

**APPRAISAL OF**

**1296 Shotwell Street  
San Francisco, California  
A Multifamily Development Site**

**AT THE REQUEST OF**

**Mr. Dylan Hamilton  
Project Assistant, Community Real Estate  
Mission Economic Development Agency  
Plaza Adelante  
2301 Mission Street, Suite 301  
San Francisco, CA 94110**

**AS OF**

**October 4, 2017**

**PREPARED BY**

**HAMILTON, RICCI & ASSOCIATES, INC.  
930 Montgomery Street, Suite 100  
San Francisco, CA 94133**



October 10, 2017

17-09-180

Mr. Dylan Hamilton  
Project Assistant, Community Real Estate  
**Mission Economic Development Agency**  
Plaza Adelante  
2301 Mission Street, Suite 301  
San Francisco, CA 94110

Re: **1296 Shotwell Street**  
**San Francisco, CA**

Dear Mr. Hamilton:

Hamilton, Ricci & Associates, Inc. (HRA) appraised the fee simple interest in the above-referenced property, an 11,672-square-foot interior frontage site (0.27-acre), with a vacant 10,700-square-foot industrial building that must be demolished and hauled away (making the site available for development), between Cesar Chavez and 26<sup>th</sup> streets in the Mission District. The site has entitlements for the development of 94 dwelling units of affordable senior housing. However, this appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with an 18% below-market rate (BMR) requirement.

The appraisal estimates the market value of the “as-is” fee simple interest in the hypothetically entitled (market rate) 11,672-square-foot parcel. The appraisal is for the exclusive use of *1296 Shotwell Housing, LP* and the city of San Francisco, with no other intended users.

We inspected the subject, including the site and its general market area. In our valuation analysis we used the Sales Comparison Approach, with the information conveyed in an appraisal report and the report is in a summary format.

Based on our research and analysis, subject to the limiting conditions, extraordinary assumptions, and hypothetical conditions, it is our opinion that the **hypothetical** “as-is” market value of the fee simple interest in the subject as of October 4, 2017, is estimated as follows.

**TEN MILLION ONE HUNDRED SEVENTY FIVE THOUSAND DOLLARS**  
**(\$10,175,000)**

The marketing and exposure times are estimated to be 12 months or less.

Mr. Dylan Hamilton  
October 10, 2017  
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The report is a summary of our investigation and analysis, the conclusions subject to the stated limiting conditions and extraordinary assumptions, produced in conformity to the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, and subject to the requirements of the Code of Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

Very truly yours,

**HAMILTON, RICCI & ASSOCIATES, INC.**

A handwritten signature in blue ink, appearing to read 'WR', is positioned below the company name.

Walter L. Ricci, MAI, CCIM  
Certified General Appraiser  
California Certificate #AG009489  
**Tax ID 94-3190470**

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## **STATEMENT OF LIMITING CONDITIONS**

1. Date and definitions of value, together with other definitions and assumptions on which our analyses are based, are set forth in appropriate sections of this report. These are to be considered part of these limiting conditions as if included here in their entirety.
2. The conclusions, including values in terms of the U.S. Dollar, apply only as of the date of value and are based on prevailing physical and economic conditions and available information at that time. No representation is made as to the effect of subsequent events.
3. Title to the property is assumed to be marketable and free and clear of all liens, encumbrances, easements and restrictions. The property is appraised assuming it to be available for its highest and best use.
4. All facts and data set forth in this report are true and accurate to the best of the appraiser's knowledge and belief. The appraisal is based on the assumption that data which is of public record or which has been secured through interviews with owners, agents or other informed persons is true and correct. The appraisers reserve the right to make appropriate revisions in the event of discovery of additional or more accurate data.
5. The appraiser reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional data or more reliable data that may become available.
6. The appraiser assumes no responsibility for hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for arranging for engineering studies that may be required to discover them.
7. The property is appraised assuming it to be in full compliance with all applicable federal, state, and local environmental regulations and laws, unless otherwise stated.
8. The property is appraised assuming that all applicable zoning and use regulations and restrictions have been complied with, unless otherwise stated.
9. The property is appraised assuming 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, unless otherwise stated.
10. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area was taken from sources considered reliable and no encroachment of real property improvements is considered to exist.
11. The existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect value. The value estimate assumes that there is no such material on or in the property that would cause a loss in value. No responsibility is taken for any such conditions, or for any expertise or engineering

knowledge required to discover them. The client should retain an expert in this field, if desired.

12. Earthquakes are not uncommon in the area, so no responsibility is assumed from their possible affect on properties.
13. This appraisal covers only the real property described herein. It does not include consideration of mineral rights or related right of entry, nor personal property or the removal thereof. Values reported are not intended to be valid in any other context, nor are any conclusions as to unit values applicable to any other property or use than that specifically identified herein.
14. By reason of this assignment, testimony or attendance in court or at any government or other hearing with reference to the property is not required without prior arrangements having been made relative to such additional employment.
15. No opinion is expressed as to the value of subsurface oil, gas or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials.
16. Maps, plats and exhibits included in this report are for illustration only as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose, nor should they be removed from, reproduced, or used apart from the report.
17. No opinion is expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
18. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
19. Disclosure of the contents of this report is governed by the By-Laws and Regulations of the Appraisal Institute. Neither all nor any part of this report (especially the conclusions as to value, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or the MAI designation) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication, without prior written consent and approval of the authors.
20. The liability of HRA, its owners and staff is limited to the Client only and to the amount of the fee actually paid for the 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 limiting conditions and assumptions of the assignment and related discussions. The Appraiser 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 case of lawsuit (brought by lender, partner or part owner in any form of ownership, tenancy or any other party), Client will hold appraisers completely harmless from and against any liability, loss, cost or expense incurred or suffered by appraiser in such action, regardless of its outcome.

## **EXTRAORDINARY ASSUMPTIONS & HYPOTHETICAL CONDITIONS**

### **Extraordinary Assumptions**

An extraordinary assumption is defined by *USPAP* as “an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.” This appraisal makes the following Extraordinary Assumptions.

1. The appraisers were provided with a copy of the subject’s title report and saw nothing that appeared to be a negative impact on value, but HRA is not an expert in title matters. Title to the property is assumed to be marketable, and free and clear of all liens, encumbrances, easements and restrictions.
2. Compliance with the requirements of the Americans with Disabilities Act of 1990 (ADA) has not been considered in arriving at the opinion of value. Compliance is assumed. Failure to comply with the requirements of the ADA may negatively affect the value of the property. The appraisers recommend that an expert in the field be retained should there be any concerns regarding the subject and compliance with ADA.
3. The appraisers were not provided with an environmental assessment report. ***The appraisers are not qualified to make any judgments regarding hazardous materials or assess the impact of hazardous substances and toxics in regard to the subject. The value estimate assumes that there is no such material on or in the property that would cause a loss in value. No responsibility is taken for any such conditions, or for any expertise or engineering knowledge required to discover them. The client should retain an expert in this field if further information is required.***
4. Based on an estimate provided by the Client, HRA makes assumptions regarding the site costs associated with bringing the subject to a vacant developable site. If these assumptions are materially incorrect, the value estimate would be affected accordingly.

**If any of the Extraordinary Assumptions is materially incorrect the value estimate could be affected accordingly.**

### **Hypothetical Conditions**

A hypothetical condition is defined by *USPAP* as “that which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.” **This appraisal assumes that the site is entitled for the development of 65 dwelling units, with 18% required to be BMR units, a 65-foot height limit and 52,524 square feet of gross building area.** The subject is deed restricted to affordable housing, but at the client’s request we are appraising it as if it were not deed restricted, but as if it were available for a market rate development project. The foregoing parameters (65 units, 18% BMR, 65-foot height limit, 52,524 gross square feet) were provided by the city of San Francisco’s Planning Department for the development they would entitle on the site were it not deed restricted, but rather a market rate development.

## **EXECUTIVE SUMMARY**

<b>Property</b>	The subject is one assessor's parcel, an 11,672-square-foot interior frontage site (0.27-acre), with a vacant 10,700-square-foot industrial building that must be demolished and hauled away for disposal (making the site available for development), between Cesar Chavez and 26 <sup>th</sup> streets in the Mission District. The site has entitlements for the development of 94 dwelling units of affordable senior housing. However, this appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area.
<b>Address / Zip Code</b>	1296 Shotwell Street, San Francisco, CA 94110
<b>Census Tract</b>	252.00
<b>Assessor's Parcel</b>	6571-051
<b>Total Land Area</b>	11,672 square feet.
<b>Zoning</b>	NCT, Mission Street Neighborhood Commercial Transit, San Francisco
<b>Flood Zone</b>	Undated panel: 060298/-/0001 N. Not in a flood zone.
<b>Earthquake Zone</b>	Not in an Alquist-Priolo Special Studies Zone.
<b><u>Highest &amp; Best Use</u></b>	
<b>As Vacant</b>	Multi-Family development
<b>As Improved</b>	Multi-Family development
<b>Rights Appraised</b>	Fee simple
<b>Date of Inspection</b>	October 4, 2017
<b>Date of Appraised Value</b>	October 4, 2017
<b>Marketing Time</b>	12 months or less
<b><u>Market Value – Sales Comparison</u></b>	
<b>“As Is” Market Value</b>	<b>\$10,175,000</b>



## **INTRODUCTION**

### **Identification**

The subject is one assessor's parcel, an 11,672-square-foot interior frontage site (0.27-acre), with a vacant 10,700-square-foot industrial building that must be demolished and hauled away for disposal (making the site available for development), between Cesar Chavez and 26<sup>th</sup> streets in the Mission District. The site has entitlements for the development of 94 dwelling units of affordable senior housing. However, this appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area. The address is 1296 Shotwell Street and the parcel number is 6571-051.

### **Purpose of the Appraisal**

The appraisal estimates the hypothetically **entitled "as is" market value** of the fee simple interest.

### **Intended Use of the Appraisal**

The appraisal is for the exclusive use of *1296 Shotwell Housing, LP* and the city of San Francisco to help establish the subject's market value, with no other intended users.

### **Property Rights Appraised**

The fee simple interest, defined below.

### **Date of Inspection**

The date of inspection is October 4, 2017.

### **Date of Appraised Value**

The DOV is the date of inspection, October 4, 2017.

### **Competency**

HRA has extensive experience in appraising both multi-family and mixed-use development properties in the San Francisco Bay Area so no steps to competency were required.

### **Sales History**

The subject has been owned by *the City and County of San Francisco* since June 11, 2013. It was a land transfer to the city and county of San Francisco from Mr. Dean Givas to fulfill the inclusionary housing requirement on a site at 2558 Mission Street. There are no other offers or transfers of the property in the past three years that HRA is aware of.

### **Scope of Work**

The estimated highest and best use of the subject is for multi-family development. The appraisal estimates the “as-is” fee simple value of the subject. Development sites are typically valued using the Sales Comparison Approach. The information is conveyed in an appraisal report that is presented in a summary format.

The appraisers reviewed county records and talked with brokers, appraisers, buyers, and sellers to find comparable land sales and to most completely assess the fundamentals of the current market for development land. The appraisers reviewed published data and interviewed investment participants in the market. Unless otherwise noted, all comparables were confirmed with principals, participatory agents and / or public record, and were inspected.

### **Marketing & Exposure Period**

To estimate a marketing and exposure period for the subject, the appraisers analyzed the indications provided by the comparable sales and relied on the indications of knowledgeable brokers. Based on comparable land sales, and information from local investment brokers, marketing and exposure times of 12 months or less are estimated for the subject.

## **DEFINITIONS**

### **Market Value**

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

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and 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; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale (*Office of the Comptroller of the Currency under 12 CFR, Part 34*)."<sup>1</sup>

### **Fee Simple Interest**

The term "fee simple interest" is defined as follows.

"Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat."<sup>2</sup>

### **Leased Fee Interest**

The term "leased fee interest" is defined:

"An ownership interest held by a landlord with the rights of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease."<sup>3</sup>

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<sup>1</sup>Office of the Comptroller of the Currency under 12 CFR, part 34, Subpart C-Appraisals, 34.42 Definitions [f].

<sup>2</sup> *The Dictionary of Real Estate Appraisal*, 5<sup>th</sup> Edition (Chicago: Appraisal Institute, 2010), p. 113.

<sup>3</sup> *The Dictionary of Real Estate Appraisal*, 5<sup>th</sup> Edition (Chicago: Appraisal Institute, 2010), p. 161.

## **LEGAL DATA**

- Ownership:** *The city and county of San Francisco*
- Legal Description:** **Exhibit A** from the title report is copied **below**. The appraisers assume the subject is free and clear of all liens, encumbrances, easements and restrictions and is fully marketable.
- Assessor's Block & Lot:** Block 6571, Lot 051 (changed recently from Lot 026)
- Interest Appraised:** Fee simple
- Easements / Encroachments:** The appraisers were provided with a copy of the subject's title report and saw nothing that appeared to be a negative affect on value, but HRA is not an expert in title matters. Title to the property is assumed to be marketable, and free and clear of all liens, encumbrances, easements and restrictions that would limit the property's utility, marketability or development to highest and best use.
- Planning:** There are no planning issues that affect the subject other than those discussed in under *Zoning* in the *Property Description* section.
- Entitlements:** The site is entitled for development of 94 units of affordable senior housing based on information provided by the Client and information on the city of San Francisco's website. However, this appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area.

## EXHIBIT A

The land referred to is situated in the County of San Francisco, City of San Francisco, State of California, and is described as follows: Parcel A as shown on the map of Parcel Map 7207 filed April 25, 2013, Book 48 of Parcel Maps, Pages 130 and 131, San Francisco County Records. Being a portion of Mission Block No. 200. Assessor's Lot 051; Block 6571. The next legal description is from an old title report.

Parcel A, Assessor's Block No. 6571, Lot No. 51 (was 26) as shown on Parcel Map No. 7207, filed \_\_\_\_\_ in Book \_\_\_\_ of Parcel Maps, at Pages \_\_\_\_\_, in the Office of the Recorder of the City and County of San Francisco, State of California, and more particularly described as follows: Beginning at a point on the western line of Shotwell Street (59.09 feet wide), distant thereon North 04°15'00" West, 30.02 feet from the intersection of the southern line of Cesar Chavez Street (100.00 feet wide) and the western line of Shotwell Street (59.09 feet wide); thence North 84°25'49" West, 101.36 feet; thence °15'00" West, 25.74 feet; thence North 14°49'38" East, 107.24 feet; thence North 88°41'39" East, 64.91 feet to the western line of Shotwell Street; thence along said western line South 04°15'00" East, 141.04 feet to the Point of Beginning. Being a portion of Mission Block No. 200.

## ASSESSMENT DATA

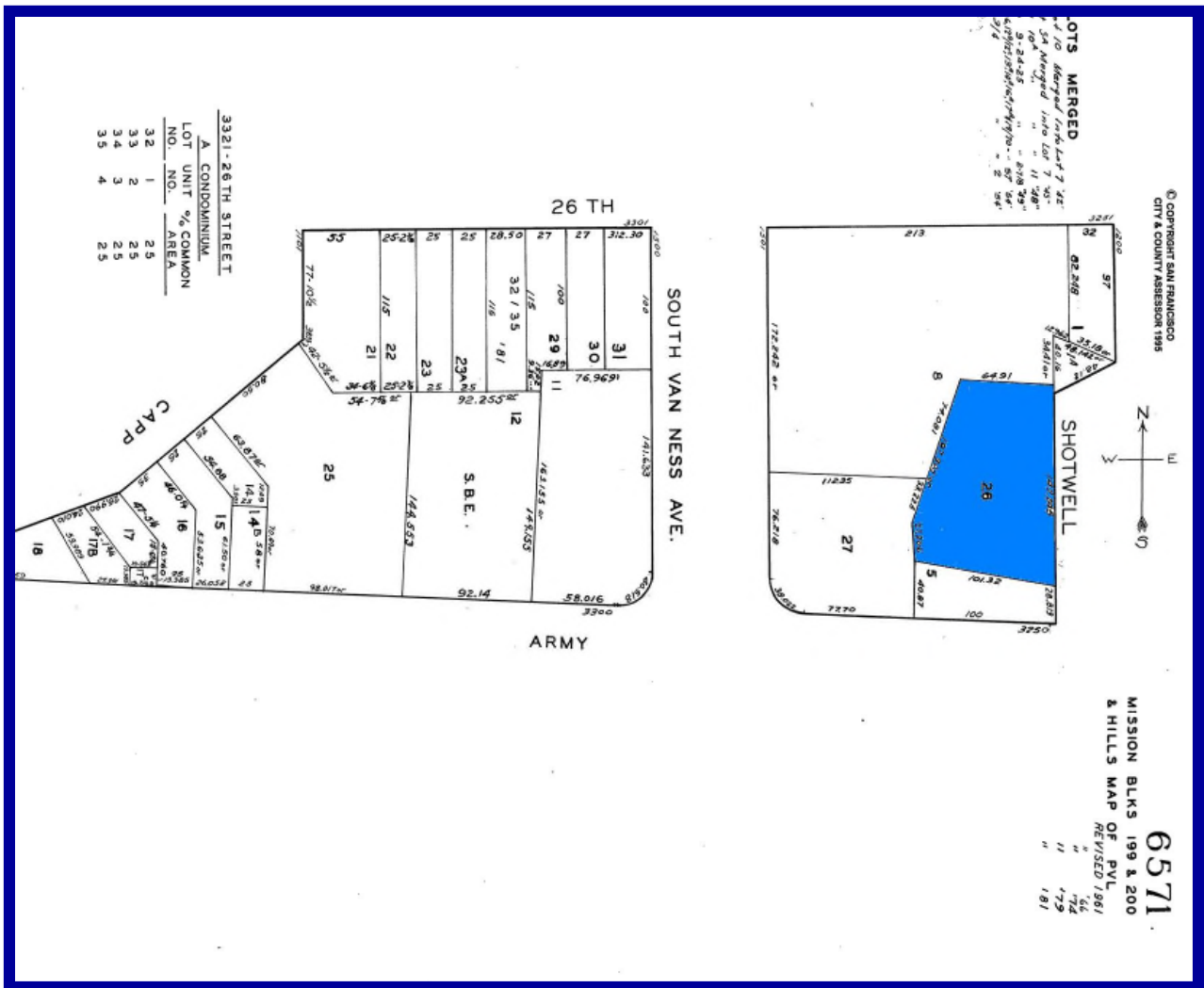
The subject is one assessor's parcel with assessments and taxes for the 2017 / 2018 fiscal year as follow.

Assessed Value & Tax				
Parcel	Category	Value	Tax-Rate	Taxes
6571-051	Land	\$1,289,460	1.1723%	\$15,116
	Improvements	\$0	1.1723%	\$0
<b>Subtotal</b>		<b>\$1,289,460</b>	<b>1.1723%</b>	<b>\$15,116</b>
<b>Special Taxes</b>				<b>\$388</b>
<b>Total</b>				<b>\$15,505</b>

The subject's 2017 / 18 composite tax rate is 1.1723%. There are also direct assessments estimated at \$388.26 based on information obtained from NDC Data, because the county's website for real estate taxes and special assessments is not accessible now.

Under State Proposition 13, real property assessments can be increased by a maximum of 2% per year. Reassessment is permitted only upon change of ownership or completion of new construction. Typically, market value assumes a sale. Accordingly, pro forma real estate taxes are based on the estimated market value.

# PLAT MAP



The site has 142.245 feet of frontage on Shotwell Street.

## **AREA DESCRIPTION**

### **Area Overview**

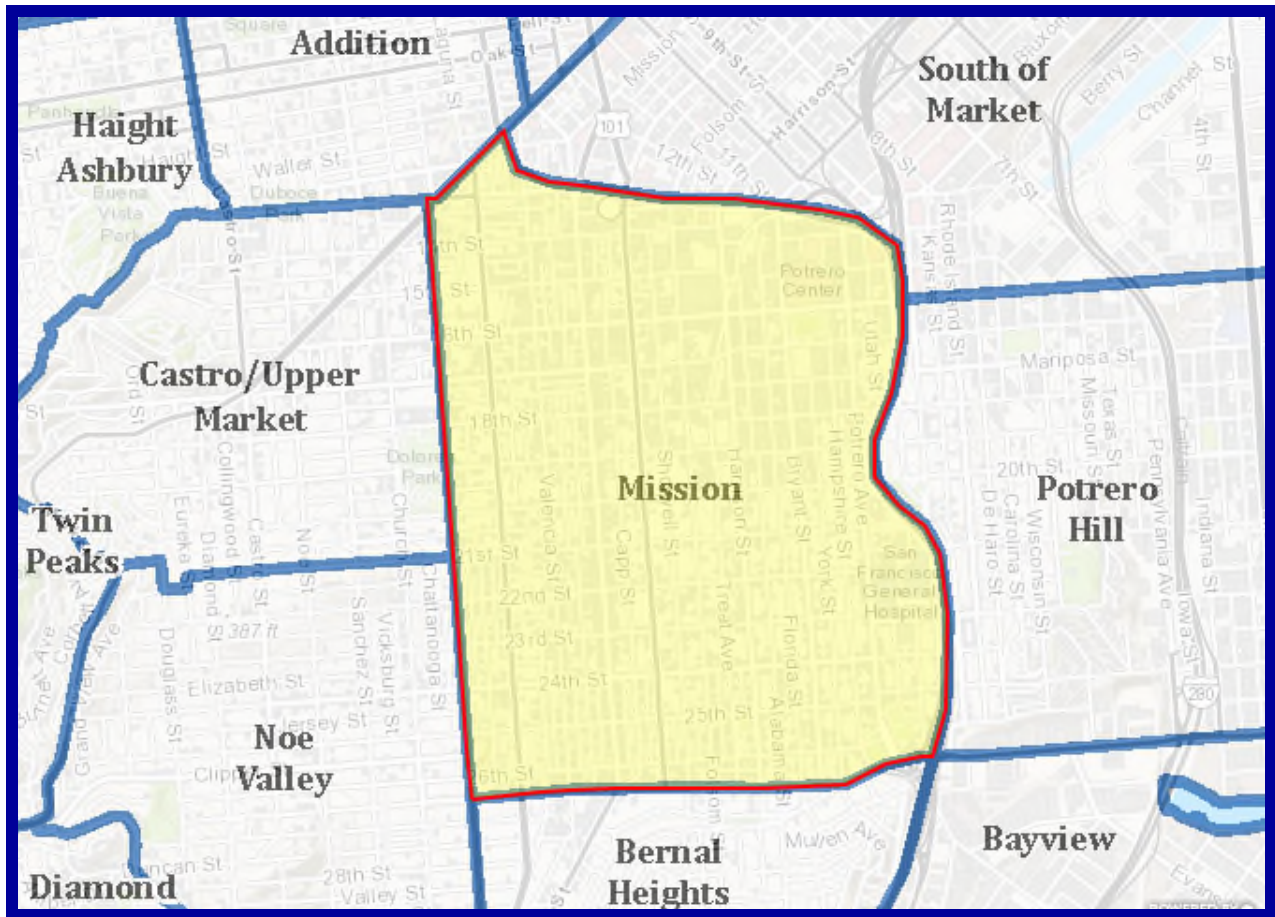
San Francisco is the economic and cultural center of the nine-county Bay Area, a region with a population of approximately 6 million people, and the fourth largest metropolitan area in the United States. The city and county of San Francisco comprise a peninsula containing 47 square miles. San Francisco is bordered on the west by the Pacific Ocean, on the north by the straits of the Golden Gate joining the Pacific Ocean and San Francisco Bay, on the east by San Francisco Bay, and on the south by San Mateo County.

The Bay Area has a diverse and balanced economic base. San Francisco is a center for service industries: city, state, and federal government; public and private health care; finance; insurance; real estate; and support services such as law, accounting and architecture. The East Bay cities of Oakland, Richmond and Hayward are industrial centers, providing most of the region's manufacturing base, distribution services and port facilities. Santa Clara County, particularly the cities of Palo Alto, Sunnyvale and San Jose, comprises a commercial region known as Silicon Valley. The Silicon Valley is a national center for research, development, manufacturing and distribution of computer, software and communications related goods and services. In addition, biotechnology enterprise represents the fastest growing industry, and of strategic importance to the communities surrounding the Bay Area's preeminent research institutions; the University of California at Berkeley and San Francisco, and Stanford University.

### **Neighborhood Description**

**Introduction:** The subject is on the west side of Shotwell Street between 26<sup>th</sup> and Cesar Chavez streets in the Mission District. The Mission District's general boundaries are Cesar Chavez Street to the south, US highway 101 to the north and east, Market Street along the northwest corner and Dolores Street to the west. The proximity of Interstates 80, 280, and US Highway 101 provides exceptional access to major vehicular transportation routes. The district is mixed-use, with many multifamily developments that have ground floor retail throughout the neighborhood. A district map from the city's website is on the next page.





**Access and Exposure:** The subject is accessed from the north and south by Shotwell Street and from the east and west by Cesar Chavez Street. Potrero and South Van Ness avenues are the major north / south nearby-area surface streets. Cesar Chavez Street is the closest major east / west route, which provides access to US Highway 101 and I-280 to the east. Due to the subject's location near a major freeway exit, automotive access is good. Muni transit bus service runs along Mission and Cesar Chavez streets, South Van Ness Avenue, and the nearest BART station is 4½ blocks northwest (the 24<sup>th</sup> Street BART Station). Hence, overall access to the subject is good.

**Surrounding Uses:** Development in the nearby neighborhood is a mix of retail and residential buildings (mostly multi-family properties). The retail and office buildings date from the 1950s to 1990s, and are one and two-story. Residential development typically dates from the 1930s to 1950s. With the exception of Walgreen's on Mission and Cesar Chavez streets, the retailers in the area are small neighborhood-serving businesses. A four-story apartment building with about 100 units dating from the 1980s is across the street to the east.

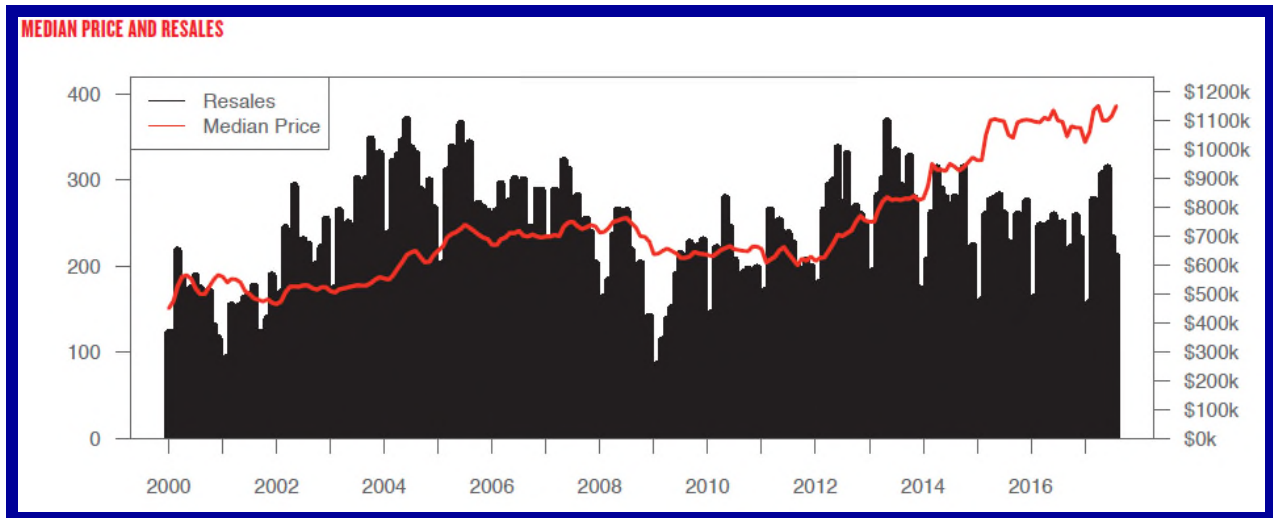
**New Development:** Development in the subject's area consists of mostly one to four-story, small-to mid-sized service commercial buildings, retail outlets, some medical uses including St. Luke's medical campus, older apartment buildings, and recently redeveloped sites with multi-family housing. Most of the above-ground level floors are residential. Because the neighborhood is an older, fully developed area, new development consists of the rehab of existing structures, or the occasional razing and redevelopment of an entire parcel or contiguous parcels. Because of the Mission District's increasing popularity with young professionals, there have been many redeveloped street-level sites, with many of the city's top chefs opening restaurants in the district especially along Valencia Street three blocks west, and many young tech workers have made the Mission their neighborhood of choice.

**Conclusion:** The neighborhood is a mature residential area that has undergone a re-birth, with many new restaurants and nightclubs, and it has become arguably the most popular neighborhood with young professionals who work in San Francisco and to the south in the tech centers along the peninsula. Apartment vacancy is low and rents have experienced robust growth, as the district's popularity has increased. The area benefits from its pleasant climate, proximity to public transportation, freeways, parks, and employment centers. The subject's proximity to the 24<sup>th</sup> Street BART Station provides excellent access to the Bay Area's primary public transportation source. The neighborhood is expected to continue improving into the foreseeable future.

## MULTIFAMILY RESIDENTIAL MARKET ANALYSIS

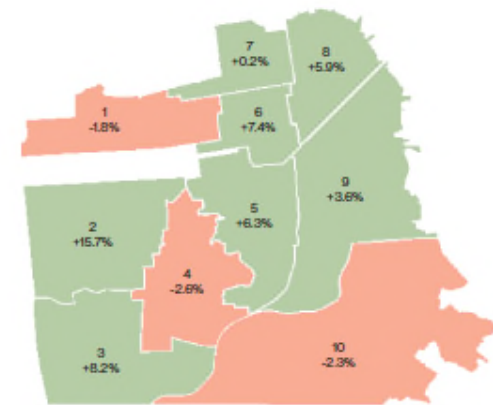
We review the multifamily housing market (both owned and rented) by reference to *The Polaris Pacific (PP) Report San Francisco September 2017* and *Institutional Property Advisors (IPA) Multifamily Research Market Report Bay Area Metros 3<sup>rd</sup> Q 2017*.

**Ownership Trends:** PP reports that during the three-month period ending August 31, the median price increased 5.0% from the prior year to \$1,150,000. At the same time, there were 758 total re-sales, a 0.9% percent increase from the prior year. Since March 2015, the median price has surpassed the \$1,000,000 mark. Following are median price and sale trends, beginning in 2000, based on PP's data.



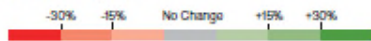
The maps below (Figures 1 & 2) show annual percentage changes in median price per square foot and total sales by district based on PP's data. The most significant year-over-year price increases occurred in Districts 2 and 3 (+15.7% and +8.2%, respectively).

**FIG 1. ANNUAL PSF CHANGE MAP**

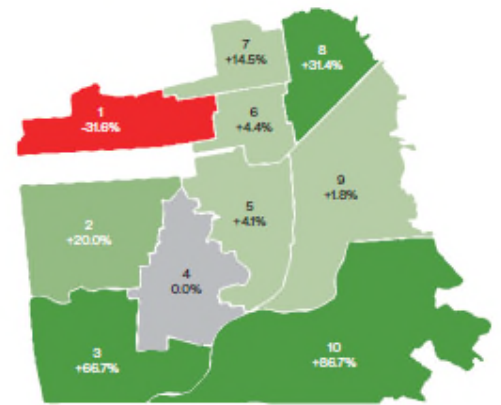


**ANNUAL PRICE PSF CHANGE MAP**

Year-over-year change in median PSF in each district of the city, for Jun 2017 - Aug 2017 (Source: Realquest)



**FIG 2. ANNUAL SALES CHANGE MAP**



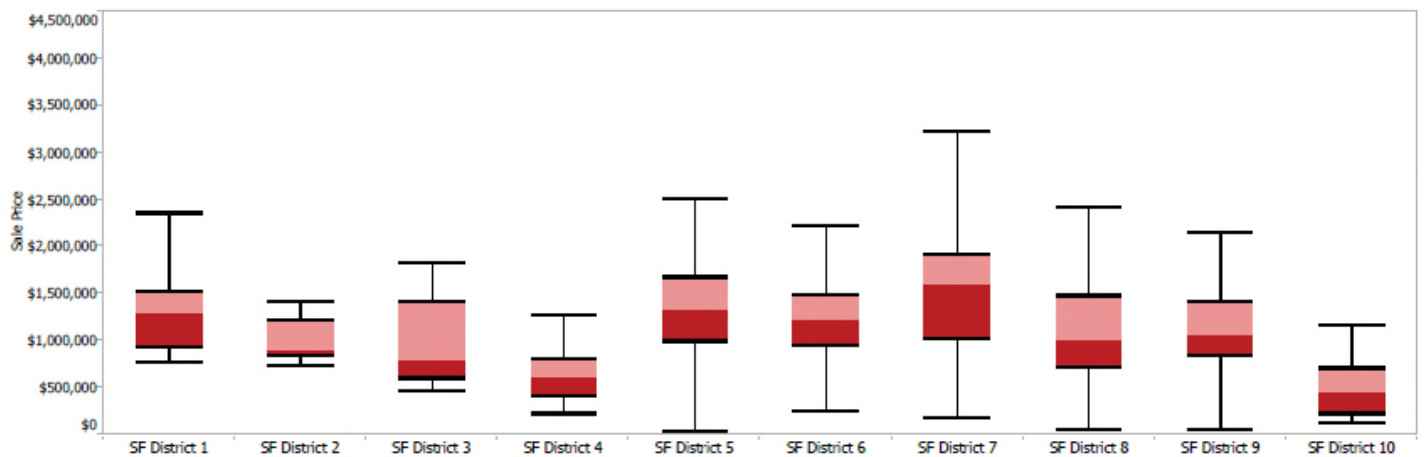
**ANNUAL SALES CHANGE MAP**

Year-over-year change in total resales in each district of the city, for Jun 2017 - Aug 2017 (Source: Realquest)

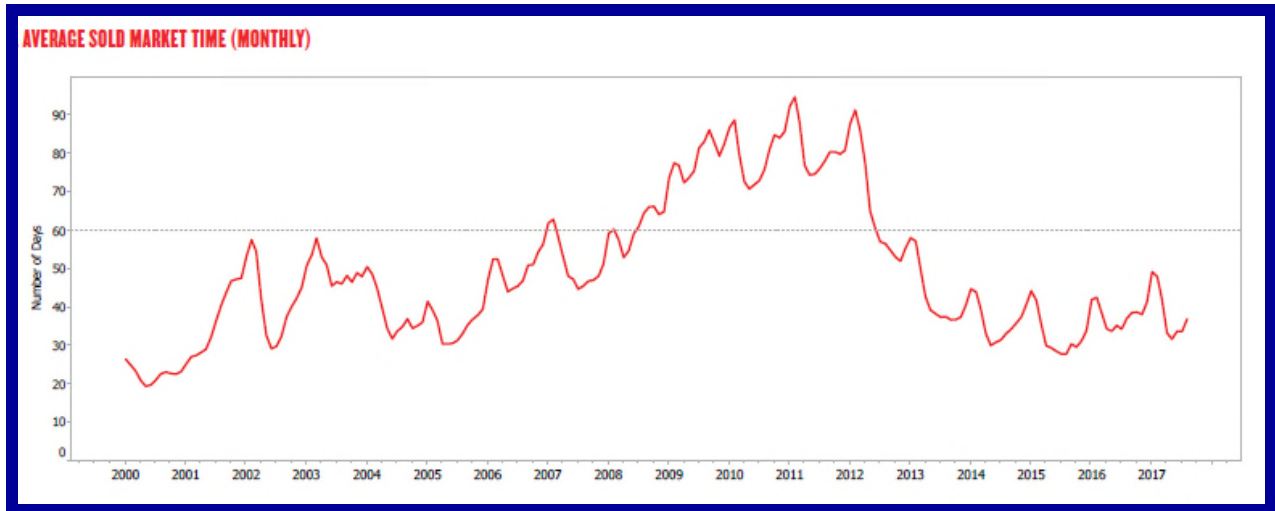


Figure 3 below shows a box-and-whisker plot of sale prices by district during the three-month period ending August 31, 2017. As shown below, District 7 had the highest median price (\$1,575,500), while District 10 had the lowest (\$438,750).

**FIG 3. SALES BY DISTRICT**

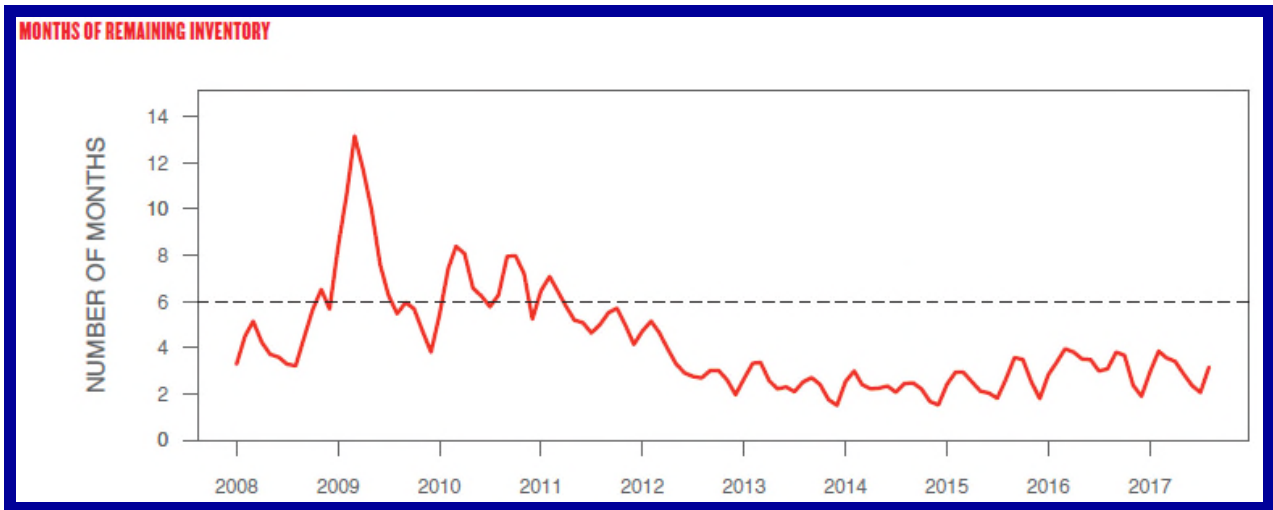


**Time on the Market:** The average days on market (DOM) figure is calculated as the amount of time between the date a condo / co-op / TIC unit is listed for sale and the date it goes into escrow. The 60-day benchmark signifies a balanced market (the dotted line below). As shown below, the average DOM figure was 37 days in the three-month period ending August 31, based on PP's data.

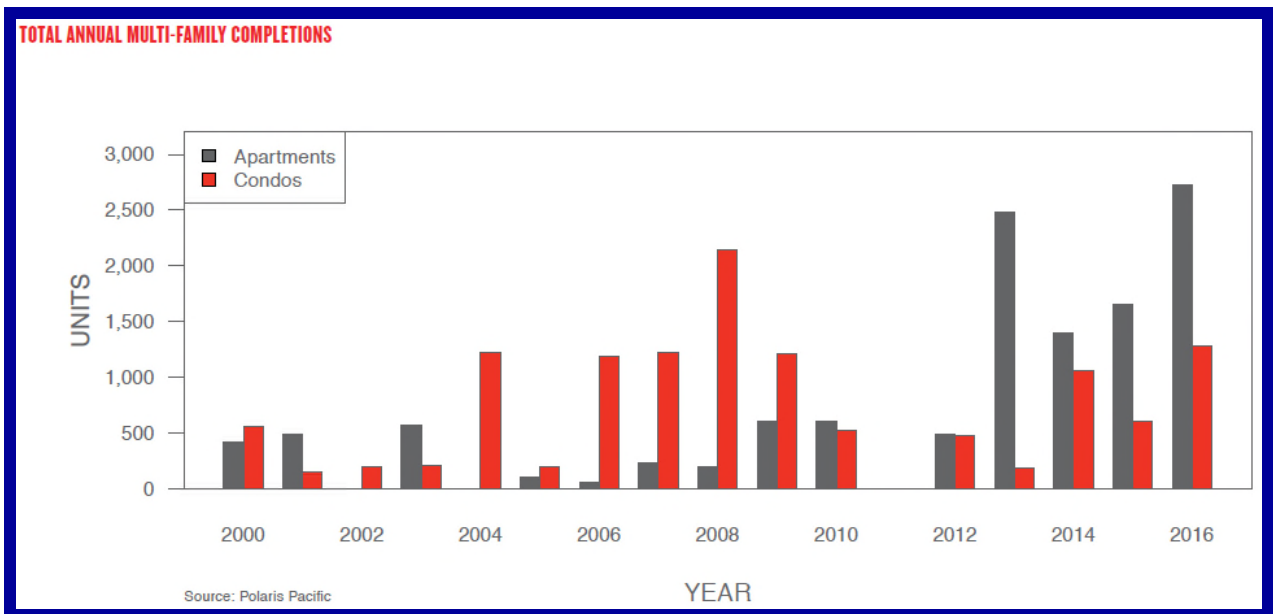


**Months of Remaining Inventory:** The months of remaining inventory, or MRI figure, indicates how many months it would take to absorb current supply. Six months is considered a balanced market, while nine months or more is considered an oversupplied market. The following graph shows a three-month moving average of the figure going back to 2008. The MRI figure has remained below the six-month benchmark since 2012. The most recent figure was 3.2 months, a 2.5% decrease from last year, based on PP's data.

The MRI figure decreased each year from 2010 through 2015 and has been indicative of a seller's market since 2011.



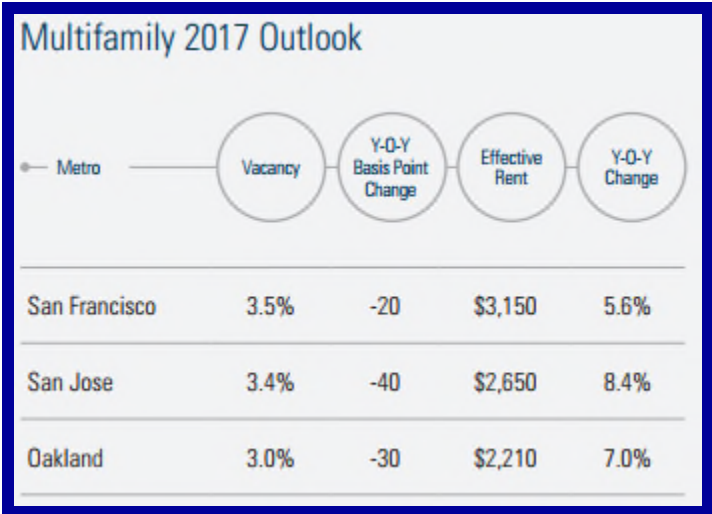
**Supply Factors:** The next histogram shows total annual multi-family completions of both apartments and condominiums in San Francisco based on PP's data. The peak year for condominium completions was 2008, when 2,069 new units were developed. In 2016, there were 2,730 apartment units completed and 1,276 condominium units completed.



**Apartment Market Overview:** The accelerating pace of growth in technology and startups in the Bay Area has driven unemployment rates to the lowest level since 2000, triggering demand for local housing options. Combined with soaring single-family home prices, apartment net absorption

has remained elevated, even as supply increases have reached the highest point in decades. As a result, vacancy remains low, prompting significant growth in average effective rents. Regional supply injections will peak in 2017 in all Bay Area metros, providing further tailwinds for future improvement over the months and years ahead according to IPA.

Amid low vacancy, new construction is at the highest point since the late 1990s. As a result, projects are expanding in size and scope, with a focus on infill submarkets like SOMA, where four of the five largest offerings will come online this year. Generally, the San Francisco metro remains the most active, accounting for more than 43% of all Bay Area completions this year. Meanwhile, new construction in San Jose and Oakland are historically elevated too but less than San Francisco. Even with this addition of new supply, IPA expects lower vacancy and rising rents. The following graphic summarizes Bay Area apartment vacancy and rents, according to IPA.



**Rents:** San Francisco and San Mateo counties’ rents are quite high. Led by significant increases in San Mateo County, the average effective rent rose to \$3,119 per month. Rents in all portions of San Mateo County rose at least 4.4%, offsetting a decline in San Francisco. In San Francisco significant supply growth in SOMA triggered an average effective rent decline, dropping 2.9% to \$3,795 per month. Rents in San Francisco remain the highest in the metro.

**Vacancy:** Strong net absorption amid a lack of housing in the metro dropped vacancy to 2.8% over the past year. The submarket with the lowest vacancy, North San Mateo County, was 1.8%. Following is a summary of vacancy by submarkets according to IPA.

**Lowest Vacancy Rates 2017**

Submarket	Vacancy Rate	Y-Q-Y Basis Point Change	Effective Rents	Y-Q-Y % Change
North San Mateo County	1.8%	-240	\$2,531	4.6%
Richmond/Sunset	2.1%	-240	\$3,069	-7.9%
Marin County	2.1%	-70	\$2,488	0.4%
Downtown San Francisco	2.6%	-280	\$3,424	2.3%
Central San Mateo County	2.9%	-100	\$3,076	4.4%
SoMa	3.5%	-10	\$3,795	-2.9%
South San Mateo County	4.3%	-20	\$3,138	5.8%
<b>Overall Metro</b>	<b>2.8%</b>	<b>-130</b>	<b>\$3,119</b>	<b>1.5%</b>

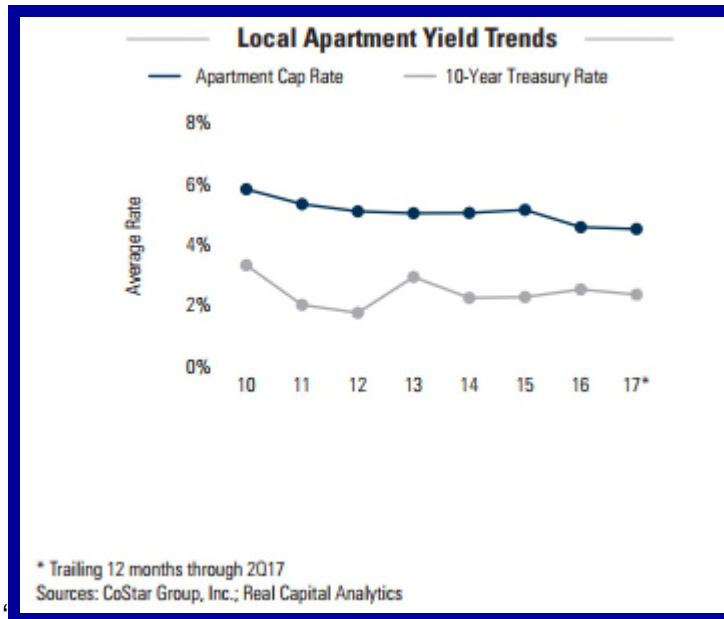
SUBMARKET TRENDS

**New Construction:** Completions were moderately lower over the last year. The submarkets were led by projects in SOMA, where nearly 800 units were completed in the first six months of 2017. The largest completed complex this year was 340 Fremont, with 348 units. The pace of development will ramp up through the remainder of 2017, with 4,669 rental units slated for completion.

**Investment Trends:** Value added assets remain a high priority for investors as both recently renovated properties and those with upside potential for rehab have dominated transactions above \$20 million over the past 12 months, according to IPA. While development has been elevated over the past two years, very few of these deals are trading. Due to the long entitlement process, the majority of developers are REITs or firms with long-term hold strategies.

Following is a graph summarizing overall capitalization rates for apartment acquisitions.





Transaction velocity for sales above \$20 million declined by one third over the past 12 months compared to the prior 12-month period. Investor demand remains strong but uncertainty over future rent increases has caused a widening in the bid / ask spread which has temporarily held back new listings, according to IPA. Pricing remains very steady despite the transaction slowdown. The average cap rate held at 3.7% over the past year and the average price per unit is \$608,000.

**Conclusions:** Property values (condos / co-ops / TICs) and apartment rents have risen robustly and consistently since 2011 and are very high. Even with record new supply vacancy is low. Hence, demand for dwelling units is extremely strong and growing in the Bay Area and San Francisco especially. The expectation in the market is for continuing strong and growing demand for housing units of all kinds.

## **SITE DESCRIPTION**

### **Site Description**

**Introduction:** The subject is on the west side of Shotwell Street between Cesar Chavez and 26<sup>th</sup> streets in the Mission District. Following is a summary of the site features:

**Size & Shape:** 11,672 square feet (0.27 acres), irregularly-shaped, approximately trapezoidal. See the Plat Map several pages earlier.

**Access:** Ingress/egress to the site is provided by Shotwell Street, the only public roadway adjacent to the subject. Shotwell Street is a two-way road which leads to the subject from the north and south. The subject has *good* access characteristics, given its proximity to I-80, I-280, Highway 101, BART and numerous MUNI bus lines.

**Topography/Terrain:** The site is level at grade with surrounding streets.

**Streets:** Asphalt paved with curbs, gutters, sidewalks and overhead lights.

**Soils:** A soils study was not reviewed. It is assumed that the subject soils are adequate for supporting the proposed development.

**Utilities:** All utilities are available. Water and sewer are provided by the city and county of San Francisco, gas and electricity by PG&E, and telephone by AT&T.

**Flood Hazard:** The subject is not in a FEMA-mapped flood zone.

**Seismic Hazard:** The subject is not in an Alquist-Priolo Special Studies Zone.

**Parking:** The subject consists of an existing industrial building which covers 100% of the parcel. The structure will be demolished during site preparation.

**Toxic Contaminants/  
Hazardous Waste:** No evidence of toxic contamination or hazardous waste was observed during our on-site inspection. The appraisers are not qualified to detect or advise on such matters, and offer no warranty or opinion. See the *Limiting Conditions* and *Special Limiting Conditions & Critical Assumptions* (above) regarding toxics and hazardous materials/wastes.

## **Zoning**

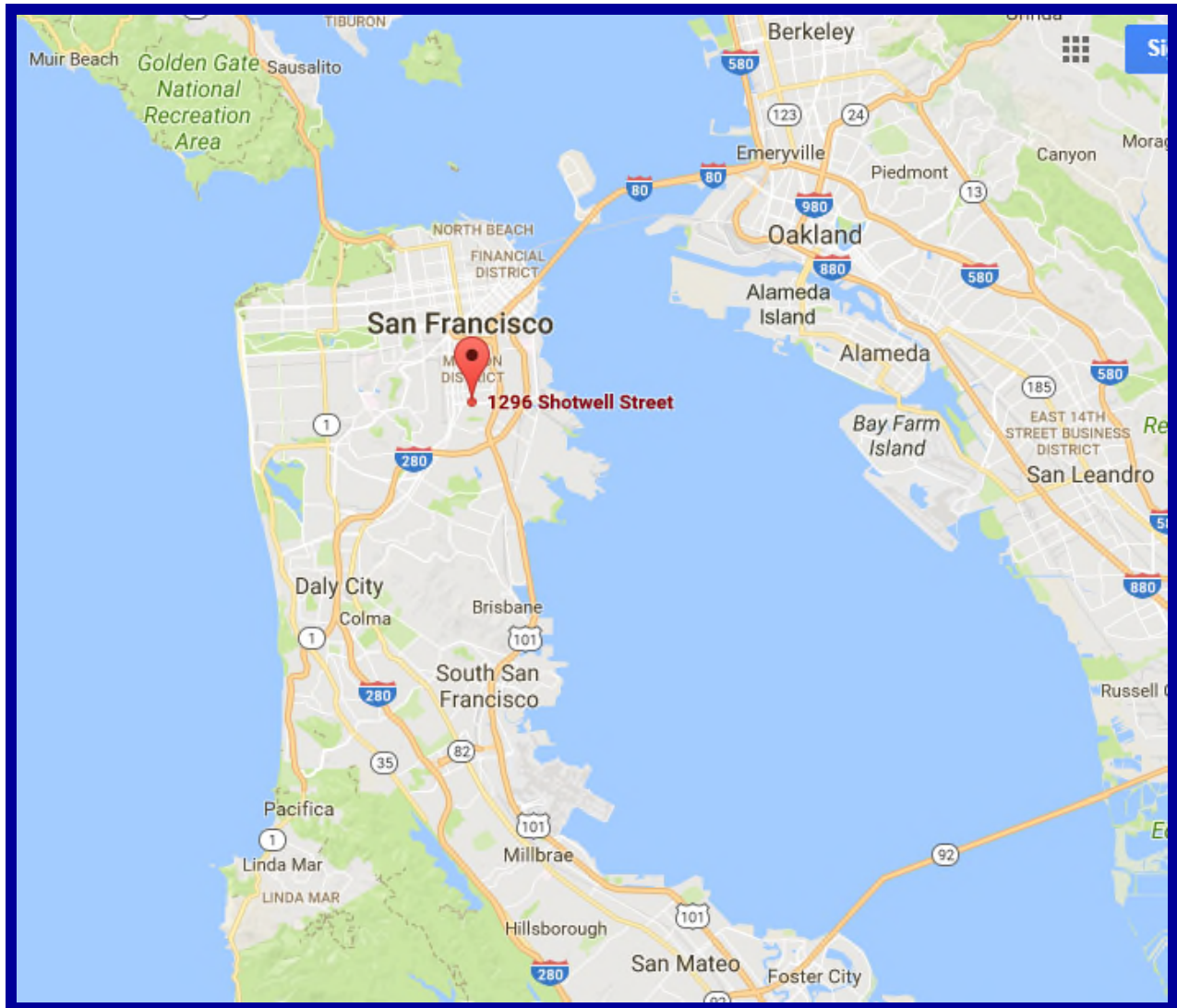
<b>Designations:</b>	Mission NCT - Neighborhood Commercial Transit, San Francisco.
<b>Uses:</b>	This District has a mixed pattern of larger and smaller lots and businesses, and a sizable number of upper-story residential units. Zoning permits moderate-scale buildings and uses, protecting rear yards above the ground story and at residential levels. New neighborhood-serving commercial development is encouraged, mainly at the ground story. While offices and general retail sales uses may locate at the 2 <sup>nd</sup> story of new buildings under certain circumstances, most commercial uses are prohibited above the second story. Continuous retail frontage is promoted by requiring ground floor commercial uses in new developments and prohibiting curb cuts. Housing development in new buildings is encouraged above the ground-story.
<b>Height Limit:</b>	65 feet, higher with a use permit which has been reported as pre-approved by the city of San Francisco (the subject has entitlements for a nine-story building so the height limit was increased). However, this appraisal makes the hypothetical assumption that the subject is entitled for the development of 65 dwelling units with all but 18% being market-rate units and that the maximum height is 65 feet.
<b>Commercial FAR:</b>	The base requirement is 3.6:1.
<b>Residential Density:</b>	No residential density limit by lot area. Density restricted by physical envelope controls of height, bulk, setbacks, open space, exposure and other applicable controls of this and other codes. The site has entitlements for 94 units in a nine-story building of approximately 67,000 gross square feet. However, this appraisal makes the hypothetical assumption that the site is entitled for 65 dwelling units and 52,524 gross square feet of building area.
<b>Parking:</b>	For residential uses, no off-street parking is required, and up to 0.5 spaces per unit are permitted.
<b>Potential Development:</b>	This appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area.
<b>Zoning Conclusion:</b>	The development described above represents a legally conforming use of the site based on zoning restrictions and requirements ( <b>see Hypothetical Conditions</b> ).

**Site Conclusions:**

The site is functionally adequate for its highest and best use. The reader is directed to the Limiting Conditions section stating that this appraisal assumes the easements noted in the subject's title report are sufficient to develop the site to its highest and best use.

Following is a location map.

**LOCATION MAP**



### **Building Description**

The subject is improved with an old industrial building used for automotive services. The structure will be demolished, hauled away and disposed of in preparation for the proposed construction.

**Potential Improvements:** The subject is being appraised as if vacant, and this appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area.

When 52,524 gross square feet is divided by the number of dwelling units (65) it equals **808 gross square feet per dwelling unit**. This figure (808 gross square feet / dwelling unit) will be used in our adjustment process when comparing the subject to the sales.

**Unit Description:** It is a hypothetical assumption that there will be 65 dwelling units. Details of the Interior finishes are not available. Following building details are noted.

**Quality/Condition:** The improvements will be *average* or better quality/condition relative to the competitive market, and will be market-rate except for 18% set aside as BMR units.

**Effective Life:** According to *Marshall Valuation Service*, the improvements will have an expected economic life of 55 years.

**Functional Utility:** The subject improvements will exhibit *average* or better functional utility.

**Improvement Conclusion:** The improvements will meet the standard for *average quality* or better apartment units and will be functionally adequate for their use.

## **HIGHEST AND BEST USE**

Highest and Best Use is defined as, "That reasonable and probable use that will supply the highest present value, as defined, as of the effective date of the appraisal."

Alternatively, highest and best use is defined as, "The use, from among reasonable, probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and that results in the highest present land value."

Highest and Best use is determined by the following.

1. Assuming the site is vacant and available for development and improvement;
2. Defining what improvements could and should be made to existing improvements, if any, to provide the maximum return to the property; and
3. Evaluating which use, among those that are feasible, results in the highest land value. Feasibility requires fit with legal/political constraints (zoning and planning requirements, as well as the political environment), technical constraints (soils, topography, design), linkage constraints (streets, sewers, services, etc.), market constraints (supply, demand, competitive standards), and financial constraints (cost-benefit relationships).

### **Highest and Best Use, as Vacant**

**Legal:** The site is zoned NCT, Mission Street Neighborhood Commercial Transit District, city of San Francisco. See *Zoning* under Site Description for a discussion of the zoning. This appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area. So this is assumed to be a legal use.

**Physical:** The site is level and at grade with surrounding streets. Overall the subject is physically capable of accommodating all of the legally permissible uses. There are no physical limitations that would preclude the construction of any legal use on the site.

**Financial Feasibility:** Apartment rents support new construction as do prices of new condominiums, so the financially feasible use of the site as if vacant is a residential project.

**Maximally Productive:** The appraisers have concluded that the financially feasible use of the site if vacant is to develop a multifamily complex, so the appraisers conclude that the highest and best use of the site, as if vacant, is to develop a multifamily project to the greatest density allowed.

### **Highest & Best Use as Improved**

The subject is minimally improved with an automotive service building which contributes less value to the site than the value of the site as if vacant, even considering the cost to remove and dispose of the existing improvements. Therefore the highest and best use as improved is to demolish the existing improvements and develop the site with a multifamily complex.

## **VALUATION METHODOLOGY**

The value of real property is estimated through one or more of three approaches to value - the Cost Approach, the Sales Comparison Approach and the Income Approach.

The Cost Approach incorporates the depreciated cost of improvements, land value as vacant and available for its highest and best use, and an entrepreneurial profit. It is based on the premise that the value of a property would not be greater than the cost of constructing a building of similar utility on a comparable site.

The Sales Comparison Approach incorporates an analysis of sales of similar properties, with adjustments for differences in location, quality, size, tenancy, age, and other characteristics. This approach is based on the principle of substitution, which states that a buyer would not pay more for one property than for another that was equally desirable.

The Income Approach is based on the income generating capabilities of a property. Depending on the actions of the market, a capitalization rate may be applied to net income, or projected net income (including property reversion) over a holding period may be discounted to a present value. This approach is based on the principle of anticipation, which means that value is created by the expectation of benefits to be derived in the future.

The Sales Comparison Approach is used to estimate the market value of the hypothetical fee simple interest in the subject.

## **SALES COMPARISON APPROACH**

The Sales Comparison Approach estimates market value from an analysis of recent sales and / or current listings, based on the proposition that an informed purchaser would pay no more for a property than the cost of acquiring an equally suitable substitute property. The Sales Comparison Approach is reliable when an active market produces a sufficient number of comparable sales.

The appraisers have analyzed recent sales of multifamily development land via the Sales Comparison Approach. This appraisal makes the hypothetical assumption that the site is entitled for the development of 65 market-rate dwelling units with a 65-foot height limit, an 18% below-market rate (BMR) unit requirement and 52,524 gross square feet of building area.

Market value is estimated by direct comparison with similar parcels that have sold, with adjustments made for factors such as location, size and physical attributes. Four sales were selected. The comparables have dates of sale from December 2015 to June 2017. In consideration of appreciation in multifamily land prices, the oldest of the comparables requires upward adjustment for time.

The sales were analyzed on a price per dwelling unit basis and are compared to the subject based on its being entitled for 65 dwelling units with an 18% BMR requirement. Adjustments are estimated based on characteristics including location, number of units, frontage, topography, BMR requirements, the overall size of the project (either expected or approved), density and whether or not the sale had entitlements (the hypothetical assumption is made that the subject has entitlements). The sales had prices ranging from \$175,485 per dwelling unit to \$208,465 per dwelling unit, and range in development size from 103 dwelling units to 205 dwelling units.

The following table summarizes the comparables with a location map on the next page. The analysis relates the comparable sales to the subject. After estimating the subject's value as if the site were ready for development, we subtract the cost to demolish and haul away the existing industrial building and additional disposal costs, estimated at \$290,000 (including a 10% developer's profit estimate on the projected cost).



## COMPARABLE RESIDENTIAL LAND SALES - MARKET RATE

Address APN	Date	Price Demo Cost	Financing Conditions Entitlements	Sq. Ft. Acreage Units	Frontage Topography Shape SF/Unit (a.)	Zoning % BMR	Price Per Dwelling Unit	Buyer Seller Confirmation	
1. 525 Harrison Street 3764-063	Jun-17	\$36,000,000 <u>825,000</u> \$36,825,000	Cash to Seller Arm's Length Yes	13,000 0.30 205	Interior Sloping Trapezoidal 63	RH DTR 12%	<b>\$179,634</b>	Zhuguang Properties LLC (US) MMI / Hines Harrison LLC NDC Data, CoStar, City of SF	
2. 88 Arkansas Street 3953-002, 002A	Jan-17	\$26,000,000 <u>475,000</u> \$26,475,000	Cash to Seller Arm's Length Yes	30,000 0.69 127	Corner Level Rectangular 236	UMU 20%		<b>\$208,465</b>	Zhuguang Properties LLC (US) Fifth Historic Properties LLC NDC Data, CoStar, City of SF
3. 2177 Third Street 4045-003, 003B	Dec-16	\$20,000,000 <u>700,000</u> \$20,700,000	Cash to Seller Arm's Length Yes	29,434 0.68 109	Corner Level "L" Shaped 270	UMU 16%		<b>\$189,908</b>	2177 3rd St. Prpt Owner Gaehwiler 2000 Trust NDC Data, CoStar, City of SF
4. 950 Tennessee St. 4107-001B	Dec-15	\$17,725,000 <u>350,000</u> \$18,075,000	Cash to Seller Arm's Length No	36,098 0.83 103	2-Street Level Rectangular 350	UMU 33%		<b>\$175,485</b>	TSP Oryx Partners I LLC NAV NDC Data, CoStar, City of SF
<b>S. 1296 Shotwell Street 6571-051</b>	<b>4-Oct-17</b>	<b>\$10,175,000</b>	<b>Cash to Seller Arm's Length Yes</b>	<b>11,672 0.27 65</b>	<b>Interior Level Irregular 180</b>	<b>NCT 18%</b>	<b>\$156,550</b>		

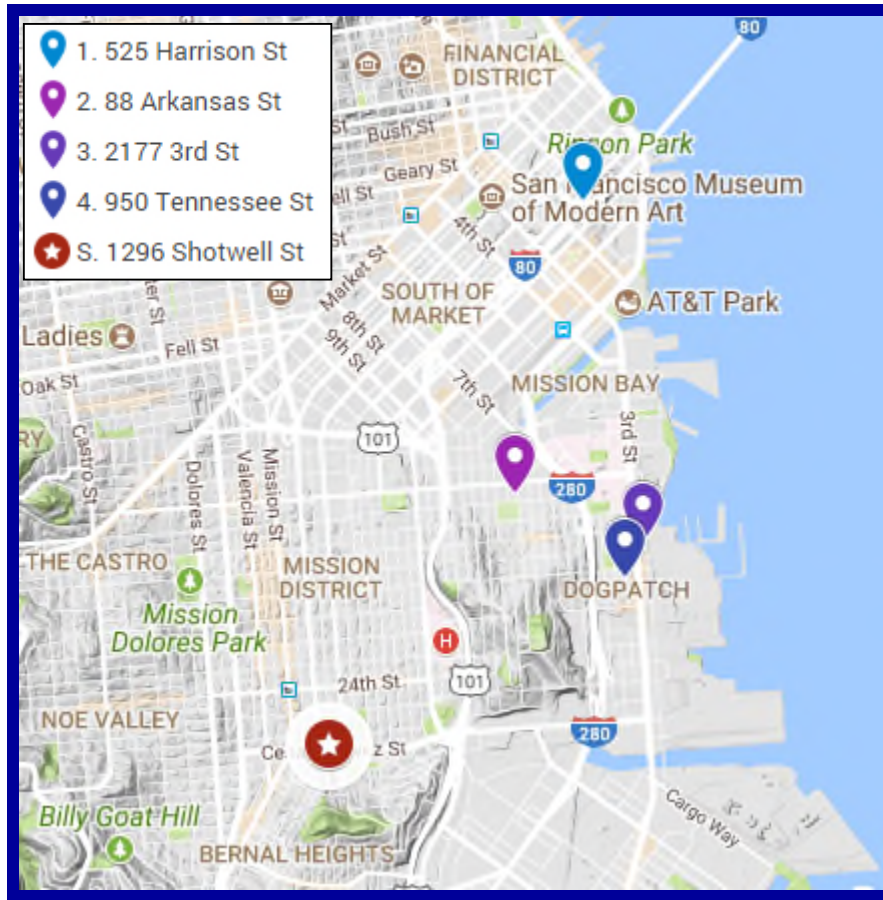
### Comments

- One:** The project includes demolishing a 27,500-square-foot building and constructing a 23-story 205-unit residential building of 255,468 gross square feet. There will be 164 subterranean stacked parking spaces. The demo / haul-away cost is estimated at \$825,000.
- Two:** The project will demolish the two existing buildings to develop an approximate 143,990-square-foot 5-story mixed- use building with 127 dwelling units and 3,275 square feet of retail space. The residential space will total 111,700 gross square feet. There will also be a subterranean 29,000-square-foot garage providing parking for 98 cars. There will be 25 BMR units.
- Three:** This project will require demolishing two existing commercial buildings to construct two 7-story 109-unit residential buildings with ground floor retail and subterranean parking for 72 cars. The gross above-ground building area will be 135,577 square feet, of which 105,621 usable square feet will be for residential uses and approximately 3,300 square feet will be ground floor retail space.
- Four:** The project includes demolishing a 31,883-square-foot building and constructing a 4-story 103-unit residential building of 99,075 gross square feet. There will be 87 subterranean stacked parking spaces. The demo / haul-away cost is estimated at \$350,000.

### Note

(a.) Density based on proposed or approved project, expressed as square feet of lot area per unit.

## SALES LOCATION MAP



### Analysis and Adjustments

The comparable sales have been analyzed and adjustments made based on such factors as demolition / other site costs, financing, conditions of sale, market conditions, location, size of the overall building(s), number of dwelling units, views, frontage, topography, density and entitlements.

**Demolition Cost:** Demolition costs are material for all of the sales so each is adjusted accordingly.

**Property Rights Transferred:** All of the comparables are fee simple interests so no adjustments are required.

**Financing:** All of the sales sold cash or cash equivalent so no adjustments are estimated.

**Conditions of Sale:** All sales had adequate time and exposure, so no adjustments are made in this regard.

**Market Conditions:** Apartment land amenable to dense development has experienced significant price appreciation since the 4<sup>th</sup> Quarter of 2010. Hence, an upward adjustment for market conditions has been estimated for Sale Four, a December 2015 sale.

**Location:** The subject is an *average+* location. All of the comparables are estimated to have superior locations, so upward adjustments are estimated for location.

**Gross Building Area:** The larger the entitled or expected to be entitled gross building area per dwelling unit, the more valuable a parcel is, all else being equal (gross building area includes both residential and non-residential areas). All of the sales have entitlements for gross building areas that render more gross square feet per dwelling unit than the subject is assumed to be entitled for and are adjusted downward accordingly.

**Development Size:** Smaller developments (number of units) get premiums compared to larger developments. Smaller properties are economically possible for more developers, providing more competition. But at some point, only a select group of well-capitalized developers can undertake a project, so once the size is great enough to meet this criterion, the project size is not a factor in regard to demand. However, the absorption risk is always greater for large projects, and in volatile economic conditions, absorption times are material. All sales were for projects with more units than the subject so all were adjusted upward for size.

**Views:** Market rate units charge a significant premium for views. Sale One is for a 23-story development so it is adjusted downward for views. The other three sales are similar to the subject in this regard and hence are not adjusted for views.

**Construction Type:** Taller buildings are more expensive to develop per square foot and concrete construction and all-steel construction are more expensive per square foot than wood-frame construction. The proposed improvements will be six-story. Three of the sales are expected to be similar to the subject in height, requiring no adjustment, but Sale One will be 23 stories, so it is adjusted up accordingly.

**Frontage:** The subject has interior frontage. For purposes of comparison, two-street frontage is considered similar to or sometimes superior to corner frontage and three-street frontage is usually better than corner frontage. Corner frontage and multiple-street frontage are almost always superior to interior frontage, and this is particularly true for residential development sites, as these sites enjoy superior access, exposure and light. Three of the sales are adjusted downward for their superior frontage, but Sale One is an interior parcel, similar to the subject, and hence requiring no adjustment.

**Density:** The subject's density of 180 square feet of lot area per dwelling unit is in the higher part of the density range among the subject and the comparables. Lower density is more desirable all else being equal. Three sales are lower density and were adjusted down accordingly while Sale One is much higher density so it was adjusted up accordingly.

**Below-Market Rate (BMR) Units:** The subject is assumed to be 18% affordable (18% of the units will be BMR) and all of the comparables have BMR requirements too, ranging from 12% of the units (Sale One) to 33% of the units (Sale Four). A developer's profit on a project is significantly affected by the BMR percentage, as there is said to be little to no profit on the development of a BMR unit. Hence all of the comparables are adjusted accordingly, Sales One and Three down for lower BMR requirements, while Sales Two and Four are adjusted up for a higher percentage BMR requirement.

**Topography:** The subject and three of the comparables are on level sites, so no adjustments are required for these four. Sale One is on a sloping site so it is adjusted upward to account for higher development costs.

**Entitlements:** The subject is hypothetically assumed to be entitled, as were Sales One, Two and Three, requiring no adjustment, but Sale Four was un-entitled when acquired. Fully entitled properties sell at a premium. Sale Four sold without entitlements, it is adjusted upward.

**“As-Is” Market Value of the Fee Simple Interest:** After adjustment, the sales range from \$125,339 per dwelling unit to \$197,860 per dwelling unit, with a mean adjusted price of \$161,311 per dwelling unit and a median adjusted price of \$161,022 per dwelling unit. The subject would be expected to achieve a sale price near the averages (mean and median) of the sales, estimated at **\$161,000 per dwelling unit.**

Accordingly, the “as-is” market value of the subject’s fee simple interest, as of October 4, 2017 is estimated as 65 units x \$161,000 per unit = \$10,465,000. From this the estimated demo / site cost of \$290,000 is deducted, yielding \$10,175,000. Thus, the estimated value is as follows.

**TEN MILLION ONE HUNDRED SEVENTY FIVE THOUSAND DOLLARS**  
**(\$10,175,000)**

Marketing and exposure times are estimated at 12 months or less.

The adjustment grid is on the next page.

## COMPARABLE LAND SALES ADJUSTMENT GRID

	<i>Subject</i> 1296 Shotwell Street	One 525 Harrison Street	Two 88 Arkansas Street	Three 2177 Third Street	Four 950 Tennessee St.
Square Feet	11,672	13,000	30,000	29,434	36,098
Units:	65	205	127	109	103
Price		\$36,000,000	\$26,000,000	\$20,000,000	\$17,725,000
Demo / Disposal		<u>\$825,000</u>	<u>\$475,000</u>	<u>\$700,000</u>	<u>\$350,000</u>
Adjusted Price		\$36,825,000	\$26,475,000	\$20,700,000	\$18,075,000
Price/Unit:		\$179,634	\$208,465	\$189,908	\$175,485
Prop. Rights	<i>Fee Simple</i>	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Adjustment:		0.0%	0.0%	0.0%	0.0%
Adjusted Price		\$36,825,000	\$26,475,000	\$20,700,000	\$18,075,000
Financing Terms	<i>Conventional</i>	Cash to Seller	Cash to Seller	Cash to Seller	Cash to Seller
Adjustment		\$0	\$0	\$0	\$0
Adjusted Price		\$36,825,000	\$26,475,000	\$20,700,000	\$18,075,000
Condition of Sale	<i>Arm's Length</i>	Arm's Length	Arm's Length	Arm's Length	Arm's Length
Adjustment		0.0%	0.0%	0.0%	0.0%
Adjusted Price		\$36,825,000	\$26,475,000	\$20,700,000	\$18,075,000
Market Conditions	<i>4-Oct-17</i>	Jun-17	Jan-17	Dec-16	Dec-15
Adjustment		0.0%	0.0%	0.0%	2.5%
Adjusted Price		\$36,825,000	\$26,475,000	\$20,700,000	\$18,526,875
Adjusted \$ / Unit		\$179,634	\$208,465	\$189,908	\$179,873
Location	<i>Average+</i>	Above-Avg	Above-Avg	Above-Avg-	Above-Avg
Adjustment		-12.5%	-12.5%	-7.5%	-12.5%
Gross Sq.Ft. / Unit	808	1,246	1,134	1,244	962
Adjustment		-25.0%	-20.0%	-25.0%	-10.0%
Units	65	205	127	109	103
Adjustment		15.0%	10.0%	7.5%	7.5%
Views	<i>Average</i>	23-Story	5-Story	7-Story	4-Story
Adjustment		-15.0%	0.0%	0.0%	0.0%
Construction Cost	<i>6 Stories</i>	23-Story	5-Story	7-Story	4-Story
Adjustment		25.0%	0.0%	0.0%	-10.0%
Frontage	<i>Interior</i>	Interior	Corner	Comer	2-Street
Adjustment		0.0%	-2.5%	-2.5%	-5.0%
Density-Land/Unit	180	63	236	270	350
Adjustment		7.5%	-2.5%	-2.5%	-5.0%
BMR	18%	12.0%	20.0%	16%	33%
Adjustment		-12.0%	4.0%	-4.0%	30.0%
Topography	<i>Level</i>	Sloping	Level	Level	Level
Adjustment		7.5%	0.0%	0.0%	0.0%
Entitlements	Yes	Yes	Yes	Yes	No
Adjustment		0.0%	0.0%	0.0%	15.0%
Total Adjustment		-9.5%	-23.5%	-34.0%	10.0%
Adjusted Range		\$162,569	\$159,475	\$125,339	\$197,860

## **FINAL VALUE RECONCILIATION**

The Sales Comparison Approach was used to estimate the hypothetical “**as is**” **market value** of the fee simple interest in the subject. Following is a brief discussion.

**Sales Comparison Approach “As Is”** **\$10,175,000**

We used four land sales of residential development sites that met acceptable parameters. The appraisers analyzed the comparables on a price per dwelling unit basis. The Sales Comparison Approach is the analysis technique used for vacant land, and this approach is considered reliable.

Therefore, it is our opinion that the hypothetical “**as-is**” **market value** of the fee simple interest in the subject, as of October 4, 2017 is as follows.

**TEN MILLION ONE HUNDRED SEVENTY FIV THOUSAND DOLLARS**  
**(\$10,175,000)**

Marketing and exposure times are estimated at 12 months or less.

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**SUBJECT & NEIGHBORHOOD  
PHOTOGRAPHS**

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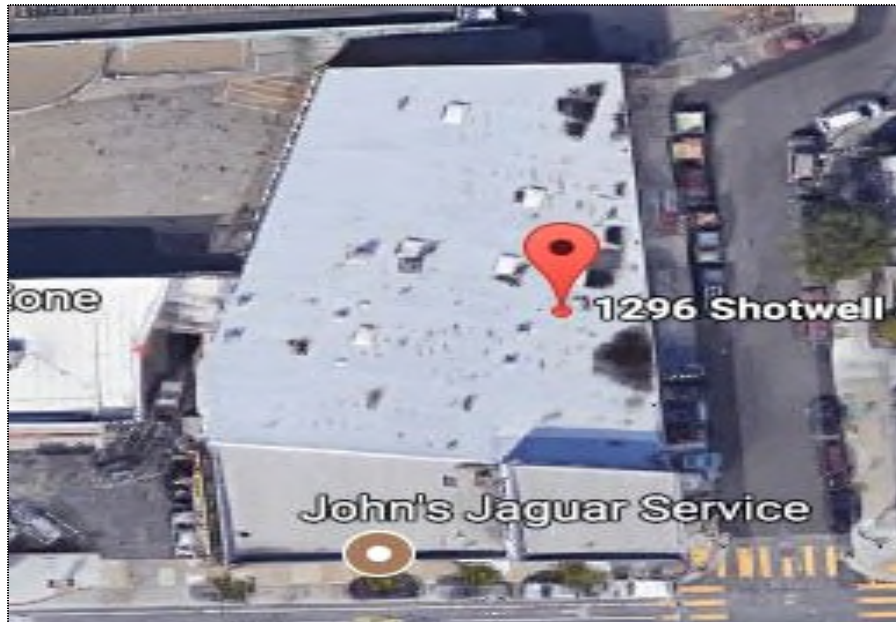
**SUBJECT & NEIGHBORHOOD**  
**PHOTOGRAPHS**



**View of Subject from the Southeast**



**View of Subject from the Northeast**



**Aerial View of Subject**



**Shotwell Street Looking North**



**Shotwell Street Looking South**

**SALES COMPARABLES  
PHOTOGRAPHS**

**COMPARABLE SALES**



**Sale No. 1—525 Harrison Street**



**Sale No. 2—88 Arkansas Street**



**Sale No. 3—2177 3rd Street**



**Sale No. 4—950 Tennessee Street**

**CERTIFICATIONS**

## CERTIFICATION

I certify to the best of my knowledge and belief, ...

- the statements of fact contained in this appraisal report are true and correct.
- the reported appraisal analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinion, and conclusions were developed, and this report has been prepared, in conformity with Uniform Standards of Professional Appraisal Practice.
- Walter L. Ricci has made a personal inspection of the property that is the subject of this appraisal report.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the 3 year period immediately preceding acceptance of this assignment.
- David Howard, CRE provided significant professional assistance to the person signing this report.
- as of the date of this report, Walter L. Ricci, MAI, CCIM has completed the continuing education requirements of the Appraisal Institute.



11/06/2017

Date: \_\_\_\_\_

\_\_\_\_\_  
**Walter L. Ricci, MAI, CCIM**  
**Certified General Appraiser**  
**California Certificate #AG009489**



**QUALIFICATIONS**

# **QUALIFICATIONS OF WALTER L. RICCI, MAI, CCIM**

## **Professional Experience**

**Hamilton, Ricci & Associates, Inc.**, San Francisco, California (1986). Provide appraisal and consultation services for a variety of improved and vacant real estate products.

### **Appraisal**

Various residential and income producing properties, both existing and proposed, including commercial, industrial, office buildings, apartments, shopping centers, motels, subdivisions, mixed use properties, parking garages, low income housing tax credit apartments, congregate care facilities, cold-storage facilities, trade centers, conversions, rehabilitations, and restaurants. Appraisals have been prepared for investment, disposition, mortgage lending, loan workout, condemnation, and litigation support purposes.

### **Consultation**

Syndication, mortgage financing, acquisitions, dispositions, competitive product analysis, highest and best use studies, project feasibility, market rent surveys, and lease negotiations.

### **Expert Testimony/Arbitration**

Qualified as an expert witness in the Superior Courts of San Francisco County, Alameda County, Marin County, Santa Clara County, Contra Costa County, San Mateo County, Napa County, San Joaquin County, Placer County and Federal District Court for the Northern District of California, Federal Bankruptcy Court, American Arbitration Association, San Francisco and Sacramento JAMS, ADR and the City and County of San Francisco and Marin County Assessment Appeals Board. Litigation assignments for both plaintiffs and defendants include eminent domain, construction defects, title work, toxic contamination, and partial interest analysis. Arbitration assignments include fair market rent and fair market value determinations.

### **Speaking Engagements**

Appraising Low Income Housing Tax Credit Apartments  
Developers Tax Credit Conference, Sheraton Palace Hotel, San Francisco, CA  
September 29, 1994

## **Education**

B.S. Business Administration, Finance  
San Diego State University, May 1986

## **Certification**

Certified General Appraiser in State of California through May 21, 2019. Appraiser No. AG9489.

## **Professional Associations and Memberships**

Member: Appraisal Institute (#9547)  
Member: Commercial Investment Real Estate Institute  
The San Francisco Apartment Association