

APPRAISAL REPORT OF:

**THE MCKINLEY VILLAGE COMMUNITY
FACILITIES DISTRICT NO. 2015-04
(IMPROVEMENTS)
CITY OF SACRAMENTO, CALIFORNIA 95816**

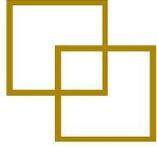
FOR:

**MR. BRIAN WONG
DEBT MANAGER,
CITY OF SACRAMENTO, OFFICE OF THE
CITY TREASURER
915 I STREET, HCH – 3RD FLOOR
SACRAMENTO, CALIFORNIA 95814**

DATE OF VALUE:

OCTOBER 12, 2015

BRI 15033



**BENDER
ROSENTHAL, INC.**

COMMERCIAL VALUATION AND RIGHT OF WAY SERVICES

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December 4, 2015

Mr. Brian Wong
Debt Manager
City of Sacramento, Office of the City Treasurer
915 I Street, HCH – 3rd Floor
Sacramento, California 95814

Re: Appraisal of the McKinley Village Community Facilities District No. 2015-04
(Improvements), located in the City of Sacramento, County of Sacramento, CA 95816
APNs: 001-0170-028; 001-0170-013; 003-0061-006; 003-0061-011

Dear Mr. Wong,

As agreed in our engagement letter and contract, we have appraised the above referenced property, consisting of the lands within the McKinley Village Community Facilities District No. 2015-04 (Improvements) (CFD).

McKinley Village is located on approximately 51.2± gross acres of land and is bound by the Interstate 80 Freeway (Business Loop) on the north and west, and the Union Pacific Railroad to the south and east within a neighborhood identified as East Sacramento. The proposed development is for 336 dwelling units and associated recreation/open space uses.

Taxable land uses within the CFD will include the 336 dwelling units, which will be constructed in various densities on a total of 26.6 acres. In addition, non-taxable land uses within the District boundaries will incorporate various parks, open space areas, a detention basin, along with an area dedicated for a recreation facility. All of the lands within the proposed District are owned by Encore McKinley Village, LLC.

New infrastructure is being contemplated as part of the issuance of bonds. The facilities eligible to be financed include roadway and sewer improvements, including offsite backbone infrastructure along McKinley Village Way to C Street, and between 28th Street and A Street, along with a sewer force main along Alhambra Boulevard. Further, on-site infrastructure is authorized to be financed including the construction of McKinley Village Way/De Forest Way, on-site storm drain and sewer lift stations, approximately 5.2 acres of on-site parks and drainage basins along with development fees.

The property appraised is subject to the standard assumptions and limiting conditions referenced in the Introduction section of this appraisal, as well as the extraordinary and hypothetical conditions.

BRI 15033

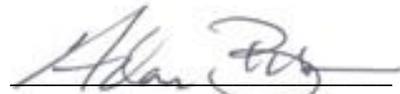
_____ BENDER ROSENTHAL, INC. _____

Mr. Brian Wong
City of Sacramento, Office of the Treasurer
December 4, 2015
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Per USPAP, this appraisal is communicated in a narrative Appraisal Report format. The following report sets forth a summary of the descriptive and factual data, the assumptions and conditions affecting the appraisal, and the findings and analyses that lead to and support the value opinions. The appraisers are not responsible for unauthorized use of this report. Every effort has been made to conform to the Standards of Professional Practice of the Appraisal Institute, which fully incorporate the Uniform Standards of Professional Practice (USPAP) of the Appraisal Foundation¹. We also have attempted to adhere to CDIAC² guidelines. Please refer to the Extraordinary and General Assumptions and Limiting Conditions contained in this report.

I am pleased to have the opportunity to provide you with professional appraisal services.

BENDER ROSENTHAL, INC.



Adam Bursch, MAI
California Certified General
Real Estate Appraiser
Certificate No. AG037931

¹ The Appraisal Institute is a national organization of appraisers that self-regulates its members, and the undersigned is a designated Member of the Appraisal Institute (MAI). A Member must adhere to the Institute's ethics code and standards. The U.S. congress has tasked the Appraisal Foundation to set standards and procedures with which state-certified appraisers must comply when appraising property interests involved in federally-regulated transactions.

² California Debt and Investment Advisory Commission, Appraisal Standards for Land-Secured Financings, CDAC 94-6.

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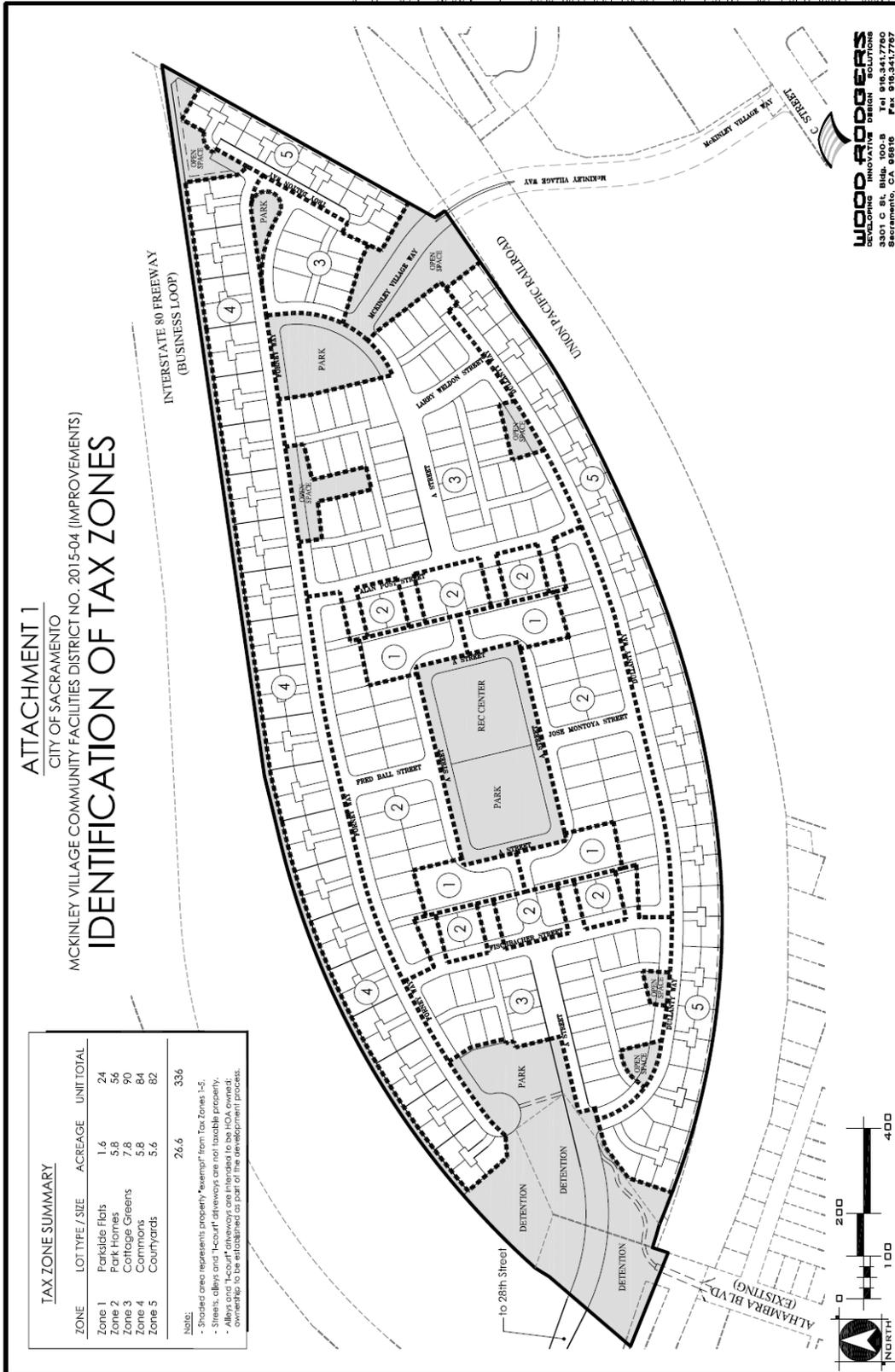
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- ITEM 1 MARKET STUDY
- ITEM 2 PRELIMINARY TITLE REPORT
- ITEM 3 PROFESSIONAL QUALIFICATIONS

PROPERTY IDENTIFICATION AND SUMMARY OF SALIENT FACTS

Appraisal Assignment/Purpose:	To determine the market value of the taxable land included within the McKinley Village Community Facilities District No. 2015-04 (Improvements).
Client and Intended User:	The City of Sacramento is the client and intended user of this appraisal report.
Intended Use:	This appraisal is intended to provide a value for underwriting as part of issuance of bonds associated with the McKinley Village Community Facilities District No. 2015-04 (Improvements). The appraiser consents to the inclusion of this report for the private placement of the McKinley Village CFD bonds as an attachment to the term sheet.
Property Rights Appraised:	Fee Simple Estate
Property Location:	The properties appraised are within the McKinley Village Community Facilities District No. 2015-04 (Improvements) and are bound by Interstate 80 Freeway (Business Loop) to the north and west, and the Union Pacific Railroad to the south and east. Currently, access to the project is provided by a dirt road that extends in an easterly direction from 28 th Street (future extension of A Street). Primary access to the general area is provided by the Interstate 80 Freeway.
Plan Area Land Use / Description:	The McKinley Village Community Facilities District No. 2015-04 (Improvements) is comprised of a mixture of residential and public uses. For illustrative purposes, the following District Map as contained in the Rate and Method of Apportionment, is presented. It is noted that the following map differentiates the land uses by Tax Zones. As will be shown later in this report, the various Tax Zones differ not only by design and layout of the residential product type, but also by the amount of the annual special tax levy per unit.

DISTRICT MAP



McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California

At build out, the District will include 336 residential dwelling units in various densities.

The following table presented summarizes the land uses within the District per Tax Zone.

McKinley Village Community Facilities District No. 2015-04 (Improvements) - Land Use/Tax Zones					
Tax Zone	Community Name	Residential Product Type	Acreage	Dwelling Units	Density (Units/Acre)
Zone 1	Parkside Flats	Attached Condominium	1.6	24	15.0
Zone 2	Park Homes	Detached SFR - 50' x 80' lots	5.8	56	9.7
Zone 3	Cottage Greens	Detached SFR - 40' x 80' lots	7.8	90	11.5
Zone 4	Commons	Detached SFR - 58' x 53' lots	5.8	84	14.5
Zone 5	Courtyards	Detached SFR - 38' x 70' lots	5.6	82	14.6
Total Taxable Acreage			26.6	Total DU's	336
	Recreation Center	-	1.0	-	-
	Parks/Open Space/Detention Basin/Public Streets	-	23.6	-	-
Total Non-Taxable Acreage			24.6	-	-
Total Project Acreage			51.2		

Source: McKinley Village Community Facilities District No. 2015-04 (Improvements) - Identification of Tax Zones District Map as contained in the Rate and Method of Apportionment, County Assessors Parcel Maps & the Tentative Subdivision/Condominium Map, McKinley Village, dated April 2014.

As of the date of value, portions of the on and off-site infrastructure were under construction.

Adjoining Land Uses:

North – I-80 Freeway / Vacant Land / American River
South – Union Pacific Railroad / Residential / Commercial
West – I-80 Freeway / Vacant Land / Commercial
East – Union Pacific Railroad / Commercial / Residential

Legal Description:

A legal description of the lands appraised is included in the Preliminary Title Report which has been included in the addenda of this report for the readers review.

Assessor’s Parcel Numbers:

001-0170-028; 001-0170-013; 003-0061-006;
 003-0061-011

Ownership:

Encore McKinley Village, LLC

Sales History:

Research of the sales history of the subject property revealed that the project was involved in a transfer within the last three years. The property last transferred in June of 2014 for a reported total effective purchase price of \$8,557,600, or \$167,141 per acre. The purchase included the base price of

\$8,085,000 plus additional consideration for a price escalation stipulated in the contract and reimbursements to the seller. The seller was McKinley Village Investors, LLC and the contract was established in May of 2013. Further, close of escrow was not contingent upon gaining entitlements. All of the costs of entitlement were borne by the buyer.

It should be noted, however, that there is a relationship between the buyer and the seller. It is understood that an affiliated entity of the seller is also an investor in one of the entities associated with the buyer. Given the relationship, the transaction is not considered to be arm's length.

No other transactions are known to have occurred within the last three years. Further, the lands within the District are not currently listed for sale, nor are they in contract to be sold.

The value estimated in this report is predicated on the hypothetical assumption that the bond proceeds have been invested in the project and reflects the current entitlement and infrastructure improvements in place. Given the non-arm's length nature of the prior transaction and the current status of the property, reconciliation of the estimated value with the prior sale is not relevant to this analysis.

Zoning and Entitlements:

The taxable properties appraised are zoned R-1A-PUD and R-2A-PUD.

Per the City of Sacramento Zoning Code, R-1A is a single-family unit or duplex dwelling zone the purpose of which is to permit single-family unit or duplex dwellings, whether attached or detached. Dwellings that have no interior side yards, such as townhouses and row houses are allowed. The maximum height is 35 feet. A maximum of 2 dwelling units is allowed per lot and the maximum lot coverage is 50 percent. The minimum lot size is 2,900 square feet per dwelling unit and the minimum lot width is 20 feet. The minimum corner lot width is 38 feet and minimum lot depth is 80 feet.

The R-2A zoning designation is a multi-family unit dwelling zoning allowing for garden apartments and cluster housing. This zone is regulated to minimize the ground area covered by structures and maximize open space. The maximum height is 35 feet. The maximum density is 17 dwelling units to the acre. The maximum lot coverage is 50 percent and the minimum lot size is 2,500 square feet.

The purpose of the Planned Unit Development extension, or PUD, is to provide for greater flexibility in the design of integrated developments than otherwise possible through strict application of zoning regulations. It is the intent of Planned Unit Development to encourage the design of well-planned facilities that offer a variety of housing or other land uses through creative and imaginative planning.

General Plan Designation:

Per the City of Sacramento General Plan, the designation is Traditional Neighborhood Medium. The allowable density is 8 to 36 units to the acre.

The development as proposed is in conformance with the underlying general plan designation.

Flood Information:

Per FEMA maps, the property appraised is located in one flood zone identified as Flood Zone X500. Flood Zone X500 is located outside the 100 but within the 500 year flood plains. This equates to a 0.2% to 1.0% annual probability of flooding. This is information was obtained from the FEMA website, community number/panel 06067C 0180J, dated June 16, 2015. Flood insurance is not required in Flood Zone X500.

Seismic Information:

The subject property is not within a Fault-Rupture Hazard Zone (formerly an Alquist-Priolo Special Studies Zone), according to Special Publication 42, "Fault-Rupture Hazard Zones in California", published by the California Department of Conservation, Division of Mines and Geology, revised 2007. No active faults are located on or in the proximity of the property. However, strong earthquakes generated along any of the active California faults may affect the site depending on the characteristics of the earthquake and the location of

the epicenter. In general, the effects should be confined to shaking and/or acceleration (shock waves) and potential damage to structures should be minimized by employing adequate design and construction procedures.

Because Sacramento County, and most of the State of California, is located in a seismically active region, the potential for earthquake-induced hazards must be acknowledged. However, the history of past earthquake activity does not indicate that Sacramento County is a particularly hazardous area. Current engineering design and construction practices, such as the Uniform Building Code, provide the opportunity to reduce earthquake related hazards.

Toxic Hazards Information:

We were not provided with a Phase I assessment for the subject property. No evidence of contamination was noted upon inspection of the property. However, the appraiser is not an expert in this field and is not qualified to detect or advise on similar matters. This appraisal therefore assumes that there is no toxic contamination on the subject property. Please refer to General Limiting Condition Number 15 regarding hazardous materials.

Wetlands:

A wetlands study was not provided for review. This appraisal assumes that there are no wetlands that can impede the planned development within the District.

Highest and Best Use:

Development to residential uses as per the current entitlements.

Date of Inspection:

October 12, 2015

Date of Value:

October 12, 2015

Date of Report:

December 4, 2015

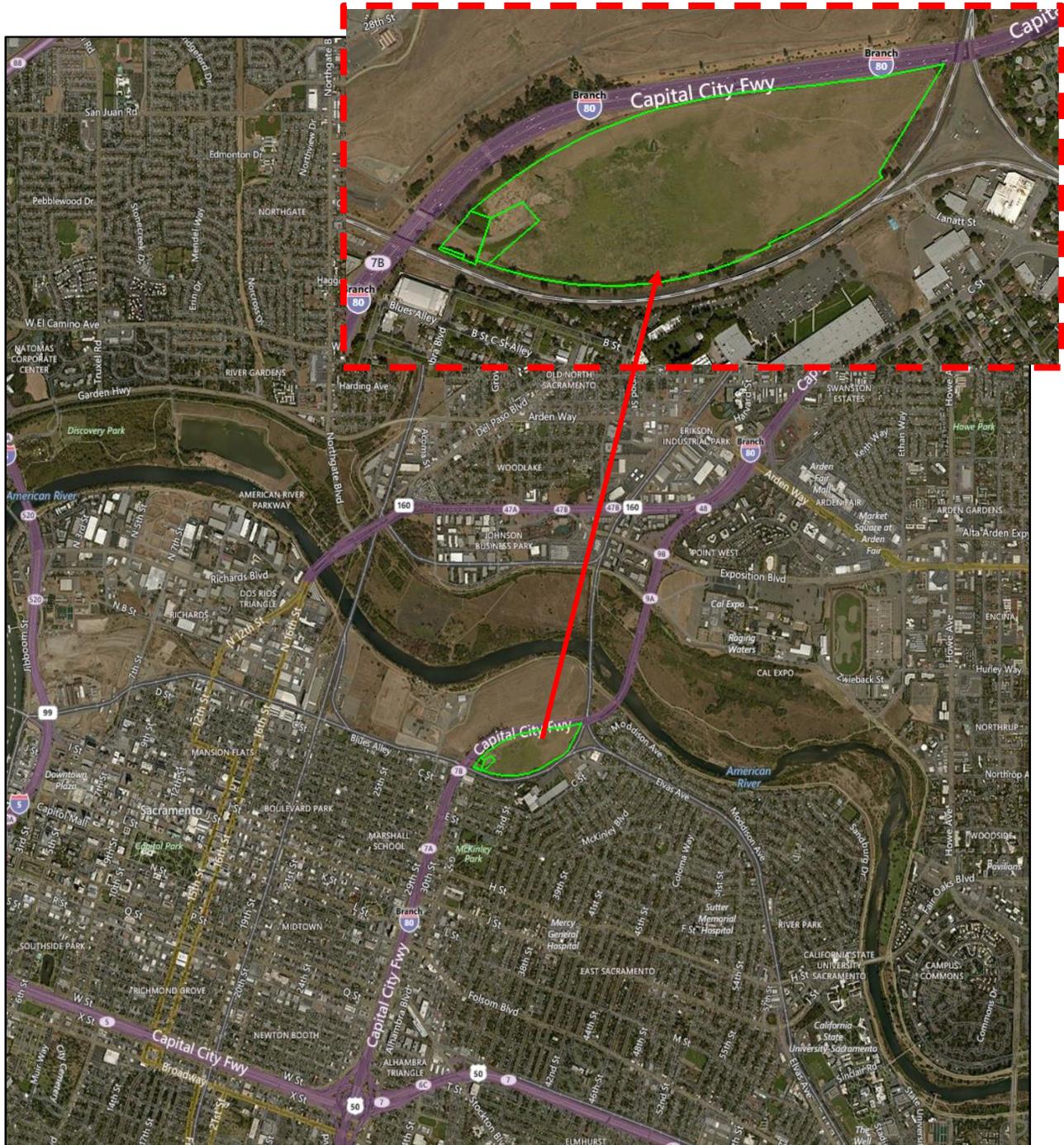
**Valuation Summary,
As of October 12, 2015:**

Description	Market Value
Hypothetical Market Value	\$55,510,000*

**Includes consideration of infrastructure paid for by the bond proceeds.*

AERIAL MAP

(Note: due to the date of the aerial imagery, the following aerial does not reflect the improvements that have been put in place as of the date of value)



SUBJECT PROPERTY PHOTOGRAPHS



View of the future extension of A Street.
Picture taken from the western portion of the site, looking west.



View of a portion of the District and the future extension of A Street.
Picture taken from the western portion of the site looking in an easterly direction.

SUBJECT PROPERTY PHOTOGRAPHS



View of the detention basin located along the western portion of the site (under construction).



View of a portion of the District and portions of the infrastructure under construction.
Picture taken from the central portion of the project, looking south.

SUBJECT PROPERTY PHOTOGRAPHS



View of a portion of the District and infrastructure under construction.
Picture taken from the central portion of the site, looking in an easterly direction.



View of the bridge under construction and future access point to 40th and C Streets.

SUBJECT PROPERTY PHOTOGRAPHS



View of a portion of the District, lots within Tax Zone 4 and infrastructure under construction. Interstate 80 is in the distance. Picture taken from the central portion of the site, looking in a westerly direction.



Looking north along 28th Street. Picture taken at the future intersection of A Street and 28th Street. Sutter's Landing Park in the distance.

SUBJECT PROPERTY PHOTOGRAPHS



Looking south along 28th Street.
Picture taken at the future intersection of A Street and 28th Street.



View of future extension of McKinley Village Way.
Picture taken from C Street looking north towards the District.

SUBJECT PROPERTY PHOTOGRAPHS



Looking east along C Street towards the future intersection of McKinley Village Way and C Street.



Looking west along C Street.

I. INTRODUCTION

SUBJECT PROPERTY

The subject property is the lands contained within the boundaries of the McKinley Village Community Facilities District No. 2015-04 (Improvements) (CFD). McKinley Village is an approximate 51.2-acre project located south of and adjacent to Interstate 80 (Business Loop) and north and adjacent to the Union Pacific Railroad Tracks within the City of Sacramento, California.

The property appraised is comprised of multiple components including production single-family residential lots of various densities and land slated for future attached high-density residential development. The total number of single-family residential units planned for the CFD is 336.

As of the date of value, construction of the project was underway. A significant portion of the horizontal site improvements have been put in place including underground utilities, portions of the planned drainage basin and associated infrastructure, portions of the bridge that will provide primary access to the project, along with curbs, gutters and sidewalks for approximately one half of the proposed lots. These improvements have been funded by the owner of the property and demonstrate a significant investment in the project as of the date of value. The estimated target date for completion of the major access roadways and most of the remaining on-site improvements is June of 2016.

PURPOSE OF THE APPRAISAL

The purpose of the appraisal assignment is to estimate the following market value:

- Hypothetical Market Value of the lands within the McKinley Village Community Facilities District No. 2015-04 (Improvements)

PROPERTY RIGHTS APPRAISED

Fee Simple Estate

CLIENT / USER / USE OF THE APPRAISAL

The City of Sacramento is the client and intended user of the report. The client intends to use the appraisal to aid in private placement of the McKinley Village CFD bonds and in the determination of sufficient value-to-lien coverage before the financing can proceed. The appraiser consents to the inclusion of this report for the private placement of the McKinley Village CFD bonds as an attachment to the term sheet. The appraiser has not authorized any other use or user of this report, and any other use or user may invalidate it.

SCOPE OF THE APPRAISAL

The appraisal assignment involved an inspection of the subject property by the appraiser, interviews with government departments having jurisdiction over the property, and collection of data pertaining to the subject property and the relevant market. Information was obtained from the client, the owners, public records, publications, appraisal office files, developers, builders, real

estate agents, and/or knowledgeable persons. Sales data were confirmed with knowledgeable parties, unless otherwise stipulated. Opinions were sought from market participants. Professional experts in such fields as site engineering, etc., were not hired, as this would have been beyond the scope of the assignment.

The valuation process also involved an investigation and analysis of regional area demographic and economic trends, and the Regional housing markets. Neighborhood attributes such as amenities, services, facilities, and other factors that could influence value were identified. The highest and best use of the property has been considered in light of these trends and factors, the degree of marketing success for the existing use, and the economic virtues and consequences of changing the property's use.

Information considered relevant to the appraisal assignment has been summarized in the appraisal, and data pertaining to value have been analyzed using the Sales Comparison Approach and discounted cash flow analyses. The steps taken to estimate the market value of the property include the following:

- Overview of the current real estate market;
- Overview of regional and neighborhood data;
- Inspection of the subject property and data pertaining to the subject property; Adam Bursch, MAI inspected the property on October 12, 2015.
- Review of the Rate and Method of Apportionment;
- Review of costs to finish the project provided by the master developer;
- Review of estimated fees provided by the City of Sacramento and a representative of the master developer;
- Research of absorption and price points of competitive projects;
- Review of a Market Study developed by The Gregory Group, dated August of 2015;
- Research of comparable properties through sources including Co-Star, MLS, and Loopnet;
- Discussions with real estate agents and buyers/sellers in the area; and
- Analysis of this data and calculations.

TYPE OF REPORT

As defined by USPAP, this appraisal is presented in a narrative Appraisal Report format.

COMMUNITY FACILITIES DISTRICT BONDS – SOME APPRAISAL CONSIDERATIONS

Special tax bonds, also known as Mello-Roos bonds, can be issued by a municipality under authority provided by the California Mello-Roos Community Facilities Act of 1982. Proceeds from such bonds usually pay for major development infrastructure such as roads, sewer lines, etc. The benefiting properties are obliged to pay a special tax until the bonds are finally retired. A property described as “subject” to these bonds is really subject to the special tax and not the bonds directly.

Therefore, a property subject to a special tax should really be described, in the appraiser's opinion, as a property owned in fee simple, as taxation is one of the four powers reserved from private property ownership (see definition of "fee simple estate"). Often, however, the description terminology is extended to "fee simple subject to special tax", or "fee simple subject to bonds."

DEFINITIONS USED IN THE REPORT

Market Value is the most probable price in cash or terms equivalent to cash for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue stress.³

Fee Simple Estate.⁴ This is the absolute ownership of real property unencumbered by any other interest, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.

Fee Simple Value Subject To Special Taxes. The cash price that would be paid in the market for a property or group of properties, assuming that annual special tax payments are required.

This is the value that is being appraised in this CFD. Properties of equal quality and utility, but not subject to special taxes, might sell at higher cash prices.

Extraordinary Assumption.⁵ An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions and conclusions.

Hypothetical Condition.⁶ 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.

Reasonable Exposure Time.⁷ This is the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Based on my analysis of the market, an exposure period of 6 to 12 months for the entire project is estimated.

³ Appraisal Standards for Land-Secured Financings, California Debt and Investment Advisory Commission, 94-6, Pg. 9.

⁴ The Dictionary Of Real Estate Appraisal (Fifth Edition), Appraisal Institute, Chicago, Illinois, 2010, Pg. 78.

⁵ Source: Uniform Standards of Professional Appraisal Practice 2014-2015 Edition; Pg. U-3.

⁶ Source: Uniform Standards of Professional Appraisal Practice 2014-2015 Edition; Pg. U-3

⁷ Source: Standards of Professional Appraisal Practice 2014-2015 Edition; Statement 6.

Retail Value is an estimate of what an end user would pay for a finished property under conditions requisite to a fair sale.⁸ In the discounted cash flow approach used in this appraisal, the value estimates are for the anticipated finished lots as if they were available today for home production, with all necessary infrastructure in place, and subject to expected CFD (Mello Roos) special taxes.

Bulk Sale Value. This is the most probable price, in a sale of *all* parcels within a tract or development project, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value, as of a specified date, in cash, or in terms equivalent to cash, for which the property rights should sell after reasonable exposure, in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, and for self interest, and assuming that neither is under undue stress.⁹

DATE OF VALUATION AND DATE OF THE REPORT

The effective date of value is October 12, 2015. The date of the report is the date of the letter of transmittal on December 4, 2015.

EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

In order to properly value the subject property within the CFD so that the security interest (value-to-lien coverage) for the bonds can be appropriately considered, certain special assumptions and limiting conditions have to be made that pertain specifically to this appraisal and are summarized as follows.

Note to Reader: The subject property is subject to the following extraordinary assumptions and/or hypothetical conditions, which might have affected the assignment results.¹⁰

1. With regard to future absorption, and absent any evidence to the contrary, we must assume that economic conditions will remain reasonably stable, and that interest rates will remain moderate.
2. We assume, for purposes of absorption analysis, that when market *demand* for lots is obviously strong, the *supply* of lots at the subject property is never artificially or unduly restrained by regulatory or managerial factors.
3. As part of the analysis, the lots were appraised assuming they were all in a finished condition, which is contrary to how they exist today. Estimated remaining costs to finish the lots were considered in the final value. The final value presented in this report is predicated on the hypothetical condition that the infrastructure being financed through the proceeds from the bonds is in place. As of the date of value, the infrastructure was not yet completed.
4. A preliminary title report produced by Stewart Title of Sacramento, dated May 12, 2014, was provided for review. Review of the preliminary title report revealed a number of public utility easements, references to agreements, special assessments,

⁸ Appraisal Standards for Land-Secured Financings, California Debt and Investment Advisory Commission, 04-07, Pg. 10.

⁹ Ibid.

¹⁰ Source: Uniform Standards of Professional Appraisal Practice 2014-2015 Edition, Pg. U-25.

etc. that are typical for properties of this type and should not have an adverse impact on value. This report assumes that there are no conditions of title that could have an adverse impact on value. Should at a later date this be shown to be incorrect, the value conclusions may change.

5. Property information was provided from a representative of the master developer. This information included property maps referencing the total number of proposed lots, subdivision and amenity design, estimated costs to finish the lots and estimates of building permits and fees. In addition, information was provided summarizing the estimated net bond proceed amount that will be invested in the project. This appraisal assumes that the information provided is reasonably accurate and the project will be developed as proposed. Should at a later date, this information be shown to be inaccurate, the value conclusions contained herein may change.
6. This report assumes the estimated net bond proceed amount of \$5 million will be used to finance authorized site infrastructure.
7. Information provided from representatives of the property appraised, and further confirmed through representatives of the City of Sacramento, indicates that the subject property is exempt from incorporating any inclusionary housing. This appraisal assumes that there is no inclusionary housing ordinance associated with the site appraised.
8. The McKinley Village project has been involved in a lawsuit in the recent past. An entity called "East Sacramento Partnerships for a Livable City" filed suit against the project. This entity claimed that the California Environmental Quality Act (CEQA) had been violated. In April of 2015, the courts ruled against the petitioner's lawsuit. However, an appeal was filed and is currently awaiting a hearing. The value in this appraisal assumes that any litigation issues are resolved and there are no legal issues impeding the development of the project as proposed.

GENERAL ASSUMPTIONS AND/OR LIMITING CONDITIONS

This appraisal report and the value estimate it contains are expressly subject to the following assumptions and/or limiting conditions.

1. I assume that property lines as depicted in material provided to the appraisers by the client (directly or indirectly), or as they appear on the ground, are correct. I have not commissioned any surveys of the property.
2. I assume that data, maps, and descriptive data furnished by the client or his representatives are accurate and correct.
3. I do not assume any responsibility for matters of law or legal interpretation. The appraiser is not a lawyer and cannot give legal advice.
4. I assume that any conditions that might exist that would affect the use and value of the property are discoverable through normal, due diligence review.
5. The valuation is based on information from sources believed to be reliable, and I assume that such information is correct and accurately reported.

6. The value estimate(s) are subject to the purpose, date, and definition of value stated in the report.
7. The report is to be considered in its entirety and use of only a portion will invalidate the appraisal.
8. The appraisal is made based on the premise that there are no encumbrances prohibiting utilization of the property under the appraiser's estimate of highest and best use.
9. Possession of this report does not carry with it the right of publication. No part of it may be reproduced by any means nor disseminated to the public in any way without the prior written consent of the appraiser. Nor may it be used for any purpose or function other than those stated in the report, or by anyone other than the client without the prior written consent of the appraiser and the appraisal firm. Such consent will only be granted subject to proper qualifications and arrangements, possibly including the payment of an additional fee to the appraisal firm. The appraiser acknowledges the attachment of this appraisal to the term sheet for the private placement of the McKinley Village CFD bonds.
10. The report is subject to review by duly authorized representatives of the Appraisal Institute for the purpose of upholding ethics and standards. This means that the appraiser must supply a copy of the report to the Appraisal Institute, if requested.
11. It is not the intention of the appraiser or the appraisal firm to assume any liability with regard to this appraisal from any user other than the client. Any person or entity who obtains or reads this report, other than the client, expressly assumes all risk of damages to himself or third persons arising out of reliance on this report, and waives the right to bring any action based on the appraisal. Neither the appraiser nor the firm of Bender Rosenthal, Inc., shall have any liability to any such person or entity.
12. Neither the appraiser nor the appraisal firm shall in any way be responsible for any costs incurred to discover or correct any physical, financial, and/or legal deficiencies of any type present in the subject property.
13. The appraiser shall not be required to give testimony or appear in court by reason of this appraisal with reference to the property described in this report unless prior arrangements are made.
14. No responsibility is assumed for building permits, zone changes, engineering, or any other services or duty connected with legally utilizing the subject property.

15. Unless otherwise stated in this report, hazardous material were not observed by the appraiser at the property. The appraiser, however, is not qualified to detect such substances. The appraiser have no knowledge of the existence of such materials on or in the property, except as discussed in the report. The presence of such substances as asbestos, urea-formaldehyde foam insulation, or other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. The client should secure proper professional investigation of such matters.
16. With referenced to improved properties: The property appraised may or may not be subject to the Americans with Disabilities Act of 1990 (ADA). Title III of this act provides for penalties for discrimination in failing “. . . to remove architectural barriers. . . in existing facilities [unless] an entity can demonstrate that the removal. . . is not readily achievable. . .” Unless otherwise noted in this appraisal, it is assumed that the property appraised is not substantially impacted by this law. However, the appraiser has not undertaken any detailed compliance review, nor is the appraiser an expert in ADA matters.
17. I assume that the property would be competently managed.
18. I assume that the property would have been competently marketed during the exposure period.

II. NATIONAL, CALIFORNIA AND REGIONAL OVERVIEW

NATIONAL ECONOMY

According to the National Association of Business Economics (NABE), forecasters are predicting a moderate pace of economic growth for the balance of the calendar year 2015 and into 2016. The NABE October 2015 Outlook presents the consensus of macroeconomic forecasts from a panel of 50 professional forecasters. The consensus forecast is that real GDP growth will be 2.5% from the fourth quarter of 2014 through the fourth quarter of 2015. This compares to a gain of 2.4% in 2014. Looking to the future, GDP growth is expected to improve by 2.7% in Q4, calendar year 2015 vs. Q4, calendar year 2016. Healthier consumer spending and housing investment are major contributors to the projected acceleration in overall economic activity. Accordingly, recent labor market strength is expected to continue. The panelists' median forecast is for net new job creation to average approximately 210,000 per month in calendar years 2015 and 2016. The unemployment rate is expected to continue its downward trend over the next several quarters, reaching 4.8% by the end of calendar year 2016. Although the general consensus is that the national economy will continue to grow over the next year, it is also noted that the outlook indicates that the majority of the panelists believe that the Federal Reserve will increase short-term interest rates by the end of 2015. The median forecast for the short-term rate by the end of calendar year 2016 is 1.375%, which compares to the current rate of 0.25%.

This outlook is also reflected by the Index of Leading Economic Indicators, an index published monthly by The Conference Board used to predict the direction of the economy's future movements in upcoming months. The Leading Economic Index (or LEI) increased 0.1% in August 2015 to 123.7 (the year 2010 = 100), following no change in July 2015, and a 0.6% increase in June 2015. Although the LEI still points to a moderate expansion in economic activity, substantial growth is not projected over the course of the next year. Average working hours and manufacturing orders have been weak, pointing to slow growth ahead in the industrial sector. However, this projected slow growth is offset by improving employment, personal income and trade sales figures.

The U.S. employment rate held steady at 5.1% in September 2015 and continued to hover at its lowest level since May 2008, according to the U.S. Bureau of Labor Statistics. Total nonfarm employment grew 2.0% over the year ending in September 2015. Employment in the construction industry grew 3.3% over the year, the fastest rate among the major industries. Employment in professional and business services grew 3.2% over the year ending in September 2015. Transportation and warehousing, leisure and hospitality, and education and health care also grew faster than the overall average growth of non-farm employment over the same period.

The Federal Open Market Committee (FOMC) press release on September 17, 2015 indicated that economic activity is expanding at a moderate pace. Contributing to this activity is household spending and business fixed investment along with improvements in the housing sector. Inflation is anticipated to remain near its recent low level in the near term, but the FOMC expects inflation to rise gradually toward 2% over the medium term as the labor market improves further and the transitory effects of declines in energy and import prices dissipate. To support continued progress toward maximum employment and price stability, the FOMC reaffirmed its view that the current

0% to 0.25% target range for the Federal Funds Rate remains appropriate. In determining how long to maintain this target range, the FOMC will assess progress, both realized and expected, toward its objectives of maximum employment and 2% inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and current events in the financial and international economic and geopolitical considerations. The Committee anticipates that it will be appropriate to raise the target range for the federal funds rate when it has seen further improvement in the labor market and is reasonably confident that inflation will move back to its 2% objective over the medium term.

CALIFORNIA ECONOMY

Beacon Economics report for the Fall 2015 reports an optimistic outlook for California's economic growth. The report states California's economic performance in 2014 is better than has been reported, that 2015 is going to be better than 2014, and that economic growth in the state will continue into 2016.

One area of ongoing strength in California is its labor market. After unemployment reached a peak of 12.4% in 2010, the unemployment rate had dropped to just over 6%. From June of 2014 through June of 2015, California has been the 5th fastest growing state in the nation with regard to job growth and the single largest source of new U.S. jobs, with more than 461,000 positions created as of June of 2015. Furthermore, not only has California been creating a significant number of new jobs, but the quality of the jobs has been improving as well. A significant contributor to the overall number of jobs as been the Professional, Scientific, and Technical Services sector which has accounted for 17% of the job growth over the last 12 months. In addition, 25,000 additional jobs were created in sectors that have an average annual wage in excess of \$100,000 per year including Information, Management of Companies and Finance/Insurance.

Looking to the future, the Beacon Report projects continual declines in the unemployment rate, dipping below 6% by the end of the 2016 year. Albeit at a modest pace, increases in single family home prices and personal income are also expected over the course of the next few years.

The following chart illustrates the national, regional and local employment picture that exists as of August 2015. The Sacramento MSA unemployment rate is slightly below the State levels, but above the National rate. Unemployment in the San Francisco Bay Area MSAs is well below both state and national levels.

UNEMPLOYMENT RATE SUMMARY				
Area	August 2014	July 2015	August 2015	YOY Decrease
United States	6.1%	5.3%	5.1%	-1.0%
California	7.4%	6.2%	6.1%	-1.3%
Stockton Lodi MSA	10.0%	8.8%	8.3%	-1.7%
Sacramento Roseville Arden Arcade MSA	7.2%	6.0%	5.7%	-1.5%
Oakland Hayward Berkley MD	6.2%	5.1%	4.8%	-1.4%
San Francisco Redwood City South San Francisco MD	4.4%	3.7%	3.5%	-0.9%

Source: California EDD & USBLS – Data Not Seasonally Adjusted

The California Employment Development Department’s report on payroll employment (wage and salary jobs) in the nonfarm industries of California totaled a gain of 36,300 in August 2015. This compares to the July of 2015 significant gain of 80,400 jobs.

Nonfarm payrolls in California have grown over the past year in nine sectors; construction (6.5%); professional and business services (5.5%); leisure and hospitality (4.4%); other services (1.0%); educational and health services (2.8%); trade, transportation and utilities (2.8%); information (2.5%); financial activities (1.7%); and government (1.6%).

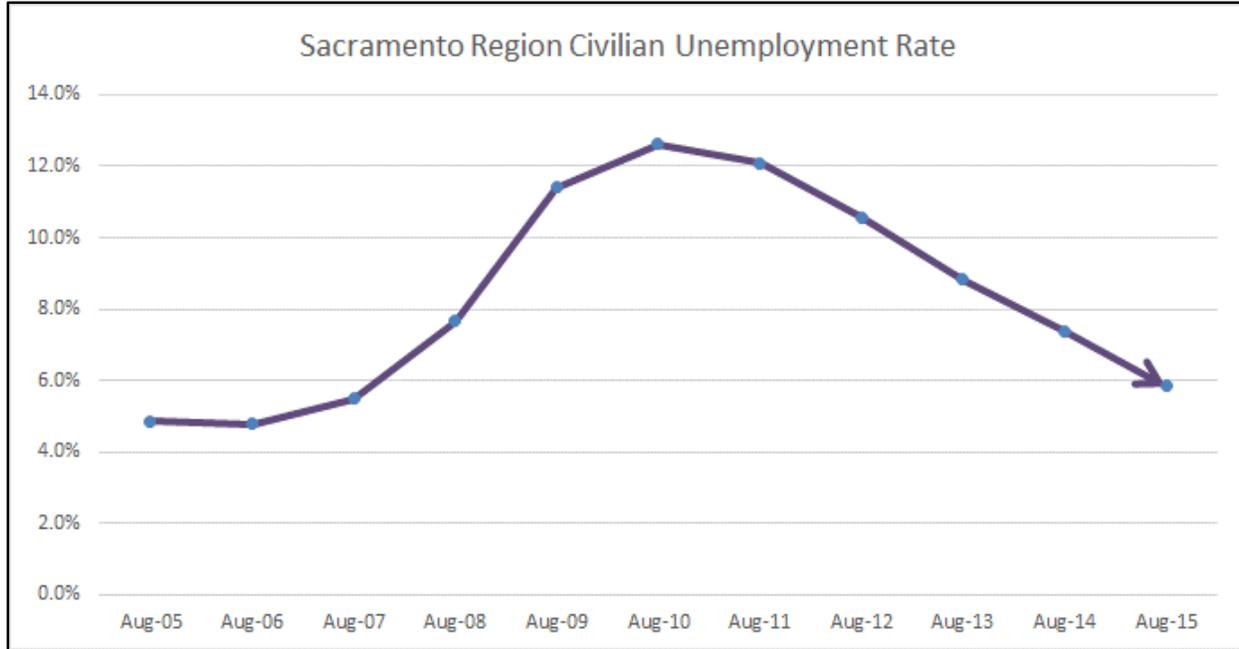
In a year-over-year comparison (August 2014 to August 2015), nonfarm payroll employment in California increased by 432,200 jobs (up 3.3%). Professional and business services posted the largest gains on a numerical basis, adding over 134,000 jobs.

Several categories, mining and logging & manufacturing, posted job decline over the year, down 2,700 and 1,200 jobs respectively.

SACRAMENTO REGIONAL OVERVIEW

The counties included in the Sacramento Region are El Dorado, Placer, Sacramento, Sutter, Yuba and Yolo Counties. The six county ‘Greater Sacramento Region’ is surrounded by 11 California counties and two Nevada counties and covers a land area of 6,328 square miles. Home to the California state capital, the Sacramento Region is also known for its central location in the Golden State and the West Coast. Situated at the confluence of the American and Sacramento Rivers, located in the north-central portion of the state, this geographic location provides convenient access through major highways and freeways to destinations like the Pacific Coast, Sierra Nevada

Unemployment Rates. The Sacramento Region unemployment rate has been trending in a downward fashion after the recession. The following chart presents the unemployment rate visually for the Sacramento Region for 2005 to 2015 (August rates), the most current data available.



Source: California Employment Development Department (EDD)

Sacramento Region Labor Force, Employment, Unemployment and Unemployment Rate											
Item	Aug-05	Aug-06	Aug-07	Aug-08	Aug-09	Aug-10	Aug-11	Aug-12	Aug-13	Aug-14	Aug-15
Civilian Labor Force	1,087,800	1,097,500	1,109,400	1,120,400	1,122,500	1,128,000	1,124,000	1,125,200	1,118,800	1,123,700	1,136,200
Civilian Employment	1,035,000	1,045,000	1,048,600	1,034,500	994,500	985,600	988,100	1,006,400	1,020,000	1,040,800	1,069,900
Civilian Unemployment	52,800	52,400	60,800	85,900	128,000	142,200	135,900	118,800	98,800	82,900	66,300
Civilian Unemployment Rate	4.9%	4.8%	5.5%	7.7%	11.4%	12.6%	12.1%	10.6%	8.8%	7.4%	5.8%

Source: California Employment Development Department (EDD)

As noted by the unemployment data, the largest jump in unemployment happened in 2009. Starting in 2007, similar to the economies of the state and nation, the Sacramento Region experienced an increase of its unemployment rate through mid-2011. Since 2011, the unemployment rate for the region has decreased significantly to its current rate just below 6%.

Demographic Trends. As of January of 2015, the Sacramento Region (Six County) had an estimated population of about 2.4 million, which is an increase of 0.87% over the estimated population as of the beginning of the 2014 year. The majority of the growth is occurring in Sacramento and Placer Counties. Sacramento County showed the fastest population growth over this time at 1.01% change from 2014 to 2015. The rate of growth of the Sacramento region is slightly slower when compared to the State as a whole over the same time period. It is noted, however, that many of the counties that have more of an agricultural use in in the region have

McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California

experienced relatively low population growth rates with Yuba, Yolo and Sutter Counties demonstrating this. The table below contains the 2010 Census data through January of 2015 populations for the state, Sacramento Region and Counties in the Sacramento Region.

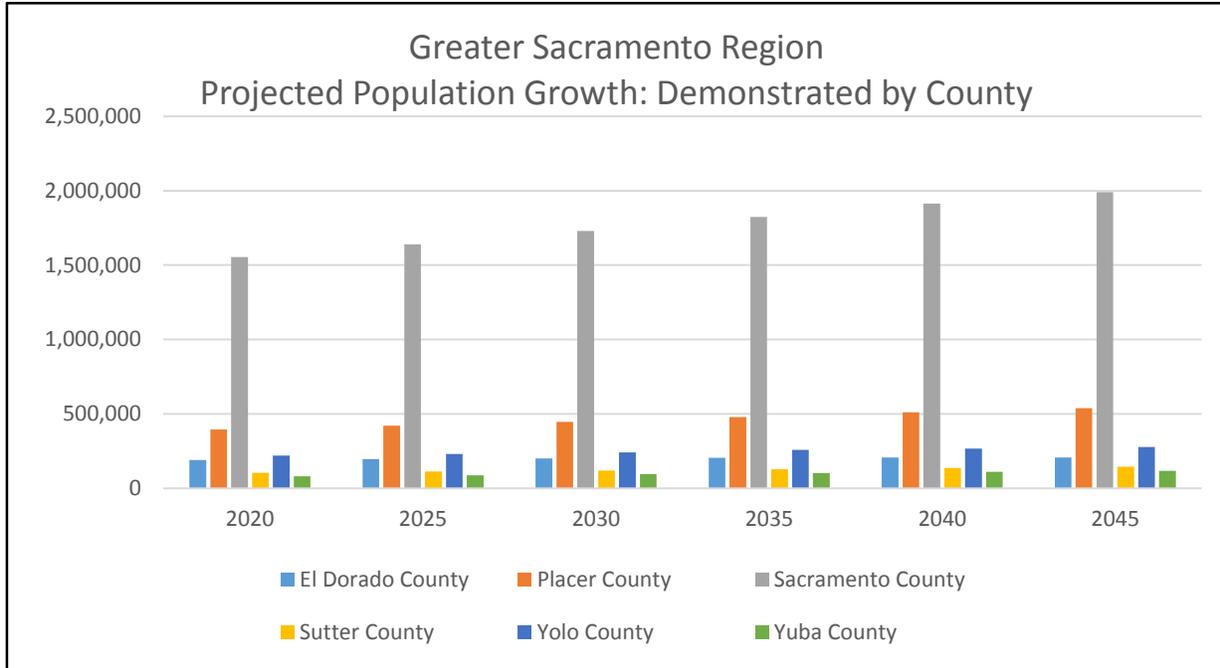
Area (State/Region/County)	4/1/2010	1/1/2011	1/1/2012	1/1/2013	1/1/2014	1/1/2015	14-15 % Change
California	37,253,956	37,427,946	37,680,593	38,030,609	38,357,121	38,714,725	0.93
Sacramento Region	2,316,019	2,327,914	2,341,377	2,361,336	2,383,870	2,404,700	0.87
El Dorado County	181,058	180,483	179,695	181,658	183,287	184,917	0.89
Placer County	348,432	351,463	358,147	361,733	366,678	369,454	0.76
Sacramento County	1,418,788	1,427,961	1,431,726	1,442,993	1,456,230	1,470,912	1.01
Sutter County	94,737	94,620	94,697	95,083	95,739	95,948	0.22
Yolo County	200,849	201,071	204,205	206,379	208,246	209,393	0.55
Yuba County	72,155	72,316	72,907	73,490	73,690	74,076	0.52

Source: Department of Finance: Population Estimates

Future Populations. As shown in the table below, population projections indicate that the Greater Sacramento Region is expected to increase by 5.6% between 2015 and 2020, or approximately 1.1% per year.

GREATER SACRAMENTO REGION PROJECTED POPULATION GROWTH						
Area	2020	2025	2030	2035	2040	2045
California	40,619,346	42,373,301	44,085,600	45,747,645	47,233,240	48,574,095
Sacramento Region	2,547,064	2,689,600	2,836,824	2,998,542	3,145,647	3,276,383
El Dorado County	190,850	196,950	201,509	205,624	208,092	208,302
Placer County	396,203	421,002	447,625	478,196	509,936	539,147
Sacramento County	1,554,022	1,639,613	1,730,276	1,823,985	1,912,838	1,989,722
Sutter County	105,107	112,384	120,071	128,530	137,228	145,113
Yolo County	219,415	231,369	241,898	259,163	267,268	277,208
Yuba County	81,467	88,282	95,445	103,044	110,285	116,891

Source: Department of Finance- Population Projections



When looking at the projected population growth by county, Sacramento County remains the largest population contributor when compared to the surrounding counties in the region. Counties like Placer, Yolo and El Dorado will also experience growth, but not at the rates that Sacramento County will. The lowest growth throughout the years is projected to be from Sutter and Yuba counties.

Housing Market. A total of 4,336 residential building permits were pulled in the year 2014 for the Sacramento Region, which is essentially unchanged from the total number of building permits pulled in the 2013. Current projections suggest that the total single family building permits pulled for the 2015 year, in part due to the lifting of the flood zone builders moratorium in North Natomas by FEMA in June of 2015, will be greater than that for 2014, estimated at over 4,800 units. It is noted that permit activity increased significantly in 2013 relative to prior years; however, the current number of single-family building permits issued are well below of levels seen in the early 2000s.

Looking to the future, the expectation from market participants is that the residential market will continue to stabilize. Lending rates are not expected to increase substantially over the course of the next several years which should also help to maintain sales momentum and pricing.

Commercial Real Estate Market. The Sacramento Region commercial real estate markets have generally stabilized over the past two years, however substantial improvement is only being experienced over very specific product types within the various sectors. Vacancy, however, has decreased across the board, which is partially a reflection of the complete lack of new construction over the previous few years, coupled with slowly increasing job growth and a rebounding housing market. Rental rates remain significantly depressed for the most part, which continues to keep most types of development infeasible.

The leasing paralysis has subsided and activity increased somewhat in 2010 and 2011, as many users who were postponing moves in 2009 took advantage of excellent opportunities to enter the market. Much of the activity currently occurring is due to existing tenants chasing cheaper rent and/or upgrading their location, however the return of the housing market has resulted in renewed interest from start-up businesses, as home equity loans are the most common source of capital for these users.

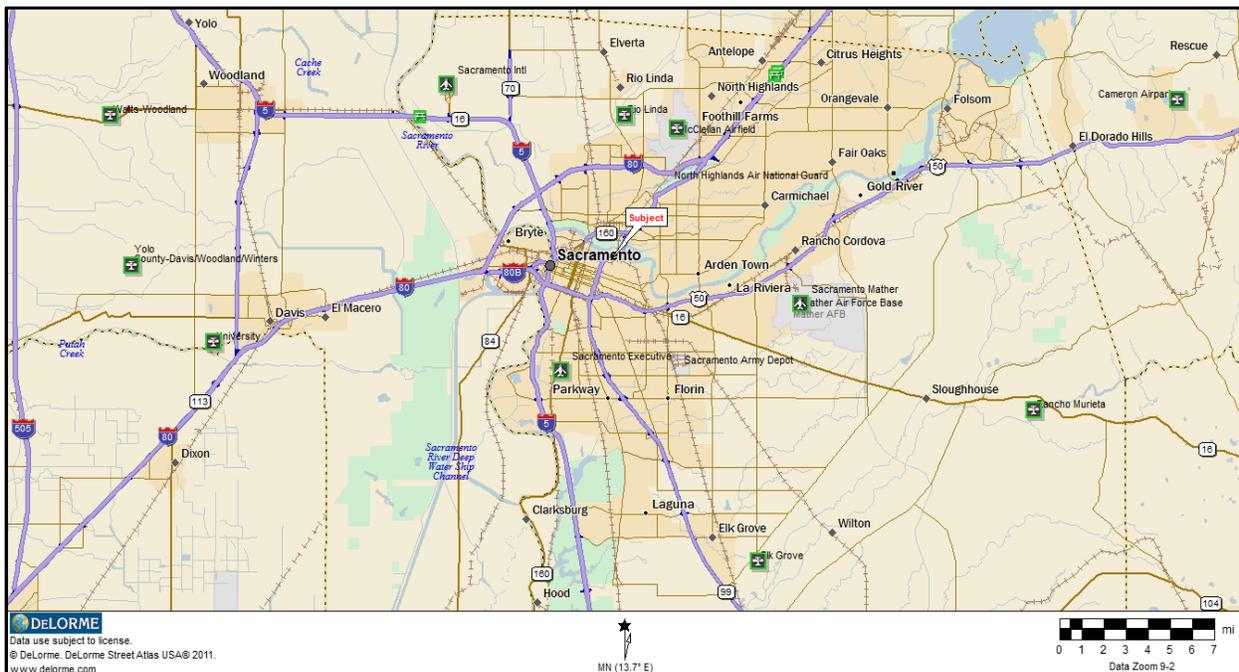
Small Business Administration financing enticed owner-users back into the market in the years 2012-2014, and these type of buyers accounted for the majority of the sale activity. While investors have been somewhat active as well, they continue to focus on those well located, class A properties with stable occupancy and high-credit tenants.

Regional Analysis Conclusion. The Sacramento Region is strategically located with respect to transportation corridors and agricultural production within California's Central Valley. It is apparent that the region is slowly recovering from the recession with gradual but steady job growth occurring in 2013 and 2014. Further, a rebound in the housing markets has helped the local economy as well. Although continued recovery is needed, it is apparent that the economy of the region is on the mend. The general consensus in the market is that the region will continue to stabilize over the course of the 2015 and 2016 and the job market will continue to strengthen.

III. SACRAMENTO COUNTY / NEIGHBORHOOD OVERVIEW

The subject property is located in City of Sacramento, within the County of Sacramento (County). The subject property's general area is approximately ± 2 miles northeast of the Central Business District of Sacramento (CBD). More specifically, the subject area is positioned south of and adjacent to Interstate 80 (Business Loop) and north of the Union Pacific Railroad tracks within a neighborhood of Sacramento commonly referred to as East Sacramento. A County map is shown on the following page.

COUNTY OF SACRAMENTO MAP



The County totals approximately 1,000 square miles and is located along the northern portion of the California Central Valley. Most of the County is characterized by relatively level terrain with an abundance of rivers and waterways. As of 2015, the California Department of Finance reported the County's population at 1,470,912, representing an increase of 1% over the 2014 estimates. Looking to the future, by 2025, the California Department of Finance projects the population will be 1,639,613 residents, or an average population increase of 1.1% per year.

Cities/Communities. The County contains seven incorporated cities including Sacramento, Rancho Cordova, Isleton, Galt, Folsom, Elk Grove and Citrus Heights. The county seat is the City of Sacramento, which is also the State Capitol. The City of Sacramento is by far the largest city in the County at just over 480,000 residences. The second most populated city is Elk Grove at nearly 163,000 people. The balance of the County is comprised of multiple unincorporated communities and towns along with a large portion of the County used for open space, recreation and agricultural purposes.

Agricultural Uses. Much of the undeveloped land in the County is enjoyed as open space and recreation uses, however there is some agricultural production occurring within the County with just over 25% of the land area in the County used for agricultural purposes. The following table presents the agricultural production in the County in 2013.

Crop	Value
Apiary (Bee Hives (Honey))	\$58,000
Field Crops	\$76,565,000
Fruit & Nut Crops	\$197,863,000
Livestock & Poultry	\$71,309,055
Livestock Products	\$65,526,000
Nursery	\$24,916,000
Seed Crops	\$2,202,000
Vegetable Crops	\$18,909,000
Gross Agricultural Value	\$457,348,055

2013 Sacramento County - Agricultural & Livestock Report

Transportation. There are four major highways converging near Sacramento's CBD: Interstate 80 and U.S. Highway 50, which are east-west freeways, and Interstate 5 and State Highway 99, which run in a north-south direction. Interstate 5 is continuous from the Mexican border to the Canadian border. The convergence of these highways makes the extended Sacramento area a desired distribution center location. Interstate 80 provides easy access to either the San Francisco Bay area or Reno/Tahoe from Sacramento. The area is served by regional (Greyhound) and metropolitan bus companies, and Sacramento has a light rail transit service. AMTRAK provides train service along the Roseville – Sacramento – Davis – Bay area corridor.

There are three primary airports in the County of Sacramento: Sacramento International, Mather and Executive. Mather Airport, located on a former Air Force base south of Highway 50, supports freight service. Executive Airport serves private air operations. Sacramento International Airport, utilizing two terminals, serves more than 9 million passengers a year and is the dominant airport in the northern portion of the California Central Valley area, providing passenger service to most American cities. Southwest Airlines operates 70 daily flights out of Sacramento International. Hawaiian and AeroMexico airlines operate successfully from this location. Once located away from all urban development and surrounded by farmland (the airport's one major negative, as the area is prone to fog in the winter), development is now planned or occurring nearby, including Metro Air Park, adjacent to the east.

The Sacramento International Airport recently completed a massive project to completely renovate a terminal and expand the runway. The \$1.1 billion terminal modernization project broke ground June 19, 2008, and was completed in the fourth quarter 2011, as scheduled. The "Big Build" includes a three-story central passenger terminal and a separate 19 gate concourse to meet an expected rising demand for passenger service as well as attract new carriers and routes. The new concourse replaces the aging, two story, 13 gate Terminal B. The project also includes a two-level roadway system, 42,000 square feet for concessions, an international arrivals facility and an automated people mover that will transport travelers between the terminal and concourse. At 670,000 square feet, the new terminal and concourse is three times the size of the old terminal.

Education. The subject property is located within the Sacramento City Unified School District (SCUSD). This school district is one of the older school districts in the western United States and was originally established in 1854. It has a current enrollment of over 43,000 students on 75 separate campuses spanning grade levels from kindergarten through 12th grade.

There are six public schools and three private schools located directly in the East Sacramento neighborhood vicinity and are as follows:

Public Schools

Phoebe A. Hearst Elementary - Grades 1 through 6
Sutter Middle School – Grades 7 and 8
Theodore Judah Elementary – Grades Kindergarten through 6
David Lubin Elementary – Grades Kindergarten through 6
Kit Carson Middle School – Grades 7 and 8
Caleb Greenwood School – Grades Kindergarten through 6

Private Schools

St. Mary School – Grades Kindergarten through 8
Sacred Heart Elementary – Grades Kindergarten through 8
St. Francis High School – Grades 9 through 12

Out of the six public schools listed above the only top rated school was Phoebe A. Hearst Elementary School. Kit Carson Middle School had a low rating while the remaining four had medium ratings.

There are no public high schools located in the direct East Sacramento Neighborhood. Located south of East Sacramento there are the following high schools; St. Hope Public Schools, Sacramento Charter High School and Capitol Heights Academy.

Four-year colleges are located in Placer and Sacramento Counties. Sacramento State University enrolls approximately 29,000 students annually and awards 7,000 degrees annually. The university offers 151 different Bachelor's degrees, 69 Master's degrees, 28 types of teaching credentials, and 2 Doctoral degrees. The campus is consistently one of the top three destinations among all universities in the state for California Community College students, welcoming over 4,000 new transfer students each academic year. William Jessup University is a Christian Liberal Arts University located in Rocklin, Placer County. The university serves just over 1,000 full time equivalents. Record enrollments have occurred for the past four consecutive semesters. Other academic opportunities include technical schools such as the Art Institute of California, International Academy of Design & Technology, Institute of Technology, MTI College; as well as post-graduate schools such as Drexel University, California Northstate University College of Pharmacy, McGeorge School of Law, auxiliary campuses for USC and the University of San Francisco, and Lincoln Law School of Sacramento.

Health Care. Multiple general care hospitals serve the County and the subject property's general neighborhood including Kaiser hospitals (two locations in the Sacramento area), Mercy General Hospital (Sacramento), Mercy Hospital (Folsom), Mercy San Juan Hospital (Carmichael), Methodist Hospital of Sacramento, Shriners Hospital for Children Northern California, Sutter Medical Center, University of California Davis Medical Center, along with several other mental

health facilities as well. The Sutter Medical Center is the closest to the property appraised at approximately 1 mile to the southwest. On August 8, 2015, Sutter Memorial Hospital closed and all services were moved to what is now known as Sutter Medical Center. The Sutter Medical Center now consists of several facilities including the Anderson Lucchetti Women's and Children's Center, the Ose Adams Medical Pavilion and the Sutter Center for Psychiatry. The Anderson Lucchetti Women's and Children's Center is a 242-bed facility which focuses on women's and children's specialty services, and includes medical intensive care units for cardiac and neurological patients. The Ose Adams Medical Pavilion is a 281-bed specialty medical center which focuses on general acute medical/surgical care as well as a medical base to advanced services for cancer, orthopedics, spine, and neurology and neurosurgery. In addition, the Sutter Center for Psychiatry is a 69-bed facility provides inpatient and outpatient psychiatric, mental health and chemical dependency services to children, adolescents and adults.

Retail / Shopping Centers. There are multiple regional commercial projects in the County, several of which are within close proximity to the property appraised. The Arden Fair Mall is located approximately two miles to the northeast of the subject property's area, just north of and adjacent to Arden Way and just east of Interstate 80 (Business Loop). This two-story facility is anchored by Nordstrom's, JC Penny, Sears and Macy's and includes a variety of other restaurant and retail space. Additional regional shopping venues include Country Club Plaza Mall at the intersection of Watt and El Camino Avenues in Sacramento County, the Sunrise Mall along Sunrise Boulevard in the City of Citrus Heights, and the Palladio mall located in the City of Folsom just north of Highway 50 along East Bidwell Street. Additional neighborhood and local strip shopping centers are also present in the region.

Immediate Neighborhood Area. The subject property appraised is within the City. More specifically, it is located within a neighborhood called East Sacramento. The neighborhood boundaries can generally be described as Interstate 80 to the west and north, Highway 50 to the south and the and the Union Pacific Railroad tracks to the east. The property appraised is located in the northern portion of the neighborhood.

The community is two miles east of downtown Sacramento, the cultural, economic, political, and transportation hub for the entire region. Residences in the neighborhood have immediate access to Interstate 80, Highway 50 and Highway 99. Interstate 80 provides access to the Bay Area and both Highway 50 and Interstate 80 provide access to the Sierra Nevada Mountains to the east.

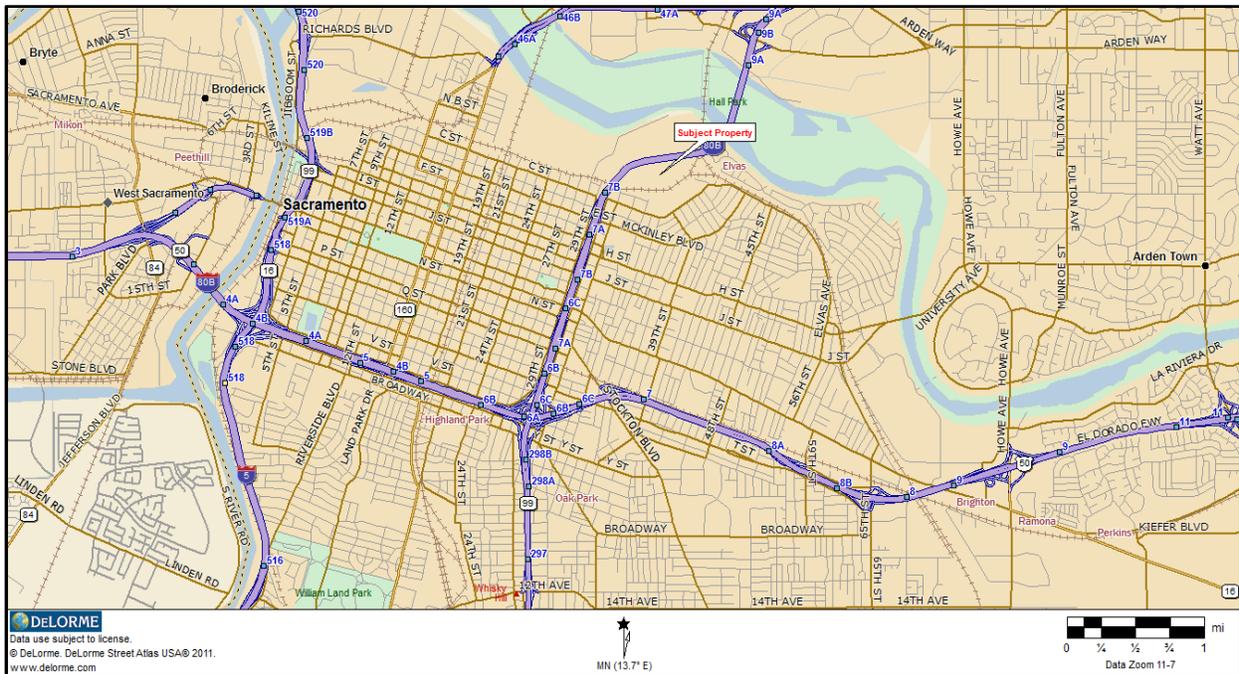
The defined area is greater than 90% built out and contains a mix of complimentary land uses including residential, commercial (both retail and office), and industrial. Most of the developments in the neighborhood are a combination of both single family and multi-family residential projects. The vast majority of the improvements are of relatively dated construction and were primarily built in the 1920's, 30's, 40's and 50's.

East Sacramento is known for McKinley Park and the "Fabulous Forties". McKinley Park is a 32-acre park bordered to the north by McKinley Boulevard, to the south by H Street, by Alhambra Boulevard to the west and 33rd Street to the East. A branch of the Sacramento Public Library is located in the north wing of the Clunie Clubhouse, a community center located at the park. The library which serves East Sacramento, Midtown and River Park has 45,000 volumes. There is also a small lake and eight tennis courts.

The “Fabulous Forties” consists of large to mid-sized houses in an upscale location. The lots between 38th and 46th Streets are bordered by J Street and Folsom Boulevard and are among the largest in East Sacramento, creating the concentration of larger houses that gave rise to the area’s name. Up until the Great Depression, the grand homes of the “Fab ‘40’s” were considered to be the modern day equivalent of a suburban mansion. Today, the demand for larger and more modern housing has created an interesting surge in the number of remodels and multi-story additions through the East Sacramento community.

The neighborhood is highly sought after due partly to its central freeway location, proximity to the Midtown area and the State Capital corridor. East Sacramento home prices have seen the largest price appreciations relative to size of any area in Sacramento. Additionally, Midtown, an area which has seen an increase in the number of fine dining offerings, monthly social events and public art and performance offerings, weighs heavily on the popularity of East Sacramento due in part to its relative ease of access to this area via bike, public transportation or walking. Schools, community activities, a sense of security and the number of outdoor, social and recreational diversions encourage and foster a strong sense of community.

NEIGHBORHOOD MAP



Besides the subject property’s proposed development, there is one other proposed residential development located in East Sacramento. This development is slated to take place on the land that was previously Sutter Memorial Hospital. This proposed development is being called Sutter Park Neighborhood and is bounded by the northwest by 51st Street and to the south by F Street, with existing single family residential surrounding it apart from a medical office building located adjacent to the southeast portion of the site.

As previously mentioned, the site houses the Sutter Memorial Hospital complex of buildings. The buildings are to be demolished. The approved plan for the new Sutter Park Neighborhood includes 120 homes designed in iconic East Sacramento fashion over 19.3 acres. This includes a mixture of classic architectural styles, from traditional park homes and cottages to mixed-use housing. It is estimated that this project will enter the market within the next several years.

The exhibit presented below shows the proposed design of the Sutter Park Neighborhood.

APPROVED SCHEMATIC FOR SUTTER PARK NEIGHBORHOOD DESIGN

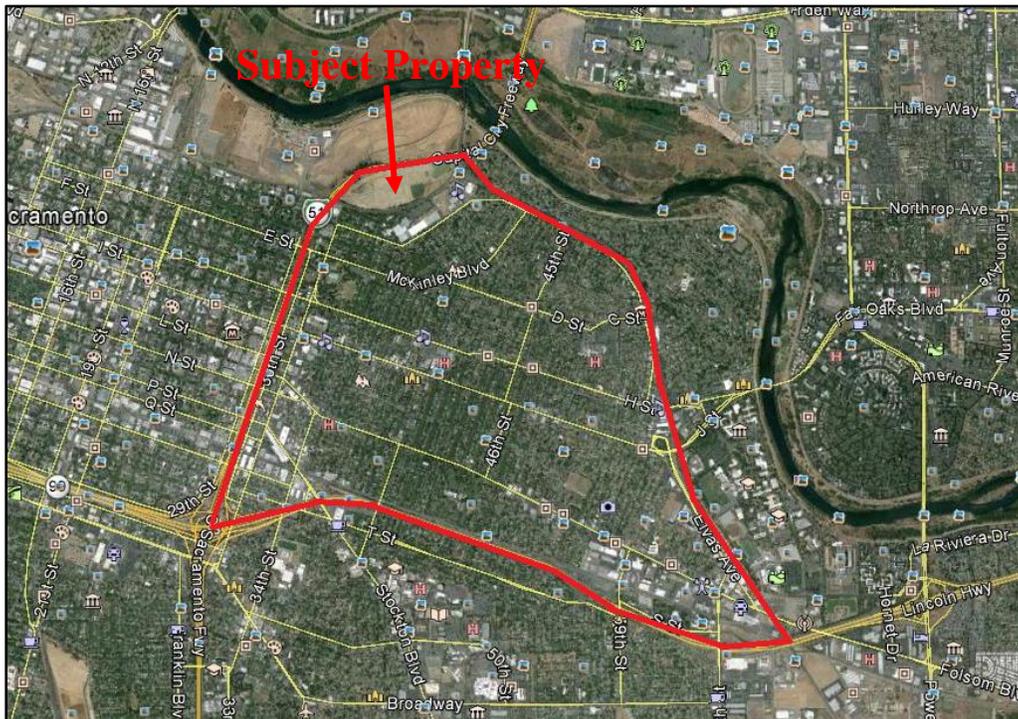
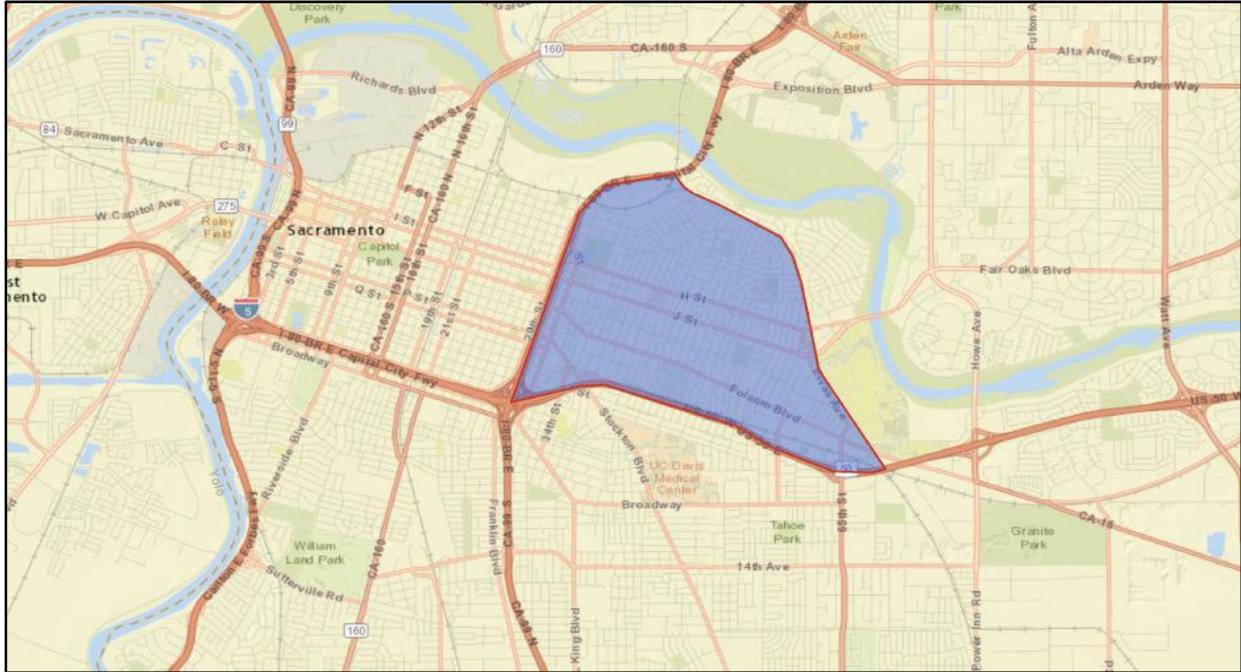


It has been estimated that once demolition of the hospital is completed, the project will likely take from 24 to 36 months to complete build-out. The development will likely have one or more homeowners associations. The approved plan contains a mixture of lot sizes. The proposed lot sizes are typical of East Sacramento homes, including adjacent neighborhoods.

Neighborhood Access. The neighborhood is conveniently accessed from the Interstate 80 freeway which borders the area on the west. Interior access to the area is also provided by multiple two lane roadways including C Street/Elvas Avenue, Folsom Boulevard, H Street and J Street.

DEMOGRAPHIC ANALYSIS

In order to further describe the subject property's immediate neighborhood, statistical information was obtained from the *Site To Do Business* (STDB). A demographic survey was performed of the East Sacramento neighborhood area specifically. The following is a presentation of the map and defined area along with an aerial and a brief discussion of the relevant neighborhood statistics. The most recent statistical information provided by STDB is as of 2015.



Population Growth. Per STDB, the neighborhood had an estimated population of 17,237 as of 2015. By 2020, the population is expected to grow to 17,598, or an annual growth rate of approximately 0.4% per year. It is noted that the neighborhood is primarily built out. The subject property represents the largest vacant land property in the neighborhood.

<i>East Sacramento Historical and Projected Population Growth</i>	
Population	Total
2020 Projection	17,598
2015 Estimate	17,237
2010 Population	16,998
2000 Population	16,732
Growth 2015-2020	2.1%
Growth 2000-2015	3.0%

Household Income. As of 2015, STDB estimates average household incomes within East Sacramento at \$93,424. By 2020, the average household income is expected to increase by nearly 15%.

<i>East Sacramento Household Income Distribution</i>				
Income Cohort	2015		2020	
	Number	Percentage	Number	Percentage
<\$15,000	682	8.0%	616	7.1%
\$15,000 - \$24,999	511	6.0%	355	4.1%
\$25,000 - \$34,999	690	8.1%	538	6.2%
\$35,000 - \$49,999	955	11.2%	858	9.9%
\$50,000 - \$74,999	1,637	19.2%	1,543	17.8%
\$75,000 - \$99,999	1,219	14.3%	1,448	16.7%
\$100,000 - \$149,999	1,287	15.1%	1,431	16.5%
\$150,000 - \$199,999	895	10.5%	1,092	12.6%
\$200,000+	656	7.7%	780	9.0%
Total	8,524	100%	8,670	100%
Avg. Household Income	\$93,424		\$107,089	
Est. Median Household Income	\$70,483		\$80,740	

Estimated Home Values. As can be seen from the following table, nearly 60% of homes within the community have estimated home values greater than \$300,000 according to STDB.

<i>East Sacramento 2015 Estimate of Owner-Occupied Home Values</i>		
Value	Total	
	Number	Percentage
<\$50,000	50	1.0%
\$50,000 - \$99,999	466	9.3%
\$100,000 - \$149,999	341	6.8%
\$150,000 - \$199,999	316	6.3%
\$200,000 - \$249,999	381	7.6%
\$250,000 - \$299,999	466	9.3%
\$300,000 - \$399,999	973	19.4%
\$400,000 - \$499,999	737	14.7%
\$500,000 - \$749,999	827	16.5%
\$750,000 - \$999,999	236	4.7%
\$1,000,000 +	211	4.2%
Total	5,014	100%
Estimated Median Housing Value		\$349,128

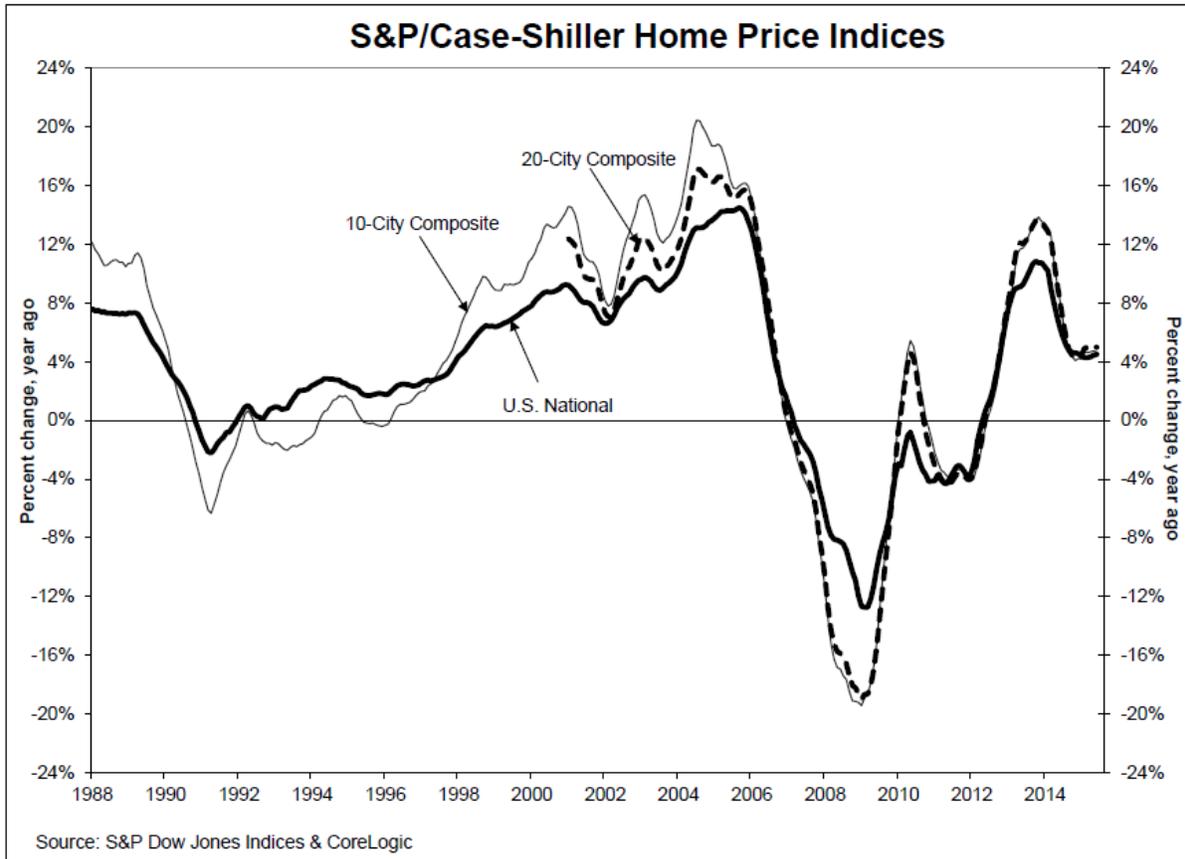
Conclusion. The East Sacramento neighborhood is located east of the Downtown CBD and Midtown market areas. The East Sacramento community is bounded by U.S. Route 50 to the south, Alhambra Boulevard to the west, Interstate 80/Elvas Avenue to the north and northeast, and Sacramento State University and the American River to the southeast. The neighborhood is highly sought after due partly to its central freeway location, proximity to the Midtown area and the State Capital corridor. East Sacramento home prices have seen the largest price appreciations relative to size of any area in Sacramento. The area is well serviced by supporting retail and medical services located within the community or immediately surrounding areas. Overall, the area compares favorably to other communities within the Sacramento Region.

IV. RESIDENTIAL MARKET OVERVIEW

The property appraised is proposed for single-family residential use. As such a discussion of the residential market is merited. Data was obtained from multiple sources including The Gregory Group and Standard & Poors. The following is a discussion of the national housing trends, as well as the trends observed in the Sacramento Region market areas specifically.

NATIONAL HOME VALUE TRENDS

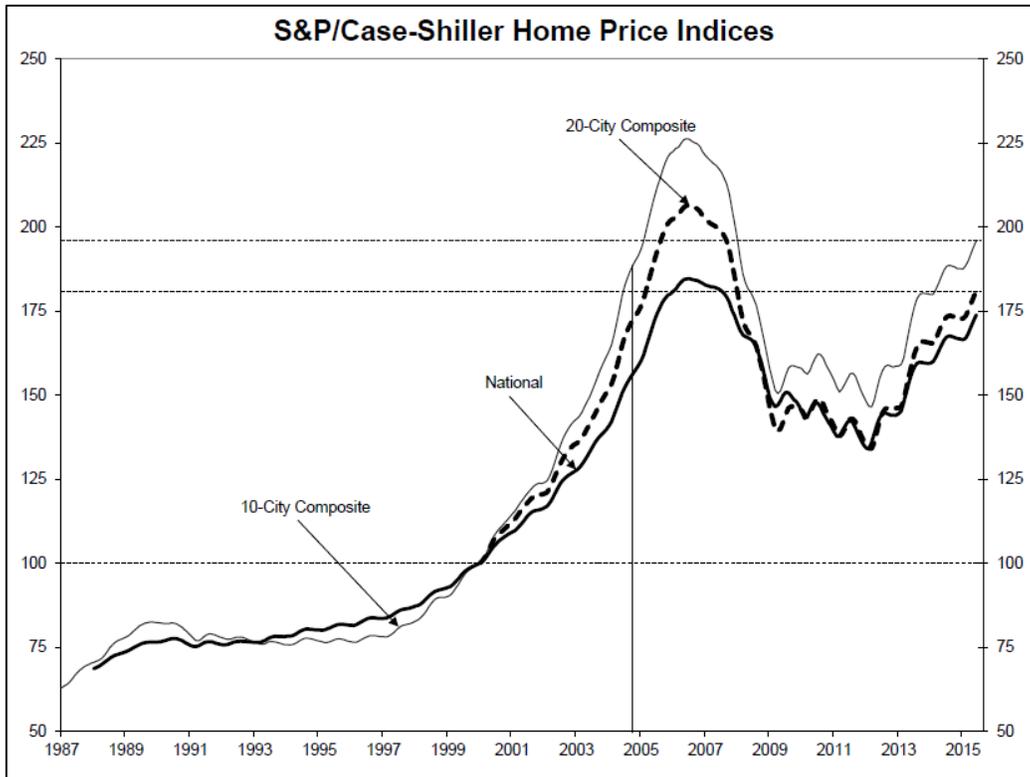
The S&P/Case-Shiller Home Price Index (Index) measures the residential housing market, tracking changes in the value of the residential real estate market in 20 metropolitan regions across the United States and the US as a whole. These indices use the repeat sales pricing technique to measure housing markets. First developed by Karl Case and Robert Shiller, this methodology collects data on single-family home re-sales, capturing re-sold sale prices to form sale pairs. The following is a summary of National housing information and trends contained in the latest *S&P Press Release*, dated August 25, 2015.



The chart above depicts the annual returns of the U.S. National, 10-City and the 20-City Composite Home Price Indices. The Index covers all nine U.S. census divisions. Over the last 12 months, prices rose 4.6% and 5.0% as measured by the 10 and 20 City Composites respectively in May 2015.

According to the Chairman of the Index Committee at S&P Indices, David M. Blitzer, “Nationally, home prices continue to rise at a 4-5% annual rate, two to three times the rate of inflation. While prices in San Francisco and Denver are rising far faster than those in Washington DC, New York, or Cleveland, the city-to-city price patterns are little changed in the last year. Washington saw the smallest year-over-year gains in five of the last six months; San Francisco and Denver ranked either first or second of all cities in the last five months. The price gains have been consistent as the unemployment rate declined with steady inflation and an unchanged Fed policy.”

“The missing piece in the housing picture has been housing starts and sales. These have changed for the better in the las few months. Sales of existing homes reached 5.6 million at annual rates in July, the strongest figure since 2007. Housing starts topped 1.2 million units at annual rates with almost two-thirds of the total in single family homes. Sales of new homes are also trending higher. These data point to a stronger housing sector to support the economy. Two possible clouds on the horizon are a possible Fed rate increase and volatility in the stock market. A one-quarter point increase in the Fed funds rate won’t derail housing. However, if the Fed were to quickly follow that initial move with one or two more rate increases, housing and home prices might suffer. A stock market correction is unlikely to do much damage to the housing market; a full blown bear market dropping more than 20% would present some difficulties for housing and other economic sectors.”



The chart above shows the index levels for the 10-City and 20-City Composite Indices. As of June of 2015, average home prices across the United States are back to their winter 2005 levels. Measured from their June/July 2006 peaks, the peak-to-current decline for both Composites is approximately 12-14%. The recovery from the March 2012 lows is 33.8% and 34.9% for the 10-City and 20-City Composites, respectively.

The following table is presented summarizing the June 2015 index levels and changes for the 20 cities included in the Index:

Metropolitan Area	June 2015 Level	June/May Change (%)	May/April Change (%)	1-Year Change (%)
Atlanta	124.86	1.3%	1.4%	5.4%
Boston	182.04	1.5%	1.5%	3.3%
Charlotte	134.32	0.6%	0.7%	5.2%
Chicago	131.72	0.7%	1.2%	1.4%
Cleveland	109.63	1.5%	1.6%	2.8%
Dallas	151.59	0.9%	1.0%	8.2%
Denver	170.09	1.3%	1.1%	10.2%
Detroit	102.87	1.8%	1.5%	5.7%
Las Vegas	143.30	0.8%	1.5%	6.1%
Los Angeles	237.54	0.9%	1.2%	6.3%
Miami	200.66	0.3%	0.8%	7.7%
Minneapolis	146.06	1.2%	1.1%	3.4%
New York	179.98	1.2%	1.2%	2.8%
Phoenix	152.91	0.9%	0.8%	4.1%
Portland	182.14	1.5%	1.4%	7.8%
San Diego	212.40	0.3%	0.9%	4.6%
San Francisco	214.53	0.4%	1.3%	9.5%
Seattle	182.48	1.1%	1.4%	7.4%
Tampa	169.81	0.3%	0.7%	5.4%
Washington	213.61	1.1%	0.7%	1.6%
Composite-10	195.89	0.9%	1.1%	4.6%
Composite-20	180.88	1.0%	1.1%	5.0%
U.S. National	173.84	1.0%	1.2%	4.5%

*Source: S&P Dow Jones Indices and CoreLogic
 Data through June 2015*

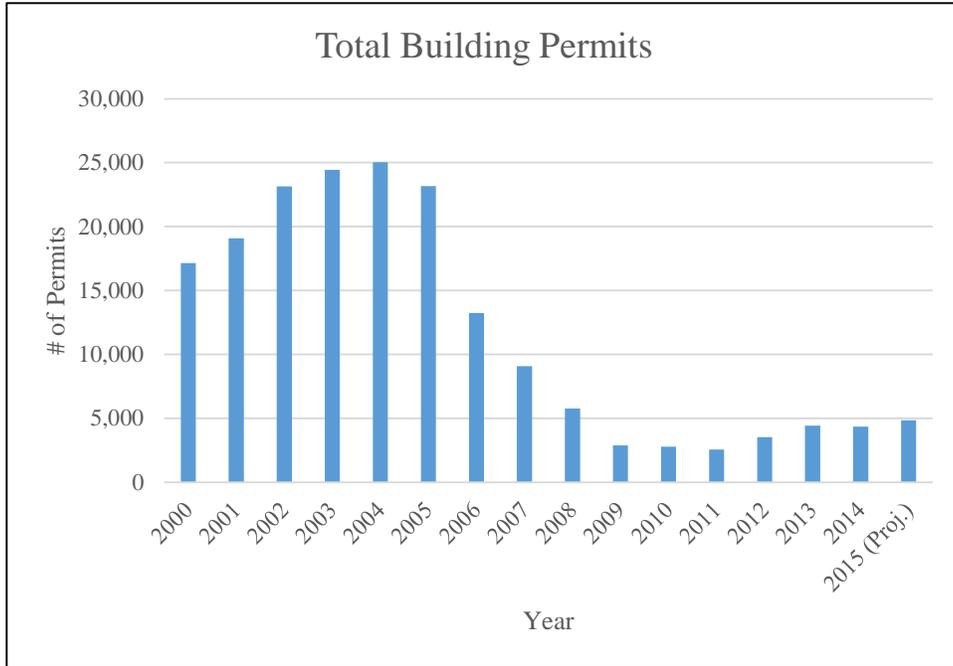
SACRAMENTO REGION HOUSING TRENDS

The following sections discuss in more detail building permits, new home sales, new home pricing and new home inventory in the Sacramento Region, the subject property’s market area. The following information was published by the Gregory Group and details statistics as of the end of 2nd Quarter of calendar year 2015, the most recent market information available by this source.

Building Permits. Per the Gregory Group, it is estimated that a total of 4,336 residential building permits (comprised of both single family and multi-family) were pulled in 2014. This represents a slight decrease over the total number of building permits pulled in 2013. However, if building permit activity continues at the same pace in the latter half of 2015, total number of residential building permits for the Sacramento Region is expected to increase to 4,851. The following chart and table are presented summarizing the historical building permit activity in the Sacramento Region.

Total Residential Building Permit Activity in the Sacramento Region		
Year	Total Building Permits	% Change
2000	17,155	-
2001	19,082	11.2%
2002	23,140	21.3%
2003	24,429	5.6%
2004	25,045	2.5%
2005	23,176	-7.5%
2006	13,226	-42.9%
2007	9,078	-31.4%
2008	5,772	-36.4%
2009	2,881	-50.1%
2010	2,780	-3.5%
2011	2,562	-7.8%
2012	3,527	37.7%
2013	4,414	25.1%
2014	4,336	-1.8%
2015 (Proj.)	4,851	11.9%

Source: The Gregory Group



Although building permit activity is currently nowhere near the levels observed in the early 2000's, more recent activity suggests improving market conditions in this regard.

New Home Pricing. According to the Gregory Group, as of 2nd Quarter 2015 there were a total of 128 actively marketing projects in the Sacramento Region. The number of residential projects in the Sacramento Region has been steadily increasing over the course of the last several years.

The table on the following page was created summarizing the new home prices and quarterly sales in each county and some of the cities in the market area:

McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California

Sacramento Region New Home Pricing and Sales												
	1st Qtr 2013	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr 2014	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr 2015	2nd Qtr	Quarter % Change	Year Ago % Change
Average Price	\$371,886	\$400,870	\$408,059	\$417,651	\$424,794	\$439,685	\$436,889	\$436,058	\$454,431	\$463,180	1.9%	5.3%
Median Price	\$355,990	\$378,490	\$379,990	\$365,500	\$394,990	\$415,000	\$419,990	\$417,880	\$425,990	\$435,945	2.3%	5.0%
Average Home Size	2,245	2,298	2,273	2,330	2,383	2,437	2,492	2,491	2,563	2,583	0.8%	6.0%
Average Pr/Sq Ft	\$169.84	\$180.15	\$184.49	\$183.86	\$182.66	\$187.35	\$180.06	\$180.13	\$181.94	\$184.22	1.3%	-1.7%
Ttl Weekly Sales Rate	0.70	0.68	0.63	0.61	0.82	0.67	0.59	0.57	0.61	0.74	21.3%	10.4%
Quarter Sold	770	724	582	382	672	808	608	651	1,036	1,096	5.8%	35.6%
Qtrr Weekly Sales Rate	0.85	0.77	0.60	0.39	0.58	0.63	0.45	0.49	0.65	0.66	1.5%	4.8%
Unsold Inventory	312	313	415	609	516	771	999	961	814	1,053	29.4%	36.6%
Weeks of Inventory	6	6	9	13	7	12	16	16	11	11	0.0%	-8.3%
County/Community												
(Average Price/ Quarter Sales)	1st Qtr 2013	1st Qtr	3rd Qtr	4th Qtr	1st Qtr 2014	2nd Qtr	3rd Qtr	4th Qtr	1st Qtr	2nd Qtr	Quarter % Change	Year Ago % Change
El Dorado County	\$517,001	\$513,045	\$505,866	\$515,775	\$547,615	\$542,328	\$539,890	\$571,247	\$605,286	\$630,045	4.1%	16.2%
	60	32	36	38	46	61	31	45	90	87	-3.3%	42.6%
<i>El Dorado Hills</i>	\$517,001	\$513,045	\$505,866	\$515,775	\$547,615	\$542,328	\$539,890	\$571,247	\$605,286	\$630,045	4.1%	16.2%
	60	32	36	38	46	61	31	45	90	87	-3.3%	42.6%
<i>Cameron Park</i>	--	--	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--	--	--
Placer County	\$377,211	\$416,978	\$432,335	\$440,065	\$446,174	\$459,472	\$451,003	\$434,420	\$466,467	\$477,351	2.3%	3.9%
	292	239	229	129	238	303	263	244	396	436	10.1%	43.9%
<i>Lincoln</i>	\$315,430	\$362,135	\$348,489	\$356,455	\$379,155	\$387,345	\$388,369	\$389,560	\$433,066	\$452,435	4.5%	16.8%
	99	74	62	31	80	102	71	37	105	44	-58.1%	-56.9%
<i>Rocklin</i>	\$436,728	\$519,380	\$515,688	\$522,344	\$544,077	\$537,816	\$537,845	\$522,824	\$523,422	\$524,850	0.3%	-2.4%
	23	19	19	17	35	71	51	46	64	93	45.3%	31.0%
<i>Roseville</i>	\$376,447	\$401,406	\$406,243	\$409,569	\$393,049	\$406,898	\$417,242	\$410,485	\$425,281	\$441,829	3.9%	8.6%
	169	145	118	66	96	119	129	162	221	294	33.0%	147.1%
Sacramento County	\$354,066	\$380,822	\$387,964	\$392,479	\$394,772	\$412,295	\$411,425	\$416,875	\$422,462	\$415,675	-1.6%	0.8%
	314	375	262	187	320	370	268	300	466	484	3.9%	30.8%
<i>Elk Grove</i>	\$285,711	\$325,640	\$303,035	\$299,155	\$337,283	\$344,149	\$341,755	\$348,143	\$360,990	\$387,614	7.4%	12.6%
	48	38	47	59	62	99	68	44	62	74	19.4%	-25.3%
<i>Folsom</i>	\$403,603	\$422,892	\$441,149	\$456,979	\$455,684	\$466,204	\$465,884	\$472,223	\$469,635	\$472,302	0.6%	1.3%
	61	63	60	26	68	66	50	47	79	48	-39.2%	-27.3%
<i>Laguna</i>	\$380,602	\$392,944	\$398,287	\$405,408	\$403,592	\$431,564	\$421,470	\$419,080	\$415,230	\$421,951	1.6%	-2.2%
	106	131	61	29	48	80	87	124	189	168	-11.1%	110.0%
<i>Natomas</i>	--	--	--	--	--	--	--	--	--	--	--	--
	--	--	--	--	--	--	--	--	--	--	--	--
<i>Rancho Cordova</i>	\$352,696	\$353,288	\$355,023	\$359,617	\$370,672	\$379,571	\$381,536	\$383,849	\$399,749	\$377,970	-5.4%	-0.4%
	43	70	65	34	75	66	37	51	72	94	30.6%	42.4%
Yolo County	\$345,415	\$354,825	\$374,224	\$393,354	\$402,719	\$426,751	\$415,432	\$429,146	\$427,280	\$460,498	7.8%	7.9%
	93	50	41	20	41	47	30	51	43	35	-18.6%	-25.5%
<i>West Sacramento</i>	\$333,828	\$337,535	\$359,396	\$359,390	\$365,110	\$451,050	\$457,050	\$490,550	\$465,741	\$467,526	0.4%	3.7%
	40	14	15	4	14	7	1	15	12	8	-33.3%	14.3%
Sutter County	--	--	--	--	\$374,923	\$411,727	\$411,727	\$411,727	\$410,102	\$413,932	0.9%	0.5%
	--	--	--	--	2	3	3	0	3	8	166.7%	166.7%
<i>Yuba City</i>	--	--	--	--	\$374,923	\$411,727	\$411,727	\$411,727	\$410,102	\$413,932	0.9%	0.5%
	--	--	--	--	2	3	3	0	3	8	166.7%	166.7%
Yuba County	\$224,847	\$236,276	\$275,535	\$276,808	\$275,808	\$280,445	\$277,717	\$277,717	\$295,387	\$303,766	2.8%	8.3%
	11	28	14	8	25	24	13	11	38	46	21.1%	91.7%
<i>Linda</i>	\$224,847	\$236,276	\$275,535	\$276,808	\$275,808	\$280,445	\$277,717	\$277,717	\$281,535	\$295,157	4.8%	5.2%
	11	28	14	8	25	24	13	11	24	19	-20.8%	-20.8%
<i>Plumas Lake</i>	--	--	--	--	--	--	--	--	\$308,083	\$312,375	1.4%	--
	--	--	--	--	--	--	--	--	14	27	92.9%	--

Source: The Gregory Group

The average new-home price in the six-county Sacramento Region was at \$463,180 at the end of Quarter 2, 2015, which equated to an increase of 5.3% from the prior year and an increase of 1.9% from the prior quarter. The base pricing does not reflect buyer incentives, which are prevalent in the Sacramento Region. Of the six counties in the Sacramento Region, El Dorado posted the highest average new home sales price at just over \$630,000, followed by Placer County at just over \$477,000.

New Home Sales (Absorption). A total of 1,096 new detached homes were sold in the Sacramento Region during Quarter 2, 2015, an increase of approximately 6% from the prior quarter and an increase of 36% from the prior year. The Quarter 2, 2015 average quarterly sales rate was 0.66 units per week, or roughly 2.6 units per month.

New Home Inventory. Per the Gregory Group as of the end of the Quarter 2, 2015 unsold inventory for the Sacramento Region was 1,053 units. At current sales rates, just less than three months of available supply is implied.

Competitive New Home Projects/East Sacramento Resale Market. Analysis of the subject property's neighborhood (East Sacramento) revealed no other actively selling new home projects. There are two proposed residential developments, one being the subject property (McKinley Village) and the other is the Sutter Park Neighborhood which will be developed on the former Sutter Memorial Hospital. However, the proposed market entry for the Sutter Park Neighborhood will likely not be for several more years.

That being said, there are several other relevant infill projects in the City of Sacramento that warrant further discussion given similarities in surrounding uses and product type that will be developed on the property appraised. These projects include Curtis Park Village, Tapestry Square and The Mill at Broadway. The following is a discussion of the sales activity in each.

Curtis Park Village. Curtis Park Village is a master planned, mixed use community located in the northwest quadrant of Sutterville Road and 24th Street in Sacramento, approximately 3 miles to the southwest of McKinley Village. At build out, this community will offer over 260 single-family home sites along with retail and multi-family components. The project is surrounded by the community of Curtis Park to the east and north, Sacramento City College to the west and South Sacramento to the south. It is noted that this project is also bordered by actively used train tracks along its western boundary. Similar to McKinley Village, Curtis Park Village is an infill development within a market area with very limited other new single family residential development.

McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California

As of October of 2015, there is one single-family residential builder within this project (Black Pine Communities) that is building out three separate product lines identified as The Cottages, The Estates and The Brownstones. The following table is presented summarizing the pertinent sales information:

<i>Subdivision Data - The Cottages, The Estates, Brownstones</i>									
Site Details									
Project Name	The Cottages, The Estates, Brownstones								
Address	NWC of Sutterville Road and Crocker Road								
City	Sacramento								
Merchant Builder	Black Pine Communities								
Target Product	Entry level/move up/ lateral								
Typical Lot Size (Cottages)	1,482-2,537 SF								
Typical Lot Size (Estates)	2,535- 3,031 SF								
Typical Lot Size (Brownstone)	2,192-2,537 SF								
Location	Average								
Topography	Level								
Layout	Average								
Project Sale Details			Fee Premium Details			Sale Condition Details			
Date Opened for Sales	Cottages- June '14. Estates July '14. Brownstones Dec '14		Lot Premiums	\$5,000 to \$15,000		Cash Equivalent	Yes		
Total Planned Units	Cottages- 12. Estates- 29. Brownstones 45		Incentives	\$3,500 towards CC		Terms	Incentives		
Units Sold	Cottages- 10. Estates- 28. Brownstones 7		HOA Fee	apx \$60 to \$170/unit		Sale Conditions	At Market		
Units Remaining	Total- 41		Assess Dist Fees	\$200/mo est.		Property Rights	Fee Simple		
Absorption Past 2-3 Mos.	2-3/month								
Plan Name	Base Sale Price	Price per SF	Incentives	Net Price	Net Price/SF	Living Area (SF)	BDs/ Baths	No of Stories	Garage Spaces
The Cottages (12 units)									
Mulberry Cottage	\$538,990	\$363.69	\$3,500	\$535,490	\$361.33	1,482	3/2.5	2	1
Chloe's Swing	\$570,099	\$356.09	\$3,500	\$566,599	\$353.90	1,601	3/2.5	2	1
Abbott's Grange	\$576,153	\$309.59	\$3,500	\$572,653	\$307.71	1,861	3/2.5	2	1
Ellie's House	\$598,990	\$295.36	\$3,500	\$595,490	\$293.63	2,028	4/2.5	2	1
Brick Manor	\$602,923	\$278.74	\$3,500	\$599,423	\$277.13	2,163	4/2.5	2	1
The Estates (29 units)									
Tudor Manor	\$721,990	\$284.81	\$3,500	\$718,490	\$283.43	2,535	3/2.5	2	2
Nouveau Cottage	\$739,990	\$266.47	\$3,500	\$736,490	\$265.21	2,777	3/2.5	2	2
American Craftsman	\$749,990	\$259.24	\$3,500	\$746,490	\$258.03	2,893	3/2.5	2	2
Mission Revival	\$764,990	\$252.39	\$3,500	\$761,490	\$251.23	3,031	3/2.5	2	2
Brownstone (45 homes)									
Residence One	\$619,990	\$282.84	\$3,500	\$616,490	\$281.25	2,192	3/2	2	2
Residence Two	\$639,990	\$289.07	\$3,500	\$636,490	\$287.48	2,214	3/2	2	3
Residence Three	\$659,990	\$260.15	\$3,500	\$656,490	\$258.77	2,537	3/2	2	3
Comments									
There is a 6 1/2 acre public park located in center of subdivision. Per information provided by a subdivision representative, pent-up demand helped opening sales (No new building in area for 50 years). The homes being built on The Cottages are being built on cluster lots. Analysis of the sale prices for this product type and discussions with a sales representative revealed that market participants are paying a premium for the more conventional lots associated with The Estates and The Brownstones versus the lots associated with The Cottages. It was reported that buyers within Curtis Park are viewing Landpark and East Sacramento as competitive market areas.									

Source: Appraisers primary surveys as of October 2015 & The Gregory Group

Although this project is offering similar project type to that which is proposed in McKinley Village, and Curtis Park Village is also infill development, this project's relative location is considered to be inferior to that of the subject property based upon an analysis of resale market activity in the two respective areas and inspection of the neighborhood. Further, McKinley Village will offer its' residents relatively more amenities.

Tapestri Square. Although the project recently sold out in the middle of 2015, a brief discussion of the product line offered in this project is relevant given similarities in location, surrounding uses and housing type.

Tapestri Square is positioned in the southeast corner of T Street and 20th Street in Sacramento. The property is about 2 miles to the southeast of McKinley Village within the Midtown area of the City. The project is an infill development that is surrounded by single family residential and commercial to the north, south and east and industrial/train tracks to the west.

This project opened for sale in the 2007 and Metro Nova Development was the builder. Given market conditions at that time, sales momentum was very slow for the first several years. However, as of the middle of the 2012 year, sales activity within this project picked up significantly with the project eventually selling out in 2015. Analysis of the historical sales activity in this subdivision revealed an average sales rate of about 1 to 2 units a month since 2012.

The subdivision offered a three story detached project on relatively smaller lots estimated at about 900 square feet. In total, 58 units were planned with an overall density of over 20 units to the acre. Base home price points within this project ranged from \$410,000 to \$795,000 for homes sizes ranging from 1,300 to 2,700 square feet. It is noted that, with regard to design, this project is considered to be the most similar to the relatively smaller lot and attached high density product proposed within the subject property.

However, relative to East Sacramento, the neighborhood surrounding Tapestri Square is also considered to be somewhat inferior. Although this project does benefit from its relatively more direct linkages to the CBD of Sacramento and supportive commercial services in immediate proximity, it does not offer similar community amenities as those that will be offered within McKinley Village.

The Mill at Broadway. This project is generally located in the southeast quadrant of the Interstate 5 freeway and Broadway, just south of the downtown core area of Sacramento. Similar to the other aforementioned projects, this subdivision is an infill development and is surrounded by the Interstate 5 freeway to the west, public housing and a school to the south, and industrial/commercial developments to the north and east.

At build out, this project will offer over 800 units that will be a combination of attached and detached homes contained within three separate product types identified as “Bungalows”, “Villas” and “Courts”. The future plan for the Mill at Broadway also includes some limited commercial components, an urban farm and a community center.

The “Bungalows” include detached product ranging from 964 square feet to 1,451 square feet. Floor plans are of a 2 to 3 story design with two car garages. Although detached product, the lot design and orientation of the home does not afford any significant yard area beyond a courtyard and site areas directly proximate the home structure. This product type is priced from the high \$300,000’s to the low \$400,000’s.

With regard to the “Villas”, this product type is designed as attached homes with single garages. Homes are provided with either 2 or 3 stories depending upon the plan type, with multiple elevations offered. Floor plans range in size from 1,009 to 1,399 square feet and are priced from the low \$300,000’s to the low \$400,000’s.

Lastly, the “Courts” are also of an attached design. Four different floor plans are offered ranging in size from 553 square feet to 1,436 square feet that are of either a 2 or 3 story design. The floor plans offer 1 car garages with 1 to 2 bedrooms/bathrooms depending upon the unit. Price points range from the low \$200,000’s to the high \$300,000’s.

Per discussions with a property representative, the subdivision opened for sale in July of 2015 and the project is offering \$3,500 in incentives and HOA’s are estimated at \$110 per unit per month. Since opening, the project has reportedly been selling at rate of 6 to 7 units per month. Further, discussions with a representative of the project indicated that the buyer profile associated with project are different than that associated with projects located in the suburbs of the Region. Buyers within this project are generally a younger demographic (estimated at 20 to 40 years old) and are more interested in the lifestyle changes the community offers including relatively shorter commute times to employment opportunities in the downtown market area, biking opportunities to surrounding amenities, etc.

This project is considered to be similar to McKinley Village with regard proximity to the Midtown/Downtown area of Sacramento and development density. Although a community center will be developed within the project, it will not offer a pool. Further, the property uses surrounding this project are considered to be somewhat less desirable than that of McKinley Village. Regardless, the project is experiencing relatively strong demand as exhibited by its recent sales activity.

It is also noted that the search for other relevant projects within the Region was performed. Although other relatively high density projects were identified in the Region, a discussion of these projects is not relevant to this analysis given differences in location, product type and buyer profile. The aforementioned three projects are the most relevant to the subject property.

East Sacramento Resale Market. Given the unique location of the subject property’s market area, and the lack of new home construction, it is relevant to discuss the recent resale market activity in East Sacramento. The local Multiple Listing Service (MLS) was surveyed as to recent sales that have occurred in the neighborhood. The search parameters included sales that have occurred since the beginning of June of 2015 through the date of value. The following table is presented summarizing the data:

East Sacramento Resale Activity - June 1, 2015 through October 12, 2015									
No. of Sales	Average Days on Market	Average Year Built	Price Range	Median Price	Average Price	Average Home Size (SF)	Average Price/SF	Average Lot Size (Acre)	Average Lot Size (SF)
131	26	1940	\$355,000 to \$1,175,000	\$490,000	\$556,209	1,570	\$354.36	0.13	5,861

As can be seen from the table above, there were a total of 131 sales within the survey date range. Price points exhibit a wide range from \$355,000 to \$1,175,000. However, the average price point is nearly \$560,000 with the average sized home at 1,570 square feet, which equates to an average price per square foot of \$354. The lots within East Sacramento are significantly larger than those proposed within McKinley Village. However, the average age of sold homes in the market area are greater than 70 years old.

Market Study – The Gregory Group. In addition to the appraisers independent research, a market study was also performed. The market study was produced by The Gregory Group, dated August of 2015 and is included in the addenda of this report for the reader’s reference.

The market study addresses potential pricing for the proposed product types which is towards the upper end observed in the market as well as absorption which is projected at ranging from 0.5 to 1.0 units per week or approximately 2 to 4 units per month. The relatively larger housing product types is projected to absorb at rates towards the lower end of the range. Further, given differences in lot size and potential product types, it is concluded that multiple product types on the different lot types could compete and sell concurrently. Per the Gregory Group, price points are projected at ranging from the mid \$400,000’s to just over \$1,000,000.

Based upon the appraisers’ research, the conclusions presented by The Gregory Group are considered to be within market parameters. As will be discussed later in this report, the conclusions and analysis provided by the Gregory Group are relied upon for various components of this appraisal.

Conclusion. Overall, the Sacramento Region has observed noticeable improvement in residential market conditions over the course of calendar years 2013, 2014 and early calendar year 2015. Although market conditions stagnated somewhat during the course of 2014 with slow absorption of new home product and a reduction in new home pricing in some areas, the 2015 year has improved somewhat with an uptick in sales and new home pricing. A total of 484 new home sales were reported in the County in the 2nd Quarter of 2015 which is nearly a 31 percent increase to the sales observed in the 2nd Quarter of 2014. Discussions with market participants suggest that recent home sales activity has created additional optimism associated with some homebuilders in the area.

With regard to the subject property’s immediate market area of East Sacramento, there are currently no actively selling subdivisions. However, analysis of the resale market in the immediate area indicates price points ranging from the mid \$300,000’s to over \$1,000,000, with an average sales price per square foot well over \$300. Although located in generally inferior market areas, three separate infill subdivisions were analyzed which indicated new home price points ranging from the low \$200,000’s to nearly \$800,000 with a price per square foot range from about \$250 to nearly \$380. Observed absorption within these projects ranges from approximately 1 to 7 units per month.

The independent market study performed by The Gregory Group projects price points ranging from the \$400,000's to just over \$1,000,000 with estimated absorption ranging from 2 to 4 units per month depending upon the product type. The projected price points and absorption as provided by The Gregory Group are considered to be reasonable based upon the appraiser's analysis of the market area and other similar projects in the Region.

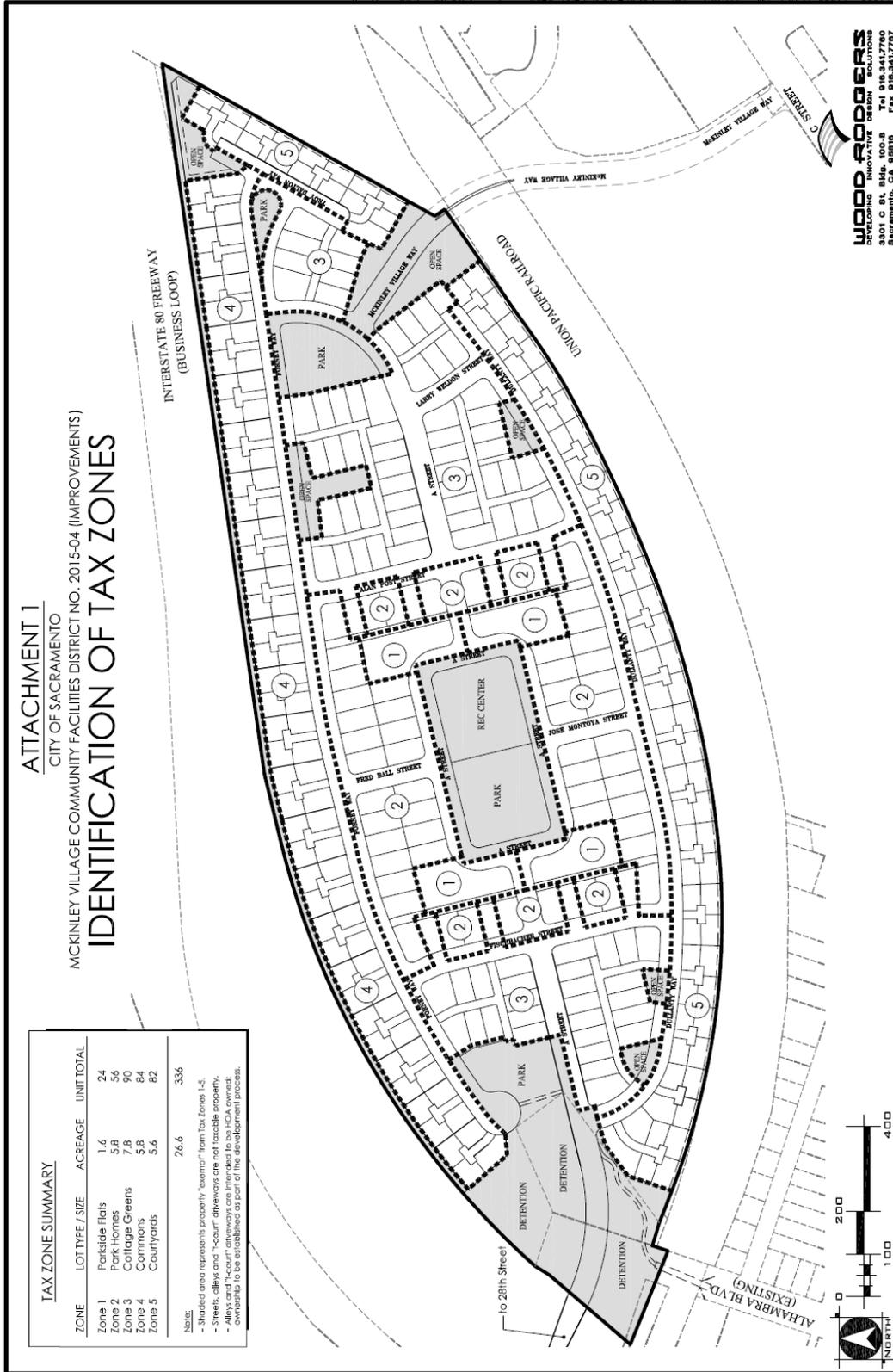
The subject area's lack of supply, strong demographics and home price points, along with proximity and linkages to the Midtown/Downtown area of Sacramento should bode well for the future market performance of McKinley Village.

V. SITE AND PROJECT ANALYSIS

GENERAL

The property appraised is within the boundaries of the McKinley Village Community Facilities District No. 2015-04 (Improvements). McKinley Village is an approximate 51.2 acre plan area located in between Interstate 80 (Business Loop) and the Union Pacific Railroad tracks, approximately 2 miles northeast of the downtown Sacramento. The project is approved for the development of 336 dwelling units along with additional recreational and open space uses.

The map on the following page outlines the District area.



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McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California

The Communities Facilities District is comprised of multiple “Tax Zones” of various single family lot sizes and acreage.

The land uses per proposed “Tax Zone” are summarized in the table on the following chart:

McKinley Village Community Facilities District No. 2015-04 (Improvements) - Land Use/Tax Zones					
Tax Zone	Community Name	Residential Product Type	Acreage	Dwelling Units	Density (Units/Acre)
Zone 1	Parkside Flats	Attached Condominium	1.6	24	15.0
Zone 2	Park Homes	Detached SFR - 50' x 80' lots	5.8	56	9.7
Zone 3	Cottage Greens	Detached SFR - 40' x 80' lots	7.8	90	11.5
Zone 4	Commons	Detached SFR - 58' x 53' lots	5.8	84	14.5
Zone 5	Courtyards	Detached SFR - 38' x 70' lots	<u>5.6</u>	<u>82</u>	14.6
Total Taxable Acreage			26.6	Total DU's	336
Recreation Center			-	-	-
Parks/Open Space/Detention Basin/Public Streets			-	-	-
Total Non-Taxable Acreage			23.6	-	-
Total Project Acreage			51.2	-	-

Source: McKinley Village Community Facilities District No. 2015-04 (Improvements) - Identification of Tax Zones District Map as contained in the Rate and Method of Apportionment, County Assessors Parcel Maps & the Tentative Subdivision/Condominium Map, McKinley Village, dated April 2014.

It is understood that the project has received tentative map approvals from the City of Sacramento and the project is currently being processed for final map approval.

The following is additional discussion of the general site information that pertains to the District area:

- Census Tract:** 53.01
- Assessor’s Parcel Numbers:** 001-0170-028; 001-0170-013; 003-0061-006; and 003-0061-011
- Zoning:** The taxable properties appraised are zoned R-1A-PUD and R-2A-PUD.

Per the City of Sacramento Zoning Code, R-1A is a single-family unit or duplex dwelling zone the purpose of which is to permit single-family unit or duplex dwellings, whether attached or detached. Dwellings that have no interior side yards, such as townhouses and row houses are allowed. The maximum height is 35 feet. A maximum of 2 dwelling units is allowed per lot and the maximum lot coverage is 50 percent. The minimum lot size is 2,900 square feet per dwelling unit and the minimum lot width is 20 feet. The minimum corner lot width is 38 feet and minimum lot depth is 80 feet. The proposed detached single-family residential product within the plan area (Tax Zones 2 through 5) are zoned R-1A-PUD.

The R-2A zoning designation is a multi-family unit dwelling zoning allowing for garden apartments and cluster housing. This zone is regulated to minimize the ground area covered by structures and maximize open space. The maximum height is 35 feet. The maximum density is 17 dwelling units to the acre. The maximum lot coverage is 50 percent and the minimum lot size is 2,500 square feet. The proposed condominium land use (Tax Zone 1) is zoned R-2A PUD.

The purpose of the Planned Unit Development extension, or PUD, is to provide for greater flexibility in the design of integrated developments than otherwise possible through strict application of zoning regulations. It is the intent of Planned Unit Development to encourage the design of well-planned facilities that offer a variety of housing or other land uses through creative and imaginative planning.

General Plan Designation:

Per the City of Sacramento General Plan, the designation is Traditional Neighborhood Medium. The allowable density is 8 to 36 units to the acre.

The development as proposed is in conformance with the underlying general plan designation.

Surrounding Land Uses:

North – I-80 Freeway / Vacant Land / American River

South – Union Pacific Railroad / Residential / Commercial

West – I-80 Freeway / Vacant Land / Commercial

East – Union Pacific Railroad / Commercial / Residential

Shape:

The District as a whole is irregular in shape.

Frontage/Access/Exposure:

Primary access to the general area of the property appraised is provided from Interstate 80 (Business Loop) which extends along the western and northern boundary of the project. Future site access will be provided by an extension of both A Street (along the western portion of the site) and McKinley Village Way which will be located along the southeastern portion of the site. As proposed, the extension of A

Street will be constructed over the Interstate 80 business loop. McKinley Village Way will be built under the Union Pacific Railroad tracks providing access to 40th Street and C Street within the subject's neighborhood of East Sacramento.

Topography:

The topography of the property appraised is relatively level.

Soil Conditions:

No specific soil or subsoil survey was provided to the appraiser for the subject property. There are no known major problems with building structures due to the soil conditions.

Utilities:

All municipal utilities can be brought to the site to service the future development. The service providers for the various utilities are as follows:

Sewer – City of Sacramento

Water – City of Sacramento

Gas – PG&E

Electrical – SMUD

Cable – Comcast/AT&T

Flood Zone:

Per FEMA maps, the property appraised is located in one flood zone identified as Flood Zone X500. Flood Zone X500 is located outside the 100, but within the 500 year flood plains. This equates to a 0.2% to 1.0% annual probability of flooding. This is information was obtained from the FEMA website, community number/panel 06067C 0180J, dated June 16, 2015. Flood insurance is not required in this zone.

Existing Site Improvements:

As of the date of inspection, construction of the site improvements had begun which includes backbone and in tract roadway and underground utility infrastructure, grading, development of the extension of McKinley Village Way and the associated bridge underneath the Union Pacific Railroad tracks, etc. It is estimated that just over 50% of the work to finish the site has been completed to date.

Easements/Encroachments:

A preliminary title report was provided. Analysis of the preliminary title report provided did not reveal any significant easements or encroachments that could have a negative impact on value.

Seismic Information:

The subject property is not within a Fault-Rupture Hazard Zone (formerly an Alquist-Priolo Special Studies Zone), according to Special Publication 42, "Fault-Rupture Hazard Zones in California", published by the California Department of Conservation, Division of Mines and Geology, revised 2007. No active faults are located on or in the proximity of the property. However, strong earthquakes generated along any of the active California faults may affect the site depending on the characteristics of the earthquake and the location of the epicenter. In general, the effects should be confined to shaking and/or acceleration (shock waves) and potential damage to structures should be minimized by employing adequate design and construction procedures.

Because Sacramento County, and most of the State of California, is located in a seismically active region, the potential for earthquake-induced hazards must be acknowledged. However, the history of past earthquake activity does not indicate that Sacramento County is a particularly hazardous area. Current engineering design and construction practices, such as the Uniform Building Code, provide the opportunity to reduce earthquake related hazards.

**Cultural, Recreational,
Historical Significance:**

None known or suspected to be present.

External Influences:

The McKinley Village project as a whole is surrounded by potential noise generating features including the Interstate 80 business loop to the north and the Union Pacific Railroad tracks to the south. It is estimated that the Union Pacific Railroad tracks experience approximately 20 to 30 crossings per day. In order to mitigate the noise and visual effects generated by these external influences, the project will incorporate into the design sound walls and tree barriers along the northern perimeter. Further, the homes along the southern boundary will be designed with soundproofing that will help to mitigate the impacts of the train noise.

In addition, it is noted that surrounding neighborhoods are also proximate to both Interstate 80 and railroad tracks. Although not located in East Sacramento, one neighborhood that is located in close proximity is that of River Park which is positioned just to the east of East Sacramento. Similar to the subject property, River Park also has a concentration of homes that are directly proximate to railroad tracks with a similar frequency of train activity. Observations of the homes directly proximate to the train tracks revealed minimal vacancy. Further, an analysis of home sale prices over the course of the 2014 and 2015 years was performed. The analysis included home sales that occurred directly proximate to the train tracks and homes that sold within the central portion of River Park. Per public records, the sales identified that are directly proximate to the railroad tracks range from about \$230 to just over \$374 per square foot. The sales identified within the more central portion of the River Park neighborhood (not directly proximate to the railroad tracks) range from approximately \$230 to just over \$360 per square foot. On average, both groupings of sales data indicated a per square foot sale price of nearly \$300 per square foot. The observed price points between the two locations (directly proximate to railroad tracks vs. not directly proximate to railroad tracks) does not suggest that significant differences in price are being paid for one location within the River Park neighborhood or the other. Although it is recognized that there may be a segment of the market that would prefer not to live next to external the noise generating features, it is also apparent that there is a portion of the market that is indifferent.

Further, it is noted that several of the competitive new home projects used in this analysis are also proximate to similar types of external influences. Analysis of these projects (Tapestri Square, Curtis Park Village, and The Mill at Broadway) indicates that homes have been selling and the price points observed in these projects are supportive of the projected price points within the subject property.

Lastly, the EIR for the McKinley Village project addresses concerns associated with the potential for noise generated from the external features. Given the noise mitigation measures taken through the development of the project and construction of the homes, the project will be in compliance with the noise element exterior noise exposure guideline with respect to rail operations. Further, considering the proposed barriers along the freeway, the maximum noise levels caused by the freeway would not be expected to interfere with typical outdoor recreation activities.

Given the sound mitigation measures that will be employed in the development of the project, along with analysis of the market, value consideration to negative external influences in this regard is not merited.

HOA Dues:

As proposed, HOA dues are estimated to be \$215 per month, or \$2,580 per year. The HOA dues will cover maintenance of all public parks, parkways, common areas, detention basins, walls, front yard landscaping maintenance, recreation center use and the community garden.

Permits and Fees:

Permits and fees will need to be paid prior to vertical construction. However, the amount of the permits and fees can vary depending upon the size and type of the improvements. Further, given the infill nature of the project, it is noted that the project will benefit from fee credits. The following table is presented summarizing the estimated fees for each tax zone along with the estimated fee credits.

*McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California*

Estimated Building Permits and Fees					
	Zone 1 / Parkside Flats	Zone 2 / Park Homes	Zone 3 / Cottage Greens	Zone 4 / Commons	Zone 5 / Courtyards
Average Proposed SF	1,994	2,609	2,184	1,844	1,681
<i>Fees</i>					
Building Permit	\$2,017	\$2,477	\$2,264	\$1,905	\$1,783
Building Plan Check	\$847	\$1,041	\$951	\$800	\$749
City Business Operations	\$95	\$122	\$110	\$89	\$82
Combined Sewer Development	\$3,252	\$3,252	\$3,252	\$3,252	\$3,252
Combined Sewer Development (credit)	(\$3,252)	(\$3,252)	(\$3,252)	(\$3,252)	(\$3,252)
Construction Excise Tax	\$1,907	\$2,450	\$2,197	\$1,775	\$1,631
Erosion & Sediment Control	\$70	\$70	\$70	\$70	\$70
General Plan Surcharge	\$477	\$612	\$549	\$444	\$408
Landscape Review	\$50	\$50	\$50	\$50	\$50
Park Development	\$3,513	\$5,962	\$5,962	\$5,962	\$5,962
Park Reimbursement (credit)	(\$2,230)	(\$3,785)	(\$3,785)	(\$3,785)	(\$3,785)
Regional Sanitation	\$2,297	\$3,063	\$3,063	\$3,063	\$3,063
Regional Sanitation (credit)	(\$1,605)	(\$2,140)	(\$2,140)	(\$2,140)	(\$2,140)
Residential Construction Tax	\$385	\$385	\$385	\$385	\$385
Residential Construction Water Use Fee	\$54	\$54	\$54	\$54	\$54
School	\$6,698	\$8,765	\$7,804	\$6,197	\$5,648
Strong Motion Instrumentation	\$31	\$40	\$36	\$29	\$27
Technology fee	\$229	\$281	\$257	\$216	\$203
Temporary Water Service	\$54	\$54	\$54	\$54	\$54
Water Development (1" service)	\$2,861	\$2,861	\$2,861	\$2,861	\$2,861
Water Meter	\$475	\$475	\$475	\$475	\$475
SAFCA Development Fee	\$2,392	\$5,113	\$4,552	\$3,615	\$3,295
Administration Processing Fee	\$154	\$154	\$154	\$154	\$154
Fire Department Plan Review	\$70	\$70	\$70	\$70	\$70
Green Building Fee	\$8	\$8	\$8	\$8	\$8
Planning Review Fee	\$54	\$54	\$54	\$54	\$54
Public Works Fee	\$140	\$140	\$140	\$140	\$140
Utilities fee	\$70	\$70	\$70	\$70	\$70
Total/Unit	\$21,113	\$28,446	\$26,265	\$22,615	\$21,371

Site Development Costs:

Prior to vertical development, both on-site and off-site improvements will need to be put in place including roadways, utilities, parks etc. As provided by a representative of the developer, the total direct and indirect costs associated with development of the lands within the District are approximately \$45,040,000 or about \$134,048 per unit. Of this total, \$24,940,000 has been completed to date which includes design, grading, utility construction, some street infrastructure, construction associated with railroad bridge work, etc. The costs invested in the project have been paid for by the owner of the property. The balance, or \$20,100,000, is the remaining costs required in order to finish the proposed lots (without consideration to the proceeds provided from the sale of the proposed bonds).

Property Tax Data:

The property tax system in California was amended in 1978 by adding Article XIII to the state constitution, commonly referred to as Proposition 13. Under Proposition 13, real property assessment values were returned to March 1, 1975 levels, and properties are now appraised (i.e., reassessed) only when:

- A change in ownership occurs; or
- New construction is completed; or
- New construction is unfinished on March 1st (lien date).

Except for these three instances, property assessments cannot be increased by more than 2% annually. Also under Proposition 13, the property tax rate is stipulated to be 1% of a property's assessed value, plus any bonds or fees approved by the voters.

The existing tax data for all existing parcels is not particularly germane to this report. Per information provided by the Sacramento County Tax Collector, as of the 2014/2015 tax year, the subject property falls into the tax code area identified as 03-106. The rate for this tax code area is 1.1864%.

In addition, the anticipated annual special taxes to service the Community Facilities Districts bonds are applied in the subsequent analysis.

As noted, the property appraised is located within the boundaries of the McKinley Village Community Facilities District No. 2015-04 (Infrastructure) and will be encumbered by special taxes.

Based upon the RMA (described in the Rate and Method of Apportionment of Special Tax for McKinley Village Community Facilities District No. 2015-04 (Improvements)), the following table was created summarizing the special taxes within the District:

Tax Zone	Planned Residential Lots	Base Year Maximum Special Tax/Unit
Tax Zone 1	24	\$1,250
Tax Zone 2	56	\$1,800
Tax Zone 3	90	\$1,400
Tax Zone 4	84	\$1,050
Tax Zone 5	<u>82</u>	\$900
Total Units	336	

Relative to other projects in the Region, the proposed maximum tax is towards the lower end of the market range. Regardless, the anticipated special tax will be considered in the valuation analysis.

Authorized Facilities:

The Facilities authorized to be financed by the McKinley Village Community Facilities District No. 2015-04 (Improvements) include roadway and sewer improvements, including offsite backbone infrastructure along McKinley Village Way to C Street, and between 28th Street and A Street, along with a sewer force main along Alhambra Boulevard. Further, on-site infrastructure is authorized to be financed including the construction of McKinley Village Way/De Forest Way, on-site storm drain and sewer lift stations, approximately 5.2 acres of on-site parks and drainage basins along with development fees. This report assumes that the bond proceeds will be used for the construction or acquisition of site infrastructure.

**Estimated
Bond Proceeds:**

Per information provided by a representative of the master developer, the estimated par amount of the bonds is \pm \$6.3 million dollars. The net proceeds that will be used to finance the authorized facilities is \pm \$5 million dollars.

PROPOSED PROJECT DISCUSSION

Planned Residential Development:

The general information presented previously pertains to the CFD area as a whole. As proposed, the future taxable developments within the CFD will be comprised of single family residential of various densities and land proposed for development with attached condominiums. The following is a discussion of the each proposed residential product type per Tax Zone.

**Tax Zone 1 – Parkside Flats –
Condominiums:**

This portion of the subject is centrally located within the CFD, proximate to the park/recreation center. As proposed, a total of 24 condominiums will be developed on four (4) separate parcels. Each of the parcels will total approximately 0.4 acres, or a combined total of 1.6 acres.

The condominium units will range in size 1,514 square feet to 2,396 square feet, with an average of approximately 2,000 square feet. These attached units will be of either a ground floor, or combination ground floor and second story design with garage access along an alley.

**Tax Zone 2 – Park Homes –
50’ x 80’ Lots:**

These units will be of a more traditional, street and alley loaded, lot design with a typical lot size of 4,000 square feet. A total of 56 lots of this product type are planned which are generally concentrated within the center of the project. These lots are generally rectangular in shape.

As proposed by the builder, future floor plans to be built on these lots will range from 2,138 square feet to 3,150 square feet with an average of approximately 2,650 square feet. The homes will be two-stories.

**Tax Zone 3 – Cottage Greens –
40’ x 80’ Lots:**

These lots are located within the eastern and western portions of the District and have a typical lot size of 3,200 square feet. The lots will be alley loaded and mostly rectangular in shape. 90 of these lots are proposed.

The homes to be built on these lots will range in size from 1,995 square feet to 2,364 square feet. The average home size will be approximately 2,200 square feet.

**Tax Zone 4 – Commons –
58’ x 53’ Lots:**

These lots are located along the northern periphery of the project (in closest proximity to Interstate 80) and are arranged in a “cluster” design with shared driveway access. The typical lot size is 3,074 square feet. A total of 84 units of this product type are planned.

As proposed by the builder, future floor plans to be built on these lots will range from approximately 1,540 square feet to 2,145 square feet. The average home size will be approximately 1,900 square feet.

**Tax Zone 5 – Courtyards –
38’ x 70’ Lots:**

These lots are also designed in a “cluster” fashion and are positioned along the southern perimeter of the District (in close proximity to the Union Pacific Railroad tracks). The lots are typically 2,660 square feet and a total 82 units are planned of this product type.

The housing product type that will be developed on this lot type will range in size from approximately 1,295 to 1,997 square feet with an average of approximately 1,750 square feet.

Planned Project Amenities:

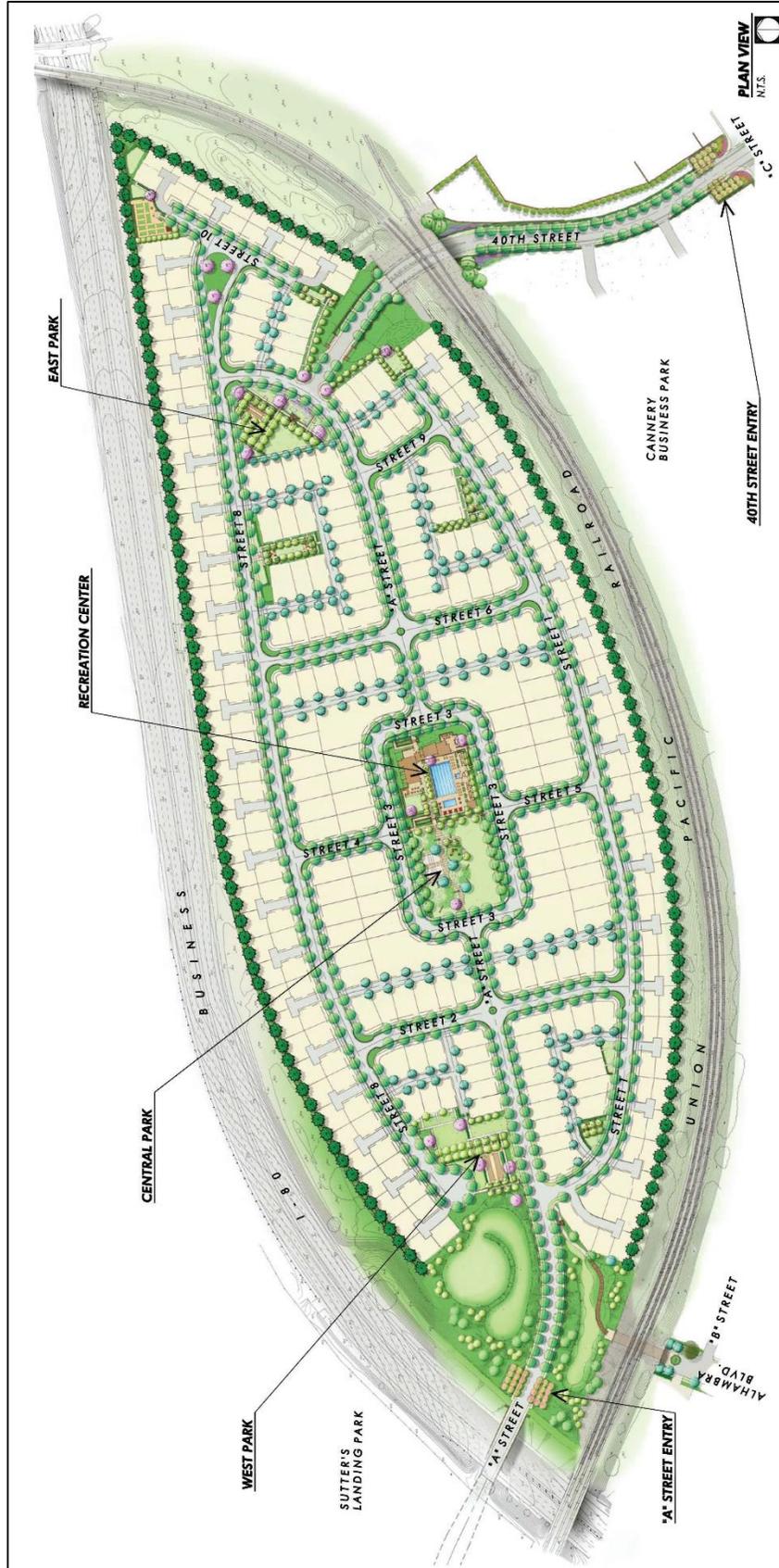
In addition to the single family land uses previously described, the project will also incorporate a variety of park uses in addition to recreation amenities. Parks and designated open spaces are primarily positioned along the eastern and western portions of

the project, along with a park that is nearly an acre in size (Central Park) which is located in the central portion of the of the project, adjacent to the proposed recreation center. The recreation center is the most significant amenity offered to the residences within McKinley Village. At build out, it will total 4,200 square feet of building area and will include a neighborhood pool with a spa, a kids wading pool; indoor and outdoor spaces for relaxation and for community meetings and events and an indoor and outdoor space for a commercial use serving local residences. In addition to the main access points along A Street and McKinley Village Way, a bike/walking path is also proposed along the southwestern portion of the site which will provide access to Alhambra Boulevard and B Street.

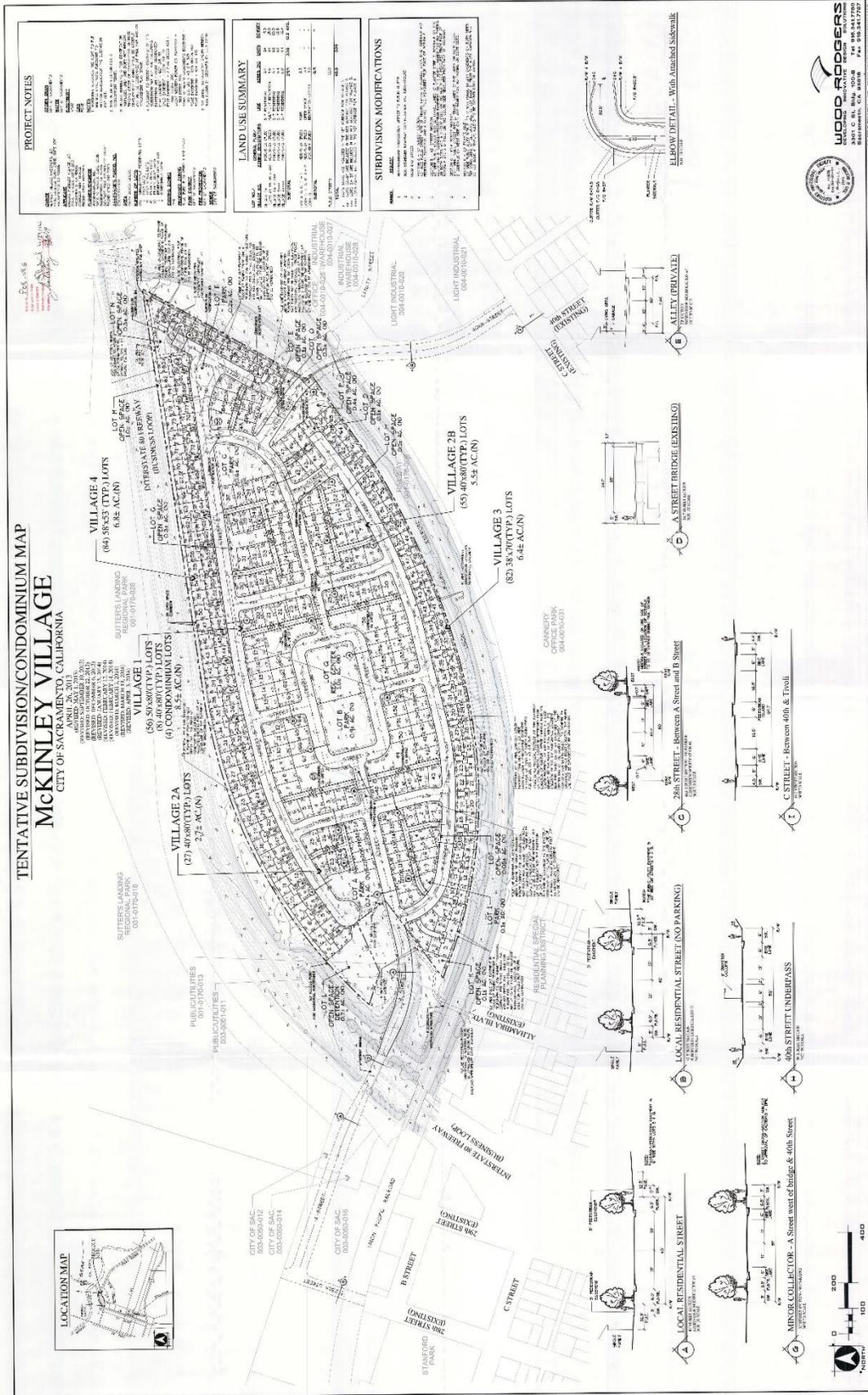
It is noted that McKinley Village is surrounded on the north by the Interstate 80 freeway and on the south by the Union Pacific Railroad tracks. The presence of these two transportation corridors will cause additional noise issues that need to be mitigated. Per the McKinley Village design, sound and visual barriers are proposed along the perimeter, which include a concrete wall and trees along with sound mitigation measures that will be designed into the homes placed adjacent to the railroad tracks.

The site plan and tentatively approved subdivision map are provided showing the layout and design of the project on the following page:

McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California



McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California



OVERALL COMMENTS

The design of McKinley Village will include 336 single-family residential units of both an attached and detached design along with multiple parks and open space areas. The most significant recreational amenity is a 4,200 square foot recreational center.

The subdivision is positioned in the highly desirable area of East Sacramento and has very limited competition in the immediate area. Further, the project provides very good access to commercial and public amenities along with proximity to the CBD of Sacramento. The location, design, and market conditions for the proposed product type should assist in maintaining property values over the foreseeable future.

VI. HIGHEST AND BEST USE ANALYSIS

Highest and best use may be defined as the reasonably probable use of property that results in the highest value¹¹.

There are four criteria used in the highest and best use analysis process. These are:

1. **Legally Permissible Use.** What uses are permitted legally under existing zoning, building codes, historic district controls, environmental regulations, deed (private) restrictions, and long-term lease provisions on the site in question?
2. **Physically Possible Use.** What uses of the site are physically possible, given its size, shape, area, terrain, soils composition, accessibility, assembly potential, and risk potential from natural disasters?
3. **Financially Feasible Use.** Which possible and permissible uses will produce a positive net return to the owner of the property?
4. **Maximally Productive Use.** Among the feasible uses, which use will produce the highest residual land value consistent with the rate of return warranted by the market for that use?

HIGHEST AND BEST USE OF THE SITE (AS VACANT)

Legally Permissible Uses. Possible uses are constrained by legal restrictions on a property both private and public. The subject properties are zoned R-1A-PUD and R-2A-PUD. R-1A-PUD is primarily a single family and duplex zoning designation. R-2A-PUD is a multi-family zoning designation. Permitted residential developments include a broad range in density. Based upon the approvals granted, development of a single-family residential project, comprised of both detached and attached residential product, is legally permissible.

Physically Possible Uses. The size, topography, and location of the subject are important factors in determining the use of the property. The size of the site can significantly affect the type of development that is possible, as the “economies of scale” notion often comes into play. As a whole, the property appraised is irregular in shape and has a level topography and the size of the property is sufficient to physically support a residential use. Nearby property uses are a combination of single family residential developments and commercial developments. A residential development would be in conformance with the surrounding projects. Further, access to the site can be provided and utilities are available to support a single family residential use. Based upon surrounding developments, the soil appears to adequately support residential development. Although the project is proximate to both a freeway and train tracks, analysis of the market in the area does not suggest that noise emitted from these features will significantly impact development. A residential use of the site appraised is considered to be physically possible.

¹¹ The Appraisal of Real Estate (Fourteenth Edition), Appraisal Institute, Chicago, Illinois, 2013, Pg. 332-334.

Financially Feasible Uses. The most probable use of the subject consists of developing with a residential focus with both detached and attached product types. It is noted that there are no other actively marketing subdivisions within the subject's East Sacramento neighborhood. However, there are several projects in competing, similar market areas within Sacramento and analysis of sales activity suggests average absorption rates ranging from approximately one unit to three units a month. The subject's positioning within the East Sacramento neighborhood and proximity to Downtown Sacramento should provide an added benefit with regard to future absorption. As indicated by the Market Study performed by the Gregory Group, McKinley Village is projected to absorb between approximately 2 to 4 units per month depending upon the product type. In addition, projected price points for proposed housing product suggest a range in pricing from the \$400,000's to just over \$1,000,000 and direct costs of construction are estimated to average approximately \$95 per square foot.

Given costs of construction, projected sales prices of new homes and absorption, immediate development of a residential community is financially feasible.

Maximally Productive Use. Immediate development of a residential project in accordance with the underlying zoning and granted entitlements is the maximally productive use of the subject.

Conclusion. Based upon the legally permissible, physically possible, financially feasible and maximally productive uses, the concluded highest and best of the site, as if vacant, is for immediate development of a single-family residential subdivision. The buyer of the subject property would be one or more home builders.

HIGHEST AND BEST USE OF THE SITE (AS IMPROVED)

The property appraised is tentatively approved for the development of 336 single family residential units, 24 of which will be attached homes and the balance will be detached units. The detached single family residential product will be developed on lots ranging from 2,660 square feet to 4,000 square feet in size. As of the date of value, significant improvements have been put in place towards completing the finished lots including the development of utility infrastructure, grading, some roadway improvements, construction of bridge infrastructure underneath the railroad tracks, etc. The proposed McKinley Village project is in conformance with other infill single-family residential projects in competing market areas and the lots will be able to support homes appropriately sized for current preferences in the market. As such, the highest and best use as improved is to continue to finish the lots as proposed, build out the project with one or more home builders, and ultimately sell finished home product to owner/users.

VII. VALUATION ANALYSIS

VALUATION METHOD AND CONSIDERATIONS

The initial stages of the appraisal process include the investigation, organization, and analysis of relevant market data and other information that relate to the market value of the subject property. Factors discussed previously that influence value include the Sacramento Region demographics and economic conditions, neighborhood characteristics and features, the market for residential land, and subject property attributes. All of these need to be considered when rendering the highest and best use conclusion. After a highest and best use conclusion has been made, the possibilities for the property have been sufficiently narrowed so that a proper valuation process can be pursued. This section of the report contains the comparable data, the interpretation, analysis, and processing of these data and the conclusions reached about the property's market value.

An appraisal of an improved property typically utilizes up to three valuation approaches:

- The Cost Approach to value
- The Sales Comparison Approach to value
- The Income Capitalization Approach to value

The Cost Approach to value usually involves estimation of the land value through the sales comparison approach. Then, we estimate the replacement cost of the improvements as if they were new, less a deduction for depreciation, which is computed after analyzing the deficiencies or disadvantages of the existing building compared to a new building. This approach can be a reliable indicator of value when the improvements are new or relatively new and are proper improvements for the site, and estimated depreciation is not an issue. In the case of the property appraised, given the building improvements are not valued, this approach is not relevant to this analysis.

The Sales Comparison Approach to value involves the accumulation of sales data of comparable properties, the analysis of each sale, and the adjustment to each sale for conditions such as favorable seller financing, changes in market conditions, and dissimilar physical or other characteristics. Several relevant bulk sales of other production lots and high density residential land were identified and considered. This approach is applicable to this assignment.

The Income Capitalization Approach to value is based on the assumption that there is a relationship between the amount of income a property will produce and its value. Usually, we estimate the annual net income the property will earn and convert it into value by a capitalization process. This process is accomplished by dividing the net income, before payment of debt service, by a capitalization rate determined from the market or through the use of a discounted cash flow analysis and the estimation of a yield rate. This rate will vary as a result of such factors as risk, time, interest or capital investment, and recapture of the depreciating asset. As part of this assignment, discounted cash flow analyses will be employed.

McKinley Village is further demised into five different tax zones, each with different lot sizes/product types and annual special taxes. It follows, that the valuation analysis will address the bulk value of each tax zone separately.

The production lots and condominium land will be valued using both the Sales Comparison analysis as well as a discounted cash flow analysis. The bulk lot value indication from each valuation method will then be reconciled into a final bulk lot estimate for each product type/Tax Zone. Ultimately, the valuation of the property as a whole will be provided using a discounted cash flow analysis. That analysis assumes that the owner of the property would sell off portions of the project in typical bulk lot “Units” commonly observed in the market place to production home builders.

MARKET VALUE OF THE PRODUCTION LOTS AND HIGH DENSITY RESIDENTIAL LAND

As discussed previously, the property appraised is demised into five different tax zones. The following analysis will first address the valuation of the detached lot product type associated with Tax Zones 2 thru 5 via the sales comparison approach. Then, the value of Tax Zone 1 (attached high density residential land) will be presented.

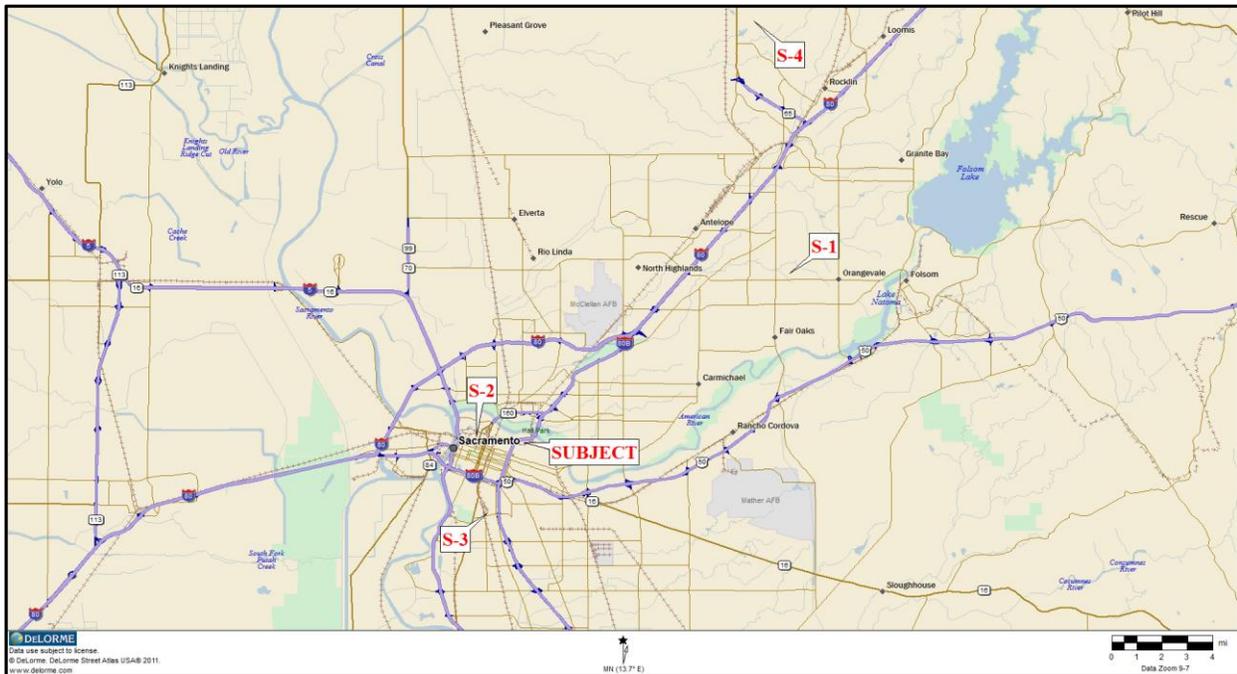
Analysis of the market revealed several bulk sales of production single family residential lots occurring in the Region during the course of 2014 and 2015. Of the sales observed, the most relevant comparables were selected for analysis. Data on these land sales have been obtained for this analysis and are summarized in the table on the following page. The relevant unit of comparison is the price per lot, which is consistent with the market. It should be noted that only two transactions of bulk lots were identified in the city of Sacramento. In addition, no bulk transfers of production home lots have occurred recently within the subject’s neighborhood of East Sacramento. As such, the search was expanded geographically and chronologically into other market areas in order to form a relevant data set. It is also noted that the sales identified were in various stages of development (i.e. finished lots, paper lots, partially finished, etc.). For comparison purposes, the sales were adjusted where necessary in order to reflect finished lot status. As will be shown later in this report, adjustments were applied to the bulk finished lot value in order estimate the market value of the lots upon completion of the infrastructure funded by the land secured financing.

The comparable sales table and map are shown on the following page.

COMPARABLE BULK LOT LAND SALES SUMMARY

<i>Summary of Bulk Production Lot Land Sales</i>						
Comp #	Property Identification	Sale Date	Sale Price	Typical Lot Size SF	Number of Lots	Cash Equivalent Price per Lot
Finished Lots						
S-1	Along Brando Loop Fair Oaks, CA	Aug-15	\$ 4,845,000	2,400	57	\$85,000
Paper Lots						
S-2	NWQ of E Street and 11th Street, Sacramento, CA	Nov-14/Feb-15	\$ 11,250,000	1,400	117	\$96,154
Partially Finished Lots						
S-3	NWQ of 24th Street and Sutterville Road, Sacramento, CA	Feb-14	\$ 14,680,000	2,400	86	\$170,698
Paper Lots						
S-4	SEQ of Wildcat Boulevard and Whitney Ranch Parkway, Rocklin, CA	Jul-14	\$ 5,040,000	5,500	48	\$105,000

COMPARABLE RESIDENTIAL LAND SALES MAP

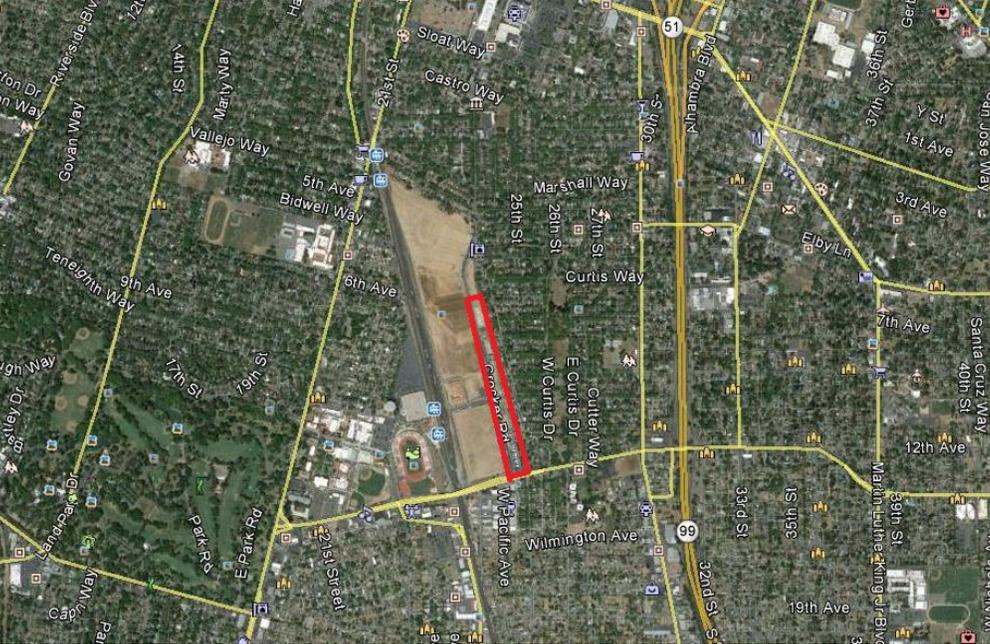


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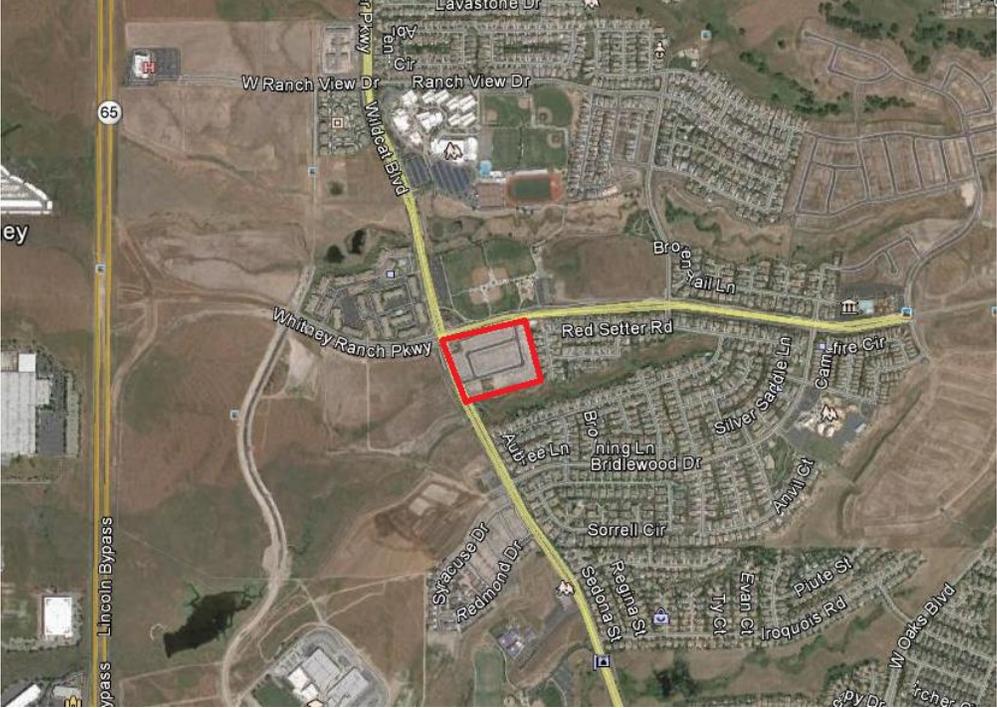
COMPARABLE LAND SALES DATA SHEETS

LAND SALE 1	
LOCATION	
Description	Finished Lots
Address/Location	Along Brando Loop Fair Oaks, CA
APN	261-0700- et al.
	
PROPERTY CHARACTERISTICS	
Zoning	RD10
Property Use	Residential
Number of Lots	57
Typical Lot Size	2,400
Topography	Level
Streets	To Site
Off-site Improvements	To Site
On-site Improvements	None
Utilities	To Site
Location	Average
Access	Average
Map Status	Approved FM
SALES DATA	
Grantor	ECP /TPB2 LLC
Grantee	KB Home Sacramento, Inc.
Sale Status	Closed
Document Number	201508030901
Sale Date	Aug-15
Sale Price	\$4,845,000
Cash Equivalent	\$4,845,000
Property Rights	Fee Simple
Terms	Cash
Sale Conditions	Below Market
Price per Unit	\$85,000
Permits & Fees	\$25,000
Improvement Costs per Lot	\$0
PV Bonds per Lot	\$0
COMMENTS	
<p>The lots were finished at the time of sale and an informed source reported that the building permits and fees are approximately \$25,000 per unit. Per an informed source, it is believed that the buyer received a favorable strike price given that they had already established themselves in the project (they had been building there since 2013). Review of County tax records indicate that the lots purchased are within an ongoing CFD for police services. The annual payments for this CFD are just over \$277 and are considered to be negligible. This bulk purchase is within a gated community called Marquee and is currently being built out by KB Homes. Price points for new homes within this community range from approximately \$302,500 to \$349,000 for homes ranging in size from 1,566 square feet to 2,250 square feet. HOA payments are \$112 per month. The lots are arranged in a "cluster" configuration with a common driveway that extends off the main roadways within the subdivision. The general area of the lots purchased is outlined in red in the aerial above.</p>	

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LAND SALE 3	
LOCATION	
Description	Partially Finished Lots
Address/Location	NWQ of 24th Street and Sutterville Road, Sacramento, CA
APN	013-0430- et al.
	
PROPERTY CHARACTERISTICS	
Zoning	R-1A
Property Use	Residential
Number of Lots	86
Typical Lot Size	2,400
Topography	Level
Streets	To Site
Off-site Improvements	To Site
On-site Improvements	None
Utilities	To Site
Location	Good
Access	Average
Map Status	Approved FM
SALES DATA	
Grantor	PDC Construction Company, Inc.
Grantee	Blackpine Curtis, LLC
Sale Status	Closed
Document Number	201402210789; 201402210796; 201402210804
Sale Date	Feb-14
Sale Price	\$14,680,000
Cash Equivalent	\$14,680,000
Property Rights	Fee Simple
Terms	Cash Equivalent
Sale Conditions	At Market
Price per Unit	\$170,698
Permits & Fees	\$35,000
Improvement Costs per Lot	\$2,000
PV Bonds per Lot	\$31,126
COMMENTS	
<p>Per an informed source, these lots were purchased nearly finished. However, the buyer incurred costs of approximately \$2,000 per lot for the installation of a private road. It is noted that the purchase includes effectively a blend of lot types and the transaction occurred in three separate transfers in February of 2014. One of the transfers included 74 single family residential lots which sold for \$13,000,000, or \$175,676 per lot. Of the 74 lots, 45 were approximately 30' by 80' (2,400 square feet total) and the remaining 29 are more conventional 40' by 100' lots. These lots are of an alley loaded design with proposed garage access to the rear of the house. In addition, 8 lots were purchased separately for \$1,120,000, or \$140,000 per lot. These 8 lots are in a "cluster" configuration with a shared driveway access and range in size from 2,340 square feet to 3,468 square feet. The last purchase involved the sale of 4 "cluster" lots for \$560,000, or \$140,000 per lot. These four lots are similar in size to the purchased 8 lots as described previously. The total purchase price for the property as a whole is \$14,680,000, or a blended price of \$170,698 per lot. The buyer started selling homes within the project year and is currently selling homes ranging in price from the low \$500,000's to the high \$700,000's. Floor plans within the project range from approximately 1,500 square feet to just over 3,000 square feet. It is understood that bonds will eventually be sold to raise capital for the infrastructure of the property. The present worth of the bonds was estimated assuming an annual special tax payment of \$1,800 per unit. The general area of the lots purchased is outlined in red in the aerial above.</p>	

McKinley Village Community Facilities District No. 2015-04 (Improvements)
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LAND SALE 4	
LOCATION	
Description	Paper Lots
Address/Location	SEQ of Wildcat Boulevard and Whitney Ranch Parkway, Rocklin, CA
APN	017-176-001
	
PROPERTY CHARACTERISTICS	
Zoning	PD20
Property Use	Residential
Number of Lots	48
Typical Lot Size	5,500
Topography	Level
Streets	To Site
Off-site Improvements	To Site
On-site Improvements	None
Utilities	To Site
Location	Good
Access	Average
Map Status	Approved TM
SALES DATA	
Grantor	Sunset Ranchos Investors, LLC
Grantee	Richmond American Homes
Sale Status	Closed
Document Number	2014045598
Sale Date	Jul-14
Sale Price	\$5,040,000
Cash Equivalent	\$5,040,000
Property Rights	Fee Simple
Terms	Cash
Sale Conditions	At Market
Price per Unit	\$105,000
Permits & Fees	\$55,000
Improvement Costs per Lot	\$45,000
PV Bonds per Lot	\$8,397
COMMENTS	
<p>This property is located in the southeast corner of Whitney Ranch Parkway and Wildcat Boulevard in the actively developing community of Whitney Ranch in northwestern Rocklin. The site is surrounded by existing single family residential development to the south and east. To the north is a park followed by Whitney High School. Per an informed source no unusual conditions of sale were reported and the purchase price was \$105,000 per paper lot. The typical lot size was reported at 5,500 square feet and the lots are conventional in design. This project began selling homes in the 2015 year at price points ranging from \$462,950 to \$537,950. Home sizes within the project range from 2,320 square feet to 3,438 square feet. The general area of the lots purchased is outlined in red in the aerial above.</p>	

DESCRIPTION OF ADJUSTMENTS

Adjustments to the comparable sales are considered for property rights transferred, market conditions, additional buyer expenditures, financing, conditions of sale, zoning and the physical characteristics/locale of each comparable.

The adjustment considerations are discussed on the following pages:

Property Rights: All transactions were Fee Simple, therefore no adjustments were warranted.

Financing Terms: Cash equivalent, favorable seller financing, or assumption of below market mortgage. No adjustments were warranted; all of the transactions were cash equivalent.

Conditions of Sale: Reflects the additional motivation of the seller(s) or buyer(s), real estate owner (REO) transactions, and bulk sales. With the exception of Sale 1, all of the sales were market transactions, no adjustments were necessary. Discussions with an informed source revealed that the buyer of Sale 1 likely received a favorable, below market strike price. Although a quantitative adjustment was not applied, the conditions of sale associated with this transaction is considered in the final valuation analysis.

Market Conditions: The bulk sales used in this analysis range in date of sale from February of 2014 to August of 2015. Over the course of the latter half of 2014 and into 2015, the Sacramento Region observed increased sales momentum with regard to new home transactions along with increases in new home prices in some market areas. Although there are relatively few recent bulk land transactions, discussions with market participants revealed that buyers are generally more optimistic with regard to future market conditions. That being said, costs of construction have also been on the rise over the same timeframe. The appraisers surveys suggest that any market appreciation to the land caused by strengthening new home market conditions has been mostly offset by increases in construction costs. As such, no significant adjustments are merited for changes in market conditions.

PHYSICAL CHARACTERISTICS

- Number of lots:** With regard to the total number of lots within each tax zone, the property appraised is similar to that of the comparables. No significant adjustment for this category is merited.
- Typical Lot Size:** Typically, premiums are paid for larger lots, albeit at a decreasing rate. Lot premiums have been observed ranging from about \$2 to over \$10 per square foot in Sacramento Region. The subject lots range from 2,660 to 4,000 square feet. Given the size of the subject lots, and location, an adjustment towards the upper end of the range, or \$10 per square foot is applied.
- Topography:** The subject lots offer a relatively level topography. None of the comparables have issues with topography that restrict development. Therefore, no adjustments were made for this category.
- Streets/Site Improvements/Utilities:** This analysis assumes that the subject lots are in a finished condition with all on and off site improvements and utilities in place. The comparables are adjusted for remaining costs to finish the lots as discussed in the Cost to Finish category presented later in this section.
- Location:** Surrounding uses, and economic, and demographic characteristics of the immediate area, proximity and conformity to local businesses, including positioning along major thoroughfares or interior streets, proximity to new subdivisions, and average home prices for each respective neighborhood are considered. The property appraised is considered to be in a very good location within Sacramento. Based upon an analysis of resale home prices and an inspection of each of the comparable sales and their respective neighborhoods, all of the comparables are considered to be in inferior locations.
- In order to estimate relative differences in location, an analysis of resale price points in the subject property's neighborhood along with each of the comparable's respective neighborhoods was performed. Analysis of the resale prices in each neighborhood vary with regard to average price and average home square feet. Recognizing that larger

homes typically command a premium over smaller ones, an adjustment for the difference in average square footage is merited. Analysis of the market indicates a wide disparity in adjustment factors ranging from \$25 per square foot to over \$130 per square foot. Based upon the range, an adjustment factor of \$100 per square foot of size difference will be applied. After consideration to differences in average home size between the subject property's neighborhood and those of the comparable neighborhoods, the approximate price differential is applied as a locational adjustment. The search parameters included home sales occurring between June 1, 2015 through the date of value.

The following chart is presented showing the estimated adjustment:

Location Adjustment Summary					
	Subject	Sale #1	Sale #2	Sale #3	Sale #4
Average Sale Price	\$556,209	\$358,560	\$437,429	\$432,651	\$428,079
Average SF	1,570	1,848	1,747	1,412	2,233
Size Adj. Amount	-	(\$27,800)	(\$17,700)	\$15,800	(\$66,300)
Adj. Ave. Resale Price	-	\$330,760	\$419,729	\$448,451	\$361,779
Adj. Amount	-	\$225,449	\$136,480	\$107,758	\$194,430
Adj. Amount (rounded)	-	\$220,000	\$130,000	\$100,000	\$190,000

Access: All of the comparables have similar access, therefore, no adjustments for this category is merited.

Map Status: The subject property and the comparables all have approved subdivision maps in place. No significant adjustments are applied.

Costs to Finish: The analysis of the subject property assumes a finished lot condition. In some cases, the comparables used were purchased in either a paper lot, or partially finished condition. Adjustments were applied to the comparables where applicable to account for the estimated remaining costs to finish the lots.

Permits and Fees: Average permits and fees for the subject property and the comparables were estimated. Adjustments were applied on a dollar for dollar basis.

Special Taxes/Bonds:

The lots appraised and most of the comparables are encumbered by special taxes. The present worth of the special taxes was estimated for the subject and for the comparables. The present worth was estimated based upon the annual special tax amount, the term of the special tax and an estimated 4% discount rate. Adjustments were applied to the comparables based upon the observed difference in the present worth of the bonds.

The adjustment grids for the lots within tax zone 2, 3, 4 and 5 are presented on the following pages:

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PRODUCTION LOT LAND SALES ANALYSIS - Tax Zone 2									
Subject		S-1		S-2		S-3		S-4	
Address/Location	McKinley Village - Production Lots Sacramento, CA	Along Brando Loop Fair Oaks, CA		NWQ of E Street and 11th Street, Sacramento, CA		NWQ of 24th Street and Sutterville Road, Sacramento, CA		SEQ of Wildcat Boulevard and Whitney Ranch Parkway, Rocklin, CA	
Sale Price	~	\$4,845,000		\$11,250,000		\$14,680,000		\$5,040,000	
Price per Lot	~	\$85,000		\$96,154		\$170,698		\$105,000	
	Comparison	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Terms	Cash Equivalent	Cash Equiv.		Cash Equiv.		Cash Equiv.		Cash Equiv.	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Sale Conditions	At Market	Below Market		At Market		At Market		At Market	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Sale Date	Appraisal	Aug-15		Nov-14/Feb-15		Feb-14		Jul-14	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Physical Characteristics	Comparison	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.
Zoning	R-1A	RD10		C-2/R-3 A		R-1A		PD20	
Property Use	Residential	Residential		Residential		Residential		Residential	
Number of Lots	56	57		117		86		48	
Typical Lot Size	4,000	2,400	\$ 16,000	1,400	\$ 26,000	2,400	\$ 16,000	5,500	\$ (15,000)
Topography	Level	Level		Level		Level		Level	
Streets	To Site	To Site		To Site		To Site		To Site	
Off-site Improvements	To Site	To Site		To Site		To Site		To Site	
On-site Improvements	None	None		None		None		None	
Utilities	To Site	To Site		To Site		To Site		To Site	
Location	Very Good	Inferior	\$ 220,000	Inferior	\$ 130,000	Inferior	\$ 100,000	Inferior	\$ 190,000
Access	Average	Similar		Similar		Similar		Similar	
Map Status	Final Map	Approved FM		Approved TM		Approved FM		Approved TM	
Costs To Finish	\$0	\$0	\$ -	\$40,000	\$ 40,000	\$2,000	\$ 2,000	\$45,000	\$ 45,000
Remaining Permits & Fees	\$28,446	\$25,000	\$ (3,446)	\$35,000	\$ 6,554	\$35,000	\$ 6,554	\$55,000	\$ 26,554
Bonds	\$31,100	\$0	\$ (31,100)	\$31,126	\$ 26	\$31,126	\$ 26	\$8,397	\$ (22,703)
Total Physical Adjustment			\$ 201,454		\$ 202,580		\$ 124,580		\$ 223,851
Indicated Price Per Lot			\$ 286,454		\$ 298,734		\$ 295,277		\$ 328,851

*McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California*

PRODUCTION LOT LAND SALES ANALYSIS - Tax Zone 3									
Subject		S-1		S-2		S-3		S-4	
Address/Location	McKinley Village - Production Lots Sacramento, CA	Along Brando Loop Fair Oaks, CA		NWQ of E Street and 11th Street, Sacramento, CA		NWQ of 24th Street and Sutterville Road, Sacramento, CA		SEQ of Wildcat Boulevard and Whitney Ranch Parkway, Rocklin, CA	
Sale Price	~	\$4,845,000		\$11,250,000		\$14,680,000		\$5,040,000	
Price per Lot	~	\$85,000		\$96,154		\$170,698		\$105,000	
	Comparison	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Terms	Cash Equivalent	Cash Equiv.		Cash Equiv.		Cash Equiv.		Cash Equiv.	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Sale Conditions	At Market	Below Market		At Market		At Market		At Market	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Sale Date	Appraisal	Aug-15		Nov-14/Feb-15		Feb-14		Jul-14	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Physical Characteristics	Comparison	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.
Zoning	R-1A	RD10		C-2/R-3 A		R-1A		PD20	
Property Use	Residential	Residential		Residential		Residential		Residential	
Number of Lots	90	57		117		86		48	
Typical Lot Size	3,200	2,400	\$ 8,000	1,400	\$ 18,000	2,400	\$ 8,000	5,500	\$ (23,000)
Topography	Level	Level		Level		Level		Level	
Streets	To Site	To Site		To Site		To Site		To Site	
Off-site Improvements	To Site	To Site		To Site		To Site		To Site	
On-site Improvements	None	None		None		None		None	
Utilities	To Site	To Site		To Site		To Site		To Site	
Location	Very Good	Inferior	\$ 220,000	Inferior	\$ 130,000	Inferior	\$ 100,000	Inferior	\$ 190,000
Access	Average	Similar		Similar		Similar		Similar	
Map Status	Final Map	Approved FM		Approved TM		Approved FM		Approved TM	
Costs To Finish	\$0	\$0	\$ -	\$40,000	\$ 40,000	\$2,000	\$ 2,000	\$45,000	\$ 45,000
Remaining Permits & Fees	\$26,265	\$25,000	\$ (1,265)	\$35,000	\$ 8,735	\$35,000	\$ 8,735	\$55,000	\$ 28,735
Bonds	\$24,200	\$0	\$ (24,200)	\$31,126	\$ 6,926	\$31,126	\$ 6,926	\$8,397	\$ (15,803)
Total Physical Adjustment			\$ 202,535		\$ 203,661		\$ 125,661		\$ 224,932
Indicated Price Per Lot			\$ 287,535		\$ 299,815		\$ 296,358		\$ 329,932

McKinley Village Community Facilities District No. 2015-04 (Improvements)
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PRODUCTION LOT LAND SALES ANALYSIS - Tax Zone 4									
Subject		S-1		S-2		S-3		S-4	
Address/Location	McKinley Village - Production Lots Sacramento, CA	Along Brando Loop Fair Oaks, CA		NWQ of E Street and 11th Street, Sacramento, CA		NWQ of 24th Street and Sutterville Road, Sacramento, CA		SEQ of Wildcat Boulevard and Whitney Ranch Parkway, Rocklin, CA	
Sale Price	~	\$4,845,000		\$11,250,000		\$14,680,000		\$5,040,000	
Price per Lot	~	\$85,000		\$96,154		\$170,698		\$105,000	
	Comparison	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Terms	Cash Equivalent	Cash Equiv.		Cash Equiv.		Cash Equiv.		Cash Equiv.	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Sale Conditions	At Market	Below Market		At Market		At Market		At Market	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Sale Date	Appraisal	Aug-15		Nov-14/Feb-15		Feb-14		Jul-14	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Physical Characteristics	Comparison	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.
Zoning	R-1A	RD10		C-2/R-3 A		R-1A		PD20	
Property Use	Residential	Residential		Residential		Residential		Residential	
Number of Lots	84	57		117		86		48	
Typical Lot Size	3,074	2,400	\$ 6,740	1,400	\$ 16,740	2,400	\$ 6,740	5,500	\$ (24,260)
Topography	Level	Level		Level		Level		Level	
Streets	To Site	To Site		To Site		To Site		To Site	
Off-site Improvements	To Site	To Site		To Site		To Site		To Site	
On-site Improvements	None	None		None		None		None	
Utilities	To Site	To Site		To Site		To Site		To Site	
Location	Very Good	Inferior	\$ 220,000	Inferior	\$ 130,000	Inferior	\$ 100,000	Inferior	\$ 190,000
Access	Average	Similar		Similar		Similar		Similar	
Map Status	Final Map	Approved FM		Approved TM		Approved FM		Approved TM	
Costs To Finish	\$0	\$0	\$ -	\$40,000	\$ 40,000	\$2,000	\$ 2,000	\$45,000	\$ 45,000
Remaining Permits & Fees	\$22,615	\$25,000	\$ 2,385	\$35,000	\$ 12,385	\$35,000	\$ 12,385	\$55,000	\$ 32,385
Bonds	\$18,200	\$0	\$ (18,200)	\$31,126	\$ 12,926	\$31,126	\$ 12,926	\$8,397	\$ (9,803)
Total Physical Adjustment			\$ 210,925		\$ 212,051		\$ 134,051		\$ 233,322
Indicated Price Per Lot			\$ 295,925		\$ 308,205		\$ 304,748		\$ 338,322

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PRODUCTION LOT LAND SALES ANALYSIS - Tax Zone 5									
Subject		S-1		S-2		S-3		S-4	
Address/Location	McKinley Village - Production Lots Sacramento, CA	Along Brando Loop Fair Oaks, CA		NWQ of E Street and 11th Street, Sacramento, CA		NWQ of 24th Street and Sutterville Road, Sacramento, CA		SEQ of Wildcat Boulevard and Whitney Ranch Parkway, Rocklin, CA	
Sale Price	~	\$4,845,000		\$11,250,000		\$14,680,000		\$5,040,000	
Price per Lot	~	\$85,000		\$96,154		\$170,698		\$105,000	
	Comparison	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.
Property Rights	Fee Simple	Fee Simple		Fee Simple		Fee Simple		Fee Simple	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Terms	Cash Equivalent	Cash Equiv.		Cash Equiv.		Cash Equiv.		Cash Equiv.	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Sale Conditions	At Market	Below Market		At Market		At Market		At Market	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Sale Date	Appraisal	Aug-15		Nov-14/Feb-15		Feb-14		Jul-14	
Adjusted Price Per Lot			\$ 85,000		\$ 96,154		\$ 170,698		\$ 105,000
Physical Characteristics	Comparison	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.	Comparison	Adj.
Zoning	R-1A	RD10		C-2/R-3 A		R-1A		PD20	
Property Use	Residential	Residential		Residential		Residential		Residential	
Number of Lots	82	57		117		86		48	
Typical Lot Size	2,660	2,400	\$ 2,600	1,400	\$ 12,600	2,400	\$ 2,600	5,500	\$ (28,400)
Topography	Level	Level		Level		Level		Level	
Streets	To Site	To Site		To Site		To Site		To Site	
Off-site Improvements	To Site	To Site		To Site		To Site		To Site	
On-site Improvements	None	None		None		None		None	
Utilities	To Site	To Site		To Site		To Site		To Site	
Location	Very Good	Inferior	\$ 220,000	Inferior	\$ 130,000	Inferior	\$ 100,000	Inferior	\$ 190,000
Access	Average	Similar		Similar		Similar		Similar	
Map Status	Final Map	Approved FM		Approved TM		Approved FM		Approved TM	
Costs To Finish	\$0	\$0	\$ -	\$40,000	\$ 40,000	\$2,000	\$ 2,000	\$45,000	\$ 45,000
Remaining Permits & Fees	\$21,371	\$25,000	\$ 3,629	\$35,000	\$ 13,629	\$35,000	\$ 13,629	\$55,000	\$ 33,629
Bonds	\$15,500	\$0	\$ (15,500)	\$31,126	\$ 15,626	\$31,126	\$ 15,626	\$8,397	\$ (7,103)
Total Physical Adjustment			\$ 210,729		\$ 211,855		\$ 133,855		\$ 233,126
Indicated Price Per Lot			\$ 295,729		\$ 308,009		\$ 304,552		\$ 338,126

CONCLUSION OF THE SALES COMPARISON APPROACH – PRODUCTION SINGLE FAMILY FINISHED RESIDENTIAL LOTS – TAX ZONES 2 THROUGH 5

Tax Zone 2. After adjustments, the comparables indicate a range from \$286,454 to \$328,851 per finished lot. At this point, it is important to remind the reader of the fact that there are no other bulk sales of single family residential lots in the subject property’s immediate market area. That being said, adjustments were applied to the comparables to account for noted differences in location, lot size, special tax encumbrances and estimated permit and fee differences. Based upon the adjusted range, an appropriate finished lot market value for the lots within Tax Zone 2 is \$300,000.

Tax Zone 3. After adjustments, the comparables indicate a range from \$287,535 to \$329,932 per finished lot. Adjustments were applied to the comparables to account for noted differences in location, lot size, special tax encumbrances and estimated permit and fee differences. It is also noted that the adjusted range for Tax Zone 3 is higher than that of Tax Zone 2. However, the lots within Tax Zone 2 are relatively larger. At first, this would appear counter intuitive. However, it is noted that the estimated special tax encumbrances and permits and fees for the lots within Tax Zone 3 are relatively less which is considered to be offsetting. Based upon the adjusted range, an appropriate finished lot market value for the lots within Tax Zone 3 is also \$300,000.

Tax Zone 4. After adjustments, the comparables indicate a range from \$295,925 to \$338,322 per finished lot. Adjustments were applied to the comparables to account for noted differences in location, lot size, special tax encumbrances and estimated permit and fee differences. It is also noted that the adjusted range for Tax Zone 4 is higher than that of both Tax Zone 2 and Tax Zone 3. However, the lots within these other two Tax Zones are relatively larger. Similar to the analysis presented previously, the estimated special tax encumbrances and permits and fees for the lots within Tax Zone 4 are relatively less which is considered to be offsetting. Based upon the adjusted range, an appropriate finished lot market value for the lots within Tax Zone 4 are \$305,000.

Tax Zone 5. After adjustments, the comparables indicate a range from \$295,729 to \$338,126 per finished lot. Adjustments were applied to the comparables to account for noted differences in location, lot size, special tax encumbrances and estimated permit and fee differences. Again, despite larger lots within the aforementioned tax zones, the lots within Tax Zone 5 benefit through relatively less estimated special tax encumbrances and permits and fees, which is considered to be offsetting. Based upon the adjusted range, an appropriate finished lot market value for the lots within Tax Zone 5 are \$305,000.

The analysis presented previously valued the subject’s detached single-family lots within Tax Zones 2 through 5. The following analysis will now address the value of the subject’s proposed attached, high density single family residential land component.

Sales Comparison Approach – High Density Land – Attached Single Family Residential – Tax Zone 1. The project includes four parcels that will be developed with attached high density single family residential housing product (condominiums). Combined, the four parcels total 1.6 acres and are proposed for the development of 24 units. Overall the density will be 15 units to the acre. Analysis of the immediate market area in East Sacramento revealed no other recent

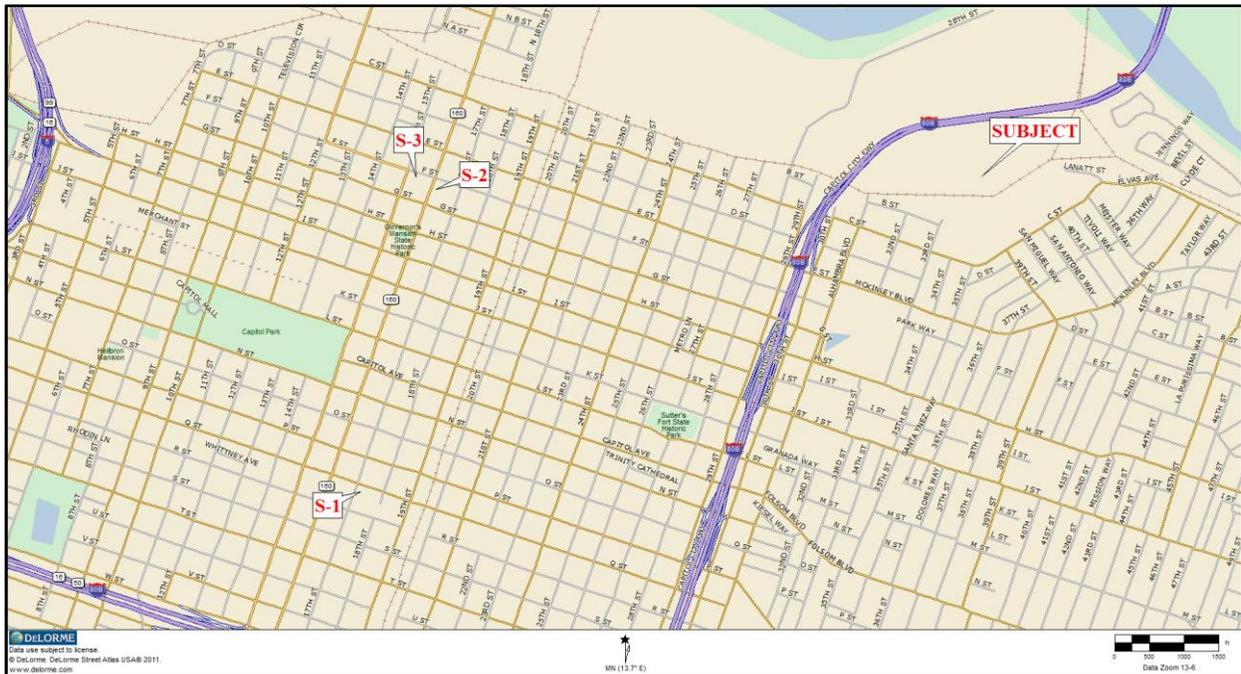
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transactions of similar land. However, an expanded search of the City of Sacramento did reveal some sales of land that are suitable for the development of high-density single-family residential housing product. Although it is recognized that these land sales are not in the subject's immediate market area and have significant differences with regard physical features and entitlements, the following market transactions were considered to be the most applicable given location and their placement within the adjoining market areas.

COMPARABLE LAND SALES SUMMARY TABLE

HIGH DENSITY LAND SALES									
Sale No.	Location	Buyer/Seller	Sale Date/ Doc#	Sale Price	Size (Acres)	Size (SF)	Zoning	Max. Allowable Units/Acre	Price/SF
S-1	High Density Land 17th & Q Street Sacramento, CA APN: 006-296-001 thru 004	<u>17 Q LLC</u> Q Street LTD	<u>Sep-15</u> 201509151153	\$967,000	0.29	12,800	RMX-SP	60	\$76
S-2	High Density Land 1612-1616 F Street Sacramento, CA APN: 002-0173-005, 006, 026	<u>Mutual Housing of California</u> James L Kouretas	<u>Jul-15</u> 201507150834	\$768,000	0.58	25,265	C-2	110	\$30
S-3	High Density Land 1520 - 1530 F Street Sacramento, CA APN: 002-0171-005 thru 008	<u>Securitus Investments</u> James L Kouretas	<u>Jun-15</u> 201506261240	\$600,540	0.47	20,473	C-2	110	\$29

COMPARABLE LAND SALES MAP

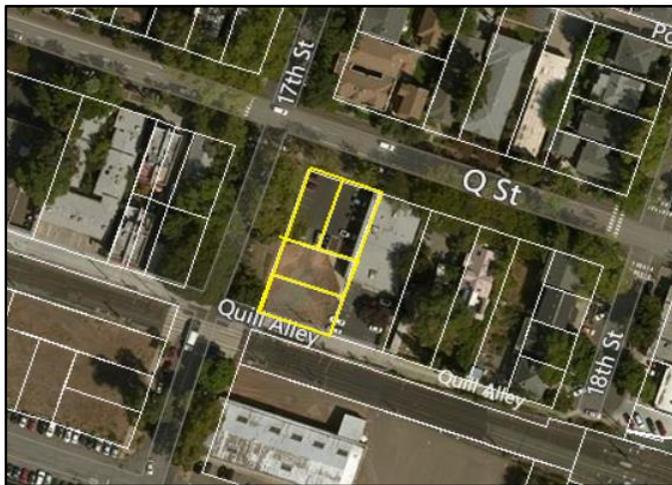


The respective unit sale prices of the comparable properties are adjusted, quantitatively if possible based on market data, but at least qualitatively based on the appraiser's observations of market behavior, in order to derive an indication of market value. All comparable transactions were compared based on the price per square foot.

The elements of comparison include property rights transferred, financing, conditions of sale, expenditures immediately after sale, market conditions (time), and physical characteristics (location, size, site utility, zoning/density, etc.). Unless stated otherwise, the comparable sales consist of cash equivalent transfers with no unusual sale conditions or financing terms.

In addition, it is noted that the high density residential land component appraised will be subject to special taxes in the amount of \$1,250 per unit per year. None of the comparables used had significant special taxes. A total of 24 attached units are permitted on the subject property. As a whole, the annual base year special tax levy is therefore \$30,000 (\$1,250/unit). Assuming a 4% interest rate and the term of special taxes associated with the subject, the present worth of the special taxes is estimated at about \$7.00 per square foot (rounded). The comparables will be adjusted by this amount to reflect differences in special tax payments.

A detailed discussion of the comparables is presented below.



High Density Land Sale Comparable #1.

This is the sale of a 12,800 square foot rectangular, property situated on the southeast corner of 17th Street and Q Street in Sacramento, CA. The site is positioned within the Midtown area of Sacramento in close proximity to other single family residential, high density residential and commercial uses. The Regional Transit line is located adjacent to the property to the south. A portion of the property is paved, and off-site improvements include curbs, gutters, and sidewalks. The lot has historically been used for parking.

However, the property is within an infill area in a state of transition. Properties in the general area are being purchased for their development potential for high density residential uses or residential/commercial mixed uses. It is noted that the underlying zoning of the site is RMX-SP which is a residential mixed use zoning that allows for a density of up to 60 units per acre. Although the maximum density will likely not be achieved, this property does offer a certain degree of flexibility with regard to its development potential.

The lot sold in September of 2015 for \$967,000, or \$76 per square foot. After consideration of special tax encumbrances associated with the property appraised, the adjusted sale price is \$69 per square foot. Discussions with a property representative revealed that there were no special sales conditions and the buyer paid cash.

Relative to the property appraised, this site is considered to be in a slightly inferior area given home prices of the surrounding neighborhood. Further this property did not sell with approved development entitlements in place. Although the property does have a greater degree of flexibility with regard to development density, the inferior characteristics are considered to be more than offsetting. Based upon the aforementioned discussion, an appropriate value for the subject's high-density land component should be higher than \$69 per square foot.

High Density Land Sale Comparable #2.

This is the sale of 0.58± acres of land located at 1612-1616 F Street in Sacramento. The property transacted in July of 2015 for \$768,000, or about \$30 per square foot, all cash with no sales conditions. After consideration of the bond encumbrances associated with the subject, the adjusted price is \$23 per square foot.



The property was on the market for over a year. The property was vacant and unpaved at the time of sale. The incoming buyer planned to develop the property, potentially to a high density residential use. Although this property has a commercial zoning, the site's general plan designation allows for a high density residential use of up to 110 units the acre. Although the maximum density will likely not be achieved, this property does offer a certain degree of flexibility with regard to its development potential. The property is L shaped with access to municipal utilities in F Street.

Relative to the property appraised, this site is considered to be in a significantly inferior area given home prices and esthetics of the surrounding neighborhood and the fact that this property did not sell with approved development entitlements in place. However, these significantly inferior attributes are considered to be partially offset by the fact that this property allows for a significantly higher development density. Based upon the aforementioned discussion, an appropriate value for the subject's high density land component should be above \$23 per square foot.



High Density Land Sale Comparable #3.

This is the sale of 0.47± acres of land located at 1520-1530 F Street in Sacramento. The property transacted in June of 2015 for \$600,500, or approximately \$29 per square foot, with no sales conditions or atypical financing. After consideration of bond encumbrances associated with the subject, the adjusted sale price is \$22 per square foot.

The property was on the market for over a year. The property was vacant and unpaved at the time of sale. It was reported

that the buyer of this site planned to develop the property to a high density residential land use. Although this property has a commercial zoning, the site's general plan designation allows for a high density residential use of up to 110 units the acre. It is likely that the maximum density will not be achieved, however, this property does offer a certain degree of flexibility with regard to its development potential. The property is L shaped with access to municipal utilities in F Street.

Relative to the property appraised, this site is considered to be in a significantly inferior area given home prices and esthetics of the surrounding neighborhood and the fact that this property did not sell with approved development entitlements in place. However, these significantly inferior attributes are considered to be partially offset by the fact that this property allows for a significantly higher development density. Based upon the aforementioned discussion, an appropriate value for the subject’s high-density land component should be above \$22 per square foot.

High Density Residential Land Value Conclusion. The primary comparables are arrayed in the following table and have been adjusted for special tax levies. Based on the foregoing discussion, the comparables are arrayed as follows:

Comparable	Sale Price/SF	Adj. Price/SF*	Relationship to Subject
<i>An appropriate value for the subject should be greater than \$69 per square foot</i>			
1	\$76	>\$69	Inferior
2	\$30	>\$23	Inferior
3	\$29	>\$22	Inferior

**Prices are adjusted to reflect differences in special tax amounts between the subject and the comparables.*

Again, it is noted that there are no sales of similar high density land within the subject’s market area. The sales above are considered to be the most similar, however, they differ from the subject with regard to location and entitlements granted which contribute significantly to value. It follows that an appropriate market value for the property in Tax Zone 1 should be higher than the range exhibited by the data set. Considering the total land area within Tax Zone 1 is 69,696 square feet (1.6 acres times 43,560 square feet), and a value not less than \$69 per square foot, the total value is estimated to be not less than \$4,809,024. Considering the approvals granted for 24 units, the value per unit is estimated to be not less than \$200,000/unit (rounded) (\$4,809,024 divided by 24 approved units)

DISCOUNTED CASH FLOW ANALYSIS – FINISHED LOT ANALYSIS OF EACH TAX ZONE

In addition, the bulk finished lot values of the lots/units in each Tax Zone will also be estimated using a discounted cash flow analysis. The following is a discussion of the methodology.

Explanation of the Discounted Value Analysis Concept. Ultimately, the property will be developed to its highest and best use which is for production housing. The subject will experience future income, partially offset by development expenses. The analysis of these cash flows over the development or sellout period, and the discounting of future income, constitutes the discounted cash flow analysis (DCF) leading to an estimate of current bulk value of the project as of the date of value.

Simple Overview of the Process. The future sales of finished homes are projected over time. Similarly, all remaining development expense and carrying costs that will be the responsibility of the bulk property owner are projected over some period of time. These expenses are subtracted from the sales proceeds in each finite time period in order to project the cash flow inuring to the bulk landowner during that period. Finally, these cash flows are discounted in order to derive the indication of current overall bulk value of each Tax Zone.

Sale Price of Future Homes. Per the appraiser’s primary surveys, existing homes within the market area are selling. However, it is noted that there are no other new home projects in the neighborhood. Regardless, analysis of the re-sale market in the neighborhood suggests an average sale price of approximately \$560,000 for a 1,570 square foot home. Resale home prices in the neighborhood were observed ranging from \$355,000 to over \$1,000,000. Although home resales in the market vary significantly with regard to quality and condition, the resales suggest an appropriate range of sale prices in the immediate market area buyers are will to pay.

In addition, although there are no other actively selling subdivisions in the East Sacramento area, there are several other similar infill single family residential developments in the city of Sacramento including Curtis Park Village, The Mills at Broadway and Tapestri Square. As described previously, these three projects exhibit price points ranging from the low \$200,000’s to the high \$700,000’s for homes in the size range of 553 square feet to just over 3,000 square feet. However, these projects are considered to be relatively inferior based upon home prices in the surrounding area, neighborhood characteristics and site amenities. Regardless, both the resale information and the price points associated with surveyed new home projects indicate a base price range for the proposed product within McKinley Village.

In addition, a Market Study was performed by The Gregory Group and is included in the addenda of this report for the reader’s reference. The market study suggests price points ranging from the mid \$400,000’s to just over \$1,000,000 for the proposed housing product which ranges in size from 1,295 to 3,150 square feet. Based upon the resale price range observed in the market, along with data associated with other new home projects outside the immediate market area, the proposed pricing per The Gregory Group is considered to be reasonable. With regard to the estimation of the future new home price points, some weight will be given to the estimated price points as provided by The Gregory Group with support from the sales data observed in the immediate area.

Based upon the market research, the following table is presented summarizing the estimated home price per average home size estimated for each Tax Zone:

Estimated Base Prices and Average Home Size			
Tax Zone	Community Name	Base Price	Average SF
Zone 1	Parkside Flats	\$650,000	2,000
Zone2	Park Homes	\$850,000	2,600
Zone 3	Cottage Greens	\$750,000	2,200
Zone 4	Commons	\$675,000	1,900
Zone 5	Courtyards	\$600,000	1,700

Absorption Rate. Analysis of the three new home infill projects discussed previously in this report suggests an average sales rate ranging from approximately 1 to 7 units per month.

The market study provided by The Gregory Group estimated absorption ranging from approximately 2 to 4 units per month, with the larger, generally more expensive proposed product types selling at a rate towards the lower end of the range.

Considering the overall desirable market area, a projected absorption consistent with the estimates provided by the Gregory Group will be used in the following analysis. Again, a copy of the Market Study is provided in the addenda of this report for the reader’s review.

As will be shown at the end of this section, annual absorption periods are used in the discounted cash flow analysis for each Tax Zone with the exception of Tax Zone 1. Given the projected absorption rate at 4 units a month and total number of units planned for Tax Zone 1, the absorption period is estimated at less than a year. Thus, the discounted cash flow analysis for this Tax Zone will analyze the property on a quarterly basis.

Direct Costs. Direct costs can vary significantly from one subdivision to the next depending upon the type of home being built, quality of construction, location, etc. The following table is presented summarizing the estimated direct cost of production home subdivisions in various Central Valley market areas:

<i>Direct Cost Comparables</i>							
Plan #	SF	Direct Cost	Direct Cost per SF	Plan #	SF	Direct Cost	Direct Cost per SF
Subdivision #1, Sacramento (Average Quality Production Housing/Public Builder)				Subdivision #2, Folsom (Average Quality Production Housing/Public Builder)			
1	996	\$67,728	\$68.00	1	1,709	\$98,671	\$57.74
2	1,057	\$71,876	\$68.00	2	1,815	\$94,020	\$51.80
3	1,117	\$77,073	\$69.00	3	1,956	\$109,977	\$56.23
4	1,119	\$77,211	\$69.00	4	2,143	\$115,560	\$53.92
5	1,314	\$88,038	\$67.00				
Subdivision #3, Clovis (Above Average Quality Production Housing/Private Builder)				Subdivision #4 - Sacramento (Average Quality Production Housing/Private Builder)			
1	2,823	\$241,170	\$85.43	1	1,250	\$95,000	\$76.00
2	3,333	\$314,728	\$94.43	2	2,000	\$124,000	\$62.00
3	3,639	\$324,266	\$89.11	3	2,370	\$139,830	\$59.00
Subdivision #5, El Dorado Hills (Average Quality Production Housing/Public Builder)							
1	1,813	\$114,219	\$63.00				
2	1,969	\$122,078	\$62.00				
3	2,187	\$133,407	\$61.00				
4	2,423	\$145,380	\$60.00				

As can be seen from the data provided above, the direct costs vary from as low as approximately \$51 per square foot to over \$94 per square foot. The costs toward the upper end of the range are indicative of a project with above average quality housing product.

Given projected price points and observations of existing housing product in the East Sacramento market area, it is reasonable to conclude that buyers in the area would require an above average quality housing product. To that end, estimated average direct costs were provided for the proposed housing product to be developed on the subject property. Not only do the costs provided consider the quality of the housing product that will be built, but the costs also consider sound mitigation measures that have been designed into the proposed homes. Although detailed direct costs were not provided, the following table is presented summarizing the estimated direct costs for the floor plans in each tax zone.

Proposed McKinley Village Direct Costs				
Tax Zone	Community Name	Plan #	Square Feet	Cost/SF
1	Parkside Flats	1	1,514	\$131
		2	1,728	\$127
		3	2,053	\$145
		4	2,089	\$145
		5	2,181	\$123
		6	2,396	\$139
		Average		
2	Park Homes	1	2,138	\$105
		2	2,481	\$93
		3	2,665	\$95
		4	3,150	\$88
		Average		
3	Cottage Greens	1	1,995	\$84
		2	2,192	\$83
		3	2,364	\$79
		Average		
4	Commons	1	1,540	\$86
		2	1,630	\$82
		3	1,781	\$89
		4	2,145	\$80
		5	2,264	\$81
		Average		
5	Courtyards	1	1,295	\$89
		2	1,511	\$86
		3	1,929	\$80
		4	1,997	\$85
		5	2,007	\$82
		Average		

As can be seen from the table above, the average direct costs for the subject’s proposed housing range from \$82 to \$135 per square foot. The estimated costs at the upper end of the range are associated with the proposed attached housing product. Given the subject’s location, and the unique product type that would likely be developed on the subject property, weight will be given to the reported actual proposed costs. Assuming a 5% contingency on the costs to account for any unforeseen fluctuations in the costs, the following table is created summarizing the estimated costs for each average sized home within each tax zone:

Estimated Base Direct Costs and Average Home Size			
Tax Zone	Community Name	Direct Costs/SF	Average SF
Zone 1	Parkside Flats	\$142	2,000
Zone 2	Park Homes	\$100	2,600
Zone 3	Cottage Greens	\$86	2,200
Zone 4	Commons	\$88	1,900
Zone 5	Courtyards	\$88	1,700

Indirect Costs. The indirect costs generally include engineering, architecture, general conditions, model costs, insurance, overhead, warranty expenses etc. Typically, indirect costs have been observed ranging from about 15% to over 30% of direct costs. Based upon the range, an estimated indirect cost of 20% of direct cost is concluded.

Permits and Fees. Based upon the information presented previously, the permits and fees associated with the typical lot sizes within the various Tax Zones of the project will range from \$21,113 to \$28,446 per lot. These amounts will be used in the following analysis.

Other Holding Costs. The analysis assumes the lots are already finished, so no site construction costs are applicable. Additional expenses include property taxes, sales and marketing, administration and overhead and developer profit. These are described on the following page.

- **Real Estate Taxes** are estimated using the current tax rate of 1.1864%. This rate will apply to the bulk lot value of the properties remaining in inventory. The tax expense assumes the lots are sold on a straight line basis with 50% of the tax expense for the sold lots in any given year and 100% on the remaining inventory.
- **CFD Payments** will vary depending upon the Tax Zone and will range from \$900 to \$1,800 per lot per year. These amounts will apply to the bulk lot value of the properties remaining in inventory. The tax expense assumes the lots are sold on a straight line basis with 50% of the tax expense for the sold lots in any given year and 100% on the remaining inventory.
- **HOA Payments** will be \$2,580 per year (estimated at \$215 per month). This amount will apply to the bulk lot value of the properties remaining in inventory. The tax expense assumes the lots are sold on a straight line basis with 50% of the tax expense for the sold lots in any given year and 100% on the remaining inventory.
- **Marketing and Closing Costs** are projected to be approximately 4% of gross sales revenues. This includes all typical closing costs, and a modest amount of commission.
- **Administration, Insurance, and Other Miscellaneous Holding Costs** are projected to be about 2% per year, including liability on unsold inventory.
- **Developer Profit** is included in the discount rate applied per market norms.

All of these periodic costs are subtracted from sales proceeds that occur in the same time period in order to determine an estimate of cash flow for that period. After all of these out-year sales proceeds and expenses are projected and net cash flows determined, the net annual cash flows then can be discounted to a present value.

Discount Rate. Over the course of the last several years we have interviewed numerous developers and investors connected with residential land development projects. Based on the information obtained, we estimate that the appropriate discount rate is in the range of a 10% to approximately 25% *real rate of return*¹². Information that bears on the discount rate selection for the subject property is as follows:

RealtyRates.com – Developer Survey. This rate selection is supported by the results published in the RealtyRates.com – Developer Survey, a RealtyRates publication, third quarter, 2015. The survey provided by this source specifically addresses internal rates of return for California and the Pacific Islands. Per the survey, rates range from approximately 17% to as high as 36% with an average of 26%. Inherent in this return expectation is an assumption of annual increases in property values, making these nominal rates of return.

Company Interviews. Over the course of the last several years, Bender Rosenthal Inc. staff interviewed major land investor/developer groups to discuss discount rates, profit estimates, expense estimates, and assumptions used when valuing large land holdings. Some of these conversations are summarized below. The names of the companies have been withheld at the request of the company officers interviewed.

One of the interviewees is a large development company that has purchased large tracts of land throughout the United States. A representative of this organization reported that they typically use a discount rate of 18 to 25%, inclusive of profit. Further, this rate represents a real rate of return.

Another recent interview was a representative of a national home developer that is active in the Sacramento area and also in Arizona, Colorado, and several other states across the County. They also reported the use of a 20 to 25% internal real rate of return. Further, discussions with a representative of this company indicated that generally investments are accepted that exhibit IRR's towards the lower end of this range.

In addition, a private home builder active in the Sacramento Region specifically was surveyed. Discussions with a representative of this firm revealed that internal rates of return commanded range from 10% to 20% (real rate of return) depending upon risk characteristics of the project.

Lastly, another private home builder active in the California Central Valley also indicated an IRR range from 10% to 20%. It was reported that the rate applied to any given subdivision depends upon the various risk characteristics of the project including location, product type, etc.

¹² A real rate of return is an inflation-adjusted rate of return. If inflation were expected to remain at the 2% level, more or less, then the equivalent nominal (unadjusted) rate range would be 22% to 32%. We have used a real rate of return so as to avoid having to also adjust future retail values for inflation.

A summary of these interview results is shown in the following table:

DISCOUNT RATES INTERVIEWS SUMMARY			
Interviewee	Range	Average	Rate Type
RealtyRates.com	17% - 36%	26%	Nominal
National Home Builder, Sacramento Office #1	18% - 25%	-	Real
National Home Builder, Sacramento Office #2	20% - 25%	-	Real
Local Home Builder, Sacramento Region	10% - 20%	-	Real
Private Home Builder, California Central Valley	10% - 20%	-	Real

Chosen Discount Rate. The discount rate must reflect an adequate profit in relation to the risk and effort that the prospective bulk sale buyer might expend. The property appraised is considered to be within a very desirable area of the City of Sacramento. There is also a limited supply of new home product in the immediate market area. However, it is noted that the subject is unique and is within an area with limited comparable data. Further, the estimated price points for the housing product that can be developed on the site are at the upper echelon of the market with a relatively more limited buyer pool. Although prices are supported by the market, it is recognized that future changes in market conditions (i.e. increases in lending interest rates, etc.) may further limit the buyer pool. Based upon the range exhibited by the surveys, with consideration to the unique characteristics of the lots appraised, location and risk factors, an annual 25% discount rate is considered appropriate.

Again, this is a real rate of return – no inflation, price increases or cost increases have been projected.

Bulk Value per the Discounted Cash Flow Analyses. The discounted cash flow tables for each Tax Zone are presented as follows:

<i>DCF Finished Lots - Zone 1 (Parkside Flats) - Attached Housing Product</i>			
		Quarter 1	Quarter 2
Total Number Developed		24	12
Number of Units Sold		12	12
<i>Number of Units Unsold</i>		<i>12</i>	<i>0</i>
Home Revenue		\$650,000	\$650,000
Total Revenue		\$7,800,000	\$7,800,000
Total Revenue		\$7,800,000	\$7,800,000
Home Construction Costs (direct, indirect and permits/fees)		\$4,342,956	\$4,342,956
TOTAL CONSTRUCTION COSTS		\$4,342,956	\$4,342,956
VARIABLE EXPENSES			
<i>Property Taxes</i>	1.19%	\$12,067	\$4,022
<i>CFD Payments</i>	\$1,250	\$5,625	\$1,875
<i>HOA Dues</i>	\$2,580	\$11,610	\$3,870
<i>Sales and Marketing</i>	4%	\$312,000	\$312,000
<i>Admin. and Overhead</i>	2%	\$156,000	\$156,000
TOTAL VARIABLE EXPENSES		\$497,302	\$477,767
TOTAL EXPENSES		\$4,840,258	\$4,820,723
Net Sales Revenue		\$2,959,742	\$2,979,277
<i>Project Analysis</i>			
Discount Rate	25%	0.941176	0.885813
Net Cash Flow		\$2,785,639	\$2,639,082
	Discount Rate Utilized	Indicated Value	Per/Lot
	25%	\$5,424,722	\$226,030

*McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California*

DCF Finished Lots - Zone 2 (Park Homes) - 4,000 SF Lots				
		Year 1	Year 2	Year 3
Total Number Developed		56	32	8
Number of Units Sold		24	24	8
<i>Number of Units Unsold</i>		32	8	0
Home Revenue		\$850,000	\$850,000	\$850,000
Total Revenue		\$20,400,000	\$20,400,000	\$6,800,000
Home Construction Costs (direct, indirect and permits/fees)		\$8,170,704	\$8,170,704	\$2,723,568
TOTAL CONSTRUCTION COSTS		\$8,170,704	\$8,170,704	\$2,723,568
VARIABLE EXPENSES				
<i>Property Taxes</i>	1.19%	\$161,480	\$73,400	\$14,680
<i>CFD Payments</i>		\$1,800	\$79,200	\$36,000
<i>HOA Dues</i>		\$2,580	\$113,520	\$51,600
<i>Sales and Marketing</i>	4%	\$816,000	\$816,000	\$272,000
<i>Admin. and Overhead</i>	2%	\$408,000	\$408,000	\$136,000
TOTAL VARIABLE EXPENSES		\$1,578,200	\$1,385,000	\$440,200
TOTAL EXPENSES		\$9,748,904	\$9,555,704	\$3,163,768
Net Sales Revenue		\$10,651,096	\$10,844,296	\$3,636,232
Project Analysis				
Discount Rate	25%	0.800000	0.640000	0.512000
Net Cash Flow		\$8,520,877	\$6,940,349	\$1,861,751
	Discount Rate Utilized	Indicated Value	Per/Lot	
	25%	\$17,322,977	\$309,339	

*McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California*

DCF Finished Lots - Zone 3 (Cottage Greens) - 3,200 SF Lots				
		Year 1	Year 2	Year 3
Total Number Developed		90	54	18
Number of Units Sold		36	36	18
<i>Number of Units Unsold</i>		<i>54</i>	<i>18</i>	<i>0</i>
Home Revenue		\$750,000	\$750,000	\$750,000
Total Revenue		\$27,000,000	\$27,000,000	\$13,500,000
Home Construction Costs (direct, indirect and permits/fees)		\$9,118,980	\$9,118,980	\$4,559,490
TOTAL CONSTRUCTION COSTS		\$9,118,980	\$9,118,980	\$4,559,490
VARIABLE EXPENSES				
<i>Property Taxes</i>	1.19%	\$255,662	\$127,831	\$31,958
<i>CFD Payments</i>		\$1,400	\$100,800	\$50,400
<i>HOA Dues</i>		\$2,580	\$185,760	\$92,880
<i>Sales and Marketing</i>	4%	\$1,080,000	\$1,080,000	\$540,000
<i>Admin. and Overhead</i>	2%	\$540,000	\$540,000	\$270,000
TOTAL VARIABLE EXPENSES		\$2,162,222	\$1,891,111	\$877,778
TOTAL EXPENSES		\$11,281,202	\$11,010,091	\$5,437,268
Net Sales Revenue		\$15,718,798	\$15,989,909	\$8,062,732
Project Analysis				
Discount Rate	25%	0.800000	0.640000	0.512000
Net Cash Flow		\$12,575,039	\$10,233,542	\$4,128,119
	Discount Rate Utilized	Indicated Value	Per/Lot	
	25%	\$26,936,700	\$299,297	

*McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California*

DCF Finished Lots - Zone 4 (Commons) - 3,074 SF Lots			
		Year 1	Year 2
Total Number Developed		84	36
Number of Units Sold		48	36
<i>Number of Units Unsold</i>		36	0
Home Revenue		\$675,000	\$675,000
Total Revenue		\$32,400,000	\$24,300,000
Home Construction Costs (direct, indirect and permits/fees)		\$10,716,240	\$8,037,180
TOTAL CONSTRUCTION COSTS		\$10,716,240	\$8,037,180
VARIABLE EXPENSES			
<i>Property Taxes</i>	1.19%	\$210,518	\$63,155
<i>CFD Payments</i>		\$1,050	\$63,000
<i>HOA Dues</i>		\$2,580	\$154,800
<i>Sales and Marketing</i>	4%	\$1,296,000	\$972,000
<i>Admin. and Overhead</i>	2%	\$648,000	\$486,000
TOTAL VARIABLE EXPENSES		\$2,372,318	\$1,586,495
TOTAL EXPENSES		\$13,088,558	\$9,623,675
Net Sales Revenue		\$19,311,442	\$14,676,325
Project Analysis			
Discount Rate	25%	0.800000	0.640000
Net Cash Flow		\$15,449,153	\$9,392,848
Discount Rate Utilized		Indicated Value	Per/Lot
25%		\$24,842,001	\$295,738

DCF Finished Lots - Zone 5 (Commons) - 2,660 SF Lots			
		Year 1	Year 2
Total Number Developed		82	34
Number of Units Sold		48	34
<i>Number of Units Unsold</i>		34	0
Home Revenue		\$600,000	\$600,000
Total Revenue		\$28,800,000	\$20,400,000
Home Construction Costs (direct, indirect and permits/fees)		\$9,642,768	\$6,830,294
TOTAL CONSTRUCTION COSTS		\$9,642,768	\$6,830,294
VARIABLE EXPENSES			
<i>Property Taxes</i>	1.19%	\$180,146	\$52,801
<i>CFD Payments</i>		\$900	\$52,200
<i>HOA Dues</i>		\$2,580	\$149,640
<i>Sales and Marketing</i>	4%	\$1,152,000	\$816,000
<i>Admin. and Overhead</i>	2%	\$576,000	\$408,000
TOTAL VARIABLE EXPENSES		\$2,109,986	\$1,335,961
TOTAL EXPENSES		\$11,752,754	\$8,166,255
Net Sales Revenue		\$17,047,246	\$12,233,745
Project Analysis			
Discount Rate	25%	0.800000	0.640000
Net Cash Flow		\$13,637,797	\$7,829,597
	Discount Rate Utilized	Indicated Value	Per/Lot
	25%	\$21,467,393	\$261,797

FINISHED LOT MARKET VALUE CONCLUSION

The finished lot value conclusions from each method are summarized in the following table.

Finished Lot Value Conclusions			
Tax Zone	Community Name	Sales Comparison Approach	Discounted Cash Flow Analysis
1	Parkside Flats	>\$200,000	\$226,030
2	Park Homes	\$300,000	\$309,339
3	Cottage Greens	\$300,000	\$299,297
4	Commons	\$305,000	\$295,738
5	Courtyards	\$305,000	\$261,797

The direct sales analysis is the preferred method of valuing residential land when data is plentiful and current. There were several bulk lot transactions observed in the Sacramento Region that occurred during the course of the 2014 through 2015 years. Although the sales data is relatively recent, it is noted that none of the sales occurred within the subject's neighborhood and do not reflect the unique location characteristics of the property appraised. After significant adjustments to account for location differences, a value for the lots within each Tax Zone was estimated.

Similarly, the sales data obtained to value the subject’s high density residential land component (condominium land) was obtained from an adjacent, but different market area and the sales differed significantly with regard to development density, entitlement status, etc. As discussed previously, the subject’s market area is a unique and highly desirable area of Sacramento. The lack of data within the subject’s market area, and the significant adjustments applied in this case, is a significant weakness of the sales comparison approach.

The discounted cash flow model requires a number of assumptions and cost estimates. In addition, there was limited absorption and sales data in the immediate market area. Regardless, absorption was supported through an analysis of other, relatively similar projects in the Region, as well as a market study performed by the Gregory Group. Further, this method directly accounts for the holding costs, and risk associated with developing a subdivision under the current market conditions and it most accurately reflects the potential home prices associated with the subject’s immediate area.

Given the strengths and weaknesses of each method, and recognizing the substantial adjustments applied in the sales comparison approach, weight in this analysis is given to the indicated value via the discounted cash flow analysis.

Based upon the aforementioned discussion, the following table is presented summarizing the concluded bulk lot value and total value of each Tax Zone:

Bulk Lot Value Conclusion per Tax Zone				
Tax Zone	Community Name	Bulk Lot Value Conclusion	# of Lots	Total Bulk Value per Tax Zone
Zone 1	Parkside Flats	\$220,000	24	\$5,280,000
Zone 2	Park Homes	\$305,000	56	\$17,080,000
Zone 3	Cottage Greens	\$300,000	90	\$27,000,000
Zone 4	Commons	\$295,000	84	\$24,780,000
Zone 5	Courtyards	\$260,000	82	\$21,320,000

DISCOUNTED CASH FLOW ANALYSIS – PROPERTY AS A WHOLE

The valuation analysis presented previously concluded bulk values for each Tax Zone within McKinley Village. The analysis that follows will now address the bulk market value of the property as a whole, as if purchased by a single buyer.

Explanation of the Discounted Value Analysis Concept. After the values of each Tax Zone have been estimated, the bulk sale value of the property as a whole can be pursued. Basically, the property developer owns an asset, a large tract of undeveloped land. The analysis assumes the property will be marketed over time with the lots in each Tax Zone selling in bulk to home builders. The analysis of these cash flows over the development or sellout period, and the discounting of future income, constitutes the discounted cash flow analysis (DCF) leading to an estimate of current bulk value of the property appraised as a whole.

Simple Overview of the Process. The future sales of lots are projected over future time. Similarly, all carrying costs that will be the responsibility of the bulk property owner are projected over some period of time. These expenses are subtracted from the sales proceeds in each finite time period in order to project the cash flow inuring to the bulk landowner during that period. Finally, these cash flows are discounted in order to derive the indication of current overall bulk value.

Identification of Land to be Absorbed in the Future. We previously described all of the taxable land parcels within the subject property that have market value. The previously presented analysis of the production lots assumes that the lands within the District are segmented into “Units” or groupings of lots that are sold to individual home builders. Based upon the bulk sales information presented previously, bulk purchases of lots in the Sacramento Region have been recently ranging from approximately 50 to just over a 100 units. Given the variability and uniqueness of product type within McKinley Village, as well as the number of lots within the each Tax Zone, it is reasonable to assume that a builder would likely acquire groupings of lots consistent with number of lots in each Tax Zone. The following analysis will therefore use each Tax Zone as its own “Unit”.

Assuming 5 different product lines (one for each Tax Zone), and an average sales rate of 2 to 4 units per month per product type (per The Gregory Group), sell out of the individual lots would likely occur within 3 years. However, sell out of the individual bulk lot “Units” would occur sooner as builders purchase lots in anticipation of constructing homes. With consideration to the limited supply in the market area, and the overall desirability of the lots within Tax Zone 2, it is estimated that this grouping of lots would sell within the first six months of the absorption period which would allow for construction of the infrastructure necessary to finish the lots. Within every subsequent six months thereafter, the lots within Tax Zones 3, 4, 5 and 1 would sell. A total absorption for the project is estimated at 2.5 years.

Retail Values. Retail values (finished lots) are shown in the lower middle portion of DCF. Again, these are the value estimates for the individual units as if they were available today for relatively immediate development, with all necessary infrastructure in place, and subject to expected CFD (Mello Roos) special taxes. We do not increase these values over time because we are conducting a real rate of return analysis.

Real Rate of Return Analysis. We do not attempt to project land price increases, cost increases or inflation over future time. Therefore we provide a “real rate of return” analysis. This has ramifications with regard to discount rate selection, as discussed later in this section.

Other Holding Costs. This analysis will consider the remaining costs to finish the lots after the bond proceeds of \$5,000,000 is invested in the project. Additional expenses include property taxes, sales and marketing, administration and overhead, a contingency and developer profit. These are described on the following page.

- **Remaining Costs to Finish.** The estimated bond proceeds that will be invested in the project is \$5,000,000. This report is predicated on the hypothetical condition that the infrastructure to be developed with the bond proceeds is in place as of the date of value. As indicated previously, the total costs to finish the project are estimated at \$45,040,000.

Assuming the infrastructure financed through the bond proceeds is in place, the total costs to finish the lots is \$40,040,000 plus the debt associated with the property. Given the total costs incurred as of the date of inspection is \$24,940,000, the following table is presented summarizing the estimated remaining costs to finish the lots after consideration of the bond proceeds:

Remaining Cost To Finish	
Cost to Finish	\$ 40,040,000 + Debt
Site costs incurred to date	\$ (24,940,000) + Debt
Total Remaining Costs	\$ 15,100,000 + Debt

The total estimated remaining costs to finish are therefore estimated at \$15,100,000. This amount will be used in the following analysis and is accounted for at the beginning of the discounted cash flow projection period.

- **Real Estate Taxes** are estimated using the current tax rate of 1.1864%. This rate will apply to the bulk lot value of the properties remaining in inventory.
- **CFD Payments** are estimated based upon the Rate and Method of Apportionment discussion presented previously in this report and are applied to the bulk lot value of the properties remaining in inventory.
- **HOA Payments** will be \$2,580 per year (estimated at \$215 per month). This amount will apply to the bulk lot value of the properties remaining in inventory.
- **Marketing and Closing Costs** are projected to be approximately 4% of gross sales revenues. This includes all typical closing costs, and a modest amount of commission.
- **Administration, Insurance, and Other Miscellaneous Holding Costs** are projected to be about 2% per year, including liability on unsold inventory.
- **Contingency:** A contingency is estimated at 2% of the total revenue.
- **Developer Profit:** This item is included in the discount rate applied per market norms.

All of these periodic costs are subtracted from sales proceeds that occur in the same time period in order to determine an estimate of cash flow for that period. After all of these out-year sales proceeds and expenses are projected and net cash flows determined, the net annual cash flows then can be discounted to a present value.

Discount Rate. During the course of the this assignment and over the course of the last several years we have interviewed numerous developers and investors connected with residential land development projects. Based on the information obtained, we estimate that the appropriate discount rate is in the range of a 10% to approximately 25% *real rate of return*.¹³ Information that bears on the discount rate selection for the subject property is as follows:

¹³ A real rate of return is an inflation-adjusted rate of return. If inflation were expected to remain at the 2% level, more or less, then the equivalent nominal (unadjusted) rate range would be 22% to 32%. We have used a real rate of return so as to avoid having to also adjust future retail values for inflation.

RealtyRates.com – Developer Survey. This rate selection is supported by the results published in the RealtyRates.com – Developer Survey, a RealtyRates publication, third quarter, 2015. The survey provided by this source specifically addresses internal rates of return for California and the Pacific Islands. Per the survey, rates range from approximately 17% to as high as 36% with an average of 26%. Inherent in this return expectation is an assumption of annual increases in property values, making these nominal rates of return.

Company Interviews. During the course of this assignment and over the course of the last several years, Bender Rosenthal Inc. staff interviewed major land investor/developer groups to discuss discount rates, profit estimates, expense estimates, and assumptions used when valuing large land holdings. Some of these conversations are summarized below. The names of the companies have been withheld at the request of the company officers interviewed.

One of the interviewees is a large development company that has purchased large tracts of land throughout the United States. A representative of this organization reported that they typically use a discount rate of 18 to 25%, inclusive of profit. Further, this rate represents a real rate of return.

Another recent interview was of representative of a national home developer that is active in the Sacramento area and also in Arizona, Colorado, and several other states across the County. They also reported the use of a 20 to 25% internal real rate of return. Further, discussions with a representative of this company indicated that generally investments are accepted that exhibit IRR’s towards the lower end of this range.

In addition, a private home builder active in the Sacramento Region specifically was surveyed. Discussions with a representative of this firm revealed that internal rates of return commanded range from 10% to 20% (real rate of return) depending upon risk characteristics of the project.

Lastly, another private home builder active in the California Central Valley also indicated an IRR range from 10% to 20%. It was reported that the rate applied to any given subdivision depends upon the various risk characteristics of the project including location, product type, etc.

A summary of these interview results is shown in the following table:

DISCOUNT RATES INTERVIEWS SUMMARY			
Interviewee	Range	Average	Rate Type
RealtyRates.com	17% - 36%	26%	Nominal
National Home Builder, Sacramento Office #1	18% - 25%	-	Real
National Home Builder, Sacramento Office #2	20% - 25%	-	Real
Local Home Builder, Sacramento Region	10% - 20%	-	Real
Private Home Builder, California Central Valley	10% - 20%	-	Real

Chosen Discount Rate. The discount rate must reflect an adequate profit in relation to the risk and effort that the prospective bulk sale buyer might expend. In this case, it is noted that the analysis assumes that the owner of the lots in bulk sells individual “Units” of lots to various homebuilders over time. As such, the risk associated with constructing the homes is removed from

the analysis. It follows that an appropriate discount rate should not be towards the upper end of the range. Based upon the range exhibited by the surveys, with consideration to the unique characteristics of the lots appraised, an annual 15% discount rate has been selected for valuation purposes.

Again, this is a real rate of return – no inflation, price increases or cost increases have been projected.

Bulk Value per the Discounted Cash Flow Analyses. The discounted cash flow table is presented for the subdivision as follows:

McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California

Discounted Cash Flow Analysis							
	Projection Period	Time 0	First 6 Months	First Year	1.5 years	2 years	2.5 years
Total Number of Lots Developed	Total Lots		336	280	190	106	24
Production Lots Tax Zone 1	24	-	0	0	0	0	24
Remaining Production Lots Tax Zone 1			24	24	24	24	0
Production Lots Tax Zone 2	56	-	56	0	0	0	0
Remaining Production Lots Tax Zone 2			0	0	0	0	0
Production Lots Tax Zone 3	90	-	0	90	0	0	0
Remaining Production Lots Tax Zone 3			90	0	0	0	0
Production Lots Tax Zone 4	84	-	0	0	84	0	0
Remaining Production Lots Tax Zone 4			84	84	0	0	0
Production Lots Tax Zone 5	82	-	0	0	0	82	0
Remaining Production Lots Tax Zone 5			82	82	82	0	0
Total Residential Units Sold		-	56	90	84	82	24
Sales Analysis	Retail Sales/ Unit	Total					
Production Lots - Tax Zone 1	\$220,000	\$5,280,000	-	\$0	\$0	\$0	\$5,280,000
Production Lots - Tax Zone 2	\$305,000	\$17,080,000	-	\$17,080,000	\$0	\$0	\$0
Production Lots - Tax Zone 3	\$300,000	\$27,000,000	-	\$0	\$27,000,000	\$0	\$0
Production Lots - Tax Zone 4	\$295,000	\$24,780,000	-	\$0	\$0	\$24,780,000	\$0
Production Lots - Tax Zone 5	\$260,000	\$21,320,000	-	\$0	\$0	\$0	\$21,320,000
	Total Aggregate Value	\$95,460,000					
Total Revenue per Period			\$0	\$17,080,000	\$27,000,000	\$24,780,000	\$21,320,000
Development and Holding Period Expense Analysis							
Property Taxes	1.19%	-	\$329,311	\$274,426	\$186,218	\$103,890	\$23,522
Sales and Marketing	4%	-	\$683,200	\$1,080,000	\$991,200	\$852,800	\$211,200
Admin. and Overhead	2%	-	\$341,600	\$540,000	\$495,600	\$426,400	\$105,600
HOA Dues	\$2,580	-	\$433,440	\$361,200	\$245,100	\$136,740	\$30,960
CFD Annual Special Tax/Lot - (Tax Zone 1)	\$1,250	-	\$15,000	\$15,000	\$15,000	\$15,000	\$15,000
CFD Annual Special Tax/Lot - (Tax Zone 2)	\$1,800	-	\$50,400	\$0	\$0	\$0	\$0
CFD Annual Special Tax/Lot - (Tax Zone 3)	\$1,400	-	\$63,000	\$63,000	\$0	\$0	\$0
CFD Annual Special Tax/Lot - (Tax Zone 4)	\$1,050	-	\$44,100	\$44,100	\$44,100	\$0	\$0
CFD Annual Special Tax/Lot - (Tax Zone 5)	\$900	-	\$36,900	\$36,900	\$36,900	\$36,900	\$0
Remaining Costs to Finish	\$15,100,000	\$15,100,000	\$0	\$0	\$0	\$0	\$0
Contingency	2%	-	\$341,600	\$540,000	\$495,600	\$426,400	\$105,600
TOTAL DEVELOPMENT EXPENSES			\$15,100,000	\$2,338,551	\$2,954,626	\$2,509,718	\$1,998,130
Net Sales Revenue (Total Revenue less Development Expenses)			-\$15,100,000	\$14,741,449	\$24,045,374	\$22,270,282	\$19,321,870
Project Analysis							
Discount Rate	15%	1.000000	0.930233	0.869565	0.808898	0.756144	0.703389
Net Cash Flow		-\$15,100,000	\$13,712,975	\$20,909,021	\$18,014,384	\$14,610,110	\$3,367,912
Discount Rate Utilized		Indicated Value	Rounded To				
15%		\$55,514,401	\$55,510,000				

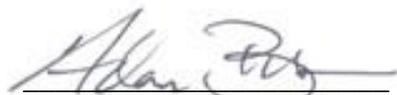
As can be seen from the previous table, the concluded hypothetical bulk value, after the infrastructure paid for with the bond proceeds is in place, is estimated at **\$55,510,000**.

This concludes the report.

VIII. APPRAISER'S CERTIFICATION

I 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 analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial and unbiased and professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. 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.
7. 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 acceptance of this assignment.
8. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP).
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. As of the date of this report, I have completed the continuing education program of the Appraisal Institute.
12. I made a personal inspection of the property that is the subject of this report.
13. No one provided significant real property appraisal assistance to the person signing this certification.



Adam Bursch, MAI
California Certified General
Real Estate Appraiser
Certificate No. AG037931

ADDENDUM

ITEM 1
MARKET STUDY

the gregory group

**McKinley Village
Prepared for Bender Rosenthal**

Sacramento, California

August, 2015

101 Parkshore Drive, Suite 100 Folsom, CA 95630 (916) 983-3524 www.thegregorygroup.com

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Objective

This analysis was prepared by The Gregory Group, a market research firm that specializes in providing information and consulting services to the building industry. The Gregory Group provides quarterly market analysis for the nation, the state of California and the MSAs of California; compiles a quarterly new-home database for MSA's within the State of California and performs consulting and feasibility analysis throughout the western United States.

The Gregory Group was commissioned by Bender Rosenthal to perform this Market Absorption Analysis related to the McKinley Village community located in the city of Sacramento. The primary objective of this analysis was to provide conclusions related to pricing and absorption for the subject development.

McKinley Village is located south of I-80 Business and north of the Union Pacific Railroad Tracks and is planned to include a total of 336 lots within six product types; 24 units at 15.0 units per acre (in an alley loaded configuration), 82 units at 14.8 units per acre (in a courtyard configuration), 84 units at 12.9 units per acre (in a courtyard configuration), 90 lots on 3,200 square foot lots (in a 40-foot wide by 80-foot deep configuration) and 56 lots on 4,000 square foot lots (in a 50-foot wide by 80-foot deep configuration including both traditional and alley-loaded orientations).

Contact Information

Greg Paquin, President and Rik Osmer, Consultant, conducted the analysis and developed conclusions. Follow-up questions can be directed to:

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Executive Summary

General Conclusions

- **There is increasingly strong evidence that 2015 is seeing an acceleration in new-home sales activity in all project types, but especially in those communities that are well positioned and well designed. Furthermore, with a significant forecast for future housing activity in Sacramento; it is believed that new-home developments at the beginning of the current upward cycle will provide an excellent opportunity to take advantage of a rising market.**
- There are a substantial number of units planned for the future within Sacramento and those projects that take advantage of the growth potential will have the greatest opportunity for success. In McKinley Village, this includes a desirable location, a well-designed land plan and a community with a variety of lot sizes and appropriate home sizes. **The integration of the subject project within the greater community and the connectivity and easy access to parks and open space as well as convenience shopping, restaurants and recreation, will provide for a superior living environment.**
- As the job market continues to improve and with local wages increasing, there will also be an increase in the size and diversity of the home buyer pool. McKinley Village is in a strong position to take advantage of this and will appeal to a diverse set of demographics from young couples to those married with children and even move-downs, empty-nesters and retirees. **Most of the currently planned infill projects in Sacramento do not offer the community integration and range of product type that the subject property offers, which will attract a broader range of home buyers.**
- Finally, it appears that the headwinds that housing (and the economy) have been facing for several years now are shifting into tail winds. Strong economic growth, job growth and wage increases (the key drivers to housing along with household formations) are growing at the fastest pace since the recession. **With strong housing growth and solid pricing growth projected for Sacramento, there is enough evidence at mid-year 2015 that this year is transiting into a healthy and vibrant housing market.**

Sacramento

- **Q1/2015 resulted in 1,036 sales and Q2/2015 totaled 1,096 sales (a mid-year total of 2,132 sales; a 43% increase from the first six months of last year) and if the current trend holds, sales will exceed 4,000 units for the year for the first time since 2008. New-home pricing in the region has moderated due to affordability issues (a lack of income growth has restrained home price growth); pricing is up only 5.3% from a year earlier.**
- **Sacramento has the ability to offer a wide variety of living environments that attract buyers with sufficient money to invest in housing (including second and third-time move up buyers, executive buyers and move-down, empty-nester and retiree buyers) as well as entry-level and first-time move-up housing that attracts young and growing families.**
- **McKinley Village is located in a very desirable area that provides easy access to the surrounding community as well as the amenities that the city of Sacramento offers. East Sacramento is a highly sought after area and resale homes can sell for over one million dollars, especially homes that have been rehabilitated within the last few years.**
- **Part of the appeal to these local neighborhoods is the connectivity and integration that the community offers.** Planned activities in McKinley Park occur on a regular basis and include barbeques, baseball games, soccer matches, outdoor yoga, and many others. Moreover, McKinley Village provides a close neighborly feel with people walking their dogs and jogging or biking together. Those who live within the neighborhood are active within the community and help in keeping it desirable, engaging, interactive and safe.
- **As the cost of housing increases, buyers are asking for more from their communities and those communities that offer greater planning and integration of housing, trees, open space, walking trails and parks and product offerings that include superior product designs have the greatest opportunity to meet with strong sales and pricing success. Based on the current plan (including the submitted product, pricing and absorption in this analysis and for all of the product types), it is believed that McKinley Village has the potential to achieve a strong level of sales and pricing success.**

Housing Conclusions (McKinley Village)

The subject property is offering a diverse range of product types and home sizes that will appeal to a variety of home buyers; including first-time and move-up buyers, as well move-down, empty-nester and retiree buyers. The buyers will be attracted to the styles of the homes, the tree lined streets and the incorporation of the project within the surrounding community. There will be roadway, bike and pedestrian connections throughout the neighborhood to McKinley Park, Midtown, Sutter's Landing Park and the American River Parkway.

It is important to note that there is a real lack of resale housing on the market and very few new-home projects in the area. Existing homes are highly desired in the East Sacramento, McKinley Park and Fabulous 40's neighborhoods due to their location, housing styles, set backs, parks, and community activities and involvement. **In fact, the Days on Market for resale homes is only 20 and in conversations with real estate agents in the area, many buyers end up forgoing "a must have" requirement for buying a home in order to purchase in these neighborhoods.**

The subject property will also feature many sustainable features including: homes with pre-wiring for solar and electrical charging stations, eco-friendly building materials, the highest energy efficiencies, and the community will be low impact that uses technology to reduce storm water runoff. In the center of the subject project will be a central park that will include a 4,200 square foot recreation center and a community pool. In order to keep the feel and traditions of the surrounding neighborhoods, over 2,000 trees will be planted around and throughout the community.

Typically for projects that abut a freeway or railroad tracks, when designed appropriately as McKinley Village is, there is minimal to no impact in terms of the marketing of the project. The builder has taken several measures to remediate any noise issues including building a ten foot wall between the community and the railroad tracks along with a tree lined buffer and homes abutting the freeway will include a double tree lined buffer. In addition, resale homes that were near or next to the railroad tracks or the freeway recently sold for prices within the average for all homes that recently sold in the area. Therefore, there is not anticipated to be any effects of a location next to the freeway and railroad tracks and the marketability and success of the project.

Based on a strong location and a robust housing market; the pricing position of the subject project (McKinley Village) is toward the top of the competitive projects and above existing home sales. This is believed to be the optimal positioning based on the competitive developments including lot size, product type, features and amenities, land plan and location. In addition, based on the pricing position, the absorption rates are estimated at between 0.50 and 1.00 sales per week per project and it is believed that the six product offerings can sell concurrently (if desired).

McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California

Housing Conclusions (McKinley Village)

COMMUNITY DETAILS			PRODUCT SUMMARY					RECOMMENDATIONS											
Community Location	Builder Master Plan		Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Add-Ons Options/ Upgrades	Premiums	Total Price	Total Price/ Sq. Ft.	Monthly HOA	Obligation Base Tax	(Base) Add Tax	80% 4.00% Mo. Prnt	Req. Income	
Product Summary		Sales Summary	Mix																
Subject Project	Parkside Flats Sacramento	The New Home Company McKinley Village	4	1,514	2	2	1	2	\$505,000	\$334	\$0	\$0	\$505,000	\$334	\$215	1.06%	0.19%	\$2,671	\$103,384
	Product Type:	Attached	4	1,728	3	2	1	2	\$567,000	\$328	\$0	\$0	\$567,000	\$328	\$215	1.06%	0.19%	\$2,872	\$115,055
	Configuration:	Alley Loaded	4	2,053	3	2	2	2	\$660,000	\$321	\$0	\$0	\$660,000	\$321	\$215	1.06%	0.19%	\$3,425	\$132,562
	Lot Dimensions:	--	4	2,089	4	2.5	1	2	\$670,000	\$321	\$0	\$0	\$670,000	\$321	\$215	1.06%	0.19%	\$3,473	\$134,444
	Lot Size/Density:	15.0/du	4	2,181	3	2.5	2	2	\$696,000	\$319	\$0	\$0	\$696,000	\$319	\$215	1.06%	0.19%	\$3,600	\$139,338
	Rec. Wkly Abs.:	1.00	4	2,396	3	2	2	2	\$758,000	\$316	\$0	\$0	\$758,000	\$316	\$215	1.06%	0.19%	\$3,901	\$151,009
Totals/Averages:			24	1,994				\$642,667	\$323	\$0	\$0	\$642,667	\$323	\$215	1.06%	0.19%	\$3,340	\$129,299	
Subject Project	Courtyards Sacramento	The New Home Company McKinley Village	16	1,295	3	2.5	2	2	\$462,000	\$357	\$0	\$0	\$462,000	\$357	\$215	1.06%	0.15%	\$2,445	\$94,657
	Product Type:	Single-Family	16	1,511	3	2.5	2	2	\$524,000	\$347	\$0	\$0	\$524,000	\$347	\$215	1.06%	0.15%	\$2,745	\$106,243
	Configuration:	Courtyard	17	1,997	4	2.5	2	2	\$644,000	\$334	\$0	\$0	\$644,000	\$334	\$215	1.06%	0.15%	\$3,324	\$128,667
	Lot Dimensions:	--	17	1,997	4	2.5	2	2	\$664,000	\$332	\$0	\$0	\$664,000	\$332	\$215	1.06%	0.15%	\$3,420	\$132,404
	Lot Size/Density:	14.8/du	17	2,007	4	2.5	2	2	\$667,000	\$332	\$0	\$0	\$667,000	\$332	\$215	1.06%	0.15%	\$3,435	\$132,965
	Rec. Wkly Abs.:	1.00																	
Totals/Averages:			82	1,748				\$592,200	\$340	\$0	\$0	\$592,200	\$340	\$215	1.06%	0.15%	\$3,074	\$118,987	
Subject Project	Commons Sacramento	The New Home Company McKinley Village	17	1,540	3	2.5	2	2	\$542,000	\$352	\$0	\$0	\$542,000	\$352	\$215	1.06%	0.16%	\$2,837	\$109,812
	Product Type:	Single-Family	17	1,630	3	2.5	2	2	\$568,000	\$348	\$0	\$0	\$568,000	\$348	\$215	1.06%	0.16%	\$2,963	\$114,680
	Configuration:	Courtyard	17	1,781	4	3	2	2	\$611,000	\$343	\$0	\$0	\$611,000	\$343	\$215	1.06%	0.16%	\$3,171	\$122,732
	Lot Dimensions:	--	17	2,145	4	3	2	2	\$716,000	\$334	\$0	\$0	\$716,000	\$334	\$215	1.06%	0.16%	\$3,678	\$142,393
	Lot Size/Density:	12.9/du	16	2,264	5	4	2	2	\$749,000	\$331	\$0	\$0	\$749,000	\$331	\$215	1.06%	0.16%	\$3,838	\$148,572
	Rec. Wkly Abs.:	1.00																	
Totals/Averages:			84	1,872				\$637,200	\$342	\$0	\$0	\$637,200	\$342	\$215	1.06%	0.16%	\$3,297	\$127,638	
Subject Project	Cottage Greens Sacramento	The New Home Company McKinley Village	30	1,995	4	2.5	2	2	\$689,000	\$345	\$0	\$0	\$689,000	\$345	\$215	1.06%	0.19%	\$3,562	\$137,882
	Product Type:	Single-Family	30	2,192	5	3	2	2	\$746,000	\$340	\$0	\$0	\$746,000	\$340	\$215	1.06%	0.19%	\$3,839	\$148,600
	Configuration:	Alley Loaded	30	2,364	5	3.5	2	2	\$796,000	\$337	\$0	\$0	\$796,000	\$337	\$215	1.06%	0.19%	\$4,082	\$158,002
	Lot Dimensions:	40 x 80																	
	Lot Size/Density:	3,200																	
	Rec. Wkly Abs.:	0.75																	
Totals/Averages:			90	2,184				\$743,667	\$341	\$0	\$0	\$743,667	\$341	\$215	1.06%	0.19%	\$3,828	\$148,162	
Subject Project	Park Homes Sacramento	The New Home Company McKinley Village	6	2,481	4	3.5	2	2	\$842,000	\$339	\$0	\$0	\$842,000	\$339	\$215	1.06%	0.20%	\$4,312	\$166,929
	Product Type:	Single-Family	6	2,665	4	3.5	2	2	\$895,000	\$336	\$0	\$0	\$895,000	\$336	\$215	1.06%	0.20%	\$4,570	\$176,913
	Configuration:	Alley Loaded	4	2,972	4/C	3.5	2	2	\$984,000	\$331	\$0	\$0	\$984,000	\$331	\$215	1.06%	0.20%	\$5,003	\$193,677
	Lot Dimensions:	50 x 80																	
	Lot Size/Density:	4,000																	
	Rec. Wkly Abs.:	0.50																	
Totals/Averages:			16	2,706				\$907,000	\$335	\$0	\$0	\$907,000	\$335	\$215	1.06%	0.20%	\$4,629	\$179,173	

The Gregory Group

McKinley Village Community Facilities District No. 2015-04 (Improvements)
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COMMUNITY DETAILS				PRODUCT SUMMARY						RECOMMENDATIONS											
Community	Builder	Master Plan		Home						Current Add-Ons		Total		Monthly Obligation (Base)			80%				
Location		Sales Summary		Mix	Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Options/ Upgrades	Premiums	Price	Price/ Sq. Ft.	HOA	Base Tax	Add Tax	4.00% Mo. Pmt	Req. Income	
Subject Project:	Park Homes	The New Home Company		10	2,138	3	2.5	2	2	\$741,000	\$347	\$0	\$0	\$741,000	\$347	\$215	1.06%	0.21%	\$3,825	\$148,063	
	Sacramento	McKinley Village		10	2,481	4	3.5	2	2	\$842,000	\$339	\$0	\$0	\$842,000	\$339	\$215	1.06%	0.21%	\$4,317	\$167,109	
	Product Type:	Single-Family	Total Units:	40	10	2,665	4	3.5	2	2	\$895,000	\$336	\$0	\$0	\$895,000	\$336	\$215	1.06%	0.21%	\$4,575	\$177,104
	Configuration:	Traditional			10	3,150	5	3.5	2	2	\$1,033,000	\$328	\$0	\$0	\$1,033,000	\$328	\$215	1.06%	0.21%	\$5,247	\$203,129
	Lot Dimensions:	50 x 80																			
Lot Size/Density:	4,000																				
Rec. Wky Abs.:	0.50																				
Totals/Averages:				40	2,609					\$877,750	\$337	\$0	\$0	\$877,750	\$337	\$215	1.06%	0.21%	\$4,491	\$173,851	

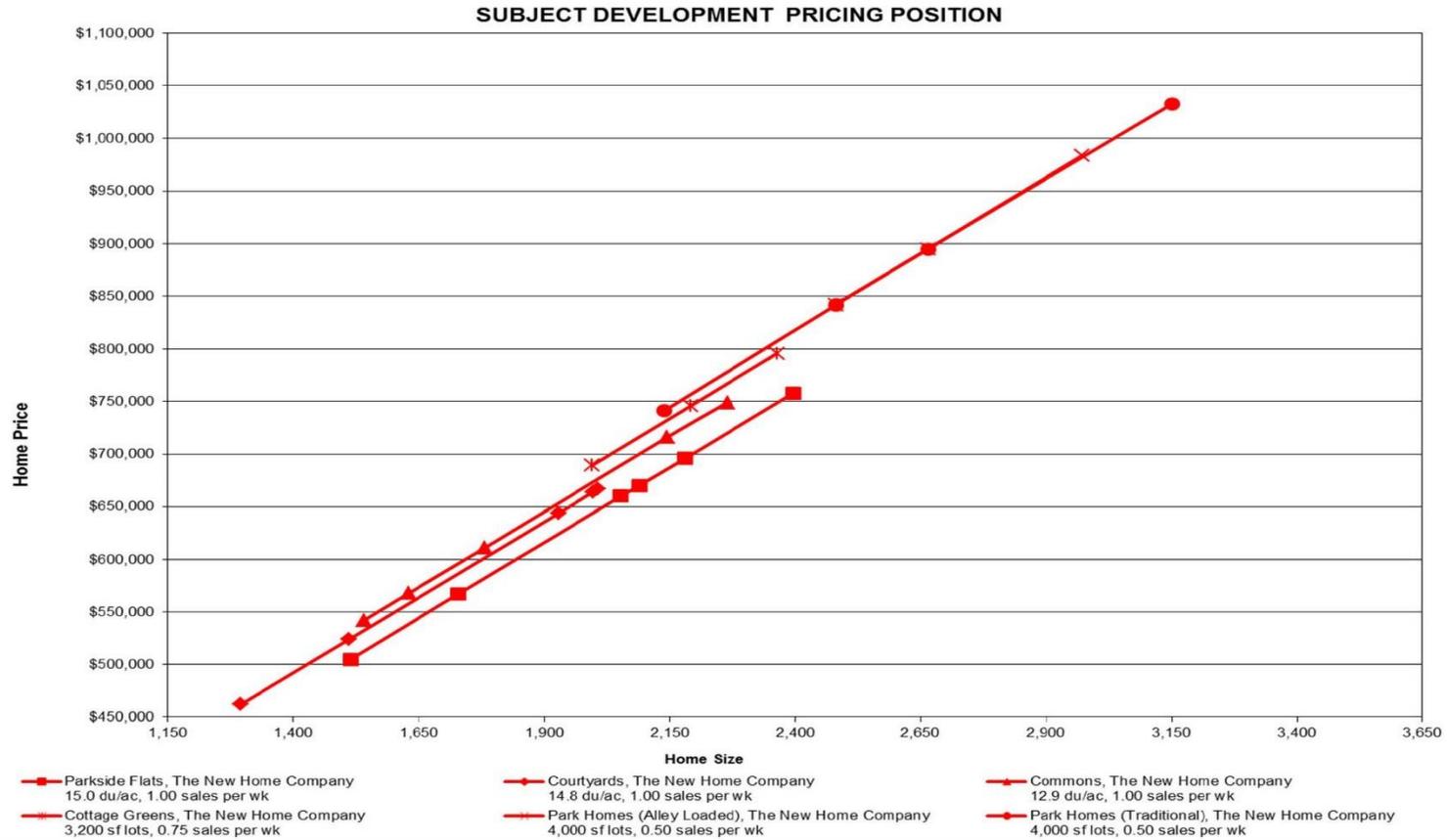
Absorption Analysis

In conclusion, it is believed that the subject project can absorb an average of 0.79 units per week for all six product offerings over the marketing life of the development given the pricing (with home sizes ranging from 1,295 to 3,150 square feet and base prices range from \$462,000 to \$1,033,000). The years to absorb the production homes is estimated to be 2.58 years given the following absorption schedule.

Product Type	Lot Size	Number of Units	Recommended Absorption	Estimated Units Sold per Year	Units Sold Per Year		
					Y1	Y2	Y3
McKinley Village/Attached	15.0/du	24	1.00	52	0	0	24
McKinley Village/Courtyard	14.8/du	82	1.00	52	0	52	30
McKinley Village/Courtyard	12.9/du	84	1.00	52	52	32	0
McKinley Village/Alley Loaded	3,200	90	0.75	39	39	39	12
McKinley Village/Alley Loaded	4,000	16	0.50	26	0	16	0
McKinley Village/Single Family	4,000	40	0.50	26	26	14	0
Total Units:		336	Total Number of Units Sold:		117	153	66

Years to Absorb Production Homes:	2.58
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Project Pricing Position



McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California

Community Summary Table

	COMMUNITY	BUILDER	CITY	PRODUCT TYPE	LOT SIZE/ DENSITY	INVENTORY SUMMARY					SALES SUMMARY		AVERAGE			MONTHLY OBLIGATION				
						UNITS PLANNED	UNITS OFFERED	UNITS SOLD	TOTAL RU	UNSOLD RU	OVERALL	3 MONTH	HOME SIZE	NET PRICE	NET \$/SF	MONTHLY HOA	BASE TAX	ADD TAX	MONTHLY PAYMENT	
Subject	Parkside Flats	The New Home Company	Sacramento	Attached/Alley Loaded	15.0	24	0	0	24	0	1.00	--	1,994	\$842,867	\$323	\$215	1.06%	0.19%	\$3,340	
	Courtyards	The New Home Company	Sacramento	Single-Family/Courtyard	14.8	82	0	0	82	0	1.00	--	1,748	\$582,200	\$340	\$215	1.06%	0.16%	\$3,074	
	Commons	The New Home Company	Sacramento	Single-Family/Courtyard	12.9	84	0	0	84	0	1.00	--	1,872	\$637,200	\$342	\$215	1.06%	0.16%	\$3,297	
	Cottage Greens	The New Home Company	Sacramento	Single-Family/Alley Loaded	3,200	90	0	0	90	0	0.75	--	2,184	\$743,867	\$341	\$215	1.06%	0.19%	\$3,828	
	Park Homes	The New Home Company	Sacramento	Single-Family/Alley Loaded	4,500	16	0	0	16	0	0.50	--	2,706	\$907,000	\$335	\$215	1.06%	0.20%	\$4,629	
	Park Homes	The New Home Company	Sacramento	Single-Family/Traditional	4,500	40	0	0	40	0	0.50	--	2,609	\$877,750	\$337	\$215	1.06%	0.21%	\$4,461	
SUBJECT SITE TOTALS/AVERAGES:						4,067	336	0	0	336	0	0.79	2,122	\$710,231	\$335	\$215	1.06%	0.18%	\$3,776	
PMA	Tapestri Square	Metro Nova Development	Sacramento	Single-Family/Small Lot	900	58	58	57	1	1	0.13	0.08	2,043	\$601,333	\$297	\$95	1.06%	0.00%	\$2,922	
	The Brownstones	Black Pine Communities	Sacramento	Single-Family/Small Lot	2,400	45	15	6	39	8	0.29	0.31	2,314	\$636,490	\$276	\$168	1.06%	0.38%	\$3,359	
	The Cottages	Black Pine Communities	Sacramento	Single-Family/Small Lot	3,400	12	12	8	4	4	0.13	0.15	1,865	\$573,931	\$311	\$57	1.06%	0.61%	\$3,047	
	The Estates	Black Pine Communities	Sacramento	Single-Family/Traditional	4,000	29	10	6	23	4	0.47	0.47	2,810	\$744,240	\$266	\$57	1.06%	0.33%	\$3,762	
NEW-HOME TOTALS/AVERAGES:						2,675	144	95	77	67	18	0.26	0.25	2,242	\$637,339	\$284	\$94	1.06%	0.33%	\$3,272
	PARAMETERS	DATE RANGE	DCM	YEAR BUILT	LOT SIZE	INVENTORY SUMMARY					SALES SUMMARY		AVERAGE			MONTHLY OBLIGATION				
						UNITS PLANNED	UNITS OFFERED	UNITS SOLD	TOTAL RU	UNSOLD RU	OVERALL	3 MONTH	HOME SIZE	NET PRICE	NET \$/SF	MONTHLY HOA	BASE TAX	ADD TAX	MONTHLY PAYMENT	
CS	Market Area	5/6/15 - 8/4/15	20	1942	6,176	--	--	111	--	--	8.54	--	1,584	\$548,328	\$355	\$0	1.06%	0.00%	\$2,578	

Locational Assessment

Sacramento

The Sacramento MSA consists of four counties; El Dorado, Placer, Sacramento and Yolo. The MSA is home to 2.215 million residents with the city of Folsom accounting for 73,098 of those residents (3.3%). The community of East Sacramento is generally one of the more desirable and popular places to live within Sacramento.

- It is anticipated that **population growth will accelerate in the coming years to greater than 1.0%**; with 22,100 people in 2015, 24,300 in 2016 and 26,100 people in 2017.
- Likewise, **job growth is anticipated to accelerate to 2.9% in 2015 and 2.4% in 2016 (25,500 new jobs in 2015 and 22,300 new jobs in 2016)**. As a result of increasing job growth, **the unemployment rate in the Sacramento MSA is anticipated to fall to below 5.0% by 2019**.
- More importantly, wages in the Sacramento MSA have been increasing over the last two quarters by more than 2% after adjusting for inflation. **This is especially good news considering the lower price of gasoline and an inflation rate that is below 2.0%**.
- In the coming years, building permits within the Sacramento MSA are anticipated to increase significantly and exceed levels not seen since before the recession. **Building permit growth from 2015 through 2017 is anticipated to be very strong; growth rates of 14.6% (4,486 permits), 39.3% (6,250 permits) and 20.0% (7,500 permits) respectively.**



City of Sacramento

The competitive market area includes the communities of East Sacramento, Downtown Sacramento, Midtown Sacramento, Curtis Park, and Land Park. These areas offer a diversity of housing that includes primarily older homes built before 1950, infill projects and some newer homes that have been rebuilt on existing lots. The communities are highly desirable and popular, and buyers are drawn to them due to the amenities and engagement within the communities (neighborhood watches, activities in the parks and walkability). In East Sacramento, the parks are integrated effectively over the entire market area, there is retail and restaurant uses within close proximity and freeways and public transportation are easily accessible.

The market area is close to downtown, Raley Field and the new arena Golden 1 Center that is under construction. California State University of Sacramento is a short drive to the south from the subject site as well as transportation corridors to several large and mid-sized employment centers.



McKinley Village

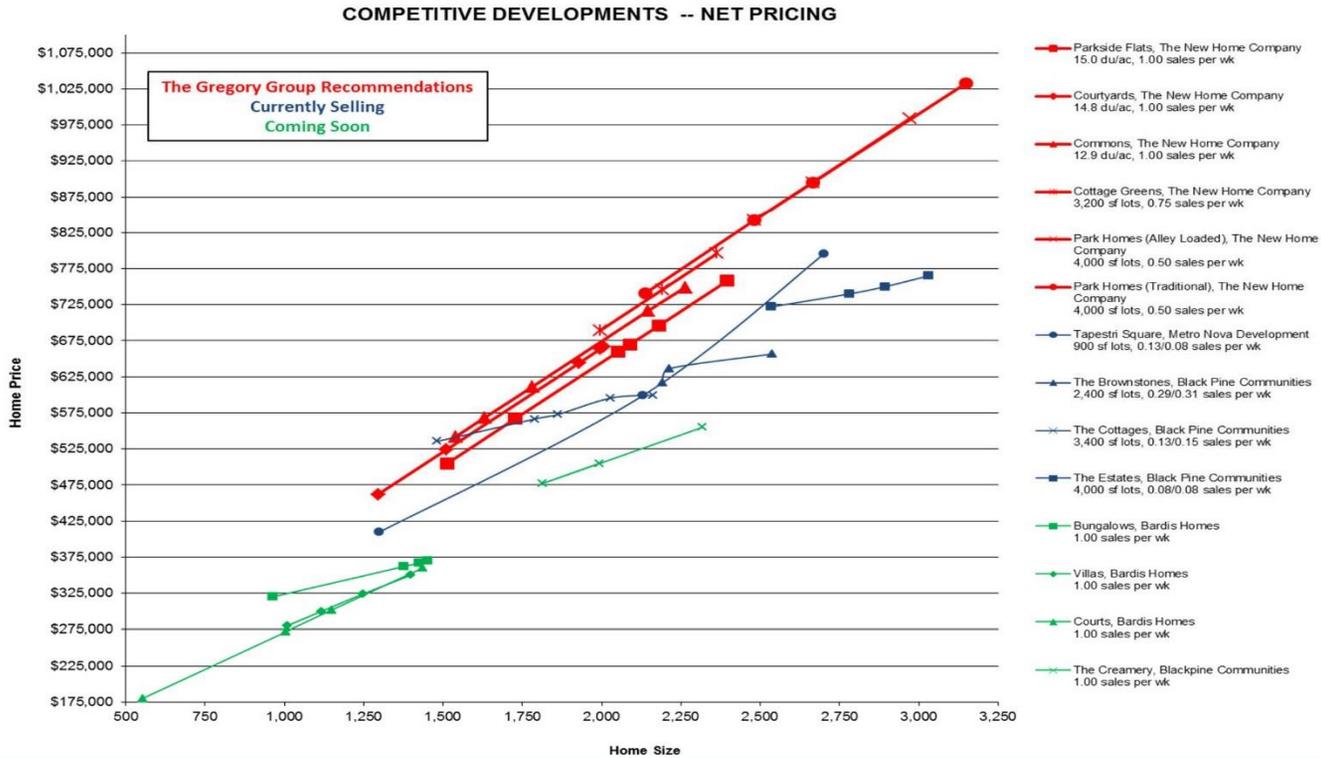
McKinley Village is planned to include a 336 housing units in six product segments; 15.0 units per acre in an attached configuration, 14.8 units per acre in a courtyard configuration, 12.9 units per acre in a courtyard configuration, 3,200 square foot lots in an alley-loaded configuration and 4,000 square foot lots in a traditional and alley-loaded orientation. There is also planned to be a central park within the project and a 4,200 square foot recreation center.

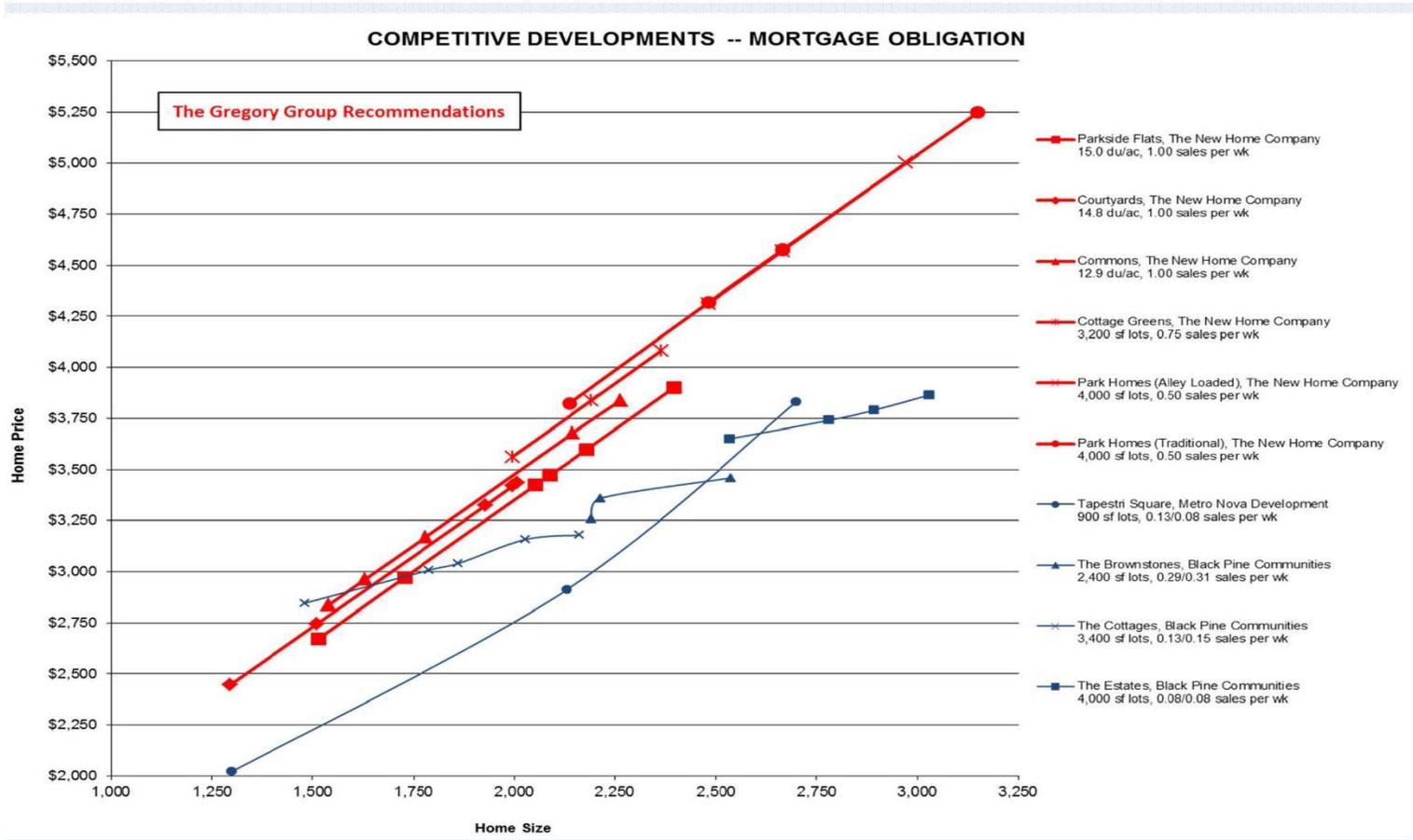
- The site offers an excellent range of product types (attached flats, courtyards, alley-loaded and traditional homes) and home sizes (from 1,295 to 3,150 square feet). The wide range of buyer opportunities are well suited for the surrounding neighborhood, the local demographics, the potential buyer profile and the demand within the marketplace.
- The land plan optimizes the configuration of the subject parcel and incorporates appropriate lot sizes, product types and the parks within the general flow of the community.
- The buyers are anticipated to be a combination of (some) first-time buyers, (primarily) first and second time move-up buyers, couples and families (with no children or older children) as well as empty-nesters, move-downs and retiree buyers. The majority are coming from the local Sacramento County area and increasingly from the greater San Francisco Bay Area.
- Access to the subject property will consist of an overpass over Highway 80 from the west and a tunnel underpass below the railroad tracks from the south east of the community.



Competitive Housing Analysis

The subject project is positioned above the competitive new-home projects in the Primary Market Area. This is an optimal positioning given the dynamics of the subject site, the project location, the current supply of housing and the demand within the market place for all types of housing.





The Gregory Group

McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California

Primary Market Area

COMMUNITY DETAILS				PRODUCT SUMMARY				MARKET PRICING SUMMARY															
Community Location	Builder Master Plan	Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/ Sq. Ft.	Current Price Reduction	Incentives Options/ Upgrades	Closing \$/ Other	Net Base Price	Net Base Price/ Sq. Ft.	Current Add-Ons Options/ Upgrades	Premiums	Total Price	Total Price/ Sq. Ft.	Monthly Payment HOA	Base Tax	Add Tax	80% 4.00% Mo. Pmt	Req. Income	
Primary Market Area	Tapetri Square Sacramento	Metro Nova Development	1,300	2	2	2	1	\$410,000	\$315	\$0	\$0	\$0	\$410,000	\$315	\$0	\$0	\$410,000	\$315	\$95	1.06%	0.00%	\$2,022	\$78,284
	Product Type:	Single-Family	Total Units:	58																			
	Configuration:	Small Lot	Units Offered:	58																			
	Lot Dimensions:	20 x 45	Units Sold:	57																			
	Lot Size/Density:	900	3 Mon Sold:	1																			
	Open Date:	May-07	Total RU:	1																			
	Overall Sales Rate:	0.13	Total % R:	2%																			
	3 Mon. Sales Rate:	0.08	Unsold RU:	1																			
	Averages:			2,043				\$601,333	\$297	\$0	\$0	\$0	\$601,333	\$297	\$0	\$0	\$601,333	\$297	\$95	1.06%	0.00%	\$2,922	\$113,100
	Primary Market Area	The Brownstones Sacramento	Black Pine Communities Curtis Park Village	2,192	3	2.5	3	2	\$619,990	\$283	\$0	\$0	\$3,500	\$616,490	\$281	\$0	\$0	\$616,490	\$281	\$168	1.06%	0.38%	\$3,259
Product Type:		Single-Family	Total Units:	45																			
Configuration:		Small Lot	Units Offered:	15																			
Lot Dimensions:		30 x 80	Units Sold:	6																			
Lot Size/Density:		2,400	3 Mon Sold:	4																			
Open Date:		Feb-15	Total RU:	39																			
Overall Sales Rate:		0.29	Total % R:	87%																			
3 Mon. Sales Rate:		0.31	Unsold RU:	9																			
Averages:			2,314				\$639,990	\$277	\$0	\$0	\$3,500	\$636,490	\$276	\$0	\$0	\$636,490	\$276	\$168	1.06%	0.38%	\$3,359	\$130,023	
Primary Market Area		The Cottages Sacramento	Black Pine Communities Curtis Park Village	1,482	3	2.5	2	1	\$538,990	\$364	\$0	\$0	\$3,500	\$535,490	\$361	\$0	\$0	\$535,490	\$361	\$57	1.06%	0.61%	\$2,848
	Product Type:	Single-Family	Total Units:	12																			
	Configuration:	Small Lot	Units Offered:	12																			
	Lot Dimensions:	50 x 68	Units Sold:	8																			
	Lot Size/Density:	3,400	3 Mon Sold:	2																			
	Open Date:	Apr-14	Total RU:	4																			
	Overall Sales Rate:	0.13	Total % R:	33%																			
	3 Mon. Sales Rate:	0.15	Unsold RU:	4																			
	Averages:			1,865				\$577,431	\$313	\$0	\$0	\$3,600	\$573,931	\$311	\$0	\$0	\$573,931	\$311	\$57	1.06%	0.61%	\$3,047	\$117,936
	Primary Market Area	The Estates Sacramento	Black Pine Communities Curtis Park Village	2,535	3/F	2.5	2	2	\$721,990	\$285	\$0	\$0	\$0	\$721,990	\$285	\$0	\$0	\$721,990	\$285	\$57	1.06%	0.33%	\$3,851
Product Type:		Single-Family	Total Units:	29																			
Configuration:		Traditional	Units Offered:	6																			
Lot Dimensions:		40 x 100	Units Sold:	1																			
Lot Size/Density:		4,000	3 Mon Sold:	1																			
Open Date:		Apr-15	Total RU:	28																			
Overall Sales Rate:		0.08	Total % R:	97%																			
3 Mon. Sales Rate:		0.08	Unsold RU:	5																			
Averages:			2,810				\$744,240	\$266	\$0	\$0	\$0	\$744,240	\$266	\$0	\$0	\$744,240	\$266	\$57	1.06%	0.33%	\$3,762	\$146,628	

McKinley Village Community Facilities District No. 2015-04 (Improvements)
City of Sacramento, California

Primary Market Area (Coming Soon)

COMMUNITY DETAILS				PRODUCT SUMMARY					MARKET PRICING SUMMARY															
Community Location	Builder Master Plan	Home Size (SF)	Bed	Bath	Levels	Gar	Base Price	Base Price/Sq. Ft.	Current Incentives			Net Base Price	Net Base Price/Sq. Ft.	Current Add-Ons		Total Price	Monthly Payment			80%				
Production Summary	Sales Summary								Price Reduction	Options/Upgrades	Closing \$/Other			Upgrades	Premiums		HOA	Tax	Base Tax	Add Tax	4.00% Mo. Pmt	Req. Income		
Proposed Projects	Bungalows Sacramento	Bardis Homes The Mill at Broadway	964	2	2	2	2	\$320,000	\$332	\$0	\$0	\$0	\$320,000	\$332	\$0	\$0	\$320,000	\$332	\$175	1.06%	0.00%	\$1,679	\$65,004	
	Product Type: Single-Family	Total Units: 52	1,376	2	2.5	3	2	\$362,000	\$263	\$0	\$0	\$0	\$362,000	\$263	\$0	\$0	\$362,000	\$263	\$175	1.06%	0.00%	\$1,877	\$72,646	
	Configuration: Motor Court	Units Offered: 0	1,425	3/B	2.5	3	2	\$367,000	\$258	\$0	\$0	\$0	\$367,000	\$258	\$0	\$0	\$367,000	\$258	\$175	1.06%	0.00%	\$1,900	\$73,556	
	Lot Dimensions: --	Units Sold: 0	1,451	2/B/L	2.5	3	2	\$370,000	\$255	\$0	\$0	\$0	\$370,000	\$255	\$0	\$0	\$370,000	\$255	\$175	1.06%	0.00%	\$1,914	\$74,102	
	Lot Size/Density: --	3 Mon Sold: 0																						
	Open Date: Q3/2015	Total RU: 52																						
Overall Sales Rate: 1.00	Total % R: 100%																							
3 Mon. Sales Rate: --	Unsold RU: 0																							
Averages:			1,304					\$364,760	\$277	\$0	\$0	\$0	\$364,760	\$277	\$0	\$0	\$364,760	\$277	\$176	1.06%	0.00%	\$1,843	\$71,327	
Proposed Projects	Villas Sacramento	Bardis Homes The Mill at Broadway	1,009	2	2.5	2	1	\$280,000	\$278	\$0	\$0	\$0	\$280,000	\$278	\$0	\$0	\$280,000	\$278	\$175	1.06%	0.00%	\$1,491	\$57,725	
	Product Type: Single-Family	Total Units: 84	1,117	2	2.5	3	1	\$300,000	\$269	\$0	\$0	\$0	\$300,000	\$269	\$0	\$0	\$300,000	\$269	\$175	1.06%	0.00%	\$1,585	\$61,364	
	Configuration: Townhome	Units Offered: 0	1,248	2	2.5	3	1	\$324,000	\$260	\$0	\$0	\$0	\$324,000	\$260	\$0	\$0	\$324,000	\$260	\$175	1.06%	0.00%	\$1,698	\$65,731	
	Lot Dimensions: --	Units Sold: 0	1,399	2/L	2.5	2	1	\$350,000	\$250	\$0	\$0	\$0	\$350,000	\$250	\$0	\$0	\$350,000	\$250	\$175	1.06%	0.00%	\$1,820	\$70,463	
	Lot Size/Density: --	3 Mon Sold: 0																						
	Open Date: Q3/2015	Total RU: 84																						
Overall Sales Rate: 1.00	Total % R: 100%																							
3 Mon. Sales Rate: --	Unsold RU: 0																							
Averages:			1,193					\$313,600	\$264	\$0	\$0	\$0	\$313,600	\$264	\$0	\$0	\$313,600	\$264	\$176	1.06%	0.00%	\$1,649	\$63,821	
Proposed Projects	Courts Sacramento	Bardis Homes The Mill at Broadway	553	1	1	1	1	\$180,000	\$325	\$0	\$0	\$0	\$180,000	\$325	\$0	\$0	\$180,000	\$325	\$175	1.06%	0.00%	\$1,021	\$39,528	
	Product Type: Single-Family	Total Units: 74	1,004	2	1	2	1	\$272,000	\$271	\$0	\$0	\$0	\$272,000	\$271	\$0	\$0	\$272,000	\$271	\$175	1.06%	0.00%	\$1,454	\$58,289	
	Configuration: Motor Court	Units Offered: 0	1,150	1/L	2	3	1	\$302,000	\$263	\$0	\$0	\$0	\$302,000	\$263	\$0	\$0	\$302,000	\$263	\$175	1.06%	0.00%	\$1,595	\$61,728	
	Lot Dimensions: --	Units Sold: 0	1,436	2	2	3	1	\$360,000	\$251	\$0	\$0	\$0	\$360,000	\$251	\$0	\$0	\$360,000	\$251	\$175	1.06%	0.00%	\$1,867	\$72,282	
	Lot Size/Density: --	3 Mon Sold: 0																						
	Open Date: Q3/2015	Total RU: 74																						
Overall Sales Rate: 1.00	Total % R: 100%																							
3 Mon. Sales Rate: --	Unsold RU: 74																							
Averages:			1,036					\$278,600	\$277	\$0	\$0	\$0	\$278,600	\$277	\$0	\$0	\$278,600	\$277	\$176	1.06%	0.00%	\$1,484	\$57,462	
Proposed Projects	The Creamery Sacramento	Blackpine Communities None	1,992	2/F	2.5	3	2	\$505,000	\$254	\$0	\$0	\$0	\$505,000	\$254	\$0	\$0	\$505,000	\$254	\$76	1.06%	0.64%	\$2,718	\$105,222	
	Product Type: Single-Family	Total Units: 117	1,813	2/F	2.5	3	2	\$477,000	\$263	\$0	\$0	\$0	\$477,000	\$263	\$0	\$0	\$477,000	\$263	\$75	1.06%	0.64%	\$2,572	\$99,549	
	Configuration: Alley Loaded	Units Offered: 0	2,318	2/L	3.5	3	2	\$555,000	\$239	\$0	\$0	\$0	\$555,000	\$239	\$0	\$0	\$555,000	\$239	\$75	1.06%	0.64%	\$2,980	\$115,353	
	Lot Dimensions: --	Units Sold: 0																						
	Lot Size/Density: --	3 Mon Sold: 0																						
	Open Date: Q3/2015	Total RU: 117																						
Overall Sales Rate: 1.00	Total % R: 100%																							
3 Mon. Sales Rate: --	Unsold RU: 117																							
Averages:			2,041					\$612,333	\$262	\$0	\$0	\$0	\$612,333	\$262	\$0	\$0	\$612,333	\$262	\$76	1.06%	0.64%	\$2,767	\$106,708	

Competitive Projects

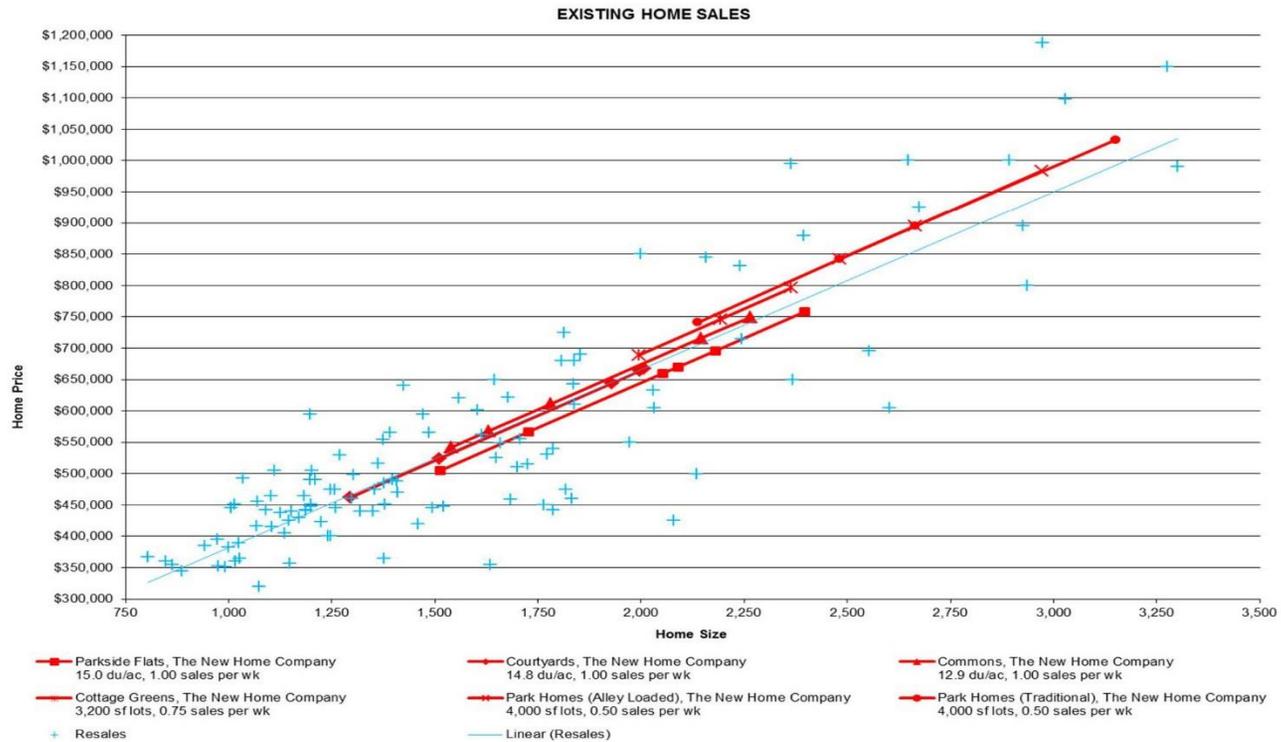


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Existing Home Sales

The average price of an existing home in the market area is \$548,326 (\$355 per square foot) with a total of 111 sales (an average of 8.54 sales per week). Like much of Sacramento and further indication of a tight housing market, the average Days on Market is only 20.



Comparable Resale Homes



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Sacramento Housing

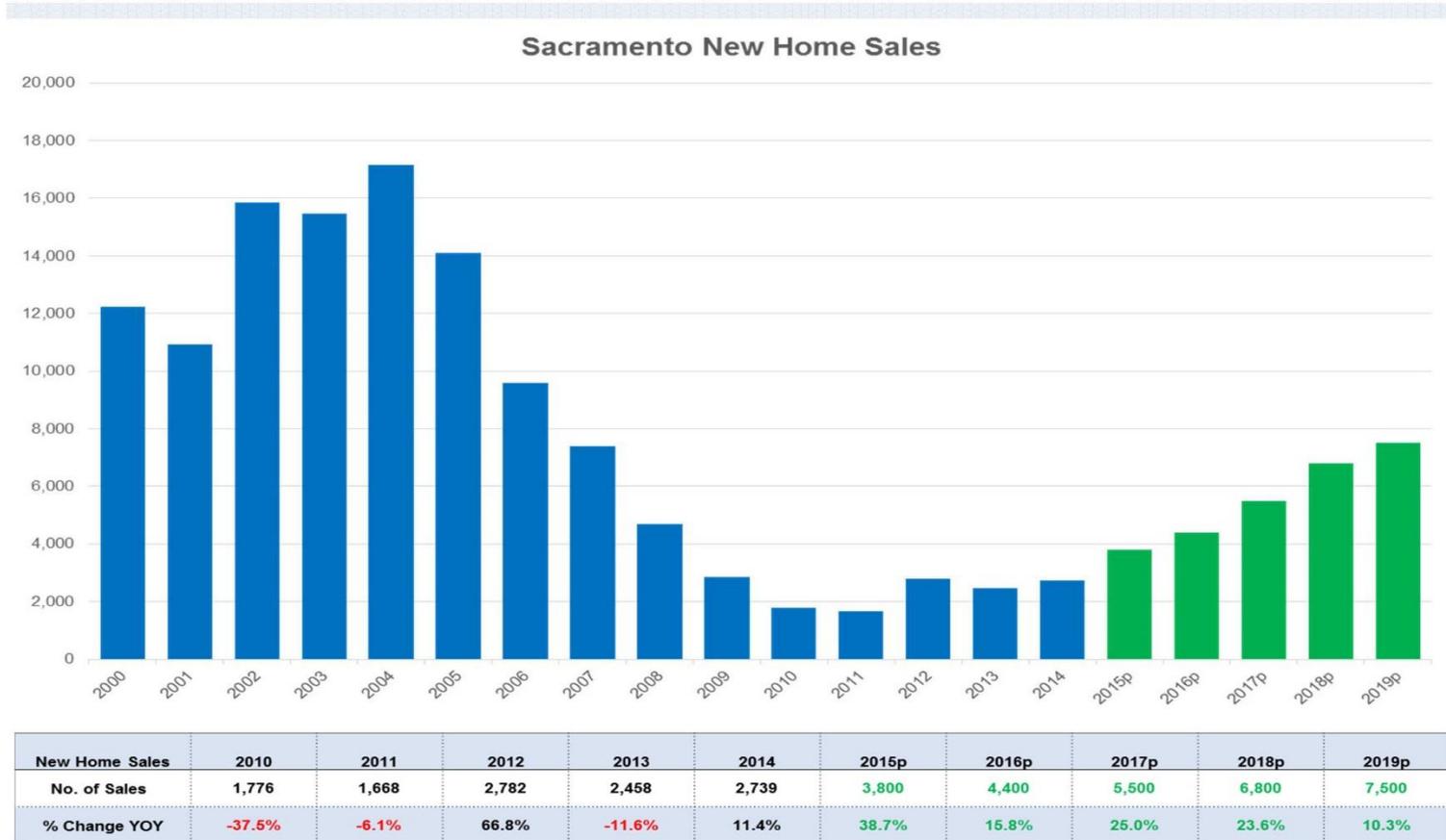
Sacramento New-Housing

After disappointing sales in the summer and fall of 2014 in the Sacramento region, there was little hope for a strong rebound in the fourth quarter. However, a robust December and early 2015 that saw an increase in traffic and ultimately sales, resulted in a surprisingly greater number of sales than initially anticipated. **In fact, there were 1,036 sales in the First Quarter and 1,096 in the Second Quarter (a mid-year total of 2,132 total sales in the region; an increase of 42.7% from a year earlier).** It is possible that the Sacramento region could post a total of more than 4,000 new-home sales for all of 2015; this would be the first time sales have surpassed 4,000 units since 2008.

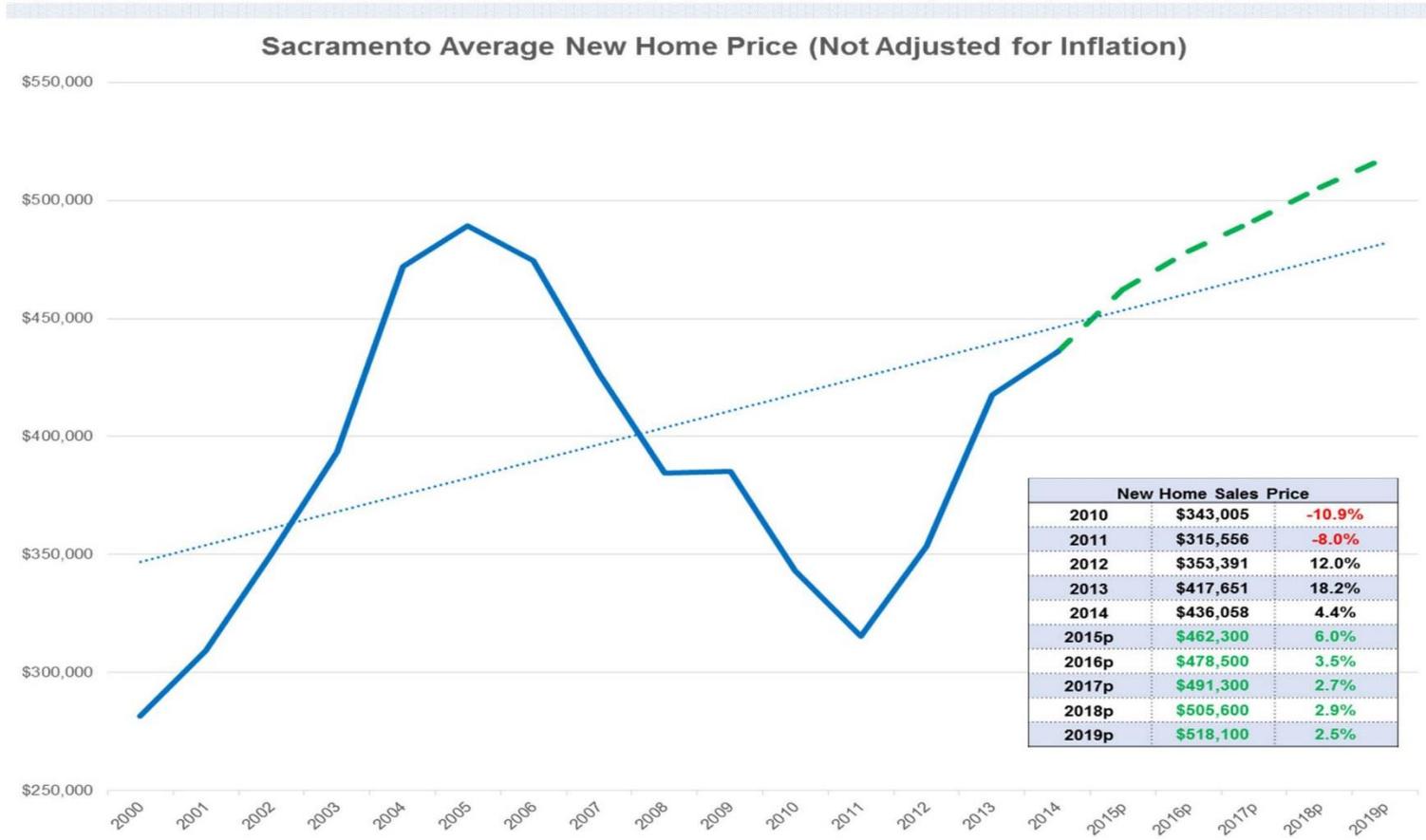
Pricing in Sacramento moderated early in the year due primarily to a lack of affordability (primarily a result of slow to moderate wage growth). As a result, new-home prices are up only 5.3% from a year earlier.

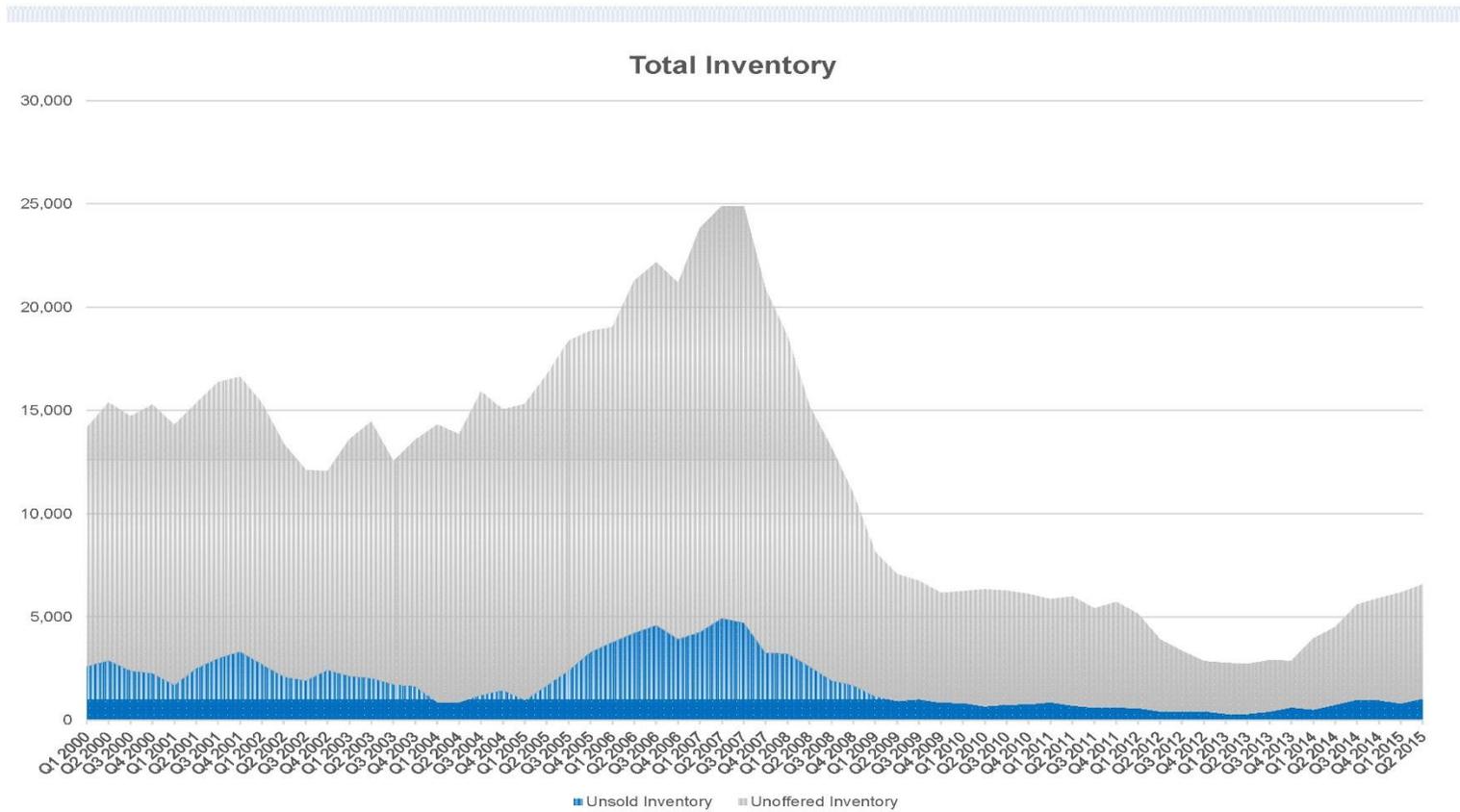
Inventory has been increasing during the last year (up 36.6%), and importantly, the number of projects has increased from 98 to 128. An increase in the number of projects and the resulting increase in inventory is a very positive sign; especially considering that as more projects enter the market there are more sales resulting in a greater sales rate.

Sacramento MSA and Yuba MSA									
	2011	2012	2013	2014	2nd Qtr 2014	1st Qtr 2015	2nd Qtr 2015	Previous Qtr % Change	Year Ago % Change
Average Price	\$315,556	\$353,391	\$417,651	\$436,058	\$439,685	\$454,431	\$463,180	1.9%	5.3%
Median Price	\$299,450	\$332,990	\$413,271	\$418,990	\$415,000	\$425,990	\$435,945	2.3%	5.0%
Average Home Size	2,170	2,233	2,342	2,487	2,437	2,563	2,583	0.8%	6.0%
Average Pr/Sq Ft	\$149.41	\$161.78	\$183.86	\$180.51	\$187.35	\$181.94	\$184.22	1.3%	-1.7%
Ttl Weekly Sales Rate	0.38	0.53	0.60	0.57	0.67	0.61	0.74	21.3%	10.4%
Homes Sold	1,668	2,782	2,458	2,739	808	1,036	1,096	5.8%	35.6%
Qtr Weekly Sales Rate	0.30	0.64	0.39	0.49	0.63	0.65	0.66	1.5%	4.8%
Unsold Inventory	631	442	412	973	771	814	1,053	29.4%	36.6%



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Sacramento New-Housing

In 2014 Sacramento County accounted for 45.9% of all new-home sales in the Sacramento Region, consistent with the past several years (46.3% in 2013 and 45.3% in 2012). Historically there has been little new-home development in the city of Sacramento; and although it appears there will be more new homes built within the city in the coming years it is not anticipated to have much impact on overall sales for the region.

Year	Sacramento County Sales	Sacramento Region Sales	Sacramento County % of Sales	El Dorado County Sales	Placer County Sales	Sacramento County Sales	Sutter County Sales	Yolo County Sales	Yuba County Sales
2000	6,938	12,216	56.8%	656	3,923	6,938	--	699	--
2001	6,121	10,936	56.0%	542	3,282	6,121	--	991	--
2002	9,444	16,062	58.8%	935	4,914	9,444	--	769	--
2003	9,632	15,858	60.7%	929	4,164	9,632	188	680	265
2004	9,385	17,155	54.7%	1,055	3,309	9,385	624	1,391	1,391
2005	7,718	14,094	54.8%	580	2,609	7,718	802	1,136	1,249
2006	4,731	9,607	49.2%	366	2,600	4,731	445	915	550
2007	3,433	7,416	46.3%	329	2,147	3,433	299	633	575
2008	2,538	4,695	54.1%	114	1,317	2,538	68	480	178
2009	1,196	2,841	42.1%	118	1,112	1,196	20	244	151
2010	739	1,776	41.6%	35	863	739	24	88	27
2011	786	1,668	47.1%	40	663	786	16	105	58
2012	1,259	2,782	45.3%	136	1,087	1,259	10	226	64
2013	1,138	2,458	46.3%	166	889	1,138	0	204	61
2014	1,258	2,739	45.9%	183	1,048	1,258	8	169	73
YTD/2015	950	2,132	44.6%	177	832	950	11	78	84
Avg:	4,421	8,154	54.2%	412	2,262	4,421	209	582	387

Top Ten Sales By Community						
Community	YTD 2015	YTD % Share	2014 Sales	2014 % Capture	2013 Sales	2013 % Capture
Roseville	515	24.2%	506	19.0%	498	20.8%
Laguna	357	16.7%	339	12.8%	327	13.6%
El Dorado Hills	177	8.3%	183	6.7%	166	6.8%
Rancho Cordova	166	7.8%	229	8.6%	212	8.8%
Rocklin	157	7.4%	203	7.6%	78	3.3%
Lincoln	149	7.0%	290	10.9%	266	11.1%
Elk Grove	136	6.4%	273	10.3%	192	8.0%
Folsom	127	6.0%	231	8.7%	210	8.8%
Woodland	58	2.7%	128	4.8%	90	3.8%
West Sacramento	20	0.9%	37	1.4%	73	3.0%

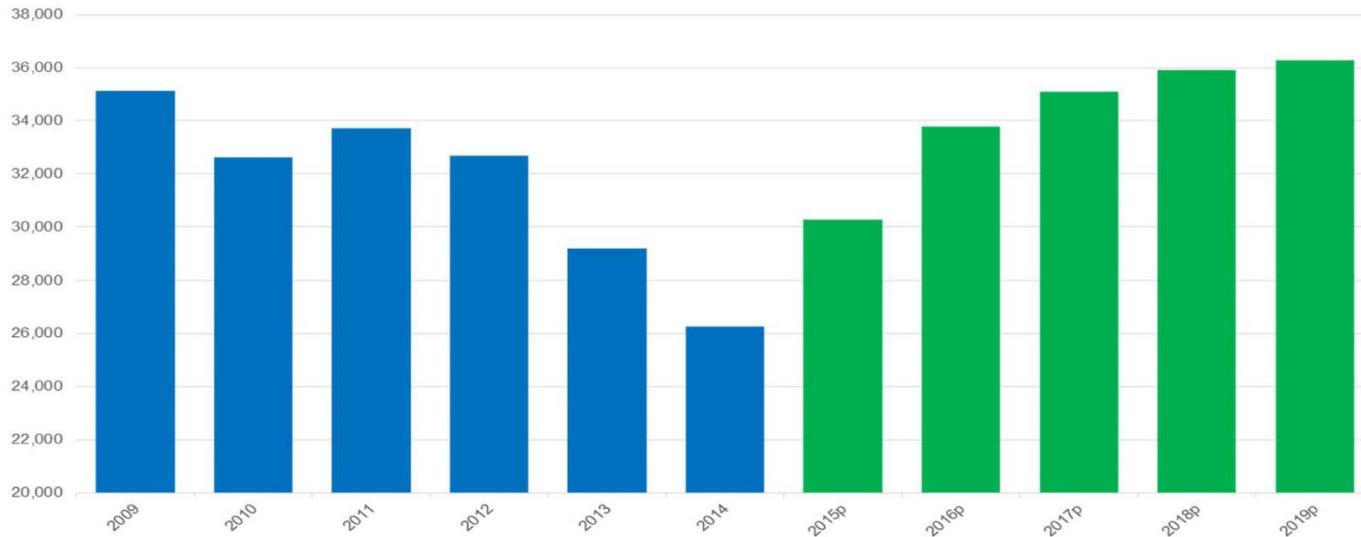
Most of the current new home projects in the Sacramento region is concentrated in suburban areas where there is a sizable amount of developable land. In the city of Sacramento the developable land primarily consists of infill and redevelopment projects and these types of projects often take longer to develop than traditional suburban developments. **Therefore, it is anticipated new development within the city of Sacramento will not significantly impact the supply of housing within the region.**

A new-home in the Primary Market Area averaged 2,242 square feet and \$637,339 with an average price per square foot value of \$284. There are only 67 units of unsold inventory remaining.

Sacramento Existing Homes

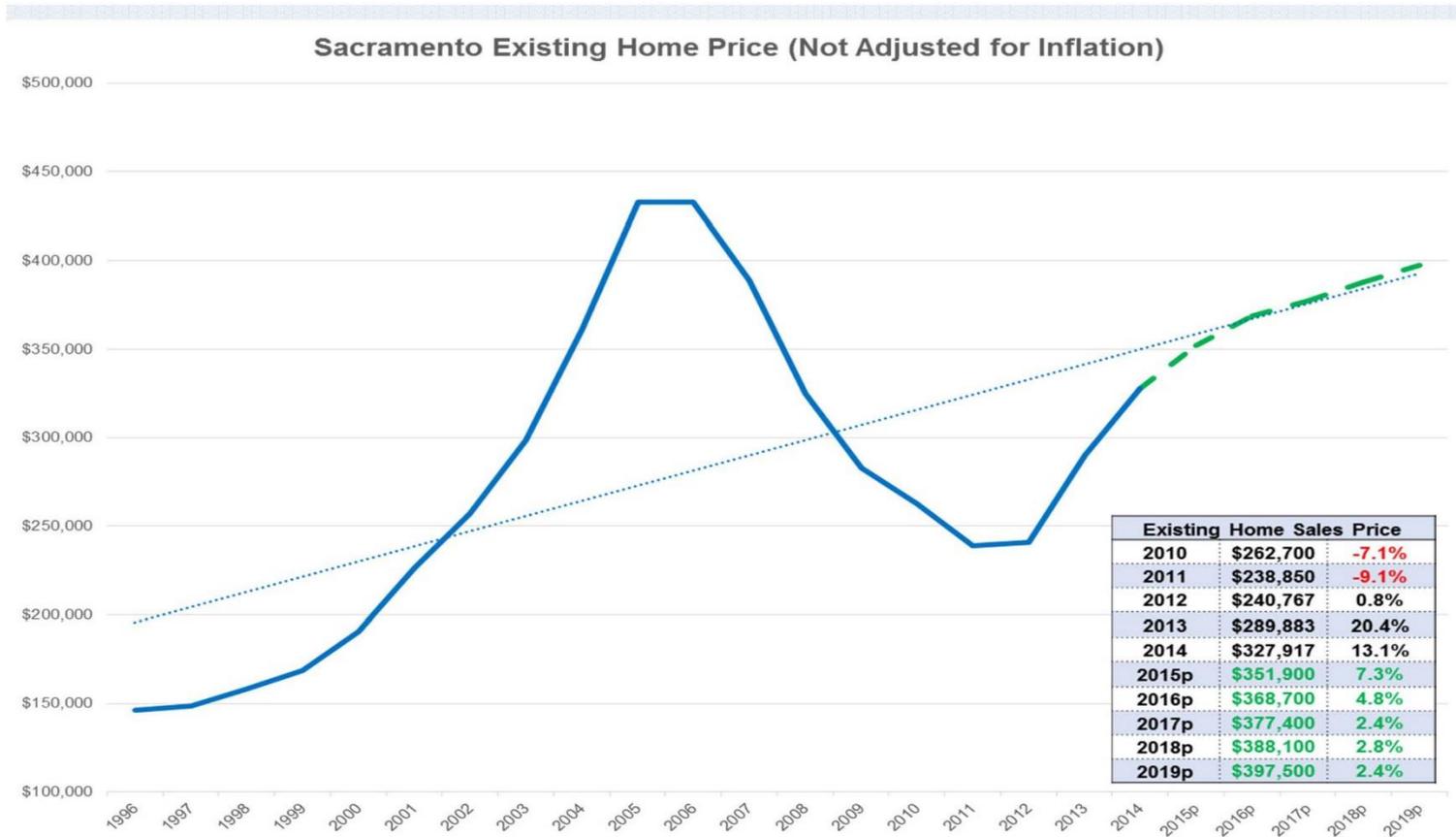
Total resales in 2014 were down from the previous year (a decline of 10.1% to 26,266 sales), but pricing increased 11.2% (adjusted for inflation) and Months of Inventory is only slightly above two-months. With only 12.5% distressed sales (and much of that concentrated in selected communities), the resale market is returning to healthy levels of activity. Resale agents and brokers are stating that the number of open houses and the traffic levels to these open houses are increasing.

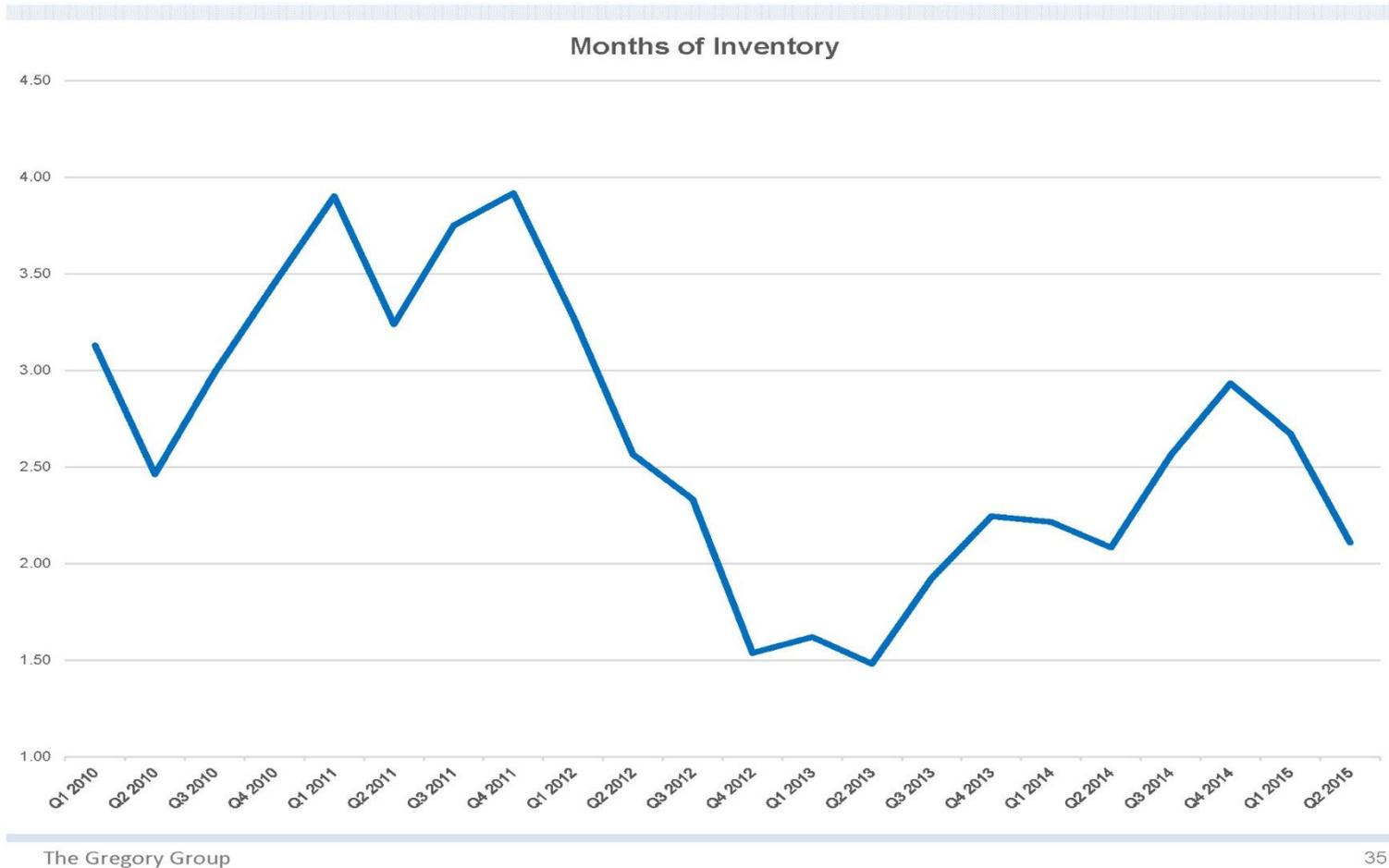
Sacramento Existing Home Sales



New Home Sales	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p
No. of Sales	32,628	33,722	32,680	29,211	26,266	30,288	33,775	35,100	35,900	36,300
% Change YOY	-7.07%	3.35%	-3.09%	-10.62%	-10.08%	15.31%	11.51%	3.92%	2.28%	1.11%

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Potential Future Supply

Within the market area there are currently 3,737 units planned for future development. These totals do not include the subject project or the potential units at the Railyards. All of the proposed projects combined account for 132.5 acres; resulting in a density of 21.3 units per acre.

It is probable that the proposed projects within the market area will enter the market within the next three years. The Mill at Broadway has begun taking reservations for homes but has not gone into contract with any buyers at this time. Township Nine, a 72 unit attached project (Victory Park) is anticipated to enter the market early next year, and additional developments within Township Nine are expected to enter the market over the next several years. The Creamery has begun an interest list and it is anticipated to begin selling homes next year. Sutter Park is in the demolishing and environmental clean up phase and it is expected to begin selling homes in 2017.

Project Name	Developer	Community	Number of Units	Total Acres	Density	Anticipated Market Entry
The Creamery	Blackpine Communities	Sacramento	117	7.5	15.6	2016
Sutter Park	Stonebridge	Sacramento	120	20.0	6.0	2017 - 2019
Tow nship Nine	Various	Sacramento	2,500	65.0	38.5	2016 - 2021
The Mill at Broadway	Various	Sacramento	1,000	40.0	25.0	2015 - 2019
Total Units:			3,737	132.5	21.3	



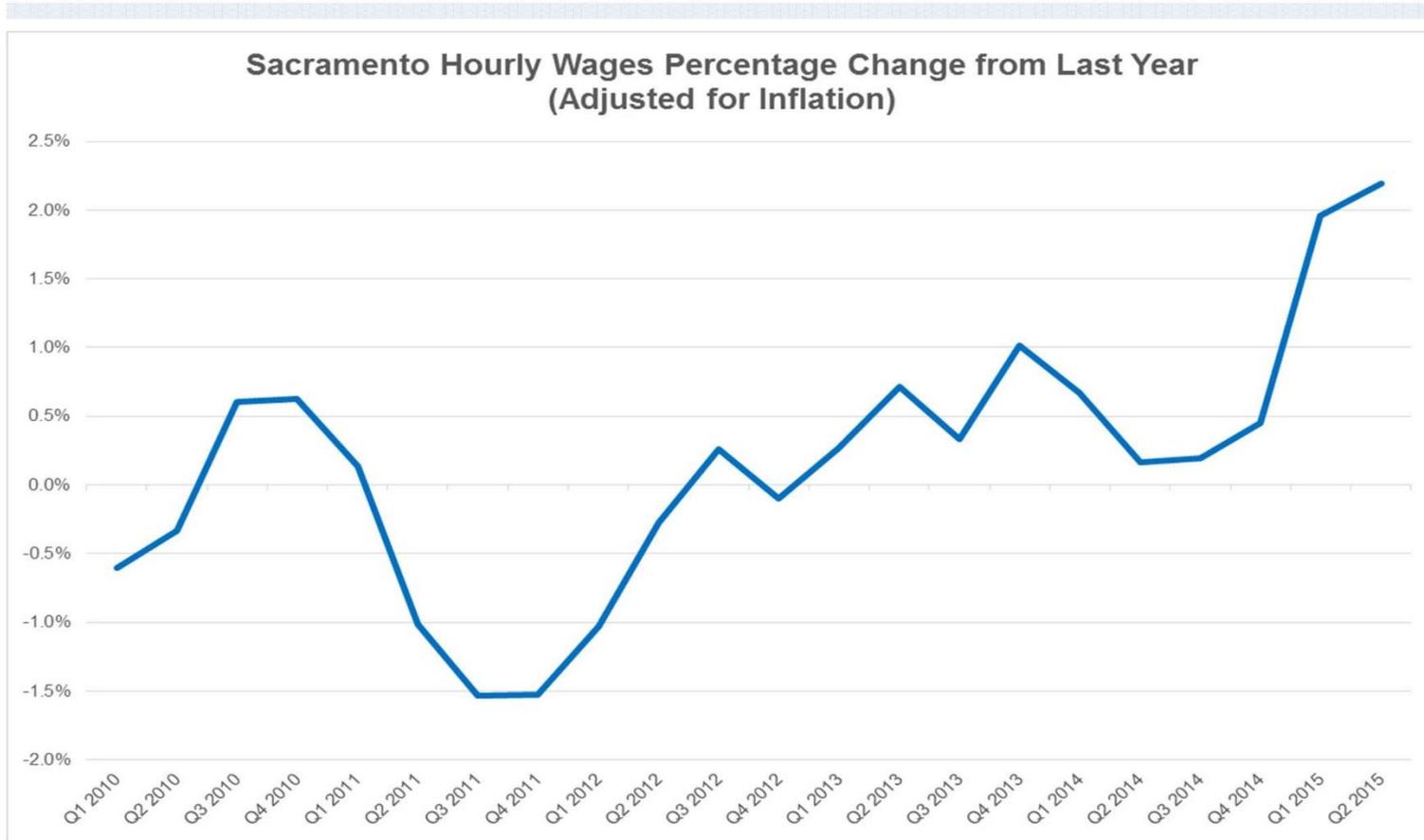
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Economics and Demographics



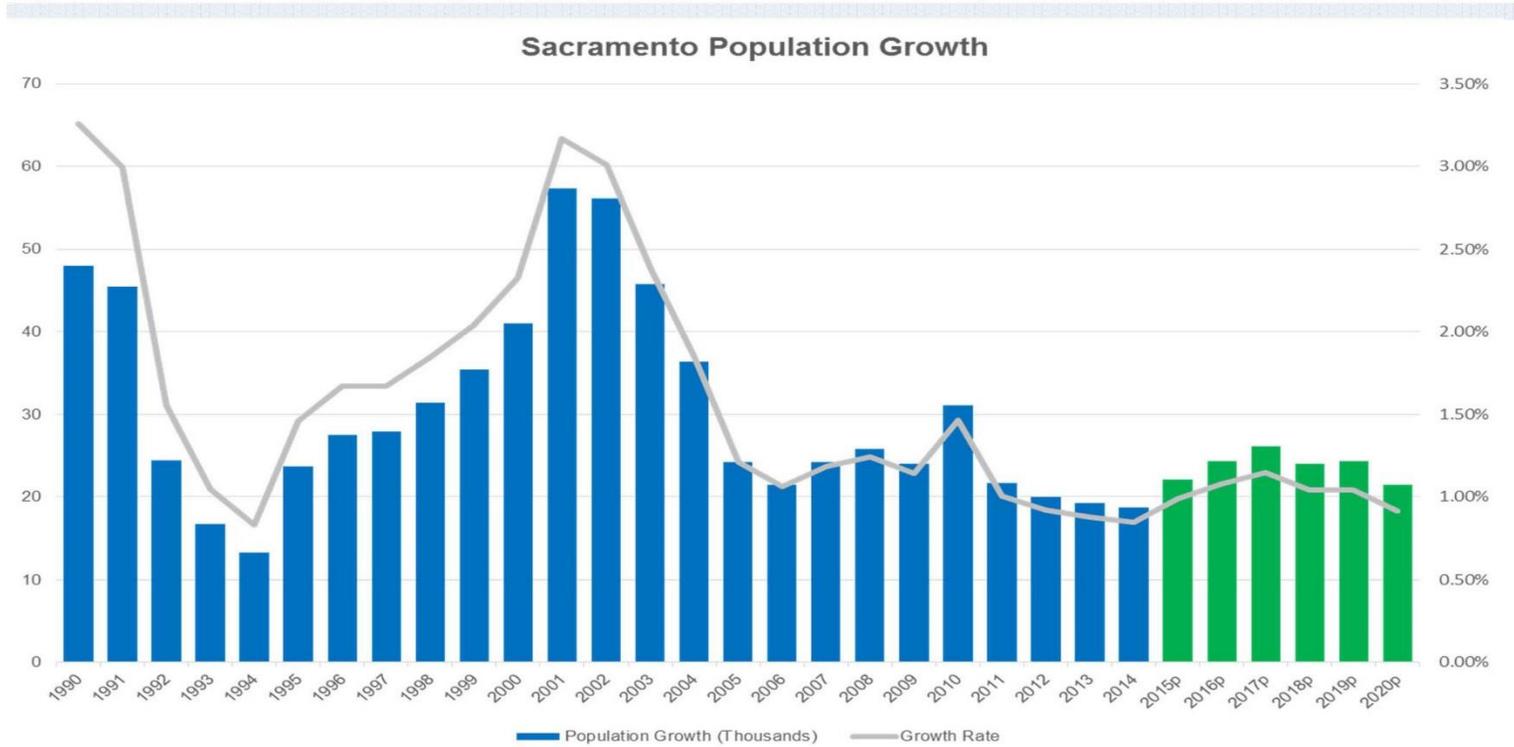
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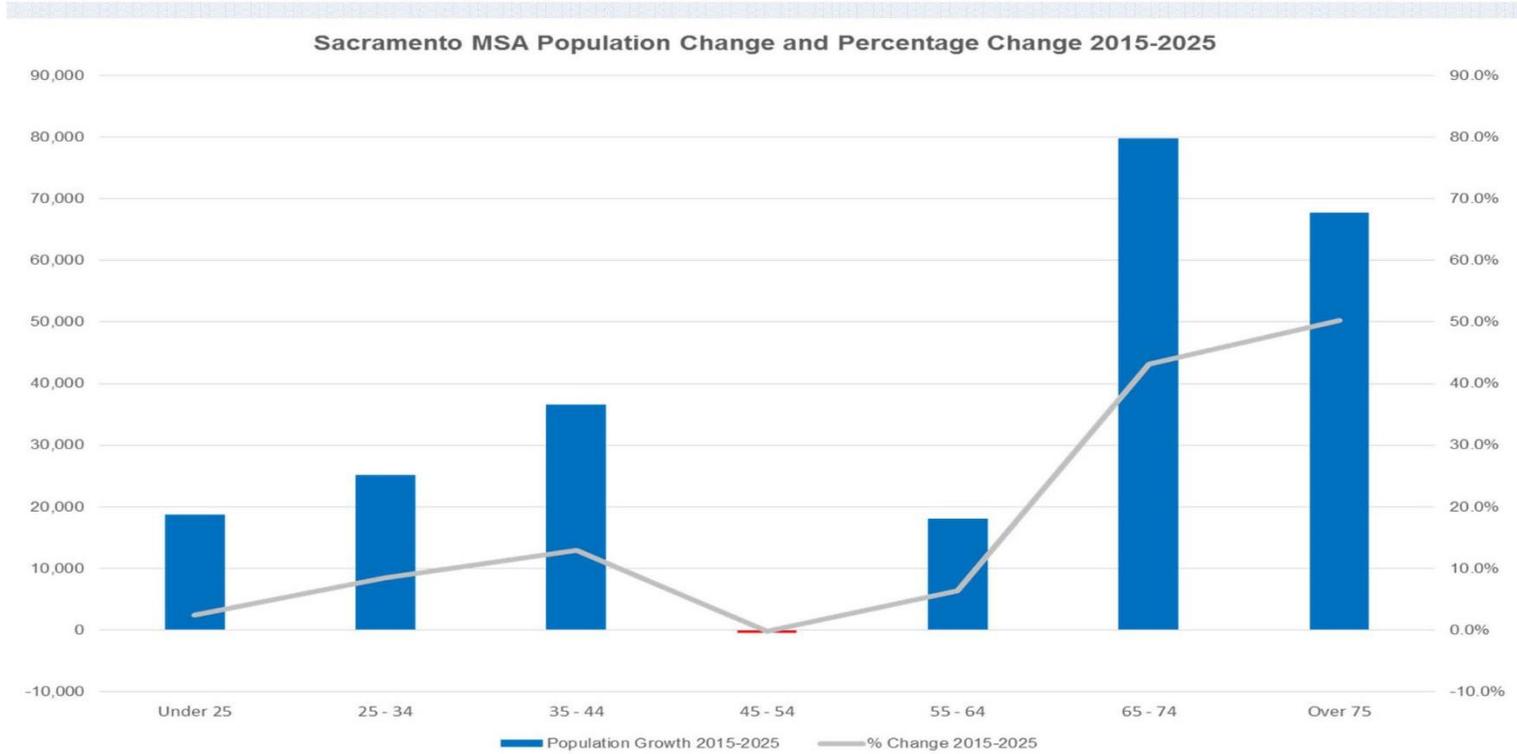


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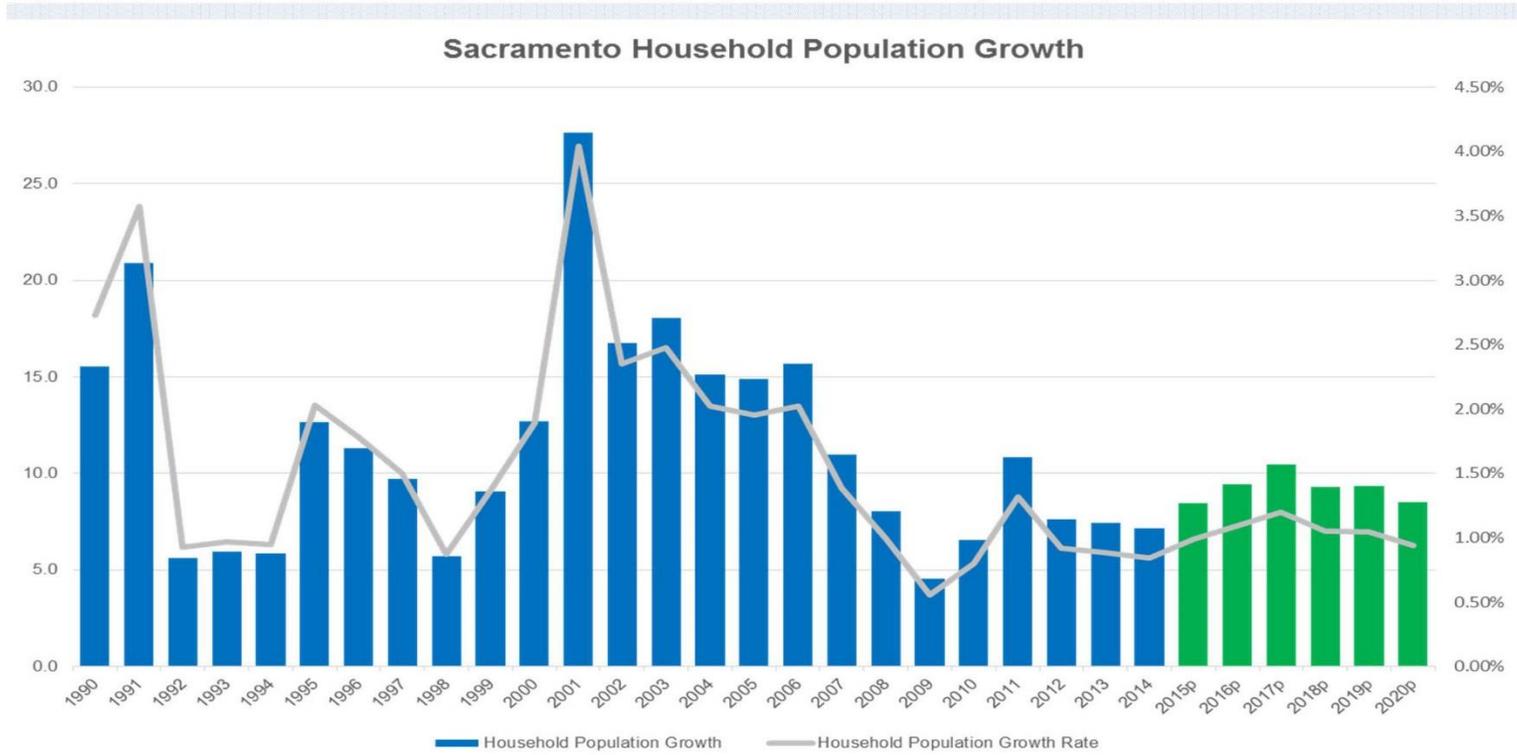


Population Growth (Thousands)	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p	2020p
Population Growth (Thousands)	31.1	21.7	20.0	19.3	18.7	22.1	24.3	26.1	24.0	24.3	21.5
% YOY	1.46%	1.01%	0.92%	0.88%	0.85%	0.99%	1.08%	1.15%	1.04%	1.04%	0.91%

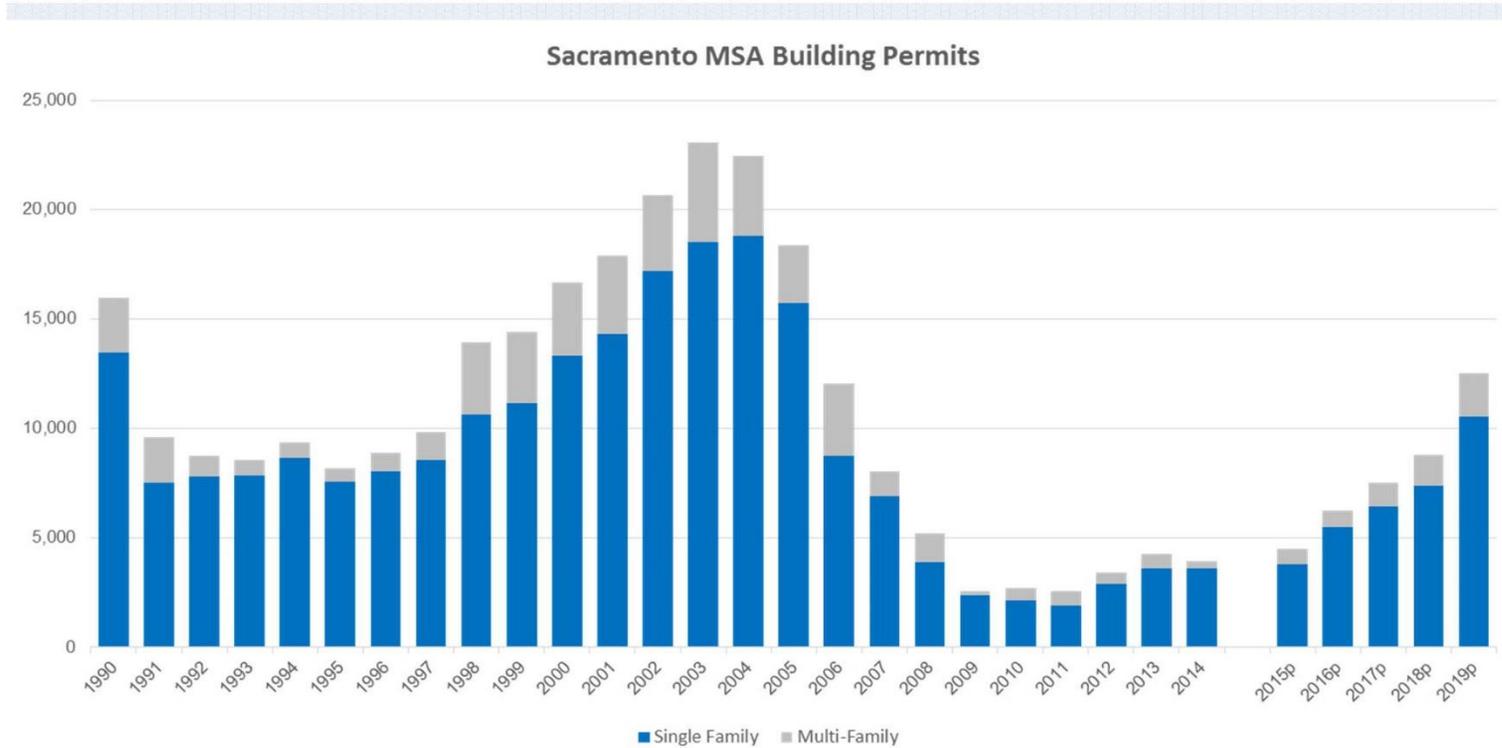


Population Growth	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p	2020p
(Thousands)	31.1	21.7	20.0	19.3	18.7	22.1	24.3	26.1	24.0	24.3	21.5
% YOY	1.46%	1.01%	0.92%	0.88%	0.85%	0.99%	1.08%	1.15%	1.04%	1.04%	0.91%

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Household Growth	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p	2020p
(Thousands)	6.5	10.9	7.6	7.4	7.2	8.5	9.4	10.5	9.3	9.3	8.5
% YOY	0.80%	1.32%	0.92%	0.88%	0.85%	0.99%	1.09%	1.20%	1.05%	1.05%	0.94%



Total Permits	2010	2011	2012	2013	2014	2015p	2016p	2017p	2018p	2019p
	2,685	2,547	3,393	4,255	3,915	4,486	6,250	7,500	8,800	12,500
% YOY	4.9%	-5.1%	33.2%	25.4%	-8.0%	14.6%	39.3%	20.0%	17.3%	42.0%

Notes

The Sacramento MSA includes the four counties of El Dorado, Placer, Sacramento and Yolo

The Sacramento Region includes the six counties of El Dorado, Placer, Sacramento, Sutter, Yolo and Yuba

All projections are provided by The Gregory Group

Sources include US Bureau of Economic Analysis, US Bureau of Labor Statistics, US Bureau of Census, Thomson Reuters/University of Michigan, Board of Governors of the Federal Reserve, NAHB/Wells Fargo Bank, National Association of Realtors, Zillow Real Estate Research, California Association of Realtors, Federal Reserve Bank of St. Louis, California Department of Finance, Google Maps, The Gregory Group

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Projections are based on the information available at the time of the projections. There will be differences between projections and actual results and those differences may be material.

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ITEM 2
PRELIMINARY TITLE REPORT

stewart title

of sacramento
1425 River Park Drive, Suite 110
Sacramento, Ca 95815
Phone (916) 441-4950
Fax (916) 564-5840

Preliminary Report

Issued For The Sole Use Of:

· AKT Investments Inc.
·
·

Escrow Officer: [Sharon Wichmann](#)

Our Order No.: 15-013430 SW

6th Amend

Reference:

Property Address:

In response to the above referenced application for a policy of title insurance, **Stewart Title Guaranty Company** hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown referred to as an Exception in Schedule **B** or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage of said Policy or Policies are set forth in the attached list. Copies of the Policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit "B" of this report carefully. Limitations on covered risks applicable to the CLTA/ALTA Homeowner's Policy of Title Insurance which establish a deductible amount and a maximum dollar limit of liability for certain coverages are set forth in Exhibit "B". The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a binder or commitment should be requested.

Dated as of May 12, 2014 at 7:30 a.m. _____

Title Officer
C. Moline / ck

CLTA Preliminary Report (Effective 1-1-84)

Order Number: 15-013430

Schedule A

The form of policy of title insurance contemplated by this report is:

CLTA STANDARD

The estate or interest in the land hereinafter described or referred to covered by this Report is: A Fee

Title to said estate or interest at the date hereof is vested in:

McKinley Village Investors, LLC, a California Limited Liability Company

The land referred to in this Report is situated in the State of California, County of Sacramento, City of Sacramento, and is described as follows:

See Exhibit "A" attached hereto and made a part hereof.

**Exhibit "A"
Legal Description**

Parcel A:

Beginning at a point on the East line of that certain tract of land described as "Parcel No. 5", in the deed dated May 15, 1953, recorded in the office of the Recorder on July 16, 1953, in [Book 2446 of Official Records, at Page 129](#), from which the Southeast corner thereof bears South 52 deg. 14'45" West 67.64 feet; thence along the boundary of said "Parcel No. 5", the following three (3) courses and distances: (1) North 52 deg. 14'45" East 312.36 feet to a 6 inch by 6 inch concrete monument (2) North 37 deg. 45'15" West 140.00 feet and (3) South 64 deg. 35'20" West 217.82 feet to the point of intersection of the North line of "A" Street with the East line of Thirty-First Street, as shown on the official map or plan of the City of Sacramento; thence along the North line of said "A" Street, North 72 deg. 58'41" West 3.35 feet to the Southeast corner of that certain 6.55 acre tract of land described as "Parcel No. 3", in the deed dated April 25, 1969, recorded in the office of said Recorder August 4, 1969, in [Book 6908-04 of Official Records, at Page 136](#); thence along the Southerly line of said 6.55 acre tract of land, the following five (5) courses and distances: (1) North 40 deg. 27'23" East 24.58 feet, (2) curving to the right on an arc of 1350.00 feet radius, said arc being subtended by a chord bearing North 59 deg. 10'30" East 866.48 feet, (3) North 77 deg. 53'36" East 724.85 feet, (4) North 30 deg. 57'24" East 140.94 feet and (5) North 76 deg. 33'27" East 879.91 feet to a point in the Southerly line of existing State Highway 03-Sac-80, said point being distant 80.00 feet Southerly, measured at right angles, from the "B1" line at Engineer's Station "B1" 75+01.86; thence along said Southerly line North 80 deg. 19'05" East 286.78 feet to a point on the Westerly right-of-way line of the Southern Pacific Company's right-of-way; thence along the Westerly and Northerly line of the Southern Pacific Company's right-of-way, the following fourteen (14) courses and distances: (1) South 27 deg. 45'33" West 734.96 feet to a 1-1/4 inch iron pipe monument tagged "L.S. 3185", (2) South 35 deg. 30'27" East 28.20 feet to a 1-1/4 inch iron pipe monument tagged "L.S. 3185" (3) South 53 deg. 50'36" West 294.65 feet, (4) curving to the right on an arc of 7540.95 feet radius, said arc being subtended by a chord bearing South 52 deg. 37'37" West 29.61 feet, (5) curving to the right on an arc of 3730.25 feet radius, said arc being subtended by a chord bearing South 52 deg. 57'52" West 29.22 feet, (6) curving to the right on an arc of 2448.02 feet radius, said arc being subtended by a chord bearing South 53 deg. 31'37" West 28.84 feet, (7) curving to the right on an arc of 1810.41 feet radius, said arc being subtended by a chord bearing South 54 deg. 18'52" West 28.44 feet, (8) curving to the right on an arc of 1430.05 feet radius, said arc being subtended by a chord bearing South 55 deg. 19'37" West 28.08 feet, (9) curving to the right on an arc of 1174.82 feet radius said arc being subtended by a chord bearing South 56 deg. 53'52" West 41.35 feet, (10) curving to the right on an arc of 1430.05 feet radius, said arc being subtended by a chord bearing South 58 deg. 28'07" West 28.08 feet, (11) curving to the right on an arc of 1810.41 feet radius, said arc being subtended by a chord bearing South 59 deg. 28'52" West 28.44 feet, (12) curving to the right on an arc of 2448.02 feet radius, said arc being subtended by a chord bearing South 60 deg. 16'07" West 28.84 feet to a 1-1/4 inch iron pipe monument tagged "L.S. 3185", (13) curving to the right on an arc of 3720.25 feet radius, said arc being subtended by a chord bearing South 63 deg. 59'52" West 440.19 feet to a 1-1/4 inch iron pipe monument tagged "L.S. 3185" and (14) curving to the right on an arc of 2363.14 feet radius, said arc being subtended by a chord bearing South 70 deg. 28'08" West 253.90 feet to a 1-1/4 inch iron pipe monument tagged "L.S. 3185" marking the most Easterly corner of that certain 0.81 acre tract of land described as "Parcel No. 4", in said deed, recorded in Book 6908-04 of Official Records, at Page 136; thence along the Northerly line of said 0.81 acre tract of land, the following two (2) courses and distances: (1) curving to the right on an arc of 1800.00 feet radius, said arc being subtended by a chord bearing North 87 deg. 51'23" West 1119.54 feet and (2) North 69 deg. 44'15" West 105.71 feet to the point of beginning.

Exhibit "A"
Legal Description

Parcel B:

Beginning at a point in the North line of said "A" Street, said point being distant along said North line South 71 deg. 29'46" East 842.85 feet from the centerline of 29th Street; thence from said point of beginning North 41 deg. 56'18" East 24.58 feet; thence along a tangent curve to the right with a radius of 1350.00 feet, through an angle of 37 deg. 26'13", an arc length of 882.09 feet; thence North 79 deg. 22'31" East 724.85 feet; thence North 32 deg. 26'19" East 140.94 feet; thence North 78 deg. 02'22" East 879.91 feet to a point in the Southerly line of said existing State Highway 03-SAC-80, said point being distant 80.00 feet Southerly, measured at right angles from said "B1" line at Engineer's Station "B1" 75+01.86; thence along said Southerly and the Southeasterly lines of said existing State Highway the following 3 courses: South 81 deg. 48'00" West 1400.75 feet; South 76 deg. 26'50" West 157.37 feet; and along a tangent curve to the left with a radius of 1970.00 feet, through an angle of 34 deg. 33'25", an arc length of 1188.17 feet to a point in said North line of "A" Street; thence leaving said Southeasterly line of said existing State Highway, along said North line South 71 deg. 29'46" East 130.46 feet to the point of beginning.

Parcel C:

A portion of that certain tract of land as shown on the "Plat of Tract of Land Owned by G.A. Meister", filed in [Book "A" of Surveys at Page 101](#), records of Sacramento County.

Said portion is all that part thereof described as follows:

Beginning at the most Southerly corner of that certain parcel of land designated "Parcel No. 5" in the deed dated May 15, 1953, recorded July 16, 1953, in [Book 2446, Page 129](#), Official Records of Sacramento County, said point being distant 98.5 feet Northerly, measured radially from the centerline of the Central Pacific Railway Company's survey between Sacramento and Elvas, as said centerline is shown on the "Plat of Tract of Land Owned by G.A. Meister", filed February 27, 1914 in Book "A" of Surveys at Page 101, records of Sacramento County; thence along a line distant 98.5 feet Northerly from, radially to and concentric with said railway centerline the following 5 courses: (1) from a tangent that bears South 67 deg. 36'52" East along a curve to the left with a radius of 3721.25 feet, through an angle of 00 deg. 24'51", an arc length of 26.90 feet; (2) from a tangent that bears South 68 deg 01'43" East along a curve to the left with a radius of 2766.33 feet; through an angle of 00 deg. 36'00", an arc length of 28.97 feet; (3) from a tangent that bears South 68 deg. 27'43" East along a curve to the left with a radius of 2193.38 feet, through an angle of 00 deg. 45'00", an arc length of 28.71 feet to a point distant 98.5 feet Northerly, measured radially from Engineer's Station 146+05 of said railway company's centerline as said stationing is shown on said plat; (4) from a tangent that bears South 69 deg. 22'43" East along a curve to the left with a radius of 1811.41 feet, through an angle of 26 deg. 33'00", an arc length of 839.38 feet, and (5) from a tangent that bears North 84 deg. 03'09" East along a curve to the left with a radius of 2363.14 feet, through an angle of 09 deg. 02'27" an arc length of 372.89 feet; thence leaving said line described as 98.5 feet Northerly of said railway centerline, from a tangent that bears South 75 deg. 30'09" West along a curve to the right with a radius of 1800.00 feet, through an angle of 36 deg. 14'31", an arc length of 1138.57 feet to a point distant 80.00 feet

Exhibit "A"
Legal Description

Northerly, measured radially from Engineer's Station "RR2" 146+76.42 S.C. of said Department of Public Works' 1966 Survey on Road 03-SAC-80 from Post Mile 4.1 to Post Mile 9.0; thence North 68 deg. 15'20" West 105.52 feet to a point in the Southeasterly line of said parcel of land designated as "Parcel No. 5" described in said deed cited hereinabove, thence along said Southeasterly line South 53 deg. 43'40" West 67.64 feet to the point of beginning.

Excepting therefrom all oil, gas and other hydrocarbon substances, inert gases, minerals, and metals, lying below a depth of 500 feet from the surface of said land and real property, whether now known to exist or hereafter discovered, including but not limited to the rights to explore for, develop, and remove such oil, gas and other hydrocarbon substances, inert gases, minerals, and metals without, however any right to use the surface of such land and real property for any purpose whatsoever. As reserved by Angelo K. Tsakopoulos, a married man as his sole and separate property, by deed recorded December 13, 2002 in [Book 20021213, Page 1542](#), Official Records, as to a 90% interest.

Apn: 001-0170-028

Order Number: 15-013430

Schedule B

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the policy form designated on the face page of this report would be as follows:

- A. Taxes for the Fiscal Year 2014-2015, a lien not yet due or payable.
- B. The herein described land lies within the boundaries of the Sacramento Area Flood Control Agency and is subject to an assessment being collected with the County Taxes.

The amount included in the taxes is \$312.62, for the Sacramento City 1915 Act Bond – Safca Consolidated Capital Assessment.

For further information, please contact the Sacramento Area Flood Control Agency at (916) 874-7606.
- C. Any and all liens and assessments that may be levied as disclosed by the recordation of the Boundary Map, City of Sacramento, Neighborhood Park Maintenance Community Facilities District No. 2002-02, Future Annexation Area, filed December 13, 2010, in [Book 111 of Maps of Assessment and Community Facilities District at Page 28](#), and recorded December 13, 2010, by Assessment Map Filing Page in [Book 20101213, Page 1512](#), Official Records.
- D. Any and all liens and assessments that may be levied as disclosed by the recordation of the Proposed Boundary Map, City of Sacramento, SB 555 Contractual Assessment District, filed September 19, 2012, in [Book 114 of Maps of Assessment and Community Facilities District at Page 10](#), and recorded September 19, 2012, by Assessment Map Filing Page in [Book 20120919, Page 89](#), Official Records.
- E. Any and all liens and assessments that may be levied as disclosed by the recordation of the Proposed Boundary Map, City of Sacramento, Community Facilities District No. 2012-01 (Clean Energy), filed October 3, 2012, in [Book 114 of Maps of Assessment and Community Facilities District at Page 13](#), and recorded October 3, 2012, by Assessment Map Filing Page in [Book 20121003, Page 418](#), Official Records.
- F. The Lien of Special Assessments, assessed pursuant to the procedures of the Mello-Roos Community Facilities Act of 1982 and/or the Landscaping & Lighting Act of 1972, amounts are included and collected with the Taxes shown herein.
- G. The Lien of Supplemental Taxes, if any, assessed pursuant to the provisions of Chapter 3.5, Revenue and Taxation Code, Section 75 et seq.
- H. Intentionally Deleted.

Exceptions (Continued....)

Order Number: 15-013430

1. Intentionally Deleted
2. An easement over said land for the transmission and distribution of electricity and incidental purposes as Granted to Great Western Power Company of California, in Deed recorded in [Book 581 of Deeds, Page 266](#).

Reference is hereby made to the recorded instrument for full particulars.

3. An easement over said land for a pole line and incidental purposes as Granted to Pacific Gas and Electric Company, in Deed recorded in [Book 653 of Deeds, Page 487](#).

Described as follows:

The route of said line of poles and wires across said land shall be as follows: Beginning at a point in the Southeasterly boundary line of the lands of the parties of the first part (said line being marked by a fence now upon the ground) from which a stone monument situate South 19 deg. 30' West 41.2 feet distant from the intersection of the center line of B Street with the center line of Thirty-First Street in the City of Sacramento bears South 74 deg. 40' West 2803.3 feet distant and running thence South 15 deg. 51' West 38.3 feet; thence North 84 deg. 31' West 1645.9 feet; thence North 28 deg. 09' West 117.5 feet; thence North 30 deg. 33' West 582.9 feet; thence North 17 deg. 25 1/2' East 325.5 feet; thence North 14 deg. 06 1/4' East 825.0 feet, more or less.

4. An easement over said land for sewers and incidental purposes as Granted to the Town of North Sacramento, in Deed recorded in [Book 20, Page 181](#), Official Records.

Described as follows:

A strip of land 6 feet wide along the West side of a certain line described as follows: Beginning at the South line of the properties of G.A. Meister, at a point 64.5 feet East of the West line of 33rd Street and 200.00 feet, more or less, North of the center line of B Street, as

said streets are shown on Map of Casa Loma Terrace, filed in the office of the Recorder of Sacramento County; thence along a continuation of the East of said 33rd Street, if projected, North 19 deg. 30' East 3524.0 feet, measured from said center line of B Street; thence North 13 deg. 04' West 400.0 feet, more or less, to the center line of thread of the stream of the American River.

Excepting therefrom the rights of way of the Central Pacific Railway Company, Grantee is given right to use a total width of twenty feet being 10 feet on each side of the line above described for the sole purpose of construction and repairs.

Also as contained in correctory deed between said parties dated November 6, 1925, recorded December 17, 1925 in [Book 43 of Official Records, Page 345](#).

5. Intentionally Deleted
6. An easement over said land for a pole line and incidental purposes as Granted to Pacific Gas and Electric Company, in Deed recorded in [Book 934, Page 198](#), Official Records.

Reference is hereby made to the recorded instrument for full particulars.

Exception #4 (Continued...)

Order Number: 15-013430

7. An easement over said land for the transmission and distribution of electric energy and incidental purposes as Granted to Sacramento Municipal Utility District, in Deed recorded in [Book 2226, Page 42](#), Official Records.

Reference is hereby made to the recorded instrument for full particulars.

8. Lack of Abutter's Rights in and to the freeway adjacent to the Northerly line of said property, said rights having been released and relinquished by, deed to the State of California recorded in [Book 690804, Page 136](#), Official Records.
9. Lack of Abutter's Rights in and to the freeway adjacent to the Northerly line of said property, said rights having been released and relinquished by, deed to the State of California recorded in [Book 841010, Page 1142](#), Official Records.
10. Deed of Trust to secure an indebtedness of \$5,000,000.00, dated December 5, 2006, recorded December 15, 2006, in [Book 20061215, Page 1652](#), Official Records.

Trustor: Angelo K. Tsakopoulos, A Married Man As His Sole And Separate Property
Trustee: Placer Title Company
Beneficiary: Silverado Bank, A division of Nevada Security Bank
Loan No: na
Address: 2270 Douglas Blvd. #220, Roseville, CA 95661

Said Deed of Trust was modified in part by instrument recorded March 31, 2010, in [Book 20100331, Page 637](#), Official Records.

The beneficial interest under said Deed of Trust is now vested of record in Umpqua Bank, Post Office Box 1820, Roseburg, Oregon 97470, by assignment recorded in [Book 20130501, Page 1350](#), Official Records.

11. Terms, conditions and provisions contained in the instrument entitled "Hazardous Substances Certificate (and Indemnity Agreement" dated December 5, 2006, by and between Angelo K. Tsakopoulos, A Married Man As His Sole And Separate Property and Silverado Bank, A division of Nevada Security Bank, recorded December 15, 2006, in [Book 20061215, Page 1653](#), Official Records.
12. Any and all matters that may be disclosed on a ALTA/ACSM Land Title Survey prepared by Nolte Beyond Engineering on April 23, 2013, Job No. SAB050700.
- A. Any easement or Lessors Rights which the owner or owners of those certain test wells, well and pump on concrete pad may claim as set forth on that certain revised ALTA/ACSM Land Title Survey.
- B. Any easement or Lessors Rights which the owner or owners of those certain Bill Boards may claim as set forth on that certain revised ALTA/ACSM Land Title Survey.
- C. Any easement or Lessors rights which the owner or owners of those certain utilities shown as electric service poles with meters, electric lines and guy anchors may claim asset forth on that certain ALTA/ACSM Land Title Survey.

Exception No. 12 (Continued....)

Order Number: 15-013430

- D. Intentionally deleted.
- E. Intentionally deleted.
- F. Intentionally deleted.
- G. Intentionally deleted.
- H. Intentionally deleted.
- I. Intentionally deleted.
- J. Intentionally deleted.
- K. Intentionally deleted.
- L. Unrecorded Agreement for Access along proposed McKinley Village access as disclosed in No. 10 of the General Notes.

13. An easement over said Parcel for telecommunications purposes to AT&T Corp. and AT&T Communications – East, Inc., as disclosed by instrument entitled “Supplemental Final Order and Judgment Pertaining to California Supplemental Telecommunication Cable Railroad Corridor Class Settlement Agreement”, recorded September 18, 2009, in [Book 20090918, Page 569](#), Official Records.

The description of said easement is not defined in said instrument.

14. Intentionally Deleted
15. Any unrecorded leases as disclosed by an inquiry to the owner of said property.
16. Intentionally Deleted
17. Unrecorded Agreement, by and between C Street Business Park, LLC, a California limited liability company, C Street Sub Station, LLC, a California limited liability company and McKinley Village Investors, LLC, a California limited liability company, as disclosed by instrument entitled “Memorandum of Agreement Regarding Easements” dated May 6, 2013, recorded May 17, 2013, in [Book 20130517, Page 1009](#), Official Records. Subject to the terms, provisions and conditions as contained in said unrecorded Agreement.
18. Unrecorded Agreement of Purchase and Sale, dated May 6, 2013, by and between McKinley Village Investors, LLC, a California limited liability company, as Seller, and Encore McKinley Village, LLC, a Delaware limited liability company, as Buyer, as disclosed by instrument entitled “Memorandum of Agreement of Purchase and Sale”, dated May 6, 2013, recorded May 17, 2013, in [Book 20130517, Page 1010](#), Official Records. Subject to the terms, provisions and conditions contained in said unrecorded Agreement.

Exceptions (Continued....)

Order Number: 15-013430

19. An easement over said Parcel for telecommunications purposes to Qwest Communications Company, LLC, Sprint Communications Company L.P., Level 3 Communications, LLC and WilTel Communications, Inc., as disclosed by instrument entitled "Easement Deed by Court Order in Settlement of Landowner Action", recorded September 18, 2013, in [Book 20130918, Page 822](#), Official Records and also recorded January 30, 2014, in [Book 20140130, Page 301](#), Official Records.

Reference is hereby made to said instrument for full particulars.

Tax Note: For Proration Purposes Only

- General and Special Taxes for the Fiscal Year 2013-2014, and any assessments and charges collected therewith,

1st Installment \$15,037.97	Paid
2nd Installment \$15,037.97	Paid

Parcel No. 001-0170-028 Asst. No. 13249463 Code Area 03-106
Land \$2,010,284.00 Improvements \$.00

Included in the above Taxes, in the amount of \$56.12, for the City Library Services AD #96-02.

Note: If this property lies within the city limits of Sacramento, it is subject upon sale to a tax of .00275 of the value of consideration. The failure to pay will result in the tax being added to the future property tax bills.

Chain of Title:

According to those public records under the recording laws impart constructive notice to the title to the land described herein, the following matters constitute the chain of title for the thirty-six month period preceding the date hereof:

None

Buyer's Note:

If an Alta Residential Owner's Policy is requested and if the property described herein is determined to be eligible for this policy, the following exceptions from coverage will appear in the policy:

1. Taxes or assessments which are not shown as liens by the public records or by the records of any taxing authority.
2. (a) Water rights, claims or title to water; (b) reservation or exceptions in patents or in Acts authorizing the issuance thereof; (c) unpatented mining claims; whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
3. Any rights, interest or claims of parties in possession of the land which are not shown by the public records.
4. Any easements or liens not shown by the public records. This exception does not limit the lien coverage in Item 8 of the Covered Title Risks.
5. Any facts about the land which a correct survey would disclose and which are not shown by the public records. This exception does not limit the forced removal coverage in Item 12 of the Covered Title Risks.

Lender's Note:

If a 1970 Alta Lender's Policy form has been requested, the policy, when and if approved for issuance, will either be endorsed to add the following language or an encumbrance will be added to Schedule B, Part I as follows:

Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:

- (a) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
- (b) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine of equitable subordination; or
- (c) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (i) to timely record the instrument of transfer; or
 - (ii) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

Approval for the issuance of the 1970 Alta Lender's Policy form must be requested and approved prior to close of escrow. all other forms of policies that are authorized to be issued are the 1992 and 2006 Policies only.

Note: California "Good Funds" Law

Effective January 1, 1990, California Insurance Code Section 12413.1 (Chapter 598, statutes of 1989), prohibits a title insurance company, controlled escrow company or underwritten title company from disbursing funds from an escrow or sub-escrow account, **(except for funds deposited by wire transfer electronic payment or cash)** until the day these funds are made available to the deposit or pursuant to Part 229 Of Title 12 of the code of Federal Regulations, (Reg. CC). Items such as cashier's, certified or teller's checks may be available for disbursement on the business day following the business day of deposit; however, other forms of deposits may cause extended delays in closing the escrow or sub-escrow.

"Stewart Title Of Sacramento will not be responsible for accruals of interest or other charges resulting from compliance with the disbursement restrictions imposed by State Law"

CLTA PRELIMINARY REPORT FORM
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS
(Revised 06/17/06)

CALIFORNIA LAND TITLE ASSOCIATION STANDARD COVERAGE POLICY - 1990
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, Or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors, rights laws.

EXCEPTIONS FROM COVERAGE
SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.

5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

CLTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)
 ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE
 EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning: a. building; b. zoning; c. land use; d. improvements on the Land; e. land division; and f. environmental protection This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.
2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks: a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records; b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date; c. that result in no loss to You; or d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28,
5. Failure to pay value for Your Title.
6. Lack of a right: a. to any Land outside the area specifically described and referred to in paragraph 3 of Schedule A; and b. in streets, alleys, or waterways that touch the Land This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:

- * For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.

The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16:	1 % of Policy Amount or \$ _____ (whichever is less)	\$ _____
Covered Risk 18:	1% of Policy Amount or \$ _____ (whichever is less)	\$ _____
Covered Risk 19:	1% of Policy Amount or \$ _____ (whichever is less)	\$ _____
Covered Risk 21:	1% of Policy Amount or \$ _____ (whichever is less)	\$ _____

AMERICAN LAND TITLE ASSOCIATION
RESIDENTIAL TITLE INSURANCE POLICY (6-1-87)
EXCLUSIONS

In addition to the Exceptions in Schedule B, you are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:
 - * Land use
 - * Improvements on the land
 - * Land division
 - * Environmental protectionThis exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.
This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.
2. The right to take the land by condemning it, unless:
 - * a notice of exercising the right appears in the public records
 - * on the Policy Date
 - * the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking
3. Title Risks:
 - * that are created, allowed, or agreed to by you
 - * that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records
 - * that result in no loss to you
 - * that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
4. Failure to pay value for your title
5. Lack of a right:
 - * to any land outside the area specifically described and referred to in Item 3 of Schedule AOR
 - * in streets, alleys, or waterways that touch your land

This exclusion does not limit the access coverage in Item 5 of Covered Title Risk.

AMERICAN LAND TITLE ASSOCIATION LOAN POLICY (10-17-92)
WITH ALTA ENDORSEMENT - FORM 1 COVERAGE
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;

- (d) attaching or created subsequent to Date of Policy (except to the extent that this policy insures the priority of the lien of the insured mortgage over any statutory lien for services, labor or material or to the extent insurance is afforded herein as to assessments for street improvements under construction or completed at Date of Policy); or
- (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with applicable doing business laws of the state in which the land is situated.
 5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law,
 6. Any statutory lien for services, labor or materials (or the claim of priority of any statutory lien for services, labor or materials over the lien of the insured mortgage) arising from an improvement or work related to the land which is contracted for and commenced subsequent to Date of Policy and is not financed in whole or in part by proceeds of the indebtedness secured by the insured mortgage which at Date of Policy the insured has advanced or is obligated to advance.
 7. Any claim, which arises out of the transaction creating the interest of the mortgagee insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the interest of the insured mortgagee being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the subordination of the interest of the insured mortgagee as a result of the application of the doctrine or equitable subordination; or
 - (iii) the transaction creating the interest of the insured mortgagee being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.
- The above policy forms may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following General Exceptions:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

2006 ALTA LOAN POLICY (06/17106)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;

- (iii) the subdivision of land; or
- (iv) environmental protection;
- or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion I (a) does not modify or limit the coverage provided under Covered Risk 5.
- (b) Any governmental police power. This Exclusion I (b) does not modify or limit the coverage provided under Covered Risk 6.
- 2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8,
- 3. Defects, liens, encumbrances, adverse claims, or other matters.
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
- 4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
- 5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law,
- 6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy
- 7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records, This Exclusion does not modify or limit the coverage provided under Covered Risk 11 (b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

- 1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
- 2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
- 3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
- 4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
- 5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
- 6. Any lien or right to a lien for services, labor or material not shown by the public records.

AMERICAN LAND TITLE ASSOCIATION OWNER'S POLICY (10/11/92)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
(b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or 0 fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.The above policy forms may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage Policy will also include the following General Exceptions:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

2006 ALTA OWNER'S POLICY (06/17/06)
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion I (a) does not modify or limit the coverage provided under Covered Risk 5.
(b) Any governmental police power. This Exclusion I (b) does not modify or limit the coverage provided under Covered Risk 6
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims, or other matters.
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date title Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 and 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer; or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy
5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) that arise by reason of:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown in the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and that are not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

ITEM 3

PROFESSIONAL QUALIFICATIONS

**PROFESSIONAL QUALIFICATIONS OF
ADAM BURSCH, MAI**
Senior Appraiser
Bender Rosenthal, Inc.
California Certified General Real Estate Appraiser
Certificate No. AG037931

PROFESSIONAL EXPERIENCE

Adam Bursch, MAI has been involved in real estate appraising and consulting since 2002. His professional experience in real property appraisal encompasses a wide range of property types that include industrial, office, retail, multi-family, mobile home parks, self-storage facilities, residential subdivisions, churches, and land. He is a member of the Appraisal Institute with the MAI designation, and a Certified General Real Estate Appraiser in the State of California.

Prior to his career in real estate, Mr. Bursch attended Humboldt State University, majoring in Cellular/Molecular Biology (Bachelor of Science degree). Upon graduation, he entered the graduate school of management at California State University Sacramento and obtained a Masters Business Administration with an emphasis in Finance in 2003.

REPRESENTATIVE VALUATIONS INCLUDE

Industrial – Existing and proposed industrial properties including distribution warehouses, storage warehouses, light industrial/manufacturing and research and development properties.

Office - Existing and proposed office developments for lending institutions and owners.

Retail - Proposed and existing shopping centers, free standing buildings, mixed-use buildings, and restaurants.

Multi-Family Residential - Existing and proposed apartment complexes.

Medical - Existing and proposed medical clinics and dental offices.

Residential Developments - Proposed and existing residential subdivisions throughout the Central Valley.

Special Use Properties – Special use properties include churches and self-storage facilities.

Land - Various types of land appraised such as commercial land, retail pad sites, residential land, transitional land, and agricultural/rural residential land.

PROFESSIONAL AFFILIATIONS

Appraisal Institute (MAI, #456997), Current Member.