

Appraisal of Real Property

320 Vernon Street

Office Property
Roseville, Placer County, California 95747

Prepared For:

City of Roseville

Effective Date of the Appraisal:

May 1, 2018

Report Format:

Appraisal Report – Standard Format

IRR - Sacramento

File Number: 193-2018-0208





320 Vernon Street
Roseville, California



June 4, 2018

Wayne Wiley
City of Roseville
311 Vernon Street
Roseville, CA 95678

SUBJECT: Market Value Appraisal
 320 Vernon Street
 Roseville, Placer County, California 95747
 IRR - Sacramento File No. 193-2018-0208

Dear Mr. Wiley:

Integra Realty Resources – Sacramento is pleased to submit the accompanying appraisal of the referenced property. The purpose of the appraisal is to develop an opinion of the market value as is of the leased fee interest in the property. The client for the assignment is City of Roseville, and the intended use is for asset valuation purposes.

The subject property is currently improved with a United States Post Office. The building was constructed in 1935 and consists of 9,783± square feet on the ground floor and 9,702± square feet of basement space, for a total rentable area of 19,485± square feet. The property is situated within the confines of a single assessor's parcel containing approximately 22,982 square feet of land area. A more detailed legal and physical description of the subject property, as well as related market area characteristics, is contained within the attached report.

The appraisal is intended to conform with the Uniform Standards of Professional Appraisal Practice (USPAP), the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, applicable state appraisal regulations, and the appraisal guidelines of City of Roseville.

To report the assignment results, we use the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report –

Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Based on the valuation analysis in the accompanying report, and subject to the definitions, assumptions, and limiting conditions expressed in the report, our opinion of value is as follows:

Value Conclusion

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Leased Fee	May 1, 2018	\$570,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. It is our understanding the basement floor tiles contain asbestos. Given the age of the construction, there is some possibility asbestos or other hazardous materials could also be contained in some of the mechanical piping insulation and materials within the walls. An estimate of \$100,000 was provided by Mr. Lance Klug of Reeve Knight Construction for the demolition, asbestos and other hazardous material abatement. The estimated cost appears reasonable based on our experience with other projects in the region, but the appraisers are not experts in this field. It is assumed the estimate reasonably approximates the ultimate actual cost. If, at some future date, the actual costs incurred differ significantly from the estimate, the market value estimate

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None
-

Wayne Wiley
City of Roseville
June 4, 2018
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If you have any questions or comments, please contact the undersigned. Thank you for the opportunity to be of service.

Respectfully submitted,

Integra Realty Resources - Sacramento



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Summary of Salient Facts and Conclusions

Address	320 Vernon St. Roseville, Placer County, California 95747
Property Type	Office - Governmental/Institutional
Owner of Record	City of Roseville
Tax ID	013-091-003
Land Area	0.53 acres; 22,982 SF
Rentable Area	19,485 SF
Percent Leased	100%
Year Built	1935
Zoning Designation	CBD/SA - DT, Central Business District/Special Area - Downtown Specific Plan (DT-6)
Highest and Best Use - As if Vacant	Office, retail and/or mixed-use
Highest and Best Use - As Improved	Interim use as a post office facility until the lease agreement terminates, or until the tenant voluntarily vacates the subject property and then demolition of the existing building. the financial feasibility of construction at that time would be dependent on market conditions at that time.
Exposure Time; Marketing Period	12 months; 12 months
Effective Date of the Appraisal	May 1, 2018
Date of the Report	June 4, 2018
Property Interest Appraised	Leased Fee
Market Value Conclusion	\$570,000 (\$29.25/SF)

The values reported above are subject to the definitions, assumptions, and limiting conditions set forth in the accompanying report of which this summary is a part. No party other than City of Roseville may use or rely on the information, opinions, and conclusions contained in the report. It is assumed that the users of the report have read the entire report, including all of the definitions, assumptions, and limiting conditions contained therein.

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. It is our understanding the basement floor tiles contain asbestos. Given the age of the construction, there is some possibility asbestos or other hazardous materials could also be contained in some of the mechanical piping insulation and materials within the walls. An estimate of \$100,000 was provided by Mr. Lance Klug of Reeve Knight Construction for the demolition, asbestos and other hazardous material abatement. The estimated cost appears reasonable based on our experience with other projects in the region, but the appraisers are not experts in this field. It is assumed the estimate reasonably approximates the ultimate actual cost. If, at some future date, the actual costs incurred differ significantly from the estimate, the market value estimate

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None

General Information

Identification of Subject

The subject property is currently improved with a United States Post Office. The building was constructed in 1935 and consists of 9,783± square feet on the ground floor and 9,702± square feet of basement space, for a total rentable area of 19,485± square feet. The property is situated within the confines of a single assessor's parcel containing approximately 22,982 square feet of land area. A legal description of the property is within the grant deed, a copy of which is located within the addenda to this report.

Property Identification

Address	320 Vernon St. Roseville, California 95747
Tax ID	013-091-003
Owner of Record	City of Roseville

Sale History

To the best of our knowledge, no sale or transfer of ownership has taken place within a three-year period prior to the effective appraisal date.

Pending Transactions

To the best of our knowledge, the property is not subject to an agreement of sale or an option to buy, nor is it listed for sale, as of the effective appraisal date.

Purpose of the Appraisal

The purpose of the appraisal is to develop an opinion of the market value as is of the leased fee interest in the property as of the effective date of the appraisal, May 1, 2018. The date of the report is June 4, 2018. The appraisal is valid only as of the stated effective date or dates.

Definition of Market Value

Market value is defined as:

“The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests;

- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”

(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)

Definition of As Is Market Value

As is market value is defined as, “The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.”

(Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015); also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77471)

Definition of Property Rights Appraised

Leased fee interest is defined as, “The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary rights when the lease expires.”

Lease is defined as: “A contract in which rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.”

Source: Appraisal Institute, The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015)

Intended Use and User

The intended use of the appraisal is for asset valuation purposes. The client and intended user is City of Roseville. The appraisal is not intended for any other use or user. No party or parties other than City of Roseville may use or rely on the information, opinions, and conclusions contained in this report.

Applicable Requirements

This appraisal is intended to conform to the requirements of the following:

- Uniform Standards of Professional Appraisal Practice (USPAP);
- Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute;
- Applicable state appraisal regulations;
- Appraisal guidelines of City of Roseville.

Report Format

This report is prepared under the Appraisal Report option of Standards Rule 2-2(a) of USPAP. As USPAP gives appraisers the flexibility to vary the level of information in an Appraisal Report depending on the intended use and intended users of the appraisal, we adhere to the Integra Realty Resources internal standards for an Appraisal Report – Standard Format. This format summarizes the information analyzed, the appraisal methods employed, and the reasoning that supports the analyses, opinions, and conclusions.

Prior Services

USPAP requires appraisers to disclose to the client any other services they have provided in connection with the subject property in the prior three years, including valuation, consulting, property management, brokerage, or any other services. We have not performed any 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.

Scope of Work

To determine the appropriate scope of work for the assignment, we considered the intended use of the appraisal, the needs of the user, the complexity of the property, and other pertinent factors. Our concluded scope of work is described below.

Valuation Methodology

Appraisers usually consider the use of three approaches to value when developing a market value opinion for real property. These are the cost approach, sales comparison approach, and income capitalization approach. Use of the approaches in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized

Given our opinion of highest and best use, the most appropriate method of estimating the market value of the leased fee interest is yield capitalization, a valuation technique of the income capitalization approach. As part of this valuation we employed the sales comparison approach to estimate the value of the underlying land. In summary, we estimated all net inflows of cash over the two years on the lease and determined the net reversion value (future land value, less demolition costs) and discounted all of the net cash flows to a present value. With the post office lease in place, it is our opinion this is the method the typical buyer would use to determine the price they would be willing to pay for the subject.

The cost approach was not considered necessary to produce a credible estimate of value. Due to the multiple forms of depreciation, the results of a cost approach are not as reliable given the greater number of inputs/estimates that are required. Specifically, since the subject property does not

represent new or proposed construction, a deduction for physical deterioration is necessary. Most importantly, market participants (buyers, sellers, brokers, etc.) put little, if any, reliance on this approach when assessing properties that are not of new or proposed construction or that are not representative of special use properties. They typically rely on the sales comparison and income capitalization approaches. For the aforementioned reasons, the cost approach was not required in the valuation of the subject property.

Research and Analysis

The type and extent of our research and analysis is detailed in individual sections of the report. This includes the steps we took to verify comparable sales, which are disclosed in the comparable sale profile sheets in the addenda to the report. Although we make an effort to confirm the arms-length nature of each sale with a party to the transaction, it is sometimes necessary to rely on secondary verification from sources deemed reliable.

Inspection

Lance Jordan, MAI, conducted an interior and exterior inspection of the property on May 1, 2018. Ligia Dejeu conducted an interior and exterior inspection on May 1, 2018.

Economic Analysis

Area Analysis – Placer County

Introduction

Placer County is part of the four-county Sacramento Metropolitan Area, along with the counties of Sacramento, Yolo and El Dorado. The county is located in the north-central part of California, approximately 420 miles north of Los Angeles, 250 miles south of Oregon, 100 miles northeast of San Francisco, 80 miles west of Lake Tahoe, and 100 miles southwest of Reno. The southernmost part of Placer County consists of a valley commonly referred to as South Placer; while the remainder of the county is divided into the Gold Country, where parts of Auburn and Colfax are located, and the High Country, which encompasses Tahoe City and Kings Beach along Lake Tahoe. Placer's largest cities are Roseville, Rocklin and Lincoln. Elevations in the county range from 165 feet above sea level in Roseville to 10,000 feet above sea level in the Sierra Nevada Mountains.

Placer County is developed with a mix of urban and rural uses. The larger cities, namely Roseville and Rocklin, are mostly urban, while the smaller communities, such as Loomis and Newcastle, have remained rural. Auburn and Lincoln both exhibit a combination of urban and rural settings. However, in recent years the city of Lincoln has experienced dramatic growth and development, and has become one of the fastest-growing cities in California.

Population

Placer County has experienced population growth in recent years, primarily in the southern part of the county. The primary points of origin for in-migration to the region are the Bay Area, other parts of the Sacramento region, and Southern California. The state's population data indicate a strong pattern of movement by residents from high-cost, high-density Bay Area counties to inland areas in Northern California.

Following is a table depicting the population change in Placer County and its component cities over the past few years.

Population Trends							
City	2012	2013	2014	2015	2016	2017	%/Yr
Auburn	13,623	13,730	13,962	13,995	14,066	14,096	0.7%
Colfax	2,012	2,036	2,047	2,048	2,054	2,070	0.6%
Lincoln	44,132	44,861	45,843	46,547	47,268	48,165	1.8%
Loomis	6,554	6,590	6,636	6,653	6,715	6,775	0.7%
Rocklin	58,739	59,275	59,839	60,425	61,672	64,417	1.9%
Roseville	123,836	126,864	129,219	130,828	133,618	135,868	1.9%
Unincorporated	<u>109,256</u>	<u>109,195</u>	<u>109,896</u>	<u>110,214</u>	<u>110,810</u>	<u>111,446</u>	<u>0.4%</u>
Total	358,152	362,551	367,442	370,710	376,203	382,837	1.4%

Source: California Department of Finance

As indicated in the previous table, Placer County has experienced a strong average rate of annual growth of 1.4% over the past five years. The cities of Roseville, Rocklin and Lincoln are the fastest growing parts of the region. Loomis and the unincorporated areas have had relatively little growth.

Over the past decade, Placer County has been the fastest-growing county within the four-county Sacramento MSA (which also includes Sacramento, El Dorado and Yolo Counties). It is projected this trend will continue for the near future.

Transportation

Interstate 80, State Highway 65 and State Highway 193 are the major routes traversing the region. Major urban arterials in the southern part of the county include Douglas Boulevard, Sierra College Boulevard, Roseville Parkway, Pleasant Grove Boulevard, Sunrise Avenue, Auburn-Folsom Road and Foothills Boulevard. In 2005, a major public improvement project was completed at the Douglas Boulevard/ Sunrise Avenue/ Interstate 80 intersection. The project added new lanes, new on/off ramps and a tunnel that have greatly improved traffic flow in the area.

In addition to roadways within the county limits, south Placer County enjoys proximity to many of the Sacramento region's freeways that provide access to the San Francisco Bay Area to the west, Central and Southern California to the south, Northern California and Oregon to the north, and Nevada to the east. Sacramento International Airport is situated about 10 miles west of the county border. The county is also home to a couple of small private airports. The region has good railroad service, including the transcontinental Union Pacific Railroad and Amtrak. The Capital Corridor system provides high-speed commuter rail service from Roseville to San Jose.

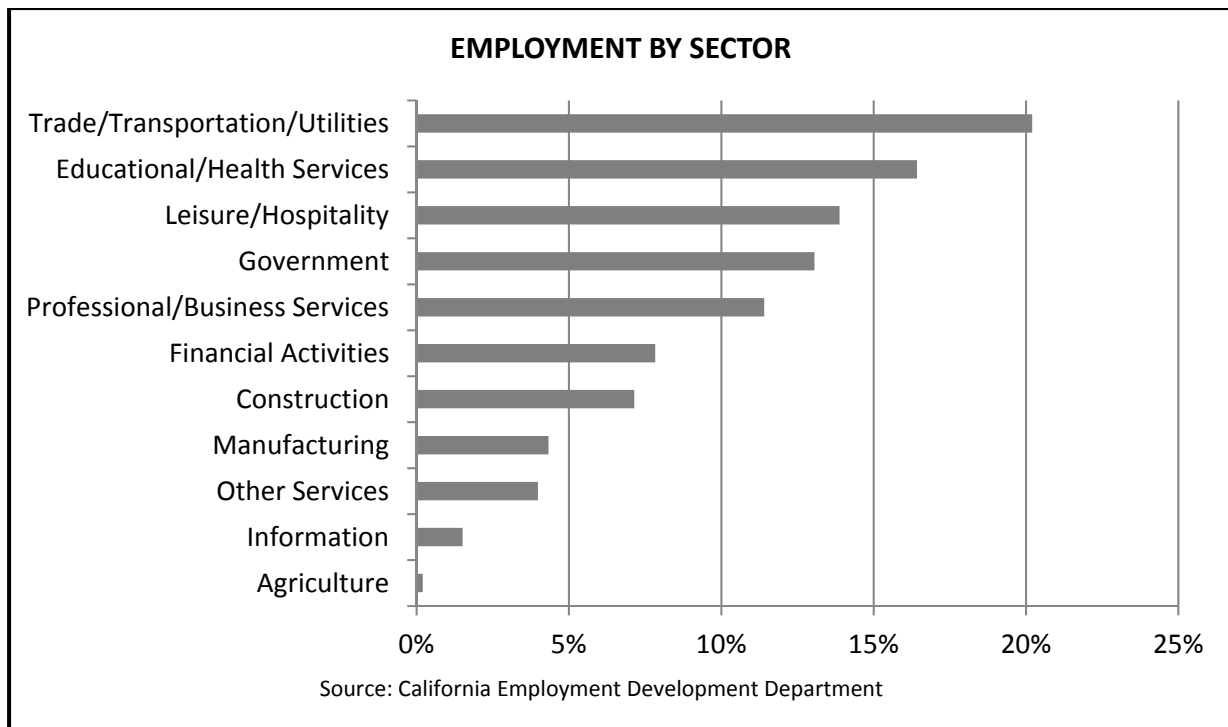
Employment & Economy

The California Employment Development Department has reported the following employment data for Placer County over the past several years.

Employment Trends					
	2013	2014	2015	2016	2017
Labor Force	176,300	176,500	178,200	179,800	182,000
Employment	162,700	165,500	169,200	171,800	176,200
Job Growth	-	2,800	3,700	2,600	4,400
Unemployment Rate	7.7%	6.2%	5.1%	4.4%	3.2%

Source: California Employment Development Department

Most areas within the state and nation, including Placer County, saw declining unemployment rates in 2004 through 2006, increases from 2007 to 2010, and declines during 2011-2016. Placer County has a diverse economy, with no one sector accounting for a majority of the employment in the region. The following chart indicates the percentage of total employment for each sector within the county.



As can be seen in the chart above, the area's largest employment sectors are Trade/Transportation/Utilities, which includes retail and wholesale trade (20.2% of total employment); Educational and Health Services (16.4%); Leisure and Hospitality (13.9%); and Government (13.1%).

Although many residents commute to employment centers in Sacramento, Placer County offers thousands of jobs and attracts workers from the local area as well as "reverse commuters" from Sacramento and residents of outlying areas such as Marysville/Yuba City to the north. The largest employers in the county, according to the Sacramento Business Journal Book of Lists, are Sutter Health (5,435 employees in the county), Kaiser Permanente (5,361), Placer County (2,700), Squaw Valley Alpine Meadows (2,500, seasonal), Hewlett Packard Enterprise and HP Inc. (2,100), Sierra Joint Community College District (1,940), and Thunder Valley Casino Resort (1,915).

Household Income

Median household income represents a broad statistical measure of well-being or standard of living in a community. The median income level divides households into two equal segments with one half of households earning less than the median and the other half earning more. The median income is considered to be a better indicator than the average household income as it is not dramatically affected by unusually high or low values. In the year 2017 (most recent data available from the U.S. Census Bureau), Placer County's median household income was \$85,326, which was higher than the state of California's median income of \$67,715.

Recreation & Community Services

Placer County has ample community services and recreational opportunities. The County, cities and various park districts operate numerous public parks, golf courses, aquatic centers, libraries and

community centers. Many private golf courses are located in the region, and several ski resorts are located in the mountains. Within the county lies a portion of the Folsom Lake State Recreation Area, a boating, fishing, and swimming retreat.

In terms of higher education, Placer County is home to Sierra College in Rocklin, a two-year community college offering a wide range of day and evening classes serving over 25,000 students. Heald College, a business and technology vocational school, is located in Roseville, as is an extension campus for Sierra College, located at the old Sutter Hospital on Sunrise Avenue. In 2004, William Jessup University, a private Christian college, moved from San Jose to a new facility in Rocklin.

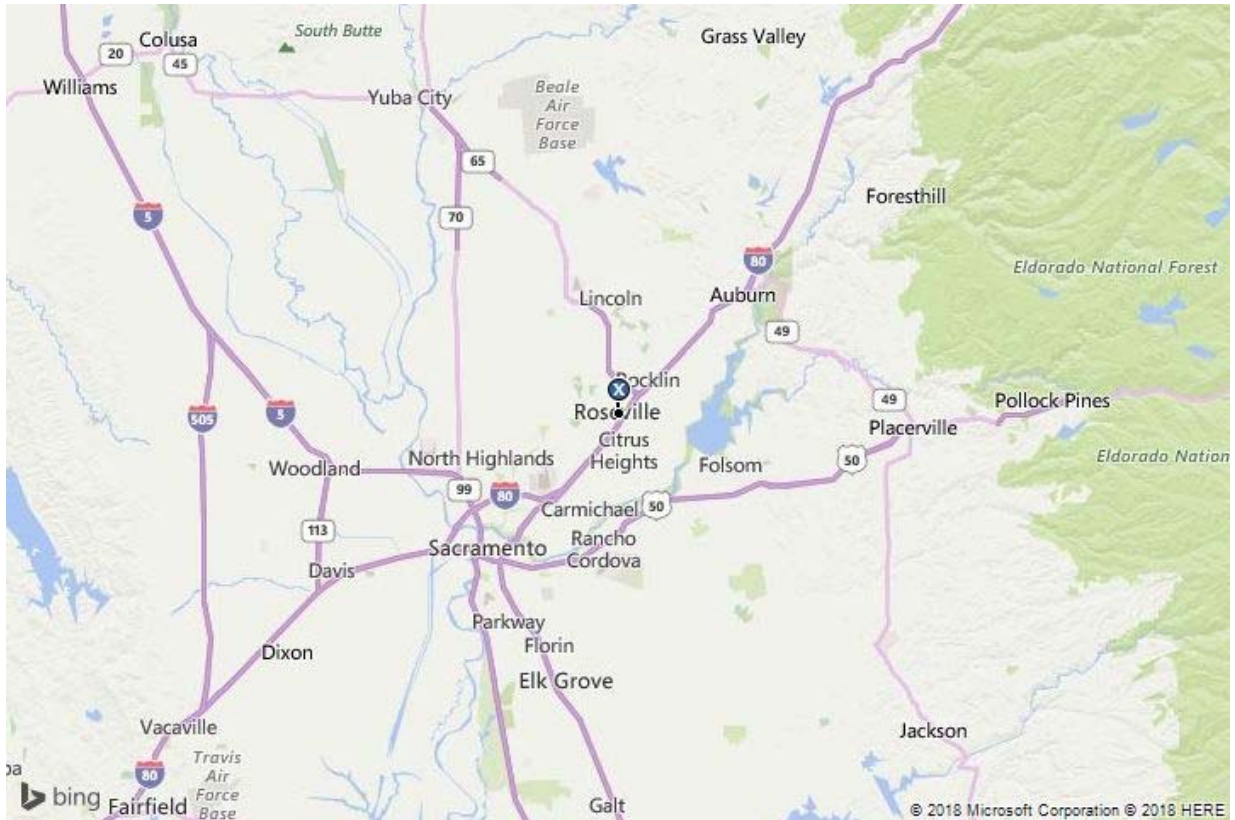
The region offers good health services, including hospitals and medical office facilities. Two hospitals are located in Roseville – the Sutter Roseville Medical Center and Kaiser Permanente, both of which have recent or current expansion projects. The city of Auburn is home to Sutter Auburn Faith Hospital, Sutter Medical Center-Auburn, UC Davis Medical Center, Foundation Medical Clinic and Heritage Medical Center Complex. The city of Lincoln contains medical offices/clinics operated by Sutter, UC Davis, Kaiser and Catholic Healthcare West. In addition to these institutional health care facilities, the county is home to a large and growing number of private physicians, dentists, clinics and other medical specialists.

The city of Roseville is south Placer's hub for fine dining and entertainment. Several upscale restaurants are situated along Eureka Road, Roseville Parkway and Galleria Boulevard. Roseville contains two multi-screen movie theatres on Eureka Road. Another theatre recently opened in Rocklin. Shopping centers are widespread, the largest of which is the Galleria at Roseville, a regional shopping mall that opened in 2000 and was expanded in 2008-2009. The mall is anchored by Nordstrom, Macy's, Sears and JC Penney.

Conclusion

Placer County is a diverse area, with growing cities, small towns and rural areas, and an abundance of open space. The cities of Roseville, Rocklin and Lincoln have experienced strong growth in population and development over the past several years. Placer County is one of the most affluent in the greater Sacramento region in terms of household income levels. The area has a number of positive attributes, including seismic stability, a well-educated work force, good transportation systems, relative affordability and availability of housing compared to the Bay Area, and an excellent level of community services. The long-term outlook for the region is very good.

Area Map



Surrounding Area

Introduction

This section of the report provides an analysis of the observable data that indicate patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as “a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises.

Neighborhood Boundaries

The boundaries of a neighborhood identify the physical area that influences the value of the subject property. These boundaries may coincide with observable changes in prevailing land use or occupant characteristics. Physical features such as the type of development, street patterns, terrain, vegetation and parcel size tend to identify neighborhoods. Roadways, waterways and changing elevations can also create neighborhood boundaries.

The subject property is located within the downtown area of the of Roseville. The subject’s neighborhood can generally be described as Interstate 80 to the east, Douglas Boulevard to the south, Foothills Boulevard to the west, and Pleasant Grove Boulevard to the north.

Access and Linkages

The subject property is located along Vernon Street, a two-lane street that represents a prominent arterial in Historic Roseville. Additional primary neighborhood thoroughfares in the subject’s vicinity include Washington Boulevard, Main Street, Atlantic Street, Douglas Boulevard and Riverside Avenue. The latter three thoroughfares connect with Interstate 80 within two miles of the subject. Interstate 80 is a major east-west freeway connecting the area with Sacramento and San Francisco to the west and Reno, Nevada to the east. Just north of the subject property are railroad tracks used by Union Pacific for freight transport and Amtrak for passenger transport. The Union Pacific Rail yards are located just north of the subject, east of Foothills Boulevard. Amtrak’s passenger rail station is located on Pacific Street in Downtown Roseville just north of the subject and provides daily service to Sacramento, Davis, Martinez, and Emeryville to the west; to the east, the trains connect with Colfax, Truckee and Reno and ultimately reach Chicago, Illinois.

Public transportation in the neighborhood is available via Placer County Transit (PCT), a regional bus system that serves Roseville, Granite Bay, Loomis, Rocklin, Auburn, and Colfax. Currently, the PCT has a free transfer agreement with all of the Sacramento Regional Transit buses and trains.

Demographic Factors

A demographic profile of the surrounding area, including population, households, and income data, is presented in the following table.

Surrounding Area Demographics					
2017 Estimates	1-Mile Radius	3-Mile Radius	5-Mile Radius	Sacramento-- Roseville--Arden- Arcade, CA (MSA) 2018	California
Population 2010	13,429	103,740	280,239	2,149,127	37,253,956
Population 2017	13,164	110,272	304,664	2,325,849	39,695,753
Population 2022	13,221	114,844	319,589	2,434,403	41,305,572
Compound % Change 2010-2017	-0.3%	0.9%	1.2%	1.1%	0.9%
Compound % Change 2017-2022	0.1%	0.8%	1.0%	0.9%	0.8%
Households 2010	5,336	39,665	103,877	787,667	12,577,498
Households 2017	5,438	42,660	112,967	847,046	13,388,653
Households 2022	5,548	44,600	118,507	885,670	13,935,677
Compound % Change 2010-2017	0.3%	1.0%	1.2%	1.0%	0.9%
Compound % Change 2017-2022	0.4%	0.9%	1.0%	0.9%	0.8%
Median Household Income 2017	\$51,711	\$72,759	\$76,300	\$68,773	\$70,636
Average Household Size	2.4	2.6	2.7	2.7	2.9
College Graduate %	19%	31%	31%	32%	32%
Median Age	39	39	39	38	37
Owner Occupied %	49%	59%	65%	61%	56%
Renter Occupied %	51%	41%	35%	39%	44%
Median Owner Occupied Housing Value	\$269,712	\$348,482	\$363,158	\$371,203	\$484,849
Median Year Structure Built	1960	1986	1990	1983	1976
Avg. Travel Time to Work in Min.	23	26	29	29	31

Source: EnviroNics Analytics

As shown above, the current population within a 3-mile radius of the subject is 110,272, and the average household size is 2.6. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to the Sacramento MSA overall, the population within a 3-mile radius is projected to grow at a slower rate.

Median household income is \$72,759, which is higher than the household income for the Sacramento MSA. Residents within a 3-mile radius have a similar level of educational attainment to those of the Sacramento MSA, while median owner-occupied home values are lower.

Land Uses

The subject neighborhood contains a mix of residential, commercial and community uses. The neighborhood is estimated to be over 90% built-out. The immediate vicinity of the subject represents the Downtown/Historic Old Town District of Roseville. Downtown is located south of the railroad tracks primarily along the Vernon Street corridor. While, Historic Old Town is located north of the railroad tracks and is bounded by Main Street to the north, Pacific Street to the south, Washington Boulevard to the west and Lincoln Street to the east.

The subject's immediate area has enjoyed recognition as a revitalized historic commercial district and benefits from its proximity to significant mature and new residential development, as well as regional transportation routes. The subject's neighborhood is primarily composed of mature retail development with supporting residential and office development interspersed throughout. The residential development in the neighborhood is generally targeted toward median-income buyers and

is primarily located southeast of the subject property. The quality and condition of the homes in the subject's neighborhood are considered average relative to other areas of Roseville.

In order to support private and public investment in the area, the City of Roseville has focused on several public improvement projects that will benefit the subject neighborhood. Additionally, the City has been actively working on the Downtown Vernon Street and Historic Old Town Specific Plan Project, which will help implement the Downtown Vision created by planners in early 2006. The Roseville City Council adopted the Downtown Specific Plan on April 1, 2009. The project area is 160 acres and includes Vernon Street, Historic Old Town, Royer Park, Dry Creek and the Oak Street/Douglas corridor. The goals of the project are to improve connectivity within Downtown as well between Downtown and its surroundings; identify land uses and development standards responsive to market opportunities and that facilitate quality architecture and urban design; reinforce identity through the establishment of character districts and gateway elements; create and enhance public places that support community activity, spirit and involvement; and promote arts, culture, heritage, entertainment and education.

Two prominent structures that have been completed along Vernon Street in Downtown Roseville are the Civic Plaza Office Complex and Parking Garage project. These developments are located between Vernon and Oak Streets at Grant Street. The parking portion was completed in 2007 and is a five-level, approximately 550-space free public parking garage. The parking facility also includes 5,000 square feet of ground floor retail space fronting Vernon Street that is occupied by Roseville Arts. As the neighborhood's first multi-level parking facility, this structure was constructed to meet parking demands and provide supplementary parking inventory into the future. The Civic Plaza Office Complex consists of a four-story, 50,000± square foot office building with ground floor retail space located at 116 S. Grant Street. Construction of this building was ultimately completed to warm shell condition in early 2016. As of the date of this appraisal, the building remains vacant and is being marketed for sale for an undisclosed sale price. It is our understanding the property owner wanted to lease the building to a single tenant rather than multiple smaller users. Brokers active in the area indicated with more aggressive marketing, and offering the option for smaller spaces, tenants could be secured for the building.

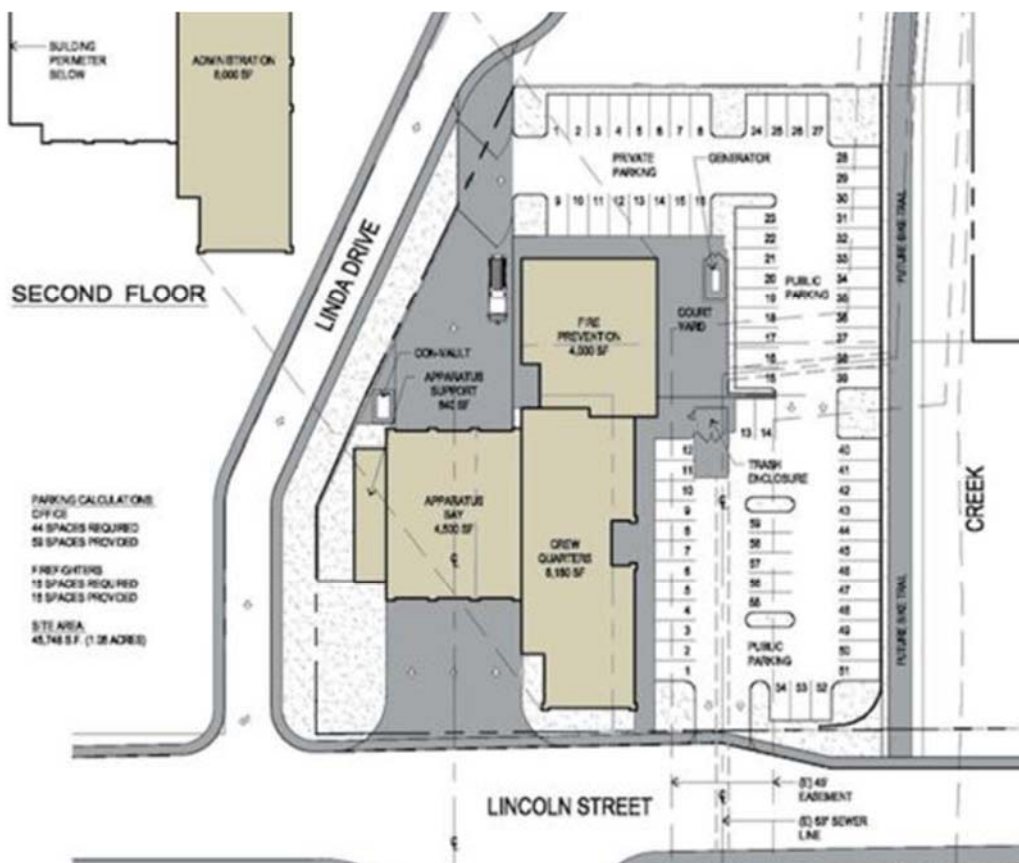
The Vernon Street Town Square project commenced construction in August 2012 and was completed in August 2013. The Vernon Street Town Square is located adjacent to the Roseville Civic Center and is bordered by Oak, S. Grant, and Vernon Streets. The purpose of the Town Square project was to provide a public space that can accommodate a variety of events and activities year-round. The space provides landscaping and lighting, event amenities (stage, convertible spaces, etc.), an interactive water fountain, signage and other improvements. The total cost was estimated at \$4.5 million. Current events include, but are not limited to, free concerts, Wine down at Town Square, Comedy Night, Movie Night Sing-Along, Food Truck Mania and Friday Flicks.

Another four-story, 83,000± square foot mixed-use building (ground floor retail and office on the upper floors) was completed in late 2016. The building is located adjacent to the subject property at 316 Vernon Street and replaces the old city hall building. The new building houses a large portion of the city staff and adult education/continuing education classes for Sierra College. A second parking garage at the corner of Oak and Washington Streets is also nearing construction and expected to be

completed by mid-June 2018. This garage has seven-stories and will have approximately 420 parking spaces, bringing the total garage parking to nearly 1,000 spaces.

Other proposed and in-the-works projects include the construction and relocation of the existing fire station from 401 Oak Street to the corner of Oak and Lincoln Streets, the Bridges and Trail project, The Lohse Apartments and a more recently proposed project in the historic downtown Roseville area, Junction Crossing. A summary description (some *verbatim* from city documents) as to what is proposed, and some design drawings are as follows:

- “The relocation of Fire Station #1 from the intersection of S. Grant Street and Oak Street will provide an approximately 3-acre development site. Integrated into the development is a creek walk intended to connect Douglas Blvd. to the current Icehouse bridge location. From there you will be able to gain access to the fully completed bike trail system that will take you all the way out to Sierra College Blvd. This level of development will then help to activate the Downtown! As part of the Downtown Specific Plan the relocation of Fire Station No. 1 was supported by the community. An evaluation of where to site a new station was performed and the intersection of Oak and Lincoln Street was selected.”* Construction of the new fire station is well underway and may be completed as soon as mid-June 2018





- *“The Downtown Bridges and Trails Project continues implementation of that vision by providing three important bridge connections across Dry Creek and continuation of the Dry Creek/Miners Ravine trail system. The project implements the Downtown Vision by improving connections between Royer Park and the Vernon Street/ Town Square area, and by closing the gap in the Class I trail system.”*

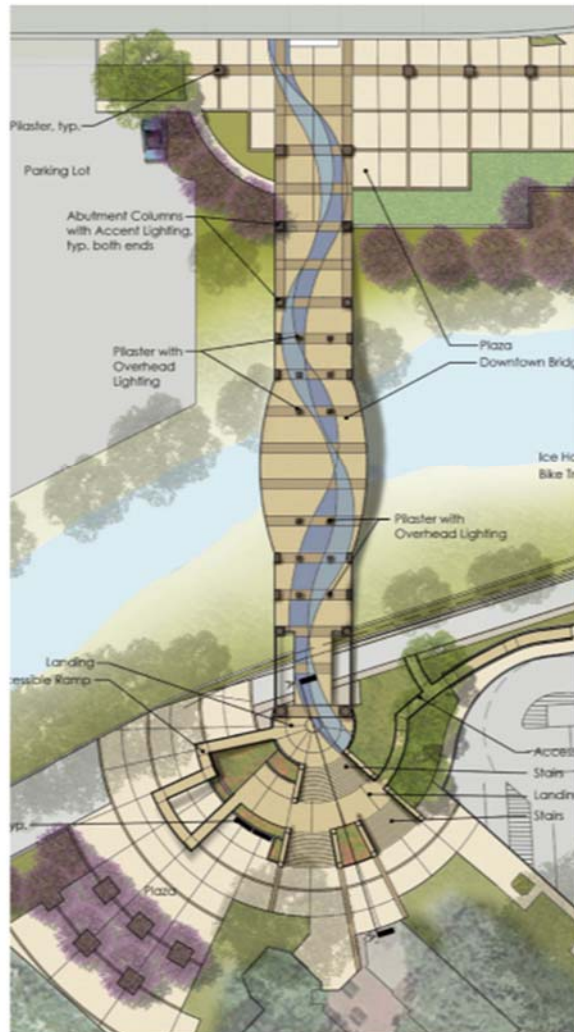
Rotation of the Rube Nelson Ice House Bridge and Extension of the Class I Trail



Replacement of the
Library Bridge



New Downtown Pedestrian
Bridge to Royer Park

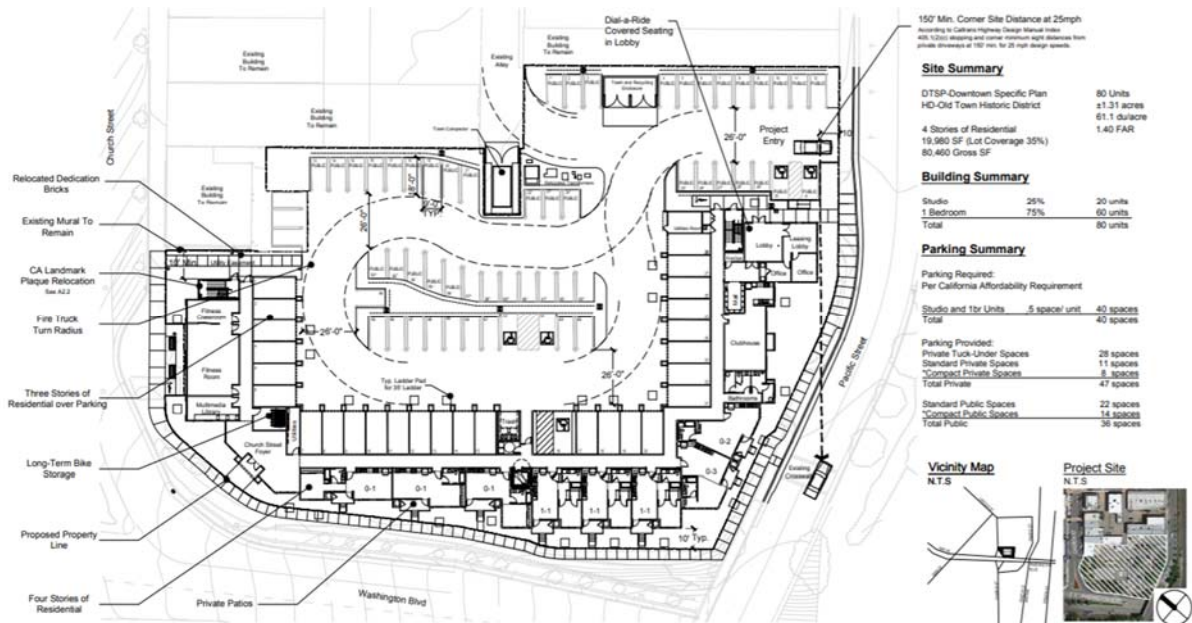


- The Lohse Apartments: The Lohse Apartments is a four-story, mixed-use project located at 623 Vernon Street. At completion the project will include 58-unit affordable housing project with approximately 2,900 square feet of ground-floor retail space. The property will include 60 underground and four surface parking spaces. Project amenities will include a community room, computer area, lounge area and laundry room and outdoor play facilities in a central courtyard. The project will be comprised of one-, two- and three-bedroom units ranging in size from 557 to 1,095± square feet. The project is being developed by Mercy Housing California and is being primarily funded through affordable housing tax credits. The project is well under way and Mercy Housing has already started preleasing activities and accepting applications.



- Junction Crossing: *“The applicant requests approval of a Minor Design Review Permit to allow a four-story, approximately 80,460 square foot, 80-unit affordable multi-family residential building, with associated parking for St. Anton’s Communities. A Tentative Subdivision Map is also requested to allow the merging and resubdivision of 11 parcels, totaling approximately 1.38 acres, into two parcels (Parcel 1 = 0.07 acres, Parcel 2 = 1.31 acres), with right-of-way abandonments and dedications, consistent with Government Code Section 66499.20.2.”*





The following map illustrates the projects discussed and their location in relation to the subject.



Note: Subject is identified by the red star

The following are current photos (May 2018) of the projects previously discussed.



Parking garage completed in 2007



116 S. Grant Street



Vernon Street Town Square



Civic Center



316 Vernon Street (adjacent to subject)



Parking garage nearing completion (200 Oak Street)



New fire station (80 Lincoln Street)



The Lohse Apartments



Future site of Junction Crossing

At this point, the City of Roseville is in a holding period as to what will happen to the subject property after the expiration of the lease on April 30, 2020. The Downtown Specific Plan identified the subject property and the old city offices as one of the six catalyst sites. The original pre-design envisioned for the subject, which included the adjacent former city offices, was for a single three-story commercial building and parking garage totaling 173,000 square feet. As previously mentioned, the adjacent site was developed in 2016. According to representatives of the city, the development of a four-story, 80,000± square foot office building is the most recent plan for the subject site; however, no definitive plans are in place and could include office, or some mix of office, retail and possibly multifamily.

Community Uses

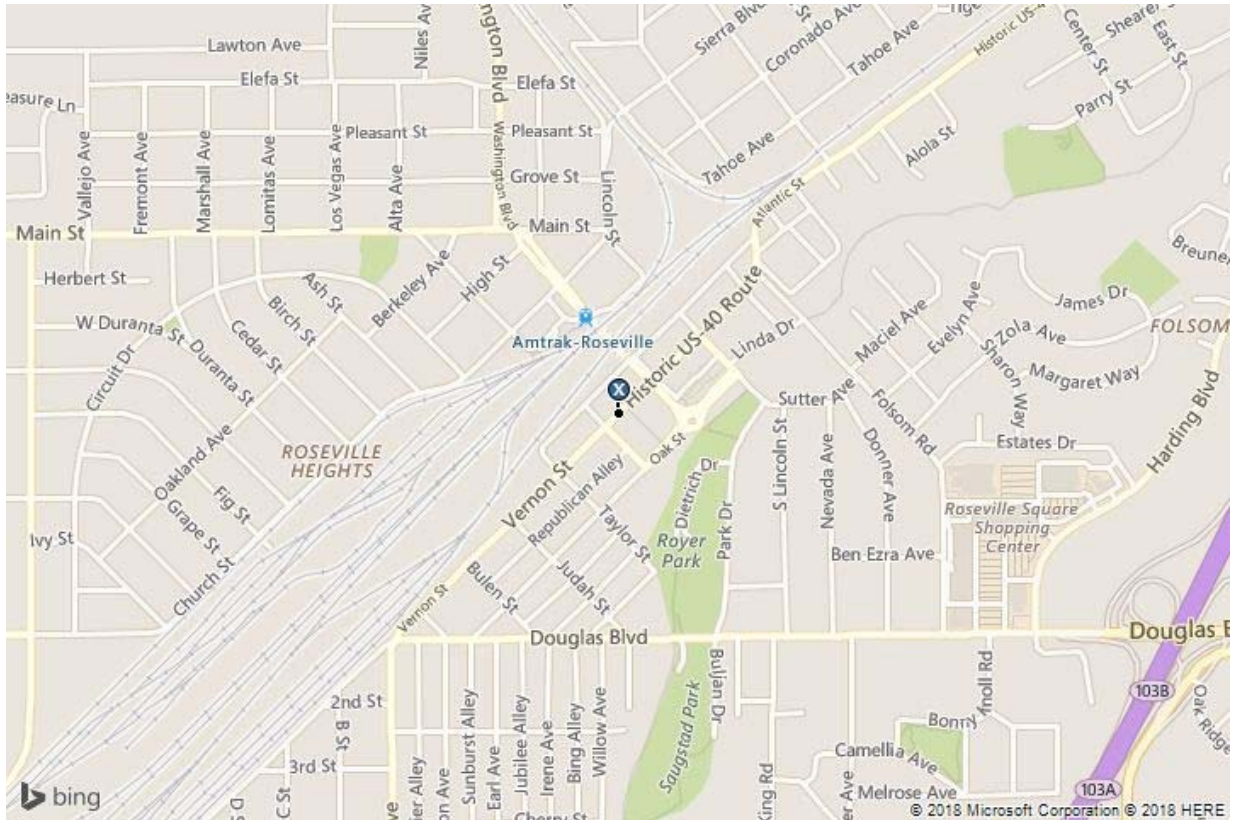
There are several community uses in the neighborhood, such as schools, churches, parks, and recreational and cultural facilities. Parks near the subject property include William L. Taylor Park to the northeast and Royer Park to the south. The subject is also proximate to numerous religious facilities of various faiths. Bradford Woodbridge Fundamental Elementary School is located northwest of the

subject and Roseville High School is located northeast of the subject. Additionally, the Placer County Fairgrounds and All American Speedway are located to the northwest.

Outlook and Conclusions

In summary, a balance of residential and supporting commercial and community uses characterize the area. The historic and downtown Roseville areas are experiencing some revitalization of older properties, redevelopment and these trends are expected to continue for the next few years.

Surrounding Area Map



Office Market Analysis

Recovery in the Sacramento office market is well underway, with continued improvement through the first quarter of 2018. Net absorption was once again positive, despite several large vacancies coming to market. The region's vacancy rate has consistently declined over the past few years, except for slight upticks in the first quarters of 2015 and 2016. The overall average vacancy rate was 12.8% as of the end of the first quarter 2018. After several quarters of increases, the average asking lease rates are stabilizing, ending the first quarter 2018 at \$1.86 per square foot/month, a 0.5% decrease from the previous quarter.

The statistics noted above and those presented throughout this analysis are extracted from surveys published by CBRE for office buildings 10,000 square feet or larger, excluding government-owned, medical and owner-user buildings.

The State of California represents the largest user of office space in the Sacramento region. Although the State is often looking for new office space for its various departments, it is uncertain how their space needs may change over the coming years. Additionally, the State typically has lease cancellation rights in its standard lease agreements. Sacramento County is another major office tenant in the region. According to CBRE, government leases accounted for about 31% of the region's leases in the fourth quarter of 2017.

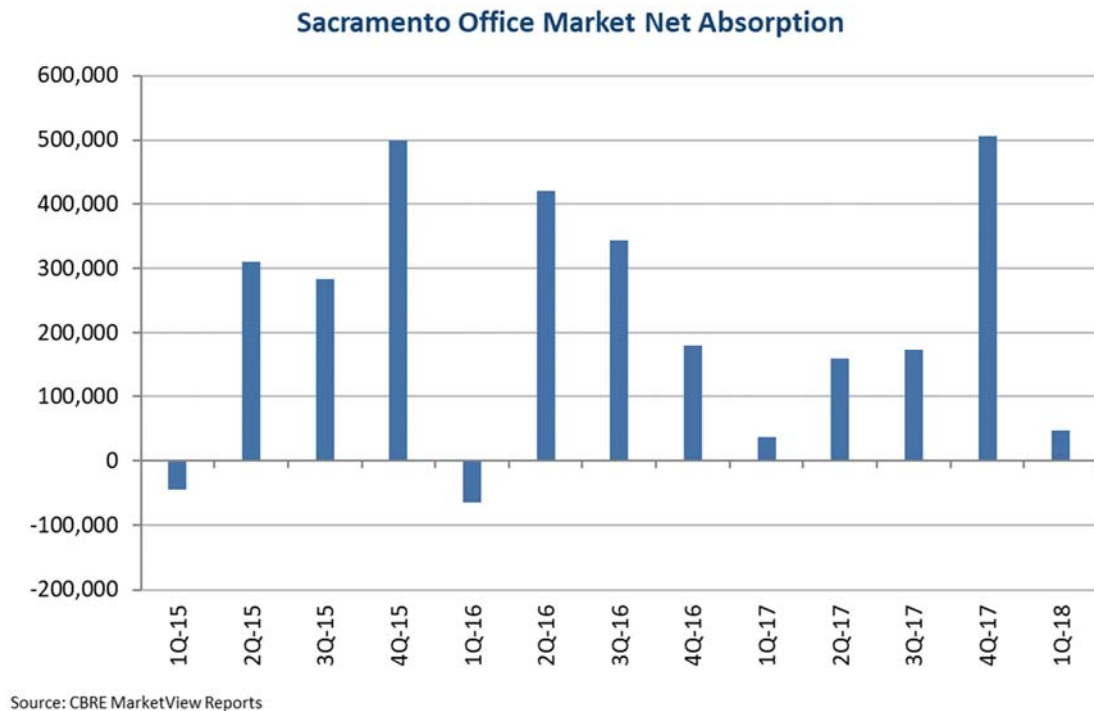
Vacancy and Absorption

The following charts illustrate recent vacancy and net absorption trends in the region. Both exhibit the continued recovery being experienced in the office market after the steep downturn following the Great Recession of 2008/2009.



Office vacancy in the region has been on a steady moderate decline for a number of years. The first quarter 2018 closed out with an overall vacancy of 12.8%, which is ten basis points lower than the previous quarter and 170 basis points lower than a year ago. Vacancy is at its lowest level in over ten years, since the fourth quarter of 2007. This slow downward trend is expected to continue over the near term.

Net absorption has likewise been predominantly positive for the past several years, with a few quarters of relatively low negative absorption. Net absorption was over 1 million square feet in 2015, over 800,000 square feet in 2016 and approximately 874,000 square feet during 2017. The following highlights net absorption trends over the past three years.



The first quarter 2018 added 45,796 square feet of positive net absorption, indicating healthy leasing activity despite large vacancies being added to the overall inventory. The following table shows current vacancy and absorption data by submarket.

Sacramento Office Market Summary

Submarket	Total SF (millions)	Vacancy 1Q 2018	Net Absorption 1Q 2018
Midtown	1.9	5.8%	(13,063)
West Sacramento	1.2	6.5%	(19,543)
South Sacramento	1.3	17.1%	(36,890)
East Sacramento	0.4	0.0%	0
Howe Ave/Fulton Ave	1.8	20.7%	33,071
Natomas/Northgate	2.3	23.3%	74,528
Watt Ave/Auburn Blvd	1.3	15.9%	2,367
Highway 50 Corridor	11.5	15.6%	55,708
Carmichael/Fair Oaks	0.3	7.5%	(2,532)
Citrus Heights/Orangevale	1.0	12.6%	2,090
Point West/Tribute	2.5	13.9%	38,112
Campus Commons	1.5	16.3%	37,731
Hazel/Folsom	2.6	12.8%	(23,820)
Elk Grove/Galt	1.2	9.2%	2,387
Roseville/Rocklin	7.2	11.1%	(103,295)
South Natomas	3.2	7.4%	13,709
Downtown	10.7	10.3%	(14,764)
Total	52.1	12.8%	45,796

Source: CBRE MarketView Reports

The Natomas/Northgate submarket posted the highest net absorption level during the first quarter of 2018, with 74,528 square feet absorbed. Two significant leases in this market were the Judicial Council of California, which leased 28,263 square feet on Gateway Oaks Drive, and the Gambling Control Commission with 27,337 square feet leased, also on Gateway Oaks Drive. The Highway 50 Corridor posted the next highest net absorption at 55,708 square feet. Two notable leases contributed to this figure. Referral Exchange leased 33,401 square feet at 10911 White Rock Road and the State of California leased 32,350 square feet at 9835 Goethe Road.

The Roseville/Rocklin submarket posted the negative net absorption of 103,295 square feet due to the vacancy of a 157,518 square foot building which was previously owner-occupied and has become available for lease.

The Downtown area posted negative net absorption for the first time in two years. There are fewer blocks of large, contiguous spaces available in the CBD, prompting some larger users to locate to key suburban submarkets where that need can be met. The suburban net absorption in the region was 60,560 square feet; whereas the overall net absorption for the Sacramento region was skewed downward by the CBD to 45,796 square feet.

Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time subject to space that is available. This snapshot is influenced by the quality and quantity of space available at the time and is not indicative of rental rate trends in any given quarter.

According to CBRE surveys, rental rates for office space in the region generally trended downward from about mid-2008 through mid-2013 and have been flat to slightly increasing for the past 3-4 years. As of the first quarter of 2018, the region's average asking rate was \$1.86 psf/month (full service), compared to \$1.87 psf/month in the previous quarter and \$1.79 psf/month a year earlier. For the suburban submarkets, the average asking rate was \$1.75 psf/month, compared to \$2.58 psf/month for the Downtown submarket. In terms of property classes, the average rates in the first quarter held steady over the previous quarter at \$2.22 psf/month (full service) for Class A, decreased slightly to \$1.81 psf/month for Class B and increased \$0.02 to \$1.49 psf/month for Class C product.

New Construction

The Sacramento office has experienced significant recovery and the improving conditions have resulted in several large build-to-suit/owner-user projects that are underway. The largest of these developments is the proposed Adventist Health headquarters at 501 N. Sunrise Avenue in Roseville. This 242,000 SF project will bring Adventist's five South Placer County locations under one roof by the end of Q1 2019. Two other new healthcare-related developments are proceeding for Kaiser Permanente at 1001 Riverside Avenue (194,000 SF) and Dignity Health in Citrus Heights (68,000 SF). Health services continues to be one of the primary sectors of employment growth and this sector has contributed the most to office absorption and new construction in 2017, continuing through 2018.

Since the end of the Great Recession, the high cost of construction has limited the financial feasibility of large-scale speculative projects. Although vacancy rates are trending downward during this period of recovery, rental rates still have not reached a level to justify new construction in most submarkets.

The Ice Blocks project in the R Street corridor will be the first significant speculative office completion in nearly a decade. It is nearing completion and delivery of approximately 100,000 square feet is expected in the next quarter. With a shortage of large floor plate office space available in downtown, it is expected this project will lease quickly. One other speculative office project is under construction – an 11,242 square foot Class B building in South Sacramento. There is no additional significant speculative construction in the pipeline and no new speculative construction commenced during the first quarter 2018.

The two largest Class A projects previously announced for the Downtown market (Vanir Tower at 610 J Street and CalPERS/CIM at 301 Capitol Mall) continue to be in a holding pattern. The State's proposed office building at 8th and O Street is expected to break ground this fall. The majority of California's natural resource agencies will be housed within the proposed 838,000 square foot, 20 stories tall building. In the North Natomas submarket, Centene, a company specializing in healthcare coverage and services, submitted plans for review of a new campus along I-5. The first phase proposes two four-story buildings totaling 519,000 square feet. At build-out, the campus would be a 1.25-million-square-foot regional headquarters.

Moving forward, office development in the region will likely continue to center around government and healthcare build-to-suit projects, with speculative capital invested in renovations of existing product or apartment and warehouse construction. This will continue until rents increase enough to justify new construction and values approach replacement cost.

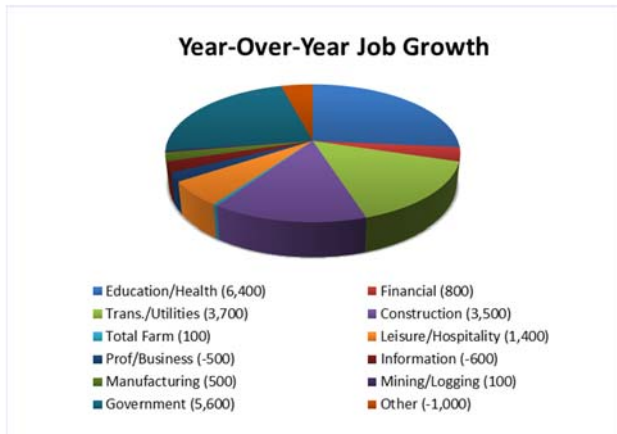
Employment

Employment conditions in the region continue to improve. According to the latest data from the California Employment Development Department (EDD), total employment in the Sacramento-Roseville-Arden/Arcade Metropolitan Statistical Area (Sacramento MSA) was up 2.1% year over year as of March 2018.

Over the past year, between March 2017 and March 2018, 20,000 new jobs were added to the market, representing a 2.1% growth. The largest job growth sectors were

Education/Health Services, Government and Trade/Transportation/Utilities. Education and Health Services led the year-over-year growth with 6,400 jobs added; 84.4% of these were in the health care and social assistance sectors. Government job growth of 5,600 jobs was split equally between state and local government. The Trade/Transportation/Utilities industry gained 3,700 jobs.

The unemployment rate in the Sacramento MSA was 3.9% as of March 2018, down from 5.0% from the previous year. By comparison, the unemployment rates for California and the U.S. were 4.2% and 4.1%, respectively, for the same time period.



Downtown Roseville Submarket Analysis

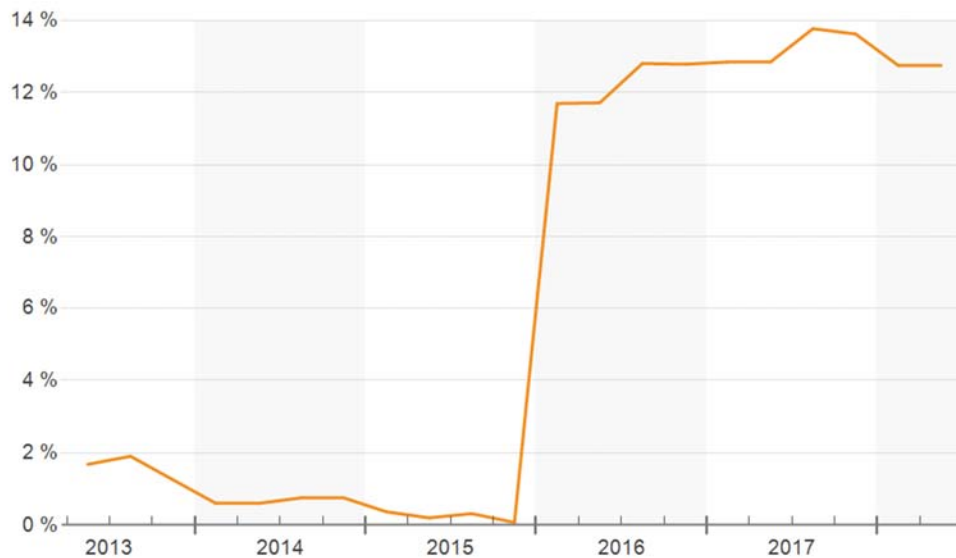
The subject property is located in the Roseville/Rocklin submarket of the Sacramento region. In order to analyze office market conditions in the subject's immediate area, we have utilized survey data published by CB Richard Ellis. In addition, we relied on CoStar Property for a survey of office properties that are similar to and competitive with the subject.

According to market surveys published by CB Richard Ellis, the overall office vacancy rate in the Roseville/Rocklin submarket was approximately 11.1% during the first quarter of 2018. The submarket's vacancy rate was lower than the regional vacancy rate of 12.8%.

Pertaining to office properties more proximate to the subject property, we queried CoStar Property Analytics to determine the supply and vacancy for existing office properties within a half mile of the subject. This search revealed a total of 74 properties containing a total rentable area of 443,856 square feet, of which 56,561 square feet was vacant as of the first quarter of 2018. The implied vacancy rate is 12.7%. This rate is slightly higher than the vacancy rate reported by CB Richard Ellis. In the first quarter 2016 vacancy jumped from 0.1% to 11.7% and has remained above since that time. The spike in vacancy was due to the delivery of the Civic Plaza Office Complex previously discussed. By excluding this property (51,570 square feet), which has not been aggressively marketed, from both the inventory and vacant space, the vacancy rate of the remaining space is 1.27%.

The following chart illustrates the trend for vacancy of the surveyed properties over the past five years.

Historical Vacancy Rates

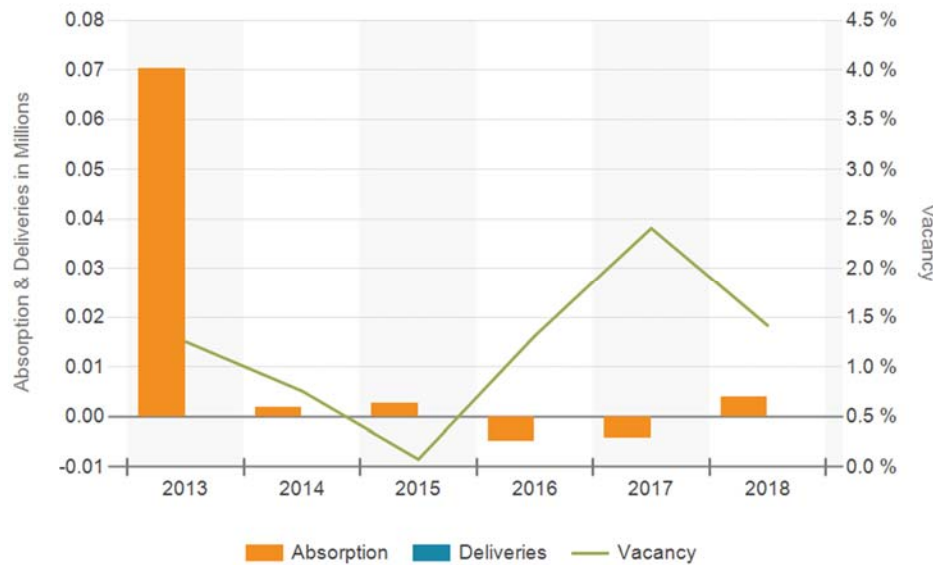


Absorption and average asking rental rates were also examined using CoStar Property Analytics with the same parameters discussed above. The average asking rental rates fluctuated up and down from quarter-to-quarter with no apparent trend. Given the small sample size of properties with vacancies, the average asking rental rate reported is not necessarily indicative of average rental rates in the entire market. The table below details absorption, vacancy, and average asking rental rate over the past three years, as reported by CoStar.

CoStar Property Analytics					
Period	Total Rentable Area (SF)	Total Vacancy	Vacancy %	Total Net Absorption (SF)	Avg. Lease Rate
2018 Q1	443,856	56,561	12.7%	3,877	\$1.50
2017 Q4	443,856	60,438	13.6%	664	\$1.52
2017 Q3	443,856	61,102	13.8%	(4,122)	\$1.52
2017 Q2	443,856	56,980	12.8%	0	\$1.51
2017 Q1	443,856	56,980	12.8%	(260)	\$1.51
2016 Q4	443,856	56,720	12.8%	87	\$1.51
2016 Q3	443,856	56,807	12.8%	(4,850)	\$1.83
2016 Q2	443,856	51,957	11.7%	(87)	\$1.83
2016 Q1	443,856	51,870	11.7%	0	\$1.83
2015 Q4	392,286	300	0.1%	962	\$1.78
2015 Q3	392,286	1,262	0.3%	(462)	\$1.78
2015 Q2	392,286	800	0.2%	656	\$2.01

Note: The average lease rate shown is on full service terms.

The following chart shows the average vacancy rate, absorption and deliveries over the past five years, as reported by CoStar Property Analytics.



Overall, the general consensus among brokers active in the subject's market area is that the office market is has improved and conditions are expected to continue to improve in the coming periods. Vacancy for similar properties in the area is low, indicating that there is demand and rental rates will continue to rise. However, the subject's location is a secondary location to more desirable areas such as Douglas Boulevard, Downtown Sacramento and the Highway 50 corridor and rental rate appreciation is expected to lag behind these primary markets.

Looking Ahead

Recent market trends suggest the Sacramento office market is in the final stages of recovery. Most market participants expect recovery and growth to be a gradual process. Employment gains in the region have been healthy, but office vacancy continues to be somewhat high. On the supply side, new speculative construction has been very limited in the past few years and is expected to remain this way until rental rates and values increase to the point of financial feasibility. Overall office vacancy is expected to continue its gradual decline over the next year fueled in large by decreasing vacancy in the suburban markets as larger users absorb space that is not readily available in the downtown district. Rental rates are expected to moderately increase over the next 12 months, with Class A properties seeing the largest increases because of stronger demand. Downtown continues to be the most desirable submarket, but space is becoming increasingly difficult to find and users will shift their demand to quality product in key suburban submarkets.

Retail Market Analysis

The retail market in Sacramento has been on a path of stabilization and improvement over the past few years. The first quarter of 2018 continued that trend, though with more moderate results.

The market experienced healthy leasing activity, but also saw the closing of a few anchor tenants. The overall effect was positive net absorption of 53,209 square feet for the quarter and a slight decrease of ten basis points in the overall vacancy when compared to the previous quarter. Vacancy has been trending consistently downward since the first quarter of 2010, except for a couple of small increases in individual quarters, and the first quarter closed out at a reported rate of 8.4%.

New construction in the region has increased over the past 2-3 years as economic conditions have improved, and several large projects have recently been completed or are nearing completion. Among these is Delta Shores, a 741,200 square foot power center and the largest new retail development in the Sacramento region in over a decade, as well as two mixed use projects in the Downtown submarket. There are no new large centers scheduled for construction in 2018.

Despite the improving economic fundamentals, market participants continue to be concerned about the structural changes to retail. While there was relatively strong retail spending growth in the Sacramento area during 2017, the increase in e-commerce continues to have an impact on brick-and-mortar projects. There have been closures and announced closures of several big box tenants over the past few years, and several over the past six months. Sacramento will not be immune to the structural changes occurring. Landlords and tenants alike have the difficult job of trying to predict what the future holds for in-store sales and how to stay relevant and maintain foot-traffic going-forward.

It is noted the figures in this overview are based on quarterly surveys published by brokerage CBRE for retail buildings 20,000 square feet and larger, excluding regional malls. Market conditions may not be similar for smaller retail properties. In fact, many brokers have indicated market conditions are typically not as strong for smaller, unanchored properties. Anchored centers are generally more likely to maintain stabilized occupancy levels compared to unanchored centers.

Economic Overview

The year 2017 was one of economic growth in the United States. Job growth continued to rise, although the pace of growth slowed as it neared full employment. Wages increased for the third consecutive year and continue trending upward. Consumer spending and confidence both increased; consumer confidence hit a 17-year high in November 2017 and is expected to remain at historic high levels through 2018. Retail sales increased 4.2% in 2017 from the previous year, hitting a record of \$5.7 trillion.

In the Sacramento MSA (El Dorado, Placer, Sacramento and Yolo Counties), unemployment was 3.9% in March 2018, down from 5.0% a year prior. This compares favorably to the unemployment rate of 4.2% for California and 4.1% for the nation. The Sacramento region added 20,000 new jobs (up 2.1%) between March 2017 and March 2018, with total employment growing to 985,900. The Sacramento area is becoming an increasingly popular alternative to the costly Bay Area markets. The continued in-migration to the area is expected to fuel population and workforce growth, which will drive demand for the commercial and retail sector.

Absorption & Vacancy

The chart below highlights the region's net absorption over the past few years.



Source: CBRE MarketView Reports

The Sacramento retail market has experienced a significant range of highs and lows over the last economic cycle. The retail market was very strong in the year 2007 with about 3 million square feet of positive net absorption. In 2008, net absorption was still positive but dropped significantly to about 600,000 square feet. The region's net absorption was negative for the year 2009, with various brokerages estimating over 1 million square feet of negative net absorption. The annual net absorption turned positive in 2010 with about 170,000 square feet. During the four-year period of years 2011 through 2014, annual net absorption was fairly consistent, exhibiting between 530,000 and 600,000 square feet per year. Net absorption increased in the year 2015 to about 930,000 square feet. Most of this activity was due to big box leasing. For the year 2016, the region experienced net absorption of 217,311 square feet. In the first half of the year, leasing activity was strong among smaller tenants, but the overall market was impacted by the closing of five larger stores, including two Save Mart stores, two Sport Chalet locations and a clothing store. In the second half of the year, several larger leases were executed, which helped close the year with positive net absorption despite the closing of several Sports Authority stores.

In 2017, the region experienced an annual net absorption of 1,099,674 square feet. The significant increase over the previous year was due primarily to completions of new retail projects. Most notably, the Delta Shores project delivered 180,906 square feet of space in the fourth quarter 2017.

The first quarter of 2018 saw more vacancies of big box tenants, including Safeway and Big Lots in the West Capitol Plaza, West Sacramento, and Walmart and Sam's Club in the Country Club Centre (Arden/Howe/Watt submarket). In addition, Sears announced the closure of two stores in the Sacramento Region – Roseville Galleria and Sunrise Mall locations – and Toys R Us / Babies R Us

announced the insolvency of its business, which will result in ten store closures in the region. Toys R Us opened in 1948 and, although a concrete timeline has not been announced, the liquidation will close nearly 800 stores nationwide. The net absorption in the Sacramento region may be negatively impacted by impending store closures, as many power centers will be left to absorb these vacancies in a market where fewer retailers are looking for 40,000-60,000 square foot big box buildings.

Net absorption in new developments and healthy leasing activity in desirable submarkets helped offset the vacancies during the first quarter. Some recent leases and activity include:

- Rocklin Crossings completed an expansion of its center, with the buildings leased to TJ Maxx (21,000 sq. ft.) and Homegoods (21,000 sq. ft.)
- RC Willey (166,000 sq. ft.) and Regal Cinema (58,200 sq. ft.) opened their stores in Delta Shores
- TJ Maxx leased 21,000 sq. ft. in Promenade at Sacramento Gateway, Natomas
- Studio Movie Grill leased 50,000 sq. ft. at 8501 Auburn Blvd., Citrus Heights
- Roseville Motorsports leased 34,303 sq. ft. at 5905 Pacific Street, Rocklin
- Grocery Outlet leased 18,270 sq. ft. at 8835 Greenback Lane, Citrus Heights

Notable sale transactions in the first quarter 2018 include a \$25 million transfer of a Safeway-anchored center at 3308-3350 Arden Way. The center has rentable area of 137,714 square feet; additional tenants include a Dollar Tree, CVS and California Family Fitness center in space previously occupied by Sports Authority. The Macy's at Country Club Plaza sold for five million dollars to EDM Realty Corp., owners of the mall.

The following chart summarizes the recent history of retail vacancy in the Sacramento region.



The average retail vacancy in the Sacramento area has been consistently declining since 2010. The vacancy rate at the end of 2017 reached the previous cycle levels of nearly a decade ago. The first quarter posted an overall vacancy of 8.4%, down 10 basis points from the previous quarter and down 70 basis points from the previous year. The research report prepared by Colliers International indicates overall vacancy increased this quarter, primarily due to much of the absorption occurring in new space and not enough existing space being leased to offset the vacancies incurred.

Moving forward, it is anticipated that, due to the number of big box vacancies experienced in the region, coupled with more to come from stores that have announced closures, the overall vacancy rate will not decline much lower in the near term. Vacant space remains scarce in prime submarkets as tenants focus their demand there, while less desirable submarkets are finding it difficult to sustain demand.

The table below summarizes recent vacancy rates and net absorption by submarket. According to the CBRE research report, the submarkets achieving the highest absorption levels for the first quarter of 2018 were Rocklin and Arden/Watt/Howe with 99,414 and 66,745 square feet, respectively. The Colliers report indicates the South Sacramento submarket had the highest absorption due to deliveries and leasing at Delta Shores, while the Arden/Watt/Howe submarket had the largest negative absorption due to the closure of Walmart and Sam's Club.

Sacramento Retail Market Summary			
Submarket	Total SF (millions)	Vacancy 1Q 2018	Net Absorption 1Q 2018
Arden/Watt/Howe	3.7	11.0%	66,745
Auburn/Loomis	1.2	5.0%	(4,112)
Carmichael	1.3	17.6%	(2,573)
Citrus Heights/Fair Oaks	4.5	12.1%	(572)
Folsom/El Dorado Hills	5.6	6.6%	(5,382)
Greenhaven/Pocket	0.4	9.6%	1,200
Hwy 50/Rancho Cordova	2.9	14.1%	8,475
Laguna/Elk Grove	5.7	4.5%	(39,191)
Lincoln	1.2	2.3%	(1,515)
North Highlands	2.6	9.5%	8,709
North Natomas	2.4	7.9%	(2,584)
Rocklin	2.7	7.7%	99,414
Roseville	6.6	4.5%	2,669
South Natomas	0.6	9.7%	1,200
South Sacramento	4.7	13.0%	(48,181)
West Sacramento/Davis	2.6	4.2%	(31,093)
Total	48.7	8.4%	53,209
Source: CBRE MarketView Reports			

Rental Rates

This section discusses average asking rental rates. The reader should note these rates provide only a snapshot of activity at a specific point in time, subject to space that is available in the marketplace. This snapshot is influenced by the quality and quantity of space available at the time and is not indicative of rental rate trends in any given quarter. Guarded reliance should be placed on average asking rates due to the number of variables impacting these figures.

According to CBRE, the average asking rental rate for retail space in the Sacramento region was \$1.55 psf/month, triple net, in the first quarter of 2018. This average was up \$0.04 from the previous quarter but has remained relatively stable over the past three years, hovering between \$1.48 and \$1.52 psf/month. The market is experiencing a widening gap between asking rates in newly constructed centers in desirable submarkets and obsolete centers in secondary locations, resulting in an offsetting effect on the average, but a larger range. With only minimal new construction projected to deliver additional space in 2018, demand for retail space will keep average asking rents from decreasing much in the near term.

New Construction

Construction activity was limited in the region during the period of roughly 2008-2013 in response to market conditions; however, new construction has increased in the region since 2014 as feasibility has improved. In the year 2014, new completions totaled about 390,000 square feet. In 2015, completions totaled about 370,000 square feet and included a 120,000 square foot Lifetime Fitness athletic club in Roseville, two buildings in the Rocklin Crossings shopping center (one of which is occupied by Bass Pro Shops), and a big box store in South Sacramento. The only completion in the first quarter of 2016 was an Applebee's restaurant in Rocklin. In the second quarter of 2016, there were two completions totaling about 34,000 square feet, including a Nordstrom Rack expansion in Folsom and three shop buildings in the Rocklin Crossing center in Rocklin. In the third quarter of 2016, completions totaled about 49,000 square feet – a Home Goods store in the Arden/Watt/Howe submarket and a Smart & Final store in Citrus Heights. Over 254,000 square feet was completed in the fourth quarter, including a Lifetime fitness center in Folsom; and a Raley's grocery store, Nordstrom Rack and Cinemark Theater in the Arden/Watt/Howe submarket. In Downtown Sacramento, the new Golden 1 Center arena was completed in 2016 for the Sacramento Kings NBA basketball team, as well as for various concerts and other events. Several restaurants and shops have opened or are planned in and around the new arena.

In 2017, new construction was concentrated within two new major projects. The bulk of this was either build-to-suit or pre-leased before development began. Delta Shores, located in the South Sacramento submarket adjacent to Interstate 5, is an approximate 740,000 square foot retail center. In the fourth quarter 2017, Wal-Mart Supercenter opened a 300,000 square foot store, joining Dick's Sporting Goods, Hobby Lobby, Ross, ULTA, Old Navy, and PetSmart. RC Willey (170,000 square feet) and Regal Cinemas (14 screens) opened during the first quarter 2018.

New deliveries in the first quarter 2018 include the previously mentioned expansion at Rocklin Commons - 42,000 square feet leased to TJ Maxx and HomeGoods; RC Willey and Regal Cinemas in Delta Shores and a 29,296 square foot Sprouts Farmers Market in Natomas.

In the Downtown submarket, completion of Ice Blocks and Downtown Commons (DOCO) developments will further drive net absorption throughout 2018. Ice Blocks is a mixed-use development in the historic R Street Corridor in Midtown. At completion, it will feature three city blocks of ground floor retail with boutiques, cafes and restaurants, as well as office space and 142 loft-style apartment units. The last of the three blocks was delivered in the fourth quarter 2017, with West Elm leasing the largest 10,992 square feet space and scheduled to open mid-2018. Existing tenants include Bounty & Beast, Philz Coffee, Button Up boutique, Pure Barre, and several others.

Downtown Commons (DOCO) is a 630,000-square foot lifestyle center anchored by Macy's, Cinemark, 24 Hour Fitness and Urban Outfitters. The Sawyer Hotel mixed-use development, located in the DOCO project, delivered 53,000 SF of retail/restaurant space at the end of 2017. In addition to the larger anchor tenants, several restaurants have already opened (Haagen-Dazs, Punch Bowl Social, Sauced BBQ and Spirits); Echo & Rig Steakhouse opened in the first quarter 2018 and several others are scheduled to open later in the year - Burger Lounge, State Fare and Pressed Juicery.

The region has no new, large construction projects in the pipeline and construction activity will be minimal during the year 2018.

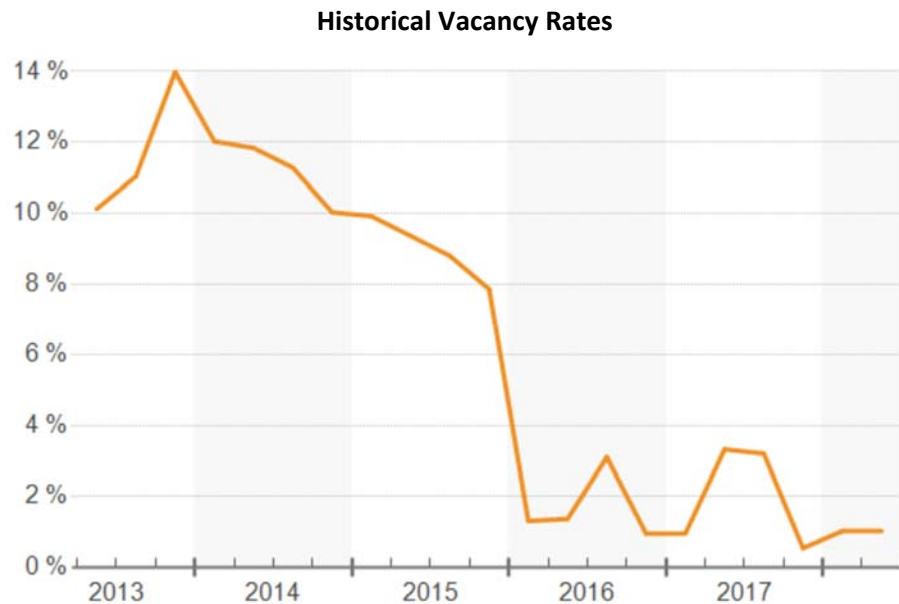
Downtown Roseville Submarket Analysis

Similar to the office submarket analysis, we have utilized survey data published by CB Richard Ellis. In addition, we relied on CoStar Property for a survey of retail properties that are similar to and competitive with the subject.

The subject is located in the Roseville retail submarket of the Sacramento region. According to market surveys published by CB Richard Ellis, the overall retail vacancy rate in the Roseville submarket was approximately 4.5% during the first quarter of 2018. The submarket's vacancy rate was lower than the regional vacancy rate of 8.4%.

Pertaining to retail properties of a similar size and more proximate to the subject property, we queried CoStar Property Analytics to determine the supply and vacancy for existing retail properties with less than 30,000 square feet of rentable area and within a half mile of the subject. This search revealed a total of 92 properties containing a total rentable area of 434,225 square feet, of which 4,493 square feet was vacant as of the first quarter of 2018. The implied vacancy rate is 1.0%. This rate is lower than the vacancy rate reported by CB Richard Ellis for the Roseville submarket, which indicates that the subject's specific location and size appear to be faring better than the submarket as a whole.

The chart on the following page illustrates the trend for vacancy of the surveyed properties over the past five years.

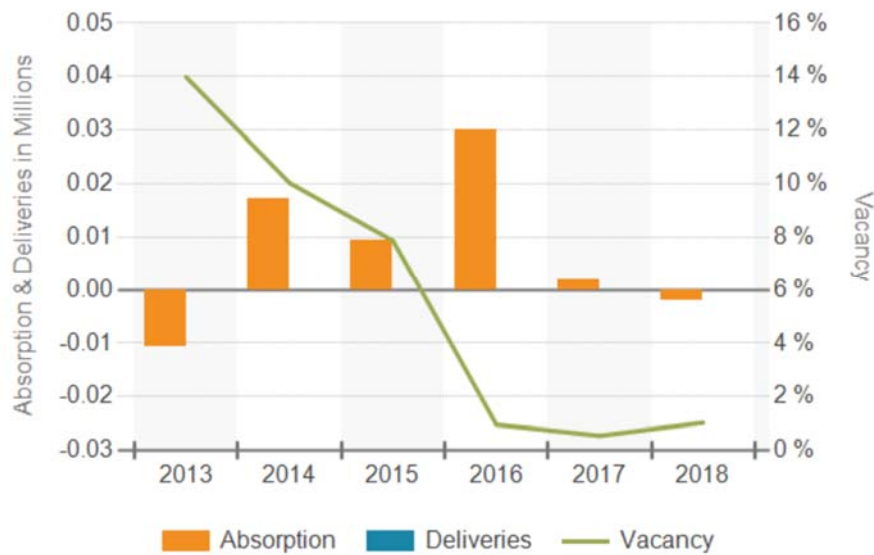


Absorption and average asking rental rates were also examined using CoStar Property Analytics with the same parameters discussed above. Overall average asking rental rates have increased 18.44% over the past three years for retail properties, with fluctuations from quarter-to-quarter and no apparent trend. Although vacancy has also fluctuated up and down slightly from quarter-to-quarter, overall vacancy has been below 5% since the beginning of 2016. The table below details absorption, vacancy, and average asking rental rate over the past three years, as reported by CoStar.

CoStar Property Analytics					
Period	Total Rentable Area (SF)	Total Vacancy	Vacancy %	Total Net Absorption (SF)	Avg. Lease Rate
2018 Q1	434,225	4,493	1.0%	(2,088)	\$1.67
2017 Q4	434,225	2,405	0.6%	11,500	\$1.61
2017 Q3	434,225	13,905	3.2%	515	\$1.49
2017 Q2	434,225	14,420	3.3%	(10,240)	\$1.43
2017 Q1	434,225	4,180	1.0%	0	\$1.41
2016 Q4	434,225	4,180	1.0%	9,300	\$1.40
2016 Q3	434,225	13,480	3.1%	(7,500)	\$1.23
2016 Q2	434,225	5,980	1.4%	(260)	\$1.30
2016 Q1	434,225	5,720	1.3%	28,440	\$1.41
2015 Q4	434,225	34,160	7.9%	4,071	\$1.41
2015 Q3	434,225	38,231	8.8%	2,462	\$1.41

Note: The average lease rate shown is on triple net terms.

The following chart shows the average vacancy rate, absorption and deliveries over the past five years, as reported by CoStar Property Analytics.



Overall, the general consensus among brokers active in the subject's market area is that the retail market has improved, and conditions are expected to continue to improve in the coming periods. Vacancy for similar properties in the area is low, indicating that there demand, and rental rates will continue to rise.

Looking Ahead

The Sacramento retail market started 2018 with overall positive absorption, due primarily to new space delivered, and a slightly declined vacancy rate, remaining 160 basis points below 10%. The market continues to be characterized by scarce availability and strong demand for the best quality projects in prime submarkets, whereas many older centers, some with functional issues, continue to struggle, having never fully recovered from the recession.

The coming year is expected to be one of continued moderate improvement for the Sacramento retail market, but activity is expected to slow as there is less available space in the prime submarkets. With no major construction planned, no significant increase in the supply of retail space is expected. Population and job growth are expected to continue to rise moderately, in large due to in-migration from the more costly Bay Area. In the near term, rental rates are projected to increase for good quality product in prime locations, particularly power regional centers, while older centers will discount their asking rates. Vacancy rates should continue to remain relatively stable, with possibly some upward fluctuation as the recent and impending store closures are absorbed. Demand for local service, experience-based and food tenants in the region is expected to be sustained, however, competition from internet retailers will continue to put pressure on the retail consumer goods industry.

Property Analysis

Land Description and Analysis

Land Description

Land Area	0.53 acres; 22,982 SF
Source of Land Area	Public Records
Primary Street Frontage	Vernon St. - 150 feet
Shape	Square
Corner	Yes
Topography	Generally level and at street grade
Drainage	No problems reported or observed
Environmental Hazards	No problems reported or observed
Ground Stability	No problems reported or observed

Flood Area Panel Number	06061C-0478F
Date	June 8, 1998
Zone	X
Description	Outside of 500-year floodplain
Insurance Required?	No

Zoning; Other Regulations

Zoning Jurisdiction	City of Roseville
Zoning Designation	CBD/SA - DT
Description	Central Business District/Special Area - Downtown Specific Plan (DT-6)
Legally Conforming?	Appears to be legally conforming
Zoning Change Likely?	No
Permitted Uses	The Central Business (CBD) District is intended to be applied to the older portions of the downtown area to provide flexibility in the types of uses typically found in the traditional downtown where a range of business, personal service, residential, and mixed-use uses can be located to support the entire community. This zone also promotes the development of a Civic Core within the community and the implementation of a pedestrian-oriented environment. The SA, special area district is an overlay district which allows modification of the underlying general district regulations (including both permitted use types and development standards) by reference to regulations adopted either in a specific plan, which applies to the property so classified, or in the ordinance rezoning the property so classified. Principally permitted uses include mixed-use, retail, restaurants, entertainment, offices, public/quasi-public, and multi-family residential (southeast of Taylor Street and northwest of Lincoln Street). The subject is also located in the Downtown Special Area. The purpose of the Downtown Specific Plan is to direct public and private development consistent with the community vision for the downtown specific plan area. Redevelopment within the older areas of the City of Roseville presents unique development challenges. The Downtown Specific Plan Downtown Code is therefore a comprehensive document for the downtown specific plan area that provides detailed performance criteria and development standards that are intended to facilitate development while recognizing the area's unique character.

Other Land Use Regulations	None
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Utilities

Service	Provider
Water	City of Roseville
Sewer	City of Roseville
Electricity	City of Roseville
Natural Gas	PG&E

We are not experts in the interpretation of zoning ordinances. An appropriately qualified land use attorney should be engaged if a determination of compliance with zoning is required.

Easements, Encroachments and Restrictions

An inspection of the subject property revealed no apparent adverse easements, encroachments or other conditions currently impacting the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed any easements noted in a current preliminary title report do not have an impact on the opinion(s) of value as provided in this report. If, at some future date, any easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion(s) of value contained herein.

Seismic Hazards

According to the Seismic Safety Commission, the subject is located within Zone 3, which is considered to be the lowest risk zone in California. There are only two zones in California: Zone 4, which is assigned to areas near major faults; and Zone 3, which is assigned to all other areas of more moderate seismic activity. In addition, the subject is not located in a Fault-Rupture Hazard Zone (formerly referred to as an Alquist-Priolo Special Study Zone), as defined by Special Publication 42 (revised January 1994) of the California Department of Conservation, Division of Mines and Geology.

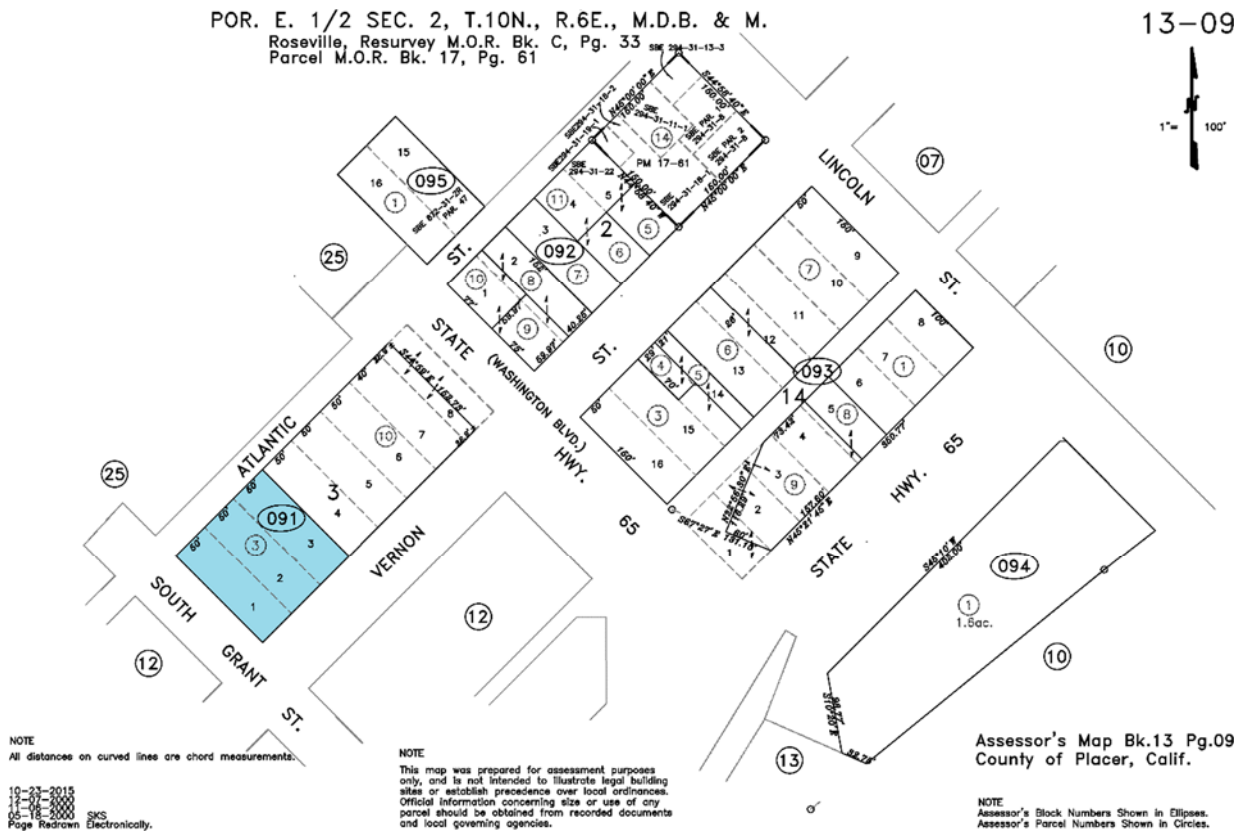
Conclusion of Land Analysis

Overall, the physical characteristics of the site and the availability of utilities result in functional utility suitable for a variety of uses including those permitted by zoning. According to representative with the city of Roseville, development of a four-story, 80,000 square foot office, or some mix of office, retail and possibly multifamily could be supported by zoning. We are not aware of any other particular restrictions on development.

Site Plan



Parcel Map



Improvements Description and Analysis

The subject property is currently improved with a United States Post Office. The building was constructed in 1935 and consists of 9,783± square feet on the ground floor and 9,702± square feet of basement space, for a total rentable area of 19,485± square feet. The property is situated within the confines of a single assessor's parcel containing approximately 22,982 square feet of land area.

The subject was reportedly constructed in 1935 and has been renovated and updated at various times over the years. The first floor contains a lobby, customer service counter and post office boxes at the front of the building. The employees-only area at the back of the building includes a break room, restrooms, private offices and a large open area used for mail sorting. The mail sorting area is accessible via a truck loading dock on the north side of the building. The building contains a basement that is built out with offices, locker rooms, a boiler room, storage rooms and a large warehouse-type storage area. The basement is accessed via one interior stairwell and one exterior stairwell along Vernon Street. A commercial grade dumbwaiter also allows vertical movement of materials between the ground floor and basement. The tenant only leases the ground floor. While the post office still has access to the basement and is storing some items there, they are not technically to be using the basement. Further, the property owner was to secure the basement from being accessed; however, this was never completed. Technically, if properly secured, the property owner could lease the basement area; however, given its poor condition and poor accessibility, it is unlikely a tenant could be secured. As such, the basement is considered to have no contributory value to the property over the two-year interim use time frame.

A description of the improvements is provided on the following pages, based on our inspection of the subject property on May 1, 2018.

Improvements Description

Name of Property	320 Vernon Street
General Property Type	Office
Property Sub Type	Governmental/Institutional
Competitive Property Class	C
Occupancy Type	Single Tenant
Percent Leased	100%
Number of Tenants	1
Number of Buildings	1
Stories	The building contains one floor above ground and a basement. The basement has windows near the ceiling (at street grade).
Construction Class	D
Construction Type	Wood frame
Construction Quality	Average for 1935 construction
Condition	The subject's structural and site improvements appear to be in fair to average condition, while the interior tenant improvements range from poor to fair condition.
Rentable Area (SF)	19,485
Land Area (SF)	22,982
Floor Area Ratio (RA/Land SF)	0.85
Building Area Source	Inspection
Year Built	1935
Actual Age (Yrs.)	83
Estimated Effective Age (Yrs.)	40
Estimated Economic Life (Yrs.)	45-50
Remaining Economic Life (Yrs.)	5-10
Number of Parking Spaces	18
Source of Parking Count	Inspection
Parking Type	Paved and striped
Parking Spaces/1,000 SF RA	0.92
Landscaping	Landscaping includes a typical quantity and quality of shrubs and trees, with an automatic irrigation system.

Construction Details

Foundation	Perimeter reinforced concrete and wood subfloors over the basement area
Basement	Yes
Structural Frame	Concrete block
Exterior Walls	Stucco and concrete block
Doors and Windows	The entrances to the building consist primarily of wood frame construction, and the windows have wood frames with clear or tinted glass.
Roof	Built-up composition
Dock Height Loading Doors	1
Interior Finishes	Average
Floors	The floor coverings consist of ceramic tile, vinyl tile, wood and commercial grade carpet. A portion of the basement has unfinished concrete floors. Another portion of the basement area has tile flooring and is reported to asbestos (approximately 4,000 sf of the 9,702 SF basement).
Walls	Taped, textured and painted drywall, exposed concrete block, faux wood paneling and wallpaper
Ceilings	Acoustical panels in T-bar grids, finished and exposed
Lighting	Affixed and recessed fluorescent lighting fixtures
HVAC	Central
Electrical	Presumed adequate for the current use
Elevators	—
Rest Rooms	Two unisex restrooms on first floor, two women's restrooms and one men's restroom in basement area
Sprinklers	None

Improvements Analysis
Quality and Condition

The quality and condition of the subject is considered to be inferior to that of competing properties.

Functional Utility

The improvements appear to be adequately suited to their post office use, and there do not appear to be any significant items of functional obsolescence. However, for market use, the basement space is considered to pose certain functional issues for any type of general commercial use.

Deferred Maintenance

The downstairs basement office space is in poor condition.

ADA Compliance

Given the age of the improvements it is presumed the property has some ADA issues. However, we are not expert in ADA matters, and further study by an appropriately qualified professional would be recommended to assess ADA compliance.

Hazardous Substances

An environmental assessment report was not provided for review and environmental issues are beyond our scope of expertise. It is our understanding the basement floor tiles contain asbestos. Given the age of the construction, there is some possibility asbestos or other hazardous materials could also be contained in some of the mechanical piping insulation and materials within the walls.

Personal Property

No personal property items were observed that would have any material contribution to market value.

Conclusion of Improvements Analysis

In comparison to other competitive properties in the region, the subject improvements are rated as follows:

Improvements Ratings	
Visibility/Exposure	Average
Design and Appearance	Below Average
Age/Condition	Below Average
% Sprinklered	Below Average
Interior Amenities	Below Average
Floor to ceiling heights	Average
Parking Ratios	Average
Distance of Parking to Building Access	Average
Landscaping	Average

Overall, the quality, condition, and functional utility of the improvements are generally average for their age and location. The subject property is at the end of its economic life having been used as a post office for nearly 78 years. Based on a test of financial feasibility, in our opinion it is highly unlikely a buyer of the subject would propose to renovate and convert the subject property to an alternative use. Also considered is the fact that the basement is not desirable for occupancy as either office or retail space in the Roseville market area. As will be discussed in the Highest and Best Use section, given the encumbering lease agreement, the highest and best use is for interim post office use, with demolition and redevelopment of the site to occur in the year 2020, provided market conditions are such that development is financially feasible (which is presumed for the purpose of this analysis).



Building exterior facing southeast – main entrance



Ramp to main entrance



Main entrance



Stairs on southeast side of the building to the basement



Eastern corner of the building



Building exterior facing northeast – area between subject and the adjacent building



Building exterior facing northwest



Building exterior facing northwest



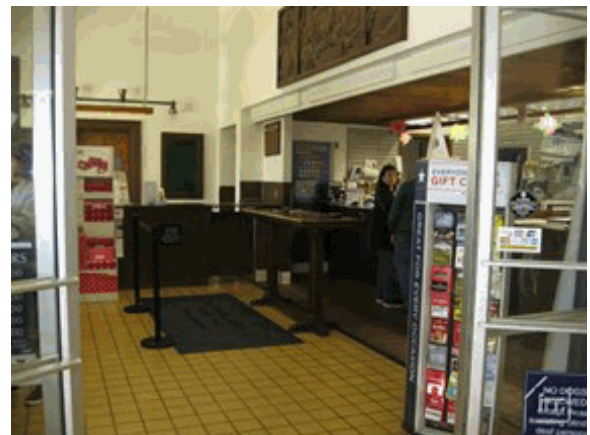
Building exterior facing southwest



Parking behind the building – photo taken from the loading dock



Looking northeast at the subject



Front desk/customer service area



Post office boxes



Mail sorting area



Mail sorting area



Mail sorting area



Mail sorting area



Mail sorting area



Mail sorting area



Door leading to the loading dock



Loading dock



Restrooms



Breakroom



Office



Restroom



Office



Mechanical room



Janitorial closet



Locker rooms



Locker rooms



Basement hallway



Basement office



Basement hallway



Basement space



Basement space



Basement space



Basement space



Basement space



Basement space



Basement restroom



Basement space



Basement space



Looking northeast along Vernon Street



Looking southwest along Vernon Street



Looking southeast along S. Grant Street



Looking northwest along S. Grant Street



Looking southwest along Atlantic Street



Looking northeast along Atlantic Street

Real Estate Taxes

The property tax system in California was amended in 1978 by Article XIII to the State Constitution commonly referred to as Proposition 13. It provides for a limitation on property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1978-76 or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occurs, the property is to be reappraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and direct charges. Bonded indebtedness approved prior to 1978, and any bonds subsequently approved by a two-thirds vote of the district in which the property is located, can be added to the 1% tax rate.

The subject property is not taxed because it is owned by a public entity. However, if sold to a non-public entity, the subject would be taxed similar to other commercial properties in the vicinity, which would be based on the tax rate applied to the assessed value, plus any additional direct charges. The subject property is located in tax rate area 005-029, which has a current tax rate of 1.063614%.

Highest and Best Use

Process

Before a property can be valued, an opinion of highest and best use must be developed for the subject site, both as if vacant, and as improved or proposed. By definition, the highest and best use must be:

- Physically possible.
- Legally permissible under the zoning regulations and other restrictions that apply to the site.
- Financially feasible.
- Maximally productive, i.e., capable of producing the highest value from among the permissible, possible, and financially feasible uses.

As If Vacant

Legally Permissible

The legal factors influencing the highest and best use of the subject property are primarily government regulations, such as zoning and building codes. As previously presented, the subject property is zoned CBD/SA-DT – Central Business District/Special Area – Downtown Specific Plan. A variety of commercial uses are legally permissible, including retail, service-commercial and office uses. This area has undergone extensive planning and review; zoning modifications are considered highly unlikely. Based on a review of the subject's zoning ordinance, the primary legally permissible uses of the subject property are for retail, office and/or mixed-use development.

Physically Possible

The physical characteristics of a site that affect its possible use(s) include, but are not limited to, location, street frontage, visibility, access, size, shape, topography, availability of utilities, off-site improvements, easements and soil and subsoil conditions. Since the legally permissible test has resulted in a potential for commercial and/or mixed-use development, at this point the physical characteristics are examined to see if they are suited for the legally permissible uses.

Locational considerations include the compatibility and position of the subject property with respect to surrounding uses. Based on our physical inspection of the subject property, we know of no reason why the property would not support any legal development.

The topography of the subject property appears adequate for development. In addition, the property is not located within a Fault-Rupture Hazard Zone. All utility services are available, and evidence of commercial and mixed-use construction in the immediate area provides additional support for the possibility of development. Typical roadway and utility easements exist but are not unusual in any way. It is assumed any easements do not adversely affect the subject's potential for development.

The subject property is located within the city of Roseville, specifically the Downtown area, and the subject's location is considered average for the legally permissible uses. The property has frontage, visibility and access along Vernon Street, S. Grant Street and Atlantic Street. In addition, the property is proximate to Interstate 80 via Atlantic Street and Douglas Boulevard by a number of downtown

streets. Overall, the subject property has physical characteristics that support the legally permissible uses.

Financially Feasible

A determination of financial feasibility is dependent on regional supply and demand influences. Vacancy for retail and office properties in Roseville and region-wide has steadily decreased over the last several years. The subject property is located in downtown Roseville, which has experienced some revitalization, property appreciation, increased rental rates and new construction in recent years.

While recent broker surveys suggest stabilization has been occurring for office and retail properties in the subject's market and region wide over the last couple of years, current market rents and sale prices are still not high enough to justify new construction. In other words, the cost of construction (plus land value) exceeds the market value of the property upon completion of construction. New construction may not be considered financially feasible at this time. It is our opinion the highest and best use of the subject property as though vacant would be to hold for future office and/or mixed-use development (office, retail and /or multifamily), and the timing of future development would depend on further improvement in market conditions as it relates primarily to market rent and sale price levels. That being said, development may be possible in a build-to-suit scenario with a large credit tenant in place and contract rent sufficiently high enough to justify construction.

Maximally Productive

Legal, physical and market conditions have been analyzed to evaluate the highest and best use of the subject property. The analysis is presented to evaluate the type of use(s) that will generate the greatest level of future benefits possible to the property. There have been other proposed/partially completed projects in the immediate area that have been largely unsuccessful. While construction of an office and/or mixed-use project is legally permissible and physically possible, the submarket is considered to be overbuilt, given the amount of existing supply and limited demand currently existing in the market.

Conclusion

Based on the factors previously discussed, holding for future development is the maximally productive land use that is legally permissible, physically possible and financially feasible. Considering the subject's specific characteristics, the highest and best use of the subject property – as vacant – is to hold for future construction. It is projected the subject property will ultimately be developed with office, retail and/or mixed-use development, but future construction will be dependent on continued moderate improvement of market conditions.

As Improved

As with the highest and best use as though vacant, the four tests of highest and best use must also be applied to the subject property considering the in-place improvements. Consideration must be given to the continued as-is use of the subject, as well as alternative uses for the property. The potential alternative uses consist of demolition, expansion, conversion or renovation. A discussion of the possible "as improved" uses is offered beginning on the following page.

Demolition

One alternative would be to demolish the subject structure, creating a vacant site. Although it is physically possible to demolish the building, it is not legally possible given the existing lease. The property is leased to the United States Post Office, whose lease does not expire until April 30, 2020. As shown later in this report, the property owner's cost to relocate the post office prior to the end of the lease is extremely punitive. Therefore, demolition is not considered legal or financially feasible at this time. However, once the lease expires in 2020, demolition of the subject is considered the most likely option given the age and condition of the improvements.

Expansion

The subject property exhibits a floor area ratio of 0.85 (based upon the total building area in relation to the land area). This ratio is within the range typically seen for similar properties in the immediate Downtown Roseville market area. Given the existing floor area ratio, along with parking requirements, and the condition of the existing improvements, expansion is not considered physically possible.

Conversion

The subject property was specifically designed for post office use. Conversion to a significantly different use would not be legally permissible due to the lease in place, or financially feasible in light of the age and condition of the existing structure. Therefore, conversion is not an appropriate alternative.

Renovation

The improvements were originally constructed in 1935. The ground floor of the subject is currently used as a U.S. Post Office retail unit. All major mail delivery functions have been moved out of the subject location. Currently, only three to four employees work at the subject site. It is solely used for P.O. boxes and the sending of packages. The basement contains a mix of finished and unfinished space previously used for post office operations. This space is in poor condition and is not leased by the post office. However, it is not considered financially feasible to renovate this space for use for another tenant due to access issues and a lack of demand for basement office space. Based on our inspection, the subject's structural and site improvements appear to be in fair to average condition, while the interior tenant improvements range from poor to fair condition. It is our opinion a retrofit of the tenant improvements and conversion to 100% office use would not be financially feasible given the age of the subject and the related problems of converting a property such as this. Major renovation of the structure would most likely not receive an adequate return so as to justify the cost of construction.

Continued Use – As-Is

The subject property can legally and physically continue to be utilized in its exact as-is condition for at least another two years. At the present time, continued use of the subject is legally permissible, financially feasible and maximally productive.

Conclusion

Legal, physical and financially feasible considerations, as well as alternative uses and market considerations, have been analyzed to evaluate the highest and best use of the subject property as

improved. Based on this analysis, the subject's highest and best use as improved is for interim use as a post office facility until the lease agreement terminates in April 2020, or until the U.S. Post Office voluntarily vacates the subject property. In light of the age and condition of the subject improvements, the highest and best use as improved is for interim use as a post office facility until the lease agreement terminates, or until the tenant voluntarily vacates the subject property and then demolition of the existing building. The financial feasibility of construction at that time would be dependent on market conditions at that time.

Most Probable Buyer

The most likely buyer is an investor looking to collect interim income and develop the subject at a future date.

Valuation

Valuation Methodology

Appraisers usually consider three approaches to estimating the market value of real property. These are the cost approach, sales comparison approach and the income capitalization approach.

The **cost approach** assumes that the informed purchaser would pay no more than the cost of producing a substitute property with the same utility. This approach is particularly applicable when the improvements being appraised are relatively new and represent the highest and best use of the land or when the property has unique or specialized improvements for which there is little or no sales data from comparable properties.

The **sales comparison approach** assumes that an informed purchaser would pay no more for a property than the cost of acquiring another existing property with the same utility. This approach is especially appropriate when an active market provides sufficient reliable data. The sales comparison approach is less reliable in an inactive market or when estimating the value of properties for which no directly comparable sales data is available. The sales comparison approach is often relied upon for owner-user properties.

The **income capitalization approach** reflects the market's perception of a relationship between a property's potential income and its market value. This approach converts the anticipated net income from ownership of a property into a value indication through capitalization. The primary methods are direct capitalization and discounted cash flow analysis, with one or both methods applied, as appropriate. This approach is widely used in appraising income-producing properties.

Reconciliation of the various indications into a conclusion of value is based on an evaluation of the quantity and quality of available data in each approach and the applicability of each approach to the property type.

The methodology employed in this assignment is summarized as follows:

Approaches to Value		
Approach	Applicability to Subject	Use in Assignment
Cost Approach	Not Applicable	Not Utilized
Sales Comparison Approach	Applicable	Utilized
Income Capitalization Approach	Applicable	Utilized

Given our opinion of highest and best use, the most appropriate method of estimating the market value of the leased fee interest is yield capitalization, a valuation technique of the income capitalization approach. As part of this valuation we will use the sales comparison approach to estimate the value of the underlying land. In summary, we will estimate all net inflows of cash over the two years remaining on the lease and determine the net reversion value (future land value, less demolition and fill costs) and discount all of the net cash flows to a present value.

Income Capitalization Approach

Introduction

In order to estimate the leased fee market value of the subject property as of May 1, 2018, we must consider the present value of the interim income associated with the subject's lease, in addition to the reversion value of the subject (future land value less demolition and related costs). As discussed in the *Highest and Best Use* section of this report, holding for future mixed use (office and retail) development is considered to be the maximally productive use of the subject property. There is currently one tenant in place through April 20, 2015, with a single five-year option.

In light of the interim nature of the current lease agreement, and due to the fact the building is at the end of its economic life (built in 1935); the direct capitalization method of the income capitalization approach is not applicable to the valuation due to its recognition of income in perpetuity.

Annual Cash Flows

As discussed in the *Highest and Best Use* section, the most likely buyer of the subject would purchase the property based on the present value of the annual cash flows, plus the net value of the reversion. Below we will discuss contract the subject's contract rent. At the end of this section we will present our estimate of the annual cash flows related to the lease agreement encumbering the subject.

Contract Rent

The property is leased to a single tenant. Pertinent lease terms are shown below.

Lease Synopsis

Lessor	City of Roseville			
Lessee	United States Post Office			
Leased SF	9,783			
Lease Type	Modified Gross			
Commencement	5/1/2015			
Expiration	4/30/2020			
Cancellation Clause	Upon 180 days written notice to the Landlord			
Term	60	months	or	5.0 years
Remaining Term	24	months	or	2.0 years
Base Rent & Escalations	Period	Months	PSF/Yr	Annual Rent
	Base Term	5/1/2015 - 4/30/2016	1 - 12	\$11.04 \$108,000
	Base Term	5/1/2016 - 4/30/2017	13 - 24	\$11.37 \$111,240
	Base Term	5/1/2017 - 4/30/2018	25 - 36	\$11.71 \$114,577
	Base Term	5/1/2018 - 4/30/2019	37 - 48	\$12.06 \$118,014
	Base Term	5/1/2019 - 4/30/2020	49 - 60	\$12.43 \$121,554
Current Rent				\$118,014
Projected Rent - First Forecast Year				\$118,014

The lease is written under modified gross terms, under which the tenant directly covers the cost of utilities, janitorial, repairs and maintenance (except for the lights, HVAC, roof and structural building components). The property owner is responsible for property taxes, insurance, maintenance of the items mentioned above and property management. It is anticipated the property owner will not set aside any replacement allowances as the highest and best use is to raze the building at the end of the lease.

Additional information contained in the lease that is deemed relevant to the valuation of the subject is offered as follows:

- **Early Termination** – Should the City of Roseville (current property owner) desire to move forward with their redevelopment plans for the subject property, the city would be required to give one-year advanced notice and obtain temporary space for the USPS – provided they were to move back to a new building on the subject site. The city would be required to pay relocation costs up to \$470,000. When a permanent site is identified (either in the new building on the subject site, or another building), the city would need to cover \$690,000 in new tenant improvement costs (subject to CPI adjustments). The new permanent space is to be 4,110± square feet in terms of net usable area. If the USPS decides to terminate the lease, or if the lease extends to the end of the contract term, neither relocation costs, nor tenant improvement costs would be required of the city. In light of the significant cost to remove the USPS prior to end of the lease, it is highly unlikely a buyer of the subject would exercise the early termination clause.

The tenant only leases the ground floor. While the post office still has access to the basement and is storing some items there, they are not technically to be using the basement. The property owner was to secure the basement from being accessed but has not been done. If properly secured, the property owner could lease the basement area; however, given its poor condition and poor accessibility, it is unlikely a tenant could be secured. As such, the basement is considered to have no contributory value to the property over the two-year interim use time frame.

Vacancy & Collection Loss

Based on the credit quality of the tenant, the length of the lease, and practices of typical investors in the market, no deductions for vacancy and collection loss are appropriate.

Expenses

The property owner is responsible for property taxes, insurance and maintenance of the lights, HVAC, roof and structural building components. The subject is owned by a government entity and is therefore not subject to property taxes; however, the definition of market value assumes a sale of the subject property. Therefore, based on a sale to a non-government entity, we have calculated property taxes by multiplying the subject's tax rate by the indicated market value. An expense of \$0.25 psf/year is concluded for the subject's insurance expense. A conclusion of \$0.20 psf/year appears reasonable for the subject's maintenance/repairs expenses. Given the highest and best use to demolish the structure at the end of the lease, it is assumed the owner will only make absolutely necessary repairs to the building. It is anticipated the property owner will not set aside any replacement allowances as the highest and best use is to raze the building at the end of the lease.

Expenses are trended up by 3% in the second year and property taxes are trended up by the maximum of 2% in the second year in accordance with existing law. Our first-year expense estimates are presented in the table below.

Interim Expenses		
Expense	\$/SF/Year	\$/Year
Property Taxes	\$0.25	\$4,893
Property Insurance	\$0.25	\$4,871
Maintenance/Repairs	<u>\$0.20</u>	<u>\$3,897</u>
Total Per Year	\$0.70	\$13,661
Total Per Month	\$0.058	\$1,138

Reversion Value

In accordance with the highest and best use analysis, the reversion value consists of the future land value, less future demolition costs and related costs. These two components of the net reversion value are presented as follows:

Land Valuation

To develop an opinion of the subject's land value, as if vacant and available to be developed to its highest and best use, we utilize the sales comparison approach. Our search for comparable sales focused on transactions within the following parameters:

- Location: Within Roseville, primarily within the historic and downtown areas
- Size: Less than one acre
- Transaction Date: Within the past three years

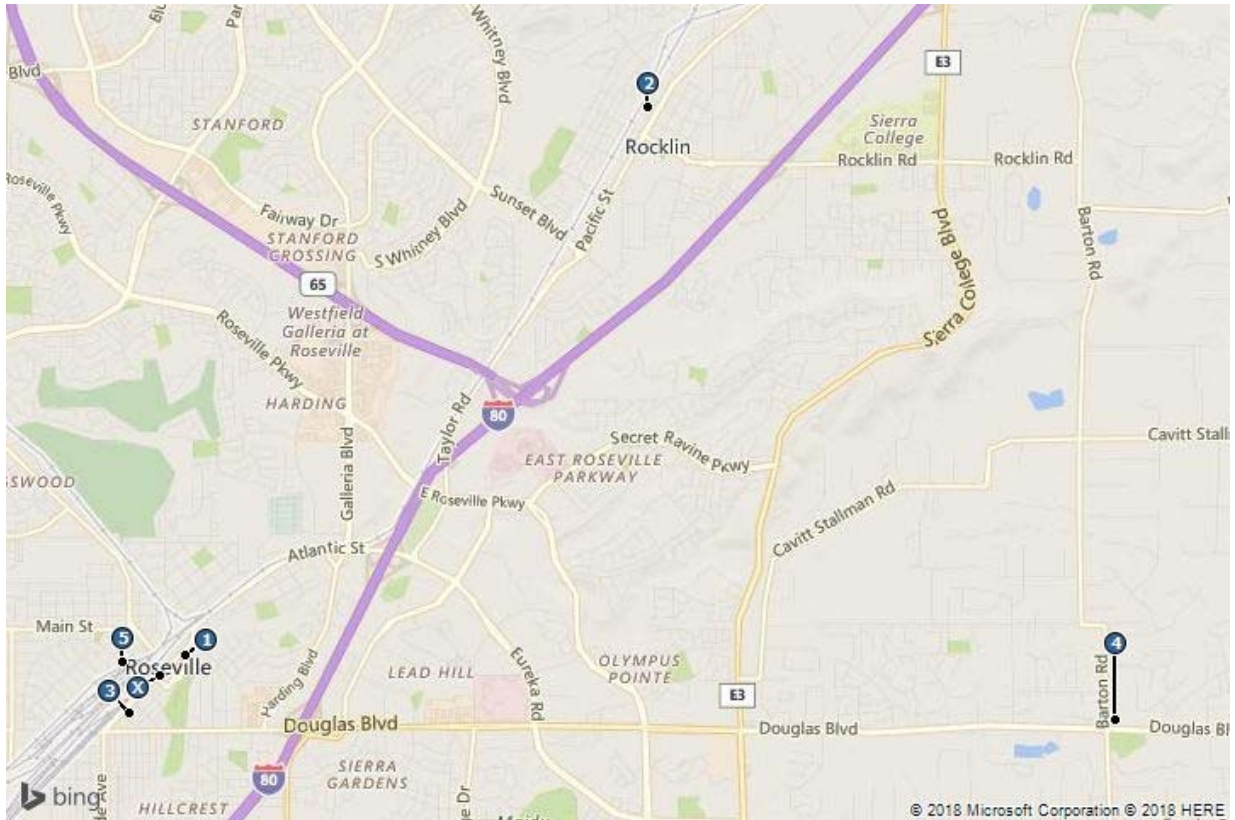
Given the limited data in the market area, we had to expand our search to include other historic/downtown areas and surrounding communities.

For this analysis, we use price per usable square foot as the appropriate unit of comparison because market participants typically compare sale prices and property values on this basis. The most relevant sales are summarized in the following table.

Summary of Comparable Land Sales

No.	Name/Address	Sale Date; Status	Effective Sale Price	SF; Acres	Zoning	\$/SF Land	\$/Acre
1	Vacant Land 129 Vernon St. Roseville Placer County	Sep-17 Closed	\$200,000	11,354 0.26	Central Bus. Dist./Sp. Area- Downtown Specific Plan	\$17.61	\$767,165
<i>Comments: Sale of a property improved as a parking lot at the time of sale. The buyer has plans to develop the site as a five-story, 42,680 square foot mixed-use project comprised of 24 residential units and approximately 2,000 square feet of retail space.</i>							
2	3720 Pine Street 3720 Pine St. Rocklin Placer County	Jun-17 Closed	\$130,000	15,000 0.34	General Retail Service Commercial	\$8.67	\$377,468
<i>Comments: This transaction represents the sale of a vacant parcel located within a historic portion of the City of Rocklin. While the site has a gross land area of 15,000 square feet, over half of the site is undevelopable due to a railroad right-of-way. The property previously sold in an REO transaction in September 2014 for \$50,000 or \$7.57 psf/usable land area.</i>							
3	609-625B Vernon Street 609, 623 & 625B Vernon St. Roseville Placer County	Nov-16 Closed	\$803,780	37,549 0.86	Ctrl. Bus. Dist./Sp. Area- Downtown Specific Plan	\$21.41	\$932,459
<i>Comments: This transaction represents the portfolio sale of two parcels. At the time of sale, one of the parcels was improved with two buildings, a 2,140 SF retail building and a 3,716 SF auto service building. The property was purchased to be redeveloped into a four-story mixed use building comprising 58 affordable apartment units with 2,900 square feet of ground floor retail. The proposed project will include 60 underground parking spaces and four surface parking spaces. The cost of demolition of the existing buildings is considered and expenditure after sale and the sale price must be adjusted upward.</i>							
4	Granite Bay Retail & Office site 8481 Barton Rd Granite Bay Placer County	Jul-15 Closed	\$640,000	37,905 0.87	Commercial	\$16.88	\$735,632
<i>Comments: This comparable represents the sale of vacant land located along the east side of Barton Road, just north of Douglas Boulevard in Granite Bay. The adjacent parcel, which was improved with a 1,721 square foot office building was also purchased by the same buyer in a separate transaction. Since the purchases the office building (not this property) was demolished, the parcels were assembled (new APN 048-101-084) and improved with a memory care residence.</i>							
5	326 Church Street 326 Church St. Roseville Placer County	May-18 Listing	\$175,000	9,828 0.23	General Commercial	\$17.81	\$775,709
<i>Comments: This transaction represents the active listing of a 0.23 acre parcel zoned general commercial. The general commercial zone is intended to serve the entire community by providing areas for commercial facilities that are more of a service or heavy commercial character than are permitted in the Community Commercial District, and may involve outdoor display, storage or activity areas. Surrounding land uses include single-family residential and auto service uses and vacant land.</i>							
Subject				22,982	Central		
320 Vernon Street				0.53	Business		
Roseville, CA					District/Special		

Comparable Land Sales Map

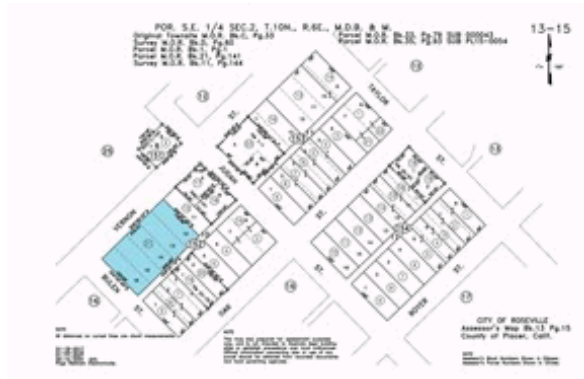




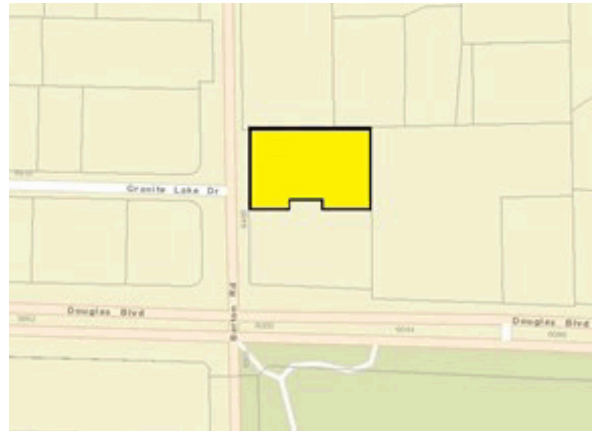
Sale 1
Vacant Land



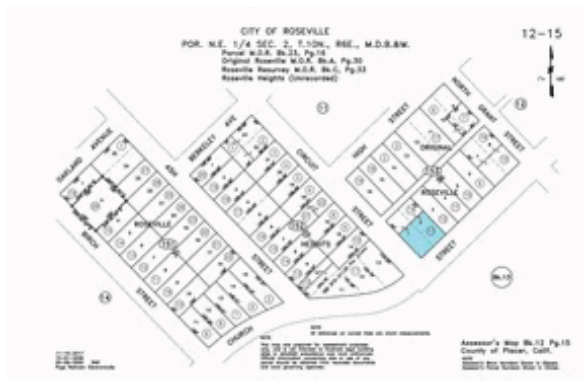
Sale 2
3720 Pine Street



Sale 3
609-625B Vernon Street



Sale 4
Granite Bay Retail & Office site



Sale 5
326 Church Street

320 Vernon Street

Analysis and Adjustment of Sales

The sales are compared to the subject and adjusted to account for material differences that affect value. Adjustments are considered for the following factors, in the sequence shown below.

Adjustment Factor	Accounts For	Comments
Effective Sale Price	Atypical economics of a transaction, such as demolition cost or expenditures by buyer at time of purchase.	Sale 3 included two buildings totaling 5,856± square feet that needed to be demolished prior to development. We estimated a cost of \$5.00 per square foot to demolish the buildings.
Real Property Rights	Fee simple, leased fee, leasehold, partial interest, etc.	No adjustments are required.
Financing Terms	Seller financing, or assumption of existing financing, at non-market terms.	The comparable sales represented cash to the seller transactions and, therefore, do not require adjustments.
Conditions of Sale	Extraordinary motivation of buyer or seller, assemblage, forced sale.	Sale 5 is an active listing. This sale is adjusted downward to reflect the likelihood that the sale price will be below the asking price due to typical negotiation with the buyer. The remaining comparables sold with no unusual conditions of sale and do not require adjustments.
Market Conditions	Changes in the economic environment over time that affect the appreciation and depreciation of real estate.	Upward adjustments are applied to Sales 3 and 4, which transferred in 2016 and 2015, respectively, to account for the improvement in market conditions since the time of the sales.
Location	Market or submarket area influences on sale price; surrounding land use influences.	The subject is located within the core of the Central Business District of downtown Roseville. The subject's location near the city offices, the Civic Center and the Vernon Street Town Center bodes well for the subject. Factors considered in evaluating location include, but are not limited to, demographics, growth rates,

Adjustment Factor	Accounts For	Comments
		surrounding uses and property values. Sale 2 is located in the historic part of Rocklin which is considered to be in an inferior area compared to that of the subject, and an upward adjustment is applied. Sale 4 is located in Granite Bay which is slightly superior in comparison to the subject's location and is adjusted downward. While Sales 1, 3 and 5 are also located in Roseville, proximate to the subject, they are not located as proximate to the core and upward adjustments are warranted.
Access/Exposure	Convenience to transportation facilities; ease of site access; visibility; traffic counts.	The subject property is considered to possess average access/exposure. Sales 4 and 5 are located in areas that are slightly more residential in nature and their exposure is slightly inferior in comparison to the subject. These sales are adjusted upward. The remaining sales are considered to possess similar access and exposure attributes and no adjustments are considered necessary.
Size	In general, due to economies of scale, the market exhibits an inverse relationship between land area and price per square foot such that larger parcels typically sell for a lower price per square foot than smaller parcels, all else being equal. This relationship sometimes reverses, when smaller parcel size begins to impact the functional utility of a site, as is the case in many downtown market areas where parcel sizes are small and land available for development is limited.	Applicable adjustments are applied for differences in size. The comparables that are appreciably smaller than the subject are adjusted upward.

Adjustment Factor	Accounts For	Comments
Zoning	Government regulations that affect the types and intensities of uses allowable on a site.	Similar to the subject property, all of the sales have zoning permitting a variety of commercial, office or mixed-use development and no adjustments are warranted.
Off-Site Improvements	Off-site improvements include utilities to the site, streets, curbs, gutters and sidewalks.	The subject has all off-site improvements in place as is the case with the majority of the comparables. However, Sale 2 has inferior off-site improvements and is adjusted upward.
Site Utility	Primary physical factors that affect the utility of a site for its highest and best use.	The subject property has average site utility given its shape, level topography, and lack of vegetation, trees, rocks or other impediments to development. All of the sales have similar site utility and no adjustments are required.

The following table summarizes the adjustments we make to each sale.

Land Sales Adjustment Grid						
	Subject	Comparable 1	Comparable 2	Comparable 3	Comparable 4	Comparable 5
Address	320 Vernon St.	129 Vernon St.	3720 Pine St.	609, 623 & 625B Vernon St.	8481 Barton Rd	326 Church St.
City	Roseville	Roseville	Rocklin	Roseville	Granite Bay	Roseville
County	Placer	Placer	Placer	Placer	Placer	Placer
Sale Date		Sep-17	Jun-17	Nov-16	Jul-15	May-18
Sale Status		Closed	Closed	Closed	Closed	Listing
Sale Price		\$200,000	\$130,000	\$774,500	\$640,000	\$175,000
Price Adjustment		—	—	\$29,280	—	—
Effective Sale Price		\$200,000	\$130,000	\$803,780	\$640,000	\$175,000
Square Feet	22,982	11,354	15,000	37,549	37,905	9,828
Acres	0.53	0.26	0.34	0.86	0.87	0.23
Usable Square Feet	22,982	11,354	6,607	37,549	37,906	9,828
Price per Usable Square Foot		\$17.61	\$19.68	\$21.41	\$16.88	\$17.81
Property Rights		Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
% Adjustment		—	—	—	—	—
Financing Terms		Cash to seller	Cash to seller	Cash to seller	Cash to seller	Cash to seller
% Adjustment		—	—	—	—	—
Conditions of Sale		Market	Market	Market	Market	Listing
% Adjustment		—	—	—	—	-5%
Market Conditions	5/1/2018	Sep-17	Jun-17	Nov-16	Jul-15	May-18
Annual % Adjustment		—	—	5%	10%	—
Cumulative Adjusted Price		\$17.61	\$19.68	\$22.48	\$18.57	\$16.92
Location		10%	10%	10%	-5%	10%
Access/Exposure		—	—	—	5%	5%
Size		10%	15%	—	—	10%
Zoning		—	—	—	—	—
Off-Site Improvements		—	5%	—	—	—
Site Utility		—	—	—	—	—
Net \$ Adjustment		\$3.52	\$5.90	\$2.25	\$0.00	\$4.23
Net % Adjustment		20%	30%	10%	0%	25%
Final Adjusted Price		\$21.14	\$25.58	\$24.72	\$18.57	\$21.14
Overall Adjustment		20%	30%	16%	10%	19%
Range of Adjusted Prices		\$18.57 - \$25.58				
Average		\$22.23				
Indicated Value		\$24.00				

Land Value Conclusion

We analyzed several land sales for comparison to the subject property. The adjustment grid on the preceding page illustrates the quantitative adjustments applied to the market data in order to equate them with the subject. Prior to adjustment, the sales reflect a range of \$16.88 - \$21.41 per usable square foot. After adjustment, the range is narrowed to \$18.57 - \$25.58 per usable square foot, with an average of \$22.23 per usable square foot. Given the adjustments required for location and size, the range shifted upward

Sale 5 is an active listing in which the final sale price is uncertain and guarded reliance is placed on this comparable. Sale 1 is the most recent transaction in the data set, has the same zoning and is located in the immediate area. Sale 3 also has the same zoning, is located in the immediate area and required the least gross adjustment. Sale 3 followed by Sale 1 are given the most emphasis. Sale 2 is significantly smaller in size and is located in an inferior area. Conversely, Sale 4 is located in a superior area and is the most dated transaction in the data set. Less emphasis is placed on Sales 2 and 4. Given the previous discussion, with emphasis on Sales 1 and 3 (most on Sale 1), with support from the remainder of the data set, a market value estimate of \$24 per usable square foot of land area is concluded for the subject property.

We arrive at a land value conclusion as follows:

Land Value Conclusion	
Indicated Value per Usable Square Foot	\$24.00
Subject Usable Square Feet	<u>22,982</u>
Indicated Value	\$551,568
Rounded	\$550,000

Applying a 3% appreciation factor to the land indicates a future value as of May 2020 of \$583,495.

Demolition and Related Site Costs

We consulted Mr. Lance Klug of Reeve-Knight construction for a demolition cost estimate. In addition to the asbestos in the flooring, Mr. Klug indicated in his experience with buildings of similar age and construction, there is some possibility asbestos or other hazardous materials could also be in some of the mechanical piping insulation and materials within the walls. Mr. Klug estimated the cost of the building demolition and hazardous material abatement would be approximately \$100,000. For the purpose of this analysis, we use Mr. Klug's estimate and appreciate the amount by an inflation rate of 3% per year as shown below.

$$(\$100,000 \times 3\% \text{ in year 1}) \times 3\% \text{ in year 2} = \$583,495$$

Discount Rate

The final step in the discounted cash flow analysis is to select a discount rate by which to convert future cash flows to present value. A discount rate is a rate of return on capital that reflects the competitive rate of return on an investment and reflects a typical investor's anticipated internal rate of return (IRR) on similar quality investments.

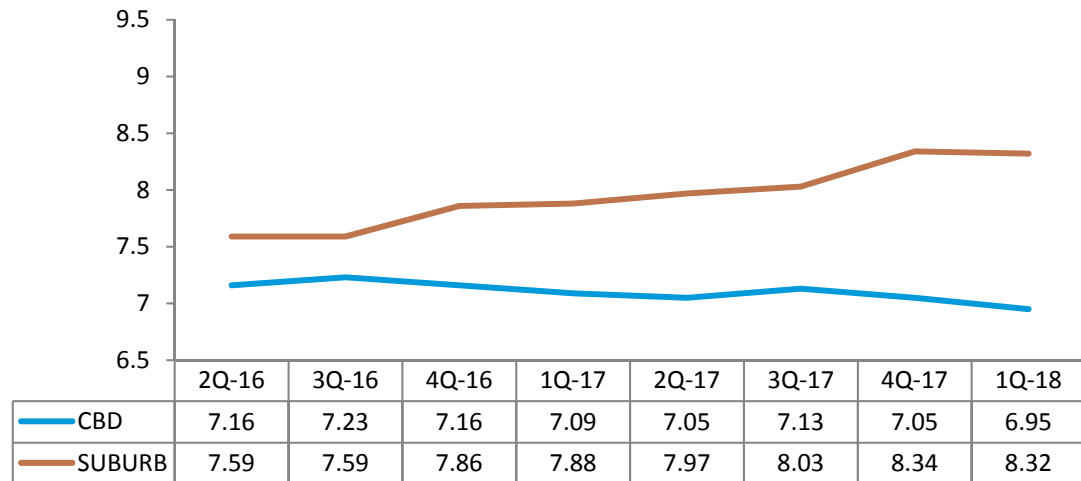
Investors require a rate of return on investment in real estate that is greater than the "safe" rates available through long-term treasury notes and bonds. The difference between an investor's required rate of return and the safe rate is basically equal to the return necessary to compensate for the lack of liquidity and the risk associated with real estate investments.

In determining a discount rate to apply in this analysis, we have considered current target rates that real estate investors are attempting to obtain on commercial properties. The following table shows discount rates reported in the IRR-ViewPoint and PwC Real Estate Investor Survey, published by PricewaterhouseCoopers.

Investor Surveys – Office Properties				
	IRR-ViewPoint	IRR-ViewPoint	PwC	PwC
	Year End 2017	Year End 2017	1Q-18	1Q-18
	National	National	National	National
	CBD Office	Suburban Office	CBD Office	Suburban Office
Discount Rate				
Range	6.00% - 12.00%	6.75% - 12.00%	5.25% - 9.00%	6.00% -12.00%
Average	8.40%	8.67%	6.95%	8.32%
Source: Viewpoint 2018, published by Integra Realty Resources; PwC Real Estate Investor Survey.				

The following chart shows discount rate trends over the past two years as reported in the PwC Real Estate Investor Survey.

Office Discount Rate Trends



CBD - PwC Real Estate Investor Survey - National CBD Office Market

SUBURB - PwC Real Estate Investor Survey - National Suburban Office Market

The reported average discount rate is approximately 150 to 170 basis points higher than the average capitalization rate for commercial properties in the PwC Real Estate Investor Survey. However, the PwC survey includes institutional grade commercial properties, whereas the subject has comparatively less desirability and marketability.

Based on the above discussion and in light of the particulars of the subject property (Federal government lease with a low degree of risk), a discount rate of 8.00% will be applied to the cash flows.

Conclusion

Using the parameters discussed on the preceding pages, the as-is leased fee market value of the subject property is presented in the following table.

Yield Capitalization									
Period Start	Period End	No. of Months	Months from Date of Value	Contract Rent Per Month	Monthly Expenses	Monthly Taxes	Monthly Net Income	PV Factor at 8%	PV of Cash Flows
5/1/2018	4/30/2019	12	12	\$9,835	(\$1,949)	(\$487)	\$7,398	0.9259259	\$82,200
5/1/2019	4/30/2020	12	24	\$10,130	(\$2,007)	(\$497)	\$7,625	0.8573388	<u>\$78,444</u>
									\$160,644
Land Reversion Value							\$583,495	0.8573388	\$500,253
Less: Demolition and Hazardous Material Abatement							(\$106,090)	0.8573388	(\$90,955)
Total									\$569,942
Conclusion of As Is Market Value (<i>leased fee interest</i>)								Rd.	\$570,000

Conclusion of Value

The purpose of this appraisal has been to estimate the as-is market value (leased fee interest) of a property constructed in 1935 and occupied by the U.S. Post Office. The valuation contained herein is premised on our opinion that the subject will reach the end of its economic life at the end of the post office lease agreement in 2020. As a result of our analysis, and in accordance with the assumptions and limiting conditions contained within this document, it is our opinion the market value of the subject property, as of May 1, 2018, is as follows:

Value Conclusion			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value As Is	Leased Fee	May 1, 2018	\$570,000

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. It is our understanding the basement floor tiles contain asbestos. Given the age of the construction, there is some possibility asbestos or other hazardous materials could also be contained in some of the mechanical piping insulation and materials within the walls. An estimate of \$100,000 was provided by Mr. Lance Klug of Reeve Knight Construction for the demolition, asbestos and other hazardous material abatement. The estimated cost appears reasonable based on our experience with other projects in the region, but the appraisers are not experts in this field. It is assumed the estimate reasonably approximates the ultimate actual cost. If, at some future date, the actual costs incurred differ significantly from the estimate, the market value estimate

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None

Exposure Time

Exposure time is the period a property interest 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. In attempting to estimate a reasonable exposure time for the subject property, we looked at both the historical exposure times of a number of sales, as well as current and past economic conditions. Based on a survey of market participants, a transfer of industrial properties in the region typically occurs within 12 months of exposure. It is estimated the exposure time for the subject property, if appropriately priced, would have been within 12 months of initial exposure.

Marketing Period

Marketing time is an estimate of the time to sell a property interest in real estate at the estimated market value during the period immediately after the effective date of value. A reasonable marketing time is estimated by comparing the recent exposure time of similar properties, and then taking into

consideration current and future economic conditions and how they may impact marketing of the subject property.

The marketing time for the subject property is not anticipated to vary significantly from the exposure time. Thus, the marketing time is estimated at 12 months or less.

Certification

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have not performed any 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.
5. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice as well as applicable state appraisal regulations.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the 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. Lance Jordan, MAI, made a personal inspection of the property that is the subject of this report. Ligia Dejeu has also personally inspected the subject.
12. No one provided significant real property appraisal assistance to the person(s) signing this certification.
13. We have experience in appraising properties similar to the subject and are in compliance with the Competency Rule of USPAP.
14. As of the date of this report, Lance Jordan, MAI has completed the continuing education program for Designated Members of the Appraisal Institute.

15. As of the date of this report, Ligia Dejeu has completed the Standards and Ethics Education Requirements for Candidates/Practicing Affiliates of the Appraisal Institute.

A stylized, handwritten signature in black ink, appearing to read 'Lance Jordan'.

Lance Jordan, MAI
Certified General Real Estate Appraiser
California Certificate # AG012709

A handwritten signature in blue ink, clearly legible as 'Ligia Dejeu'.

Ligia Dejeu
Certified General Real Estate Appraiser
California Certificate # 3004823

Assumptions and Limiting Conditions

This appraisal and any other work product related to this engagement are limited by the following standard assumptions, except as otherwise noted in the report:

1. The title is marketable and free and clear of all liens, encumbrances, encroachments, easements and restrictions. The property is under responsible ownership and competent management and is available for its highest and best use.
2. There are no existing judgments or pending or threatened litigation that could affect the value of the property.
3. There are no hidden or undisclosed conditions of the land or of the improvements that would render the property more or less valuable. Furthermore, there is no asbestos in the property.
4. The revenue stamps placed on any deed referenced herein to indicate the sale price are in correct relation to the actual dollar amount of the transaction.
5. The property is in compliance with all applicable building, environmental, zoning, and other federal, state and local laws, regulations and codes.
6. The information furnished by others is believed to be reliable, but no warranty is given for its accuracy.

This appraisal and any other work product related to this engagement are subject to the following limiting conditions, except as otherwise noted in the report:

1. An appraisal is inherently subjective and represents our opinion as to the value of the property appraised.
2. The conclusions stated in our appraisal apply only as of the effective date of the appraisal, and no representation is made as to the effect of subsequent events.
3. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated.
4. No environmental impact studies were either requested or made in conjunction with this appraisal, and we reserve the right to revise or rescind any of the value opinions based upon any subsequent environmental impact studies. If any environmental impact statement is required by law, the appraisal assumes that such statement will be favorable and will be approved by the appropriate regulatory bodies.
5. Unless otherwise agreed to in writing, we are not required to give testimony, respond to any subpoena or attend any court, governmental or other hearing with reference to the property without compensation relative to such additional employment.
6. We have made no survey of the property and assume no responsibility in connection with such matters. Any sketch or survey of the property included in this report is for illustrative purposes only and should not be considered to be scaled accurately for size. The appraisal

- covers the property as described in this report, and the areas and dimensions set forth are assumed to be correct.
7. No opinion is expressed as to the value of subsurface oil, gas or mineral rights, if any, and we have assumed that the property is not subject to surface entry for the exploration or removal of such materials, unless otherwise noted in our appraisal.
 8. We accept no responsibility for considerations requiring expertise in other fields. Such considerations include, but are not limited to, legal descriptions and other legal matters such as legal title, geologic considerations such as soils and seismic stability; and civil, mechanical, electrical, structural and other engineering and environmental matters. Such considerations may also include determinations of compliance with zoning and other federal, state, and local laws, regulations and codes.
 9. The distribution of the total valuation in the report between land and improvements applies only under the reported highest and best use of the property. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. The appraisal report shall be considered only in its entirety. No part of the appraisal report shall be utilized separately or out of context.
 10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraisers, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the persons signing the report.
 11. Information, estimates and opinions contained in the report and obtained from third-party sources are assumed to be reliable and have not been independently verified.
 12. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
 13. If the property is subject to one or more leases, any estimate of residual value contained in the appraisal may be particularly affected by significant changes in the condition of the economy, of the real estate industry, or of the appraised property at the time these leases expire or otherwise terminate.
 14. Unless otherwise stated in the report, no consideration has been given to personal property located on the premises or to the cost of moving or relocating such personal property; only the real property has been considered.
 15. The current purchasing power of the dollar is the basis for the values stated in the appraisal; we have assumed that no extreme fluctuations in economic cycles will occur.
 16. The values found herein are subject to these and to any other assumptions or conditions set forth in the body of this report but which may have been omitted from this list of Assumptions and Limiting Conditions.
 17. The analyses contained in the report necessarily incorporate numerous estimates and assumptions regarding property performance, general and local business and economic

- conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by our analysis will vary from our estimates, and the variations may be material.
18. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of the property to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. We claim no expertise in ADA issues, and render no opinion regarding compliance of the subject with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
 19. The appraisal report is prepared for the exclusive benefit of the Client, its subsidiaries and/or affiliates. It may not be used or relied upon by any other party. All parties who use or rely upon any information in the report without our written consent do so at their own risk.
 20. No studies have been provided to us indicating the presence or absence of hazardous materials on the subject property or in the improvements, and our valuation is predicated upon the assumption that the subject property is free and clear of any environment hazards including, without limitation, hazardous wastes, toxic substances and mold. No representations or warranties are made regarding the environmental condition of the subject property. Integra Realty Resources – Sacramento, Integra Realty Resources, Inc., Integra Strategic Ventures, Inc. and/or any of their respective officers, owners, managers, directors, agents, subcontractors or employees (the "Integra Parties"), shall not be responsible for any such environmental conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because we are not experts in the field of environmental conditions, the appraisal report cannot be considered as an environmental assessment of the subject property.
 21. The persons signing the report may have reviewed available flood maps and may have noted in the appraisal report whether the subject property is located in an identified Special Flood Hazard Area. We are not qualified to detect such areas and therefore do not guarantee such determinations. The presence of flood plain areas and/or wetlands may affect the value of the property, and the value conclusion is predicated on the assumption that wetlands are non-existent or minimal.
 22. Integra Realty Resources – Sacramento is not a building or environmental inspector. Integra Sacramento does not guarantee that the subject property is free of defects or environmental problems. Mold may be present in the subject property and a professional inspection is recommended.
 23. The appraisal report and value conclusions for an appraisal assume the satisfactory completion of construction, repairs or alterations in a workmanlike manner.
 24. It is expressly acknowledged that in any action which may be brought against any of the Integra Parties, arising out of, relating to, or in any way pertaining to this engagement, the

- appraisal reports, and/or any other related work product, the Integra Parties shall not be responsible or liable for any incidental or consequential damages or losses, unless the appraisal was fraudulent or prepared with intentional misconduct. It is further acknowledged that the collective liability of the Integra Parties in any such action shall not exceed the fees paid for the preparation of the appraisal report unless the appraisal was fraudulent or prepared with intentional misconduct. Finally, it is acknowledged that the fees charged herein are in reliance upon the foregoing limitations of liability.
25. Integra Realty Resources – Sacramento, an independently owned and operated company, has prepared the appraisal for the specific intended use stated elsewhere in the report. The use of the appraisal report by anyone other than the Client is prohibited except as otherwise provided. Accordingly, the appraisal report is addressed to and shall be solely for the Client's use and benefit unless we provide our prior written consent. We expressly reserve the unrestricted right to withhold our consent to your disclosure of the appraisal report or any other work product related to the engagement (or any part thereof including, without limitation, conclusions of value and our identity), to any third parties. Stated again for clarification, unless our prior written consent is obtained, no third party may rely on the appraisal report (even if their reliance was foreseeable).
26. The conclusions of this report are estimates based on known current trends and reasonably foreseeable future occurrences. These estimates are based partly on property information, data obtained in public records, interviews, existing trends, buyer-seller decision criteria in the current market, and research conducted by third parties, and such data are not always completely reliable. The Integra Parties are not responsible for these and other future occurrences that could not have reasonably been foreseen on the effective date of this assignment. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance. While we are of the opinion that our findings are reasonable based on current market conditions, we do not represent that these estimates will actually be achieved, as they are subject to considerable risk and uncertainty. Moreover, we assume competent and effective management and marketing for the duration of the projected holding period of this property.
27. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraph, several events may occur that could substantially alter the outcome of our estimates such as, but not limited to changes in the economy, interest rates, and capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. It is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
28. The appraisal is also subject to the following:

Extraordinary Assumptions and Hypothetical Conditions

The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results. An extraordinary assumption is uncertain information accepted as fact. If the assumption is found to be false as of the effective date of the appraisal, we reserve the right to modify our value conclusions.

1. It is our understanding the basement floor tiles contain asbestos. Given the age of the construction, there is some possibility asbestos or other hazardous materials could also be contained in some of the mechanical piping insulation and materials within the walls. An estimate of \$100,000 was provided by Mr. Lance Klug of Reeve Knight Construction for the demolition, asbestos and other hazardous material abatement. The estimated cost appears reasonable based on our experience with other projects in the region, but the appraisers are not experts in this field. It is assumed the estimate reasonably approximates the ultimate actual cost. If, at some future date, the actual costs incurred differ significantly from the estimate, the market value estimate

The value conclusions are based on the following hypothetical conditions that may affect the assignment results. A hypothetical condition is a condition contrary to known fact on the effective date of the appraisal but is supposed for the purpose of analysis.

1. None
-

Addendum A

Appraiser Qualifications

Lance Jordan, MAI

Experience

Senior Managing Director for INTEGRA REALTY RESOURCES – Sacramento (IRR). Actively engaged in real estate valuation and consulting since 1989. Prior to joining IRR, was a partner with Seevers Jordan Ziegenmeyer since 1997. Extensive experience in the valuation of all forms of industrial properties, community/neighborhood shopping centers, office buildings - CBD and suburban, multi-family, hotels and motels, vacant land and special purpose properties. Clients served include banks and financial institutions, developers and investors, law and accounting firms, business/industry, government, and mortgage bankers. Valuations have been performed for financing, eminent domain purposes, as well as estate tax and estate planning. In summary, with over 28 years of experience in the field, he has developed the expertise and background necessary to deal with complex assignments covering a wide range of property types.

Professional Activities & Affiliations

Chairman: Appraisal Institute - Sacramento/Sierra Chapter - California Government Relations Committee, January 2015 - December 2017

Committee: Appraisal Institute - Sacramento/Sierra Chapter - California Government Relations, January 2014 - December 2017

Board of Director: Appraisal Institute - Sacramento/Sierra Chapter, January 2014 - December 2016

Appraisal Institute, Member (MAI) , May 2012

Vice President: Appraisal Institute - Sacramento/Sierra Chapter, January 2007 - December 2007

Other: Appraisal Institute - Sacramento/Sierra Chapter - Secretary/Treasurer, January 2006 - December 2006

Licenses

California, Lance Jordan, AG012709, Expires January 2020

Education

Bachelor of Science - Accountancy, CSU - Sacramento, 1991

Recent Continuing Education:

Lake Tahoe Litigation Conference – Appraisal Institute

Forecasting Revenue – Appraisal Institute

Appraising Distressed Commercial Real Estate – Appraisal Institute

Litigation Appraising: Specialized Topics and Applications – Appraisal Institute

Business Practices and Ethics – Appraisal Institute

The Essentials, Current Issues & Misconceptions in Appraising – Appraisal Institute

Review Theory - General

Qualified Before Courts & Administrative Bodies

Court Appointed Expert Witness, Placer County Superior Courts, 2014

Integra Realty Resources Sacramento

3825 Atherton Rd
500
Rocklin, CA 95765

T 916-435-3883
F 916-435-4774

irr.com





Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Lance C. Jordan

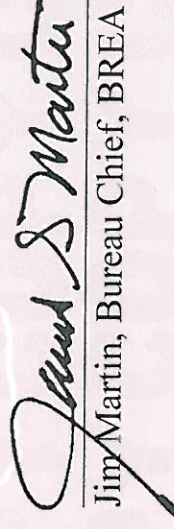
has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: AG 012709

Effective Date: January 9, 2018
Date Expires: January 8, 2020


Jim Martin, Bureau Chief, BREAA

3037504

Ligia Dejeu

Experience

Ms. Dejeu is an Appraiser at the firm. After completing her bachelor's degree at California State University, Chico, Ms. Dejeu worked in banking as a branch manager for ten years before she joined the firm full-time in 2012. Ms. Dejeu is assisting in the research, analysis and writing of narrative appraisal reports for a wide variety of commercial properties including multifamily, office, retail and industrial, as well as commercial land and special-use properties such as Low Income Housing Tax Credit (LIHTC) projects, self-storage facilities and surgery centers. Ms. Dejeu has developed the experience and background necessary to deal with complex assignments covering an array of property types.

Licenses

California, Certified General Real Estate, 3004823, Expires October 2019

Education

Academic:

Bachelor of Science in Business Administration (Concentration in Business Management),
California State University, Chico

Appraisal and Real Estate Courses:

Basic Appraisal Principles

Basic Appraisal Procedures

General Appraiser Sales Comparison Approach

General Appraiser Site Valuation and Cost Approach

General Appraiser Income Approach Part 1

General Appraiser Income Approach Part 2

General Appraiser Report Writing and Case Studies

General Appraiser Market Analysis and Highest and Best Use

Real Estate Finance Statistics and Valuation Modeling

Uniform Standards of Professional Appraisal Practice

Residential Sales and Income Approach

Laws and Regulation for California Appraisers

Integra Realty Resources Sacramento

3825 Atherton Rd
500
Rocklin, CA 95765

T 916-435-3883
F

irr.com





Business, Consumer Services & Housing Agency
BUREAU OF REAL ESTATE APPRAISERS
REAL ESTATE APPRAISER LICENSE

Ligia Dejeu

has successfully met the requirements for a license as a residential and commercial real estate appraiser in the State of California and is, therefore, entitled to use the title:

“Certified General Real Estate Appraiser”

This license has been issued in accordance with the provisions of the Real Estate Appraisers' Licensing and Certification Law.

BREA APPRAISER IDENTIFICATION NUMBER: 3004823

Effective Date: October 6, 2017
Date Expires: October 5, 2019


Jim Martin, Bureau Chief, BREA

3037408

About IRR

Integra Realty Resources, Inc. (IRR) provides world-class commercial real estate valuation, counseling, and advisory services. Routinely ranked among leading property valuation and consulting firms, we are now the largest independent firm in our industry in the United States, with local offices coast to coast and in the Caribbean.

IRR offices are led by MAI-designated Senior Managing Directors, industry leaders who have over 25 years, on average, of commercial real estate experience in their local markets. This experience, coupled with our understanding of how national trends affect the local markets, empowers our clients with the unique knowledge, access, and historical perspective they need to make the most informed decisions.

Many of the nation's top financial institutions, developers, corporations, law firms, and government agencies rely on our professional real estate opinions to best understand the value, use, and feasibility of real estate in their market.

Local Expertise...Nationally!

irr.com



Addendum B

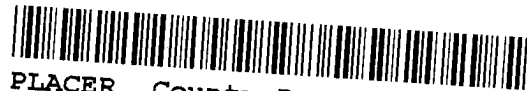
Grant Deed

First American Title

NCS-435752-PN

WHEN RECORDED MAIL TO:

The Redevelopment Agency of the
City of Roseville
311 Vernon Street
Roseville, CA 95678



PLACER, County Recorder
JIM MCCAULEY

DOC- 2010-0038471-00

FIRST AMERICAN TITLE

FRIDAY, MAY 21, 2010 14:30:00

MIC	\$0.00	AUT	\$0.00	SBS	\$0.00
ERD	\$0.00	RED	\$0.00	*	\$0.00
ADD	\$0.00				

Ttl Pd

\$0.00

Rcpt # 02053432

clkh1mlfj1/GV/1-5

MAIL TAX STATEMENTS TO:

Same as above

NO FEE DOCUMENT. Recorded for the benefit of a Government Agency. Section 6103 California Government Code

AS SO DECLARED BY THE UNDERSIGNED

SPECIAL WARRANTY DEED

THIS INDENTURE, made this 26~~th~~ day of April, 2010, by and between the UNITED STATES POSTAL SERVICE, an independent establishment of the Executive Branch of the Government of the United States (39 U.S.C. § 201), and successor in interest to the United States of America (hereinafter "Grantor"), having an address at 395 Oyster Point Blvd, #225, So San Francisco, CA 94080-0300 and The Redevelopment Agency of the City of Roseville, a public body, corporate and politic (hereinafter "Grantee"), having an address at 311 Vernon Street, Roseville, CA 95678

WITNESSETH:

THAT Grantor, for good and valuable consideration, paid by Grantee, the receipt of which is hereby acknowledged, does by these presents, conveys and specially warrants unto the said Grantee, its successors and assigns, all of its right, title and interest in the property situated in the City of Roseville, County of Placer, and State of California and described on Exhibit A attached hereto and made a part hereof.

TO HAVE AND TO HOLD the premises aforesaid with all and singular, the rights, privileges, appurtenances and immunities thereto belonging or in any wise appertaining unto the said Grantee and unto Grantee's successors and assigns forever. This conveyance and the warranties contained herein are hereby expressly made subject to any and all restrictions, covenants, easements, encumbrances, liens of any kind, leases, and interests of others, including rights-of-way for roads, pipelines, railroads, and public utilities, whether or not matters of public record; and applicable zoning and use regulations of any locality, county or state.

AND THE SAID Grantor will only warrant and forever defend the right and title to the above described property unto the said Grantee against the claims of those persons claiming by, through or under Grantor, but not otherwise.

HEREOF, the Grantor has signed, sealed and delivered this Deed, the day and year above written.

United States Postal Service

By: 

Name: Randy W. Alder
Title: Contracting Officer

United States Postal Service as Successor in Interest to the United States of America

By: 

Name: Randy W. Alder
Title: Contracting Officer

STATE OF Colorado

County of Arapahoe)
) s

On May 14, 2010 before me, Gloria M. Charlson a Notary Public, personally appeared Randy W. Alder who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct

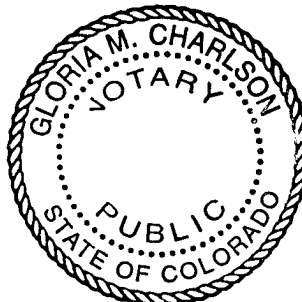
WITNESS my hand and official seal.

Gloria M. Charlson
Signature of Notary

My commission expires:

My Commission Expires
June 28, 2009 2013

(Affix seal here)




CERTIFICATE OF ACCEPTANCE

This is to certify that the interest in real property conveyed by the Deed dated 26~~th~~ day of April, 2010, from United States Postal Service, an independent establishment of the Executive Branch of the Government of the United States, and successor in interest to the United States of America to The Redevelopment Agency of the City of Roseville, and the grantee consents to the recordation thereof by its duly authorized agent.

Dated: April 28, 2010

The Redevelopment Agency of the City of Roseville

By: 
MICHAEL T. SHELLITO

CALIFORNIA ALL-PURPOSE ACKNOWLEDGMENT

State of California

County of

Placer

On

4/28/10

Date

before me,

Gretchen S. Hakala, notary public

Here Insert Name and Title of the Officer

personally appeared

Michael T. Shellito

Name(s) of Signer(s)



who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Gretchen S. Hakala

Signature of Notary Public

Place Notary Seal Above

OPTIONAL

Though the information below is not required by law, it may prove valuable to persons relying on the document and could prevent fraudulent removal and reattachment of this form to another document.

Description of Attached Document

Title or Type of Document: Certificate of Acceptance (RDA)

Document Date:

4/28/10

Number of Pages:

1

Signer(s) Other Than Named Above:

Capacity(ies) Claimed by Signer(s)

Signer's Name:

☐ Individual

☐ Corporate Officer — Title(s):

☐ Partner — ☐ Limited ☐ General

☐ Attorney in Fact

☐ Trustee

☐ Guardian or Conservator

☐ Other:

Signer Is Representing:

Signer's Name:

☐ Individual

☐ Corporate Officer — Title(s):

☐ Partner — ☐ Limited ☐ General

☐ Attorney in Fact

☐ Trustee

☐ Guardian or Conservator

☐ Other:

Signer Is Representing:

RIGHT THUMBPRINT
OF SIGNER

Top of thumb here

RIGHT THUMBPRINT
OF SIGNER

Top of thumb here

Exhibit A

Legal Description

Real property in the City of ROSEVILLE, County of PLACER, State of CALIFORNIA, described as follows:

PARCEL ONE:

BEGINNING AT THE INTERSECTION OF THE NORTHERLY LINE OF VERNON STREET WITH THE EASTERLY LINE OF GRANT STREET IN THE CITY OF ROSEVILLE AS PER MAP THEREOF ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF THE COUNTY OF PLACER, STATE OF CALIFORNIA, SAID POINT OF INTERSECTION BEING ALSO THE SOUTHWESTERLY CORNER OF BLOCK NUMBERED 3 OF THE ORIGINAL TOWNSITE OF THE CITY OF ROSEVILLE, SAID POINT OF BEGINNING BEING NORTH 44° 00' WEST A DISTANCE OF 40.00 FEET AND NORTH 46° 00' EAST A DISTANCE OF 35.00 FEET FROM THE INTERSECTION OF THE CENTERLINES OF SAID VERNON AND GRANT STREETS; THENCE FROM SAID POINT OF BEGINNING, NORTH 44° 00' WEST ALONG THE EASTERLY LINE OF GRANT STREET A DISTANCE OF 152.90 FEET TO THE SOUTHERLY LINE OF ATLANTIC STREET, BEING ALSO THE NORTHWESTERLY CORNER OF SAID BLOCK NUMBERED 3; THENCE NORTH 46° 00' EAST ALONG THE SOUTHERLY LINE OF ATLANTIC STREET A DISTANCE OF 50.16 FEET TO THE NORTHEASTERLY CORNER OF LOT NUMBERED 1 OF SAID BLOCK 3; THENCE SOUTH 44° 03' 10" EAST ALONG THE EASTERLY LINE OF SAID LOT NUMBERED 1 A DISTANCE OF 152.90 FEET TO A POINT ON THE NORTHERLY LINE OF VERNON STREET, SAID POINT BEING ALSO THE SOUTHEASTERLY CORNER OF SAID LOT NUMBERED 1; THENCE SOUTH 46° 00' WEST, ALONG THE NORTHERLY LINE OF VERNON STREET, A DISTANCE OF 50.30 FEET TO SAID POINT OF BEGINNING; SAID REALTY BEING DESIGNATED AS LOT 1 IN BLOCK 3 OF THE TOWN OF ROSEVILLE, ACCORDING TO THE PLAN OR MAP OF SAID TOWN OF ROSEVILLE, NOW ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAID PLACER COUNTY, STATE OF CALIFORNIA.

PARCEL TWO:

BEGINNING AT A POINT ON THE NORTHERLY LINE OF VERNON STREET OF THE CITY OF ROSEVILLE, ALSO BEING THE SOUTHWESTERLY CORNER OF LOT NUMBERED 2 OF BLOCK NUMBERED 3 OF THE ORIGINAL TOWNSITE OF THE CITY OF ROSEVILLE, AS PER MAP OF SAID CITY OF ROSEVILLE ON FILE IN THE OFFICE OF THE COUNTY RECORDER, OF THE COUNTY OF PLACER, STATE OF CALIFORNIA; SAID POINT OF BEGINNING BEARS NORTH 44° 00' WEST A DISTANCE OF 40.00 FEET AND NORTH 46° 00' EAST A DISTANCE OF 85.30 FEET FROM THE INTERSECTION OF THE CENTERLINES OF VERNON STREET AND GRANT STREET OF THE CITY OF ROSEVILLE; THENCE FROM SAID BEGINNING POINT NORTH 44° 03' 10" WEST ALONG THE WESTERLY LINE OF LOT NUMBERED 2 OF SAID BLOCK 3 A DISTANCE OF 152.90 FEET TO A POINT ON THE SOUTHERLY LINE OF ATLANTIC STREET, SAID POINT BEING THE NORTHWESTERLY CORNER OF SAID LOT NUMBERED 2; THENCE NORTH 46° 00' EAST ALONG THE SOUTHERLY LINE OF ATLANTIC STREET A DISTANCE OF 100.32 FEET TO THE NORTHEASTERLY CORNER OF LOT NUMBERED 3 OF SAID BLOCK 3; THENCE SOUTH 44° 09½' EAST ALONG THE EASTERLY LINE OF SAID LOT NUMBERED 3 OF BLOCK 3 A DISTANCE OF 152.90 FEET TO A POINT ON THE NORTHERLY LINE OF VERNON STREET, SAID POINT BEING THE SOUTHEASTERLY CORNER OF SAID LOT 3; THENCE SOUTH 46° 00' WEST ALONG THE NORTHERLY LINE OF VERNON STREET A DISTANCE OF 100.60 FEET TO THE POINT OF BEGINNING, SAID REALTY BEING DESIGNATED AS LOTS 2 AND 3 IN BLOCK 3 OF THE TOWN OF ROSEVILLE, ACCORDING TO THE PLAN OR MAP OF SAID TOWN OF ROSEVILLE, NOW ON FILE IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY OF PLACER, STATE OF CALIFORNIA.

2

Addendum C

Lease Agreement



**UNITED STATES
POSTAL SERVICE™**

Lease

**ROSEVILLE - VERNON RETAIL STATION (056624-006)
330 VERNON ST, ROSEVILLE, CA 95678-9998**

009



Lease

Facility Name/Location

ROSEVILLE - VERNON RETAIL STATION (056624-008)
330 VERNON ST, ROSEVILLE, CA 95678-9998

County: Placer
Lease: F00000326607

This Lease made and entered into by and between REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE hereinafter called the Landlord, and the United States Postal Service, hereinafter called the Postal Service:

In consideration of the mutual promises set forth and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties covenant and agree as follows:

1. The Landlord hereby leases to the Postal Service and the Postal Service leases from the Landlord the following premises, hereinafter legally described in paragraph 7, in accordance with the terms and conditions described herein and contained in the 'General Conditions to U.S. Postal Service Lease,' attached hereto and made a part hereof.

Upon which is a Lease entire Main Floor of approximately 9,000 square feet, concrete building and which property contains areas, spaces, improvements, and appurtenances as follows:

AREA	SQ. FEET
Net Interior Floor Space	9,000

USPS to Leaseback the main floor of approximately 9,000 square feet. Basement is NOT included in the lease agreement and shall be secured off from US Postal Service.

Total Site Area: 23,100.00

2. TO HAVE AND TO HOLD the said premises with their appurtenances for the following term:

FIXED TERM: The term becomes effective May 01, 2010 with an expiration date of April 30, 2015, for a total of 5 Years.

3. **RENTAL:** The Postal Service will pay the Landlord an annual rental of: \$68,000.00 (Sixty Eight Thousand and 00/100 Dollars) payable in equal installments at the end of each calendar month. Rent for a part of a month will be prorated.

Rent checks shall be payable to:

CITY OF ROSEVILLE
311 VERNON STREET
ROSEVILLE, CA 95678-2649

4. **RENEWAL OPTIONS:** The Lease may be renewed at the option of the Postal Service, for the following separate and consecutive terms and at the following annual rentals:

EFFECTIVE DATE	EXPIRATION DATE	PER ANNUM RENTAL
05/01/2015	04/30/2020	Market Value

provided that notice is sent, in writing, to the Landlord at least 180 days before the end of the original lease term and each renewal term. All other terms and conditions of this Lease will remain the same during any renewal term unless stated otherwise herein.

See Attached Renewal Option Rider (Market Value)

5. **OTHER PROVISIONS:** The following additional provisions, modifications, riders, layouts, and/or forms were agreed upon prior to execution and made a part hereof:

Utilities Services & Equipment Rider, Maintenance Rider - USPS Responsibility, Renewal Option Rider (Market Value).

6. **TERMINATION:**

This lease may not be terminated during the fixed term, except for cause pursuant to the general conditions or any riders or addendums or other attachments made part of this lease. After the fixed term, this lease may be terminated pursuant to this paragraph by the Postal Service upon 180 days written notice to the Landlord.

7. **LEGAL DESCRIPTION:**

See attached Exhibit "A".



Addendum

Facility Name/Location

ROSEVILLE - VERNON RETAIL STATION (056624-008)
330 VERNON ST, ROSEVILLE, CA 95678-9998

County: Placer

Lease: F00000326607

RECITALS

A. In furtherance of the objectives of the Community Redevelopment Law (commencing at Health and Safety Code Section 33000), the Redevelopment Agency of the City of Roseville (Agency or Landlord) has undertaken a program for the clearance and reconstruction or rehabilitation of blighted areas in the City of Roseville ("City") including a redevelopment project in the Roseville Redevelopment Project Area ("Project Area"). The redevelopment plan for the Project Area (as it may be amended from time to time, "Redevelopment Plan") was adopted by the City Council of the City on October 18, 1989, by City Ordinance No. 2274. A copy of the Redevelopment Plan as initially adopted was recorded on October 24, 1989, in the Official Records of the County of Placer, in Book 3743, beginning at page 177.

B. Agency owns fee title to 330 Vernon Street as described in Exhibit A, attached hereto and incorporated herein by this reference ("Legal Property Description"), together with any and all appurtenances thereto ("Premises").

C. The leasing of the Premises and the fulfillment generally of this Lease are (1) in the vital and best interests of the City of Roseville and the health, safety, morals and welfare of its residents, (2) for the purpose of community improvement and welfare, (3) for the benefit of the Agency's Redevelopment Project and (4) in accord with the public purpose and provisions of any applicable federal, state and local laws and requirements under which the Project is to be undertaken and is being assisted.

D. The purpose of this Lease is to establish the rights and obligations of the Parties regarding the leasing of the Premises.

* **TERM:** The Term of the Lease shall commence at the close of escrow and continue for a period of 5 years at an annual rental of \$68,000, payable in equal installments \$5,666.67, at the end of each calendar month.

HOLD HARMLESS: The Postal Service hereby agrees to save harmless and indemnify the landlord from all claims, loss, damage, actions, causes of actions, expense, and/or liability resulting from the use of said property by the Postal Service whenever such claim, loss, damage, actions, cause of actions, expense, and/or liability arises from the negligent or wrongful act or omission by a Postal Service employee while acting within the scope of his or her employment, under circumstances where the Postal Service, if a private person, would be liable in accordance with the law of the place where the negligent or wrongful act or omission occurred. Notwithstanding the above, the Postal Service is under no obligation to save harmless and indemnify the landlord where any negligent or wrongful act or omission by the landlord, its employees or agents, in any way causes or contributes to the claim, loss, damage, actions, causes of actions, expense and/or liability.

PERMITTED USE: Lessee shall use the Premises for the purpose of postal retail and distribution operations on the Premises. No other operations shall be permitted, except with prior written consent of Lessor.

UTILITIES: Lessee shall pay or cause to be paid, and hold Lessor and the Premises free and harmless from all charges for the furnishing of gas, water, electricity, telephone service, sewer and other public



Addendum

Facility Name/Location

ROSEVILLE - VERNON RETAIL STATION (056624-008)
330 VERNON ST, ROSEVILLE, CA 95678-9998

County: Placer

Lease: F00000326607

utilities of services during the Term and any extension thereof.

RELOCATION OF USPS:

A. **Temporary Relocation of USPS.** In the event Lessor proceeds with redevelopment of the Premises during the Term of the Lease, USPS shall relocate to a temporary space off-site (Temporary Interim Space). Lessor shall provide USPS written notification at least 1 year in advance of any such relocation. The location of the Temporary Interim Space shall be acceptable to the USPS and shall be located in downtown Roseville at a site suitable for USPS to conduct its retail operations. At the time of relocation, this lease shall terminate and the parties shall enter into a lease for the Temporary Interim Space under terms and conditions similar to this Lease. The USPS shall lease this Temporary Interim Space at fair market rent. The lease for the Temporary Interim Space shall contain a provision providing for permanent space for the USPS. Lessor shall pay USPS reasonable and verifiable relocation expenses, tenant improvements, and all other necessary costs, which in total are estimated at \$470,000. USPS shall have a 180 day right to terminate said lease.

B. **Permanent Site.** USPS permanent site shall either be located on the Premises at completion of the redevelopment of the property or in the alternative, at a permanent location off-site, provided said site is acceptable to the USPS. Lessor shall provide USPS written notification at least 1 year in advance of any such relocation. At the time of relocation to the permanent site, this lease or the lease for the Temporary Interim Space, whichever is applicable, shall terminate and the parties shall enter into a lease for the permanent space under terms and conditions similar to this Lease. USPS shall lease the permanent site at fair market rent. Lessor shall pay USPS reasonable and verifiable relocation expenses and all other necessarily associated costs. In addition, lessor shall pay for all costs related to the tenant improvements made to the permanent space in an amount not to exceed \$690,000. The tenant improvement not-to-exceed amount shall be adjusted by the Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers: Western Region, All Items ("CPI"). The CPI for the month and year of this contract is _____. The not to exceed amount shall be adjusted based upon the CPI at the month and year the contract for the tenant improvements for the permanent space is awarded.

C. **Site Requirements.** The property at the Temporary Interim Space and the permanent site shall have approximately 4,110 square feet net interior space. Gross interior space may be limited to 4,830 square feet.

PERSONAL PROPERTY:

A. **Furnishings and Equipment.** USPS's furnishings and equipment (lobby tables, chairs, file cabinets, etc.), unless affixed to the floor, wall or ceiling, shall be considered personal property not encompassed by this Lease and shall be removed by USPS upon its vacation of the Premises.

B. **Fixtures.** Fixtures, such as scissors lift, counters, and security systems, shall remain with the Premises. Notwithstanding the foregoing, Artwork, post office boxes and facility identification shall be considered personal property of the USPS and shall be removed by USPS upon its vacation of the



Addendum

Facility Name/Location

ROSEVILLE - VERNON RETAIL STATION (056624-008)
330 VERNON ST, ROSEVILLE, CA 95678-9998

County: Placer

Lease: F00000326607

Premises.

C. **Artworks.** There is currently Artwork (murals, sculptures, etc.) located on the Premises. The Parties agree that USPS will remain the owner of the Artwork. The Artwork will be removed and/or relocated by USPS upon its vacation, whether temporarily or permanently, of the Premises. Lessor (City) shall give Lessee (USPS) sufficient notice to relocate the artwork.



Lease

EXECUTED BY LANDLORD this 22nd day of March, 2010.

CORPORATION

By executing this Lease, Landlord certifies that Landlord is not a USPS employee or contract employee (or an immediate

Name of Corporation: Redevelopment Agency of the City of Roseville

Name & Title:

Michael T. Shellito Executive Director

Name & Title:

Name & Title:

Name & Title:

Landlord's Address: 311 VERNON STREET

ROSEVILLE, CA 95678-2649

Telephone No.: (916) 774 - 5200

Fax No.: (916) 774 - 5200

Tax ID: XX-XXX0409

E-mail Address:

Shellito, Michael

Witness

Judy Moore

Witness

- Where the Landlord is a corporation, leases and lease agreements entered into must have the corporate seal affixed, or in place thereof, the statement that the corporation has no seal.
- Where the Landlord is a corporation, municipal corporation, non-profit organization, or fraternal order or society, the Lease must be accompanied by documentary evidence affirming the authority of the agent, or agents, to execute the Lease to bind the corporation, municipal corporation, non-profit organization, or fraternal order or society for which he (or they) purports to act. The usual evidence required to establish such authority is in the form of extracts from the articles of incorporation, or bylaws, or the minutes of the board of directors duly certified by the custodian of such records, under the corporate seal. Such resolutions, when required, must contain the essential stipulations embodied in the Lease. The names and official titles of the officers who are authorized to sign the Lease must appear in the document.
- Any notice to Landlord provided under this Lease or under any law or regulation must be in writing and submitted to Landlord at the address specified above, or at an address that Landlord has otherwise appropriately directed in writing. Any notice to the Postal Service provided under this Lease or under any law or regulation must be in writing and submitted to "Contracting Officer, U.S. Postal Service" at the address specified below, or at an address that the Postal Service has otherwise directed in writing.

ACCEPTANCE BY THE POSTAL SERVICE

4-9-10

Date

RANDY L. W. ALDER

Contracting Officer

Signature of Contracting Officer

160 INVERNESS DR. W. #404, Englewood, CO

Address of Contracting Officer

80112-5005



General Conditions to USPS Lease

1. CHOICE OF LAW

This Lease shall be governed by federal law.

2. RECORDING

Not Required

3. MORTGAGEE'S AGREEMENT

If there is now or will be a mortgage on the property which is or will be recorded prior to the recording of the Lease, the Landlord must notify the contracting officer of the facts concerning such mortgage and, unless in his sole discretion the contracting officer waives the requirement, the Landlord must furnish a Mortgagee's Agreement, which will consent to this Lease and shall provide that, in the event of foreclosure, mortgagee, successors, and assigns shall cause such foreclosures to be subject to the Lease.

4. ASSIGNMENTS

a. The terms and provisions of this Lease and the conditions herein are binding on the Landlord and the Postal Service, and all heirs, executors, administrators, successors, and assigns.

b. If this contract provides for payments aggregating \$10,000 or more, claims for monies due or to become due from the Postal Service under it may be assigned to a bank, trust company, or other financing institution, including any federal lending agency, and may thereafter be further assigned and reassigned to any such institution. Any assignment or reassignment must cover all amounts payable and must not be made to more than one party, except that assignment or reassignment may be made to one party as agent or trustee for two or more parties participating in financing this contract. No assignment or reassignment will be recognized as valid and binding upon the Postal Service unless a written notice of the assignment or reassignment, together with a true copy of the instrument of assignment, is filed with:

1. the contracting officer; and
2. the surety or sureties upon any bond.

c. Assignment of this contract or any interest in this contract other than in accordance with the provisions of this clause will be grounds for termination of the contract for default at the option of the Postal Service.

d. Nothing contained herein shall be construed so as to prohibit transfer of ownership of the demised premises, provided that:

1. such transfer is subject to this Lease agreement; and

2. both the original Landlord and the successor Landlord execute the standard *Certificate of Transfer of Title to Leased Property and Lease Assignment and Assumption* form to be provided by the USPS Contracting Officer; and in the case of new leased space projects, the lease may only be assigned or ownership of the property transferred following commencement of the fixed term, unless prior written consent is obtained from the Postal Service.

5. APPLICABLE CODES AND ORDINANCES

The Landlord, as part of the rental consideration, agrees to comply with all codes and ordinances applicable to the ownership and operation of the building in which the rented space is situated and to obtain all necessary permits and related items at no cost to the Postal Service. When the Postal Service or one of its contractors (other than the Landlord) is performing work at the premises, the Postal Service will be responsible for obtaining all necessary and applicable permits, related items, and associated costs.

6. SUBLEASE

The Postal Service may sublet all or any part of the premises or assign this lease but shall not be relieved from any obligation under this lease by reason of any subletting or assignment.

only upon written consent of Lessor, and

7. RESTORATION AND ALTERATIONS

a. Upon written notification by Landlord within 30 days of the expiration or termination of this Lease, the Postal Service shall restore the premises to a "broom clean" and usable condition, excepting the following: reasonable and ordinary wear and tear; and damages by the elements or by circumstances over which the Postal Service has no control. If Landlord provides the above notice, the Postal Service and Landlord shall negotiate and reach agreement on necessary items of restoration and the reasonable cost for restoration; the Postal Service shall pay Landlord this agreed-upon amount and shall have no further restoration duties under this Lease.

b. The Postal Service shall have the right to make alterations, attach fixtures and erect additions, structures or signs in or upon the premises hereby leased (provided such alterations, additions, structures, or signs shall not be detrimental to or inconsistent with the rights granted to other tenants on the property or in the building in which said premises are located); which fixtures, additions or structures so placed in, upon or attached to the said premises shall be and remain the property of the Postal Service and may be removed or otherwise disposed of by the Postal Service.



General Conditions to USPS Lease

8. CLAIMS AND DISPUTES

- a. This contract is subject to the Contract Disputes Act of 1978 (41 U.S.C. 601-613) ("the Act").
- b. Except as provided in the Act, all disputes arising under or relating to this contract must be resolved under this clause.
- c. "Claim," as used in this clause, means a written demand or written assertion by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to this contract. However, a written demand or written assertion by the Landlord seeking the payment of money exceeding \$100,000 is not a claim under the Act until certified as required by subparagraph d below. A voucher, invoice, or other routine request for payment that is not in dispute when submitted is not a claim under the Act. The submission may be converted to a claim under the Act by complying with the submission and certification requirements of this clause, if it is disputed either as to liability or amount or is not acted upon in a reasonable time.
- d. A claim by the Landlord must be made in writing and submitted to the contracting officer for a written decision. A claim by the Postal Service against the Landlord is subject to a written decision by the contracting officer. For Landlord claims exceeding \$100,000, the Landlord must submit with the claim the following certification:

"I certify that the claim is made in good faith, that the supporting data are accurate and complete to the best of my knowledge and belief, that the amount requested accurately reflects the contract adjustment for which the Landlord believes the Postal Service is liable, and that I am duly authorized to certify the claim on behalf of the Landlord."

The certification may be executed by any person duly authorized to bind the Landlord with respect to the claim.
- e. For Landlord claims of \$100,000 or less, the contracting officer must, if requested in writing by the Landlord, render a decision within 60 days of the request. For Landlord-certified claims over \$100,000, the contracting officer must, within 60 days, decide the claim or notify the Landlord of the date by which the decision will be made.
- f. The contracting officer's decision is final unless the Landlord appeals or files a suit as provided in the Act.
- g. When a claim is submitted by or against a Landlord, the parties by mutual consent may agree to use an alternative dispute resolution (ADR) process to assist in resolving the claim. A certification as described in subparagraph d of this clause must be provided for any claim, regardless of dollar amount, before ADR is used.
- h. The Postal Service will pay interest on the amount found due and unpaid from:
 1. the date the contracting officer receives the claim (properly certified if required); or
 2. the date payment otherwise would be due, if that date is later, until the date of payment.
- i. Simple interest on claims will be paid at a rate determined in accordance with the Act.
- j. The Landlord must proceed diligently with performance of this contract, pending final resolution of any request for relief, claim, appeal, or action arising under the contract, and comply with any decision of the contracting officer.

9. HAZARDOUS/TOXIC CONDITIONS CLAUSE

Sites cannot have any contaminated soil or water above applicable federal, state or local action levels or undisclosed underground storage tanks. Unless due to the act or negligence of the Postal Service, if contaminated soil, water, underground storage tanks or piping or friable asbestos material or any other hazardous/toxic materials or substances as defined by applicable Local, State or Federal law are subsequently identified on the premises, the Landlord agrees to remove such materials or substances upon notification by the Postal Service at Landlord's sole cost and expense in accordance with EPA and/or State guidelines; prior to accomplishing this task, Landlord must seek written approval by the USPS Contracting Officer of the contractor and scope of work, such approval not to be unreasonably withheld. If ACBM is subsequently found in the building which reasonably should have been determined, identified, or known to the Landlord, the Landlord agrees to conduct, at Landlord's sole expense, an asbestos survey pursuant to the standards of the Asbestos Hazard Emergency Response Act (AHERA), establish an Operations and Maintenance (O&M) plan for asbestos management, and provide the survey report and plan to the Postal Service. If the Landlord fails to remove any friable asbestos or hazardous/toxic materials or substances, or fails to complete an AHERA asbestos survey and O&M plan, the Postal Service has the right to accomplish the work and deduct the cost plus administrative costs, from future rent payments or recover these costs from Landlord by other means, or may, at its sole option, cancel this Lease. In addition, the Postal Service may proportionally abate the rent for any period the premises, or any part thereof, are determined by the Postal Service to have been rendered unavailable to it by reason of such condition.



General Conditions to USPS Lease

The Landlord hereby indemnifies and holds harmless the Postal Service and its officers, agents, representatives, and employees from all claims, loss, damage, actions, causes of action, expense, fees and/or liability resulting from, brought for, or on account of any violation of this clause.

10. FACILITIES NONDISCRIMINATION

a. By executing this Lease, the Landlord certifies that it does not and will not maintain or provide for its employees any segregated facilities at any of its establishments, and that it does not and will not permit its employees to perform services at any location under its control where segregated facilities are maintained.

b. The Landlord will insert this clause in all contracts or purchase orders under this Lease unless exempted by Secretary of Labor rules, regulations, or orders issued under Executive Order 11246.

11. CLAUSES REQUIRED TO IMPLEMENT POLICIES, STATUTES, OR EXECUTIVE ORDERS

The following clauses are incorporated in this Lease by reference. The text of incorporated terms may be found in the Postal Service's Supplying Principles and Practices, accessible at www.usps.com/publications.

Clause 1-5, *Gratuities or Gifts* (March 2006)

Clause 1-6, *Contingent Fees* (March 2006)

Clause 9-3, *Davis-Bacon Act* (March 2006)¹

Clause 9-7, *Equal Opportunity* (March 2006)²

Clause 9-13, *Affirmative Action for Handicapped Workers* (March 2006)³

Clause 9-14, *Affirmative Action for Disabled Veterans and Veterans of the Vietnam Era* (March 2006)⁴

Clause B-25, *Advertising of Contract Awards* (March 2006)

Note: For purposes of applying the above standard clauses to this Lease, the terms "supplier," "contractor," and "lessor" are synonymous with "Landlord," and the term "contract" is synonymous with "Lease."

¹ For premises with net interior space in excess of 6,500 SF and involving construction work over \$2,000.

² For leases aggregating payments of \$10,000 or more.

³ For leases aggregating payments of \$10,000 or more.

⁴ For leases aggregating payments of \$25,000 or more.



Maintenance Rider USPS Responsibility (Partial)

1. The Postal Service shall maintain the demised premises (including repair and replacement of items, if necessary), except for those items specifically made the responsibility of the Landlord in Paragraph 3 below. The responsibility of the Postal Service as stated herein will be fulfilled at such time and in such manner as the Postal Service considers necessary to keep the demised premises in proper condition.
2. The term "demised premises" as used in this rider includes the premises described in the Lease, the improvements and appurtenances to such premises and all equipment and fixtures furnished, or to be furnished, by the Landlord under this Lease.
3. During the continuance of the Lease, the Landlord is responsible for maintenance of, repairs to, and, if necessary, replacement of:
 - a. All common or joint use interior and exterior areas and common or joint use equipment and systems that may be included as part of this lease.
 - b. All structural elements, including but not limited to: the foundation; column supports; bearing walls; floors, not including floor covering.
 - c. All parts of the roof system including, but not limited to: the roof covering; flashing and insulation; roof beams, joists, and deck; soffit and fascia; and gutters and downspouts. The Postal Service will be responsible for regular cleaning of gutters and downspouts connected to the outer edge (i.e., the eaves area) of the roof; Landlord will be responsible for regular cleaning of any other gutters, downspouts, troughs, scuppers, roof drains, etc.
 - d. Damage resulting from termites and any other wood-eating insects, including inspection, prevention and eradication.
 - e. Defects in building construction or installation of equipment, fixtures, or appurtenances furnished by the Landlord.
 - f. Damage from fire or other casualties, unless such casualties were caused by the negligence of employees or agents of the Postal Service.
 - g. Items of repair performed by the Postal Service due to the failure of any element for which the Landlord is responsible.
 - h. Landlord is responsible for any necessary replacement of the well and septic systems, including lateral fields, during the continuance of the lease. If replacement of either system becomes necessary as a result of the failure of that system, the Landlord remains responsible for providing an operating well system and septic system. Landlord is also responsible for any inspections of these systems required by governing bodies. The Postal Service is responsible for maintenance of the well system and septic system, including any necessary pumping and cleaning of the septic system.
4. If the demised premises or any portion thereof are damaged or destroyed by fire or other casualty, Acts of God, of a public enemy, riot or insurrection, vandalism, or are otherwise determined by the Postal Service to be unfit for use and occupancy, or whenever there is a need for maintenance, repair, or replacement which is the Landlord's obligation under this Maintenance Rider, the Postal Service will require the Landlord to rebuild or repair the premises as necessary to restore them to tenable condition to the satisfaction of the Postal Service. The Postal Service will, except in emergencies, provide the Landlord with written notice stating a reasonable time period for completion of all necessary repairs. (A copy of any such notice shall be sent to the Landlord's mortgagee and any assignee of monies due or to become due under this Lease whose names and addresses have been furnished to the Postal Service by the Landlord. Failure to give such written notice to the Landlord or to the mortgagee or assignee shall not affect the Postal Service's rights to recover expended costs under this provision, provided that the costs expended by the Postal Service are reasonable in amount.) The Postal Service, acting through the Contracting Officer, may proportionately abate the rent for any period the premises, or any part thereof, are determined by the Postal Service to have been rendered untenable, or unfit for use and occupancy, by reason of such condition.



Maintenance Rider USPS Responsibility (Partial)

If the Landlord (or the mortgagee or assignee, on behalf of the Landlord) fails to prosecute the work with such diligence as will ensure its completion within the time specified in the notice (or any extension thereof as may be granted at the sole discretion of the Postal Service), or fails to complete the work within said time, the Postal Service shall have the right to perform the work (by contract or otherwise), and withhold the cost plus any administrative cost and/or interest, from rental payments due or to become due under this Lease. Alternatively, the Contracting Officer may, if the demised premises are determined to be untenantable or unfit for use or occupancy, with reasonable discretion, cancel this Lease in its entirety, without liability.

The remedies provided in this section are non-exclusive and are in addition to any remedies available to the Postal Service under applicable law.

5. The Landlord must:

- a. comply with applicable Occupational Safety and Health Standards, title 29 Code of Federal Regulations (CFR) (including but not limited to Parts 1910 and 1926), promulgated pursuant to the authority of the Occupational Safety and Health Act of 1970 (OSHA); and
- b. comply with any other applicable federal, state, or local regulation governing workplace safety to the extent they are not in conflict with a; and
- c. take all other proper precautions to protect the health and safety of:
 - (1) any laborer or mechanic employed by the Landlord in performance of this agreement; and
 - (2) Postal Service employees; and,
 - (3) the public.

The Landlord must include this clause in all subcontracts hereunder and require its inclusion in all subcontracts of a lower tier. The term "Landlord" as used in this clause in any subcontract must be deemed to refer to the subcontractor.



Renewal Option Rider (Market Value)

Facility Name/ Location

ROSEVILLE - VERNON RETAIL STATION (056624-008)
330 VERNON ST. ROSEVILLE, CA 95678-9998

County: Placer

Lease: F00000326607

The Postal Service may exercise an option to renew this Lease pursuant to Paragraph 4, for which the Lease does not designate a specific rental rate; the parties shall determine the appropriate, market value rent for that renewal term as follows:

1. Not less than 18 months or more than 24 months prior to the expiration of the current lease term, the Postal Service shall give written notice to Landlord advising Landlord of the Postal Service's opinion of the appropriate market value rent of the leased premises. This opinion shall be based on an appraisal procured by the Postal Service at its sole cost and performed by a "qualified appraiser" prepared in accordance with the attached Appraisal Report Specifications. A copy of the appraisal's summary page/transmittal letter (hereinafter referred to as the "summary") shall be provided to Landlord with the above notice. (A "qualified appraiser" is defined as someone who is State certified or designated by a national professional appraisal society, which said national society is a sponsoring organization of the Appraisal Foundation.)

2. Landlord and Postal Service shall attempt to agree in writing on the market value rent of the leased premises during the thirty (30) day period following delivery of the Postal Service's notice (the "initial negotiation period"). If the parties reach agreement on the market value rent figure, the Postal Service shall timely exercise the renewal option at the agreed rent. If the parties are unable to reach an agreement during the initial negotiation period, then Landlord shall at its sole cost within thirty (30) days following the initial negotiation period, procure an appraisal by a "qualified appraiser". A copy of the appraisal's summary page/transmittal letter (the summary) shall be provided to the Postal Service. If the Landlord fails to provide an appraisal summary as specified herein, then the renewal term rent shall be the market value rent established by the Postal Service's appraisal. The Postal Service shall then timely exercise the renewal option.

3. If the Landlord's appraisal summary amount is within ten percent (10%) of the Postal Service's appraisal summary amount, then the renewal term rent shall be the arithmetic average of the two appraisal summaries. The Postal Service shall then timely exercise the renewal option. If the difference between the two appraisal summaries is greater than ten percent, the Landlord and Postal Service shall attempt to agree in writing on the market value rent during the thirty (30) day period following delivery of the Landlord's appraisal summary to the Postal Service (the "final negotiation period.") If the parties reach agreement on the market value rent, the Postal Service shall timely exercise the renewal option. If the parties are unable to reach agreement during the final negotiation period, then the Landlord shall provide the Postal Service with a list of three qualified appraisers within ten (10) days after request from the Postal Service. The Postal Service shall select one appraiser from this list to perform an appraisal review (or, if Landlord fails to provide a list, the Postal Service shall select an appraiser). Within thirty (30) days, this appraiser shall review both full narrative appraisal reports; establish an appropriate annual market value rent for the renewal term and forward copies of the completed appraisal review to both the Postal Service and the Landlord. The annual rental amount established in the appraisal review shall be binding on both parties for the renewal term of the Lease. The Postal Service shall then timely exercise the renewal option.

4. Landlord and Postal Service shall share equally the cost of the appraisal review noted above, as follows. The Postal Service shall contract for such appraisal review using its standard Contract for Real Estate Services. Landlord shall reimburse the Postal Service fifty percent (50%) of the cost of the appraisal review within sixty (60) days of presentation of the appraiser's invoice(s). If the Landlord fails to pay this fifty percent (50%) share within said time period, the Postal Service may deduct that amount from the following month's rent without further notice to the Landlord.

5. In the event the parties have not completed the appraisal/market value rent determination process and the date for the Postal Service to exercise the renewal option is approaching, the Postal Service shall timely exercise the renewal option at the Postal Service appraiser's market value rent figure (pursuant to paragraph 1, above) and shall not be considered a holdover. Once the renewal term's appropriate market value rent has been determined as noted above, the Postal Service will pay to Landlord any incremental rental increase for this interim period.



Utilities, Services, & Equipment Rider

Facility Name/Location

ROSEVILLE - VERNON RETAIL STATION (056624-008)
330 VERNON ST, ROSEVILLE, CA 95678-9998

County: Placer

Lease: F00000326607

1. HEAT

Landlord must furnish heating system in good working order, in accordance with the Maintenance Rider, during the continuance of the lease. Any investigative or remediation cost associated with a release of fuel from the system, including any fuel tank, shall be the responsibility of the Landlord, unless the release is caused by the act or negligence of the Postal Service. The Postal Service pays all recurring fuel charges, provided such charges are separately metered for postal consumption.

2. AIR CONDITIONING

Landlord must furnish air conditioning equipment in good working order, in accordance with the Maintenance Rider, during the continuance of the lease. The Postal Service pays for recurring charges for power for the equipment, provided the power is separately metered for postal consumption.

3. ELECTRICITY

Landlord must furnish a ~~separately~~ metered electrical system in good working order for the ~~demised~~ premises, in accordance with the Maintenance Rider, during the continuance of the lease. The Postal Service will pay all recurring electric bills.

4. LIGHT

Landlord must provide light fixtures in good working order, in accordance with the Maintenance Rider, during the continuance of the lease. Landlord is not responsible for replacement of light bulbs.



Utilities, Services, & Equipment Rider

5. WATER

Landlord must furnish a potable water system in good working order, in accordance with the Maintenance Rider, during the continuance of the Lease. The Postal Service pays for all recurring water bills during the continuance of the Lease, provided a separate meter or separate invoice is furnished by the appropriate authority.

6. SEWER

Landlord must furnish a sewer system in good working order, in accordance with the Maintenance Rider, during the continuance of the Lease. The Postal Service pays for all recurring sewer bills during the continuance of the Lease, provided a separate meter, or separate invoice is furnished by the appropriate authority.

7. TRASH

The Postal Service agrees to furnish and pay for all trash removal for the demised premises during the continuance of the Lease.

8. SNOW

Not Applicable

REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE
RESOLUTION NO. 8-10

APPROVING A LEASE AGREEMENT BETWEEN THE REDEVELOPMENT AGENCY
AND UNITED STATES POSTAL SERVICE AND AUTHORIZING THE EXECUTIVE
DIRECTOR TO EXECUTE IT ON BEHALF OF THE REDEVELOPMENT AGENCY

WHEREAS, a Lease Agreement regarding 330 Vernon Street, between the
Redevelopment Agency of the City of Roseville and United States Postal Service, has been
reviewed by the Redevelopment Agency;

NOW, THEREFORE, BE IT RESOLVED by the Redevelopment Agency of the City of
Roseville that said lease is approved and that the Executive Director is authorized to execute it
on behalf of the Redevelopment Agency.

PASSED AND ADOPTED by the Redevelopment Agency of the City of Roseville this
17th day of March, 2010, by the following vote on roll call:

AYES AGENCY MEMBERS: Allard, Bray, Garcia

NOES AGENCY MEMBERS: Roccucci

ABSENT AGENCY MEMBERS: Garbolino


for CHAIR

ATTEST:


Secretary



Exercise of Renewal Option

Facility Name/Location:
ROSEVILLE- VERNON RETAIL STATION (056624-009)
330 VERNON ST, ROSEVILLE, CA 95678-9998

County : Placer
Lease: QG0000349667

To
CITY OF ROSEVILLE
311 VERNON STREET
ROSEVILLE, CA 95678-2649

Certified Mail #
70142120000304956309

Issuing Office

1300 EVANS AVENUE
SAN FRANCISCO, CA 94188-8200

Date of Existing Lease: 04/09/2010

The existing Lease was amended by:

Amendment No. 001 accepted by the USPS on 04/03/2015

Pursuant to the Lease covering this facility, the Postal Service hereby exercises its option to renew said Lease as follows:

Term: 5 Years From (Date): 05/01/2015 To (Date): 04/30/2020 Annual Rate: \$108,000.00

In all other respects, the said Lease shall remain the same and is hereby confirmed.

Remarks

ESCALATED RENT AS FOLLOWS:

YEAR ONE: 05/01/2015 - 04/30/2016 - \$108,000

YEAR TWO: 05/01/2016 - 04/30/2017 - \$111,240

YEAR THREE: 05/01/2017 - 04/30/2018 - \$114,577

YEAR FOUR: 05/01/2018 - 04/30/2019 - \$118,014

YEAR FIVE: 05/01/2019 - 04/30/2020 - \$121,554

Date
05/13/2015

Name of Contracting Officer
Diana Alvarado

Signature



Lease Amendment

Facility Name/Location

VERNON RETAIL STATION (056624-009)
330 VERNON ST, ROSEVILLE, CA 95678-9998

Amendment No: 001

Lease: QG0000349667

This refers to the Lease accepted by the United States Postal Service, hereinafter called the Postal Service, under date of 04/09/2010, whereby there is leased to the Postal Service the above-described facility.

WHEREAS, the Postal Service desires and Landlord is willing to amend the Lease as specified below;

NOW THEREFORE, in consideration of the mutual covenants and agreements herein set forth, and for other good and valuable consideration, the sufficiency of which is hereby acknowledged, the parties do hereby agree as follows, effective on the date this document is executed by the Postal Service.

SEE ATTACHED ADDENDUM

In all other respects, the Lease shall remain the same and is hereby confirmed.



Addendum

Facility Name/Location
VERNON RETAIL STATION (056624-009)
330 VERNON ST, ROSEVILLE, CA 95678-9998

County: Placer
Lease: QG0000349667

RENEGOTIATE RENEWAL OPTION RENT:

Page 2, Section 4: RENEWAL OPTIONS of the current Lease states the renewal option as follows:

Renewal Option	Commencement Date	Expiration Date	No. Yrs.	Per Annum
First	05/01/2015	04/30/2020	Five (5)	FMV

Both parties hereby agree to amend Page 2, Section 4: RENEWAL OPTIONS as follows:

Renewal Option	Commencement Date	Expiration Date	Term	Per Annum
YEAR ONE	05/01/2015	04/30/2016	One (1) yr.	\$108,000
YEAR TWO	05/01/2016	04/30/2017	One (1) yr.	\$111,240
YEAR THREE	05/01/2017	04/30/2018	One (1) yr.	\$114,577
YEAR FOUR	05/01/2018	04/30/2019	One (1) yr.	\$118,014
YEAR FIVE	05/01/2019	04/30/2020	One (1) yr.	\$121,554

The parties agrees that notwithstanding any notice requirements to the contrary, for the purposes of exercising the First renewal option, the Postal Service's execution of this Lease Amendment shall be a legally sufficient exercise of the First renewal option.



Lease Amendment

EXECUTED BY LANDLORD this 7th day of May, 2015

GOVERNMENTAL ENTITY

By executing this Lease Amendment, Landlord certifies that Landlord is not a USPS employee or contract employee (or an immediate family member of either), or a business organization substantially owned or controlled by a USPS employee or contract employee (or an immediate family member of either).

Name of Governmental Entity: CITY OF ROSEVILLE


Name & Title

Ray Kerridge, City Manager
Name & Title

Name & Title

Name & Title

Name & Title

Name & Title

Name & Title

Name & Title

Landlord's Address: CITY OF ROSEVILLE

311 VERNON STREET

ROSEVILLE, CA

Zip+4 95678-2649

Landlord's Telephone Number(s): (916) 774 - 5200

(916) 774 - 5200

Federal Tax Identification No.: XX-XXX0409



Witness


Witness

- Where the Landlord is a governmental entity or other municipal entity, the Lease must be accompanied by documentary evidence affirming the authority of the signatory(ies) to execute the Lease to bind the governmental entity or municipal entity for which he (or they) purports to act.
- Any notice to Landlord provided under this Lease or under any law or regulation must be in writing and submitted to Landlord at the address specified above, or at an address that Landlord has otherwise appropriately directed in writing. Any notice to the Postal Service provided under this Lease or under any law or regulation must be in writing and submitted to "Contracting Officer, U.S. Postal Service" at the address specified below, or at an address that the Postal Service has otherwise directed in writing.

ACCEPTANCE BY THE POSTAL SERVICE

Date: 4-3-15


Laureen A Yamakido
Contracting Officer


Signature of Contracting Officer

Pacific FSO 1300 EVANS AVENUE, SUITE 200, SAN FRANCISCO, CA 94188-8200
Address of Contracting Officer

RESOLUTION NO. 15-168

APPROVING A LEASE AGREEMENT AMENDMENT BETWEEN THE CITY OF
ROSEVILLE AND UNITED STATES POSTAL SERVICE AND AUTHORIZING THE CITY
MANAGER TO EXECUTE IT ON BEHALF OF THE CITY OF ROSEVILLE

WHEREAS, a Lease Agreement Amendment regarding 330 Vernon Street, between the
City of Roseville and United States Postal Service, has been reviewed by the City Council;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Roseville that
said amendment is hereby approved and that the City Manager is authorized to execute it on
behalf of the City of Roseville.

PASSED AND ADOPTED by the Council of the City of Roseville this 6th day of
May, 2015, by the following vote on roll call:

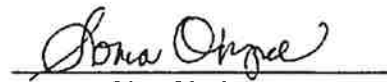
AYES COUNCILMEMBERS: Gore, Rohan, Herman, Roccucci, Garcia

NOES COUNCILMEMBERS: None

ABSENT COUNCILMEMBERS: None


MAYOR

ATTEST:


City Clerk

Addendum D

Comparable Data

Land Sales

Location & Property Identification

Property Name:	Vacant Land
Sub-Property Type:	Commercial
Address:	129 Vernon St.
City/State/Zip:	Roseville, CA 95678
County:	Placer
Market Orientation:	CBD
IRR Event ID:	1943795



Sale Information

Sale Price:	\$200,000
Effective Sale Price:	\$200,000
Sale Date:	09/01/2017
Recording Date:	09/01/2017
Sale Status:	Closed
\$/Acre(Gross):	\$767,165
\$/Land SF(Gross):	\$17.61
\$/Acre(Usable):	\$767,165
\$/Land SF(Usable):	\$17.61
Grantor/Seller:	First Bank
Grantee/Buyer:	Noah A. Baygell Trust
Property Rights:	Fee Simple
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	67802
Verified By:	Ligia Dejeu
Verification Date:	04/25/2018
Confirmation Source:	Noah. Baygell
Verification Type:	Confirmed-Buyer

Sale Analysis

Current Use at T.O.S.:	Parking lot
Proposed Use Change:	Yes
Proposed Use Desc.:	Retail & multifamily development

Improvement and Site Data

MSA:	Sacramento--Roseville--Arden-Arcade MSA
Legal/Tax/Parcel ID:	013-072-008
Acres(Usable/Gross):	0.26/0.26
Land-SF(Usable/Gross):	11,354/11,354
Usable/Gross Ratio:	1.00
Zoning Code:	CBD/SA - DT
Zoning Desc.:	Central Bus. Dist./Sp. Area-Downtown Specific Plan
Source of Land Info.:	Public Records

Comments

Sale of a property improved as a parking lot at the time of sale. The buyer has plans to develop the site as a five-story, 42,680 square foot mixed-use project comprised of 24 residential units and approximately 2,000 square feet of retail space.

Location & Property Identification

Property Name:	3720 Pine Street
Sub-Property Type:	Commercial
Address:	3720 Pine St.
City/State/Zip:	Rocklin, CA 95677
County:	Placer
Market Orientation:	Suburban
IRR Event ID:	1953778



Sale Information

Sale Price:	\$130,000
Effective Sale Price:	\$130,000
Sale Date:	06/01/2017
Recording Date:	06/06/2017
Listing Price:	\$215,000
Listing Date:	09/30/2016
Sale Status:	Closed
\$/Acre(Gross):	\$377,468
\$/Land SF(Gross):	\$8.67
\$/Acre(Usable):	\$856,955
\$/Land SF(Usable):	\$19.68
Grantor/Seller:	Marvin Moore
Grantee/Buyer:	Donald V. Ryan
Property Rights:	Fee Simple
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	41423
Verified By:	Ligia Dejeu
Verification Date:	05/15/2018
Confirmation Source:	Tim Van Gelder
Verification Type:	Confirmed-Seller Broker
Secondary Verific. Source:	CoStar, Deed, MLS

Usable/Gross Ratio:	0.44
Corner Lot:	Yes
Zoning Code:	C-4
Zoning Desc.:	General Retail Service Commercial
Source of Land Info.:	Other

Comments

This transaction represents the sale of a vacant parcel located within a historic portion of the City of Rocklin. While the site has a gross land area of 15,000 square feet, over half of the site is undevelopable due to a railroad right-of-way. The property previously sold in an REO transaction in September 2014 for \$50,000 or \$7.57 psf/usable land area.

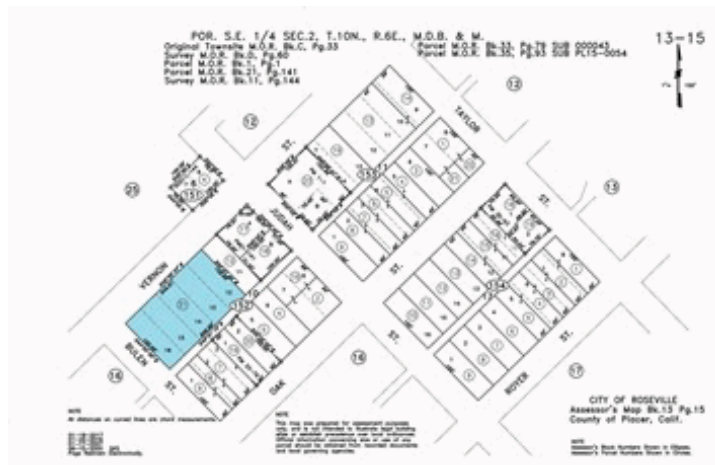
The property contains 15,000 square feet of gross land area; however, there is a railroad right-of-way indicating a net land area of 6,607 square feet.

Improvement and Site Data

Legal/Tax/Parcel ID:	010-121-006
Acres(Usable/Gross):	0.15/0.34
Land-SF(Usable/Gross):	6,607/15,000

Location & Property Identification

Property Name:	609-625B Vernon Street
Sub-Property Type:	Commercial
Address:	609, 623 & 625B Vernon St.
City/State/Zip:	Roseville, CA 95678
County:	Placer
Market Orientation:	CBD
IRR Event ID:	1955242



Sale Information

Sale Price:	\$774,500
Effective Sale Price:	\$774,500
Sale Date:	11/18/2016
Recording Date:	11/23/2016
Sale Status:	Closed
\$/Acre(Gross):	\$898,492
\$/Land SF(Gross):	\$20.63
\$/Acre(Usable):	\$898,492
\$/Land SF(Usable):	\$20.63
Grantor/Seller:	Doyle 1999 Family Trust
Grantee/Buyer:	623 Vernon, LLC
Assemblage:	Yes
Portfolio Sale:	Yes
Property Rights:	Fee Simple
Financing:	Cash to seller
Document Type:	Deed
Recording No.:	103877
Verified By:	Ligia Dejeu
Verification Date:	05/17/2018
Verification Type:	Secondary Verification
Secondary Verific. Source:	CoStar, Deed, News Article

Sale Analysis

Current Use at T.O.S.:	Retail, auto service, vacant land
Proposed Use Change:	Yes
Proposed Use Desc.:	Multifamily & retail

Improvement and Site Data

Legal/Tax/Parcel ID:	013-152-010 and -011
Acres(Usable/Gross):	0.86/0.86
Land-SF(Usable/Gross):	37,549/37,549
Usable/Gross Ratio:	1.00
Zoning Code:	CBD/SA - DT
Zoning Desc.:	Ctrl. Bus. Dist./Sp. Area-Downtown Specific Plan

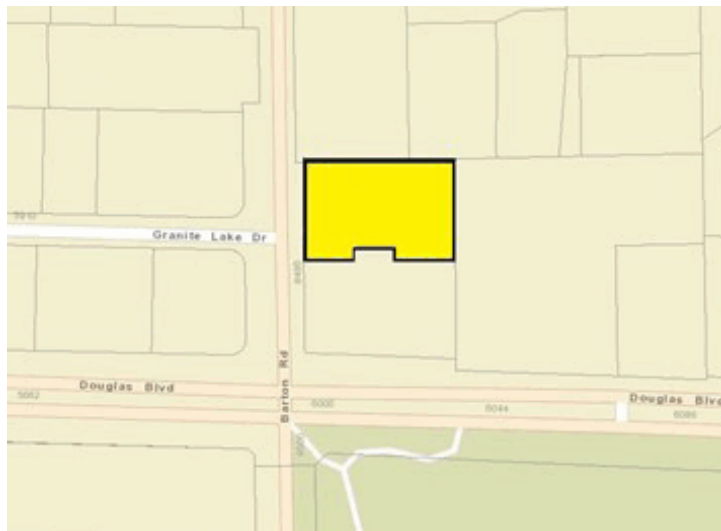
Source of Land Info.: Public Records

Comments

This transaction represents the portfolio sale of two parcels. At the time of sale, one of the parcels was improved with two buildings, a 2,140 SF retail building and a 3,716 SF auto service building. The property was purchased to be redeveloped into a four-story mixed use building comprising 58 affordable apartment units with 2,900 square feet of ground floor retail. The proposed project will include 60 underground parking spaces and four surface parking spaces. The cost of demolition of the existing buildings is considered and expenditure after sale and the sale price must be adjusted upward.

Location & Property Identification

Property Name:	Granite Bay Retail & Office site
Sub-Property Type:	Commercial
Address:	8481 Barton Rd
City/State/Zip:	Granite Bay, CA 95746
County:	Placer
Market Orientation:	Suburban
IRR Event ID:	1449753



Sale Information

Sale Price:	\$640,000
Effective Sale Price:	\$640,000
Sale Date:	07/06/2015
Recording Date:	07/06/2015
Sale Status:	Closed
\$/Acre(Gross):	\$735,463
\$/Land SF(Gross):	\$16.88
\$/Acre(Usable):	\$735,463
\$/Land SF(Usable):	\$16.88
Grantor/Seller:	Nr Homes Psp
Grantee/Buyer:	Agemark Corp
Property Rights:	Fee Simple
% of Interest Conveyed:	100.00
Exposure Time:	22 (months)
Document Type:	Deed
Recording No.:	57659
Verification Type:	Secondary Verification
Secondary Verific. Source:	CoStar, Assessor

Legal/Tax/Parcel ID:	048-101-067
Acres(Usable/Gross):	0.87/0.87
Land-SF(Usable/Gross):	37,905/37,905
Usable/Gross Ratio:	1.00
Shape:	Rectangular
Topography:	Level
Corner Lot:	No
Frontage Desc.:	146 feet on Barton
Zoning Code:	OP-UP-DC DLO
Zoning Desc.:	Commercial
Source of Land Info.:	Public Records

Comments

This comparable represents the sale of vacant land located along the east side of Barton Road, just north of Douglas Boulevard in Granite Bay. The adjacent parcel, which was improved with a 1,721 square foot office building was also purchased by the same buyer in a separate transaction. Since the purchases the office building (not this property) was demolished, the parcels were assembled (new APN 048-101-084) and improved with a memory care residence.

Sale Analysis

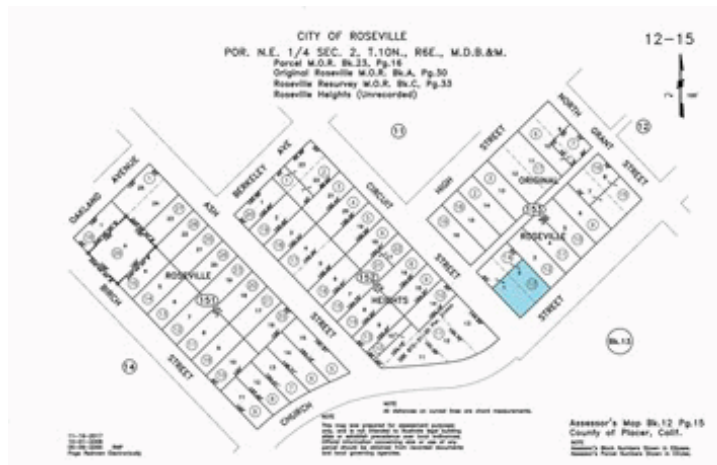
Proposed Use Desc.:	Medical, Office ...
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Improvement and Site Data

MSA:	Sacramento--Arden-Arcade--Roseville, CA
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Location & Property Identification

Property Name: 326 Church Street
 Sub-Property Type: Commercial
 Address: 326 Church St.
 City/State/Zip: Roseville, CA 95678
 County: Placer
 Market Orientation: Suburban
 IRR Event ID: 1953951



Sale Information

Listing Price: \$175,000
 Effective Listing Price: \$175,000
 Listing Date: 05/01/2018
 Sale Status: Listing
 \$/Acre(Gross): \$775,709
 \$/Land SF(Gross): \$17.81
 \$/Acre(Usable): \$775,709
 \$/Land SF(Usable): \$17.81
 Grantor/Seller: Lynette A. Robinson
 Grantee/Buyer: Listing
 Property Rights: Fee Simple
 Exposure Time: 7 (months)
 Financing: Cash to seller
 Verified By: Ligia Dejeu
 Verification Type: Secondary Verification
 Secondary Verific. Source: CoStar, Listing Flyer

Comments

This transaction represents the active listing of a 0.23 acre parcel zoned general commercial. The general commercial zone is intended to serve the entire community by providing areas for commercial facilities that are more of a service or heavy commercial character than are permitted in the Community Commercial District, and may involve outdoor display, storage or activity areas. Surrounding land uses include single-family residential and auto service uses and vacant land.

Improvement and Site Data

Legal/Tax/Parcel ID: 012-153-013
 Acres(Usable/Gross): 0.23/0.23
 Land-SF(Usable/Gross): 9,828/9,828
 Usable/Gross Ratio: 1.00
 Corner Lot: Yes
 Zoning Code: GC
 Zoning Desc.: General Commercial
 Source of Land Info.: Public Records

Addendum E

Engagement Letter

AGREEMENT FOR APPRAISAL SERVICES

Project: 320 Vernon Street

THIS AGREEMENT, is made and entered into this 24th day of APRIL, 2018, by and between the City of Roseville, a municipal corporation ("CITY"), and Seevers Jordan Ziegenmeyer dba Integra Realty Resources, Inc., a California general partnership ("APPRAISER"); and

WITNESSETH:

WHEREAS, CITY requires certain appraisal services for 320 Vernon Street, and APPRAISER is willing to provide such services;

NOW, THEREFORE, the parties agree as follows:

1. Appraisal. APPRAISER shall appraise and establish the As-Is Market Value for the real property described on Exhibit "A" ("the Property"). APPRAISER shall prepare and submit three (3) copies of a written appraisal report to the City Attorney of CITY, and shall mark the report "CONFIDENTIAL - ATTORNEY/CLIENT PRIVILEGE." The report shall contain at least the following:

- (a) Date of inspection of the Property;
- (b) Description of the Property with color photographs;
- (c) Listings and description of comparable sales with color photographs of each comparable sale;

(d) Comparable sales map;

(e) Narrative description of the manner in which the conclusion of As-Is Market Value was reached, which valuation method or methods were used, and reasons why particular valuation methods were used or not used;

(f) Date of valuation;

(g) All assumptions or limiting conditions;

(h) Statement that APPRAISER has no interest in the Property;

(i) Statement of APPRAISER's qualifications; and

(j) A certificate of APPRAISER in substantially the form attached hereto as Exhibit "B."

2. Compensation. CITY shall pay APPRAISER a lump sum of four thousand dollars (\$4,000) for tasks performed pursuant to this Agreement.

3. No Assignment. APPRAISER shall not assign this Agreement. APPRAISER shall not employ or otherwise incur any obligation to pay other specialists or experts for services in connection with this Agreement, without the prior written consent of CITY.

4. Termination. This Agreement may be terminated at any time by written notice from CITY, with or without cause. In such event, all finished and unfinished documents, project data, and reports shall, at the option of CITY, be delivered to CITY and become its property. APPRAISER shall immediately stop work, and shall within ten (10) calendar days deliver a final invoice for services to CITY.

5. No Conflict of Interest. APPRAISER (including principals, associates and professional employees) warrants that it is qualified to provide the services contracted for, and covenants that it does not now have any interest and shall not acquire any interest, direct or

indirect, in the Property covered by this Agreement or any other interest which would conflict in any manner or degree with the performance of its services hereunder. APPRAISER further covenants that in the performance of its duties hereunder, no person having any such interest shall be employed.

6. Confidentiality. APPRAISER covenants that it will keep confidential all appraisals, conclusions, work product, communications and every other matter relating to this Agreement, unless CITY otherwise authorizes disclosure in writing.

7. Indemnification. To the fullest extent allowed by law, APPRAISER shall defend, indemnify, and save and hold harmless CITY, its officers, agents, employees and volunteers from any claims, suits or actions of every name, kind and description brought forth, or on account of, injuries to or death of any person (including but not limited to workers and the public), or damage to property, resulting from or arising out of APPRAISER's willful misconduct or negligent act or omission while engaged in the performance of obligations or exercise of rights created by this Agreement, except those matters arising from CITY's sole negligence or willful misconduct. The parties intend that this provision shall be broadly construed.

APPRAISER's responsibility for such defense and indemnity obligations shall survive the termination or completion of this Agreement for the full period of time allowed by law. The defense and indemnity obligations of this Agreement are undertaken in addition to, and shall not in any way be limited by, the insurance obligations contained in this Agreement.

8. Insurance. APPRAISER agrees to continuously maintain, in full force and effect, the following minimum policies of insurance during the term of this Agreement.

COVERAGE

LIMITS OF LIABILITY

Workers' Compensation

Statutory

Commercial General Liability

\$1,000,000 each occurrence
\$2,000,000 aggregate
Personal Injury:
\$1,000,000 each occurrence
\$2,000,000 aggregate

Automobile Liability

\$1,000,000 combined single limit

Professional Liability (errors and
omissions)

\$1,000,000 per claim
\$2,000,000 aggregate

a. Form. APPRAISER shall submit a certificate evidencing such coverage for the period covered by this Agreement in a form satisfactory to Risk Management and the City Attorney, prior to undertaking any work hereunder. Any insurance written on a claims made basis is subject to the approval of Risk Management and the City Attorney.

b. Additional Insureds. APPRAISER shall also provide a separate endorsement form or section of the policy showing CITY, its officers, agents, employees and volunteers as additional insureds for each type of coverage, except for Workers' Compensation and Professional Liability. Such insurance shall specifically cover the contractual liability of APPRAISER. The additional insured coverage under the APPRAISER's policy shall be primary and noncontributory, as evidenced by a separate endorsement or section of the policy, and shall not seek contribution from CITY's insurance or self-insurance. In addition, the additional insured coverage shall be at least as broad as the Insurance Services Office ("ISO") CG 20 01 Endorsement. Any available insurance proceeds in excess of the specified minimum insurance coverage requirements and limits shall be available to the additional insureds. Furthermore, the requirements for coverage and limits shall be: (1) the minimum coverage and limits specified in

this Agreement; or (2) the full coverage and maximum limits of any insurance proceeds available to the named insureds, whichever is greater.

c. Cancellation/Modification. APPRAISER shall provide ten (10) days written notice to CITY prior to cancellation or modification of any insurance required by this Agreement.

d. Umbrella/Excess Insurance. The limits of insurance required in this Agreement may be satisfied by a combination of primary and excess insurance. Any excess insurance shall contain or be endorsed to contain a provision that such coverage shall also apply on a primary and noncontributory basis for the benefit of CITY (if agreed to in a written contract) before CITY's own insurance shall be called upon to protect it as a named insured.

e. Subcontractors. APPRAISER agrees to include in its contracts with all subcontractors the same requirements and provisions of this Agreement, including the indemnity and insurance requirements, to the extent they apply to the scope of the subcontractor's work. Furthermore, APPRAISER shall require its subcontractors to agree to be bound to APPRAISER and CITY in the same manner and to the same extent as APPRAISER is bound to CITY under this Agreement. Additionally, APPRAISER shall obligate its subcontractors to comply with these same provisions with respect to any tertiary subcontractor, regardless of tier. A copy of CITY's indemnity and insurance provisions will be furnished to the subcontractor or tertiary subcontractor upon request.

f. Self-Insured Retentions. All self-insured retentions ("SIR") must be disclosed to Risk Management for approval and shall not reduce the limits of liability. Policies containing any SIR provision shall provide or be endorsed to provide that the SIR may be satisfied by either the named insured or CITY. CITY reserves the right to obtain a full

certified copy of any insurance policy and endorsements. The failure to exercise this right shall not constitute a waiver of such right.

g. Waiver of Subrogation. APPRAISER hereby agrees to waive subrogation which any insurer of APPRAISER may acquire from APPRAISER by virtue of the payment of any loss under a Workers Compensation, Commercial General Liability or Automobile Liability policy. All Workers Compensation, Commercial General Liability and Automobile Liability policies shall be endorsed with a waiver of subrogation in favor of CITY, its officers, agents, employees and volunteers for all work performed by APPRAISER, its employees, agents and subcontractors.

h. Liability/Remedies. Insurance coverage in the minimum amounts set forth herein shall not be construed to relieve APPRAISER of liability in excess of such coverage, nor shall it preclude CITY from taking such other actions as are available to it under any other provisions of this Agreement or law.

9. Notices. Any notice required by this Agreement shall be delivered or sent by first class mail, United States postage prepaid, addressed as follows:

CITY

Laura Matteoli
Acting Economic Development Director
311 Vernon Street
Roseville, CA 95678

APPRAISER

Lance Jordan, Senior Managing Director
Seevers Jordan Ziegenmeyer
dba Integra Realty Resources – Sacramento
3825 Atherton Road, Suite 500
Rocklin, CA 95765

Either party may amend its address for notice by giving notice to the other party.

10. Attorney's Fees; Venue; Governing Law. If either party commences any legal action against the other party arising out of this Agreement or the performance hereof, the prevailing party in such action shall be entitled to recover its reasonable litigation expenses,

including but not limited to, court costs, expert witness fees, discovery expenses, and attorney's fees. Any action arising out of this Agreement shall be brought in Placer County, California, regardless of where else venue may lie. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

11. Time is of the Essence. Time is of the essence of this Agreement. APPRAISER shall complete the appraisal required under this Agreement by May 18, 2018. For each day that APPRAISER is late in completing such work, and inasmuch as the actual damages which would result from such breach by APPRAISER under this Agreement are uncertain, and would be impractical or extremely difficult to fix, APPRAISER agrees that it shall pay, or CITY shall deduct from APPRAISER's fee, the sum of one hundred and fifty (\$150) dollars as liquidated damages.

12. Successors in Interest. This Agreement shall be binding upon and shall inure to the benefit of the parties and their respective heirs, legal representatives, successors and assigns.

13. Joint Effort. This Agreement is the result of the joint efforts and negotiations of parties hereto, and no single party is the author or drafter hereof. All of the parties assume joint responsibility for the form and position of each and all of the contents of this Agreement and they agree that this Agreement shall be interpreted as though each of the parties participated equally in the composition of this Agreement and each every part hereof.

14. Integration. This is an integrated Agreement, and contains all of the terms, considerations, understandings and promises of the parties. It shall be read as whole.

15. Compliance with Laws. APPRAISER shall comply with all federal, state and local laws, ordinances and policies as may be applicable to the performance of services under this Agreement.

16. Ability to Perform. APPRAISER agrees and represents that it has the time, ability and professional expertise to perform the services required under this Agreement.

17. Governing Agreement. In the event of any conflict between this Agreement and its EXHIBITS, the provisions of this Agreement shall govern. In the event of any conflict between any of the EXHIBITS, the provisions of the first in order of attachment shall govern.

18. Independent Contractor. APPRAISER shall act as an independent contractor, and covenants and agrees that it will conduct itself consistent with such status, that it will neither hold itself out as, nor claim to be, an officer or employee of CITY by reason of this Agreement.

19. Representations and Warranties. APPRAISER warrants that it has not employed or retained any company or person, other than a bona fide employee working for APPRAISER, to solicit or secure this Agreement, and that it has not paid or agreed to pay any company or person, other than a bona fide employee, any fee, commission, percentage, brokerage fee, gift or any other consideration, contingent upon or resulting from the award or making of this Agreement. For breach or violation of this warranty, CITY shall have the right to terminate as void this Agreement, without liability, or, in its discretion, to deduct from the Agreement price or consideration, or otherwise recover, the full amount of such fee, commission, percentage, brokerage fee, gift or contingent fee.

20. Modification. This Agreement and each provision contained herein may be waived, amended, supplemented or eliminated only by mutual written agreement of the parties.

21. Severability. If any of the provisions contained in this Agreement are for any reason held invalid or unenforceable, such holding shall not affect the remaining provisions or the validity and enforceability of the Agreement as a whole.

IN WITNESS WHEREOF, the City of Roseville, a municipal corporation, has executed this Agreement in duplicate by its City Manager and APPRAISER has caused this Agreement to be duly executed.

CITY OF ROSEVILLE, a
municipal corporation

SEEVERS JORDAN ZIEGENMEYER
DBA INTEGRA REALTY RESOURCES,
INC., California general partnership

BY: 

DOMINICK CASEY
Acting City Manager

BY: 

LANCE JORDAN
its SENIOR MANAGING DIRECTOR

ATTEST:

BY: 

SONIA OROZCO
City Clerk

APPROVED AS TO FORM:

BY: 

ROBERT R. SCHMITT
City Attorney

APPROVED AS TO SUBSTANCE:

BY: 

LAURA MATTEOLI
Acting Economic Development Director

EXHIBIT "A"

Integra Realty Resources
Sacramento

3825 Atherton Road, Suite 500
Rocklin, CA 95765

T 916.435.3883
F 916.435-4774
www.irr.com



April 5, 2018

Mr. Wayne Wiley
Development Analyst
City of Roseville
311 Vernon Street
Roseville, CA 95747

SUBJECT: Roseville Post Office Property
320 Vernon Street
Roseville, CA 95747

Dear Mr. Wiley:

Thank you for considering Integra Realty Resources - Sacramento for your real estate valuation needs.

Please consider this letter my formal proposal to appraise the above-referenced property. The intended use of the appraisal is reportedly for asset valuation pertaining to the future sale of the subject property.

The subject property is currently occupied by the United States Post Office as the sole tenant. The building consists of 9,783± square feet on the ground floor and 9,702± square feet of basement space, for a total rentable area of 19,485± square feet. The property is situated within the confines of a single assessor's parcel containing approximately 22,986 square feet of land area (APN: 013-09-003). A more detailed legal and physical description of the subject property, as well as related market area characteristics, will be contained within the final appraisal report.

I previously appraised the subject property on February 14, 2013. It is my assertion the scope of work will be very similar to the scope of work from the previous appraisal. Specifically, based on my understanding of the subject property (at the end of its economic/useful life, with a lease in-place until 2020), the most appropriate method of estimating the as-is market value of the leased fee interest in the subject is a yield capitalization analysis, which is a valuation technique of the income capitalization approach. As part of this valuation, I will employ the sales comparison approach to estimate the

Mr. Wayne Wiley, Development Analyst, City of Roseville
April 5, 2018
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market value of the underlying land. In summary, I will estimate all net cash inflows to the ownership over the approximately two years remaining on the lease and determine the net reversion value (future land value, less demolition and fill costs – if necessary) and discount all of the net cash flows to a present value (i.e., the as-is market value). With the post office lease in place, it is our opinion this is the method the typical buyer would use to determine the price they would be willing to pay for the subject. It is noted that in the underlying land valuation, consideration will be given to the city entitlements that will allow for a new office/retail project to be up to four stories in height, with no on-site parking. At this height, it is my understanding that up to 80,000± square feet of building area (20,000 SF per floor) could potentially be housed on the subject site.

This appraisal assignment will be conducted in accordance with appraisal standards and guidelines found in the current edition of the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Institute's Code of Professional Ethics and Standards of Professional Appraisal Practice.

The fee for services to complete the appraisal will be \$4,000. We can complete this assignment within four weeks of your authorization to proceed.

Should you require services beyond the scope outlined previously, the following hourly fee schedule, plus any inordinate expenses, will apply to the various individuals that may be involved in the assignments.

• Partner	\$350 / hour
• Senior Analyst	\$250 / hour
• Analyst	\$150 / hour
• Administrative Support	\$50 / hour

If you have any questions, please do not hesitate to contact me at (916) 435-3883, or by e-mail at ljordan@irr.com.

Respectfully submitted,

Integra Realty Resources - Sacramento



Lance Jordan, MAI
Senior Managing Director
State Certification No.: AG012709
916.435.3883
Email: ljordan@irr.com



EXHIBIT "B"

CERTIFICATE OF APPRAISER

I hereby certify:

That I have personally inspected the subject property herein appraised. A personal field inspection of the comparable sales relied upon in making this appraisal has also been made. The subject and the comparable sales relied upon in making this appraisal are as represented by the photographs contained in this report.

That to the best of my knowledge and belief the statements contained in this appraisal are true and the information upon which the opinions expressed therein are based is correct, subject to the assumptions and limiting conditions set forth in the appraisal.

That I understand that such appraisal is to be used in connection with the disposition of the subject property by the City of Roseville.

The analysis, opinions, and conclusions in this report were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Practice of the American Institute of Real Estate Appraisers.

That neither my employment nor my compensation for making this appraisal report are in any way contingent upon the values reported herein.

That I have no direct or indirect present or contemplated future personal interest in this property or in any benefit from the acquisition of such property appraised.

The out-of-context quoting from, or partial reprinting of, this report is not authorized.

That I have not revealed the findings and results of this appraisal to anyone other than the proper officials of the City of Roseville, and I will not do so until so authorized by the City, or until I am required to do so by due process of law, or until I am relieved of this obligation by having publicly testified as to such findings.

My opinion of value of the As-Is Market Value for the property has an effective valuation date of _____, and the As-Is Market Value is as follows:

Dollars

(\$ _____)

Appraiser/APPRAISER

Date