

RESTRICTED APPRAISAL REPORT

THE FEE SIMPLE ESTATE

IN

VACANT LAND

LOCATED AT

**WARNER TRAIL
INDIAN WELLS, CA 92210
APN; 633-300-007**

Prepared for

The Indian Wells Housing Authority
44-950 Eldorado Drive
Indian Wells, CA 92210
Attention; Mr. David Gassaway

Prepared by

ADK Appraisal Services
Thomas Kjaergaard, MAI, SRA
76947 Desi Drive
Indian Wells. CA 92210

Date of Report

September 15, 2015

Effective Date of the Appraisal

August 31, 2015



ADK APPRAISAL SERVICES

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September 15, 2015

File No. D15L08001

Mr. David Gassaway
Assistant to the City Manager
City of Indian Wells
44-950 Eldorado Dr.
Indian Wells, CA 92210

Dear Mr. David Gassaway

In response to your request, I have completed a Narrative Restricted Appraisal Report of the real property located on Warner Trail in the City of Indian Wells, CA 92210 (Assessor's Parcel No. 633-300-007).

Under USPAP Standards Rule 2-2(b), this will be a Restricted Appraisal Report, and is intended only for the sole use of the named client.

Purpose and Intended

Use of Appraisal

The purpose of this appraisal report is to estimate the market value of the subject property to be used for internal/confidential use. This is the only intended use. This appraisal report is intended for the sole and exclusive use of the City of Indian Wells, the City of Indian Wells city council, the City of Indian Wells city manager and assistant to the city manager and the Indian Wells Housing Authority and its board of directors, my client who has engaged me to perform the subject appraisal. No other user is authorized and any other use or user is not warranted by the appraiser. The appraiser is not responsible for unauthorized use of this report.

Use Restriction

Under USPAP Standards Rule 2-2(b), this is a Restricted Appraisal Report, and is intended only for the sole use of the named client. There are no other intended users. The client must clearly understand that the appraiser's opinions and conclusions may not be understood properly without additional information in the appraiser's work file.

A description of the appraised property together with an explanation of the procedures utilized is presented in the body of this report.

You have requested that my appraisals consider and render my opinion with respect to one value relating to the subject real property. The value reported is the "As Is" market value of the subject real property as of the date of the inspection.

Based on the facts, assumptions, and procedures outlined in this report, I am of the opinion that the market value of the property as of August 31, 2015, is:

Concluded Value

\$1,200,000

The valuation is expressly subject to this report's Limiting Conditions. The valuation of the property appraised and forecast made herein are based upon economic, physical and governmental conditions prevailing as of the date of value set forth herein. The valuation and forecasts represent my opinions and I make no warranties or representations that the forecasts will materialize and assume no responsibility for changes in these conditions which may affect the opinions herein stated occurring at some date after this report's date of value.

The appraisal has been prepared in accordance with the requirements of the Code of Professional Ethics and Standards of Professional Conduct of the Appraisal Institute, the Financial Institution Reform, Recovery, and Enforcement Act of 1989 (FIRREA) XI regulations and the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation.

Sincerely,

X 

Certified General Real Estate Appraiser, CA
License#AG033959; Expires 05/06/2016
Signed by: Thomas Kjaergaard

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PHOTOGRAPHS AND ILLUSTRATIONS

PHOTOGRAPHS SUBJECT



Dakota Trail south view subject to the right



Subject site east view



Subject site south east view



Subject site east view



Blackfoot Dr. east view



Dakota Trail north view



Subject site north east view



Subject site north view



Blackfoot Dr. west view



Subject site north west view



Warner Trail south view



Subject site north view



Subject site west view



Warner Trail north view



Subject site & Warner Trail north view



Subject site west view



Subject site south west view



Warner Trail south view



East view



East view



North east view



West view



South west view

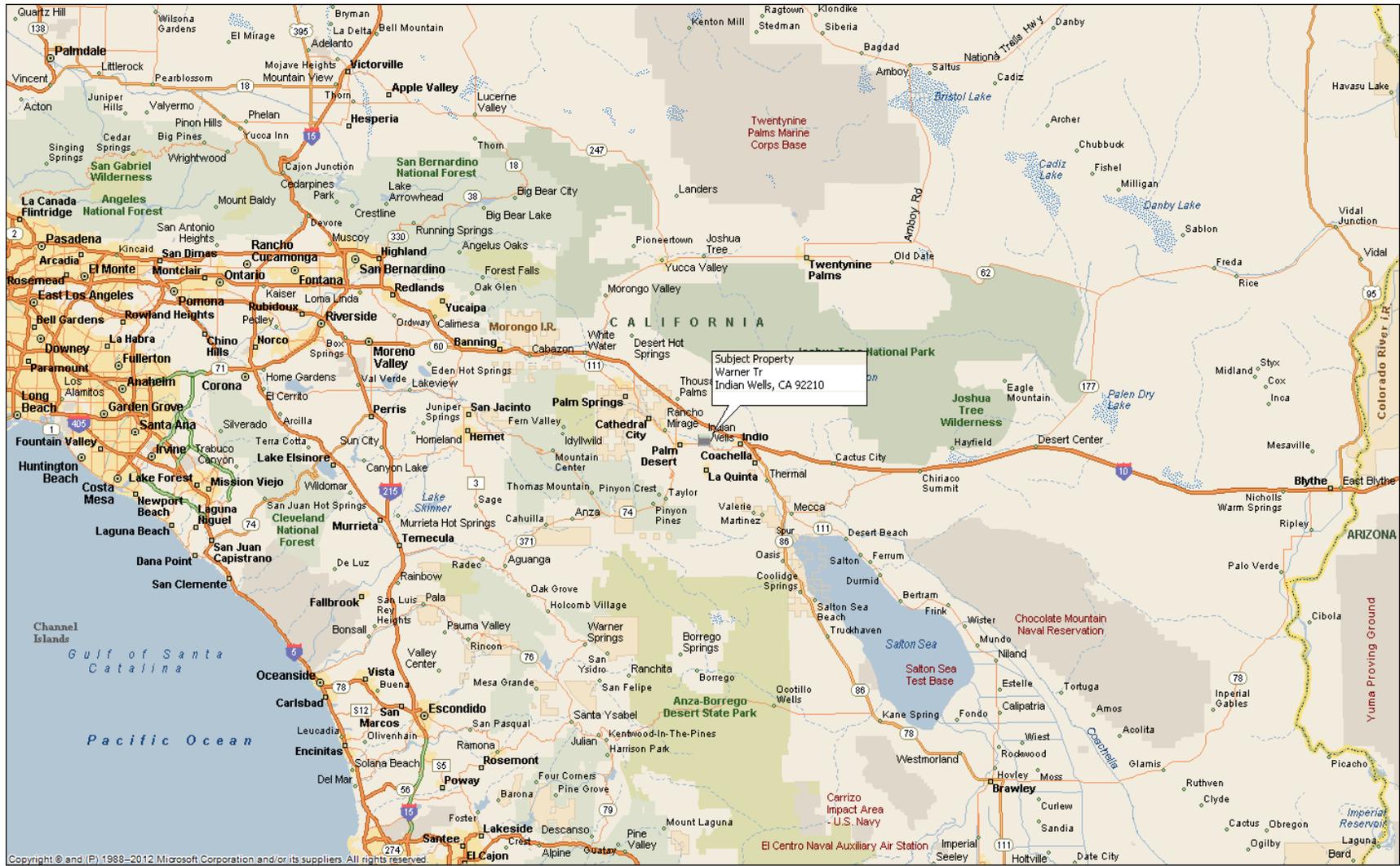
AERIAL PHOTO



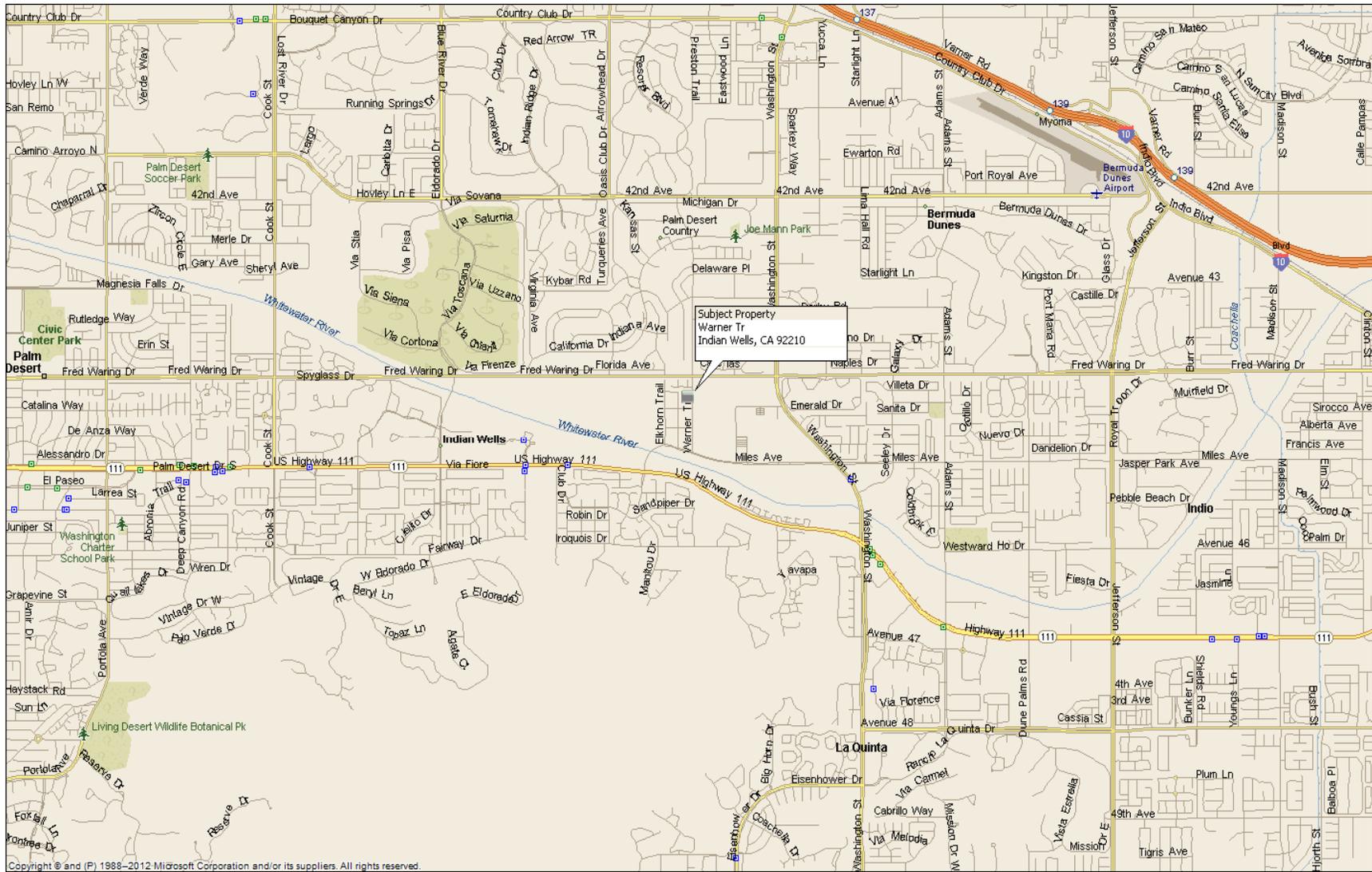
FLOOD MAP



REGIONAL LOCATION MAP



LOCATION MAP



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VALUATION SUMMARY AND PROPERTY DESCRIPTION

<i>Property Type</i>	Residential land
<i>Property Location</i>	Warner Trail, Indian Wells, CA 92210
<i>Land Area</i>	Total Site Area: 182,952 Square Feet; 4.20 Acres Source: Riverside County Assessor's Parcel Map and RealQuest
<i>Site Shape</i>	Regular - See Plat Map
<i>Concluded Value</i>	\$1,200,000
<i>Date of Inspection</i>	August 31, 2015
<i>Effective Date of Value</i>	August 31, 2015
<i>Date of Report</i>	September 15, 2015
<i>Client</i>	The Indian Wells Housing Authority and its board of directors, the City of Indian Wells, the City of Indian Wells city council, the City of Indian Wells city manager and assistant to the city manager.
<i>Intended User</i>	The Indian Wells Housing Authority and its board of directors, the City of Indian Wells, the City of Indian Wells city council, the City of Indian Wells city manager and assistant to the city manager.
<i>Purpose and Intended Use of Appraisal</i>	The purpose of this appraisal report is to estimate the market value of the subject property to be used for internal/confidential use. This is the only intended use. This appraisal report is intended for the sole and exclusive use of the City of Indian Wells, the City of Indian Wells city council, the City of Indian Wells city manager and assistant to the city manager and the Indian Wells Housing Authority and its board of directors, my client who has engaged me to perform the subject appraisal. No other user is authorized and any other use or user is not warranted by the appraiser. The appraiser is not responsible for unauthorized use of this report.
<i>Use Restriction</i>	Under USPAP Standards Rule 2-2(b), this is a Restricted Appraisal Report, and is intended only for the sole use of the named client. There are no other intended users. The client must clearly understand that the appraiser's opinions and conclusions may not be understood properly without additional information in the appraiser's work file.
<i>Extraordinary Assumptions</i>	As confirmed with the assistant to the city manager Mr. David Gassaway this property is owned by the Indian Wells Housing Authority, even though public record indicates that it is the City of Indian Wells that owns this property. It has been agreed with Mr.

David Gassaway that this will be properly recorded in the near future.

<i>Hypothetical Conditions</i>	None
<i>Property Rights Appraised</i>	Fee Simple (Refer to Definitions in Addenda)
<i>Topography</i>	Mostly leveled at street grade. An aerial photo of the existing site is enclosed in this report.
<i>Zoning</i>	Low Density Residential, City of Indian Wells. An extract from the City of Indian Well's Municipal Code, is shown in an addendum to this report.
<i>Redevelopment Area</i>	No
<i>Title Conditions</i>	My value estimate is predicated upon there being no adverse title conditions, easements, or encroachments that would cause a loss in value or prohibit development. I have not been provided with a Title Report relating to the subject property. Please refer to this valuation's Limiting Conditions.
<i>Access</i>	Property has access from Warner Trail.
<i>Freeway Visibility</i>	No
<i>Street Frontage</i>	Subject has 467 feet of street frontage along Warner Trail.
<i>Wildlife & MSHCP</i>	The subject site is located within the Coachella Valley MSHCP (Multi-Species Habitat Conservation Plan) plan area, but not in a conservation area.
<i>Off-site Improvements</i>	Warner Trail, Blackfoot Dr. and Dakota Trail are two lane asphalt paved streets with no landscaped median and are access streets with curbs, and gutters at the subject access points.
<i>On-site Improvements</i>	None
<i>Utilities</i>	Public utilities including water, sewer, electricity, telephone, and natural gas are available to the site
<i>Legal Description</i>	4.20 ACRES M/L IN POR NW ¼ OF SEC 24 T5S R6E, Riverside County, California.
<i>Location & Surrounding Uses</i>	The subject property is located in the northeastern section of the City of Indian Wells. Indian Wells incorporated in 1967 encompasses approximately 14.6 square miles and is located 130 miles east of Los Angeles and 75-80 miles southeast of the Cities of Riverside and San Bernardino. The City of Palm Desert to the west and north, the City of La Quinta to the east, and

unincorporated Riverside County and Santa Rosa Mountains to the south surrounds the City of Indian Wells. The subject property is located west of Washington Street and just south of Fred Waring Drive in the City of Indian Wells in Eastern Riverside County. The property is located just west of the Indian Wells Tennis Garden and ½ mile north of Highway 111. Highway 111 runs through the Coachella Valley and extends from Palm Springs to the west to the eastern border of Indio to the east. The Interstate #10 Freeway is located 2.5 miles north of the subject and is accessed from the Washington Street on/off ramp. The Interstate #10 Freeway provides access to the Southern California Freeway network. The subject is within one hour from the region's primary employment centers in Riverside and San Bernardino County. The closest regional shopping centre the Westfield Shopping Town is located 5 miles west of the subject property in the City of Palm Desert. The subject's neighborhood consists primarily of residential properties. The immediate area includes Gerald R. Ford elementary school just across the street to the east, new commercial development, the Eisenhower Medical Campus, Homewood Suites Hotel and Indian Wells Tennis Garden further to the east. Land uses immediately surrounding the subject property consist of residential development to the north, west and south and Gerald R. Ford elementary school just across the street to the east. In summary, the subject has a good residential location in the northeastern portion of the City of Indian Wells. Access to the property is good.

<i>Special Assessment</i>	None noted
<i>Assessor's Parcel No.</i>	633-300-007-0 Subject qualifies for a property tax exemption. Assessed value 2014/15; \$0 (from Riverside County) Property Taxes 2014/15: \$0 (from Riverside County) Penalties Due 2014/15 \$0 Tax Rate: 1.23309% Tax Rate Area: 016-108 Mello Roos: No
<i>Census Tract</i>	451.22
<i>Thomas Map No</i>	Page 819 – Grid E7 (Riverside County Edition)
<i>Ownership</i>	City of Indian Wells per public record. See extraordinary assumption.
<i>Flood Hazard Map</i>	Flood Zone: X Community Panel No. 06065C-2227G Dated; 08/28/2008 Flood Insurance Required: No
<i>Earthquake Study Zone</i>	No The subject property is reportedly not within an Alquist-Priolo Special Studies Zone. According to the State Division of Mines

and Geology, this map may not show all faults that have the potential for surface fault or rupture, either within the special studies zone or outside their boundaries. No opinion or warranty, expressed or implied, is made herein as to the potential or possibility of earthquake occurrence or to the existence or non-existence of any known, unknown, or uncertain fault traces or fault zones. It is not uncommon for areas throughout California to be located within these zones as evidenced by the January 17, 1994 earthquake. The Coachella Valley is one of the more seismically active areas of California. Recent seismic events that have affected the Valley include the following: Desert Hot Springs - 1948 (6.5 Magnitude (m)); Palm Springs - 1986 (5.9 m); Desert Hot Springs -1992 (6.1 m); Landers -1992 (7.2 m); Big Bear -1992 (6.6 m).

Marketing period 12-15 Months (at the effective date of value)

Exposure Period 12-15 Months (at the effective date of value)

Property Sales History According to the public records as shown by RealQuest, it appears that the current owner has owned the subject property for more than 3 years. There is a Grant Deed dated 07/03/2000. This transaction is recorded in the public records in document number 258230. The seller was Theresa Oliver that grants the property to Michael J. Corliss. The sales price was \$345,000. This was a full value transfer. There is a quitclaim deed dated and recorded on 06/22/2006. This transaction is recorded in the public records in document number 449499. This was a transfer of ownership from the City of Indian Wells to the Indian Wells Redevelopment Agency. There is a quitclaim deed dated and recorded on 03/17/2011. This transaction is recorded in the public records in document number 121655. This was a transfer of ownership from the Indian Wells Redevelopment Agency to the City of Indian Wells. None of the comparable sales had any market transfers in the year prior to the sale reported in this appraisal. According to my client, Costar and Damls the subject property is not currently listed for sale.

Definition of Market Value Refer to definitions in Addenda

Appraisal Scope The Scope of work has included: (1) An inspection of the subject property and surrounding neighborhood; (2) Research and investigation of current market conditions relative to the property being appraised, as well as market the sector with which the subject property is identified; (3) Interviews with brokers, property owners and appraisers, as well as relevant public agencies and governing bodies; (4) Collection, verification and analysis of market data and any other pertinent information necessary to the valuation process, and (5) Compilation of the descriptions, reasoning and explanations, leading to the final value conclusions, within this report. The primary source of data searched is On-Line

Co-Star, On-Line LoopNet, On-Line MLS and On-Line RealQuest Professional. A search is made to determine if the subject property has been listed in the MLS in the year prior to the date of this appraisal.

A search is made for the most recent and current comparable sales in the subject's market area. Then the most similar 6 to 12 sales are selected for a drive by inspection. Then the sales are verified by a source familiar with the comparable sale (Realtor/Buyer/Seller). Then the most similar 3 to 9 sales are selected to report upon. A minimum of three closed sales within 1 year of the date of this appraisal is normally required. The sales are adjusted to the subject and then a market value estimate is made.

Thomas Kjaergaard, the appraiser hereunder have personally inspected the property being appraised in this report, Mr. Kjaergaard collected and analyzed the appropriate and available data that has been utilized in this report. Mr. Kjaergaard also verified all sales information relating to each of the comparable properties that have been identified and analyzed for comparison purposes under this report. Mr. Kjaergaard made the analysis pertaining to the indicated adjustments that have been made with respect to each comparable sale in this report. The final estimate of value made in this report for the subject property was made solely by Mr. Kjaergaard. Mr. Kjaergaard completed the physical preparation of this report. No other professional assistance was provided to Mr. Kjaergaard by another person. A drive-by inspection (curb-side observation) was performed.

Report Format

Restricted Appraisal Report

Compliance

This report is intended to comply with the following regulatory standards:

The Uniform Standards of Professional Appraisal Practice (USPAP) including the Ethics and Competency Provisions as promulgated by the Appraisal Standards Board of the Appraisal Foundation under the Financial Institution Reform, Recovery and Enforcement Act of 1989 (FIRREA) Title XI.

Highest & Best Use

"The reasonable probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible and that results in the highest value. The four criteria that must be met are legal permissibility, physical possibility, financial feasibility, and maximum profitability."

Current Use:

Residential land

Highest and Best Use;

"As Vacant": Residential development.

The subject site "As Vacant" should be held for approximately 1-3 years before development.

Methodology

Approaches Utilized: Sales

Approaches Omitted: Income and Cost

Reason Omitted: The Cost and Income Approaches are not relevant in the valuation of vacant land.

Units of Comparison

According to area brokers, vacant lots of this size are generally sold on a price per square foot.

Soils

My value estimate is predicated upon the assumption that there is no soils instability and/or toxic material on or in the subject property or surrounding properties that would cause a loss in value. Please refer to this valuation's Limiting Conditions.

RESIDENTIAL MARKET OVERVIEW

The Desert Area Multiple Listing Service has provided information on overall market conditions within the subject's Indian Wells and Palm Desert's residential market area as subject parcel is bordering the City of Palm Desert's market area, which in particular is Palm Desert Country Club.

Marketing Times - Individual Home Sales

In connection with this report, I have researched potential comparable single-family detached home sales in the Indian Wells market excluding Indian Wells Country Club and Palm Desert within one mile of subject, during the past twelve months. As subject is right on the border with the City of Palm Desert, any home sales within one mile of subject located in the City of Palm Desert has been included in this market analysis. This search has been based on what residential uses that are permitted under the current zoning regulations including homes between minimum 2,000 and 3,000 sq. ft. and with a site size larger than 8,500 sq. ft. as required by the current zoning regulations. The research did not identify any potential comparable single-family detached homes in the City of Indian Wells within the last twelve months within 1 mile of subject site. See description of the legally permitted uses in the attached addendum. Information on each of these individual home sales is shown on the following page.

COMPARABLE INDIVIDUAL HOME SALES

<u>No.</u>	<u>Name</u> <u>Location</u>	<u>Sale or Listing</u> <u>Date</u>	<u>Sale or listing</u> <u>Price</u>	<u>Living</u> <u>Area</u>	<u>Price/</u> <u>Sq.Ft.</u>	<u>Bdrms./</u> <u>Baths</u>	<u>Location/</u> <u>Views</u>	<u>Quality/</u> <u>Lot SF</u>	<u>Age</u> <u>(Years)</u>	<u>DOM</u> <u>Concessions</u>
1	43519 Saint Kitts Ct Palm Desert	3/8/15	\$275,000	2,062	\$133.37	3 2.5	Good Average	Average 8,712	27	197 None
2	43800 Tennessee Ave Palm Desert	10/15/14	\$349,000	2,793	\$124.96	3 3.5	Good Average	Average 13,504	32	83 None
3	32 Tucson Cir Palm Desert	2/13/15	\$435,000	2,164	\$201.02	3 2.0	Good Average	Average 10,890	17	86 None
4	57 Payson Cir Palm Desert	10/14/14	\$460,000	2,330	\$197.42	4 2.5	Good Average	Average 9,148	17	73 None
5	49 Payson Cir Palm Desert	12/18/14	\$485,000	2,861	\$169.52	4 3.0	Good Average	Average 9,583	17	146 None
6	77880 Mountain View Ave Palm Desert	3/18/15	\$550,000	2,983	\$184.38	4 3.0	Good Average	Average 44,431	35	168 None
7	77519 Missouri Dr. Palm Desert	7/1/15 Listing date	\$349,900	2,408	\$145.31	4 2.5	Good Average	Average 10,019	35	61 None
8	41 Marricopa Ct Palm Desert	5/8/15 Listing date	\$450,000	2,330	\$193.13	4 2.5	Good Average	Average 9,148	17	115 None
9	45 Marricopa Ct Palm Desert	6/19/15 Listing date	\$485,000	2,343	\$207.00	3 2.5	Good Average	Average 9,148	17	73 None

The marketing times for the six individual home sales/listings analyzed above (Survey Nos. 1 through 6) average 126 days. My market research indicates that property values in the subject market within the last 12 months have stabilized. The current supply/demand for homes that could be built on subject in the future appears to be in balance and the marketing times are three-six months. Conventional financing is available at historically low market rates.

Local Multiple Listing Service Sales Information – Single-Family Home Sales

I have researched other sales information provided by the Desert Area Multiple Listing Service. This information included:

- (1) the number of homes which have sold during the past six months in the Indian Wells/Palm Desert market area within approximately 1 mile from subject including selling prices as well as certain marketing time information for these sales
- (2) the number of homes which have sold during the past twelve months in the Indian Wells/Palm Desert market area within approximately 1 mile from subject including selling prices as well as certain marketing time information for these sales
- (3) the number of pending sales in the Indian Wells/Palm Desert market area within approximately 1 mile from subject including asking prices as well as certain marketing time information for these pending sales
- (4) the number of active listings in the Indian Wells/Palm Desert market area within approximately 1 mile from subject including asking prices as well as certain marketing time information for these sales
- (5) the total number of homes which have sold during the past six months in subject's Indian Wells/Palm Desert market area including selling prices as well as certain marketing time information for these sales
- (6) the total number of homes which have sold during the past twelve months in subject's Indian Wells/Palm Desert market area including selling prices as well as certain marketing time information for these sales,
- (7) the number of pending sales in subject's Indian Wells/Palm Desert market area including asking prices as well as certain marketing time information for these pending sales
- (8) the number of active listings in subject's Indian Wells/Palm Desert market area including asking prices as well as certain marketing time information for these sales and
- (9) the number of homes which have sold during the past twelve months in subject's Indian Wells/Palm Desert market area within approximately 1 mile from subject with selling prices between \$11,000 - \$349,900 as well as certain marketing time information, absorption rate and months of housing supply for these homes.

During the past six months, the Desert Area Multiple Listing Service reported 72 homes sold in the Indian Wells/Palm Desert market area within approximately 1 mile from subject with selling prices ranging from \$155,000 to \$2,100,000. These homes ranged in size from 960 square feet to 6,364 square feet with an average home size of 2,061 square feet and a median home size of 1,732 square feet. The average marketing time (days on the market) for these 72 sales were 112 days while the median marketing time was 94 days.

During the past twelve months, the Desert Area Multiple Listing Service reported 125 homes sold in the Indian Wells/Palm Desert market area within approximately 1 mile from subject with selling prices ranging from \$154,500 to \$2,100,000. These homes ranged in size from 960 square feet to 6,364 square feet with an average home size of 1,963 square feet and a median home size of 1,624 square feet. The average marketing time (days on the market) for these 125

sales were 109 days while the median marketing time was 86 days.

The Desert Area Multiple Listing Service reported four homes, which are currently pending in the Indian Wells/Palm Desert market area within approximately 1 mile from subject with asking prices ranging from \$250,000 to \$299,999. These homes range in size from 1,540 square feet to 1,983 square feet with an average home size of 1,774 square feet and a median home size of 1,786 square feet. The average marketing time (days on the market) for these four pending sales is 158 days while the median marketing time is 112 days.

The Desert Area Multiple Listing Service reported 61 homes, which are currently on the market in the Indian Wells/Palm Desert market area within approximately 1 mile from subject with asking prices ranging from \$190,000 to \$4,000,000. These homes range in size from 1,064 square feet to 6,561 square feet with an average home size of 2,496 square feet and a median home size of 2,042 square feet. The average marketing time (days on the market) for these 61 listings is 118 days while the median marketing time is 81 days.

During the past six months, the Desert Area Multiple Listing Service reported 92 homes sold in subject's Indian Wells/Palm Desert market area with selling prices ranging from \$259,000 to \$4,425,000. These homes ranged in size from 1,728 square feet to 6,364 square feet with an average home size of 3,295 square feet and a median home size of 2,892 square feet. The average marketing time (days on the market) for these 92 sales were 149 days while the median marketing time was 118 days.

During the past twelve months, the Desert Area Multiple Listing Service reported 140 homes sold in subject's Indian Wells/Palm Desert market area with selling prices ranging from \$259,000 to \$4,425,000. These homes ranged in size from 1,624 square feet to 6,722 square feet with an average home size of 3,317 square feet and a median home size of 3,012 square feet. The average marketing time (days on the market) for these 140 sales were 159 days, while the median marketing time was 118 days.

In addition, the Desert Area Multiple Listing Service reported six homes currently pending in subject's Indian Wells/Palm Desert market area with asking prices ranging from \$700,000 to \$4,950,000. These homes range in size from 3,414 square feet to 6,715 square feet with an average home size of 4,782 square feet and a median home size of 4,788 square feet. The average marketing time (days on the market) for these six pending sales were 279 days while the median marketing time was 152 days.

The Desert Area Multiple Listing Service reported 116 homes, which are currently on the market in subject's Indian Wells/Palm Desert market area with asking prices ranging from \$439,000 to \$12,000,000. These homes range in size from 1,742 square feet to 12,000,000 square feet with an average home size of 3,965 square feet and a median home size of 3,416 square feet. The average marketing time (days on the market) for these 116 listings is 167 days while the median marketing time is 128 days.

Finally, during the past twelve months, the Desert Area Multiple Listing Service reported 91 homes sold in subject's Indian Wells/Palm Desert market area within approximately 1 mile from subject with selling price ranging from \$154,500 to \$550,000. The search parameters for this search were 0-3,000 square foot homes. These search parameters includes what homes typically would be built and sold in this market area. During the last three months, 18 homes have sold in this price range and 29 homes are listed for sale giving an absorption rate of 6.00 homes sold per month in subject's Indian Wells/Palm Desert market area within approximately 1

mile from subject and 4.83 months of housing supply in this price range. The median marketing time (days on the market) for these 20 sales was 90 days. The median comparable sales price within the last three months was \$249,500. The median comparable sales price within the last 4-6 months was \$239,900 and within the last 7-12 months, the median comparable sales price was \$250,000, which indicates that selling prices have stabilized over the last 12 months for homes with prices ranging from \$154,500 - \$550,000 based on the above outlined search parameters. These data also shows that the market appears to be in balance for homes in this price range (4.83 months of housing supply). The last three months median comparable sales price compared to the last 4-12 months median comparable sales price indicates an upward price trend. Out of the 91 sales reported, there was 9 REO's and 3 short sales or 13.19% of total sales. Out of the 29 homes currently listed for sale, there is 1 REO and 0 short sales or 3.49% of total listings. These reported data indicates that the REO's and short sales do not have a major impact in the current market, and that trends shows a decrease in REO's and short sales which would lead to have a less and less impact on sales prices in this market area. The upward price trend supports this fact as well.

Residential land sales activity

I have researched land sales information provided by the Desert Area Multiple Listing Service. This information included:

- (1) the number of lot sales which have sold during the past twelve months in subject's Indian Wells/Palm Desert market area with a lot size between 0 acres to 100 acres including selling prices as well as certain marketing time information for these sales
- (2) the number of pending lot sales in subject's Indian Wells/Palm Desert market area including asking prices as well as certain marketing time information for these pending sales and
- (3) the number of active listings in subject's Indian Wells/Palm Desert market area including asking prices as well as certain marketing time information for these listings.

During the past twelve months, the Desert Area Multiple Listing Service reported four lots sold in subject's Indian Wells/Palm Desert market area within a 5-mile radius with selling prices ranging from \$72,000 to \$1,775,000. These lots ranged in size from 0.1483 acres to 1.01 acres. The average marketing time (days on the market) for these four sales were 65 days while the median marketing time was 60 days.

The Desert Area Multiple Listing Service reported zero lots, which are currently pending in subject's Indian Wells/Palm Desert market area within a 5-mile radius with asking prices ranging from \$0 to \$0. These lots range in size from 0 acre to 0 acres. The average marketing time (days on the market) for these zero pending sales is 0 days while the median marketing time is 0 days.

The Desert Area Multiple Listing Service reported 20 lots, which are currently on the market in subject's Indian Wells/Palm Desert market area within a 5-mile radius with asking prices ranging from \$130,000 to \$2,295,000. These lots range in size from 0.14 acres to 1.06 acres. The average marketing time (days on the market) for these 20 listings is 398 days while the median marketing time is 186 days.

During my research, I interviewed land brokers familiar with the current residential land market in the in subject's Indian Wells/Palm Desert market area. The consensus of these brokers was that, residential lot values of all types, finished lots, semi-finished lots and unimproved "paper" tentative tract map lots, declined dramatically between the middle of 2008 and the middle of

2009. After this the decline in lot values declined at a smaller rate and recent analysis of homes sales in the market area shows that home prices have stabilized within the last 12 month (see analysis above), which is an indicator for stabilized lot prices as well but at lower price points. This stabilization is based upon an improving housing market in the region as well as the improving condition of the economy in general.

Beginning during middle of 2008 most of the national homebuilders began selling a large number of their residential lot inventories at significant discounts in order to take advantage of utilizing their losses for income tax purposes. Investors who were willing to hold residential lot inventories for two, three, or four years, or until the residential market improves, were purchasing these lots from the national home builders at very deeply discounted prices. In addition, a significant number of REO land sales took place during this period and continue to take place in the current market. These brokers further indicated that speculative investors represented essentially the only available purchasers of residential lots until the middle of 2009, but only if the lots could be acquired at deeply discounted prices.

Residential Market Summary

Information received from the Desert Area Multiple Listing Service as well as my own independent research indicates that property values in the subject market within the last 12 months have stabilized with an upward trend within the last 3 months. The current supply/demand for homes that can be built on subject in the future appears to be in balance and the marketing times are 3-6 months. Residential lot values declined significantly between the middle of 2008 and the middle of 2009 based upon national homebuilders selling their residential lot inventories at deep discounted prices to speculative investors who were willing to hold these inventories until the residential market conditions improve sometime in the future. It appears that residential land values probably is beginning to stabilize after continuously seeing a decline in residential land values up to 2013 with a stabilizing trend beginning in 2014. This is supported by the analysis of home sales the last twelve month for homes as seen in the analysis above. Based on my analysis above there is still an oversupply of lots/land in subject's market area, which leads to longer marketing times and sales prices at lower price points. The market is also still impacted by REO sales that leads to lower sales prices compared to if no REO sales were impacting the market.

VALUATION

CRITICAL VALUATION PREMISES

This appraisal is expressly contingent upon the following *Critical Valuation Premises*. Additional limiting conditions are set forth in the *Limiting Condition's* section of this report.

That land and building areas, descriptions and condition provided by the sources quoted in this report are accurate.

That the land is free of adverse soil conditions which would prohibit development of the property to its highest and best use.

The land has been appraised as vacant and assuming that there is no entitlements.

No value was given to any improvements in this appraisal.

That the valuation of the property appraised and forecast made herein are based upon economic, physical and governmental conditions prevailing as of the date of value set forth herein. The valuation and forecasts represent my opinions and I make no warranties or representations that the forecasts will materialize and assume no responsibility for changes in these conditions which may affect opinions herein stated occurring at some date after this report's date of value.

LAND VALUATION

Methodology

In the land valuation section of an appraisal report, market data and other information pertaining to land value are presented along with an analysis of the data and reasoning that lead to the land value estimate. The factors that affect land value should be presented in a clear and precise manner. The narrative should lead the reader to the land value estimate.

Depending on a specific appraisal assignment, any of the following six methods may be used to value land.

1. Sales comparison technique
2. Allocation
3. Extraction
4. Subdivision development
5. Land residual
6. Ground rent capitalization

In this appraisal, I have utilized the sales comparison technique.

“The sales comparison technique may be used to value a site that is actually vacant or a site that is being considered as though vacant for appraisal purposes. Sales comparison is the most common technique for valuing sites and it is the preferred method when comparable sales are available. To apply this method, sales of similar sites are analyzed, compared, and adjusted to provide a value indication for the site being appraised. In the comparison process the similarity and dissimilarity of the lots is considered.”¹

The market value of the subject land will be estimated by the sales comparison approach. In the sales comparison approach, the valuation of the subject is performed by comparing the subject with sales of similar properties. Comparisons are made based on price per sq. ft. and property comparability. This approach reflects the actions of buyers, and sellers in the market. The sales comparison approach is primarily based on the principle of substitution. The principle of substitution states that a prudent purchaser would pay no more for real property than the cost of acquiring an equally desirable substitute on the open market.

The principle of substitution is defined as “The appraisal principle that states that when several similar or commensurate commodities, goods, or services are available, the one with the lowest price will attract the greatest demand and widest distribution”².

I have searched the market for similar site sales in the subject’s market area and have specifically researched those areas near subject. It should be noted that very few sales of vacant land parcels that are considered similar to subject in terms of specific physical and locational attributes have sold within the recent past.

¹ *The Appraisal of Real Estate (Appraisal Institute, 14th Edition, Page 364)*

² *The Dictionary of Real Estate Appraisal (Appraisal Institute, Fifth Edition)*

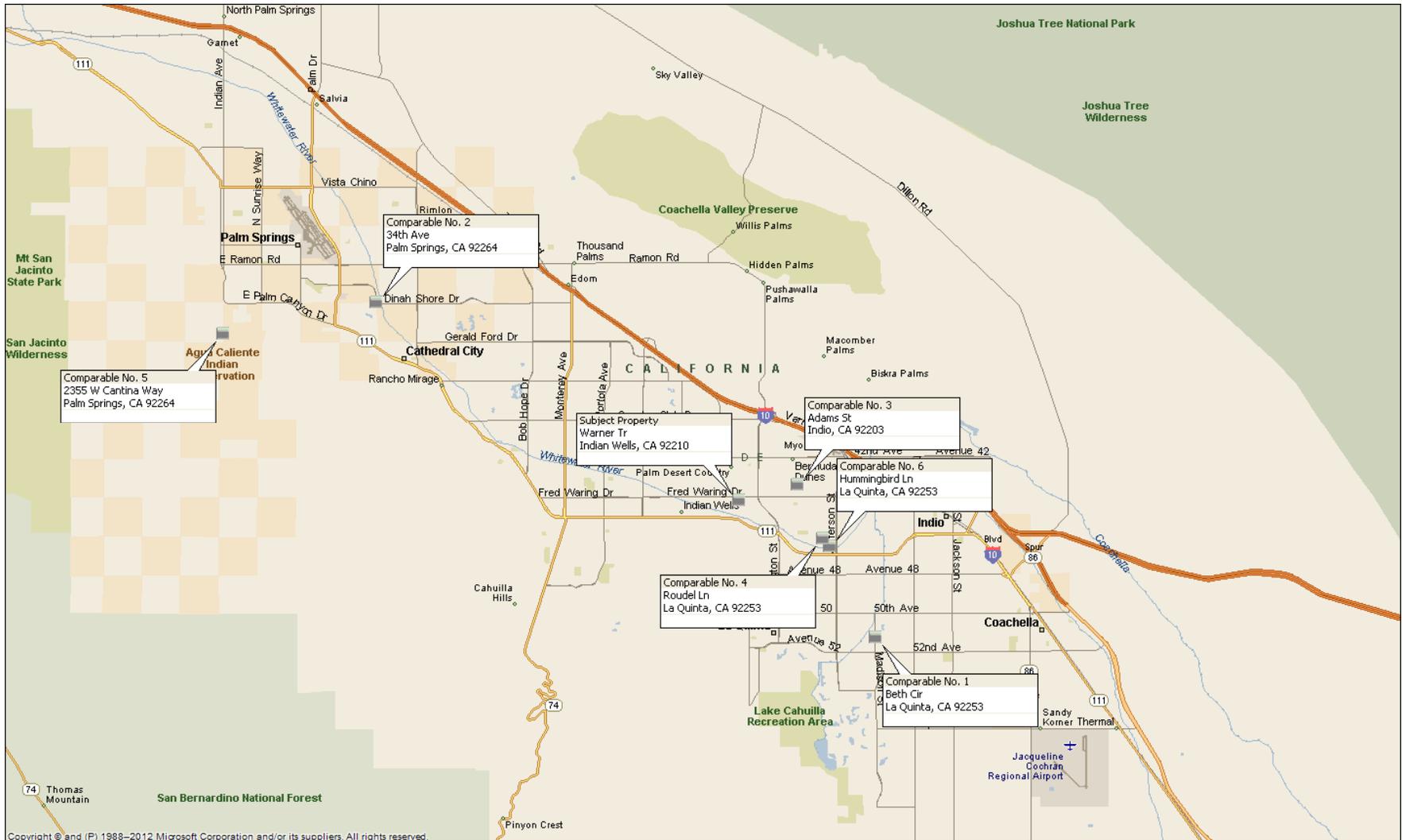
Accordingly, I had to expand my search for comparable vacant land sales to encompass areas outside of subject's immediate area. Nonetheless, the comparable vacant land sales chosen for analysis have been carefully selected and are considered similar in many significant aspects. While the relative scarcity of recent sales of highly similar vacant comparable land sales within the subject's competitive market area does interject a degree of uncertainty into the analysis, it is still considered possible to obtain a meaningful indication of value for the subject from the comparable vacant land sales analyzed.

The table presented on the next page contains a summary of comparable vacant land sales. A map and photos of the comparable properties and my conclusions are given on the pages following the table.

COMPARABLE LAND SALES AND LISTINGS

COMPARABLE LAND SALES AND LISTINGS										
No.	Location	A.P.N.	Size Sq. Ft.	Sale date Doc.#	Sale Price/ Price Per Sq. Ft.	Zoning/ Entitlements	DOM/ SP % of LP	Access/ Utilities	Location/ Improvements	Shape/ Topography
Subject	Warner Trail Indian Wells, CA 92210 City of Indian Wells	633-300-007	182,952	N/A	N/A N/A	RL No	N/A N/A	Good To site	Good No	Regular Level
1	Madison Street/Beth Circle La Quinta, CA 92253 City of La Quinta	777-030-003	188,179	7/20/2015	\$1,100,000 \$5.85	RVL Superior	344 73.3%	Similar Similar	Inferior Similar	Similar Similar
2	34th Avenue/Mesquite Avenue Palm Springs, CA 92264 City of Palm Springs	680-180-041 680-180-002	347,173	1/9/2015	\$2,050,000 \$5.90	RGA6 Similar	Unknown Unknown	Similar Similar	Superior Similar	Inferior Similar
3	43455 Adams Street Bermuda Dunes, CA 92203 Unincorporated Riverside County	609-062-023 609-062-012	191,228	9/2/2014	\$1,185,000 \$6.20	R-1 Similar	Unknown Unknown	Similar Similar	Inferior Similar	Similar Similar
4	Cortez Ln/Roudel Ln La Quinta, CA 92253 City of La Quinta	600-040-020 etc.	76,230	1/9/2015	\$520,000 \$6.82	RL Similar	Unknown Unknown	Similar Similar	Inferior Similar	Similar Similar
5	2355 Cantina Way Palm Springs, CA 92264 City of Palm Springs	513-430-040	55,321	11/14/2014	\$500,000 \$9.04	R-2 Similar	Unknown Unknown	Similar Similar	Superior Similar	Inferior Inferior
6	Hummingbird Ln La Quinta, CA 92253 City of La Quinta	600-010-019 600-052-019	136,778	Active Listing	\$800,000 \$5.85	RL Similar	3,630 N/A	Inferior Similar	Inferior Similar	Inferior Similar

COMPARABLE LAND SALES AND LISTINGS LOCATION MAP



Photos comparable vacant land sales



Vacant land comp. no. 1



Vacant land comp. no. 2



Vacant land comp. no. 3



Vacant land comp. no. 4



Vacant land comp. no. 5



Vacant land comp. no. 6

Sales comparison analysis

Ten basic elements of comparison should be analyzed in the sales comparison analysis. The ten elements of comparison are the following³:

1. *Real property rights conveyed*
2. *Financing terms*
3. *Conditions of sale*
4. *Expenditures made immediately after purchase*
5. *Market conditions*
6. *Location*
7. *Physical characteristics*
8. *Economic characteristics*
9. *Use*
10. *Non-realty components of value*

Each comparable property has been compared to the appraised property in terms of property rights conveyed, financing, conditions of sale, market conditions, and physical characteristics (location, size, access, zoning, shape, entitlements, utilities, site improvements, topography and highest and best use). No adjustments are necessary for expenditures made immediately after purchase, economic characteristics, use and non-realty components of value. If a comparable is superior to the subject in a particular category, it is adjusted downward according to the magnitude of the superiority. Likewise, if the comparable is inferior to the subject in a particular category, it is adjusted upward according to the magnitude of the inferiority.

The percentage adjustment is sometimes larger on parcels with a lower price per sq. ft. compared to parcels with a higher price per sq. ft. However, the resulting monetary adjustments are reasonable and supported. Where a percentage or dollar adjustment is found not to be reasonable or quantifiable based on market evidence a qualitative analysis is utilized.

A discussion of the sales comparison process begins below. The discussion is followed by an adjustment grid, showing a summary of the adjustments.

PROPERTY RIGHTS CONVEYED: This adjustment considers the differences in legal estate (interest) conveyed in a given sales transaction. The interest transferred can reflect a variety of rights that may affect the value of a property. The interest transferred can be defined in many ways, ranging from fee simple estates to leasehold estates. Fee simple estates are the highest form of ownership.

All of the sales transactions represent a purchase of fee simple estates. No adjustments are necessary for property rights conveyed.

FINANCING: Financing affects real estate values as the availability of financing helps determine the demand for real estate. In most cases, the cost and availability of financing have an inverse relationship; high interest rates or limited availability of financing are usually accompanied by a decrease in the demand for credit and/or real estate. This element is particularly significant in sales involving non-market and/or seller financing.

³ *Appraising Residential Properties (Appraisal Institute, Fourth Edition, Page 317)*

The definition of market value includes the assumption that payment is made in cash or its equivalent, with no influence on price by favorable financing. All comparable sales sold for cash or with market financing. Cash equivalency adjustments are not necessary.

CONDITIONS OF SALE: Adjustment for conditions of sale is justified when the circumstances of a specific sale result in a price that is higher or lower than that of a normal market transaction. This adjustment reflects the motivations of a buyer and seller in the transfer of real property. Circumstances requiring adjustments for conditions of sale includes sales made under duress, auctions, eminent domain transactions, and sales that were not arm's-length. This adjustment is also utilized for listings, negotiations, offers, and/or non-closed escrows (as appropriate). The multiple listing service statistical report showed that the average parcel of land in subject's market area sold for approximately 80% of the original listing price. Thus based upon this information and my discussion with local listing realtors any current listing utilized in this appraisal will have a minus 20% adjustment made for contract negotiations.

All comparable vacant land sales were considered arm's-length sales between unrelated parties and no adjustments are necessary.

MARKET CONDITIONS: This adjustment reflects a market condition as of the comparables date of sale versus the date of the value for the subject. It is necessary to reflect any change in market conditions between a comparables date of sale and the date of value of the appraisal. This adjustment is utilized to reflect changes in market conditions caused by inflation, deflation, fluctuations in supply and demand, and other similar factors. For the past several years, my office has studied sales data for improved properties and vacant land in several categories, tracked the average sales and the median sales price, and computed overall monthly time adjustments.

The residential market overview section in this report indicates that property values in the subject market within the last 12 months have stabilized with an upward trend within the last 3 months. The current supply/demand for homes that can be built on subject in the future appears to be in balance and the marketing times are 3-6 months.

Although this analysis cannot be applied directly to vacant land it appears that residential land values is beginning to stabilize after continuously seeing a decline in residential land values up to mid-2012. This is supported by the analysis of home sales the last eighteen-twenty four month for homes in subject's market area. Based on my analysis there is still an oversupply of lots/land in subject's market area, which leads to longer marketing times and sales prices at lower price points. The market is also still impacted by REO sales that leads to lower sales prices compared to if no REO sales were impacting the market. Brokers interviewed during this and other assignments indicate that land values in the market area appear to be stabilizing.

The five comparable vacant land sales have sold between 09/02/2014 to 07/20/2015.

As such all five comparable vacant land sales were dated less than twelve months prior to the date of this appraisal. On these sales time adjustments are in my opinion not warranted since the rate of price increase does not warrant time adjustments. If time adjustments were needed then the sales would all be low indicators of value and they are not. As mentioned in the residential market overview section of this report median comparable sales prices within the last 3 months compared to the last 4-12 months median comparable sales price indicates an upward price trend.

LOCATION: Adjustments for location consider the location of each comparable within its respective market area as well as its surrounding land uses as compared to the subject. The

location adjustment is typically oriented toward the concept that properties closest to central and/or homogeneously developed areas are superior to properties in outlying or mixed-use areas. Factors that influence the location adjustment include the quality and density of surrounding improvements and proximity to freeways, primary transportation arteries, business centers, residential neighborhoods, and other commercial development. For example, land in a neighborhood where rental rates are relatively high is more desirable than in neighborhoods where rents are less.

An analysis of average sales price for residential homes or commercial properties can also provide an indication of the direction of the adjustment and in some cases a percentage adjustment can be calculated based on the quality of the data. Paired sales analysis of underlying land values for residential lots and commercial lots can also provide an indication of the direction of the adjustment and in some cases a percentage adjustment can be calculated based on the quality of the data. An analysis of the economic base can also provide useful information about the direction of the location adjustment. Based on my drive by inspection of the comparable sales and listings, an analysis of average sales prices for residential properties and commercial properties in each comparable sales or listings market area and an analysis of the economic base in each comparable sale or listings market area, I have concluded the following. The subject's Indian Wells location is considered good.

Comparable no. 2 and 5 are located in the City of Palm Springs and is considered superior in terms of specific location compared to subject. This is based on an analysis underlying land values, average sales prices in the immediate neighborhoods and the proximity to central and homogeneously developed areas. As such, a downward qualitative adjustment has been made on these comparable's.

Comparable no. 3 is located in Bermuda Dunes, which is an unincorporated area of Riverside County and is considered inferior in terms of specific location compared to subject. This is based on an analysis underlying land values, average sales prices in the immediate neighborhoods and the proximity to central and homogeneously developed areas. As such, an upward qualitative adjustment has been made on this comparable.

Comparable no. 1, 4 and 6 are located in the City of La Quinta and are considered inferior in terms of specific location compared to subject. This is based on an analysis underlying land values, average sales prices in the immediate neighborhoods and the proximity to central and homogeneously developed areas. As such, an upward qualitative adjustment has been made on these comparables.

LAND AREA – NO OF SQ. FT. (SIZE OF THE LAND): Typically, smaller sites/projects sell for a premium as compared to larger sites/projects. First, larger parcels generally have a higher cost of infrastructure and off-site improvements than small in-fill sites, which means the buyers tend to discount larger sites in contemplation of the costs they will absorb in developing them. Second, smaller in-fill parcels in neighborhoods where development is mature are simply scarcer. Third, there are generally more potential buyers for smaller in-fill sites. All of these factors generally result in higher purchase prices on per square foot or per acre basis for small sites.

However, a larger site/project allows for a greater distribution of "common area costs" including development costs, off-site utilities, etc. In addition, a larger site/project affords economies of scale for management, marketing, etc. As a result, it is possible for a small site/project to have diseconomies of scale that result in a discount to their value.

To calculate the adjustment for land size I identified land sales that can be used as basis for a paired land sales analysis. Based on these paired sales analysis the following adjustments have been made.

Comparable land sale no. 1, 2 and 3 are considered being inferior in land size per square foot and as such have been adjusted upward with \$0.06, \$1.77 and \$0.09 per square foot respectively.

Comparable no. 4, 5 and 6 are considered being superior in land size per square foot and as such should be adjusted downward with \$1.15, \$1.38 and \$0.50 per square foot respectively.

The upward adjustment of \$0.06 on comparable land sale no 1 has been calculated as follows. 188,179 square feet (comparable no. 1 land size) minus 182,952 square feet (subject land size) equals 5,227 square feet multiplied with \$0.0000108 (factor per paired land sale analysis) equals \$0.06 per square foot (rounded). Each of the other comparables has been calculated using the same technique.

VISIBILITY/ACCESS/FRONTAGE TYPE: Land with superior access such as close proximity to freeways and easy access from the main road and visibility such as corner lots generally command a higher market value for the draw of business etc.

All comparable land sales are similar in terms of visibility, access and frontage type compared to subject. No adjustments are necessary for visibility, access and frontage type compared to subject for these five comparable sales.

Comparable number 6 is considered inferior in terms of visibility, access and frontage type compared to subject. As such, an upward qualitative adjustment has been made on this comparable.

ZONING: Subject is presently zoned RL (see zoning regulations enclosed in the addendum to this report). The Low Density Residential (RL) designation allows primarily for detached single-family units. The maximum density is 3.1 to 4.5 dwelling units per acre.

Comparable no. 1 is zoned RVL - Very Low Density Residential with a maximum density of 0-2 dwelling units per acre. This zoning is considered inferior compared to subject. As such, an upward qualitative adjustment has been made on this comparable.

Comparable no. 2 is zoned RGA6 – Cluster Residential Zone with a maximum density of 6 dwelling units per acre. This zoning is considered superior compared to subject. As such, a downward qualitative adjustment has been made on this comparable.

Comparable no. 3 is zoned R-1 – One-family dwelling with a maximum density of 6 dwelling units per acre. This zoning is considered similar compared to subject. As such no qualitative adjustment is necessary for this comparable.

Comparable no. 4 is zoned RL – Low Density Residential with a maximum density of 6 dwelling units per acre. This zoning is considered similar compared to subject. As such no qualitative adjustment is necessary for this comparable.

Comparable no. 5 is zoned R-2 – Limited Multiple-Family Residential Zone with a maximum density of 14 dwelling units per acre. This zoning is considered superior compared to subject. As such a downward qualitative adjustment is necessary for this comparable.

Comparable no. 6 is zoned RL – Low Density Residential with a maximum density of 6 dwelling units per acre. This zoning is considered similar compared to subject. As such no qualitative adjustment is necessary for this comparable.

SHAPE (CONFIGURATION): This adjustment considers the physical shape of the land sales as compared to subject. Sites that are very irregular in shape tend to have less overall development potential. Therefore, sites that are irregular in shape would sell for less than a similar sized site that has a regular shape. Subject is rectangular.

Comparable land sale no. 1, 3 and 4 are similar in shape compared to subject. As such, no adjustments are necessary for shape compared to subject for these three comparable land sales.

Comparable no. 2, 5 and 6 are considered irregular in shape and is inferior to subject. As such, an upward qualitative adjustment has been made on these comparable's.

ENTITLEMENTS: Sites that are not entitled/no development approvals are definitely inferior to sites with entitlement and approvals in place. This is due to the uncertainty surrounding the ultimate development density and the longer period before development can be undertaken. Also included in the entitlement process are substantial costs for engineering, environmental studies and preliminary architectural plans etc. Reflecting this, most buyers will apply a discount to a parcel that does not have an established allowable density permitted.

Comparable no. 1 was per listing agent sold with an approved Tentative Tract Map #33085 for 7 estate lots. Based on paired sales analysis, typical entitlement costs from prior projects I have appraised a downward adjustment of \$0.60 per square foot is reasonable and supported. The plans per listing agent on another similar parcel were valued at approximately \$0.50-\$0.70 per sq. ft. This is considered superior compared to subject.

All other comparables are considered similar in terms of entitlements compared to subject. Therefore, no adjustments have been made for entitlements on these comparables.

UTILITIES: Sites that are not improved with utilities (water, sewer, gas, electricity, cable and telephone) are definitely inferior to sites with all utilities in place. This is because a buyer would have to incur these costs and work and as such, it would take longer time before development can be undertaken. Reflecting this, most buyers will apply a discount to a parcel that does not have all or partly utilities in place. A site wherein utilities are in place is more valuable than a raw site.

The subject land has all necessary utilities to site.

All comparable's are considered being similar in utility availability therefore no adjustment is indicated for these comparable's.

SITE IMPROVEMENTS: Sites that are vacant, not graded, have no fencing, no curb/gutter/sidewalks and no other improvements or structures are inferior to sites with these improvements in place. This is because a buyer would have to incur these costs and work and as such, it would take longer time before development can be undertaken. Reflecting this, most buyers will apply a discount to a parcel that does not have these improvements in place. A site where these improvements are in place is more valuable than a raw site. Subject site has off-site improvements in place.

All comparable's are considered similar in terms of site improvements compared to subject. As such, these comparables have not been adjusted.

TOPOGRAPHY: A site with severe topography (Rolling, Sloping, Undulating etc.) can escalate development costs, reduce usable area, and restrict development. Conversely, a level site does not allow for varying elevations and removes any view amenity. Subject site is essentially level.

All comparable's except comparable no. 5 are considered having sites that are similar in topography compared to subject property therefore no adjustment is indicated for these comparable's.

Comparable no. 5 is considered inferior in terms of topography and an upward qualitative adjustment is necessary for this comparable.

HIGHEST & BEST USE: Normally to qualify as comparables, the highest and best use of the properties should be very similar, if not the same, as that of subject property. If comparables are scarce, comparable properties with a different current use or highest and best use may be analyzed and the sales prices may be adjusted accordingly. Quantitative adjustments for differences in highest and best use are difficult to support. For that reason qualitative adjustments are used almost always in this category. In the valuation of vacant land, zoning is one of the primary determinants of the highest and best use of the property because it serves as the test of legal permissibility. Thus zoning or the reasonable probability of a zoning change is typically a primary criterion in the selection of market data. When comparable properties with the same zoning as the subject are lacking or scarce, parcels with slightly different zoning but a highest and best use similar to that of the subject property may be used as comparable sales. These sales may have to be adjusted for differences in utility if the market indicates that this is appropriate. On the other hand, a difference in the uses permitted under two zoning classifications do not necessarily require adjustment if the parcels have similar potential.

All comparable's are considered having sites that have similar highest and best use compared to subject property, therefore no adjustment is indicated for these comparable's. Any consideration for adjustment related to zoning has been taken into consideration above under the qualitative adjustments for differences in zoning.

Land Sale Comparability Adjustment Grid

The relative similarity of a comparable to the subject is expressed through a percentage adjustment or a dollar adjustment. In some cases, adjustments are derived from quantifiable data (e.g., cash equivalency, cost to finish land, etc.) These are expressed in dollar adjustments. However, in most instances, the adjustments involve the appraiser's judgment. These are expressed in percentages. Percentages are intended to reflect the magnitude and direction of the adjustment and *should* not be construed as a precise mathematical calculation based on quantifiable market evidence. In most instances, the large numbers of elements (or variables) that influence value in a real property transaction make it mathematically difficult to isolate and quantify a particular element's impact on the final price or rent. Where a percentage or dollar adjustment is found not to be reasonable or quantifiable based on market evidence a qualitative analysis is utilized. The Sale Properties Comparability Adjustment Grid is shown on the following page.

Land Sale Comparability Adjustment Grid

ADJUSTMENT GRID - COMPARABLE LAND DATA						
Element of Comparison	No. 1	No. 2	No. 3	No. 4	No. 5	No. 6
Price per sq. ft.	\$5.85	\$5.90	\$6.20	\$6.82	\$9.04	\$5.85
Property rights conveyed	0%	0%	0%	0%	0%	0%
Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted price per sq. ft.	\$5.85	\$5.90	\$6.20	\$6.82	\$9.04	\$5.85
Financing	0%	0%	0%	0%	0%	0%
Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Cash equivalent price per sq. ft.	\$5.85	\$5.90	\$6.20	\$6.82	\$9.04	\$5.85
Conditions of sale	0%	0%	0%	0%	0%	-20%
Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	-\$1.17
Adjusted price per sq. ft.	\$5.85	\$5.90	\$6.20	\$6.82	\$9.04	\$4.68
Exp. Made after purchase	0%	0%	0%	0%	0%	0%
Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted price per sq. ft.	\$5.85	\$5.90	\$6.20	\$6.82	\$9.04	\$4.68
Market conditions (time)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjustment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Adjusted price per sq. ft.	\$5.85	\$5.90	\$6.20	\$6.82	\$9.04	\$4.68
Physical characteristic						
Location	Inferior	Superior	Inferior	Inferior	Superior	Inferior
Adjustment	Upward	Downward	Upward	Upward	Downward	Upward
Land size - No of sq. ft.	Inferior	Inferior	Inferior	Superior	Superior	Superior
Adjustment	\$0.06	\$1.77	\$0.09	-\$1.15	-\$1.38	-\$0.50
Visibility/Access/Frontage	Similar	Similar	Similar	Similar	Similar	Inferior
Adjustment	None	None	None	None	None	Upward
Zoning	Inferior	Superior	Similar	Similar	Superior	Similar
Adjustment	Upward	Downward	None	None	Downward	None
Shape	Similar	Inferior	Similar	Similar	Inferior	Inferior
Adjustment	None	Upward	None	None	Upward	Upward
Entitlements	Superior	Similar	Similar	Similar	Similar	Similar
Adjustment	-\$0.60	None	None	None	None	None
Utilities	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment	None	None	None	None	None	None
Site Improvements	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment	None	None	None	None	None	None
Topography	Similar	Similar	Similar	Similar	Inferior	Similar
Adjustment	None	None	None	None	Upward	None
Highest & Best Use	Similar	Similar	Similar	Similar	Similar	Similar
Adjustment	None	None	None	None	None	None
Overall qualitative adjustment	Inferior	Superior	Inferior	Inferior	Superior	Inferior
Overall adjustment	Upward	Downward	Upward	Upward	Downward	Upward
Adjusted price per sq. ft. before qualitative adjustments	\$5.30	\$7.68	\$6.29	\$5.67	\$7.66	\$4.18

Sales comparison approach conclusion

The adjusted prices per sq. ft. before qualitative adjustments for physical characteristics range from \$4.18 to \$7.68 and average \$6.13 per sq. ft. The subject is located in the City of Indian Wells. Comparable no. 2 and 5 are located in the City of Palm Springs. Comparable no. 3 is located in Bermuda Dunes, an unincorporated area of Riverside County. Comparable no. 1, 4 and 6 are located in the City of La Quinta.

Most weight was given comparable no. 3, as this was the most similar sales with the least amount of qualitative adjustments. Based on the adjusted price per sq. ft. before qualitative adjustments subject's concluded value lies between \$6.29 and \$7.66 per sq. ft. with most weight given to comparable number three that has only one qualitative adjustment compared to comparable number five's four qualitative adjustments. Comparable number three also has less quantitative adjustments applied compared to comparable number five. Comparable no. 1 is inferior in 2 out of 8 physical characteristics categories where qualitative adjustments apply and comparable no. 6 is inferior in 3 out of 8 physical characteristics categories where qualitative adjustments apply and were given least weight. Comparable no. 4 is similar in terms of number of qualitative adjustments as comparable no. 3 but is located in a neighborhood that requires a larger adjustment for location.

Based on my investigation and analysis of the data gathered with respects to this assignment and considering all quantitative and qualitative adjustments, I conclude the following. Market value of the fee simple interest in the subject's 182,952 sq. ft. of land as if vacant land under the sales comparison approach is \$6.60 per sq. ft., or a total of \$1,200,000 (\$6.60/sq. ft. x 182,952 sq. ft. rounded). The concluded market value of \$6.60 per sq. ft. corresponds to \$287,000 per acre (\$6.60/sq. ft. multiplied by 43,560 sq. ft. rounded).

CONCLUDED LAND VALUE

Based on the facts, assumptions and procedures outlined in this report, it is my opinion that the market value of the property, as of August 31, 2015, is:

As Is vacant land value \$1,200,000

My valuation is expressly subject to this report's Limiting Conditions. The valuation of the property appraised and forecast made herein are based upon economic, physical and governmental conditions prevailing as of the date of value. The valuation and forecasts represent my opinions and I make no warranties or representations that the forecasts will materialize and assume no responsibility for changes in these conditions, which may affect the opinions herein, stated occurring at some date after this report's date of value.

ADDENDUM

CERTIFICATION

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

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.

I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.

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

My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice ("USPAP")*.

As previously identified in the Scope of Work section of this report, the signer of this report certify that I have made a personal inspection of the property that is the subject of this report.

No one provided significant real property appraisal assistance to the person signing this certification.

The reported analysis, 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.

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

As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

X 

Certified General Real Estate Appraiser, CA
License#AG033959; Expires 05/06/2016
Signed by: Thomas Kjaergaard

ASSUMPTIONS AND LIMITING CONDITIONS

The Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute require that all assumptions and limiting conditions that affect the analysis to be clearly and accurately set forth. To assist the reader in interpreting this report, the primary assumptions and limiting conditions affecting the analysis of the subject are set forth below. Other assumptions and conditions may be cited in relevant sections of the report.

Accuracy of Data

The acceptance of this report and its use by the client in any manner whatsoever or for any purpose is acknowledgment by him that this report is a satisfactory professional product, and that he has personally read the report, and specifically agrees that the data herein is accurate to the best of the appraiser's ability.

Maps, plats, and exhibits included herein are for illustration purposes only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from this report.

The appraiser has made no engineering survey. Except where specifically stated, data relative to size and area was taken from sources considered reliable. If the areas are found to be incorrect and a more definitive estimate becomes available, I reserve the right to amend my opinion of value.

If applicable, all or any personal property, fixtures, or intangible items were identified and separately valued and the impact of their inclusion or exclusion was discussed and analyzed.

Information and data furnished by others is assumed true, correct and reliable. When such information and data appears to be dubious and when it is critical to the appraisal, a reasonable effort has been made to verify all such information; however, the appraiser assumes no responsibility or warranty for its accuracy.

Any proposed improvements are assumed to have been completed unless stipulated otherwise in this report; any construction is assumed to conform to the building plans and/or improvement descriptions included in this report. Proposed or under construction programs frequently require changes in design, layout, dimensions or use. Should the premises described in this report necessitate such changes, my final estimate of value is not applicable.

If applicable any forecast, projections, or operating income and expense estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy as of the effective date of value. These forecasts are, therefore, subject to changes in future conditions.

It is assumed that data related to ownership and legal description as obtained from public records or as furnished is correct.

Hidden Conditions

The appraiser assumes that there are no hidden or apparent conditions of the subject, sub-soil, structures, or other improvements, if any, which would render the property more or less valuable. I assume that all the building systems, including electrical, mechanical, and plumbing, are in good operating condition. Your appraiser has not inspected these systems nor is he

qualified to comment on the condition of the systems. The appraiser assumes no responsibility for such conditions or for the hiring of qualified experts to discover such conditions. An expert in these fields should be retained for an inspection.

This valuation is based upon the premise that there are no hazardous materials or toxic wastes within the soils, structures, or other improvements. I have no knowledge of any circumstances, including hazardous materials, toxic wastes, or other residues that may exist within or adjacent to the subject that would prevent or impair development of the land to its highest and best use or otherwise affect this valuation. The appraiser is not qualified to detect such substances. The existence of potential hazardous waste material may have an effect on the value of the property. Should the client have concern over the existence of such substances on the property, I consider it imperative for the client to retain the services of a qualified, independent engineer or contractor to determine the existence and extent of hazardous materials, as well as the cost associated with any required or desirable treatment or removal thereof. An adjustment in this valuation may be required, should future studies reveal the existence of hazardous materials and/or toxic substances within or adjoining the appraised property.

Except as noted, this analysis assumes the land free of adverse soil conditions, which would prohibit development of the property to its highest and best use.

Date of Value and Future Conditions

The date of value to which the conclusions and opinions expressed in this report apply is given in this reports letter of transmittal. Further, the dollar amount of any value opinion herein rendered is based upon the purchasing power of the American dollar existing on that date.

The valuation of the property appraised and forecast made herein are based upon economic, physical, and governmental conditions prevailing as of the date of value. The valuation and forecasts represent my opinions and I make no warranties or representation that the forecasts will materialize and assume no responsibility for changes in these conditions, which may affect the opinions herein, stated occurring at some date after this report's date of value.

The appraiser reserves the right to make such adjustments to the analyses, opinions, and consideration of additional data or data that are more reliable that may become available.

The client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 15 days after the date of delivery of this report and should immediately notify ADK Appraisal Services of any questions or errors. If any correction to the report is requested after the 15-day period, the client will be billed at my prevailing hourly rate.

Additional work requested by the client beyond the scope of this assignment will be billed at my prevailing hourly rate. Preparation for court testimony, update valuations, additional research, depositions, travel, or other proceedings, will be billed at my prevailing hourly rate, plus reimbursement of expenses.

Arbitration

Use of or reliance upon this appraisal shall be deemed acceptance that any dispute or claim made with respect to this report shall be submitted to and resolved in accordance with the rules of the American Arbitration Association for arbitration, and the decision of the Association shall be binding. Judicial action to collect the fee for this report shall not be a waiver of the right to have any other dispute so decided through arbitration. All appraisal services pursuant to this

report shall be deemed to be contracted for and rendered in Riverside County, California, and any arbitration or judicial proceedings shall take place in Riverside County, California.

Disclosure

This report ("Blue Ink" signature originals only) is made for the client to whom it is addressed and is delivered to the client on the condition that it is to be used by said client only for the purpose stated in the report. No reliance is to be placed on this report for any other purposes nor shall it be published, distributed or shown to other parties except to the party to whom the report is addressed.

Without the prior written consent and approval of the author, no part of the contents of this report, especially any conclusions as to value, the identity of the appraisers or the firm with which they are connected, shall be disseminated to the public through advertising media, public relations media, news media, sales media, or any other public means of communication.

In the event that the Appraiser is subpoenaed for the deposition or judicial or administrative proceeding and is ordered to produce the appraisal report and files, Appraiser shall immediately notify the Client. Appraiser shall appear at the deposition or judicial or administrative hearing with the appraisal report and files and answer all questions unless Client provides Appraiser with legal counsel who instructs Appraiser not to answer certain questions. It shall be the responsibility of the Client to obtain a protective order.

In addition to the fee for this assignment, you agree to compensate me of a rate to be mutually agreed to, for any time expended by me

- should I be required (by subpoena or otherwise) or requested by you, your representatives or other entity to become involved in any litigation, or legal proceeding in any way involving this engagement to which I am not a party, the appraisal work I produce or the property which is the subject of this assignment.
- You also agree to pay, on demand, all expenses, which I incur in connection with any litigation or proceedings including the fees of my attorneys.

This report shall be used only in its entirety and no part shall be used in conjunction with any other study and is invalid if so used.

The distribution of the total valuation in this report between land and improvements applies only under the stated program of utilization. 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 form, format, and phraseology utilized in this report except the Certification, and Terms and Definitions, shall not be provided to, copied, or used by, any other real estate appraiser, real estate economist, real estate broker, real estate salesperson, property manager, valuation consultant, investment counselor, or others, without the written consent and approval of Thomas Kjaergaard.

Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the client, or client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Appraiser nor ADK Appraisal Services assumes responsibility for any situation arising out of the client's failure to become familiar with and understand the same. The client *is* advised to retain experts in areas that fall outside the

scope of the real estate appraisal/consulting profession if so desired.

It is assumed that the reader or user of this report has been provided with copies of available buildings plans, all leases, a title report, covenants, conditions and restrictions and amendments, if any, encumbering the subject.

You acknowledge that I am being retained hereunder as an independent contractor to perform the services described herein and nothing in this agreement shall be deemed to create any other relationship between us. This assignment shall be deemed concluded and the services hereunder completed upon delivery to you of the appraisal report discussed herein.

Legal Conditions

No opinion are intended to be expressed for matters, which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers even though such matters may be mentioned in the report. It is assumed that there are no hidden or unapparent legal conditions of the property, which render it more or less valuable. No responsibility is assumed for such conditions or for the arranging of studies that may be required to discover them.

No opinion as to title is rendered. Title is assumed marketable, free, and clear of all liens and encumbrances, easements and restrictions including private deed restrictions. Any liens and encumbrances that now exist have been discharged, and the property has been analyzed as though free of indebtedness unless otherwise stated.

It is assumed that there are no encroachments of real property improvements, zoning or other violations of any regulations affecting the subject.

A premise of this report is that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in this analysis.

It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless nonconformity has been stated, defined and considered in the appraisal report.

It is assumed that all required licenses, consents, or other legislative or administrative authority from any local, or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.

No opinion is expressed as to the value of subsurface oil, gas, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials except as is expressly stated.

Your appraiser shall not be required because of this appraisal to give testimony or to attend in court or any governmental or other hearing with reference to the subject without prior arrangements having first been made with the appraiser relative to such additional employment.

Investigation of the property's history is confined to; examination of recent transactions or changes in title or vesting, if any, and does not include a "use search" of historical property utilization.

Under no circumstances whatsoever shall the company's or the appraiser's liability exceed the fee actually collected for this report, and then only in case of a gross error which would have materially affected the appraiser's value opinion as of the date of valuation.

Management

The property is appraised assuming it to be under responsible ownership and competent management, and available for its highest and best use.

Americans with Disabilities Act of 1990

Unless otherwise stated in the appraisal, compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value stated in the appraisal. Failure to comply with the requirements of the ADA may negatively affect the value of the property. ADK Appraisal Services recommends that an expert in this field be employed.

The Americans with Disabilities Act (ADA) became effective January 26, 1992. Notwithstanding any discussion of possible readily achievable barrier removal construction items in this report, I have not made a specific compliance survey and analysis of this property to determine whether it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property does not comply with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

APPRAISER QUALIFICATIONS



QUALIFICATIONS

Of

Thomas Kjaergaard, MAI, SRA

Professional Background

- 2011 – Founder & Owner, ADK Appraisal Services. A Valuation Services Practice company specializing in appraising commercial and residential real estate, valuing smaller and medium sized businesses and other related services. Thomas Kjaergaard, MAI, SRA.
- 2003 – 2011 Founder, Owner & CEO HKA Valuation Services, Inc. A Valuation Services Practice company specializing in valuing smaller and medium sized businesses, commercial and residential real estate, and other related services.
- 1993 – 2003 Corporate Executive, Senior Vice President, Group Tax Director & Corporate Structure for the GN Great Nordic Group. A diversified telecommunications, information, technology and hearing healthcare company headquartered in Denmark and listed on the Copenhagen Stock Exchange. One of the largest companies in Denmark and among the 20 most traded and liquid shares on the Copenhagen Stock Exchange. Responsible for all M&A (mergers & acquisitions), finance, tax and corporate/legal structure matters worldwide. From 1993-2001 the GN Great Nordic group increased its revenues from 200 Million USD to 1 Billion USD, increased the number of affiliates from 60 to 160 and increased the number of employees from 1.600 to approximately 6.200.
- 1989 – 1993 Senior Manager for a Danish CPA firm J. Eilvig. Auditor and international tax adviser with a broad range of clients
- 1983 – 1989 Senior Manager for a Danish CPA firm F. Bjerglund Andersen. Auditor and international tax adviser with a broad range of clients

State Certification Numbers

State of California: Real Estate Broker; License#; 01410667; Expires: 06/11/16
State of California: Certified General Real Estate Appraiser; License#; AG033959
Expires: 05/06/16

Educational Activities

- 2014 Thomas Kjaergaard, MAI, SRA. MAI & SRA Designated Member of the Appraisal Institute.
- 2003 - Appraisal and Real Estate Brokers courses and exams:
- Case Studies in Appraising Green Residential Buildings, 2015
 - Introduction to Green Buildings: Principles & Concepts, 2015
 - Residential & Commercial Valuation of Solar, 2015
 - General Demonstration Report-Capstone Program, 2014
 - MAI General Comprehensive Exam, 2014
 - Advanced Residential Applications and Case Studies Part 1, 2014
 - Advanced Residential Report Writing Part 2, 2014
 - General Demonstration Report Writing, 2013
 - Advanced Concepts and Case Studies, 2013
 - Residential Equivalency Exam, 2013
 - Residential Market Analysis and Highest and Best Use, 2013
 - Business Practices and Ethics, 2009, 2013 (one time every five years period with AI)
 - Advanced Income Capitalization, 2013
 - Laws and Regulations for CA Appraisers, 2012 (one time every four years period)
 - Introduction to Regression Analysis for Appraisers, 2012
 - Understanding the Uniform Appraisal Dataset, 2011
 - Introduction to Residential Green Building for Appraisers, 2011
 - REO and Short Sale Appraisal Guidelines, 2011
 - Real Estate Fraud-Current Trends, 2011
 - Agency Relationship, Duties & Disclosure, 2007, 2011
 - Ethics, Professional Conduct & Legal Aspects, 2007, 2011
 - Trust Fund Handling, 2007, 2011

- Fair Housing, 2007, 2011
- Financing Options to Increase Sales, 2007, 2011
- Protect Yourself and Your Clients, 2007, 2011
- Risk Management, 2007, 2011
- Professional/Expert Witness, 2010
- Assessment Appeal Appraisal, 2010
- GIS Resources for Appraisers, 2010
- Risky Business: Ways to Minimize Liability, 2010
- Certified General Real Estate Appraiser Exam, 2010
- OREA Update and Appraisal Deficiencies, 2009
- Qualitative and Quantitative Adjustment Techniques, 2009
- FHA Myth and Truths, 2009
- Real Estate Finance Statistics and Valuation Modeling, 2009
- General Market Analysis & Highest and Best Use, 2009
- General Appraiser Report Writing and Case Studies, 2009
- General Appraiser Site Valuation & Cost Approach, 2009
- General Appraiser Sales Comparison Approach, 2009
- Analyzing Sales Contracts, 2009
- Billboard and Land Lease Analysis on Tribal Lands, 2009
- California Laws and Regulations, 2007
- What clients would like their appraisers to know and how to meet your client's expectations, 2006
- Prepare the new URAR, 2005
- Licensed Appraiser Exam, 2005
- Paperless Office Techniques, 2004
- Form Filling Essentials, 2004
- Agency Compliance with URAR, 2004
- Avoiding Liability as a Residential Appraiser, 2004
- Income Property Analysis and URAR, 2004
- Real Estate Brokers Exam, 2004
- Real Estate Office Administration, 2004
- Trainee License, 2004
- Real Estate Sales Person Exam, 2003
- Home Inspection, 2003
- Math and regulations for appraisers, 2003
- Fundamentals of Real Estate Appraisals, 2003
- Legal considerations in appraisal, 2003
- Real Estate Economics, 2003
- USPAP (7 hour course), 2005, 2007, 2008, 2010, 2012, 2015
- USPAP (15 hour course), 2003
- Business Law, 2003
- Real Estate Principles, 2003
- Real Estate Finance, 2003
- Legal Aspects of Real Estate, 2003
- Real Estate Practice, 2003

1996 - 1997 GN Great Nordic's Corporate Executive management program
 1990 - 1995 The Master of Science Degree in Business Economics and Auditing (Cand.merc.aud.) from Copenhagen Business School. This was the final degree for the Danish CPA education.
 1992 Received the license as Danish Registered Auditor.
 1988 - 1990 Post graduate studies as prerequisite for the Danish CPA program.
 1984 - 1988 The Bachelor of Commerce Degree (HD) from Copenhagen Business School. (Corresponding to the B. Com. Degree of London School of Economics and Political Science).

Experience

Real estate appraisals in California including apartment buildings, motels/hotels, manufactured homes, tract homes, custom homes, proposed construction, commercial, office, retail and industrial property, vacant fee simple and leased land, subdivisions, golf courses, mobile home parks etc. I am FHA approved. I am currently certified in accordance with the Appraisal Institution and the California Bureau of Real Estate Appraisers continuing education program. As of the date of this report, I have completed the continuing education program for Designated Members of the Appraisal Institute.

In the past, I developed a unique international network and experience traveling to more than a hundred countries. I speak and/or understand English, Danish, German, Swedish, Norwegian, Russian, and French. I managed the acquisition and disposition of over sixty companies worldwide on behalf of GN Great Nordic. Negotiated and closed one of the largest deals in Europe. In the US, negotiated and closed numerous acquisitions within the headset, fiber optic and hearing aid industry including the acquisition of Resound, Beltone (two of the largest manufacturers of hearing aids in the world), ACS, UNEX, Jabra and Hello Direct (companies that made Netcom the largest manufacturer of headsets in the world). **These acquisitions included real estate, subleases, assignment of leases etc. all over the world. The combined transaction value of all the acquisitions over the years was in total app. USD 5 Billion.** The acquisitions also included the following:

- **Financial, accounting, economic analysis and valuation of businesses (Discounted cash flow analysis/NPV calculations etc.).**
- **Supervising, managing and preparing appraisals/valuations of intangible and tangible assets including real estate, subleases, goodwill, customer base, patents, software rights, technical know-how, technology, trademarks, trade names, in-process research and development, research and development projects, net working capital, workforce-in-place, equity interests in companies etc.**
- Preparation of budgets, budget control, forecasts etc. Group accounting in general (Quarterly and year-end closings etc. for US parent and Danish Parent). US GAAP, IAS and Danish GAAP.
- Investment and financial planning optimizing cash flow from a business and tax perspective and foreign currency management. Preparation of global strategy reports, management reports and business plans.
- Responsible for corporate/legal structure matters. Spin offs, mergers, incorporation of new subsidiaries, branches and rep offices, liquidation/dissolving subsidiaries, branches and rep offices, share capital increases, share capital decreases, managing inter-company agreements including loans and, implementing changes related to our board of directors worldwide.

I developed a broad managerial experience by being the project manager responsible for projects involving between fifty and a hundred people on acquisition related integrations, financial and tax planning projects. Developed managerial experience with own department having the direct responsibility for supervising CEO's, CFO's, controllers and, other financial staff in the group. Was the liaison/relationship partner for GN Great Nordic in its partnership with BellSouth Corporation in connection with the joint investment in SONOFON (the second largest mobile operator in Denmark); I served as a board member in several subsidiaries around the world including USA, UK, Spain, Italy, Canada, Australia, Denmark, Sweden, Mexico, China and Hong Kong.

ENGAGEMENT LETTER



INDIAN WELLS HOUSING AUTHORITY
SHORT-FORM SERVICES AGREEMENT
(\$25,000 OR LESS)

*Contract #
000086
0051*

1. **PARTIES AND DATE.** This Agreement is made and entered into this **12th** day of **August, 2015**, (“Effective Date”) by and between the **Indian Wells Housing Authority**, a California public body, corporate and politic, with its principal place of business at 44-950 Eldorado Drive, Indian Wells, California 92210-7497 (“Authority”) and **ADK Appraisal Services**, a Sole Proprietorship with its principal place of business at **76-947 Desi Drive, Indian Wells, CA 92210** (“Vendor”). The Authority and Vendor are sometimes individually referred to as “Party” and collectively as “Parties” in this Agreement.
2. **TERMS AND CONDITIONS.** The Parties shall comply with the terms and conditions in the attached Exhibit “A”.
3. **SCOPE AND SCHEDULE OF SERVICES.** Vendor shall provide to the Authority **Real Estate Appraisal** services described in accordance with the schedule set forth in Exhibit “B”.
4. **TERM.** The term of this Agreement shall be from **August 12, 2015** to **June 30, 2016**, unless earlier terminated as set forth in the attached Terms and Conditions. This Agreement may not extend beyond a period of five (5) years, unless under the City’s Fiscal Policies and Procedures this Agreement is exempt from the five (5) year limitation.
5. **COMPENSATION.** Vendor shall receive compensation for services rendered under this Agreement at the rates and schedule set forth in the attached Exhibit “C” but in no event shall Vendor’s compensation exceed **Five Thousand Dollars (\$5,000)** per fiscal year (July 1 to June 30) without written amendment.
6. **INSURANCE.** In accordance with Section 4 of Exhibit “A”, Vendor shall, at its expense, procure and maintain for the duration of the Agreement such insurance policies as checked below and provide proof of such insurance policies to the Authority. **Vendor shall obtain policy endorsements on Commercial General Liability Insurance that name Additional Insureds as follows: The City of Indian Wells, Indian Wells Housing Authority, and their Directors, Board Members, Officials, Officers, Employees, Agents and Volunteers.**

Commercial General Liability Insurance:

- \$1,000,000 per occurrence/\$2,000,000 aggregate.
- \$2,000,000 per occurrence/\$4,000,000 aggregate.

Automobile Liability:

- \$1,000,000 combined single limit for bodily injury and property damage.

Workers’ Compensation:

- Statutory Limits / Employer’s Liability \$1,000,000 per accident or disease and a waiver of subrogation in favor of the City of Indian Wells and Indian Wells Housing Authority.

Professional Liability (Errors and Omissions):

- Errors and Omissions liability insurance with a limit of not less than \$1,000,000 per claim.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed on the day and year first above written.

INDIAN WELLS HOUSING AUTHORITY

By:


David Gassaway
Assistant to the City Manager

INSERT NAME OF VENDOR

By:


Thomas Kjaergaard, MAI, SRA
Owner

Required for over \$5,000:

By:

Wade G. McKinney
Executive Director

EXHIBIT "A"
TERMS AND CONDITIONS

1. Compensation. Vendor shall be paid on a time and materials or lump sum basis, as may be set forth in Exhibit "C", within 30 days of completion of the Work and approval by the Authority.

2. Compliance with Law. Vendor shall comply with all applicable laws and regulations of the federal, state and local government. Vendor shall assist the Authority, as requested, in obtaining and maintaining all permits required of Vendor by Federal, State and local regulatory agencies. Vendor is responsible for all costs of clean up and/or removal of hazardous and toxic substances spilled as a result of his or her Work.

3. Standard of Care. The Vendor shall perform the Work in accordance with generally accepted professional practices and principles and in a manner consistent with the level of care and skill ordinarily exercised by members of the profession practicing under similar conditions.

4. Insurance. The Vendor shall take out and maintain, during the performance of all work under this Agreement: A. Commercial General Liability Insurance in the amounts specified in Section 6 of the Agreement for bodily injury, personal injury and property damage, at least as broad as Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 0001), and if no amount is selected in Section 6 of the Agreement, the amounts shall be \$1,000,000 per occurrence/\$2,000,000 aggregate; B. Automobile Liability Insurance for bodily injury and property damage including coverage for owned, non-owned and hired vehicles, of at least \$1,000,000 per accident for bodily injury and property damage, at least as broad as Insurance Services Office Form Number CA 0001 (ed. 6/92) covering automobile liability, Code 1 (any auto); C. Workers' Compensation in compliance with applicable statutory requirements and Employer's Liability Coverage of at least \$1,000,000 per accident or disease. Vendor shall also submit to the Authority a waiver of subrogation endorsement in favor of the City of Indian Wells and Indian Wells Housing Authority; and D. Professional Liability (Errors and Omissions) coverage, if checked in section 6 of the Agreement, with a limit not less than \$1,000,000 per claim and which shall be endorsed to include contractual liability. Insurance carriers shall be authorized by the Department of Insurance, State of California, to do business in California and maintain an agent for process within the state. Such insurance carrier shall have not less than an "A"; "Class VII" according to the latest Best Key Rating unless otherwise approved by the Authority.

5. Indemnification. The Vendor shall indemnify and hold harmless the City of Indian Wells, Indian Wells Housing Authority, and their Directors, Board Members, Officials, Officers, Employees, Agents and Volunteers, against any and all claims, liabilities, expenses or damages, including responsible attorneys' fees, for injury or death of any person, or damage to property, or interference with use of property, or any claim of the Vendor or subcontractor for wages or

benefits which arise in connection with the performance of this Agreement, except to the extent caused or resulting from the negligence or misconduct of the City, the Authority, their Directors, Board Members, Officials, Officers, Employees Agents and Volunteers. The foregoing indemnity includes, but is not limited to, the cost of prosecuting or defending such action with legal counsel acceptable to the Authority and the Authority's attorneys' fees incurred in such an action.

6. Laws and Venue. This Agreement shall be interpreted in accordance with the laws of the State of California. If any action is brought to interpret or enforce any term of this Agreement, the action shall be brought in a state or federal court situated in the County of Riverside, State of California.

7. Termination. The Authority may terminate or abandon any portion or all of the Work by giving 10 calendar days written notice to Vendor. In such event, the Authority shall be immediately given title and possession to all original field notes, drawings and specifications, written reports and other documents produced or developed for the Work. The Authority shall pay Vendor the reasonable value of any portion of the Work completed prior to termination. The Authority shall not be liable for any costs other than the charges or portions thereof which are specified herein. Vendor shall not be entitled to payment for unperformed Work, and shall not be entitled to damages or compensation for termination of work. Vendor may terminate its obligation to provide further Work under this Agreement upon 30 calendar days' written notice to the Authority only in the event of Authority's failure to perform in accordance with the terms of this Agreement through no fault of Vendor.

8. Agreement Terms. Nothing herein shall be construed to give any rights or benefits to anyone other than the Authority and the Vendor. The unenforceability, invalidity or illegality of any provision(s) of this Agreement shall not render the other provisions unenforceable, invalid or illegal. Notice may be given or delivered by depositing the same in any United States Post Office, certified mail, return receipt requested, postage prepaid, addressed to the parties to the addresses set forth in the Agreement. Vendor shall not assign, sublet, or transfer this Agreement or any rights under or interest in this Agreement without the written consent of the Authority, which may be withheld for any reason. Vendor is retained as an independent contractor and is not an employee of the City. No employee or agent of Vendor shall become an employee of the City. The individuals signing this Agreement represent that they have the authority to sign on behalf of the Parties and bind the Parties to this Agreement. This is an integrated Agreement representing the entire understanding of the parties as to those matters contained herein, and supersedes and cancels any prior oral or written understanding or representations with respect to matters covered hereunder. This Agreement may not be modified or altered except in writing signed by both parties hereto.

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EXHIBIT "B"
SCOPE AND SCHEDULE OF SERVICES

Appraisal services on the following property:

Property 1: (total acreage 4.2)

Owner per public record: City of Indian Wells Warner Trail
Indian Wells, CA 92210
APN; 633-300-007 (4.20 acres)

Property 2: (total acreage 10.85 acres)

Owner per public record: Indian Wells Housing Authority Highway 111
Indian Wells, CA 92210
APN; 633-410-036 (1.11 acres) & 633-410-041 (1.36 acres)
Owner per public record: City of Indian Wells
Highway 111
Indian Wells, CA 92210
APN; 633-410-039 (Originally recorded as 10.36 acres, but only 7.66 acres remains to be developed) &
633-410-046 (0.72 acres)

Property 3: (total acreage 50.12)

Owner per public record: City of Indian Wells Miles Avenue
Indian Wells, CA 92210
APN; 604-640-001 (50.12 acres)

The three completed Restricted Appraisal Reports will include a market overview and the "Sales Comparison Approach". The report will be prepared in accordance with the standards set forth by the Uniform Standards of Professional Appraisal Practice ("USPAP") of the Appraisal Foundation. The report will be delivered via email in PDF format.

Under USPAP Standards Rule 2-2(b), this will be a Restricted Appraisal Report, and is intended only for the sole use of the named client. Example of Restricted Appraisal Report Language:

The purpose of this appraisal report is to estimate the market value of the subject property to be used for internal/confidential use. This is the only intended use. This appraisal report is intended for the sole and exclusive use of the City of Indian Wells, the City of Indian Wells city council, the City of Indian Wells city manager and assistant to the city manager and the Indian Wells Housing Authority and its board of directors, my client who has engaged me to perform the subject appraisal. No other user is authorized and any other use or user is not warranted by the appraiser. The appraiser is not responsible for unauthorized use of this report.

Under USPAP Standards Rule 2-2(b), this is a Restricted Appraisal Report, and is intended only for the sole use of the named client. There are no other intended users. The client must clearly understand that the appraiser's opinions and conclusions may not be understood properly without additional information in the appraiser's work file.

The value to be reported will be the "As Is" market value of the subject real properties as of the date of the inspection.

The purpose of the appraisals are to render Vendor's opinion of market value of the fee simple interest. The intended use for all three appraisals is for internal/confidential use. This is the only intended use. The appraisal reports are intended for the sole and exclusive use of Housing Authority, who is engaging Vendor to perform the subject appraisal report. No other users are authorized and any other use or user is not warranted by Vendor.

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EXHIBIT "C"
COMPENSATION FOR SERVICES

The total fee for the three appraisal reports is \$5,000. In no event will the fee for these reports exceed \$5,000 unless additional work is requested including any requested update report. The payment of the appraisal fee is not subject to City review and approval of the appraisal report or final valuation.

If this Agreement is canceled after commencement of services rendered, a cancellation fee will be charged by Vendor to Housing Authority based upon the total hours previously spent on the assignment prior to receiving notice of any such cancellation request multiplied by Vendor's prevailing hourly rate.

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LOW DENSITY RESIDENTIAL ZONE DEVELOPMENT STANDARDS

Indian Wells Municipal Code							
Up	Previous	Next	Main	Collapse	Search	Print	No Frames
Title 21 ZONING CODE							

Chapter 21.24 LOW DENSITY RESIDENTIAL ZONE DEVELOPMENT STANDARDS

21.24.010 General.

The Chapter contains the regulations for the Low Density Residential Zone established by the City.

The regulations of this Chapter shall apply to all properties within the Low Density Residential Zones within the City, except as modified by the specific situations as defined in the Planning Area in which the building site is located. (Refer to Chapter 21.14 for the specific Planning Area in which the building site is located.) (Ord. 387 § 1, 1996)

21.24.020 Purpose.

The purpose of this district is to provide regulations for the development of that portion of the residential properties within the City with densities in the range of 3.1 to 4.5 dwelling units per acre, consistent with the historic low density residential character of the City established over the past twenty-five (25) years. (Ord. 387 § 1, 1996)

21.24.030 Permitted uses.

The following shall be permitted in the Low Density Residential Zone:

- (a) Single family detached residential uses shall be the primary use permitted;
- (b) Accessory uses and structures related to the primary use;
- (c) Agricultural uses, subject to approval of a Conditional Use Permit;
- (d) Second dwelling units in conjunction with the primary use;
- (e) Country clubs/golf courses, subject to approval of a Conditional Use Permit;

- (f) Recreational facilities, including, but not limited to, tennis courts and swimming pools, subject to approval of a Conditional Use Permit;
- (g) Small and large family day care, subject to approval of a Conditional Use Permit;
- (h) Short-term residential rental, subject to the requirements of Chapter 5.20 of this Code;
- (i) Small residential care facilities (six (6) or fewer persons); and
- (j) Transitional and supportive housing. (Ord. 675 § 2, 2013; Ord. 674 § 4, 2013; Ord. 653 § 4, 2011; Ord. 537 § 1, 2003; Ord. 387 § 1, 1996)

21.24.040 Lot area.

Each lot shall have a minimum lot area of eight thousand five hundred (8,500) square feet net, i.e., not including streets and alleys unless cluster development is approved in accordance with a Conditional Use Permit. (Ord. 387 § 1, 1996)

21.24.050 Lot dimension and setbacks.

All lots hereafter created shall comply with the following minimum standards:

(a) Standard Lots.

- Lot Width: 80 feet
- Lot Depth:..... 100 feet
- Front Yard Setback:..... 20 feet
- Rear Yard Setback:..... 10 feet
- Interior Side Yard Setback:..... 8 feet
- Street Side Yard Setback (on corner lots): 15 feet
- Garage Door Setback: 20 feet

(b) Small Lots. Lots having less than ninety (90) feet of width which were created prior to September 3, 1972 shall comply with the minimum standards of subsection (a), except as modified in this Section:

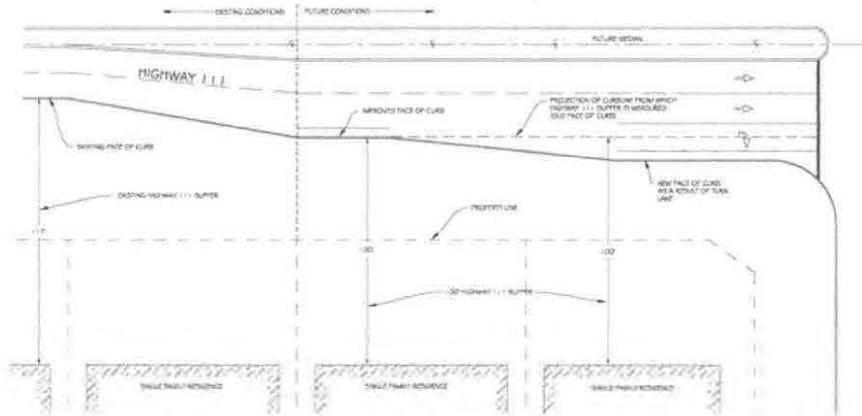
- Side Yard Setback (on Interior Lots):..... 12 feet (with no less than 5 feet on one side)
- Interior Side Yard Setback (on Corner Lots):..... 5 feet
- Street Side Yard Setback (on Corner Lots):..... 15 feet

(c) Irregular Lots. The minimum lot depth and width of lots which are irregularly shaped and located on a curve or cul-de-sac street may be modified to approximate the average on the adjacent properties upon specific approval by the City Council in accordance with the procedure established in Section 21.06.050, Variance.

(d) Highway 111 Buffer Area. Along Highway 111, the buffer area shall be between any structures and the roadway. The buffer area shall extend one hundred seventeen (117) feet from the existing face of curb along Highway 111 or one hundred (100) feet from the ultimate Highway 111 improvement as approved by the City Council on May 17, 2007 by Resolution 2007-27. For acceleration and deceleration lanes installed along Highway 111, the one hundred (100) foot setback shall be measured from the curbline projected from the improved curb, as shown in Figure A below. If

common area structures, facilities or other such support structures are proposed within the buffer area, they should not project above the exterior wall adjacent to Highway 111. No habitable structures will be permitted within the buffer area. Where perimeter roadways are utilized, they should be located within the buffer area, between Highway 111 and any residential lot.

FIGURE "A" - BUFFER AREA DESCRIPTIVE ILLUSTRATION



(Ord. 606 § 1, 2007; Ord. 428 § 2, 1998; Ord. 387 § 1, 1996)

21.24.060 Density.

The number of residential lots/units per gross acre of area, calculated on a tract map basis, shall not exceed four and one-half (4.5) dwelling units per acre. (Ord. 387 § 1, 1996)

21.24.070 Building height.

(a) General. Buildings and structures erected in this zone shall have a height over seventy (70) percent of the horizontal roof area, not exceeding fifteen (15) feet, with no point of the roof extending above eighteen (18) feet in height. In no case shall the building exceed one (1) living story above the pad elevation of the building site.

(b) Setbacks.

(1) The maximum building height shall not be allowed with twenty-six (26) feet of any side property line; thirty-two (32) feet of any rear property line; twenty (20) feet of any front property line.

(2) Buildings shall not exceed twelve (12) feet in height at the minimum rear or side setback.

(3) Buildings shall not exceed the height established by the planes between the maximum building height allowed at the minimum side and rear building setbacks and the maximum building height allowed at the minimum building setbacks for said maximum building height, (b)(1), above. (Ord. 387 § 1, 1996)

21.24.080 Dwelling unit size.

All dwelling units constructed in this zone shall have a minimum usable floor area of two thousand (2,000) square feet. (Ord. 387 § 1, 1996)

21.24.090 Garages.

Garage requirements shall be in accordance with Section 21.20.080, of the Residential Development Standards, General. (Ord. 387 § 1, 1996)

21.24.100 Accessory structures.

Accessory structure requirements shall be in accordance with Section 21.20.090, of the Residential Development Standards, General. (Ord. 387 § 1, 1996)

21.24.110 Structural appendages and projections.

Structural appendages and projection requirements shall be in accordance with Section 21.20.100, of the Residential Development Standards, General. (Ord. 387 § 1, 1996)

21.24.120 Private tennis courts.

Private tennis court requirements shall be in accordance with Section 21.20.120, of the Residential Development Standards, General. (Ord. 387 § 1, 1996)

21.24.130 Outdoor lighting.

Outdoor lighting requirements shall be in accordance with Section 21.20.170, of the Residential Development Standards, General. (Ord. 387 § 1, 1996)

21.24.140 Roof mounted equipment.

All roof mounted equipment including but not limited to heating, venting, cooling, and antenna shall be screened so as to preclude viewing of same from adjacent residences, public ways and golf courses (public or private). (Ord. 533 § 1, 2003, Ord. 387 § 1, 1996)

21.24.150 Landscape.

(See Chapter 21.60 Architecture and Landscape Review.) (Ord. 387 § 1, 1996)

21.24.160 Solar energy systems.

Solar energy systems requirements shall be in accordance with Section 21.20.240, of the Residential Development Standards, General. (Ord. 533 § 1, 2003)

View the [mobile version](#).

(The above is an extract from the “The City of Indian Wells Municipal Code”. For further reference, please go to the website of the City of Indian Wells.)

GLOSSARY

Assessed value: The value placed on land and buildings by a government unit (assessor) for use in levying annual real estate taxes. The value of a property according to tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value⁴.

Cash equivalency: The procedure in which the sales prices of comparable properties sold with atypical financing are adjusted to reflect typical market terms

Contract, coupon, face, or nominal rent: The nominal rent payment specified in the lease contract. It does not reflect any offsets free rent, unusual tenant improvement conditions or other factors that may modify the effective rent payment.

Coupon rent:
See definition of "Contract, Coupon, Face, or Nominal Rent"

Economic base:
Economic activity of a community that enables it to attract income from outside its borders⁵.

Economic base analysis:
A survey of the industries and businesses that generate employment and income in a community as well as the rate of population growth and levels of income, both of which are functions of employment. Economic base analysis is used to forecast the level and composition of future economic activity. Specifically, the relationship between basic employment (which brings income

into a community) and non-basic employment (which provides services for workers in the basic employment sector) is studied to predict population, income, and other variables that affect real estate values or land utilization⁶.

Effective rent: 1) The rental rate net of financial concessions such as period of no rent during a lease term; may be calculated on a discounted basis, reflecting the time value of money, or on a simple, straight-line basis. 2) The economic rent paid by the lessee when normalized to account for financial concessions, such as escalation clauses, and other factors. Contract, or normal, rents must be converted to effective rents to form a consistent basis of comparison between comparable's.

Face rent:
See Contract, Coupon, Face, or Nominal Rent

Fee simple estate: Absolutely ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat⁷.

Floor area ratio (FAR): The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g. a ratio of 2.0 indicates that the permissible floor

⁴ *The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013*

⁵ *The Dictionary of Real Estate Appraisal, Fifth Edition, 2010*

⁶ *The Dictionary of Real Estate Appraisal, Fifth Edition, 2010*

⁷ *The Dictionary of Real Estate Appraisal, Fifth Edition, 2010*

area of a building is twice the total land area; also called *building-to-land-ratio*⁸.

Full service lease: A lease in which rent covers all operating expenses. Typically, full service leases are combined with an *expense stop*, the expense level covered by the contract lease payment. Increases in expenses above the expense stop level are passed through to the tenant and are known as *expense pass-through*'s

Going concern value: Going concern value is the value of a proven property operation. It includes the incremental value associated with the business concern, which is distinct from the value of the real estate only. Going concern value includes an intangible enhancement of the value of an operating business enterprise, which is produced by the assemblage of the land, building, labor, equipment, and marketing operation. This process creates an economically viable business that is expected to continue. Going concern value refers to the total value of a property, including both real property and intangible personal property attributed to the business value⁹.

Gross building area (GBA): The sum of all areas at each floor as measured to the exterior walls.

Insurable value: Insurable Value is based on the replacement and/or reproduction cost of physical items that are subject to loss from hazards. Insurable value is that portion of the value of an asset or asset group that is acknowledged or recognized under the provisions of an applicable loss insurance policy. This value is often controlled by state law and

⁸ *The Dictionary of Real Estate Appraisal, Fifth Edition, 2010*

⁹ *The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013*

varies from state to state¹⁰.

Investment value: Investment value is the value of an investment to a particular investor based on his or her investment requirements. In contrast to market value, investment value is value to an individual, not value in the marketplace. Investment value reflects the subjective relationship between a particular investor and a given investment. When measured in dollars, investment value is the price an investor would pay for an investment in light of its perceived capacity to satisfy his or her desires, needs, or investment goals. To estimate investment value, specific investment criteria must be known. Criteria to evaluate a real estate investment are not necessarily set down by the individual investor; they may be established by an expert on real estate and its value that is an appraiser¹¹.

Leased fee:

See leased fee estate

Leased fee estate: A freehold (ownership interest), where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease)¹².

Leasehold:

See leasehold estate.

Leasehold estate: The tenant's possessory interest created by a lease¹³.

Load factor: The amount added to usable

¹⁰ *The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013*

¹¹ *The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013*

¹² *The Dictionary of Real Estate Appraisal, Fifth Edition, 2010*

¹³ *The Dictionary of Real Estate Appraisal, Fifth Edition, 2010*

area to calculate the rentable area. It is also referred to as a "rentable add-on factor" which, according to BOMA, "is computed by dividing the difference between the usable square footage and rentable square footage by the amount of the usable area". Convert the figure into a percentage by multiplying by 100.

Market value "as if complete" on the appraisal date. Market value as if complete on the appraisal date is an estimate of the market value of a property with all construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value should reflect the market value of the property as if complete and prepared for occupancy by tenants.

Market value "as is" on the appraisal date: Market value "as is" on the appraisal date is an estimate of the market value of a property in the condition-on observed upon inspection and as it physically and legally exists without hypothetical conditions assumptions, or qualifications as of the date of appraisal.

Market value: Market value is one of the central concepts of the appraisal practice. Market value is differentiated from other types of value in that it is created by the collective patterns of the market. Market value means 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: 1) A reasonable time is allowed for exposure in the open market; 2) Both parties are well informed or well advised, and acting in what they consider their own best interests; 3) Buyer and seller are typically motivated; 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 5) 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 sale¹⁴.

Marketing period: An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal¹⁵.

Net lease: Lease in which all or some of the operating expenses are paid directly by the tenant. The landlord never takes possession of the expense payment. In a *Triple Net Lease*, all operating expenses are the responsibility of the tenant, including property taxes, insurance, interior maintenance, and other miscellaneous expenses. However, management fees and exterior maintenance are often the responsibility of the lessor in a triple net lease. A *modified net lease* is one in which some expenses are paid separately by the tenant and some are included in the rent.

¹⁴ *The Office of the Comptroller of the Currency, 12 CFR Part 34, Subpart C, §34.42(f), August 24, 1990. This definition is compatible with the definition of market value contained in The Dictionary of Real Estate Appraisal, Fifth Edition, and the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of The Appraisal Foundation, 2012-2013 Edition. This definition is compatible with OTS, RTC, FDIC, NCUA and the Board of Governors of the Federal Reserve System definition of market value.*

¹⁵ *The Dictionary of Real Estate Appraisal, Fifth Edition, 2010*

Net rentable area (NRA): 1) the area on which rent is computed. 2) the Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor¹⁶.

Nominal rent:

See Contract, Coupon, Face, or Nominal Rent

Prospective future value "upon completion of construction": Prospective future value "upon completion of construction" is the prospective value of a property on the future date that construction is completed, based upon market conditions forecast to exist, as of that completion date. The value estimate at this stage is stated in current dollars unless otherwise indicated.

Prospective future value "upon reaching stabilized occupancy" Prospective future value "upon reaching stabilized occupancy" is the prospective value of a property at a future point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. The value estimate at this stage is stated in current dollars unless otherwise indicated.

Reasonable exposure time: The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a

¹⁶ 1990 BOMA Experience Exchange Report, *Income/Expense Analysis for Office Buildings* (Building Owners and Managers Association, 1990).

retrospective estimate based upon an analysis of past events assuming a competitive and open market¹⁷.

Rent:

See
Full service lease
Net lease
Contract, coupon, face, or nominal rent
effective rent

Shell space: Space, which has not had any interior finishing installed, including even basic improvements such as ceilings and interior walls, as well as partitions, floor coverings, wall coverings etc.

Usable Area: 1) The area actually used by individual tenants. 2) The Usable Area of an office building is computed by measuring to the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. It excludes areas such as mechanical rooms, janitorial room, restrooms, lobby, and any major vertical penetrations of a multi-tenant floor¹⁸.

Use value: Use value is a concept based on the productivity of an economic good. Use value is the value a specific property has for a specific use. Use value focuses on the value the real estate contributes to the enterprise of which it is a part, without regard to the property's highest and best use or the monetary amount that might be realized upon its sale¹⁹.

¹⁷ *Statement on Appraisal Standard No. 6, Appraisal Standards Board of the Appraisal Foundation, September 19, 1992.*

¹⁸ 1990 BOMA Experience Exchange Report, *Income/Expense Analysis for Office Buildings* (Building Owners and Managers Association, 1990).

¹⁹ *The Appraisal of Real Estate, Fourteenth Edition, Appraisal Institute, 2013*

Value appraised: During the real estate development process, a property typically progresses from a state of unimproved land to construction of improvements to stabilized occupancy. In general, the market value associated with the property increases during these stages of development. After reaching stabilized occupancy, ongoing forces affect the property during its life, including physical wear and tear, changing market conditions, etc. These factors continually influence the property's market value at any given point in time.

See also

Market value "as is" on the appraisal date

Market value "as if completed" on the appraisal date

Prospective future value "upon completion of construction"

Prospective future value "upon reaching stabilized occupancy"