ALISON E. ROACH, MAI, SRA
ERIC C. SCHNEIDER, MAI, SRA, AI-GRS, R/W-AC
BENJAMIN F. KUNKEL, MAI

JONES, ROACH & CARINGELLA, INC
REAL ESTATE VALUATION CONSULTANTS
10920 VIA FRONTERA, SUITE 440
SAN DIEGO, CALIFORNIA 92127
(858) 565-2400 FAX: (858) 565-4916
www.jrcvaluation.com

ROBERT P. CARINGELLA, MAI, SRA, AI-GRS
ROBERT N. JONES, MAI (RETIRED)
STEPHEN D. ROACH, MAI, SRA, AI-GRS, CDEI

June 2, 2022

Mr. Travis Phelps
Chief Deputy City Attorney
Office of the City Attorney
1200 Third Avenue, Suite 1100
San Diego, California 92101

Re: *101 Ash Street – Limited Scope Appraisal – Settlement/Mediation Protected*

Dear Mr. Phelps:

At your request, I have performed an appraisal of 101 Ash Street under various scenarios and under the limited scope of work outlined herein. The intended use of the appraisal is to assist the Office of the City Attorney with valuation opinions for use in mediation and settlement discussions involving options for this property. As set forth in the Uniform Standards of Professional Appraisal Practice ("USPAP"), I have communicated my conclusions in this restricted appraisal report. Because the report is presented in this format, the report may not contain supporting rationale for all of the opinions and conclusions set forth in the report. The City Attorney is the client and the only intended user of this report. The purpose of the appraisal is to determine the approximate value of the fee simple interest in the property under the various scenarios described herein. The effective date of this appraisal is December 31, 2021; most of the research for the assignment was performed in the middle and latter parts of 2021. More recent research was performed for market trends and renovation/abatement costs and is described briefly at the end of this report.

Market value and the value to the city (investment value) have been addressed in this report; investment value is the value to a particular investor based on their specific criteria, and plays a role in this assignment because the city has certain prevailing wage requirements, whereas the market in general does not. In this case, the city could potentially sell the asset to the market, or perform renovation work for its own benefit. The market value and investment value definitions utilized were sourced from *The Dictionary of Real Estate Appraisal, 7th Edition*, which was published by the Appraisal Institute in 2022.

Subject Property Identification and History

The subject property is a full city block containing approximately 60,000 square feet of land area that is improved with an office tower built in approximately 1967. The building contains about 323,400 gross square feet (another source reports about 314,000 square feet) that had been occupied by SDG&E for about 50 years. According to the Centre City Planned District Ordinance ("CCPDO"), the subject's base zoning district is identified as Core, which is a district that serves as a high-intensity office and employment center with residential allowed. A Sun Access overlay applies.

Following completion of a lease-to-own agreement with the city of San Diego as lessee in 2017, certain renovations occurred and reportedly disturbed contaminants in the building (including asbestos) that rendered the building uninhabitable. As of the effective appraisal date, the building was vacant. Various parties are currently engaged in attempting to settle lawsuits and/or claims arising from this property.

Market Trends 2021

The subject is part of the traditional office product that exists downtown. One market trend is to develop or redevelop properties for more high-tech or life science campus uses, and there is evidence of older office towers like the subject being renovated and upgraded to attract traditional office tenants. The subject property as renovated could take advantage of the latter trend. However, there has yet to be substantial leasing activity for either life science campuses or renovated office product. At this time, there may be an oversupply of renovated and new office construction. Moreover, the subject building as renovated would still be considered a "Class B" product because the exterior design likely cannot be materially changed. There is also evidence that conversion to residential use over office use may be preferred.

Office towers are typically sold based on rentable building area. However, I do not have clear records of the subject's rentable building area. According to information from a building measuring service (Stevenson Systems historical report), the "rentable" building area is approximately 314,544 square feet, but this appears to be based on single tenant occupancy where gross area is essentially also rentable area. Since there are few single tenants in the market for a building this size, it is more likely that the property would be leased for multitenant occupancy. As such, it was necessary to consider rentable area based on multitenant occupancy (which excludes vertical penetrations and certain other portions of gross building area). The usable area from the same source was reported to be 221,516 square feet for multitenant occupancy, which was considered in estimating an approximate rentable area as discussed below.

In estimating the multitenant rentable area of the subject, I relied on one source indicating that the subject building contains 323,400 square feet of gross building area and 67,200 square feet of "core" area, which represents about 20.8 percent of the gross area and suggests an approximate rentable building area of 256,200 square feet (gross building area less core area). One other method of calculating the rentable building area that I relied on was applying a typical load factor to the usable area; in this case, a load factor of 20 percent was used. Applying this load factor to the usable area of 221,516 square feet equates to 265,819 rentable square feet. Absent more definitive information at this time, I have used a rentable area of 265,000 square feet for comparison with buildings where multitenant rentable areas are reported (allowing an "apples to apples" comparison). It is possible that the load factor may be higher, yielding a larger rentable area. The gross area reported at 314,544 square feet was used for comparison where gross area is relevant.

Valuation Assignment

This assignment can be described as essentially a highest and best use test involving two primary alternative uses of the property. The first alternative would be redevelopment - to demolish the improvements leaving a vacant site available for its highest and best use. This analysis involves estimating the value of the land as if vacant, and then deducting the cost of demolishing the building. The second alternative is to perform extensive abatement and renovations to keep the office tower. In order to safely occupy the building, abatement related to the contaminants in the building would need to occur, and the interior office spaces and equipment then replaced.

Demolition and abatement/renovation are the two primary options for the property, and each option necessitates opinions of approximate market value.

Scope of Work

I have relied on an investigation using comparable land sales, building sales, and leases in support of the value of the property as if vacant and as if renovated. Prevailing rents and capitalization rates were investigated as part of this assignment. The sales comparison approach was used to value the subject land, and the sales comparison and income capitalization approaches were used to value the subject as if renovated. As noted previously, the values are intended to be approximate.

As part of the valuation process, I researched the competitive market area for market data considered similar to the subject property. The data included existing office tower sales, office tower sales that were purchased with the intent to renovate, and land sales. I have also relied on the construction and cost expertise of Patrick Early of Allgire General Contractors and his involvement as an expert in this case. There was no recent history of a sale of the subject property other than a sale in 2017 that involved the lease-to-own agreement; this was not considered indicative of current value and was not given significant weight in my ultimate opinions. The subject property, in its current condition, was inspected from only the surrounding streets.

As can be expected, this valuation is very sensitive to the high costs related to abatement, demolition, and renovation; these costs can dramatically impact the financial feasibility of the various alternatives for this property. Several inputs were necessary for this analysis as described herein, including inputs based on information provided by Mr. Early; I necessarily have assumed that Mr. Early's estimates are accurate. As such, the inputs relied upon and used in this analysis have an effect on my overall conclusions; changes in costs, and the means and methods of renovation, can result in large changes in bottom-line numbers.

Option 1: Demolition to Produce a Vacant Site Ready for Redevelopment

Land Value

An investigation of land sales was performed, and the sales comparison approach was used to value the subject as vacant land. The cost and income approaches were not used as these are not relevant to the value of the land. The highest and best use was determined to be mixed-use development, most likely with a residential element. The property includes an employment-required overlay, but this constraint was relaxed in early 2022. While the site has very good development potential, it is not located in a prime office or residential location. In conducting research for this assignment, respondents recommended not demolishing the basement parking structure. This reduces costs and provides a cost benefit in that the subterranean area is already excavated. However, saving the garage restricts the architect and the design options in order to keep the current structural footprint and depth of garage.

The land sale data analyzed and summarized in a table presented later in this report, and escrow activity known to the appraiser, suggest a range in land value of about $600 to $700 per square foot of net land area. This extends to a land value of $36,000,000 to $42,000,000 for the 60,000 square foot site. This is intended to be approximate.

Demolition Costs

Demolishing a high-rise building with asbestos is exceeding costly because all hazardous material must be removed before the building can be brought down. Demolition costs are typically quoted separately for the abatement phase and the demolition phase. I do not have actual bids for demolition and abatement, but I was able to garner information from other sources such as the county of San Diego (including demolition cost estimates for two courthouses built in the 1960s), abatement bids from opposing experts being reviewed by Mr. Early, and a rough estimate from a source at AMG Demolition. The abatement bids range considerably, so a mid-point of the more reasonable estimates was used with guidance from Mr. Early; the bids did not include abatement in the core of the building, so the estimate was extrapolated to cover the additional 67,200 square feet of the previously discussed core area. Based on this information, the total abatement and demolition cost is about $27,760,000.

When the probable demolition cost is deducted from the land value, the result is the implied residual value. However, when valuing the property in its “as is” condition (wherein a buyer would be responsible for the demolition endeavor), an additional deduction for contingency and profit would be considered reasonable. Utilizing a profit rate of 15 percent of the total abatement and demolition cost equates to about $4,160,000 for profit/contingency, which reduces the implied value even further. The resulting bottom-line range is presented in the table shown later in this report.

Option 2: Remediation and Renovation to Restore Office Occupancy

The value of the property upon completion of a renovation program was estimated utilizing the sales comparison approach and income capitalization approach to value, then deducting the cost of renovation. The cost approach was not used as it would not be used by market participants based on the age of the improvements and property type.

The first step taken was to estimate the value as renovated and at stabilized occupancy; once this figure is estimated, appropriate deductions can be made to reflect the value of the asset in its “as is” condition. Based on the two approaches utilized, the value as renovated *and stabilized* would be in the range of about $310 to $350 per square foot of rentable area, which equates to approximately $82,200,000 to $92,800,000, rounded.

According to experts in this matter, it will take approximately two years to complete the renovation. Upon completion, the building would be vacant, so there would be time and costs associated with absorption and reaching stabilized occupancy; given the size of the building and research of leasing, it is most likely that the property would be leased for multitenant occupancy as opposed to single-tenant occupancy. Moreover, there could be some stigma with this building related to contamination; given the existing supply of competing office product, consideration such as lower rent or concessions may be necessary to attract tenants. Overall, these factors influence the value of the building downward.

Using the aforementioned range of value, lease-up costs were deducted based on blend of gross and net income for one year, which equates to roughly $7,340,000. This is a very rough estimate since lease-up is not entirely predictable. Based on the market data contained herein and the approaches utilized, the market value of the subject's fee simple interest upon renovation (replacing the existing quality of tenant improvements, less lease-up costs) was estimated to be approximately $74,860,000 to $85,460,000. Arguably, the lease-up cost could be higher given the possible two-year construction period; higher leasing costs would result in a lower as is value. However, as discussed next, the cost of the renovation exceeds the value as improved, so one year was sufficient as an approximation.

The current proposals being studied by the parties involve remediation and/or abatement of asbestos, and reinstalling tenant improvements to the standard envisioned in recent city renovations. Remediation/abatement can be exceedingly expensive because the existing tenant improvements must be removed, the asbestos abated or encapsulated, and the tenant improvements reinstalled. In this case, the core area of the building that contains approximately 67,200 square feet will still contain asbestos. The abatement and renovation described is being evaluated by experts in this case, including Mr. Early.

Abatement has been the recommended course by the construction expert. A range of about $84,000,000 to $115,000,000 was being reported, but it is likely that this estimate will require further refinement. For purposes of this analysis, I have used Mr. Early's figure of $94,000,000 that he considered to best represent the actual total cost (with prevailing wages) that would produce an office quality similar to that programed for the city. This total cost equates to about $355 per square foot of rentable area, which is at the upper end of the range of value as renovated and stabilized. In addition, profit incentive to undertake the renovation effort would be considered reasonable, and so a profit percentage would be added, increasing the overall cost. In this analysis, an additional 15 percent for profit indicates renovation costs and profit of over $108,000,000. As indicated in the following table summarizing my calculations, the abatement/renovation program involves costs that far exceed the value of the property as if renovated. This suggests that this option is not feasible.

Conclusions

The two highest and best use scenarios that were explored included demolition of the improvements for use as a redevelopment site, and renovation of the improvements for future occupancy as an office tower. A summary of my value conclusions is as follows, subject to the assumptions and limiting conditions contained herein, and noting that the costs reflect prevailing wages (this issue is discussed next). As shown, Option 1 (demolition for redevelopment) produces a positive value. For Option 2 (the abatement/renovation scenario) the estimated costs of abatement and renovation far exceed the building value upon completion, suggesting that this option is not feasible.

Option 1: Demolition of Office Tower to Create a Vacant Site (Prevailing Wage)

Description			Low	High
Land Value			$36,000,000	$42,000,000
Less Demolition Costs				
Demolition Costs		$13,500,000		
Abatement Costs (incl. TI removal)		$11,300,000		
Abatement Related to Core Area		$2,956,800		
Subtotal		$27,756,800		
Profit/Contingency	15%	$4,163,520		
Total		$31,920,320		
Rounded		$31,920,000	($31,920,000)	($31,920,000)
Value Indication			$4,080,000	$10,080,000

Option 2: Abatement/Renovation for Occupancy (Prevailing Wage)

Description			Low	High
Market Value As If Renovated/Stabilized			$82,200,000	$92,800,000
Less Lease-Up Costs			($7,340,000)	($7,340,000)
Market Value As If Renovated			$74,860,000	$85,460,000
Less				
Abatement/Renovation		$94,000,000		
Profit	15%	$14,100,000		
Total		$108,100,000	($108,100,000)	($108,100,000)
Value Indication			($33,240,000)	($22,640,000)

The costs provided by Mr. Early (and considered in the preceding summary) reflect prevailing wages because it is assumed that the city would conduct the demolition or renovation efforts for their own benefit. If a private property owner undertook these efforts using non-prevailing wages, the cost estimate could be about 20 to 25 percent lower according to Mr. Early. As such, the calculations of value shown above result in what is called investment value (the value to the city), not necessarily market value.

If non-prevailing wage estimates were used in either scenario, the bottom-line value (market value) would increase. In the demolition scenario, if costs are, say 20 percent lower due to non-prevailing wages, then higher positive land value results in the demolition scenario. However, the abatement/renovation scenario remains infeasible or near breakeven.

The following table summarizes my conclusions using an adjustment of 20 percent for non-prevailing wage figures. As shown, the demolition option continues to result in a higher overall value compared to the renovation option. The notion of prevailing wages may play a role in decisions about this property. For example, the renovation scenario (for city use) would require the higher costs associated with prevailing wages, but selling the asset to a private entity for demolition may not involve prevailing wages and would improve the bottom line.

Option 1: Demolition of Office Tower to Create a Vacant Site (Not Prevailing Wage)

Description			Low	High
Land Value			$36,000,000	$42,000,000
Less Demolition Costs				
Demolition Costs		$13,500,000		
Abatement Costs (incl. TI removal)		$11,300,000		
Abatement Related to Core Area		$2,956,800		
Subtotal		$27,756,800		
Profit/Contingency	15%	$4,163,520		
Subtotal		$31,920,320		
Adjustment for Prevailing Wage	20%	($6,384,064)		
Total		$25,536,256		
Rounded		$25,540,000	($25,540,000)	($25,540,000)
Value Indication			$10,460,000	$16,460,000

Option 2: Abatement/Renovation for Occupancy (Not Prevailing Wage)

Description			Low	High
Market Value As If Renovated/Stabilized			$82,200,000	$92,800,000
Less Lease-Up Costs			($7,340,000)	($7,340,000)
Market Value As If Renovated			$74,860,000	$85,460,000
Less				
Abatement/Renovation		$94,000,000		
Profit	15%	$14,100,000		
Subtotal		$108,100,000		
Adjustment for Prevailing Wage	20%	($21,620,000)		
Total		$86,480,000	($86,480,000)	($86,480,000)
Value Indication			($11,620,000)	($1,020,000)

The relevant market data are summarized in the following pages. The value estimates are intended to be approximate given the wide range of potential cost projections and outcomes. As this time, more precision is not possible given the nature of this property and information currently available. Rather than providing absolute values, this analysis is more applicable for comparative analysis of these scenarios as of the date of value.

In terms of more recent 2022 trends, vacancy rates for office space in downtown remain over 20 percent, and I did not find evidence of any significant increase in demand for or appeal of older generation office buildings. Renovation and abatement costs, however, have increased markedly according to Mr. Early. He reported a spike in these costs concentrated in the first quarter of 2022 leading to probable costs for the subject building of over $100 million (versus $94 million). Another trend is that of increasing land prices, particularly for residential use, fueled by demand for housing and bonuses for density.

Thank you for this opportunity to be of service.

Sincerely,

Robert P. Caringella, MAI, SRA, AI-GRS
AG003295

Summary of Market Data

Summary of Improved Sales - As Renovated

No.	Address / APN	Sale Date / Doc. No.	Seller / Buyer	Price / Terms	Year Built/Renov. / Building Area (SF) / Percent Occupied	Price/SF / Cap Rate
1	12220 Scripps Summit Drive San Diego 316-330-01, 02, 03, 04	Apr-22 2022-164689	Northridge Summit TIC - 16, LLC, et al. DWF VI Northridge Summit, LLC	$76,100,000 Cash to seller	2000 129,916 100.0%	$585.76
2	233 A Street San Diego 533-433-06	Jul-21 2021-478349	Centre City Building Partnership, L.P. Dan Floit, et al.	$10,000,000 Cash to seller	1927 95,000 90.5%	$105.26
3	121 Broadway San Diego 533-610-14, 15	Apr-21 2021-296345	Spreckels Properties, LLC 121 Broadway Property Owner LLC	$26,500,000 Cash to seller	1912/1982 145,364 75%	$182.30
4	9095 Rio San Diego Drive San Diego 438-051-13	Apr-21 2021-290133	Rio Vista Tower III LLC Rio Vista MOB, LLC	$25,300,000 Cash to seller	2005 81,236 81%	$311.44 5.80%
5	8954 Rio San Diego Drive San Diego 438-051-14	Dec-19 2019-575916	USPF V Rio San Diego Office, LP TG19 Office, LLC	$74,500,000 Cash to seller	2001 195,126 94%	$381.80 5.93%
6	5887 Copley Drive San Diego 356-400-40-01	Nov-19 2019-528107	Terraces CP, LLC CIM OFC San Diego CA, LP	$90,363,636 Cash to seller	2009 205,725 100.0%	$439.24
7	451 A St/450 B St San Diego 533-435-01	Nov-19 2019-502432	TKOS I, LLC 450 B Street Investors	$71,000,000 Cash to seller	1984/2009 283,786 80%	$250.19
8	350 10th Avenue San Diego 535-563-33	Sep-17 2017-404084	Diamondview Tower CM-CG LLC DWF V Diamondview Tower, LLC	$207,000,000 Cash to seller	2007 313,103 96%	$661.12
9	600 B St San Diego 534-054-03, 07, 08, 09	Aug-17 2017-397003 2017-397004, -397005	Multiple 600 B Street San Diego Owner, LLC	$109,500,000 Cash to seller	1974/2007 359,278 91%	$304.78 5.60%
10	530 B Street San Diego 534-055-03	Aug-17 2017-383917	Mesa Investment LLC SFII 530B, LLC	$57,700,000 Cash to seller	1966/2014 250,181 88%	$230.63 5.80%
11	402 West Broadway San Diego 533-485-06-04, 05	Dec-16 2016-695019	RREEF America REIT II Corp. GGGG KP Emerald Owner, LLC	$91,670,000 Cash to seller	1990 364,160 70%	$251.73 4.30%
12	2520-2550 5th Avenue San Diego 533-102-08	Nov-16 2016-601527	FAFC9 Owner, LLC Manchester Financial Fifth Avenue, L.P.	$71,500,000 Cash to seller	1965/2015 161,430 71%	$442.92

Portfolio Sale

No.	Address / APN	Sale Date / Doc. No.	Seller / Buyer	Price / Terms	Year Built/Renov. / Building Area (SF) / Percent Occupied	Price/SF / Cap Rate
13	701 B Street 534-182-03, 07	Jun-21 2021-457517	Proxima 701 LLC 701 B Investment LLC	$142,500,000 Cash to seller	1982/2008 597,521	$238.49
	1230 Columbia St 533-404-02, 08	Jun-21 2021-452090	Clay-Lexington LLC 2 Columbia Investment, LLC	$41,000,000 Cash to seller	1990/2008 151,311	$270.97
	401 W A St 533-403-10	Jun-21 2021-452212	Broadway Lexington LLC 1 Columbia Investment, LLC	$182,500,000 Cash to seller	1982 593,544	$307.48
	707 Broadway 534-322-01 thru 08	Jun-21 2021-451998	Proxima 707 LLC 707 Investment, LLC	$35,000,000 Cash to seller	1961/2015 187,311	$186.86
	1350 6th Avenue 533-453-09	Jun-21 2021-452144	Proxima 1350 LLC 1350 Investment, LLC	$19,000,000 Cash to seller	1991 60,000	N/A
	Portfolio	Jun-21		$420,000,000 Cash to seller	1961-1991 1,529,687 67.1%	$274.57 5.20%

Summary of Land Sales

No.	Location and APN	Sale Date Doc No.	Seller Buyer	Sale Price	Square Feet	Price per Square Foot	FAR (1)	Price per FAR Foot
1	2045 Pacific Highway	Jun-21	Pacifica 2045 LLC	$41,960,000	58,143	$721.67	4.73	$152.58
	533-214-01, 02, 03	2021-455322	KR 2045 Pacific Highway, LLC					
2	800-828 East Broadway	Apr-20	Minto Investment Group, LLC	$19,100,000	20,000	$955.00	18.00	$53.06
	534-184-03, 04, 05	2020-210392	DRI/CA 800 Broadway Property Owner, LLC					
3	C Street and Eleventh Avenue	Mar-20	Columbia Parking, LP	$12,000,000	20,000	$600.00	10.00	$60.00
	534-195-01, 09	2020-111041	East C Street Holdings LLC					
4	1122 Fourth Avenue	Dec-19	1122 4th Ave, LLC	$21,100,000	25,000	$844.00	22.28	$37.88
	533-521-04, 05	2019-608307	Caydon San Diego Property LLC					
5	801 Broadway	Dec-19	Hall/Fish Investments, Inc.	$8,160,000	15,000	$544.00	10.00	$54.40
	534-323-01	2019-575915	Reef Point Hospitality LLC					
6	1460 India Street	Oct-19	Valarie A. Brehm, et al.	$7,100,000	10,000	$710.00	16.70	$42.51
	533-324-16	2019-468043	BPE6 LLC					
7	124 Beech Street	Mar-19	Kingsbarn Land Company, LLC	$4,500,000	10,000	$450.00	8.00	$56.25
	533-363-04, 05	2019-110013	First and Beech Corner, LLC, et al.					
8	445 West Ash Street	Dec-18	Rivergate S/D, LLC	$20,300,000	30,000	$676.67	11.70	$57.83
	533-402-01, 02, 03, 04, 05	2018-528275	TB Milano Apartments, LLC					
9	Broadway at 15th	Feb-20	Jefferson Makers Quarter, LLC	$39,864,500	60,000	$664.41	6.00	$110.73
	534-352-01, 02, 03, 04	2020-60724	R&V MQ Investment, LLC					
10	901 Park Blvd/1335 Broadway	Aug-19	The Salvation Army	$40,000,000	100,187	$399.25	10.00	$39.93
	534-341-11; 534-342-14	2019-351467, 71	KR 901 Park, LLC & KR 1335 Broadway, LLC					
11	1015 Park Boulevard	Jul-19	The Salvation Army	$7,750,000	18,000	$430.56	10.00	$43.06
	534-206-03, -04	2019-267125	Mark S. Schmidt					
12	2102 India Street	Feb-20	James E. Fogerty, et al.	$5,150,000	10,000	$515.00	6.00	$85.83
	533-124-05	2020-77734	2102 India Street Development Group LLC					
13	Courthouse Commons Parcels	Jun-19	County of San Diego				10.00	
	533-414-08, 09	2019-245030	SDCC North Block, LLC	$23,901,500	60,113	$397.61		
	533-517-03, 04	2019-245031	SDCC Middle Block, LLC	$38,485,000	60,984	$631.07		
	533-517-02	2019-245032	SDCC South Block, LLC	$22,701,500	54,886	$413.61		
	Total			$85,088,000	175,982	$483.50		

Notes:
(1) Proposed or base maximum

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is subject to the following extraordinary assumptions, the use of which may have affected the assignment results.

1. Information related to remediation, abatement, and renovation means, methods, and costs relied upon here are assumed to be accurate.

2. This valuation is based on the extraordinary assumption that the reported building areas are accurate.

This appraisal is subject to the following general assumptions and limiting conditions.

1. Information, estimates, and opinions furnished by others and contained in this report are assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed.

2. No responsibility is assumed for matters legal in character, nor do I render an opinion as to title, which is assumed to be held in fee simple interest as of the date of valuation unless otherwise stated.

3. It is assumed that the property is readily marketable and free of all liens and encumbrances except any specifically discussed in this report.

4. Photographs, plats, and maps furnished in this report (if any) are to assist the reader in visualizing the property. No survey has been made, and no responsibility has been assumed in this matter.

5. It is assumed that there are no legitimate environmental or ecological reasons that would prevent continued operation at the property's highest and best use, unless otherwise set forth in this report.

6. A soils engineering study has not been provided for this appraisal. It is assumed that there are no hidden or unapparent conditions such as subsoil conditions which would render the property more or less valuable. No responsibility is assumed for such conditions or for engineering which might be required to discover such factors.

7. This report may not be used for any purpose by anyone other than the party to whom it is addressed without written consent.

8. Possession of this report, or a copy thereof, does not carry with it the right of publication. Disclosure of the contents of this appraisal report is governed by the by-laws and regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially reference to the Appraisal Institute or its professional designations) may be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communications without prior written consent and approval.

ASSUMPTIONS AND LIMITING CONDITIONS
(continued)

9. The submission of this report constitutes completion of the services authorized. It is submitted on the condition that the client will provide customary compensation relating to any subsequent required depositions, conferences, additional preparation, or testimony.

10. No warranty is made as to the seismic stability of the subject property.

11. The effective date of the appraisal to which the opinions expressed in this report apply is set forth in the report. I assume no responsibility for economic or physical factors occurring at some later date which may affect the opinions herein stated.

12. The property was appraised as having knowledgeable ownership and competent management.

13. I have not performed an engineering survey. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.

14. No opinion is expressed as to the value of subsurface oil, gas, or mineral rights and it is assumed that the property is not subject to surface entry for the exploration or removal of such materials except as is expressly stated.

15. The projections included in this report are utilized to assist in the valuation process and are based on current market conditions, anticipated short term supply and demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted and could affect the future income or value projections.

16. Testimony or attendance in court or any other hearing is not required by reason of rendering this appraisal unless such arrangements are made a reasonable time in advance.

17. A title report was not available for this appraisal. It is assumed that there are no easements or encumbrances that would have an adverse impact on the utility unless otherwise noted in this report. No responsibility is assumed for undisclosed items of record or any unrecorded items that may limit the utility of the property.

18. I am not an expert in detecting hazardous waste that may or may not be present in the soil. I have assumed that the site is free of hazardous waste. The downtown area is commonly associated with soil contamination.

19. As used in this report, the word “inspection” means a viewing of a property and its improvements for appraisal purposes; it should not be construed to mean a professional building inspection in which the building structures and systems are reviewed, examined, and/or tested. Measurements taken, if any, are for appraisal purposes only and are not to be relied upon for any other use.

ASSUMPTIONS AND LIMITING CONDITIONS
(continued)

20. By acceptance and use of this report, the user agrees that any liability for errors, omissions, or judgment is limited to the amount of the fee charged for the appraisal. Anyone acting in reliance upon the opinions, judgments, conclusions, or data contained herein, who has the potential for monetary loss due to the reliance thereon, is advised to secure an independent review and verification of all such conclusions and/or facts. The user agrees to notify me, prior to any loan or irrevocable investment decision, of any error which could reasonably be determined from a thorough and knowledgeable review.

21. As used in this report, the word "inspection" means a viewing of a property and its improvements for appraisal purposes; it should not be construed to mean a professional building inspection in which the building structures and systems are reviewed, examined, and/or tested. Measurements taken, if any, are for appraisal purposes only and are not to be relied upon for any other use.

22. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. I have not made a specific compliance survey and analysis to determine whether or not the improvements are in conformance with the various detailed requirements of the ADA. It is possible that a compliance survey together with a detailed analysis of the requirements of the ADA could reveal that the improvements are not in compliance with one or more requirements of the ADA. If so, this fact could have a negative impact on the value. Since I have no direct evidence relating to this issue, I did not consider possible noncompliance with the requirements of the ADA in estimating value.

23. The existence of potentially hazardous material used in the construction or maintenance of the subject improvements, such as asbestos, urea formaldehyde foam insulation, and/or toxic waste, which may or may not be present, has reportedly been reflected by experts relied upon in this case. The existence of such substances on or near the property have an effect on value. I am not qualified to detect such substances.

24. The effective date of value for this appraisal is after the date in which COVID-19 was declared to be a pandemic by the World Health Organization. The analyses and value opinions in this appraisal are based on the data available at the time of the assignment and apply only as of the effective date indicated. No analyses or opinions contained in this appraisal should be construed as predictions of future market conditions or value.

APPRAISER'S CERTIFICATE

I certify that, to the best of my 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 my personal, impartial and unbiased professional analyses, opinions, and conclusions.

3. I have no present or prospective interest, nor bias with respect to, the property that is the subject of this report, and no personal interest or bias with respect to the parties involved.

4. My engagement in this assignment was not contingent upon developing or reporting predetermined results.

5. 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.

6. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.

7. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

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

9. Eric C. Schneider, MAI, SRA, AI-GRS, R/W-AC provided significant real property appraisal assistance to the person signing this certification. Mr. Schneider assisted with market research, valuation analysis, and preparation of the report.

10. I have made a personal inspection of the property that is the subject of this report (exterior inspection from surrounding streets only).

11. I have performed no 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 (this is part of an ongoing assignment).

12. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute. I have also received certification from the state of California as a Certified General Real Estate Appraiser.

Robert P. Caringella, MAI, SRA, AI-GRS
AG003295

June 2, 2022
Date

Robert P. Caringella, MAI, SRA, AI-GRS

Educational Background

B.A. degree in Management Science, Economics Department,
University of California, San Diego 1987

Professional Courses Completed:

Appraisal Institute (or AIREA):

Real Estate Appraisal Principles/Valuation Procedures	1987
Capitalization Theory and Techniques - Parts A & B	1988
Case Studies in Real Estate Valuation	1989
Report Writing	1991
Standards of Professional Practice	2005, 2008, 2010, 2012, 2014, 2016, 2018
Limited Partnership and Common Tenancy Valuation	2002
Fundamentals of Separating Real/Personal Property and Intangibles	2012
Review Theory - General	2015
The Cost Approach	2020

Seminars Attended (partial list):

Appraisal Institute (or AIREA):

Business Practices and Ethics	2017
Historic Districts and Properties	2016
Uniform Appraisal Standards for Federal Land Acquisitions	2011
Appraising Unique Properties	2010
Annual Litigation Seminar	1989, 1990, 1995, 1996, 2007
Conservation Easements	2005
Planning and Land Use	1990
OREA Federal and State Laws and Regulations	1995, 1999
Attorneys, Appraisers & Real Estate	1996, 1997, 1998
Blueprint Reading	1996
Environmental Issues	1996
San Diego Economic Update	2004, 2005, 2006, 2007, 2009, 2012, 2013
Mitigation Land Update and Valuation	1997
Tax Assessment	1997
Apartment Seminar	1998, 2003, 2005
Retail Property Analysis; Single Tenant Net Leased Properties	1998;1999
Trends in R&D Market	2002
Advanced Appraisal	2004

International Right-of-Way Association:

Easement Valuation	1990
Mock Condemnation Trial	1994, 2000, 2012
Eminent Domain Case Update	1995, 1997, 2002, 2005, 2018

IRS Symposium 2006, 2018

Professional Affiliations

Member, Appraisal Institute (MAI No. 9649) (SRA and AI-GRS)

Certified under Continuing Education Program

Appraisal Institute, Admissions and Designation Qualifications Committee 2015-2017

Vice-Chair 2017

Appraisal Institute, National Finance Committee, 2015-16 and prior; 2019-2020

Appraisal Institute Education Trust - Board, 2011-2013
National Board of Directors, Regional Vice Chair 2007, Regional Chair 2008
President, San Diego Chapter of Appraisal Institute, 2005
Board of Directors, San Diego Chapter, 1999-2001, 2003-2005
Leadership Development and Advisory Council, 1999 and 2000 (National)
Chairman of Experience Review Committee, San Diego Chapter 1996-98
California Certified General Real Estate Appraiser (AG003295)
Member, International Right-of-Way Association
Board of Directors, San Diego Chapter, 1999-2003
Young Leadership Council, 1998 and 1999 (National)

Appraisal Company Experience
Co-Owner - Jones, Roach & Caringella, Inc. (formerly Jones & Roach, Inc.), Since 1996
Staff Appraiser - Jones & Roach, Inc. - 1987-1996

Testimony Experience
San Diego Superior Court
San Diego Assessor Tax Hearing
Los Angeles Superior Court
Imperial County Superior Court
US District Court, Special Master Hearing
Mediations and Arbitrations

Teaching and Education Experience
Speaker - San Bernardino Assessors Office - Effective Testimony: 2020
Speaker - CLE International - Eminent Domain, Precondemnation Damages: 2019
Speaker - Appraisal Institute - Residential “Spring Symposium”: 2018
Speaker - IRWA Seminar - “Eminent Domain and Valuation”: 2018
Guest Lecturer at UCSD, SDSU, USD, and Point Loma Nazarene University on Appraisal
Guest Instructor - USD Real Estate Class: 2017
Speaker - CLE International, Eminent Domain: 2015
Speaker - Lormon Seminar, Law of Easements: 2013
Speaker - MCLE Seminar, Eminent Domain: 2011
Speaker - Caltrans Seminar, Contaminated Properties: 2011
Speaker - Appraisal Institute Litigation Seminar So. Cal.: 2007
Speaker - IRS Symposium, Conservation Easements: 2006
Co-Creator, Co-Instructor - “Advanced Refresher”: 2004
Co-Instructor - “Rates and Ratios”, Appraisal Institute: 2003
Seminar Creator/Moderator - “The Client”: 2003
Speaker - IRS Seminar “Valuation of Fractional Interests”: 2000
Speaker - San Diego Assessor’s Seminar: 1998
Seminar Coordinator/Moderator - “Attorneys, Appraisers & Real Estate”: 1996, 97, and 98
Seminar Co-Coordinator/Moderator - Int'l Right-of-Way Assoc. “Valuation Tour”: 1996

Other Affiliations
Board of Directors - Willow Grove Educational Foundation 2008 -2013
Board of Directors - USE Credit Union, San Diego, 1999-2006
Investor Manager of LLC - $5,000,000 Loft Development, Downtown San Diego 2000

Types of Appraisals
Agricultural
Apartment Buildings
Auto Dealerships
Auto Repair
Aviation Facilities
Commercial Buildings
Contaminated Properties
Development Rights
Easements
Eminent Domain/Partial Acquisitions
Fractional Interests
Historical Appraisals
Industrial & Office Buildings
Leasehold and Leased Fee Estates
Mining - Aggregate
Mitigation Credits
Mixed-Use Properties
Notes/Loans
Mobilehome/RV Parks and Homes
Planned Communities
Research & Development Buildings
Residential Subdivisions
Retail Centers
Self-Storage Facilities
Single Family Homes and Condominiums
Single Room Occupancy Hotels
Vacant Land
View Impairment
Wetlands/Other Sensitive Habitat

Partial List of Clients

Public Agencies
California Department of Transportation
California Coastal Conservancy
California State Lands Commission
Centre City Devel. Corp. (Civic San Diego)
Chula Vista Redevelopment Agency
City of Chino Hills
City of Dana Point
City of Escondido
City of National City
City of Oceanside
City of Redlands
City of San Diego
County of San Diego
Del Mar Union School District
IRS
Metropolitan Transit System (MTS and MTDB)
MiraCosta Community College District
Oceanside Redevelopment Agency
Otay Water District
Regents of the University of California
Resolution Trust Corporation (RTC)
San Diego Association of Governments
San Diego City College District
San Diego County Water Authority
San Diego Unified Port District
Solana Beach School District
Southeastern Economic Development Corp.
U.S. Department of Justice
Wildlife Conservation Board (California)

Lenders and Developers
Ayres Land Company
Bank of America
Bank of California
Barratt American
Brookfield Homes
Buie Corporation
California Transportation Ventures
Citicorp Acceptance Company
Coast Federal Bank
Column Financial
Continental Bank
Downey Savings
D.R. Horton
First Interstate Bank
Garden Communities
Great American Bank
Home Savings of America
HomeFed Bank and Home Capital Dev. Corp.
KB Home
Leisure Technology
Nexus Development Corporation
Pardee Homes
McMillin Communities
San Diego National Bank
Sherritt Development Services
Union Bank
US Bank

Wells Fargo Bank
Western National Properties
Western Pacific Housing

Corporations, Attorneys, and Individuals
American Assets
Anderson, Mann & Hilbert, LLP
ARCO Petroleum Products Co.
Bartz & McCarberg, LLP
Berger & Norton
Best, Best & Krieger LLP
Bob Baker Enterprises
Brobeck, Phleger & Harrison
Burger King Franchisee
Burke, Williams & Sorensen, LLP
Coldwell Banker Realty Advisory Services
Daley & Heft
Endeman, Lincoln, Turek & Heater
English & Gloven
Epsten & Grinnell
Ford Motor Company
Fraser Engineering, Inc.
Golden Eagle Insurance Company
Golub & Morales
Gordon & Rees
Gray, Cary, Ware & Friedenrich
Greenberg Traurig
Haight, Brown & Bonesteel
Hearthstone Advisors
HomeFed Corporation
Insurance Company of the West
Irell & Manella, LLP
John H. Reaves, Attorney at Law
Judge Robert C. Thaxton (retired)
Lempres & Wulfsberg
Liberty Mutual Insurance Company
McKenna & Cuneo
McKenna Long & Aldridge, LLP
Meisenheimer Herron & Steele
Morris, Polich & Purdy
Olmstead, Hughes & Garrett
Orrick, Herrington & Sutcliffe, LLP
Palmieri Tyler Weiner Wilhelm & Waldron
Procopio Cory Hargreaves & Savitch
Rick Engineering Company
Ryals & Associates
San Diego Gas & Electric Company
Seltzer Caplan McMahon Vitek
Sheppard, Mullin, Richter & Hampton, LLP
Sierra Club Legal Defense Fund
Silldorf, Burdman, Duignan & Eisenberg
Solomon Ward Seidenwurm & Smith, LLP
Sullivan Wertz McDade & Wallace
Texaco Oil
Thorsnes, Bartolotta, McGuire & Padilla
Trust Company of the West
Trust for Public Land
UETA
Walmart
Withers Bergman