



**APPRAISAL SERVICES AND CONSULTATION
Supplement 2**

Montecito Ranch
955.32 Acres of Vacant Land
North and west of Montecito Way,
South of Highway 78
Ramona, San Diego County, CA 92065

FOR

Current Market Value of the Fee Simple Interest
As of June 19, 2019

PREPARED BY

Lance W. Doré, MAI, FRICS

The Doré Group, Inc.
1010 University Ave., Suite C207
San Diego, California 92103

File No. TDG 2019 031



October 18, 2019

Mr. Jasen Yee
Senior Land Agent
State of California - WCB
P.O. Box 94420
Sacramento, CA 94244

RE: Appraisal Services and Consultation – Supplement to Previous Review
Montecito Ranch | 955.32 Acres of Vacant Land
North and west of Montecito Way, south of Highway 78
Ramona, San Diego County, CA 92065

Dear Mr. Yee:

Pursuant to your request, I have performed additional appraisal review services for the above referenced property. The intended user of the appraisal review supplement is the State of California – Wildlife Conservation Board. The intended use of this review is to provide the client with due diligence regarding an appraisal completed by Anderson & Brabant, Inc. on June 19, 2019, and to review supplemental DGS review comments sent to the appraiser and if the DGS review comments and response from the appraiser had an impact on my review conclusions.

A review of an appraisal is intended to determine if the appraisal report leads the reader to a logical and reasonable conclusion of the indicated value by means determined by the adequacy and appropriateness of the data, as well as the analysis leading to the final value. The review process falls under Standard 3 of the Uniform Standards of Professional Appraisal Practice. If a rebuttal/updated value is required, portions of USPAP Standard 1 are invoked; however, the process is governed under Standard 3(g).

VALUE AND REVIEW SUMMARY

I did inspect the subject property and comparables as required in the Scope of Work for the appraisal review.

The conclusions of this supplemental review are subject to Assumptions and Limiting Conditions attached and fully incorporated with the previous review services.

After reviewing the most current appraisal report (dated September 18, 2019), I can neither concur or not concur with the market value estimate until additional information is provided as requested by the client to the appraiser, and clarification or updates to development costs as part of the Highest and Best Use conclusion for Residential Subdivision.

Please note, the reviewed appraisal is an update (September 18, 2019) to an update (June 19, 2019) to a previous appraisal that was dated February 6, 2019. The original appraisal deficiencies have been addressed in the updated appraisal(s), but conditioned on the following:

<i>Previous Appraisal - February 6, 2019</i>	<i>Current Appraisal – June 19, 2019</i>
Highest and Best Use not supported	Highest and Best Use as Residential Subdivision
Comparables not adequately analyzed compared to net development area	Comparables adequately analyzed with price per gross acres, price per net acres and price per lot
Open space areas not adequately analyzed when compared to the net developable area	Open Space areas adequately analyzed when compared to the net developable area
Overall discounts from list price to sale price not supported	Overall sales price levels adequately supported

Subsequently, the client (State of California – WCB) provided review notes to the appraiser for additional consideration. In summary these notes are:

1. Provide details of the prior appraisal services in the report;
2. Provide a copy of the Purchase and Sales Agreement in the report;
3. Provide copies of Listing packages of the subject (page 8 and 43) were provided in a separate correspondence;

In this case the appraiser provided details of prior appraisal services in the report. The appraiser also provided a copy of the Purchase and Sales Agreement in the

report. As of October 8, 2019 details were missing from Exhibit F (Due Diligence Materials). Subsequently the client provided a link to various due diligence documents that were reviewed. Lastly, the appraiser did provide the subject listing packages and appraisal report discussion. As of October 18, 2019 the appraiser responded that no additional background or details were available regarding the failed offers.

As noted in the October 8, 2019 supplemental review various due diligence materials were reviewed, regarding the entitlement conditions and costs. Regarding the SPA approvals lengthy requirements must be met in order to receive final map approvals. These conditions have been retained in my files. In addition, the costs were reviewed which appear to be reflected in the due diligence documents such as:

- Undergrounding of Utilities;
- On and Off-Site Traffic Mitigation;
- On and Off-Site Utility Improvements;
- Establishment of a Bond District;
- Public Facilities – sewage, water, drainage, solid waste, fire protection, environmental mitigation, energy facilities, and essential public facilities including police, library, and fire control;
- Public Roadway Infrastructure – such as widening of Montecito Road Bridge, expansion or reconfiguration of SR 67;
- Noise walls

The quantification and completeness of the SPA requirements regarding costs in order to finalize the project were verified by Bruce Robertson, RCE. He has indicated that he has reviewed and validated the costs submitted and are reasonable to complete the project. See attached engineering letter. Please note, there is a discrepancy in the project costs and the appraisal development acres. The project costs (Phase 1, 2 and Master) show 321 acres and the appraisals shows 245.84 acres. The referenced total number of units (417) however is consistent.

After a review of all the materials, verification of project costs per Bruce Robertson, RCE, and response from the appraiser – I can support that the appraisal provides credible conclusions to the final value. This invokes an extraordinary assumption that the project, per submitted costs and verified by Bruce Robertson, RCE are valid and accurate which determines the feasibility of the project per the Highest and Best Use as a residential subdivision. This was the conclusion per the submitted appraisal.

Conditional Note: if it is determined that the costs associated with project are inaccurate, or incomplete regarding the Montecito Ranch project development per the requirements of final approval and completion of 417 units, and the associated open space requirements, the conclusion as a residential subdivision in the highest and best use is not supported. A different highest and best use would therefore be required to be concluded because the residential subdivision would not be financially feasible. If that is the case, the comparable selection and resulting analysis may be required to be reconsidered and the result may change the final value conclusions.

Therefore, as noted, after reviewing the most current appraisal report (dated September 18, 2019), I support that the appraisal provides credible conclusions to the final value.

I appreciate the opportunity of submitting this appraisal review. Please call if I may be of further service.

Respectfully submitted,
The Doré Group, Inc.



Lance W. Doré, MAI, FRICS
President / CEO | AG002464