriculture	Agriculture	Agriculture
Greenway		Greenway	Greenway
Green		Green	Green
Plaza	Plaza	Plaza	
Square	Square	Square	Square
Passage	Passage	Passage	Passage
Playground	Playground	Playground	Playground
Sportsfield			Sportsfield
Roof Garden	Roof Garden	Roof Garden	Roof Garden

KEY TO NOTES FOR TABLE 3.20						
Villa	Type allowed in zone	2 / 26	Maximum stories and height in feet to top plate of highest story	(1)	Only at the intersection of two 'Road' thoroughfare types (8.20.080)	
blank	Type not allowed in zone	2.5	Maximum of three stories with 3rd story as occupied space within the 2nd story roof volume	(1A)	Only on Tehachapi Blvd within 100 ft of street corner	

# Chapter 3.20 Transect Zones

NEIGHBORHOOD EDGE (T3)		RURAL GENERAL (T2.5)		RURAL EDGE (T-2)		TEHACHAPI BLVD WEST (SD-2.1)	
ALLOWED	MAX STORIES/FT	ALLOWED	MAX STORIES/FT	ALLOWED	MAX STORIES/FT	ALLOWED	MAX STORIES/FT
		Flex Building Small (1)	1.5 / 15	Flex Building Sm (1)	1.5 / 15	Flex Building Large	3 / 35 (G)
		Barn	1.5 / 18	Barn	1.5 / 26	Flex Building Small	2 / 26
						Rowhouse 'BF'	2.5 / 30
ALLOWED	MAX STORIES/FT	ALLOWED	MAX STORIES/FT	ALLOWED	MAX STORIES/FT	ALLOWED	MAX STORIES/FT
						Courtyard Building	2.5 / 30
						Villa	2.5 / 26
Duplex	2 / 22					Duplex	2.5 / 24
House	2 / 22						
Estate	2 / 24	Estate	2.5 / 26	Estate	2.5 / 26		
ALLOWED	ALLOWED	ALLOWED	ALLOWED				
	Gallery (1)	Gallery (1)	Gallery (1A)				
	Shopfront (1)	Shopfront (1)	Shopfront (1A)				
			Forecourt				
			Parking Court (2A)				
			Walled Yard				
			Stoop				
Porch	Porch	Porch	Front Yard				
Front Yard	Front Yard	Front Yard					
Common Yard	Common Yard	Common Yard					
ALLOWED	ALLOWED	ALLOWED	ALLOWED				
Nature	Nature	Nature					
Agriculture	Agriculture	Agriculture	Agriculture				
Greenway	Greenway	Greenway	Greenway				
Green	Green		Green				
			Plaza				
			Square				
			Passage				
			Playground				
Sportsfield							
Roof Garden	Roof Garden	Roof Garden	Roof Garden				
(2) Only on side street	(3) Only when adjacent to an allowed open space type	(T) Type not allowed on north side of Tehachapi Blvd					
(2A) Only on Tehachapi Blvd, at least 150 ft from street corner	(G) 3-story facades require 1-story gallery on at least 2/3 of facades within facade layer						



## 3.20.060 Neighborhood General (T4) Zone

### A. Intent and Purpose.

The NG zone is applied to Tehachapi's general neighborhood areas to provide for a variety of single-family and multi-family housing choices in a small-town neighborhood setting.

**1. Physical Character.** A wide variety of house-form buildings shape the streetscapes. Buildings are varied in height, up to 2 stories and are near or setback from the sidewalk to spatially define the streetscapes.

- a) Property shall comply with the development standards in Section C of the NG zone;
- b) Signage shall comply with Article 7 (Signs).

**2. Streetscape / Public Realm.** The streetscape is in support of pedestrian activity. Frontages consist of front yards, porches and stoops with walled yards along rears and side streets. Sidewalks with tree parkway strips provide for comfortable strolling.

- a) New blocks. Max perimeter: 2,000 feet, Max block length: 600 feet, shall comply with Chapter 8.20;
- b) Existing blocks shall comply with Ch 8.20 when any of the following apply: i) modification to vehicular access, right-of-way, ii) streetscape, iii) block exceeds 700 feet on any side;
- c) Adjacent streetscapes shall be improved per Chapter 8.20 when any of the following apply: i) new building, ii) renovation/addition over 50%, iii) modification of site access; or iv) subdivision;
- d) Open space shall be provided per Chapter 8.10 when any of the following apply: i) new building, ii) renovation/addition over 50%, iii) modification of site access; or iv) subdivision.

**3. Land Use.** Land use activities are residential with limited home occupations and suburban agriculture.

- a) Existing non-conforming land uses may remain per the requirements of Chapter 10.30.040;
- b) New or expanded land use activity shall comply with Section B of the NG zone.

**4. Parking.** Parking is provided through a system of on- and off-street spaces.

- a) Existing parking shall be improved when any of the following apply: i) new building, ii) renovation/addition over 50%, iii) modification of site access; or iv) subdivision;
- b) New or expanded parking shall comply with Sections B and C.2 of the NG zone.

### Illustrative examples of the NG Zone's range of intended physical character:



*Above: House-form buildings accommodate single or multi-family residential in a small-town neighborhood setting.*



*Above: House-form buildings such as the Villa provide additional neighborhood-compatible multi-family housing choices in a small-town neighborhood setting.*

### B. Land Use Standards

**1. Allowed Land Use Types.** Table 3.20.060 identifies the allowed land use activity, the required permit, the amount of required parking and any special requirements. The required permit is obtained prior to establishing operations;

**2. Multiple Land Use Types.** A building or building site may utilize multiple land use types per the applicable requirements of Table 3.20.060.

**3. Location and Size of Land Use Type.** In order to promote land use compatibility, allowed land use types shall comply with the identified requirements for size and location.

Neighborhood General (T4) Zone 3.20.060

Table 3.20.060 Land Use Standards

Category	Use	Permit	Pkg
Entertainment and Recreation	Adult Entertainment	-	-
	Cinema, Nightclub, Health / Fitness	-	-
	Outdoor Recreation	-	-
	Live/Amplified Music	-	-
	Meeting Facility	-	-
Restaurant and Food	Drive-Through	-	-
	Restaurant, Pub / Bar	-	-
	Wine Tasting/Microbrewery	-	-
Retail	Alcohol Sales (off-site)	-	-
	Artisan / Craft MFG (w/ on-site sales), Art Gallery / Exhibition	-	-
	Retail	-	-
Services	Care Facility for the Elderly <7	P	1/4R
	Care Facility for the Elderly >7	MUP	1/4R
	Day Care: Adult Day	MUP	1/4R
	Day Care: Small House < 7	P (1)	1/4R
	Day Care: Large House 7 to 14	MUP (1)	1/4R
	Day Care Center: > 15	MUP (1)	1/4R
	Emergency Shelter	-	-
	Funeral Home	-	-
	Group home <7	P	1/4R
	Group home >7	-	-
	Hotel / Motel, Inn (B&B)	-	-
	Medical Services	-	-
	Business or Personal Services	-	-
	Repair, commercial (non-vehicular)	-	-
	Transitional and Supportive Housing	P	1/U
Veterinary Clinic/Boarding	-	-	

Category	Use	Permit	Pkg
Office and Civic	Office or Civic, Library, General	-	-
	Government	-	-
	School, College, University	-	-
	Transit Station	-	-
Residential	Employee Housing	P	-
	Carriage House (Secondary Dwelling)	P	1/U
	Home Occupation	P (1)	0
	Mobile Home Park / Subdivision	-	-
	Multi Family Residential	MUP	1.75/U
	Rooming and Boarding House	-	-
Industrial	Single Family Residential	P	2/U
	Manufacturing	-	-
	Power / Electrical Substation	-	-
	Reverse Vending Machine	-	-
Motor-Vehicle Related	Small Collection Facility	-	-
	Car Wash, Gas Station	-	-
	Recreational Vehicle Park	-	-
	Repair, commercial (motor vehicles)	-	-
	Repair, personal (motor vehicles)	P	0
Communications	Motor Vehicle Sales, Rentals	-	-
	Telecommunications Facilities	-	-
Other	Broadcasting / Recording Studio	-	-
	Temporary Use	TUP (1)	0
	Nature (see 8.10.060)	P	0
	Agriculture (see 8.10.070)	P	0
	Greenway (see 8.10.080)	P	0
	Green (see 8.10.090)	P	0
	Plaza	-	-
	Square (see 8.10.110)	P	0
	Passage (see 8.10.120)	P	0
	Playground (see 8.10.130)	P	0
	Sportsfield (see 8.10.140)	P	0
	Roof Garden (see 8.10.150)	P	0
	Household Pets (1)	P	0

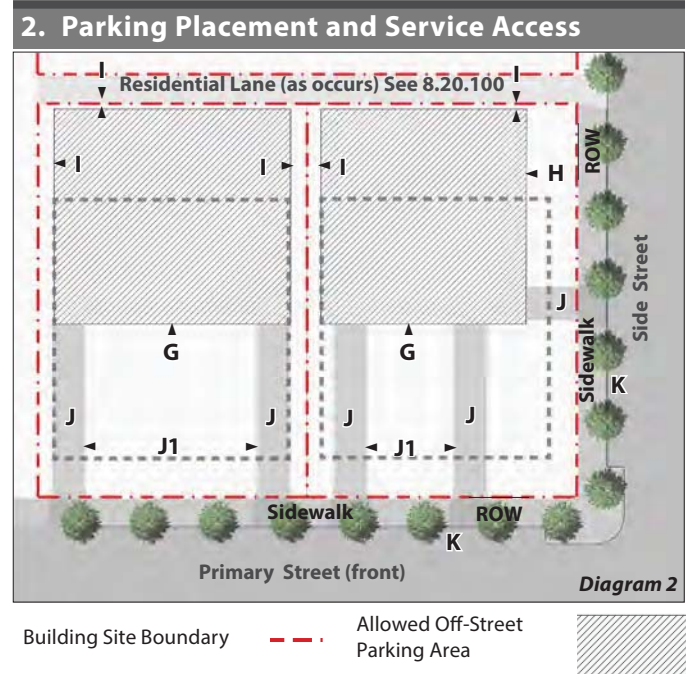
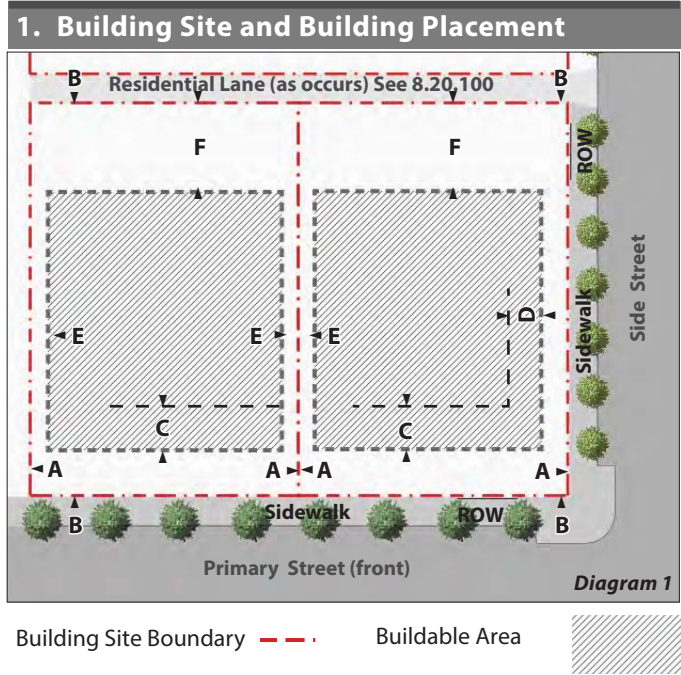
Key

P	Permitted Use - Zoning Clearance Required.
MUP	Minor Use Permit Required. See 9.30.50.B
CUP	Conditional Use Permit Required. See 9.30.50.A
TUP	Temporary Use Permit Required. See 9.70
-	Use not allowed

(1)	See Article 6 'Specific to Uses'
1/400	1 parking space required for each 400 sq ft of floor area
1/2r	1 parking space required for each 2 rooms
1:6	1 parking space required for each 6 students or seats
1/u	1 parking space required for each dwelling unit

3.20.060 Neighborhood General (T4) Zone

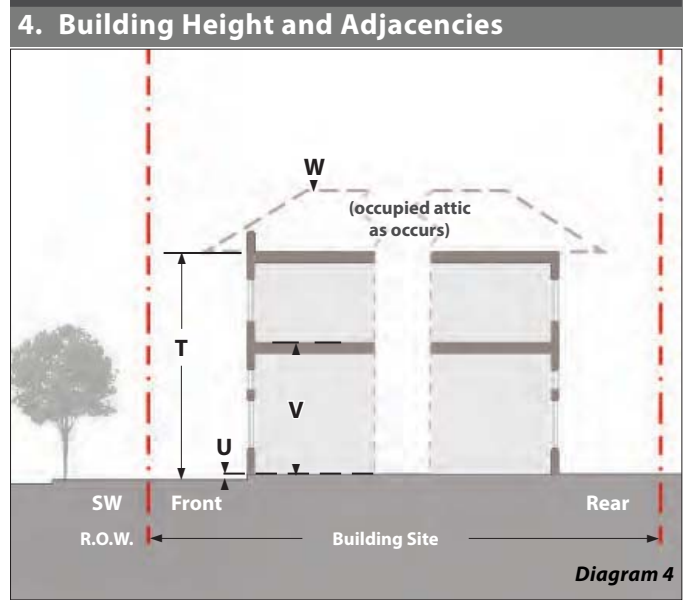
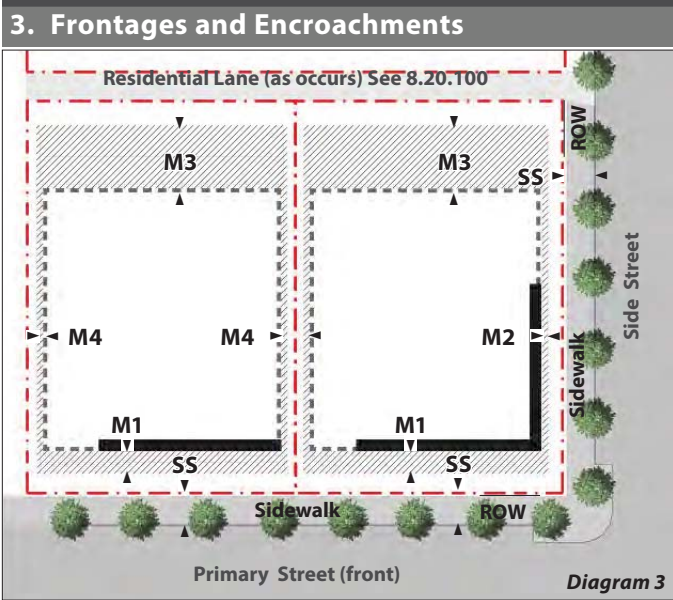
C. Development Standards



<b>1.1</b>	Each building and addition shall be located on the building site per Diagram 1 and designed as one of the allowed types below:					
Building Type	Building Site		Building Setbacks, Size			
	Width	Depth	Facade	Side	Rear	
	A	B	C	D	E	F
House	40-60	100-150	See 5.10.160			
Duplex	50-60	100-150	See 5.10.150			
Villa	80-125	160-175	See 5.10.140			
Bungalow Court	120-200	150-200	See 5.10.130			
Rowhouse HF	80-140	100-150	See 5.10.110			
Courtyard	140-200	150-165	See 5.10.120			
<b>1.2</b>	Building facades along streets shall be located within the facade layer 'C', 'D' per Diagram 1 and extend along frontage(s) per Section 3.2.					

<b>2.1</b>	Parking shall be located on the building site per Diagram 2. Parking areas shall consist of at least 25% pervious surfaces.		
<b>2.2</b>	Parking areas shall not be accessed from primary street unless rear lane or side street not present.		
<b>2.3</b>	Parking entries / driveways shall not exceed 12 ft wide within the front or side parking setbacks, designed as integral, decorative components of the site. Driveways may only connect to each other within the allowed off-street parking area.		
Parking Setback	Min ft	Screening Requirement	
<b>G</b> Front	40	By the building, or min 3' tall wall / hedge as allowed by Section 3.3	
<b>H</b> Along Side Street	15	By the building, or min 3' tall wall / hedge	
<b>I</b> Side	10	Min 5 ft tall wall / hedge	
	5	Min 3 ft tall wall / hedge	
		• 3 when lane along interior sideyard	
<b>J</b> Parking Entry		• Corner site: min 50 ft from corner • Interior site: within 5 ft of side when side street or rear lane not present	
<b>J1</b> Driveway Separation	min 50 ft		
<b>K</b> On-Street Parking	min 30 ft from corner		

C. Development Standards



Building Site Boundary - - - - - Frontage Required (see 'FL' for reqmts) ————  
 SS Streetscape Area (see 8.20 for reqmts) Encroachment Area (see 'M' for reqmts) ▨▨▨▨

Building Site Boundary - - - - -

- 3.1** Building facades shall be located on the building site per Diagram 3 and designed as one or multiple allowed types below:
- | Frontage Types | Requirements |
|----------------|--------------|
| Front Yard     | See 5.20.140 |
| Porch          | See 5.20.130 |
| Stoop          | See 5.20.120 |
| Walled Yard    | See 5.20.110 |
- 3.2** Street facades shall extend along the frontage line per Diagram 3 and as identified in Section 'FL' below
- | FL               | Amount of Ground Floor Facade in Facade-Layer                              |
|------------------|--|
| Along Primary St | • Corner Site: 80% min from side street corner<br>• Interior Site: 70% min |
| Along Side St    | 60% min from primary street corner   |

- 4.1** Buildings and additions shall comply with the requirements in Diagram 4. All numbers are stated as a range or maximum unless stated otherwise.
- 4.2** Building height is measured vertically from average sidewalk grade along frontage to the top plate of the highest story.
- 4.3** Roofs, chimneys, finials and portions of structures less than 200 square feet with no dimension exceeding 15 feet, are allowed up to 12 feet above the top plate of the second story.

**3.3** Building elements may encroach into required setbacks as identified below.

M	M1	M2	M3	M4
House	5	5	3	2
Duplex, Villa	3	3	3	2
Bungalow Court	4	4	3	2
Rowhouse HF	4	4	4	2
Courtyard	4	4	3	2

Building Type	T <sup>F</sup>		U	V (min)	W
	Ft	Stories	Finished Flr Level from SW	Ground Floor to Floor Ht	
House	22	2	min 1.5	9	34
Duplex	22	2	min 1.5	9	34
Villa	22	2	min 1.5	9	34
Bungalow Court	22	2	min 1.5	9	34
Rowhouse HF	24	2	min 1.5	10	36
Courtyard	24	2	min 1.5	10	36

## Engagement Letter



Kern County/Central Coast  
4915 Calloway Drive  
Suite 101  
Bakersfield, CA 93312  
661-587-1010 phone  
661-834-0748 fax  
Valbridge.com

July 12, 2017

**VIA EMAIL:** [westernwind@shaw.ca](mailto:westernwind@shaw.ca)

Jeff Ciachurski  
Greenbriar Capital Corp  
9 Landport  
Newport Beach, CA 92660  
(949) 903-5906

**Re: *Appraisal Fee and Time Estimate:***

*Cummings Valley Blvd., Tehachapi ~ APN 417-012-01, 25, 27, 28 and 415-012-14*

Dear Mr. Ciachurski:

At your request, this letter is intended to confirm the assignment of an Restricted Appraisal Report, relating to the above referenced property.

The purpose of the appraisal will be to provide you with a supportable and credible estimate of the as-is market value of the leased fee estate. The restricted report will present only brief statements of information significant to the solution of the appraisal problem. Supporting documentation will be retained in my file, and the depth of discussion will be specific to your needs and the intended use. I am not responsible for its unauthorized use.

Michael C. Burger, MAI, R/W-AC, will serve as lead appraiser on this assignment. This appraisal will be prepared in accordance with the standards of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.

Unless otherwise notified, the property will be valued as of the date of inspection. The report is intended for your sole and exclusive use. Research will be conducted in the area and will cover transactions occurring during the last three years.

I will provide you with an electronic file (PDF) of the Statement of Valuation. Hard copies are available upon request for \$50 per report.

Mr. Ciachurski  
July 12, 2017  
Page 2 of 5

In this assignment, our fees will not exceed **\$3,200**. Certainly, if the appraisal leads to additional legal litigation and proceeds toward trial this fee will not be adequate.

The estimated completion date of the appraisal is three weeks from acceptance. This date assumes that we will receive all relevant information needed for the appraisal on a timely basis.

If this proposal is acceptable, authorize us to proceed with the appraisal by signing below. A copy of Valbridge Property Advisors | Michael Burger & Associates Standard Terms of Appraisal Agreement, which will be an integral part of this agreement, is attached. We are looking forward to working with you on this assignment.

Sincerely,



Michael C. Burger, MAI, R/W-AC  
Senior Managing Director  
California Certified –General Appraiser #AG003817  
MCB:kc  
Encls.

Attachment

Accepted by:

  
\_\_\_\_\_  
(Signature)  
**Jeff Ciachurski CEO**  
**Captiva Verde Land Corp**  
\_\_\_\_\_  
(Please Print)

Date:

\_\_\_\_\_  
**July 12, 2017**

### **STANDARD TERMS OF APPRAISAL ASSIGNMENT**

1. Acceptance of this agreement assumes that our client will provide all necessary information needed for the appraisal on a timely and truthful basis, and assumes that the client will provide sufficient access to the property to be appraised. A delay in receipt of information may delay completion of the assignment.
2. Appraiser shall have no responsibility for legal matters, questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The appraisal report will not constitute a survey of the property appraised. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. Nor does it certify that tenants have complied with all requirements necessary to obtain use and occupancy permits.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Burger & Associated (also known in the document as "Valbridge | Burger") will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The Americans with Disabilities Act ("ADA") became effective in 1992. We will not make a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we will not consider possible non-compliance with the requirements of ADA in estimating the value of the property.
5. The fee quoted is based on our understanding of the assignment as outlined in the scope of work. Changes in scope will be billed at our normal hourly rates. If any employee of Valbridge | Burger is asked or required to appear and/or testify at any meeting, deposition, trial, or other proceeding about the preparation, conclusions, or agreement, client shall compensate appraiser for the time spent in appearing and/or testifying and in preparing to testify according to the appraiser's then current hourly rate, plus expenses.
6. The fee and estimated time are subject to change if the property is not as outlined in our proposal, or if issues come to light during the course of our investigation which, in our opinion, necessitates such change. If the client places an assignment "on hold," then reactivates the appraisal, an additional charge may apply due to inefficiency created.
7. The Valbridge Property Advisors office response for the preparation of this report is independently owned and operated by Michael Burger & Associates. Neither Valbridge Property Advisors, Inc. nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.



8. If any claim is filed against any of Valbridge Property Advisors, Inc. a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide the report.
9. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc. for quality control purposes. Valbridge Property Advisors, Inc. will maintain the confidentiality of the report and associated work files.
10. Our standard payment policy is as follows: the balance is due upon presentation of the invoice; if payment is not made within 30 days of date, due interest at the rate of 1.5% per month will be added to the principal from the due date to date payment is received, and you shall pay all expenses of collection, including court costs and attorney fees. If the client requests a draft, the fee is due upon delivery of the draft, Valbridge | Burger shall be under no obligation to continue work on an assignment that is not paid current. The fee for this appraisal is not contingent upon the valuation of the property, the funding of any loan or outcome of litigation. Any opinions we may have expressed about the outcome of your matter or case are expressions of our opinions only and do not constitute any guarantee about the outcome.
11. Should the assignment be terminated prior to completion, you agree to pay for time and costs incurred prior to our receipt of written notice of cancellation.
12. If this assignment includes a provision for work performed on an hourly billing basis, such work is subject to periodic adjustment to our then-current rates. Valbridge | Burger shall provide 30 days' notice to client prior to any rate increase. If client chooses not to consent to the increased rates, client may terminate Valbridge|Burger services by written notice effective when received by Valbridge|Burger.
13. If this assignment includes a provision for work on an hourly billing basis, client acknowledges that Valbridge|Burger has not committed to any total fee amount to be incurred by client under this agreement.

14. You and Valbridge | Burger both agree that any dispute over matters in excess of \$5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge | Burger and the client cannot agree on the arbitrator, the presiding head of the Santa Clara County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Burger or any of its employees in connection with or in any way relating to this assignment, the maximum amount damages recoverable from Valbridge | Burger or its employees shall be the amount of monies actually collected by Valbridge | Burger for this assignment, and under no circumstances shall any claim for consequential damages be made.
15. Valbridge | Burger shall have no obligation, liability, or accountability to any third party. Any party who is not the "Client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge | Burger. "Client" shall not include partners, affiliates or relatives of the party named in the engagement letter. Client shall hold Valbridge | Burger and its employees harmless in the event of any lawsuit brought by any third party, lender, partner or part owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge | Burger harmless from and against any liability, loss, cost or expense incurred or suffered by Valbridge | Burger in such action, regardless of its outcome.
16. Distribution of this report is at the sole discretion of the client, but third parties not listed as an intended user on the face of the appraisal or engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
17. This agreement contains the entire agreement of the parties. No other agreement, statement or promise made on or before the effective date of this agreement will be binding on the parties. This agreement may only be modified by subsequent agreement of the parties.

## Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 6<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

### Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

### As Is Market Value

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

### Base Rent

The minimum rent stipulated in a lease. (Dictionary)

### Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

### Building Common Area

In office buildings, the areas of the building that provide services to building tenants but which are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

### Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

### Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

### Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security and upkeep. (ICSC – International Council of Shopping Centers, 4<sup>th</sup> Ed.)

### Condominium

A multiunit structure, or a unit within such a structure, with a condominium form of ownership. (Dictionary)

### Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

### Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

### Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service ( $DCR = NOI/Im$ ), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

### Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

### Depreciation

- 1) In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the market value of the improvement on the same date.
- 2) In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

### Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
- The property is subjected to market conditions prevailing as of the date of valuation;
- Both the buyer and seller are acting prudently and knowledgeably;
- The seller is under compulsion to sell;
- The buyer is typically motivated;
- Both parties are acting in what they consider to be their best interests;
- An adequate marketing effort will be made during the exposure time;
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

### Easement

The right to use another's land for a stated purpose. (Dictionary)

### EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

### Effective Date

- 1) The date on which the appraisal or review opinion applies. (SVP)
- 2) In a lease document, the date upon which the lease goes into effect. (Dictionary)

### Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

### Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

### EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings. (Dictionary)

### Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause*, *expense recovery clause* or *stop clause*. (Dictionary)

### Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

### Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

### Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

### Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

### Exposure Time

- 1) The time a property remains on the market.
- 2) The estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; Comment: Exposure time is a retrospective opinion based on an analysis of past events assuming a competitive and open market. (Dictionary)

### Extraordinary Assumption

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. Comment: Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.)

### 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 Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. (BOMA)

### Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

### Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business*. (Dictionary)

### Gross Building Area (GBA)

- 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the

above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.

- 2) Gross leasable area plus all common areas.
- 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

### Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

### Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

### Gross Retail Sellout

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. Also called the *aggregate of the retail values*, *aggregate retail selling price* or *sum of the retail values*. (Dictionary)

### Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

### Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

### HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

### Highest and Best Use

- 1) The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
- 2) The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
- 3) [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

### Hypothetical Condition

- 1) A condition that is presumed to be true when it is known to be false. (SVP – Standards of Valuation Practice, effective January 1, 2015)
- 2) 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. Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2016-2017 ed.) (Dictionary)

### Industrial Gross Lease

A type of modified gross lease of an industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance and real property taxes, as specified in the lease. There are significant regional and local differences in the use of this term. (Dictionary)

### Insurable Value

A type of value for insurance purposes. (Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees). (Dictionary)

### Investment Value

The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value

because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)

### Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

### Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

### Leasehold Interest

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

### Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

### Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

### Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

- Consummation of a sale within a short time period.
- The property is subjected to market conditions prevailing as of the date of valuation.
- Both the buyer and seller are acting prudently and knowledgeably.
- The seller is under extreme compulsion to sell.
- The buyer is typically motivated.
- Both parties are acting in what they consider to be their best interests.
- A normal marketing effort is not possible due to the brief exposure time.
- Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
- 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)

### Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

### Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

### Market Rent

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

### Market Value

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

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

(Dictionary)

### Marketing Time

An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation and Statement on Appraisal Standards No. 6, "Reasonable Exposure Time in Real Property and Personal Property Market Value Opinions" address the

determination of reasonable exposure and marketing time.) (Dictionary)

### Master Lease

A lease in which the fee owner leases a part or the entire property to a single entity (the master lease) in return for a stipulated rent. The master lessee then leases the property to multiple tenants. (Dictionary)

### Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease*, *net net lease*, *partial net lease*, or *semi-gross lease*. (Dictionary)

### Operating Expense Ratio

The ratio of total operating expenses to effective gross income (TOE/EGI); the complement of the net income ratio, i.e.,  $OER = 1 - NIR$  (Dictionary)

### Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

### Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common, easement, or life interest. (Dictionary)

### Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

### Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

### Prospective Future Value Upon Completion

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report. ... The prospective market value –as completed- reflects the property's market value as of the time that development is expected to be complete. (Dictionary)

### Prospective Future Value Upon Stabilization

A prospective market value may be appropriate for the valuation of a property interest related to a credit decision for a proposed development or renovation project. According to USPAP, an appraisal with a prospective market value reflects an effective date that is subsequent to the date of the appraisal report ...The prospective market value – as stabilized – reflects the property's market value as of the time the property is projected to achieve stabilized occupancy. For an income-producing property, stabilized occupancy is the occupancy level that a property is expected to achieve after the property is exposed to the market for lease over a reasonable period of time and at comparable terms and conditions to other similar properties. (Dictionary)

### Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, 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 of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

### Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of

the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

### Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

### Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

### Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make his or her claim junior, or subordinate, to the claims of another party. (Dictionary)

### Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

### Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease*, *net net net lease*, or *fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

### Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

### Value-in-Use

The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. (Dictionary)



## Qualifications of Michael C. Burger, MAI, R/W-AC President and Chief Appraiser

Valbridge Property Advisors | Michael Burger and Associates

### *Independent Valuations for a Variable World*

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#### Certifications

CA Cert Gen AG003817

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#### Education

Bachelor of Science Agricultural Business  
Management, California Polytechnic State University

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#### Contact Details

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Associates

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661-834-0748 Fax

mburger@valbridge.com  
www.valbridge.com

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#### Professional Credentials

Certified General Appraiser – State of California  
MAI – Appraisal Institute  
FHA Approved – U.S. Department of Housing and Urban Development  
R/W-AC – International Right of Way Association  
Probate Referee of Kern County

Pro Bono Appraisal and Consulting services have been provided to the Bakersfield Police Activities League, Bakersfield Museum of Art, American National Red Cross, Habitat for Humanity, Salvation Army, and Kern Veteran's Memorial Foundation.

#### Civic, Volunteer and Professional Affiliations

Director (2013-Present) Friend of Mercy Foundation  
President (1998) Bakersfield Chapter Appraisal Institute  
Director (2003) Bakersfield East Rotary Club  
President and Treasurer (Past) Executive Association of Kern County  
Class of 2000 Greater Bakersfield Chamber of Commerce Leadership Club  
Director (Past) Alpha Gamma Rho Alumni Association  
Director and Secretary (Past) Bakersfield Active 20-30 Club  
Advisory Team City of Bakersfield Planning Department – Urban Decay

#### Experience

##### **President and Chief Appraiser**

Michael Burger and Associates (1997 - Present)

##### **Area Development Officer and Zone Owner**

Zone Data Systems | Zaio Inc. (2007- Present)

##### **Probate Referee**

State of California (2011 - Present)

##### **Residential and Commercial Appraiser**

Bruce Beaudoin Real Estate Appraisers (1987 - 1997)

##### **VP Finance**

Alpha Gamma Rho – San Luis Obispo Chapter (1985 - 1986)

##### **Home Builder**

John K Richardson – General Contractor (1985 - 1986)

Guest Lecturer: Bakersfield College, Cal Poly State University, Bakersfield Board of Realtors, Executive Associate of Kern County, Kern Kiwanis, Kern County Tax Payers Association, KERN Talk Radio, McKinzie Real Estate, Watson Realty Corporation.

## Appraisal Specialties

Subdivision Development, Mixed-use, Retail Centers, Professional/Medical Office, Hotel/Motel, Restaurant, Apartments, Industrial, Special Use & Going Concern, Hangars, High-rise and Low-rise Condominiums, Gas Stations, Golf Course, Auto Dealerships, Specialty Medical Facilities, Bowling Centers, Self-Storage, Single Family Residential, Right-of-Way/Condemnation, Investment Analysis, Market Studies, Feasibility & High and Best Use Analysis, Business Valuations, Partial Interest Valuations.

## Real Estate Courses

Rural Appraisal – Cal Poly University  
Real Estate Finance – Cal Poly University  
Principle of Real Estate – Cal Poly University

Real Estate Appraisal – Bakersfield College  
Advanced Real Estate Appraisal – Bakersfield College  
Partial Interest Valuation

## Appraisal Institute Courses (19 to 40 hour courses)

Real Estate Principles  
Basic Valuation Procedures  
Capitalization Theory & Technical A & B  
Case Studies in Real Estate Valuation  
Report Writing & Valuation Analysis

Standards of Professional Practice A & B  
The Appraisers Complete Review  
Condemnation Appraising  
Separating Real & Personal Property from Intangible Business Assets

## International Right of Way Courses (19 to 40 hour courses)

The Appraisal of Partial Acquisitions (#401)  
Eminent Domain Law (#803)

Business Relocation (#502)

## Real Estate Appraisal Seminars

Understanding Limited Appraisals - General  
Appraising Complex Residential Properties  
Non-Residential Demonstration Appraisal Reports  
O.R.E.A. Federal & State Laws & Regulations  
Loss Prevention Program for Real Estate  
Real Estate Appraiser Expert Witness  
Trends in the Hospitality Industry  
Valuation Considerations - Partial Acquisition  
Valuation of Detrimental Conditions  
A Review of 1 – 4 Residential Form  
Internet Sources for the California Appraiser

The FHA and the Appraisal Process  
FHA Appraising for Valuation Professionals  
Appraisal of Nonconforming Uses  
Appraisal of Nursing Facilities  
Technology and the Appraisal Process  
National USPAP Update  
Appraising Manufactured Housing  
Litigation Seminar  
Business Practices and Ethics  
Vineyard Valuation & Ag Symposium  
Uniform Appraisal Dataset (UAD)



Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Michael C. Burger**

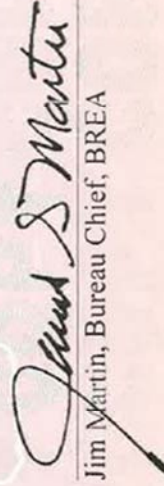
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 003817

Effective Date: May 18, 2016  
Date Expires: May 17, 2018

  
Jim Martin, Bureau Chief, BREA

3027000

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Qualifications of Michael P. Tiede  
Certified General Real Estate Appraiser  
Valbridge Property Advisors | Michael Burger and Associates

*Independent Valuations for a Variable World*

---

Certifications

CA Cert Gen AG041652

Education

Bachelor of Science Business Administration, Concentration in Management,  
California State University, Bakersfield, CA

Contact Details

Valbridge Property Advisors | Michael Burger & Associates  
4915 Calloway Drive, Suite 101  
Bakersfield, CA 93312

661-587-1010 x 104 Phone

661-834-0748 Fax

mtiede@valbridge.com    www.valbridge.com

Professional Credentials

Certified General Appraiser – State of California

Experience

**Commercial and Residential Appraiser**

Valbridge Property Advisors,  
Michael Burger & Associates Real Estate Appraisal and Consultation, Bakersfield CA (1998 - Present)

Civic, Volunteer and Professional Affiliations

Treasurer (2012-2014) Central California Chapter Appraisal Institute

Secretary (2015-2016) Central California Chapter Appraisal Institute

Appraisal Specialties

Single Family Residences, Multifamily Residential 2-4 Units, Apartment Complexes, Vacant Land, Vacant Lots, Proposed Residential Subdivisions, Proposed Industrial Subdivisions, Motels/Hotels, Restaurants, Office Buildings, Medical Offices (Proposed), Industrial Buildings, Gas Stations/Convenience Stores, Retail Buildings, Shopping Centers, Mini Storages, Churches, Residential Market Studies, Rent Comparability Studies, Absorption Studies

Appraisal Institute Courses

Appraisal Principles (110)

Appraisal Procedures (120)

Residential Case Study (210)

Uniform Standards of Professional Appraisal Practice

Basic Income Capitalization (310)

General Applications (320)

Advanced Income Capitalization (510)

General Appraiser Market Analysis and Highest & Best Use

General Appraiser Report Writing and Case Studies

Advanced Concepts and Case Studies



Business, Consumer Services & Housing Agency  
**BUREAU OF REAL ESTATE APPRAISERS**  
**REAL ESTATE APPRAISER LICENSE**

**Michael P. Tiede**

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

“Certified General Real Estate Appraiser”

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 041652

Effective Date: November 29, 2016  
Date Expires: November 28, 2018

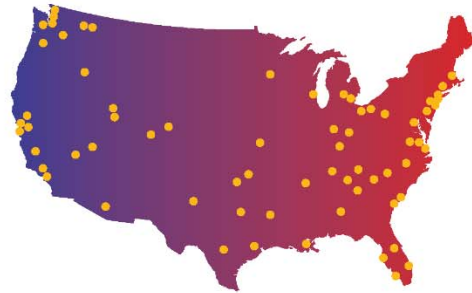
  
Jim Martin, Bureau Chief, BREA

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## Company Information on Valbridge Property Advisors

- Valbridge is one of the Top 3 national commercial real estate valuation and advisory services firms based on:
  - Total number of MAIs (188 on staff)
  - Total number of office locations (68 across the U.S.)
  - Total number of staff (650+ strong)
  
- Valbridge covers the U.S. from coast to coast.
  
- Valbridge services all property types, including special-purpose properties.
  
- Valbridge provides independent valuation services. We are not owned by a brokerage firm or investment company.
  
- Every Valbridge office is led by a senior managing director who holds the MAI designation of the Appraisal Institute.
  
- Valbridge is owned by our local office leaders.
  
- Valbridge welcomes single-property assignments as well as portfolio, multi-market and other bulk-property engagements.



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*Each Valbridge office is independently owned and operated.*

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[valbridge.com](http://valbridge.com)