



March 7, 2022

Jasen Yee, Land Agent  
Wildlife Conservation Board  
P.O. Box 944209  
Sacramento, CA 94244-2090

RE: Appraisal Services – Supplemental Review Update  
Current Market Value of the Fee Simple Interest  
Banning Ranch | Newport Beach, Orange County CA 92663

Dear Mr. Yee:

Pursuant to your request, I performed an appraisal review of the above-referenced property on October 21, 2021. The intended user of the appraisal review was the Wildlife Conservation Board. The intended use of the review was to provide the client with due diligence regarding an appraisal completed by Beth B. Finestone, MAI, AI-GRS, FRICS, CRE, and Jerardo Arciniega, MAI with Integra Realty Resources - Los Angeles, on September 13, 2021 (effective date of value). My original review did not concur with the market value estimate.

Subsequently, you have submitted a Supplemental Appraisal Update from Integra Realty Resources dated March 4, 2022 (see attached). This supplemental letter provided discounts for time, costs, and risk associated with remediation and the entitlement process for Banning Ranch.

The total original value subject to the review was \$108,140,000. The Supplemental Appraised Value as of March 4, 2022, was \$101,000,000. Based on the new information, analysis and conclusions addressed in the Supplemental Appraisal Update for Banning Ranch, I find the appraised value credible and supportable.

Please call if I may be of further service.

Respectfully submitted,  
The Doré Group, Inc.

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Lance W. Doré, MAI, FRICS  
President / CEO  
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March 4, 2022

Jasen Yee  
Senior Land Agent  
Wildlife conservation Board  
1700 9th Street, 4th Floor  
Sacramento, California 92811

SUBJECT: Supplemental Letter to Appraisal Report  
Banning Ranch  
Newport Beach, California 92663  
IRR File No. 121-2021-0147

Dear Yee:

At your request, we have prepared this supplemental letter to our appraisal of the Banning Ranch property. The appraisal report we prepared was dated October 8, 2021, and had a date of value of September 13, 2021. This supplemental letter incorporates our appraisal report by reference and is based on the same assumptions and limiting conditions contained in our appraisal report. This letter may not be understood without having a full and complete copy of our appraisal report. As such, this supplemental letter is considered a restricted report.

The client for this supplemental letter is the Wildlife Conservation Board and the intended users are the Wildlife Conservation Board, State of California, Department of General Services, United States Fish and Wildlife Service, the Trust for Public Land, and Orange County. These are the same client and intended users of our appraisal report for which this letter is a supplement.

The purpose of this letter is threefold:

1. To address a question posed by the Dore review of our appraisal. Mr. Dore asked if our appraisal was based on an extraordinary assumption that the 12.1 acres of land that we have identified as having residential development can actually be developed. In response to this question and with the approval of our client, we are adding a third extraordinary assumption to our appraisal, as follows:

*Our research and analysis has led us to the conclusion that a residential development (as described in this appraisal report) would be approved for the 12.1 acre portion of the site identified in this report. It is an assumption of this report that a residential development would be approved for the subject within a reasonable time frame.*

2. The second point that this supplemental letter addresses relates to an amendment to the remedial action plan (RAP) associated with the subject. Please note that we are not experts on RAP's or environmental issues and have relied on information provided by our client as well as a memo addressed to Paolo Perrone, from Markus Niebanck, PG, dated November 16, 2021. A copy of this memo is included at the end of this letter.
  - a. It is our understanding that the amendment to the RAP results from the fact that the original RAP was based on a larger area of the subject having development potential, than the 12.1 acres concluded to in our appraisal.
  - b. The primary change to the RAP results in only 12.1 acres of the subject being cleaned to residential standards, with the non-developable portions (now a larger area) being cleaned in the same manner as proposed in the original RAP.
  - c. It is our opinion, that the change to the RAP **does not** impact the value of the subject property as the area that we have identified as having residential development potential is still being cleaned to residential standards. The remainder of the site is being cleaned to the standards required for property with a highest and best use of passive recreational (open space) and wetlands habitat.
3. During the process of discussing the changes to the RAP, it came to our attention that the subject property would not be environmentally cleaned by the close of escrow, which had been our previous understanding. As such, it is appropriate to discount our previous value conclusion to account for the time associated with remediating the subject after the close of escrow.

As a result of the fact that the property is being remediated post-closing, an additional extraordinary assumption (4<sup>th</sup> extraordinary assumption) is required relative to the time to remediate the subject post-closing. This assumption reads as follows:

*It is an assumption of this appraisal that the time to remediate the subject post-closing will not exceed 12 months for the open space component, 18 months for the wetlands component and 6 months for the residential component.*

The following table summarizes the subject based on the three larger parcels we concluded to in our appraisal report, with the required remediation time post-closing shown.

Larger Parcel	Description	Size (Acres)	Closing Date	Environmental Clean-up Completed	Months to Clean Site Post Closing
Zone A	Uplands - Open Space	229.34	6/30/2022	Second Quarter 2023	12
Zone B	Lowlands - Wetlands	143.56	6/30/2022	Fourth Quarter 2023	18
Zone C	Residential	12.1	6/30/2022	Fourth Quarter 2022	6

It should be noted that the quarters listed for completion of clean-up to each area of the subject are based on a closing date of June 30, 2022. If the subject were to close tomorrow, all of these dates would be moved forward commensurate with the number of months earlier that the transaction closes. The numbers in the column in the above table that shows the “months to clean site post-closing” were calculated by comparing the anticipated closing date of June 30, 2023 to the estimated date of clean up. This calculation is necessary as our appraisal assumes a sale on our date of value. As such, it is important to consider the number of months required to clean up the site post-closing.

The following table discounts the preliminary value conclusions from our appraisal report for the time associated with cleaning the subject after closing. The discount rate considers the fact that the buyer will have paid for the subject at closing but will not be able to utilize it immediately due to the time associated with cleaning the site post-closing. In choosing a discount rate, we have considered yield rates on 5-year treasury bills as of our date of value, as they represent a safe rate for a short-term investment. On our date of value, September 13, 2021, the 5-year treasury bills had a rate of 0.81%. To this we have added a risk component and have concluded to a discount rate of 2.5%.

Land Component	Preliminary Value Conclusion From 10/8/21 Appraisal	No. Months Clean-Up Post Closing	Annual Discount Rate	Discounted Value for Clean-Up Time
Open Space	\$3,440,000	12	2.50%	\$3,356,098
Wetlands	\$7,900,000	18	2.50%	\$7,612,745
Residential	\$96,800,000	6	2.50%	\$95,612,225
Total Preliminary Value Discounted for Time Associated With Environmental Clean-Up After Closing				\$106,581,068
Preliminary Value in Appraisal Report Dated October 8, 2021				\$108,140,000
<b>Difference In Value due to Discounting for Clean-Up Time</b>				<b>-\$1,558,932</b>

As shown in the table above, the value we previously concluded to for the subject needs to be reduced by \$1,558,932. The following table summarizes our revised value conclusion. This table was taken from our original report and has been updated to include the required deduction for the time associated with cleaning the site post-closing.

Mr. Jasen Yee  
Wildlife Conservation Board  
March 4, 2022  
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**Valuation Conclusion - With Discounts**

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Valuation Indication		\$108,140,000
Updated EIR/General Plan Amendment Cost & Risk	4%	\$4,325,600
Open Space	\$3,440,000	
Wetlands	<u>\$7,900,000</u>	
Open Space + Wetlands	\$11,340,000	
Bulk Sale Discount (Open Space/Wetlands)	15%	<u>\$1,701,000</u>
Subtotal - Discounts		\$6,026,600
Indicated Value		\$102,113,400
Discount for Time Associated with Environmental Clean-Up		<u>-\$1,558,932</u>
Final Value Conclusion		\$100,554,468
<b>Rounded</b>		<b><u>\$101,000,000</u></b>

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Thank you for the opportunity to have been of service. If you have any additional questions, feel free to reach out.

Sincerely,

**INTEGRA REALTY RESOURCES – LOS ANGELES**



Beth B. Finestone, MAI, AI-GRS, FRICS, CRE  
Managing Director

## Certification

We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. I have previously appraised the property that is the subject of this report for another client. I have provided no other services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of 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.
8. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. Beth Finestone, MAI, AI-GRS, FRICS, CRE, and Jerardo Arciniega, MAI, personally inspected the subject on August 6, 2021. The property owners were invited on the inspection. Michael Mohler and George Basye, representatives of the property owners, were present at the inspection. Gregory Bach, with the Department of General Services was also present at the inspection. Representatives of WCB declined to be present at the time of inspection.
12. Jerardo Arciniega, MAI provided significant real property appraisal assistance to the person(s) signing this certification.
13. I have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.

## Certification

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14. As of the date of this report, Beth Finestone, MAI, AI-GRS, FRICS, CRE has completed the continuing education program for Designated Members of the Appraisal Institute.
15. The appraisal was developed and the appraisal report was prepared in conformity with the Uniform Appraisal Standards for Federal Land Acquisitions.
16. The appraisal was developed and the appraisal report 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.
17. The appraisal report is subject to the following extraordinary assumptions and hypothetical conditions.

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### Extraordinary Assumptions and Hypothetical Conditions

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The value conclusions are subject to the following extraordinary assumptions. An extraordinary assumption is 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 or conclusions.

1. Our appraisal does not include the valuation of any oil, gas, or mineral rights. Per the client, the mineral rights have been severed from the surface estate. In addition, the oil remainder areas will retain access and will not require an access easement. We have made the extraordinary assumption that there are no oil, gas or mineral rights.
2. Our date of value corresponds to the date we materially completed our analysis. We assume the subject was in the same condition on our date of value as the date of inspection (August 6, 2021).
3. Our research and analysis has led us to the conclusion that a residential development (as described in this appraisal report) would be approved for the 12.1 acre portion of the site identified in this report. It is an assumption of this report that a residential development would be approved within a reasonable time frame.
4. It is an assumption of this appraisal that the time to remediate the subject post-closing will not exceed 12 months for the open space component, 18 months for the wetlands component and 6 months for the residential component.

The value conclusions are based on the following hypothetical conditions. A hypothetical condition is 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.

1. We reviewed a draft Phase I Environmental Site Assessment Update prepared by Geosyntect Consultants, dated April 16, 2008. This report reveals the presence of 27 recognized environmental conditions (RECs) and 3 historical RECs. The report also reveals that remedial action will be necessary at some of the RECs. The report recommends additional site investigation be performed. We have been instructed to value the property assuming it is free and clear of environmental contamination as the seller will be responsible for the clean-up of the site at their own cost. The clean-up of the site will be done to meet all requirements of the state and local agencies to all portions of the site. All clean-up of the developable portion of the site will be done to residential standards. We have made the hypothetical assumption that the subject property will be environmentally clean at the completion of the Remedial Action Plan and that no further action will be required.

The use of any extraordinary assumption or hypothetical condition may have affected the assignment results.

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Certification

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**Appraisers Opinion of Market Value**

Our opinion of market value of the fee simple estate subject the reservations of record in the subject property is summarized as follows.

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<b>Value Conclusion</b>			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value	Fee Simple	September 18, 2021	\$101,000,000

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Beth Finestone, MAI, AI-GRS, FRICS, CRE  
California Certified General Real Estate Appraiser  
#AG004030