



**Valbridge**  
PROPERTY ADVISORS

## Narrative Appraisal Report

Site #6: VIP Inn & Suites Motel  
7630 Atlantic Avenue  
Cudahy, Los Angeles County, California 90201

Report Date: April 16, 2020



FOR:

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

**Valbridge Property Advisors | Orange County**

1370 N. Brea Blvd. Suite 255  
Fullerton, CA 92835  
(714) 449-0852 phone  
[jpenner@valbridge.com](mailto:jpenner@valbridge.com)

Valbridge File Number:  
CA06-20-0023E



1370 N. Brea Boulevard, Suite 255  
Fullerton, CA 92835  
(714) 449-0852 phone  
jpenner@valbridge.com

April 16, 2020

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

RE: Appraisal Report  
Site #6: VIP Inn & Suites Motel  
7630 Atlantic Avenue  
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 east side of Atlantic Avenue just north of Clara Street between Wilcox Avenue on the west and the Los Angeles River on the east and is further identified as Assessor's Parcel Number (APN) 6226-022-019 & 020. The subject is a 0.68-acre or 29,814-square-foot site. The subject property is a motel, VIP Inn & Suites Motel, which has 50 rooms and was built in 1964. The motel is managed and operated by the prior owner, Sunny Girish Patel, who provided all historical operating income and expense data. According to the Tenant's Estoppel Certificate provided by Sunny Girish Patel, the prior owner has a first right of refusal with regards to the purchase of the subject property.

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 City of Cudahy and the intended user is City of Cudahy, the successor agency to the Cudahy Community Development Commission of the City of Cudahy, and their affiliates, 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:**

- It is assumed that this appraisal's fair market value is based on the Site not being 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	Per Room
Market Value	As Is	Current	Fee Simple	3/19/2020	<b>\$4,235,000</b>	<b>\$84,700</b>

The allocation to FF&E in the above value conclusion is estimated to be **\$35,000**.

Respectfully submitted,



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



Eric Day  
 Staff Appraiser  
 California License #AG044661

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## Qualifications

# Summary of Salient Facts

<b>Property Name:</b>	Site #6: VIP Inn & Suites Motel
<b>Address:</b>	7630 Atlantic Avenue Cudahy, Los Angeles County, California 90201
<b>Assessor's Parcel Number:</b>	6226-022-019 & 020
<b>Property Rights Appraised:</b>	Fee Simple
<b>Property Owner:</b>	City of Cudahy
<b>Site Size:</b>	0.68 Net Acres (29,814 square feet)
<b>Zoning:</b>	CMU – (Ent)
<b>Flood Zone:</b>	X (Not a Flood Hazard Area)
<b>Existing Improvements</b>	
<b>Property Type:</b>	Motel
<b>Property Use:</b>	Economy Motel
<b>Year Built:</b>	1964
<b>No. of Rooms:</b>	50
<b>Highest and Best Use</b>	
<b>As Vacant:</b>	Develop Commercial Or Multifamily
<b>As Improved:</b>	Current Use
<b>Date of Report:</b>	April 16, 2020
<b>Effective Date of Value:</b>	March 19, 2020

## VALUE INDICATIONS

Approach	Value Indication
Cost Approach	N/A
Sales Comparison	<b>\$4,235,000</b>
Income Approach	<b>\$4,230,000</b>
<b>Market Value Indication</b>	<b>\$4,235,000</b>
<b>Per Room</b>	<b>\$84,700</b>

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:

- It is assumed that this appraisal's fair market value is based on the Site not being 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

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**AERIAL VIEW**



**FRONT VIEW**



# Introduction

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## Client and Intended Users of the Appraisal

The client in this assignment is City of Cudahy and the intended user is City of Cudahy, the successor agency to the Cudahy Community Development Commission of the City of Cudahy, and their affiliates, 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 7630 Atlantic Avenue, Cudahy, Los Angeles County, California 90201. The subject property is further identified by Assessor Parcel Number 6226-022-019 & 020.

## 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 50 room motel property with a commercial zoning.

## 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

Ownership of the subject property has not changed within the past three years. The current owner acquired the subject property on July 19, 2012 for a consideration of \$3,636,000. The grantors according to public record were Girish & Sima Patel, which are currently managing/operating the motel per an expired lease, which is now month to month, signed with the current ownership that requires them to pay \$4,500 per month or \$54,000 per year. 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.”<sup>1</sup>*

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**

Value Type	Value Premise	Value Perspective	Interest Appraised	Effective Date
Market Value	As Is	Current	Fee Simple	3/19/2020

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

### Date of Report

The date of this report is April 16, 2020, which is the same as the date of the letter of transmittal.

### List of Items Requested but Not Provided

- None

### 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

- It is assumed that this appraisal's fair market value is based on the Site not being presently burdened with soil contamination or soil environmental health management issues. If the

<sup>1</sup> Source: Code of Federal Regulations, Title 12, Banks and Banking, Part 722.2-Definitions

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

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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 operating statements provided by management, 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 observations and very limited interior inspection.

## 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 Sales Comparison and Income Capitalization Approaches were developed. Due to the subject property's older age and the inherent difficulty in estimating accrued depreciation, the cost approach is not considered applicable and has not been included because it is not typical practice and generally would not produce meaningful results for this type of assignment. 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-real estate are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only. A separate estimate is provided for the FF&E.



## 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
<b>Los Angeles</b>	<b>7,477,503</b>	<b>8,863,164</b>	<b>9,519,338</b>	<b>9,818,605</b>	<b>10,231,271</b>	<b>10,283,729</b>	<b>0.51%</b>	<b>10,868,614</b>
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
<b>Totals:</b>	<b>13,359,414</b>	<b>17,029,545</b>	<b>19,187,478</b>	<b>20,972,319</b>	<b>22,133,888</b>	<b>22,292,254</b>	<b>0.71%</b>	<b>24,189,190</b>

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%
<b>Total</b>	<b>4,573,500</b>	

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

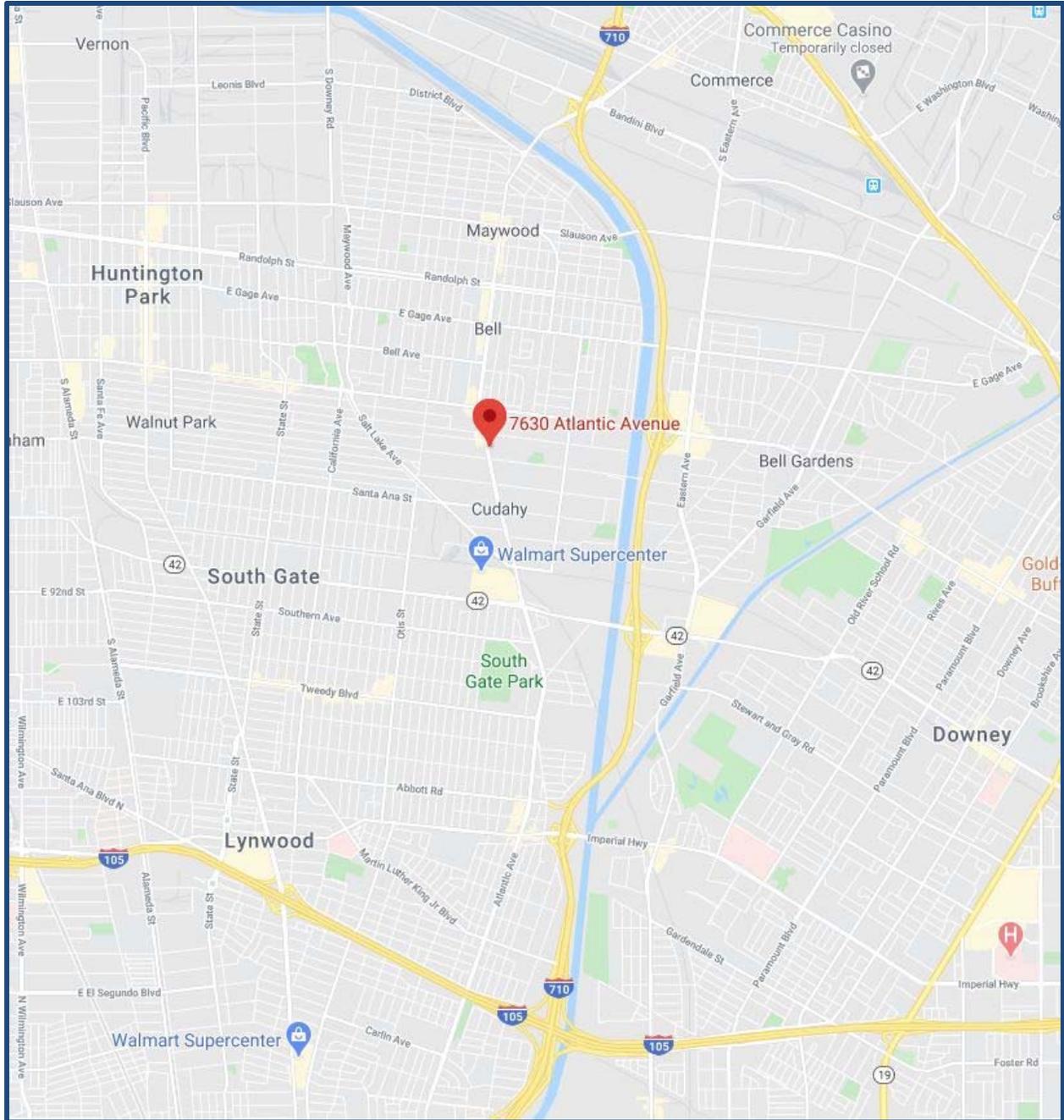
Today the Mid-Cities is home to over 0.5 million residents and is a recognized sub-market of Southern California. Development is still largely industrial in the north and residential to the south. Industries of the past like manufacturing, aerospace and oil are transitioning to other uses. With a

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 Angeles 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<sup>2</sup>) ranch east of Los Angeles. He subdivided the ranch and sold them as one acre (4,000 m<sup>2</sup>) 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

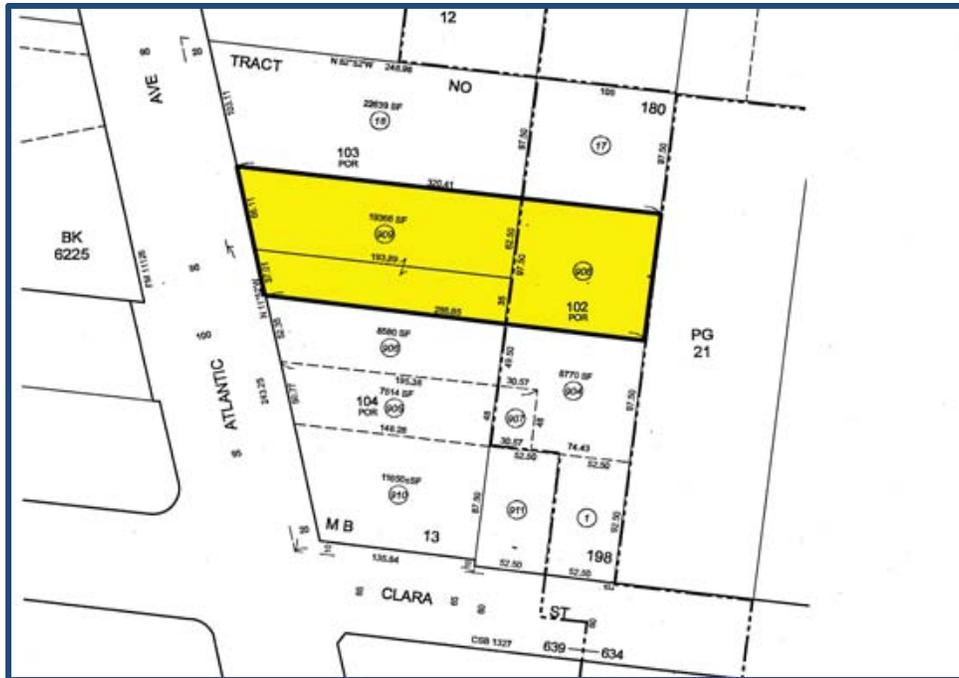
The subject property is located on a moderate 4-lane traffic street in the north central portion of the city, which is mainly commercial along the only moderate street in the city, Atlantic Avenue, and is predominately zoned Commercial Mixed Use (CMU), which is mainly a commercial zoning, however, allows 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 with commercial/industrial along the moderate traffic street of S. Atlantic Avenue. 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 east side of Atlantic Avenue just north of Clara Street between Wilcox Avenue on the west and the Los Angeles River on the east. The characteristics of the site are summarized as follows:

## Site Characteristics

Location:	The east side of Atlantic Avenue just north of Clara Street between Wilcox Avenue on the west and the Los Angeles River on the east
Gross Land Area:	0.68 Acres or 29,814 SF (Based on Assessor's Data)
Usable Land Area:	0.68 Net Acres or 29,814 SF
Usable Land %:	100.0%
Shape:	Irregular
Average Depth:	320.00 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:	Interior
Signalized Intersection:	No: 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
Street Name:	Atlantic Avenue
Street Type:	moderate
Frontage (Linear Ft.):	66.00
Number of Curb Cuts:	1
Traffic Count (Cars/Day):	27,000

### Additional Access

Alley Access: No  
 Rail Access: No

### Flood Zone Data

Flood Map Panel/Number: 060657-060737C1810F  
 Flood Map Date: 09-26-2008  
 Flood Zone: X

The subject property is located within Flood Zone Shaded X which is not considered a special flood hazard area and therefore flood insurance is 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 not available for our review. It is assumed that various easements for public utilities, storm drains, access as well as a covenant for reimbursement to the City of street landscaping maintenance affects the subject property. These easements and

covenant are considered typical for the area and would not be expected to have a negative impact on the marketability of the property. It is recommended that a current Title Report be obtained for further detail of these issues.

**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

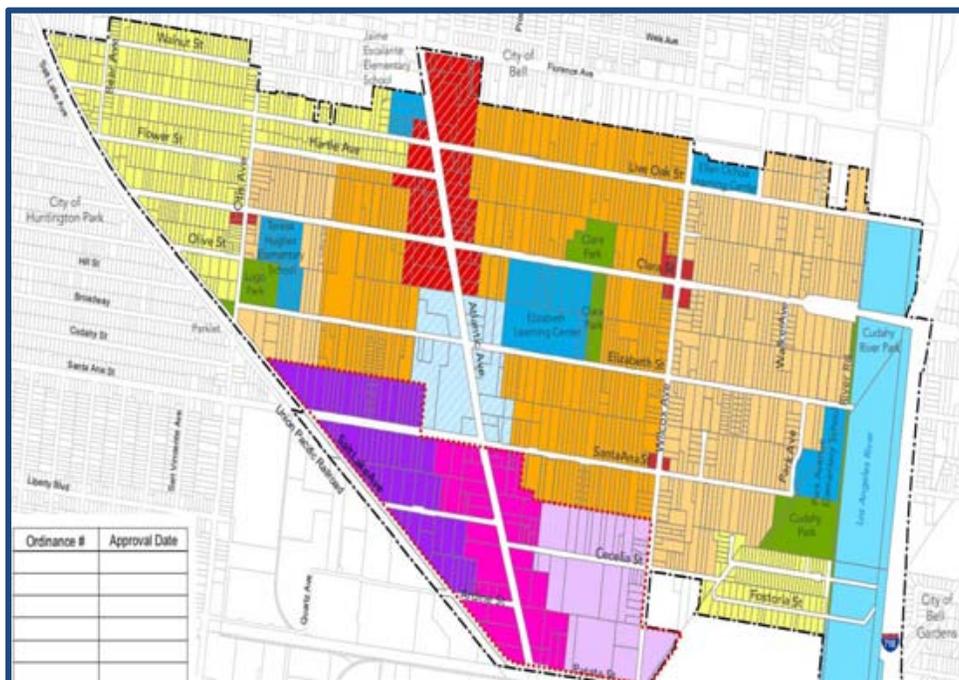
North: Retail  
 South: Commercial Land  
 East: Apartments  
 West: Retail

### Site Ratings

Access: Average  
 Visibility: Average

### Zoning Designation

#### ZONING MAP



**Zoning Jurisdiction:** City of Cudahy  
**Zoning Classification:** CMU, Commercial Mixed Use

General Plan Designation: Commercial Mixed Use

Permitted Uses: Commercial, retail, office, limited automotive service (gas stations), mixed-use, and residential uses.

Development Standards:

Setback Requirement	0 Ft front, 0 Ft side, 0 Ft rear
Height Restriction	four stories
Maximum Coverage	0.75 Commercial only, 1.0 Mixed Use
Minimum Lot Area	6,000 SF

Parking: Hotel/Motel 1 space per guest room plus 1 space for manager, 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 CMU Zone accommodates the most concentrated hub of commercial activity, with retail, office, limited automotive service (gas stations), mixed-use, and residential use. New commercial and mixed-use development emphasize pedestrian orientation in site and building design to promote a walkable environment with active street frontages, well scaled buildings, and usable spaces such as small plazas, courtyards, and sidewalk cafes. Established commercial centers are permitted to add new or renovate existing structures along the front property line. Structures are to be designed to provide maximum transparency into the stores or offices from the public sidewalk, thereby enhancing the pedestrian interest and experience.. The maximum density is 35 units per acre for multifamily.

### Legal, Conforming Status

Legally Permitted Use: Yes

Conforms to Parking: Yes

Conformity Conclusion: Legally conforming use

### Analysis/Comments on Site

According to the Los Angeles County Assessor’s data, the site measures 0.68 acres or 29,814 square feet. The site has all necessary physical characteristics to support the current improvements and has access via one curb cut from a moderate 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**

4/6/2020 RealQuest.com © - Report

**Flood Map Report**  
For Property Located At

**CoreLogic**  
RealQuest Professional

**7630 ATLANTIC AVE, CUDAHY, CA 90201-5054**

Report Date: 04/06/2020 County: LOS ANGELES, CA

Flood Zone Code	Flood Zone Panel	Panel Date
X	060657 - 06037 C1810F	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

<https://pro.realquest.com/jsp/report.jsp?action=confirm&type=getreport&recordno=0&reportoptions=7f65b23b-de35-4cac-a0af-34fd9c47c919&n...> 1/2

## Improvements Description

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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:	Motel
Property Subtype:	Economy Motel
Occupancy Type:	Non-Credit Tenant
Tenancy:	Multi-Tenant
Investment Class:	Class C
Number of Buildings:	1
Number of Stories:	2
Number of Rooms:	50
Construction Class:	D - Wood Frame per Marshall Valuation Service
Construction Quality:	Average
Gross Building Area (GBA):	19,417 SF (based on public record)
Net Rentable Area (NRA):	19,417 SF (based on public record)
Measurement Rationale:	Measurements were not taken by the appraiser, therefore, we have utilized public record.

### Unit Features and Project Amenities

Interior construction features include painted drywall walls and ceilings. All 50 motel rooms contain carpet flooring in main room area and tile flooring in the bathrooms. The carpeting, counter tops, fixtures, and furniture are all for the most part approximately 15 years old. The subject property does not provide any food or beverage services, meeting and banquet rooms, recreation areas, swimming pool, or shops. The rooms provide a mini fridge, cable TV, and telephone as the only in room amenities. The property has a main office and an apartment unit for the onsite manager. The subject has approximately 52 parking spaces.

### Ratios & Parking

Land-to-Building Ratio:	1.54 to 1 (Usable Land/NRA)
Floor Area Ratio (FAR):	0.65 (based on NRA)
Parking Spaces:	52
Parking Ratio:	1.04 per room

### Age / Life

Year Built:	1964
Renovated/Yr. Renovated:	N/A
Yr. Blt./Renovated Comments:	The property has not been renovated in at least 15 years. Interiors have been maintained as needed.

Condition:	Current condition is fair to average
Actual Age:	56 Years
Effective Age:	50 Years
Physical Building Life:	35 Years (Source – Marshall & Swift)
Economic Life:	75 Years
Remaining Economic Life:	25 Years

### Structural Characteristics

Foundation:	Concrete slab
Building Frame:	Wood frame
Exterior Walls:	Wood frame with stucco finish
Roof Type / Material:	Flat / Rolled Composition

### Interior Characteristics

Floors:	Carpet and tile
Walls:	Painted drywall
Windows:	Single Pane Glass
Ceiling:	Painted drywall
Lighting:	Wall lights
Restrooms:	One per room
Furniture, Fixtures & Equipment	Excluded for purposes of the real property appraisal, however, the FF&E has been appraised separately.

### Mechanical Systems

Electrical:	Adequate for current use
Plumbing:	Adequate for current use
Heating & Air Conditioning:	In room wall units
Fire Protection/Sprinklers:	None
Number of Elevators:	0

### Site Improvements

Site Improvements:	The subject is improved with a 50 room economy motel.
Landscaping:	Very little landscaping on only the front of the site along the street.

### Improvement Ratings

Quality:	Average
Condition:	Average
Functional Utility:	Average
Deferred Maintenance:	Yes
Overall Rating:	Average

## Analysis/Comments on Improvements

The improvements consist of a 50 room limited service independent economy motel. There are 34 rooms with king beds and 16 rooms with queen beds. Included within the rooms are 10 which have small kitchenettes. There is also a front office and manager's apartment. The subject is two-story and has exterior covered walkways. The second floor has access to the rooms via exterior uncovered stairways. The motel has wood frame construction with a stucco finish and no pool. The subject has no elevator and is not in conformity with current building requirements, which require ADA improvements, but is similar to most small independent economy motels in the subject's immediate motel market. In addition, the subject and most motels in subject's immediate motel market provide few amenities other than Cable TV, a small refrigerator, and a telephone. The total square footage for the complex is 19,417 square feet. This equates to 388 square feet per room.

A typical motel room at the subject and in the subject's immediate motel market have rooms consisting of two queen beds or one king-size bed, nightstands, a desk and a chair, a bathroom, television with cable TV, dresser, small refrigerator, and telephone. Excluded for purposes of the real property appraisal, however, the FF&E has been appraised separately.

The roof was recently replaced by the subject's management/operator for approximately \$30,000 in 2015-2016 timeframe as the roof was leaking in several spots. The parking lot was resurfaced 5 to 6 years ago and 70% of the rooms were repainted 3 years ago. The subject's management/operator originally owned the motel prior to 2012 when it was purchased by the City of Cudahy thru eminent domain and was then deeded to the Cudahy Community Development Commission of the City of Cudahy. The property has not been renovated since the purchase. The subject's management/operator would like to purchase the property back from the Cudahy Community Development Commission of the City of Cudahy and has done some preliminary planning, which would involve a major renovation for the entire subject property, which will include complete interior renovations of \$327,000 for new Furniture, Fixtures and Equipment (FF&E), and \$63,000 for equipment and installation of permanent upgrades to the property for a total of \$390,000, which are listed in the following table. The appraiser has provided an estimate based on Marshall & Swift Valuation Services Manual, commercial internet websites, Home Depot website, and the subject's management/operator estimate where items could not be found in cost manuals or on the internet, which will include complete interior renovations of \$350,000 for new Furniture, Fixtures and Equipment (FF&E), and \$60,000 for equipment and installation of permanent upgrades to the property, for a total of **\$410,000**.

### MANAGEMENT/OPERATOR RENOVATION BUDGET VERSUS APPRAISER'S PROJECTION

Renovation Item	Management/Operator Estimate		Appraiser's Estimate		Source	Section/Page
<b>Furniture</b> in each room, including tax & delivery						
2 beds (mattress/box spring/frame)	\$800		\$900		Marshall & Swift	Section 65 Page 4
1 sofa sleeper	\$250		\$250		Mgmt/Operator Estimate	
1 coffee table	\$50		\$50		Mgmt/Operator Estimate	
1 work desk/table	\$50		\$75		Marshall & Swift	Section 65 Page 4
3 chairs	\$120		\$125		Marshall & Swift	Section 65 Page 4
1 armoire/dresser	\$175		\$175		Mgmt/Operator Estimate	
3 lamps w/ lampshades	\$150		\$150		Mgmt/Operator Estimate	
2 end tables	\$150		\$200		Marshall & Swift	Section 65 Page 4
2 headboards	\$100		\$100		Mgmt/Operator Estimate	
2 mirrors (vanity and desk)	\$350		\$250		Marshall & Swift	Section 65 Page 4
2 picture frames	\$80		\$100		Marshall & Swift	Section 65 Page 4
	<b>\$2,275</b>	x 50 rooms	<b>\$113,750</b>			
labor to stock/install items (10 workers x \$12/hr x 8hrs)			\$960		Mgmt/Operator Estimate	
		Subtotal	<b>\$114,710</b>			
				Subtotal	<b>\$119,710</b>	
<b>In-Room Equipment/Soft Goods</b> in each room, including tax & delivery						
1 television	\$400		\$500		Marshall & Swift	Section 65 Page 4
1 microwave	\$50		\$50		Mgmt/Operator Estimate	
1 mini-fridge	\$175		\$150		Marshall & Swift	Section 65 Page 4
2 wastebaskets	\$25		\$25		Mgmt/Operator Estimate	
1 hairdryer	\$40		\$40		Mgmt/Operator Estimate	
1 in-room fire-proof safe	\$175		\$175		Mgmt/Operator Estimate	
1 coffee-maker	\$20		\$20		Mgmt/Operator Estimate	
1 iron/ironing board	\$50		\$50		Mgmt/Operator Estimate	
1 phone	\$40		\$40		Mgmt/Operator Estimate	
1 alarm clock/radio	\$20		\$20		Mgmt/Operator Estimate	
1 smoke and carbon monoxide detector	\$40		\$40		Mgmt/Operator Estimate	
1 shower curtain (with curved rod)	\$40		\$40		Mgmt/Operator Estimate	
1 luggage rack	\$35		\$35		Mgmt/Operator Estimate	
1 AC/Heating unit	\$650		\$750		Commercial Internet Website	
	<b>\$1,780</b>	x 50 rooms	<b>\$88,000</b>			
1 stove/oven (for kitchenette rooms only)	\$350	x 15 kitchenettes	\$5,250		Home Depot	
labor to stock/install items (10 workers x \$12/hr x 8hrs)			\$960		Mgmt/Operator Estimate	
		Subtotal	<b>\$94,210</b>			
				Subtotal	<b>\$102,960</b>	
<b>In-Room Fixtures</b> in each room, including tax and delivery						
1 toilet	\$200		\$150		Home Depot	
1 vanity sink (with faucet)	\$250		\$250		Mgmt/Operator Estimate	
1 standalone bathroom sink (with faucet)	\$350		\$350		Mgmt/Operator Estimate	
1 bathtub faucet and showerhead	\$75		\$50		Home Depot	
1 metal door	\$325		\$325		Mgmt/Operator Estimate	
1 set of curtains/drapes	\$150		\$150		Mgmt/Operator Estimate	
1 carpet and padding for 20 sq yds	\$400		\$350		Marshall & Swift	Section 52 Page 2
	<b>\$1,750</b>	x 50 rooms	<b>\$87,500</b>			
1 kitchen sink w/ faucet (for kitchenette rooms only)	\$250	x 15 rooms	\$3,750		Home Depot	
1 exhaust fan (for kitchenette rooms only)	\$75	x 15 rooms	\$1,125		Mgmt/Operator Estimate	
labor to stock/install items (10 workers x \$12/hr x 8hrs)			\$960		Mgmt/Operator Estimate	
		Subtotal	<b>\$93,335</b>			
				Subtotal	<b>\$99,710</b>	
<b>Linens/Towels</b> in each room, including tax and delivery						
4 pillows	\$40		\$40		Mgmt/Operator Estimate	
4 pillow cases	\$15		\$15		Mgmt/Operator Estimate	
4 sheets	\$30		\$30		Mgmt/Operator Estimate	
2 blankets	\$30		\$30		Mgmt/Operator Estimate	
2 bedspreads	\$90		\$90		Mgmt/Operator Estimate	
2 mattress pads	\$30		\$30		Mgmt/Operator Estimate	
4 bath towels	\$40		\$40		Mgmt/Operator Estimate	
4 hand towels	\$20		\$20		Mgmt/Operator Estimate	
4 washclothes	\$20		\$20		Mgmt/Operator Estimate	
	<b>\$315</b>	x 50 rooms	<b>\$15,750</b>			
extra linens/towels for inventory (industry standard)	\$315	x 25 rooms	\$7,875		Mgmt/Operator Estimate	
		Subtotal	<b>\$23,625</b>			
				Subtotal	<b>\$23,625</b>	
<b>Equipment</b> costs include installation						
6-Line Phone System and cabling	\$6,000		\$6,000		Mgmt/Operator Estimate	
Room Management/Reservation System (hardware & software)	\$9,000		\$9,000		Mgmt/Operator Estimate	
12-Camera security system with DVR	\$6,000		\$6,000		Mgmt/Operator Estimate	
commercial washer (35 lb load)	\$4,500		\$3,500		Commercial Internet Website	
commercial dryer (75 lb load)	\$5,500		\$5,000		Commercial Internet Website	
2 100-gallon boilers	\$9,000		\$9,000		Mgmt/Operator Estimate	
50 electronic door locks with main programming unit	\$15,000		\$15,000		Mgmt/Operator Estimate	
tv satellite system	\$8,000		\$8,000		Mgmt/Operator Estimate	
	<b>\$63,000</b>		<b>\$61,500</b>			
		Subtotal	<b>\$63,000</b>			
				Subtotal	<b>\$61,500</b>	
<b>Total Renovation Costs</b>						
		Rd.	<b>\$390,000</b>		Rd.	<b>\$410,000</b>
		Total Per Room	<b>\$7,800</b>		Total Per Room	<b>\$8,200</b>
<b>Total FF&amp;E Replacement Costs</b>						
		Rd.	<b>\$325,000</b>		Rd.	<b>\$350,000</b>
		FF&E Per Room	<b>\$6,500</b>		FF&E Per Room	<b>\$7,000</b>

According to the subject's management/operator, the renovation would be done in phases of 10 -15 rooms at a time where possible and would probably take approximately 6 months. According to the subject's management/operator, this would also create a loss of approximately 50% of the normal motel income during this timeframe, which will be accounted for as a cost to stabilize the subject property's income stream in the Income Approach.

In addition, to the renovations for FF&E in the above chart, the subject property also suffers from deferred maintenance, which has not been addressed by the current owner, Cudahy Community

Development Commission of the City of Cudahy, since the purchase in 2012. These items according to the subject's management/operator could be completed during the same 6 month timeframe as the FF&E. The subject's management/operator has estimated the cost at \$80,000 for the deferred maintenance items, which include new concrete walls, exterior painting, signage, and landscaping. The appraiser has provided an estimate based on Marshall & Swift Valuation Services, which is a total cost of **\$90,000**.

### DEFERRED MAINTENANCE

Deferred Maintenance Item	Management/ Operator	Appraiser's Estimate				
	Estimate	Source	Section/Page	No.	Rate	Total
North-facing 6' concrete wall in back parking lot	\$20,000	Marshall & Swift	Section 65 Page 4	1,800 Qty. @	\$10.00/SF	\$18,000
South-facing 6' concrete wall (neighboring empty lot)	\$30,000	Marshall & Swift	Section 65 Page 4	2,900 Qty. @	\$10.00/SF	\$29,000
Exterior Painting/Stucco Repair	\$20,000	Marshall & Swift	Section 55 Page 5	20,000 Qty. @	\$1.50/SF	\$30,000
Signage	\$5,000	Marshall & Swift	Section 56 Page 6			\$6,000
Trees		Marshall & Swift	Section 66 Page 10	8 Qty. @	\$500/Tree	\$4,000
Landscaping	\$5,000	Marshall & Swift	Section 66 Page 8	500 Qty. @	\$3.00/SF	\$1,500
<b>Total Renovation Costs</b>	<b>Rd. \$80,000</b>				<b>Rd.</b>	<b>\$90,000</b>

These deferred maintenance items along with the FF&E items are required in order to bring the subject property up to current market standards, which in turn would allow the subject property to charge current market rents and obtain current market occupancy levels. Deferred maintenance pictures are located in the addenda of this report.

Note: The appraiser and the management/operator are not experts in the field of construction/repairs and the management/operator and appraiser were not provided actual estimates from contractors. However, the management/operator has owned and operated the subject motel property and other motel properties for many years, has done preliminary planning, and has a good gauge as to what it would take to renovate the subject property. The management/operator's estimates were compared against the Marshall & Swift Valuation Services Manual construction/repair costs where applicable, however, it is recommended that actual cost estimates from construction/repair cost experts are obtained.

Overall this property is in fair to average condition. The subject is representative of an Average D - Wood Frame economy motel. The improvements are considered to be of average quality construction materials and workmanship based upon information obtained from Marshall Valuation Service. The actual age of the improvements is 56 years. Based on figures from Marshall Valuation, the subject would be estimated to have a physical life of 35 years. However, if maintained and updated a building can last substantially longer than this estimate. The subject property has been maintained and renovated over its early to mid-life span, however, has not been renovated in many years. Thus, the effective age of the subject is presently estimated to be 50 years. The economic life of the subject improvements is estimated to be 75 years. The remaining economic life of a property estimates the time period during which the improvements will continue to contribute to value. A remaining economic life of 25 years is estimated for the improvements in their current condition. Photographs of the subject improvements have been included in the addenda of this report.

# Assessment and Tax Data

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## 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 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 \$7,513 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 ESTIMATED ASSESSED VALUES AND PROPERTY TAXES

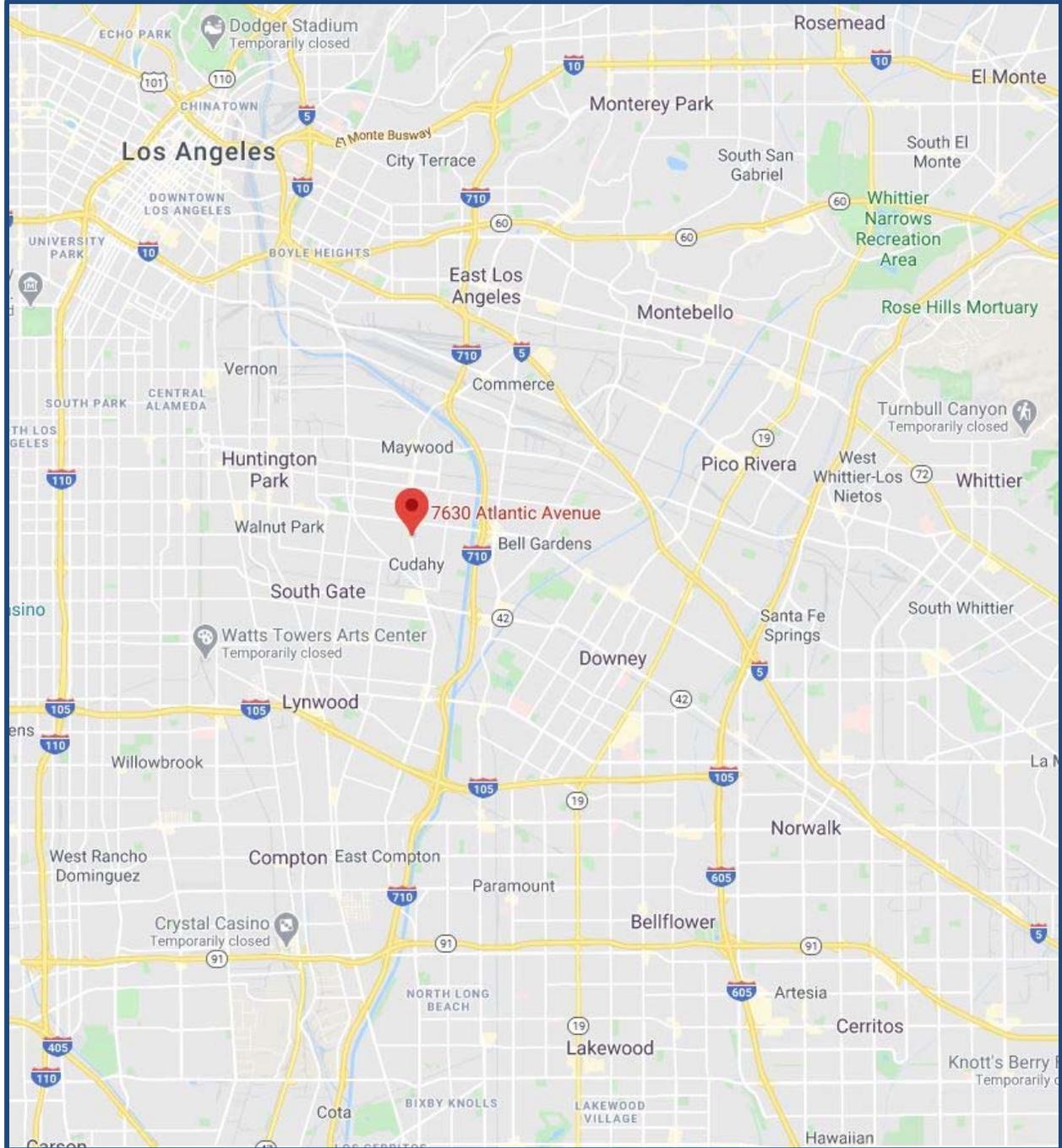
APN	Land	Improvements	Total	Gen = 1%	Voted	G + V Rate	Directs	Total
6226-022-019	\$249,582	\$418,000	\$667,582	\$6,676	\$1,383	1.2071%	\$2,513	\$10,561
6226-022-020	\$499,172	\$836,000	\$1,335,172	\$13,352	\$2,765	1.2071%	\$5,000	\$21,122
<b>TOTAL:</b>	<b>\$748,754</b>	<b>\$1,254,000</b>	<b>\$2,002,754</b>	<b>\$20,028</b>	<b>\$4,148</b>	<b>1.2071%</b>	<b>\$7,513</b>	<b>\$31,683</b>

## 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, however, if the subject property were sold it would be assessed taxes, therefore, the above tax table taxes were based on 2011-2012 tax assessment, when the subject property was privately owned, escalated 2% per year to the current tax year of 2019/2020. The assessed land value is per current tax year of 2019/2020, however, the assessed improvements value and voted taxes were backed into in order to keep the same tax rate assessed in 2011-2012 of 1.2071%. Direct assessments are based on the amount assessed in 2011-2012.

# Market Analysis

## MARKET AREA MAP



## Regional Hotel Market: Los Angeles

### ***CBRE Hotels Americas Research Hotels Forecast Report for Greater Los Angeles:***

Continued favorable economic fundamentals are expected to lead to U.S. hotel room Revenue per Available Room (RevPAR) growth of 2.0 percent in 2020 versus 2.5 percent in 2019, according to the latest forecast from CBRE Hotels Americas Research. "Supply, demand and pricing in the U.S. lodging industry are very similar to what we have observed the past few years," said R. Mark Woodworth, senior managing director of CBRE Hotels Americas Research. "For the most part, we expect the supply of hotel rooms entering the market to be absorbed by newly generated demand buoyed by a healthy economy. Further, while the nominal rate of change will be modest, we are projecting average daily rate (ADR) growth above the pace of inflation for 2020." Hotel occupancy at hotels in the Greater Los Angeles area is forecast to climb roughly one percentage point to 81 percent this year, with revenue per available room, an industry measure of occupancy and rate, likely to increase 3.2 percent to \$148. Average daily rates at higher priced properties are expected to rise 1.4 percent to \$231.79 in 2019 while climbing 2.8 percent to \$119.40 at the lower-end spectrum, with similar increases in 2020. In both categories, occupancy is likely to slip by 1.2 percentage points to 82 percent and by 0.2 percentage points to 77 percent in 2020, respectively. "Employment has been the main driver for demand in the U.S. and in this region," said CBRE Hotels Managing Director Jeff Lugosi. "We have continually seen 150,000 to 200,000 jobs being added per month, which has in turn added to outsized growth in the lodging space. The LA area has greatly benefited from a diverse business and leisure marketplace. At the lower end, demand has been driven by young, first-time travelers and price-conscious vacationers." He added, "Looking into 2020, the likely softening in occupancy in this region is mostly related to elevated supply and some possible slowdown in certain metrics, such as employment growth, given the stage of the economic cycle we're in."

## Local Economy Motel Market

In researching the local market and speaking with competitive motel owners and managers, the appraiser found that there is no published information available on smaller independent motels located in the immediate subject property's motel market. In addition, local real estate professionals have indicated that most of the smaller independent motels in the subject's area are owned and managed by unsophisticated individuals that do not keep accurate accounting of income, expenses or occupancies. Therefore, the market overview that follows is based on personal observations of the market, and interviews with local motel owners and managers.

The motel market has been on the rise since the end of the economic downturn, which began in 2007. The limited service economy Motel market was not as severely impacted as the more upscale Hotel market. This is due to the fact that small independent motels typically serve people in the local community. Guests that frequent the local motels are generally people looking for interim housing between apartment leases, or individuals that are visiting family members that live in the area. The subject does not typically host business travelers or tourists, which are visiting from great distances. For this reason, the subject property improved in the first few years after the recession, however, has

not improved as much as the larger more upscale hotels, which in some localities close to major attractions or destinations are above 90% occupied and overall according to Price Waterhouse Coopers Real Estate Investor Survey the average occupancy for Luxury and Upscale Hotels was 73.8% for 4<sup>th</sup> quarter 2019. In speaking with the subject's current management the subject property in prior years had a 50% to 60% occupancy, however, in the last three years has only been at approximately 30% occupancy due to various local factors and also due to the fact that the subject property has not been upgraded in many years because management is not sure what the City of Cudahy has in store for the subject property.

The City of Cudahy purchased the property from the prior owner in 2012 along with six other adjacent parcels thru eminent domain with the intent on selling the property to a developer to redevelop the site. In the last eight years, the site has not been redeveloped and the prior owner is still the operator/manager of the motel. The prior owner signed a lease agreement with the City of Cudahy for \$4,500 per month or \$54,000 per year to operate and manage the subject property. This is a fixed amount per the latest lease amendment, which has expired and is now on a month to month basis. In speaking with management/operator, the current management/operator is not certain what the long-range plans for the motel are, therefore, has not performed any upgrades in recent years nor has the City of Cudahy. The operator/manager has requested from the City of Cudahy to repair the block wall on the northern property line and also replace the entire roof surface of the building as there have been numerous leaks through the years, however, these repairs were never done. The operator/manager replaced the roof in 2015 for about \$30,000 as it was affecting business. It is believed that the current 30% occupancy could be more in line with the market or closer to the 45% to 70% occupancy of the local market if these items were fixed and the long-range plans for the motel would either be sold back to the previous owner or sold to a new private owner, which would then upgrade the property to current market conditions.

The subject is a 50 room limited service independent economy motel, which offers very basic services and very few amenities. The subject property does not provide any food or beverage services, meeting and banquet rooms, recreation areas, swimming pool, or shops. The rooms provide a mini fridge, cable TV, and telephone as the only in room amenities. Rooms at the subject property are rented both on a nightly and weekly basis, however, the average daily rate is the same for both and is approximately \$55.00 for a king bed and \$65.00 for two queen beds per room per day.

Upon examining the subject market and physically inspecting the subject's local neighborhood, the appraiser found that there are at least eight motels within a 4 mile radius of the subject, all of which are very similar in that all are economy motels, all but one are independent motels except one, which was recently purchased by a low cost economy motel chain (Rodeway Inn). The motels bracket the subject in size and amount of rooms. The competitive motels were generally constructed in the 1940's to 1960's, with two in the 1980's, and they appear to be in fair to average condition. The motels have wood frame construction and access to the rooms is usually achieved through ground-level or exterior corridors and staircases. Only one motel in the survey had interior corridors and a pool. Most of the motels have no elevator and most are not in conformity with current zoning and

ADA regulations. In addition, all of the motels in our recent survey provide few amenities like the subject other than Cable TV, a small refrigerator, and a telephone. A typical motel room in the subject's market will have one or two beds consisting of two queen beds, or one king-size bed, nightstands, a desk and a chair, a bathroom, television with cable TV, dresser, small refrigerator, and telephone.

In surveying the market, the appraiser found that most motels do not report average daily rates, however, our survey after speaking with the on-site managers showed an average rack rate range of \$65.00 - \$90.00, with an overall average of \$79.00 per room per day. The motels near the higher end of the range are typically in better condition, provide more amenities, or are in better locations. Rates at most of the motels are usually fixed and do not fluctuate on the weekends, however, if they do fluctuate, then weekends are usually \$10.00 more per day. In addition, two queen bed rooms rent for \$10.00 more per day than one king bed rooms. The room rates include all utilities including cable T.V. Building occupancies also vary slightly based on building location, amenities provided, condition and overall value to the customer. Our recent survey of the local motel market close by to the subject revealed an occupancy rate range of 40% to 70% and an overall average of 50%. Our survey also revealed a Revenue per Available Room (RevPAR) of between \$26.00 to \$59.50 with an average of \$40.00. RevPar is a metric used in the hospitality industry to measure a motel's performance. The measurement is calculated by multiplying a motel's Average Daily Room Rate (ADR) by its occupancy.

In comparison, Price Waterhouse Coopers Real Estate Investor Survey average occupancy for Economy Lodging was 59.1%, the Average Daily Room (ADR) was \$63.41, and the Revenue per Available Room (RevPAR) was \$37.47 for the 4<sup>th</sup> quarter 2019. These figures are very similar to our survey of the subject's immediate motel market area. It is believed by both the appraiser and management/operator that the subject could achieve closer to the average occupancy, average daily rates, and average RevPAR in our survey if the subject property were upgraded to current market conditions and if the long-range plans for the motel were settled.

In conclusion, the information that has been presented is based primarily on interviews with owners and managers of comparable motel properties in the subject's local area as well as the Price Waterhouse Coopers Real Estate Investor Survey for Economy Lodging, which publishes industry averages. The outlook for the local motel market appears to be stable, with little fluctuation anticipated for both average daily rates and occupancy. However, all motels currently are trying to adapt to the current Coronavirus conditions by adjusting to lower occupancies and having to offer larger discounts.

Small-town hospitality has demonstrated more resilience than larger cities to the effects caused by the Coronavirus. So far, hotels in smaller cities and towns have been less impacted compared with other locations, with Revenue Per Available Room (RevPAR) for the week ended March 21, 2020 down 54.3 percent year over year, which is less than the national rate of decline. Weekly occupancy, at 32.3 percent, fell 25 percentage points. Business at these small-town hotels is driven less by large

events and international travel and more by local attributes such as natural attractions and visitors coming to see family and friends. The direct health impact of the virus may also be less severe in many smaller towns. Hotels along major roadways continue to service travelers, creating a potential floor to losses. Hospitality properties that cater primarily to road travelers have fared better than other hotels so far. RevPAR for the week of March 21, 2020 fell 44.7 percent, the smallest margin among location types. Occupancy decreased 21.8 percentage points to 37.8 percent. While individuals are avoiding airports, some are still traveling by road, either by choice or necessity. This trend could help roadside lodgings maintain a minimum level of activity and recover more quickly once the health threat abates.

However, for purposes of this appraisal we have assumed more normal market conditions present before the virus outbreak. While present restrictions are impeding the hotel sector, the industry will recover. Such was the case after both the events of September 11, 2001, and the 2008 financial crisis. However, it may take some time. Following both economic shocks, the national Average Daily Rate (ADR) took about twice as long to return to pre-shock levels as it did to bottom out. The pace of recovery could be different this time, though. Much will depend on the duration of the pandemic and how extensively it affects the broader economy. A key consideration will be the effectiveness of new fiscal and monetary policies, with the Federal Reserve acting much more rapidly and decisively than during the last downturn. If unemployment remains fairly low and the number of coronavirus cases abates quickly, people may immediately want to travel again, spurred by cabin fever and rescheduled events. Room-night sales lost in the second and third quarters could be partially recovered in late 2020 to help restore hotels to normal operations.

## 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	29,814 square feet / 0.68 net acres
Shape	Irregular
Utilities	All to site
Visibility	Average
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	Commercial Mixed Use
Zoning	CMU
Permitted Uses	Commercial, retail, office, limited automotive service (gas stations), mixed-use, and residential uses.
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 or multifamily.

### Conclusion of Highest and Best Use As If Vacant

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 or multifamily

### 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 fair to average condition with some items of deferred maintenance that require addressing at this time in order to maintain economic viability. The change in value following necessary 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 or multifamily 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 a motel.

#### 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. The subject has a low FAR and therefore does not have any excess or surplus land.

### Conclusion Of Highest And Best Use As Improved

The highest and best use of the subject property, as improved, is its current use.

### Most Probable Buyer

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

# Appraisal Methodology

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## 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 and Income Capitalization Approaches. The subject property is a 1964-built limited-service independent economy motel property in an average location for continued hospitality service use. Due to the subject property's older age and the inherent difficulty in estimating accrued depreciation, the cost approach is not considered applicable and has not been included because it is not typical practice and generally would not produce meaningful results for this type of assignment. The sales comparison and income capitalization approaches are both applicable and typically used in developing value opinions for properties such as this.

# Sales Comparison Approach

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## Methodology

The sales comparison approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject, focusing on the difference between the subject and the comparables using all appropriate elements of comparison. This approach is based on principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

The process of the sales comparison approach consists of the following: (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.

## Unit of Comparison

The primary unit of comparison selected depends on the appraisal problem and nature of the property. The primary unit of comparison in the market for Motel properties such as the subject property is price per room.

## Elements of Comparison

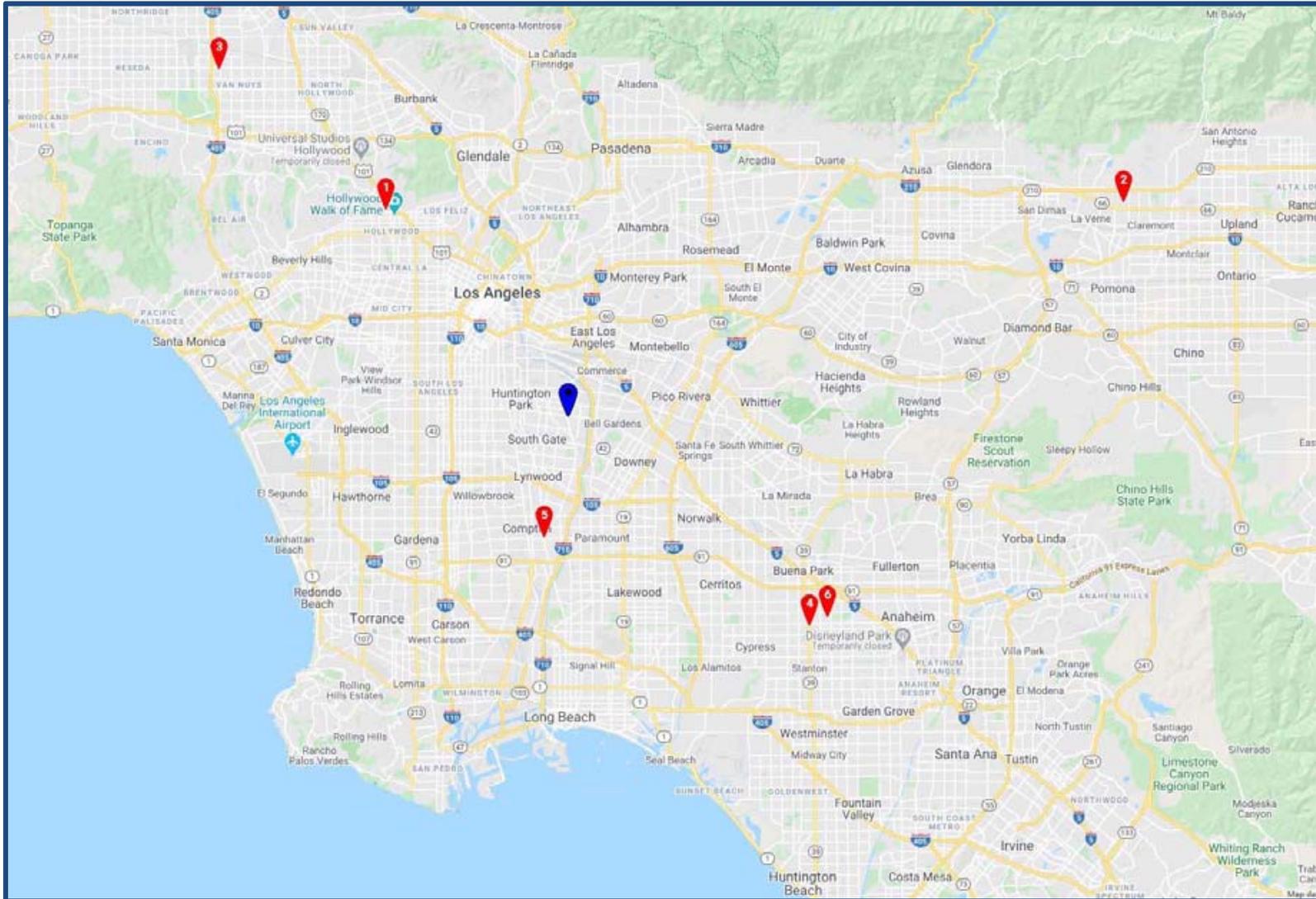
Elements of comparison are the characteristics or attributes of properties and transactions that cause the prices of real estate to vary. The main elements of comparison that should be considered in sales comparison analysis are as follows: (1) real property rights conveyed, (2) financing terms, (3)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

## Comparable Sales Data

To obtain and verify comparable sales and listings of Motel properties, we conducted a search of data sources and public records, a field survey, interviews with knowledgeable real estate brokers, appraisers, and principals were conducted to obtain and verify lodging & hospitality properties comparable to the subject property that have sold recently in the competitive market. We have compared the sale facilities based on location, physical quality and appeal adjustments.

We included six sales in our analysis, as these sales were judged to be the most comparable in developing an indication of the market value of the subject property. The comparable sales are similar limited-service motels ranging from 15 to 75 rooms. Consequently, at 50 rooms, the subject is well bracketed. A map of the comparables is presented on the next page followed by a photo of each comparable, an adjustment grid, and a discussion leading to a conclusion of value by the Sales Comparison Approach.

**COMPARABLE IMPROVED SALES MAP**



## Comparable Improved Sales

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### IMPROVED SALE #1

1730 Whitley Ave., Hollywood, CA



### IMPROVED SALE #2

433 E. Foothill Blvd., Pomona, CA



**IMPROVED SALE #3**

6909 Sepulveda Blvd., Van Nuys, CA



**IMPROVED SALE #4**

420 S. Beach Blvd., Anaheim, CA



**IMPROVED SALE #5**

1116 S. Long Beach Blvd., Compton, CA



**IMPROVED SALE #6**

2650 W. Lincoln Ave., Anaheim, CA



## Sales Comparison Analysis

Each sale is analyzed, and adjustments are made for differences in the various elements of comparison, including property rights conveyed, financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, location, size, and other relevant physical characteristics. For each element of comparison, if a comparable sale is superior to the subject, a negative adjustment to the comparable is applied. Conversely, a positive adjustment to the comparable is applied if it is inferior to the subject. 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 influence sale prices and must be considered when analyzing a sale comparable. Real Property Rights refer to the ownership type of the site, that is, fee simple, leased fee, or leasehold. In most cases, subject and comparables have the same ownership type. In the case of the subject property, the fee simple interest is being appraised.

### Financing Terms

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

### Conditions of Sale

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

### Expenditures Made Immediately After Purchase

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: costs to cure deferred maintenance, costs to demolish and remove any portion of the improvements, costs to petition for a zoning change, costs to remediate environmental contamination, and/or 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. Consequently, sale prices of comparables are representative of

transactions during periods of often dissimilar market conditions. Therefore, adjustments are made to reflect change in market conditions from the date of sale for the comparable to the data of value for the subject.

## Property Adjustments

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

### 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, demographics as it relates to income levels, freeway accessibility, neighboring properties, view amenities, and other factors.

### Number of Rooms

The need to account for number of rooms is also necessary. Properties are adjusted for size based on economies of scale as smaller properties sell for higher sale prices per room compared to larger properties.

### Age/Condition

All else being equal, older properties typically command a lower price per square foot than newer properties. However, although a property may be physically older than another property, the effective age may be similar to a newer property and no adjustment may be indicated. This may be due to the older property being well maintained or a recent renovation. We have based the adjustments of the sales comparables upon their effective age and not their physical age. This takes the overall condition of a property into consideration.

The effective age and economic life of each property has been estimated by the appraiser and the adjustments are based on the difference between the indicated depreciation for the subject property and each sale comparable.

### Quality/Appeal

This adjustment category refers to differences in construction quality that make a building more or less desirable to buyers and tenants, thereby influencing value. Buildings are constructed with different materials and have different finishes, interior features, etc. Some examples of increased appeal include: elaborate and ornate landscaping, decorative lobby furnishings, acoustic ceiling panels, and granite or marble surfaces in restrooms or walls. It is important to distinguish this adjustment category from differences in appeal that result from a buildings age/condition, rather, this category reflects the quality of the improvements and building design, regardless of age.

### Other Property Adjustments

Other property adjustments are any other adjustment categories that are relevant to the report and are often determined from a building's use. Other adjustments that may be considered include access/visibility, FAR/parking ratio, etc.

### Non-Realty Components of Value Adjustments

Non-realty components of value include chattel, business concerns, and other items that do not constitute real property but are included in either the sale price of the comparable property or the ownership interest in the subject property. These components should be analyzed separately from the real property when they are significant. In most cases, the economic lives, associated investment risks, rate of return criteria, and collateral security for such non-realty components differ from those of the real property.

Furniture, fixtures, and equipment (FF&E) are typical examples of chattel that may be included in a comparable sale. In appraisals of properties in which the business operation is essential to the use of the real property, the contributing value of the non-realty component must be analyzed. If the contributing value of the non-realty component cannot be separated from the value of the real property as a whole, the appraiser should make clear that the value indication using the sales comparison approach reflects both the contributing value of the real estate and the value of the business operation.

All of the sales sold with varying (but similar) amounts of FF&E. We were not able to separate the contributing value of these non-realty components; however, the FF&E in each sale is relatively minor as compared to the real property value.

The reader should note that the value indication via the sales comparison approach reflects both the contributing value of the real estate and the value of the business operation. The value of the business, which can include goodwill, is the most difficult to value. However, by deducting professional offsite management fees from cash flows, the business value is largely, if not entirely, removed. In the case of the comparables, the properties sold from owner operator to owner operator (fee simple); consequently, we do not believe that any additional allocation (or adjustment) is required for non-realty items other than FF&E.

### Summary of Adjustments

Based on our analysis, we have summarized adjustments to the sale comparables in the following adjustment grid. Following the summary grid, is a discussion of our analysis and of all relevant adjustments made for each improved data. These quantitative adjustments are based on our market research, best judgment, and experience in the appraisal of similar properties.

We included six sales in our analysis, as these sales were judged to be the most comparable in developing an indication of the market value of the subject property. An adjustment grid is presented on the next page followed by a discussion of each comparable leading to a conclusion of value by the Sales Comparison Approach. The subject property is in fair to average condition with some items of deferred maintenance. Thus, our analysis assumes a renovation and a curing of deferred maintenance. For the purpose of this analysis, the subject is assumed to be in average condition. Costs for stabilization, renovation and the cost to cure the deferred maintenance will be accounted at the end of this approach.

### COMPARABLE SALES ADJUSTMENT GRID

	Subject	Sale # 1	Sale # 2	Sale # 3	Sale # 4	Sale # 5	Sale # 6	
Date of Sale/Value	3/19/20	1/23/20	11/8/19	11/8/19	11/27/19	7/30/19	5/31/19	
Type of Motel	Independent Economy	Independent Economy	Independent Economy	Chain Economy	Independent Economy	Independent Economy	Independent Economy	
Property Name	VIP Inn & Suites Motel	Hotel	Stardust Motel	Motel 6	Best Budget Inn	Travel Plaza Inn	Crest Motel	
Address	7630 S. Atlantic Avenue	1730 Whitley Ave.	433 E. Foothill Blvd.	6909 Sepulveda Blvd.	420 S. Beach Blvd.	1116 S. Long Beach Blvd.	2650 W. Lincoln Ave.	
City	Cudahy	Hollywood	Pomona	Van Nuys	Anaheim	Compton	Anaheim	
OAR	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Net Rentable Area	19,417 sf	14,358 sf	2,648 sf	33,135 sf	28,404 sf	17,277 sf	5,947 sf	
Number of Rooms	50	63	21	75	45	40	15	
Unadjusted Sale Price	7/19/2012 \$3,636,000	\$7,500,000	\$2,000,000	\$8,400,000	\$4,450,000	\$4,500,000	\$1,500,000	
<b>Unadjusted Sale Price Per Room</b>	<b>\$72,720</b>	<b>\$119,048</b>	<b>\$95,238</b>	<b>\$112,000</b>	<b>\$98,889</b>	<b>\$112,500</b>	<b>\$100,000</b>	
<b>Transactional Adjustments</b>								
<b>Property Rights Conveyed</b>	<i>Fee Simple</i>	<i>Fee Simple</i>						
Adjustment	-	-	-	-	-	-	-	
<b>Financing Terms</b>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	<i>Typical</i>	
Adjustment	-	-	-	-	-	-	-	
<b>Conditions of Sale</b>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	
Adjustment	-	-	-	-	-	-	-	
<b>Expenditures after Sale</b>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	<i>None</i>	
Adjustment	-	-	-	-	-	-	-	
<b>Market Conditions Adjustments</b>								
<b>Elapsed Time from Date of Value</b>		<i>0.15 years</i>	<i>0.36 years</i>	<i>0.36 years</i>	<i>0.31 years</i>	<i>0.64 years</i>	<i>0.80 years</i>	
Market Trend Through	0.0% Per Yr	-	-	-	-	-	-	
<b>Analyzed Sale Price</b>		<b>\$119,048</b>	<b>\$95,238</b>	<b>\$112,000</b>	<b>\$98,889</b>	<b>\$112,500</b>	<b>\$100,000</b>	
<b>Property Adjustments</b>								
<b>Location</b>	7630 S. Atlantic Avenue Cudahy	1730 Whitley Ave. Hollywood	433 E. Foothill Blvd. Pomona	6909 Sepulveda Blvd. Van Nuys	420 S. Beach Blvd. Anaheim	1116 S. Long Beach Blvd. Compton	2650 W. Lincoln Ave. Anaheim	
Adjustment	-20.0%	-20.0%	5.0%	-10.0%	-	-3.0%	-	
<b>Number of Rooms</b>	50	63	21	75	45	40	15	
Adjustment	-	2.0%	-5.0%	4.0%	-	-1.0%	-6.0%	
<b>Age/Condition</b>	Year Built Effective Age Condition	1964 50 Years Average	1926, Renov. 2015 50 Years Average	1954 66 Years Average	1981 39 Years Average	1985 35 Years Average	1990 30 Years Average	1957 63 Years Average
Adjustment	-	-	5.0%	-3.0%	-5.0%	-6.0%	4.0%	
<b>Quality/ Appeal</b>	Average Class D - Wood Frame	Average+ Class D - Wood Frame	Average Class D - Wood Frame					
Investment Class	C	C	C	C	C	C	C	
Adjustment	-	-	-	-	-	-	-	
<b>Access/ Visibility</b>	Interior/Moderate/Major Traffic Street	Interior/Minor Traffic Street Average	Interior/Major Traffic Street Average	Interior/Major Traffic Street Average	Interior/Major Traffic Street Average	Interior/Moderate/Major Traffic Street Average	Corner/Moderate Traffic Street Average	
Adjustment	-	3.0%	-3.0%	-3.0%	-3.0%	-	-5.0%	
<b>FAR/Parking Ratio</b>	FAR Parking	65% 1.04 per room	300% 0.80 per room	55% 0.86 per room	119% 0.40 per room	87% 2.22 per room	60% 0.95 per room	80% 1.33 per room
Adjustment	-	1.0%	1.0%	3.0%	-2.0%	-	-1.0%	
<b>Amenities</b>	None	Interior Room Access	None	Chain Motel/Interior Room Access	None	None	None	
Adjustment	-	-3.0%	-	-5.0%	-	-	-	
Net Property Adjustment		-17.0%	3.0%	-14.0%	-10.0%	-10.0%	-8.0%	
<b>Adjusted Sale Price PSF of NRA</b>		<b>\$98,810</b>	<b>\$98,095</b>	<b>\$96,320</b>	<b>\$89,000</b>	<b>\$101,250</b>	<b>\$92,000</b>	

## Discussion and Analysis of Improved Sales

Each of the selected sales represents the sale of a fee simple interest in a property. Therefore, no property rights adjustments were warranted. Furthermore, standard financing or cash purchases have been utilized, therefore, warranting no financing adjustments. No sale condition adjustments were needed. An increase or decrease in the market value of real estate can be caused by changes over time in market conditions. Market conditions reflect changes in supply and demand, economic factors such as a recession, the inflation or deflation of currencies, tax laws, investor perceptions, etc. Southern California has been experiencing improvement in the economic environment. 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. Therefore, no market conditions (time) adjustments have been applied. The sales also exhibit some differences in physical characteristics such as location, number of rooms, age/condition, quality/appeal, access and visibility, FAR/parking, etc. Adjustments for these elements are based upon matched paired analysis where possible, discussions with market participants, as well as the experience and judgment of the appraiser. Each sale and significant adjustments made are discussed below.

### Improved Sale No.1

Improved data no. 1 pertains to the sale of a hotel property located east of the subject in the City of Hollywood with close access to the 101 Freeway. The building is a wood frame and stucco building and is slightly newer in effective age than the subject. The area is mainly a multifamily and single-family residence area with motels, offices and retail close-by. This comparable is located in a far superior market area surrounded by high income areas. The sale price for this property was \$7,500,000, which equates to \$119,048 per room. The buyer bought the property as an owner/operator, therefore, this was a fee simple sale. The property sold at an unknown cap rate. This comparable is far superior in location to the subject as the area has much higher income demographics and higher room rates and sales prices than those in the City of Cudahy. The property is larger in number of rooms, similar in effective age, inferior in parking, inferior in access/visibility, superior in interior room access off an interior hallway, however, similar in quality/appeal and most other amenities. This comparable is very similar to the subject as it is a limited service independent economy hotel. Overall, this comparable was considered superior to the subject. After adjustments, this sale provides an indication of value for the subject at **\$98,810** per room.

### Improved Sale No.2

Improved data no. 2 pertains to the sale of a motel property located just northeast of the subject in the City of Pomona with close access to the 10 Freeway. The building is a wood frame and stucco building and is older in effective age than the subject. The area is mainly a retail/office area surrounded by multifamily and single-family residences with some similar motels close by. This comparable is located in a slightly inferior market area which is further from the CBD of Los Angeles and freeway access is more limited than the subject. The sale price for this property was \$2,000,000, which equates to \$95,238 per room. The buyer bought the property as an owner/operator, therefore, this was a fee simple sale. The property is much smaller in number of rooms, older in effective age, inferior in parking, however, similar in quality/appeal, access/visibility, and most other amenities. This comparable is very similar to the subject as it is a limited service independent economy motel. Overall, this comparable was considered similar to the subject. After adjustments, this sale provides an indication of value for the subject at **\$98,095** per room.

### Improved Sale No.3

Improved data no. 3 pertains to the sale of a motel property located north of the subject in the City of Van Nuys with close access to the 405 Freeway and Van Nuys Airport. The building is a wood frame and stucco building and is newer in effective age than the subject. The area is mainly a retail/office area surrounded by multifamily and single-family residences with some similar motels close by. This comparable is located in a superior market area as it has higher demographics than the subject. This comparable is located within the San Fernando Valley along a major traffic street. The sale price for this property was \$8,400,000, which equates to \$112,000 per room. The buyer bought the property as an owner/operator, therefore, this was a fee simple sale. This comparable is in a superior location to the subject as the area has higher income demographics, room rates and sales prices than those in the City of Cudahy. The property is larger in number of rooms, newer in effective age, inferior in parking, superior in interior room access off an interior hallway, however, similar in quality/appeal, and most other amenities. This comparable is very similar to the subject as it is a limited service economy motel, however, it is a national chain motel (Motel 6), therefore, required a negative adjustment. Overall, this comparable was considered superior to the subject. After adjustments, this sale provides an indication of value for the subject at **\$96,320** per room.

### Improved Sale No.4

Improved data no. 4 pertains to the sale of a motel property located north of the subject in the City of Anaheim with fairly close access to the 5 Freeway. The building is a wood frame and stucco building and is newer in effective age than the subject. The area is mainly a retail/office area surrounded by multifamily and single-family residences with some similar motels close by. This comparable is located in the adjacent County of Orange in a similar market location. The sale price for this property was \$4,450,000, which equates to \$98,889 per room. The buyer bought the property as an owner/operator, therefore, this was a fee simple sale. The property is similar in number of rooms, newer in effective age, superior in parking, superior in access/visibility as it is off a very busy major traffic street, however, similar in quality/appeal, and most other amenities. This comparable is very similar to the subject as it is a limited service independent economy motel. Overall, this comparable was considered inferior to the subject. After adjustments, this sale provides an indication of value for the subject at **\$89,000** per room.

### Improved Sale No.5

Improved data no. 5 pertains to the sale of a motel property located east of the subject in the City of Compton with close access to the 710 Freeway. The building is a wood frame and stucco building and is newer in effective age than the subject. The area is mainly a retail/office area surrounded by multifamily and single-family residences with some similar motels close by. This comparable is located in a slightly superior market area as it has slightly higher demographics than the subject. The sale price for this property was \$4,500,000, which equates to \$112,500 per room. Adjustments to this sale are considered minor. The buyer bought the property as an owner/operator, therefore, this was a fee simple sale. The property is smaller in number of rooms, newer in effective age, however, similar in quality/appeal, access/visibility, parking, and most other amenities. This comparable is very similar to the subject as it is a limited service independent economy motel. Overall, this comparable was considered superior to the subject. After adjustments, this sale provides an indication of value for the subject at **\$101,250** per room.

### Improved Sale No.6

Improved data no. 6 pertains to the sale of a motel property located southeast of the subject in the City of Anaheim with close access to the 5 Freeway. The building is a wood frame and stucco

building and is older in effective age than the subject. The area is mainly a retail/office area surrounded by multifamily and single-family residences with some similar motels close by. This comparable is located in the adjacent County of Orange in a similar market area as even though it has slightly higher demographics, it is further from the CBD of Los Angeles and freeway access is more limited than the subject. The sale price for this property was \$1,500,000 which equates to \$100,000 per room. The buyer bought the property as an owner/operator, therefore, this was a fee simple sale. The property is much smaller in number of rooms, older in effective age, superior in parking, superior in access/visibility (corner location), however, similar in quality/appeal, and most other amenities. This comparable is very similar to the subject as it is a limited service independent economy motel. Overall, this comparable was considered similar to the subject. After adjustments, this sale provides an indication of value for the subject at **\$92,000** per room.

### Sales Comparison Approach Conclusion and Value Indication

From the market data available, six sales in competitive market areas were selected as most comparable to the subject. We have adjusted the comparable data based on pertinent elements of comparison, as described in the methodology, and summarized the adjustments in the preceding grid. Overall, the sales present adequate support for deriving a value.

#### Sale Comparable Statistics

Metric	Unadjusted	Adjusted
Minimum Sale Price per Room	\$95,238	\$89,000
Maximum Sale Price per Room	\$119,048	\$101,250
Median Sale Price per Room	\$106,000	\$97,208
Mean Sale Price per Room	\$106,279	\$95,912

All of the sales consisted of fee simple purchases. The market data available provided several sales within the immediate competitive market area within the County of Los Angeles, San Fernando Valley, and close by cities in the adjacent County of Orange. We adjusted the comparable sales based on pertinent elements of comparison as discussed earlier and summarized in the preceding adjustment grid. All of the sales occurred within ten months of the date of inspection. Only minor to moderate locational adjustments were necessary for most of the sales. Corner locations were given credit for improved building visibility and access. Number of room adjustments are typically based on the premise that smaller buildings/less rooms sell for more than larger buildings/more rooms due to economies of scale as it relates to purchase requirements and site improvements. The subject was bracketed in size by the comparables. The subject is similar to inferior in effective age, access/visibility, quality/appeal, and is a limited service independent economy motel compared to most of the comparables. Sale No. 1 is the most recent sale and was similar in quality/appeal, however, required the most amount of gross adjustments. Sale No. 2 is similar in quality/appeal and location and required the least amount of gross adjustments. Improved Sale No. 3 is the furthest in location and number of rooms and is a chain motel (Motel 6), however, is similar in quality/appeal and access/visibility. Sale 4 is the most similar in number of rooms, however, is much newer in effective age. Sale No. 5 is the closest in location and provides the high end of the range in per room values. Sale No. 6 is the oldest sale and the smallest in number of rooms, however, is similar in quality/appeal and most amenities.

The sales all required adjustments for various physical characteristics but most adjustments were minor to moderate in degree. Variations from property to property in the motel market are common. We believe these sales provide the best indication of current values for the subject.

In addition, lending further credence to our comparable sales and conclusions, the preponderance of recent sales data including five out of our six sales for similar small 15 to 75 room independent economy motels in the surrounding Los Angeles County and Orange County area ranged from \$90,000 to \$112,000 per room range. In comparison, small 15 to 75 room economy national or regional chain motels in the surrounding Los Angeles County and Orange County area ranged from approximately \$120,000 to \$150,000 per room range. This is due to the higher occupancy and higher room rates achieved by national or regional chain motels such as Motel 6, Howard Johnson, Days Inn, Travelodge, Econo Lodge, etc., due to brand name recognition and their ability to advertise both locally and nationally. Most small 15 to 75 room independent economy motels in the surrounding area do not do any marketing or advertising and most are not listed on any booking websites such as [www.Hotels.com](http://www.Hotels.com) or [www.Booking.com](http://www.Booking.com), whereas national or regional chain motels do bulk advertising and are also listed on various Hotel/Motel booking websites.

In conclusion, we have given equal weight to all comparables as no one sale stood out as better than the rest. Therefore, based on this analysis, we have established **\$96,500** per room for the "as is" value of the subject for the Sales Comparison Approach. This value is close to the average of the adjusted prices of the indicated sales.

### Cost to Stabilize Occupancy

The building is not operating at a stabilized occupancy. In order to estimate the "as stabilized" value of the property, a cost to stabilize analysis was performed in the Income Approach. This analysis concluded a cost of \$90,000, deducted from the "as stabilized" market value indication.

### Cost to Renovate

The property also requires some renovation in order to be ready for optimal renting/booking of rooms. The subject's management/operator originally owned the motel prior to 2012 when it was purchased by the City of Cudahy thru eminent domain and was then deeded to the Cudahy Community Development Commission of the City of Cudahy. The property has not been renovated since the purchase. The subject's management/operator would like to purchase the property back from the Cudahy Community Development Commission of the City of Cudahy and has done some preliminary planning, which would involve a major renovation for the entire subject property, which will include complete interior renovations of \$327,000 for new Furniture, Fixtures and Equipment (FF&E), and \$63,000 for equipment and installation of permanent upgrades to the property for a total of \$390,000, which are listed in the table in the Improvements section of this appraisal. The appraiser has provided an estimate based on Marshall & Swift Valuation Services Manual, commercial internet websites, Home Depot website, and the subject's management/operator estimate where items could not be found in cost manuals or on the internet, which will include complete interior renovations of \$350,000 for new Furniture, Fixtures and Equipment (FF&E), and approximately \$60,000 for equipment and installation of permanent upgrades to the property, for a total of **\$410,000**. This is explained in more detail in the Improvements section of the appraisal.

In order to estimate the "as is" value of the property, renovation costs of **\$410,000** were deducted from the "as completed" value.

## Deferred Maintenance

The property also requires some deferred maintenance items corrected in order to be ready for optimal renting/booking of rooms. In addition, to the renovations for FF&E above, the subject property also suffers from deferred maintenance, which has not been addressed by the current owner, Cudahy Community Development Commission of the City of Cudahy, since the purchase in 2012. These items according to the subject's management/operator could be completed during the same 6 month timeframe as the FF&E. The subject's management/operator has estimated the cost at \$80,000 for the deferred maintenance items, which include new concrete walls, exterior painting/stucco, signage, new trees and landscaping. The appraiser has provided an estimate based on Marshall & Swift Valuation Services, which are a total cost of **\$90,000**.

These deferred maintenance items along with the FF&E items are required in order to bring the subject property up to current market standards, which in turn would allow the subject property to charge current market rents and obtain current market occupancy levels. Deferred maintenance pictures are located in the addenda of this report.

This is explained in more detail in the Improvements section of the appraisal.

In order to estimate the "as is" value of the property, deferred maintenance costs of **\$90,000** were deducted from the "as completed" value.

## Market Value Indication

Based on this analysis, the Sales Comparison Approach value indication for the property is summarized as follows:

### VALUE INDICATION

Sales Comparison Approach	
Number of Rooms	50
Indicated Value Per Room	\$96,500
As Stabilized Value (Rd.)	<u>\$4,825,000</u>
Cost to Achieve Stabilized	(\$90,000)
As Completed Value (Rd.)	<u>\$4,735,000</u>
Deferred Maintenance	(\$90,000)
Renovation Costs	<u>(\$410,000)</u>
<b>As Is Value Indication (Rd.)</b>	<b>\$4,235,000</b>

# Income Capitalization Approach

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## Methodology

The income capitalization approach is performed by converting a projection of future income into a present value through a capitalization process. There are two types of capitalization: direct capitalization and yield capitalization, the later more commonly known as discounted cash flow (DCF) analysis.

Direct capitalization involves determining a stabilized forecast of income, and capitalizing the income into value using an overall market-derived capitalization rate. Direct capitalization assumes the income forecast and value change will be similar for the subject and OAR rate comparables analyzed. This methodology is most appropriate for properties that investors would view as having stabilized income, expense, and risk levels.

Discounted cash flow analysis is a forecast of the income stream a property may produce during its remaining useful life or during a specific holding period, and a value reversion (i.e., resale of the property) at the end of the holding period. Development of the cash flow forecast is predicated upon various assumptions about the property's future performance. The income stream and reversion are discounted to a present value at an appropriate discount, or yield rate. Discounted cash flow analysis allows the modeling of an income stream to reflect potential fluctuations during a holding period. Thus, it is of particular importance to investors, as it enables one to compare the financial return of the subject with alternative investments.

Income-producing properties, by nature, are developed and purchased for investment purposes, where earning power, including an income stream and return of investment, are the most critical elements affecting value. The forecast of income and selection of appropriate rate(s) are, therefore, important aspects of the valuation process. The steps in developing the Income Approach are as follows:

### Market Rent Analysis

An opinion of market rent is developed through an analysis of comparable rental transactions obtained through market surveys.

### Income Analysis

Existing subject leases (if any) are reviewed and compared to market rent. Market rent is applied to vacant space and upon lease rollover. Additional income sources, expense recoveries, and rent escalations are also considered. The sum of all incomes, or potential gross income (PGI), is determined.

### Vacancy Analysis

The subject's existing vacancy is compared to the market. The potential loss of gross income due to vacancy, turnover, collection loss, or other factors is considered. The application of vacancy and collection loss to potential gross income results in an effective gross income (EGI) for the subject property.

### Expense Analysis

Obligatory expenses are estimated based on the subject's history and/or comparable data and are deducted from the effective gross income to determine an estimate of net operating income (NOI). Expense inflation and other costs such as leasing commissions, tenant improvements, concessions, and replacement reserves are also considered, when appropriate.

### Rate Analysis

Capitalization of the net operating income and/or cash flow stream is completed through the estimation of direct (overall), terminal, and yield capitalization rates, pertaining to the analysis performed.

### Application of Methodology

Direct capitalization is most applicable to single-tenant and stabilized properties, and those with long-term leases and level income stream. Discounted cash flow analysis better recognizes changes in income patterns over an investment holding period and is most applicable to un-stabilized and multi-tenant properties, properties that have tenants with various lease structures, and/or properties with a high-level of anticipated lease turnover. Given the simplistic nature of the property in question, we employed direct capitalization to develop an indication of market value for the subject property.

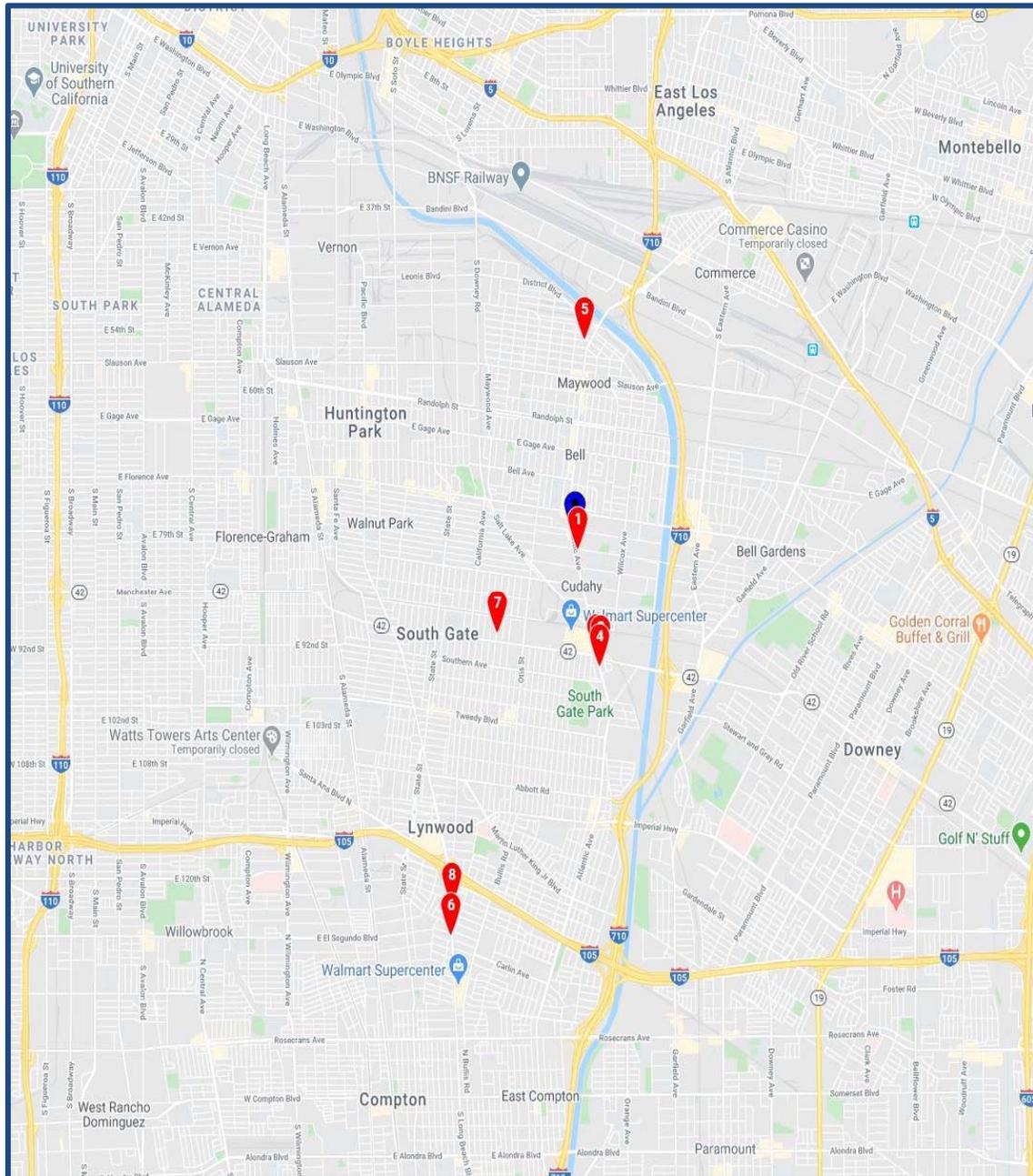
### Estimate of Market Rent

To develop an opinion of market rent, we surveyed representatives of comparable and competitive properties in the local market area, focusing on buildings with similar locations, size, and market appeal. We have included eight rent comparables that were used to derive an appropriate market rent for the subject property. The following table summarizes each of the rent comparables from our survey and is followed by a map displaying the location of each comparable in relation to the subject and pictures of each rent comparable, followed by a market rent analysis. The subject property is in fair to average condition with some items of deferred maintenance. Thus, our analysis assumes a renovation and a curing of deferred maintenance. For the purpose of this analysis, the subject is assumed to be in average condition. Costs for stabilization, renovation and the cost to cure the deferred maintenance will be accounted at the end of this approach.

**SUMMARY OF COMPARABLE RENTS**

No.	Location	Project Size Year Built Renovated Location	No. of Rooms Bed Type Condition Type of Motel	FAR Parking/Room Amenities	Stories Bldg. Type Elevator Pool	Average Rack Rate Average Occupancy RevPAR	Comments	Source
5	<b>VIP Inn &amp; Suites Motel</b> 7630 S. Atlantic Avenue Cudahy	19,417 SF 1964 Not Renovated Moderate Traffic Street	50 King & Queen Fair to Average Independent Economy	0.65 1.0 Cable T.V. Interior	2 WF&S No No	\$60.00 30% \$18.00	Has not been renovated in many years.	Rent Roll
1	<b>Cudahy Inn Motel</b> 7736 S. Atlantic Avenue Cudahy 0.1 Miles from Subject	27,016 SF 1946 Partially Renovated Moderate Traffic Street	38 King & Queen Average Independent Economy	1.15 1.9 - Interior	2 WF&S No No	\$75.00 45% \$33.75	Has been partially renovated in the last few years.	On-Site Manager (323) 560-1623
2	<b>Gateway Inn Motel/Rodeway Inn</b> 8911 S. Atlantic Avenue Southgate 1.5 Miles from Subject	19,042 SF 1946 Renovated Moderate Traffic Street	52 King & Queen Average+ Chain Economy	0.81 1.2 - Interior	2 WF&S No No	\$90.00 50% \$45.00	Recently renovated. Very close to busy intersection of Atlantic Ave. and Firestone Blvd. Advertises on sites like Booking .com, Hotels.com	On-Site Manager (323) 564-7701
3	<b>Grand Motel</b> 8944 S. Atlantic Avenue Southgate 1.5 Miles from Subject	3,733 SF 1946 Renovated Moderate Traffic Street	13 King & Queen Average Independent Economy	0.16 1.1 - Interior	1 WF&S No No	\$85.00 50% \$42.50	Recently renovated. Very close to busy intersection of Atlantic Ave. and Firestone Blvd.	On-Site Manager (323) 566-1584
4	<b>Lido Motel</b> 8989 S. Atlantic Avenue Southgate 2.0 Miles from Subject	5,145 SF 1941 Renovated Moderate Traffic Street	16 King & Queen Average Independent Economy	0.22 1.3 - Interior	1 WF&S No No	\$90.00 50% \$45.00	Recently renovated. Close to busy intersection of Atlantic Ave. and Firestone Blvd.	On-Site Manager (323) 564-7507
5	<b>Maywood Inn Motel</b> 5445 Atlantic Boulevard Maywood 2.0 Miles from Subject	13,806 SF 1989 Renovated Moderate Traffic Street	37 King & Queen Average Independent Economy	0.65 1.2 - Corner	3 WF&S Yes No	\$85.00 70% \$59.50	Recently renovated one year ago. Corner location. Includes pool and interior corridors. Advertises on sites like Booking .com, Hotels.com	On-Site Manager (323) 560-8554
6	<b>The Fly Inn</b> 12315 Long Beach Boulevard Lynwood 4.0 Miles from Subject	5,554 SF 1982 Not Renovated Moderate Traffic Street	21 King & Queen Fair to Average Independent Economy	0.33 1.1 - Interior	1 WF&S No No	\$69.00 40% \$27.60	Has not been renovated in many years.	On-Site Manager (323) 560-1623
7	<b>El Grande Motel</b> 3911 Firestone Boulevard South Gate 2.0 Miles from Subject	3,538 SF 1946 Partially Renovated Major Traffic Street	15 King & Queen Fair to Average Independent Economy	0.39 1.0 - Interior	1 WF&S No No	\$69.00 50% \$34.50	Recently partially renovated in the last few years. Off major busy street.	On-Site Manager (323) 567-1642
8	<b>Mission Motel</b> 11920 Long Beach Blvd. Lynwood 4.0 Miles from Subject	12,353 SF 1940 Not Renovated Major Traffic Street	41 King & Queen Fair to Average Independent Economy	0.37 1.0 - Interior	2 WF&S No No	\$65.00 40% \$26.00	Has not been renovated in many years.	On-Site Manager (310) 631-1802
<b>Surveyed RBA (excludes subject)</b>		<b>90,187 SF</b>	<b>31</b>			<b>Average Rack Rate</b>		<b>\$79.00</b>
<b>Average Size</b>		<b>11,273 SF</b>				<b>Average Occupancy</b>		<b>50%</b>
<b>Average Year Built</b>		<b>1955</b>				<b>Average RevPAR</b>		<b>\$40.00</b>

### RENT COMPARABLE LOCATION MAP



## Comparable Rentals

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### RENTAL #1

7736 S. Atlantic Avenue, Cudahy, CA



### RENTAL #2

8911 S. Atlantic Avenue, Southgate, CA



**RENTAL #3**

8944 S. Atlantic Avenue, Southgate, CA



**RENTAL #4**

8989 S. Atlantic Avenue, Southgate, CA



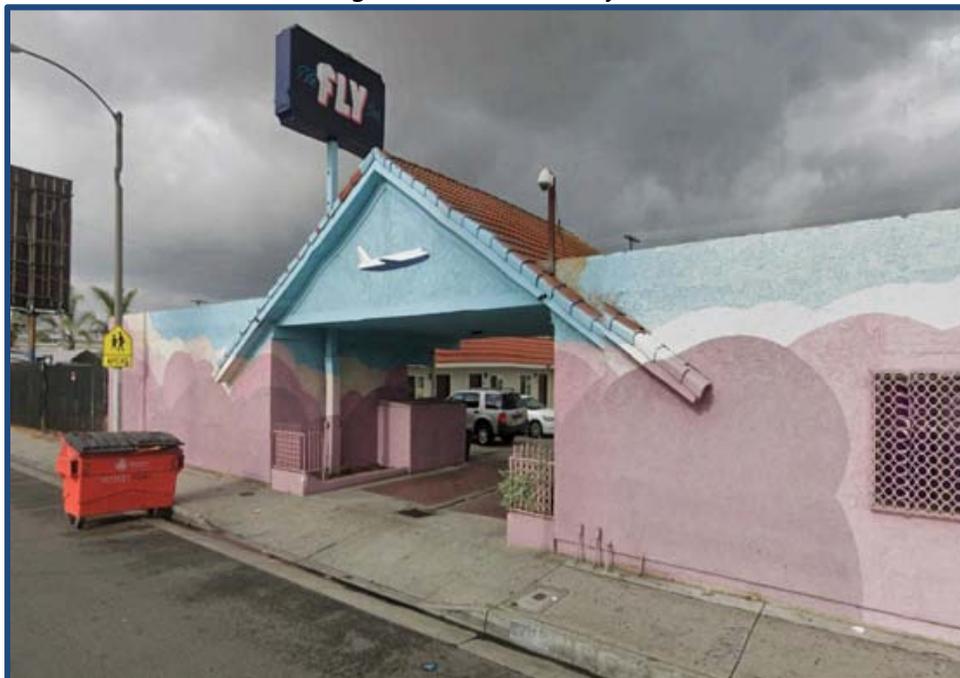
**RENTAL #5**

5445 Atlantic Boulevard, Maywood, CA



**RENTAL #6**

12315 Long Beach Boulevard, Lynwood, CA



**RENTAL #7**

3911 Firestone Boulevard , South Gate, CA



**RENTAL #8**

11920 Long Beach Blvd., Lynwood, CA



## Market Rent Discussion & Analysis

**Rental Data 1** is located just south of the subject fronting to a moderate traffic street in the City of Cudahy with close access to the 710 Freeway. The area is mainly an office/retail area surrounded by older single-family homes and apartments. This comparable is located in the same office/retail area as the subject on the same side of the street as the subject, which was mainly built in the 1940's to 1980's, however, there is very little vacant land in the area for future retail/motel development opportunities other than redevelopment of existing sites. According to the onsite manager, the average rack rate is approximately \$75.00 per room per night. According to the onsite manager, the occupancy varies between 40% to 50% depending upon the time of year and day of the week, however, the average occupancy is approximately 45%. This comparable's Revenue per Available Room (RevPAR) is \$33.75, which is slightly below the average in the rent survey. This comparable is a 38 room independent limited service economy motel, which is slightly smaller than the subject. This is a similar effective aged WF&S building as it has been partially renovated in the last few years and is slightly superior in condition, superior in parking, however, similar in location, access/visibility, types of rooms (king and two queen rooms), exterior room access, exterior stairway access to 2<sup>nd</sup> floor, doesn't advertise on any booking websites, and very similar in lack of amenities (no pool, meeting rooms, room service, etc.) like the subject. Overall, this comparable is considered superior to the subject property.

**Rental Data 2** is located south of the subject fronting to a moderate traffic street in the City of Southgate with close access to the 710 Freeway. The area is mainly an office/retail area surrounded by older single-family homes and apartments. This comparable is located in a similar office/retail area as the subject, which was mainly built in the 1940's to 1980's, however, there is very little vacant land in the area for future retail/motel development opportunities other than redevelopment of existing sites. According to the onsite manager, the average rack rate is approximately \$90.00 per room per night. According to the onsite manager, the occupancy varies between 40% to 60% depending upon the time of year and day of the week, however, the average occupancy is approximately 50%. This comparable's Revenue per Available Room (RevPAR) is \$45.00, which is slightly above the average in the rent survey. This comparable was a 52 room independent limited service economy motel called Gateway Inn Motel, however, in the last couple years it was bought out by Rodeway Inn Motel, which is a national chain limited service economy motel. This is a newer effective aged WF&S building as it has been completely renovated in the last two years and is superior in condition, superior in advertising capabilities, charges more for rooms, however, similar in location, parking, access/visibility, number of rooms, types of rooms (king and two queen rooms), exterior room access, exterior stairway access to 2<sup>nd</sup> floor, and very similar in lack of amenities (no pool, meeting rooms, room service, etc.) like the subject. Overall, this comparable is considered superior to the subject property.

**Rental Data 3** is located south of the subject fronting to a moderate traffic street in the City of Southgate with close access to the 710 Freeway. The area is mainly an office/retail area surrounded by older single-family homes and apartments. This comparable is located in a similar office/retail area as the subject, which was mainly built in the 1940's to 1980's, however, there is very little vacant land in the area for future retail/motel development opportunities other than redevelopment of existing sites. According to the onsite manager, the average rack rate is approximately \$85.00 per room per night. According to the onsite manager, the occupancy varies between 40% to 60% depending upon the time of year and day of the week, however, the average occupancy is approximately 50%. This comparable's Revenue per Available Room (RevPAR) is \$42.50, which is

slightly above the average in the rent survey. This comparable is a 13 room independent limited service economy motel very much like the subject. This is a newer effective aged WF&S building as it has been completely renovated in the last few years and is superior in condition, charges more for rooms, however, similar in location, parking, access/visibility, number of rooms, types of rooms (king and two queen rooms), exterior room access, doesn't advertise on any booking websites, and very similar in lack of amenities (no pool, meeting rooms, room service, etc.) like the subject. Overall, this comparable is considered superior to the subject property.

**Rental Data 4** is located south of the subject fronting to a moderate traffic street in the City of Southgate with close access to the 710 Freeway. The area is mainly an office/retail area surrounded by older single-family homes and apartments. This comparable is located in a similar office/retail area as the subject, which was mainly built in the 1940's to 1980's, however, there is very little vacant land in the area for future retail/motel development opportunities other than redevelopment of existing sites. According to the onsite manager, the average rack rate is approximately \$90.00 per room per night. According to the onsite manager, the occupancy varies between 40% to 60% depending upon the time of year and day of the week, however, the average occupancy is approximately 50%. This comparable's Revenue per Available Room (RevPAR) is \$45.00, which is slightly above the average in the rent survey. This comparable is a 16 room independent limited service economy motel very much like the subject. This is a newer effective aged WF&S building as it has been completely renovated in the last few years and is superior in condition, charges more for rooms, however, similar in location, parking, access/visibility, number of rooms, types of rooms (king and two queen rooms), exterior room access, doesn't advertise on any booking websites, and very similar in lack of amenities (no pool, meeting rooms, room service, etc.) like the subject. Overall, this comparable is considered superior to the subject property.

**Rental Data 5** is located north of the subject fronting to a moderate traffic street in the City of Maywood with close access to the 710 and 5 Freeways. The area is mainly an office/retail area surrounded by older single-family homes and apartments. This comparable is located in a similar office/retail area as the subject, which was mainly built in the 1940's to 1980's, however, there is very little vacant land in the area for future retail/motel development opportunities other than redevelopment of existing sites. According to the onsite manager, the average rack rate is approximately \$85.00 per room per night. According to the onsite manager, the occupancy varies between 60% to 80% depending upon the time of year and day of the week, however, the average occupancy is approximately 70%. This comparable's Revenue per Available Room (RevPAR) is \$59.50, which is above the average in the rent survey. This comparable is a 37 room independent limited service economy motel very much like the subject. This is a newer effective aged WF&S building as it has been completely renovated in the last year and is superior in condition, charges more for rooms, superior in location, superior in access/visibility (corner location), has access via interior corridors, smaller amount of rooms, advertises on booking websites, however, similar in parking, types of rooms (king and two queen rooms), and very similar in lack of amenities (no pool, meeting rooms, room service, etc.) like the subject. Overall, this comparable is considered superior to the subject property.

**Rental Data 6** is located south of the subject fronting to a moderate traffic street in the City of Lynwood with close access to the 710 and 105 Freeways. The area is mainly an office/retail area surrounded by older single-family homes and apartments. This comparable is located in a similar office/retail area as the subject, which was mainly built in the 1940's to 1980's, however, there is very

little vacant land in the area for future retail/motel development opportunities other than redevelopment of existing sites. According to the onsite manager, the average rack rate is approximately \$69.00 per room per night. According to the onsite manager, the occupancy varies between 30% to 50% depending upon the time of year and day of the week, however, the average occupancy is approximately 40%. This comparable's Revenue per Available Room (RevPAR) is \$27.60, which is below the average in the rent survey. This comparable is a 21 room independent limited service economy motel very much like the subject. This is a newer effective aged WF&S building and has not been renovated in the last few years, smaller in number of rooms, charges slightly more for rooms, however, similar in location, condition, parking, access/visibility, types of rooms (king and two queen rooms), exterior room access, doesn't advertise on any booking websites, and very similar in lack of amenities (no pool, meeting rooms, room service, etc.) like the subject. Overall, this comparable is considered similar to the subject property.

**Rental Data 7** is located south of the subject fronting to a major traffic street in the City of South Gate with close access to the 710 Freeway. The area is mainly an office/retail area surrounded by older single-family homes and apartments. This comparable is located in a similar office/retail area as the subject, which was mainly built in the 1940's to 1980's, however, there is very little vacant land in the area for future retail/motel development opportunities other than redevelopment of existing sites. According to the onsite manager, the average rack rate is approximately \$69.00 per room per night. According to the onsite manager, the occupancy varies between 40% to 60% depending upon the time of year and day of the week, however, the average occupancy is approximately 50%. This comparable's Revenue per Available Room (RevPAR) is \$34.50, which is below the average in the rent survey. This comparable is a 15 room independent limited service economy motel very much like the subject. This is a similar effective aged WF&S building and has been partially renovated in the last few years, smaller in number of rooms, charges slightly more for rooms, however, similar in location, condition, parking, access/visibility, types of rooms (king and two queen rooms), exterior room access, doesn't advertise on any booking websites, and very similar in lack of amenities (no pool, meeting rooms, room service, etc.) like the subject. Overall, this comparable is considered similar to the subject property.

**Rental Data 8** is located south of the subject fronting to a moderate traffic street in the City of Lynwood with close access to the 710 and 105 Freeways. The area is mainly an office/retail area surrounded by older single-family homes and apartments. This comparable is located in a similar office/retail area as the subject, which was mainly built in the 1940's to 1980's, however, there is very little vacant land in the area for future retail/motel development opportunities other than redevelopment of existing sites. According to the onsite manager, the average rack rate is approximately \$65.00 per room per night. According to the onsite manager, the occupancy varies between 30% to 50% depending upon the time of year and day of the week, however, the average occupancy is approximately 40%. This comparable's Revenue per Available Room (RevPAR) is \$26.00, which is below the average in the rent survey. This comparable is a 41 room independent limited service economy motel very much like the subject. This is an older effective aged WF&S building and has not been renovated in the last few years, smaller in number of rooms, charges slightly more for rooms, however, similar in location, condition, parking, access/visibility, types of rooms (king and two queen rooms), exterior room access, doesn't advertise on any booking websites, and very similar in lack of amenities (no pool, meeting rooms, room service, etc.) like the subject. Overall, this comparable is considered similar to the subject property.

## Conclusion of Market Average Daily Rate (ADR)

The subject is located on an interior lot within a conforming neighborhood of office and retail surrounded by residential buildings. The area immediately surrounding the subject along Atlantic Avenue is mostly small retail, medical office and office uses. The comparables are from the same or very similar neighborhoods and provide good support for estimating market Average Daily Rates (ADR) for the subject. The buildings are for the most part similar to superior in effective age as most have been partially or fully renovated in the last few years, and similar in most amenities.

All eight motels in our rental survey are within a 4 mile radius of the subject, all of which are very similar in that all are economy motels, all but one are independent motels except one was recently purchased by a low cost economy motel chain (Rodeway Inn). The motels bracket the subject in size and amount of rooms. The competitive motels were generally constructed in the 1940's to 1960's, with two in the 1980's, and they appear to be in fair to average condition. The motels have wood frame construction and access to the rooms is usually achieved through ground-level or exterior corridors and staircases. Only one motel in the survey had interior corridors and a pool. Most of the motels have no elevator and most are not in conformity with current zoning and ADA regulations. In addition, all of the motels in our recent survey provide few amenities like the subject other than Cable T.V., a small refrigerator, and a telephone. A typical motel room in the subject's market will have one or two beds consisting of doubles, queen beds, or king-size bed, nightstands, a desk and a chair, a bathroom, television with cable T.V., dresser, small refrigerator, and telephone.

In surveying the market, the appraiser found that most motels do not report average daily rates, however, our survey after speaking with the on-site managers showed an average rack rate ranging between \$65.00 - \$90.00, with an overall average of \$79.00 per room per day. In comparison, Price Waterhouse Coopers Real Estate Investor Survey Average Daily Rate (ADR) was \$63.41 for the 4<sup>th</sup> quarter 2019. This figure is slightly lower than our survey of the subject's immediate motel market area. The motels near the higher end of the range are typically in better condition, provide more amenities, or are in better locations. Rates at most of the motels are usually fixed and do not fluctuate on the weekends, however, if they do fluctuate, then weekends are usually \$10.00 more per day. In addition, two queen bed rooms rent for \$10.00 more per day than one king bed rooms. The room rates include all utilities including cable T.V.

Currently the subject is operating at a below average \$60.00 ADR compared to our recent rent survey as the subject property's rooms have not been renovated on the interior in many years and also suffers from deferred maintenance to the exterior of the buildings. In addition, many sites in the immediate area around the subject, which were purchased in 2012-2013 timeframe by the City of Cudahy thru eminent domain for redevelopment, have not been redeveloped and have fallen into disrepair. The most comparable motel in our survey is Comparable 1, Cudahy Inn Motel, which is located with a ¼ mile south of the subject on the same side of the street of Atlantic Avenue. This comparable has been only partially renovated over the last few years and is smaller in number of rooms. However, it is a similar limited service independent economy motel, which is very similar in location, access/visibility, types of rooms (king and two queen rooms), exterior room access, exterior stairway access to 2<sup>nd</sup> floor, doesn't advertise on any booking websites, and very similar in lack of amenities (no pool, meeting rooms, room service, etc.) like the subject. This comparable has a slightly below average \$75.00 average rack rate.

In conclusion, it is believed by both the appraiser and management/operator that the subject could achieve closer to the Average Daily Rates (ADR) in our survey if the subject property were upgraded to current market conditions and if the long-range plans for the motel were settled. Therefore, we have estimated an Average Daily Rate (ADR) for the subject property at **\$75.00** per one king bed rooms and **\$85.00** per two queen bed rooms, therefore, the Average Daily Rate (ADR) is **\$78.20**. This is very similar to the other City of Cudahy motel, Comparable 1: Cudahy Inn Motel, which has an average rack rate of \$75.00. This comparable has been only partially renovated over the last few years and is smaller in number of rooms, however, overall very similar to the subject. If the subject is completely renovated it should be able to charge slightly higher rates than Comparable 1. The Average Daily Rate (ADR) is \$78.20 for the subject, which is very close to the average rack rate in our rent survey of \$79.00. As a reminder, the current average daily room rate in the table below has decreased in the last few years due to the lack of renovation and current condition of the subject. The current room rate versus market room rate is shown in the following table.

#### CURRENT AVERAGE ROOM RATE VERSUS MARKET AVERAGE ROOM RATE

# of Rooms	Type of Room	Current Average Daily Room Rate	Current Monthly # of Days	Current Monthly Rent	Market Average Daily Room Rate	Market Monthly Rent
34	One King Bed	\$55.00	30.42	\$56,879	\$75.00	\$77,563
16	Two Queen Beds	\$65.00	30.42	\$31,633	\$85.00	\$41,367
<b>50</b>		<b>\$58.20</b>	<b>30.42</b>	<b>\$88,513</b>	<b>\$78.20</b>	<b>\$118,929</b>

### Occupancy

Our recent survey of the local motel market close by to the subject revealed occupancy rates ranging from 40% to 70% and an overall average of 50%. In comparison, Price Waterhouse Coopers Real Estate Investor Survey average occupancy for Economy Lodging was 59.1%, which is slightly higher than our recent rent survey. Building occupancies vary slightly based on building location, amenities provided, condition and overall value to the customer.

For the last three years, the subject is operating at a below average 25% to 30% occupancy based on a \$60.00 average daily rate compared to our recent rent survey as the subject property's rooms have not been renovated on the interior in many years and also suffers from deferred maintenance to the exterior of the buildings. In addition, many sites in the immediate area around the subject, which were purchased in 2012-2013 timeframe by the City of Cudahy thru eminent domain for redevelopment, have not been redeveloped and have fallen into disrepair. The most comparable motel in our survey is Comparable 1, Cudahy Inn Motel, which is located with a ¼ mile south of the subject on the same side of the street of Atlantic Avenue. This comparable has been only partially renovated over the last few years and is smaller in number of rooms. However, it is a similar limited service independent economy motel, which is very similar in location, access/visibility, types of rooms (king and two queen rooms), exterior room access, exterior stairway access to 2<sup>nd</sup> floor, doesn't advertise on any booking websites, and very similar in lack of amenities (no pool, meeting rooms, room service, etc.) like the subject. This comparable has a slightly below average 45% average occupancy.

In conclusion, it is believed by both the appraiser and management/operator that the subject could achieve closer to the average occupancy in our survey if the subject property were upgraded to

current market conditions and if the long-range plans for the motel were settled. Therefore, we have estimated an average occupancy for the subject property at **45%**. The 45% occupancy, which equates to a 55% vacancy rate, will be applied in the direct capitalization analysis.

### Room Revenue Per Available Room (RevPAR)

The primary components of room revenue are occupancy rate and average room rate. There is very little additional or "other" income. Therefore, RevPAR comprises room revenue adjusted for occupancy. Our recent survey of the local motel market close by to the subject revealed a Revenue per Available Room (RevPAR) of between \$26.00 to \$59.50 with an average of \$40.00. In comparison, Price Waterhouse Coopers Real Estate Investor Survey average RevPAR for Economy Lodging was \$37.47 for the 4<sup>th</sup> quarter 2019, which compares favorably to our rent survey average of \$40.00. RevPar is a metric used in the hospitality industry to measure a motel's performance. The measurement is calculated by multiplying a motel's Average Daily Room Rate (ADR) by its occupancy. For the subject property, the current room rate of \$60.00 multiplied by the current 30% occupancy rate reveals a way below average \$18.00 RevPar. This is well below the lowest RevPAR in our recent rent survey. Therefore, the subject property is performing well below its immediate motel market for limited service independent economy motels.

For the last three years, the subject is operating at a well below average \$18.00 RevPar based on a \$60.00 average daily rate and 25% to 30% occupancy compared to our recent rent survey as the subject property's rooms have not been renovated on the interior in many years and also suffers from deferred maintenance to the exterior of the buildings. In addition, many sites in the immediate area around the subject, which were purchased in 2012-2013 timeframe by the City of Cudahy thru eminent domain for redevelopment, have not been redeveloped and have fallen into disrepair. The most comparable motel in our survey is Comparable 1, Cudahy Inn Motel, which is located with a ¼ mile south of the subject on the same side of the street of Atlantic Avenue. This comparable has been only partially renovated over the last few years and is smaller in number of rooms. However, it is a similar independent limited service economy motel, which is very similar in location, access/visibility, types of rooms (king and two queen rooms), exterior room access, exterior stairway access to 2<sup>nd</sup> floor, doesn't advertise on any booking websites, and very similar in lack of amenities (no pool, meeting rooms, room service, etc.) like the subject. This comparable has a slightly below average \$33.75 RevPAR.

In conclusion, it is believed by both the appraiser and management/operator that the subject could achieve closer to the average RevPAR in our survey if the subject property were upgraded to current market conditions and if the long-range plans for the motel were settled. Therefore, based on our estimated \$75.00 ADR and 45% occupancy for the subject property a RevPAR of **\$41.25** appears to be very reasonable, which can be seen in the direct capitalization analysis.

## Income Analysis

The income analysis encompasses a review of the existing subject leases (if any) and comparison to market rent levels as established in the preceding analysis, as well as additional income sources, expense recoveries, and rent escalations. The sum of income sources concludes the potential gross income. Individualized income sources are discussed as follows:

### Analysis of Existing Room Rates

The subject rents two queen bed rooms at \$55.00 per room per day and one king bed rooms at \$65.00 per room per day. The subject has 34 king bed rooms and 16 two queen rooms with 10 of the rooms having a small kitchenette. According to management, the current average room rate is \$60.00 per room per day. The subject current average room rate versus market average room rate is presented in the prior table.

### Market/Contract Rental Rate Analysis

The subject property is currently charging a well below average \$60.00 per room per day and is only 25% to 30% occupied on average the last 3 years. Since the subject has not been renovated in many years and is not able to charge market rents, we have utilized market data.

### Potential Gross Rental Income

Potential gross rental income is the maximum amount of income a building can expect to receive (i.e. income at 100% occupancy), given a particular rental rate. Potential rental income during the first year of the analysis is forecast at \$1,427,150 based on market rent.

### Miscellaneous Income

Other Income covers all income generated by the operation of the real property that is not derived directly from room rental. For typical motel facilities, this includes the income from vending machines, food and beverage operations, soft-drink dispensers, newspapers, guest laundry machines, etc. Other Income is also directly related to room revenue and occupancy levels. The subject does not generate any other income.

## Stabilized Vacancy & Collection Loss

In this section, the subject's existing vacancy is compared to market, and a stabilized vacancy for the typical operation of the property is determined. This percent value is deducted from the potential gross income to determine an effective gross income (EGI).

Our recent survey of the local motel market close by to the subject revealed occupancy rates between 40% to 70% and an overall average of 50%. In comparison, Price Waterhouse Coopers Real Estate Investor Survey average occupancy for Economy Lodging was 59.1%, which is slightly higher than our recent rent survey. Building occupancies vary slightly based on building location, amenities provided, condition and overall value to the customer.

For the last three years, the subject is operating at a below average 25% to 30% occupancy based on a \$60.00 average daily rate compared to our recent rent survey as the subject property's rooms have not been renovated on the interior in many years and also suffers from deferred maintenance to the exterior of the buildings. Based on the building location, occupancies in the immediate area,

amenities provided, condition and overall value to the customer, we have estimated a vacancy loss factor for the subject of 55.0% or 45% occupancy, which is slightly below the average in our rent survey. It is noted that this occupancy is based on a renovation of the project as discussed in this report and does not consider the shutdown due to Covid-19, which primarily occurred after our date of value.

### Effective Gross Income (EGI)

Effective gross income consists of the income from all operations of the real property after an allowance for vacancy has been applied. The revenue, stabilized vacancy estimates discussed in the prior sections indicate a stabilized effective gross income of \$642,218 for the subject property. Historical income and projected effective gross income are in the following table.

#### HISTORICAL AND PROJECTED INCOME

Category	2017	Per/Room	2018	Per/Room	2019	Per/Room	Appraiser		
							Projection	Per/Room	PSF
Rental Income	\$287,258	\$5,745	\$283,888	\$5,678	\$297,432	\$5,949	\$418,838	\$8,377	\$21.57
Misc. Income	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0.00
<b>Effective Gross Income</b>	<b>\$287,258</b>	<b>\$5,745</b>	<b>\$283,888</b>	<b>\$5,678</b>	<b>\$297,432</b>	<b>\$5,949</b>	<b>\$642,218</b>	<b>\$12,844</b>	<b>\$33.08</b>

### Expense Analysis

Operating expenses are deductions from effective gross income that are necessary to maintain the most prudent operation of the property. To estimate stabilized operating expenses, or projected future expenses, we reviewed the subject's historical and market expenses. The following table provides a direct comparison of the estimated total subject expenses to the subject's operating history.

#### HISTORICAL & PROJECTED OPERATING EXPENSES

Category	2017	Per/Room	2018	Per/Room	2019	Per/Room	Appraiser		
							Projection	Per/Room	PSF
<b>Fixed Expenses</b>									
Taxes	\$258	\$5	\$258	\$5	\$258	\$5	\$58,634	\$1,173	\$3.02
Insurance	\$3,722	\$74	\$4,163	\$83	\$4,414	\$88	\$4,400	\$88	\$0.23
<b>Variable Expenses</b>									
Utilities	\$35,605	\$712	\$39,349	\$787	\$41,584	\$832	\$43,750	\$875	\$2.25
Trash Removal	\$2,387	\$48	\$2,827	\$57	\$2,686	\$54	\$3,000	\$60	\$0.15
Supplies/Room Expense	\$22,035	\$441	\$24,707	\$494	\$27,088	\$542	\$28,750	\$575	\$1.48
Administrative & General	\$47,339	\$947	\$48,247	\$965	\$48,601	\$972	\$48,000	\$960	\$2.47
Repairs & Maintenance	\$5,582	\$112	\$8,497	\$170	\$11,427	\$229	\$8,500	\$170	\$0.44
Management Fee	\$24,900	\$498	\$25,200	\$504	\$27,875	\$558	\$19,267	\$385	\$0.99
Occupancy Transient Tax	\$19,995	\$400	\$23,036	\$461	\$22,278	\$446	\$51,377	\$1,028	\$2.65
Marketing	\$0	\$0	\$0	\$0	\$0	\$0	\$6,422	\$128	\$0.33
Miscellaneous	\$1,300	\$26	\$1,011	\$20	\$1,251	\$25	\$1,250	\$25	\$0.06
Reserves	\$0	\$0	\$0	\$0	\$0	\$0	\$19,267	\$385	\$0.99
<b>Totals Operating Expenses</b>	<b>\$163,123</b>	<b>\$3,262</b>	<b>\$177,295</b>	<b>\$3,546</b>	<b>\$187,462</b>	<b>\$3,749</b>	<b>\$292,616</b>	<b>\$5,852</b>	<b>\$15.07</b>
<b>Net Operating Income</b>	<b>\$124,135</b>	<b>\$2,483</b>	<b>\$106,593</b>	<b>\$2,132</b>	<b>\$109,970</b>	<b>\$2,199</b>	<b>\$349,601</b>	<b>\$6,992</b>	<b>\$18.00</b>

### Real Estate Taxes

This category includes all state, county, city, and local property assessments for real property. This is provided in some detail within the Assessment Data & Taxes section of the report. Real estate taxes have been estimated by an iteration process that multiplies the indicated value of the property per the Income Approach by the tax rate 0.012071. Direct assessments of \$7,513 have been added to the taxes and remain unchanged. Overall, this expense represents what an investor would expect to pay if they were to purchase the subject property. The property is owned by the City of Cudahy,

therefore, since its purchase of the subject property in 2012 no taxes have been assessed. The taxes for the purpose of this appraisal are based on the historical tax rate and direct assessments, which were assessed prior to the 2012 purchase.

#### Insurance

This expense category is estimated at \$4,400, which equates to \$0.23 per square foot. The insurance expense includes property, casualty, and liability insurance for the subject property. This projection was based on historical data and is within market parameters.

#### Utilities

This expense category is estimated at \$875 per room or \$2.25 per square foot. This category includes electric, gas, water and sewer. This expense has been fairly consistent the last few years. Thus, this projection was based on historical subject property data, however, has been increased slightly for our projection in order to account for the increased utility usage required for the increase from the historical occupancy of 30% to the projected occupancy of 45%.

#### Trash Removal

This expense category is estimated at \$60 per room or \$0.15 per square foot. This expense can vary widely depending upon the number of pick-ups per week, the number of guests at the project, and local municipality costs. This expense has been fairly consistent the last few years. We based this projection on historical data, however, has been increased slightly for our projection in order to account for the increased trash removal costs required for the increase from the historical occupancy of 30% to the projected occupancy of 45%. Historical expenses were found to be within market parameters.

#### Supplies/Room Expense

This expense category is estimated at \$575 per room. This category includes supplies, laundry services, and room related expenses, and is highly dependent upon the number of guests at the project and the services provided. This expense has been fairly consistent the last few years, however, increased in 2019. This projection was based on historical data, however, has been increased slightly for our projection in order to account for the increased supplies/room expenses required for the increase from the historical occupancy of 30% to the projected occupancy of 45%.

#### Administrative & General

This expense category is estimated at \$960 per room. This category includes the salaries, payroll taxes, and worker's compensation insurance for general and administrative staff. This expense has been fairly consistent the last few years and does not vary based on occupancy rates. This projection was based on historical data.

#### Repairs & Maintenance

This expense category is estimated at \$170 per room or \$0.44 per square foot. The repair and maintenance of items such as electrical, HVAC, plumbing, parking lot and the interior and exterior of the building are included in this category. Also included is cleaning for the make-ready of vacant units for occupancy by new tenants. In-house payroll for operating engineers and maintenance personnel, contracted services, and supplies are also included. This expense may vary due to major improvements or unit rehabilitation that may not occur on an annual basis. It is assumed in this projection that maintenance will not be deferred and that reserves (discussed below) will cover

necessary capital improvements. This expense has been inconsistent the last few years and has been higher in 2019 due to some capital expenses. This projection was based on historical data.

#### Management Fee

Discussions with local property managers and owners indicate that these fees generally range from 3% to 5% of collected income for limited service independent economy motels. The management fee expense category covers fees paid to a motel facility management company for operating duties. Currently, the subject is self-managed, however, has an onsite manager. The subject property has a below average amount of rooms and has therefore been charged the market standard of 3.0% of collected income.

#### Transient Occupancy Tax

This expense category is estimated at \$1,028 per room. The Transient Occupancy Tax (TOT) is a tax of 8.0% of the rent charged to transient guests in hotels/motels located in the City of Cudahy. The TOT is commonly known as a "bed tax". This projection was based on historical and market data.

#### Marketing

This expense category is estimated at \$128 per room. This category includes the salaries, payroll taxes, worker's compensation insurance for marketing staff and direct costs for direct mail, yellow pages, and internet advertising fees. Typically, this category ranges from 1.0% to 5.0% of room revenue for smaller limited-service facilities. The subject currently does no advertising as do most of the comparables in the rent survey, which is another reason the occupancy is so low. However, if the subject is to increase the room rates and occupancy it is reasonable to expect at least a minimum of marketing expenses, therefore, we have projected this category at \$128 per room or 1.0% of room revenue. This projection was based on market data.

#### Miscellaneous

This expense category is estimated at \$25 per room. This category relates to legal, credit fees, accounting, telephone, office supplies, postage, and licenses expenses directly related to the operation of the property. This expense has been consistent the last few years. Thus, this projection was based on historical data.

#### Reserves

The reserve for replacement category is a hidden expense of ownership which is not typically on an expense statement. However, reserve funds should be set aside each year for the ultimate replacement of short-lived items such as the roof, wall mounted air condition units, parking lot pavement, etc. The reason for the account is that these items generally have shorter economic lives than the main structure itself. The subject's income/expense statements do not reflect historical replacement reserve figures. Replacement reserves for similar small motel facilities range from 1% to 3% of the total revenue. Considering the fair to average condition of the FF&E and other short-lived components of the improvements, we estimate reserves for replacement at the upper end of the range, say 3.0% of total revenue, which translates to \$385 per room or \$0.99 per square foot. This is typically deducted as a line-item operating expense to offset unexpected capital expenditures that would typically be included as a repairs and maintenance expense. This projection is within market parameters.

Note: The subject has the added expense of a lease between the management/ operator and the City of Cudahy at \$54,000 per year, which the lease has expired and is now on a month to month basis, however, if the subject property is sold to a third party, the lease expense would be eliminated, therefore, this added expense has been ignored for the purpose of this appraisal.

### Stabilized Net Operating Income (NOI)

Net operating income consists of the income that remains after all operating expenses are deducted from effective gross income, but before mortgage debt service and other non-periodic leasing and capital expenditures. The revenue, stabilized vacancy loss, and operating expense estimates discussed in the prior sections indicate a stabilized net operating income of \$349,601 for the subject property.

### Direct Capitalization Analysis

The income capitalization approach to value is based on the premise that a direct relationship exists between the value of a property and the amount of income it is capable of generating. Direct capitalization is the process of converting a stabilized income stream into an estimate of value, where the value estimate is obtained by dividing net operating income (NOI), before debt service, by an overall capitalization rate (OAR). Conversely, an OAR rate can be calculated with the net operating income divided by value or sale price.

### Overall Capitalization Rate (OAR)

The three most common methods to estimate an appropriate overall capitalization rate for the subject are: market comparable sales, investor surveys, and the band of investment technique. For this appraisal we used the comparable sales technique.

### Market Comparable Sales

Overall capitalization rates can be derived through market transactions. Rates were analyzed for 10 OAR comparables that consist of motel properties located in the Los Angeles County market with one in the adjacent County of Orange. Overall capitalization rates for comparable sales are presented in the following table:

**SUMMARY OF OVERALL CAPITALIZATION RATES (OAR)**

Comp. No.	Street Address	City	Building Size	# of Rooms	Year Built	Sale Date	Sale Price	Price Per Room	OAR
1	12340 Lakewood Blvd.	Downey	15,464	50	1960, Renov. 2017	12/12/19	\$7,550,000	\$151,000	8.00%
2	1646-1652 Cabrillo Ave.	Torrance	16,588	47	1920	11/27/19	\$3,700,000	\$78,723	8.43%
3	220 S. Alvarado St.	Los Angeles	19,317	45	1955	10/25/19	\$8,250,000	\$183,333	6.00%
4	1218 Magnolia Ave.	Los Angeles	3,572	12	1905, Renov. 2018	10/8/19	\$935,000	\$77,917	5.80%
5	1819 S. El Camino Real	San Clemente	12,000	19	1990	5/9/19	\$3,525,000	\$185,526	7.80%
6	12600 Riverside Dr.	Valley Village	27,847	58	1957	11/29/18	\$10,450,000	\$180,172	6.78%
7	1253 N. New Hampshire Ave.	Los Angeles	4,212	12	1920	11/19/18	\$1,623,000	\$135,250	5.87%
8	3201 E. Pacific Coast Hwy.	Signal Hill	28,576	74	1986, Renov. 2015	11/1/18	\$10,410,391	\$140,681	7.80%
9	819-823 Flint Ave.	Wilmington	7,386	27	1924	9/20/18	\$1,725,000	\$63,889	6.27%
10	10740 Santa Monica Blvd.	Los Angeles	21,014	56	1956	8/9/18	\$17,000,000	\$303,571	5.00%
<b>Average</b>			<b>15,598</b>	<b>40</b>	<b>1947</b>		<b>Range - High</b>	<b>\$303,571</b>	<b>8.43%</b>
							<b>Range - Low</b>	<b>\$63,889</b>	<b>5.00%</b>
							<b>Average</b>	<b>\$150,006</b>	<b>6.78%</b>
							<b>Median</b>	<b>\$145,840</b>	<b>6.53%</b>
							<b>Std Deviation</b>	<b>\$66,981</b>	<b>1.10%</b>

The stabilized going-in rates of the 10 OAR comparables range from 5.00% to 8.43% with a mean of 6.78% and a median of 6.53%. The lower end of these ranges is generally reflective of properties with strong locations, superior quality, younger age, good credit tenants, stabilized occupancy and good potential for appreciation. The upper end of the ranges is generally reflective of projects with substantial vacancies, older age, inferior locations, and/or deferred maintenance.

Capitalization rates have been trending lower due to strengthening economic conditions and lower risk assessments from investors. The subject property is well-located off a moderate to major traffic street and is within a conforming area of office and retail development within the lower-class City of Cudahy. Vacancy rates have been decreasing over the last few years and room rates are on the increase. Furthermore, there is minimal new construction in the market for this property type. After analyzing the differences in the OAR comparables, and the Class C investment grade of the subject property, the subject property is newer in age and similar in size to the average in the survey, and all of the surveyed motels are similar limited service independent economy motels in anywhere from fair to average condition, however, this is more than offset by the subject property's below average vacancy, below average room rates, and fair to average condition with some deferred maintenance, therefore, we consider an overall capitalization rate above the mid-point of the range say, 7.25%, to be appropriate.

### Cost to Achieve a Stabilized Income Stream

According to the subject's management/operator, the renovation would be done in phases of 10 -15 rooms at a time where possible and would probably take approximately 6 months. According to the subject's management/operator, this would also create a loss of approximately 50% of the normal motel income during this timeframe, which will be accounted for as a cost to stabilize the subject property's income stream. As previously stated, the subject for the last three years has been averaging a below market average 30% occupancy, however, after the renovations and deferred maintenance items are completed and the long term plans for the motel are decided, we believe the subject property would be more in line with the market average or a projection of 45% occupancy. The cost to stabilize is based on the total number of rooms of 50 multiplied by the current occupancy of 30%, multiplied by 50% of the rooms impacted, multiplied by the current room rate of \$65.00, multiplied by the 6 months renovation timeframe, which equals approximately **\$90,000** for a cost to stabilize the income stream during the renovation period.

This results in a total cost to achieve stabilized occupancy of **\$90,000**. This amount has been deducted from each approach in order to arrive at an "as completed" value indication for the subject property. This analysis is presented below and on the next page is a summary of the Direct Capitalization analysis to follow.

#### COST TO STABILIZE

Total Rooms	Current Occupancy	Rooms Impacted	Current Room Rate	Monthly Income Loss	Renovation Timeframe	TOTAL Income Loss
50	30%	50%	\$65.00	\$14,625	6 mos Rd.	\$87,750 <b>\$90,000</b>

## Cost to Renovate

The property also requires some renovation in order to be ready for optimal renting/booking of rooms. The subject's management/operator originally owned the motel prior to 2012 when it was purchased by the City of Cudahy thru eminent domain and was then deeded to the Cudahy Community Development Commission of the City of Cudahy. The property has not been renovated since the purchase. The subject's management/operator would like to purchase the property back from the Cudahy Community Development Commission of the City of Cudahy and has done some preliminary planning, which would involve a major renovation for the entire subject property, which will include complete interior renovations of \$327,000 for new Furniture, Fixtures and Equipment (FF&E), and \$63,000 for equipment and installation of permanent upgrades to the property for a total of \$390,000, which are listed in the table in the Improvements section of this appraisal. The appraiser has provided an estimate based on Marshall & Swift Valuation Services Manual, commercial internet websites, Home Depot website, and the subject's management/operator estimate where items could not be found in cost manuals or on the internet, which will include complete interior renovations of \$350,000 for new Furniture, Fixtures and Equipment (FF&E), and approximately \$60,000 for equipment and installation of permanent upgrades to the property, for a total of **\$410,000**. This is explained in more detail in the Improvements section of the appraisal.

In order to estimate the "as is" value of the property, renovation costs of **\$410,000** were deducted from the "as completed" value. This amount has been deducted from each approach in order to arrive at an "as is" value indication for the subject property.

## Deferred Maintenance

The property also requires some deferred maintenance items corrected in order to be ready for optimal renting/booking of rooms. In addition, to the renovations for FF&E above, the subject property also suffers from deferred maintenance, which has not been addressed by the current owner, Cudahy Community Development Commission of the City of Cudahy, since the purchase in 2012. These items according to the subject's management/operator could be completed during the same 6 month timeframe as the FF&E. The subject's management/operator has estimated the cost at \$80,000 for the deferred maintenance items, which include new concrete walls, exterior painting/stucco, signage, new trees and landscaping. The appraiser has provided an estimate based on Marshall & Swift Valuation Services, which are a total cost of **\$90,000**.

These deferred maintenance items along with the FF&E items are required in order to bring the subject property up to current market standards, which in turn would allow the subject property to charge current market rents and obtain current market occupancy levels. Deferred maintenance pictures are located in the addenda of this report.

This is explained in more detail in the Improvements Description section of this report.

In order to estimate the "as is" value of the property, deferred maintenance costs of **\$90,000** were deducted from the "as completed" value. This amount has been deducted from each approach in order to arrive at an "as is" value indication for the subject property.

The cost to achieve stabilized occupancy of **\$90,000**, the renovation costs of **\$410,000**, and the deferred maintenance of **\$90,000**, are presented on the next page within the summary of the Direct Capitalization analysis.

## Direct Capitalization Conclusions

Based on the forecast of net operating income and the selected direct capitalization rate, the direct capitalization analysis concluded an “as stabilized” market value of \$4,820,000, an “as completed” market value of \$4,730,000, and an “as is” market value indication of \$4,230,000, presented in the Income Pro Forma table below.

Direct Capitalization Method				Market
Income Pro Forma				Income
Monthly Rental Income - One King Bed	34 Rooms x	\$75.00/Room x	30.42 Days	\$77,563
Monthly Rental Income - Two Queen Beds	16 Rooms x	\$85.00/Room x	30.42 Days	\$41,367
Miscellaneous Income				\$0
<b>Potential Gross Monthly Income</b>	50 Rooms x	\$78.20/Room x	30.42 Days	<b>\$118,929</b>
Potential Gross Annual Income				\$1,427,150
Rent Concessions				\$0
Vacancy & Collection Loss		55.0%		(\$784,933)
<b>Effective Gross Income</b>				<b>\$642,218</b>
Operating Expenses		Per/Room	Per Yr	
<b>Fixed Expenses</b>	Rate			
General Taxes	0.012071	\$1,021	\$51,121	
Direct Assessments	PSF	\$150	\$7,513	
Insurance	\$0.23	\$88	\$4,400	
<b>Variable Expenses</b>				
Utilities	\$2.25	\$875	\$43,750	
Trash Removal		\$60	\$3,000	
Supplies/Room Expense		\$575	\$28,750	
Administrative & General		\$960	\$48,000	
Repairs & Maintenance		\$170	\$8,500	
Management Fee		3.0%	\$19,267	
Occupancy Transient Tax		\$1,028	\$51,377	
Marketing		1.0%	\$6,422	
Miscellaneous		\$25	\$1,250	
Reserves		3.0%	\$19,267	
Total Operating Expenses	45.6%	\$5,851	\$292,616	(\$292,616)
Net Operating Income				\$349,601
Overall Capitalization Rate				/ 7.25%
As Stabilized Value Indication			Rounded	<b>\$4,820,000</b>
Cost to Achieve Stabilized Occupancy				(\$90,000)
As Completed Value Indication				<b>\$4,730,000</b>
Renovation Costs				(\$410,000)
Deferred Maintenance				(\$90,000)
<b>As Is Value Indication</b>			<b>Rounded</b>	<b>\$4,230,000</b>
			<b>Per Room</b>	<b>\$84,600</b>
			<b>RevPAR</b>	<b>\$43.01</b>

# 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 and Income Approach were applicable. The indicated values from the approaches used and our concluded market values for the subject property are summarized in the following table.

### VALUE INDICATIONS

Approach	Value Indication
Cost Approach	N/A
Sales Comparison	<b>\$4,235,000</b>
Income Approach	<b>\$4,230,000</b>

Both approaches arrived at similar value indications. Since limited service independent economy motel properties like the subject are often owner/occupants, which are managed by unsophisticated motel operators, which tend to not keep accurate accounting of income and expenses or occupancies, the appraiser has placed secondary emphasis on the Income Approach. Local brokers indicated that purchasers of limited service independent economy motels typically make their purchasing decisions based on a price per room analysis, therefore, we have placed primary emphasis on the Sales Comparison Approach.

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	Per Room
Market Value	As Is	Current	Fee Simple	3/19/2020	<b>\$4,235,000</b>	<b>\$84,700</b>

## Valuation of Furniture, Fixtures and Equipment (FF&E)

The following were the applicable steps taken in order to arrive at the current value of the subject's Furniture, Fixtures and Equipment (FF&E). The list of FF&E for the subject property is based on the motel renovation items provided by the manager/operator, which are provided in the Improvement Section of the appraisal. The appraiser's final valuation of the FF&E replacement costs of \$350,000 was compiled where applicable based on the Marshall & Swift Valuation Service, commercial internet websites, Home Depot website, or manager/operator's estimate, which is provided in the Improvement Section of the appraisal. The replacement cost of \$350,000 is then depreciated based on the overall average physical life of the FF&E, which based on Marshall & Swift Valuation Service is approximately 10 years. According to management, the FF&E has not been replaced in many years, therefore, we have estimated the effective age to be 9 years. Thus, the FF&E is 90% depreciated or

has a remaining life of 10% or \$35,000, which represents the current value of the subject's FF&E. The following table presents these calculations.

<b>Furniture, Fixtures and Equipment</b>	
Value of FF&E per Room as New	\$7,000
No. of Rooms	50
Total Value of FF&E as New	\$350,000
Average Physical Life (Yrs)	10
Effective Age (Yrs)	9
Percent Depreciated	90%
Percent Value Remaining	10%
Current Value of FF&E (Rd.)	<b>\$35,000</b>
No. of Rooms	50
<b>Current Value of FF&amp;E per Room (Rd.)</b>	<b>\$700</b>

### 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

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This appraisal is subject to the following limiting conditions:

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management, unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | 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

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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. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
12. 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

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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 Front



View of Parking Area/Interior Courtyard



View of Parking Area/Interior Courtyard



View of Rear Parking Area



View of Rear of Building



View of Front Office



Interior View of Front Office



View of Typical Bathroom



View of Typical Room



View of Typical Bathroom



View of S. Atlantic Ave. Looking North



View of S. Atlantic Ave. Looking South



Deferred Maintenance – Exterior Paint/Stucco



Deferred Maintenance – North Facing Wall



Deferred Maintenance – South Facing Wall

## 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 24<sup>th</sup> 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 indicated 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) calendar 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~~ <sup>Two</sup> Million Dollars (~~\$2,000,000.00~~ <sup>\$1,000,000.00</sup>) 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~~ <sup>One</sup> Million Dollars (~~\$2,000,000.00~~ <sup>\$1,000,000.00</sup>) 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 Indemnitees, 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 indemnify, 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 or 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:**  
Valbridge Properties Advisors  
John D. Penner  
1370 N. Brea Blvd. suite 255  
Fullerton, CA 92835  
714 449 0852

**CITY:**  
Santor Nishizaki  
Acting City Manger  
5220 Santa Ana Street  
Cudahy, CA 90201  
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.




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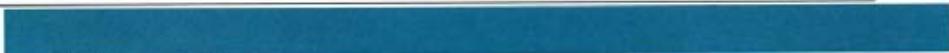
1 Elizabeth Street Residential Property  
Atlantic Avenue Santa Ana Street Commercial Property

2

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Property	
Atlantic Avenue Cecilia Street Commercial Property	6224-022-001, 004, 002, 012, 003
Atlantic Avenue Patata Street Commercial Property	6224-034-014, 032, 040, 041
Atlantic Avenue Clara Street Commercial Property	6226-022-002, 008, 019, 020, 023, 022, 021, 024
Santa Ana Street Residential	

3



\$2,650	N/A
\$2,900	N/A
\$2,650	N/A
\$2,400	N/A
\$2,400	N/A
\$5,900	\$2,650

6224-001-014, 015  
6224-018-008, 071, 068,  
070, 069  
6224-019-014

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Appraisal Report Preparation Allowance \$3,000

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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,



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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.

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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.



## Tenant's Estoppel Certificate

TENANT'S ESTOPPEL CERTIFICATE – MONTH TO MONTH TENANT

PROPERTY ADDRESS: 7630 Atlantic Avenue  
Cudahy, CA

LANDLORD: City of Cudahy as Successor Agency to the Cudahy Redevelopment Agency

TENANT: Niruben Bhagat, Girish Patel, and Rita Rose

NAME OF BUSINESS: The VIP Motel  
(if applicable)

GUARANTOR: Niruben Bhagat, Girish Patel  
(if applicable)

COMMENCEMENT  
DATE OF TENANCY: November 1, 2012

The undersigned Tenant hereby certifies to whomever it may concern, that it is acquainted with and knows the real property described above where Tenant's rented space is a part (the "Premises"), and further certifies that:

1. A true, complete, and correct copy of the lease, as amended, existing before the Premises was occupied by the Tenant on a month-to-month basis (the "tenancy") is attached hereto as Exhibit A the "Lease". ~~Other than as attached on Exhibit A, the Lease was not further modified, changed, altered, assigned, supplemented or amended in any respect prior to its expiration. The Lease was never in default and represented the entire agreement between the Lessor and the Tenant with respect to the Premises while in effect; the current understandings between Lessor and Tenant with respect to the tenancy by Tenant at Premises is described as follows: [describe present arrangement]: ORIGINAL LEASE AGREEMENT (EXHIBIT A) AND ADDENDUM #1-4 (LEASE EXTENSIONS)~~  
EXHIBIT B
2. Term
  - a. The term of the Lease commenced on [enter date]: 11/1/12, expired or terminated on [enter date]: 04/30/15 and the tenancy commenced on [enter date]: 11/1/12
  - b. Tenant is in full and complete possession of the Premises and has commenced full occupancy and use of the Premises.
  - c. The earliest the tenancy may expire is [enter date]: UNKNOWN
3. Rent and Other Charges
  - a. the current fixed monthly rent of \$ 4500 has been paid through and including [enter date paid through]: 05/31/16
  - b. no advance rental or other payment has been made in connection with the tenancy, except rental for the current month;
  - ~~c. there is no "free rent" or other rent concession or adjustments to which Tenant is entitled under the tenancy;~~
  - d. if applicable, the amount of additional charges payable for the most recently completed computation period are as follows:

- i. the current monthly common area maintenance charge is \$ N/A has been paid through and including [enter date paid through]: \_\_\_\_\_;
  - ii. the current monthly charge for taxes, including real estate, is \$ N/A has been paid through and including [enter date paid through]: \_\_\_\_\_; and
  - iii. the current monthly service charges for utilities are \$ \_\_\_\_\_ has been paid through and including [enter date paid through]: \_\_\_\_\_.
  - e. if applicable, all additional charges payable under the terms of the tenancy have been paid through [enter date]: N/A.
4. A security deposit in the amount of [if none, write "NONE"] \$ 6000 has been delivered to Landlord, which amount is not subject to any set-off or reduction or to any increase for interest or other credit due to Tenant. That no other deposits have been paid by Tenant to Landlord, except: [if there are no exceptions, write "NONE"]: NONE.
5. ~~All obligations, commitments, space, payments, repairs, other sums and conditions under the tenancy to be performed to date by Landlord have been satisfied, free of defenses and set-offs.~~
6. ~~There is no existing default or unfulfilled obligations on the part of the Landlord in any of the terms and conditions of the tenancy, and no event has occurred or condition exists which, with the passing of time or giving of notice or both, would constitute an event of default by the Landlord.~~
7. Tenant claims no offsets, set-offs, rebates, adjustments, concessions, abatement or defenses against or with respect to rent, security deposits, or other sums payable. Nor is the Tenant aware of any such claims or defenses on the part of the Landlord.
8. The Lease provided for a primary term of 6 MONTHS ( ) years, which expired on 04/30/13.
9. The Lease makes the following provision for extension of its term beyond the expiration term: [initial one]  
  
( ) neither the Lease nor any of the agreements listed in Paragraph 1 hereof (if any), contain an option(s) or other right to extend for any additional term or terms.  
  
(N.B.) the Lease and/or the agreements listed in Paragraph 1 above contain an option for 4 additional term(s) of 6 years (months) (circle one).
10. ~~There are no rights of first refusal to lease or rent additional space or obligations to lease or rent additional space under the tenancy, except as follows: [if there are no rights of first refusal, write "NONE"]:~~ \_\_\_\_\_  
\_\_\_\_\_
11. ~~Tenant has no option or right to purchase the Premises or any part thereof.~~
12. No violation of any environmental law or regulation has occurred or currently exists with respect to the Premises.
13. There are no unpaid or outstanding claims, bills or invoices for any labor performed upon or materials furnished to either the Tenant or Premises for which any lien or encumbrance including, without limitation, materialmen, suppliers and mechanic's liens, have been asserted or may be asserted against either the Tenant or Premises, except [if there are no exceptions, write "NONE"]: NONE  
\_\_\_\_\_

14. There are no actions, voluntary or involuntary, pending against the Tenant under the bankruptcy laws of the United States or equivalent laws for debtor relief of any state thereof.
15. There are no existing, pending or threatened lawsuits affecting the Premises or the tenancy between Tenant and Landlord.
16. ~~There are no disputes between Tenant and Landlord concerning the tenancy or the Premises. All obligations of Landlord with respect to the expired Lease and the tenancy have been fully performed and Landlord is not in default under any term of the Lease or otherwise with respect to the tenancy.~~
17. Tenant is in full and complete possession of the Premises and has not assigned, transferred or sublet any portion of the Premises to any other party.
18. Tenant has no knowledge of any prior sale, transfer, assignment or encumbrance of Landlord's interest in the Lease, the tenancy or the Premises, except [if there are no exceptions, write "NONE"]:  
CUDAHY ECONOMIC DEVELOPMENT CORP. → CITY OF CUDAHY

19. Tenant has made no alterations or additions to the Premises, except [if there are no exceptions, write "NONE"]:  
NONE

If alterations or additions have been made to the Premises by Tenant, Tenant represents to its best knowledge, all such alterations and additions were done in accordance with the Lease and in compliance with all applicable laws, rules and regulations, except [if there are no exceptions, write "NONE"]:  
NONE

20. Tenant does not have a guarantor, except [if there is no guarantor(s), write "NONE"]:  
NONE

21. Tenant is aware that buyers, lenders and others will rely upon the statements made in this Estoppel Certificate, and Tenant has therefore adjusted the language hereof as necessary to make it an accurate statement of current facts concerning the tenancy.

22. Additional terms and/or matters related to the tenancy [if there are no additional terms and/or matters, write "NONE"]:  
OTHER TERMS ARE LISTED IN ORIGINAL LEASE (EXHIBIT A) PAGE 5, #39. ADDENDUMS #1-4 (EXHIBIT B). TENANT HAS FIRST RIGHT OF REFUSAL WITH REGARDS TO PURCHASE AND/OR LEASE.

WITNESS:  
Signed: [Signature]  
Print: BHAVESH BHAGAT  
Date: 05/16/16

TENANT:  
Signed: [Signature]  
Print: NIRUBEN BHAGAT  
Date: 05/16/16

Telephone: (562) 883-1169  
Email: bbhagat22@hotmail.com

## Glossary

Definitions are taken from the Dictionary of Real Estate Appraisal, 5<sup>th</sup> Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP) and Building Owners and Managers Association International (BOMA).

### Absolute Net Lease

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

### 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 through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

### As Is Market Value

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

### Base (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 on 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)



Qualifications of John D. Penner, MAI  
 Senior Managing Director  
 National Director – Fractional Interest Valuation

*Independent Valuations for a Variable World*

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**State Certifications**

Certified General Appraiser  
 State of California (AG001720)

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**Education**

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

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**Publications - Author**

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

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**Qualified**

Expert Witness:  
 Bankruptcy & Superior Court  
 Cash Flow Forecast: ARGUS

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**Contact Details**

714-449-0852 (Office)  
 Valbridge Property Advisors  
 1370 N. Brea Blvd., Suite 255  
 Fullerton, CA 92835

jpenner@valbridge.com  
[www.valbridge.com](http://www.valbridge.com)

Valbridge Property Advisors is the largest Commercial Appraisal Company in the United States with over 70 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*  
*Apartment Projects*

*Medical & Dental Offices*  
*Office Condominiums*  
*Neighborhood Centers*  
*Restaurants*  
*Bank Branches*  
*Market Studies*  
*Warehouses*  
*Business Parks*  
*Multi-Tenant Industrial*  
*Single Family*



Qualifications of Eric Day, MBA  
Staff Appraiser



*Independent Valuations for a Variable World*

State Certifications

Certified General Appraiser  
State of California (AG044661)

Real Estate Broker's License  
State of California (01474163)

Education

M.B.A. - Business  
Administration  
University of Southern  
California

B.A. – Business & Finance  
Cal State University Fullerton

Contact Details

714-308-2902 (p)  
714-449-0852 (o)

Valbridge Property Advisors |  
Orange County Office  
1370 N. Brea Blvd., Suite 255  
Fullerton, CA 92835

eday@valbridge.com  
[www.valbridge.com](http://www.valbridge.com)

Valbridge Property Advisors is  
the largest Commercial Appraisal  
Company in the United States  
with over 70 offices nationwide.

Membership/Affiliations:

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.

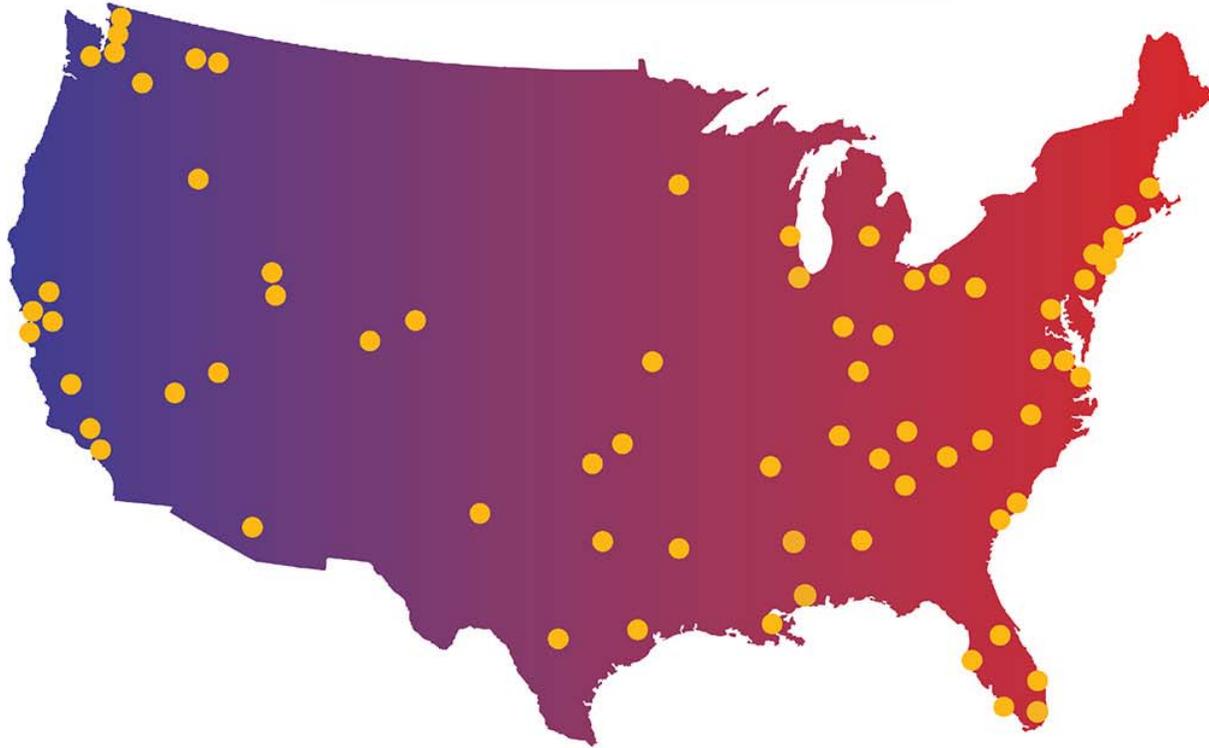
Scope of Work:

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*



**Valbridge**  
PROPERTY ADVISORS



## 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)
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Valbridge Property Advisors, Inc.

2240 Venetian Court • Naples, FL 34109 • Phone: (888) 981-2029

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





# Valbridge

## PROPERTY ADVISORS

### ALABAMA

4732 Woodmere Boulevard  
Montgomery, AL 36106  
334.277.5077

200 Cahaba Park Circle  
Suite 213  
Birmingham, AL 35242  
205.440.2998

### ARIZONA

6061 E. Grant Road  
Suite 121  
Tucson, AZ 85712  
520.321.0000

### CALIFORNIA

4915 Calloway Drive  
Suite 101  
Bakersfield, CA 93312  
661.587.1010

1370 N. Brea Boulevard  
Suite 255  
Fullerton, CA 92835  
714.449.0852

2813 Coffee Road  
Suite E-2  
Modesto, CA 95355  
209.569.0450

99 S. Lake Avenue  
Suite 21  
Pasadena, CA 91101  
626.744.0428

3353 Bradshaw Road  
Suite 213  
Sacramento, CA 95827  
916.361.2509

55 South Market Street  
Suite 1210  
San Jose, CA 95113  
408.279.1520

3160 Crow Canyon Place  
Suite 245  
San Ramon, CA 94583  
925.327.1660

### COLORADO

7445 E. Peakview Avenue  
Centennial, CO 80111  
303.443.9600

5345 Arapahoe Avenue  
Suite 7  
Boulder, CO 80303  
303.443.9600

23272 Two Rivers Road  
Unit 101  
Basalt, CO 81621  
970.340.1016

1099 Main Avenue  
Suite 311  
Durango, CO 81301  
970.340.1016

### CONNECTICUT

6 Central Row  
Third Floor  
Hartford, CT 06103-2701  
860.246.4606

17 Covewood Drive  
Norwalk, CT 06853  
203.286.6520

### FLORIDA

2240 Venetian Court  
Naples, FL 34109  
239.514.4646

8200 NW 41st Street  
Suite 200  
Doral, FL 33166  
305.639.8029

603 Hillcrest Street  
Orlando, FL 32803  
407.839.3626

1100 16th Street N  
St. Petersburg, FL 33705  
727.894.1800

2711 Poinsettia Avenue  
West Palm Beach, FL 33407  
561.833.5331

### GEORGIA

2675 Paces Ferry Road  
Suite 145  
Atlanta, GA 30339  
678.644.4853

### IDAHO

1459 Tyrell Lane  
Suite B  
Boise, ID 83706  
208.336.1097

1875 N. Lakewood Drive  
Suite 100  
Coeur d'Alene, ID 83814  
208.292.2965

### ILLINOIS

566 W. Lake Street  
Suite 240  
Chicago, IL 60661  
312.288.8687

### INDIANA

820 Fort Wayne Avenue  
Indianapolis, IN 46204  
317.687.2747

### KANSAS

10990 Quivira Road  
Suite 100  
Overland Park, KS 66210  
913.451.1451

### KENTUCKY

900 Wessex Place  
Suite 306  
Louisville, KY 40222  
502.585.3651

### LOUISIANA

512 North Causeway Boulevard  
Metairie, LA 70001  
504.207.7730

### MARYLAND

11100 Dovedale Court  
Marriottsville, MD 21104  
443.333.5522

### MASSACHUSETTS

260 Bear Hill Road  
Suite 106  
Walham MA 02451  
781.790.5645

### MICHIGAN

1420 Washington Blvd.  
Suite 301  
Detroit, MI 48226  
313.986.3313.

2127 University Park Drive  
Suite 390  
Okemos, MI 48864  
517.336.0001

### MINNESOTA

222 South 9th Street  
Suite 825  
Minneapolis, MN 55402  
612.253.0650

### MISSOURI

10990 Quivira Road  
Suite 100  
Overland Park, KS 66210  
913.451.1451

### MISSISSIPPI

1010 Ford Street  
Gulfport, MS 39507  
228.604.1900

737 Highway 51  
Suite 1C  
Madison, MS 39110  
601.853.0736

### NEVADA

3034 S. Durango Drive  
Suite 100  
Las Vegas, NV 89117  
702.242.9369

### NEW JERSEY

2740 Route 10 West, Suite 204  
Morris Plains, NJ 07950  
973.970.9333

3500 Route 9 South, Suite 202  
Howell, NJ 07731  
732.807.3113

### NEW YORK

424 West 33rd Street  
Suite 630  
New York, NY 10001  
212.268.1113

### NORTH CAROLINA

412 E. Chatham Street  
Cary, NC 27511  
919.859.2666

4530 Park Road, Suite 100  
Charlotte, NC 28209  
704.376.5400

### OHIO

1655 W. Market Street  
Suite 130  
Akron, OH 44313  
330.899.9900

### OHIO (Cont'd)

8291 Beechmont Ave.,  
Suite B  
Cincinnati, OH 45255  
513.785.0820

1422 Euclid Avenue  
Suite 1070  
Cleveland, OH 44115  
216.367.9690

### OKLAHOMA

6525 N. Meridian Avenue  
Suite 309  
Oklahoma City, OK 73116  
405.603.1553

6666 South Sheridan Road  
Suite 104  
Tulsa, OK 74133  
918.712.9992

### PENNSYLVANIA

150 S. Warner Road  
Suite 440  
King of Prussia, PA 19406  
215.545.1900

4701 Baptist Road  
Suite 304  
Pittsburgh, PA 15227  
412.881.6080

### SOUTH CAROLINA

610 N. Main Street  
Greenville, SC 29601  
864.233.6277

920 Bay Street  
Suite 26  
Beaufort, SC 29902  
843.342.2302

1250 Fairmont Avenue  
Mt. Pleasant, SC 29464  
843.881.1266

### TENNESSEE

112 Westwood Place  
Suite 300  
Brentwood, TN 37027  
615.369.0670

701 Broad Street  
Suite 209  
Chattanooga, TN 37402  
423.285.8435

213 Fox Road  
Knoxville, TN 37922  
865.522.2424

6750 Poplar Avenue  
Suite 706  
Memphis, TN 38138  
901.753.6977

### TEXAS

High Point Center  
12225 Greenville Avenue  
Suite 490  
Dallas, TX 75243  
214.446.1611

974 Campbell Road  
Suite 204  
Houston, TX 77024  
713.467.5858

2731 81st Street  
Lubbock, TX 79423  
806.744.1188

### TEXAS (Cont'd)

9901 IH-10 West  
Suite 1035  
San Antonio, TX 78230  
210.227.6229

### UTAH

260 South 2500 West  
Suite 301  
Pleasant Grove, UT 84062  
801.492.9328

1100 East 6600 South  
Suite 201  
Salt Lake City, UT 84121  
801.262.3388

20 North Main  
Suite 304  
St. George, UT 84770  
435.773.6300

### VIRGINIA

656 Independence Parkway  
Suite 220  
Chesapeake, VA 23320  
757.410.1222

7400 Beaufort Springs Drive  
Suite 300  
Richmond, VA 23225  
804.672.4473

5107 Center Street  
Unit 2B  
Williamsburg, VA 23188  
757.345.0010

### WASHINGTON

18728 Bothell Way, NE  
Suite B  
Bothell, WA 98011  
425.450.0040

2927 Colby Avenue  
Suite 100  
Everett, WA 98201  
425.258.2611

419 Berkeley Avenue  
Suite A  
Fircrest, WA 98466  
253.274.0099

8378 W. Grandridge Boulevard  
Suite 110-D  
Kennewick, WA 99336  
509.221.1540

506 Second Avenue  
Suite 1001  
Seattle, WA 98104  
206.209.3016

324 N. Mullan Road  
Spokane Valley, WA 99206  
509.747.0999

### WISCONSIN

12660 W. North Avenue  
Brookfield, WI 53005  
262.782.7990