



**APPRAISAL REPORT**

Land, Islais Creek/I-280  
San Francisco, California

**PREPARED FOR**

San Francisco Municipal Transportation Agency

MAY 2014  
1405011

May 30, 2014

Ms. Kerstin Fraser Magary,  
SFMTA Real Estate Unit,  
One South Van Ness Avenue, 8<sup>th</sup> Floor,  
San Francisco, Ca. 94103

Dear Ms. Magary:

Pursuant to your request and authorization, this submission is an appraisal report, to estimate the Market Value of the Fee Simple Interest and Market Rental Value in the property located along the north line of Islais Creek, beneath and east of Interstate 280, San Francisco, California. The subject is more specifically identified on **Table 1**.

In order to appraise this property, an inspection of sites and neighborhood in which they are located has been completed. A determination of highest and best use has been made. Trends of land uses in the area have been noted and research has been completed on comparable property sales and land leases as they relate to the subject.

Based upon my analysis of the available information, the Market Value of the defined interest in the parcels, as described herein, subject to the *Assumptions and Limiting Conditions* contained in Chapter I, as of May 20, 2014, is considered to be:

**Gross of Allocated Remediation Cost**

***Parcel No.1: TWO HUNDRED FOURTEEN THOUSAND SIX HUNDRED  
SEVENTY ONE DOLLARS PER ANNUM  
(\$214,671/pa)***

**Net of Allocated Remediation Cost**

***Parcel No. 1: ONE HUNDRED FIFTY FOUR THOUSAND NINE HUNDRED  
TWENTY SIX DOLLARS PER ANNUM  
(\$154,926/pa)***

***Parcel No. 2:***

***ONE DOLLAR  
(\$1.00)***

This letter of transmittal must remain attached to the report, which contains 40 pages, plus related addenda exhibits, in order for the value opinion set forth to be considered valid.

This appraisal has been prepared for the exclusive use of the *City and County of San Francisco* and may not be used or relied upon by anyone other than the Client, for any purpose whatsoever, without the express written consent of the appraiser.

The analyses, opinions, and conclusions were developed, and this report has been prepared, in accordance with the Uniform Standards of Professional Appraisal Practice and CFR 49, Part 24.

Respectfully submitted,

*David Tattersall & Company*

David N. Tattersall, MAI  
General Certificate AG002681



**SUMMARY OF SALIENT FACTS AND CONCLUSIONS**

|                                 |                                                                   |                           |
|---------------------------------|-------------------------------------------------------------------|---------------------------|
| <b>Property Type:</b>           | Vacant/unimproved industrial land.                                |                           |
| <b>Property Address:</b>        | No given address<br>Islais Creek/I-280, San Francisco, California |                           |
| <b>APN:</b>                     | See Table 1                                                       |                           |
| <b>Parcel Size:</b>             | See Table 1                                                       |                           |
| <b>Zoning:</b>                  | M-2 Heavy Industrial District<br>PDR-2 - Production               |                           |
| <b>Flood Zone:</b>              | A non participating community                                     |                           |
| <b>Earthquake Hazard:</b>       | Not identified in an earthquake study zone.                       |                           |
| <b>Building Improvements:</b>   | None                                                              |                           |
| <b>Building Size:</b>           | N/A                                                               |                           |
| <b>Highest and Best Use:</b>    | Hold for future industrial development.                           |                           |
| <b>Interest Appraised:</b>      | Fee Simple Interest.                                              |                           |
| <b>Date of Inspection:</b>      | May 20, 2014.                                                     |                           |
| <b>Effective Date of Value:</b> | May 20, 2014                                                      |                           |
| <b>Date of Report:</b>          | May 30, 2014                                                      |                           |
| <b>Value Conclusion:</b>        | <b>Gross of Remediation</b>                                       | <b>Net of Remediation</b> |
| Parcel No. 1 – 04-SF-280-8a     | \$217,671 per annum                                               | \$154,926 per annum       |
| Parcel No. 2 – 04-SF-280-8b     | \$1.00 (per client instructions)                                  |                           |



**CERTIFICATION**

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

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

I have no present or prospective interest in the property that is the subject of this appraisal report and no personal interest with respect to the parties involved. I have previously rendered appraisal services on this property within the past 36 months.

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

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 estimate, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended user of this appraisal.

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

This appraisal report sets forth all of the limiting conditions imposed by the terms of the assignment affecting the analyses, opinions, and conclusions contained in this report.

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.

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

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

I have made a personal inspection of the property that is the subject of this report.

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

As of the date of this report, I, David N. Tattersall, have completed the requirements under the continuing education program of the Appraisal Institute.

David N. Tattersall, MAI  
General Certificate AG002681



**Table of Contents**

**Letter of Transmittal  
Summary of Facts and Conclusions  
Certificate of Appraisal**

|                                              |           |
|----------------------------------------------|-----------|
| <b>I. REPORT SUMMARY</b>                     | <b>7</b>  |
| A. PROPERTY APPRAISED                        | 7         |
| B. PURPOSE AND INTENDED USE OF THE APPRAISAL | 7         |
| C. INSPECTION OF SUBJECT AND DATE OF VALUE   | 7         |
| D. SCOPE OF APPRAISAL                        | 7         |
| E. DEFINITION OF MARKET VALUE                | 8         |
| F. PROPERTY RIGHTS APPRAISED                 | 8         |
| G. DEFINITION OF MARKET RENTAL VALUE         | 9         |
| H. HISTORY OF SUBJECT PROPERTY               | 9         |
| I. ASSUMPTIONS AND LIMITING CONDITIONS       | 9         |
| J. EXTRAORDINARY ASSUMPTIONS                 | 11        |
| K. HYPOTHETICAL CONDITIONS                   | 11        |
| <b>II. REGIONAL CHARACTERISTICS</b>          | <b>12</b> |
| A. COUNTY OF SAN FRANCISCO                   | 12        |
| B. NEIGHBORHOOD DESCRIPTION                  | 14        |
| <b>III. SITE DESCRIPTION</b>                 | <b>17</b> |
| A. PHYSICAL CHARACTERISTICS                  | 17        |
| B. UTILITIES                                 | 17        |
| C. EARTHQUAKE AND FLOOD HAZARD               | 19        |
| D. SOILS AND HAZARDS                         | 19        |
| E. LEGAL AND TITLE                           | 19        |
| F. ZONING AND USE                            | 20        |
| G. TAXES AND ASSESSMENTS                     | 20        |
| H. CONCLUSION                                | 21        |
| <b>IV. MARKET OVERVIEW</b>                   | <b>22</b> |
| A. GENERAL ECONOMIC INDICATORS               | 22        |
| B. INDUSTRIAL MARKET                         | 23        |
| C. SAN FRANCISCO DEVELOPMENT LAND MARKET     | 24        |
| D. CONCLUSION                                | 25        |
| <b>V. HIGHEST AND BEST USE</b>               | <b>26</b> |
| A. PARCEL NO. 1                              | 27        |
| B. PARCEL NO. 2                              | 28        |
| <b>VI. VALUATION METHODOLOGY</b>             | <b>29</b> |
| <b>VII. SALES COMPARISON APPROACH</b>        | <b>30</b> |
| A. METHODOLOGY                               | 30        |
| B. ANALYSIS OF LAND LEASES                   | 30        |
| C. SITE REMEDIATION COST                     | 39        |
| <b>VIII. RECONCILIATION AND CONCLUSION</b>   | <b>41</b> |

**Addendum**

Subject Photos  
Summary of Soil Remediation Costs  
Project Site Maps  
Title Report  
Easement Documents  
Appraiser Qualifications

## **I. Report Summary**

### **A. Property Appraised**

The subject property comprises 4 irregular shaped parcels. The parcels are being created from a number of assessor parcels as summarized on **Table 1**. The parcels form a portion of the Project site being acquired part in fee and part leased from Caltrans. This appraisal addresses the value of the leased parcels only.

**Parcel 1: 04-SF-280-8a** is a 71,557 square foot parcel located beneath and between the I-280 north and southbound overpass lanes between Cesar Chavez Street and the north line of Islais Creek.

**Parcel 2: 04-SF-280-8b** is a 2,591 square foot slither of land located beneath and between the I-280 north and southbound overpass lanes along the north line of Islais Creek.

**Parcel Nos. 3, 4 and 5** are 'associated parcels which form a part of the *'project site area'* and have been acquired in fee' but do not form a part of the appraised site areas.

### **B. Purpose and Intended Use of the Appraisal**

I have been requested by *Mr. Edward D. Reiskin, Director of Transportation for the San Francisco Municipal Transportation Agency*, to estimate the Market Rental Value of the *Fee Simple Interest* in *Parcel Nos. 1 and 2* in the subject property. The intended user of the appraisal is exclusively for *the San Francisco Municipal Transportation Agency*, and the intended use is for *lease negotiation purposes*, and for no other intended use or user.

### **C. Inspection of Subject and Date of Value**

The subject property was initially re-inspected by, David N. Tattersall, MAI, on May 20, 2014. The effective date of value is May 20, 2014.

### **D. Scope of Appraisal**

The scope of the appraisal included the following primary elements.

- 1) Inspection of the subject site, improvements and neighborhood.
- 2) Review of legal documentation (title/hazard/soils reports, leases, etc.).
- 3) Overview of neighborhood, city and regional economies, demographics, social trends and general market observations.
- 4) Determination of Highest and Best Use by reference to physical inspection, interpretation of legal uses as permitted by zoning, economic feasibility as determined by market observation and maximum productivity.

- 5) In order to comply with the Competency Provision of the USPAP, the appraiser conducted numerous interviews with property owners and brokers familiar with the San Francisco real estate markets in order to formulate a basis for the appraisal. The appraiser has also had prior experience in appraising a wide variety of commercial/industrial/residential property and easements throughout the San Francisco Bay Area.
- 6) Research of market sale data utilizing various data services and sources, deeds, and county records. All sale information was confirmed with buyer, seller, broker, or lender involved in the transaction.
- 7) Reconciliation of three Approaches to Value (where applicable) concluding in a final determination of value.

#### **E. Definition of Market Value**

For the purpose of this appraisal, Market Value will be defined as follows:

The most probable price 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, knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of the 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 each acting in what they consider their own best interest.
- 3) A reasonable time is allowed for exposure in the open market.
- 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto.
- 5) The price represents a normal consideration for the property sold unaffected by special financing or creative financing or sales concessions granted by anyone associated with the sale.

(Source: OCC Under 12CFR, Pt.34)

#### **F. Property Rights Appraised**

The purpose of the appraisal is to estimate the Market Value of the *Fee Simple Interest* in the subject property as described herein.

The Fee Simple Interest is defined by the American Institute of Real Estate Appraisers as an absolute fee; a fee without limitations to any particular class of heirs or restrictions, but subject to the limitations of eminent domain, escheat, police power, and taxation. An inheritable estate.

**G. Definition of Market Rental Value**

The rental income that a property would most probably command in the open market; indicated by the current rents paid and asked for comparable space as of the date of the appraisal.

**H. History of Subject Property**

There have been no recorded sale transactions affecting the subject property within the last 5 years.

**I. Assumptions and Limiting Conditions**

This appraisal is subject to the following limiting conditions.

- 1) The legal description and area dimensions furnished to the appraiser are assumed to be correct. No survey of the boundaries of the property was completed.
- 2) I assume no responsibility for matters legal in character, nor do we render any opinion as to title, which is assumed to be marketable. All existing liens, encumbrances, and assessments have been disregarded, except where noted, and the property is appraised as though free and clear, under responsible ownership and competent management.
- 3) Unless otherwise noted herein, it is assumed that there are no encroachments, zoning, or restrictive violations existing in the subject property.
- 4) No opinion is intended to be expressed on matters, which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
- 5) The exhibits in this report are included to assist the reader in visualizing the property. I have made no survey of the property and assume no responsibility in connection with such matters.
- 6) The distribution or allocation, if any, of the total valuation of this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. Any value estimate provided in the report applies to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimate, unless such proration or division of interests has been set forth in the report.
- 7) The statements of value and all conclusions shall apply as of the date shown herein.
- 8) I assume no responsibility for economic or physical factors, which may affect the opinions herein stated, which may be present or occur at some date after the date of value.
- 9) I have inspected, as far as possible, by observation, the land; however, it was impossible to personally inspect conditions beneath the soil; therefore, no

representations are made as to these matters unless specifically considered in the appraisal. Further, no opinion is expressed as to the value of sub-surface oil, gas, or mineral rights, or whether the property is subject to surface entry for the exploration or removal of such materials, except as is expressly stated.

- 10) This appraisal is predicated on the assumption that the existence of hazardous material, which may or may not be present on or near the property, was not observed by the appraiser, unless otherwise stated. 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 asbestos or other potentially hazardous materials may affect the value of the property. The value estimate herein is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such condition, or for any expertise or knowledge required to discover them.
- 11) No engineering survey has been made by us. Except as specifically stated, data relative to size and area was taken from sources considered reliable. Furthermore, no warranty is implied with regard to physical or structural or operational deficiencies, which are not disclosed to the appraiser and noted herein.
- 12) The appraiser assumes no responsibility for determining if the property requires environmental approval by the appropriate governing agencies, nor if it is in violation thereof, unless otherwise noted herein. The appraiser assumes that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the appraisal report. The appraiser assumes that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- 13) Information, estimates, and opinions contained in this report are obtained from sources considered reliable and where feasible, has been verified. However, no liability can be assumed for information supplied by others.
- 14) I reserve the right to make such adjustments to the valuation herein reported, as may be required by the consideration of additional data or more reliable data that may become available.
- 15) This report shall be used for its intended purpose only and by the parties to whom it is addressed as of the current date of valuation. Possession of this report does not carry with it the right of publication, or duplication. The signatory of this appraisal is an MAI designate of the Appraisal Institute. The Bylaws and Regulations of the Institute require each member or candidate to control the use and distribution of each appraisal signed by such member or candidate. Therefore, except as hereinafter provided, the party for whom this appraisal was prepared may distribute copies of this report, in its entirety, to such third parties as may be selected by the party for whom this report was prepared; however, selected portions of this appraisal shall not be given to third parties without the prior written consent of the signatories of this report. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising.

public relations, news, sales, or other media without the written consent or approval of the author. This applies particularly to value conclusions, the identity of the appraiser or firm with which is connected, and any reference to the Appraisal Institute, or the MAI designation.

- 16) The liability of David Tattersall & Company, its owners and staff is limited to the client only and to the amount of the fee actually paid for services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation or liability to any third party. If this report is placed in the hands of anyone other than the client, the client shall make such party aware of all assumptions and limiting conditions of the assignment and related discussions. David Tattersall & Company is in no way to be responsible for any cost incurred to discover or correct any deficiencies of any type present in the property, physically, financially, and/or legally. The client also agrees that in the event of a lawsuit brought by a lender, partner or part owner in any form of ownership or tenancy or by any other party, the client will hold David Tattersall & Company completely harmless from and against any liability, loss, cost of expense incurred or suffered the client in such action, regardless of its outcome.

**J. Extraordinary Assumptions**

- 1) The appraised value assumes the soil remediation costs are spread evenly across the *project site* of which the subject forms a portion, for purposes of allocation.

**K. Hypothetical Conditions**

- 1) The appraised value considers the value of the land in a condition prior to soil remediation or any other improvement except as otherwise noted herein.

## II. Regional Characteristics

### A. County of San Francisco

**Location:** San Francisco, central west of San Francisco Bay and 1 of 9 Bay Area Counties.

| <b>Population:</b> | <b>Year</b> | <b>No. of Persons</b> | <b>Annual Change</b> |
|--------------------|-------------|-----------------------|----------------------|
|                    | 1995        | 737,400               |                      |
|                    | 2005        | 807,382               | 0.95%                |
|                    | 2010        | 856,095               | 1.21%                |
|                    | 2011        | 812,820               | -5.14%               |
|                    | 2012        | 812,538               | -0.03%               |
|                    | 2013        | 825,111               | 1.55%                |

*(E-5-2013 Dept. of Finance, California)*

**Comments:** A turn around in population trends reflects the improved local economy.

#### **Income Per Capita:**

\$74,349 (2011); California Rank: 3; 166% of State average.  
*(EDD – July 2013)*

#### **Total Labor Force:**

486,400 persons (July 2013)

#### **Unemployment Rate:**

5.20% being a continuing improvement since 2010 recession peak of 10%. California State unemployment stands at 8.1%  
*(EDD, LM Info, March 2014)*

#### **Retail Sales:** Taxable transactions in thousands of dollars.

| <b>Year</b> | <b>\$,000s</b> | <b>Annual % Change</b> |
|-------------|----------------|------------------------|
| 2007        | \$14,614,736   | 5.20%                  |
| 2008        | \$14,837,689   | 1.52%                  |
| 2009        | \$12,633,575   | -14.90%                |
| 2010        | \$13,443,121   | 6.04%                  |
| 2011        | \$14,890,000   | 10.76%                 |

**Comments:** Retail sales reflect steady growth to 2008 with a sharp recessionary decline in 2009 and strong recovery in 2010 and 2011.  
*(Source: State BOE, Ca. 2013)*

| <b>Housing:</b> | <b>Total Units</b> | <b>Vacancy<br/>Housing Units</b> | <b>Persons Per<br/>Household</b> |
|-----------------|--------------------|----------------------------------|----------------------------------|
| 2011            | 378,004            | 8.34%                            | 2.15                             |
| 2012            | 377,487            | 8.24%                            | 2.27                             |
| 2013            | 378,766            | 8.20                             | 2.30                             |

**Comment:** Stabilization of vacancy noted with a small rise in inventory.

### **Transportation**

**Airports:** San Francisco International Airport  
San Jose International Airport  
Oakland International Airport

**Seaports:** Port of San Francisco; cargo and cruise line.  
Port of Oakland; cargo

**Freeway:** U.S. Highway 101 north/south. Interstate 280 north/south.

**Rail:** Amtrak; Caltrain; Muni

**Ferry:** Golden Gate Transit; Larkspur and Sausalito. Blue and Gold Fleet;  
Tiburon.

### **Other**

**Military:** Presidio Army Base closed and undergoing reuse design with housing, industrial and retail uses. Significant development of facilities for Lucas Films companies.

**Development:** The onset of the 2007 recession put a halt to virtually all development activity. Since 2012 there has been a resurgence of development activity spurred by another tech (social media) boom affecting the South of Market, Mid Market and Mission Bay districts. Strong demand for housing has inflated but for sale and rental markets significantly. Downtown commercial space also constrained. Numerous multi-family high-rise and office projects are under construction in addition to the large public works projects at the TransBay Terminal and Cross Town subway.

**Conclusion:** San Francisco remains at the center of the Bay Area economy. A quick recovery from the 2007 recession has given rise to another booming market especially in the residential and office sectors. Land use/redevelopment pressure is expanding from the South of Market to surrounding districts.

## **B. Neighborhood Description**

The subject is located in a neighborhood that forms a part of the Bayview-Hunters Point Industrial District. As a planning district, the neighborhood extends from 25<sup>th</sup> Street to the north to the City/County boundary to the south and from the India Basin shoreline to the east to Bayshore Blvd to the west.

The characteristic of the neighborhood comprises a mix of older Residential neighborhoods, general warehousing and light industrial uses and heavy industrial uses. The neighborhood is primarily accessed from either Interstate 280 which runs along the neighborhood's western boundary and by 3<sup>rd</sup> Street which now has a new light rail system. Phase 1 of the light rail system has been completed and this provides rail service from Visitacion Valley to the south up the 4<sup>th</sup>/King Streets. Phase 2 which is now under construction, is the cross town subway extending the light rail underground, northward along/under 4<sup>th</sup> Street to Union Square, under Stockton Street to Chinatown and North Beach.

The new light rail has provided an economic boost to the 3<sup>rd</sup> Street corridor. That combined with zoning changes (M-1/M-2 to PDR) enacted in 2008 to protect light industrial uses lays the framework for employment and economic growth in the neighborhood.

The subject is located at the northern end of the neighborhood and is more influenced by the adjacent Dog Patch and Potrero Hill neighborhoods which have been extensively developed with new infill housing during the boom period from 2002-2007. The new PDR zoning that covers much of the neighborhood is designed to protect existing industrial uses from redevelopment to housing or other uses. There are no significant (re)development plans within the immediate environs of the subject.

However, there are several large projects at various stages of planning being undertaken by:

- 1) Forest City's proposed redevelopment of Pier 70 and the associated Ballot measure, Proposition B (June 3, 2014) which proposes height limit increase for that area of the waterfront. The total project currently proposes 1,000 housing units, 1.8 million square feet of commercial space and 400,000 square feet of retail, cultural and manufacturing uses.
- 2) The former Hunters Point Naval Shipyards located to the east. The project developer, Lennar Homes has commenced development are undergoing the first phase of a redevelopment plan in which 63 of the 500 acres will undergo infrastructure improvements to support 1,238 homes and 25 acres of recreational and open space.
- 3) Adjacent and to the south of that is the Candlestick Point Special Use District which stretches from Carroll Avenue to Jamestown Extension and is proposed to rejuvenate the district with a new 69,000 seat stadium (to replace Candlestick Park), 6,500 new homes, 400,000 square feet of retail space, 150,000 square feet

of office, a 200 room hotel and 150 acres of parks and open space. New York-based L+M Development Partners recently completed the second phase of construction in April 2014 Candlestick Heights. The development's 130 new rental units that will bring a high-quality affordable living option to The City's Bayview Hunters Point neighborhood.

- 4) San Francisco-based Avant Housing, a joint venture of AGI Capital Group and TMG Partners together with the California Public Employees Retirement System, is planning to file permits for a 259-unit apartment development in the Dog Patch district of San Francisco. An official name for the project has not been determined at this time. The site for the development covers half of a city block. It is located between 3<sup>rd</sup> Street, 23<sup>rd</sup> Street and Tennessee Street. The site's official address is listed as 1201 Tennessee Street. The location of the project now includes an old warehouse and a gas station. These facilities will be torn down for the project. These are long term project plans but they demonstrate the support of local government to improve and develop these areas that have for a long time been underutilized and a blight of economic progress to this part of the City. As such, renewed interest is likely to be sparked with the potential for a gentrification of the neighborhood over the next several years.

# Location Map



Islais Creek/I-280 Parcels, San Francisco, Ca.



### **III. Site Description**

#### **A. Physical Characteristics**

A summary of the parcels is provided on **Table 1**.

##### ***Parcel No. 1: 04-SF-280-8A***

This irregular shaped level parcel comprises a gross site area of 71,557 square feet. The parcel lies adjacent and beneath an elevated portion of Interstate 280 but is not part of the continuous Interstate 280 right of way. The Interstate 280 right of way continues beyond the property boundaries as an elevated right of way. The parcel has a maximum depth of 441 feet and a highly variable width with a minimum of 157 feet. The parcel is bordered to the north by City owned unimproved property and to the south by unimproved City owned property being the line of the paper street of Tulare Street and Islais Creek. The parcel is not a legal lot of record but has been created for the purposes of acquisition (lease) by the City of San Francisco. The parcel forms a part of existing assessor parcel numbers 4382-003, 4349-002, 2A, 13. Prior to development by SFMTA, the parcel had no direct public street access or utilities. The parcel appeared encumbered by a large sewer main crossing from southwest to northeast as well as 10 freeway bents.

##### ***Parcel No. 2: 04-SF-280-8b***

This highly irregular shaped level parcel comprises a gross site area of 2,591 square feet. The parcel lies adjacent and beneath an elevated portion of Interstate 280 but is not part of the continuous Interstate 280 right of way. The Interstate 280 right of way continues beyond the property boundaries as an elevated right of way. The parcel is bordered to the north by State owned unimproved property and to the south by unimproved City owned property being the line of the paper street of Tulare Street and Islais Creek. The parcel is not a legal lot of record but has been created for the purposes of acquisition by the City of San Francisco. The parcel forms a part of existing assessor parcel numbers 4349-002, 13. The parcel as currently configured has no public street access or utilities.

#### **B. Utilities**

The *parcels* are not served by urban utilities. However, utilities are available in the street for water, sewer, gas and electricity and could be extended on site at no extraordinary cost. The acquiring parcel has full access to all normal urban utilities.

PROPERTY SUMMARY

TABLE 1

| ISLAIS CREEK<br>SAN FRANCISCO  |                 |                                                                                              |                                                                              |                                                                             |            |                                                                                                              |                 |                                                                                                                                                                                                       |                                                                                  |
|--------------------------------|-----------------|----------------------------------------------------------------------------------------------|------------------------------------------------------------------------------|-----------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------|-----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|
| PCL                            | ID              | APN                                                                                          | AREA<br>ACRES                                                                | AREA<br>SF                                                                  | INTEREST   | ZONE<br>HT/BULK                                                                                              | FAR<br>SF/DU    | BLD BLE<br>NO. DUS                                                                                                                                                                                    | FEATURES                                                                         |
| <b>APPRAISAL PARCELS</b>       |                 |                                                                                              |                                                                              |                                                                             |            |                                                                                                              |                 |                                                                                                                                                                                                       |                                                                                  |
| 1                              | 04-SF-280-8A    | Ptn 4382-003<br>Ptn 4349-002A<br>Ptn 4349-002<br>Ptn 4349-013                                | 1.6427                                                                       | 71,557                                                                      | Lease      | M-2/65J-40X                                                                                                  | 5.00<br>800/600 | 357,785                                                                                                                                                                                               | Use restricted to storage<br>of operational vehicles<br>Subject to access rights |
| 2                              | 04-SF-280-8B    | Ptn 4349-002<br>Ptn 4349-013                                                                 | 0.0595                                                                       | 2,591                                                                       | Lease      | M-2/40X                                                                                                      | 5.00<br>800/600 | 12,955                                                                                                                                                                                                | Use restricted to storage<br>of operational vehicles<br>Subject to access rights |
| <b>ASSOCIATED PARCELS</b>      |                 |                                                                                              |                                                                              |                                                                             |            |                                                                                                              |                 |                                                                                                                                                                                                       |                                                                                  |
| 3                              | DD-030660-01-02 | Ptn 4382-003<br>Ptn 4349-002A                                                                | 0.9810                                                                       | 42,732                                                                      | Fee Simple | M-2/65J-40X                                                                                                  | 5.00<br>800/600 | 213,662<br>53/71                                                                                                                                                                                      | No use restrictions<br>Subject to access rights                                  |
| 4                              | DD-030660-01-03 | Ptn 4382-003<br>Ptn 4349-002A                                                                | 0.1250                                                                       | 5,445                                                                       | Fee Simple | M-2/40X                                                                                                      | 5.00<br>800/600 | 27,225                                                                                                                                                                                                | No use restrictions<br>Subject to access rights                                  |
| 5                              | City Property   | 4381-001<br>4381-004<br>4382-004<br>4382-005<br>4382-006<br>4352-001<br>4352-006<br>4352-007 | 1.8400<br>0.7600<br>1.1600<br>0.2071<br>0.7600<br>0.2400<br>0.2400<br>2.0500 | 80,263<br>32,935<br>50,580<br>9,020<br>33,292<br>10,659<br>10,249<br>89,328 |            | PDR-2/40X<br>PDR-2/40X<br>PDR-2/40X-65J<br>PDR-2/65J<br>PDR-2/40X-65J<br>PDR-2/65J<br>PDR-2/65J<br>PDR-2/65J |                 | Indiana Street frontage<br>Islais Creek frontage<br>No street access<br>Cesar Chavez frontage<br>Islais Creek frontage<br>Cesar Chavez frontage<br>Indiana Street frontage<br>Indiana Street frontage |                                                                                  |
| Total Fee parcels as assembled |                 |                                                                                              | 8.90                                                                         | 387,883                                                                     |            |                                                                                                              |                 |                                                                                                                                                                                                       |                                                                                  |



**C. Earthquake and Flood Hazard**

The *parcels* are not identified as being within the Alquist Priolo earthquake study zone. The parcels are however located within a seismically active area and could be adversely impacted by strong seismic activity.

The City and County of San Francisco does not participate in any flood mapping program. The subject is therefore assumed to be unaffected by and located outside of the 500 year flood plain. However, the subject was reportedly subject to occasional run off flooding/inundation.

**D. Soils and Hazards**

The *parcel's* are reportedly subject to surface and/or subsurface soil contaminations. The cost to remediate the contaminations across the project site from May 2011 to February 2012 was \$1,590,374 which represents Caltrans' share of the total remediation cost of \$4,298,308 (see addendum). The remediation will allow full development of the *project site*. The remediation cost has been spread over the subject *Parcel No. 1* (71,557 square feet) and *Parcel No. 3* (42,732 square feet) which combine for 114,289 square feet. Allocated across these parcels, the allocated unit cost of remediation is \$13.91 per square foot.

**E. Legal and Title**

The appraiser was provided with a title report for the *project site* completed by Chicago Title Company dated May 6, 2011. Exceptions to title in addition to the usual exceptions for mortgage liens and property taxes include the following:

Exception No. 4 refers to an existing sewer line easement affecting APN 4382-003 and 4349-002, 002A. The exact location size and dimensions are not provided in the record however on site observation confirmed the presence of a large sewer main running beneath *Parcel No. 1* from southwest to northeast.

Exception No. 5, references an easement for the construction and maintenance of batter piles in favor of the City and County of San Francisco affecting APN 4349-013. This would appear to impact *Parcel No. 1*.

All other exceptions are more general in nature.

## **F. Zoning and Use**

The *take* parcels have an M-2 (Heavy Industrial) zoning category with a 65J height and bulk limit and a maximum floor area ratio (FAR) of 5:1.

M-2 zones allow for heavy industry in contrast to M-1 zones and are least restrictive on use. M-2 zones allow 1 dwelling unit per 800 square feet or the density of the nearest R district which is RM-2 (1 unit per 600 square feet), whichever is greater. The RM-2 zoning has the higher density which may be permitted if residential uses were to be developed.

The acquiring parcels are zoned PDR-2 Production, Distribution and Repair.

The intent of this district is to encourage the introduction, intensification, and protection of a wide range of light and contemporary industrial activities. Thus, this district prohibits new housing, large office developments, large-scale retail, and the heaviest of industrial uses, such as incinerators. Generally, all other uses are permitted. The conservation of existing flexible industrial buildings is also encouraged. These districts permit certain non-industrial, non-residential uses, including small-scale retail and office, entertainment, certain institutions, and similar uses that would not create conflicts with the primary industrial uses or are compatible with the operational characteristics of businesses in the area.

*Parcel Nos. 1 and 2* are to be leased under a long term lease agreement. The proposed lease would be for a 50 year term with 2x15 year options to extend. The defined use of the leased area would be for parking and temporary storage and subject to typical Caltrans Lease restrictions. Caltrans will however be granted a right of access across the leased parcels fronting Cesar Chavez Street for the maintenance of the Interstate 280 freeway structure. The exact location of the right of access has not been determined.

## **G. Taxes and Assessments**

Since passage of Proposition 13, or the Jarvis Gann Initiative in 1978, real property taxes are limited to 1% of Market Value, as of a specified base year. The base year valuation is the Assessor's 1975 Market Value estimate, unless there is a transfer of ownership (sale), new construction, or the property is leased on a long-term basis. Whenever this occurs, the property is reassessed at full Market Value. If a reassessment is not triggered, the assessed value is trended upward at 2% annually.

Furthermore, Proposition 13 limits annual taxes to 1%, plus an amortized amount for voter approved bonded indebtedness, of the assessed value.

All the *take* parcels and the acquiring parcels are publically owned and tax exempt.

## **H. Conclusion**

The *subject* parcels represent undeveloped industrial land (prior to the development of improvements by the lessee) located under and adjacent and east of Interstate 280. Site hazards have been identified and the cost to cure estimated as noted herein. There are some pre-existing easements which have an impact on the development potential of the property. The property has a creekside location but also adjacent to the Interstate 280 freeway.

## **IV. Market Overview**

### **A. General Economic Indicators**

The Federal Reserve commenced reduction of quantitative easing in 2013 reflecting improving economic conditions. However, the Federal budget deficit continues to grow at a \$1tr. Annual rate of growth to record levels and government spending has continued to balloon with increased unemployment benefits.

There are a number of key issues surrounding the economy that remain a concern and how these are resolved will determine the path to recovery. Among the issues are the size of the federal deficit and taxes, the rate of Federal Reserve tapering and the start of raising interest rates.

The rate of unemployment as of *February 2014* has declined although this improvement is largely due to job hunters giving up hope of finding employment. The employment outlook therefore remains guarded. National unemployment (U-3) hovers around 6.70%, with the State of California at 8.10% and San Francisco at 5.20%. However, the National U-6 unemployment rate (those collecting unemployment, plus those seeking employment plus those unemployed or underemployed and no longer actively seeking employment) is still in excess of 14.90%

Interest rates have climbed from an all time low of the 10 year treasury at 1.60% to 2.61%. The 'Fed' has signaled a tapering of the bond buying program suggesting a further rise in rates is imminent. The problem still exists with the availability of capital which continues to exasperate business lending, residential and commercial mortgage resets and purchase money for new acquisitions and construction funding.

The roll out of the Affordable Health Care Act is also creating concern amongst both employers and employees. The overall cost of the program together with the yet to be discovered unforeseen circumstances continue to promote uncertainty.

Conventional 30 year mortgage rates for the San Francisco Bay area have risen in recent months to 4.36% and 15 year rates around 3.43%. The Federal Funds rate has remained stable since the 1<sup>st</sup> quarter of 2012 at 0.07% as has the Reserve bank rate at 0.75% and prime rate at 3.25%. Signals from the Federal Reserve's new chairperson, Janet Yellen, suggest continued quantitative easing with a 'tapering of the taper'.

The Cost of Living index for the San Francisco area rose 2.2% for the year ending *December 2013*.

The stock market (DJI30) which peaked in October 2007 at over 14,000 slumped 53% to 6,500 in March 2009 but recovered in 2012 and continued to rise into 2013 surpassing 16,000. 2014 has seen a minor market correction and oscillations (less than 10%) to date.

Continued volatility on low volume appears to be the market characteristic. The price of a barrel of oil has risen to \$105 per barrel while gold has fallen sharply from its high close to \$1,900 an ounce to \$1,300 an ounce.

Overall, current conditions reflect cautious optimism although the lack of capital lending, consumer spending and lack of job growth will continue to hold the economy in check.

## **B. Industrial Market**

The industrial market comprises three primary districts, the South of Market, the 3<sup>rd</sup> Street/Potrero district and Bayview/India Basin. The market may be further divided between the warehouse/distribution market and the Life Sciences market. There is no appreciable manufacturing market in San Francisco.

The warehouse/distribution market experienced slight increase in vacancies from the 3<sup>rd</sup> quarter 2013 at 6.00% to 6.60% in the 1<sup>st</sup> quarter 2014, according to the Industrial Market Snapshot published by Cassidy Turley Commercial Real Estate Services.

Limited available inventory maintains the low vacancy rate. Limited space choice plus the higher costs of doing business in San Francisco (high land cost, taxes city mandated minimum wage and health care), acts as a deterrent to large industrial users. However, smaller incubator style users still seek a location close to their primary market. The City's introduction of the PDR (Production, Distribution and repair) facilitates the preservation of industrial uses against alternative higher and better uses.

Average asking rates have increased from the 4<sup>th</sup> quarter 2011 at \$0.83 per square foot triple net to \$1.00 per square foot in the 3<sup>rd</sup> quarter 2013 but falling back to \$0.80 per square foot in Q.1, 2014.

Net absorption for the 1<sup>st</sup> quarter is 51,285 square feet or 4% of the direct vacancy representing a 25 month inventory. There continues to be little or no new industrial development principally as a result of high land prices which makes industrial uses difficult to develop. Hence, much of the inventory is older industrial and not new industrial parks more commonly found in the suburban markets. The introduction of the PDR district zoning is an attempt to reverse this trend.

On the Life Science side of the market, Bay area regional improvement of vacancies and increased rents can be attributed to increased venture capital activity and the strong performance of the San Francisco market. The vacancy for San Francisco in the 1<sup>st</sup>

quarter stood at just 4.7% following zero absorption for the 1<sup>st</sup> quarter. Total vacancy is only 76,573 square feet square feet.

Asking rents one year ago stood at \$4.50 per square foot, but have increased to \$5.19 per square foot for the 1<sup>st</sup> quarter and continues to be the highest in the Bay Area.

Limited inventory and continued VC activity suggests more space will be developed as a market response.

### **C. San Francisco Development Land Market**

The development land market has seen some significant activity in specific areas over the last 24 months as buyers seek to solidify holdings and position themselves for development during the current boom in both residential and office development. The table below shows the latest development pipeline figures for the City of San Francisco.

Recent transactions include KB Home's acquisition of 2655 Bush Street, fully entitled for 81 units; SOMA Hotel LLC's acquisition of the 23,000 square foot fully entitled site in Mission Bay (Channel Street between 3<sup>rd</sup> and 4<sup>th</sup>) for a 15 story 250 room hotel; KB Home's acquisition of the fully entitled 9 story, 74 unit condo site at 72 Townsend Street; Build Inc's acquisition of 1532 Harrison Street, American Pacific Capital's acquisition of 5 Thomas Mellon Circle at Candlestick Point, a 500 unit fully entitled 4.69 acre waterfront site.

Recent construction starts include 333 Brannan Street, Kilroy Realty's 182,000 square feet preleased (to DropBox) office development; several Mission Bay residential, Life Science and office projects; Trumark Urban's 27 unit project at 1501 Filbert Street; 55 Laguna Street with 330 market rate and 110 affordable units; Equity Residential's 396,200 square foot, 16 story, 273 unit project called Sol at Mission Bay; 1100 Ocean Avenue, 71 affordable housing units; Jay Paul's 181 Fremont Street for a 54 story office/residential tower.

Mid Market Street continues to provide record breaking deals as the resurgence of the neighborhood following the Twitter deal and the 'Payroll Tax' haven has attracted seasoned developers including Shorenstein and will likely see continued construction activity on top of projects already under construction or renovation at 8<sup>th</sup> and 9<sup>th</sup> and Market Streets.

| Pipeline Status/<br>Stage in the Development<br>Process | Total No. of<br>Projects | Net Housing<br>Units | Net Comm'l<br>Sq. Ft. | Commercial GSF, of Which: |                 |                  |
|---------------------------------------------------------|--------------------------|----------------------|-----------------------|---------------------------|-----------------|------------------|
|                                                         |                          |                      |                       | Office                    | PDR             | Retail           |
| <b>Filed with Planning</b>                              | 92                       | 7,400                | 2,593,500             | 2,709,900                 | -415,500        | 488,600          |
| <b>Approved by Planning</b>                             | 106                      | 27,300               | 5,943,800             | 3,067,800                 | 309,000         | 1,942,100        |
| <b>BP Filed</b>                                         | 40                       | 2,400                | 162,400               | 85,900                    | -26,800         | 98,800           |
| <b>BP Approved/Issued/<br/>Re-Instated</b>              | 176                      | 2,700                | 963,000               | 879,000                   | -134,000        | 19,800           |
| <b>Construction</b>                                     | 167                      | 3,930                | 830,000               | 264,000                   | -132,000        | 33,000           |
| <b>Grand Total</b>                                      | <b>857</b>               | <b>50,400</b>        | <b>16,140,700</b>     | <b>10,287,500</b>         | <b>-335,900</b> | <b>2,608,500</b> |

*San Francisco Development Pipeline Report – 4<sup>th</sup> Quarter, 2013*

Outside SOMA, larger deals are gaining momentum. Activity in India Basin and Bayview are for sites with a residential development capability verses pure industrial sites is limited to 2 recent deals at 2121 3<sup>rd</sup>/720 Illinois and 800 Indiana Street which reflect new interest for residential in this area. There are no known proposed industrial developments in the area.

**D. Conclusion**

San Francisco and especially the South of Market District is bucking the trend of commercial land development with several land transactions and a jump in building permits for new projects initially residential but more recently of speculative office. The subject is outside the main focus of the market but progress on new developments in India Basin and Hunters Point and the public housing projects will likely see a spillover response to adjacent parcels and neighborhoods.

## **V. Highest and Best Use**

According to the revised edition of *Real Estate Appraisal Terminology*, a joint publication of the American Institute of Real Estate Appraisers the Highest and Best Use is defined as follows.

That reasonable and probable use which supports the highest present value, as defined, as of the effective date of the appraisal. Alternatively, that use, from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in the highest land value.

The definition differs somewhat for improved property and vacant property; however, four criteria must in effect be met for both. The Highest and Best Use must (1) be physically possible, (2) be legally permitted, (3) be feasible, and (4) produce the highest return or value.

The Highest and Best Use is that use which is most likely to produce the greatest return over a given period of time. Net return refers to the residual of gross yield after all costs are met. Only those uses, which are natural, probable, and legally permitted may be properly considered tenable. Thus, it may be defined as the available use and program of future utilization, which produces the highest present value to the land.

Even when improvements exist upon a site, it is possible that the current use does not represent the Highest and Best Use. An estimate of Highest and Best Use requires two separate analyses: the Highest and Best Use of the property as improved, and the Highest and Best Use of the property as if vacant. The purpose of the separate analyses is to ensure consistency of uses between the subject land and land sales used to value the subject site, as well as to determine if the existing improvements have contributory value, which warrants their continuance. In other words, an existing use may not represent the Highest and Best Use of the site as if vacant, but the economic benefit (or value) the improvements contribute, exceeds the value of the site at its Highest and Best Use, less removal costs.

Since the subject property is vacant, only the Highest and Best Use of the site as vacant will be considered. The Highest and Best Use for each parcel has been analyzed as follows:

**A. Parcel No. 1**

*Physically Possible*

*Parcel No. 1* comprises a combined area of 71,557 square feet. The parcel has no direct public street access. No main utilities were available to the site. The topography is generally level and is not identified to be within a flood zone. The parcel has a highly irregular shape which may hinder development design flexibility. In addition, a portion of the site may be within 100 feet of Islais Creek and thus subject to development restrictions within that 100 foot zone.

Surrounding land use is predominantly industrial and public highways. Soil conditions are unknown but assumed mitigated of any hazardous conditions as previously noted. The site otherwise has physical potential for development. Use of the site is also physically hindered by 10 freeway bents located throughout the site and the existence of a main sewer line running diagonally through the site.

*Legally Permissible*

Based upon the zoning code, *Parcel No. 1* could be developed with a variety of uses ranging from industrial to residential.

The surrounding uses and specific site characteristics might be better suited to industrial uses. Under the M-2 zoning, up to 89 residential units might be developable on the subject site based upon 1 unit per 800 square feet of site area. Based upon the density of the nearest residential district which is RM-2, the site might be developed with up to 119 residential units at 1 unit per 600 square feet of site area.

Industrial uses can be developed up to a 5:1 FAR or 357,785 square feet within the 65 foot height limit.

The site does not appear to have any access to a public street. The site does appear to benefit from a right of access over City property for 'highway purposes' but this may not extend the right for development purposes. Notwithstanding evidence to the contrary, the site is assumed to have no direct public street access. As such, the legal development potential and/or use of the subject would appear to be limited to assemblage with an adjacent site that has such public street access.

The site is proposed to be leased under a 'long term' lease. The use of the site as defined in the proposed lease will be restricted to parking and vehicle storage.

*Economically Feasible/Maximally Productive*

Given the limitations of use prescribed by the proposed long term lease and the need for assemblage with adjacent parcels for purposes of public street access, the highest and best use is concluded for assemblage and subsequent use for the parking and storage of operational vehicles.

**B. Parcel No. 2**

Parcel No. 2 appears to predominantly lie within the 100 foot setback zone adjacent to Islais Creek and thus has by itself limited to no development potential. The site might have use for plottage purposes only.

**At the instructions of the client, this parcel is assumed to have a value of \$1.00 and no further consideration is given to its highest and best use.**

## **VI. Valuation Methodology**

There are three major approaches to the valuation of real property--the *Cost Approach*, the *Sales Comparison Approach*, and the *Income Approach*. The type and age of a property and the quantity and quality of data that can be obtained affect the utility of each approach for any given appraisal task.

The *Cost Approach to Value* utilizes a method in which the value of the property is derived by estimating the reproduction or replacement costs new of the improvements, deducting there from depreciation due to all causes attributable to the improvements, and then adding the Market Value of the land. This method is based on the theory of substitution, which implies that a knowledgeable buyer will pay no more for the real property than the cost of producing a comparable property of similar utility.

The *Sales Comparison Approach* is a method of comparing recent sales of similar properties to the subject property. This approach is based on the principle that the prudent investor would pay no more for a property than the cost of acquiring a satisfactory alternative property that possesses physical, economic and financial comparability. The value of a particular property tends to coincide to the value indicated by the actions of informed buyers and sellers in the marketplace for similar properties.

The *Income Approach to Value* is based upon the economic principle that the value of an income producing property is the present worth of anticipated future benefits; which are comprised of the annual income stream (cash flow or net income) and the reversion benefits (resale value). The net operating income is estimated by deducting from the gross annual income and appropriate allowance for vacancy and operating expenses. The net income can be converted into a present value estimate using a capitalization process. There are various methods of capitalization that are based upon inherent assumptions concerning the pattern of the income stream, as well as the quantity, quality and durability of the income stream.

Based upon the conclusion of the highest and best use, the most appropriate valuation approach for the subject is the Sales (lease) Comparison Approach to value.

## VII. Sales Comparison Approach

### A. Methodology

The *Sales Comparison Approach* is a method of comparing recent sales (leases) of similar properties to the subject property. This approach is based on the principle that the prudent investor/lessee would pay no more for a property than the cost of acquiring a satisfactory alternative property that possesses physical, economic and financial comparability. The value of a particular property tends to coincide to the value indicated by the actions of informed buyers/lessees and sellers/lessors in the marketplace for similar properties.

### B. Analysis of Land Leases

*Parcel Nos. 1 and 2* are to be leased under a long term lease (50 years). At the instruction of the client, *Parcel No. 2* is assumed to be valued at \$1.00 and is given no further consideration.

*Parcel No. 1* comprises 71,557 square feet located partially beneath the I-280 freeway and is restricted in use to parking and the storage of operational vehicles. As such, market data of land leases with similarly restricted use has been researched. Such sites are generally leased on a short term basis (year to year up to 5 years). The limited term of these leases precludes a tenant pursuing the highest and best use for the land (which might be a building development) and as a result, are limited in their use to parking, bulk material and yard storage.

Other features of the subject are that the subject is not paved, fenced or has any power. In addition, the layout and useable area of the site is impacted by the location of freeway bents

**Table 2** provides a summary of lease comparables while below, each is discussed in turn. Each comparable was adjusted for lease terms and the amortized value of the improvements. The improvements typically involved 6 or 8 foot security fencing with metal gates, asphalt site paving, power and yard lighting and also some building improvements. The adjustment was initially based upon the calculated depreciated replacement cost of the improvements using the Marshall Valuation Service Cost Guide directory. The improvements were amortized at a cost of funds rate of 6% over the normal life expectancy of the improvements. **Table 3** provides a summary of adjustments made to the lease comparables for comparison to the subject.

**Land Lease No. 1** is located at 1950 Galvez Avenue at Selby. This 46,658 square foot site is a fenced, paved and lit yard. The site was leased in May 2014. The 5 year term commenced at a rent of \$0.204 per square foot, gross or \$0.1586 per square foot triple net. Adjusting the rate by \$0.0310 per square foot for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.1276 per square foot. The rent escalates 3% per annum. The site is used for equipment storage.

The location of the comparable is inferior to the subject requiring upward adjustment but, the site is encumbered by bents requiring no adjustment. An adjusted rate of \$0.13 per square foot is estimated.

**Land Lease No. 2** is located at 201 Toland Street at Evans Street. There are 2 leased areas on this parcel. The first is a 42,000 square foot site that is a fenced, paved and lit yard with a 1,500 metal warehouse. A lease to a construction company for yard storage was executed June 2012. The 5 year term commences at a rent of \$0.42 per square foot, triple net. The rent escalates 3% per annum. The rent was factored on the land only. There were no concessions. Adjusting the rate by \$0.0428 per square foot for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.3772 per square foot.

The location of the comparable is similar to the subject, but the site is not encumbered by bents requiring downward adjustments. An adjusted rate of \$0.36 per square foot is estimated.

The second lease is a 35,000 square foot site that is a fenced, paved and lit yard. A lease was executed in March 2013 by Google. The 3 year term commences at a rent of \$0.42 per square foot, triple net. The rent escalates 3% per annum. There were no concessions. Adjusting the rate by \$0.0428 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.3772 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.37 per square foot is estimated.

**Lease Nos. 3-6** relate to Port of San Francisco leases.

**Land Lease No. 3** is located at Seawall Lot 349 at 20<sup>th</sup> and Illinois Streets and comprises a rectangular level parcel containing 119,960 square feet. The parcel is fully fenced, asphalt paved and has power and lighting.

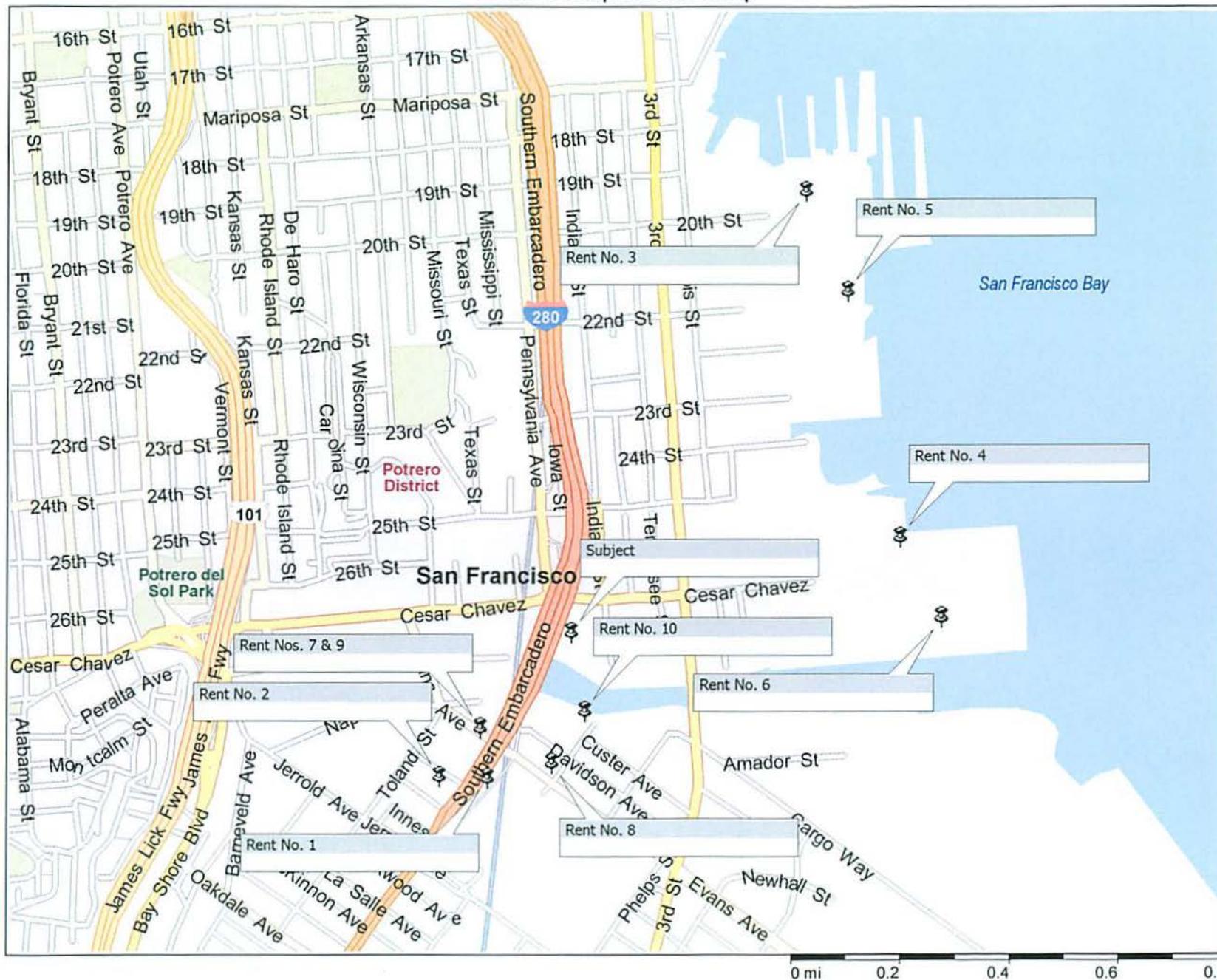
The parcel was leased in August 2013 for a 3 year term to Yellow Cab Company at \$0.23 per square foot per month, NNN. The use of the parcel is for vehicle parking and storage.

INDUSTRIAL LAND LEASES

TABLE 2

| ISLAIS CREEK<br>SAN FRANCISCO                                                               |                                          |                       |         |                 |                  |               |                        |                          |                                                                                                 |
|---------------------------------------------------------------------------------------------|------------------------------------------|-----------------------|---------|-----------------|------------------|---------------|------------------------|--------------------------|-------------------------------------------------------------------------------------------------|
| NO                                                                                          | LOCATION/APN                             | DATE                  | AREA    | TERM            | RENT<br>\$/sf/mo | ESCAL         | EXPENSE                | EFFECT.<br>\$/sf/mo      | TENANT/COMMENTS                                                                                 |
|                                                                                             | Subject                                  |                       | 71,557  | 50              |                  |               |                        |                          | Restricted use to storage of operational vehicles; freeway bunts<br>Unpaved; unfenced; no power |
| <b>Private Leases</b>                                                                       |                                          |                       |         |                 |                  |               |                        |                          |                                                                                                 |
| 1                                                                                           | 1950 Galvez Ave                          | 5/1/2014              | 46,658  | 5 yrs<br>1x5 op | \$ 0.20          | 3%/pa         | Gross*<br>NNN          | \$ 0.2036<br>\$ (0.0450) | Elevated freeway crosses; bus pkg<br>Fenced, paved, electricity                                 |
|                                                                                             |                                          |                       |         |                 |                  |               | Improvement adjustment | \$ (0.0310)              |                                                                                                 |
|                                                                                             |                                          |                       |         |                 |                  |               |                        | \$ 0.1276                |                                                                                                 |
| 2                                                                                           | 201 Tolland Street                       | 6/1/2012              | 42,000  | 5 yrs           | \$ 0.42          | 3%/pa         | NNN                    | \$ 0.4200                | Construction company                                                                            |
|                                                                                             |                                          |                       |         |                 |                  |               | Improvement adjustment | \$ (0.0428)              | Fenced, paved lit yard w. 1,500 maint. bldg                                                     |
|                                                                                             |                                          |                       |         |                 |                  |               |                        | \$ 0.3772                |                                                                                                 |
|                                                                                             |                                          | 3/1/2013              | 35,000  | 3 yrs           | \$ 0.42          | 3%/pa         | NNN                    | \$ 0.4200                | Google                                                                                          |
|                                                                                             |                                          |                       |         |                 |                  |               | Improvement adjustment | \$ (0.0310)              | Fenced, paved, lit yard.                                                                        |
|                                                                                             |                                          |                       |         |                 |                  |               |                        | \$ 0.3890                |                                                                                                 |
| <b>Port of SF Leases</b>                                                                    |                                          |                       |         |                 |                  |               |                        |                          |                                                                                                 |
| 3                                                                                           | Seawall Lot 349<br>20th/Illinois         | 8/1/2013              | 119,960 | 3 yrs           | \$ 0.23          | 3%/pa         | NNN                    | \$ 0.2300                | Yellowcab Co-op; vehicle storage                                                                |
|                                                                                             |                                          |                       |         |                 |                  |               | Improvement adjustment | \$ (0.0291)              | Fenced and paved yard                                                                           |
|                                                                                             |                                          |                       |         |                 |                  |               |                        | \$ 0.2009                |                                                                                                 |
| 4                                                                                           | Seawall Lot 356<br>Cesar Chavez/Illinois | 2/28/2014<br>L-15690  | 74,742  | 10 yrs          | \$ 0.32          | 3%/pa         | NNN                    | \$ 0.3200                | Affordable Self Storage                                                                         |
|                                                                                             |                                          |                       |         |                 |                  |               | Improvement adjustment | \$ (0.0298)              | Trailer storage; fenced, paved, power                                                           |
|                                                                                             |                                          |                       |         |                 |                  |               |                        | \$ 0.2902                |                                                                                                 |
|                                                                                             |                                          | 2/28/2014             | 144,818 | 10 yrs          | \$ 0.32          | 3%/pa         | NNN                    | \$ 0.3200                | Affordable Self Storage                                                                         |
|                                                                                             |                                          | L-1591                |         |                 |                  |               | Improvement adjustment | \$ (0.0289)              | Trailer storage; fenced, paved, power                                                           |
|                                                                                             |                                          |                       |         |                 |                  |               |                        | \$ 0.2911                |                                                                                                 |
| 5                                                                                           | Seawall Lot 349<br>22nd/Illinois         | 1/15/2014<br>3 yrs    | 61,409  | 3 yrs           | \$ 0.35          | 3%/pa         | NNN                    | \$ 0.3500                | Bose International Motors/German Motors                                                         |
|                                                                                             |                                          |                       |         |                 |                  |               | Improvement adjustment | \$ (0.0299)              | Vehicle overflow storage                                                                        |
|                                                                                             |                                          |                       |         |                 |                  |               |                        | \$ 0.3201                | Paved and fenced                                                                                |
| 6                                                                                           | Pier 80<br>Cesar Chavez/Illinois         | Pending               | 75,000  | 3 yrs           | \$ 0.28          | 3%/pa         | NNN                    | \$ 0.24                  | Affordable Storage                                                                              |
|                                                                                             |                                          |                       |         |                 |                  |               |                        |                          | Unimproved site; rate adjusted for size discount and 3 months free rent                         |
| <b>Caltrans Leases</b>                                                                      |                                          |                       |         |                 |                  |               |                        |                          |                                                                                                 |
| 7                                                                                           | NVC Evans/Shelby<br>004-030200-001-04    | 12/20/2013<br>renewal | 34,900  | 2 yrs           | \$ 0.28          | CPI/pa        | NNN                    | \$ 0.2799                | Koehler Enterprises; parking & storage                                                          |
|                                                                                             |                                          |                       |         |                 |                  |               | Improvement adjustment | \$ (0.0284)              | Asphalt paved yard; 6' chain link fence                                                         |
|                                                                                             |                                          |                       |         |                 |                  |               |                        | \$ 0.2515                | metal gates installed by tenant and paid through rent offset in 2006                            |
|                                                                                             |                                          | 10/1/2006             |         | 3 yrs           | \$ 0.17          |               |                        |                          |                                                                                                 |
| 8                                                                                           | 220 Rankin St<br>04-030670-0002-03       | 12/18/2013<br>renewl  | 70,000  | 5 yrs           | \$ 0.36          | CPI/pa        | NNN                    | \$ 0.3571                | Koehler Enterprises; parking & storage                                                          |
|                                                                                             |                                          |                       |         |                 |                  |               | Improvement adjustment | \$ (0.0840)              | Concrete paved lot; 3,200 SF 6 bay auto garage; 6,000 SF Office/whse; 8' mtl fence              |
|                                                                                             |                                          | 1/20/2010             |         | 5 yrs           | \$ 0.12          |               |                        | \$ 0.2732                | remote control gate; security system; 3 side metal gates                                        |
|                                                                                             |                                          | 3/1/2008              |         | 1 yr            | \$ 0.10          | Sch           |                        |                          | Auto wrecking                                                                                   |
|                                                                                             |                                          |                       |         | 2 yr            | \$ 0.20          |               |                        |                          |                                                                                                 |
|                                                                                             |                                          |                       |         | 3 yr            | \$ 0.20          |               |                        |                          |                                                                                                 |
|                                                                                             |                                          |                       |         | 4 yr            | \$ 0.22          |               |                        |                          |                                                                                                 |
| 9                                                                                           | 1890 Evans Ave<br>04-034263-0001-01      | 1/7/2014              | 19,725  | 2 yrs           | \$ 0.28          | None          | NNN                    | \$ 0.2788                | Richard Cole; dba ABC Auto                                                                      |
|                                                                                             |                                          |                       |         |                 |                  |               | Improvement adjustment | \$ (0.0441)              | Auto wrecking                                                                                   |
|                                                                                             |                                          | 7/5/2006              |         | 2 yrs           | \$ 0.20          |               |                        | \$ 0.2347                | Various auto garage bldgs                                                                       |
| 10                                                                                          | 2 Rankin<br>04-030669-0013-03            | 12/18/2013            | 43,014  | 2 yrs           | \$ 0.26          | CPI/pa        | NNN                    | \$ 0.2557                | Ryan Engineering; bulk storage                                                                  |
|                                                                                             |                                          |                       |         |                 |                  |               | Improvement adjustment | \$ (0.0003)              | 8' chain link fence and metal gate                                                              |
|                                                                                             |                                          |                       |         |                 |                  |               |                        | \$ 0.2554                |                                                                                                 |
|                                                                                             |                                          | 2/10/2010             |         | 5 yrs           | \$ 0.18          | 2 yrly<br>CPI | NNN                    |                          | Tenant install fencing with rent offset                                                         |
| * Adjustment from gross to NNN is \$0.045/SF/mo                                             |                                          |                       |         |                 |                  |               |                        |                          |                                                                                                 |
| Improvement adjustment based upon Marshall Valuation amortized Depreciated Replacement cost |                                          |                       |         |                 |                  |               |                        |                          |                                                                                                 |

# Rent Comparable Map



Islais Creek/I-280 Parcels, San Francisco, Ca.



Adjusting the rate by \$0.0291 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2009 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.21 per square foot is estimated.

**Land Lease No. 4** is located at Seawall Lot 356, 22<sup>nd</sup> Street at Illinois Street and comprises 2 leases. The first is a 74,742 square foot site and the second site is 148,818 square feet. Both sites are fenced, paved and have power. There are no bents on the sites. The sites were leased in February 2014 to Affordable Self Storage. The 3 year terms commenced at a rent of \$0.32 per square foot, triple net. The rent escalates at 3% per annum. Adjusting the rates by \$0.0298 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2902 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. The second site is larger than the subject requiring upward adjustment. The adjusted rates of \$0.29 and \$0.31 per square foot are estimated.

**Land Lease No. 5** is located at Seawall Lot 349 at 22<sup>th</sup> and Illinois Streets and comprises a rectangular level parcel containing 61,409 square feet. The parcel is fully fenced, asphalt paved and has power and lighting.

The parcel was leased in January 2014 for a 3 year term to Bose International Motors at \$0.35 per square foot per month, NNN. The use of the parcel is for vehicle parking and storage. Adjusting the rate by \$0.0299 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.3201 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.32 per square foot is estimated.

**Land Lease No. 6** is located at Pier 80 at Cesar Chavez and Illinois Streets and comprises a dirt lot (unimproved) currently under negotiation at with 75,000 square feet. The current lease, due to expire in August 2014 is rented at \$0.19 per square foot. The new proposed minimum rent is \$0.28 per square foot. Mr. Jeff Bauer, leasing manager at the Port, indicated that a 5% discount may need to be applied for size and up to 3 months free rent for a 36 month lease. The net effective rate with these discounts equates to \$0.24 per square foot. An upward adjustment for location is offset by a downward adjustment for no impact by freeway bents. This comparable suggests a rate for the subject at \$0.24 per square foot.

*Lease Nos. 7-10* relate to Caltrans leases.

***Land Lease No. 7*** is located at the NWC of Evans and Selby Streets partially under the I-280 freeway. The parcel comprises an irregular shaped level parcel containing 34,900 square feet. The parcel is fully fenced and asphalt paved. The improvements were paid for by the tenant and reimbursed through rent offset in 2008.

The lease was renewed in December 2013 for a 2 year term to Koehler Enterprises for parking and storage. The tenant also occupies an adjacent site. The rent was set at \$0.28 per square foot, NNN. The use of the parcel is for vehicle parking and storage. Adjusting the rate by \$0.0284 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2515 per square foot.

A downward adjustment is made for size. An adjusted rate of \$0.24 per square foot is estimated.

***Land Lease No. 8*** is located at 220 Rankin Street at the corner of Evans Street. The parcel comprises a rectangular shaped level parcel containing 70,000 square feet. The parcel is fully fenced, asphalt paved and has power. In addition, the site contains a 3,200 square foot 6 bay auto service building and a 6,000 square foot office/warehouse.

The lease was renewed in December 2013 for a 5 year term to Koehler Enterprises (Courtesy Tow) for parking and storage. The rent was set at \$0.36 per square foot, NNN.

Adjusting the rate by \$0.0840 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2732 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.26 per square foot is estimated.

***Land Lease No. 9*** is located at the 1890 Evans at Selby. The parcel comprises a regular shaped level parcel containing 19,725 square feet. The parcel is fully fenced and asphalt paved.

The lease was renewed in January 2014 for a 2 year term to Richard Cole (ABC Auto) for parking and storage. The rent was set at \$0.28 per square foot, NNN. The use of the parcel is for vehicle parking and storage.

Adjusting the rate by \$0.0441 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.2347 per square foot.

The location of the comparable is similar to the subject. An downward adjustment is made for size. An adjusted rate of \$0.19 per square foot is estimated.

**Land Lease No. 10** is located at the 2 Rankin Street adjacent to Islais Creek. The parcel comprises an irregular shaped level parcel containing 43,014 square feet. The parcel is fully fenced.

The lease was renewed in December 2013 for a 2 year term to Ryan Engineering for bulk material storage. The rent was set at \$0.26 per square foot, NNN. Adjusting the rate by \$0.0003 per square foot, for the amortized depreciated replacement cost of the improvements, the net effective rent of the unimproved land was \$0.26 per square foot.

The location of the comparable is similar to the subject, but site has superior access and there are no bents encumbering the site, all requiring downward adjustments. An adjusted rate of \$0.26 per square foot is estimated.

The land leases all represent short term leases which limit the highest and best use of the parcels to open storage and not building development. Although the subject is proposed for a long term lease, the use restriction of the subject to operational vehicle storage is comparable to the lease examples noted. None of the comparable lease parcels reported any flood, drainage or soil contamination issues that impacted their value or use for short term parking and storage rentals.

The lease comparables are split into 3 sections.

**Lease Nos. 1-2** are private sector leases with an adjusted range of \$0.13-\$0.37 per square foot. These sites generally had no impediments and were improved with paving, fencing and power. The lease terms were generally short (2-3 years) and leases were subject to 3% per annum escalations.

**Lease Nos. 3-6** are Port of San Francisco leases. Again, these parcels were improved with fencing paving and power. The adjusted rates range from \$0.21 to \$0.32 per square foot. The rates are subject to the minimum rates approved by the Port Commission in 2013. Jeff Bauer, leasing manager at the Port indicated that the minimum rates are shortly to be *lowered* as the most recent rent increase was seen to be over aggressive. Lease rates are to drop \$0.02 per square foot for 2014/15. Larger parcels (1 acre plus) receive a 5% discount and up to 3 months free rent is available on 36 month terms. **Lease No. 6** offers a good example of a similar sized, unimproved parcel presenting comparable conditions as the subject with an effective proposed rate of \$0.24 per square foot.

**INDUSTRIAL LAND LEASE ADJUSTMENT**

**TABLE 3**

| ISLAIS CREEK             |                       | MVS Adjusted Basis |            |         |                |                 |        |         |           |
|--------------------------|-----------------------|--------------------|------------|---------|----------------|-----------------|--------|---------|-----------|
| SAN FRANCISCO            |                       |                    |            |         |                |                 |        |         |           |
| NO                       | LOCATION/APN          | RENT<br>\$/sf/mo   | DATE       | AREA    | LOCATION       | CONDITION       | BENTS  | % ADJ   | ADJ \$/SF |
|                          | Subject               |                    | 5/20/2014  | 71,557  | CC/Indiana     | Level/reg shape | Yes    |         |           |
| 1                        | 1950 Galvez Ave       | \$ 0.1276          | 5/1/2014   | 46,658  | Galvez/Selby   | Level/reg shape | Yes    |         |           |
|                          |                       |                    | 0.00%      | 0.00%   | 5.00%          | 0.00%           | 0.00%  | 5.00%   | \$ 0.13   |
| 2                        | 201 Toland Street     | \$ 0.3772          | 6/1/2012   | 43,560  | Tol/Evans      | Level/reg shape | No     |         |           |
|                          |                       |                    | 0.00%      | 0.00%   | 0.00%          | 0.00%           | -5.00% | -5.00%  | \$ 0.36   |
|                          |                       | \$ 0.3890          | 3/1/2013   | 35,000  | Tol/Evans      | Level/reg shape | No     |         |           |
|                          |                       |                    | 0.00%      | 0.00%   | 0.00%          | 0.00%           | -5.00% | -5.00%  | \$ 0.37   |
| <b>Port of SF Leases</b> |                       |                    |            |         |                |                 |        |         |           |
| 3                        | Seawall Lot 349       | \$ 0.2009          | 8/1/2013   | 119,960 | 20th/Illinois  | Level/reg shape | No     |         |           |
|                          | 20th/Illinois         |                    | 0.00%      | 5.00%   | 5.00%          | 0.00%           | -5.00% | 5.00%   | \$ 0.21   |
| 4                        | Seawall Lot 356       | \$ 0.2902          | 2/28/2014  | 74,742  | 22nd/Illinois  | Level/reg shape | No     |         |           |
|                          | 22nd/Illinois         |                    | 0.00%      | 0.00%   | 5.00%          | 0.00%           | -5.00% | 0.00%   | \$ 0.29   |
|                          |                       | \$ 0.2911          | 2/28/2014  | 144,818 | 22nd/Illinois  | Level/reg shape | No     |         |           |
|                          |                       |                    | 0.00%      | 5.00%   | 5.00%          | 0.00%           | -5.00% | 5.00%   | \$ 0.31   |
| 5                        | Seawall Lot 349       | \$ 0.3201          | 1/15/2014  | 61,409  | 22nd/Illinois  | Level/reg shape | No     |         |           |
|                          | 22nd/Illinois         |                    | 0.00%      | 0.00%   | 5.00%          | 0.00%           | -5.00% | 0.00%   | \$ 0.32   |
| 6                        | Pier 80               | \$ 0.2400          | Pending    | 75,000  | Cesar/Illinois | Level/reg shape | No     |         |           |
|                          | Cesar Chavez/Illinois |                    | 0.00%      | 0.00%   | 5.00%          | 0.00%           | -5.00% | 0.00%   | \$ 0.24   |
| <b>Caltrans Leases</b>   |                       |                    |            |         |                |                 |        |         |           |
| 7                        | NWC Evans/Shelby      | \$ 0.2515          | 12/20/2013 | 34,900  | Evans/Shelby   | Level/reg shape | Yes    |         |           |
|                          | 004-030200-001-04     |                    | 0.00%      | -5.00%  | 0.00%          | 0.00%           | 0.00%  | -5.00%  | \$ 0.24   |
| 8                        | 220 Rankin St         | \$ 0.2732          | 12/18/2013 | 70,000  | Evans/Rankin   | Level/reg shape | No     |         |           |
|                          | 04-030670-0002-03     |                    | 0.00%      | 0.00%   | 0.00%          | 0.00%           | -5.00% | -5.00%  | \$ 0.26   |
| 9                        | 1890 Evans Ave        | \$ 0.2347          | 1/7/2014   | 19,725  | Evans          | Level/reg shape | Yes    |         |           |
|                          | 04-034263-0001-01     |                    | 0.00%      | -10.00% | 0.00%          | 0.00%           | 0.00%  | -10.00% | \$ 0.21   |
| 10                       | 2 Rankin              | \$ 0.2554          | 12/18/2013 | 43,014  | E/O Rankin     | Level/reg shape | No     |         |           |
|                          | 04-030669-0013-03     |                    | 0.00%      | 0.00%   | 5.00%          | 0.00%           | -5.00% | 0.00%   | \$ 0.26   |
|                          |                       |                    |            |         |                |                 |        | Mean    | \$ 0.27   |
|                          |                       |                    |            |         |                |                 |        | Median  | \$ 0.25   |

*Lease Nos. 7-10* are Caltrans leases. The adjusted range of these leases is \$0.21-\$0.26. Adjustments were made for site improvements and bents. Two of these sites were impacted by freeway bents and had an adjusted range of \$0.21-\$0.24 per square foot.

The mean and median of the adjusted range of rents is \$0.27 and \$0.25 per square foot respectively.

The size and lack of improvements of the subject will likely command a rent at the lower end of the adjusted range. The similar mean and median adjusted rates suggest well balanced data. The pending Port lease at Pier 80 offers an indication of a rate on a similar sized, unimproved parcel at an effective rate of \$0.24 per square foot.

Accordingly, it is my opinion that the subject *Parcel No. 1* should support a monthly rental rate of \$0.25 per square foot per month, calculated as follows:

|              |                                |   |                 |
|--------------|--------------------------------|---|-----------------|
| Parcel No. 1 | 71,557 square feet @ \$0.25/SF | = | \$17,889/month  |
|              |                                | = | \$214,671/annum |
| Parcel No. 2 |                                | = | \$1.00          |

**C. Site Remediation Cost**

The 2 subject parcels form a part of a 4 parcel assemblage (2 parcels in fee and 2 parcels under a long term lease) which were impacted by various soil contaminants. Remediation costs of the subject's geotechnical and hazardous soil conditions was \$1,590,374 according to the actual costs incurred May 2011 and February 2012 as reported by the client (see addendum). The appraiser is further instructed to use this cost amount for any needed adjustment to the opinion of value whereby such remediation is required to support the estimated value of the subject at its highest and best use.

The subject, as assembled with the adjoining City property offers a large industrial development site. Full utility of the assembled site will require remediation of the geotechnical and hazardous soil conditions impacting the subject.

No allocation of the remediation cost has been provided between the 4 parcels. Two of these parcels are per client instruction, allocated a value of \$1.00. The other two parcels comprise Parcel 1 of this appraisal and another parcel (Parcel 3) held in fee. The remediation cost has therefore been applied to the subject Parcel No.1 and to the fee Parcel No. 3.

The remediation costs are therefore spread across these 2 parcels and provide a unit cost of \$13.91 per square foot as follows:

|                              |                  |                          |
|------------------------------|------------------|--------------------------|
| Remediation Cost (allocated) |                  | \$1,590,374              |
| Parcel No. 1-subject         | 71,557 SF        |                          |
| Parcel No. 3                 | <u>42,732 SF</u> |                          |
| Total                        |                  | 114,289 SF               |
| Unit Cost of Remediation     |                  | \$13.91 per square foot. |

Notwithstanding information to the contrary, the remediation cost is allocated on a pro-rata basis between the 2 parcels.

**Parcel No. 1**

Parcel No. 1 has not been valued in fee but rather an estimate of market rent has been determined taking account of the physical and legal limitations presented by the site.

In order to apply the remediation costs allocated to this site, the estimated rental value has been capitalized to generate a per square foot value of the site in fee. From that, the remediation unit cost is deducted and the result de-capitalized to provide a rental value net of the remediation costs and summarized as follows:

| ITEM                             | COST \$      | AREA SF    | \$/SF/MO         | \$/MO            | \$/PA             |
|----------------------------------|--------------|------------|------------------|------------------|-------------------|
| <b>Market Rental Value (MRV)</b> |              |            |                  |                  |                   |
| MRV gross of remediation         |              | 71,557.00  | \$ 0.2500        | \$ 17,889        | \$ 214,671        |
| Less Remediation Cost            | \$ 1,590,374 | 114,289.00 |                  |                  |                   |
| \$/SF cost for assembled site    |              | \$ 13.9154 |                  |                  |                   |
| DeCapitalize @                   | 6.00%        | \$ 0.8349  |                  |                  |                   |
| Monthly Rental Adjustment        |              |            | \$ (0.0696)      |                  |                   |
| <b>MRV net of remediation</b>    |              |            | <b>\$ 0.1804</b> | <b>\$ 12,911</b> | <b>\$ 154,926</b> |

The de-capitalization rate of 6% is represents a cost of funds rate as used in this report for amortizing improvements of the comparable leases. The remediation cost has been decapitalized in perpetuity rather than limited to the term of the lease. The 50 year lease term could be extended by 2x15 year options allowing a total term of 80 years. There is a marginal mathematical difference between decapitalizing in perpetuity rather than 80 years.

Making the adjustment for the cost of remediation, the market rental value, net of allocated remediation costs is estimated at \$12,911 per month or \$154,926 per annum.

**Note:** This rental estimate was based upon short term lease comparables which generally had 3% per annum rent escalations. However, the short term nature of these leases also indicated that at renewal, the rent was reset back to market which often was lower than the annually escalated rent. For the subject long term lease, some rent adjustment should be factored into this rental estimate perhaps on a CPI basis every 5 years with a mark to market every 10 years. If the rent is to remain flat for the entire term, an upward adjustment to the commencement rate will be necessary.

### **VIII. Reconciliation and Conclusion**

The appraisal has considered the Sales (rental) Comparison Approach to Value as the only relevant approach given the conclusion of highest and best use.

The *Sales(Lease) Comparison Approach* provides the most direct evidence of unit value for industrial land. A number of leases were located but each possessed unique features and site characteristics not only in terms of location but also in terms of functional and economic use.

The highest and best use for *Parcel Nos. 1 and 2* is limited by the proposed long term lease to 'operational vehicle storage'. As such, research on similarly restricted use leased land was sought and included parcels which use was restricted by virtue of the short term of the lease.

The actual site remediation costs were deducted on a pro-rata basis from Parcel Nos. 1 only given that Parcel Nos. 2 has a predetermined value of \$1.00 each.

Based upon the assumptions and conclusions of this report, it is my opinion that the *market rental value* of the subject parcels as described herein, as of May 20, 2014, is considered to be:

#### **Gross of Allocated Remediation Cost**

***Parcel No.1: TWO HUNDRED FOURTEEN THOUSAND SIX HUNDRED  
SEVENTY ONE DOLLARS PER ANNUM  
(\$214,671/pa)***

#### **Net of Allocated Remediation Cost**

***Parcel No. 1: ONE HUNDRED FIFTY FOUR THOUSAND NINE HUNDRED  
TWENTY SIX DOLLARS PER ANNUM  
(\$154,926/pa)***

***Parcel No. 2:***

***ONE DOLLAR  
(\$1.00)***

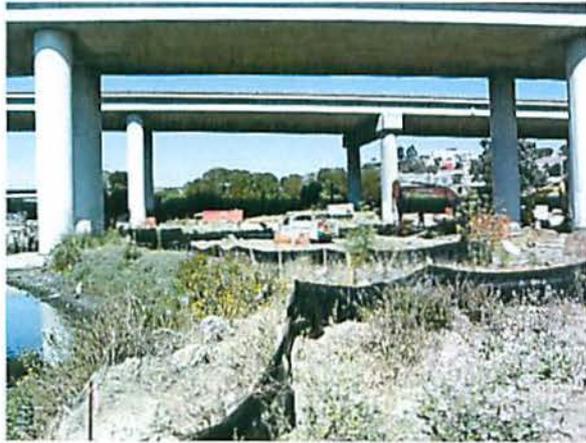
SUBJECT PHOTOGRAPHS



Google aerial with parcels outlined



Parcel No. 1-sewer line and freeway bents



Islais Creek adjacent to Parcel Nos. 2



Parcel No. 1 view north



Parcel No.1 from Parcel No. 3



Parcel No. 1 freeway bents

## SUBJECT PHOTOGRAPHS

---



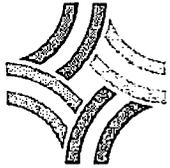
View of project site as improved as of the date of value from Indiana Street.



Indiana Street view north



Cesar Chavez frontage view west.



**Islais Creek Project: Summary of Remediation Costs**

Through the Right of Entry Permit from Caltrans, the SFMTA's Islais Creek Project Phase 1 construction proceeded, which included the final, actual remediation costs shown below, of which Caltrans' prorated share was \$1,590,374.10 (37%):

| Bid Item No. | Description                                                                                       | Final Contractor Quantity | Unit Price          | Total                 |
|--------------|---------------------------------------------------------------------------------------------------|---------------------------|---------------------|-----------------------|
| 8A           | TRANSPORTATION OF HAZARDOUS NON-RCRA MATERIALS TO CLASS I DISPOSAL FACILITIES, METRIC TONS        | 4,130.56                  | \$23                | \$95,002.88           |
| 8B           | HANDLING AND DISPOSAL OF HAZARDOUS NON-RCRA MATERIALS TO CLASS I DISPOSAL FACILITIES, METRIC TONS | 4,130.56                  | \$56                | \$231,311.36          |
| 10A          | TRANSPORTATION OF MATERIALS TO CLASS II DISPOSAL FACILITIES, METRIC TONS                          | 40,061.67                 | \$32                | \$1,281,973.44        |
| 10B          | HANDLING AND DISPOSAL OF MATERIALS TO CLASS II DISPOSAL FACILITIES, METRIC TONS                   | 40,061.67                 | \$31                | \$1,241,911.77        |
| 12           | CELLULAR CONCRETE FOR BACKFILL (LIGHTWEIGHT CONCRETE), CUBIC METERS                               | 21,130                    | \$42                | \$887,460.00          |
|              | DESIGN COSTS (10%)                                                                                |                           |                     | \$373,765.95          |
|              | CONSTRUCTION MANAGEMENT COSTS (5%)                                                                |                           |                     | \$186,882.97          |
|              |                                                                                                   |                           | <b>GRAND TOTAL:</b> | <b>\$4,298,308.37</b> |
|              | CALTRANS SHARE (37%)                                                                              |                           |                     | \$1,590,374.10        |

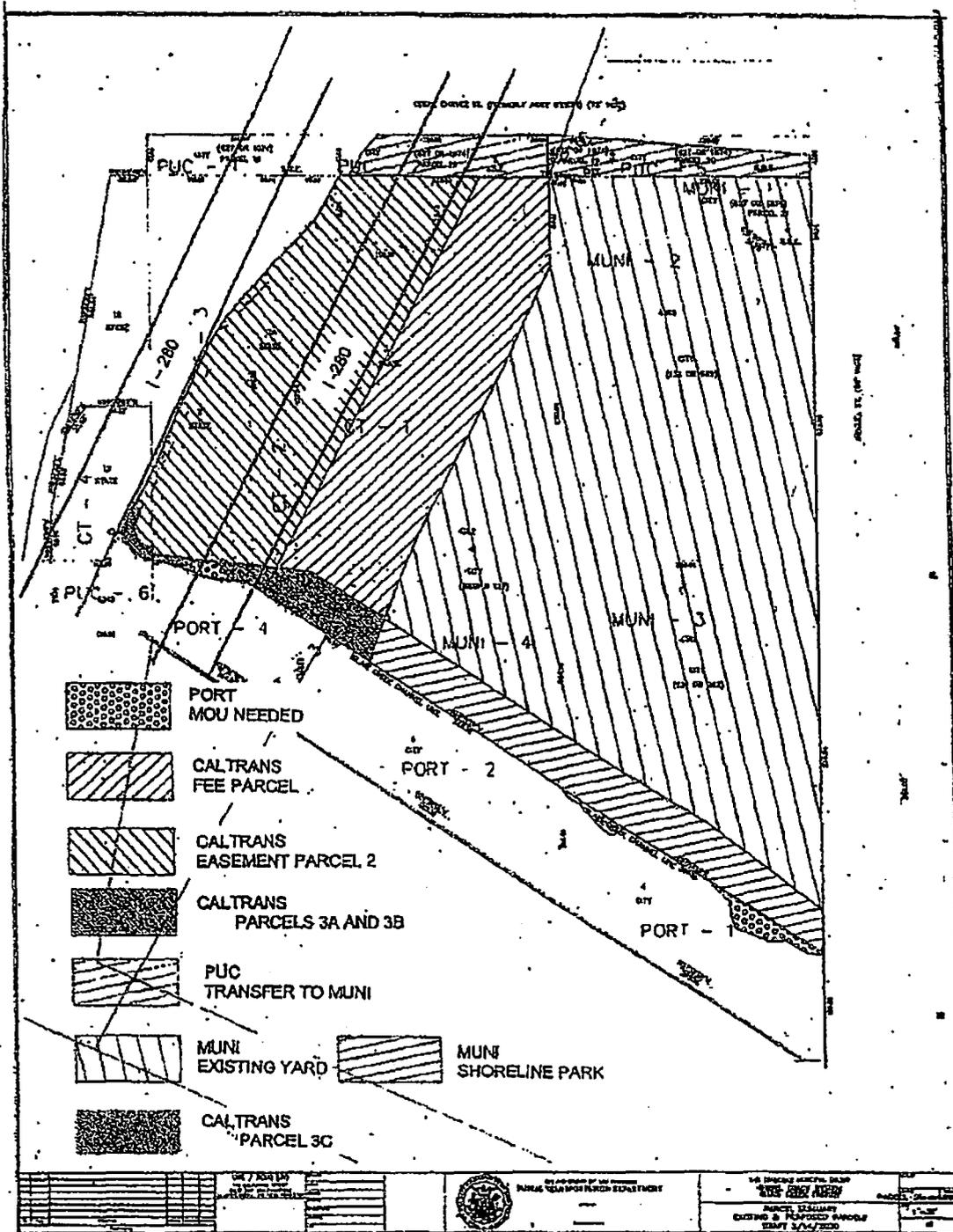
Date Remediation construction work started: 5/3/2011

Date Remediation construction work ended: 2/3/2012



# MUNI ISLAIS CREEK MAINTENANCE AND OPERATIONS FACILITY

## Project Site - Existing and Proposed Parcels



**EXHIBIT C-1**

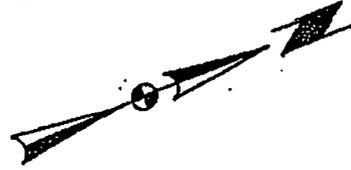
**PLAT MAP OF LARGE LEASE PARCEL**

**Also known as**

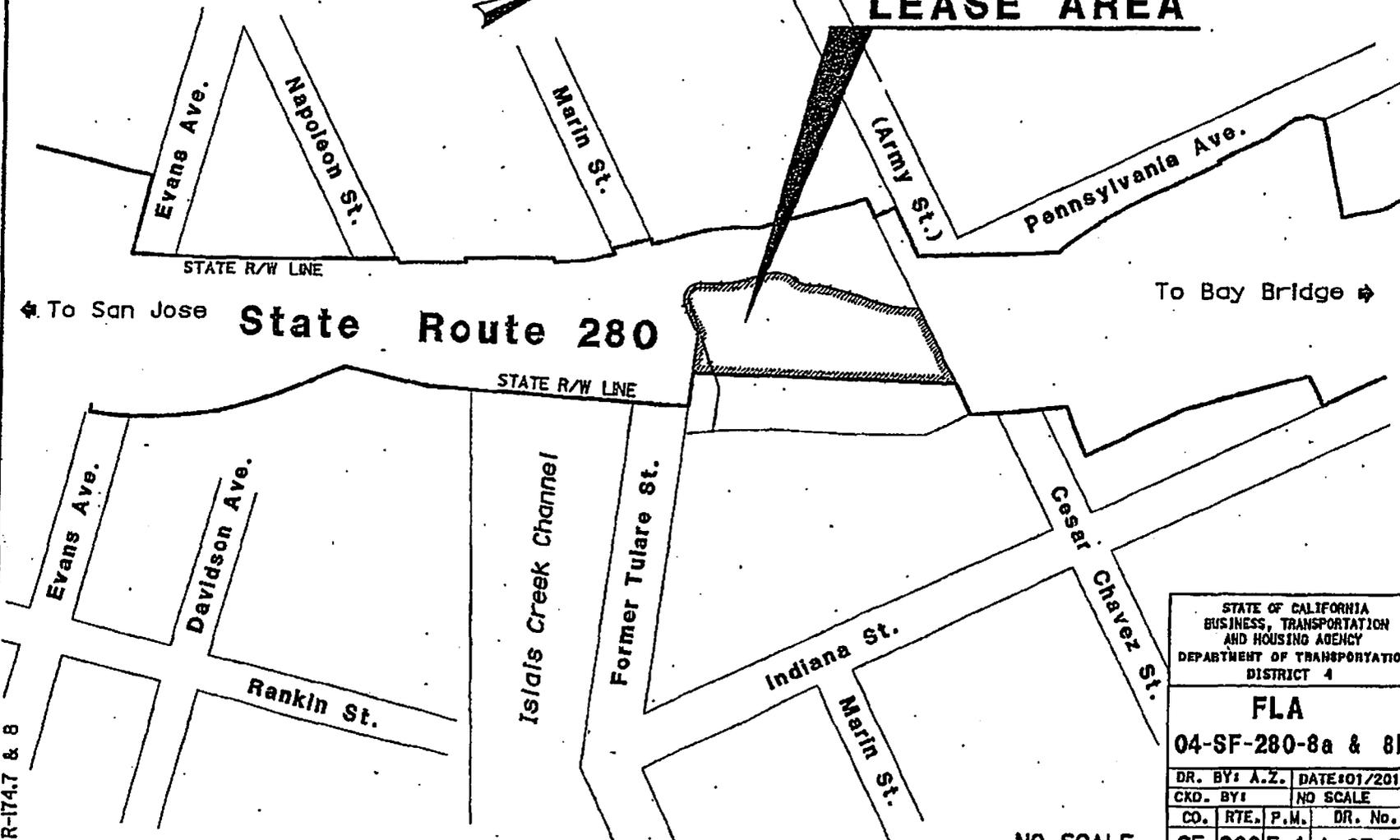
**Caltrans Large Lease Parcel, Caltrans FLA 04-SF-280-8a**

***Note: No legal description from Caltrans for the Large Lease Parcel***

**COUNTY & CITY OF  
SAN FRANCISCO**



**LEASE AREA**



STATE OF CALIFORNIA  
BUSINESS, TRANSPORTATION  
AND HOUSING AGENCY  
DEPARTMENT OF TRANSPORTATION  
DISTRICT 4

**FLA**  
**04-SF-280-8a & 8b**

DR. BY: A.Z. DATE: 01/2010

CKD. BY: NO SCALE

|     |      |      |         |
|-----|------|------|---------|
| CO. | RTE. | P.M. | DR. No. |
|-----|------|------|---------|

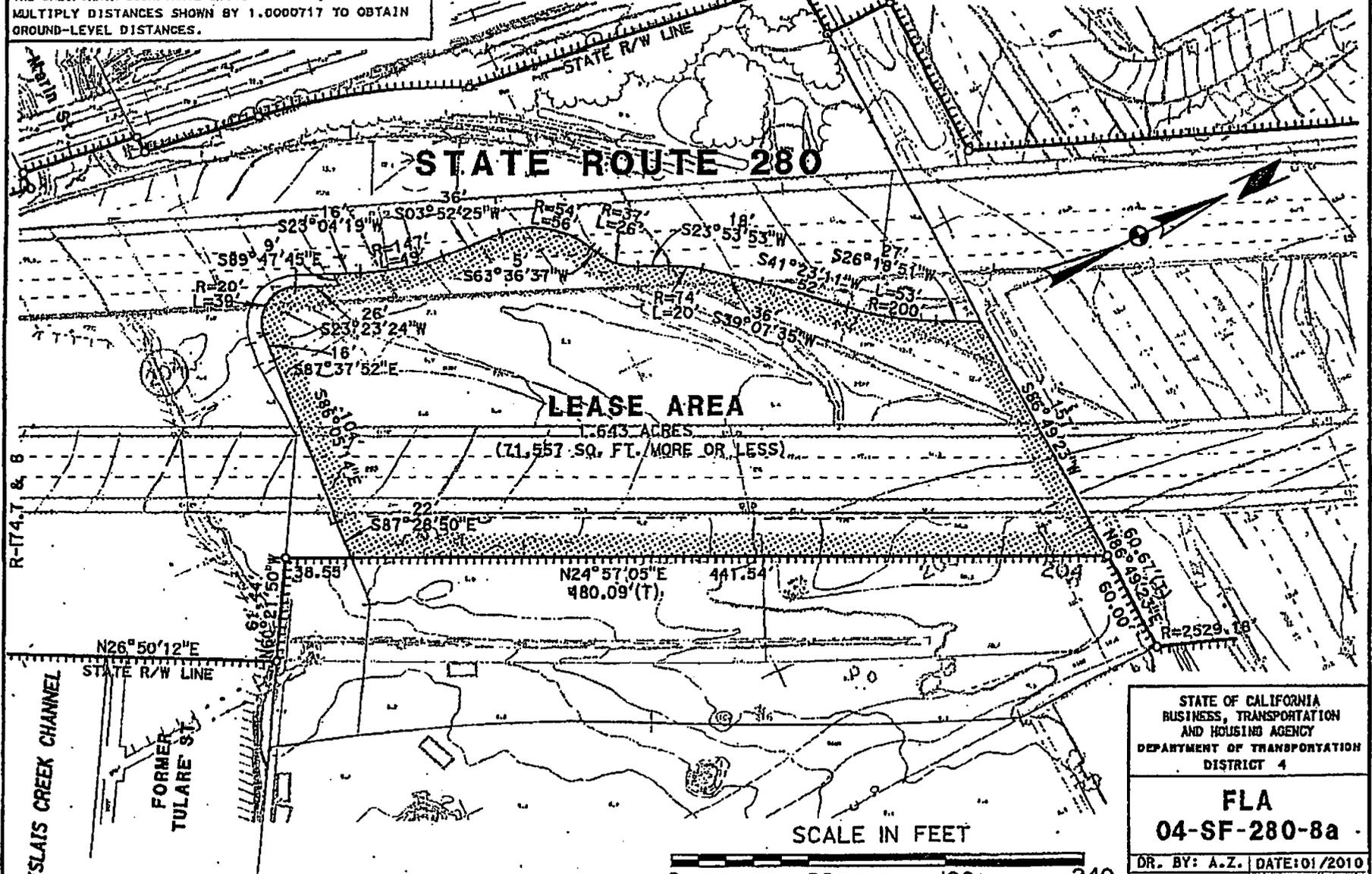
|    |     |     |        |
|----|-----|-----|--------|
| SF | 280 | 5.1 | 1 OF 3 |
|----|-----|-----|--------|

NO SCALE

COORDINATES, BEARINGS AND DISTANCES SHOWN ARE ON THE CALIFORNIA COORDINATE SYSTEM OF 1927, ZONE 3. MULTIPLY DISTANCES SHOWN BY 1.0000717 TO OBTAIN GROUND-LEVEL DISTANCES.

EXHIBIT C-1

CITY OF SAN FRANCISCO



**LEASE AREA**  
 1.643 ACRES  
 (71,557 SQ. FT. MORE OR LESS)

LEGEND

ACCESS PROHIBITED

STATE OF CALIFORNIA  
 BUSINESS, TRANSPORTATION  
 AND HOUSING AGENCY  
 DEPARTMENT OF TRANSPORTATION  
 DISTRICT 4

**FLA**  
**04-SF-280-8a**

|              |               |      |         |
|--------------|---------------|------|---------|
| DR. BY: A.Z. | DATE: 01/2010 |      |         |
| CKD. BY:     | SCALE: 1"=80' |      |         |
| CO.          | RTE.          | P.M. | DR. No. |
| SF           | 280           | 5.1  | 2 OF 3  |

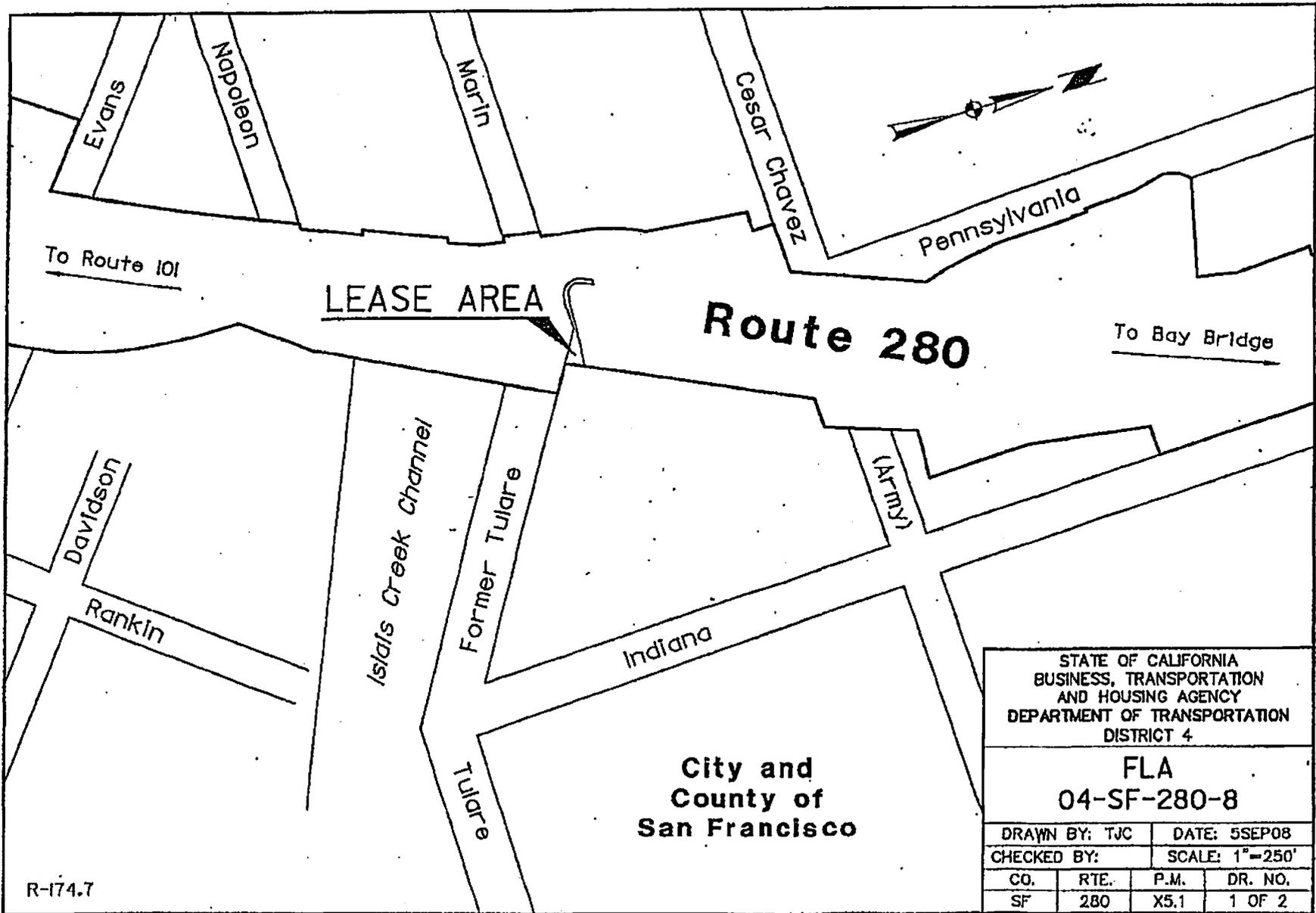
**EXHIBIT C-2**

**PLAT MAP OF SMALL LEASE PARCELS 3A AND 3B**

**Also known as**

**Caltrans Small Lease Parcel, Caltrans FLA 04-SF-280-8b**

***Note: No legal description from Caltrans for the Small Lease Parcels***



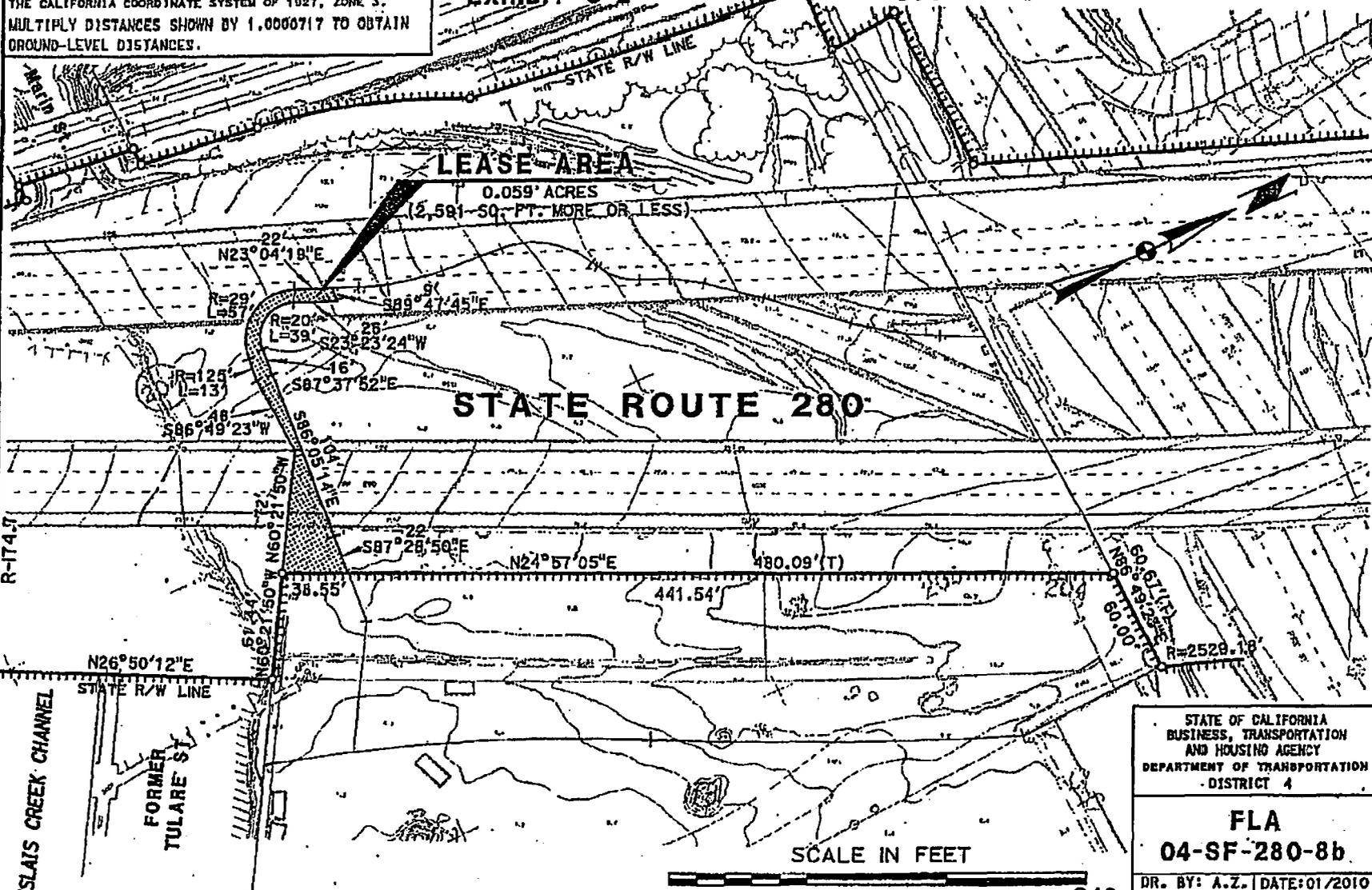
R-174.7

|                                                                                                                     |      |                |         |
|---------------------------------------------------------------------------------------------------------------------|------|----------------|---------|
| STATE OF CALIFORNIA<br>BUSINESS, TRANSPORTATION<br>AND HOUSING AGENCY<br>DEPARTMENT OF TRANSPORTATION<br>DISTRICT 4 |      |                |         |
| FLA<br>04-SF-280-8                                                                                                  |      |                |         |
| DRAWN BY: TJC                                                                                                       |      | DATE: 5SEP08   |         |
| CHECKED BY:                                                                                                         |      | SCALE: 1"=250' |         |
| CO.                                                                                                                 | RTE. | P.M.           | DR. NO. |
| SF                                                                                                                  | 280  | X5.1           | 1 OF 2  |

COORDINATES, BEARINGS AND DISTANCES SHOWN ARE ON THE CALIFORNIA COORDINATE SYSTEM OF 1927, ZONE 3. MULTIPLY DISTANCES SHOWN BY 1.0000717 TO OBTAIN GROUND-LEVEL DISTANCES.

EXHIBIT C-2

CITY OF SAN FRANCISCO



R-174.7

ISLAIS CREEK CHANNEL

FORMER TULARE ST

STATE ROUTE 280

LEGEND

ACCESS PROHIBITED 



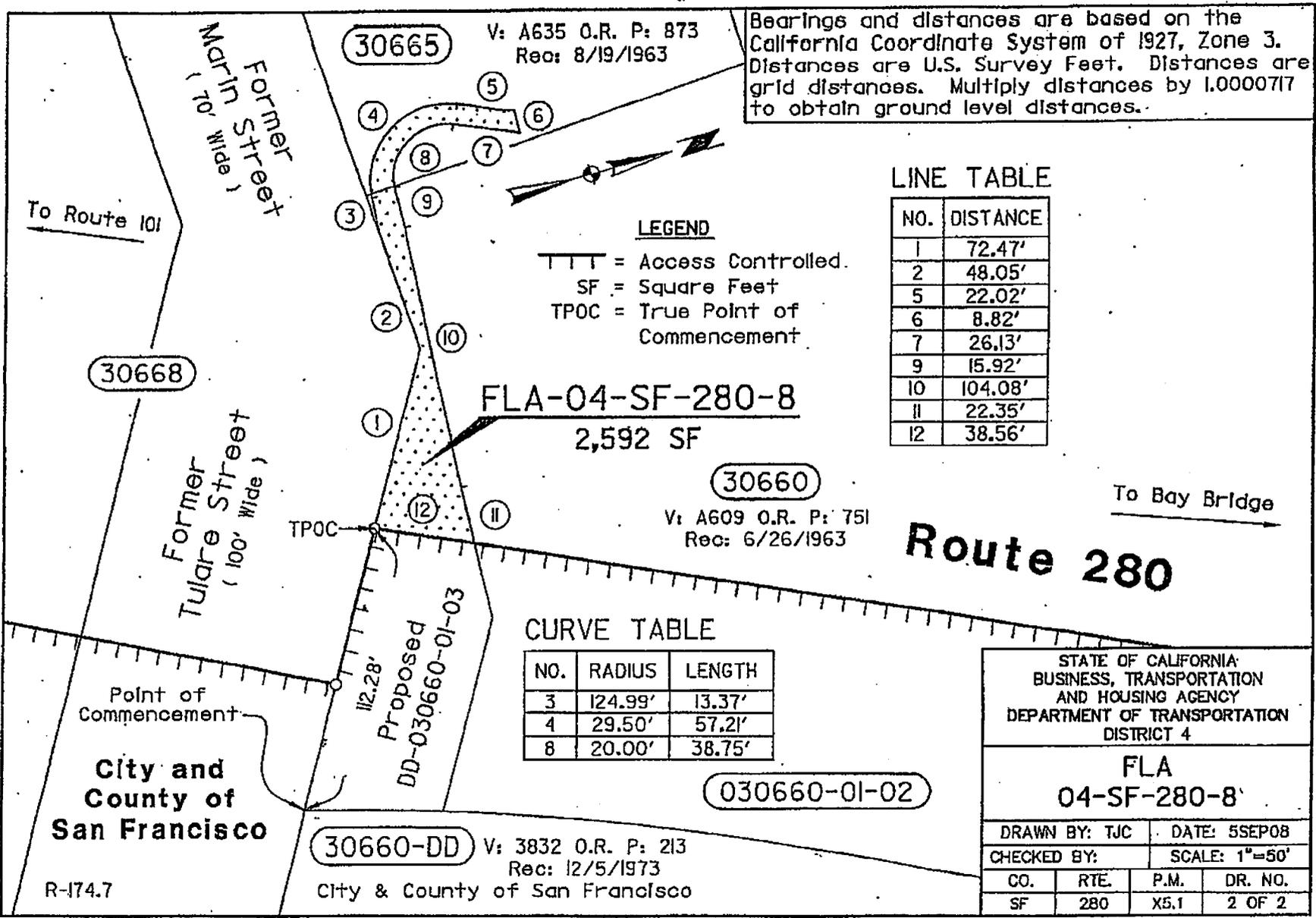
SCALE IN FEET

SCALE: 1"=80'

STATE OF CALIFORNIA  
BUSINESS, TRANSPORTATION  
AND HOUSING AGENCY  
DEPARTMENT OF TRANSPORTATION  
DISTRICT 4

FLA  
04-SF-280-8b

|              |               |      |         |
|--------------|---------------|------|---------|
| DR. BY: A.Z. | DATE: 01/2010 |      |         |
| CKD. BY:     | SCALE: 1"=80' |      |         |
| CO.          | RTE.          | P.M. | DR. No. |
| SF 280       | 5.1           | 3    | OF 3    |



Bearings and distances are based on the California Coordinate System of 1927, Zone 3. Distances are U.S. Survey Feet. Distances are grid distances. Multiply distances by 1.0000717 to obtain ground level distances.

30665 V: A635 O.R. P: 873  
Rec: 8/19/1963

30660 V: A609 O.R. P: 751  
Rec: 6/26/1963

30660-DD V: 3832 O.R. P: 213  
Rec: 12/5/1973  
City & County of San Francisco

LINE TABLE

| NO. | DISTANCE |
|-----|----------|
| 1   | 72.47'   |
| 2   | 48.05'   |
| 5   | 22.02'   |
| 6   | 8.82'    |
| 7   | 26.13'   |
| 9   | 15.92'   |
| 10  | 104.08'  |
| 11  | 22.35'   |
| 12  | 38.56'   |

LEGEND

- TTT = Access Controlled.
- SF = Square Feet
- TPOC = True Point of Commencement

FLA-04-SF-280-8  
2,592 SF

CURVE TABLE

| NO. | RADIUS  | LENGTH |
|-----|---------|--------|
| 3   | 124.99' | 13.37' |
| 4   | 29.50'  | 57.21' |
| 8   | 20.00'  | 38.75' |

STATE OF CALIFORNIA  
BUSINESS, TRANSPORTATION  
AND HOUSING AGENCY  
DEPARTMENT OF TRANSPORTATION  
DISTRICT 4

FLA  
04-SF-280-8'

|               |      |               |         |
|---------------|------|---------------|---------|
| DRAWN BY: TJC |      | DATE: 5SEP08  |         |
| CHECKED BY:   |      | SCALE: 1"=50' |         |
| CO.           | RTE. | P.M.          | DR. NO. |
| SF            | 280  | X5.1          | 2 OF 2  |

To Route 101

To Bay Bridge

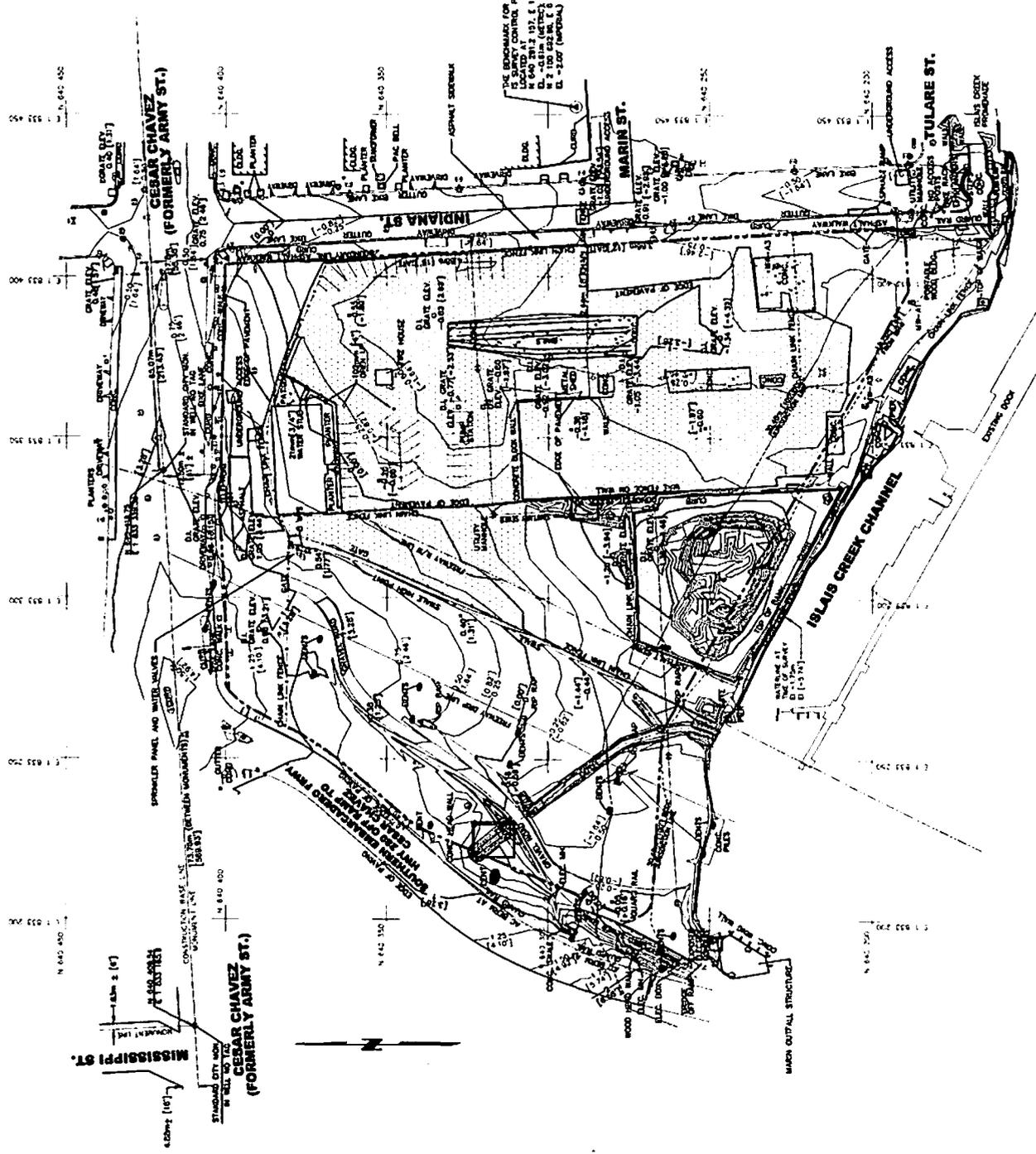
Point of Commencement  
City and County of San Francisco

R-174.7

- NOTES:**
1. FOR EXISTING TOPOGRAPHY INFORMATION SEE GENERAL NOTES, DRAWING CV-3.
  2. CONTOURS AND SPOT ELEVATIONS IN METERS AND [TEXT].
  3. FOR BELOW GROUND FOUNDATIONS SEE NOTE 13, DRAWING CV-04.
  4. EXISTING UTILITIES NOT SHOWN FOR CLARITY. REFER TO DRAWING CV-05 FOR APPROXIMATE LOCATIONS OF EXISTING UTILITIES.
  5. SEE OTHER DRAWINGS FOR ADDITIONAL EXISTING FEATURES AND CONDITIONS.

**LEGEND:**

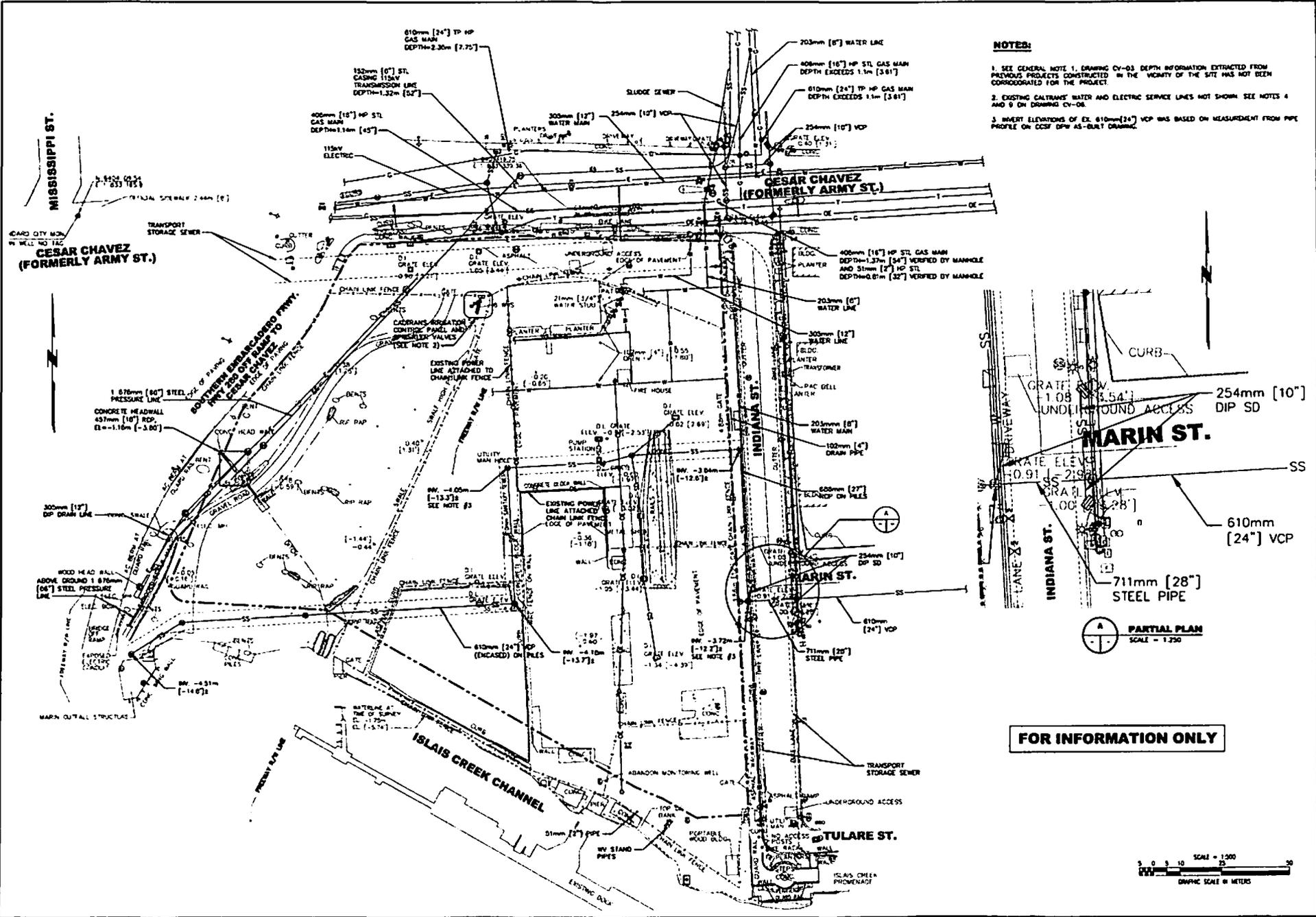
- LIMIT OF ASPHALT PAVING
- LIMIT OF CONCRETE
- STORMWATER WELL



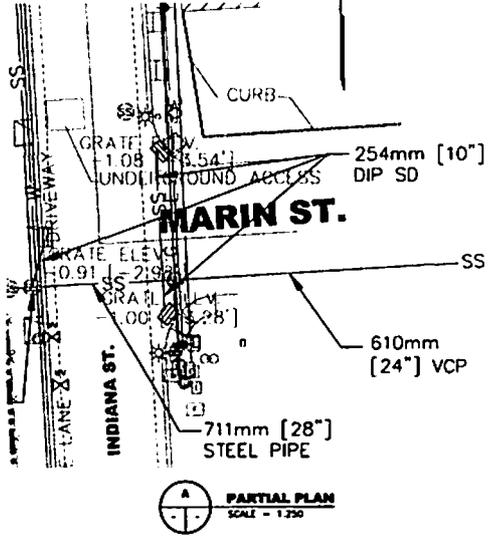
FOR ORIGINAL SPECIFICATIONS SEE CIVIL-15401 (REV. 1)



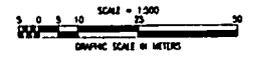
|                                                                                                                      |                                                                                                                                |                                               |                                                                                                                                |                              |
|----------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| <p><b>URS</b><br/>1333 Broadway, Suite 800<br/>Oakland, CA 94612<br/>Tel: (415) 874-2200<br/>Fax: (415) 874-2201</p> | <p><b>URS/RCCO (JV)</b><br/>450 Montgomery Avenue<br/>Burlingame, CA 94010<br/>Tel: (415) 774-2300<br/>Fax: (415) 774-2300</p> | <p><b>MUNICIPAL TRANSPORTATION AGENCY</b></p> | <p>ISLAIS CREEK<br/>MOTOR COACH MAINTENANCE &amp; OPERATIONS FACILITY<br/>PHASE I - SITE DEVELOPMENT &amp; FUEL/WASH BLOBS</p> | <p>MR-1700R<br/>CL-15401</p> |
|                                                                                                                      |                                                                                                                                |                                               | <p>EXISTING CONDITIONS AND TOPOGRAPHY</p>                                                                                      | <p>CV-04<br/>178 2</p>       |



- NOTES:**
1. SEE GENERAL NOTE 1. DRAWING CV-05 DEPTH INFORMATION EXTRACTED FROM PREVIOUS PROJECTS CONSTRUCTED IN THE VICINITY OF THE SITE HAS NOT BEEN CORRELATED FOR THE PROJECT.
  2. EXISTING CALTRANS WATER AND ELECTRIC SERVICE LINES NOT SHOWN SEE NOTES 4 AND 9 ON DRAWING CV-06.
  3. BUREY ELEVATIONS OF EX. 610mm [24\"/>



**FOR INFORMATION ONLY**

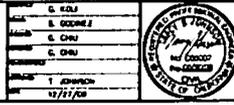


|          |     |      |       |
|----------|-----|------|-------|
| DATE     | BY  | CHKD | APP'D |
| 12/27/09 | URS | URS  | URS   |
| 12/27/09 | URS | URS  | URS   |
| 12/27/09 | URS | URS  | URS   |

**URS/RCCO (JV)**  
 800 MONTGOMERY STREET, 20TH FLOOR SAN FRANCISCO, CA 94111-2728  
 PH (415) 774-2700

**URS**  
 1533 Broadway, Suite 800 Oakland, CA 94612  
 PH (510) 993-3600 Fax (510) 874-2999

|             |              |
|-------------|--------------|
| DESIGNED BY | G. CHU       |
| CHECKED BY  | S. GOGGINS   |
| DATE        | G. CHU       |
| PROJECT     | G. CHU       |
| SCALE       | T. J. SPANIO |
| DATE        | 12/27/09     |



CITY AND COUNTY OF SAN FRANCISCO  
**MUNICIPAL TRANSPORTATION AGENCY**

APPROVED  
*F. McManus*  
 BY THE DIRECTOR OF TRANSPORTATION

ISLA CREEK MOTOR COACH MAINTENANCE & OPERATIONS FACILITY  
 PHASE I - SITE DEVELOPMENT & FUEL/WASH BLDGS

**EXISTING UTILITIES PLAN**

|              |          |
|--------------|----------|
| PROJECT NO.  | MR-1206R |
| DATE         | CL-15402 |
| SCALE        | CV-05    |
| NO.          | 178      |
| TOTAL SHEETS | 1        |



# Chicago Title Company

**ISSUING OFFICE:** 2150 John Glenn Drive, Suite 300 • Concord, CA 94520  
925 288-8000 • FAX 925 521-9562

## PRELIMINARY REPORT

**Amended**

Title Officer: Meg Heppell

Title No.: 06-36902446-B-MH  
Locate No.: CACTI7738-7738-2369-0036902446

TO: Chicago Title Company-San Francisco  
455 Market Street, Suite 2100  
San Francisco, CA 94105

ATTN: Sue Trowbridge  
YOUR REFERENCE: 16020472

SHORT TERM RATE: No

**PROPERTY ADDRESS:** Lot 003, Block 4382; Lot 013, Block 4349;  
Lot 002, Block 4349; Lot 002A, Block 4349  
San Francisco, California

**EFFECTIVE DATE: May 6, 2011, 05:00 P.M.**

The form of Policy or Policies of title insurance contemplated by this report is:

CLTA Standard Coverage Policy - 1990

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:  
  
A Fee
2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:  
  
**State of California**
3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:  
  
SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

KH\KH 05/05/2006

## LEGAL DESCRIPTION

### EXHIBIT "A"

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

#### Parcel One:

Beginning at a point perpendicularly distant westerly 20 feet from the center line of Iowa Street (as said street line existed prior to the closing of said street) and perpendicularly distant northeasterly 34 feet from a line drawn northwesterly from the point of intersection of the northeasterly line of Tulare Street (as said street line existed prior to the closing of said street) with the westerly line of Indiana Street to a point which is perpendicularly distant southerly 484 feet from the southerly right of way of the Western Pacific Railroad Company (said right of way line being perpendicularly distant southerly 41 feet from the southerly line of Army Street, as widened) and perpendicularly distant westerly 100 feet from the westerly line of Pennsylvania Avenue (as said street line existed prior to the closing of said street); running thence northwesterly, parallel with the line so drawn, to a point which is perpendicularly distant southerly 384 feet from the said southerly right of way line of the Western Pacific Railroad Company; thence westerly, parallel with said right of way line, to a point which is perpendicularly distant westerly 100 feet from said westerly line of Pennsylvania Avenue; thence northerly, parallel with said westerly line of Pennsylvania Avenue, 384 feet to the said right of way line of the Western Pacific Railroad Company; thence easterly along the last named line, 410 feet to a point perpendicularly distant westerly 20 feet from said center line of Iowa Street; thence southerly, parallel with said center line of Iowa Street, to the point of beginning.

Excepting therefrom, that portion thereof described in that certain Deed recorded December 5, 1973, in Book B832, Page 213, Document No. W35912, Official Records.

Lot 003, Block 4382

#### Parcel Two:

Beginning at a point perpendicularly distant westerly 20 feet from the center line of Iowa Street (as said street line existed prior to the closing of said street) and perpendicularly distant northeasterly 34 feet from a line drawn northwesterly from the point of intersection of the northeasterly line of Tulare Street (as said street line existed prior to the closing of said street) with the westerly line of Indiana Street to a point which is perpendicularly distant southerly 384 feet from the southerly right of way line of the Western Pacific Railroad Company (said right of way line being perpendicularly distant southerly 41 feet from the southerly line of Army Street, as widened), and perpendicularly distant westerly 100 feet from the westerly line of Pennsylvania Avenue (as said street line existed prior to the closing of said street); running thence northwesterly, parallel with the line so drawn, to a point which is perpendicularly distant southerly 384 feet from the said southerly right of way line of the Western Pacific Railroad Company; thence westerly, parallel with said right of way line, to a point which is perpendicularly distant westerly 100 feet from said westerly line of Pennsylvania Avenue; thence northerly, parallel with said westerly line of Pennsylvania Avenue, 384 feet to the said right of way line of the Western Pacific Railroad Company; thence easterly along the last named line, 410 feet to a point perpendicularly distant westerly 20 feet from said center line of Iowa Street; thence southerly, parallel with said center line of Iowa Street, to the point of beginning.

Excepting therefrom, that portion thereof described in that certain Deed recorded December 5, 1973, in Book B832, Page 213, Document No. W35912. Also excepting Parcel One of this report.

Lots 002 and 002A, Block 4349

#### Parcel Three:

Beginning at a point on the northerly line of Marin Street (formerly Tulare Street) perpendicularly distant westerly 100 feet from the westerly line of Pennsylvania Avenue, as said Pennsylvania Avenue formerly existed, and perpendicularly distant southerly 425 feet from the southerly line of Army Street (as widened); running thence northerly, parallel with said westerly line of Pennsylvania Avenue, 384 feet; thence at a right angle westerly 37.4 feet, more or less, to a point perpendicularly distant easterly 53.5 feet from the center line of the westerly constructed main track of the Southern Pacific Company's railroad, known as the "Bay Shore Route";

thence southerly, parallel with and perpendicularly distant easterly 53.5 feet from the center line of said railroad track, 346 feet, more or less, to a point perpendicularly distant westerly 200 feet from said westerly line of Pennsylvania Avenue; thence southerly, parallel with said westerly line of Pennsylvania Avenue, 45 feet, more or less, to a point on the northerly line of Marin Street, distant thereon 100 feet westerly from the point of beginning; thence easterly along said line of Marin Street, 100 feet to the point of beginning.

Being portion of Potrero Nuevo Blocks No. 293 and 294.

Excepting therefrom, the following parcel of land:

Beginning at a point on a line parallel with and perpendicularly distant southerly 41 feet from the southerly line of Army Street, as widened, distant thereon 100 feet westerly from the westerly line of Pennsylvania Avenue, extended southerly; and thence running southerly, parallel to said line of Pennsylvania Avenue, 229.846 feet; thence at a right angle westerly 64.106 feet; thence deflecting 54° 47' 19.7" to the left from the preceding course and running southwesterly 35.254 feet to the easterly boundary line of the Southern Pacific Railroad Company's right of way; thence deflecting 155° 24' 26.7" to the right from the preceding course, and running northeasterly along said boundary line, 263.156 feet to the above mentioned line, parallel to the southerly line of Army Street; thence deflecting 79° 22' 53" to the right from the preceding course and running easterly along said parallel line, 35.941 feet to the point of beginning.

Being portion of Potrero Nuevo Block No. 294.

Lot 013, Block 4349

**AT THE DATE HEREOF, ITEMS TO BE CONSIDERED AND EXCEPTIONS TO COVERAGE IN ADDITION TO THE PRINTED EXCEPTIONS AND EXCLUSIONS IN SAID POLICY FORM WOULD BE AS FOLLOWS:**

1. **Property taxes**, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2011-2012.
2. **The lien of supplemental taxes**, if any, assessed pursuant to the provisions of Chapter 3.5 (Commencing with Section 75) of the Revenue and Taxation code of the State of California.
3. The following Streets are described as closed:  
  
Tulare, Marin, Iowa, Pennsylvania, between the south line of Army Street, as widened, and the north line of Islais Creek.  
  
Vacation proceeding should be had or recorded
4. An easement affecting the portion of said land and for the purposes stated herein, and incidental purposes, condemned by final decree  
  
Purpose: Sewer  
Case No.: 431045  
Recorded: August 4, 1955, Book 6669, Page 236, Official Records  
Affects: Parcels One and Two
5. **Easement(s)** for the purpose(s) shown below and rights incidental thereto as granted in a document.  
  
Granted to: City and County of San Francisco  
Purpose: An easement to drive and maintain batter piles  
Recorded: September 29, 1958, Instrument No. H21770, Book 7375, Page 579, of Official Records  
Affects: Westerly portion of Parcel Three
6. Unrecorded Highway Agreement between State of California and City and County of San Francisco, as disclosed by documents of record.
7. Any right, title or interest of persons, known or unknown, who claim or may claim adversely to the vested owner herein, by reason of the record title to said land not having been established and quieted under the provisions of the McEnerney Act, so called.  
  
Affects portions of the herein described land, including, but not limited to, current and former streets and avenues included within the lands described herein.
8. Rights and easements for commerce, navigation and fishery.

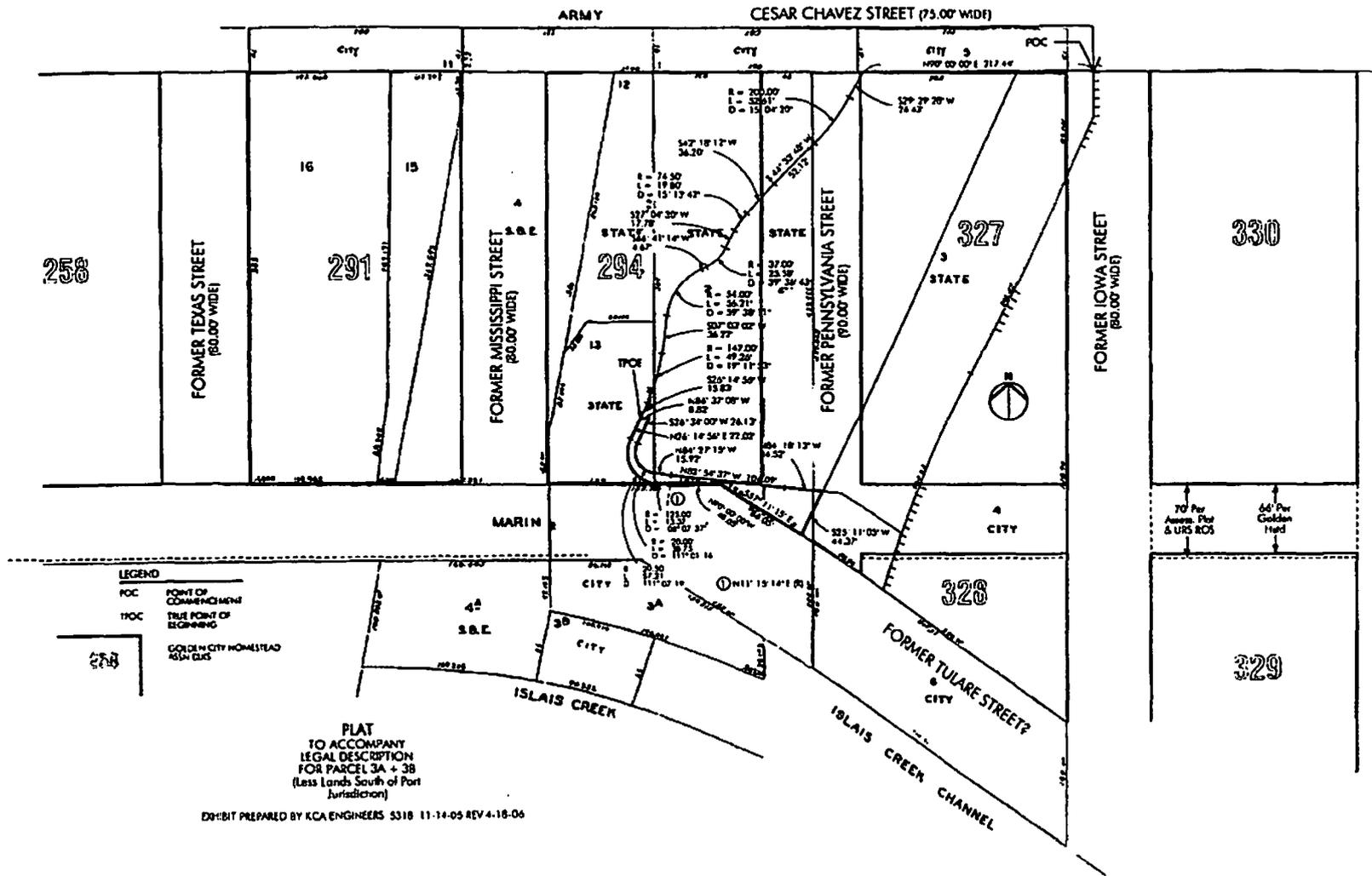
9. Any adverse claim based upon the assertion that:
  - a) Some portion of Tide Land Survey No. 14 was not included within the land authorized to be sold pursuant to the Act of the Legislature of April 4, 1964 (1863-64, Chapter 407, Page 463).
  - b) Some portion of Tideland Survey No. 14 has ceased to be included within the land authorized to be sold pursuant to said Act of the Legislature of April 4, 1864 (1863-64, Chapter 407, Page 463).
  - c) Some portion of said land has been created by artificial means or has accreted to such portion so created.
10. The terms, conditions, reservations and provisions of the Act of the Legislature of April 4, 1864 (1863-64, Chapter 407, Page 463) and the effect of any failure to comply therewith.
11. Any adverse claim based upon the assertion that any portion of said land was not tide or submerged land subject to disposition by the State of California on the effective date of the Legislative Grant of such land to the City and County of San Francisco, a municipal corporation, in trust, or that any portion thereof has ceased to be tide or submerged land.
12. Conditions, Restrictions, Easements, Reservations and Limitations and Rights, Powers, Duties and Trusts contained in the Legislative Grants and by law as to the land, or any portion thereof, acquired by the City and County of San Francisco, by Chapter 1333 of the Statutes of 1968, as amended by Chapters 1296 and 1400, Statutes of 1969 and by Chapter 670, Statutes of 1970, and Chapter 1253, Statutes of 1971, and as may be further amended, and such Reversionsary Rights and Interests as may be possessed by the State of California under the terms and provisions of said legislative Grants, or by law.
13. "Agreement Relating to Transfer of the Port of San Francisco from the State of California to the City and County of San Francisco", executed by and between the City and County of San Francisco and the Director of Finance of the State of California and the San Francisco Port Authority, recorded January 30, 1969, Instrument No. R40413, Book B308, Page 686, Official Records.
14. An easement for public street purposes over that portion of said land within all streets and avenues lying within the herein described land, which have not been previously vacated.
15. Any and all existing easements for public utilities and right of way for ingress and egress in connection therewith.
16. Parties in possession by reason of unrecorded leases, if any.
17. Any facts, rights, interests or claims which are not disclosed by the public records but which could be ascertained by making inquiry of the parties or persons in possession of the herein described land.

- 18. Any easements, liens (including but not limited to any Statutory Liens for labor or materials arising from any on-going or recently completed works of improvement), encumbrances, facts, rights, interest or claims which are not shown by the public records but which could be ascertained by an inspection of the herein described land.
- 19. Discrepancies, conflicts in boundary lines, shortages in area, encroachments or any other facts which a correct survey of the herein described land would disclose which are not shown by the public records and the requirement that said survey meets with the minimum standards for ALTA/ACSM land title surveys.

**END OF ITEMS**

- Note 1.** There are NO deeds affecting said land, recorded within twenty-four (24) months of the date of this report.
- Note 2.** No taxes were assessed for the 2010-2011 fiscal year.
- Note 3.** Section 12413.1, California Insurance Code became effective January 1, 1990. This legislation deals with the disbursement of funds deposited with any title entity acting in an escrow or subescrow capacity. The law requires that all funds be deposited and collected by the title entity's escrow and/or subescrow account prior to disbursement of any funds. Some methods of funding may subject funds to a holding period which must expire before any funds may be disbursed. In order to avoid any such delays, all funding should be done through wire transfer, certified check or checks drawn on California financial institutions.
- Note 4.** The charge where an order is canceled after the issuance of the report of title, will be that amount which in the opinion of the Company is proper compensation for the services rendered or the purpose for which the report is used, but in no event shall said charge be less than the minimum amount required under Section 12404.1 of the Insurance Code of the State of California. If the report cannot be canceled "no fee" pursuant to the provisions of said Insurance Code, then the minimum cancellation fee shall be that permitted by law.
- Note 5.** California Revenue and Taxation Code Section 18662, effective January 1, 1994 and by amendment effective January 1, 2003, provides that the buyer in all sales of California Real Estate may be required to withhold 3 and 1/3% of the total sales price as California State Income Tax, subject to the various provisions of the law as therein contained.

**END OF NOTES**





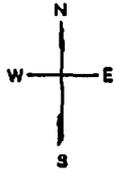








LINE FROM S.F.L. INTO CITY - '69



Former City Line  
of PENNSYLVANIA AR.S

ARMY

Former City Line  
of IOWA ST.

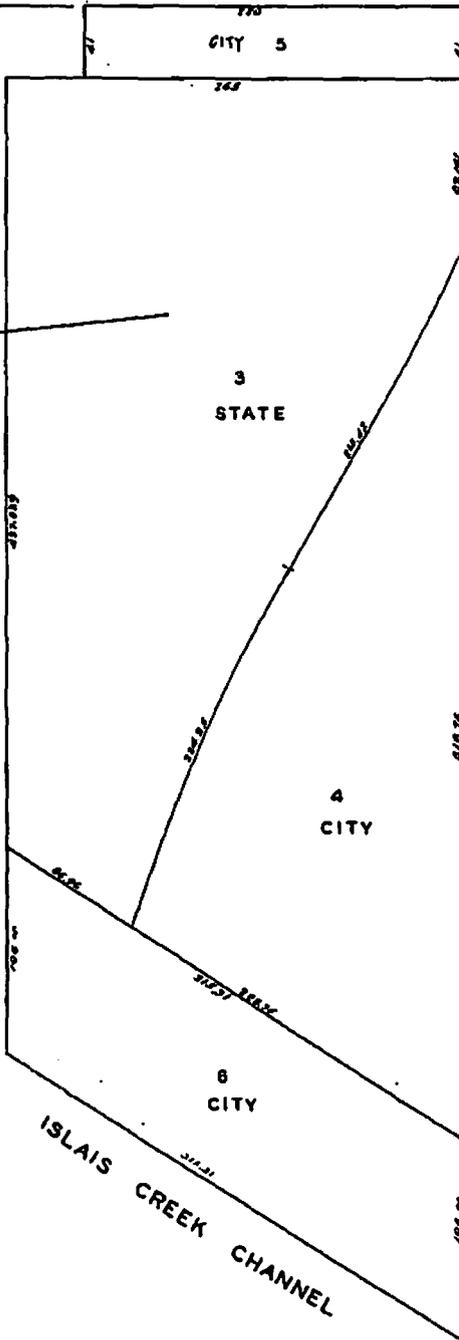
**4382**  
NEW POTRERO  
BLK 327 & 328

REVISED 1974  
REVISED 1973  
'69

IMPORTANT: This plat is not a survey,  
it is merely furnished as a convenience  
to locate the land in relation to adjoining  
streets and other lands, and not to  
guarantee dimensions, distances,  
bearings or acreage.

**PIQ**

BLK. 4349

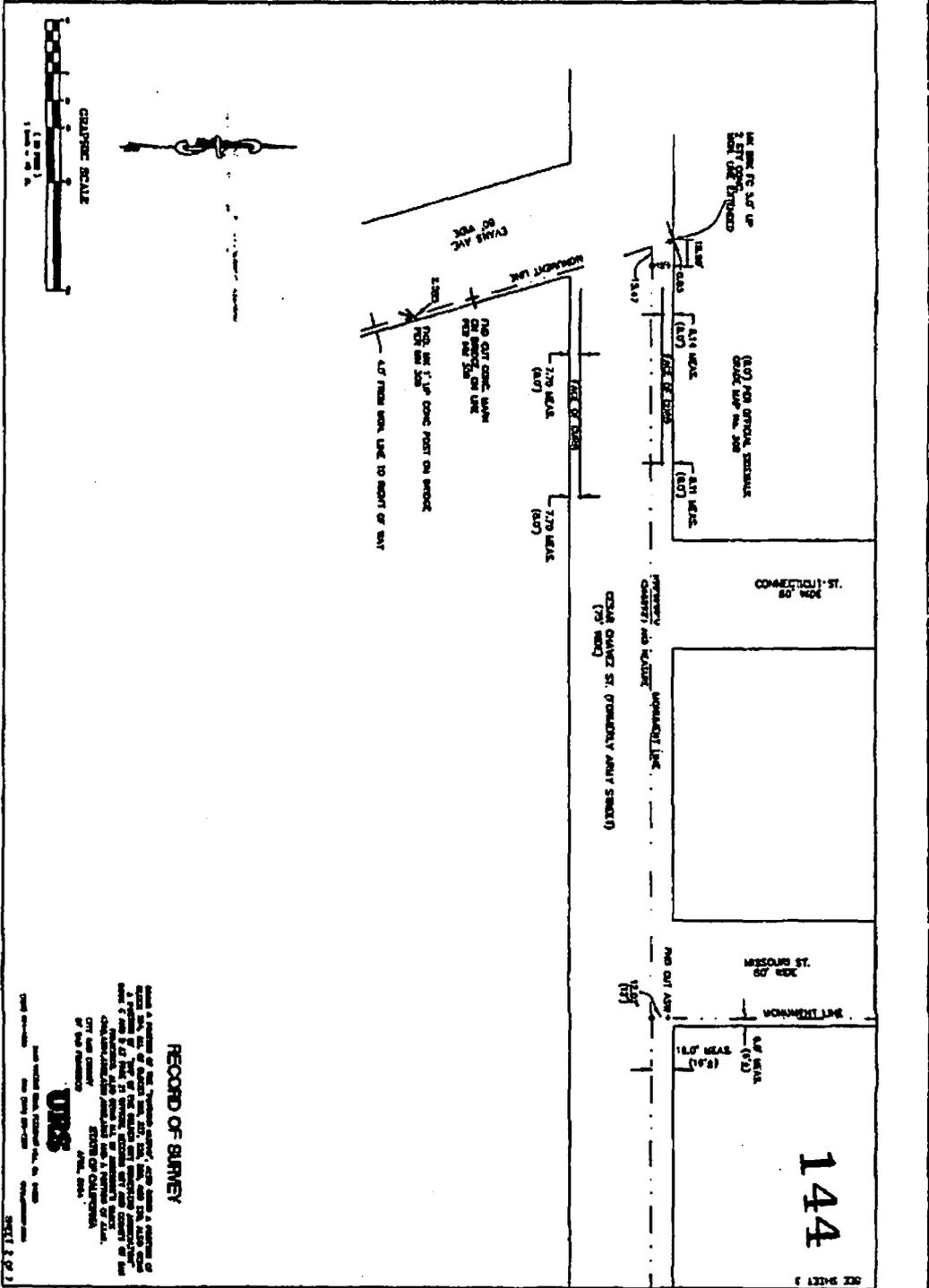


BLK. 4352

MARIN  
(CLOSED)

BLK. 4381





**RECORD OF SURVEY**

URS

UNIVERSITY OF REGINA SURVEYING

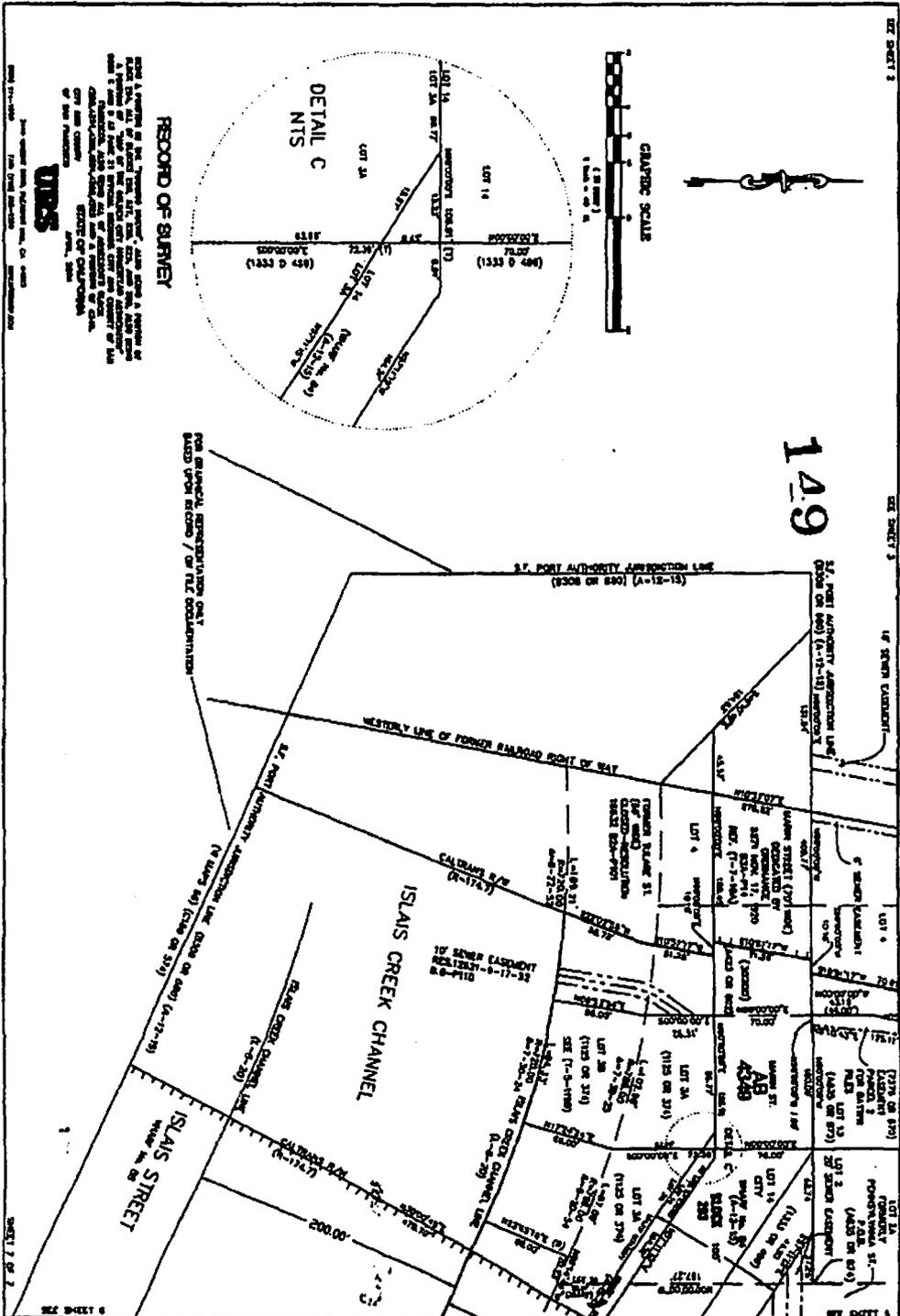
1000 UNIVERSITY AVENUE, REGINA, SASKATCHEWAN S4S 0A2

TEL: (306) 343-1234 FAX: (306) 343-1235

WWW.URS.SURVEYING.CA

DATE: 2010-01-15

SCALE: 1" = 100'



**RECORD OF SURVEY**

THIS SURVEY WAS MADE BY THE SURVEYOR AND HIS ASSISTANTS IN THE FIELD AND THE ACCURACY OF THE SAME IS GUARANTEED BY THE SURVEYOR'S PROFESSIONAL LIABILITY INSURANCE POLICY. THE SURVEYOR'S OFFICE IS LOCATED AT 1000 CALIFORNIA STREET, SAN FRANCISCO, CALIFORNIA 94108. THE SURVEYOR'S LICENSE NUMBER IS 10000.

**DATE:** 10/15/2010

**BY:** [Signature]

FOR SPECIAL REQUIREMENTS ONLY  
 BASED UPON RECORD / OF THE OCCUPANCY

SHEET 1 OF 3

parcel 30667

RWB:AM 2:8 11-7-62

7620

BOOK 1520 PAGE 480

Sec. Map No. R-174

Sheet 16774 Sta.         

Entered on 2/7/62 Map

NB 4-3-63  
DATE

IV-SF-253-SF  
No. 30667-M

THE WESTERN PACIFIC RAILROAD COMPANY, a corporation,  
Grantor, does hereby grant unto the STATE OF CALIFORNIA, Grantee,  
an easement for highway purposes over and across that certain  
real property situate in the City and County of San Francisco,  
State of California, described as follows:

Commencing at a point on the southerly  
line of Army Street, as widened, distant thereon  
South 86° 49' 23" West, 242.10 feet from the  
point of intersection of the westerly line of  
Indiana Street and said southerly line of Army  
Street; thence from a tangent that bears South  
19° 06' 21" West, along a curve to the right, with  
a radius of 2529.18 feet, through an angle of 1°  
02' 46.2", an arc length of 46.18 feet, to the  
property line common to the lands, now or formerly  
of The Western Pacific Railroad Company, a corpo-  
ration, and of Bernice Harris, et al, Trustees;  
thence along said common property line North 3° 10'  
37" West, 1.55 feet and South 86° 49' 23" West,  
410 feet to the property line common to the lands,  
now or formerly of The Western Pacific Railroad  
Company and of Southern Pacific Company; thence  
along said common property line North 3° 10' 37"  
West, 41.01 feet to said southerly line of Army  
Street; thence along last said line North 86°  
49' 23" East, 427.90 feet, to the point of  
commencement.

Containing an area of 17,197.0 square  
feet.  
Said easement is granted upon the following conditions

subsequent:

1. Grantor contributions will not be required toward cost  
of any future grade separation if and when any grade separation  
structure is required for highway purposes; however, this clause  
shall be null and void as to a future separation should any said  
separation be required because of change in railroad facilities.

2. This conveyance is made for the purposes of a freeway  
and the Grantor hereby releases and relinquishes to the Grantee  
any and all abutter's rights, including access rights, appurtenant  
to Grantor's remaining property, in and to said freeway.--

52458 DEC

52458 DEC 24 62

## ***QUALIFICATIONS OF DAVID N. TATTERSALL, MAI***

**David N. Tattersall, MAI**, is the founding principal of David Tattersall & Company and has over 38 years experience in the field of commercial real estate appraisal, 35 years of which have been focused in the United States.

David has served as the Chair of the West Branch of the San Francisco Bay Area Chapter of the Appraisal Institute in 1993 and 1994 and was actively involved with the merger of the Society of Real Estate Appraisers and the American Institute of Real Estate Appraisers San Francisco West Branch. David's reputation in the Appraisal community led to his appointment in 1994 as Vice Chair for the Chapter's Admissions Committee which oversees the quality of work product of candidates seeking the MAI designation.

David has also served as President of the Northern California Chapter of the Royal Institution of Chartered Surveyors, 1996.

### ***Experience***

**David Tattersall & Company, San Francisco, Ca. President, 1990-present.** Appraisal for private and public sector for mortgage lending, acquisitions/dispositions, condemnation and eminent domain, tax appeal, arbitration, expert witness and court testimony. David has testified as expert witness in San Mateo, Sonoma, San Francisco and Santa Clara County Superior Courts, and has also been involved in numerous depositions and arbitrations.

**Clifford & Tattersall Inc., San Francisco, Ca: Co-founder/Partner, 1985-1990.** Appraisal for both private and public sector clients including assignments for bank lending/OREO properties, FSLIC/FDIC valuation of bank portfolios, right of way, bond underwriting, eminent domain, tax appeal etc.

**Hamilton & Associates, San Francisco, Ca: Associate Appraiser, 1979-1985.** Assignments included a wide variety of major commercial, industrial and residential real estate located throughout the San Francisco Bay Area, in addition to assignments located in more than 22 states.

**Fuller Peiser, London, England: Valuation Surveyor, 1976-1979.** Assignments included business asset valuation for institutional and major industrial companies, commercial and industrial valuations, property tax appeals, arbitrations and brokerage, throughout the United Kingdom and northwest Europe. Typical assignments included petro-chemicals, food processing, auto/aero engineering, in addition to associated office premises, medical facilities, and retail units.

### ***Education/Designations***

State Certified General Real Estate Appraiser, State of California. (OREA ID: AG02681).  
Fellow of the Royal Institution of Chartered Surveyors (FRICS) Retired  
Appraisal Institute: Member, Appraisal Institute (MAI)  
Department of Real Estate, California (Broker ID. 01310840)  
International Right of Way Association- member  
Portsmouth Polytechnic: B.Sc. Urban Land Administration. 1976  
Continuing education maintained for current certification.