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Narrative Appraisal Report

Site #2 Atlantic Avenue/Santa Ana Street Commercial Property
SEC Atlantic Avenue & Santa Ana Street, plus 4734 Santa Ana St.
Cudahy, Los Angeles County, California 90201

Report Date: April 9, 2020

FOR:

The City of Cudahy
Mr. Santor Nishizaki,
Acting City Manager
5220 Santa Ana Street
Cudahy CA 90201

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CA06-20-0019E

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Mr. Santor Nishizaki, Acting City Manager
The City of Cudahy
5220 Santa Ana Street
Cudahy, CA 90201

RE: Appraisal Report
Site #2 Atlantic Avenue/Santa Ana Street Commercial Property
SEC Atlantic Avenue & Santa Ana Street, plus 4734 Santa Ana St.
Cudahy, Los Angeles County, California 90201

Dear Mr. Nishizaki:

In accordance with your request, we have performed 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. This letter of transmittal is not valid if separated from the appraisal report.

The subject property, as referenced above, is located on the southeast corner of Atlantic Avenue and Santa Ana Street and is further identified as Assessor's Parcel Number (APN) 6224-018-008, 068 thru 071. The subject is a 1.05-acre or 45,903-square-foot site. The subject property is five parcels, which are shown in the table below.

Property No.	APN#	Lot Acres	Lot Sq Ft	Address	Property Type	Year Built	Building Size	Zoning	Annual Income
1	6224-018-008	0.18	7,754 SF	4734 Santa Ana St.	Duplex	1954	2,344 SF	Entertainment (ENT)	
2	6224-018-068	0.19	8,305 SF	8100 S. Atlantic Ave.	Tire Shop	1947	1,772 SF	Entertainment (ENT)	$30,000
3	6224-018-069	0.39	16,866 SF	4720 Santa Ana St.	9 Unit Apartment	1933	3,236 SF	Entertainment (ENT)	
4	6224-018-070	0.03	1,304 SF	0000 Santa Ana St.	Commercial Land			Entertainment (ENT)	
5	6224-018-071	0.27	11,674 SF	8110 S. Atlantic Ave.	Commercial Land			Entertainment (ENT)	
Total		1.05	45,903 SF				7,352 SF		$30,000

Only Property #2: APN #6224-018-068 with a street address of 8100 S. Atlantic Ave provides any income, which is minimal at only $30,000 annually and is leased to Castro Discount Tires/Smog Center, as a tire shop/smog center. The average price per square foot for recent comparable sales of auto related retail buildings sold in the last year similar to Property #2 (Tire Shop) within two miles of the subject is $177.00 to $320.00 per square foot with an average of approximately $248.00 per square foot times 1,772 square feet for the subject retail building (tire shop) equals approximately $440,000, which is less than the value of the subject land (see Land Valuation section), which is zoned Entertainment (Ent). Of the other four properties two are residential properties, which are currently a vacant duplex and a vacant 9 unit apartment, and two are vacant commercial land, however, all four are also zoned Entertainment (Ent), which is a commercial zoning. Therefore, overall the Highest and Best Use of the entire subject site (5 parcels) is as vacant commercial land ready for development. Thus, the subject property is appraised as vacant commercial land less demolition for the existing subject improvements. The subject zoning also allows for multifamily, however, recent multifamily land sales in the City of Cudahy have sold for far less than commercial land sales.

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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; the requirements of the State of California, and the requirements of our client as we understand them.

The client in this assignment is the City of Cudahy and the intended users are the City of Cudahy, the successor agency to the Cudahy Community Development Commission of the City of Cudahy, Olivarez Madruga Lemieux O'Neill, LLP and and no others. The value opinions reported herein are subject to the definitions, assumptions and limiting conditions, and certification contained in this report.

The global outbreak of a "novel coronavirus" known as COVID-19 was officially declared a pandemic by the World Health Organization (WHO). It is currently unknown what direct, or indirect, effect, if any, this event may have on the national economy, the local economy or the market in which the subject property is located. The reader is cautioned and reminded that the conclusions presented in this appraisal report apply only as of the effective date(s) indicated. The appraiser makes no representation as to the effect on the subject property of this event, or any event, subsequent to the effective date of the appraisal.

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which may have impacted the assignment results:

Extraordinary Assumptions:

- This appraisal's fair market value is based on the Site is not presently burdened with soil contamination or soil environmental health management issues. If the Site is burdened with soil contamination or soil environmental health management issues it could change the final fair market value. We reserve the right to make changes to our valuation as seen fit.

Hypothetical Conditions:

- None

Based on the analysis contained in the following report, our value conclusions are summarized as follows:

VALUE CONCLUSIONS

Value Type	Value Premise	Value Perspective	Interest Appraised	Effective Date	Indicated Value
Market Value	As Is	Current	Fee Simple	3/19/2020	**$3,485,000**

Respectfully submitted,

John D. Penner, MAI
Senior Managing Director
California License #AG001720

Eric Day
Staff Appraiser
California License #AG044661

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Summary of Salient Facts

Property Name:	Site #2 Atlantic Avenue/Santa Ana Street Commercial Property
Address:	SEC Atlantic Avenue & Santa Ana Street, plus 4734 Santa Ana St. Cudahy, Los Angeles County, California 90201
Assessor's Parcel Number:	6224-018-008, 068 thru 071
Property Rights Appraised:	Fee Simple
Property Owner:	City of Cudahy
Site Size:	1.05 Net Acres (45,903 square feet)
Zoning:	Commercial – (Ent)
Flood Zone:	X (500-Year) (Flood Hazard Area)
Existing Improvements	
Property Type:	Residential/Commercial
Property Use:	Residential/Commercial/Commercial Land
Highest and Best Use	
As Vacant:	Develop Commercial
As Improved:	Develop Commercial
Date of Report:	April 9, 2020
Effective Date of Value:	March 19, 2020

VALUE INDICATIONS

Value Type	Value Premise	Value Perspective	Interest Appraised	Effective Date	Indicated Value
Market Value	As Is	Current	Fee Simple	3/19/2020	**$3,485,000**

Our findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which might have affected the assignment results:

Extraordinary Assumptions:

- This appraisal's fair market value is based on the Site is not presently burdened with soil contamination or soil environmental health management issues. If the Site is burdened with soil contamination or soil environmental health management issues it could change the final fair market value. We reserve the right to make changes to our valuation as seen fit.

Hypothetical Conditions:

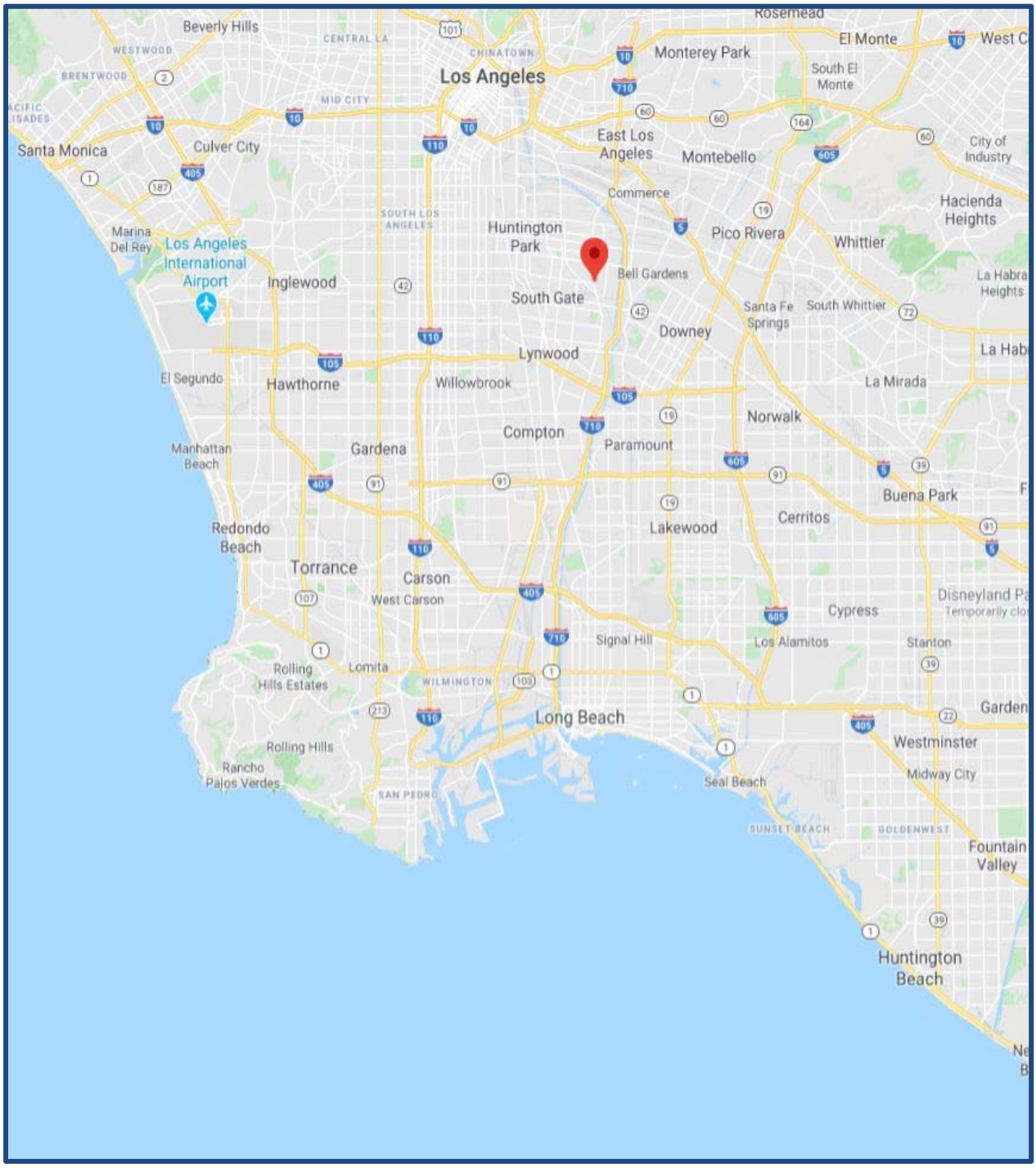
- None

Aerial and Front Views

AERIAL VIEW

FRONT VIEW

Location Map



Introduction

Client and Intended Users of the Appraisal

The client in this assignment is the City of Cudahy and the intended users are the City of Cudahy, the successor agency to the Cudahy Community Development Commission of the City of Cudahy, Olivarez Madruga Lemieux O'Neill, LLP and and no others.

Intended Use of the Appraisal

The intended use of this report is to determine a value for sale of the property to a third party as part of the redevelopment dissolution process.

Real Estate Identification

The subject property is located at SEC Atlantic Avenue & Santa Ana Street, plus 4734 Santa Ana St., Cudahy, Los Angeles County, California 90201. The subject property is further identified by Assessor Parcel Number 6224-018-008, 068 thru 071.

Legal Description

We were not provided with a Preliminary Title Report. For purposes of this appraisal we assume, there are no easements, rights-of-way, or any other type of encumbrance(s) that would have an effect on the final value of the subject. If any such exceptions to the title are found to exist, a reexamination of our findings may be in order.

Use of Real Estate as of the Effective Date of Value and the Date of this Report

As of the effective date of the appraisal, the subject was a duplex, tire shop, 9 unit apartment, and two vacant commercial land properties, zoned Commercial.

Ownership of the Property

According to the Public Record, title to the subject property is vested in the City of Cudahy.

History of the Property

Property No.	APN#	Lot Acres	Lot Sq Ft	Address	Property Type	Year Built	Building Size	Zoning	Annual Income
1	6224-018-008	0.18	7,754 SF	4734 Santa Ana St.	Duplex	1954	2,344 SF	Entertainment (ENT)	
2	6224-018-068	0.19	8,305 SF	8100 S. Atlantic Ave.	Tire Shop	1947	1,772 SF	Entertainment (ENT)	$30,000
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5	6224-018-071	0.27	11,674 SF	8110 S. Atlantic Ave.	Commercial Land			Entertainment (ENT)	
Total		1.05	45,903 SF				7,352 SF		$30,000

Ownership of the subject properties in the table above have not changed within the past three years. The current owner acquired the subject properties: Property #1 on October 6, 2009 for a consideration of $375,000, Property #2 on July 19, 2006 for an unknown consideration, Property #3 on July 19, 2006 for an unknown consideration, Property #4 on July 19, 2006 for an unknown consideration, and Property #5 on February 8, 2008 for an unknown consideration. The grantors according to public record were Property #1 Washington Mutual, Property #2 Frank A. Parrish Jr., Property #3 Frank A. Parrish Jr., Property #4 Frank A. Parrish Jr., and Property #5 Ik C. & Bong J. Choi. When appropriate, we have considered and analyzed the known history of the subject in the development of our opinions and conclusions.

Listings, Offers, and/or Contracts

The subject is not currently listed for sale or under contract for sale.

Type and Definition of Value

The appraisal problem 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 are 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."* [1]

The value conclusions apply to the value of the subject property under the market conditions presumed on the effective date(s) of value.

Please refer to the Glossary in the Addenda section for additional definitions of terms used in this report.

Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Per the scope of our assignment we developed opinions of value for the subject property under the following scenarios of value:

VALUATION SCENARIOS TABLE

Valuation	Completed
"As Is" Market Value of the Fee Simple Interest - Land Only	Yes

We completed an appraisal inspection of the subject property on March 19, 2020.

Date of Report

The date of this report is April 9, 2020, which is the same as the date of the letter of transmittal.

List of Items Requested but Not Provided

- None

1 Source: *Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions*

Assumptions and Conditions of the Appraisal

The acceptance of this appraisal assignment and the completion of the appraisal report submitted herewith are subject to the General Assumptions and Limiting Conditions contained in the report. The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions which may have impacted the assignment results:

Extraordinary Assumptions

- This appraisal's fair market value is based on the Site is not presently burdened with soil contamination or soil environmental health management issues. If the Site is burdened with soil contamination or soil environmental health management issues it could change the final fair market value. We reserve the right to make changes to our valuation as seen fit.

Hypothetical Conditions

- None

Scope of Work

The elements addressed in the Scope of Work are: (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, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed as below.

Extent to Which the Property Was Identified

- Legal Characteristics - The subject was legally identified via public record.
- Economic Characteristics - Economic characteristics of the subject property were identified via market participant surveys, our company database, and third party sources, as well as a comparison to properties with similar locational and physical characteristics.
- Physical Characteristics - The subject was physically identified via an appraisal inspection that consisted of exterior and site only.

Extent to Which the Property Was Inspected

We inspected the subject on March 19, 2020, and did not perform a physical measurement of the improvements.

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.

Type and Extent of Analysis Applied (Valuation Methodology)

We observed surrounding land use trends, the condition of the improvements, demand for the subject property, and relevant legal limitations in concluding a highest and best use. We then valued the subject based on the 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 - All of these approaches to value were considered. We assessed the availability of data and applicability of each approach to value within the context of the characteristics of the subject property and the needs and requirements of the client. Based on this assessment the Land Valuation by Sales Comparison was developed. The Cost Approach and Income Approach were excluded as we are not appraising the improvements. Further discussion of the extent of our analysis and the methodology of each approach is provided later in the respective valuation sections.

Appraisal Conformity and Report Type

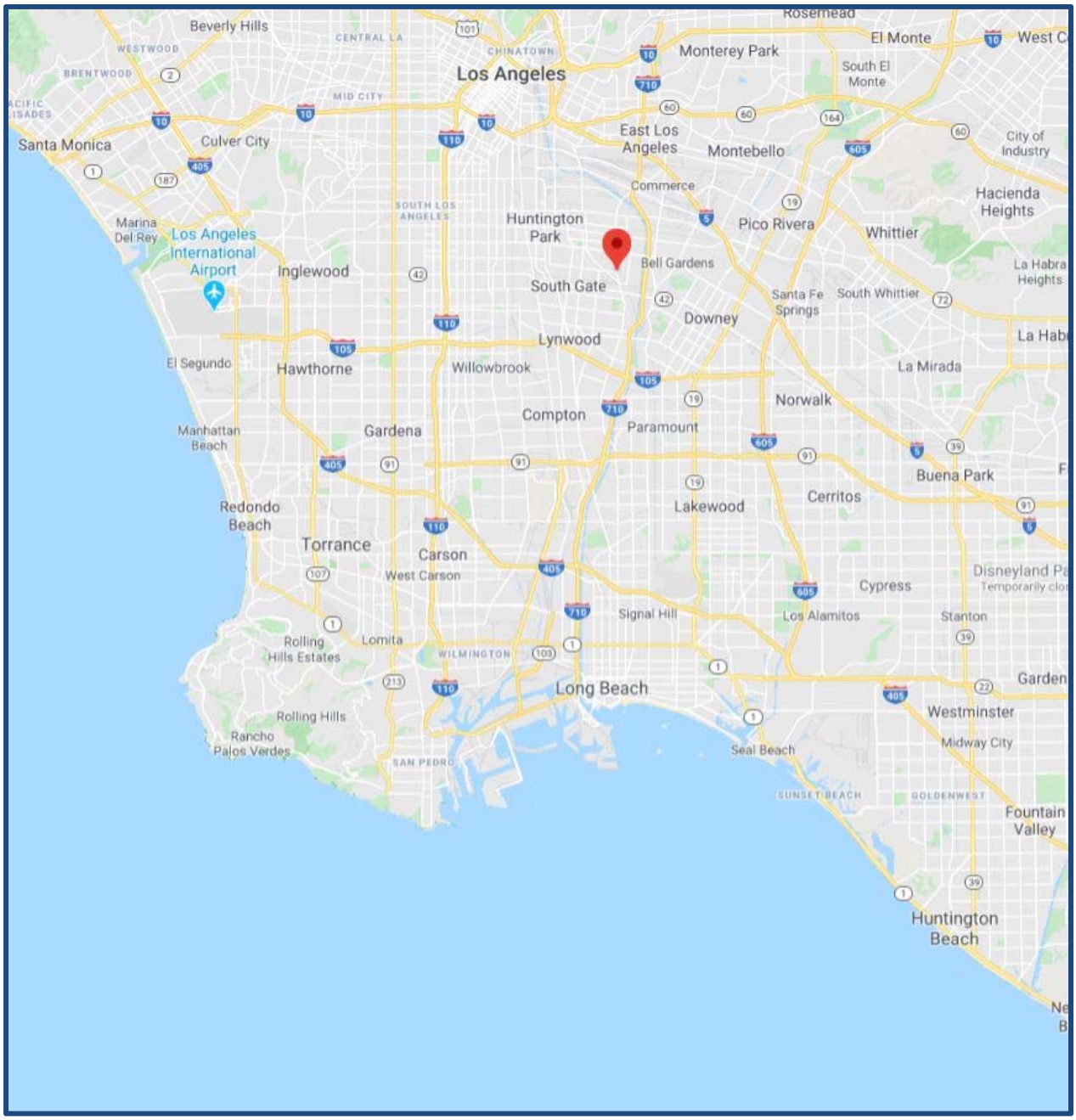
We developed our analyses, opinions, and conclusions and prepared this report in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute; the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA); and the requirements of our client as we understand them. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

Regional Area Analysis

REGIONAL MAP



Regional Data

The subject property is located in the County of Los Angeles. Los Angeles is one of six counties which comprise the Southern California Region. The other counties are Orange, San Bernardino, Riverside, Ventura, and San Diego. This region contains one of the most diversified economic environments in the world. Strengths include aerospace, import/export trade, entertainment, defense, tourism, technology, apparel, and education. Located on the previous page is a map that shows the subject in relation to the surrounding region.

Location

Los Angeles County, encompassing a physical area of 4,751 square miles, remains the focal point of the region. The most intensely-developed and populated portion is located near the coast. About a third of this area is occupied by the City of Los Angeles, which covers 502 square miles and has a population of 3.9 million residents. Historically, Los Angeles was a frontier town of the Old West. It soon grew by a dream of a city that had year-round warm weather, coupled with an enjoyable environment with the Pacific Ocean, mountains, and desert nearby. The railroads expanded in the 1880s, bringing a large migration of mid-westerners with them. The region played second fiddle to the northern city of San Francisco until the early 1900s, when a deep-water harbor was dug at San Pedro. Freshwater was imported to the area from Owens Valley, and a vast interurban electric rail network was constructed. These events, along with the discovery of rich oil deposits and the development of the movie and aviation industries, laid the foundation for the future metropolis. The movie industry was drawn to Southern California by the year-round sunshine, open space for outdoor shooting, and a varied landscape. Similarly, the aviation industry benefited from the ability to have almost unrestricted test flights throughout the year. By the end of the 1920s, the area had grown to a population of 1.2 million, becoming the nation's fifth largest city, and covering an area larger than any other American city.

During World War II, the region's proximity to the Pacific Rim and unlimited room for expansion brought about a tremendous growth in the war effort with new bases established across the basin, and the region's aviation prowess turned into manufacturing for the war. After the war, these industries evolved into aerospace and many of the soldiers that came here during their training years returned to settle. The development of the freeway system in the 1950s further led to an expansion of the region, with an exodus to new suburban communities throughout the Los Angeles basin.

Demographics

During the period following World War II, the manufacturing sector continued expansion into consumer goods. The expansion of the manufacturing sector, combined with a continued and increasing in-migration of new residents, allowed for the rapid development of other sectors of the economy. In particular, construction and service industries benefited from the increased demand. As the cycle continued to grow, it allowed for an increasingly diversified economic expansion. Eventually, this growth allowed Los Angeles in the 1980s to surpass New York as the most populated urban area in the nation. Currently, it represents 26% of California's total population. A chart outlining the population of Los Angeles County and the surrounding counties over the last four decades is presented below, including growth projections through the year 2030.

SOUTHERN CALIFORNIA POPULATION TRENDS

County	1980 Census	1990 Census	2000 Census	2010 Census	2017 Population	2018 Population	Annual % Change 17/18	2030 Projection
Los Angeles	***7,477,503***	***8,863,164***	***9,519,338***	***9,818,605***	***10,231,271***	***10,283,729***	***0.51%***	***10,868,614***
Orange	1,932,709	2,410,556	2,846,289	3,010,232	3,198,968	3,221,103	*0.69%*	3,433,510
Riverside	663,166	1,170,413	1,545,387	2,189,641	2,382,640	2,415,955	*1.38%*	2,857,496
San Bernardino	895,016	1,418,380	1,709,434	2,035,210	2,155,590	2,174,938	*0.89%*	2,478,888
San Diego	1,861,846	2,498,016	2,813,833	3,095,313	3,309,509	3,337,456	*0.84%*	3,631,155
Ventura	529,174	669,016	753,197	823,318	855,910	859,073	*0.37%*	919,527
Totals:	13,359,414	17,029,545	19,187,478	20,972,319	22,133,888	22,292,254	0.71%	24,189,190

Source: State Department of Finance - 2019

As the table demonstrates, Los Angeles County has experienced a lower growth rate than the Inland Empire counties. While growth in Los Angeles County has slowed, growth in surrounding counties remains strong. Population growth in the surrounding counties is attributed to the high degree of urbanization and high land values in Los Angeles and Orange Counties, coupled with the existence of a vast freeway system. The freeway system allows the region's workforce to commute from surrounding counties and form economic bases in the surrounding counties themselves. A projection to the year 2030, by the California State Department of Finance, indicates that Los Angeles County is expected to experience moderate growth, with most of the growth occurring in outlying areas of the county.

Employment

With its broad and growth-oriented economic base, Los Angeles County has attracted numerous high-tech firms and is the largest center of business services and international trade in the Western United States. As of 2018, the county is headquarters to 13 companies listed in the Fortune 500. The gross regional product totals 208 billion dollars. Los Angeles is also the leading manufacturing county in the United States, accounting for 40% of California's entire manufacturing shipments, including 80% of California's aircraft, 70% of its apparel, and 55% of its petroleum production. Also, Los Angeles is the largest export manufacturing region in the country. The entertainment industry is bolstered by the movie industry, which includes almost every major film production company in the United States. Tourism is generated by the local attractions of Hollywood, Universal Studios, Magic Mountain, Disneyland, and Knott's Berry Farm.

Within the Southern California region are a number of areas which may be broken out separately as Metropolitan Statistical Areas (MSA). The subject is located in the Los Angeles-Long Beach MSA, which comprises the entire County of Los Angeles. On the following page is a breakdown of the various employment sectors for the county.

LOS ANGELES COUNTY EMPLOYMENT

Category	Total Jobs	Percentage
Farm	5,500	0.12%
Mining	2,200	0.05%
Construction	143,900	3.15%
Manufacturing	350,400	7.66%
Transportation, Utilities	858,000	18.76%
Information	220,900	4.83%
Financial Activities	223,800	4.89%
Professional & Business Services	642,600	14.05%
Educational & Health Services	821,000	17.95%
Leisure & Hospitality	553,700	12.11%
Other Services	158,100	3.46%
Government	593,400	12.97%
Total	4,573,500	

Source: California Employment Development Department – 2019

The table indicates local strengths in manufacturing, trade, and services. Manufacturing consists of numerous companies in aerospace, technology, and other related industries. Aerospace was hit hardest during the recession, which rocked Southern California with massive losses due to national cutbacks in defense and consolidation within these industries. More recently, some companies, like Hughes, have transitioned over to the commercial market, and some new defense contracts associated with the Iraqi War are benefiting Southern California as well. The trade sector is boosted by the largest port area in the United States, a large population base, and one of the highest amounts of disposable income in the United States. Services comprise the largest sector in the economy. The driving force in this sector is the growing entertainment industry. Tourism is expected to remain strong with the attractions like Staples Center, the Getty Museum, and Disney Concert Hall. Major employers headquartered in the county include Disney, Amgen, Molina Healthcare, AECOM, CBRE Group, Farmers Insurance Exchange, Edison International, and Mattel.

Economic figures indicate that employment in Los Angeles bottomed out in 2001. Because of Los Angeles's size and mature stage of economic development, it was projected to grow at an annual percentage rate of 2%. Income levels remain one of the highest in the country. Based on current activity and the national economy, a moderate upward trend is anticipated for the region.

Transportation

Transportation is the catalyst for growth in the region. The Los Angeles transportation network is largely comprised of an extensive freeway system. Major north/south routes include the Golden State (5), San Diego (405), Harbor (110), Long Beach (710), and the San Gabriel (605). The primary north/south freeway is the Golden State Freeway (5) which runs the length of the state. Major east/west routes include the San Bernardino (10), Artesia (91), Pomona (60), Century (105), Foothill (210), and the Ventura (101) freeways. The primary east/west route is the San Bernardino Freeway (10), which runs from the Pacific Ocean to the Arizona State border and beyond. These freeways, along with connecting roadways throughout the region, form the most expansive network in the world. However, in recent years the freeway system has become increasingly congested due to a growing number of motorists and insufficient improvements to keep pace. Much of this traffic is

caused by commuter traffic from the outlying areas of the region. To alleviate this problem, the Los Angeles Transportation Commission is in the process of constructing a regional transportation system based on rail. A major link to this system (the green line) opened in 1995, which includes a light rail down the center of the Century Freeway (105) leading to Los Angeles International Airport, and light rail lines to the Pasadena and the San Fernando Valley have recently opened.

The transportation system is also bolstered by air, sea, and rail facilities. Los Angeles International Airport (LAX) is the fourth busiest airport in the world and the thirteenth busiest in air cargo as of 2018. Other major airports in the region include Long Beach, Orange County, Van Nuys, and Ontario. Los Angeles County's twin harbors (9.2 square-mile mega-port operated by the cities of Los Angeles and Long Beach) comprise the largest and busiest waterway in the United States. These ports handle one-third of the total U.S. Pacific Coast cargo, with an estimated worth of 234 billion dollars, and are among the four busiest trade areas in the World. The region is also served by three railroads: the Santa Fe, Southern Pacific, and Union Pacific. Recently, the "Alameda Corridor," consisting of a high-speed corridor for trucks and rail, has been completed, providing transportation from the port area directly to the central area of the City of Los Angeles, at Union Station.

Education

Adding to the strong infrastructure in the region is a complete and diversified educational system. There are more than 150 public and private universities, colleges, and specialty institutions. These institutions provide a highly trained and skilled workforce for high-tech firms and businesses located in the area. Some of the larger institutions located in Los Angeles County are as follows:

- University of Southern California
- University of California at Los Angeles
- California State University at Long Beach
- California State University at Los Angeles
- California State University at Northridge
- California State Polytechnic University
- California State University at Dominguez Hills
- California Institute of Technology
- Pepperdine University
- The Claremont Colleges
- Loyola Marymount University
- Occidental College
- Whittier College
- University of La Verne

Housing Trends

Residential housing in Los Angeles County, like most of the nation, experienced the largest drop in prices (30% to 40%) since the great depression of the 1930s during the "Great Recession" of 2008 thru 2011. The highest declines have been seen in areas where recent construction has been prevalent and in areas that are older that had a high concentration of subprime lending. Improvement beginning in 2012, has now exceeded the peak home prices of 2006. The current median price for Los Angeles County is $659,000. This improvement has been highly dependent upon some of the lowest interest rates in history and an improving economy. Presently, apartment rental rates are at exceptionally high rates, and there is a high volume of new apartment projects under construction or planned in the county.

Quality of Life

Weather is a primary source of attracting new residents to Southern California. Los Angeles enjoys a mild Mediterranean climate, with daily temperatures ranging from 60 to 75 degrees in the winter and 70 to 85 degrees in the summer. Coastal and desert influences keep rain and moisture to a minimum

and provide a year-round outdoor atmosphere. Los Angeles benefits from a location adjacent to the Pacific Ocean and is within one hour's distance from the mountain and desert regions of Southern California. These draws, along with numerous local attractions, help to generate one of the largest tourism industries in the country. It is noted that some of the more inland areas of Southern California are devoid of coastal breezes, and as such, suffer to some degree from both higher temperatures and smog.

Summary

The availability of a strong transportation system provides for quick access to the many business and industrial centers throughout Southern California. As a result, a diversified economic base provides stability for the region. The effects of the Great Recession have dissipated as unemployment has improved to a current rate of 4.4% for the county and 3.9% for the state and interest rates have remained at historically low rates. In 2017, real GDP in Los Angeles County grew at 3.2 percent, an uptick from the prior year when the economy grew by 2.1 percent. Still, last year's growth rate was below the national rate of growth (2.4 percent). Real GDP growth is was 2.4 percent for 2018 and 2.2% for 2019, outpacing the nation in both years. The unemployment rate across Los Angeles County has fallen and will moderate over the next few years as job growth absorbs new labor market entrants. Personal income has grown, and inflation-adjusted per capita incomes will continue to rise slightly as well. Despite the improvement, there is still some uncertainty as it relates to the high levels of government debt, higher interest rates, the ups and downs of the stock market, and global instability. Overall, Los Angeles appears to be faring better than most areas in California and is expected to continue to do so.

Community Influence – Mid-Cities

The subject property is situated in the central eastern portion of Los Angeles County, known as the Mid-Cities. This area is composed of the grouping of a number of smaller cities sandwiched between the San Gabriel Valley and the South Bay. This area is also positioned between downtown Los Angeles and Orange County and derives its strength from a centralized location and proximity to the 5 Freeway, which is the main artery for transportation throughout Southern California. Communities in this area include Downey, Cudahy, Pico Rivera, Norwalk, Santa Fe Springs, Cerritos, Artesia, La Mirada, La Palma and Buena Park.

This portion of the Los Angeles region is rooted in the Mission San Gabriel, which was established in the 1771. The area remained primarily rural and agricultural in nature until the introduction of the railroad to the region in the 1870's. With the railroad and later the Pacific Electric Red Car the region began to experience growth. With their immediate proximity to downtown Los Angeles, the northern portions of the Mid-Cities area began to develop industrially. The southern areas stayed primarily agricultural until World War II with an emphasis in dairies. Oil was also discovered in Santa Fe Springs and largely influenced this area. Residential growth spread to the area in the post war era as new transportation corridors opened up and parts of this area became suburbs to a burgeoning Los Angeles. A large defense plant was constructed in Pico Rivera and the Apollo Space complex in Downey began to experience tremendous growth in the 1960's and 70's. This further fueled the eventual build-out of this area residentially.

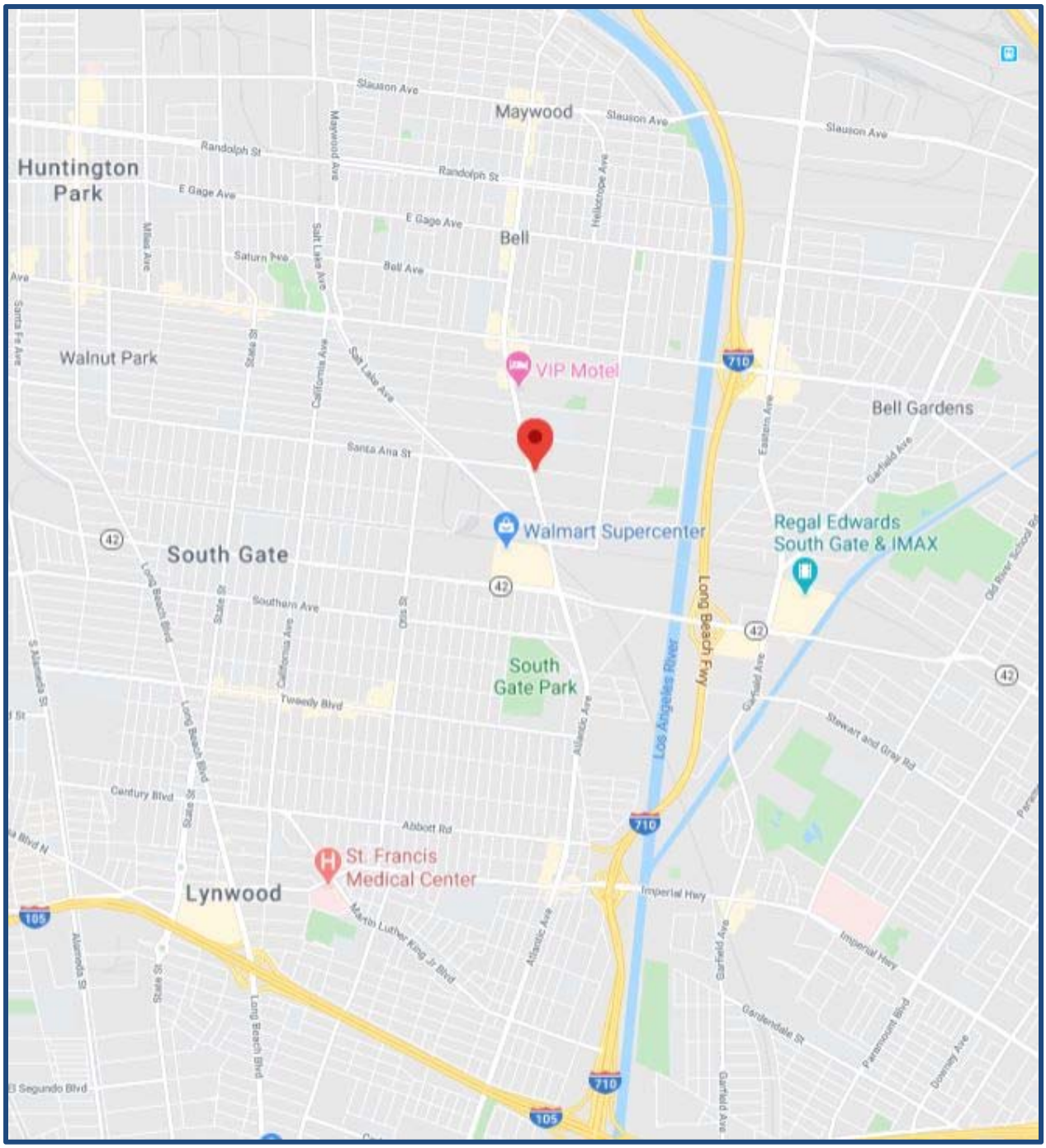
Today the Mid-Cities is home to over 0.5 million residents and is a recognized sub-market of Southern California. Development is still largely industrial in the north and residential to the south. Industries of the past like manufacturing, aerospace and oil are transitioning to other uses. With a

centralized position with respect to the region and proximity to 5 freeways; distribution is becoming the largest component of growth. Proximity to other employment centers like downtown Los Angeles, the South Bay and Orange County is also a strength. However, it is noted that with the demise of some larger employers in the aerospace industry, the older age of the housing stock and an increase in traffic congestion, population and crime, this area has experienced some deterioration in recent years.

In conclusion, the Mid-Cities area is largely built-out with a combination of industrial and residential land uses. This is an established area with a centralized location. For a relatively small area, the Mid-Cities have immediate access to five freeways and are nearby to the CBD of Los Angeles, Orange County, the South Bay and the San Gabriel Valley. Currently the 5 Freeway is being widened in the area, which should help to revitalize this area somewhat. Employment is predominately industrial. Future trends for the Mid-Cities area is growth in industrial distribution and various service entities needed for a growing population base. Economically, this area should follow the same direction as the region as a whole.

City and Neighborhood Analysis

NEIGHBORHOOD MAP



History and Demographics

It was in 1810 when the King of Spain rewarded his former cavalry corporal, Don Antonio Maria Lugo, with eleven square league of California. In 1813, Don Antonio Maria Lugo settled on an area that extended from the low range of hills which separated it from the San Gabriel Valley to the Old Dominguez Rancho at its south, and from the eastern boundary of the Pueblo to the San Gabriel River. This was a huge land holding approximately 29,513 acres. The huge ranchos of San Antonio, Chino, San Bernardino and Cucamonga became the properties of Antonio Lugo. In 1855, Rancho San Antonio was partitioned and sold. San Antonio kept approximately one-seventh of the ranch, 4,239 acres. The old grandee lived on seven acres of his land, the Lugo Ranch, three miles east of Bell. Don Antonio Maria Lugo rode tall in the saddle until he was past ninety years old. He was a familiar sight. Don Antonio died in 1860. The total 4,239 acres were deeded to Vincent Lugo. In 1862, the Los Angles and the San Gabriel Rivers overflowed. To compound the problem, the years of 1863-64 were years of drought. Like so many large Spanish land owners, Vincent Lugo was forced to relinquish his title to the land. In May of 1864, Isaac Heyman foreclosed a mortgage on Vincent Lugo's 4,239-acre tract. The tract was sold at public auction by order of the court for 95¢ an acre. In the 29 year period between 1864 and 1893, many people bought and sold various portions of the 4,239 acre tract.

Well-known names such as Remi Nadeau, Dona Arcadia Bandini de (Abel) Searns, Robert Tweedy and John C. Downey appear in records. In April of 1893, a man named Hinton sold 2,777 acres to Michael Cudahy, a meat packer from Chicago, for the price of $105.15 an acre. This land was originally known as the Nadeau Ranch, bounded by Florence Avenue on the north, Santa Fe on the West, Manchester on the south along the Heyman tract near Eastern and Florence Avenue. Michael Cudahy (1841 - 1910) was an American industrialist. He was born in Ireland in 1841 and immigrated to the United States in 1849. He moved with his family to Milwaukee, Wisconsin and worked in the meat packing industry. With the help of his brother (Patrick Cudahy) he established the Armour-Cudahy meat packing plant in Omaha, Nebraska. In 1908, Cudahy sold his share of the company and bought a 2,777 acre (11 km^2) ranch east of Los Angeles. He subdivided the ranch and sold them as one acre (4,000 m^2) lots. This area became incorporated in 1960 as the Cudahy, California. The city has a present population of 25,000 residents and is the third smallest city in the County of Los Angeles. The median income in Cudahy is one of the lowest in the County of Los Angeles at approximately 39,000. The city is mainly residential land with some industrial in the southeast and mainly small older retail along moderate traffic streets. The only major traffic street within the city is Atlantic Avenue, which bisects the city in a north/south direction, and links Cudahy to the City of Bell on the north and the City of Southgate on the south. Surrounding cities and communities are Bell, Bell Gardens, Downey, Lynwood, Southgate, Huntington Park, Los Angeles, City of Commerce, Maywood, and Vernon.

Immediate Surroundings

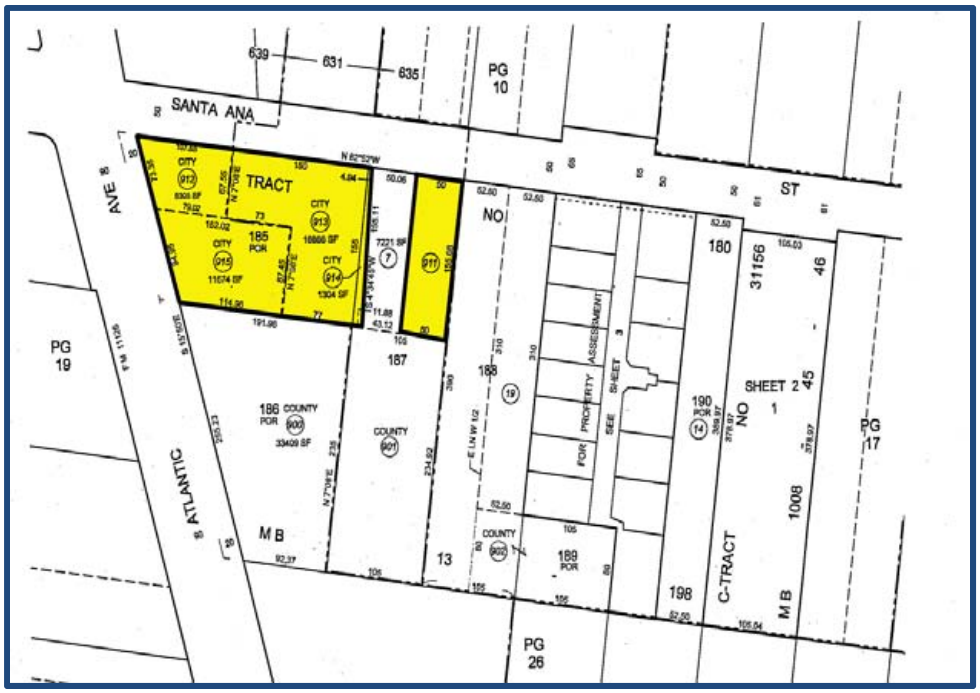
The subject property is located on a moderate 4-lane traffic street and a minor 2-lane traffic street in the central portion of the city, which is mainly commercial along the only moderate street in the city, Atlantic Avenue, and is predominately zoned Entertainment (ENT), which is mainly a commercial zoning, however, allows for multifamily. The neighborhood boundaries consist of Salt Lake Avenue to the west, Patata Street to the south, Florence Avenue to the north, and the Los Angeles River to the east. The subject site is in a mainly small older retail area surrounded by older single family residences and small older apartment complexes. The 710 Freeway off and on ramps are located one mile northwest and southwest of the site.

Summary

The City of Cudahy is centrally located between the communities of Los Angeles and Orange County. The city's mild to moderate climate remains a plus for the area, however, most employment is located outside of the city. The only freeway located close by is the 710 Freeway. The subject neighborhood is mostly residential related uses that were built in the 1950's or older. In conclusion, the City of Cudahy is expected to fair below average compared to the region as a whole in the foreseeable future due to its lack of employment, lack of industrial and commercial, and low median income.

Site Description

PLAT MAP



The subject site is located on the southeast corner of Atlantic Avenue and Santa Ana Street. The characteristics of the site are summarized as follows:

Site Characteristics

Location:	The southeast corner of Atlantic Avenue and Santa Ana Street
Gross Land Area:	1.05 Acres or 45,903 SF (Based on Assessor's Data)
Usable Land Area:	1.05 Net Acres or 45,903 SF
Usable Land %:	100.0%
Shape:	Rectangular
Average Depth:	168.00 feet
Topography:	Level
Drainage:	No apparent drainage problems were noted.
Grade:	At street grade
Utilities:	All to site
Off-Site Improvements:	There are curbs, gutters, sidewalks and street lights.
Interior or Corner:	Corner
Signalized Intersection:	Yes: Traffic signal nearby that enhances access to the site
Excess Land:	None, that we know of at the time of the appraisal
Surplus Land:	None, that we know of at the time of the appraisal

Street Frontage / Access

Frontage Road	Primary	Secondary
Street Name:	Atlantic Avenue	Santa Ana Street
Street Type:	Moderate	Minor
Frontage (Linear Ft.):	168.00	325.00
Number of Curb Cuts:	2	4
Traffic Count (Cars/Day):	27,530	10,422

Additional Access

Alley Access: No

Rail Access: No

Flood Zone Data

Flood Map Panel/Number: 060657-06037C1810F

Flood Map Date: 09-26-2008

Flood Zone: X (500-Year)

The subject property is located within Flood Zone Shaded X which is not considered a special flood hazard area and therefore flood insurance in not required.

Other Site Conditions

Soil Type: A soil report was not provided for my review. No visual evidence of soil or geological problems in the form of uneven settlement or excessive cracking was observed at the time of inspection. Adequate load bearing capacity is assumed for the present use.

Environmental Issues: An environmental site assessment report was not furnished for our review. An inspection of the property did not reveal any visible or factual evidence of apparent environmental impairment to the site. The appraisers are not considered experts in hazardous materials. The client is advised to obtain an environmental report if further investigation is desired. In addition, a drive-by inspection of the immediate vicinity surrounding the subject did not reveal any uses or hazards that would be expected to pose an apparent risk to the site or would restrict its use.

Easements/Encroachments: A title report was available for our review. It is assumed that the subject is impacted by various easements for public utilities, storm drains, and access. These easements are considered typical for the area and would not be expected to have a negative impact on the marketability of the property.

Earthquake Zone:	According to the State of California Department of Conservation, the subject is not located within an Alquist-Priolo Special Studies Zone.
Special Hazards	The subject is not located in a Wetlands, California State Coastal Zone or Agricultural Preserve.

Adjacent Land Uses

North:	Retail
South:	Retail
East:	Apartment
West:	Retail

Site Ratings

Access:	Average to Good
Visibility:	Average to good

Zoning Designation

ZONING MAP

Zoning Jurisdiction:	City of Cudahy
Zoning Classification:	Commercial, Entertainment
General Plan Designation:	Entertainment
Permitted Uses:	Office, restaurant, most retail, entertainment, and multifamily.
Development Standards:	Setback Requirement 0 Ft front, 0 Ft side, 0 Ft rear Height Restriction four stories

Maximum Coverage	2.0
Minimum Lot Area	6,000 SF
Parking:	Restaurant 1 space per 100 square feet, retail sales 1 space per 300 square feet, multifamily units one or two bedrooms: 1.5 spaces/dwelling unit, multifamily units three or more bedrooms: 2.0 spaces/dwelling unit.
Zoning Comments:	The Entertainment Zone accommodates large-scale entertainment uses that attract patrons from Cudahy, surrounding communities, and the region. All uses are required to be designed to provide pedestrian interest and accessibility along Atlantic Avenue, with vehicular access and parking located to the rear of the parcels. Permitted uses include: office, restaurant, most retail, entertainment, and multifamily. The maximum density is 35 units per acre for multifamily.

Legal, Conforming Status

Legally Permitted Use:	Yes
Conforms to Parking:	N/A
Conformity Conclusion:	Legally conforming use.

Analysis/Comments on Site

According to the Los Angeles County Assessor's data, the site measures 1.05 acres or 45,903 square feet. The site has all necessary physical characteristics to support the current improvements and has access via two curb cuts from a moderate traffic street and four curb cuts from a minor traffic street. The subject site has a level topography and the site improvements are in fair to average condition. Overall, the site is considered adequate for its current use.

FLOOD MAP

2/21/2020 RealQuest.com ® - Report

Flood Map Report
For Property Located At

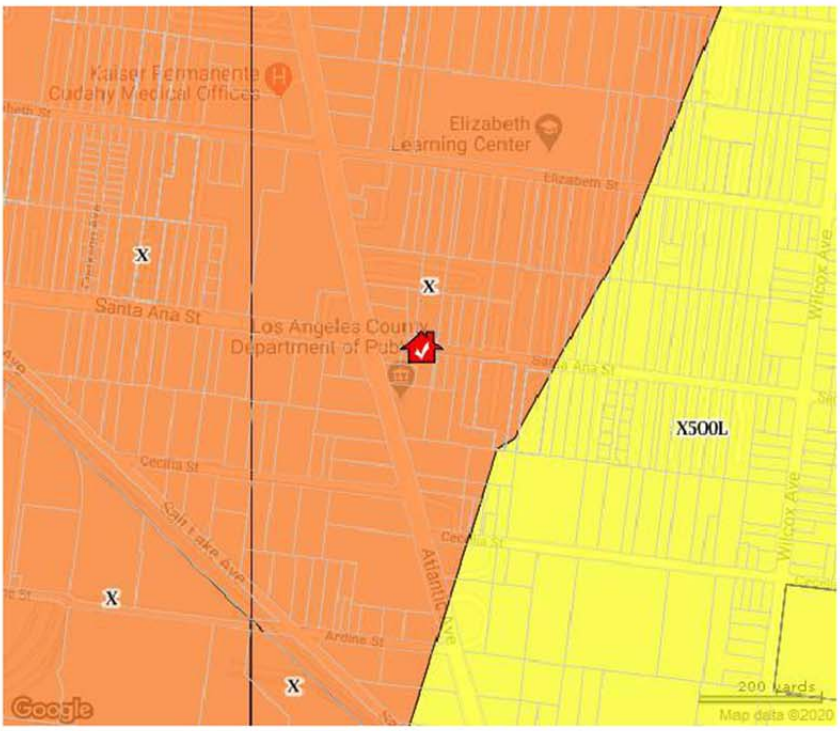
CoreLogic RealQuest Professional

4720 SANTA ANA ST, CUDAHY, CA 90201-5905

Report Date: 02/21/2020 **County: LOS ANGELES, CA**

Flood Zone Code	Flood Zone Panel	Panel Date
X	060657 - 06037C1810F	09/26/2008
Special Flood Hazard Area (SFHA)	**Within 250 ft. of multiple flood zones?**	**Community Name**
Out	No	CUDAHY

Flood Zone Description:
Zone X-An area that is determined to be outside the 100- and 500-year floodplains.



Flood Zones

Coastal 100-year Floodway	100-year Floodway	Undetermined	500-year Floodplain incl. levee protected area
Coastal 100-year Floodplain	100-year Floodplain	Unknown or Area Not Included	Out of Special Flood Hazard Area

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Improvements Description

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

Improvement Characteristics

Property Type:	Residential/Commercial
Property Subtype:	Residential/Commercial/Commercial Land

Site Improvements

Site Improvements:	The site 4734 Santa Ana St. (APN #6224-018-008) is improved with a 2,344 square foot duplex built in 1954. The site 8100 S. Atlantic Ave. (APN #6224-018-068) is improved with a 1,772 square foot tire shop built in 1947. The site 4720 Santa Ana St. (APN #6224-018-069) is improved with a 3,236 square foot 9 unit apartment building built in 1933. The site 0000 Santa Ana St. (APN #6224-018-070) is vacant commercial land. The site 8110 S. Atlantic Ave. (APN #6224-018-071) is vacant commercial land.
Landscaping:	Grass, trees and scrubs along street frontage and close to buildings.

Assessment and Tax Data

Assessment Methodology

Under provisions of Proposition 13, properties are assessed based on their value as of March 1, 1975. This value may increase no more than 2% per year until such time as the property is sold, substantial new construction takes place, or the use of the property is substantially altered. The above property taxes include the general 1% tax, voted indebtedness, and direct assessments. If the property were sold, creating a new assessed value, the direct assessments would not be expected to change. The general tax and the voted indebtedness, however, would be expected to reflect the new basis. Thus, the tax rate specified above relates to the general tax rate and voted indebtedness, and the direct assessments of $0 are in addition to this rate.

Assessed Values and Property Taxes

The subject's assessed values, applicable tax rates, and total taxes, including direct assessments, are shown in the following table:

SUMMARY OF ASSESSED VALUES AND PROPERTY TAXES

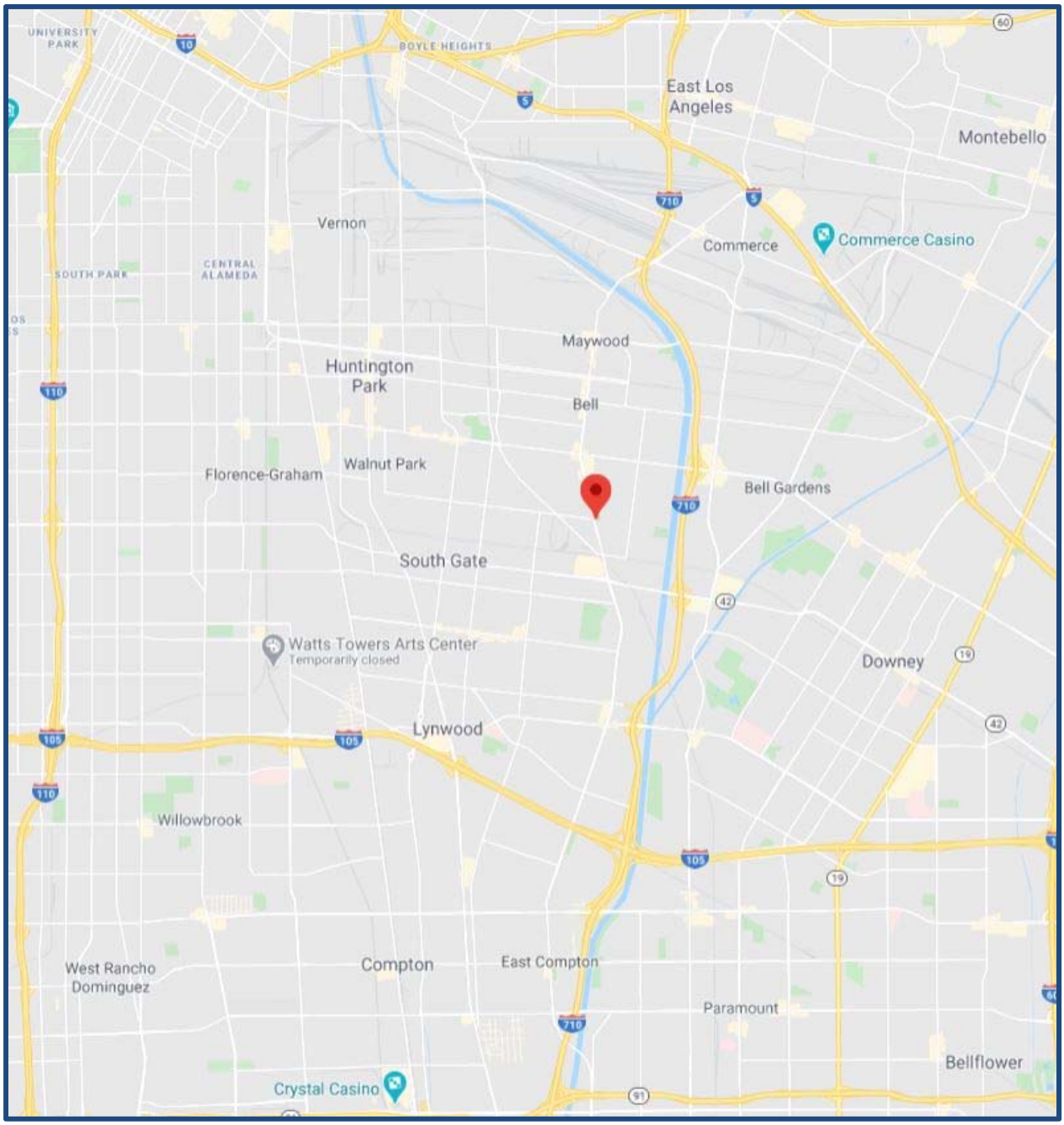
APN	Land	Improvements	Total	Gen = 1%	Voted	G + V Rate	Directs	Total
6224-018-008	$327,871	$0	$327,871	$0	$0	0.000000%	$0	$0
6224-018-068	$0	$0	$0	$0	$0	0.000000%	$0	$0
6224-018-069	$0	$0	$0	$0	$0	0.000000%	$0	$0
6224-018-070	$0	$0	$0	$0	$0	0.000000%	$0	$0
6224-018-071	$0	$0	$0	$0	$0	0.000000%	$0	$0
TOTAL:	**$327,871**	**$0**	**$327,871**	**$0**	**$0**	**0.000000%**	**$0**	**$0**

Conclusions

According to the Los Angeles County Tax Assessors Office, the subject's property taxes are current as of the date of value. The subject property is owned by the City of Cudahy, therefore, is not assessed any taxes.

Market Analysis

MARKET AREA MAP



Regional Retail Market

The subject property is within Los Angeles County, which is part of the larger Southern California area. The Southern California retail market consists of four major market areas. These include the Inland Empire, Los Angeles County, Orange County, and San Diego County. Retail information for these areas is provided in the following table and was obtained from 3rd Quarter 2019 CoStar Retail Market Reports.

The Southern California Retail Market contained over 922 million square feet of space. Projects in this market ranged from large regional shopping centers/malls to small mixed-use retail buildings. The largest concentration of space was in Los Angeles County, with 441 million square feet of inventory.

SOUTHERN CALIFORNIA TOTAL RETAIL MARKET OVERVIEW

Market	# of Bldgs	Building NRA	Vacancy SF	Vacancy Rate	SF Net Absorption	SF Under Construction	Ave. Asking Lease Rate
Inland Empire	17,063	195,624,862	13,292,977	6.8%	1,494,772	1,213,188	$1.81
Los Angeles County	**45,965**	**441,402,644**	**19,861,327**	4.5%	**(1,471,141)**	**2,763,791**	**$2.77**
Orange County	10,846	143,373,961	5,335,420	**3.7%**	(287,149)	158,301	$2.70
San Diego County	13,801	141,142,930	5,459,382	3.9%	265,361	355,264	$2.59
Southern California Total:	**87,675**	**921,544,397**	**43,949,106**	**4.8%**	**1,843**	**4,490,544**	**$2.52**

Source: Costar 3rd Quarter 2019

As shown in the table above, the markets outside of Los Angeles County were significantly smaller, with inventory levels ranging from approximately 141 to 196 million square feet. Overall, vacancy rates have declined since the recession, which started in 2007. Los Angeles County currently has a vacancy rate at 4.5%. This is a slight increase since the end of the year, 2018, which was 4.0% and above the 3.9% vacancy at the end of 2017. All the markets were substantially impacted by the recession as many small retail businesses and large chain retail stores were significantly hit during this period. Small retail businesses made up a large portion of the retail tenancy in the region, which remains slow to recover. Los Angeles County had negative absorption in the 3rd quarter of 2019. This follows a year, 2018, which ended the year with negative absorption. Although some new construction is occurring, the amount of space developed is limited relative to the base inventory and well off its highs established in 2007. Due to financing constraints, speculative construction has not been occurring. As a result, most new projects involved either owner/user development or multi-tenant projects with significant pre-leasing. With such criteria, some new construction was feasible in select locations, especially with urban and suburban locations in Los Angeles, Inland Empire, and San Diego counties.

Local Retail Market

The subject property is located in Los Angeles County, within the Mid-Cities sub-market which contains the seventh greatest amount of retail space within the county. Retail market information specifically for Los Angeles County has been summarized in the following table.

LOS ANGELES COUNTY TOTAL RETAIL MARKET OVERVIEW

General Retail Market	# of Bldgs	Building NRA	Vacancy SF	Vacancy Rate	SF Net Absorption	SF Under Construction	Ave. Asking Lease Rate
Antelope Valley	703	4,954,760	148,731	3.0%	18,025	12,932	$1.64
Burbank/Glendale/Pasadena	4,530	25,638,670	657,197	2.6%	71,566	9,994	$2.84
Catalina Island	19	101,243	0	0.0%	0		$2.69
Downtown Los Angeles	861	13,261,024	744,872	5.6%	(126,367)	674,192	$2.98
East LA County Outlying	17	93,478	5,795	6.2%	0		$2.52
Mid-Cities	**4,711**	**24,894,756**	**972,765**	**3.9%**	**(18,710)**	**34,795**	**$1.90**
Mid-Wilshire	4,062	28,126,118	1,291,297	4.6%	(182,217)	293,029	$3.63
NE LA County Outlying	17	72,436	11,900	16.4%	865		$2.28
NW LA County Outlying	5	111,279	0	0.0%	0		$2.32
San Fernando Valley	4,984	31,175,919	1,307,614	4.2%	(119,236)	50,262	$2.45
San Gabriel Valley	4,536	29,381,908	788,534	2.7%	(99,407)	74,738	$2.06
Santa Clarita Valley	383	3,625,679	64,684	1.8%	(26,323)	3,000	$2.05
South Bay	4,763	29,992,334	1,684,626	5.6%	(62,065)	119,609	$2.36
Southeast Los Angeles	1,971	10,474,880	381,063	3.6%	43,466	26,178	$1.99
West Los Angeles	5,375	32,274,100	1,373,978	4.3%	(389,098)	111,731	$3.99
Totals:	**36,937**	**234,178,584**	**9,433,056**	**4.0%**	**(889,501)**	**1,410,460**	**$2.71**

Source: Costar 3rd Quarter 2019

The Mid-Cities sub-market is the seventh largest in the county making up 10.6% of the county total retail inventory. Currently, total retail vacancy rate of the sub-market is slightly below the county average at 3.9%. This is slightly lower than the first quarter of 2019 vacancy of 4.0%. Monthly asking rates are near the bottom of the region at $1.90 per square foot. Los Angeles County rates have increased from 2014 to 2019, from $2.10 to $2.71 per square foot during this timeframe.

Market Conditions

Competitive asking rental rates for retail space within the City of Cudahy market range from mainly $2.00 to $3.50 per square foot on a triple net basis according to CoStar data. The range is fairly tight with most rent comparables located along the same moderate traffic street of Atlantic Avenue as the subject property. The properties according to CoStar data are representative of mainly smaller mid-life to older retail space with few amenities. Rental rates are currently experiencing an increase from the recession that began in 2007, however, have begun to level off in the past two years. Recent leases for spaces exhibit a range in terms from 1 to 5 years. Escalation clauses generally consist of CPI or 3% fixed annual bumps. Tenant improvement allowances were found to not be offered. Free rent was found to be approximately 0 to 1 month free on a 2 to 5-year deal. Parking in this area is not at a premium and some older buildings is minimal onsite with on-street parking allowed on most minor traffic streets. Cap-rates in the market had been on a downward trend but have pretty much stabilized with rates generally ranging from 4.50% to 5.92% and averaging around 5.00%.

Conclusions

The Los Angeles market area continues to emerge from a prolonged recession, but the pace of the recovery continues to be debated. Signs signify improvement as gas prices have dropped off their highs, unemployment continues its decline toward pre-recessionary levels, and housing prices are appreciating again. These all indicate more discretionary income for consumers. The limited availability of retail product provides the community a strong retail draw. Vacancy rates in Mid- Cities are slightly below the county average and absorption is negative for retail. This local market should continue to follow the results of the county markets into the future.

In analyzing the market, we have provided an overview of the multifamily housing market for the subject's local area and the Los Angeles market overall, based on information obtained from CoStar analytics as the subject can also be redeveloped as multifamily per the City of Cudahy zoning code.

Regional Apartment Market

The Los Angeles apartment market began to stabilize in early 2013 and has since continued to rebound with increases in rental rates and decreased vacancy rates. Present low vacancies have persisted for the past 3 years. This combined with attractive interest rates has caused demand by investors for multifamily units in the region. The typical exposure time for listings has also dropped. Presented below is a table showing the four major Southern California Markets.

SOUTHERN CALIFORNIA TOTAL MULTI-FAMILY MARKET OVERVIEW

Market	# of Bldgs	Total Units	Vacancy Units	Vacancy Rate	Units Net Absorption	Units Under Construction	Ave. Asking Lease Rate
Inland Empire	4,383	162,117	7,515	4.6%	730	4,887	$1,471
Los Angeles County	**54,438**	**949,227**	**37,400**	**3.9%**	**6,577**	**22,820**	**$1,941**
Orange County	5,960	242,987	11,619	4.8%	2,303	6,565	$2,062
San Diego County	10,725	261,062	11,612	4.4%	2,785	8,215	$1,857
Southern California Total:	**75,506**	**1,615,393**	**68,147**	**4.2%**	**12,395**	**42,487**	**$1,898**

Source: Costar 3rd Quarter 2019

As discussed in the Regional Analysis, the market has continued to stabilize. The table shows a large amount of construction activity for Los Angeles County. The effect of the demand for rental units, a relatively moderate rate of construction, and investor demand for apartment buildings has created a shift from a buyer's market to a seller's market. The new construction has begun to slow the fast rise in rental rates that has occurred in the last few years. Demand for apartment investments remains high with many areas in the market in an undersupply of housing and many older properties being renovated. Employment in the area remains strong and the population is increasing.

Local Apartment Market

The Southeast Los Angeles apartment market benefits from its accessibility to the surrounding region. The area is proximate to Downtown Los Angeles, LA ports, and Orange County. The neighborhood varies in income demographics, however, is mainly low to middle median income households. The area benefits from access to multiple freeways. Vacancy has declined sharply since the temporary spike in vacancy resulting from the decrease in demand due to the economic downturn and slow recovery. As rental rates continue to increase in the surrounding areas and given the limited new construction in the immediate area, we believe that demand and occupancy levels are likely to remain stable to improving. Asking rental rates in the subject's neighborhood are lower than other areas of Los Angeles, which have better income demographics and are nearer to higher density areas. These data are presented in the following table.

LOS ANGELES MULTI FAMILY MARKET OVERVIEW

Market	# of Bldgs	Total Units	Vacancy Units	Vacancy Rate	Units Net Absorption	Units Under Construction	Ave. Asking Lease Rate
Antelope Valley	253	10,539	546	5.2%	(73)	0	$1,275
Beach Communities	845	12,049	412	3.4%	48	5	$2,334
Beverly Hills/Century City/UCLA	2,709	38,543	1,619	4.2%	161	1,412	$3,010
Burbank	1,051	14,965	637	4.3%	16	40	$2,180
Central San Fernando Vly	262	8,371	280	3.3%	(8)	268	$1,761
Downtown Los Angeles	408	33,046	3,231	9.8%	2,701	2,507	$2,656
East Hollywood	2,397	33,003	895	2.7%	115	89	$1,574
Glendale	2,700	35,673	1,432	4.0%	537	239	$2,031
Greater Culver City	2,201	38,566	1,589	4.1%	147	1,021	$2,493
Greater Inglewood	4,037	48,119	1,671	3.5%	(225)	2,085	$1,295
Hollywood	1,734	37,764	2,409	6.4%	285	2,560	$2,194
Koreatown	2,695	55,514	1,805	3.3%	274	1,901	$1,645
Long Beach/Ports	4,255	56,500	2,376	4.2%	148	1,181	$1,522
Mid-Wilshire	2,390	36,652	1,395	3.8%	294	847	$2,515
North Hills/Panorama City	524	14,803	321	2.2%	(27)	238	$1,439
North San Fernando Valley	194	5,609	113	2.0%	68	266	$1,767
Northeast Los Angeles	1,542	18,371	670	3.6%	152	243	$1,520
Northridge	310	11,539	364	3.2%	17	597	$1,824
Pasadena	1,708	26,504	1,027	3.9%	135	71	$2,072
San Gabriel Valley	3,344	61,634	2,154	3.5%	228	331	$1,591
Santa Clarita Valley	109	12,410	577	4.6%	(53)	633	$2,047
Santa Monica	2,105	24,429	1,121	4.6%	21	820	$2,959
Sherman Oaks	774	14,826	558	3.8%	48	325	$2,056
South Bay	2,395	46,243	1,457	3.2%	(139)	357	$1,597
South Los Angeles	1,358	25,126	701	2.8%	28	0	$1,591
Southeast Los Angeles	**4,131**	**54,605**	**1,489**	**2.7%**	**129**	**71**	**$1,414**
Studio City/N Hollywood	3,081	48,773	1,719	3.5%	183	1,154	$1,906
Sun Valley	394	8,332	152	1.8%	12	0	$1,462
Tarzana	156	6,711	203	3.0%	(17)	0	$1,794
Van Nuys	1,160	22,584	683	3.0%	102	174	$1,518
Venice Beach	666	21,217	1,324	6.2%	945	357	$3,023
West County	56	2,414	70	2.9%	(2)	78	$2,618
West Hollywood	913	14,449	524	3.6%	(2)	208	$2,632
West San Fernando Valley	400	14,412	439	3.0%	0	421	$1,658
Westlake	963	21,150	689	3.3%	106	501	$1,330
Woodland Hills	216	13,770	744	5.4%	222	1,820	$2,183
Totals:	**54,436**	**949,215**	**37,396**	**3.9%**	**6,576**	**22,820**	**$1,920**

Source: Costar 3rd Quarter 2019

As indicated in the following chart, asking rents by unit type have increased in the area. Rental Rates in the area have been compounding at 3%-5% annually over the past 6 years. CoStar data indicates a market rental rate average of $1,540 for studio units, $1,698 for one bedroom units, $1,995 for two bedroom units, and $2,165 for three bedroom units. The new laws passed by the State of Califonia and the City of Los Angeles for rent control only relate to occupied units.

ASKING RENT TRENDS BY UNIT TYPE: EAST LOS ANGELES

Conclusion

Within the last year, apartment rental rates have continued to increase unabated, and vacancy has remained low. Apartment properties have remained a preferred investment over other property types due to their favourably perceived risk/return position. Given investor demand for apartment communities and the spike in rental rates, capitalization rates have been on a decreasing trend, and capitalization rates have generally fallen below 5.0% in Los Angeles County and Orange County and below 6% in the Inland Empire. Cap-rates are also dependent on whether the leases are at market, as investors will purchase units with under market leases with the anticipation that rents can be raised upon turnover, leading to lower cap-rates. Even with a number of large new apartment complexes coming on line during the last few years, rental rate increases have continued to increase. Given the positive market trends and the stability of the greater Los Angeles area it is our opinion that the short and long-term outlook for residential apartment complexes remains positive.

The State of California has just instituted a new rent control law as of January 1, 2020, that affects all apartment buildings in the State, however, it only affects existing tenant rent increases not vacant unit increases. The rental rate increases in the State law are 5% per year for occupied units.

Coronavirus Impact on California Real Estate

The stock market prices assets daily; the spread of COVID-19 has already driven the market into bear territory, with a ½ loss in the stock market. Extreme volatility is daily and a sign of great uncertainty. In real estate, we don't get instant pricing of assets; we appraisers are always looking in

the rear-view mirror for data to prove our suppositions. But it isn't too soon to consider the likely impact on various asset classes.

The 10-year Treasury has been pushed to an all-time low. The Fed-funds rate will be 0% to 0.25%. Normally, this would be a big plus for real estate values, but instead we may see a frozen credit market, as we had in 2008, as banks stopped lending to each other across the globe. Fears intensify that the spreading virus will hurt corporate income and ability to repay loans.

Despite the flood of headlines, commercial real estate (CRE) remains in balance, with a positive investment climate. Past shocks such as SARS, swine flu, Loma Prieta earthquake (1989), Persian Gulf War and 9-11 attacks generated short-term volatility that stabilized in less than six months. We expect the same for COVID-19, assuming a tapering of new cases in the next 6 months. In the short term, many *businesses* will be devastated. For real estate closely tied to the business operation just a few weeks of disruption will turn Mom & Pops upside down. Lodgings that usually run 60-75% occupancy will suddenly drop to near zero. The same for bars and restaurants. On March 15, Governor Newsom called for all bars, wineries, nightclubs and brewpubs in the State to close. Restaurants are being required to go to take out only. Understandably, no timeline has been established for the shutdown. This means retail tenants will likely not be paying their rent and the State is saying they can't be evicted for the immediate term.

The following commentary is largely focused on *real estate impacts*, as opposed to *business*, stock market or social impacts.

The **Single Family Residential** market was beginning to experience strong demand in February due to exceptionally low interest rates, however, demand is presently stunted due to the fact that open houses are not occurring as much and some people are having financial difficulties related to job losses. This market will likely recover when the COVID-19 pandemic finds a vaccine and slows due to low interest rates that will still be available in the market. Although, prices may experience a decrease along with the overall economy.

Hospitality, as noted above, will surely see the biggest impact from the novel virus. Both business and tourist demand will surely be greatly impacted. Many lodgings in the California region cater to Asian business customers. Most impacted will be venues that have a significant conference component.

Favored asset classes will be **Apartments** and **Self-Storage**. **Office** should show little impact; a tech company looking to lease, say 250Ksf, can't suddenly turn off their plans. Although for some tenants effected temporarily by business shutdowns, they may not pay their rent.

Industrial: the flow of goods from Asia has already tapered. Sales declines will surely follow. For example, Apple issued guidance that iPhone production will be constrained. On the sales side, iPhone sales were down 60% in China in February. Nonetheless, we expect the impact on industrial real estate to be minimal.

Retail demand should remain stable over the medium to long term, but significantly impacted in the short term as shoppers and diners avoid public spaces.

In conclusion, CRE isn't like the stock market or oil market, where assets are repriced daily. And to the extent that some buyers maybe expecting a big price cut but sellers refuse to budge, there will be no sale and thus no data point. Many small tenants will fail before the market returns normalcy. Well-capitalized tenants will carry on as the economy returns to normal by the end of the year.

Highest and Best Use

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

While improved properties may have a highest and best use different than the existing use, the existing use will generally continue until the land value exceeds the property value at its existing use plus demolition costs. It is not always necessary to determine the highest and best use of an improved property both "As If Vacant" and "As Improved." In many cases, the determination of whether the value as improved exceeds the site value is straightforward, not requiring an opinion of market value for the site. In such cases, a determination of highest and best use of the site (aside from excess land, if present) is neither germane nor required. However, if there is a reasonable question as to whether the site value rises to such a level, then a determination of highest and best use as if vacant is mandated.

In this instance the combination of site values in the area and the nature of the improvements are such that the potential exists that the site value could exceed the value as improved. Thus the following analysis includes an examination of the highest and best use of both the underlying site and the property as improved.

Analysis of Highest and Best Use As If Vacant

In determining the highest and best use of the property site, we 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

Multiple factors affect the uses with which land may be developed. These factors discussed earlier in the Site Description are summarized in the following table, followed by a conclusion as to potential limitations imposed by the physical characteristics.

PHYSICAL CHARACTERISTICS

Characteristic	Conclusion
Land Area	45,903 square feet / 1.05 net acres
Shape	Rectangular
Utilities	All to site
Visibility	Average to good
Flood Plain	0.00%, Moderate risk of flood.
Soil Conditions	No report provided, assumed adequate.
Environmental	Unknown, No apparent conditions
Other	None

Conclusion: There are no items of a physical nature that would materially limit any reasonable development plan.

Legally Permissible

Another threshold of highest and best use is what is legally permissible. This analysis considers applicable private restrictions and zoning constraints; and the potential for change of same, historic district controls, urban renewal ordinances, and other possible legal factors that may result in limitations on development. The primary limiting factors are typically associated with the zoning of the site and easements, which reduce development potential. The elements associated with these potential influences are summarized below.

LEGAL ISSUES

Characteristic	Conclusion
General Plan	Entertainment
Zoning	Commercial
Permitted Uses	Office, restaurant, most retail, entertainment, and multifamily.
Probability of Change	Unlikely
Easements/Regulations	Typical

Conclusion: The zoning controls the general nature of permissible uses but is appropriate for the location and physical elements of the subject, providing for a consistency of use with the general neighborhood. The location of the subject is appropriate for the uses allowed and a change in zoning is unlikely.

Financially Feasible

After determining uses that are physically possible and legally permissible, an appraiser considers uses that are likely to produce an adequate return on investment. All uses yielding a positive return are financially feasible. Feasibility is initially tested through market observation of supply/demand trends and market values. If necessary, a more exacting analysis involves a cost/benefit analysis. Shown below is a summary of the analyses associated with the primary and probable uses determined to be both physically possible and legally permissible.

ISSUES OF FINANCIAL FEASIBILITY

Use:	Commercial/Retail	Multifamily
Demand	Stable	Stable
Supply	Balanced	Balanced
Value Trend	Increasing	Increasing
Feasibility	Currently Positive	Currently Positive

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 if vacant is to develop commercial.

Conclusion of Highest and Best Use As If Vacant

The five subject properties are listed in the table on the following page and are all zoned Entertainment (ENT), which permits office, restaurant, most retail, entertainment, and multifamily.

Property No.	APN#	Lot Acres	Lot Sq Ft	Address	Property Type	Year Built	Building Size	Zoning	Annual Income
1	6224-018-008	0.18	7,754 SF	4734 Santa Ana St.	Duplex	1954	2,344 SF	Entertainment (ENT)	
2	6224-018-068	0.19	8,305 SF	8100 S. Atlantic Ave.	Tire Shop	1947	1,772 SF	Entertainment (ENT)	$30,000
3	6224-018-069	0.39	16,866 SF	4720 Santa Ana St.	9 Unit Apartment	1933	3,236 SF	Entertainment (ENT)	
4	6224-018-070	0.03	1,304 SF	0000 Santa Ana St.	Commercial Land			Entertainment (ENT)	
5	6224-018-071	0.27	11,674 SF	8110 S. Atlantic Ave.	Commercial Land			Entertainment (ENT)	
Total		1.05	45,903 SF				7,352 SF		$30,000

Only Property #2: APN #6224-018-068 with a street address of 8100 S. Atlantic Ave provides any income, which is minimal at only $30,000 annually and is leased to Castro Discount Tires/Smog Center, as a tire shop/smog center. The average price per square foot for recent comparable sales of auto related retail buildings sold in the last year similar to Property #2 (Tire Shop) within two miles of the subject is $177.00 to $320.00 per square foot with an average of approximately $248.00 per square foot times 1,772 square feet for the subject retail building (tire shop) equals approximately $440,000, which is less than the value of the subject land (see Land Valuation section), which is zoned Entertainment (Ent). Of the other four properties two are residential properties, which are currently a vacant duplex and a vacant 9 unit apartment, and two are vacant commercial land, however, all four are also zoned Entertainment (Ent), which is a commercial zoning. Therefore, overall the Highest and Best Use of the entire subject site (5 parcels) is as vacant commercial land ready for development. Thus, the subject property is appraised as vacant commercial land less demolition for the existing subject improvements. The subject zoning also allows for multifamily, however, recent multifamily land sales in the City of Cudahy have sold for far less than commercial land sales.

Based upon the preceding analysis, the conclusion of highest and best use of the subject site as if vacant is as follows:

CONCLUSION AS IF VACANT

Characteristic	Conclusion
Use:	Develop commercial

Analysis of Highest and Best Use as Improved

In determining the highest and best use of the property as improved, we consider three possibilities for the property: 1) continuation of the existing use with or without modification to improvements, 2) a change in use, or 3) demolition and redevelopment of the land.

Continuation of Existing Use

Continuation of the existing use meets the tests for physical possibility, legal permissibility and financial feasibility. Market demand for such properties will continue to provide economic support for the existing use for the foreseeable future.

The subject improvements consist of a legal conforming use. The improvements are in average condition and there are no significant items of deferred maintenance that require addressing at this time in order to maintain economic viability. The change in value following necesssary renovations will be sufficient to ensure the financial feasibility of same.

Change in Use

Conversion of the improvements meets the tests for physical possibility and legal permissibility. The current use meets current market expectations for the specific market in which it competes.

Demolition

As concluded in this report, new develop commercial is financially feasible as market rental rates are high enough to support construction costs. However, the total of demolition costs and our opinion of market value exceeds any reasonable value of the underlying land.

Interim Use

In instances where the highest and best use will likely change in the foreseeable future, the current or an alternate use during that interim period is appropriately termed an interim use. Interim uses are thus current highest and best uses that are anticipated to change in the foreseeable future. Examples of these generally involve surface uses (farms, parking lots, exterior storage, or recreational uses) or older structures no longer appropriate for their intended/initial highest and best use. The current use does represent an interim use as the current use is single family residential.

Excess/Surplus Land

A property may have excess land when the land to building ratio exceeds the norm for a particular market area and property type. Excess land is defined as "land that is not needed to serve or support the existing use" and has the potential to be sold separately. Surplus land is also not needed to serve or support the existing use, but cannot be separately parceled and is generally available for expansion. It is not known at the present time if the subject property has any excess or surplus land area.

Conclusion of Highest and Best Use As Improved

The five subject properties are listed in the table below and are all zoned Entertainment (ENT), which permits office, restaurant, most retail, entertainment, and multifamily.

Property No.	APN#	Lot Acres	Lot Sq Ft	Address	Property Type	Year Built	Building Size	Zoning	Annual Income
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The highest and best use of the subject property, as improved, is to develop commercial.

Most Probable Buyer

As of the date of value, the most probable buyer of the subject property is an investor.

Appraisal Methodology

Three Approaches to Value

There are three traditional approaches typically available to develop indications of real property value: the cost, sales comparison, and income capitalization approaches.

Cost Approach

The cost approach is based upon the principle that a prudent purchaser would pay no more for a property than the cost to purchase a similar site and construct similar improvements without undue delay, producing a property of equal desirability and utility. This approach is particularly applicable when the improvements being appraised are relatively new or proposed, or when the improvements are so specialized that there are two few comparable sales to develop a credible Sales Comparison Approach analysis.

Sales Comparison Approach

In the sales comparison approach, the appraiser analyzes 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.

Income Capitalization Approach

The income capitalization approach is based on the principle that a prudent investor will pay no more for the property than he or she would for another investment of similar risk and cash flow characteristics. The income capitalization approach is widely used and relied upon in appraising income-producing properties, especially those for which there is an active investment sales market.

Subject Valuation

As stated within the Scope of Work, we have relied upon the Sales Comparison Approach. If an approach has been omitted, the reason for that exclusion is also stated within the Scope of Work.

Land Valuation

Methodology

Land is most often valued using the Sales Comparison Approach. This approach is based on the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same utility. In the sales comparison approach, the opinion of market value is based on closed 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.

A systematic procedure for applying the sales comparison approach includes the following steps: (1) researching and verifying transactional data, (2) selecting relevant units of comparison, (3) analyzing and adjusting the comparable sales for differences in various elements of comparison, and (4) reconciling the adjusted sales into a value indication for the subject site.

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 is price per square foot.

Elements of Comparison

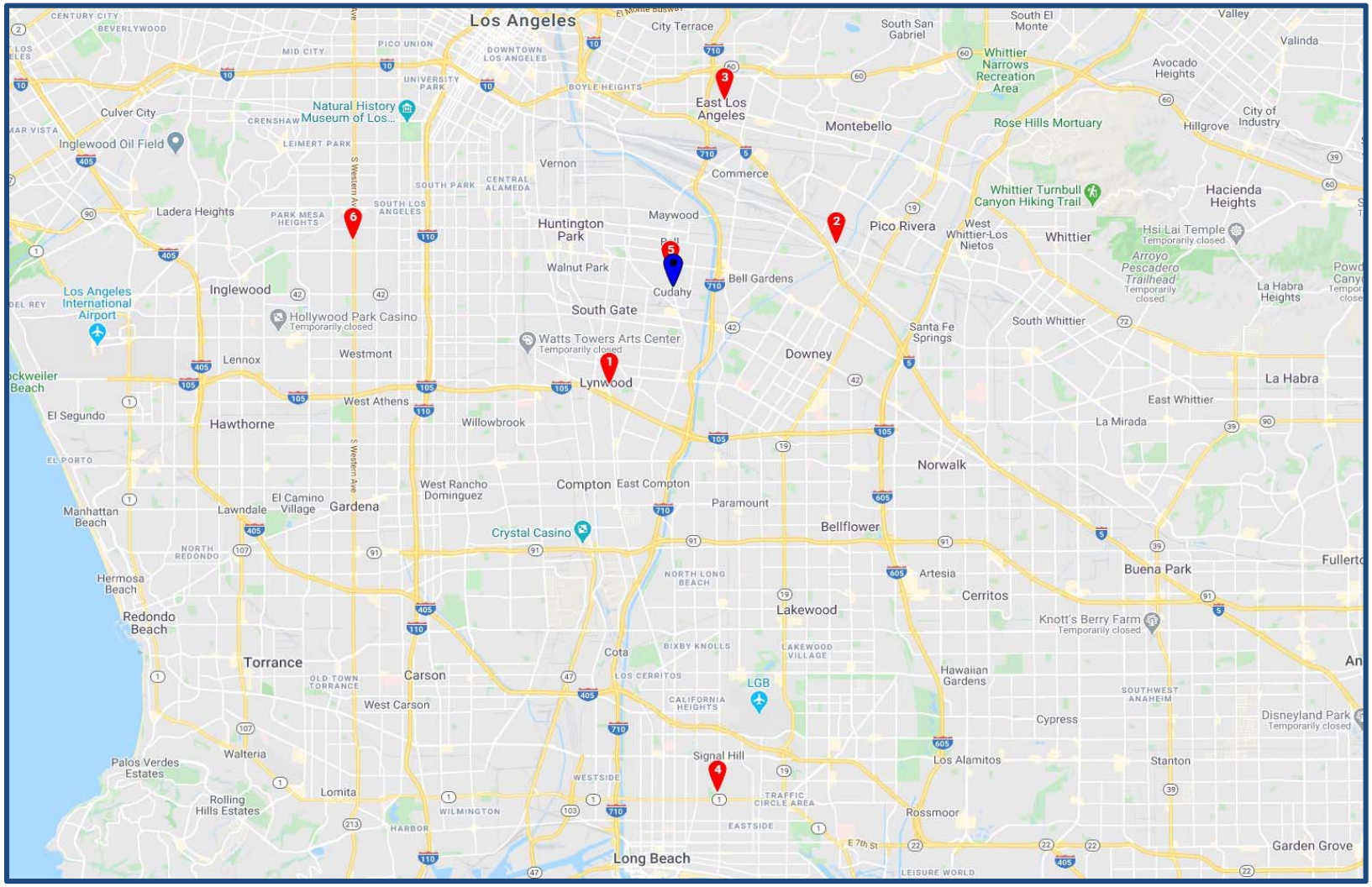
Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The main elements of comparison that are considered in sales comparison analysis are as follows: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, (4) market conditions, (5) location, and (6) 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. We used six sales in our analysis, which were judged to be the most comparable in developing an indication of the market value of the subject property.

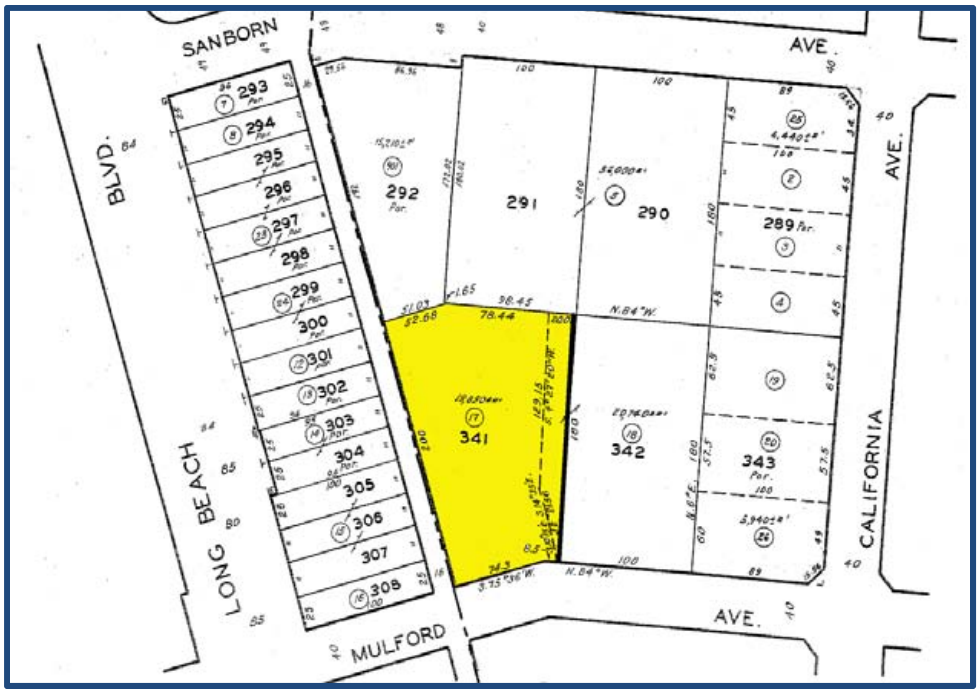
The following map displays the location of each comparable in relation to the subject. Following those, are plat maps of the comparable sales and a discussion of relevant adjustments.

COMPARABLE LAND SALES MAP



Comparable Land Sales

COMPARABLE LAND SALE #1



LOCATION

Address: 3311 Mulford Ave., Lynwood, CA
APN: 6173-003-017

DESCRIPTION

Area (SF):	20,586 SF	**Area (AC):**	0.47	**Shape:**	Generally Rectangular
Typography:	Level	**Location:**	Interior	**Condition:**	Prev. Dev. Site
Utilities:	All to Site	**Zoning:**	C2		

SALE DATA

Sales Price:	$1,710,000	**Price/SF:**	$83.07
Date of Sale:	01/14/2020	**Document No.:**	0050017

Terms: $735,000 Down, $975,000 from Pacific City Bank

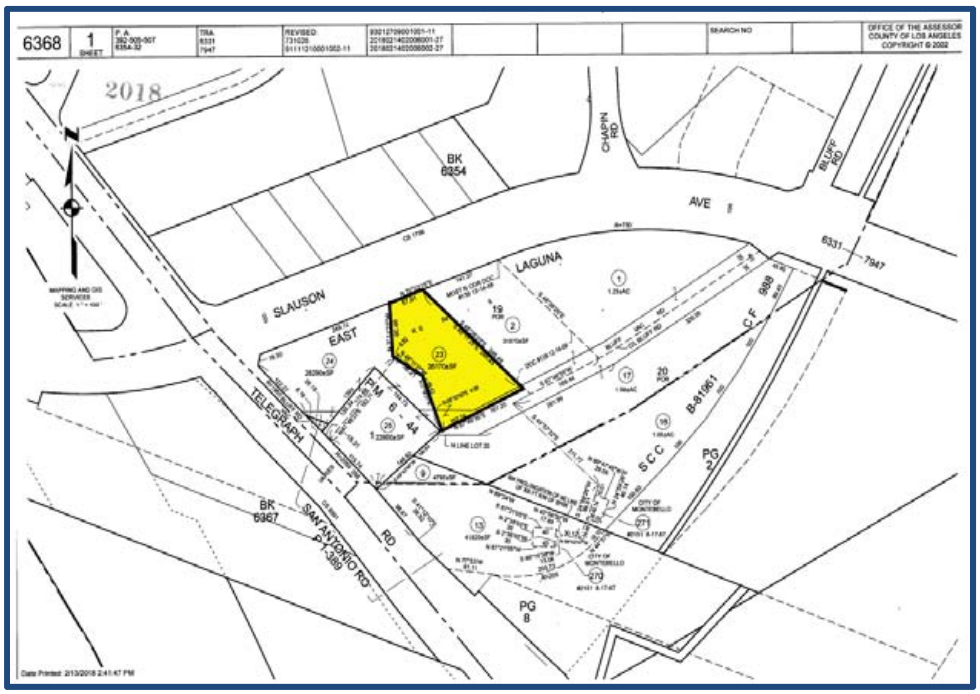
Buyer: Rabih Y & Viviana Ntanios

Seller: Felix J. Vargas

Verification: RealQuest, CoStar, Listing Broker

Comments: The site is an interior site off a minor 2-lane traffic street west of the 710 Freeway and north of the 105 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The site has a 6,831 square foot auto repair building built in 1929. The site sold for land value. The buyer plans for the site were not reported. The site is zoned for commercial uses.

COMPARABLE LAND SALE #2



Address: 8016 Slauson Ave., Montebello, CA
APN: 6368-001-023

DESCRIPTION

Area (SF):	26,075 SF	**Area (AC):**	0.60	**Shape:** Irregular
Typography:	Level	**Location:**	Interior	**Condition:** Vacant Land
Utilities:	All to Site	**Zoning:**	C2	

SALE DATA

Sales Price:	$2,100,000	**Price/SF:**	$80.54
Date of Sale:	01/03/20	**Document No.:**	0863979

Terms: 100% Down

Buyer: Gevork Gevorkyan

Seller: Julian Torkan Farshad

Verification: RealQuest, CoStar, Listing Broker

Comments: The site is an interior site off a moderate 4-lane traffic street north of the 5 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The site is vacant land. The buyer plans on building an Express Car Wash. The site is zoned for commercial uses.

COMPARABLE LAND SALE #3

Address: 745 S. Kern Ave., Los Angeles, CA
APN: 5240-002-031

DESCRIPTION

Area (SF):	30,919 SF	**Area (AC):**	0.71	**Shape:**	Rectangular
Typography:	Level	**Location:**	Interior	**Condition:**	Prev. Dev. Site
Utilities:	All to Site	**Zoning:**	C2		

SALE DATA

Sales Price:	$2,295,000	**Price/SF:**	$74.23
Date of Sale:	07/10/19	**Document No.:**	0755479

Terms: 100% Down

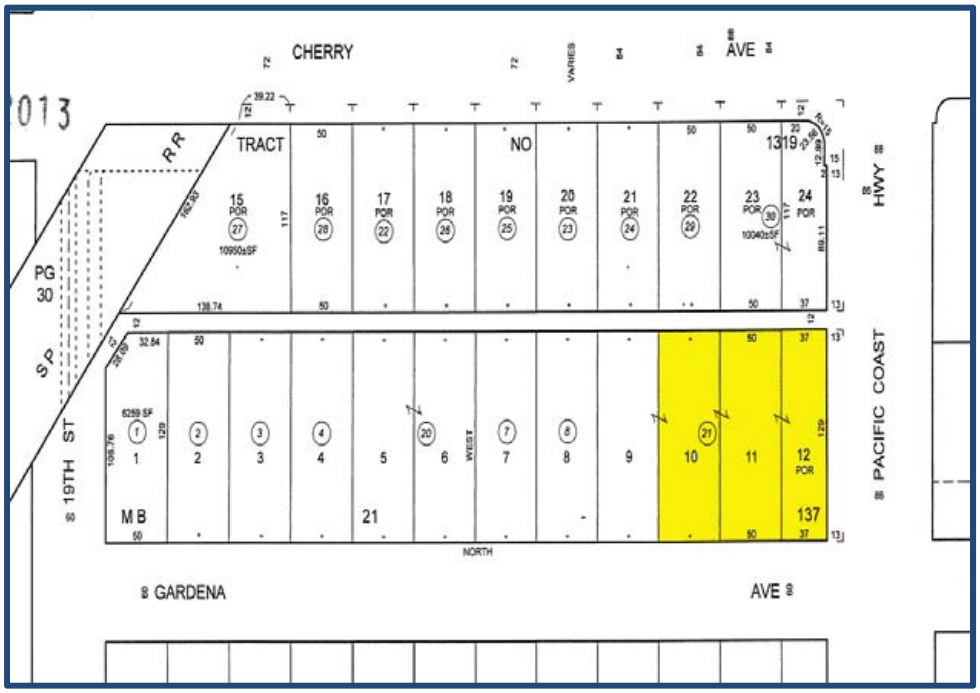
Buyer: Seyfarth Shaw LLP

Seller: Keller Williams Realty Westside

Verification: RealQuest, CoStar, Listing Broker

Comments: The site is an interior site off one minor 2-lane traffic street north of the 5 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The site has a 2,220 square foot office building built in 1960. The site sold for land value. The buyer plans on demolishing the building and will redevelop the site with a charter school. The site is zoned for commercial uses.

COMPARABLE LAND SALE #4



Address: 1901-1911 E. Pacific Coast Hwy., Long Beach, CA
APN: 7216-032-021

DESCRIPTION

Area (SF):	24,084 SF	**Area (AC):**	0.55	**Shape:** Rectangular
Typography:	Level	**Location:**	Corner	**Condition:** Vacant Land
Utilities:	All to Site	**Zoning:**	CHW	

SALE DATA

Sales Price:	$2,025,000	**Price/SF:**	$84.08
Date of Sale:	07/10/19	**Document No.:**	1262047

Terms: $1,012,500 Down, Balance Private Lender

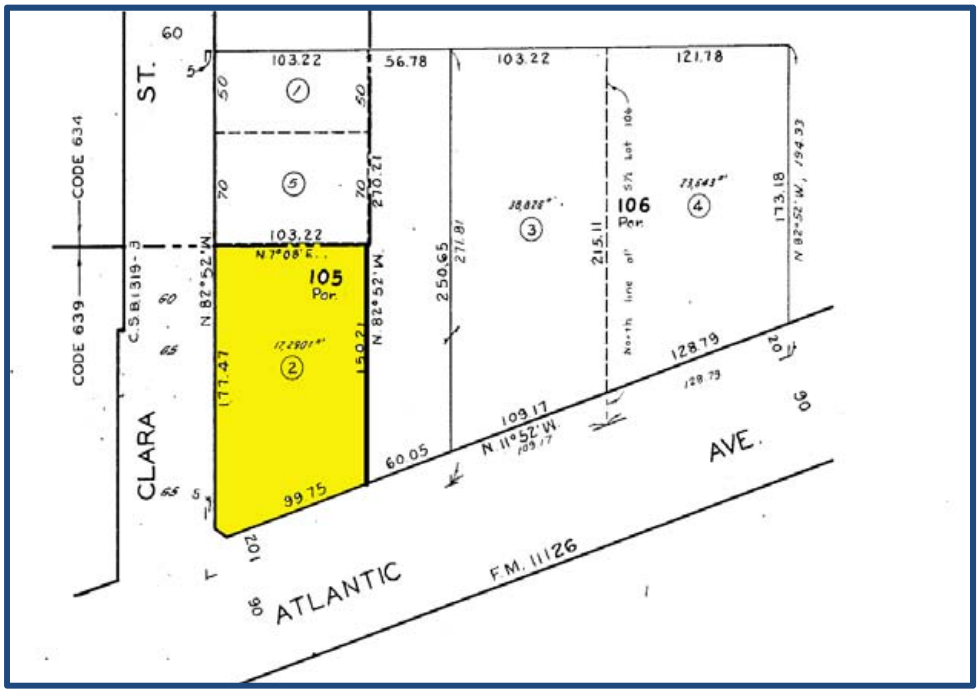
Buyer: Lee Jangwon

Seller: Ung Kim Chong

Verification: RealQuest, CoStar, Listing Broker

Comments: The site is a corner site off a moderate 4-lane traffic street east of the 710 Freeway and south of the 405 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The site has a 3,296 square foot retail building built in 1967. The site sold for land value. The buyer plans on demolishing the building and redeveloping the site into an express car wash. The site is zoned for commercial uses.

COMPARABLE LAND SALE #5



Address: 7700 Atlantic Ave., Cudahy, CA
APN: 6226-023-002

DESCRIPTION

Area (SF):	17,424 SF	**Area (AC):**	0.40	**Shape:**	Rectangular
Typography:	Level	**Location:**	Corner	**Condition:**	Prev. Dev. Site
Utilities:	All to Site	**Zoning:**	CC		

SALE DATA

List Price:	$1,400,000	**Price/SF:**	$80.35
Date of Sale:	07/12/19	**Document No.:**	0676964

Terms: Loan from Seacrest Commerce Bank

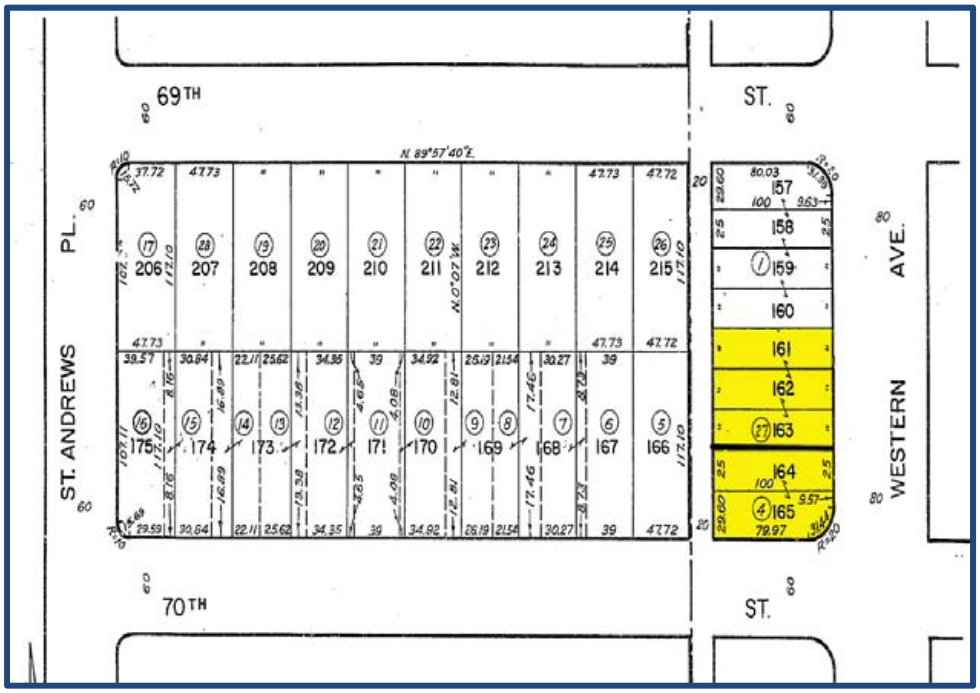
Buyer: Arakelian Living Trust

Seller: Jin O. Lee

Verification: RealQuest, CoStar, Listing Broker

Comments: The site is a corner site off a moderate 4-lane traffic street west of the 710 Freeway and south of the 5 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The site has a 2,080 square foot car wash built in 1965. The site sold for land value. The buyer plans on demolishing the building and redeveloping the site into an express car wash. The site is zoned for commercial uses.

COMPARABLE LAND SALE #6



Address: 6917-6927 S. Western Ave., Los Angeles, CA
APN: 6016-025-004 & 027

DESCRIPTION

Area (SF):	12,876 SF	**Area (AC):**	0.30	**Shape:**	Rectangular
Typography:	Level	**Location:**	Corner	**Condition:**	Prev. Dev. Site
Utilities:	All to Site	**Zoning:**	C2		

SALE DATA

Sale Price:	$1,041,787	**Price/SF:**	$80.91
Date of Sale:	03/13/19	**Document No.:**	0147643

Terms: N/A

Buyer: Ohebsion Capital Management

Seller: Simon Living Trust

Verification: RealQuest, CoStar, Listing Broker

Comments: The site is a corner site off a moderate 4-lane traffic street west of the 110 Freeway and east of the 405 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The site has a 4,500 square foot office building built in 1945. The site sold for land value. The buyer plans on demolishing the building and redeveloping the site. The site is zoned for commercial uses.

Land Sales Comparison Analysis

All of the sales were analyzed, and adjustments were made for differences in the various elements of comparison, including: real property rights, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, size, and other relevant factors. If the comparable sale was considered superior to the subject for any element of comparison, we applied a negative adjustment to the comparable. Conversely, a positive adjustment to the comparable was applied if it was considered inferior to the subject for any element. A summary of the elements of comparison follows.

Transaction Adjustments

Transaction adjustments include: (1) real property rights conveyed, (2) financing terms, (3) conditions of sale, and (4) expenditures made immediately after purchase. These items, which are applied prior to property adjustments, are detailed as follows:

Real Property Rights Conveyed

Real property rights conveyed in land sales, such as easements, right of way, private or public restrictions, the right to develop, and any other land use right the property may transfer upon sale (e.g. the right to farm, mine, or subdivide) influence sale prices and may differ among land sale comparables.

Financing Terms

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

Conditions of Sale

When the conditions of a sale are atypical, the resulting price may be higher or lower than 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 scenario involves a downward adjustment applied to a comparable property's for-sale listing price, which usually reflects the upper limit of value.

Expenditures After Sale

A knowledgeable buyer considers expenditures that must be made upon purchase of a property, decreasing the amount he will agree to pay. Such expenditures may include: (1) costs to cure deferred maintenance, (2) costs to demolish and remove any portion of the improvements, (3) costs to petition for a zoning change, (4) costs to remediate environmental contamination, and/or (5) costs to occupy or stabilize the property. 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.

Market Conditions Adjustment

Market conditions change over time as a result of inflation, deflation, fluctuation 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.

Property Adjustments

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

Location

Location adjustments may be required when the locational characteristics of a comparable property are different from those of the subject property. These include, but are not limited to, general neighborhood characteristics, freeway accessibility, neighboring properties, view amenities, and other factors.

Size

The size adjustment identifies variances in the physical size of the comparables and the subject improvements. Typically, the larger a building, the lower the sale price per unit. This inverse relationship is due, in part, to the principle of "economies of scale." In some instances, the need to account for average unit size is also necessary. Smaller sized units are typically easier to lease than larger sizes and rent paid on a per unit basis is also typically higher for smaller units.

Shape

Parcels of land with odd, non-rectangular, shapes sometimes limit the amount of land within the parcel available for development, resulting in less utility for some portions of the site. Consequently, these parcels are less desirable to buyers and require adjustment.

Access/Visibility

Tracts with major street influence tend to bring higher prices than otherwise comparable secondary street locations. Additionally, tracts featuring corner influence typically command higher prices in the market place than interior locations, because they have greater exposure to traffic and are easier to access.

Topography and Soils

Sites may differ in value due to physical characteristics such as: grading, contour, drainage, potential for development, and soil content/condition. Adjustments are made to offset additional costs that will incur and any soil changes needed when improving the land. In other cases, topographical and soil conditions, such as steep cliffs, impede development on portions of a site.

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.

Other Property Adjustments

Other property adjustments are: any other adjustment categories that are relevant to the report and are often determined from a property's use. Other adjustments that may be considered are: demolition, contributing improvements, etc.

Summary of Adjustments

From our analysis, we have summarized adjustments to the sale comparables on the following adjustment grid. Following the grid is a discussion of our adjustments and the land value conclusion.

These quantitative adjustments are based on our market research, best judgment, and experience in appraising similar properties.

COMPARABLE LAND SALE ADJUSTMENT GRID

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6
Date of Value & Sale	3/19/20	1/14/20	1/3/20	7/10/19	7/10/19	7/12/19	3/13/19
Property Name	Commercial Land	Commercial Land	Commercial Land	Commercial Land	Commercial Land	Commercial Land	Commercial Land
Address	SEC Atlantic Ave. & Santa Ana St.	3311 Mulford Ave.	8016 Slauson Ave.	745 S. Kern Ave.	1901-1911 E. Pacific Coast Hwy.	7700 Atlantic Ave.	6917-6927 S. Western Ave.
City	Cudahy	Lynwood	Montebello	Los Angeles	Long Beach	Cudahy	Los Angeles
APN	6224-018-008, 068 thru 071	6173-003-017	6368-001-023	5240-002-031	7216-032-021	6226-023-002	6016-025-004 & 027
Gross Acres	1.05 ac	0.47 ac	0.60 ac	0.71 ac	0.55 ac	0.40 ac	0.30 ac
Gross Square Feet	45,903 sf	20,586 sf	26,075 sf	30,919 sf	24,084 sf	17,424 sf	12,876 sf
Unadjusted Sale Price		$1,710,000	$2,100,000	$2,295,000	$2,025,000	$1,400,000	$1,041,787
Unadjusted Sale Price Per Square Foot		$83.07	$80.54	$74.23	$84.08	$80.35	$80.91
Transactional Adjustments							
Property Rights Conveyed		*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*	*Fee Simple*
Adjustment		-	-	-	-	-	-
Financing Terms		*Typical*	*Typical*	*Typical*	*Typical*	*Typical*	*Typical*
Adjustment		-	-	-	-	-	-
Conditions of Sale		*None*	*None*	*None*	*None*	*None*	*None*
Adjustment		-	-	-	-	-	-
Expenditures after Sale		*None*	*None*	*None*	*None*	*None*	*None*
Adjustment		-	-	-	-	-	-
Market Conditions Adjustments							
Elapsed Time from Date of Value		*0.18 years*	*0.21 years*	*0.69 years*	*0.69 years*	*0.69 years*	*1.02 years*
Market Trend Through	0.0% Per Yr	-	-	-	-	-	-
Analyzed Sale Price		**$83.07**	**$80.54**	**$74.23**	**$84.08**	**$80.35**	**$80.91**
Property Adjustments							
Location	*SEC Atlantic Ave. & Santa Ana St.*	*3311 Mulford Ave.*	*8016 Slauson Ave.*	*745 S. Kern Ave.*	*1901-1911 E. Pacific Coast Hwy.*	*7700 Atlantic Ave.*	*6917-6927 S. Western Ave.*
	Cudahy	*Lynwood*	*Montebello*	*Los Angeles*	*Long Beach*	*Cudahy*	*Los Angeles*
Adjustment		-	-5.0%	-3.0%	-5.0%	-	-
Size	45,903 sf	20,586 sf	26,075 sf	30,919 sf	24,084 sf	17,424 sf	12,876 sf
Adjustment		-3.0%	-2.0%	-1.0%	-2.0%	-4.0%	-5.0%
Shape/Depth	*Rectangular*	*Generally Rectangular*	*Irregular*	*Rectangular*	*Rectangular*	*Rectangular*	*Rectangular*
Adjustment		-	3.0%	-	-	-	-
Access/Visibility	*Corner*	*Interior*	*Interior*	*Interior*	*Corner*	*Corner*	*Corner*
Adjustment		5.0%	5.0%	5.0%	-	-	-
Topography	*Level*	*Level*	*Level*	*Level*	*Level*	*Level*	*Level*
Adjustment		-	-	-	-	-	-
Zoning	*Ent*	*C2*	*C2*	*C2*	*CHW*	*CC*	*C2*
Adjustment		-	-	-	3.0%	-	-
Utilities	*All To-Site*	*All To-Site*	*All To-Site*	*All To-Site*	*All To-Site*	*All To-Site*	*All To-Site*
Adjustment		-	-	-	-	-	-
Demolition / Contributing Improvements		*1929 Auto Repair*	*Vacant Land*	*Small Office Bldg.*	*Small Retail Bldg.*	*1965 Car Wash*	*Small Office Bldg.*
Adjustment		2.0%	-	2.0%	2.0%	2.0%	2.0%
Other		*None*	*None*	*None*	*None*	*None*	*None*
Adjustment		-	-	-	-	-	-
Net Physical Adjustment		4.0%	1.0%	3.0%	-2.0%	-2.0%	-3.0%
Adjusted Sale Price per Gross Square Foot		**$86.39**	**$81.34**	**$76.45**	**$82.40**	**$78.74**	**$78.48**

Discussion and Analysis of Land Sales

Adjustments for property interests, special financing, or conditions of sale adjustments were not necessary. Southern California has been experiencing improvement in the economic environment. As there is very limited supply, vacancy has been on the decline, rental rates have increased, and property values have been increasing over the past few years. However, with the advent of Covid-19 the stock market has experienced significant declines and the downturn will likely have an impact on real estate as well. Thus, we have elected to not adjust the sales for changes in market conditions (time). All of the land sales are analyzed, and adjustments are made for differences in the various elements of comparison including location, access/visibility, size, shape, topography, zoning, condition, presence of existing improvements, and other relevant factors. Adjustments for these elements are based on matched paired analysis where possible, discussions with market participants, and the experience and judgment of the appraisers. The table on the preceding page summarizes the sale comparables and appropriate adjustments.

Land Sale No.1

Land sale no. 1 is located south of the subject, at 3311 Mulford Ave., in the City of Lynwood. The sale price for this property was $1,710,000, which equates to $83.07 per square foot. The site is an interior site off a minor 2-lane traffic street west of the 710 Freeway and north of the 105 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The site has a 6,831 square foot auto repair building built in 1929. The site sold for land value. The buyer plans for the site were not reported. The site is zoned for commercial uses. The property is slightly superior in demographics, but is situated on a minor traffic street; thus mitigating making any adjustment for location. This comparable is slightly smaller in size, inferior in access/visibility, however, similar in zoning, shape, and is a property well suited for commercial uses like the subject. An upward adjustment was required for demolition of existing improvements. Overall, this comparable was considered similar to the subject. After adjustments, this sale provides an indication of land value for the subject at **$86.39** per square foot.

Land Sale No.2

Land sale no. 2 is located north of the subject, at 8016 Slauson Ave., in the City of Montebello. The sale price for this property was $2,100,000, which equates to $80.54 per square foot. The site is an interior site off a moderate 4-lane traffic street north of the 5 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The site is vacant land. The buyer plans on building an Express Car Wash. The site is zoned for commercial uses. The property is superior in demographics and location based on its proximity to the 5 Freeway. This comparable is slightly smaller in size, inferior in access/visibility, inferior in shape, however, similar in zoning and is a property well suited for commercial uses like the subject. Overall, this comparable was considered similar to the subject. After adjustments, this sale provides an indication of land value for the subject at **$81.34** per square foot.

Land Sale No.3

Land sale no. 3 is located north of the subject, at 745 S. Kern Ave., in the City of Los Angeles. The sale price for this property was $2,295,000, which equates to $74.23 per square foot. The site is an interior site off one minor 2-lane traffic street north of the 5 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The site has a 2,220 square foot office building built in 1960. The site sold for land value. The buyer plans on demolishing the building and will redevelop the site with a charter school. The site is zoned for

commercial uses. The property is slightly superior in demographics. This comparable is slightly smaller in size, inferior in access/visibility, however, similar in zoning, shape, and is a property well suited for commercial uses like the subject. An upward adjustment was required for demolition of existing improvements. Overall, this comparable was considered similar to the subject. After adjustments, this sale provides an indication of land value for the subject at **$76.45** per square foot.

Land Sale No.4

Land sale no. 4 is located south of the subject, at 1901-1911 E. Pacific Coast Hwy., in the City of Long Beach. The sale price for this property was $2,025,000 which equates to $84.08 per square foot. The site is a corner site off a moderate 4-lane traffic street east of the 710 Freeway and south of the 405 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The site has a 3,296 square foot retail building built in 1967. The site sold for land value. The buyer plans on demolishing the building and redeveloping the site into an express car wash. The site is zoned for commercial uses. The property is slightly superior in demographics. This comparable is slightly smaller in size, inferior in zoning, however, similar in access/visibility, shape, and is a property well suited for commercial uses like the subject. An upward adjustment was required for demolition of existing improvements. Overall, this comparable was considered similar to the subject. After adjustments, this sale provides an indication of land value for the subject at **$82.40** per square foot.

Land Sale No.5

Land sale no. 5 is located just south of the subject, at 7700 Atlantic Ave., in the City of Cudahy. The sale price for this property was $1,400,000 which equates to $80.35 per square foot. The site is a corner site off a moderate 4-lane traffic street west of the 710 Freeway and south of the 5 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The property is located across the street from the subject. The site has a 2,080 square foot car wash built in 1965. The site sold for land value. The buyer plans on demolishing the building and redeveloping the site into an express car wash. The site is zoned for commercial uses. The property is similar in demographics. This comparable is smaller in size, however, similar in access/visibility, shape, and is a property well suited for commercial uses like the subject. An upward adjustment was required for demolition of existing improvements. Overall, this comparable was considered similar to the subject. After adjustments, this sale provides an indication of land value for the subject at **$78.74** per square foot.

Land Sale No.6

Land sale no. 6 is located west of the subject, at 6917-6927 S. Western Ave., in the City of Los Angeles. The sale price for this property was $1,041,787, which equates to $80.91 per square foot. The site is a corner site off a moderate 4-lane traffic street west of the 110 Freeway and east of the 405 Freeway. The property is located in a commercial area surrounded by older single family residences and older apartment complexes. The site has a 4,500 square foot office building built in 1945. The site sold for land value. The buyer plans on demolishing the building and redeveloping the site. The site is zoned for commercial uses. The property is slightly superior in demographics. This comparable is smaller in size, however, similar in zoning, access/visibility, shape, and is a property well suited for commercial uses like the subject. An upward adjustment was required for demolition of existing improvements. Overall, this comparable was considered similar to the subject. After adjustments, this sale provides an indication of land value for the subject at **$78.48** per square foot.

Conclusion of Land Value

From the market data available, six land sales in competitive market areas which were most comparable to the subject were selected. The unadjusted sale prices for the comparable sales ranged from $74.23 to $84.08 per square foot, with an average of $80.53 a median of $80.72 per square foot. We adjusted the comparable sales based on pertinent elements of comparison as discussed earlier and summarized the adjustments in the preceding adjustment grid. The final adjusted sale prices reflected a range from $76.45 to $86.39 per square foot, with an average of $80.63 and a median of $80.04

Land Comparable Statistics

Metric	Unadjusted	Adjusted
Minimum Sale Price per Sq. Ft.	$74.23	$76.45
Maximum Sale Price per Sq. Ft.	$84.08	$86.39
Median Sale Price per Sq. Ft.	$80.72	$80.04
Mean Sale Price per Sq. Ft.	$80.53	$80.63

Location adjustments were primarily based on demographics of the area, the property's location in relation to major roadways and freeways, and the proximity of the property to the major Los Angeles markets. The subject fronts to a moderate and a minor traffic street in an area, which is primarily commercial in nature surrounded by older single family residences, close to the 710 Freeway. Size adjustments are typically based on the premise that smaller parcels sell for more on a square foot basis than larger parcels due to the smaller requirements needed for purchase and site improvements. Adjustments for lot size were made to account for this variation. The subject is slightly larger in size than all of the comparables due to the fact it is a compilation of 5 parcels whereas the comparables are either one of two parcels. The subject is rectangular in shape requiring adjustments to one of the comparables. The subject is a corner lot requiring adjustments to three of the comparables for access/visibility. The subject is zoned Entertainment (ENT), which is a commercial zoning, and is similar in zoning to most of the comparables. Minor positive adjustments were also required for site condition with five of the parcels containing improvements requiring demolition. Overall, the sales provide good support for deriving a value.

Land Sale No. 1 is the most recent sale, is similar in shape, zoning, and represents the high end of the range in values. Land Sale No. 2 is similar in zoning and topography. Land Sale No. 3 & 4 are similar in zoning and access/visibility. Land Sale No. 5 is in the same City of Cudahy, is across the street from the subject, and required the least number of adjustments. Land Sale No. 6 is the oldest sale, however, required few adjustments.

Overall, the sales provide a reasonable range of value and provide an adequate indication of current values. In conclusion, we have the most weight to Comparable 5 as it is in the subject's City of Cudahy and is across the street from the subject. Therefore, we have selected a price per square foot of **$78.75** per square foot. The land valuation is summarized as follows:

LAND VALUE INDICATION

Land Valuation	
Land Area (square feet)	45,903
Indicated Value PSF	$78.75
Indicated Value	$3,614,861
Final Land Value Determination from Sales Comparison Approach (Rd.)	**$3,615,000**

In addition, the cost of demolition and removal of the site improvements contained on the property must be subtracted from the value of the land as a buyer would pay less for the property due to the costs involved in demolition and removal of the site improvements. We have utilized Marshall Valuation Service Manual, a widely used construction costs guide, to estimate the demolition and removal of the site improvements. Many of these estimates are provided as a range and we have utilized figures toward the top of these ranges to determine demolition and removal of the site improvements to be on the conservative side and to take into consideration any extra costs such as permits, hazardous material removal, and hauling costs not covered by Marshall Valuation Service Manual. The estimated costs for demolition and removal of the site improvements for the subject property are outlined in the table below.

DEMOLITION COSTS

Demolition Costs					
Site Improvement	**Page**	**No.**		**Rate**	**Total**
Duplex: Class D WF&S	66/11	2,344 Qty.	@	$5.00/SF	$11,720
Foundation	66/10	1,000 Qty.	@	$20.00/SF	$20,000
Concrete Paving	66/10	4,000 Qty.	@	$2.00/SF	$8,000
Tire Shop: Class C Masonry	66/11	1,772 Qty.	@	$6.00/SF	$10,632
Foundation	66/10	500 Qty.	@	$20.00/SF	$10,000
Asphalt Paving	66/10	4,000 Qty.	@	$2.00/SF	$8,000
9 Unit Apartment: Class D WF&S	66/11	3,236 Qty.	@	$5.00/SF	$16,180
Foundation	66/10	1,500 Qty.	@	$20.00/SF	$30,000
Concrete Paving	66/10	500 Qty.	@	$2.00/SF	$1,000
Miscellaneous Site Improvements	66/10				$14,000
Total Site Improvements					$129,532
				Rd.	**$130,000**

The site improvements of the subject includes a duplex, tire shop and apartment, concrete foundations, a concrete/asphalt driveway/parking areas, and miscellaneous site improvements such as concrete block walls, trees, scrubs, bushes, and grassy areas.

Duplex

According to the Marshall Valuation Service Manual demolition/removal of a Class D wood frame and stucco duplex is approximately $5.00 per square foot. The total building square footage for the duplex is 2,344 square feet, therefore, we have utilized $5.00 per square foot for demolition/removal of the duplex times 2,344 square feet.

According to the Marshall Valuation Service Manual demolition/removal of a concrete foundation for a duplex is approximately $20.00 per square foot. The average square footage for a concrete foundation for a small duplex is approximately 1,000 square feet, therefore, we have utilized $20.00 per square foot for demolition/removal of the concrete foundation for the duplex times 1,000 square feet.

According to the Marshall Valuation Service Manual demolition/removal of concrete paving is approximately $2.00 per square foot. The concrete driveway/parking area for the duplex is approximately 4,000 square feet, therefore, we have utilized $2.00 per square foot for demolition/removal of the concrete paving for the duplex times 4,000 square feet.

Tire Shop

According to the Marshall Valuation Service Manual demolition/removal of a Class C Masonry tire shop is approximately $6.00 per square foot. The total building square footage for the tire shop is 1,772 square feet, therefore, we have utilized $6.00 per square foot for demolition/removal of the tire shop times 1,722 square feet.

According to the Marshall Valuation Service Manual demolition/removal of a concrete foundation for a tire shop is approximately $20.00 per square foot. The average square footage for a concrete foundation for a small tire shop is approximately 500 square feet, therefore, we have utilized $20.00 per square foot for demolition/removal of the concrete foundation for the tire shop times 500 square feet.

According to the Marshall Valuation Service Manual demolition/removal of asphalt paving is approximately $2.00 per square foot. The asphalt driveway/parking area for the tire shop is approximately 4,000 square feet, therefore, we have utilized $2.00 per square foot for demolition/removal of the asphalt paving for the tire shop times 4,000 square feet.

9 Unit Apartment

According to the Marshall Valuation Service Manual demolition/removal of a Class D WF&S 9 unit apartment is approximately $5.00 per square foot. The total building square footage for the 9 unit apartment is 3,236 square feet, therefore, we have utilized $5.00 per square foot for demolition/removal of the 9 unit apartment times 3,236 square feet.

According to the Marshall Valuation Service Manual demolition/removal of a concrete foundation for a 9 unit apartment is approximately $20.00 per square foot. The average square footage for a concrete foundation for a small 9 unit apartment is approximately 1,500 square feet, therefore, we have utilized $20.00 per square foot for demolition/removal of the concrete foundation for the 9 unit apartment times 1,500 square feet.

According to the Marshall Valuation Service Manual demolition/removal of concrete paving is approximately $2.00 per square foot. The concrete driveway/parking area for the 9 unit apartment is

approximately 500 square feet, therefore, we have utilized $2.00 per square foot for demolition/removal of the concrete paving for the 9 unit apartment times 500 square feet.

In addition, we have added in $14,000 for the demolition/removal of miscellaneous site improvements such as concrete block walls, trees, scrubs, bushes, and grassy areas.

Applying the appropriate rates to the items above, results in a final cost for demolition/removal of the site improvements of **$130,000**, which are shown in the table presented above. This amount is subtracted from the final land value to arrive at the final valuation of the subject property, which is shown in the table below.

Final Valuation	
Land Value	$3,615,000
Demolition Costs	($130,000)
Final Value Determination from Sales Comparison Approach (Rd.)	**$3,485,000**

Reconciliation

Summary of Value Indications

The final step in the appraisal process is the reconciliation of the indications of value as derived in the approaches utilized. This section takes into account the purpose of the report, the type of property appraised, the appropriateness and accuracy of each approach, and the adequacy of the data processed in each of the approaches. Most important, is the consideration of which approach most nearly reflects the actions of buyers and sellers in the market. As previously stated, only the Sales Comparison Approach was applicable.

Therefore, based on the investigation and analysis contained in this report, subject to the assumptions and limiting conditions set forth, it is our opinion that the "As Is" Market Value of the fee simple interest in the subject property is:

Value Type	Value Premise	Value Perspective	Interest Appraised	Effective Date	Indicated Value
Market Value	As Is	Current	Fee Simple	3/19/2020	**$3,485,000**

Exposure Time and Marketing Periods

A marketing and exposure time estimate of 3 to 6 months is considered reasonable and appropriate for the subject property. This estimate is based on statistical information about days on market, escrow length, marketing times gathered through national investor surveys, sales verification, and interviews of market participants.

General Assumptions and Limiting Conditions

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 | Orange County 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 | Orange County 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 for 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. Maps, plats, and exhibits included in this report are for illustration only and are intended to serve as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose. The square footage totals utilized in this report may be based upon the legal description of the property, assessors plat maps, building plans, previous estimates and/or a measurement of the premises by the appraiser(s). The measurements utilized in this report, should not be construed as an exact measurement of the site or improvements. If so desired, a professional survey should be conducted by a trained and qualified consultant.

11. The information, estimates, and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them is 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 | Orange County 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 | Orange County.

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 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. Projections of income and expenses made in this appraisal are not predictions of the future and are made as of the date of the appraisal. These estimates represent the appraiser's best estimate of current market related thinking on future income and expenses. The appraiser makes no warranty that these projections will materialize. The real estate market is constantly fluctuating and changing. It is not the task of the appraiser(s) to predict or in any way warrant the conditions of a future real estate market, rather the appraiser(s) can only reflect what the investment community, as of a specific date, envisions for the future in terms of rental rates, expenses, supply and demand.

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. Therefore, 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 | Orange County 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 | Orange County 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 Valbridge Property Advisors | Orange County 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 | Orange County for this assignment, and under no circumstances shall any claim for consequential damages be made.

36. Valbridge Property Advisors | Orange County 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 | Orange County. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Orange County 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 | Orange County harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Orange County 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 Penner and Associates, Inc. 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

We certify that, to the best of our 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 our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We 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. We have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of the appraisal within the three-year period immediately preceding acceptance of this assignment.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. We engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our 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. This appraisal has been completed without regard to race, color, religion, national origin, sex, marital status or any other prohibited basis, and does not contain references which could be regarded as discriminatory.
9. Our analyses, opinions and conclusions were developed, and this report has been prepared in conformity with the requirements of the Code of Professional Ethics & Standards of Professional Appraisal Practice of the Appraisal Institute, which include the Uniform Standards of Professional Appraisal Practice.
10. We have made a personal inspection of the property that is the subject of this report.
11. No one provided significant assistance in the research, analysis, and writing of this report.
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, John D. Penner, have completed the continuing education program for Designated Members of the Appraisal Institute.

John D. Penner, MAI
Senior Managing Director
California License #AG00172

Eric Day
Staff Appraiser
California License #AG044661

Addenda

Subject Photos
Letter of Engagement
Glossary
Qualifications

- John D. Penner, MAI
- Eric Day, AG

Information on Valbridge Property Advisors
Office Locations

Subject Photographs

View of Auto Repair Building

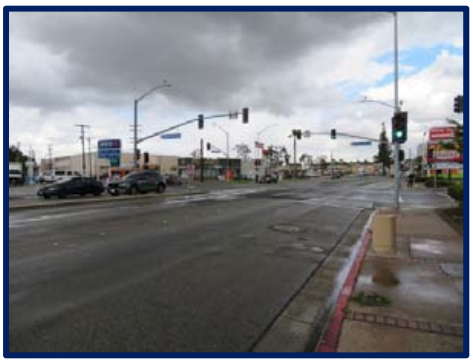
View of Auto Repair Building

View of Apartment Property

View of Apartment Property

View of Duplex Property

View of Commercial Land



View of S. Atlantic Ave. Looking North

View of S. Atlantic Ave. Looking South

View of Santa Ana St. Looking East

View of Santa Ana St. Looking West

Letter of Engagement

2020

PROFESSIONAL SERVICES AGREEMENT

SCOPE OF ENGAGEMENT: AN AGREEMENT WITH VALBRIDGE PROPERTY ADVISORS APPRAISE THE FAIR MARKET VALUE OF CERTAIN SUCCESSOR AGENCY LANDS,

PARTIES: VALBRIDGE PROPERTIES ADVISORS AND THE CITY OF CUDAHY

THIS PROFESSIONAL SERVICES AGREEMENT (hereinafter, "Agreement") is made and entered into this 24th day of February, 2020 (hereinafter, the "Effective Date") by and between the CITY OF CUDAHY, a municipal corporation (hereinafter, "CITY") and, VALBRIDGE PROPERTIES ADVISORS (hereinafter, "CONSULTANT"). For the purposes of this Agreement, CITY and CONSULTANT may be referred to collectively by the capitalized term "Parties." The capitalized term "Party" may refer to CITY or CONSULTANT interchangeably, as appropriate.

RECITALS

WHEREAS, CITY requires professional consulting services to appraise the fair market value of certain Successor Agency lands in the City of Cudahy,

WHEREAS, CITY staff has determined that CONSULTANT possesses the experience, skills and training necessary to competently provide such services to CITY;

WHEREAS, this Agreement was approved by the City Manager pursuant to his authority under of 20.04.110 of the Cudahy Municipal Code.

NOW, THEREFORE, for and in consideration of the mutual covenants and conditions herein contained, CITY and CONSULTANT agree as follows:

I.
ENGAGEMENT TERMS

1.1 SCOPE OF WORK:

A. Subject to the terms and conditions of this Agreement, CONSULTANT agrees to provide the services and tasks described in that certain proposal of CONSULTANT dated February 5, 2020 (hereinafter, the "Scope of Work") which is attached and incorporated hereto as **Exhibit "A"**. CONSULTANT further agrees to furnish to CITY all labor, materials, tools, supplies, equipment, services, tasks and incidental and customary work necessary to competently perform and timely complete the services and tasks set forth in the Scope of Work. For the purposes of this Agreement the aforementioned services and tasks set forth in the Scope of Work shall hereinafter be referred to generally by the capitalized term "Work."

B. CONSULTANT shall not commence any Work until CITY issues a Notice to Proceed. Once the Notice to Proceed has been issued, CONSULTANT shall only perform Work in accordance with the written authorization requirements established in Section 1.3, below.

1.2 PROSECUTION OF WORK:

A. Time is of the essence of this Agreement and each and every provision contained herein. The Work shall be commenced within three (3) calendar days of CITY's issuance of a Notice to Proceed. CONSULTANT shall complete the various tasks identified in the Scope of Work within the timeframes set forth in the Scope of Work and shall complete all of the Work by or before sixty (60) days (the "Completion Date");

B. The Agreement may be extended by City subject to its same terms and conditions for sixty (60) days, provided the City issues written notice of its intent to extend the Agreement prior to the expiration of the Agreement.

C. CONSULTANT shall perform the Work continuously and with due diligence so as to complete the Work by the Completion Date iindicated in each Work Order. CONSULTANT shall cooperate with CITY and in no manner interfere with the work of CITY, its employees or other consultants, contractors or agents;

D. CONSULTANT shall not claim or be entitled to receive any compensation or damage because of the failure of CONSULTANT, or its subconsultants, to have related services or tasks completed in a timely manner;

E. CONSULTANT shall at all times enforce strict discipline and good order among CONSULTANT's employees; and

F. CONSULTANT, at its sole expense, shall pay all sales, consumer, use or other similar taxes required by law.

1.3 COMPENSATION: CONSULTANT shall perform the Work in accordance with the schedule of compensation set forth on page 8 of the Scope of Work under the heading "Hourly Rates" (hereinafter, the "Approved Compensation Schedule"). The foregoing notwithstanding, CONSULTANT's total compensation for the performance of all Work contemplated under this Agreement, will not exceed the total budgeted aggregate sum of **Nineteen thousand dollars $19,000** (hereinafter, the "Not-to-Exceed Sum") during the Term of this Agreement, unless such added expenditure is first approved by the City Council. In the event CONSULTANT's charges are projected to exceed the Not-to-Exceed Sum prior to the expiration of this Agreement, CITY may suspend CONSULTANT's performance pending CITY approval of any anticipated expenditures in excess of the Not-to-Exceed Sum or any other CITY approved amendment to the compensation terms of this Agreement.

1.4 PAYMENT OF COMPENSATION: The Not-to-Exceed Sum will be paid to CONSULTANT in monthly increments as the Work is completed. Following the conclusion of each calendar month, CONSULTANT will submit to CITY an itemized invoice indicating the services performed and tasks completed during the recently concluded calendar month, including services and tasks performed and the reimbursable out-of-pocket expenses incurred. If the amount of CONSULTANT's monthly compensation is a function of hours worked by CONSULTANT's personnel, the invoice should indicate the number of hours worked in the recently concluded calendar month, the persons responsible for performing the Work, the rate of compensation at which such services and tasks were performed, the subtotal for each task and service performed and a grand total for all services performed. Within thirty (30) calendar days of receipt of each invoice, CITY will notify CONSULTANT in writing of any disputed amounts included in the invoice. Within forty-five (45) calendar days of receipt of each invoice, CITY will pay all undisputed amounts included on the invoice. CITY will not withhold applicable taxes or other authorized deductions from payments made to CONSULTANT.

1.5 ACCOUNTING RECORDS: CONSULTANT will maintain complete and accurate records with respect to all matters covered under this Agreement for a period of three (3) years after the expiration or termination of this Agreement. CITY will have the right to access and examine such records, without charge, during normal business hours. CITY will further have the right to audit such

records, to make transcripts therefrom and to inspect all program data, documents, proceedings, and activities.

1.6 ABANDONMENT BY CONSULTANT: In the event CONSULTANT ceases to perform the Work agreed to under this Agreement or otherwise abandons the undertaking contemplated herein prior to the expiration of this Agreement or prior to completion of any or all tasks set forth in the Scope of Work, CONSULTANT will deliver to CITY immediately and without delay, all materials, records and other work product prepared or obtained by CONSULTANT in the performance of this Agreement. Furthermore, CONSULTANT will only be compensated for the reasonable value of the services, tasks and other Work performed up to the time of cessation or abandonment, less a deduction for any damages, costs or additional expenses which CITY may incur as a result of CONSULTANT's cessation or abandonment.

II.
on PERFORMANCE OF AGREEMENT

2.1 CITY'S REPRESENTATIVE: The CITY hereby designates Sal Flores f(hereinafter, the "CITY Representative") to act as its representative for the performance of this Agreement. The CITY Representative or his designee will act on behalf of the CITY for all purposes under this Agreement. CONSULTANT will not accept directions or orders from any person other than the CITY Representative or her designee.

2.2 CONSULTANT REPRESENTATIVE: CONSULTANT hereby designates John Penner ("the Consultant Representative") CONSULTANT Representative will have full authority to represent and act on behalf of the CONSULTANT for all purposes under this Agreement. CONSULTANT Representative or his designee will supervise and direct the performance of the Work, using his best skill and attention, and will be responsible for all means, methods, techniques, sequences and procedures and for the satisfactory coordination of all portions of the Work under this Agreement. Notice to the CONSULTANT Representative will constitute notice to CONSULTANT.

2.3 COORDINATION OF SERVICE; CONFORMANCE WITH REQUIREMENTS: CONSULTANT agrees to work closely with CITY staff in the performance of the Work and this Agreement and will be available to CITY staff and the CITY Representative at all reasonable times. All work prepared by CONSULTANT will be subject to inspection and approval by CITY Representative or his or her designees.

2.4 STANDARD OF CARE; PERFORMANCE OF EMPLOYEES:
CONSULTANT represents, acknowledges and agrees to the following:

A. CONSULTANT will perform all Work skillfully, competently and to the highest standards of CONSULTANT's profession;

B. CONSULTANT will perform all Work in a manner reasonably satisfactory to the CITY;

C. CONSULTANT will comply with all applicable federal, state and local laws and regulations, including the conflict of interest provisions of Government Code Section 1090 and the Political Reform Act (Government Code Section 81000 et seq.);

D. CONSULTANT understands the nature and scope of the Work to be performed under this Agreement as well as any and all schedules of performance;

E. All of CONSULTANT's employees and agents possess sufficient skill, knowledge, training and experience to perform those services and tasks assigned to them by CONSULTANT; and

F. All of CONSULTANT's employees and agents (including, but not limited to, subcontractors and subconsultants) possess all licenses, permits, certificates, qualifications and approvals of whatever nature that are legally required to perform the tasks and services contemplated under this Agreement and all such licenses, permits, certificates, qualifications and approvals will be maintained throughout the term of this Agreement and made available to CITY for copying and inspection.

The Parties acknowledge and agree that CONSULTANT will perform, at CONSULTANT's own cost and expense and without any reimbursement from CITY, any services necessary to correct any errors or omissions caused by CONSULTANT's failure to comply with the standard of care set forth under this Section or by any like failure on the part of CONSULTANT's employees, agents, contractors, subcontractors and subconsultants. Such effort by CONSULTANT to correct any errors or omissions will be commenced immediately upon their discovery by either Party and will be completed within seven (7) calendars days from the date of discovery or such other extended period of time authorized by the CITY Representative in writing and in her sole and absolute discretion. The Parties acknowledge and agree that CITY's acceptance of any work performed by CONSULTANT or on CONSULTANT's behalf will not constitute a release of any

deficiency or delay in performance. The Parties further acknowledge, understand and agree that CITY has relied upon the foregoing representations of CONSULTANT, including but not limited to the representation that CONSULTANT possesses the skills, training, knowledge and experience necessary to perform the Work skillfully, competently and to the highest standards of CONSULTANT's profession.

2.5 ASSIGNMENT: The skills, training, knowledge and experience of CONSULTANT are material to CITY's willingness to enter into this Agreement. Accordingly, CITY has an interest in the qualifications and capabilities of the person(s) who will perform the services and tasks to be undertaken by CONSULTANT or on behalf of CONSULTANT in the performance of this Agreement. In recognition of this interest, CONSULTANT agrees that it will not assign or transfer, either directly or indirectly or by operation of law, this Agreement or the performance of any of CONSULTANT's duties or obligations under this Agreement without the prior written consent of the CITY. In the absence of CITY's prior written consent, any attempted assignment or transfer will be ineffective, null and void and will constitute a material breach of this Agreement.

2.6 CONTROL AND PAYMENT OF SUBORDINATES; INDEPENDENT CONTRACTOR: The Work will be performed by CONSULTANT or under CONSULTANT's strict supervision. CONSULTANT will determine the means, methods and details of performing the Work subject to the requirements of this Agreement. CITY retains CONSULTANT on an independent contractor basis and not as an employee. CONSULTANT reserves the right to perform similar or different services for other principals during the term of this Agreement, provided such work does not unduly interfere with CONSULTANT's competent and timely performance of the Work contemplated under this Agreement and provided the performance of such services does not result in the unauthorized disclosure of CITY's confidential or proprietary information. Any additional personnel performing the Work under this Agreement on behalf of CONSULTANT are not employees of CITY and will at all times be under CONSULTANT's exclusive direction and control. CONSULTANT will pay all wages, salaries and other amounts due such personnel and will assume responsibility for all benefits, payroll taxes, Social Security and Medicare payments and the like. CONSULTANT will be responsible for all reports and obligations respecting such additional personnel, including, but not limited to: Social Security taxes, income tax withholding, unemployment insurance, disability insurance, workers' compensation insurance and the like.

2.7 REMOVAL OF EMPLOYEES OR AGENTS: If any of CONSULTANT's officers, employees, agents, contractors, subcontractors or subconsultants is determined by the CITY Representative to be uncooperative, incompetent, a threat to the adequate or timely performance of the tasks assigned to CONSULTANT, a threat to persons or property, or if any of CONSULTANT's officers, employees, agents, contractors, subcontractors or subconsultants fail or refuse to perform the Work in a manner acceptable to the CITY, such officer, employee, agent, contractor, subcontractor or subconsultant will be promptly removed by CONSULTANT and will not be reassigned to perform any of the Work.

2.8 COMPLIANCE WITH LAWS: CONSULTANT will keep itself informed of and in compliance with all applicable federal, state or local laws to the extent such laws control or otherwise govern the performance of the Work. CONSULTANT's compliance with applicable laws will include, without limitation, compliance with all applicable Cal/OSHA requirements and applicable regulations of the Federal Department of Housing and Urbanization.

2.9 NON-DISCRIMINATION: In the performance of this Agreement, CONSULTANT will not discriminate against any employee, subcontractor, subconsultant, or applicant for employment because of race, color, creed, religion, sex, marital status, sexual orientation, national origin, ancestry, age, physical or mental disability or medical condition.

2.10 INDEPENDENT CONTRACTOR STATUS: The Parties acknowledge, understand and agree that CONSULTANT and all persons retained or employed by CONSULTANT are, and will at all times remain, wholly independent contractors and are not officials, officers, employees, departments or subdivisions of CITY. CONSULTANT will be solely responsible for the negligent acts and/or omissions of its employees, agents, contractors, subcontractors and subconsultants. CONSULTANT and all persons retained or employed by CONSULTANT will have no authority, express or implied, to bind CITY in any manner, nor to incur any obligation, debt or liability of any kind on behalf of, or against, CITY, whether by contract or otherwise, unless such authority is expressly conferred to CONSULTANT under this Agreement or is otherwise expressly conferred by CITY in writing.

III.
INSURANCE

3.1 DUTY TO PROCURE AND MAINTAIN INSURANCE: Prior to the beginning of and throughout the duration of the Work, CONSULTANT will procure and maintain policies of insurance that meet the requirements and specifications set

forth under this Article. CONSULTANT will procure and maintain the following insurance coverage, at its own expense:

A. Commercial General Liability Insurance: CONSULTANT will procure and maintain Commercial General Liability Insurance ("CGL Coverage") as broad as Insurance Services Office Commercial General Liability coverage (occurrence Form CG 0001) or its equivalent. Such CGL Coverage will have minimum limits of no less than One Million Dollars ($1,000,000.00) per occurrence and ~~Two~~ One Million Dollars ($~~2~~1,000,000.00) in the general aggregate for bodily injury, personal injury, property damage, operations, products and completed operations, and contractual liability.

B. Automobile Liability Insurance: CONSULTANT will procure and maintain Automobile Liability Insurance as broad as Insurance Services Office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto). Such Automobile Liability Insurance will have minimum limits of no less than ~~Two~~ One Million Dollars ($~~2~~1,000,000.00) per accident for bodily injury and property damage.

C. Workers' Compensation Insurance/ Employer's Liability Insurance: A policy of workers' compensation insurance in such amount as will fully comply with the laws of the State of California and which will indemnify, insure and provide legal defense for both CONSULTANT and CITY against any loss, claim or damage arising from any injuries or occupational diseases occurring to any worker employed by or any persons retained by CONSULTANT in the course of carrying out the Work contemplated in this Agreement.

D. Errors & Omissions Insurance: For the full term of this Agreement and for a period of three (3) years thereafter, CONSULTANT will procure and maintain Errors and Omissions Liability Insurance appropriate to CONSULTANT's profession. Such coverage will have minimum limits of no less than Two Million Dollars ($2,000,000.00) per occurrence and will be endorsed to include contractual liability.

3.2 ADDITIONAL INSURED REQUIREMENTS: The CGL Coverage and the Automobile Liability Insurance will contain an endorsement naming the CITY and CITY's elected and appointed officials, officers, employees, agents and volunteers as additional insureds.

3.3 REQUIRED CARRIER RATING: All varieties of insurance required under this Agreement will be procured from insurers admitted in the State of California

and authorized to issue policies directly to California insureds. Except as otherwise provided elsewhere under this Article, all required insurance will be procured from insurers who, according to the latest edition of the Best's Insurance Guide, have an A.M. Best's rating of no less than A:VII. CITY may also accept policies procured by insurance carriers with a Standard & Poor's rating of no less than BBB according to the latest published edition the Standard & Poor's rating guide. As to Workers' Compensation Insurance/ Employer's Liability Insurance, the CITY Representative is authorized to authorize lower ratings than those set forth in this Section.

3.4 PRIMACY OF CONSULTANT'S INSURANCE: All policies of insurance provided by CONSULTANT will be primary to any coverage available to CITY or CITY's elected or appointed officials, officers, employees, agents or volunteers. Any insurance or self-insurance maintained by CITY or CITY's elected or appointed officials, officers, employees, agents or volunteers will be in excess of CONSULTANT's insurance and will not contribute with it.

3.5 WAIVER OF SUBROGATION: All insurance coverage provided pursuant to this Agreement will not prohibit CONSULTANT or CONSULTANT's officers, employees, agents, subcontractors or subconsultants from waiving the right of subrogation prior to a loss. CONSULTANT hereby waives all rights of subrogation against CITY.

3.6 VERIFICATION OF COVERAGE: CONSULTANT acknowledges, understands and agrees, that CITY's ability to verify the procurement and maintenance of the insurance required under this Article is critical to safeguarding CITY's financial well-being and, indirectly, the collective well-being of the residents of the CITY. Accordingly, CONSULTANT warrants, represents and agrees that it will furnish CITY with original certificates of insurance and endorsements evidencing the coverage required under this Article on forms satisfactory to CITY in its sole and absolute discretion. **The certificates of insurance and endorsements for each insurance policy will be signed by a person authorized by that insurer to bind coverage on its behalf, and will be on forms provided by the CITY if requested**. All certificates of insurance and endorsements will be received and approved by CITY as a condition precedent to CONSULTANT's commencement of any Work or any of the Work. Upon CITY's written request, CONSULTANT will also provide CITY with certified copies of all required insurance policies and endorsements.

3.7 The insurance coverage requirements set forth under this Article 3 are in addition to any coverage requirements set forth under Section VII (Insurance Coverages) of the Scope of Work and in the event of any conflict or

inconsistency between the provisions of this Article 3 and the provisions of Section VII of the Scope of Work the provisions of this Article 3 shall govern and control.

IV.
INDEMNIFICATION

4.1 The Parties agree that CITY and CITY's elected and appointed officials, officers, employees, agents and volunteers (hereinafter, the "CITY Indemnitees") should, to the fullest extent permitted by law, be protected from any and all loss, injury, damage, claim, lawsuit, cost, expense, attorneys' fees, litigation costs, or any other cost arising out of or in any way related to the performance of this Agreement. Accordingly, the provisions of this indemnity provision are intended by the Parties to be interpreted and construed to provide the CITY Indemnitees with the fullest protection possible under the law. CONSULTANT acknowledges that CITY would not enter into this Agreement in the absence of CONSULTANT's commitment to indemnify, defend and protect CITY as set forth herein.

4.2 WORK OF CONSULTANT'S DESIGN PROFESSIONALS SERVICES: The duty to indemnify, defend and hold harmless as set forth under this subsection shall apply to the negligence, recklessness or willful misconduct of any individual who qualifies as a "design professional" within the meaning of subsection (c)(2) of Section 2782.8 of the California Civil Code in so far as such negligence, recklessness or willful misconduct occurs in the performance, work or activities that must be performed by a "design professional." Subject to the limitation of the preceding sentence, to the fullest extent permitted by law, CONSULTANT shall immediately defend and indemnify and hold harmless the City Indemnities, defined above, from and against any and all liability, loss, damage, expense, cost (including without limitation reasonable attorneys' fees, expert fees and all other costs and fees of litigation) of every nature arising out of the negligence, recklessness, or willful misconduct of CONSULTANT or any of CONSULTANT's officers, employees, servants, agents, contractors, subcontractors or authorized volunteers or any other person or entity involved by, for, or with or on behalf of CONSULTANT in the performance of design professional services under this Agreement. The Parties understand and agree that the duty of CONSULTANT to indemnify, defend and hold harmless pursuant to this subsection includes the duty to defend as set forth in Section 2778 of the California Civil Code. CONTRACTOR's obligation to indemnify applies unless it is finally adjudicated that the liability was caused by the sole active negligence or sole willful misconduct of an indemnified party. If it is finally adjudicated that liability is caused by the comparative active negligence or willful misconduct of an indemnified party, then CONSULTANT's

indemnification obligation shall be reduced in proportion to the established comparative liability.

4.3 WORK OF ALL OTHER PERSONS/NON-DESIGN PROFESSIONALS: Except as otherwise provided under Section 4.2 of this Article, above, to the fullest extent permitted by law, CONSULTANT shall indemnify, defend and hold harmless the CITY Indemnitees from and against all liability, loss, damage, expense, cost (including without limitation reasonable attorneys' fees, expert fees and all other costs and fees of litigation) of every nature to the extent caused by CONSULTANT's negligent performance under this Agreement, including but not limited to the negligent acts, errors or omissions of CONSULTANT or CONSULTANT's officers, employees, agents, servants, contractors, subcontractors or subconsultants or the failure of the same to comply with any of the duties, obligations or standards of care set forth herein. The duty to indemnify, defend and hold harmless under this subsection shall not encompass a duty to indemnity, defend or hold harmless for liability, loss, suit, damage, expense, or cost caused by the negligence or willful misconduct of any or all of the City Indemnitees. The duty to indemnify, defend and hold harmless as set forth under this subsection is intended to encompass liabilities, losses, damages, expense and costs not otherwise subject to subsection 4.2, above.

4.4 As to the duties to indemnify under Sections 4.1 and 4.2 of this Article, above, CITY shall have the right to offset against the amount of any compensation due CONSULTANT under this Agreement any amount due CITY from CONSULTANT as a result of CONSULTANT's failure to pay CITY promptly any indemnification arising under this Article and related to CONSULTANT's failure to either (i) pay taxes on amounts received pursuant to this Agreement or (ii) comply with applicable workers' compensation laws.

4.5 As to the duties to indemnify under Sections 4.1 and 4.2 of this Article, above, the obligations of CONSULTANT under this Article will not be limited by the provisions of any workers' compensation act or similar act. CONSULTANT expressly waives its statutory immunity under such statutes or laws as to CITY and CITY's elected and appointed officials, officers, employees, agents and authorized volunteers.

4.6 As to the duties to indemnify under Sections 4.1 and 4.2 of this Article, above, CONSULTANT agrees to obtain executed indemnity agreements with provisions identical to those set forth here in this Article from each and every subcontractor or any other person or entity involved by, for, with or on behalf of CONSULTANT in the performance of this Agreement. In the event CONSULTANT fails to obtain such indemnity obligations from others as

required herein, CONSULTANT agrees to be fully responsible and indemnify, hold harmless and defend CITY and CITY's elected and appointed officials, officers, employees, agents and authorized volunteers from and against any and all claims and losses, costs or expenses for any damage due to death or injury to any person and injury to any property resulting from any alleged intentional, reckless, negligent, or otherwise wrongful acts, errors or omissions of CONSULTANT's subcontractors or any other person or entity involved by, for, with or on behalf of CONSULTANT in the performance of this Agreement. Such costs and expenses shall include reasonable attorneys' fees incurred by counsel of CITY's choice.

4.7 As to the duties to indemnify under Sections 4.1 and 4.2 of this Article, above, CITY does not, and shall not, waive any rights that it may possess against CONSULTANT because of the acceptance by CITY, or the deposit with CITY, of any insurance policy or certificate required pursuant to this Agreement. This hold harmless and indemnification provision shall apply regardless of whether or not any insurance policies are determined to be applicable to the claim, demand, damage, liability, loss, cost or expense.

4.8 As to the duties to indemnify under Sections 4.1 and 4.2 of this Article, above, the duties to indemnify, defend and hold harmless as set forth under this Section, shall survive the early termination or normal expiration of this Agreement and shall be in addition to any other rights or remedies which the CITY may have at law or in equity.

V.
TERMINATION

5.1 TERMINATION WITHOUT CAUSE: CITY may immediately terminate this Agreement at any time for convenience and without cause by giving prior written notice of CITY's intent to terminate this Agreement which notice shall specify the effective date of such termination. Upon such termination for convenience, CONSULTANT will be compensated only for those services and tasks which have been performed by CONSULTANT up to the effective date of the termination. CONSULTANT may not terminate this Agreement except for cause as provided under Section 5.2, below. If this Agreement is terminated as provided herein, CITY may require CONSULTANT to provide all finished or unfinished Documents and Data, as defined in section 6.1 below, and other information of any kind prepared by CONSULTANT in connection with the performance of the Work. CONSULTANT will be required to provide such Documents and Data within fifteen (15) calendar days of CITY's written request. No actual or asserted breach of this Agreement on the part of CITY pursuant to Section 5.2, below, will operate to prohibit or otherwise restrict

CITY's ability to terminate this Agreement for convenience as provided under this Section.

5.2 EVENTS OF DEFAULT; BREACH OF AGREEMENT:

A. In the event either Party fails to perform any duty, obligation, service or task set forth under this Agreement (or fails to timely perform or properly perform any such duty, obligation, service or task set forth under this Agreement), an event of default (hereinafter, "Event of Default") will occur. For all Events of Default, the Party alleging an Event of Default will give written notice to the defaulting Party (hereinafter referred to as a "Default Notice") which will specify: (i) the nature of the Event of Default; (ii) the action required to cure the Event of Default; (iii) a date by which the Event of Default will be cured, which will not be less than the applicable cure period set forth under Sections 5.2B and 5.2C below or if a cure is not reasonably possible within the applicable cure period, to begin such cure and diligently prosecute such cure to completion. The Event of Default will constitute a breach of this Agreement if the defaulting Party fails to cure the Event of Default within the applicable cure period or any extended cure period allowed under this Agreement.

B. CONSULTANT will cure the following Events of Defaults within the following time periods:

C.

i. Within ten (10) business days of CITY's issuance of a Default Notice for any failure of CONSULTANT to timely provide CITY or CITY's employees or agents with any information and/or written reports, documentation or work product which CONSULTANT is obligated to provide to CITY or CITY's employees or agents under this Agreement. Prior to the expiration of the 10-day cure period, CONSULTANT may submit a written request for additional time to cure the Event of Default upon a showing that CONSULTANT has commenced efforts to cure the Event of Default and that the Event of Default cannot be reasonably cured within the 10-day cure period. The foregoing notwithstanding, CITY will be under no obligation to grant additional time for the cure of an Event of Default under this Section 5.2B.i. that exceeds seven (7) calendar days from the end of the initial 10-day cure period; or

ii. Within fourteen (14) calendar days of CITY's issuance of a Default Notice for any other Event of Default under this Agreement. Prior to the expiration of the 14-day cure period, CONSULTANT may submit a

written request for additional time to cure the Event of Default upon a showing that CONSULTANT has commenced efforts to cure the Event of Default and that the Event of Default cannot be reasonably cured within the 14-day cure period. The foregoing notwithstanding, CITY will be under no obligation to grant additional time for the cure of an Event of Default under this Section 5.2B.ii that exceeds thirty (30) calendar days from the end of the initial 14-day cure period.

In addition to any other failure on the part of CONSULTANT to perform any duty, obligation, service or task set forth under this Agreement (or the failure to timely perform or properly perform any such duty, obligation, service or task), an Event of Default on the part of CONSULTANT will include, but will not be limited to the following: (i) CONSULTANT's refusal or failure to perform any of the services or tasks called for under the Scope of Work; (ii) CONSULTANT's failure to fulfill or perform its obligations under this Agreement within the specified time or if no time is specified, within a reasonable time; (iii) CONSULTANT's and/or its employees' disregard or violation of any federal, state, local law, rule, procedure or regulation; (iv) the initiation of proceedings under any bankruptcy, insolvency, receivership, reorganization, or similar legislation as relates to CONSULTANT, whether voluntary of involuntary; (v) CONSULTANT's refusal or failure to perform or observe any covenant, condition, obligation or provision of this Agreement; and/or (vii) CITY's discovery that a statement representation or warranty by CONSULTANT relating to this Agreement is false, misleading or erroneous in any material respect.

D. CITY will cure any Event of Default asserted by CONSULTANT within forty-five (45) calendar days of CONSULTANT's issuance of a Default Notice, unless the Event of Default cannot reasonably be cured within the 45-day cure period. Prior to the expiration of the 45-day cure period, CITY may submit a written request for additional time to cure the Event of Default upon a showing that CITY has commenced its efforts to cure the Event of Default and that the Event of Default cannot be reasonably cured within the 45-day cure period. The foregoing notwithstanding, an Event of Default dealing with CITY's failure to timely pay any undisputed sums to CONSULTANT as provided under Section 1.3, above, will be cured by CITY within five (5) calendar days from the date of CONSULTANT's Default Notice to CITY.

E. CITY, in its sole and absolute discretion, may also immediately suspend CONSULTANT's performance under this Agreement pending CONSULTANT's cure of any Event of Default by giving CONSULTANT written notice of CITY's intent to suspend CONSULTANT's performance (hereinafter, a "Suspension Notice"). CITY may issue the

Suspension Notice at any time upon the occurrence of an Event of Default. Upon such suspension, CONSULTANT will be compensated only for those services and tasks which have been rendered by CONSULTANT to the reasonable satisfaction of CITY up to the effective date of the suspension. No actual or asserted breach of this Agreement on the part of CITY will operate to prohibit or otherwise restrict CITY's ability to suspend this Agreement as provided herein.

F. No waiver of any Event of Default or breach under this Agreement will constitute a waiver of any other or subsequent Event of Default or breach. No waiver, benefit, privilege, or service voluntarily given or performed by a Party will give the other Party any contractual rights by custom, estoppel, or otherwise.

G. The duties and obligations imposed under this Agreement and the rights and remedies available hereunder will be in addition to and not a limitation of any duties, obligations, rights and remedies otherwise imposed or available by law. In addition to any other remedies available to CITY at law or under this Agreement in the event of any breach of this Agreement, CITY, in its sole and absolute discretion, may also pursue any one or more of the following remedies:

i. Upon written notice to CONSULTANT, the CITY may immediately terminate this Agreement in whole or in part;

ii. Upon written notice to CONSULTANT, the CITY may extend the time of performance;

iii. The CITY may proceed by appropriate court action to enforce the terms of the Agreement to recover damages for CONSULTANT's breach of the Agreement or to terminate the Agreement; or

iv. The CITY may exercise any other available and lawful right or remedy.

CONSULTANT will be liable for all legal fees plus other costs and expenses that CITY incurs upon a breach of this Agreement or in the CITY's exercise of its remedies under this Agreement.

H. In the event CITY is in breach of this Agreement, CONSULTANT's sole remedy will be the suspension or termination of this Agreement and/or the recovery of any unpaid sums lawfully owed to CONSULTANT under this Agreement for completed services and tasks.

5.3 SCOPE OF WAIVER: No waiver of any default or breach under this Agreement will constitute a waiver of any other default or breach, whether of the same or other covenant, warranty, agreement, term, condition, duty or requirement contained in this Agreement. No waiver, benefit, privilege, or service voluntarily given or performed by a Party will give the other Party any contractual rights by custom, estoppel, or otherwise.

5.4 SURVIVING ARTICLES, SECTIONS AND PROVISIONS: The termination of this Agreement pursuant to any provision of this Article or by normal expiration of its term or any extension thereto will not operate to terminate any Article, Section or provision contained herein which provides that it will survive the termination or normal expiration of this Agreement.

VI.
MISCELLANEOUS PROVISIONS

6.1 DOCUMENTS & DATA; LICENSING OF INTELLECTUAL PROPERTY: All Documents and Data will be and remain the property of CITY without restriction or limitation upon their use or dissemination by CITY. For purposes of this Agreement, the term "Documents and Data" means and includes all reports, analyses, correspondence, plans, designs, notes, summaries, strategies, charts, schedules, spreadsheets, calculations, lists, data compilations, documents or other materials developed and/or assembled by or on behalf of CONSULTANT in the performance of this Agreement and fixed in any tangible medium of expression, including but not limited to Documents and Data stored digitally, magnetically and/or electronically. This Agreement creates, at no cost to CITY, a perpetual license for CITY to copy, use, reuse, disseminate and/or retain any and all copyrights, designs, and other intellectual property embodied in all Documents and Data. CONSULTANT will require all subcontractors and subconsultants working on behalf of CONSULTANT in the performance of this Agreement to agree in writing that CITY will be granted the same right to copy, use, reuse, disseminate and retain Documents and Data prepared or assembled by any subcontractor or subconsultant as applies to Documents and Data prepared by CONSULTANT in the performance of this Agreement.

6.2 CONFIDENTIALITY: All data, documents, discussion, or other information developed or received by CONSULTANT or provided for performance of this Agreement are deemed confidential and will not be disclosed by CONSULTANT without prior written consent by CITY. CITY will grant such consent of disclosure as legally required. Upon request, all CITY data will be returned to CITY upon the termination or expiration of this Agreement. CONSULTANT will not use CITY's name or insignia, photographs, or any

publicity pertaining to the Work in any magazine, trade paper, newspaper, television or radio production or other similar medium without the prior written consent of CITY.

6.3 FALSE CLAIMS ACT: CONSULTANT warrants and represents that neither CONSULTANT nor any person who is an officer of, in a managing position with, or has an ownership interest in CONSULTANT has been determined by a court or tribunal of competent jurisdiction to have violated the False Claims Act, 31 U.S.C., Section 3789 et seq. and the California False Claims Act, Government Code Section 12650 et seq.

6.4 NOTICES: All notices permitted or required under this Agreement will be given to the respective Parties at the following addresses, or at such other address as the respective Parties may provide in writing for this purpose:

CONSULTANT:	CITY:
Valbridge Properties Advisors	Santor Nishizaki
John D. Penner	Acting City Manger
1370 N. Brea Blvd. suite 255	5220 Santa Ana Street
Fullerton, CA 92835	Cudahy, CA 90201
714 449 0852	323 773 5143 x242

Such notices will be deemed effective when personally delivered or successfully transmitted by facsimile as evidenced by a fax confirmation slip or when mailed, forty-eight (48) hours after deposit with the United States Postal Service, first class postage prepaid and addressed to the Party at its applicable address.

6.5 COOPERATION; FURTHER ACTS: The Parties will fully cooperate with one another, and will take any additional acts or sign any additional documents as are reasonably necessary, appropriate or convenient to achieve the purposes of this Agreement.

6.6 SUBCONTRACTING: CONSULTANT will not subcontract any portion of the Work required by this Agreement, except as expressly stated herein, without the prior written approval of CITY. Subcontracts (including without limitation subcontracts with subconsultants), if any, will contain a provision making them

subject to all provisions stipulated in this Agreement, including provisions relating to insurance requirements and indemnification.

6.7 CITY'S RIGHT TO EMPLOY OTHER CONSULTANTS: CITY reserves the right to employ other contractors in connection with the various projects worked upon by CONSULTANT.

6.8 PROHIBITED INTERESTS: CONSULTANT warrants, represents and maintains that it has not employed nor retained any company or person, other than a *bona fide* employee working solely for CONSULTANT, to solicit or secure this Agreement. Further, CONSULTANT warrants and represents that it has not paid nor has it agreed to pay any company or person, other than a *bona fide* employee working solely for CONSULTANT, any fee, commission, percentage, brokerage fee, gift or other consideration contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, CITY will have the right to rescind this Agreement without liability. For the term of this Agreement, no member, officer or employee of CITY, during the term of his or her service with CITY, will have any direct interest in this Agreement, or obtain any present or anticipated material benefit arising therefrom.

6.9 TIME IS OF THE ESSENCE: Time is of the essence for each and every provision of this Agreement.

6.10 GOVERNING LAW AND VENUE: This Agreement will be interpreted and governed according to the laws of the State of California. In the event of litigation between the Parties, venue, without exception, will be in the Los Angeles County Superior Court of the State of California. If, and only if, applicable law requires that all or part of any such litigation be tried exclusively in federal court, venue, without exception, will be in the Central District of California located in the City of Los Angeles, California.

6.11 ATTORNEYS' FEES: If either Party commences an action against the other Party, legal, administrative or otherwise, arising out of or in connection with this Agreement, the prevailing Party in such litigation will be entitled to have and recover from the losing Party reasonable attorneys' fees and all other costs of such action.

6.12 SUCCESSORS AND ASSIGNS: This Agreement will be binding on the successors and assigns of the Parties.

6.13 NO THIRD-PARTY BENEFIT: There are no intended third-party beneficiaries of any right or obligation assumed by the Parties. All rights and benefits under this Agreement inure exclusively to the Parties.

6.14 CONSTRUCTION OF AGREEMENT: This Agreement will not be construed in favor of, or against, either Party but will be construed as if the Parties prepared this Agreement together through a process of negotiation and with the advice of their respective attorneys.

6.15 SEVERABILITY: If any portion of this Agreement is declared invalid, illegal, or otherwise unenforceable by a court of competent jurisdiction, the remaining provisions will continue in full force and effect.

6.16 AMENDMENT; MODIFICATION: No amendment, modification or supplement of this Agreement will be valid or binding unless executed in writing and signed by both Parties, subject to CITY approval. The requirement for written amendments, modifications or supplements cannot be waived and any attempted waiver will be void and invalid.

6.17 CAPTIONS: The captions of the various articles, sections and paragraphs are for convenience and ease of reference only, and do not define, limit, augment, or describe the scope, content, or intent of this Agreement.

6.18 INCONSISTENCIES OR CONFLICTS: In the event of any conflict or inconsistency between the provisions of this Agreement and any of the exhibits attached hereto, the provisions of this Agreement will control.

6.19 ENTIRE AGREEMENT: This Agreement, including all attached exhibits, constitutes the entire, complete, final and exclusive expression of the Parties with respect to the matters addressed herein and supersedes all other agreements or understandings, whether oral or written, which may have been entered into between CITY and CONSULTANT prior to the execution of this Agreement. Any statements, representations, or other agreements, whether oral or written, made by either Party that is not embodied herein will not be valid or binding on the Parties. No amendment, modification or supplement to this Agreement will be valid and binding unless in writing and duly executed by the Parties pursuant to Section 6.16, above.

6.20 COUNTERPARTS: This Agreement will be executed in three (3) original counterparts each of which will be of equal force and effect. No handwritten or typewritten amendment, modification or supplement to any one counterparts will be valid or binding unless made to all three counterparts in conformity with Section 6.16, above. One fully executed original counterpart will be delivered

to CONSULTANT and the remaining two original counterparts will be retained by CITY.

(SIGNATURES ON NEXT PAGE)

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed the day and year first appearing in this Agreement, above.

CITY OF CUDAHY	**VALBRIDGE PROPERTIES ADVISORS**
By:_____ Alma Martinez, City Manager	Name: John D. Penner Title: John D. Penner
Date:_____	Date: 2-25-20

APPROVED AS TO FORM:

By: _____

David F. Gondek
Olivarez, Magruga, Lemieux, and O'Neill

EXHIBIT "A"
SCOPE OF SERVICES

1370 N. Brea Blvd., Suite 255
Fullerton, CA 92835
(714) 449-0852 phone
jpenner@valbridge.com
John D. Penner, MAI

February 5, 2020

TO: City of Cudahy
Mr. Santor Nishizaki
Acting City Manager
5220 Santa Ana
Street Cudahy, CA
90201

Re: Contract for Appraisal Services:
City of Cudahy Successor Agency Property Multiple Properties Grouped into 6 "sites" Cudahy, CA

Dear Mr. Nishizaki,

We are pleased to submit our contract for an appraisal of the properties referenced in the table on the following page. The purpose of this assignment will be to estimate the "As Is" Market Value of the subject properties. This appraisal is to be in conformance with the requirements of the Appraisal Institute and regulations required by the State of California. The intended users of this appraisal are the City of Cudahy, the successor agency to the Cudahy Community Development Commission of The City of Cudahy, and their affiliates. The intended use of this report is to determine a value for sale of the property to a third party as part of the redevelopment dissolution process. Our professional qualifications and an office overview follow this proposal.

This report will be issued in a narrative format and will conform with the Uniform Standards of Professional Appraisal Practice (USPAP), as well as the Codes of Professional Ethics and Standards of the Appraisal Institute. The scope of the reports will include the background, objectives and conclusions reached as well as the valuation methodology employed in arriving at the final conclusion of value. Also included, are all relevant and appropriate exhibits and supporting appendices.

Our report is to be used only for the purpose stated herein and no one should rely on this report for any other purpose. You may show our report in its entirety to those third parties who need to review the information contained therein. However, you agree to hold the appraiser harmless from any liability,

including attorney's fees, damages or costs which may result from any improper use of or reliance on the report by you or third parties.

1

Elizabeth Street Residential Property
Atlantic Avenue Santa Ana Street Commercial Property

2

Property			
Atlantic Avenue Cecilia Street Commercial Property	6224-022-001, 004, 002, 012, 003	$2,650	N/A
Atlantic Avenue Patata Street Commercial Property	6224-034-014, 032, 040, 041	$2,900	N/A
Atlantic Avenue Clara Street Commercial Property	6226-022-002, 008, 019, 020, 023, 022, 021, 024	$2,650	N/A
Santa Ana Street Residential		$2,400	N/A
		$2,400	N/A
		$5,900	$2,650

3

6224-001-014, 015

6224-018-008, 071, 068, 070, 069

6224-019-014

Appraisal Report Preparation Allowance $3,000

Our professional fee is based on the probable number of hours required to gather information, research, analyze market data, and reach a conclusion of value, and write the report. At the request of the client, we have provided professional fees for the appraisal of each site and an additional "Appraisal Report Preparation Allowance" of $3,000. Site 6 contains various commercial improvements that exceed the value of underlying land that could be redeveloped by a buyer. Therefore, we have provided two fees depending on the scope of valuation that the client determines. The turnaround time will be **30 days** from the notice to proceed.

My hourly rate for post-appraisal report consultation is $300.00. If court or deposition testimony is needed, my hourly rate is $450.00. Attached to this contract is a copy of our Standard Terms of Agreement, which are a part of this contract. Following are some items needed for our appraisal. This proposal is submitted based upon our current schedule of commitments. Thus, delays in receiving requested information could result in an extension of the delivery date for this appraisal. We appreciate the confidence implied by your request for this proposal and look forward to the opportunity of working with you on this appraisal assignment.

Respectively submitted,

John D. Penner

John D. Penner, MAI
General Certified,
AG001720

If this contract is satisfactory to you, please sign a copy and return it to us along with the other requested items.

Authorized to proceed as indicated.

By Title Date

STANDARD TERMS OF ASSIGNMENT

Acceptance of this agreement assumes that our client will provide all necessary information needed on a timely and truthful basis. A delay in receipt of information may delay completion of the assignment.

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. The fee and estimated completion 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 a change. If the client places an assignment "on hold", then reactivates the assignment, an additional charge may apply, due to inefficiency created. If we are requested or required to provide testimony as a result of this assignment, testimony and preparation time will be charged at our normal hourly court rates.

If this assignment includes a provision for work on an hourly billing basis, client acknowledges that Valbridge Property Advisors | Orange County has made no promises about the total amount of fees to be incurred by client under this agreement.

This assignment shall be used only for the function outlined in the attached letter, unless expressly authorized by Valbridge Property Advisors | Orange County. The format and price reported may or may not be valid for other purposes.

Valbridge Property Advisors | Orange County shall have no responsibility for legal matters, questions of survey or title, soil or subsoil conditions, engineering, or other similar technical matters. The report

does not constitute a survey of the property. This report 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.

Unless otherwise noted, the analysis will price the property as though free of contamination. Valbridge Property Advisors | Orange County will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client secure appropriate inspections from qualified experts if the presence of hazardous materials or contamination poses any concern. Valbridge Property Advisors | Orange County is not responsible for costs incurred to discover or correct any deficiencies of any type present in the property, physically, financially, and/or legally.

Client is retaining the firm, and not any particular appraiser/broker. One or more person and other staff may assist in the assignment.

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.

STANDARD TERMS OF ASSIGNMENT - (CONTINUED)

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. Valbridge Property Advisors | Orange County shall be under no obligation to continue work on an assignment that is not paid current. *The fee for this assignment is not contingent upon the analysis conclusion for the property*, the actual purchase price obtained, 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.

You and Valbridge Property Advisors | Orange County, 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 | Orange County and the client cannot agree on the arbitrator, the presiding head of the Orange 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 client asserts a claim against Valbridge Property Advisors | Orange County, damages recoverable, if any, shall not exceed the fees actually paid to Valbridge Property Advisors | Orange County.

Valbridge Property Advisors | Orange County shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" identified on the face of the report or in the engagement letter is not entitled to rely upon the contents of the report without the express written consent of Valbridge Property Advisors | Orange County. "Client" shall not include partners, affiliates or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Orange County 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 services, client will hold Valbridge Property Advisors | Orange County harmless from and against any liability, loss, cost or expense incurred or suffered by Valbridge Property Advisors | Orange County in such action, regardless of its outcome.

Distribution of this report is at the sole discretion of the client, and we will make no distribution without the specific direction of the client. However, in no event shall client give a third party a partial copy of the report.

The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by Penner & Associates, Inc. Valbridge Property Advisors, Inc. has not been engaged to provide this report, does not provide real estate services, and has taken no part in the preparation of this report.

STANDARD TERMS OF ASSIGNMENT - (CONTINUED)

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 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.

Valbridge Property Advisors | Orange County reserves the right to approve or disapprove (the approval not to be unreasonably withheld), in writing and in advance of any filing with the SEC or other governmental agency, all uses of the our name or references to the services provided hereunder by us, provided however that such approval shall not be necessary in the event the report or its conclusions, the name, or the services provided hereunder are required to be disclosed as part of any SEC or other governmental filing.

Client agrees that the report shall not be quoted or referred to in any financial statement of Client or in any documents filed with any governmental agency, if it is anticipated that such statement or documents will be relied upon by a member of the public in making an investment in property that is the subject of the report, without the prior consent of Valbridge Property Advisors | Orange County. Neither all nor any part of the content of the report including, without limitation, the conclusions as to price, the identity of the person performing the report, references to the Appraisal Institute or references to the MAI designation shall be disseminated to the public through advertising or other mass media without the prior written consent of Valbridge Property Advisors | Orange County.

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 be modified by subsequent agreement of the parties.

Contract No.

GENERAL INFORMATION REQUIRED IF AVAILABLE

1) Property contact for inspection (phone number & email address).

2) Leases and financial documents.

3) Information such as a title report, environmental, property condition report and previous appraisal.

4) Other information that might be germane to the assignment.

Glossary

Definitions are taken from the Dictionary of Real Estate Appraisal, 5th 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)

Additional Rent

Any amounts due under a lease that is in addition to base rent. Most common form is operating expense increases. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically though 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 (Shell) Building

The existing shell condition of a building prior to the installation of tenant improvements. This condition varies from building to building, landlord to landlord, and generally involves the level of finish above the ceiling grid. (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

The areas of the building that provide services to building tenants but which are not included in the rentable 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 areas are; floor common areas, parking spaces, 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 statement issued by a local government verifying that a newly constructed building is in compliance with all codes and may be occupied.

Common Area (Public) Factor

In a lease, the common area (public) factor is the multiplier to a tenant's useable space that accounts for the tenant's proportionate share of the common area (restrooms, elevator lobby, mechanical rooms, etc.). The public factor is usually expressed as a percentage and ranges from a low of 5 percent for a full tenant to as high as 15 percent or more for a multi-tenant floor. Subtracting one (1) from the quotient of the rentable area divided by the useable area yields the load (public) factor. At times confused with the "loss factor" which is the total rentable area of the full floor less the useable area divided by the rentable area. (BOMA)

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.

CAM can be a line-item expense for a group of items that can include maintenance of the parking lot and landscaped areas and sometimes the exterior walls of the buildings. CAM can refer to all operating expenses.

CAM can refer to the reimbursement by the tenant to the landlord for all expenses reimbursable under the lease. Sometimes reimbursements have what is called an administrative load. An example would be a 15 percent addition to total operating expenses, which are then prorated among tenants. The administrative load, also called an administrative and marketing fee, can be a substitute for or an addition to a management fee. (Dictionary)

Condominium

A form of ownership in which each owner possesses the exclusive right to use and occupy an allotted unit plus an undivided interest in common areas.

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

Conservation Easement

An interest in real property 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 to continue, subject to the easement. In some locations, a conservation easement may be referred to as a conservation restriction. (Dictionary)

Contributory Value

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 to a property to meet its debt service out of net operating income. Also called Debt Service Coverage Ratio (DSCR). A larger DCR indicates a greater ability for a property to withstand a downturn in revenue, 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 appraising, the loss in a 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 allowance made against the loss in value of an asset for a defined purpose and computed using a specified method. (Dictionary)

Disposition Value

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

- Consummation of a sale within a exposure time specified by the client;
- 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 specified by the client;
- Payment will be made in 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 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

The date at which the analyses, opinions, and advice in an appraisal, review, or consulting service apply. 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 property after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent

The rental rate net of financial concessions such as periods of no rent during the lease term and above- or below-market tenant improvements (TIs). (Dictionary)

EPDM

Ethylene 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 an expense recovery clause or stop clause. (Dictionary)

Estoppel Certificate

A statement of material factors or conditions of which another person can rely because it cannot be denied at a later date. 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 improvement. 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 may have the potential to be sold separately and is valued separately. (Dictionary)

Expense Stop
A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying any 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 the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. (Dictionary)

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

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

Floor Common Area
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
- 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.
- The value of an operating business enterprise. Goodwill may be separately measured but is an integral component of going-concern value when it exists and is recognizable. (Dictionary)

Gross Building Area
The total constructed area of a building. It is generally not used for leasing purposes (BOMA)

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 the 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 expense in income-producing properties when less than 100 percent occupancy is assumed. The gross up method approximates the actual expense of providing services to the rentable area of a building given a specified rate of occupancy. (Dictionary)

Gross Retail Sellout
The sum of the appraised values of the individual units in a subdivision, as if all of the units were completed and available for retail sale, as of the date of the appraisal. The sum of the retail sales includes an allowance for lot premiums, if applicable, but excludes all allowances for carrying costs. (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. A general term encompassing any system designed to heat and cool a building in its entirety.

Highest and Best Use
The reasonably probable and legal use of vacant land or an improved property that is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are 1) legal permissibility, 2) physical possibility, 3) financial feasibility, and 4) maximally profitability. Alternatively, the probable use of land or improved –specific with respect to the user and

timing of the use–that is adequately supported and results in the highest present value. (Dictionary)

Hypothetical Condition

That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (Dictionary)

Industrial Gross Lease

A lease of 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 estate 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. (Dictionary)
(Typically this includes replacement cost less basement excavation, foundation, underground piping and architect's fees).

Investment Value

The value of a property interest 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 as he or she would be if the property had not been taken. (Dictionary)

Leased Fee Interest

A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease). (Dictionary)

Leasehold Interest

The tenant's possessory interest created by a 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 real property should bring under the following conditions:

- Consummation of a sale within a short 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 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 amount of money borrowed in relation to the total market value of a property. Expressed as a percentage of the loan amount divided by the property value. (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 all conditions and restrictions of the lease agreement including permitted uses, use restrictions, expense obligations; term, concessions, renewal and purchase options and tenant improvements (TIs). (Dictionary)

Market Value

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is

not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

a. Buyer and seller are typically motivated;
b. Both parties are well informed or well advised, and acting in what they consider their own best interests;
c. A reasonable time is allowed for exposure in the open market;
d. Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto; and
e. 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.

Market Value As If Complete

Market value as if complete means the market value of the property with all proposed construction, conversion or rehabilitation hypothetically completed or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value shall reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market Value As If Stabilized

Market value as if stabilized means the market value of the property at a current point and time when all improvements have been physically constructed and the property has been leased to its optimum level of long term occupancy.

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 the appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the 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 property 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 (a fractional interest). (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real estate 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 real property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Future Value Upon Completion

Market value "upon completion" is a prospective future value estimate of a property at a point in time when all of its improvements are fully completed. It assumes all proposed construction, conversion, or rehabilitation is hypothetically complete as of a future date when such effort is projected to occur. The projected completion date and the value estimate must reflect the market value of the property in its projected condition, i.e., completely vacant or partially occupied. The cash flow must reflect lease-up costs, required tenant improvements and leasing commissions on all areas not leased and occupied.

Prospective Future Value Upon Stabilization

Market value "upon stabilization" is a prospective future value estimate of a property at a point in time when stabilized occupancy has been achieved. The projected stabilization date and the value estimate must reflect the

absorption period required to achieve stabilization. In addition, the cash flows must reflect lease-up costs, required tenant improvements and leasing commissions on all unleased areas.

Replacement Cost

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

Reproduction Cost

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

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term 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 original lessee when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee (i.e., the tenant) leases part or all of the property to another party and thereby becomes a lessor. (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)

Substantial Completion

Generally used in reference to the construction of tenant improvements (TIs). The tenant's premises are typically deemed to be substantially completed when all of the TIs for the premises have been completed in accordance with the plans and specifications previously approved by the tenant. Sometimes used to define the commencement date of a lease.

Surplus Land

Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. 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

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, triple 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 or a floor shall equal floor usable area of that same floor. The amount of floor usable area can vary over the life of a building as corridors expand and contract and as floors are remodeled. (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)

Valbridge PROPERTY ADVISORS

Qualifications of John D. Penner, MAI
Senior Managing Director

Independent Valuations for a Variable World

State Certifications
Certified General Appraiser
State of California (AG001720)

Education
B.S. - Business Administration
Finance & Investments
San Diego State University

Publications - Author
Penner Expense Guides:
Low Rise & Medical Office
Business Parks & Single Tenant Industrial
Strip Retail Centers

Qualified
Expert Witness:
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Cash Flow Forecast: ARGUS

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Valbridge Property Advisors is the largest Commercial Appraisal Company in the United States with 72 offices nationwide.

Membership/Affiliations:
Member: Appraisal Institute – MAI Designation & Certificate in Litigation
Appraisal Institute – Southern California Chapter – Volunteer of Distinction (2016)
Member: Urban Land Institute – Certificate in RE Development
Member: Lambda Alpha International – Land Economics Society
Founding Board of Directors Member – Valbridge Property Advisors

Experience:
SENIOR MANAGING DIRECTOR/OWNER, 1991-Present
This firm performs valuation and advising for commercial real estate with a specialty in medical office, and industrial properties. Mr. Penner has over 35 years of experience in the Southern California region and has completed assignments in many areas of the United States.

SENIOR APPRAISER: T.L. YATES & ASSOCIATES, 1990–1991.
Work included narrative appraisals of proposed, existing and problem properties located in the markets of Southern California and Arizona.

SENIOR APPRAISER/ANALYST: HOME SAVINGS OF AMERICA, 1983–1990.
Work included valuation of residential and commercial properties located throughout Southern California, Northern California, Arizona, Texas, Florida and New York. Specific responsibilities included the appraisal of problem properties, market studies, feasibility, and portfolio analysis.

Scope of Work:
Work includes the appraisal and/or consultation of reports for acquisition, sale, refinance, estate, development, condemnation, fractional interest and court testimony purposes. Typical clients served are financial institutions, investors, developers, legal firms, and governmental. Types of properties appraised include:

High and Low Rise Office
Corporate Headquarters
Regional Shopping Malls
Strip Retail Centers
Mixed Use
Vacant Land
Manufacturing Facilities
R&D Buildings
Mini-Warehouse
Master Planned Communities
Apartment Projects
Medical & Dental Offices
Office Condominiums
Neighborhood Centers
Restaurants
Bank Branches
Market Studies
Warehouses
Business Parks
Multi-Tenant Industrial
Subdivisions
Single Family

Valbridge PROPERTY ADVISORS

Qualifications of Eric Day, MBA

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Valbridge Property Advisors is the largest Commercial Appraisal Company in the United States with 72 offices nationwide.

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Member: National Association of Realtors

Appraisal Courses:

Appraisal Principles, Appraisal Procedures, National Uniform Standards of Appraisal Practice (USPAP), Report Writing and Case Studies, Market Analysis and Highest and Best Use, Sales Comparison Approach, Income Approach, Site Valuation and Cost Approach

Statistics, Modeling and Finance, Real Estate Practice, Real Estate Finance, Real Estate Law, Real Estate Principles

Experience:

VALBRIDGE PROPERTY ADVISORS, 2011–Present.
This firm performs valuation and advising for commercial & residential real estate with specialties in investment property, medical, development, condemnation, legal testimony and fractional interests.

REAL ESTATE BROKER: C&P REALTY AND INVESTMENTS, 2004-2011.
Owned & operated brokerage firm specializing in commercial, residential, industrial and investment real estate, including Real Estate Appraisals, Property Management, Commercial & Residential Property Evaluations, Land, and Vacant Land Acquisitions.

CORPORATE BUSINESS OWNER: ECD ENTERPRISES, 1997-2004.
Owned & operated service-related corporation that covered the Orange County market.

FINANCIAL PLANNING MANAGER: BOEING COMPANY, 1982-1997.
Developed the accounting and financial plans for program and division commitments for awards, sales, profit and assets.

Scope of Work:

Types of properties appraised include:

High and Low Rise Office, Medical & Dental Offices, Neighborhood Centers, Strip Retail Centers, Restaurants, Mixed Use, Vacant Land, Market Studies, Manufacturing Facilities, Warehouses, R&D Buildings, Business Parks, Mini-Warehouse, Multi-Tenant Industrial, Apartment Projects, Single Family, Self-Storage Facilities, Condemnation, Fractional Interests, Skilled Nursing Facilities, Universities

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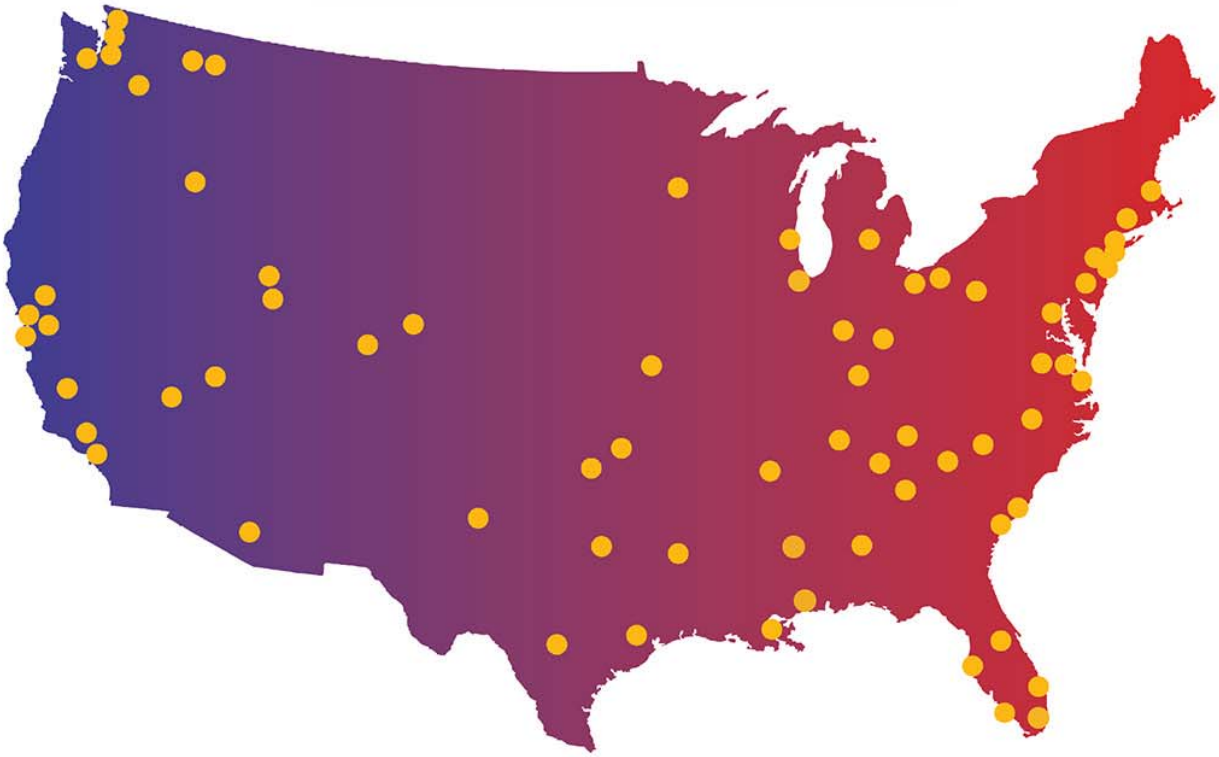

FAST FACTS

COMPANY INFORMATION

- Valbridge is the largest independent national commercial real estate valuation and advisory services firm in North America.
    - Total number of MAI-designated appraisers (200+ on staff)
    - Total number of office locations (70+ across U.S.)
    - Total number of staff (675+ strong)
- Valbridge covers the entire 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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