Salinas Airport

30 Mortensen Avenue
Salinas, CA 93905

Airport Property
Rental Survey Analysis
Date of Valuation: October 8, 2018

Prepared for:

Mr. Brett Godown
Airport Manager
Salinas Municipal Airport
30 Mortensen Avenue
Salinas, CA 93905

Prepared by:

Stephen Brown Associates, Inc.
P.O. Box 887
Salinas, CA 93902

STEPHEN BROWN ASSOCIATES, INC.

REAL ESTATE ECONOMICS

P.O. Box 887
Salinas, CA 93902

831.455.1991
Fax: 831.417.4595
sba@sba-realestate.com

January 23, 2019

Mr. Brett Godown
Airport Manager
Salinas Municipal Airport
30 Mortensen Avenue
Salinas, CA 93905

RE: Airport property rental analysis of the real estate located at 30 Mortensen Avenue, Salinas, CA 93905. The following area to be appraised for Fair Market Rent is the Core Area, identified as Assessor's Parcel No.: 003-862-001 (Core Area)

Dear Mr. Godown:

In fulfillment of our agreement, Stephen Brown Associates, Inc. is pleased to transmit our Rental Survey Analysis developing an opinion of the market rent for the above referenced real property as of October 8, 2018 on an "As Complete" basis under the hypothetical condition that the site is ready for development of a hypothetical industrial use. The opinions of value reported are qualified by certain assumptions, limiting conditions, certifications, and definitions, which are set forth in the report.

In order to carry out this assignment, a market study of airport rental activity in competitive market areas for the subject properties has been conducted. This investigation included the collection and analysis of sales, offerings, and other developments which have occurred in the subject and competitive areas in the recent past. The sources of this data included the existing rental data for the Salinas Airport, a survey of competitive or alternate airports with interviews with knowledgeable individuals active in the aviation market place. Please reference page 9 of this report for important information regarding the scope of work and analysis for this appraisal, including property identification, inspection, and highest and best use analysis and valuation methodology.

This appraisal has been completed in accordance with (a) the Uniform Standards of Professional Appraisal Practices ("USPAP") as promulgated by the Appraisal Standards Board of the Appraisal Foundation, and (b) the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute.

Based upon the investigation, the following Market Rent has been concluded:

APPRAISAL CONCLUSION

Appraisal Premise	Interest Appraised	Effective Date	Rental Conclusion
As Complete	Long-Term Leased Fee	October 8, 2018	$0.05 to $0.067 per square foot monthly

Hypothetical Conditions[1]:

- The "As Complete " value estimate in this appraisal is based on the hypothetical condition that the site is prepared and ready for development, as of the date of value.

Extraordinary Assumptions[2]:

- It is an extraordinary assumption that utilities stubbed to the site are adequate for light industrial uses and that the hypothetical use "as complete" will meet FAA regulations.

The opinions of value stated above, as well as every other element of this appraisal, are qualified in their entirety by the Contingent and Limiting Conditions as well as the Master Assumptions set forth in this report, which are an integral part of the appraisal. It should be noted that the use of hypothetical conditions or extraordinary assumptions might have an effect on the rental conclusion(s).

This letter is invalid as an opinion of value if detached from the report, which contains the text, exhibits, and addenda.

Respectfully submitted,

Kyle Brown
Certified General Appraiser
California License number: AG044626

Appraisal File No. C2018-1428

[1] Hypothetical Conditions: see definition on page 39
[2] Extraordinary Assumption: see definition on page 39

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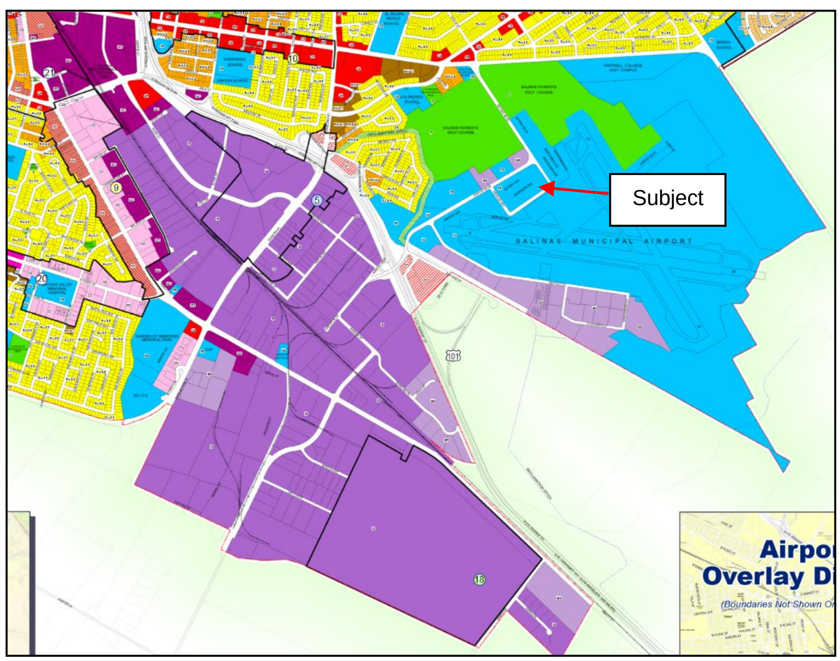
AERIAL VIEW

The subject property is shown above on the Google Earth map shaded in blue.

The Airport and several adjacent parcels are owned by the City of Salinas. The subject parcel is a relatively large, rectangular property located outside the fence of the Salinas Airport and capable of being developed. The proposed overall industrial use (indicated as Office/Industrial Park per the preliminary long-term lease or PLTL) is in congruence with existing industrial uses surrounding the Salinas Airport and to the east of Highway 101, where the City's industrial sector is located (shown as various shades of purple in the zoning map at the right).



These maps are used for illustration purposes only.

SUBJECT PHOTOGRAPHS

View of Subject from the Corner of Mercer and Airport Boulevard


View of Subject from the Corner of Mercer and Anderson (interior road)

View of Subject from the Corner of Mercer and Mortensen Boulevard

View of Subject from the Corner of Skyway and Mortensen Boulevard

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Subject:	Salinas Airport 30 Mortensen Avenue Salinas, CA 93905 APN 003-862-001 (Core Area)
Client:	Mr. Brett Godown Airport Manager Salinas Municipal Airport
Property Owner:	City of Salinas
Location:	The property appraised is located within the boundaries of the Salinas Municipal Airport, with the Core Area between Mortensen Avenue and Airport Boulevard being outside the fence.
Property Description:	The subject property is vacant land that is surrounded on four sides by roads: the four-lane Airport Boulevard on the north border, and two-lane Skyway Boulevard, Mortensen Avenue, and Merced Way, with Jefferey and Anderson Avenues bisecting the subject east to west that are reportedly remnants of the WWII army base.
Date of Property Inspection:	October 8, 2018
Effective Date of Valuation:	October 8, 2018
Date of the Report:	January 23, 2019
Land Area:	13.13± acres
Highest and Best Use as Vacant:	Industrial uses that do not conflict with the operation of the Salinas Airport.

Comments:

The survey considers only the property outside the airport security areas, known as the Core Area. The Core Area is currently proposed for a 50-year ground lease, which is the purpose of this rental analysis appraisal. Potentially the most important factor that was not part of the determination of the Fair Market Rent of the subject property and is the basis for the sole hypothetical condition of this report, is that the land values measured in the subject's market are based on finished lots. That means that the local land comparables researched in the following report were lots that were prepared for development and had adequate utilities stubbed to the site, included curbs and sidewalks, and were bare dirt that didn't require removal of streets, above-ground utilities, or other remnants of the form army base use. It is typical of the initial developer who is preparing the site for sale to the end user of speculative developer to have a level site that is ready to build, whereas the subject has unknowns as to what level of excavation and compaction is needed to determine what lies beneath that which is visible in addition to removing and relocating the power poles, excavating and potentially capping deteriorated water supply lines, etc. The cost to take the site from its current condition to a ready lot should be borne by the City of Salinas or would serve as an offset to the Fair Market Rent. If the developer is burdened with the task the offset is anticipated to be similar to the bid that has been provided to the City of Salinas by Newton Construction & Management, Inc. (dated January 10, 2019) that will produce a ready site at an estimated cost of $542,509, based on prevailing wages (see *Demolition Bid* in addenda).

As part of the appraisal process, we make assumptions as to future behavior of consumers and the general economy, which are uncertain. It is inevitable that some assumptions may not materialize and that unanticipated events could occur. As such, actual achieved operating results may differ from the estimates contained in this report, and these differences may be material. Therefore, while our analysis was conscientiously prepared on the basis of our experience and the data available, we make no warranty of any kind that the conclusions presented will, in fact, be achieved. Additionally, it should be noted that we have not been engaged to evaluate the effectiveness of management, and we are not responsible for future marketing efforts or other management actions upon which actual results may depend. We take no responsibility for any events, conditions, or circumstances affecting the market that exist subsequent to the effective date of this appraisal.

APPRAISAL CONCLUSION

Appraisal Premise	Interest Appraised	Effective Date	Rental Conclusion
As Complete	Long-Term Leased Fee	October 8, 2018	$0.05 to $0.067 per square foot monthly

Hypothetical Conditions[3]:
The "As Complete " value estimate in this appraisal is based on the hypothetical condition that the site is prepared and ready for development, as of the date of value.

Extraordinary Assumptions[4]:
It is an extraordinary assumption that utilities stubbed to the site are adequate for light industrial uses and that the hypothetical use "as complete" will meet FAA regulations.

Effective Date of Value Opinion/Date of the Report
The appraisal considers the valuation of the subject property with an effective date of October 8, 2018. In determining the valuation of the property, we will consider the market value under conditions prevalent at that time.

The subject property has been inspected on various occasions throughout the process of preparing an appraisal report. The initial inspection of the subject property was conducted on October 8, 2018. The date of the report is January 23, 2019.

Reasonable Exposure Time Period Opinion[5]
The reasonable market exposure time used as the basis for the following analysis preceding October 8, 2018 would have been 6-12 months. However, for leasing vacant land the exposure time may actually be years given the limited demand for new land leases.

Intended User(s)
This appraisal is for the intended use of the Salinas Municipal Airport Manager, Brett Godown, and the City of Salinas' Airport Commission, and their advisors only.

Intended Use
The appraisal problem to be solved is to provide an opinion of the Fair Market Lease Rates for ground leases as well as select improved properties identified within the report to assist the Salinas Municipal Airport Manager, Brett Godown, and the City of Salinas' Airport Commission, and their advisors in making a business decision regarding establishing a fair market rental rate for current and future ground leases and current improved property leases.

[3] Hypothetical Conditions: see definition on page 39
[4] Extraordinary Assumption: see definition on page 39
[5] Exposure Time: see definition on page 39

Interest Valued

The purpose of this appraisal is to provide a market rent and fair market rent is synonymous.

Current Listing/Pending Contract(s):

The land, as owned by the City of Salinas and controlled by the Salinas Airport, and under FAA regulations, cannot be sold. However, it is under a PLTL (preliminary long-term lease) and in the ENRA (exclusive negotiating rights Agreement) stage to come to an agreement as to what will be required of both parties before executing a long-term lease (LTL) contract. The ENRA began February 20, 2018 with a proposed six months timeline and additional three-month option to determine project feasibility. The rental rate proposed in the PLTL stipulates a $0.03 per square foot per month lease rate to begin after each phase (for a maximum of three phases) is completed and receives a certificate of occupancy. The terms relating to rental increases are to be determined no less than 30 days after executing LTL, and terms relating to rent sharing and are to be determined no less than 60 days after executing LTL.

Assessment and Taxes

The subject property is exempt from property taxes due to the fact that it is owned by a public entity. If the property were to be developed by a private sector owner or user, it would be assessed at its market value as a possessory interest. Possessory interest may be assessed at lower rates than properties that are not exempt. However, the differential is not judged to be sufficient on its own to cause location on tax exempt land.

SCOPE OF WORK

Having previously identified the client, the effective date for the opinion of rental value and the definition of value, the appraisers now consider the relevant characteristics of the subject assignment and assignment conditions, which include the definition of the intended users, intended use and type of opinion. Part of completing the Scope of Work is the planning of the assignment so that the client's problem can be solved with credible results. This is the process where the appraisers diagnose the problem and determines a reasonable means to find a solution.

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to determine the appropriate Scope of Work. USPAP defines the Scope of Work as the amount and type of information researched and the analysis applied in an assignment. Scope of Work includes, but is not limited to, the following:

- the degree to which the property is inspected or identified;
- the extent of research into physical or economic factors that could affect the property;
- the extent of data research; and
- the type and extent of analysis applied to arrive at opinions or conclusions.

The following information defines the Scope of Work that will be applied by the appraiser:

Report Type:	Appraisal Report to determine Fair Market Rent
Inspection/Valuation Date:	October 8, 2018.
Market Analysis and Market Conditions:	A current analysis of market conditions has been made.
Highest and Best Use:	Industrial
Rental Analysis:	This analysis requires the development of comparable market data from properties that would provide alternate occupancy (similar size, quality, location and condition). Comparison would be made between the subject and comparables using the base rent and terms of occupancy (including operating costs) to develop a market-based opinion of rental value for the various aviation related uses.

In preparing the appraisal, the appraiser:

- Will inspect the subject property to provide a familiarity with the site, the improvements and its neighborhood. The inspection should be considered as preliminary with reliance to be made on information provided by professionals, such as environmental inspectors, architects and engineers. No professional inspections are anticipated to be required based on our current understanding of the assignment.
- Will gather information about the subject as well as comparable rental properties from a wide variety of sources, including, but not limited to, listings and sales of land, improved properties (MLS as well as the Internet), and rentals. All of the data collected will be used to form the foundation for further analysis and ultimately comparison to the subject.
- Will confirm the data as required and as available from sources such as City and County records, listing and selling agents/brokers, buyers, sellers, and tenants. Some of the data may be from secondary market data sources and not personally inspected or verified.
- Will review documentation provided by the client (i.e. leases).
- Will survey similarly sized airport in California.
- Will review comparables while weighing current economic demand in the subject's market area.
- Will interview Airport Managers and/or agents in charge of leasing airport-controlled properties.

The analysis to be completed for this assignment is the analysis of the current rental value and terms that are appropriate for the subject property. To that end, the following definitions are being recited to provide the background for the analysis,

Market Rent Definition
The most probable rent that a property should bring in a competitive and open market reflecting all conditions and restrictions of the lease agreement, including permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).

Lease Terms

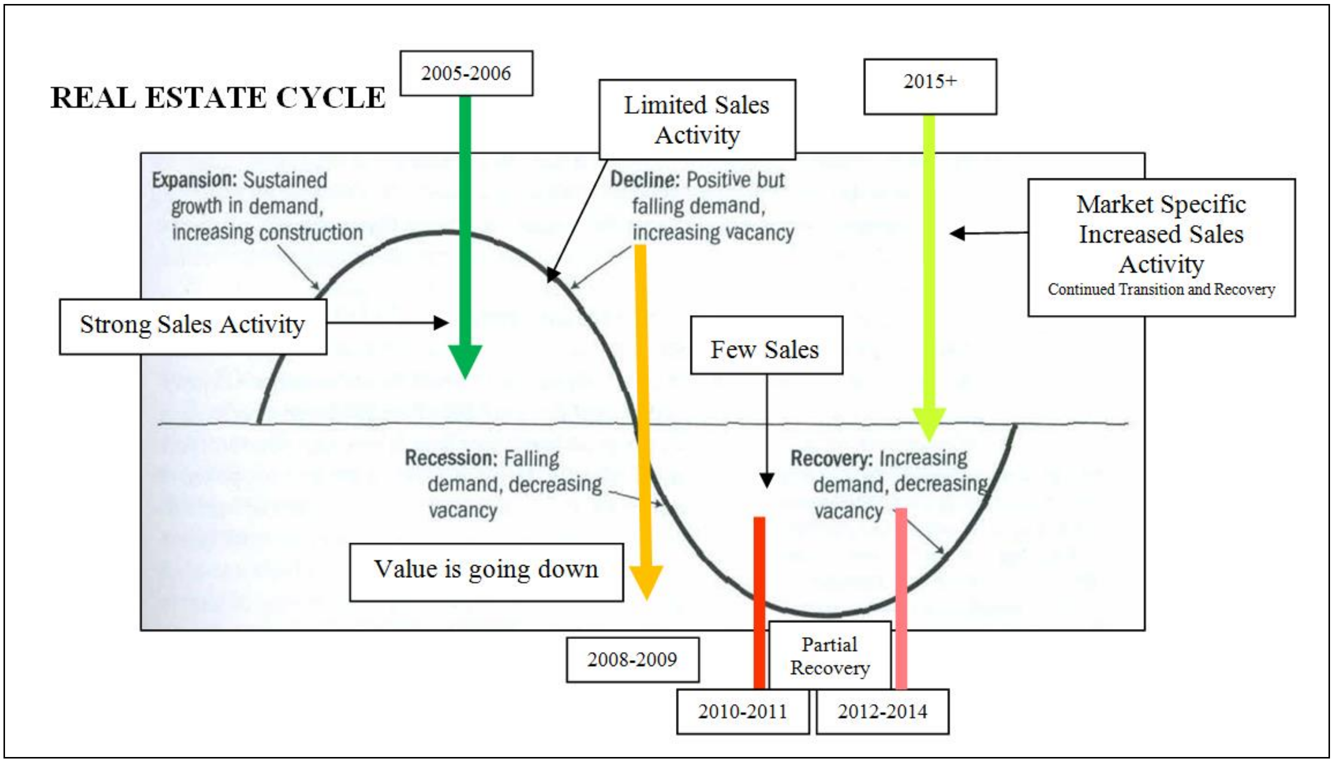
- Triple Net lease: A lease in which the landlord passes on all expenses to the tenant.
- Gross lease: A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called full-service lease.
- Modified gross lease: A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.
- Industrial gross lease: A lease of industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance, and real estate taxes, as specified in the lease.

Source: Appraisal Institute, *The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).

The opinions of value will be communicated in appraisal reports as defined by Standards Rule 2-2 of the Uniform Standards of Professional Appraisal Practice.

MARKET CONDITIONS

The traditional market cycle is shown by the following illustration. While stylized into a “normal” curve it is judged to reasonably represent what is commonly considered as the business cycle in real estate. This shows a market moving from a “seller’s” market with high demand to a “buyer’s” market. The green arrow is intended to reflect the generally accepted peak of the market while the orange shows the slide to what was reported to be the “bottom” of the recession at the end of 2009. The red line shows what is judged to be the bottom of the local market and the pink line is intended to show market transitioning toward a more normal growth between 2012 and 2014. However, as of late 2018, most segments of the local real estate market have recovered.



As indicated in the illustration above, the real estate cycle started to fail around 2008. The cycle changed from a seller’s (landlord) market to a buyer’s (tenant) market caused by the national recession. This illustration is a generalization to describe the overall market. However, the subject market which is located in the Central Coast region of California is made up of a wide variety of property types where not all of property types were impacted equally.

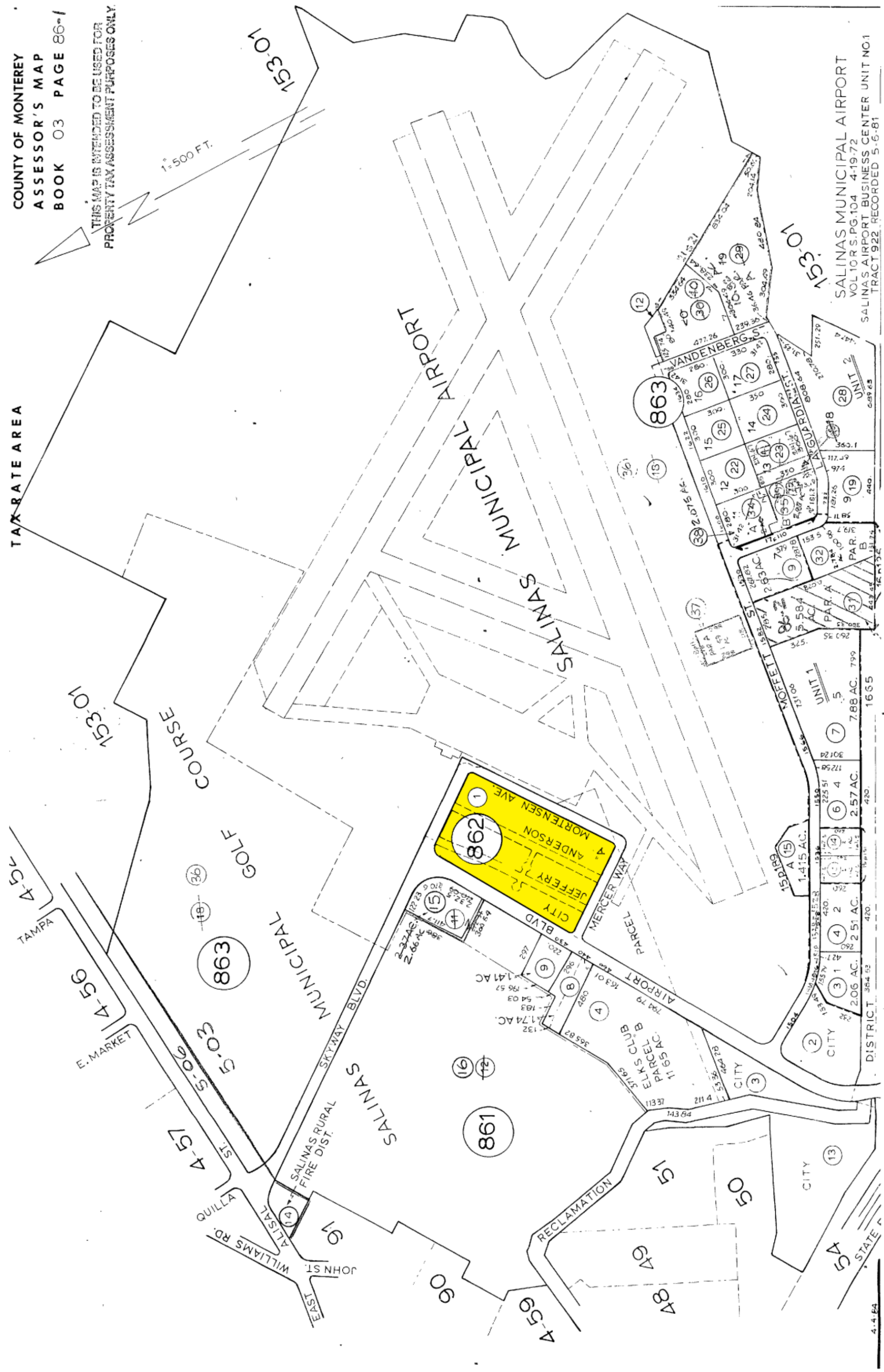
In general terms, many of the local markets have suffered since 2008 when demand changed. Typical business recessions have lasted less than two years historically, so the most recent recession is unique as some property types still suffer from less than optional market conditions many years after the recession was declared to be over.

The various property types tend to fall into seven general categories which include multiple-family, industrial, office, retail, land, agriculture, and special purpose properties. Agricultural properties had continued demand during the recession and values changed moderately. Local multiple family properties rebounded fairly quickly. The industrial market place in most local areas has a limited supply allowing it to rebound, especially in the Salinas Valley area which is driven by a $4 Billion per year agri-business economy. Some of the office and retail market places remained in recession as long as until 2015 with above average vacancy and rental rates that continue to be depressed. The vacant land segment of the market has been nearly dormant due to lack of construction financing and demand for new development (exception being agri-business).

Aviation Market

As a General Aviation (GA) airport, the quantity of enplanements (the measure of the number of commercial passengers boarding an aircraft) is of less importance than local economic conditions and many GA airports have 100 or less annual enplanements, as they are not departure points for commercial airlines. While there is the potential for some comparability to commercial airports, specifically those in close proximity to the subject, the location of commercial airports is in densely populated areas, which typically have higher levels of land prices and economic demand for aeronautical related industry; thus, comparison to the majority of commercial airports could skew the rates that would be applied to the subject. In the case of the Salinas Airport, the primary driver in the local market is agriculture and the area house several large corporations with the need of corporate aircraft to facilitate their agricultural business (i.e.: row crop growth) and the Salinas Airport is the primary airport from which these corporate agents operate.

APN MAP


COUNTY OF MONTEREY
ASSESSOR'S MAP
BOOK 03 PAGE 86-1
THIS MAP IS INTENDED TO BE USED FOR PROPERTY TAX ASSESSMENT PURPOSES ONLY.
TAX RATE AREA
SALINAS MUNICIPAL AIRPORT
SALINAS MUNICIPAL GOLF COURSE
SALINAS MUNICIPAL AIRPORT
VOL. 10 R.S. PG. 104 4-19-72
SALINAS AIRPORT BUSINESS CENTER UNIT NO. 1
TRACT 922 RECORDED 5-6-81
VANDENBERG ST.
LAGUARDIA CT.
MOFFETT ST.
MORTENSEN AVE.
ANDERSON
JEFFERY
CITY
AIRPORT BLVD
MERCER WAY
SKYWAY BLVD.
E. MARKET
TAMPA
QUILLA
WILLIAMS RD.
JOHN ST.
EAST
ALISAL
SALINAS RURAL FIRE DIST.
ELKS CLUB PARCEL B
RECLAMATION
DISTRICT
STATE
863
862
861

SITE IDENTIFICATION

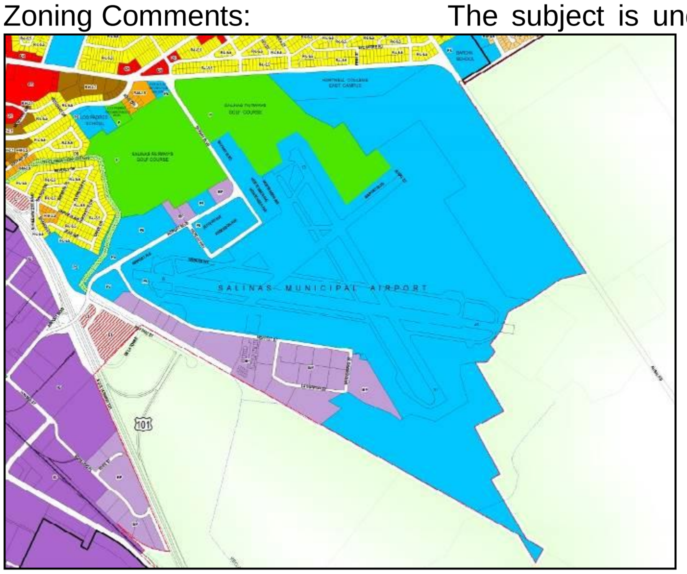
The subject property (shaded in blue in the image at the left) is surrounded by several different uses, including agriculture, a golf course and industrial developments.

Locational Information

Neighborhood Influences & Uses:	The subject is located at the south periphery of the City of Salinas with industrial uses developed along the southwest border of the airport (Moffett Street area), industrial and public/quasi-public uses to the north (which includes the city maintained golf course), the Hartnell College East Campus along the east border and commercial agriculture to the south. Portions of the commercial agriculture immediately surrounding the Salinas Municipal Airport is planned for future industrial expansion.
Development Name:	Salinas Airport
Property Address:	30 Mortensen Avenue, Salinas, CA 93905
Assessor's Parcel Number:	003-862-001 (Core Area)
Map Latitude:	36°39'55.62'N
Map Longitude:	121°36'42.82'W

Zoning

Zoning Classification:	Public and Semipublic (PS)
Zoning Comments:	The subject is under the ownership of the City of Salinas and is zoned "PS" which represents Public and Semipublic usage. The property, in addition to local zoning, has additional controls in the form of FAA regulations. The code states 'Airport-related uses shall only be allowed in a PS district that is contiguous to the Salinas municipal airport,' however, the City as the zoning agency can opt to alter the zoning if the use is judged to be in congruence with the General Plan and not exceed the a .4 FAR.



Land Information

Terrain/Topography: The subject has level topography at grade.

Access (Ingress and Egress): The subject property is accessed from Highway 101 directly by Airport Blvd. and by Salinas from Skyway Blvd. The subject also has full circulation around the site with four-lane Airport Boulevard on the north border, and two-lane Skyway Boulevard to the east, Mortensen Avenue to the south, and Merced Way to the west.

Seismic: Typical for area - All of Central California is subject to earthquakes. Monterey County and the Monterey Peninsula have known faults which at some point may be the location of an earthquake. However, to this point in time this factor has not affected real property value in the subject area. The property is not located within an Alquist-Priolo zone.

Soil Conditions: The soil conditions observed at the subject appear to be typical of the region and adequate to support development.

Flood Plain: According to Flood Insurance Rate Maps, published by the Federal Emergency Management Agency for Monterey County, panel number 06053C0236G dated April 2, 2009, indicates that the subject property is not in the flood plain (SFHA). The subject property is located in Zone "X"

Drainage: Assumed to be adequate, although an inspection was not made during a heavy rain period.

Wetlands/Watershed: No wetlands were observed during our site inspection.

Title Report: None provided.

Easements/Encumbrances: None known.

Environmental Hazards: None known.

Site Analysis & Comments

The site as a whole is level, out of the flood plain and generally well located for development. The southern and northern borders are already developed with infrastructure supporting primarily industrial land uses, while the eastern portion of the airport lacks sufficient infrastructure and demand for additional development at this time.

DESCRIPTION OF APPRAISED PROPERTY

Core Area (between Airport Boulevard and Mortensen Avenue)

The Core Area consists of the vacant land area between Airport Boulevard and Mortensen Avenue, which is reported to be 13.231 acres and is currently located outside the fenced perimeter of the airport. At one time the area was considered to be split into two lots on a north-south division line and the west side of the property would be brought into the fenced perimeter while the east side would be developed with a hotel and conference facility. Considering the limited amount of industrial zoned land in the Salinas area, the highest and best use of the core area is industrial uses that do not conflict with the operation of the Salinas Airport and similar to business parks in the South Salinas industrial sector, divided into parcels three to five acres in size to reduce risk to developers.

VALUATION METHODOLOGY

As a part of the typical valuation process, the appraiser inspects the subject and surrounding properties, the neighborhood, and the comparables. The highest and best use is analyzed and estimated for the subject, both as vacant and as improved.

A rental analysis uses the Direct Comparison Approach to analyze market rent and this method relies heavily upon the "Principle of Substitution."

Substitution

The principle of substitution states that when several similar or commensurate commodities, goods, or services are available, the one with the lowest price attracts the greatest demand and widest distribution. This principle assumes rational, prudent market behavior with no undue cost due to delay. According to the principle of substitution, a buyer will not pay more for one property than for another that is equally desirable. Property values tend to be set by the price of acquiring an equally desirable substitute property. The principle of substitution recognizes that buyers and sellers of real property have options, i.e., other properties are available for similar uses. The substitution of one property for another may be considered in terms of use, structural design, or earnings.

"The Appraisal of Real Estate – 14th Edition," Appraisal Institute

This principle relates directly to developing an opinion of rental value where the appraiser utilizes comparable rentals. Typically, the rental rates and terms of comparable properties provide a basis for estimating market rent for a subject property once they have been reduced to the same unit basis which can then be applied to the subject property. Once verified, comparable rentals may be adjusted to produce comparable data. Recent leases for the subject property may be a good indication of market rent, but lease renewals or extensions negotiated with existing tenants may reflect that the tenant was willing to pay higher rents to avoid relocating. Alternatively, a landlord may offer existing tenants lower rent or other incentives to avoid vacancies and the expense of obtaining new tenants depending upon management style and current market conditions.

Critical to the analysis is an "apples to apples" comparison. However, in reality, within the subject market place there is limited conformity. Still, the basis for the analysis is the highest and best use of the subject property and comparable properties.

HIGHEST AND BEST USE ANALYSIS

"The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued."[6]

1. **Legally Permissible:** What uses are permitted by zoning and other legal restrictions?
2. **Physically Possible:** To what use is the site physically adaptable?
3. **Financially Feasible:** Which possible and permissible use will produce any net return to the owner of the site?
4. **Maximally Productive:** Among the feasible uses which use will produce the highest net return, (i.e., the highest present worth)?

Highest and Best Use as Vacant

The first question to be answered is whether the land should be developed or left vacant. If development is appropriate, the second question is then determining what kind of improvements should be built.

The highest and best use as vacant is to be developed with a general industrial use similar to those in the Ottone Business Park and the area slated for development east of Highway 101 and abutting the Moffett Street business park development. The Public/Semi-Public zoning and the Salinas General Plan allow for flexibility in the use the site will be put to, which includes industrial uses; however, the industrial uses the site is reportedly capable of being developed with will have a maximum FAR of .4, unless the General Plan is amended to that purpose. This is not judged to negatively impact the subject site as typical industrial uses in the Salinas area have shown that FARs higher than .4 often negatively impact the site flow and limit outdoor storage space.

[6] *The Dictionary of Real Estate Appraisal 5th edition*, Appraisal Institute

LAND VALUE

Due to the shift in rental rates and values for industrial properties, recent land sales would be necessary in determining the extent that land values have risen in conjunction with the appreciating market. This approach is based on the "Principle of Substitution" which states that a prudent and rational person would pay no more for a property than the cost to construct a similar and competitive property, assuming no undue delay in the process.

Land Comparables

From all of the sales researched for this analysis, the appraiser has selected the following set of comparables in order to estimate the subject's land value. As noted prior, the subject land is city owned with use controlled in part by FAA, which is to be long term leased as opposed to being sold in fee. As a result, a rental analysis requires the valuation of the land to which a market acceptable rate of return is to be applied. With that as the backdrop for the analysis, the appraiser's task is to assemble sales and listings of properties that would be considered as an alternate capable of supporting a theoretically comparable used to analyze the subject's current "as complete" value. This analysis is based on a hypothetical condition, which is utilized as the basis for developing the opinion of market rent. The hypothetical condition in this case is that the subject site is a finished parcel ready for development, which includes utilities sufficient in capacity to support full development of the subject site to its highest and best use. This is a hypothetical condition because it is known that the site requires removal of existing above and below ground improvements, which may require relocation of existing utilities as well as removal of existing roadways. Additionally, while bounded by curbs, redevelopment will require removal and replacement if they are substandard in construction. The costs associated with producing the theoretical "finished site," which would be a site with similar finish to those found in the Salinas Airport Business Park or the Ottone Business Park, has been provided to the City of Salinas by Newton Construction & Management, Inc. (dated January 10, 2019) for an estimated cost of $542,509, based on prevailing wages.

To complete this analysis the appraiser has utilized a wide variety of comparables, some which may appear to be dated do to their age (date of sale) but are judged as necessary to help the reader understand land values over an extended period of time. The valuation is based on the concept known as highest and best use which considered the theoretical use which will support the highest value of the land but does not consider a specific proposed use. Additionally, there is one factor that is hard to quantify because of the lack of recent development, which is the additional cost of development caused by new building code requirements (such as onsite water storm water retainment).

Comparable Sales Data

The following array of local land sales spans 17± years, which is judged to represent three different business cycles, not all of which are comparable to the subject, but cumulatively help the appraiser better estimate the current value. It is from this study that the appraiser can analyze the relationship of prior sales, changes in current market conditions and ultimately form an opinion of the subject's current value.

Comp. #	APN / Address	Sales Date	Doc. #	$PSF
#1	003-171-035 401 W. Rossi St., Salinas	6/15/2018	2018026501	$1,220,000 $10.00 PSF

This parcel is part of a three-parcel subdivision of the larger parcel formerly known as 003-171-027, which was 7.35± acres in size. The parcel that sold is a corner site measuring 3.25 acres. It is located in the IBP zoning and a small portion of this site is located within the 100-year flood plain. The reported purchase price is $1,220,000, which reflects a price of $10.00 per sq. ft.

Comp. #	APN / Address	Sales Date	Doc. #	$PSF
#2	003-011-043 763 Work Circle, Salinas	1/25/2018	2018003119	$900,000 See Below

This property is located in the second phase of the Ottone Park development at the end of a cul-de-sac street. Zoning is IG and the site is on the fringe of the Airport Overlay District. The parcel size is shown as 1.54± acres on the APN Map, but the title company recording data shows 1.43± acres in size. Using both sizes, the price reflects $13.42± and $14.45± per sq. ft., respectively.

Comp. #	APN / Address	Sales Date	Doc. #	$PSF
#3	003-863-041 731 La Guardia St., Salinas	8/18/2017	2007044375	$900,000 $12.01± PSF

This property is located in the Salinas Airport Business Park, which is adjacent to the Salinas Airport on the west side. This site is finished, but carries the IBP zoning, which is more restrictive than IG, and this site is located within the Salinas Airport Overlay District. The reported sale price is $900,000 ($12.01 per sq. ft.) with 100% conventional financing.

Comp. #	APN / Address	Sales Date	Doc. #	$PSF
#4	261-052-013 and 014 1095 Madison Lane, Salinas	3/8/2017	2017012703	$660,000 $7.58± PSF

This property consists of two adjacent one-acre parcels located in West Salinas outside of the city limits. The area has a mix of uses, which are primarily light industrial. This sale occurred without brokerage fees. The price was $660,000, which reflects $7.58± per sq. ft. The location is rural, and the street is narrow.

Comp. #	APN / Address	Sales Date	Doc. #	$PSF
#5	003-012-015 791 Work Street, Salinas	1/31/2017	2017005654	$1,742,500 $7.46± PSF Gross $10.00 PSF Net

This is a corner parcel at Work Street and Elvee Drive, which is to be developed with a traffic signal, improving accessibility to this site. The overall site is measured at 5.364± acres, but a portion of the site is unusable (detention pond) and brokerage for this site has identified its net usable area as 4.0 acres, creating a net and gross pricing for the sale. This property has subsequently been placed on the market for sale, initially at the price of $2,965,000 ($17.02± PSF Net Area), which was reduced to its current asking price of $2,650,000 ($15.20± PSF Net Area).

Comp. #	APN / Address	Sales Date	Doc. #	$PSF
#6	003-171-014 & 033 345 W. Rossi St., Salinas	12/16/2016	2016077116	$2,450,000 $9.01± PSF See Below

This property consists of two parcels, part of which is separated from street access by a reclamation ditch. The sites were surveyed separating the usable areas, which was used to produce the $9.01± per sq. ft. unit of comparison. Two other smaller sites were purchased from related properties as part of this transaction to provide additional frontage to be used for access. This transfer had significant additional land area that was assigned nominal value due to being without formal legal access.

Comp. #	APN / Address	Sales Date	Doc. #	$PSF
#7	003-461-011 850 Work Street, Salinas	2/23/2015	2015008627	$1,560,100 $8.08± PSF Gross $9.52± PSF Net

This parcel has a long history having been sold at the beginning of the recession, resold at a lower price during the recession, brought back to the market at an increased price, reduced and now in escrow at an undisclosed price. The most recent asking price for the property was $2,508,000 or $15.31± per usable sq. ft. and then reduced to $2,025,000 or $12.36± per usable sq. ft. using 3.76± net acres of land.

Comp. #	APN / Address	Sales Date	Doc. #	$PSF
#8	137-131-001 21930 Rosehart Way, Salinas	7/19/2012	2012041525	$850,000 $6.48± PSF

This is a rural industrial site located in a 14-lot subdivision situated south of Salinas at Potter Road. This site was vacant and unimproved at the time of sale. Part of the site is impacted by an easement as well as being located in the 100-year flood zone. When compared to most Salinas industrial neighborhoods, this location would be inferior, as would the degree of finish for the site. There is not sanitary sewer available in the area, requiring onsite septic tank usage.

Comp. #	APN / Address	Sales Date	Doc. #	$PSF
#9	003-863-019 722 La Guardia St., Salinas	7/8/2005	2005069218	$1,250,000 $9.14± PSF

This is a 3.15± acre site located in the Salinas Airport Business Park. The site has sloping terrain at the rear of the parcel. The buyer paid $1,250,000 in 2005 and then relisted the property for sale in 2007 at the price of $2,100,000 ($15.32± per sq. ft.), which ultimately expired. The owner has more recently developed the site with an industrial use, which has been leased.

Comp. #	APN / Address	Sales Date	Doc. #	$PSF
#10	003-013-007 to 010 670 Work Street, Salinas	11/14/2001	2001095893	$2,500,000± $8.00± PSF

This is the oldest sale of the selected comparables. It dates back to the opening of the second phase of the Ottone Business Park, where four finished parcels were combined to produce what is now the FedEx property.

Additionally, there is a property in contract located along John and Spring Streets in Salinas at an asking price of $1,650,000 for 2.19 acres, or $17.29 per sq. ft., and the contract price is known to the appraisers and is not substantially different than the listing price. The agent for the property, Michael Bassetti with Cushman & Wakefield, stated that the improvements on site were estimated at $200,000, indicating a land value of $1,450,000, or $15.20 per sq. ft. based on the listing price. The site is industrial in use and the buyer will continue the use after purchase. The buyer, a local contractor/developer who is a knowledgeable participant in the subject marketplace, indicated that he anticipates a rate of return on the property of 8%; however, he felt that the subject, if leased as a 13.13± acre site, would command a lower return of 6%-7%.

Reconciliation

The previous analysis includes land sales of commercial land in the City of Salinas and surrounding competitive areas. With much of the finished sites within the City of Salinas developed, there is limited opportunity for new development until the 257± acre Salinas Ag-Industrial Center is improved.

It is obvious that there is lack of true comparables, which is the reason for the testing of value with sales over such a long period of time. However, there is a scarcity of available land for development of industrial uses.

The size of the subject site is 13.13± acres, which would be generally considered large by local standards for most uses, but not an agricultural cooling facility, which would not be anticipated for the subject site due to the lack of ability to connect to the industrial sewer system. However, it should be understood that the highest and best use is likely to divide the subject site into smaller parcels or lease in phases.

Land values over an expanded period of time have been studied with the oldest sale occurring in 2001 for 7.2± acres of land that sold at $8.00± per sq. ft., which is judged to set the minimum value for a finished site zoned for industrial use. Over time, prices for usable land area peaked at just over $15.00 per sq. ft. within the same tract as the 7.2± acre site. However, during the recession that site was under pressure to sell and the price returned to the $8.00± per sq. ft. range. Subsequently, sale prices increased to the range of $10.00 per sq. ft. to $13.50 per sq. ft., while some of these sites were placed on the market to resell. Asking prices increased to as great at $17.00± per sq. ft. only to be reduced after extended market exposure, suggesting that such prices are not economically viable due to current market rents and the increasing cost of construction caused in part by scarcity of materials as well as tariffs that have been more recently enacted.

Site size has some impact on price and value, but there are also few opportunities to acquire larger parcels. As a result of this limited supply, it is the appraisers' judgment that the difference due to size when comparing the sales of 5-7± acre parcels v. the subject's 13+ acres is limited. More importantly, the subject site could be divided into multiple parcels with site sizes that are currently in demand by the market and could be marketed as such to determine what the subject market desires.

Sales Comparison Approach - Land Value Conclusion

Analyzing the subject's location and comparing it to the market data, the current land value, under the assumptons of the report as well as the Scope of Work, is judged to be reasonably represented at $10.00 per sq. ft. of usable land area.

RENTAL ANALYSIS

With the preceding analysis completed, the underlying fee land value has been estimated. To that value the appraiser applies a market derived rate of return which was developed based on interviews with the airport manager, as well as city and county staff involved in the leasing of land owned by the various municipalities.

In addition to discussing the rates of return, there were other lease related factors that the appraisers addressed in regard to long-term leases, including: *the length of the recent leases, rental rate adjustments on an annual basis and periodic resets to market, construction period* (time before rent is charged to the tenant)*, reversion, and concessions*. All of these factors can have significant impacts on the lease rate at signing as they can mitigate changes in the marketplace over time and protect both the lessor (public) and lessee (developer) if employed correctly.

Lease Lengths

Lease lengths for FAA controlled properties are generally considered to include the initial term plus the lease options, unless the lessor has the sole discretion to terminate the lease at the end of the initial term. Based on interviews, the FAA targets a 20-year term as the preferred length, with options left to the discretion of the lessor; however, it is not uncommon to set an initial term longer than 20 years depending on the complexity of the development and the time required to recuperate the capital outlay and associated development costs. Two relatively recent examples are from the Cities of Watsonville and Fresno. The Watsonville Airport signed a lease dated July of 2016 for a parcel located opposite the airport on Aviation Way for an initial term with two (2) 5-year options, totaling 40 years. The Fresno Airport signed a lease date February of 2018 for a 40-year lease with no options. The Paso Robles Airport, for which the appraisers did not receive a copy of the lease for reference, was explained to the appraisers as being a 99-year lease, which the airport manager described as a very difficult lease to have the FAA approve; however, the lease language reportedly required a certain minimum number of jobs to be maintained over the life of the lease, otherwise the land and improvements reverted back to the airport. The airport manager noted that the benefit from the jobs did not directly translate into the FAA's mandate that the airport be self-sufficient, and the economic benefits were not all directly received by the airport but were enjoyed by the community. But because the benefit did go to the community, the concession allowed for the FAA to approve a lease length that is uncommon in current markets.

The following comments from the prior Salinas Airport Manager and Director of Public Works, Gary Petersen, CAE, were from a 2011 online discussion titled "LEASE TERMS – AVIATION VS INDUSTRIAL," which began with discussion of a consideration of changing the California Civil Code regulating airport leases to allow for greater than 50-year leases:

"California State Law caps aviation leases at 50 years after which they must go out for bid to the general public. We want to know if airport sponsors would want to see this law changed to allow aviation lease terms to be consistent with industrial lease terms that cap at 99 years. The obvious benefit is the amount of infrastructure cost a developer can afford being far greater with a 99-year lease vs a 50-year lease.

Government Code Section 50478. A local agency may lease, or sublease property owned, leased, or otherwise controlled by it for not to exceed 50 years for airport purposes or purposes incidental to aircraft, including: (a) Manufacture of aircraft, airplane engines, and aircraft equipment, parts, and accessories. (b) Construction and maintenance of hangars, mooring masts, flying fields, signal lights, radio equipment, service shops, conveniences, appliances, works, structures, and other air navigation, aircraft, and airplane engine manufacturing plants and facilities."
Signed - Law Office of Mark Mispagel

To which Mr. Petersen replied: "I would also add that some of us have been around longer than others and lived through the consequences of 99-year leases. Granted many of these leases were undervalued or "give away" leases with no revenue, however the limitations of flexibility and the burden of constraint provided by leases of excessive length can cripple an airport's finances.

Additionally, an overly long lease allows the developer to make ALL the long-term profit when it should be coming to the airport after all investment is amortized. Short of building a whole new airport I cannot imagine a lease with infrastructure development that would need more than forty years to fully recover and realize profits.

Establishing Cost Recovery and Return on Investment are all part of the understanding exactly what it is you are doing when dealing with developers.

In today's world I cannot imagine a situation where I would argue for a lease longer than forty years, with perhaps a ten-year extension with rates to be reset prior to the extension."

The sentiment that 50-year leases should be the maximum was consistent in the responses from other CA airport managers, with Todd McNamee from Ventura County stating their longest lease at their airport is for an FBO at 40 years with a 10-year option and the developer putting in $40M over the prior ten-year period.

Rent Escalations and Reset to Market Terms

Several of those who participated in the interviews indicated that the typical lease structure in today's terms includes both an annual escalator and period resets to market rent. Most airports are not including an annual CPI escalator in leases, which is common in most leasing activity that exceeds a three or five-year term and offsets inflation and may correspond with increases in land values over time. This is judged to be appropriate in most real estate markets and for aviation related uses; however, it may not fit all approaches, especially where the CPI may outpace the potential return on the investment made in a property. This may be mitigated to some degree by the amount invested in improvements on the property, with higher costs per square foot being more risky than alternative uses that cost less to build, as related to the Highest and Best Use(s) for the property and anticipated rents for various uses. Also, the difficulty in underwriting large-scale investments over the term of a land lease can be a factor due to the CPI not being a static rate that an underwriter can use to develop the debt service schedule. Both factors may affect the subject property and the ability to develop with a long-term lease, and airport managers who have been faced with an underwriting dilemma have applied an annual percentage increase that is based on a rate similar to CPI (e.g.: averaged over 10 years), or they have set levels to minimize impacts from CPI increases, ranging from a 2% floor to a 6% or 8% ceiling.

But a CPI increase is not the only component in recent contracts. In the past, long-term leases that did not have period reviews allowing for the reset to a fair market rent most often burdened the lessor with a lack of control over the rental rate as land values and market rental rates increased beyond a CPI or set adjustment, and the reverse is also possible, with downturns in the economy leaving lessees with rates that had escalated beyond what the property would command in the current market. To protect themselves and the lessee, lessors typically include language that allows for a period review of the market rents to make sure that they aren't so far from the market rent as to be doing a disservice to themselves (or the public) as well as to make sure the lessee's payment is one that the typical user in the market can afford to pay (the term "typical user" is used in place of lessee here to imply that there are users in the subject's market that could make use of the hypothetically improved property at a profit, thus if the lessee failed to manage the property appropriately, another lessee could assume the lease terms an the property would continue to operate). These resets to market are typically 5 or 10 years, and there are arguments as to which is most appropriate as the 10-year term provides more stability to the lessee, while the 5-year term could capture short-term rate increases and decreases alike, but the volatility may prove to be an issue in underwriting or where minimal rates of return on the investment are concerned.

Construction Period

The typical construction period extracted from the market ranged from no construction period (the rental payment began on execution of their lease) to 24 months. Some managers and examples leases included language that allowed for an extension when construction could not begin or be completed due to circumstances beyond the developer's control. The primary reason for the construction period was the timing required for permitting, and manager's and leasing representatives for various counties and cities recognized that the permitting process was often burdensome and prolonged, but when posed with the theoretical question, "if the agency were to provide a permit at the time of signing the permit, how long would the construction period be?," the responses reflected a much shorter construction period from zero to 12 months maximum. This rationale was that this is more reflective of the typical real estate marketplace where the buyer or lessee of real estate from an private party would be required to make lease payments after signing the lease and gaining control of the property. Also, Lori Schandel, Airport Property Specialist with Sonoma County, noted that their leasing language now requires rental payments once the property has been occupied, as opposed to the former language that was based on a certificate of occupancy. This was due to the tenants beginning use of their property prior to receiving the certificate.

Reversion

Related to the overall lease length is the reversion of the property and the lease language regarding the reversion. Reversion is the transfer of rights or control of the land and, if agreed upon, the improvements to the lessor at the termination of the lease. In the case of the Watsonville lease, the airport manager stated that his department was anticipating immediate reuse of the planned improvements at the termination of the lease (40 years) and that it would likely be for the aviation-related use of aircraft construction, and this was one of the factors in applying a lower lease rate to the property. Depending of the type of improvements that are to be developed on the property, there may be requirements for the developer to remove all the above ground improvements and provide a clean slate for the next development; however, this usually implies that the construction was either an interim use and the lessor anticipated a different Highest and Best Use at the end of the lease, or the quality required (and commensurate investment) for the improvements was minimal or expected to live out its economic usefulness by the end of the lease.

Typically, lease language includes a requirement for the lessee to keep the premises in good condition as not doing so may have an impact on neighboring properties and their rents, and this may coincide with the anticipated condition of the improvements at lease termination when the lessor regains control. But some leases are more specific about the state of the reverted improvements. This following is from the Watsonville Lease: "On expiration or termination of the Term, Tenant shall surrender the Premises and the Improvements to City, in good order, condition, and repair, reasonable wear and tear and obsolescence expected. Tenant shall surrender in place and in good order, condition, and repair all trade fixtures, mechanical equipment, machinery, and systems of the Building (i.e., heating, ventilating, air conditioning, electrical, and plumbing systems); except Tenant shall retain title to unattached equipment and furniture owned by Tenant that is not required to operate at the Premises."

Thus, the quality of the improvements and the lessor's desire to see a specific ornamentation and buildout that will be maintained throughout the life of the lease and transfer over upon termination may provide a negotiating point for which a lower rent is the trade-off. What is difficult but important in the establishment of a long-term lease is anticipated demand for that product type at the end of the overall lease term and largely has to do with the location of the improvements and the jurisdiction's

General Plan, and whether the proposed property is surrounded by similar uses (as dictated by zoning) or at the periphery of a certain zoning that may be subject to change in the future. In the case of the subject airport, which is slated in the Salinas General Plan Land Use Circulation Policy Map to have increased General Industrial zoned land around the south side of the airport and to the east of Alisal Road, it would be anticipated that an industrial improvement would have continued life at the termination of the lease.

Concessions

Concessions in regard to a long-term land lease revolve around trade-offs that benefit the airport, as in a percentage rent (a yearly rent on top of the contract annual rent that shares profits above a designated level) or, as seen in the case of the Paso Robles Airport, a stipulated minimum number of jobs that benefit the local economy. While the FAA mandates airports to be self-sufficient and prefers that benefits be direct to the airport, it appears that there is room for other concessions that are economically rewarding. While these were among the few examples that were cited in recent leasing activity, there are potentially other concessions that a lessor would seek in exchange for a lower rent which could be structured over the duration of the lease or pertain to a shortened initial term to allow for the developer to recoup their investments more quickly.

Lease Rates

The purpose of this appraisal is to estimate the market rent for the non-aviation use of the subject property. As our market has very limited long-term leasing data to use a comparables, an alternative approach is needed to determine the rate at which a lessor would anticipate leasing a property, and it is common practice to develop the lease rate on the rate of return based on the property's land value.

The following are synopses of the interviews and leases from market participant:

The Watsonville Lease rate that was determined by the City's Community Development Department, which was based on an appraisal and the Airport Manager, Rayvon Williams, explained was below the rate he would sign today as there is recent indications that Watsonville industrial land values have increased. While Mr. Williams did not have a target lease rate when interviewed, he did say that the desire for the reverted improvements played a part in the now below-market lease rate of $0.0225 per sq. ft. monthly for the 1.72 acres, and escalations are based on a schedule and do not correspond with CPI adjustments. He also indicated that the property was vacant, and he had been seeking a tenant for some time, but the appraisers were not able to find any historic listing info for the property.

Michael Musca, Airports Properties Manager for Fresno Chandler Executive Airport, said new contracts would be around a rate of 10%. He stated that there is an annual CPI increase and lease terms are 40 years in total. The Fresno Lease was is the most recent example of a leasing activity in current market conditions and was for a 5.85-acre parcel to the City Department of Public Utilities at a rate of 10% of the appraised value of the land, stating this is consistent with both the Airport's and the industry's leasing conventions. The lease states a 40-year term with no options and escalates with CPI and 10-year resets to market.

Lori Schandel, Airport Property Specialist for Sonoma County said new contracts would be at a rate of 8% and that 6% was below market given current demand for industrial land. She also said CPI adjustments are set with a minimum 2% and maximum 6% and reset every 10 years, and construction periods are typically one year and never more than two years.

Roger Oxborrow, Manager with the Paso Robles Airport, said that their current returns on land value are 8% to 10% and CPI is set with a minimum 2% and maximum 8% and reset every 5 years, not-to-exceed 20% increase, and construction periods are around 18 months, but may push it longer if it takes more than 90 days to obtain a permit. Mr. Oxborrow also provided the example of an atypical long-term lease length conditioned on a minimum number of jobs, but other parties interviewed for this appraisal indicated that both the lease length and concession were outside of the scope of the FAA mandate to be self-sufficient and with financial benefits direct back to the airport and not the community.

Tim Bergholz, Deputy Executive Director of Finance & Administration at the Monterey Peninsula Airport stated that ground leases longer than five years are going for $0.16 per sq. ft. He does not allow for a construction period and the lessee begins payment upon lease execution. He is very familiar with the subject and felt that the property was “prime” as it is well located, served by multiple streets, and highly similar to Moffett Street properties (industrial zoned land on the east side of Highway 101). They use a CPI adjustments or straight percentage increases for underwriting. He also stated that his department has recently performed studies of the airport marketplace and determined a threshold for a “healthy” airport in terms of hangar counts and aviation related services and that the Salinas Airport would qualify as such.

Jeff Crechriou, Airport Services Manager with the Marina Airport, noted that Joby Aviation, a flying taxi startup, will be leasing land in the near future as they are in the process of executing leases on two vacant buildings at the airport. He stated that there will eventually be a long-term lease and the rate will likely be $0.035 per sq. ft. monthly, with terms yet to be discussed (he did note that there will be reviews of market rates every five or ten years), as the company expands beyond capacity of the initial building leases. He noted that the Salinas Airport has much less area for built out compared to the Marina Airport, a former Army Base airport, which is largely undeveloped. There are 150 acres, 75 of which are owned by the airport and 75 of which are owned by the UC Santa Cruz system, that are also slated for development and anticipated to begin leasing a minimum of $0.035 per sq. ft. monthly, but that the land lacks infrastructure. He stated that the lease rates would climb as the land began leasing and infrastructure was developed, enticing further development, as a loss leader strategy. According to Investopedia, “a loss leader is a product or service that is offered at a price that is not profitable but is sold or offered in order to attract new customers or to sell additional products and services to those customers.”

John Rocha, Program Manager with the Real Estate Division for the County of Sacramento, Stated that the County requires a rate of return of 8% to 9%, but for terms of five to ten years and he did not have examples of recent long-term leases. He did note that he has had discussions with management at the McClellan Airforce Base which has been decommissioned as of 2001 and is now being redeveloped with industrial uses and they target a rate of return at 11%, but Mr. Rocha felt that it was above market and may be stifling development.

Beth Lee, Assistant Director of Airports with Contra Costa County, noted a recent 3 acre parcel leased for $0.0325 per sq. ft. monthly with a reset every 10 years and a maximum CPI increase of 3% yearly for the first 10 years then a maximum of 4% for the remaining term. She stated the construction period was 24 months. She stated that they do not use 100% of the comparable rates for privately owned property, with the expectation that there is an impact from long-term leasing from a public entity versus private lease rates; however, by year ten they move the rate to reflect rates for privately owned properties and the developer has had time to become stable and benefit from their investments.

As established prior, the land value for the subject property is estimated at $10.00 per sq. ft. and rates of return extracted from interviews with the various agents indicate a rate of return from 6% to 11% for land that is ready for development, with more weight in the 6% to 8% range. This produces a Fair Market Rent range of $0.05 to $0.067 per sq. ft. monthly. This rate coincides with a developer’s initial thoughts as to land rents of $0.06 to $0.07 per sq. ft. monthly regarding the subject site, as stated during a discussion taking place October 18, 2018. The developer, who has recently been active in the Monterey County market and is judged knowledgeable of local land rents, indicated that there was more to the site than would be expected with a site that is prepared for development, which may serve as a basis to offset the Fair Market Rent as determined by the lessor, and will be discussed in the following section. It should be noted that the developer's proposed ground rent, which was adjusted downward from his initial thoughts, is specific to leasing the entire 13.13 acres with the developer serving as a master lease holder and that dividing the property into smaller parcels and leasing to end-users would relieve some of the downward pressure on the ground rent as the risk associated with being the master lease holder on 13.13 acres would be removed.

Final Comment

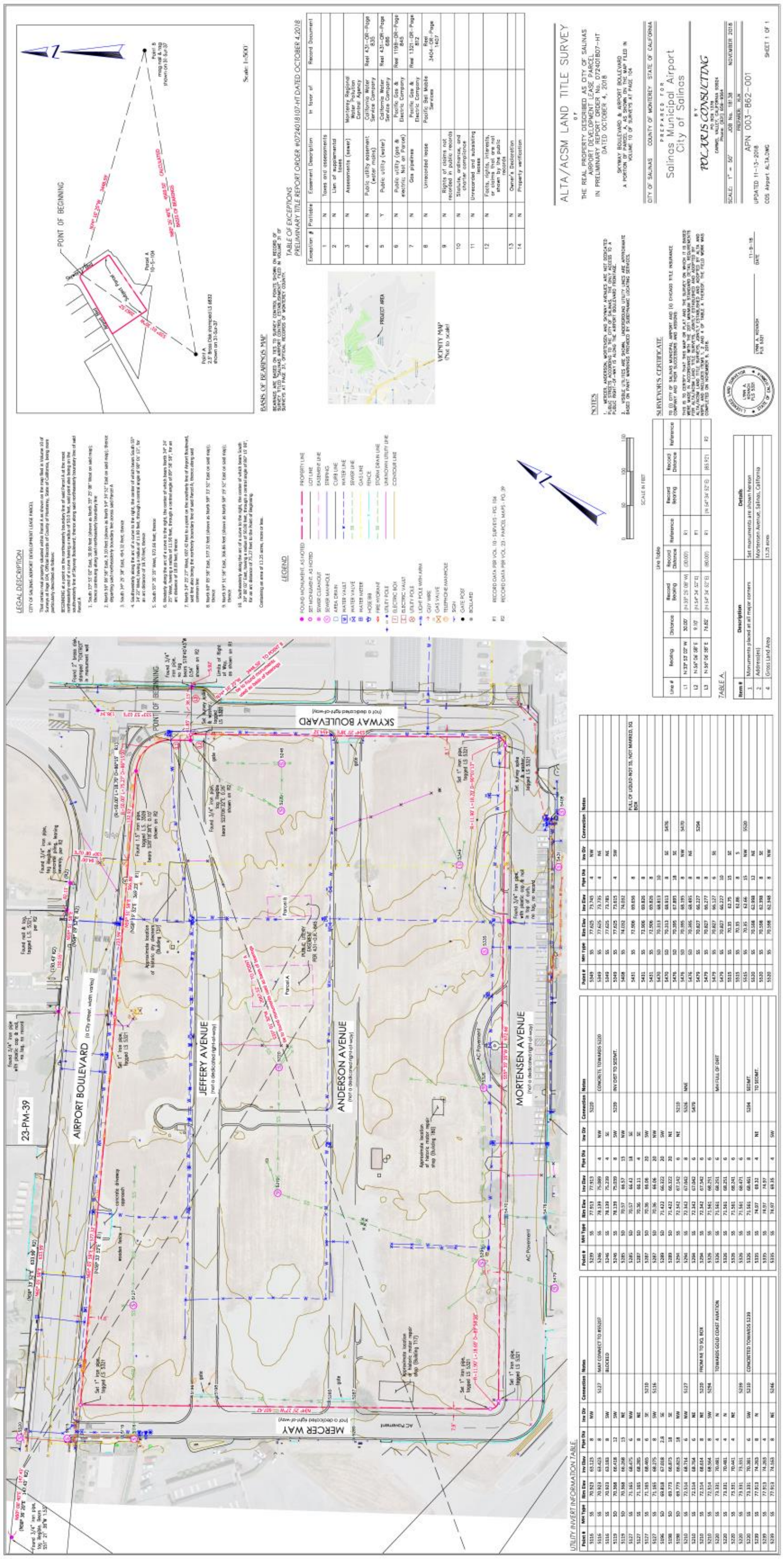
The preceding is intended to inform the client (City of Salinas) as to how the present value estimate of the average per sq. ft. lease rent was calculated and opinion that was concluded. During the discussions with various airport manager and real estate professionals, it was noted that some rental rates for long term leases were discounted to achieve various goals, such as increased development of new jobs or the benefit of receiving the proposed improvements at the end of the lease term. Additionally, of all that were interviewed, all agents and airport managers stated that they would not entertain any lease in which all the components of the lease were contained in the initial lease, which requires the developer to provide a rather narrow and complete scope of the proposed project, but it mitigates exposure to the lessor and to the lessee by providing a more complete roadmap of the development.

Lastly, and potentially the most important factor that was not part of the determination of the Fair Market Rent of the subject property and is the basis for the sole hypothetical condition of this report, is that the land values measured in the subject's market are based on finished lots. That means that the comparables shown prior were lots that were prepared for development and had adequate utilities stubbed to the site, included curbs and sidewalks, and were bare dirt that didn't require removal of streets, above-ground utilities, or other remnants of the form army base use. It is typical of the initial developer who is preparing the site for sale to the end user of speculative developer to have a level site that is ready to build, whereas the subject has unknowns as to what level of excavation and compaction is needed to determine what lies beneath that which is visible in addition to removing and relocating the power poles, excavating and potentially capping deteriorated water supply lines, etc. The cost to take the site from its current condition to a ready lot should be borne by the City of Salinas or would serve as an offset to the Fair Market Rent. If the developer is burdened with the task the offset is anticipated to be similar to the bid that has been provided to the City of Salinas by Newton Construction & Management, Inc. (dated January 10, 2019) that will produce a ready site at an estimated cost of $542,509, based on prevailing wages.

Appraisal Premise	Interest Appraised	Effective Date	Rental Conclusion
As Complete	Long-Term Leased Fee	October 8, 2018	$0.05 to $0.067 per square foot monthly

ADDENDA

ALTA MAP



DEMOLITION BID

NEWTON CONSTRUCTION & MANAGEMENT, INC
PO Box 3260 San Luis Obispo, CA 93403
805-544-5583 FAX805-544-5584
CSLB LIC#783608 A, B, C10

PROJECT ESTIMATE BREAKDOWN

PROJECT: Salinas Airport Lot Demolition — **DATE:** 10-Jan-19
AREA:
SOURCE: Request by Don Reynolds City of Salinas

Brief Scope Estimate to demo existing AC curbs flatwork, sewer pipe water pipe cap water and sewer, SWPP plan and implementation, Removal of 9 trees, storm drains and grates, demo and cap fire hydrants and shed structure demo.

Schedule 3 Month Duration

Designates Budget

Pricing is as Follows:

ITEM	DESCRIPTION	QTY	UNIT	SUB UNIT COST	SUB EXTENDED COST	MATERIAL UNIT COST	MATERIAL EXTENDED COST	LABOR UNIT HOUR	LABOR EXTENDED HOURS
1	Supervision	3	MO	12000.00	$ 36,000.00		$ -		-
2	Project Management	1.5	MO	10000.00	$ 15,000.00		$ -		-
3	Administration	1.5	MO	1200.00	$ 1,800.00		$ -		-
5	Temporary Power	3	MO	4.00	$ 12.00	800.00	$ 2,400.00	0.00	-
6	Temporary Telephone	0	MO	100.00	$ -		$ -		-
7	Temporary Water	3	MO	1000.00	$ 3,000.00		$ -		-
8	Temporary Drinking Water	3	MO	60.00	$ 180.00		$ -		-
9	Postage	0	MO	125.00	$ -		$ -		-
10	Blueprints	0	EA	150.00	$ -		$ -		-
11	Haz Mat Disposal Fees (lead)	0	EA	600.00	$ -		$ -		-
12	Dumpsters	6	EA	650.00	$ 3,900.00		$ -		-
13	Daily Clean Up	0	WK		$ -		$ -	0.00	-
14	Office Supplies	3	MO	150.00	$ 450.00		$ -		-
15	Toilets	3	MO	200.00	$ 600.00	0.00	$ -		-
16	Hotels	0	EA	175.00	$ -		$ -		-
17	Temp Fence	3	LS	500.00	$ 1,500.00		$ -		-
18	Storage		LS	300.00	$ -		$ -		-
19	Temp. Fire Protection	0	EA	100.00	$ -		$ -		-
20	Construction Trailer	1.5	MO	300.00	$ 450.00		$ -	0.00	-
21	Temp Const. Furniture		EA	1200.00	$ -		$ -		-
22	Temp Const. Signage	4	EA	400.00	$ 1,600.00		$ -		-
23	Construct Covered Passage		LS		$ -		$ -		-
24	Construction Fencing(3300LF with 3 gates)	1	LS	17358.00	$ 17,358.00		$ -		-
25	Forklift		WK	600.00	$ -		$ -		-
26	Sissor Lift		WK	400.00	$ -		$ -		-
27	Final Cleaning including window	0	SF	0.30	$ -		$ -		-
28	Trucking and disposal AC and Concrete	1	LS	22000.00	$ 22,000.00		$ -		-
28	Traffic Control & Strreet Sweeping	1	LS	8000.00	$ 8,000.00		$ -		-
					$ -		$ -		-
			LS		$ -		$ -		-
2000	Building Demolition	1	EA	11724.80	$ 11,724.80	0.00	$ -		-
	Cap Water Lines	10	EA	685.00	$ 6,850.00	0.00	$ -	0.00	-
	Demo Sewer Manholes	10	EA	651.00	$ 6,510.00	0.00	$ -	0.00	-
	Demo 4" Sewer Lines	490	LF	22.80	$ 11,172.00	0.00	$ -	0.00	-
	Demo 6" Sewer Lines	525	LF	18.41	$ 9,665.25	0.00	$ -	0.00	-
	Demo 8" Sewer Lines	1151	LF	14.67	$ 16,885.17	0.00	$ -	0.00	-
	Demo 2' 8" Storm Drain	42	LF	95.87	$ 4,026.54		$ -	0.00	-
	Demo 18" Storm Drain	212	LF	29.55	$ 6,264.60	0.00	$ -	0.00	-
	Demo Curb and Gutter	7420	LF	6.95	$ 51,569.00	0.00	$ -	0.00	-
	Asphalt Removal	80000	SF	0.92	$ 73,600.00	0.00	$ -	0.00	-
	Demo Roadway Gates	4	EA	1202.00	$ 4,808.00	0.00	$ -	0.00	-
	Demo Fire Hydrants	6	EA	921.00	$ 5,526.00		$ -		-
	Demo Fire Water Line	5600	LF	13.21	$ 73,976.00	0.00	$ -	0.00	-
	SWPPP Plan	1	LS	8844.00	$ 8,844.00	0.00	$ -	0.00	-
	SWPPP Implementation	1	LS	23028.00	$ 23,028.00				
	Tree Removal	9	EA	2176.00	$ 19,584.00				
	Demo Tower Foundation	1	EA	5255.00	$ 5,255.00	0.00	$ -	0.00	-
					$ -		$ -		-
			EA		$ -		$ -		-
15300	Fire Protection Subcontract	0	LS	NONE			$ -		-
			EA		$ -		$ -		-
			EA		$ -		$ -		-
			EA		$ -		$ -		-
			EA		$ -		$ -		-
15400	Plumbing Subcontract	0	LS	0.00	$ -		$ -		-
	Remove and relocate Connections to Equipment		EA		$ -		$ -		-
	include demo of concrete floor		EA		$ -		$ -		-
			EA		$ -		$ -		-
			EA		$ -		$ -		-
					$ -		$ -		-
					$ -		$ -		-
16000	Electrical Subcontract	0	EA	0.00	$ -		$ -		-
	Remove Track lighting		EA		$ -	0.00	$ -	0.00	-
	Hook up Power to Casework, POS and equipment		EA		$ -	0.00	$ -	0.00	-
	Replace Panel Bussing and Breakers		EA		$ -	0.00	$ -	0.00	-
	Remove Einstiens Panel and Reinstall		EA		$ -	0.00	$ -	0.00	-
	Dedicated Circuit Add		EA		$ -	0.00	$ -	0.00	-
	Can Lights		EA		$ -	0.00	$ -	0.00	-
	Relocate Emergency and Exit light		EA		$ -	0.00	$ -	0.00	-
	Adjust Height of Pendent Fixtures		EA		$ -	0.00	$ -	0.00	-
	Pendent Lights at POS Counter		EA	0.00	$ -	0.00	$ -	0.00	-
	Add Outlet		EA		$ -	0.00	$ -	0.00	-
	Add USB Outlet		EA		$ -	0.00	$ -	0.00	-
	Conduit for data		EA		$ -	0.00	$ -	0.00	-
	DATA CONDUIT ADDITION		LS		$ -		$ -		-
	Comm Subcontract		LS		$ -		$ -		-
	Data line		EA		$ -	0.00	$ -	0.00	-
			EA		$ -		$ -		-
			EA		$ -		$ -		-
					$ -		$ -		-
					$ -		$ -		-
				Subcontract Total	$ 451,138	Sub Total	$ 2,400	Total Hours	-
						Sales Tax	$ 204	Labor Rate	$ 95.00
						Material Total	$ 2,604	Labor Total	$ -

Exclusions:
1. Deisgn and Engineering By Others
2. Permit and Fees By Others.
3. Any work not indicated or expressed in estimate is excluded.
4. HAZMAT abatement and disposal
5. PG&E utility pole removal/relocation
6. Utilities relocation
7. Soil compaction and finish grade

Net Charge		$ 453,742
Overhead @	9.00%	$ 40,837
Profit @	7.00%	$ 34,621
GL Insurance @	1.00%	$ 5,292
BOND @	1.50%	$ 8,017
TOTAL		**$ 542,509**

CERTIFICATION STATEMENT

The appraiser(s) certify and agree that:

1. The appraiser(s) have no present or contemplated interest in the property appraised and that neither the employment to make this appraisal nor the compensation for it is contingent upon the appraised value of the property.
2. The appraiser(s) have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
3. Kyle Brown has personally inspected the subject property.
4. According to the best of our knowledge and belief, all statements and information in this report are true and correct; the appraiser(s) have not knowingly withheld any information.
5. The reported analyses, opinions, and conclusions are limited only by the reported assumptions, contingent and limiting conditions, and are our personal, impartial, and unbiased professional analyses, opinions, and conclusions.
6. The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
7. We certify that to the best of our knowledge and belief, 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 the Standards of Professional Appraisal Practice of the Appraisal Institute. We certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
8. As of the date of this report, Kyle Brown has completed the requirements of the continuing education program of the Appraisal Institute.
9. Stephen Brown provided significant professional assistance to the person signing this report, Stephen Brown, MAI, SRA, R/W-AC. Kyle Brown has prepared all conclusions and opinions concerning the real estate that are set forth in the appraisal.
10. Our compensation for completing this assignment was not contingent upon the development or reporting of a predetermined value or direction of value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or occurrence of a subsequent event directly related to the intended use of this appraisal.
11. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
12. Based on our experience, it is our opinion that we meet the qualifications to provide the following estimation of the subject property's value.
13. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
14. The appraiser(s) have not performed any professional services related to this same property within a period of three years preceding the date of the appraisal assignment.

No changes of any item of the appraisal report shall be made by anyone other than the --, and the -- shall have no responsibility for any such unauthorized changes. This letter of transmittal and the pages that follow constitute our report, including the data and analyses utilized in forming an opinion of value. Should you have any questions concerning this report, please do not hesitate to call our office.

KBrown

Kyle Brown
Certified General Appraiser
California License number: AG044626

Appraisal File: C2018-1428

MASTER ASSUMPTIONS

Definitions: USPAP & Advisory References (AO-9)
Extraordinary Assumption: an assumption, directly related to a specific assignment, which, if found to be false could alter the appraiser's opinions or conclusions.

Hypothetical Condition: that which is contrary to what exists but is supposed for the purpose of analysis.

These definitions appear in the Uniform Standards of Professional Appraisal Practice (USPAP), which are the governing standards for the appraisal industry. They are used in completing and communicating an appraisal.

The underlying goal of the use of extraordinary assumptions and hypothetical conditions is to provide an analysis that is not misleading to the client. Historically, the use of assumptions within the appraisal report called the client's attention to the possible unreliability of information or conclusions within an appraisal. When the industry adopted USPAP, one of the goals was to provide credible appraisals to the public and to this end, new definitions have been produced. As part of the evolution of the appraisal process the use of extraordinary assumptions and hypothetical conditions has been implemented.

Extraordinary assumptions and hypothetical conditions can have a significant impact on the conclusions reached in an analysis. Extraordinary assumptions and hypothetical conditions that are known at the outset of an assignment are typically included in the engagement agreement. While the Scope of Work is a dynamic process in that it defines the research and analysis to complete an assignment correctly, it is the use of extraordinary assumptions and hypothetical conditions that allow the appraiser to communicate what is known so that the client can be fully informed about the reliability of the analysis. It is the area of unknown information that prompts the use of an extraordinary assumption. It should be noted that any "as is" valuation contained within this analysis is not based on a hypothetical condition(s).

To address these "unknown" issues this appraisal uses a "master assumption" to help define the basic or underlying assumptions of the appraisal. Put simply, the appraiser assumes that the property is capable of functioning as it is intended, without restrictions unless otherwise stated. This may mean that the land and improvements are assumed to be in average or better condition, capable of being used to its highest and best use, without limitations. Should this not be the case, then the value conclusion is likely to change upon clarification of the "unknown". It may be of help to understand that the appraiser is an expert in valuation issues but is not trained as nor is an expert in the field of law, accounting, title, soil analysis, construction analysis, engineering and architecture.

All these disciplines may be involved in the analysis of real property; however, such experts may not be engaged until after a question about the property is determined to exist. The appraiser utilizes only the information available at the time of the appraisal based on their training. This typically includes a brief inspection of the property to become familiar with the general condition but this inspection should not be considered a replacement for qualified analysis by licensed professional.

The assumption that the property is functioning properly, well-maintained, and in average or better condition for its age is the basis for measuring value. It is typically assumed that the property is legally owned, does not have issues such as soil contamination or stability, has appropriate building permits, complies to the appropriate codes, and that the improvements have structural integrity, which would also be assumed to be typical of the comparables unless noted within the appraisal. Once these issues or any other issue that would not be obvious based on the brief inspection or review of available documents are known to the appraiser, their impact would be considered in the analysis. Without this knowledge from trained professionals the appraiser is unlikely to know the extent of the effect on value and appeal, thus it would not be measured as part of the overall analysis. This is considered the "master assumption" for this appraisal.

CONTINGENT AND LIMITING CONDITIONS

Acceptance of and/or use of this report constitutes acceptance of the following limiting conditions and assumptions; these can only be modified by written documents executed by both parties.

1. This appraisal is to be used only for the purpose stated herein. While distribution of this appraisal in its entirety is at the discretion of the client, individual sections shall not be distributed; this report is intended to be used in whole and not in part. Neither all nor any part of the contents of this report or copy thereof (including conclusions as to property value, the identity of the appraiser(s), professional designations, reference to any professional appraisal organizations, or the firm with which the appraiser(s) are connected) shall be used for any purposes by anyone but the client or his advisors without the previous written consent of the appraiser(s), nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, or other media without the written consent and approval of the appraiser(s). Possession of this report or a copy thereof does not carry with it the right of publication. It may not be used for any purpose by anyone other than the addressee or the Appraisal Institute without the previous written consent of the appraisers. Disclosure of the contents of this appraisal is governed by the by-laws and regulations of the professional appraisal organizations with which the appraisers are affiliated.

2. All files, work papers and documents developed in connection with this assignment are the property of Stephen Brown Associates, Inc. Information, estimates and opinions are verified where possible, but cannot be guaranteed. Reduced copies of plans duplicated within the report are intended to assist the client in visualizing the property; no other use of these plans is intended or permitted. Maps, plats, sketches, graphs, photographs and other exhibits included in the repot are for the purpose of illustration and visualization only. The appraiser(s) have made no survey of the property. All data provided by the client, property owners, property manager or owner’s representative is assumed to be correct and accurate.

3. No hidden or unapparent conditions of the property, subsoil or structure, which would make the property more or less valuable, were discovered by the appraiser(s) or made known to the appraiser(s). No responsibility is assumed for such conditions or engineering necessary to discover them.

4. Unless otherwise stated in this report, the existence of hazardous material, which may or may not exist, was not observed by the appraiser(s). The appraiser(s) has no knowledge of the existence of such materials on or in the property. The appraiser(s), however, is not qualified to detect such substances. The presence of such substances such as asbestos, ureaformaldehyde, or other potential hazardous materials may affect the value of the property. The appraiser(s) assumes that no such substances are present on or in the property. The appraiser(s) urges the client to retain an expert in this field if any assurances are desired concerning the presence of potentially hazardous materials.

5. Unless stated herein, the property is assumed to be outside of areas where flood hazard insurance is mandatory. Maps used by public and private agencies to determine these areas are limited with respect to accuracy. Due diligence has been exercised in interpreting these maps, but no responsibility is assumed for misinterpretation. The values as concluded herein are entirely contingent upon the subject property not being within or subject to a federally designated potential Endangered Species area as defined by the U.S. Fish and Wildlife Service, which as a result might otherwise limit, restrict, and/or prevent development of the subject to its highest and best use.

6. Good title, free of liens, encumbrances and special assessments is assumed, unless stated otherwise. No opinion is being expressed on matters which may require legal expertise or specialized knowledge beyond that which is customarily employed by real estate appraiser(s). The appraiser(s) assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do the appraiser(s) render any opinion as to the title, which is assumed to be marketable. No private deed restrictions are considered unless otherwise noted. Furnishings, equipment and business interests, unless considered as part of the real estate, are not valued in this appraisal unless otherwise stated.

7. It is assumed 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 opinion contained in this report is based.

8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with and there are no encroachments, easements or other restrictions which would affect the subject property, unless otherwise stated. It is assumed 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.

9. All engineering is assumed to be correct. The plot plans and all illustrative material in this report are included only to assist the reader in visualizing the property. Any proposed improvements are assumed to be completed in a good workmanlike manner in accordance with the submitted plans and specifications. All engineering information, if any, is assumed to be correct. The construction and condition of the improvements mentioned in the body of this report are based on observations. No engineering study has been provided which would assist in the discovery of any latent defects. No certification as to any of the physical aspects could be given unless a proper engineering study was made. On all appraisals involving proposed construction, the appraisal report and value conclusions are contingent upon completion of the proposed improvements, if any, in accordance with the plans and specifications.

10. It is assumed that the utilization of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.

11. Information, estimates, and opinions furnished to the appraiser(s) and contained in this report were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for accuracy of such items furnished by the appraiser(s) can be assumed by the appraiser(s).

12. Unless otherwise stated in this report, the subject property is appraised without a specific compliance survey having been conducted to determine if the property is or is not in conformance with the requirements of the Americans with Disabilities Act. The presence of architectural and communications barriers that are structural in nature that would restrict access by disabled individuals may adversely affect the property's value, marketability, or utility.

13. Please note that our consent to allow an appraisal report prepared by Stephen Brown Associates, Inc., or portions of such report, to become part of or be referenced in any public offering, the granting of such consent will be at our sole discretion and, if given, will be on condition that we will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to us, by a party satisfactory to us. We do consent to your submission of the reports to rating agencies, loan participants or your auditors in its entirety (but not component parts) without the need to provide us with an Indemnification Agreement and/or Non-Reliance letter.

14. The distribution of the total valuation in this report between land and improvements applies only under the existing program of utilization. The separate valuations for land and building must not be used in conjunction with any other appraisal and are invalid if so used.

15. Responsible ownership and competent property management are assumed.

16. All value opinions provided in the appraisal apply to 100% of the ownership unless otherwise indicated. It may be inappropriate for the reader to apply fractional interests or pro ration of interests.

17. The appraiser is not aware of any contemplated public initiatives, governmental development controls, or rent controls that would significantly affect the value for the subject property as of the date of valuation.

18. The forecasts, projections, or operating estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factors, and a continued stable economy. These forecasts are, therefore, subject to change as a result of variations in the market. Value(s) are based on U. S. Dollars as of the date of value.

19. Appraisals are based on the data available at the time the assignment is completed. Amendments/modifications to appraisals based on new information made available after the appraisal was completed will be made, as soon as reasonably possible, for an additional fee.

20. The appraiser(s) have followed traditional appraisal standards to develop a reasonable estimate of the insurable value based upon industrial practices and the industry accepted Marshal Valuation Service cost handbook. The appraiser estimate should only be used as a comparison to the analysis completed by insurance industry experts for underwriting for underwriting purpose.

21. The appraiser(s) are not required to give testimony in court in connection with this appraisal. If the appraiser(s) are subpoenaed pursuant to a court order, the client agrees to pay the appraiser(s) our regular per diem rate plus expenses. The appraiser(s) are not required to give testimony or appear in court because of having made this appraisal with reference to the property in question unless arrangements have been made therefore.

22. The employer agrees, as a condition of the appraisal, to defend and indemnify appraiser(s) at employer's sole expense in any action brought against appraiser(s) by a third party due to the appraisal or any advice given to employer by appraiser(s). The employer will also reimburse appraiser(s) for any award, court costs and or attorney's fees which appraiser(s) may be required by a court to pay as a result of such action. Appraiser(s) may, at his sole discretion, participate in the defense of any such action, but such participation shall not relieve employer of his obligations under this condition.

23. Acceptance and or use of this appraisal report by the client or any third party constitutes acceptance of the Conditions and Limiting Conditions and Special Assumptions. The liability of the appraiser(s) extends only to the stated client and not to subsequent parties or users, and the liability is limited to the amount of fee received from the employer by the appraiser(s).

SUMMARY OF QUALIFICATIONS

KYLE CALDER BROWN
CALIFORNIA STATE CERTIFIED
GENERAL REAL ESTATE APPRAISER AG#044626
GENERAL CONTRACTOR, License #872815

Kyle C Brown graduated from Cal Poly, SLO in 2003 and subsequently earned his Contractor's License while working in construction in San Luis Obispo, California. Mr. Brown has worked as an off-site consultant for Stephen Brown Associates, Inc. since 1997. In 2007, Mr. Brown began working full-time as a real estate appraiser for Stephen Brown Associates, Inc. He has earned his MAI designation from the Appraisal Institute is currently working toward earning an ARA designation from The American Society of Farm Managers and Rural Appraisers.

PROFESSIONAL EXPERIENCE

9/2003-3/2006	Crizer Construction - Construction Worker, San Luis Obispo
7/2005-6/2007	KCB Construction - Owner/General Contractor, San Luis Obispo
1997-Current	Stephen Brown Associates, Inc. - Fee Appraiser, Salinas
2011-Current	Pettitt Lands, Inc. - Agricultural Appraiser, King City
November 2016	MAI Designation

ACADEMIC BACKGROUND

Palma High School, Salinas, CA – Class of 1998
California Polytechnic State University, San Luis Obispo, CA – Class of 2003
B.S. in Agricultural Business

APPRAISAL EDUCATION

Appraisal Institute (AI) – Basic Appraisal Practices, San Diego, CA, 6/2007
AI – Basic Appraisal Procedures, San Diego, CA, 6/2007
AI – 15-Hour Uniform Standards of Professional Appraisal Practice, Fullerton, CA, 8/2007
AI – General Income Approach Part 1, Tigard, OR, 10/2007
AI – General Income Approach Part 2, Tigard, OR, 11/2007
AI – General Market Analysis and Highest and Best Use, Fullerton, CA, 3/2008
AI – General *Sales Comparison Approach*, San Diego, CA, 6/2008
AI – General *Site Valuation & Cost Approach*, San Diego, CA, 6/2008
AI – Data Confirmation: The 'Art' of Conversation, Berkeley, CA, 8/26/2008
AI – Business Practices and Ethics, Online, 12/2008
AI – Real Estate Finance Statistics and Valuation Modeling, Oakland, CA, 4/2009
AI – 2009 Monterey Bay Market Update, Aptos, CA, 7/31/2009
AI – General Appraiser Report Writing & Case Studies, Rancho Cordova, CA, 9/2009
AI – Residential Sales Comparison & Income Approach, Online, 11/2009
AI – General Appraiser Report Writing & Case Studies, Rancho Cordova, CA, 9/2009
AI – Residential Sales Comparison & Income Approach, Online, 11/2009
AI – Everything You Were Never Taught About Litigation Appraisal, Atherton, CA, 7/22/2010
AI – Advanced Income Capitalization, San Diego, CA, 6/2011
AI – Advanced Concepts & Case Studies, Las Vegas, NV, 9/2011
AI – 4 Hour Federal and California Statutory and Regulatory Laws, Moss Landing, CA, 1/18/2013
AI – Advanced Concepts & Case Studies, Costa Mesa, CA, 2/21-27/2013
T. Whitmer Companies – Comprehensive Appraisal Workshop, Los Angeles, CA, 3/1-3/2013
AI – Market Update for Santa Cruz and Monterey County, Moss Landing, CA 10/7/2013
Allied Real Estate School – 7 Hour National USPAP Course, Online, 7/2014
AI – Technology Tools for Appraisers, Moss Landing, CA 10/17/2014
AI – Litigation Conference, Tahoe, CA 10/24-25/2014
ASFMRA – In-Depth Unmanned Aerial Systems Workshop, Paso Robles, CA, 4/16/2015
ASFMRA – Outlook 2015 Agribusiness Conference, Paso Robles, CA, 4/17/2015
AI – Vineyard Valuation 2015, American Canyon, CA 6/26/2015
ASFMRA – Technology Applications in Appraisal – Google Earth, Monterey, CA, 9/30/2015
ASFMRA – Best in Business Ethics, Monterey, CA, 10/1/2015

ASFMRA – 2015 Fall Meeting, Monterey, CA, 10/1/2015
AI – General Demonstration Report Writing, Online, 12/2015
AI – 7-Hour Equivalent USPAP Update Course, Online, 7/2016
AI – Annual Litigation Conference, Lake Tahoe 10/20-10/21/2016
ASFMRA – The Appraisal of Permanent Plantings, Fresno, CA 3/29/2017
ASFMRA – Outlook 2017 Agribusiness Conference, Fresno CA, 3/30/2017
AI – Annual Spring Litigation Conference, Woodside, CA 5/11/2017
AI – Hot Topics and Myths in Appraiser Liability, Monterey, CA, 6/23/2017
AI – The Appraiser as an Expert Witness: Preparation & Testimony, San Diego, CA 9/18-9/19/2017
ASFMRA – Market Area Industry Analysis Seminar, Pismo Beach, CA 10/11/2017
ASFMRA – Valuation of Conservations Easements and Other Partial Interests in Real Estate, Sacramento, CA 2/6/2018-2/8/2018
AI – Condemnation Appraising: Principles & Applications, San Diego, CA 6/28/2018-6/30/2018
AI – 7-Hour Equivalent USPAP Update Course, Online, 8/2018
Calypso Continuing Education – California Laws and Regulations for Appraisers, Online, 8/14/2018

PROFESSIONAL SKILLS & ACHIEVEMENTS

Achievements – General Contractor License #872815.
Languages – Currently studying Spanish.
Computer Skills – Extensive experience with Microsoft Word, Power Point, Excel, WordPerfect, Adobe Acrobat, and networking offices.

MEMBERSHIPS, AFFILIATES AND AWARDS

Appraisal Institute Associate Appraiser & Monterey County Chapter Co-Chair
California Polytechnic Alumni Association of Monterey Bay – Board Member since 2010
California Polytechnic Alumni Association of Monterey Bay – President 2016
California Rodeo Salinas – Committee Member since 2010, Director since 2019
California Rodeo Salinas – Sub-Chair of the Bull Crossing Committee
American Society of Farm Managers and Rural Appraisers (ASFMRA) – Member
Junior Chamber of Commerce (Salinas Jaycees) – President 2012
Junior Chamber of Commerce (Salinas Jaycees) – Vice President of Management 2011
Monterey County Young Professionals Group – Director of Web Development 2010-2011
Central Coast Young Farmers and Ranchers – Member since 2009


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

Kyle C. Brown

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 044626

Effective Date: August 19, 2018
Date Expires: August 18, 2020

Jim Martin, Bureau Chief, BREA

3042478

THIS DOCUMENT CONTAINS A TRUE WATERMARK - HOLD UP TO LIGHT TO SEE "CHAIN LINK"

DEFINITIONS

Unless otherwise noted, all other definitions in this section are also derived from the associated footnote.

Airside is defined as (Dictionary.com):
1. The part of an airport used by aircraft for loading and unloading and takeoffs and landings
2. The area beyond security checks and passport and customs control in an airport terminal.

Landside is defined as (Dictionary.com):
The part of an airport farthest from the aircraft, the boundary of which is the security check, customs, passport control, etc.
Landside is defined as (FAA.gov):
That part of an airport used for activities other than the movement of aircraft, such as vehicular access roads and parking.

Fee Simple Estate is defined as:
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.

Leased Fee Interest is defined as:
A freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual landlord-tenant relationship (i.e., a lease).

As Is Market Value is defined as**:**
The estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date.

Extraordinary Assumptions is defined 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. (USPAP, 2010-2011 ed.)

Hypothetical Condition is defined 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 property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis. (USPAP, 2010-2011 ed.)

Exposure Time is defined as:
1. The time a property remains on the market
2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market. *See also* **marketing time.**

Gross Building Area (GBA) is defined as**:**
Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region.

Gross Leasable Area (GLA) is defined as**:**
Total floor area designed for the occupancy and exclusive use of tenants, including basements and mezzanines; measured from the center of joint partitioning to the outside wall surfaces**.**

Rentable Area (RA) is defined as**:**
For office buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.

Lease Terms are defined as:

- Net lease: A lease in which the landlord passes on all expenses to the tenant.
- Gross lease: A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called full-service lease.

- Modified gross lease: A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.
- Industrial gross lease: A lease of industrial property in which the landlord and tenant share expenses. The landlord receives stipulated rent and is obligated to pay certain operating expenses, often structural maintenance, insurance, and real estate taxes, as specified in the lease.

Source: Appraisal Institute,* The Dictionary of Real Estate Appraisal*, 5th ed. (Chicago: Appraisal Institute, 2010).