

APPRAISAL REVIEW

OF

APPRAISAL BY

**BETH B. FINESTONE, MAI, AI-GRS, FRICS, CRE
NICOLE B. GALVEZ**

RELATED TO

**WEST COYOTE HILLS NEIGHBORHOODS 1 & 3
FULLERTON, CALIFORNIA**

EFFECTIVE DATE OF APPRAISAL

JUNE 25, 2021

REVIEWED FOR

STATE COASTAL CONSERVANCY

REVIEWED BY

**DEANNE RECHT, MAI
THE RECHT AND RECHT COMPANY, INC.
8880 RIO SAN DIEGO DRIVE, SUITE 800
SAN DIEGO, CALIFORNIA 92108**





August 30, 2021

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State Coastal Conservancy
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Oakland, California 94612-1401

Reference: Beth Finestone West Coyote Hills Neighborhoods 1 & 3 Appraisal
Recht and Recht File No. 21006

Dear Ms. Williams:

At your request and authorization, I have reviewed the appraisal report of the above referenced property by Beth Finestone, MAI, AI-GRS, FRICS, CRE dated August 27, 2021. A purchase and sale agreement existed prior to appraisal with atypical terms of sale related to a conservation acquisition of a portion of a contaminated property that was entitled with a vested tentative map for residential development. The approved and vested tentative map included entitlements for residential development as well as clauses regarding the possible public acquisition of two of the neighborhoods, Neighborhoods 1 and 3, for conservation purposes. These documents as well as the condition of the property required the appraiser to consider specific assignment conditions unique to this property and appraisal assignment in identifying the appraisal problem and developing an adequate scope of work.

I found the description of the appraisal problem, scope of work, extraordinary assumptions, and hypothetical condition to be consistent with the complex appraisal problem to be solved, intended use of the appraisal; condition of the subject property, Conditions of Approval of Vesting Tentative Tract Map 17609; and the terms and property interests to be transferred according to the Purchase and Sale Agreement 4823-5475-9323.v17 dated July 20, 2020 between the City of Fullerton and Pacific Coast Homes. This appraisal review is intended to inform the intended users of the adequacy of the appraisal as support for state and federal grant funding for the proposed acquisition of the referenced property by the City of Fullerton. This appraisal review is intended to summarize the appraisal adequacy as support for the proposed acquisition in light of the July 20, 2020 Purchase and Sale Agreement, updated March 24, 2021 First American Title Company Preliminary Title Report, the May 12, 2021 Scope of Work, the updated August 6, 2021 Moote Companies Land Development Cost Estimates all included in the addenda of the Finestone Appraisal.

Like the appraisers, the review appraiser must not allow the intended use of an appraisal report or a client's objectives to cause the assignment results to be biased.¹ While consulting with the client regarding a scope of work that would be meaningful in light of the existing purchase and sale

¹ USPAP 2020-2021 Edition, Standard Rule 3-2, Page 25.

agreement, and review of the appraisal, the review appraiser made every effort throughout the review process was to remain unbiased by the sale prices agreed to by the sellers and the City of Fullerton.

As required by USPAP, the appraisers, Beth Finestone and Nicole Galvez have certified that:

- 1) her engagement in this assignment was not contingent upon developing or reporting predetermined results,
- 2) their compensation for completing this assignment was not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal,
- 3) the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are their personal, impartial, and unbiased professional analyses, opinions, and conclusions,
- 4) they 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.²

The Finestone appraisal utilizes three extraordinary assumptions, and with client agreement utilizes a hypothetical condition specific to this assignment, that are appropriate to the terms of the July 2020 Sale Agreement. The appraisers were instructed to appraise the property without consideration of the clean-up costs of existing environmental contamination, a hypothetical condition because the property is contaminated and does require remediation. According to the Agreement, the difference between the contamination remediation costs for residential use (the highest and best use) and the seller proposed remediation cost for open space (the intended use) are to be deducted from Finestone's market value conclusions to arrive at a purchase price based on the *as is* property condition prior to the close of escrow. Furthermore, because the City of Fullerton is under contract to purchase only a portion of the proposed West Coyote Hills development for conservation purposes, based on the terms of sale agreement the appraisers were also to assume that a lot split would be processed prior to the close of escrow, a necessary extraordinary assumption.

While Finestone's value conclusion, based on the hypothetical condition and extraordinary assumptions, have considered potential stigma and the time to clean the site, the *as is* market value of Neighborhoods 1 and 3, a basis for the acquisition price, is to be derived by deducting the difference in remediation costs for residential and open space use from Finestone's value conclusions, assuming that a lot split is to be processed by close of escrow. As required by USPAP, Finestone has added the following statement to the appraisal report everywhere the value conclusion is stated:

We remind the reader that the values presented above are not as-is values. They assume the property is cleaned to residential standards within 12 months of the close of escrow. Please refer to Hypothetical Condition number one.³

² Finestone Appraisal dated August 27, 2021, Page 1.

³ Ibid, Letter of Transmittal, Pages 3, 4, and 96

The purpose of this review is to determine if the results of the appraisal are credible for the intended users to rely on in authorizing state and federal grant funds for the proposed acquisition. The review also evaluates compliance with the relevant appraisal standards. The following review appraisal summarizes the adequacy of the support provided in the Finestone appraisal for the value conclusion and compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), the combined State of California Coastal Conservancy and Department of General Services Environmental Appraisal Specifications, and the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA). I have concluded that the appraisal is adequately supported and in compliance with the applicable standards. The rationale for my conclusions follows.

Respectfully Submitted,



Deanne Recht, MAI
License No. AG 024513

REVIEW APPRAISER'S CERTIFICATION

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

2020-2021 USPAP

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have performed services, as a review appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- I have made a personal inspection of the property that is the subject of this report.
- No one provided significant real property appraisal assistance to the person signing this certification.

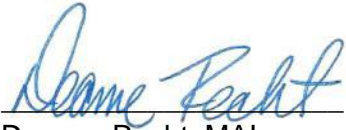
Appraisal Institute, Standard B of the Standard of Valuation Practice

- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standard B of the Standards of Valuation Practice of the Appraisal Institute.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

UASFLA

- The appraisal review was developed, and the appraisal review report was prepared in conformance with the Appraisal Standards Board's *Uniform Standards of Professional Appraisal Practice* and complies with USPAP's Jurisdictional Exception Rule when invoked by Section 1.2.7.2 of the *Uniform Appraisal Standards for Federal Land Acquisitions*; and

- The appraisal review was developed in conformity with the *Uniform Appraisal Standards for Federal Land Acquisitions, Sixth Edition*
- The review appraiser has made a physical inspection of the property appraised.
- The review appraiser concurs with the opinions and conclusions of the work under review.



Deanne Recht, MAI

CA Certification No. AG024513

SCOPE OF WORK

CLIENT	State Coastal Conservancy
INTENDED USERS	State Coastal Conservancy and other State of California and US government agencies
INTENDED USE	For state and federal grant funding for a conservation acquisition of the subject property
LEVEL OF INSPECTION	Field Review, inspection July 19, 2021
EFFECTIVE DATE OF REVIEW	August 30, 2021
PROPERTY TYPE	Vacant raw land that is entitled with a vesting tentative tract map for residential development but not yet been remediated from a prior oil production use.

The scope of work is an appraisal review sufficient to produce credible assignment results in accordance with USPAP Standards Rule 3-1. This independent appraisal review assignment requires the reviewer to opine on the adequacy and quality of the entire appraisal report, including the completeness of the appraisal report given the laws, regulations, client instructions and specifications applicable to the appraisal under review. The appraisal report is summarized in a synopsis that addresses significant data, facts and conclusions, including the appraiser's conclusions of highest and best use and the opinions of fair market value subject to the hypothetical condition, extraordinary assumptions and general assumptions and limiting conditions. The reviewer's scope of work included:

- 1) Identification of the appraisal problem
- 2) Summary of the appraisal analysis
- 3) An opinion as to whether or not the appraiser properly identified and inspected the subject property and market data
- 4) An opinion on the sufficiency, accuracy and relevance of the market data analyzed
- 5) An opinion on the appropriateness of the methodology and credibility and reasonableness of the appraiser's opinions or conclusions
- 6) An opinion on the adequacy and quality of the appraisal report
- 7) Identification of areas of disagreement, if any

Due to the completeness of the 672-page Finestone Appraisal with supporting documents included in the addenda, it is a standalone document that adequately supports the value conclusions for the intended use. It was unnecessary for the review appraiser to perform independent research.

Appraisers Beth Finestone and Nicole Galvez were contacted in the course of this review assignment. During telephone conferences typos, minor errors and a couple of inconsistencies identified in the review process were discussed and revisions to the appraisal report were made to the satisfaction of the review appraiser. The appraisers made the necessary corrections and revisions to rectify the inconsistencies, including a request to the City of Fullerton for current Moote Companies cost estimating data consistent with the May 25, 2021 effective date of appraisal. This appraisal review reflects the revised final appraisal dated August 27, 2021 that included consideration of Moote Companies development cost estimates for Neighborhoods 1 and 3, including a share of the cost of appropriate community infrastructure requirements (backbone costs), dated August 6, 2021.

PRIOR RECHT AND RECHT APPRAISAL SERVICES

Deanne Recht, MAI provided a review of a 2019 appraisal of the subject property within the last three-year period. The prior appraisal review assignment involved a different appraiser, a different scope of work, different effective date of appraisal, different extraordinary assumptions and hypothetical conditions, different methodology, and different market data comparisons that did not reflect the as is condition of the subject property. As the 2019 appraisal was determined to be inadequate support for an as is market value opinion for the intended use and was not in compliance with USPAP, UASFLA or California DGS Appraisal Guidelines, the value conclusion is irrelevant. Other than having the same subject property, the prior review assignment had no similarities to the current appraisal review assignment.

In 2020, Deanne Recht, MAI consulted with the client and intended users in forming a Scope of Work for a new appraisal. Although requested to review a 2020 Finestone appraisal of the subject property, the request was cancelled by the State Coastal Conservancy prior to conducting a review appraisal. Deanne Recht and The Recht and Recht Company have formed no opinions on the 2020 Finestone appraisal of the subject property.

SUMMARY OF FINESTONE APPRAISAL UNDER REVIEW

EFFECTIVE DATE OF THE APPRAISAL UNDER REVIEW: June 25, 2021

DATE OF THE APPRAISAL REPORT August 27, 2021

APPRAISAL STANDARDS: The appraisal is in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, the Uniform Appraisal Standards for Federal Land Acquisitions (UASFLA) and the Combined Coastal Conservancy and Department of General Services (DGS) Environmental Appraisal Specifications.

LOCATION: West Coyote Hills, Neighborhoods 1 & 3
South of Imperial Highway & West of North Euclid
Fullerton, Orange County, California 92835⁴

INTEREST APPRAISED Fee simple interest

ASSESSOR'S PARCEL NUMBER: Portions of 287-081-52⁵

LEGAL DESCRIPTION: Lengthy descriptions of West Coyote Hills Neighborhoods 1 and 3 from the sale agreement are included on Appraisal Pages 18-21 and in the preliminary title report included in Addendum G.

HYPOTHETICAL CONDITIONS: A hypothetical condition is defined in USPAP as *a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis.*⁶

UASFLA requires that *any assumptions and limiting conditions that are necessary to the background of the appraisal shall be stated. Special instructions provided to the appraiser shall be referenced and a copy of such instructions shall be included in the addenda of the appraisal report.*⁷ The hypothetical condition utilized by Finestone with client and intended user approval has been included in multiple places

⁴ Finestone Appraisal, dated August 27, 2021, Page 4

⁵ Ibid

⁶ USPAP 2020-2021 Edition, The Appraisal Foundation, Page 4

⁷ Uniform Appraisal Standards for Federal Land Acquisitions, Sixth Edition, The Appraisal Foundation, 2016, Page 59.

in the appraisal, in the Addendum H, and the Client Approved Scope of Work.

The use of the hypothetical condition to disregard clean-up costs for a property requiring contamination remediation prior to development to its highest and best use is a specific client instruction that has been repeatedly stated clearly in the body of the report⁸. This hypothetical condition is appropriate given that the terms the Sale and Purchase Agreement requirement to reconcile the difference between the cost of the proposed level of remediation to open space standards (at the seller's cost) and cost of higher standards of remediation required for residential use to be deducted from the purchase price during escrow. The supporting client instruction included in Addendum H is consistent with the Purchase and Sale Agreement in Addendum E.

The appraiser warns that use of any extraordinary assumptions or hypothetical condition may have affected the assignment results. She also explicitly states that the difference in the mediation costs must be deducted from appraised value to arrive at the *as is market value*.

EXTRAORDINARY ASSUMPTIONS:

An extraordinary assumption is defined in USPAP as *an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions and conclusions*.⁹

Finestone identified three extraordinary assumptions considered to be reasonable. The first, by client instruction, is the extraordinary assumption that Neighborhoods 1 and 3 will be separate legal lots by the close of escrow as required of both buyer and seller by the terms of the Purchase and Sale Agreement (Addendum E).

The second extraordinary assumption acknowledges a deed restriction related to future conservation use that will be put in place subsequent to the sale and is appropriate to disregard as it is irrelevant to analysis of the property at its highest and best use.

The third extraordinary assumption is that the development cost estimates prepared by Moote Companies are accurate, adequate and consistent with what a typical buyer would consider for a similar development. This type of extraordinary assumption is commonly utilized by appraisers when relying on the work product of other professionals. To the best of her

⁸ Finestone Appraisal, dated August 27, 2021, Letter of Transmittal, Pages 2, 5, 12, 97 and Addendum H.

⁹ USPAP 2020-2021 Edition, The Appraisal Foundation, Page 4

ability, Beth Finestone checked the updated development costs for completeness and concluded the Moote Costs to be the best cost data available for analysis at the date of appraisal.

The extraordinary assumptions utilized are compliant with USPAP and are appropriate for appraisal of this property type given the condition of the property and the assignment conditions agreed to by the client.

JURISDICTIONAL EXCEPTIONS

A Jurisdictional Exception was utilized that is appropriate for an appraisal to be compliant with both USPAP and UASFLA. The appraiser did not link the opinion of market value in this analysis to a specific exposure time in accordance with the Uniform Appraisal Standards for Federal Land Acquisitions. Not linking an opinion of value to a specific exposure time requires a jurisdictional exception to USPAP Standards Rule 1-2(c). As appropriate for this assignment, no estimate of exposure time was included in the appraisal.

DEFINITION OF MARKET VALUE

The appraisal included a statement of the correct UASFLA definition of market value. This definition is appropriate as one of the intended uses is as a basis for federal funding. Where there are differences in the State and Federal regulations and appraisal guidelines, Finestone has deferred to federal regulations. The analyses are consistent with that definition.

**REGIONAL, AREA AND
NEIGHBORHOOD ANALYSES**

The Finestone Appraisal adequately identifies the regional characteristic impacting value in an economic overview that includes residential development trends, and supply and demand for residential lots in the competing market area. She concludes that there is a diminished supply of lot inventory to meet current demand as home values continue to increase. This shortage has resulted in developers considering smaller in-fill development sites as well as developing sites that were previously contaminated or used for oil production, such as the subject. The subject area analysis identifies pertinent locational characteristics as they relate to existing infrastructure to support new development and an average to above average rating of the subject properties' ability to compete for existing housing demand. The Finestone appraisal has concluded that the market for residential land is anticipated to remain strong after discussion of economic indicators and demographics, residential market analyses of residential lot inventory, absorption, and pricing, and

conversations with market participants.¹⁰ The residential market analysis includes economic impacts on demand during the COVID-19 pandemic.

PROPERTY CHARACTERISTICS

The appraisal adequately describes the as-is property condition and identifies property characteristics that contribute to and negatively impact value for development at its highest and best use. Topics addressed in the appraisal include: size, existing, and past use, soil condition, zoning and land use regulations, topography, vegetation and habitat, views, utilities, access, minerals, water rights, easements, encroachments and restrictions, drainage, environmental hazards, ground stability, flood hazard status, improvements, personal property, fixtures, sale history, the pending sale, planning and entitlement history, assessed value and annual tax load, the proposed VTTM and remaining conditions of entitlement. The as-is condition, including the contaminated soil in need of remediation, has been fully described.

LAND USE REGULATIONS AND ENTITLEMENTS

Under the West Coyote Hills Specific Plan Amendment No. 8, Neighborhoods 1 and 3 are zoned SFD, Single Family Detached. Neighborhood 1 has an allowed maximum density of 1.54 dwelling units per acre and Neighborhood 3 has a maximum density of 4.38 dwelling units per acre. After complying with all other requirements, the approved vesting tentative tract map allows 16 minimum ½ acre lots in Neighborhood 1 and 59 minimum 4,500 square foot lots in Neighborhood 3.

HIGHEST AND BEST USE:

The Finestone Highest and Best Use Analysis is brief but adequately supported by a market analysis and thorough discussions of the locational, physical and legal characteristics of the subject properties in earlier sections of the report. Subject to the remaining conditions of entitlement including the Remediation Action Plan, and a share of the overall backbone development with the entire West Coyote Hills subdivision containing 510± acres, the Site Analysis conclusion is that Neighborhoods 1 and 3 have the physical characteristics and the availability of utilities to result in functional utility suitable for residential development consistent with the Specific Plan and VTTM 17609 as tentatively approved.

Finestone concludes there does not appear to be any reasonably probable use of the subject parcels that would

¹⁰ Ibid, Pages 23-39

generate a higher residual land value than for development with single-family residential subdivisions as proposed in the Vesting Tentative Tract Map. Single-family residential subdivision as vested and tentatively approved with 16 approximately 0.5-acre lots in Neighborhood 1, and 59 approximately 4,500 square foot lots in Neighborhood 3, is the only use that meets the four tests of highest and best use for the subject sites. Therefore, it is concluded to be the highest and best use of the subject parcels as vacant. The most probable buyers are identified as developers. Due to the different approved residential lot sizes, the most probably buyer may be different developers.

LARGER PARCEL:

After conducting tests of unity of title, contiguity, and unity of use, as required by UASFLA, Finestone concluded that Neighborhoods 1 and 3 have a different highest and best use from the remainder of the area under common ownership and from each other. Neighborhood 1 represents a separate Larger Parcel with a specific highest and best use for residential estate development due to the half-acre approved lot sizes. Neighborhood 3 is also a separate Larger Parcel having potential for development of entry level housing based on the typical 4,500 square foot approved lot size. The appraiser's conclusion is reasonable given that it is common practice in Southern California areas with approved Specific Plans for a variety of housing types for a master land developer to entitle land and then sell portions in various stages of land development to other homebuilder developers based on their preferred product type.

SIZE:

Neighborhood 1 – 10.40 acres

Neighborhood 3 – 13.70 acres

IMPROVEMENTS:

None.

VALUATION ANALYSIS:

Finestone has conducted two separate valuation analyses, one for each Larger Parcel. Both analyses utilized the Sales Comparison Approach, exclusively. Considering the UASFLA requirements, it is appropriate to exclude subdivision analyses. Differences in development costs, entitlements, risk and development timing between the sale properties and the subject properties have been considered in the Finestone Sales Comparison Approach.

In the valuation of tentative mapped residential development land in raw condition, there are three characteristics that have the most impact on value: the level of entitlement (the cost,

time and risk involved to satisfy conditions of approval), location (as it relates to potential future home prices) and physical characteristics (as they relate to development costs, timing and risk.) Although highly similar sale properties were not available for analysis due to the highly built-up condition of the subject area and competing areas, Finestone has adequately addressed all three.

There were not adequate raw entitled land sales available for analysis in competing locations with available development costs. For this reason, Finestone has first analyzed each Larger Parcel on a value per finished lot basis with all required infrastructure completed and then deducted the estimated cost to finish the subject lots. This methodology takes into consideration the differences in land condition, entitlements, and development costs of each sale in comparison to each Larger Parcel. The results were market supported value indications reflecting the raw land condition but entitled status of each Larger Parcel.

The Sales Comparison Approach included:

1. Development and analysis of two sets of comparable data for Neighborhood 1 and Neighborhood 3. The Finestone Appraisal has utilized four sales in direct comparison to Neighborhood 1. Six sales most similar to the allowed density and development size were analyzed in comparison to Neighborhood 3. Each analysis utilized one comparable sale that was a remediated oil field site. Given the paucity of highly similar market data, the sales analyzed, with adequate development cost information, were apparently the most meaningful sales available for analysis within reasonable proximity within mostly built-up competing Orange and Los Angeles County locations. Raw land sales in other locations that did not share similar supply and demand characteristics for residential development were not utilized.

2. Comparable sales were fully described, confirmed and analyzed. Finestone has verified and described the sale property conditions at the time of sale. The verifications included obtaining development cost estimates for each sale that could be compared to the seller-provided development cost estimates from Moote Companies for each Larger Parcel.

3. Factors of comparison analyzed quantitatively in the Sales Comparison Approach include: real property rights conveyed,

financing terms, conditions of sale, expenditures made immediately after purchase, market conditions, entitlement cost and risk, and location. Characteristics analyzed qualitatively include: access, project size, shape, topography, and zoning/density as it affects average lot size. The Sales Comparison Approach methodology was adequately developed with both quantitative adjustments, where they could be market supported, and qualitative comparisons. The impact of Covid-19 was analyzed as of the effective date of appraisal. The market condition adjustments were extracted from sale statistics that occurred both prior to and during the pandemic and applied to render an opinion of market value as of the effective date of appraisal.

4. Appraisal judgement was explained in reconciling unit values bracketed by overall superior and inferior indications.

5. Site development costs for each sale were included in the analyses in forming indications of finished lot value for Neighborhood 1 and Neighborhood 3. After reconciling a finished lot value, costs to finish the lots on each Larger Parcel were deducted to result in raw land value. Moote Companies development cost estimates were explained and relied on by the appraisers.

6. The Sale Comparison analyses considered the time, cost, and risk associated with satisfying the conditions of approval for each sale property to reach finished lot status. Finestone concluded that most of the developer risk to achieve the existing vested tentative map had already been incurred prior to the date of value and the developer risk from a vesting tentative tract map to a final map was not measurable based on the available market data and required no adjustment.

7. Although the larger parcels were valued as *if* free of environmental contamination, Finestone conducted an analysis of potential stigma associated with residential use of land with environmental contamination. Finestone concluded after a matched pair analysis that stigma was not measurable and required no adjustment.

8. While a hypothetical condition has been utilized for the cost of soil remediations, the time required to complete the clean-up of the site subsequent to the closing of the sale of the Larger Parcels was included in the analyses. The value conclusions, adjusted for all other known differences, were discounted for an estimated 12-month clean-up period at

2.5% (to account for additional carrying costs a typical developer/buyer would consider in acquiring contaminated property not immediately available for development.)

MARKET VALUE CONCLUSION – NEIGHBORHOOD 1

Indicated Value per Lot \$850,000 x 16 Potential Lots	=	\$13,600,000
Finished Lot Value		\$13,600,000
Less: Costs Associated with Finishing Lots		<u>-\$6,723,042</u>
Less: Entitlement Risk N/A		
Less: Stigma N/A		
Subtotal		<u>\$6,876,958</u>
Less: Discount Factor for 12-Month Clean-Up Period @ 2.5%		<u>0.97561</u>
Indicated Value		\$6,709,229
Rounded Value		\$6,710,000

MARKET VALUE CONCLUSION – NEIGHBORHOOD 3

Indicated Value per Lot \$475,000 x 59 Potential Lots	=	\$28,025,000
Finished Lot Value		\$28,025,000
Less: Costs Associated with Finishing Lots		<u>-16,407,827</u>
Less: Entitlement Risk N/A		
Less: Stigma N/A		
Subtotal		<u>\$11,617,173</u>
Less: Discount Factor for 12-Month Clean-Up Period @ 2.5%		<u>0.97561</u>
Indicated Value		\$11,333,830
Rounded Value		\$11,330,000

CONCLUSION - APPRAISAL QUALITY

In the reviewer’s opinion, the appraiser properly identified and inspected the subject property and market data. Relevant subject property information was described completely and accurately. The market data was analyzed sufficiently and accurately. Given the nature of the subject property and paucity of more similar market data in competing locations, the appraisal methodology was appropriate and resulted in credible and reasonable value conclusions. Any areas of deficiency or disagreement between the reviewer and appraiser were revised to the satisfaction of both parties during the review process. Overall, the quality of this appraisal is considered adequate for the intended use, compliant with the applicable appraisal standards, and the appraisal report was complete given the laws, regulations, client instructions and specifications applicable to the appraisal.

ASSUMPTIONS AND LIMITING CONDITIONS

1. The legal description and existing encumbrances as furnished First American Title Preliminary Report No. OSA-6306151 dated, March 24, 2021 included in the addenda of the Finestone appraisal is assumed to be correct and is relied on in this review appraisal report. The exceptions to title are assumed to be complete.
2. No responsibility is assumed for legal matters, nor do we render an opinion as to the title, which is assumed to be good and marketable.
3. Responsible ownership and competent management of the property are assumed.
4. Compliance of the subject property and comparable properties with all applicable government and private land use controls, as well as all applicable federal, state and local environmental regulations and laws, is assumed.
5. The gross sizes per engineering maps included in the Purchase and Sale Agreement included in the addenda of the Finestone appraisal were relied on and is assumed to be correct..
6. This property is affected by hazardous waste or materials. The value conclusions assume the AECOM prepared Remedial Action Plan (RAP) in the addenda of the Finestone Appraisal report is accurate, complete and adequate to form a basis for remediation cost estimates. As per the hypothetical condition discussed in the appraisal review, the property has been appraised without consideration of remediation costs as the buyer and seller are to reconcile remediation costs during escrow according to the Purchase and Sale Agreement. The client is advised to retain a specialist to determine the difference in remediation costs for open space (the intended use) and remediation costs for residential development (the highest and best use). This determination is beyond the scope of work of the appraisal under review and the review appraisal.
7. Information estimates and opinions in the appraisal report are assumed to have been reported accurately. Information obtained from the appraiser's sources are assumed to be reliable; however, no responsibility is assumed for their accuracy nor for information not disclosed which might otherwise affect the valuation estimate. The right is reserved to re-evaluate any such information that may be disclosed later.
8. This review appraisal report has been prepared for the exclusive benefit of the State Coastal Conservancy and other state and federal agencies considering granting funds toward the acquisition of the subject property for conservation purposes. It may not be used or relied upon by any other party for any other purpose. Any party who uses or relies upon any information in this report without the preparer's written consent does so at their own risk.

9. All estimates of value are presented as the review appraiser's considered opinions, based upon the facts and data set forth in the August 27, 2021 Finestone appraisal report under review. The appraisers assume no responsibility for changes in market conditions or the inability of the owner to locate a purchaser within a reasonable time at the appraised value. The appraisers reserve the right to adjust or modify the analyses, opinions and conclusions, based on additional or more reliable information which may subsequently become available.
10. The review appraiser is not required to give testimony or appear in court because of having appraised the property in question unless arrangements have been previously made thereof.
11. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the author, particularly as to the valuation conclusions, the identity of the appraiser or any reference to the Appraisal Institute or the MAI, SRA, AI-GRS or AI RRS designations.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

This review appraisal is subject to the same extraordinary assumptions and hypothetical conditions as the appraisal under review discussed in detail in the review appraisal.

JURISDICTIONAL EXCEPTIONS

This review appraisal is subject to the same Jurisdictional Exception as the appraisal under review discussed in detail in the review appraisal.