Appraisal Report

Portion of Cubberley Community Center
4000 Middlefield Road
Palo Alto, Santa Clara County, California 94303

Report Date: August 29, 2024



FOR:

City of Palo Alto
Sunny Tong
250 Hamilton Avenue
Palo Alto, California 94301

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CA03-24-0402-000

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August 29, 2024

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Sunny Tong
City of Palo Alto
250 Hamilton Avenue
Palo Alto, California 94301

RE: Appraisal Report
Portion of Cubberley Community Center
4000 Middlefield Road
Palo Alto, Santa Clara County, California 94303

Dear Mr. Tong:

In accordance with your request, an appraisal of the above referenced property was performed. This appraisal report sets forth the pertinent data gathered, the techniques employed, and the reasoning leading to the value opinions. This letter of transmittal does not constitute an appraisal report and the rationale behind the value opinion(s) reported cannot be adequately understood without the accompanying appraisal report.

The subject of this appraisal is commonly known as Cubberley Community Center located at 4000 Middlefield Road, Palo Alto, California and further identified as Assessor Parcel Number (APN) 147-08-052. The underlying site consists of one parcel containing 7.87-acres or 342,902 square feet.

The property was originally constructed in the 1950's as a public high school, which closed in 1979. The community center is currently used by a variety of nonprofit organizations, arts and cultural groups, the City of Palo Alto and Palo Alto Unified School District (PAUSD). The property is currently used for educational programs, recreational activities, community uses, and meeting and event space.

Most of the space at the community center is leased/rented on a short-term basis of less than one month. There are tenants occupying the property with longer lease agreements that expire within the next two years. However, it was reported that the leases all have termination options allowing the landlord to terminate the lease with a 30-day notice. Our appraisal assumes there are no long-term leases in place, which could impact redevelopment of the property within a two-year timeframe.

The property is improved with twelve one story school buildings containing 81,002 square feet of total building area. There is a modular building on-site used as a library that is not owned by the property

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owner. We have not included this modular building in our appraisal of the property. The property was constructed over 65 years ago and the buildings are in overall fair-average condition with no major capital improvements or renovations completed. Some of the interiors have been updated with new carpet and paint, but the buildings are essentially in their original condition. Based on our research and analysis of market data, as presented in this report, the existing improvements are at the end of their economic life. We conclude that the property is a prime candidate for future redevelopment. However, the property can physically continue to be used, as an interim use, until the property is redeveloped.

We opine the highest and best use of the site, as though vacant, would be to hold the site for future development of a school and/or community center of the maximum size and density allowed at the time of construction. We believe the highest and best use could also include a residential component, with entitlements, though this is speculative at the current time, and we have not valued the subject site for residential conversion potential.

The highest and best use of the subject property, as improved, is existing improvements, as an interim use, until the property is redeveloped. This would be for a school and/or community center use.

The analyses, opinions, and conclusions were developed, and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute; and the requirements of our client.

The client in this assignment is City of Palo Alto and the intended user of this report is City of Palo Alto and no others. The intended use is for internal planning purposes. The value opinions reported herein are subject to the definitions, assumptions, limiting conditions, and certifications contained in this report.

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

Extraordinary Assumptions:

- The property was originally constructed in the 1950's as a public high school, which closed in 1979. The community center is currently used by a variety of nonprofit organizations, arts and cultural groups, the City of Palo Alto and Palo Alto Unified School District (PAUSD). The property is currently used for educational programs, recreational activities, community uses, and meeting and event space. Most of the space at the community center is leased/rented on a short-term basis of less than one month. There are tenants occupying the property with longer lease agreements that expire within the next two years. However, it was reported that the leases all have termination options allowing the landlord to terminate the lease with a 30-day notice. Our appraisal assumes there are no long-term leases in place, which could impact redevelopment of the property within a two-year timeframe.
- The subject is part of a larger community center. We assume that a buyer of the property would have exclusive use of the subject site and could redevelop independent of the remaining larger center.

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Hypothetical Conditions:

- None

The value conclusions are based on the analysis in the following report and presented in the following table:

Value Conclusion

Component	As Is
Value Type	Market Value
Real Property Interest	Fee Simple
Effective Date of Value	August 15, 2024
Value Conclusion	**$67,770,000**
	$198/ SF Land Area

Respectfully submitted,
Valbridge Property Advisors | Northern California

Jeremy S. Bargy, MAI
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California Certified License #AG036071

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Summary of Salient Facts

Property Identification

Property Name	Cubberley Community Center
Property Address	4000 Middlefield Road Palo Alto, Santa Clara County, California 94303
Latitude & Longitude	37.418386, -122.108387
Census Tract	6931.02
Tax Parcel Number	147-08-052
Property Owner	City of Palo Alto

Site

Zoning	PF(D) - Public Facilities w Design Review
FEMA Flood Map No.	06085C0036H
Flood Zone	X
Gross Land Area	342,902 square feet
Usable Land Area	342,902 square feet

Existing Improvements

Property Use	Former school/ current community center
Occupancy	Non-profit organizations, local artists, City government
Gross Building Area (GBA)	81,002 sf
Number of Buildings	12
Number of Stories	1
Year Built	1950's
Condition	Fair-average
Floor Area Ratio (FAR)	0.24

Valuation Opinions

Highest & Best Use - As If Vacant	Hold for development
Highest & Best Use - As Improved	Existing improvements, as an interim use, until the property is redeveloped
Reasonable Exposure Time	6 to 12 months
Reasonable Marketing Time	6 to 12 months

Value Indications

Approach to Value	As Is
Sales Comparison Approach	$67,770,000
Cost Approach	Not Developed
Income Approach	Highest & Best Use Analysis

Value Conclusion

Component	As Is
Value Type	Market Value
Real Property Interest	Fee Simple
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Aerial and Front Views

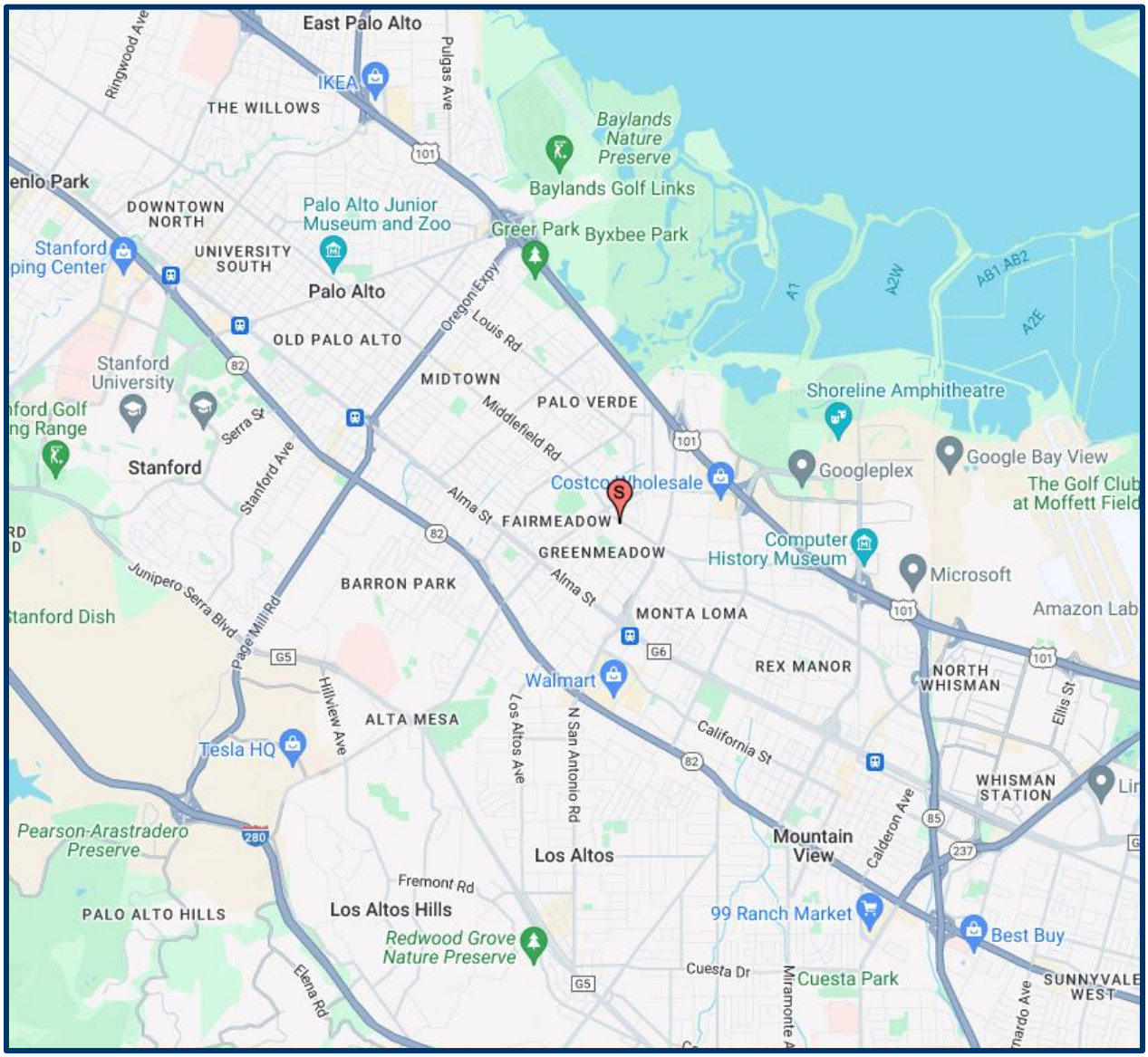
AERIAL VIEW



FRONT VIEW



Location Map



Introduction

Client and Intended Users of the Appraisal

The client in this assignment and the intended user of this report is City of Palo Alto. Under no circumstances shall any of the following parties be entitled to use or rely on the appraisal or this appraisal report:

i. The borrower(s) on any loans or financing relating to or secured by the subject property,

ii. Any guarantor(s) of such loans or financing; or

iii. Principals, shareholders, investors, members or partners in such borrower(s) or guarantors.

Intended Use of the Appraisal

The intended use of this report is for internal planning purposes.

Real Estate Identification

The subject property is located at 4000 Middlefield Road, Palo Alto, Santa Clara County, California 94303. The property is further identified by the tax parcel number 147-08-052.

Legal Description

We were not provided with a legal description for the subject property. We assume the legal description corresponds to the subject APN.

Use of Real Estate as of the Effective Date of Value

As of the effective date of value, the subject was a former school being used as a community center.

Use of Real Estate as Reflected in this Appraisal

The current opinion of value for the subject property reflects use as a former school/ current community, recreation center with redevelopment potential.

Ownership of the Property

According to ParcelQuest, title to the subject is vested in City of Palo Alto.

History of the Property

Ownership of the property has not changed within the past three years. We are not aware of any listings or offers to purchase the property.

Type and Definition of Value

The purpose of this appraisal is to develop an opinion of the market value of the subject property. "Market Value," as used in this appraisal, is defined as "The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-

interest, and assuming that neither is under undue duress."[1] Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- *Buyer and seller are typically motivated.*
- *Both parties are well informed or well advised, each acting in what they consider their own best interests;*
- *A reasonable time is allowed for exposure in the open market;*
- *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
- *The price represents the normal consideration for the property sold unaffected by special or creative financing or sale concessions granted by anyone associated with the sale."*

The "as is" value is the value of the property in its present condition under market conditions prevalent on the date of the appraisal.

Valuation Scenarios, Property Rights Appraised, and Effective Dates of Value

Opinions of value for the subject were developed under the following valuation scenarios:

Valuation Scenario	Effective Date of Value
As Is Market Value of the Fee Simple Interest	August 15, 2024

Date of Report

The date of this report is August 29, 2024.

Assumptions and Conditions of the Appraisal

This appraisal assignment and the opinions reported herein are subject to the General Assumptions and Limiting Conditions contained in the report and the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results.

Extraordinary Assumptions

- The property was originally constructed in the 1950's as a public high school, which closed in 1979. The community center is currently used by a variety of nonprofit organizations, arts and cultural groups, the City of Palo Alto and Palo Alto Unified School District (PAUSD). The property is currently used for educational programs, recreational activities, community uses, and meeting and event space. Most of the space at the community center is leased/rented on a short-term basis of less than one month. There are tenants occupying the property with longer lease agreements that expire within the next two years. However, it was reported that the leases all have termination options allowing the landlord to terminate the lease with a 30-day notice. Our appraisal assumes there are no long-term leases in place, which could impact redevelopment of the property within a two-year timeframe.

[1] *THE DICTIONARY OF REAL ESTATE APPRAISAL*, SEVENTH EDITION, (APPRAISAL INSTITUTE, 2022), 118

- The subject is part of a larger community center. We assume that a buyer of the property would have exclusive use of the subject site and could redevelop independent of the remaining larger center.

Hypothetical Conditions

- None

Scope of Work

The elements addressed in the Scope of Work are (1) the extent to which the subject is identified, (2) the extent to which the property is inspected, (3) the type and extent of data researched, (4) the type and extent of analysis applied, (5) the type of appraisal report prepared, and (6) the inclusion or exclusion of items of non-realty in the development of the value opinion. These items are discussed below.

Extent to Which the Property Was Identified

The three components of the property identification are summarized as follows:

- Legal Characteristics - The subject was legally identified by a parcel number, plat map, and address.
- Economic Characteristics - The subject's economic characteristics were identified by a rent roll provided and a comparison of similar properties.
- Physical Characteristics - The subject's physical characteristics were identified by our research and tour of the property.

Extent to Which the Property Was Inspected

An appraisal inspection of the property was completed by Jeremy S. Bargy, MAI on August 15, 2024. The improvements were measured during the course of the inspection.

Type and Extent of Data Researched

The following data was researched and analyzed: (1) market area data, (2) property-specific market data, (3) zoning and land-use data, and (4) current data on comparable listings and transactions. Professionals familiar with the subject market/property type were also interviewed.

Type and Extent of Analysis Applied (Valuation Methodology)

Surrounding land use trends, the condition of any improvements, demand for the subject property, and relevant legal limitations were observed in the process of concluding a highest and best use for the property. The subject was then valued based on the highest and best use conclusion.

Appraisers develop an opinion of property value with specific appraisal procedures that reflect three distinct methods of data analysis: the cost approach, sales comparison approach, and income capitalization approach. One or more of these approaches are used in all estimations of value.

- Cost Approach - In the cost approach, the value indication reflects the sum of current depreciated replacement or reproduction cost, land value, and an appropriate entrepreneurial incentive or profit.
- Sales Comparison Approach - In the sales comparison approach, value is indicated by recent sales and/or listings of comparable properties in the market, with the appraiser analyzing the impact of material differences in both economic and physical elements between the subject and the comparables.
- Income Capitalization Approach - In the income capitalization approach, value is indicated by the capitalization of anticipated future income. There are two types of capitalization: direct

capitalization and yield capitalization, more commonly known as discounted cash flow (DCF) analysis.

All these approaches to value were considered. The availability of data and applicability of each approach to value within the context of the characteristics of the subject property, along with the needs and requirements of the client, were assessed. Based on this assessment, the Sales Comparison and Income Capitalization Approaches were developed. An Income Approach was conducted for this assignment and will be discussed in the Highest and Best Use Section of the report. The improvements are fully depreciated and at the end of their economic life. As such, the Cost Approach was not a relevant method of valuation for the property. The specific methods and analysis of each approach are further discussed in the respective valuation sections.

Appraisal Conformity and Report Type

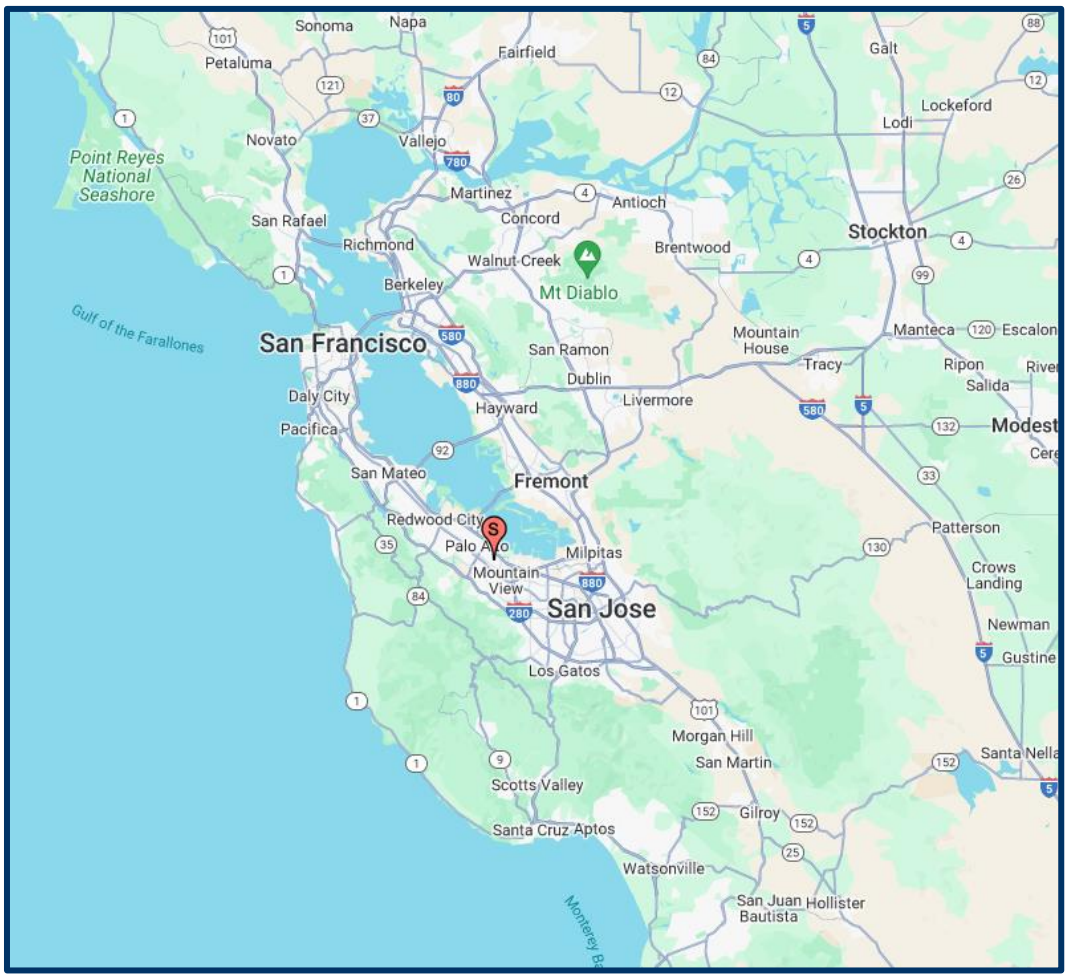
The analyses, opinions, and conclusions were developed and this report was prepared in conformity with the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation; the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute; and the requirements of our client. This is an Appraisal Report as defined by the Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2a.

Personal Property/FF&E

All items of non-realty are excluded from this analysis. The opinion of market value developed herein is reflective of real estate only.

Regional and Market Area Analysis

REGIONAL MAP



Overview

The property is located in the San Francisco Bay Region, an area which is comprised of the nine counties bordering the San Francisco Bay. According to the State of California Department of Finance, the area had a combined population of approximately 7.58 million as of January 1, 2024. The Department of Finance characterizes the San Francisco Bay Area by a moderate climate, diversified economy and one of the highest standards of living in the United States.

Population

Santa Clara County is the most populous of the nine counties comprising the San Francisco Bay Region, with an estimated 1,903,198 residents as of January 1, 2024, according to the State of California Department of Finance. This remained unchanged from the previous year. San Jose is the largest city in the county.

According to ESRI projections, presented below, the county's population is expected to increase annually 0.3% between 2024 and 2029, while Palo Alto is expected to decrease by approximately 0.09% annually over the same period.

Population

Area	Census Population (2020)	Current Population (2024)	Compound Annual Δ 2020 - 2024	Projected Population (2029)	Compound Annual Δ 2024 - 2029
United States	331,449,520	335,707,897	0.32%	343,238,675	0.44%
California	39,538,223	39,530,491	0.00%	39,717,178	0.09%
San Jose-Sunnyvale-Santa Clara, CA (MSA)	2,000,468	1,990,196	-0.13%	2,025,583	0.35%
Santa Clara County	1,936,259	1,920,843	-0.20%	1,951,485	0.32%
Palo Alto city	68,572	67,072	-0.55%	66,779	-0.09%

Source: ESRI (ArcGIS)

Transportation

Excellent transportation routes and linkages to all major cities within the region and throughout the state are primary reasons for the advancement of business activity in the Bay Area, including Santa Clara County.



Air service in the area is provided by Norman Y. Mineta San Jose International Airport, which accommodated more than 15 million passengers from April 2019 to March 2020. Although passenger counts dropped significantly in the pandemic, airline activity is rebounding. As of January 2024, the total number of passengers served over the past year was approximately 12 million passengers, which represents a 3.8% increase from the prior year. San Francisco and Oakland airports are within an hour's drive from most portions of the county.

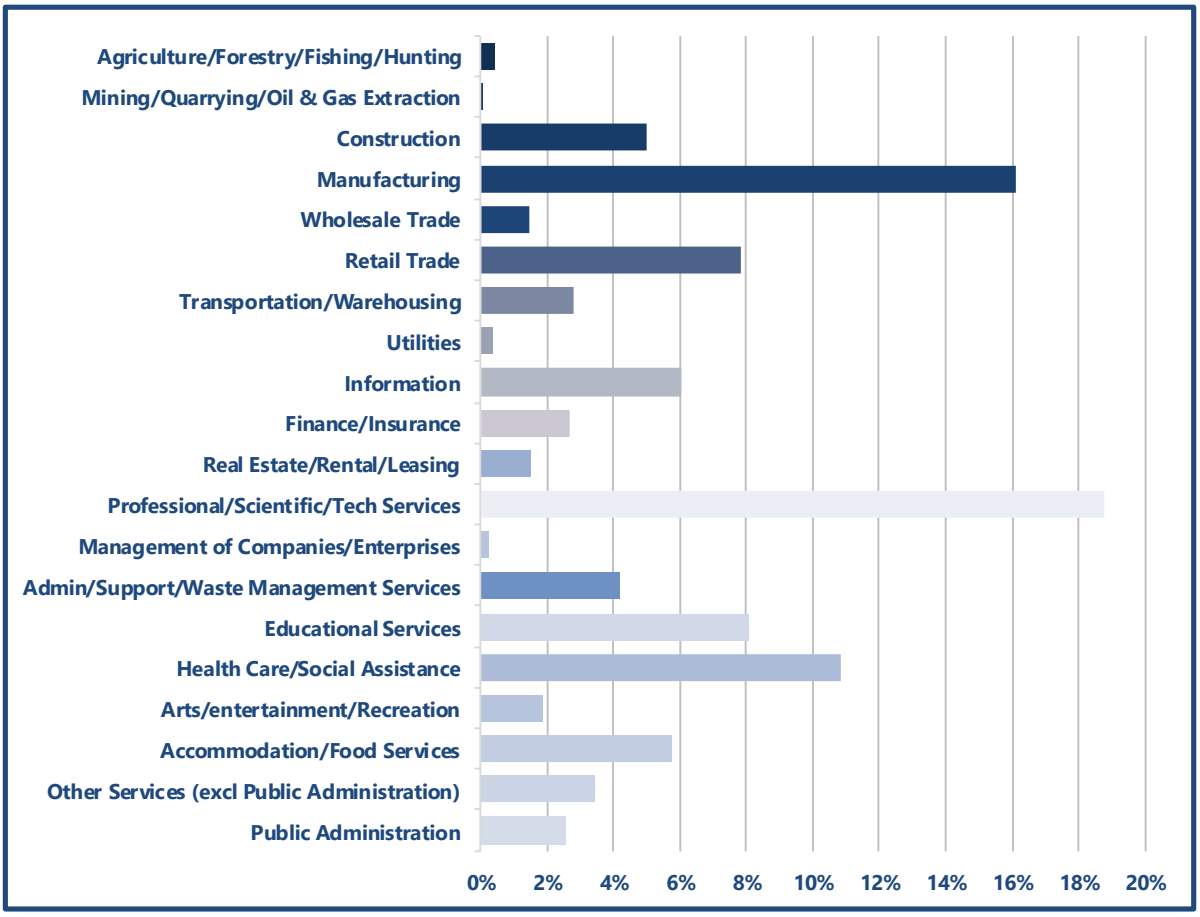
The area has a well-developed freeway system although traffic congestion is unquestionably one of the negative aspects. The county's transportation network also includes multiple expressways, which provide streamlined access to most interior locations. Lawrence Expressway, San Tomas Expressway and Foothill Expressway run north-south, while Central Expressway and Montague Expressway run roughly east-west.

Employment

High-technology employment and a skilled workforce translate into relatively high-income levels, and Santa Clara County is one of the most affluent metropolitan regions in the nation. Silicon Valley's economy is stable, although its narrow range of driving industries has kept recent growth very slow.

Significant employment sectors within Santa Clara County include professional, scientific, and technical services; manufacturing; health care and social assistance; educational services; and retail. Some of the

largest employers are associated with the computer industry and Internet such as Adobe, Apple, Alphabet, Inc., and Applied Materials; hospitals such as the Lucille Packard Children's Hospital and the Palo Alto Veteran's Medical Center; space and aerotech including NASA and Lockheed Martin; and educational facilities such as the Stanford University School of Medicine.



Employment by Industry for Santa Clara County - Source: ESRI (ArcGIS)

Unemployment

The unemployment rate in Santa Clara County is currently less than the rates of the state and nation. The County unemployment rate was 4.1% as of July 202(most recent available). The State of California was at 5.8% while the Nation was at 4.5% for the same time period.

Unemployment Rates

Area	YE 2019	YE 2020	YE 2021	YE 2022	YE 2023	2024[1]
United States	3.7%	8.1%	5.3%	3.6%	3.6%	4.5%
California	4.1%	10.1%	7.3%	4.3%	4.8%	5.8%
Santa Clara County, CA	2.5%	7.1%	4.8%	2.7%	3.5%	4.1%
Palo Alto city, CA	2.0%	4.0%	3.1%	2.1%	2.9%	3.5%

Source: www.bls.gov *data not seasonally adjusted;* *[1]July - most recent for US, others lag by 1-2 mos.)*

National Economic Overview

The national economy continues a path of moderate expansion in 2024. The economy's recovery trajectory post-COVID has been marked by increased demand for labor and wage growth, alongside significant monetary policy adjustments by the Federal Reserve to manage inflation and stabilize financial markets.

The economy experienced various Gross Domestic Product (GDP) growth rates in 2023, with a notable spike of 4.9% in the third quarter, driven largely by consumer spending and government investments. Overall, for the year, GDP increased by 2.5% in 2023 (from the annual 2022 level). Economic growth is to expand at a slower pace in 2024. Forecasts by Goldman Sachs and BNY Mellon Wealth Management anticipate a 2% annual GDP growth for 2024. Employment growth continues to be strong (except for the technology sector).

As of May 2024, the inflation rate increased by 2.6% from the prior year. While the rate of inflation has decelerated over the past two years, it remains elevated and above the Fed's targeted 2% range. At least one interest rate cut is anticipated in 2024, but its magnitude and timing are uncertain as the Fed continues to monitor the CPI Index.

Federal Funds Rate

Beginning in March 2022, the Fed began raising the interest rate, for the first time in three years, to temper the rapid inflation growth. The initial rate increase was 25 basis points. Because inflation was at an all-time high by mid-2022, at 9.1%, the Fed aggressively raised interest rates throughout 2022 and 2023. Eleven increases to the Federal Funds Rate were made in total during these two years. These measures, alongside the banking sector's challenges, including the collapses of Silicon Valley Bank, Signature Bank, and First Republic Bank, have led to tighter credit conditions.

As of June 2024, the Federal Reserve has maintained the funds rates within the benchmark range of 5.25% to 5.50%. This rate has been held steady since July 2023. The Federal Reserve does not expect to reduce the target range until there is greater confidence that inflation is returning to 2%.

Commercial Real Estate (CRE) Loans and Foreclosures

Elevated interest rates have led to an increase in the cost of debt, which in turn has put pressure on new real estate development projects and has partially contributed to a decline in value of commercial real estate. Certain market segments, such as the office sector, are additionally affected by higher vacancies due to remote working.

The CRE sector faces increased risks, particularly in the office and retail segments, where high volumes of refinancing are due soon. Approximately $1.2 trillion of commercial real estate debt is expected to mature in the next two years, with a significant portion held by banks and commercial mortgage-backed securities. This situation is exacerbated by stricter lending standards and a reduction in private equity fundraising, further restricting funding availability for the sector.

Bank Collapses

The banking sector has faced significant turmoil, with the collapses of Silicon Valley Bank, Signature Bank, and First Republic Bank in early 2023. These failures were largely attributed to factors such as poor risk management, lack of investment diversification, and sudden customer withdrawals,

particularly within the technology sector. Regulatory bodies and the sale of First Republic Bank to JPMorgan Chase have aimed to restore confidence and stability in the banking sector.

The California Forecast

The California economy is growing faster than the national economy. Jobs were lost in some sectors and created in others, and some jobs moved out of state because of remote work. Employment sectors with the largest numbers of new jobs were (1) health care and social services; (2) public and private education; (3) construction; (4) leisure and hospitality: and (5) durable goods manufacturing. Ot these, construction and durable goods manufacturing are on average higher wage sectors.

Total statewide unemployment (yearly average rate) for 2023 was at 4.8% and is forecasted to be at 4.5% in 2024, and at 3.8% in 2025. Real income was forecasted to overall decrease by 0.2% in 2023 but increase by 1.2% and 2.0% respectively in 2024 and 2025.

Risks to the forecast, as in the national forecast, are political and geopolitical.

Concluding Remarks

Overall, the U.S. economy is navigating a challenging landscape characterized by elevated inflation, tighter monetary policies, and moderating growth. While the labor market remains strong, concerns over a potential recession linger as the Federal Reserve aims to achieve a soft landing and bring inflation under control without triggering a severe economic downturn.

While the labor market remains resilient, the growth in job creation may slow as the economy seeks a new equilibrium. The transition towards a more balanced economic growth trajectory reflects a cautious optimism among economists and market observers, considering the undercurrents of global geopolitical tensions and domestic policy adjustments. This delicate balance underscores the importance of vigilance and adaptability in economic policy and market strategies as we navigate through the uncertainties of 2024.

In conclusion, the CRE market in 2024 is poised at a critical juncture, with interest rates playing a pivotal role in shaping its direction. Investors and developers are navigating a challenging environment, with higher debt costs, property valuation pressures, and regulatory readiness concerns. However, opportunities for recovery and growth remain, particularly in sectors with strong fundamentals and as the economy potentially shifts towards more favorable conditions later in the year.

Median Household Income

Total median household income for the region is presented in the following table. Overall, the subject's MSA and county compare favorably to the state and the country.

Income

Area	2024 Median HH Income	2024 Average HH Income	2024 Per Capita Income
United States	$72,233	$104,831	$41,000
California	$97,646	$139,308	$48,206
San Jose-Sunnyvale-Santa Clara, CA (MSA)	$158,995	$211,117	$72,086
Santa Clara County	$160,847	$213,011	$73,008
Palo Alto city	$200,001	$271,156	$105,541

Source: ESRI (ArcGIS)

Conclusions

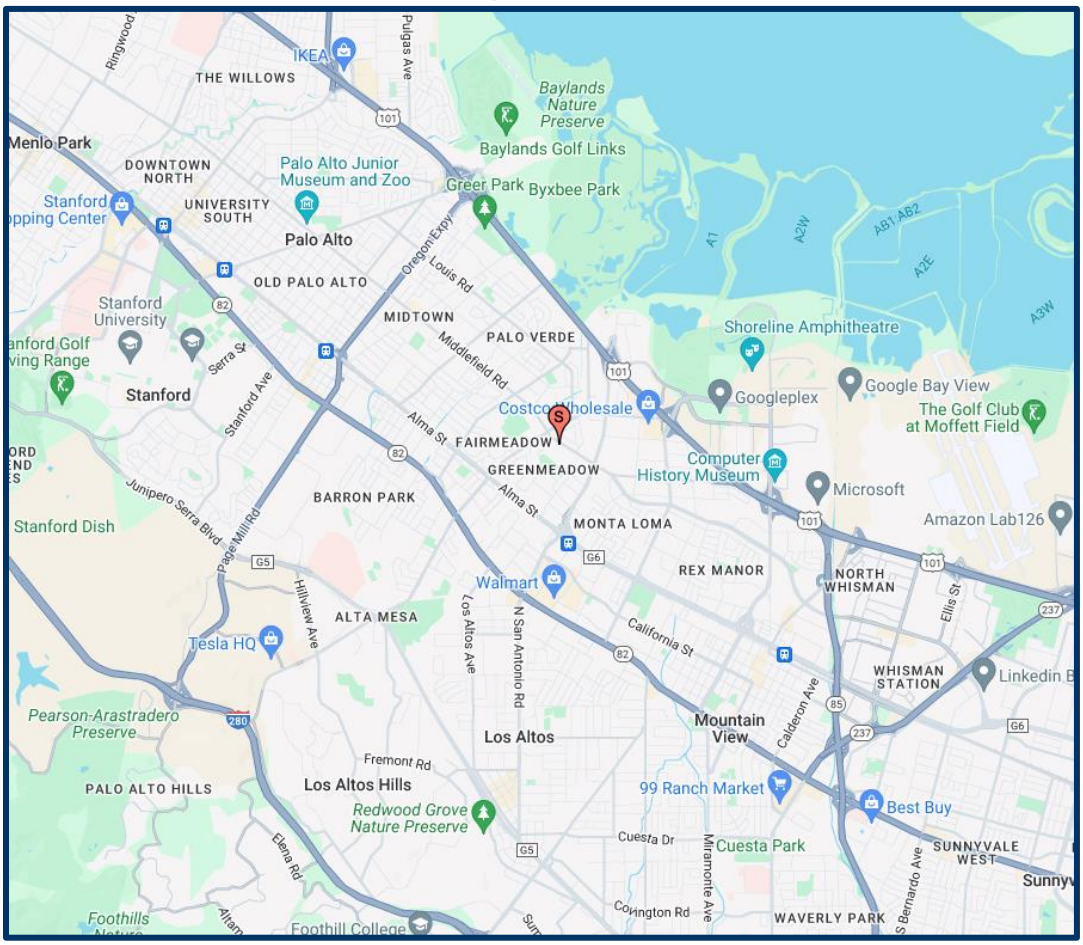
Historically, the Santa Clara County region has been considered a desirable place to both live and work. Physical features and a strong local economy attract both businesses and residents. It is a worldwide leader in technology and a regional employment center with an increasingly diversified economy. While traffic congestion will continue to be a problem, residents remain among the most affluent in the country.

The regional outlook includes declining populations in most counties. Out-migration during the pandemic coupled with continued increases in housing costs are trends that are likely to continue to keep local populations from growing substantially. Household incomes are increasing at the fastest pace since the 1980s; however, inflation is outpacing those gains, leaving households with increasing debt to keep pace. On the more positive side, inflation subsided in early 2023. However, in July 2023, the interest rate was increased ¼ percentage point. While business travel and conventions have yet to recover fully from the pandemic, personal travel has normalized, and the travel industry is regaining strength. Supply chain disruptions continue to impact various sectors of the economy, but many businesses are recovering.

With respect to commercial and residential real estate, increasing interest rates began to stifle transaction volumes in mid-2022, a trend that has continued without much change into 2024. Banks and institutional lenders have not been active for some time, leaving financing to private money lenders and cash buyers. Loan interest rates, where loans are available, have essentially doubled, leaving buyers to demand higher rates of return. While some distress is emerging, particularly in the office segment, sellers are mostly unwilling to transact at lower prices, keeping market participants in a wait and see posture. Reports indicate that once inflation has stabilized and interest rates can be projected with more certainty, transaction volumes will likely increase. In any case, the historic reasons for growth in the region remain the same, and, thus, the expectation is that normal growth will resume over time.

City and Neighborhood Analysis

CITY/AREA MAP



Overview

Palo Alto is the northernmost community in Santa Clara County, located 35 miles south of San Francisco, to the west of San Francisco Bay. Palo Alto is bordered by Menlo Park to the northwest, Mountain View and Los Altos to the southeast and unincorporated county land (including Stanford University) to the south.

The city encompasses 26 square miles, spreading from the southwestern shore of San Francisco Bay to the coastal mountains. Palo Alto is an older community, noted for its quaint old town charm and the quality of public education, with schools that consistently rank among the highest in the nation in academic achievement.

Palo Alto is known for its prestigious institutions and research facilities such as Stanford University, Stanford Medical Center, Stanford Linear Accelerator (SLAC) and Stanford Research Institute (SRI). Medical facilities include Stanford Hospital and the Veterans Administration Medical Center. In addition, Palo Alto is home to a large number of high-technology employers ranging from electronics to pharmaceutical and biotechnology firms. In fact, there are more than three jobs per household in Palo Alto. However, the community is fully developed, with essentially no room for expansion. As a

result, property values are among the highest in the entire Bay Area and a large percentage of the workforce commutes from outlying areas.

Palo Alto has often been referred to as the birthplace of Silicon Valley because many Stanford graduates went on to found high-technology companies. Proximity to Stanford University has played a major role in the development of high-technology firms such as Hewlett-Packard, Varian, VMWare and Facebook, just to name a few. Today, Palo Alto has broadened its high-technology beginnings to include many financial and professional offices. Palo Alto is well established as an educational, technological, financial and professional center and a desirable location for service and professional businesses. Vacancy rates are exceptionally low and rental rates are the highest in Santa Clara County.

The city is served by Highway 101 (Bayshore Freeway) which skirts San Francisco Bay, connecting peninsula communities with the South County and Highway 280. Interstate 280 skirts the southern portion of the city, providing an alternative and more scenic route through the Peninsula. Another major transportation linkage is El Camino Real, the main commercial corridor in Palo Alto. Other east-west arterials include Foothill Expressway and Middlefield Road. Major north-south arterials include University Avenue, Embarcadero Road, Oregon Expressway/Page Mill Road and Charleston Road. Most of the commercial development is located along these major arterial streets.

Stanford University is recognized as one of the finest learning institutions in the country. Not only has the university brought the city national recognition but has spawned a thriving industrial park, filled with prosperous electronic and bio-technology firms, including Hewlett-Packard, the county's largest employer. The university was established by a land grant of 8,100 acres from Leland Stanford in 1891. Terms of the land grant prohibit an outright sale of any property but Stanford leases much of its land, primarily in Stanford Industrial Park and Stanford Shopping Center. Stanford has developed about 10% of its holdings, and net earnings are well over $15 million annually. Palo Alto has become one of the key industrial regions in the Bay Area, mostly as a result of the expansion of the electronics industry. It is also home to a number of financial and venture capital firms that have provided seed money for many companies that are now among the region's major employers.

Continued employment growth in Palo Alto, as well as neighboring cities, has been a major factor in dramatically driving up the price of housing. Over the past 40 years, there have been far more jobs than housing units. Many people who work in Palo Alto cannot afford to buy or rent a home there, and this jobs-to-housing imbalance forces many workers into long commutes. Nevertheless, Palo Alto is under strong pressure to increase housing and therefore the density of residential development.

Neighborhood Location and Boundaries

The subject neighborhood is located in the southeast section of Palo Alto, near the City of Mountain View. The area is urban in nature. The neighborhood is approximated by Highway 101 to the north, San Antonio Road to the east, El Camino Real (SR 82) to the south, and Oregon Expressway to the west.

Transportation Access

Within the immediate area of the subject, transportation access helps define the character of its development. Major travel and commuter routes within the area of the property include Middlefield Road, San Antonio Road, El Camino Real, and Oregon Expressway. San Antonio Road, just a couple of

blocks east, provides access to Highway 101 (approximately 0.8-miles north) and the San Antonio CalTrain Station (approximately 0.7-miles south). Access to the area is considered excellent.

Neighborhood Land Use

The subject neighborhood is located in an area with primarily mixed land uses. An approximate breakdown of the development in the area is as follows:

LAND USES

Developed	95%
Residential	*60%*
Commercial	*30%*
Industrial	*10%*
Vacant	5%
Total	**100%**

Land Use Trends

The immediate neighborhood is currently not experiencing a change in land use.

Demographics

The following table depicts the area demographics in Palo Alto within a one-, three-, and five-mile radius from the subject.

Neighborhood Demographics

Radius (Miles)	1 Mile	3 Mile	5 Mile
Trade Area (Sq. Mi.)	3.14	28.27	78.54
Trade Density (Pop/Sq. Mi.)	7,241	5,185	3,804
Population			
Census Population (2010)	19,087	131,082	268,937
Census Population (2020)	21,464	145,668	296,656
Current Population (2024)	22,729	146,572	298,750
Projected Population (2029)	23,089	150,286	304,515
Compound Annual Growth			
2010 - 2020	1.2%	1.1%	1.0%
2020 - 2024	1.4%	0.2%	0.2%
2024 - 2029	0.3%	0.5%	0.4%
Households			
Census Households (2010)	7,702	52,995	103,182
Census Households (2020)	8,245	55,858	108,297
Current Households (2024)	8,840	56,706	109,215
Projected Households (2029)	9,060	58,864	112,206
Compound Annual Growth			
2010 - 2020	0.7%	0.5%	0.5%
2020 - 2024	1.8%	0.4%	0.2%
2024 - 2029	0.5%	0.7%	0.5%
Average Household Size (2024)	2.57	2.48	2.60

Source: ESRI (ArcGIS) *(Lat: 37.418386, Lon: -122.108387)*

Neighborhood Demographics (cont.)

Radius (Miles)	1 Mile	3 Mile	5 Mile
Trade Area (Sq. Mi.)	3.14	28.27	78.54
Trade Density (Pop/Sq. Mi.)	7,241	5,185	3,804
2024 Housing Units			
Median Home Value	$2,000,001	$2,000,001	$2,000,001
Median Year Built	1966	1970	1969
Total Housing Units	9,952	62,771	120,532
Owner-Occupied Housing %	43.8%	40.4%	41.6%
Renter-Occupied Housing %	45.0%	49.9%	49.0%
Vacant Housing %	11.2%	9.7%	9.4%
2024 Employment			
Total Establishments	1,290	7,887	15,379
Total Employees	18,179	125,119	238,836
Average Commute Time	n/a	n/a	n/a
% College Graduates	82.4%	79.8%	75.5%
2024 Income Summary			
Median Household Income	$200,001	$197,783	$193,557
Average Household Income	$257,955	$248,862	$246,603
Avg Spending/Household	$68,239	$65,794	$65,262
Per Capita Income	$101,463	$96,466	$90,464

Source: ESRI (ArcGIS) *(Lat: 37.418386, Lon: -122.108387)*

The population is 146,572 within a three-mile radius of the subject property with a projected annual growth rate of 0.5%. There were 62,771 housing units within the three-mile radius. Most housing is renter-occupied.

The median household income was $197,783 within a three-mile radius of the subject property. The median household income figures suggest residents were within the middle to upper income brackets.

Nuisances & External Obsolescence

Neighborhood properties have adequate levels of maintenance. No adverse or unfavorable factors were observed.

Neighborhood Life Cycle

Most neighborhoods are classified as being in one of four stages: growth, stability, decline, or revitalization. Overall, the subject neighborhood is in the stable stage of its life cycle.

Immediate Area Uses

The subject property is located within an area with mixed land uses, although secondary roadways and the general immediate neighborhood are dominated by residential properties. The Cubberley Community Center is part of a larger former school high school. Other areas immediately east and south are owned by Palo Alto Unified School District and consist of similar school buildings, like the

subject. The area immediately south consists of baseball fields also owned by Palo Alto Unified School District. The below aerial photo exhibits the uses located in the subject's immediate vicinity.

IMMEDIATE AREA USES



Source: Google Earth

The property to the immediate west, on the south corner of E. Charleston Road and Middlefield Road, is Charleston Center, a neighborhood shopping center anchored by Piazza's Fine Foods and a variety of other local and national retailers. Next to this is Challenger School and a variety of residential properties. Also within proximity west are a variety of other schools (JLS Middle School), learning institutions, public library and public parks.

Notably, Stanford University and downtown Palo Alto are roughly 3.5-miles northwest. Downtown Mountain View is closer at roughly 2.5-miles southeast. Also, the general area northeast of San Antonio Road and Middlefield Road is dominated by commercial type properties and light industrial/R&D/office uses. Shopping centers (including Costco) and hotels are also within this general area.

Analysis and Conclusions

This subject is in Palo Alto, near Mountain View, within a predominately residential neighborhood with public parks, community buildings, and parks. Properties in the immediate area were built from the mid-1900's and are generally in average to good condition. The subject's immediate neighborhood is in the stable/mature stage of its life cycle. The subject is located within proximity to high income earning families, employment centers, commercial/retail establishments, and transportation networks. Overall, for public property/school site, the location is appealing.

Site Description

The subject site is summarized as follows:

Site Characteristics

Gross Land Area:	7.87 acres or 342,902 square feet
Usable Land Area:	7.87 acres or 342,902 square feet
Usable Land %:	100%
Shape:	Irregular
Average Depth:	750 feet
Topography:	Generally, Level
Drainage:	Assumed adequate
Grade:	At street grade
Utilities:	All utilities including electricity, sewer, gas, water, and telephone services are available to the site.
Off-Site Improvements:	Middlefield Road is a fully improved asphalt-paved roadway with concrete curbs, gutters, sidewalks, and streetlights.
Interior or Corner:	Interior
Signalized Intersection:	No
Excess Land:	None

Street Frontage / Access

Frontage Road	Primary	Secondary
Street Name:	Middlefield Road	
Street Type:	Improved	
Frontage (Linear Ft.):	420	
Number of Curb Cuts:	1	
Traffic Count (Cars/Day):	16,935	

Flood Zone Data

Flood Map Panel/Number:	06085C0036H
Flood Map Date:	05-18-2009
Flood Zone:	X; An area determined to be outside the 100 and 500-year floodplains. Mandatory flood insurance purchase requirements do not apply.
Portion in Flood Hazard Area:	0.00%

Other Site Conditions

Soil Type:	We were not provided with any soil, geotechnical, or environmental reports. Appraisers are not experts regarding soil, geotechnical, or environmental issues. This appraisal assumes that

	there are no soil, geotechnical, or environmental conditions that would impact the value and marketability of the property.
Environmental Issues:	A Phase I Environmental Site Assessment was not provided to the appraisers for review. As real estate appraisers, we are not qualified to determine if the soil or ground water is contaminated or if there are onsite or offsite sources of contamination. For the purpose of this appraisal, it is assumed the site is environmentally clean.
Easements/Encroachments:	We were not provided with a preliminary title report for the property. We recommend ordering a title report and reviewing it with a title officer. This appraisal assumes that there are no easements, restrictions, liens, defects, and/or encumbrances that might affect the marketability, redevelopment potential, and/or value of the property.
Earthquake Zone:	The subject property is not located within Alquist-Priolo Special Study Zone for active earthquake faults. However, the subject is located within an area prone to earthquakes. As with other properties in the general market area, the property is subject to various degrees of seismic risk. Therefore, an earthquake policy is recommended for the subject.

Site Ratings

Access:	Average
Visibility:	Average

Zoning Designation

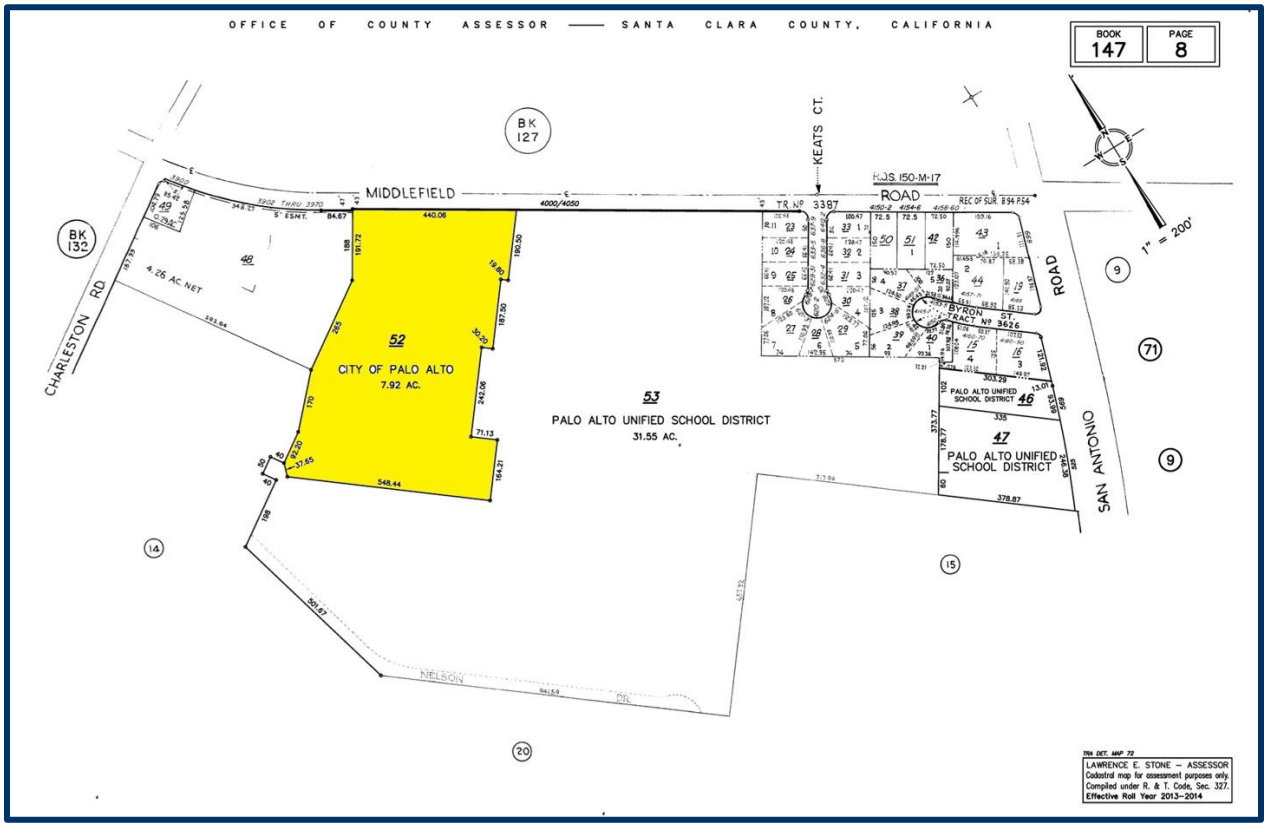
Zoning Jurisdiction:	City of Palo Alto
Zoning Classification:	PF(D), Public Facilities w Design Review
General Plan Designation:	School District Land
Zoning Comments:	The PF public facilities district is designed to accommodate governmental, public utility, educational, and community service or recreational facilities.

Analysis/Comments on Site

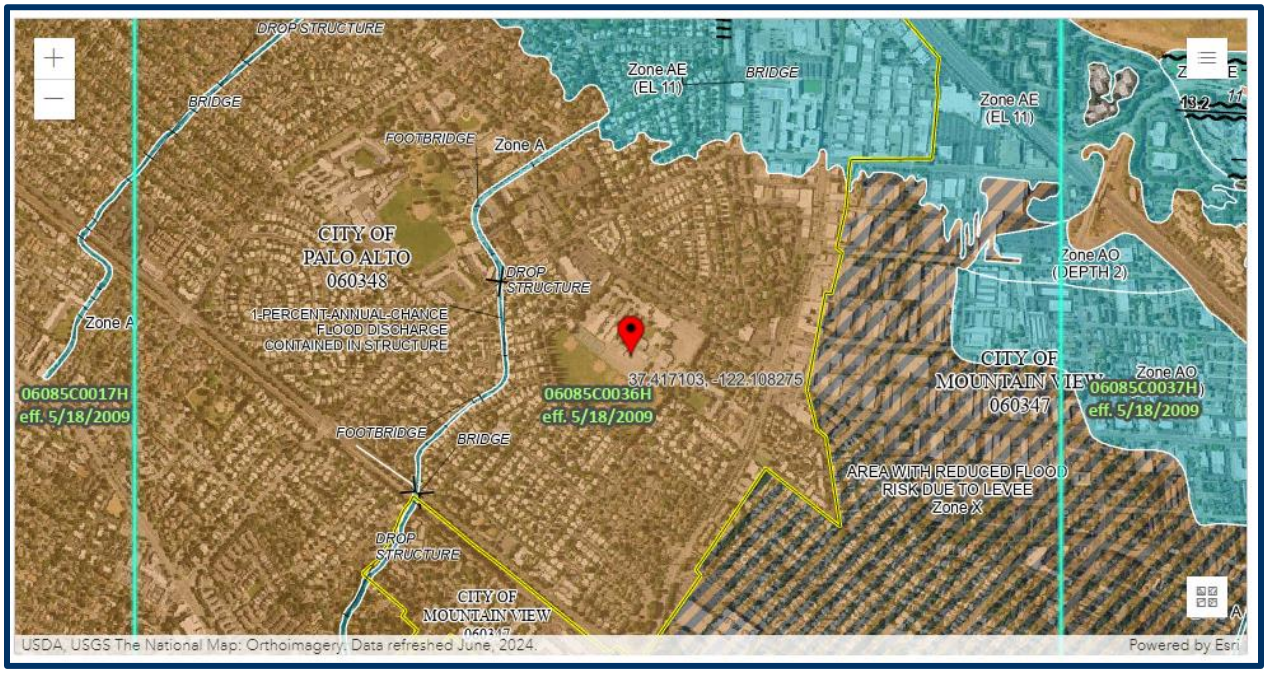
In summary, the site consists of one parcel containing 7.87-acres, or approximately 342,902 square feet of land area. The property is generally irregular in shape and level at street grade. The subject has frontage and access along Middlefield Road (a primary roadway) in Palo Alto. Visibility and access are considered average. The site is zoned PF(D) Public Facilities with a Design Review Combining District, and the General Plan Designation is School District Land. The zoning and General Plan allow government, public utility, educational, community service and recreational uses.

We are unaware of and assume that the property does not have any on-site contamination, clouds on title or any other factor that would affect the utility, marketability and/or value of the subject property. Overall, the site is suited well for its existing community/recreational and educational uses.

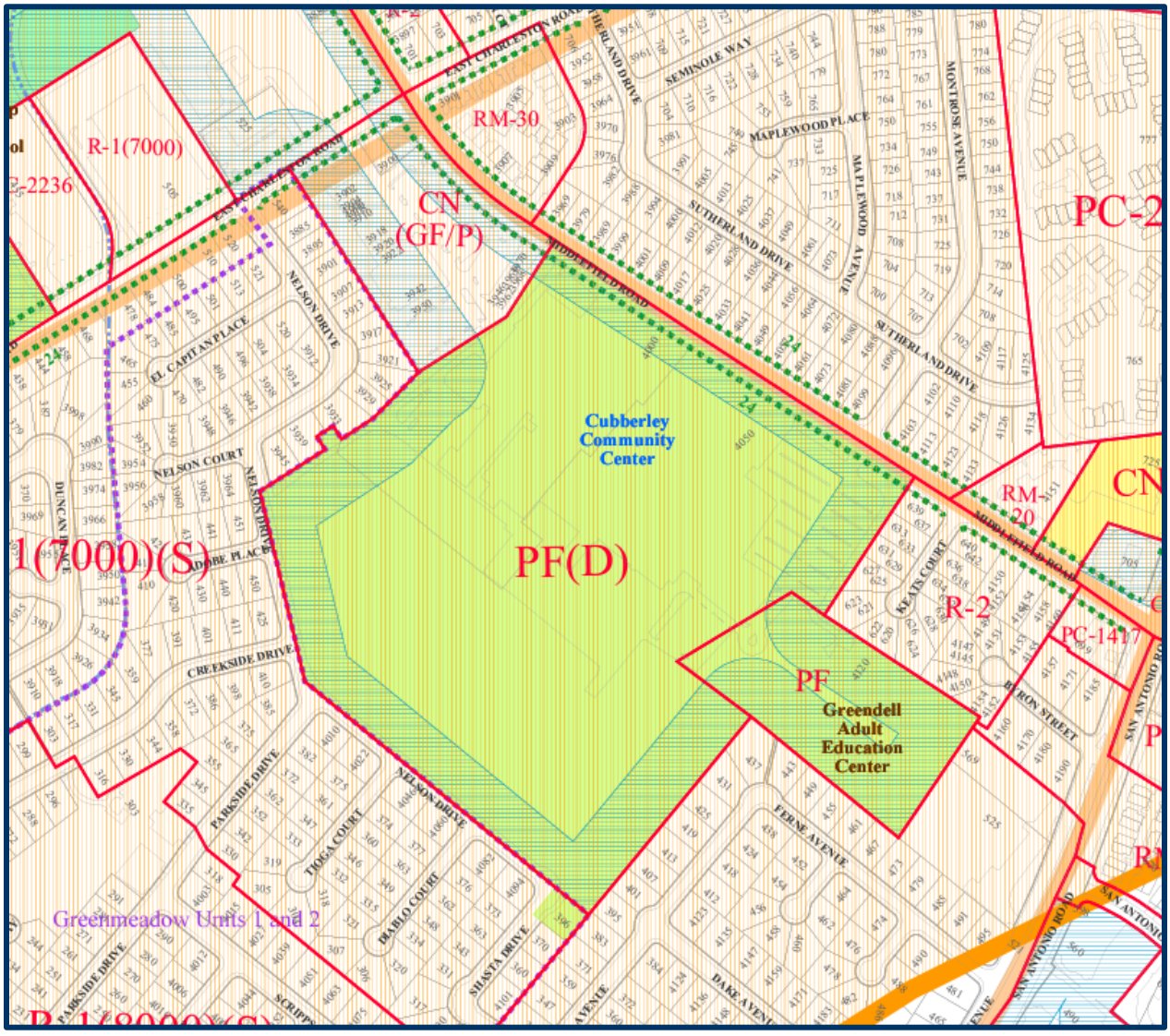
TAX PLAT


OFFICE OF COUNTY ASSESSOR — SANTA CLARA COUNTY, CALIFORNIA
BOOK 147
PAGE 8
BK 127
BK 132
MIDDLEFIELD ROAD
KEATS CT.
TR. No. 3387
H.J.S. 150-M-17
REC OF SUR. 894 P54
CHARLESTON RD.
SAN ANTONIO ROAD
1" = 200'
4.25 AC. NET
52
CITY OF PALO ALTO
7.92 AC.
53
PALO ALTO UNIFIED SCHOOL DISTRICT
31.55 AC.
BYRON TRACT No 3626
PALO ALTO UNIFIED SCHOOL DISTRICT 46
47
PALO ALTO UNIFIED SCHOOL DISTRICT
NELSON
LAWRENCE E. STONE — ASSESSOR
Cadastral map for assessment purposes only.
Compiled under R. & T. Code, Sec. 327.
Effective Roll Year 2013-2014

FLOOD MAP


DROP STRUCTURE
BRIDGE
FOOTBRIDGE
Zone A
Zone AE
(EL 11)
BRIDGE
Zone AE
(EL 11)
CITY OF
PALO ALTO
060348
DROP
STRUCTURE
1-PERCENT-ANNUAL-CHANCE
FLOOD DISCHARGE
CONTAINED IN STRUCTURE
Zone A
Zone AO
(DEPTH 2)
37.417103, -122.108275
06085C0017H
eff. 5/18/2009
06085C0036H
eff. 5/18/2009
CITY OF
MOUNTAIN VIEW
060347
Zone AO
06085C0037H
eff. 5/18/2009
FOOTBRIDGE
BRIDGE
AREA WITH REDUCED FLOOD
RISK DUE TO LEVEE
Zone X
DROP
STRUCTURE
CITY OF
MOUNTAIN VIEW
USDA, USGS The National Map: Orthoimagery. Data refreshed June, 2024.
Powered by Esri

ZONING MAP


R-1(7000)
RM-30
CN
(GF/P)
PC-2
Cubberley
Community
Center
PF(D)
RM-
20
CN
R-2
PC-1417
PF
Greendell
Adult
Education
Center
Greenmeadow Units 1 and 2
EAST CHARLESTON ROAD
MIDDLEFIELD ROAD
SUTHERLAND DRIVE
MAPLEWOOD PLACE
MAPLEWOOD AVENUE
MONTROSE AVENUE
SEMINOLE WAY
NELSON DRIVE
NELSON COURT
EL CAPITAN PLACE
DUNCAN PLACE
ADOBE PLACE
CREEKSIDE DRIVE
PARKSIDE DRIVE
TIOGA COURT
DIABLO COURT
SHASTA DRIVE
FERNE AVENUE
DAKE AVENUE
KEATS COURT
BYRON STREET
SAN ANTONIO ROAD

Improvements Description

The improvements are described below.

Improvement Characteristics

Property Type:	Special Purpose
Property Subtype:	School/ Community Center
Number of Buildings:	12
Number of Stories	1
Construction Class:	Mostly D - Wood Frame, one C – Concrete, per Marshall Valuation Service
Construction Quality:	Average
Gross Building Area (GBA):	81,002 square feet (based on our measurements)

Building Area Breakdown:

Building	Size	Stories	Yr. Built	Condition
T	7,904	1	1950's	Average
U	5,270	1	1950's	Average
V	1,496	1	1950's	Average
C	5,440	1	1950's	Average
D	5,440	1	1950's	Average
E	5,440	1	1950's	Average
F	6,800	1	1950's	Average
H	8,330	1	1950's	Average
J	8,103	1	1950's	Average
K	7,657	1	1950's	Average
L	15,468	1	1950's	Average
P	3,654	1	1950's	Average
Total Building Area	**81,002**			

Ratios & Parking

Land-to-Building Ratio:	4.23 to 1 (Usable Land/GBA)
Floor Area Ratio (FAR):	0.24 (based on GBA)
Parking Spaces:	Approximately 100
Parking Ratio on GBA:	1.2 (per 1,000 sf of GBA)
Parking Comments:	Parking is considered adequate

Age / Life

Year Built:	1950's
Renovated:	No
Condition:	Fair – Average
Actual Age:	65+ years
Effective Age:	60 years
Typical Building Life:	60 years
Remaining Economic Life:	0 years

Structural Characteristics

Foundations:	Concrete slab
Building Frame:	Wood frame/ Concrete
Exterior Walls:	Stucco
Roof Type / Material:	Flat / Unknown

Mechanical Systems

Electrical:	Assumed adequate for existing uses
Plumbing:	Assumed adequate for existing uses
Heating:	Space heaters, other
Air Conditioning:	None observed
Fire Protection/Sprinklers:	None

Site Improvements

Site Improvements:	The site is improved with twelve school buildings, tennis courts, and asphalt paved surface parking.
Landscaping:	Average

Legal, Conforming Status

Legally Permitted Use:	Yes
Conformity Conclusion:	The subject is a legal and conforming use.

ADA Compliance

The Americans with Disabilities Act ("ADA") became effective in 1992. This is a national law. On September 16, 2016 a new law (Assembly Bill 2093) was passed in California, effective immediately. The new law substantially changed the previous California regulations (Civil Code section 1938, effective July 1, 2013).

For commercial properties, landlords must now comply with the following:

1. **If a CASp Inspection has been Conducted.** Before signing a lease, the landlord must provide the tenant with a copy of any report prepared by a Certified Access Specialist ("CASp"). State law does not require that landlord must have such a report done –only that if it has one it must be provided to the tenant. The landlord must also state that, to the best of its knowledge, no modifications or alterations have been completed or commenced since the date of the inspection that have impacted compliance with accessibility standards.
2. **Responsibility to Make Repairs.** If the CASp report identifies repairs or modifications needed to correct violations of accessibility standard, it will be presumed to be the landlord's responsibility, unless otherwise agreed.
3. **Meets Accessibility Standards.** If the CASp report indicates that the premises meet applicable standards, the landlord must provide a copy of the certificate (indicating compliance) to the tenant.

4. **If no CASp Report or Certificate Exists.** If no report exists, the landlord must include specific language in the lease that informs the tenant that the premises can be inspected. The cost of the inspection and any repairs are to be mutually agreed upon by the parties.

The subject of this report has not had a CASp inspection prepared, to the best of our knowledge.

Deferred Maintenance

There were no signs of deferred maintenance during our inspection of the property.

Analysis/Comments on Improvements

Cubberley Community Center is improved with twelve one story school buildings containing 81,002 square feet of total building area. Eleven of the buildings are constructed with wood framing and one is constructed with concrete. The property was originally constructed in the 1950's as a public high school, which closed in 1979. The community center is currently used by a variety of nonprofit organizations, arts and cultural groups, the City of Palo Alto and Palo Alto Unified School District (PAUSD). The property is currently used for educational programs, recreational activities, community uses, and meeting and event space.

The improvements consist of several buildings containing office space, classrooms, arts studios, day care centers, theater, and gymnasium. The property also contains six tennis courts and two asphalt paved surface parking lots containing approximately 100 total parking spaces. There is also a modular building on-site used as a library that is not owned by the property owner. We have not included this modular building in our appraisal of the property.

The property was constructed over 65 years ago and the buildings are in overall fair-average condition with no major capital improvements or renovations completed. Some of the interiors have been updated with new carpet and paint, but the buildings are essentially in their original condition. Based on our research and analysis of market data, as presented in this report, the existing improvements are at the end of their economic life. We conclude that the property is a prime candidate for future redevelopment. However, the property can physically continue to be used, as an interim use, until the property is redeveloped.

Property History / Proposed Redevelopment

Originally constructed as a high school, the property was repurposed into a community center after the school's closure in 1979. Since then, Cubberley Community Center has served as a vital hub for various community activities, including arts, sports, and nonprofit organizations.

The property spans approximately 35 acres, with ownership divided between the City of Palo Alto, which holds 7.9 acres, and the Palo Alto Unified School District (PAUSD), which owns the remaining 27+ acres. The center’s current use and the condition of its facilities reflect its age, with many buildings considered outdated and in need of significant repairs or redevelopment. The land on which the center sits is highly valuable, largely due to its location in Palo Alto, a city known for its strong real estate market and limited available land.

Over the years, there have been numerous discussions and proposals regarding the redevelopment of Cubberley Community Center. These discussions have spanned more than a decade, with various plans put forth to modernize the site. One of the most notable plans emerged from a community visioning

process in 2019, which proposed a comprehensive redevelopment that included a wellness center, a new theater, spaces for nonprofit organizations, classrooms, studios, and additional community amenities. However, despite broad community involvement and support, these redevelopment efforts have faced significant challenges, primarily due to funding constraints and differing priorities between the City and PAUSD.

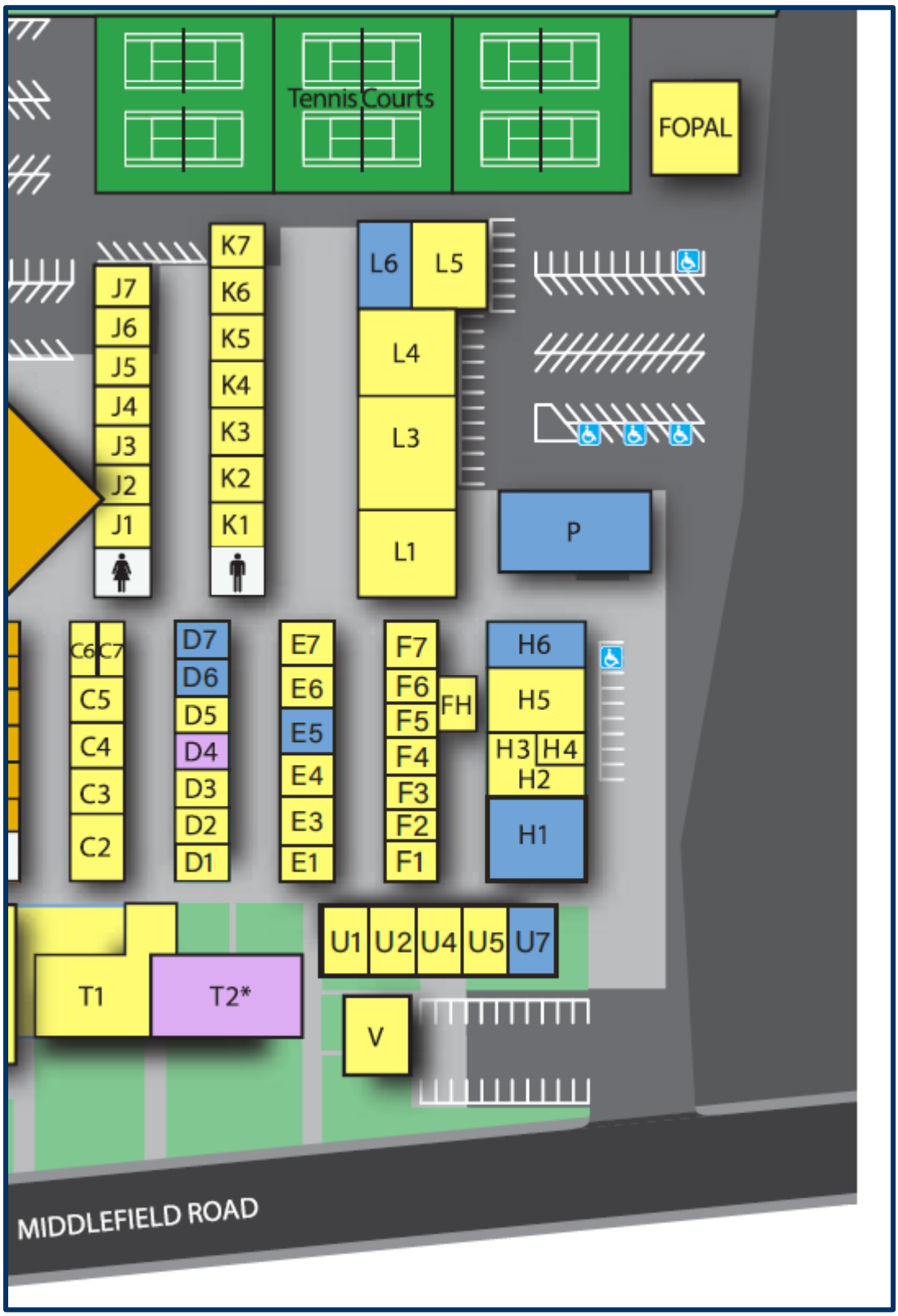
In recent developments, architect David Hirsch, a member of the city's Architectural Review Board, proposed a new phased redevelopment plan in 2023. Hirsch's plan envisions a transformation of the Cubberley site into a more modern and functional community space, with construction beginning on the city-owned portion of the property. His proposal includes the creation of tiered, multi-story buildings along Middlefield Road, which would consolidate existing uses, such as classrooms, studios, and nonprofit spaces, into a more compact footprint. This approach is intended to allow the city to proceed with redevelopment independently of the school district's portion of the land, addressing some of the logistical challenges that have stalled previous efforts.

Hirsch's plan also includes innovative features such as underground parking to maximize the use of above-ground space for additional buildings and green areas. The proposed development would unfold in two phases, with the initial phase focusing on the city's portion of the property. The second phase would potentially involve collaboration with PAUSD to develop additional educational facilities, depending on the district's future needs and resources.

Despite the renewed interest and the detailed proposals presented, the overall redevelopment of Cubberley remains uncertain. The City of Palo Alto has allocated funds for immediate repairs and upgrades, such as replacing the HVAC system in the gym and addressing structural issues caused by aging infrastructure. However, comprehensive redevelopment is still in a preliminary phase.

We have appraised the property at its highest and best use and there are no approved plans for the subject site.

SITE PLAN


Tennis Courts
FOPAL
K7
K6
K5
K4
K3
K2
K1
J7
J6
J5
J4
J3
J2
J1
L6
L5
L4
L3
L1
P
C6
C7
C5
C4
C3
C2
D7
D6
D5
D4
D3
D2
D1
E7
E6
E5
E4
E3
E1
F7
F6
F5
F4
F3
F2
F1
FH
H6
H5
H3
H4
H2
H1
U1
U2
U4
U5
U7
T1
T2*
V
MIDDLEFIELD ROAD

Subject Photographs – Taken August 15, 2024



Subject property exterior



Subject property exterior



Subject property exterior



Subject property exterior

Additional photos are included in the Addenda.

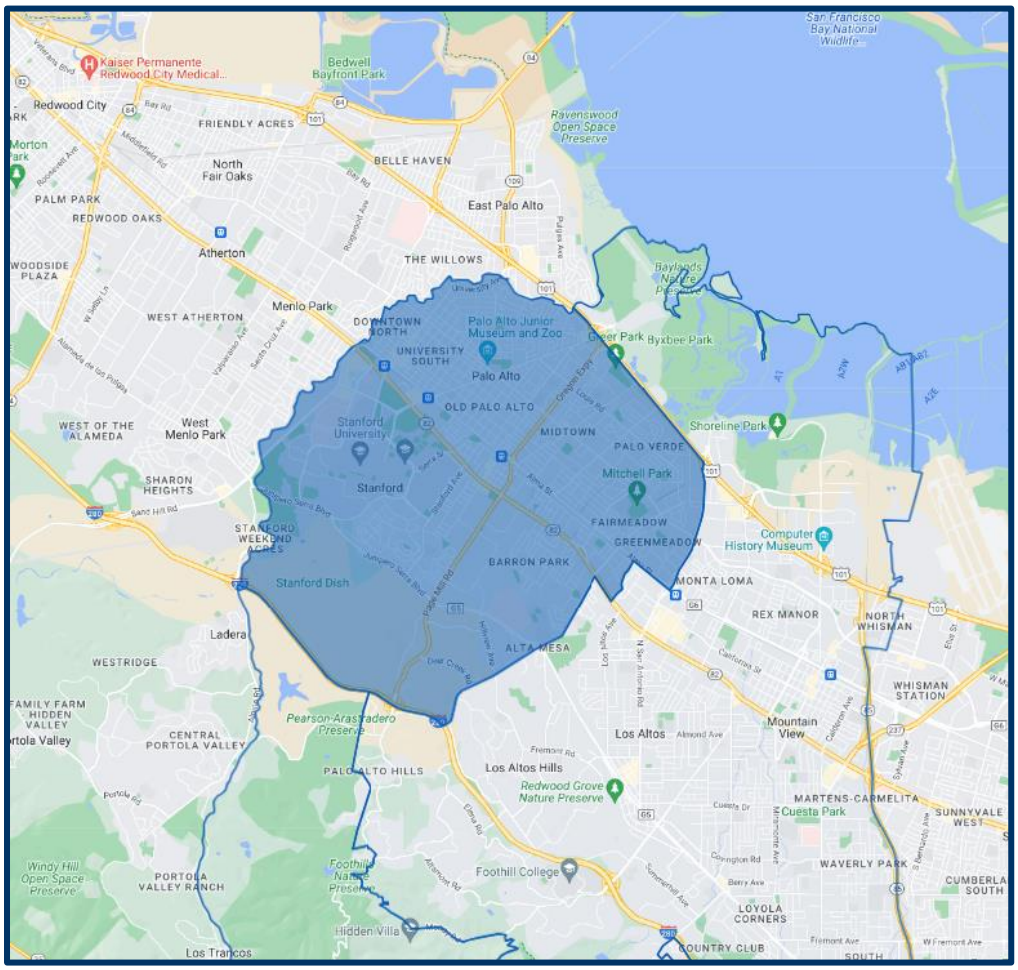
Assessment and Tax Data

Assessment Methodology

The appraised value for the subject property is determined by the Santa Clara County assessor. The basis for the property assessment, or taxable value, in the jurisdiction is 100.0% of appraised or market value. The property is currently under the ownership of City of Palo Alto. The subject is a non-profit community center. As such, property taxes are exempt.

Market Analysis

MARKET MAP



The Cubberley Community Center is a former public school that operates as a community center. As such, we will discuss market conditions for school and public/quasi-public facilities in the section that follows.

Public/Quasi-Public Facilities

Demand for public buildings reflects the specific needs of public and private institutions in a given geographic area. For this reason, the market is thin with a small number of suitable buyers and tenants, particularly for larger properties.

Since acquisitions by public institutions or agencies are funded by the public, these users have an obligation to their constituents to acquire the most economical property that meets their criteria, other factors being equal. For a city, the most important factor is likely to be location within the city and perhaps within a given neighborhood. Physical attributes, particularly size, must also meet the agency, organization, or institution's specific needs. But there may be a wide variety of potential buyers for public and quasi-public facilities. These include public and private colleges, charter high schools and

elementary schools, vocational schools and religious organizations. Other possibilities include libraries and community centers. Of course, funding can be a problem for many buyers.

School Market Overview

Schools and daycare facilities are specialized uses with a limited market. They tend to be owner-occupied and are generally not regarded as investment properties. This specialized segment of the market is not formally tracked by national brokerage firms, and there are few sales or leases of these property types, in comparison to traditional commercial property types.

There are relatively few sites suitable for use as schools, and properties that do come to market typically generate considerable interest. Schools are commonly offered for sale or lease based on competitive bids, and multiple offers are usually received with private schools competing with public institutions.

The general economic climate for school properties is generally healthy; demand for daycares and school facilities remains relatively strong throughout the Bay Area, as a result of increasing student enrollment (particularly from the private and public charter sectors) and limited supply.

Demand for school property and land suitable for a school has been high among private and charter schools, especially recently. Charter public schools are the fastest growing choice option in US public education. In 1992, California was the second state to pass a charter law, and the state has seen gains made by students attending charter schools, especially among African American and Latino students.

Public charter schools currently serve 3.7 million students in 8,000 schools and campuses. During the 2021-22 school year, charter schools enrolled 7.4% of all public-school students, up from 6.8% in 2019-20. Since the 2005-06 school year, the number of charter schools and campuses has more than doubled, and charter school enrollment has more than tripled.

Although the charter sector continues to grow steadily, the growth rate for both schools and students began to slow during the 2015-16 school year, except for the 2018-19 and 2020-21 school years. The lower growth rate is in part the result of having more charter schools in operation while having roughly the same number of new schools opening every year. Mathematically speaking, a consistent growth rate becomes more difficult when the number of schools increases. The 2020-21 school year was an important exception, where we saw a significant increase in enrollment driven in part by an increase in virtual school enrollment. Specifically, charter school enrollment saw a 7% increase from 2019-20 to 2020-21, the largest since the 2015-16 school year.

A handful of states dominate the charter sector when it comes to student enrollment. Five of them—California, Texas, Florida, Arizona, and New York—account for more than half of all charter school enrollment nationwide. California has the largest charter school sector—almost 1 in 5 charter school students in the United States attend a charter school in California. Arizona, however, is the state with the largest share of charter school enrollment relative to its overall population. One in 5 public school students in Arizona attends a charter school.

As of mid-2024, S&P Global Ratings maintains 44 public ratings on California Charter Schools. California has the highest number of rated charter schools, just ahead of Texas, with a total of 1,300 charter schools serving 10% of the state's kindergarten through 12th grade students.

Due to a successful track record of meeting students' specific needs, parental demand for charter schools has been high. The increase in charter school attendance directly translates to demand for new facilities or demand for property zoned land for an existing school to expand. Due to the lack of inventory for sale, charter schools have often looked into other property types that might suit their needs. These alternative properties, often industrial or office, are then converted to school use through a conditional use permit. Evidence of this is well documented throughout the Bay Area.

Demand for private schools is also very high. About 41% of parents were more likely to prefer a private education for their children post-pandemic, according to a recent survey by EdChoice, although actual enrollment patterns did not necessarily align with their preferences. Pre-pandemic, private school enrollment had been on a slow decline. Currently, roughly 50.8 million students are enrolled in public schools, compared to 5.8 million students in private schools, according to the Department of Education.

After falling from 8.9% in 2006 to a low of 7.7% in the wake of the Great Recession, the statewide share of private and homeschool students increased quickly in recent years, reaching nearly 8.8% or 563,000 students in 2022–23. In terms of total enrollment, private schooling is now at its highest level since 2008–09.

There are relatively few sites suitable for use as schools and properties that do come to market typically generate considerable interest. Sale prices in the Bay Area typically range between $400 and $700+ per square foot, depending on size and location. Specialized facilities, with school tenant improvements already in place, or with strong tenants, tend to sell towards the upper end of the range. Properties at the low end of the range are usually church or office properties that require re-building or conversion to school use. Interior improvement (or TIs) to achieve these conversions can be in excess of $200 per square foot. School properties are also being developed from the ground up.

Lease rates are typically in the $1.70-to-$3.50+-per-square-foot range, NNN, where the tenant pays all operating expenses. Notably, many school properties are exempt from real estate taxes so operating expenses tend to be lower in comparison to other similar-sized real estate.

Leases at the lower end of the range are for large somewhat dated schools, or schools in the periphery of the Bay Area, properties while rents at the upper end of the market are for new facilities within prestigious school districts, or within areas where property values are typically high (such as the Silicon Valley). The subject is located in a demographically upper-income area with high property values, in comparison to other areas within Silicon Valley. However, the improvements are dated and may not meet market expectations for certain users in the area, although the improvements do provide utility to some as shown by the current tenants.

Overview of Palo Alto Schools

Palo Alto is home to one of the most highly regarded public school districts in California, known for its academic excellence, strong community involvement, and well-maintained facilities. The Palo Alto Unified School District (PAUSD) serves the city and some surrounding areas, offering a comprehensive K-12 education through a variety of elementary, middle, and high schools. The district's reputation for

academic rigor and innovation attracts families to the area, contributing to the high demand for real estate and the city's overall desirability as a place to live.

Palo Alto Unified School District (PAUSD) – Public Schools

PAUSD operates a network of 12 elementary schools, each providing a robust foundation in core academic subjects such as reading, mathematics, science, and social studies. The district emphasizes small class sizes, a nurturing environment, and a focus on individual student development. Schools like Addison Elementary, Duveneck Elementary, and Escondido Elementary are known for their strong parent-teacher associations and active community engagement.

Palo Alto has three middle schools: David Starr Jordan Middle School, Jane Lathrop Stanford (JLS) Middle School, and Ellen Fletcher Middle School. These schools cater to students in grades 6 through 8 and offer a diverse curriculum that includes advanced placement opportunities, technology integration, and a variety of extracurricular activities. The middle schools in PAUSD are designed to prepare students for the academic and social challenges of high school, with a focus on fostering critical thinking, creativity, and collaboration.

The district operates two comprehensive high schools, Palo Alto High School (often referred to as "Paly") and Henry M. Gunn High School. Both institutions are consistently ranked among the top high schools in California and the nation, known for their rigorous academic programs, a wide range of Advanced Placement (AP) courses, and a strong emphasis on college preparation. Paly and Gunn High School offer students access to state-of-the-art facilities, including science labs, athletic complexes, and performing arts centers. The schools also have a rich tradition of excellence in extracurricular activities, including athletics, debate, music, and drama.

In recent years, PAUSD has experienced fluctuations in student enrollment, reflecting broader demographic trends in the area. While the district traditionally maintained a stable or growing student population, recent years have seen a slight decline in enrollment, attributed to factors such as the high cost of living in Palo Alto, which can deter young families, and broader shifts in birth rates. Despite these trends, PAUSD continues to serve a large and diverse student body, with a strong focus on maintaining high educational standards.

Alternative Programs and Schools

In addition to the traditional public schools, PAUSD offers several alternative educational programs to meet the diverse needs of its student population. These include the Palo Alto Adult School, which provides adult education and continuing education courses, and specialized programs like the Young Fives program, which supports younger kindergarten students. Additionally, PAUSD has embraced online learning opportunities and specialized support for students with unique educational needs.

Charter Schools

Palo Alto is notably lacking in charter schools, a trend that sets it apart from many other regions in California. The absence of charter schools within the city is largely attributed to the high performance and strong reputation of PAUSD. Given the district's ability to meet the educational needs of its diverse student population through its traditional public schools and alternative programs, there has been little demand or momentum for establishing charter schools. This contrasts with other areas where charter schools often arise to fill perceived gaps in public education or to offer specialized curricula that public schools may not provide.

Private Schools

Palo Alto is also home to several prestigious private schools that offer alternative education options to families. These include Castilleja School, an independent school for girls, and the International School of the Peninsula, which offers bilingual immersion programs. Private schools in the area are known for their academic rigor, small class sizes, and personalized learning environments.

Private schools in Palo Alto have generally seen stable enrollment, with some institutions experiencing growth due to the demand for specialized or alternative educational options. Tuition fees for private schools in Palo Alto are among the highest in the region, reflecting the quality of education and resources provided. For instance, annual tuition at Castilleja School can exceed $50,000, with similar trends seen in other private institutions. Over the past decade, tuition fees at these schools have steadily increased, driven by rising operational costs, investments in facilities, and the desire to maintain competitive teacher salaries. This trend mirrors broader increases in private school tuition across the Bay Area, contributing to the exclusivity of these educational options.

Overall Educational Environment

The overall educational environment in Palo Alto is characterized by high expectations, strong community support, and a commitment to academic excellence. PAUSD's schools consistently achieve high test scores, and the district boasts a high graduation rate with the majority of graduates pursuing higher education. The community places a strong emphasis on education, which is reflected in the resources and support provided to the schools by both the district and local residents.

In conclusion, Palo Alto's schools play a crucial role in the community's identity, drawing families to the area and contributing to the city's reputation as a hub of intellectual and cultural activity. The combination of strong public schools, alternative educational programs, prestigious private institutions, and the lack of charter schools—due to the strength of PAUSD—ensures that Palo Alto continues to be a desirable location for families seeking top-tier educational opportunities for their children.

Market Participant Interviews/Demand

Valbridge Property Advisors has extensive experience in appraising school properties and interviews are conducted on a regular basis. According to a variety of professionals interviewed in 2024 (including brokers, school administrators, developers, etc.) everyone we spoke with reported that demand for school properties is strong and supply is limited. It is also mentioned that demand, and subsequently rents, is higher for schools with open space, yard area, and open playgrounds.

Conclusions

Overall, there is good demand for school properties and supply is limited. There are also a few sites which are suitable for school and/or community uses. As a result of strong demand and little supply, when school properties come to market, they typically generate considerable interest from both residential developers, school groups, and public and non-profit organizations. We have valued the site based on its existing underlying land use, and residential is not an allowed use for the site.

Despite the recent declines in enrollment throughout the regional market area, the historical trends and desirability of Silicon Valley position it as a thriving hub for educational innovation. Palo Alto's thriving economic landscape and commitment to quality education provide a strong foundation for the continued success of its various schools, while the city's dynamic environment, characterized by

economic opportunities and a diverse population, ensures the ongoing vitality of its educational framework.

In the short-term, the market is still facing headwinds, inflation is sticky, fears of a recession continue to loom, construction has slowed (in some cases has even stopped) and market participants are cautious. However, Silicon Valley has one of the most resilient and strongest economies within the nation and continues to be a desirable place to live and work. Overall, when considering the subject location within Palo Alto and the need for education and community services we believe the short and long-term outlooks for the subject are positive.

Highest and Best Use Analysis

The Highest and Best Use of a property is the use that is legally permissible, physically possible, and financially feasible which results in the highest value. An opinion of the highest and best use results from consideration of the criteria noted above under the market conditions or likely conditions as of the effective date of value. Determination of highest and best use results from the judgment and analytical skills of the appraiser. It represents an opinion, not a fact. In appraisal practice, the concept of highest and best use represents the premise upon which value is based.

Highest and Best Use As Though Vacant

The primary determinants of the highest and best use as though vacant are (1) Legal permissibility, (2) Physical possibility, (3) Financial feasibility, and (4) Maximum productivity.

Legally Permissible

The subject site is zoned PF(D), Public Facilities w Design Review and the General Plan designation is School District Land. The zoning and General Plan control the general nature of permissible uses and are appropriate for the location and physical elements of the subject property, providing for a consistency of use with the general neighborhood. The location of the subject property is appropriate for the uses allowed, and a change in zoning to allow residential development (at density consistent with the area) is possible but not guaranteed. There are no known easements, encroachments, covenants or other use restrictions that would unduly limit or impede development. Overall, the subject zoning and General Plan allow for a variety of educational, public, and recreational type uses.

Physically Possible

The physical characteristics of the subject site are presented in the Site Description and allow for a number of potential uses. Elements such as size, shape, availability of utilities, known hazards (flood, environmental, etc.), and other potential influences were considered. No physical attributes materially limit legally permissible and appropriate development. The most probable use of the site is for school and/or community development, which conforms to the pattern of land use in the immediate area.

Financially Feasible

After determining the uses that are physically possible and legally permissible, an appraiser considers the uses that are likely to produce an adequate return on investment based on a cost/benefit analysis or through direct market observation.

A feasibility analysis based on hypothetical developments is beyond the scope of this assignment. However, as a qualitative measure we are aware of recent and current developments in the Bay Area involving schools, churches, and community buildings, some of which involve conversions of commercial and industrial properties into school, church, and community uses. We are also aware of a variety of older/dated public properties (schools) being redeveloped into residential and affordable housing.

Overall, project feasibility is determined on a "case by case" basis and to make this determination would involve a thorough analysis for each specific project, which is beyond the scope of this assignment. We opine that many developers or investors would not start construction at this moment in time, although many would likely start the entitlements process which could take a couple of years to complete.

We note that affordable housing could potentially be feasible with entitlements and funding in place, but the subject site is not entitled for this use. Development of a modern community center could also be feasible with government and community funding.

We opine the highest and best use of the site, as though vacant, would be to hold the site for future development of a school and/or community center of the maximum size and density allowed at the time of construction. We believe the highest and best use could also include a residential component, with entitlements, though this is speculative at the current time, and we have not valued the subject site for residential conversion potential. The timing of development would be dictated by the market.

Maximally Productive

Among the financially feasible uses, the use that results in the highest value (the maximally productive use) is the highest and best use. Considering these factors, the maximally productive use as though vacant is to hold for redevelopment, as dictated by the market.

Highest and Best Use As Though Vacant Conclusion

The conclusion of the highest and best use as though vacant is to hold for redevelopment, as dictated by the market.

Highest and Best Use As Improved

The determination of the highest and best use of the subject property as improved is focused on three possible conditions that may represent the maximally productive use of the property: (1) continuation of the existing use, (2) modification of the existing use, or (3) demolition and redevelopment of the land. In addition, the presence of surplus or excess land is identified.

Continuation of Existing Use

The existing improvements can "physically" be used with an on-going/adequate maintenance program. As discussed below, economically, the improvements have no value but can be used as an interim use until the property is redeveloped.

Modification of the Existing Use

Modification of the existing improvements is not feasible, when considering age/condition of the property and value of the underlying land. However, modifications (including substantial renovations) are not planned (as far as we know) and a feasibility analysis based on hypothetical modifications/renovations is beyond the scope of this assignment.

Demolition and Redevelopment

For this assignment, we conducted an Income Approach, which we have retained in our files. As previously mentioned, the subject is currently occupied and rented to a variety of users. Based on a rent roll provided, the average rental rate at the property is $1.25 per square foot, full service. The lease agreements are short-term (hourly or month-to-month) except for a few that have slightly less than two years remaining. However, it was reported that all leases have termination clauses allowing the landlord to terminate the lease with a 30-day notice.

Valuing the property based on the existing income stream (leases /rental rates) would yield a value significantly lower than market value. Furthermore, it would not make any sense to value the property this way because buyers would consider the existing leases. For our Income Approach, and for the

purpose of this highest and best use analysis, we applied our estimate of market rent to the entire property, based on what we consider to be a "best case scenario".

To estimate market rent, based on a "best case scenario", we searched for school leases. The market data used for this analysis is presented below.

Lease Market Data

Lease No.	Property Type Location	Building Area Year Built	Land Area FAR	Tenant Area Leased	Commencement Date	Rental Rate	Comments
	Cubberley Community Center 4000 Middlefield Road Palo Alto	81,002 1950's	342,902 0.24	Various		**$1.25** **FS**	Former school. Contains tennis courts and play structures. Property used by local various artists, gymnists, martial arts schools, and day care.
1	**Cambrian School** 1975 Cambrianna Drive San Jose	26,010 1955	200,376 0.13	Casa di Mir Montessori 26,010	Jul-24	**$2.59** **NNN**	School campus with basketball courts, playgrounds, 17 classrooms, and multipurpose room/gymnasium, kitchen, and faculty room. 10-year lease to private Montessori school with staggered rent. Rate shown is effective based on 3% annual rent increases.
2	**Moreland School District** 801 Hibiscus Lane San Jose	27,160 1970	387,684 0.07	Action Day Schools 27,160	Jul-23	**$3.00** **NNN**	School campus with outside courtyard, field, several classrooms, and art/dance studios. 1-year lease renewal. Tenant operates pre-school and private middle school.
3	**Coventry School** 1125 W. Campbell Avenue Campbell	32,795 U/K	487,873 0.07	Action Day Schools 32,795	Jul-23	**$3.00** **NNN**	School campus with outside courtyard, field, and several classrooms. 1-year lease renewal. Tenant operates infant and pre-school.
4	**Office Building** 6600 Dumbarton Circle Fremont	184,000 1998	727,887 0.25	DeVry Universoty 100,000	Jun-22	**$3.48** **NNN**	Office building. DeVry using as college school campus. 13.5-year lease to college with staggered rent. Rate shown is effective based on 3% annual rent increases. Tenant given $155/sf in TI allowance for conversion costs.
4	**Raynor Elementary School** 1500 Partridge Avenue Sunnyvale	33,728 1957	136,343 0.25	Stratford School 33,728	Jun-16	**$2.50** **NNN**	Older school purchased via Sale leaseback agreement to Stratford School for $2.50/f NNN. Tenant will renovate school. Capital improvements needed.

For this analysis, we applied a market rent estimate of $3.50 per square foot, triple net, for the entire property. This rental rate is for the property in its "as is" condition and does not include any free rent, tenant improvement allowance (or capital improvements/repairs, etc..) and is based on a lease term of at least 5 years (with options).

Although the subject improvements are dated, the location of the property could substantiate this estimate, although we opine this would be a "best case scenario". Based on this estimate and applying a capitalization rate of 6.5% yields an estimated value of $47,700,000 after accounting for vacancy and collection losses and non-reimbursable expenses.

As will be shown in the valuation section that follows, there is strong support indicating a value of $200 per square foot of land area, which is based on both land sales and improved properties. The resulting fee simple market value is $67,770,000 (after demolitions costs) which equates to $836.65 based on total square footage of building area.

Notably, a feasible market rent estimate based on the concluded market value of $67,770,000 is $4.89 per square foot, triple net, as calculated below. We have never seen a relevant lease that would support such a rate for the subject property, in its current condition.

Rent Feasibility		
Concluded Value		$67,770,000
Multipled by Overall Capitalization Rate	X	6.50%
NOI		$4,405,050
Est. Vacancy & Expenses		1.08
PGI		$4,757,454
Indicated Monthly Rent		$396,455
Indicated Feasibility Rent (NNN)		**$4.89**

For this assignment, we analyzed market data including leases, sales, and land of properties that are similar to the subject, in terms of physical characteristics and/or location. From the market data analyzed, and when considering the age/condition of the existing buildings, it is clear the existing improvements do not contribute value to the underlying land and are a candidate for demolition. Therefore, we conclude that demolition and redevelopment of the site is maximally productive.

Interim Use

The existing improvements are at the end of their economic life. The property is a prime candidate for future redevelopment. However, the property can physically continue to be used into the future as an interim use until the property is redeveloped. The exiting improvements represent an interim use.

Excess/Surplus Land

There is no excess or surplus land to consider.

Highest and Best Use As Improved Conclusion

The highest and best use of the subject property, as improved, is existing improvements, as an interim use, until the property is redeveloped.

Potential Buyer

As of the date of value, potential buyers of the subject property include investors, developers, school groups, non-profit and public/government agencies.

Sales Comparison Approach

Methodology

Site Value is most often estimated using the sales comparison approach. This approach develops an indication of market value by analyzing closed sales, listings, or pending sales of properties similar to the subject. This approach is based on the principles of supply and demand, balance, externalities, and substitution, or the premise that a buyer would pay no more for a specific property than the cost of obtaining a property with the same quality, utility, and perceived benefits of ownership.

Relative comparative analysis (or qualitative analysis) is the study of the relationships indicated by market data without recourse to quantification. Many appraisers use this technique because it reflects the imperfect nature of real estate markets. To apply the technique appraiser analyzes comparable sales to determine whether the comparable properties' characteristics are inferior, superior, or similar to those of the subject property. Reliable results can usually be obtained by bracketing the subject between comparable properties that are either superior or inferior to it – The Appraisal of Real Estate Thirteenth Edition.

Comparable Sales Data

The property was originally constructed in the 1950's as a public high school, which closed in 1979. The property is now a community center used by a variety of nonprofit organizations, arts and cultural groups, the City of Palo Alto and Palo Alto Unified School District (PAUSD). The property is currently used for educational programs, recreational activities, community uses, and meeting and event space.

Most of the space at the community center is leased/rented on a short-term basis (of one month or less). There are some tenants who have longer lease agreements that expire within the next two years. However, it was reported that the leases all have termination options allowing the landlord to terminate the lease with a 30-day notice. Our appraisal assumes there are no long-term leases in place, which could impact redevelopment of the property within a two-year timeframe. We have valued the "fee simple" interest in the property, which is the value of the property unencumbered by any leases.

The property is improved with twelve one story school buildings containing 81,002 square feet of total building area. There is a modular building on-site used as a library that is not owned by the property owner. We have not included this modular building in our appraisal of the property. The property was constructed over 65 years ago and the buildings are in overall fair-average condition with no major capital improvements or renovations completed. Some of the interiors have been updated with new carpet and paint, but the buildings are essentially in their original condition.

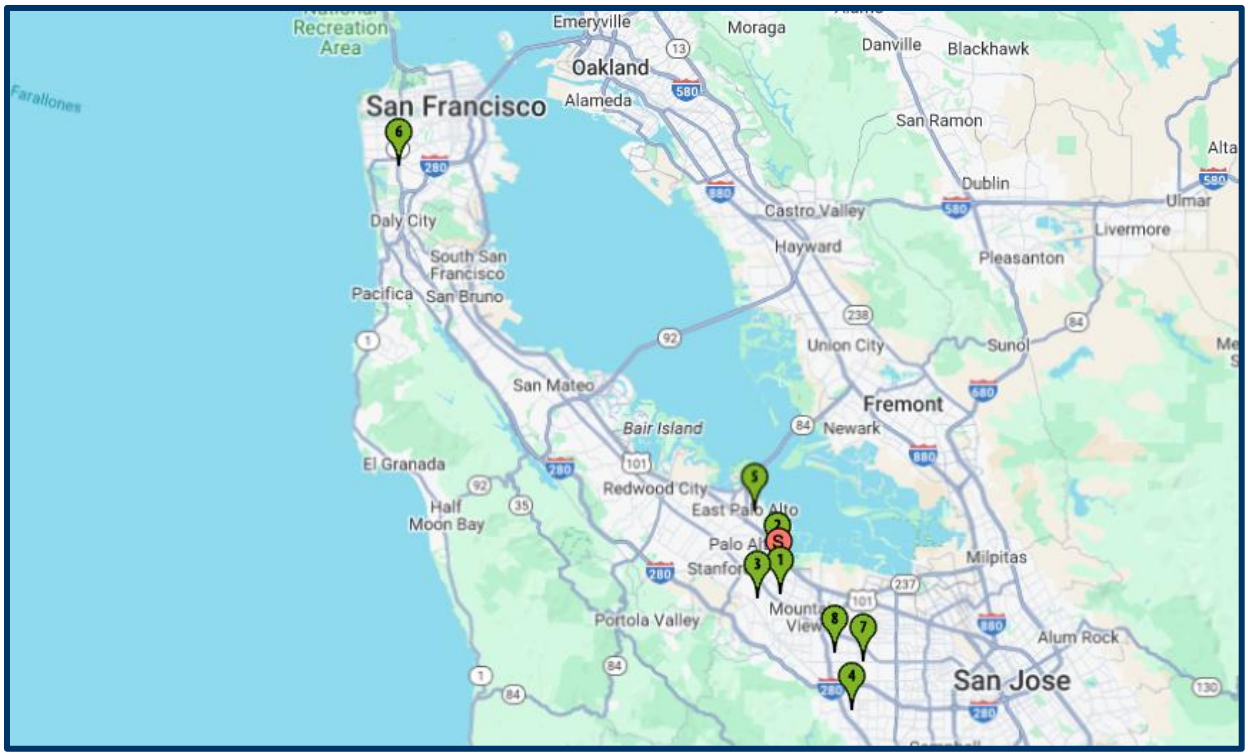
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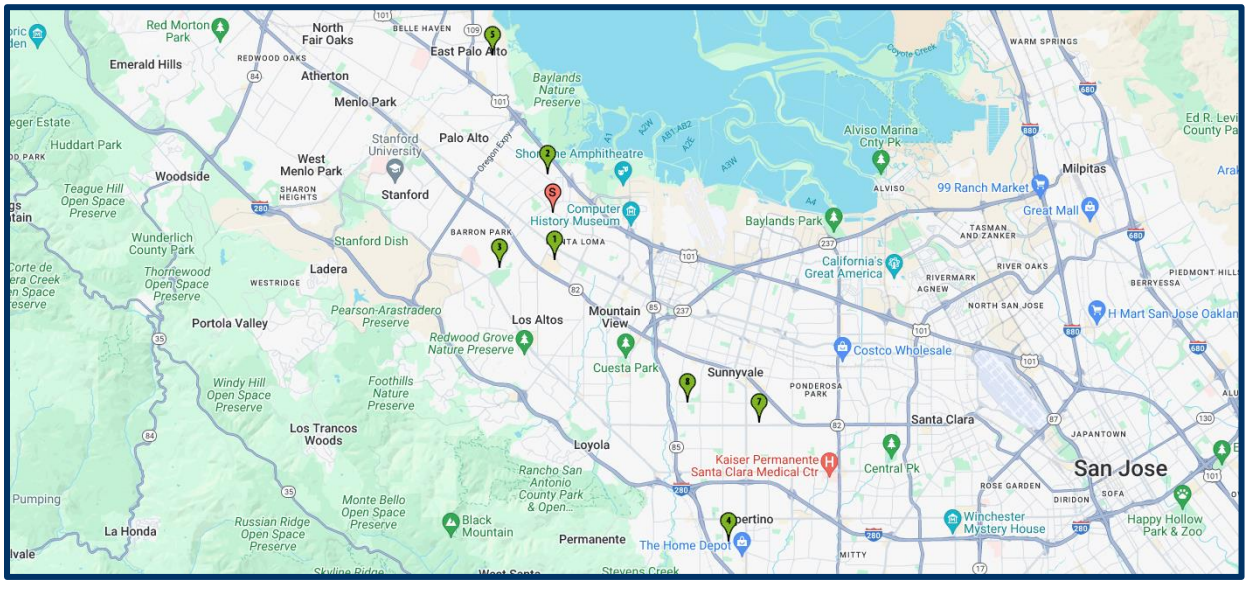
To provide an estimate of value for the property, we analyzed sales of land (utilized for school purposes or with similar zoning) and similar vintage schools that are in the subject market area. Given the lack of comparable data, we expanded our scope and included the sale of a similar vintage school in San Francisco and we included "other market data" to provide additional support to our value conclusion.

Comparable Sales Summary

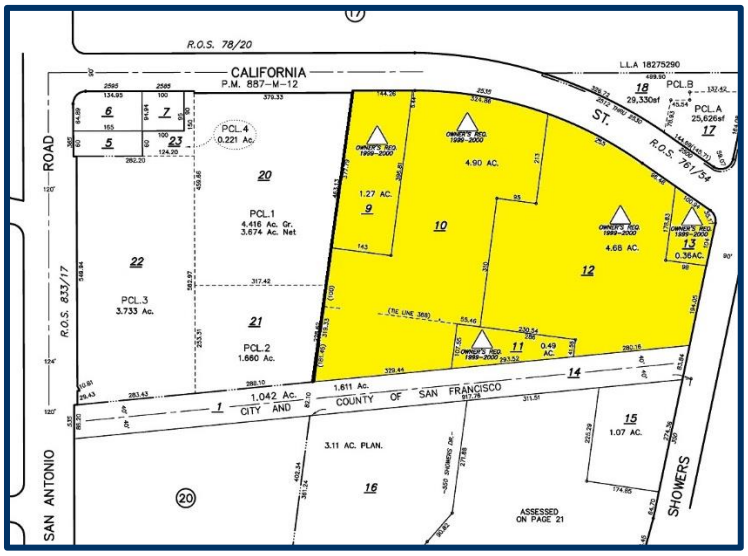
Comp. No.	Date of Sale	Gross Sq. Ft.	Location		Zoning	Proposed Use	Sales Price Actual	Per Sq. Ft.
1	May-19	511,660	2535 California St.	Mountain View, California	P(40)	School	$155,000,000	$302.94
2	June-22	101,494	1066 East Meadow Circle	Palo Alto, California	ROLM	School	$28,300,000	$278.83
3	May-17	26,136	689 Arastradero	Palo Alto, California	R-1	School	$5,775,000	$220.96
4	September-23	43,560	20865 McClellan Road	Cupertino, California	R1-10	Low Density Residential	$9,300,000	$213.50
5	April-21	113,256	1039-1063 Garden Street	East Palo Alto, California	PI	School	$20,200,000	$178.36
6	October-21	234,696	3250 19th Avenue	San Francisco, California	RH-1	School	$40,000,000	$170.43
7	February-20	50,000	581 East Fremont Avenue	Sunnyvale, California	PF	Assisted Living Facility	$7,500,000	$150.00
8	April-19	70,132	1050 West Remington Drive	Sunnyvale, California	PF	Low Density Residential	$8,000,000	$114.07

COMPARABLE SALES MAP





COMPARABLE SALE 1



Property Identification

Property/Sale ID	11073389/1489120
Property Type	Commercial
Property Name	School Site
Address	2535 California St.
City, State Zip	Mountain View, California 94040
County	Santa Clara
Tax ID	148-22-009, -010, -011, -012, and -013

Transaction Data

Sale Date	May 1, 2019	**Property Rights**	Leased Fee
Sale Status	Recorded	**Financing**	Cash to Seller
Grantor	Federal Realty Investment Trust	**Conditions of Sale**	See Comments
		Recording Number	24356186
Grantee	Los Altos School District	**Sale Price**	$155,000,000

Property Description

Gross Acres	11.75	**Corner/Interior**	Double Corner
Gross SF	511,660	**Shape**	Irregular
Usable Acres	11.75	**Topography**	Level
Usable SF	511,660	**Utilities**	Available
No. of Lots	5	**Drainage**	Adequate
Proposed Use	School	**Flood Hazard Zone**	"X"
Street Access	Good	**Zoning Jurisdiction**	City of Mountain View
Rail Access	No	**Zoning Code**	P(40) Planned Development
Water/Port Access	No		
Visibility	Good		

Indicators

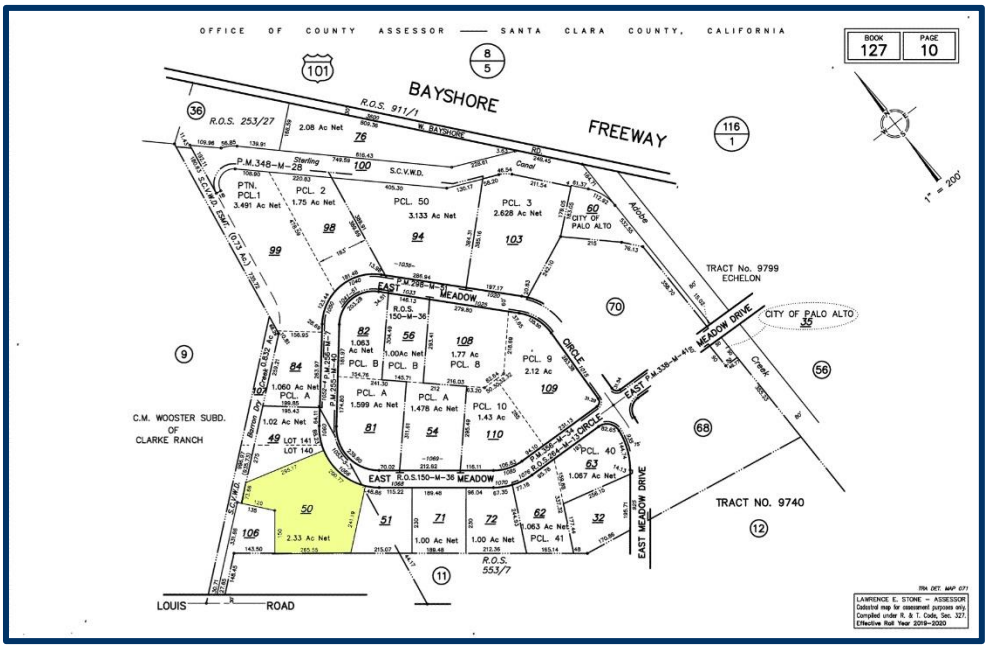
$/Gross Acre	$13,195,869	**$/Usable Acre**	$13,195,872
$/Gross SF	$302.94	**$/Usable SF**	$302.94

Remarks

Property consists of five APNs improved with 170,098 SF of single-story retail space at the time of sale. The property was 97 percent leased to more than 30 national, regional and local tenants at the close of the third quarter. Tenants include Kohl's, 24 Hour Fitness and Jo-Ann Fabrics.

Purchase by the City for redevelopment of the site with a school and two-acre park. The sale was completed under threat of condemnation, but comments by the seller's CEO indicate that the seller was very satisfied with the sale price. The tenants will vacate their respective stores, for which they will receive condemnation awards of a yet-to-be-determined amount from Federal Realty's asset sale proceeds. As a result, the net proceeds to the seller are likely to be lower.

COMPARABLE SALE 2



Property Identification

Property/Sale ID	11466744/1770741
Property Type	Land Other
Property Name	School Land
Address	1066 East Meadow Circle
City, State Zip	Palo Alto, California 94303
County	Santa Clara
Tax ID	127-10-050

Transaction Data

Sale Date	June 6, 2022	**Grantee**	Silicon Valley International School
Sale Status	Recorded		
Grantor	Trudy C. Widl (Karl and Trudy Widl 1990 Trust)	**Property Rights**	Fee Simple
		Recording Number	0025317229
		Sale Price	$28,300,000

Property Description

Gross Acres	2.33	**Visibility**	Average
Gross SF	101,494	**Corner/Interior**	Interior
Usable Acres	2.33	**Shape**	Irregular
Usable SF	101,494	**Topography**	Level
Front Feet	201	**Utilities**	All are available to site
No. of Lots	1	**Flood Hazard Zone**	AE
Proposed Use	School	**Use Designation**	Research/Office Park
Proposed Bldg SF	46,641	**Zoning Jurisdiction**	City of Palo Alto
Street Access	Average	**Zoning Code**	ROLM
Rail Access	No	**Zoning Description**	Office Research and Manufacturing
Water/Port Access	No		

Indicators

$/Gross Acre	$12,146,027	**$/Usable Acre**	$12,146,027
$/Gross SF	$278.83	**$/Usable SF**	$278.83

Remarks

The property consists of a 2.33-acre parcel located in a business park of Palo Alto. Specifically, the parcel is located within the Palo Verde neighborhood, an established, primarily residential community known for tracts of Eichler homes. As of June 2022, the site was adjacent to the Eichler Swim & Tennis Club. Highway 101 and Oregon Expressway are within proximity.

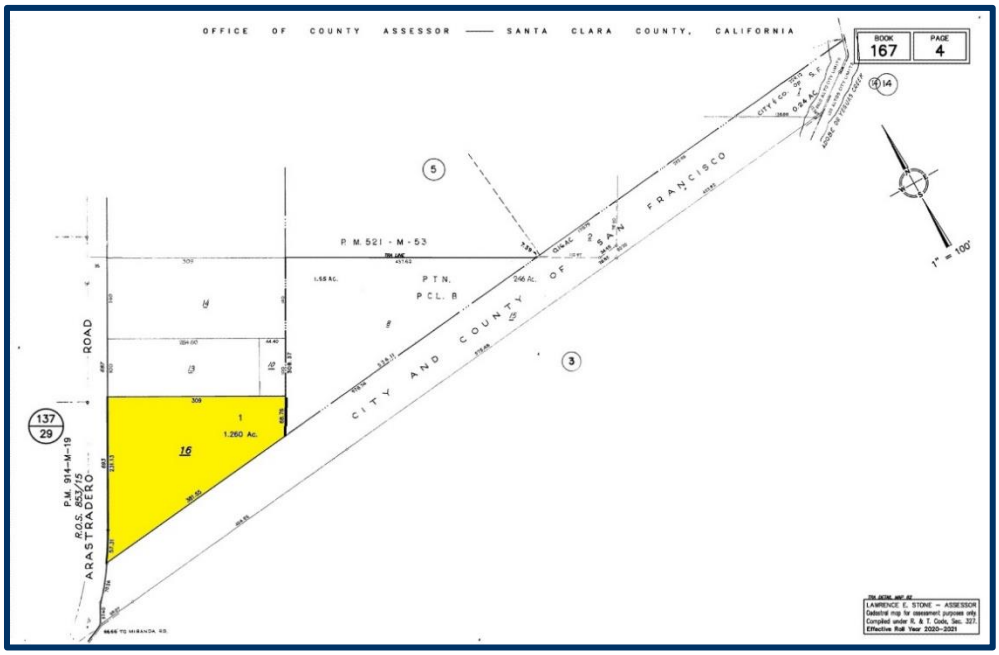
The site is situated at the southwest curve of East Meadow Circle. Although the parcel has an irregular shape, it is one of the larger parcels in the business park. The site was improved with a 36,321-square-foot industrial building, constructed circa 1970. However, most of the value is believed to be in the land.

The property has a zoning of ROLM (Research, Office and Light Manufacturing) and a land use of Research/Office Park. The zoning permits a range of uses, including office, manufacturing, medical research, warehouse, colleges, and even multifamily as a conditional use or permitted by right within Housing Element Opportunity sites. The maximum floor area ratio within the ROLM zone is 0.4:1.

Silicon Valley International School, a private non-profit school, purchased the site in June 2022 for $28,300,000, or $278.83 per square foot, as an expansion. They will convert the existing industrial building into a school.

The school has two existing campuses, one in Menlo Park and another in Palo Alto, that collectively serve students in preschool through twelfth grade. Reportedly, Silicon Valley International School outbid multiple life science companies and residential developers. The Palo Alto City Council voted earlier in 2022 to approve the issuance of an up-to-$50 million tax-exempt loan approved by the California Municipal Finance Authority of which $44.6 million would finance the acquisition, improvements and maintenance of the property. The buyers were also able to secure a $25 million loan from the Finance Authority with the source of the money coming from proceeds to separate loans the buyer had obtained or was in the process of obtaining from Silicon Valley Bank.

COMPARABLE SALE 3



Property Identification

Property/Sale ID	11004882/1438982
Property Type	Land Other
Property Name	Bowman International School Expansion
Address	689 Arastradero
City, State Zip	Palo Alto, California 94306
County	Santa Clara
Tax ID	167-04-012 (currently portion of -016)

Transaction Data

Sale Date	May 26, 2017	**Property Rights**	Fee Simple
Sale Status	Recorded	**Financing**	Typical
Grantor	Pierce Family Trust	**Conditions of Sale**	Motivated Buyer
Grantee	Bowman International School	**Recording Number**	23659804
		Sale Price	$5,775,000

Property Description

Gross Acres	0.60	**Corner/Interior**	Flag Lot
Gross SF	26,136	**Shape**	L-Shaped
Usable Acres	0.60	**Topography**	Level
Usable SF	26,136	**Use Designation**	Low Density Residential
No. of Lots	1	**Zoning Jurisdiction**	City of Palo Alto
Proposed Use	School Expansion	**Zoning Code**	R-1
Visibility	Average	**Zoning Description**	Single Family Residential

Indicators

$/Gross Acre	$9,625,000	**$/Usable Acre**	$9,625,000
$/Gross SF	$220.96	**$/Usable SF**	$220.96

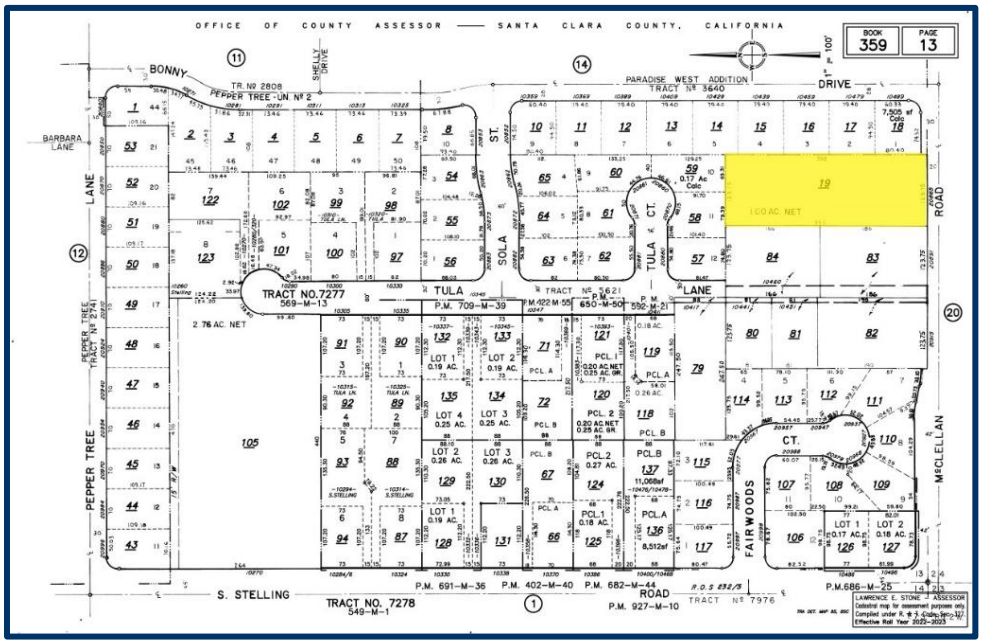
Remarks

This is a 0.60 acre parcel with an L-shape configuration and a relatively flat topography. The property is accessed via a curb cut along Arastradero road. The site is zoned R-1 Single Family Residence District which allows low density residential development ranging from 4-8 units per acre. The General Plan designation is also Single-Family Residence. The parcel also has a conditional use permit in-place allowing the existing school use.

The property was acquired by an adjacent school for expansion for $5,775,000 or $221 per square foot. The property was improved with a three-bedroom and two bath home in fair condition. The value was in the land.

Previously to the acquisition of this property, the school had acquired parcel-011 which was almost similar in size (0.59 acres) for $3,750,000 or $146 per square foot. However, the owners of this property were not able to sell at this time as there was a tenant at the property, whom they were unable to remove. However, it is fair to say that negotiations for this sale had started in 2014. Parcel 11 and 12 were later assembled to form parcel -16.

COMPARABLE SALE 4



Property Identification

Property/Sale ID	11311174/1726952
Property Type	Subdivision-Residential
Property Name	Residential Land
Address	20865 McClellan Road
City, State Zip	Cupertino, California 95014
County	Santa Clara
Tax ID	359-13-019

Transaction Data

Sale Date	September 1, 2023	**Property Rights**	Fee Simple
Sale Status	Recorded	**Recording Number**	25525850
Grantor	District McClellan LLC	**Days on Market**	310
Grantee	AlphaX RE Capital Inc	**Sale Price**	$9,300,000

Property Description

Gross Acres	1.00	**Water/Port Access**	No
Gross SF	43,560	**Visibility**	Average
Usable Acres	1.00	**Corner/Interior**	Mid-Block
Usable SF	43,560	**Shape**	Rectangular
Front Feet	123	**Topography**	Level
Depth	352	**Utilities**	All available to site
No. of Lots	1	**Drainage**	Assumed adequate
No. of Units	6	**Flood Hazard Zone**	X
Density (Units/Ac)	6.00	**Use Designation**	Low Density (5-10 DU/Ac.)
Proposed Use	Single-family subdivision	**Zoning Jurisdiction**	City of Cupertino
Street Access	Average	**Zoning Code**	R1-10
Rail Access	No	**Zoning Description**	Single Family Residential

Indicators

$/Gross Acre	$9,300,000	**$/Usable Acre**	$9,300,000
$/Gross SF	$213.50	**$/Usable SF**	$213.50

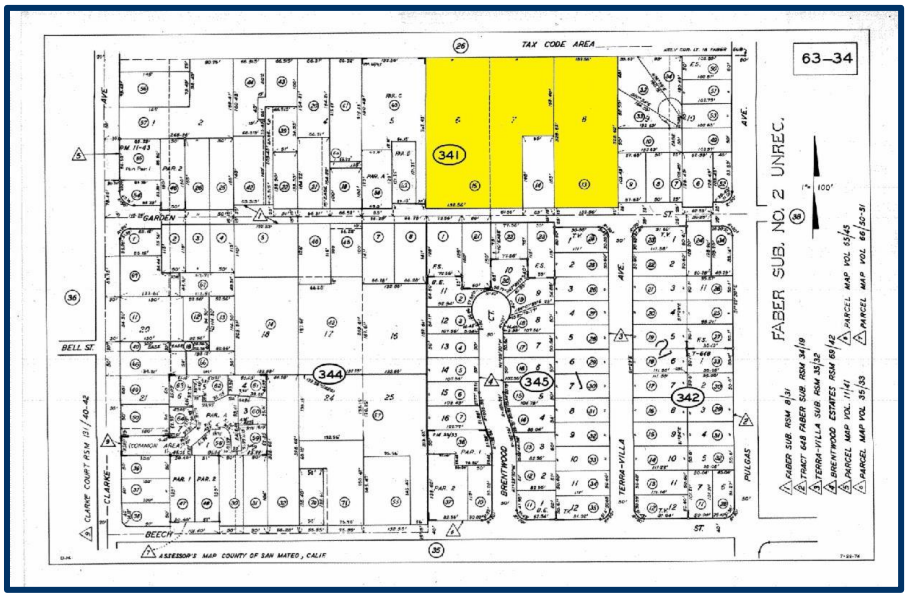
Remarks

This property consists of a single parcel containing one acre, or 43,560 square feet. The site has a rectangular shape and mid-block configuration. The site has 123.15 feet of frontage with two curb cuts and a depth of 352 feet. The property is proximate to De Anza College, Highway 87, and a major commercial thoroughfare, Stevens Creek Boulevard. The property is also served by Monte Vista High School, Lawson Middle School, and Lincoln Elementary School.

The improvements consist of an 1,847-square-foot home originally constructed circa 1957; however, the improvements are incidental to the land value. The site is zoned Single Family Residential, and the General Plan land use designation is Low Density, permitting five to ten dwelling units per acre.

The seller was represented by Bob Rowland of Rowland Land Co. The property was put on the market on October 26, 2022, and was on the market for 310 days. The buyer took out a loan of $6,970,000 to finance the acquisition. The zoning on the property is residential. The buyer is proposing a redevelopment project for six (6) single-family homes to be built onsite. This sale is only used to convey land prices for public uses can sometimes sell for as much as residential land prices.

COMPARABLE SALE 5



Property Identification

Property/Sale ID	11469261/1772457
Property Type	Land Other
Property Name	KIPP Charter School
Address	1039-1063 Garden Street
City, State Zip	East Palo Alto, California 94303
County	San Mateo
Tax ID	063-341-130, -150

Transaction Data

Sale Date	April 28, 2021	**Financing**	Cash to Seller
Sale Status	Recorded	**Conditions of Sale**	Purchased by tenant
Grantor	College for Certain LLC	**Recording Number**	67890
Grantee	1039 GARDEN ST LLC	**Sale Price**	$20,200,000
Property Rights	Fee Simple		

Property Description

Gross Acres	2.60	**Corner/Interior**	Interior
Gross SF	113,256	**Shape**	Irregular
Usable Acres	2.60	**Topography**	Level
Usable SF	113,256	**Use Designation**	Public/Institutional
No. of Lots	2	**Zoning Jurisdiction**	City of East Palo Alto
Proposed Bldg SF	38,400	**Zoning Code**	PI
Street Access	Average	**Zoning Description**	Public/Institutional
Visibility	Average		

Indicators

$/Gross Acre	$7,769,231	**$/Usable Acre**	$7,769,231
$/Gross SF	$178.36	**$/Usable SF**	$178.36

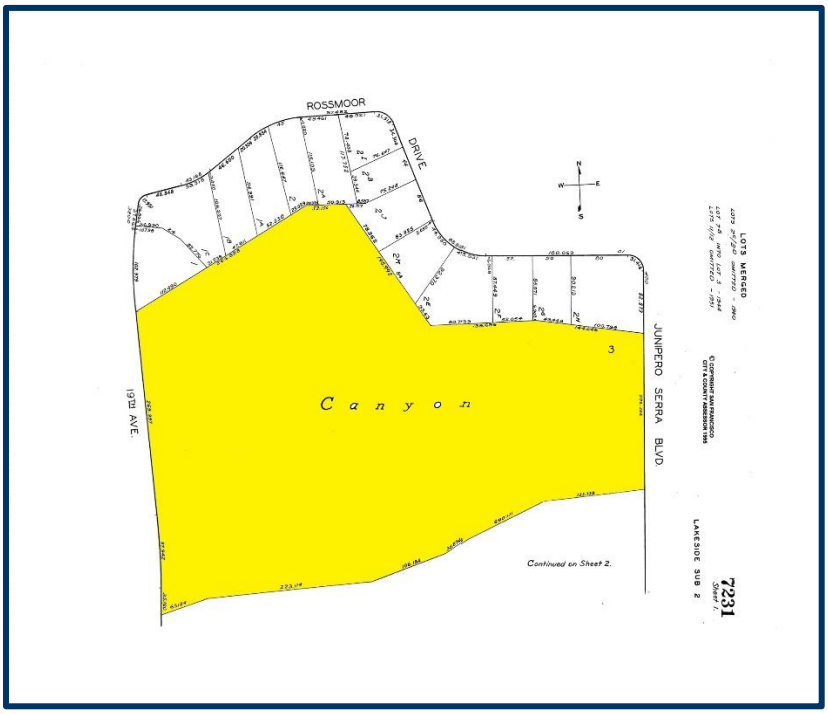
Remarks

This property consists of two parcels along Garden Street in East Palo Alto. The site is a 2.6-acre lot has a U-shape, and although it is contiguous, there is a single-family residence between the parcels. Access and visibility to the property are average.

The property was formerly a public school. It is improved with five buildings of one and two stories. The improvements were constructed circa 1922 and are in average condition for their vintage. The school improvements contain an area of approximately 38,400 square feet.

The tenant, LIPP Charter School purchased the previous public school on site. They intended to update the campus and continue to occupy the property. The sale price was $20,200,000 or $178 per square foot of land area.

COMPARABLE SALE 6



Property Identification

Property/Sale ID	11469265/1772459
Property Type	Land Other
Property Name	Mercy High School
Address	3250 19th Avenue
City, State Zip	San Francisco, California 94132
County	San Francisco
Tax ID	7231-003

Transaction Data

Sale Date	October 27, 2021	**Property Rights**	Fee Simple
Sale Status	Recorded	**Financing**	Conventional
Grantor	Mercy High School	**Conditions of Sale**	Typical
Grantee	Chinese American International School	**Recording Number**	162771
		Sale Price	$40,000,000

Property Description

Gross Acres	5.39	**Proposed Bldg SF**	81,756
Gross SF	234,696	**Street Access**	Good
Usable Acres	5.39	**Visibility**	Average
Usable SF	234,696	**Corner/Interior**	Interior
No. of Lots	1	**Zoning Code**	RH-1

Indicators

$/Gross Acre	$7,424,070	**$/Usable Acre**	$7,424,070
$/Gross SF	$170.43	**$/Usable SF**	$170.43

Remarks

This is the former Mercy High School of San Francisco. The property is located between Winston Drive and Eucalyptus Drive just south of Ocean Avenue and within close proximity to San Francisco State University. The school sits on one 5.39-acre parcel. Zoning is RH-1, One-Family Detached Dwellings. The property is improved with a four-story school building, a performing arts theater, and a gymnasium. The property also has plenty of on-site parking and an outdoor courtyard. The property contains 81,756 square feet and was constructed in 1952. The improvements and are in overall average condition.

Chinese American International School purchased the property from Mercy High School on October 27, 2021 for a reported total of $40,000,000 or $170 per square foot of land area. The buyer is an owner-user who plans to consolidate their other (leased) locations into this new location within the next two years. Some renovation is also planned.

The property was marketed as a potential redevelopment. According to the broker, there was a lot of interest from both developers and owner-user buyers (schools). It was noted that the developers required contingencies and wanted more time to close escrow.

COMPARABLE SALE 7



Property Identification

Property/Sale ID	10777663/1518708
Property Type	Land Other
Property Name	St. John's Lutheran Property (PF-Zoned Land)
Address	581 East Fremont Avenue
City, State Zip	Sunnyvale, California 94087
County	Santa Clara
Tax ID	211-31-020

Transaction Data

Sale Date	February 6, 2020	**Property Rights**	Fee Simple
Sale Status	Recorded	**Financing**	Typical
Grantor	St John's Evangelical Church	**Conditions of Sale**	See Comments
		Recording Number	24400029
Grantee	Sunrise of Cupertino Propco LLC	**Sale Price**	$7,500,000

Property Description

Gross Acres	1.15	**Visibility**	Good
Gross SF	50,000	**Corner/Interior**	Corner
Usable Acres	1.15	**Shape**	Generally Rectangular
Usable SF	50,000	**Topography**	Level
Front Feet	73	**Utilities**	All available to the site
Depth	361	**Drainage**	Assumed adequate
No. of Lots	161	**Flood Hazard Zone**	Zone X (unshaded)
Proposed Use	Assisted Living Facility	**Use Designation**	PF, Public Facilities
Proposed Bldg SF	8,019	**Zoning Jurisdiction**	City of Sunnyvale
Street Access	Good	**Zoning Code**	PF
Rail Access	No	**Zoning Description**	Public Facilities
Water/Port Access	No		

Indicators

$/Gross Acre	$6,534,012	**$/Usable Acre**	$6,534,012
$/Gross SF	$150.00	**$/Usable SF**	$150.00

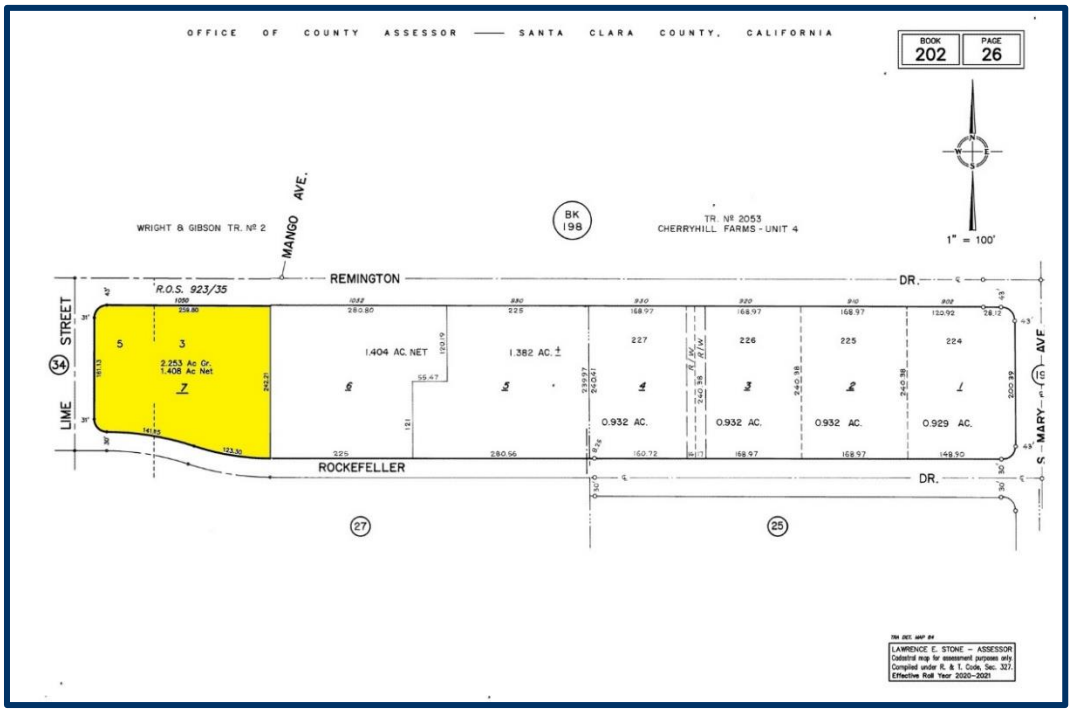
Remarks

The subject site consists of a single parcel located along the north side of East Fremont Avenue in Sunnyvale. The site has a generally long irregular shape and a corner lot configuration at the signalized intersection of East Fremont Avenue and Manet Drive. The site has approximately 73 feet of frontage along East Fremont Avenue and 155 feet of frontage along Manet Drive (with one curb cut). The site has good visibility, exposure, and access as well as convenient proximity to Highway 85 and Interstate 280.

The underlying site contains 50,420 gross square feet or 1.1575 gross acres. The property zoning and General Plan land use designations are Public Facilities. Overall, the subject site conforms to the area and is well suited for residential subdivision as well as the existing religious facility use or other public/quasi-public use.

The buyer is proposing an assisted living facility on site. The sale closed contingent on entitlements.

COMPARABLE SALE 8



Property Identification

Property/Sale ID	11193566/1563094
Property Type	Land Other
Property Name	Bay Area Christian Church Site
Address	1050 West Remington Drive
City, State Zip	Sunnyvale, California 94087
County	Santa Clara
Tax ID	202-26-007

Transaction Data

Sale Date	April 22, 2019	**Property Rights**	Fee Simple
Sale Status	Recorded	**Recording Number**	24159921
Grantor	Church of Christ of Sunnyvale	**Days on Market**	56
		Sale Price	$8,000,000
Grantee	Bay Area Christian Church		

Property Description

Gross Acres	1.61	**Proposed Bldg SF**	11,997
Gross SF	70,132	**Street Access**	Good
Usable Acres	1.61	**Visibility**	Good
Usable SF	70,132	**Corner/Interior**	Double Corner
No. of Lots	1	**Zoning Code**	PF

Indicators

$/Gross Acre	$4,968,944	**$/Usable Acre**	$4,968,916
$/Gross SF	$114.07	**$/Usable SF**	$114.07

Remarks

This is an 11,997 square foot religious facility situated on a 1.61-acre lot. The property is located in Sunnyvale at the intersection of West Remington Drive and Lime Drive. Additional frontage along Rockefeller Drive is provided as well. The improvements were built in 1959 and were reported in poor condition. Significant renovation will be needed in the near term. The value of this property was truly on the land component. Parking is provided at a ratio of 4.75 spaces per 1,000 square feet.

The property was listed on the market for 56 days for $8,500,000. It sold for $8,000,000 to an owner-user, the Bay Area Christian Church. Escrow lasted for 60 days.

The listing agent indicated that prior to listing the property he had contacted three developers to judge interest on the property. All three had expressed interest, however, the City of Sunnyvale did not seem willing to rezone the property to allow residential development. They wanted to keep the site for Public or Quasi-Public use. The property was then listed on the market, and it received overwhelming interest by a variety of buyers. Among them were developers, schools, fraternal organizations and churches. According to the listing agent, any use other than the school use it would require a CUP and would trigger an EIR and other traffic studies and could have taken a year or two. The seller wanted to sell the property quickly and decided to sell it to another church. Notably, the school users were offering approximately $1M more than the church users, but the seller was willing to take less rather than agreeing to a long escrow.

Even though church attendance was generally going down as of the sale date, the listing agent indicated that this church feels they can expand their membership. The current buyer really liked the location of this church, across from a park, so that they can also use the park if needed. They also liked the fact that the church site offers excess land for future expansion.

Analysis of Market Data

Our analysis of the market data researched is as follows.

Sale 1 is an 11.7-acre site improved with a shopping center, located near the subject, that will be redeveloped into a school. The shopping center has existing leases in place and the net proceeds to the seller, after termination awards, will be less. This sale, as well as other market data we have retained in our files, indicate that the value of the subject property is less than $303 per square foot of land area.

Sale 2 is an industrial building, also near the subject, that will be converted into a school. The site is smaller, and the buyer will utilize the existing building (conversion to school use), thus saving money on development costs. We have considered this comparable to be superior, overall, thus indicating a value of the subject property less than $279 per square foot of land area.

Sale 3 is an older sale of a property that was purchased by a school group for expansion purposes. The dilapidated home was demolished, and the value was in the land. The comparable sale was included in our analysis because it was used for school development and is located in the City of Palo Alto. Notably, the property had zoning of low density residential. Although this was an older sale that occurred in 2017, given the specific location, need for expansion, and size of the site, we opine that a value of slightly less than $221 per square foot of land area is justified for the subject.

We included Sale 4 because it's a recent sale of low-density residential land within an affluent area of the Silicon Valley. The low-density residential site sold for $213 per square foot of land area, similar to that of Sale 3, which is also zoned for residential uses but purchased for school expansion. The site is smaller than the subject and allows residential development.

Sales 1 through 3 are located within close proximity to the subject, and Sale 4 is also within an affluent and desirable area of the Silicon Valley. Although Sales 1 through 4, do not have similar zoning as the subject, the comparables (1 through 3) were selected for our analysis because they represent market data of properties purchased near the subject property for school development. That is, school groups paid $221 to $303 per square foot of land area for properties/land near the subject (within Mt. View/Palo Alto) that will be redeveloped into schools. This suggests viability and feasibility to school users at those price points.

Sales 5 and 6 are of existing school properties located in East Palo Alto and San Franciso. The schools are of similar vintage/condition (although Sale 5 had some renovations) but the properties are significantly inferior, in terms of location and whether the improvement of these comparables contributed value to the underlying land or not, we opine the subject "as is" is superior. The schools were purchased for $170 to $178 per square foot of land area. The buyers will continue utilizing the exiting school buildings, although renovations are likely. We are using these comparables because although the subject improvements have no value, the improvements can still be utilized.

Sales 7 and 8 are of properties with similar zoning which are located within Sunnyvale (also a desirable area due to employment and access). The properties were purchased based on land value. Although market conditions have declined since 2021 (the year both properties sold) we have considered these properties to be overall inferior primarily because of the subject's superior location.

Market Data/ Qualitative Analysis - Sales Comparison

Sale No.	Property Type Location	Land Area (sf) Acres	Building Area (sf) Year Built FAR	Zoning GP	Sale Date Sale Price	Price / SF Land Area	Overall Qualitative Assessment	Comments
1	**School Site** 2535 California Street Mountain View	511,660 11.7	N/A N/A N/A	P(40) Mixed Use Center	May-19 **$155,000,000**	**$303**	**Superior**	Shopping center with leases in place. Purchased by City for redevelopment into school and 2-acre park. Sale completed under condemnation. Tenants will receive early termination awards from sale proceeds. Net proceeds to seller will be lower.
2	**School Site** 1066 East Meadow Circle Palo Alto	101,494 2.3	N/A N/A N/A	ROLM Research/Office	Jun-22 **$28,300,000**	**$279**	**Superior**	Next to swim & tennis club. Property purchased Silicon Valley International School. 36,321 sf industrial building will be converted into school.
3	**School Site** 689 Arastradero Palo Alto	26,136 0.6	N/A N/A N/A	R-1 Single Family Res	May-17 **$5,775,000**	**$221**		Acquired b adjacent school for expansion of the school. Site was improved with 3-bed/2-bath home in fair condition. Value was in the land.
4	**Low Density Residential** 20865 McClellan Road Cupertino	43,560 1.0	N/A N/A N/A	R1-10 Single Family Res	Sep-23 **$9,300,000**	**$213**		Low density residential land located in afluent area. Comparable used in conjunction with Sale 3 above.
	Cubberley Community Center 4000 Middlefield Road Palo Alto	342,902 7.9	81,002 1950's 0.24	PF School District	Land Value **$68,600,000**	**$200**		Former school built in the 1950's. No major capital improvements or renovations. In fair-average "original" condition.
5	**KIPP Charter School** 1039-1063 Garden Street E. Palo Alto	113,256 2.6	38,400 1922 0.34	PI Public/Institutional	Apr-21 **$20,200,000**	**$178**	**Inferior**	Former public school constructed in early 1900's. Renovated sometime in recent past. Purchased by the tenant, KIPP Charter School. Buyer will continue to occupy.
6	**Mercy High School** 3250 19th Avenue San Francsico	234,788 5.4	81,756 1952 0.35	RH-1	Oct-21 **$40,000,000**	**$170**	**Inferior**	Former Mercy High School. Contains 4-story school building, performing arts theater, gymnasium, and outdoor courtyard. Purchased by owner-user; Chinese American International School.
7	**Church/Redevelopment Site** 581 East Fremont Avenue Sunnyvale	50,000 1.1	N/A N/A N/A	PF Public Facilities	Feb-20 **$7,500,000**	**$150**	**Inferior**	Sale of St. John's Lutheran Church. Buyer purcahsed to redevelop into assisted living facility.
8	**Church** 1050 W. Remington Drive Sunnyvale	70,132 1.6	11,997 1959 0.17	PF Public Facilities	Apr-19 **$9,000,000**	**$128**	**Inferior**	Church in poor condition. School group offered $9 million. Seller was motivated and sold to another church group for quick close at $8 million. Church was in poor condition and needed a lot of work.
	Other Market Data							
1	**South Hall Convention Center Site** 425 S. Market Street San Jose	187,627 4.3		P/QP Public/Quasi Public	Oct-18 **$47,000,000**	**$250**		San Jose Convention Center parking lot with semi-permanent structure/tent on site. Purchased by City of San Jose for expansion of convention center.
2	**Redevelopment Site** 1991 W. El Camino Real Mountain View	33,105 0.8		P(15) Mixed-Use Corridor	Listing **$7,500,000**	**$227**		Vacant restaurant. Site fenced and marketed as redevelopment land. A variety of mixed uses are permitted. Located roughly 1.6-miles from subject and near San Antonio Road.
3	**Redevelopment of School** 511 Cozy Drive San Jose	414,473 9.5		R-1-8 Public/Quasi Public	In-Contract **$26,000,000**	**$63**	**Inferior**	Former Glider Elementary constructed in 1967. Offer have been made by school groups and developers. In contract to residential developer. Sale contingent on low density residential development.

The data above strongly supports a value for the subject higher than $150 per square foot of land area and lower than $250 per square foot of land area. In our opinion, Sales 4 through 6 indicate a value for the subject near $200 per square foot of land area.

We note that land zoned for public uses typically sell for much lower prices (in terms of per square foot of land area) than properties zoned for commercial, residential, and mixed uses, with all else being equal. However, the data show that location (and demand for schools) can dramatically impact the price a buyer is willing to pay for land zoned to allow school use. We are aware of school groups also spending a lot of time and money trying to get permits to allow school use in properties without public/school zoning.

We have public zoned land sales in our files of greater than $250 per square foot of land area (as shown in "other market data"). However, we are also aware of a site located 1.6-miles from the subject (along El Camino Real) that is currently listed for sale at $227 per square foot. The site is smaller and allows and allows for a variety of high-density mixed land uses. We opine that the value of the subject should not be higher than this.

Sale 3 shown in "other market data" was included because it's a recent pending sale of a school being purchased by a residential developer but had a public general plan. Given the subject location, the subject would be significantly superior, as also indicated by the other market data presented.

Based on our research, and the market data presented and analyzed, we conclude that a fee simple market value estimate of $200 per square foot of land area is a reasonable estimate of market value for the subject property. This equates to an "as is" market value estimate of $68,580,000, as shown below.

Market Value Conclusion				
Market Value Opinion				
342,902 square feet	x	**$200.00 psf**	=	**$68,580,000**
		Less Demolition Costs :		($810,020)
				$67,770,000

Demolition Costs

We have subtracted demolition costs for the existing improvements calculated at $10 per square foot of total building area.

The resulting "as is" market value conclusion is $67,770,000 as summarized above.

Conclusion

Summary of Value Indication

The indicated value from the approach used and our concluded market value for the subject is summarized in the following table.

Value Indications

Approach to Value	As Is
Sales Comparison Approach	$67,770,000
Cost Approach	Not Developed
Income Approach	Highest & Best Use Analysis

Value Conclusion

Component	As Is
Value Type	Market Value
Real Property Interest	Fee Simple
Effective Date of Value	August 15, 2024
Value Conclusion	**$67,770,000**
	$198/ SF Land Area

The findings and conclusions are further contingent upon the following extraordinary assumptions and/or hypothetical conditions, the use of which might have affected the assignment results:

Extraordinary Assumptions:

- The community center is currently used by/for a variety of nonprofit organizations, arts and cultural groups, educational programs, recreational activities, meeting and event space, and the City of Palo Alto and Palo Alto Unified School District. Most of the space at the community center is leased/rented on a short-term basis of less than one month. There are tenants at the property with longer lease agreements that expire within the next two years. However, it was reported that the leases all have termination options allowing the landlord to terminate the lease with a 30-day notice. Our appraisal assumes there are no long-term leases in place, which could impact redevelopment of the property within a two-year timeframe.
- The subject is part of a larger community center. We assume that a buyer of the property would have exclusive use of the subject site and could redevelop independent of the remaining larger center.

Hypothetical Conditions:

- None

Exposure Time and Marketing Period

Based on statistical information about days on market, escrow length, and marketing times gathered through national investor surveys, sales verification, and interviews of market participants, marketing and exposure time estimates of 6 to 12 months and 6 to 12 months, respectively, are considered reasonable and appropriate for the subject property.

General Assumptions and Limiting Conditions

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

1. The legal description – if furnished to us – is assumed to be correct.
2. No responsibility is assumed for legal matters, questions of survey or title, soil or subsoil conditions, engineering, availability or capacity of utilities, or other similar technical matters. The appraisal does not constitute a survey of the property appraised. All existing liens and encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management unless otherwise noted.
3. Unless otherwise noted, the appraisal will value the property as though free of contamination. Valbridge Property Advisors | Northern California will conduct no hazardous materials or contamination inspection of any kind. It is recommended that the client hire an expert if the presence of hazardous materials or contamination poses any concern.
4. The stamps and/or consideration placed on deeds used to indicate sales are in correct relationship to the actual dollar amount of the transaction.
5. Unless otherwise noted, it is assumed there are no encroachments, zoning violations or restrictions existing in the subject property.
6. The appraiser is not required to give testimony or attendance in court by reason of this appraisal, unless previous arrangements have been made.
7. Unless expressly specified in the engagement letter, the fee for this appraisal does not include the attendance or giving of testimony by Appraiser at any court, regulatory or other proceedings, or any conferences or other work in preparation for such proceeding. If any partner or employee of Valbridge Property Advisors | Northern California is asked or required to appear and/or testify at any deposition, trial, or other proceeding about the preparation, conclusions or any other aspect of this assignment, client shall compensate Appraiser for the time spent by the partner or employee in appearing and/or testifying and in preparing to testify according to the Appraiser's then current hourly rate plus reimbursement of expenses.
8. The values for land and/or improvements, as contained in this report, are constituent parts of the total value reported and neither is (or are) to be used in making a summation appraisal of a combination of values created by another appraiser. Either is invalidated if so used.
9. The dates of value to which the opinions expressed in this report apply are set forth in this report. We assume no responsibility for economic or physical factors occurring at some point at a later date, which may affect the opinions stated herein. The forecasts, projections, or operating estimates contained herein are based on current market conditions and anticipated short-term supply and demand factors and are subject to change with future conditions. Appraiser is not responsible for determining whether the date of value requested by Client is appropriate for Client's intended use.
10. The sketches, maps, plats and exhibits in this report are included to assist the reader in visualizing the property. The appraiser has made no survey of the property and assumed no responsibility in connection with such matters.
11. The information, estimates and opinions, which were obtained from sources outside of this office, are considered reliable. However, no liability for them can be assumed by the appraiser.

12. Possession of this report, or a copy thereof, does not carry with it the right of publication. Neither all, nor any part of the content of the report, or copy thereof (including conclusions as to property value, the identity of the appraisers, professional designations, reference to any professional appraisal organization or the firm with which the appraisers are connected), shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval.
13. No claim is intended to be expressed for matters of expertise that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers. We claim no expertise in areas such as, but not limited to, legal, survey, structural, environmental, pest control, mechanical, etc.
14. This appraisal was prepared for the sole and exclusive use of the client for the function outlined herein. Any party who is not the client or intended user identified in the appraisal or engagement letter is not entitled to rely upon the contents of the appraisal without express written consent of Valbridge Property Advisors | Northern California and Client. The Client shall not include partners, affiliates, or relatives of the party addressed herein. The appraiser assumes no obligation, liability or accountability to any third party.
15. Distribution of this report is at the sole discretion of the client, but third-parties not listed as an intended user on the face of the appraisal or the engagement letter may not rely upon the contents of the appraisal. In no event shall client give a third-party a partial copy of the appraisal report. We will make no distribution of the report without the specific direction of the client.
16. This appraisal shall be used only for the function outlined herein, unless expressly authorized by Valbridge Property Advisors | Northern California.
17. This appraisal shall be considered in its entirety. No part thereof shall be used separately or out of context.
18. Unless otherwise noted in the body of this report, this appraisal assumes that the subject property does not fall within the areas where mandatory flood insurance is effective. Unless otherwise noted, we have not completed nor have we contracted to have completed an investigation to identify and/or quantify the presence of non-tidal wetland conditions on the subject property. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
19. The flood maps are not site specific. We are not qualified to confirm the location of the subject property in relation to flood hazard areas based on the FEMA Flood Insurance Rate Maps or other surveying techniques. It is recommended that the client obtain a confirmation of the subject property's flood zone classification from a licensed surveyor.
20. If the appraisal is for mortgage loan purposes 1) we assume satisfactory completion of improvements if construction is not complete, 2) no consideration has been given for rent loss during rent-up unless noted in the body of this report, and 3) occupancy at levels consistent with our "Income and Expense Projection" are anticipated.
21. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover them.

22. Our inspection included an observation of the land and improvements thereon only. It was not possible to observe conditions beneath the soil or hidden structural components within the improvements. We inspected the buildings involved, and reported damage (if any) by termites, dry rot, wet rot, or other infestations as a matter of information, and no guarantee of the amount or degree of damage (if any) is implied. Condition of heating, cooling, ventilation, electrical and plumbing equipment is considered to be commensurate with the condition of the balance of the improvements unless otherwise stated. Should the client have concerns in these areas, it is the client's responsibility to order the appropriate inspections. The appraiser does not have the skill or expertise to make such inspections and assumes no responsibility for these items.
23. This appraisal does not guarantee compliance with building code and life safety code requirements of the local jurisdiction. It is assumed that all required licenses, consents, certificates of occupancy or other legislative or administrative authority from any local, state or national governmental or private entity or organization have been or can be obtained or renewed for any use on which the value conclusion contained in this report is based unless specifically stated to the contrary.
24. When possible, we have relied upon building measurements provided by the client, owner, or associated agents of these parties. In the absence of a detailed rent roll, reliable public records, or "as-built" plans provided to us, we have relied upon our own measurements of the subject improvements. We follow typical appraisal industry methods; however, we recognize that some factors may limit our ability to obtain accurate measurements including, but not limited to, property access on the day of inspection, basements, fenced/gated areas, grade elevations, greenery/shrubbery, uneven surfaces, multiple story structures, obtuse or acute wall angles, immobile obstructions, etc. Professional building area measurements of the quality, level of detail, or accuracy of professional measurement services are beyond the scope of this appraisal assignment.
25. We have attempted to reconcile sources of data discovered or provided during the appraisal process, including assessment department data. Ultimately, the measurements that are deemed by us to be the most accurate and/or reliable are used within this report. While the measurements and any accompanying sketches are considered to be reasonably accurate and reliable, we cannot guarantee their accuracy. Should the client desire more precise measurement, they are urged to retain the measurement services of a qualified professional (space planner, architect or building engineer) as an alternative source. If this alternative measurement source reflects or reveals substantial differences with the measurements used within the report, upon request of the client, the appraiser will submit a revised report for an additional fee.
26. In the absence of being provided with a detailed land survey, we have used assessment department data to ascertain the physical dimensions and acreage of the property. Should a survey prove this information to be inaccurate, upon request of the client, the appraiser will submit a revised report for an additional fee.
27. If only preliminary plans and specifications were available for use in the preparation of this appraisal, and a review of the final plans and specifications reveals substantial differences upon request of the client the appraiser will submit a revised report for an additional fee.

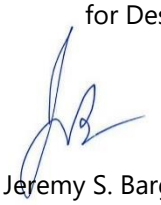
28. Unless otherwise stated in this report, the value conclusion is predicated on the assumption that the property is free of contamination, environmental impairment or hazardous materials. Unless otherwise stated, the existence of hazardous material was not observed by the appraiser and the appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required for discovery. The client is urged to retain an expert in this field, if desired.
29. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. We have not made a specific compliance survey of the property to determine if it is in conformity with the various requirements of the ADA. It is possible that a compliance survey of the property, together with an analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this could have a negative effect on the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible noncompliance with the requirements of ADA in developing an opinion of value.
30. This appraisal applies to the land and building improvements only. The value of trade fixtures, furnishings, and other equipment, or subsurface rights (minerals, gas, and oil) were not considered in this appraisal unless specifically stated to the contrary.
31. No changes in any federal, state or local laws, regulations or codes (including, without limitation, the Internal Revenue Code) are anticipated, unless specifically stated to the contrary.
32. Any income and expense estimates contained in the appraisal report are used only for the purpose of estimating value and do not constitute prediction of future operating results. Furthermore, it is inevitable that some assumptions will not materialize and that unanticipated events may occur that will likely affect actual performance.
33. Any estimate of insurable value, if included within the scope of work and presented herein, is based upon figures developed consistent with industry practices. However, actual local and regional construction costs may vary significantly from our estimate and individual insurance policies and underwriters have varied specifications, exclusions, and non-insurable items. As such, we strongly recommend that the Client obtain estimates from professionals experienced in establishing insurance coverage. This analysis should not be relied upon to determine insurance coverage and we make no warranties regarding the accuracy of this estimate.
34. The data gathered in the course of this assignment (except data furnished by the Client) shall remain the property of the Appraiser. The appraiser will not violate the confidential nature of the appraiser-client relationship by improperly disclosing any confidential information furnished to the appraiser. Notwithstanding the foregoing, the Appraiser is authorized by the client to disclose all or any portion of the appraisal and related appraisal data to appropriate representatives of the Appraisal Institute if such disclosure is required to enable the appraiser to comply with the Bylaws and Regulations of such Institute now or hereafter in effect.

35. You and Valbridge Property Advisors | Northern California both agree that any dispute over matters in excess of $5,000 will be submitted for resolution by arbitration. This includes fee disputes and any claim of malpractice. The arbitrator shall be mutually selected. If Valbridge Property Advisors | Northern California and the client cannot agree on the arbitrator, the presiding head of the Local County Mediation & Arbitration panel shall select the arbitrator. Such arbitration shall be binding and final. In agreeing to arbitration, we both acknowledge that, by agreeing to binding arbitration, each of us is giving up the right to have the dispute decided in a court of law before a judge or jury. In the event that the client, or any other party, makes a claim against Valbridge Property Advisors | Northern California or any of its employees in connections with or in any way relating to this assignment, the maximum damages recoverable by such claimant shall be the amount actually received by Valbridge Property Advisors | Northern California for this assignment, and under no circumstances shall any claim for consequential damages be made.
36. Valbridge Property Advisors | Northern California shall have no obligation, liability, or accountability to any third party. Any party who is not the "client" or intended user identified on the face of the appraisal or in the engagement letter is not entitled to rely upon the contents of the appraisal without the express written consent of Valbridge Property Advisors | Northern California. "Client" shall not include partners, affiliates, or relatives of the party named in the engagement letter. Client shall hold Valbridge Property Advisors | Northern California and its employees harmless in the event of any lawsuit brought by any third party, lender, partner, or part-owner in any form of ownership or any other party as a result of this assignment. The client also agrees that in case of lawsuit arising from or in any way involving these appraisal services, client will hold Valbridge Property Advisors | Northern California harmless from and against any liability, loss, cost, or expense incurred or suffered by Valbridge Property Advisors | Northern California in such action, regardless of its outcome.
37. The Valbridge Property Advisors office responsible for the preparation of this report is independently owned and operated by San Francisco Bay Area | East Bay | Oakland | Walnut Creek. Neither Valbridge Property Advisors, Inc., nor any of its affiliates has been engaged to provide this report. Valbridge Property Advisors, Inc. does not provide valuation services, and has taken no part in the preparation of this report.
38. If any claim is filed against any of Valbridge Property Advisors, Inc., a Florida Corporation, its affiliates, officers or employees, or the firm providing this report, in connection with, or in any way arising out of, or relating to, this report, or the engagement of the firm providing this report, then (1) under no circumstances shall such claimant be entitled to consequential, special or other damages, except only for direct compensatory damages, and (2) the maximum amount of such compensatory damages recoverable by such claimant shall be the amount actually received by the firm engaged to provide this report.
39. This report and any associated work files may be subject to evaluation by Valbridge Property Advisors, Inc., or its affiliates, for quality control purposes.
40. Acceptance and/or use of this appraisal report constitutes acceptance of the foregoing general assumptions and limiting conditions.

Certification – Jeremy S. Bargy, MAI

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
5. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
6. My engagement in this assignment was not contingent upon developing or reporting predetermined results.
7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Jeremy Bargy has personally inspected the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.

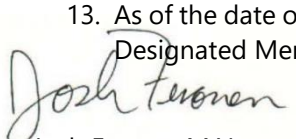


Jeremy S. Bargy, MAI
Senior Appraiser
California Certified License #AG036071

Certification – Josh Fronen, MAI

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. The undersigned has not performed 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.
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7. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
8. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
9. Josh Fronen did not personally inspect the subject property.
10. No one provided significant real property appraisal assistance to the person signing this certification.
11. The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
12. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
13. As of the date of this report, the undersigned has completed the continuing education program for Designated Members of the Appraisal Institute.



Josh Fronen, MAI
Managing Director
California Certified License #AG028548
License Expires 12-18-2025

Addenda

Additional Subject Photographs

Glossary

Qualifications

- Jeremy S. Bargy, MAI Senior Appraiser
- Josh Fronen, MAI Managing Director

Information on Valbridge Property Advisors

Office Locations

Additional Subject Photographs



Subject property interior



Subject property interior



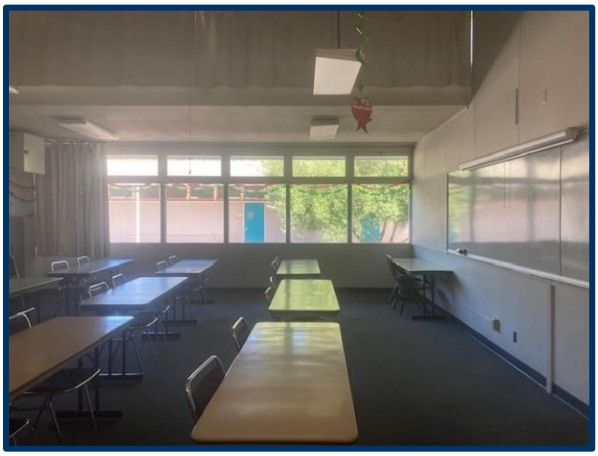
Subject property interior



Subject property interior



Subject property interior



Subject property interior



Subject property interior



Subject property interior



Subject property interior



Subject property exterior



Subject property exterior



Subject property exterior

Glossary

Definitions are taken from The Dictionary of Real Estate Appraisal, 7th Edition (Dictionary), the Uniform Standards of Professional Appraisal Practice (USPAP), and Building Owners and Managers Association International (BOMA).

Absolute Net Lease

A lease in which the tenant pays all expenses including structural maintenance, building reserves, and management; often a long-term lease to a credit tenant. (Dictionary)

Amortization

The process of retiring a debt or recovering a capital investment, typically through scheduled, systematic repayment of the principal; a program of periodic contributions to a sinking fund or debt retirement fund. (Dictionary)

As Is Market Value

The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. (Interagency Appraisal and Evaluation Guidelines) Note that the use of the "as is" phrase is specific to appraisal regulations pursuant to FIRREA applying to appraisals prepared for regulated lenders in the United States. The concept of an "as is" value is not included in the Standards of Valuation Practice of the Appraisal Institute, Uniform Standards of Professional Appraisal Practice, or International Valuation Standards. (Dictionary)

Base Rent

The minimum rent stipulated in a lease. (Dictionary)

Base Year

The year on which escalation clauses in a lease are based. (Dictionary)

Building Common Area

In office buildings, the areas of the building that provide services to building tenants but that are not included in the office area or store area of any specific tenant. These areas may include, but shall not be limited to, main and auxiliary lobbies, atrium spaces at the level of the finished floor, concierge areas or security desks, conference rooms, lounges or vending areas, food service facilities, health or fitness centers, daycare facilities, locker or shower facilities, mail rooms, fire control rooms, fully enclosed courtyards outside the exterior walls, and building core and service areas such as fully enclosed mechanical or equipment rooms. Specifically excluded from building common area are floor common areas, parking space, portions of loading docks outside the building line, and major vertical penetrations. (BOMA)

Building Rentable Area

The sum of all floor rentable areas. Floor rentable area is the result of subtracting from the gross measured area of a floor the major vertical penetrations on that same floor. It is generally fixed for the life of the building and is rarely affected by changes in corridor size or configuration. (BOMA)

Bulk Value

The value of multiple units, subdivided plots, or properties in a portfolio as though sold together in a single transaction. (Dictionary)

Certificate of Occupancy (COO)

A formal written acknowledgment by an appropriate unit of local government that a new construction or renovation project is at the stage where it meets applicable health and safety codes and is ready for commercial or residential occupancy. (Dictionary)

Common Area Maintenance (CAM)

The expense of operating and maintaining common areas; may or may not include management charges and usually does not include capital expenditures on tenant improvements or other improvements to the property. (Dictionary)

The amount of money charged to tenants for their shares of maintaining a [shopping] center's common area. The charge that a tenant pays for shared services and facilities such as electricity, security, and maintenance of parking lots. Items charged to common area maintenance may include cleaning services, parking lot sweeping and maintenance, snow removal, security, [amenities,] and upkeep. (ICSC – International Council of Shopping Centers, 4th Ed.)

Condominium

An attached, detached, or stacked unit within or attached to a structure with common areas that are held as tenants in common (an undivided interest) with other owners in the project. The units can be residential, commercial, industrial, or parking spaces or boat docks. These units are commonly defined by state laws in their locations. Because units can be stacked on top of other units, these units can be defined both vertically and horizontally. (Dictionary)

Conservation Easement

An interest in real estate restricting future land use to preservation, conservation, wildlife habitat, or some

combination of those uses. A conservation easement may permit farming, timber harvesting, or other uses of a rural nature as well as some types of conservation-oriented development to continue, subject to the easement. (Dictionary)

Contributory Value

A type of value that reflects the amount a property or component of a property contributes to the value of another asset or to the property as a whole.

The change in the value of a property as a whole, whether positive or negative, resulting from the addition or deletion of a property component. Also called deprival value in some countries. (Dictionary)

Debt Coverage Ratio (DCR)

The ratio of net operating income to annual debt service (DCR = NOI÷I_m), which measures the relative ability of a property to meet its debt service out of net operating income; also called *debt service coverage ratio (DSCR)*. A larger *DCR* typically indicates a greater ability for a property to withstand a reduction of income, providing an improved safety margin for a lender. (Dictionary)

Deed Restriction

A provision written into a deed that limits the use of land. Deed restrictions usually remain in effect when title passes to subsequent owners. (Dictionary)

Depreciation

In appraisal, a loss in property value from any cause; the difference between the cost of an improvement on the effective date of the appraisal and the value of the improvement on the same date.

In accounting, an allocation of the original cost of an asset, amortizing the cost over the asset's life; calculated using a variety of standard techniques. (Dictionary)

Disposition Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market.
2. The property is subjected to market conditions prevailing as of the date of valuation;
3. Both the buyer and seller are acting prudently and knowledgeably;
4. The seller is under compulsion to sell;
5. The buyer is typically motivated;
6. Both parties are acting in what they consider to be their best interests;
7. An adequate marketing effort will be made during the exposure time;
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto; and
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

This definition can also be modified to provide for valuation with specified financing terms. (Dictionary)

Double Net (Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net lease is defined as a lease in which the tenant is responsible to pay both property taxes and premiums for insuring the building(s). (Valbridge)

(The market definition of a double net lease varies depending on the market)

Easement

The right to use another's land for a stated purpose. (Dictionary)

EIFS

Exterior Insulation Finishing System. This is a type of exterior wall cladding system. Sometimes referred to as dry-vit.

Effective Date

1. The date on which the appraisal opinion applies. (SVP)
2. The date to which an appraiser's analyses, opinions, and conclusions apply; also referred to as date of value. (USPAP, 2020-2021 ed.)
3. The date that a lease goes into effect. (Dictionary)

Effective Gross Income (EGI)

The anticipated income from all operations of the real estate after an allowance is made for vacancy and collection losses and an addition is made for any other income. (Dictionary)

Effective Rent

Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord. (TIs). (Dictionary)

EPDM

Ethylene Propylene Diene Monomer Rubber. A type of synthetic rubber typically used for roof coverings.

Escalation Clause

A clause in an agreement that provides for the adjustment of a price or rent based on some event or index. e.g., a provision to increase rent if operating expenses increase; also called *escalator clause, expense recovery clause or stop clause*. (Dictionary)

Estoppel Certificate

A signed statement by a party (such as a tenant or a mortgagee) certifying, for another's benefit, that certain facts are correct, such as that a lease exists, that there are no defaults, and that rent is paid to a certain date. (Black's) In real estate, a buyer of rental property typically requests estoppel certificates from existing tenants. Sometimes referred to as an *estoppel letter*. (Dictionary)

Excess Land

Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. (Dictionary)

Excess Rent

The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties. (Dictionary)

Expense Stop

A clause in a lease that limits the landlord's expense obligation, which results in the lessee paying operating expenses above a stated level or amount. (Dictionary)

Exposure Time

1. The time a property remains on the market.
2. An opinion, based on supporting market data, of the length of time that 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. (USPAP, 2020-2021 ed.)

Extraordinary Assumption

An assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions.

Comment: Uncertain information might include physical, legal, or economic characteristics of the subject property; or conditions external to the property, such as market conditions or trends; or the integrity of data used in an analysis. (USPAP)

Fee Simple Estate

Absolute 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 escheat. (Dictionary)

Floor Common Area

In an office building, the areas on a floor such as washrooms, janitorial closets, electrical rooms, telephone rooms, mechanical rooms, elevator lobbies, and public corridors which are available primarily for the use of tenants on that floor. In essence, floor common area represents all of the area on the floor that is common to that respective floor with the exception of those areas that penetrate through the floor, such as the elevator shaft and stairwell. The significant point to be made is that floor common area is not part of the tenant's usable area. (BOMA)

Full Service (Gross) Lease

A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called a *full service lease*. (Dictionary)

Furniture, Fixtures, and Equipment (FF&E)

Business trade fixtures and personal property, exclusive of inventory. (Dictionary)

Going-Concern Value

An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the *market value of the going concern* or *market value of the total assets of the business.* (Dictionary)

Gross Building Area (GBA)

1. Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved.
2. Gross leasable area plus all common areas.
3. For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space. (Dictionary)

Gross Measured Area

The total area of a building enclosed by the dominant portion (the portion of the inside finished surface of the permanent outer building wall which is 50 percent or more of the vertical floor-to-ceiling dimension, at the given point being measured as one moves horizontally along the wall), excluding parking areas and loading docks (or portions of same) outside the building line. It is

generally not used for leasing purposes and is calculated on a floor by floor basis. (BOMA)

Gross Up Method

A method of calculating variable operating expenses in income-producing properties when less than 100% occupancy is assumed. Expenses reimbursed based on the amount of occupied space, rather than on the total building area, are described as "grossed up." (Dictionary)

Gross Sellout Value (Sum of the Retail Values)

The sum of the separate and distinct market value opinions for each of the units in a condominium, subdivision development, or portfolio of properties, as of the date of valuation. The aggregate of retail values does not represent the value of all the units as though sold together in a single transaction; it is simply the total of the individual market value conclusions. An appraisal has an effective date, but summing the sale prices of multiple units over an extended period of time will not be the value on that one day unless the prices are discounted to make the value equivalent to what another developer or investor would pay for the bulk purchase of the units. Also called the *aggregate of the retail values, aggregate retail selling price or sum of the retail values.* (Dictionary)

Ground Lease

A lease that grants the right to use and occupy land. Improvements made by the ground lessee typically revert to the ground lessor at the end of the lease term. (Dictionary)

Ground Rent

The rent paid for the right to use and occupy land according to the terms of a ground lease; the portion of the total rent allocated to the underlying land. (Dictionary)

HVAC

Heating, ventilation, air conditioning (HVAC) system. A unit that regulates the temperature and distribution of heat and fresh air throughout a building. (Dictionary)

Highest and Best Use

1. The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity.
2. The use of an asset that maximizes its potential and that is possible, legally permissible, and financially feasible. The highest and best use may be for continuation of an asset's existing use of for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid. (IVS)
3. [The] highest and most profitable use for which the property is adaptable and needed or likely to be needed in the reasonably near future. (Uniform Appraisal Standards for Federal Land Acquisitions) (Dictionary)

Hypothetical Condition

1. A condition that is presumed to be true when it is known to be false. (SVP)
2. A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis.

Comment: Hypothetical conditions are contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP)

Insurable Value (Replacement Cost for Insurance Purposes)

The estimated cost, at current prices as of the effective date of valuation, of a substitute for the building being valued, using modern materials and current standards, design, and layout for insurance coverage purposes guaranteeing that damaged property is replaced with new property (i.e., depreciation is not deducted). (Dictionary)

Investment Value

1. The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. (Dictionary)
2. The value of an asset to the owner or a prospective owner given individual investment or operational objectives (may also be known as worth). (IVS)

Just Compensation

In condemnation, the amount of loss for which a property owner is compensated when his or her property is taken. Just compensation should put the owner in as good a position pecuniarily as he or she would have been if the property had not been taken. (Dictionary)

Leased Fee Interest

The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires. (Dictionary)

Leasehold Interest (Leasehold Estate)

The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease. (Dictionary)

See also Positive Leasehold and Negative Leasehold.

Lessee (Tenant)

One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement. (Dictionary)

Lessor (Landlord)

One who conveys the rights of occupancy and use to others under a lease agreement. (Dictionary)

Liquidation Value

The most probable price that a specified interest in property should bring under the following conditions:

1. Consummation of a sale within a short time period.
2. The property is subjected to market conditions prevailing as of the date of valuation.
3. Both the buyer and seller are acting prudently and knowledgeably.
4. The seller is under extreme compulsion to sell.
5. The buyer is typically motivated.
6. Both parties are acting in what they consider to be their best interests.
7. A normal marketing effort is not possible due to the brief exposure time.
8. Payment will be made in cash in U.S. dollars (or the local currency) or in terms of financial arrangements comparable thereto.
9. The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. (Dictionary)

Loan to Value Ratio (LTV)

The ratio between a mortgage loan and the value of the property pledged as security, usually expressed as a percentage. (Dictionary)

Major Vertical Penetrations

Stairs, elevator shafts, flues, pipe shafts, vertical ducts, and the like, and their enclosing walls. Atria, lightwells and similar penetrations above the finished floor are included in this definition. Not included, however, are vertical penetrations built for the private use of a tenant occupying office areas on more than one floor. Structural columns, openings for vertical electric cable or telephone distribution, and openings for plumbing lines are not considered to be major vertical penetrations. (BOMA)

Market Rent

The most probable rent that a property should bring in a competitive and open market under all the conditions requisite to a fair lease transaction, the lessee and the lessor each acting prudently and knowledgeably, and assuming the rent is not affected by undue stimulus. Implicit in this definition is the execution of a lease as of a specified date under conditions whereby:

1. Lessee and lessor are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their best interests;
3. Payment is made in terms of cash or in terms of financial arrangements comparable thereto; and
4. The rent reflects specified terms and conditions, such as permitted uses, use restrictions, expense obligations, duration, concessions, rental adjustments and revaluations, renewal and purchase options, and tenant improvements (TIs). (Appraisal Institute)

Market Value

The following definition of market value is used by agencies that regulate federally insured financial institutions in the United States: The most probable price that 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. Buyer and seller are typically motivated;
2. Both parties are well informed or well advised, and acting in what they consider their own best interests;
3. A reasonable time is allowed for exposure in the open market;
4. Payment is made in terms of cash in United States 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 sale. (Dictionary; 12 C.F.R. Part 34.42(g); 55 Federal Register 34696, August 24, 1990, as amended at 57 Federal Register 12202, April 9, 1992; 59 Federal Register 29499, June 7, 1994)

Marketing Time

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 appraisal. Marketing time differs

from exposure time, which is always presumed to precede the effective date of an appraisal. (Advisory Opinion 7 of the Appraisal Standards Board of the Appraisal Foundation)

Master Lease

1. A lease in which a part or the entire property is leased to a single entity (the master lessee) in return for a stipulated rent. The master lessee then subleases the property to multiple tenants.
2. The first lease in a sandwich lease. (Dictionary)

Modified Gross Lease

A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a *double net lease, net net lease, partial net lease, or semi-gross le*ase. (Dictionary)

Negative Leasehold

A lease situation in which the market rent is less than the contract rent. (Dictionary)

Operating Expense Ratio

The ratio of total operating expenses to effective gross income (*TOE/EGI*); the complement of the net income ratio, i.e., *OER = 1 – NIR* (Dictionary)

Option

A legal contract, typically purchased for a stated consideration, that permits but does not require the holder of the option (known as the *optionee*) to buy, sell, or lease real estate for a stipulated period of time in accordance with specified terms; a unilateral right to exercise a privilege. (Dictionary)

Partial Interest

Divided or undivided rights in real estate that represent less than the whole, i.e., a fractional interest such as a tenancy in common or easement. (Dictionary)

Pass Through

A tenant's portion of operating expenses that may be composed of common area maintenance (CAM), real property taxes, property insurance, and any other expenses determined in the lease agreement to be paid by the tenant. (Dictionary)

Percentage Lease

A lease in which the rent or some portion of the rent represents a specified percentage of the volume of business, productivity, or use achieved by the tenant. (Dictionary)

Positive Leasehold

A lease situation in which the market rent is greater than the contract rent. (Dictionary)

Potential Gross Income (PGI)

The total income attributable to property at full occupancy before vacancy and operating expenses are deducted. (Dictionary)

Prospective Opinion of Value

A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy. (Dictionary)

Replacement Cost

The estimated cost to construct, at current prices as of a specific date, a substitute for a building or other improvements, using modern materials and current standards, design, and layout. (Dictionary)

Reproduction Cost

The estimated cost to construct, at current prices as of the effective date of the appraisal, an exact duplicate or replica of the building being appraised, using the same materials, construction standards, design, layout, and quality of workmanship and embodying all of the deficiencies, superadequacies, and obsolescence of the subject building. (Dictionary)

Retrospective Value Opinion

A value opinion effective as of a specified historical date. The term *retrospective* does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion." (Dictionary)

Sandwich Leasehold Estate

The interest held by the sandwich leaseholder when the property is subleased to another party; a type of leasehold estate. (Dictionary)

Sublease

An agreement in which the lessee in a prior lease conveys the right of use and occupancy of a property to another, the sublessee, for a specific period of time, which may or may not be coterminous with the underlying lease term. (Dictionary)

Subordination

A contractual arrangement in which a party with a claim to certain assets agrees to make that claim junior, or subordinate, to the claims of another party. (Dictionary)

Surplus Land

Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. (Dictionary)

TPO

Thermoplastic polyolefin, a resilient synthetic roof covering.

Triple Net (Net Net Net) Lease

An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called *NNN lease, net net net lease, or fully net lease*. (Dictionary)

(The market definition of a triple net lease varies; in some cases tenants pay for items such as roof repairs, parking lot repairs, and other similar items.)

Usable Area

The measured area of an office area, store area, or building common area on a floor. The total of all the usable areas for a floor shall equal floor usable area of that same floor. (BOMA)

Value-in-Use

1. The amount determined by discounting the future cash flows (including the ultimate proceeds of disposal) expected to be derived from the use of an asset at an appropriate rate that allows for the risk of the activities concerned. (FASB Accounting Standards Codification, Master Glossary)
2. Formerly used in valuation practice as a synonym for *contributory value* or *use value*. (Dictionary)

VTAB (Value of the Total Assets of a Business)

The total amount that the real property, tangible personal property, and intangible property assets of a business would sell for in an asset-based transaction. (Dictionary)

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Senior Appraiser
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Appraisal Institute, Member

- MAI Designation, 2014

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Continuing education courses taken through the Appraisal Institute and other real estate organizations.

AWARDS

Valbridge Property Advisors | Northern California

- President's Award, 2013

Appraisal Institute NorCal Chapter

- George and Alberta Stauss Scholarship Recipient

EXPERIENCE

Valbridge Property Advisors | Northern California

- Senior Appraiser, 2014-Present

Hulberg & Associates, Inc.

- Associate Appraiser, 2004-2014

Mr. Bargy has nearly 20 years of experience appraising a wide spectrum of commercial, industrial, residential, and mixed-use properties of all sizes in various regional market areas within the State of California.

In addition, he specializes in and/or has experience with appraising schools, public properties, gas stations, hotels/motels, movie theaters, car wash facilities, and other "special purpose" property types, and has completed several going concern/ business valuations, leasehold interest valuations, tax appeals, and appraisal reviews.

Mr. Bargy has an extensive portfolio and has worked with a variety of banking institutions, law firms, government agencies, property owners, and other real estate professionals. He is also qualified as an expert witness and has provided court testimony.

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CERTIFICATION



Business, Consumer Services & Housing Agency
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REAL ESTATE APPRAISER LICENSE

Jeremy S. Bargy

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 036071

Effective Date: January 5, 2023
Date Expires: January 4, 2025

I certify, under penalty of perjury, that this is a true and correct copy of my original license or certificate.

Signature:

Date: 01/05/2023

Loretta Dillon, Deputy Bureau Chief, BREA

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MEMBERSHIPS & AFFILIATIONS

Appraisal Institute, Member

- MAI Designation, 2009
- Demonstration Appraisal Report Panel Grader
- Fall Conference Board Member, 2007-Present
- NorCal Chapter Board of Directors Member, 2009-2012

Toastmasters International

- Competent Communicator

APPRAISAL INSTITUTE & RELATED COURSES

- Continuing education courses taken through the Appraisal Institute and other real estate organizations.
- Dale Carnegie Sales Training: Winning with Relationship Selling

SPEAKING ENGAGEMENTS

Valbridge Women's Council Val-talk Webinar:

- *Cell Tower and Market Rent Analysis*

AWARDS

Valbridge Property Advisors | Northern California

- President's Award, 2021
- Excellence in Mentoring, 2019

EXPERIENCE

Valbridge Property Advisors | Northern California

- Managing Director, 2021-Present
- Director, 2018-2021
- Senior Appraiser, 2004-2018

Southern California

- Associate Appraiser, 2001-2004

Mr. Fronen has expertise in a diverse range of complex valuation and consulting assignments, including retrospective valuations, fractional interest valuations, arbitration, litigation, estate work, tax appeals, contamination, rent loss, and diminution in value. He has experience providing court testimony and is a qualified expert witness as well.

Appraisal/valuation and consulting assignments include: Offices (professional and medical/dental; suburban and high-rise); Shopping Centers (community, specialty, neighborhood, and strip); Swap Meets; Storefront Retail buildings; Residential (apartments, condominiums, subdivisions, and single-family); Industrial (research and development, light industrial, warehouses, food processing, and manufacturing); Land and Remnant appraisals.

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Joshua D. Fronen

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

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 028548

Effective Date: December 19, 2023
Date Expires: December 18, 2025

I certify, under penalty of perjury, that this is a true and correct copy of my original license or certificate.

Signature:

Date: 12-19-2023

Angela Jemmott, Bureau Chief, BREA

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FAST FACTS

COMPANY INFORMATION

- Valbridge is North America's largest independent commercial appraisal firm.
- Valbridge provides custom appraisal reports in the U.S., Canada, and Puerto Rico.
- Valbridge specializes in appraising all types of real property.
- Valbridge provides independent valuation services. We are NOT owned by a brokerage firm or investment company.
- Every Valbridge office is overseen by a Senior Managing Director who holds the MAI designation of the Appraisal Institute.
- Valbridge is owned by local offices.
- Valbridge welcomes single-property assignments as well as portfolio, multi-market, and other bulk-property engagements.

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