



Sonoma County Community Development Commission
Sonoma County Housing Authority
1440 Guerneville Road, Santa Rosa, CA 95403-4107

Members of the
Commission

James Gore
Chair

David Rabbitt
Vice Chair

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Executive Director

Request for Proposals for the Development of **2150 W. College Ave, Santa Rosa, CA**

The Sonoma County Community Development Commission (Commission) is soliciting proposals from qualified development firms for the planning, design, construction and long-term management of an affordable housing community on its property at 2150 West College Ave in Santa Rosa, California. Qualified developers will demonstrate organizational capacity and experience with successful, high-quality mixed-income housing developments and property management.

This document contains background information about the property and the general parameters of the envisioned housing development. Potential respondents are encouraged to ask for additional information, and to be innovative in their responses.

Background

Property Description

The subject property is a 7.46-acre parcel located in incorporated Santa Rosa on the south side of West College Avenue near the intersection of Stony Point Road. Sited on the property is a collection of vacant buildings, including maintenance shops, offices and a small garage, all of which will presumably need to be demolished as part of the development project. Developable land on the parcel is approximately 5.7 acres after the apportionment of a creek trail and a maintenance easement dedication. The property is located in a mixed commercial and residential neighborhood. A transit transfer center with three bus lines is adjacent, providing readily accessible high-frequency public transportation to residents of this proposed community. Additional features include a community center and park within two blocks of the property.

This property was declared as surplus by Sonoma County Water Agency in March 2014. In July 2017, the Sonoma County Board of Supervisors approved the sale of the property to the Commission for the appraised value of \$4.2 million. After purchasing the property in 2017, the Commission held two community meetings to solicit stakeholder and neighbor input about the development of the property into mixed-income rental housing. Specific feedback from these meetings can be found in Attachment 6.



Project Objectives

The loss of 5300 homes in the City of Santa Rosa and Sonoma County as a result of the fire disaster of October 2017 exacerbated an already existing housing shortage, especially for low- and moderate-income households. The Commission and the Sonoma County Board of Supervisors have prioritized production of housing, and intend to strategically use publicly owned property to achieve their goals of creating new housing opportunities. As such, the selection of a development partner and achievement of public policy goals on the subject property are of significant interest to the County of Sonoma.

Innovative Economic Partnerships

Sonoma County and the Commission are interested in pursuing innovative models of housing development on County-owned land that provide long-term economic benefits wherever possible. Examples could include (1) the use of a long-term ground lease that is structured to provide residual receipts payments to the Commission after a period of fifteen years; or (2) partnership structures that grant the Commission residual cash flow and/or a minority equity interest in the property over the long-term; or (3) option agreements structured to provide an opportunity for the County or Commission to consider ownership possibilities at natural recapitalization points, such as 20 or 30 years after commencement of operations.

Proposers are encouraged to develop submissions that give consideration to such alternative economic structures, and to achievement of a substantial number of new rental units affordable to low-income families, seniors, and special needs populations (see Affordability, below).

Affordability

The City of Santa Rosa's inclusionary policy establishes that a minimum of 15% of units must be affordable for a period of 55 years to households earning 80 percent of the area median income (AMI) or less. The Commission views this inclusionary percentage as a minimum and will give priority to proposals that can achieve greater levels of affordability, even on mixed income units that are proposed to not carry deed restrictions, without requiring additional local or state competitive funding.

Submissions should explain how affordability will be achieved, including how the \$4.2 million investment made by the Commission in the property will be treated within the project economics; the ways in which development and construction costs will be minimized to allow units that are not rent-restricted to meet current market needs; and the methods by which the development will balance the goal of expeditiously bringing units on line with the objective of driving affordability for lower-wage working families and individuals.

Collaboration with the Commission

Because the subject site is critically important to the overall goals of Sonoma County, the Commission has an interest in collaborating during the development process and as such will enter into an Exclusive Right to Negotiate Agreement (ERNA) with the selected developer in order to solidify the project economics and approach. A Development and Disposition Agreement (DDA) will be used to memorialize the agreements.

Community Process

The Commission expects the selected developer to pro-actively engage the neighborhood surrounding the property, to promote an open communication process, develop an understanding of neighborhood issues, and develop a final project that responds to any pertinent neighborhood concerns. The developer should provide a narrative that describes the planned outreach process and the experience the developer has with this type of process.

Developer Qualifications

Capacity

The Commission is seeking a developer with substantial financial capacity, access to credit, and real estate development experience. Interested parties should submit financial statements and other evidence of bank relationships sufficient to demonstrate financial strength. These documents will be considered proprietary and will not be subject to disclosure as part of public records.

Track Record with Quality Development Projects

Developers should provide information and descriptions of past development projects, including photographs, sample project data, examples of financial modeling, and how such past projects or buildings have performed since initial construction. Information that clearly demonstrates the ability to execute quickly on this development opportunity should be provided.

Successful Property Management Experience

The Commission is seeking a developer with experience effectively managing its completed properties, whether in-house or in partnership with a qualified third-party property management company. This includes affirmatively marketing available units to historically under-served and non-English speaking populations, demonstrating a clear commitment to the principals of fair housing, and designing lease requirements to ensure that a peaceful and safe environment is maintained for tenants and neighbors of the property.

Development Standards and Entitlement

The project must be consistent with the applicable policies in the City of Santa Rosa's General Plan and the design guidelines set forth in the Development Code. To the extent that the City anticipates changes to the Plan and/or the Code to increase density, reduce greenhouse gas emissions, or pursue other public policy goals, the project should anticipate how it can meet such future-oriented objectives.

The property is currently zoned R-3-30 which would potentially allow the development of approximately 170 units of housing on the 5.7 acres available for development. The remaining 1.76 acres make up the College Creek Flood Control Channel on which the Water Agency will reserve an easement to retain access for maintenance and operation of the channel.

The development of a multi-family project on the site may involve the following discretionary approvals:

- Use Permit approval by the City’s Planning Commission.
- Planned Development approval by the City’s Planning Commission, if changes from the quantified standards of the Development Code are proposed.
- Design review by the City’s Design Review Commission and a Citizen’s Advisory Committee.

Proposers should evaluate and describe the type of environmental review that they believe would be required for their proposed project.

Summary of Developer and Commission responsibilities

Once the ERNA is executed, the Commission anticipates that the successful Developer will undertake the following:

- Establish a fair, effective, and collaborative partnership with the Commission.
- Work collaboratively with the community during the planning and development process.
- Prepare a development plan in collaboration with the Commission, which meets the Commission’s development objectives and incorporates input from the City of Santa Rosa during its pre-application review process.
- Lead and manage the land use and environmental entitlement process.
- Provide funding for the predevelopment and planning process.
- Negotiate and obtain approval of a Development and Disposition Agreement with the Commission during the period the ERNA is in effect.

Once the Development and Disposition Agreement is executed, the Developer will:

- Assume responsibility for the security and maintenance of the entire property.
- Demolish the existing structures including any hazardous material abatement and disposal.
- Design, permit and construct public infrastructure, landscape and buildings, including managing the process to secure site improvement, design review and building permit approval from the City and other relevant public agencies.

The Commission will assist and support in the following ways:

- Work with the Developer to prepare a design plan that meets the Commission’s development objectives in a collaborative and streamlined manner.
- Facilitate community outreach and collaboration with the City of Santa Rosa.
- Manage and maintain the property during the period the ERNA is in effect.
- Facilitate and support land use entitlement and environmental review process, including community outreach.

Proposal Submission Requirements

Six (6) printed copies of the proposal should be submitted.

Due Date

Proposals must be received by the Commission at 1440 Guerneville Road, Santa Rosa, **no later than 2:00 p.m., Tuesday, October 2, 2018** in the following formats:

- One (1) digital version of the complete proposal downloaded on a USB drive.
- Seven (7) hard copies of the proposal, bound.

The due date is subject to change. If the due date is changed, all known recipients of the original RFP will be notified of the new date, and any such changes will also be posted on the Sonoma County Purchasing Division's Supplier Portal as well as the Commission's website.

For questions or issues regarding the submission of this proposal, please contact Darrin O'Hara at Darrin.O'Hara@sonoma-county.org

Format and Contents

For ease of review and to facilitate evaluation, the Proposal for this project should be organized and presented in the following order:

1. Signed Cover Sheet (Sample Form Attached)

2. Proposal Overview

The proposal should include a description of the conceptual plan of the development being proposed which should include the following:

- Descriptive narrative, including the proposed resident population being targeted.
- Appropriate services for any special needs residents, if proposed.
- Conceptual site plan illustrating how development might fit on the site, including unit/building heights.
- Development size and density and massing diagrams.
- Configuration (type of units) and unit square footages.
- A breakout of the number of homes in the proposal at each affordability level, and number of bedrooms in each home proposed at each affordability level in the project.
- Parking (e.g., number, garages, carports, locations, visitor parking).
- Ability to participate in and conform to the State of California's Climate Initiatives. <http://www.caclimateinvestments.ca.gov/>
- Description of how the development will seek to maximize green building methods. (This may include participation in any recognized environmental certifications or programs).
- Proposed process for obtaining community support and/or undertaking community design process.
- Development timeline, and strategies to expedite delivery of the new homes

The proposal should also include the following detailed information:

- Development sources and uses budget.
- Projected 30-year operating pro forma.
- If a density bonus will be requested from the City of Santa Rosa, please clearly explain how this would affect your financial proposal.

- Property management approach and experience, including fair housing affirmative marketing strategies.

3. Financing Plan, Cost Assumptions and Project Economics

- The proposal should include all funding sources and amounts of funding anticipated to be used to develop the project (and information regarding restrictions on such funds). Sources should include permanent financing, owner equity, and any other funding.
- Indicate what other funding sources, including any federal, state or local funding which can be accessed to create additional affordable housing. Describe in detail the timing and implementation of these funds.
- Detail the projected costs for the following (*provide detailed data from other similar projects in Sonoma County or the nearby vicinity, currently under development to substantiate the viability of these financial projections*):
 - Construction costs
 - Soft development costs
 - Provide a cost estimate for demolition of all existing structures on the subject site. Indicate how the demolition process will take place and how demolition costs will be handled.

4. Project Affordability

- Indicate the mix of affordable and market rate units using the following format:

	Market	120%	80%	60%	50%
Studio					
1 Bedroom					
2 Bedroom					
3 Bedroom					

5. Organizational Information

- Provide specific information concerning the applicant organization, including the legal name, address and telephone number, and the type of entity (sole proprietorship, partnership, or corporation and whether public, non-profit or private). Include the name and telephone number of the person(s) in the company authorized to execute any proposed agreement, and designate a person to be the point of contact for the Commission for this process.
- Identify the development team that will be assigned to this project, including proposed developer partners, architect and engineers, general contractor, property management firm, financial consultant, and legal counsel.
- Debarment or other disqualification: Disclose any debarment or other disqualification as a vendor for any federal, state or local entities. Describe the nature of the debarment/disqualification, including where and how to find complete information on any such debarment or disqualification.

6. Qualifications

- Resume(s) of key personnel who will be assigned to work on this development project showing relevant professional qualifications. Include references or letter of recommendations that address these qualifications if applicable.
- Specific information concerning the organization's experience in the development of similar properties (i.e., mixed-income, multifamily housing). If available, provide examples of projects developed in partnership with public agencies.
- Pipeline of all other development projects the company has currently underway, and an organizational chart demonstrating how this project would be staffed and managed.

7. Disclosure of ongoing litigation

- Please clearly describe any ongoing litigation involving your organization.
- The nature of ongoing litigation will be weighed on a case-by-case basis and may be taken into consideration in the evaluation of your proposal.

Respondent Questions and Pre-Submission Meeting

Respondents are invited to attend an optional conference scheduled on Thursday, September 6 at 3:00 p.m. The conference will be held at the Sonoma County Community Development Commission office, 1440 Guerneville Road, Santa Rosa, CA. 95403.

If respondents have any additional questions following the conference, they must be submitted in writing before September 10 at 5:00 PM in order for staff to prepare written responses. Written questions and answers will be shared with all potential responders through an email notification from the Commission. Please e-mail questions to Darrin O'Hara at Darrin.O'Hara@sonoma-county.org. Questions will not be accepted by phone.

Finalist Interviews

After initial screening, the evaluation committee may select those firms deemed most qualified for this project for further evaluation. Interviews of these selected firms may be conducted as part of the final selection process. Interviews may or may not have their own separate scoring during the evaluation process.

Corrections and Addenda

1. If a proposer discovers any ambiguity, conflict, discrepancy, omission, or other error in this RFP, the proposer shall immediately notify the contact person of such error in writing and request clarification or modification of the document. Modifications will be made by addenda as indicated below to all parties in receipt of this RFP.
2. If a proposer fails to notify the contact person prior to the date fixed for submission of proposals of a known error in the RFP, or an error that reasonably should have been known, the proposer shall submit a proposal at their own risk, and if the proposer is awarded a contract they shall not be entitled to additional compensation or time by reason of the error or its subsequent correction.
3. Addenda issued by the Commission interpreting or changing any of the items in this RFP, including all modifications thereof, shall be incorporated in the proposal. The proposer shall submit the addenda cover sheet with the proposal and deliver them to the Commission. Any

oral communication by the Commission's designated contact person or any other Commission staff member concerning this RFP is not binding on the Commission and shall in no way modify this RFP or any obligations arising hereunder.

Additional Information

The Commission may, during the evaluation process, request from any proposer additional information which the Commission deems necessary to determine the proposer's ability to perform the required services. If such information is requested, the proposer shall be permitted three (3) business days to submit the information requested.

Reservation of Rights

The issuance of this RFP does not constitute an agreement by the Commission that any contract will actually be entered into by the Commission. The Commission expressly reserves the right at any time to:

- a. Waive or correct any defect or informality in any response, submittal, or submittal procedure.
- b. Reject any or all submittals.
- c. Re-issue an RFP or change deadline dates.
- d. Modify all or any portion of the selection procedures, prior to the submission deadline, including deadlines for accepting responses, the specifications or requirements for any materials, equipment or services to be provided under this RFP, or the requirements for contents or format of the submittals.

All submittals shall be deemed public records with the exception of financial statements and other evidence of bank relationships sufficient to demonstrate financial strength referenced in the Developer Qualifications section above. In the event that a respondent desires to claim portions of its submittal exempt from disclosure, it is incumbent upon the respondent to clearly identify those portions with the word "confidential" printed on the lower right-hand corner of the page. The Commission will consider a respondent's request for exemption from disclosure; however, the Commission will make a decision based upon applicable laws. Assertions by a respondent that the entire submittal or large portions are exempt from disclosure will not be honored. If The Commission rejects a request for exemption from disclosure, the Commission shall notify respondent of such rejection prior to evaluation of responses. The respondent may elect in writing to withdraw its submittals prior to evaluation of responses by County, or, if no such election is made, respondent shall be presumed to have elected to proceed without exemption from disclosure. All responses to this RFP shall become the property of the Commission and will be retained or disposed of accordingly.

The Commission shall not be liable for any pre-contractual expenses incurred by any respondent. The Commission shall be held harmless and free from any and all liability, claims, or expenses whatsoever incurred by, or on behalf of, any person or organization responding to this RFP.

The Commission reserves the right to select the proposal(s) which in its sole judgment best meets the needs of the Commission and to award to only one or multiple qualified submittals. *The proposed cost is neither the sole nor the primary criterion for recommending contract award.* The Commission also makes no guarantee of any or equal amounts of work.

All data and information furnished by Commission or referred to in this RFP are furnished for the respondent's convenience. The Commission does not guarantee that such data and information are

accurate and assumes no responsibility whatsoever as to its accuracy or interpretation. Respondents shall satisfy themselves as to the accuracy or interpretation of all such information and data.

The Commission reserves the right to negotiate any price or provisions and accept any part, or all parts of any or all submittals, whichever is in the best interest of the Commission.

All respondents submit their statements to the Commission with the understanding that the final approval of any agreement is contingent upon and subject to review and final approval by the Board of Supervisors.

For additional information on this RFP, please contact Darrin O'Hara at Darrin.O'Hara@sonoma-county.org

Notice of Intent to Award and Protest Period

Any directly affected party who is aggrieved in connection with this award may file a protest regarding the action. Such protest must be filed in writing with:

*Sonoma County Community Development Commission
Attn: Executive Director
1440 Guerneville Road
Santa Rosa, CA 95403*

Protests must be filed within seven (7) calendar days from the date of the Notice of Intent to Award. Failure to timely file a protest shall constitute a waiver of any right to protest. Untimely protests will not be accepted or considered. Any protest shall:

- State in detail each and every ground asserted for the protest, citing to the law, rule, local ordinance, procedure or bid provision on which the protest is based; and
- Identify the remedy sought. Any party submitting a proposal or a party representing a proposer shall not influence or attempt to influence any member of the selection committee, any member of the Board of Supervisors, or any employee of the County of Sonoma, with regard to the acceptance of a proposal. Any party attempting to influence the RFP process through ex-parte contact may be subject to rejection of their proposal.

Criteria

All proposals received by the specified deadline will be reviewed by the Commission for content and completeness using the following scoring criteria:

Criteria	Maximum Points
Affordability – Unit type and affordability level demonstrating maximum feasible affordability of rent-restricted and market-rate units.	25
Innovative Economic Structures – approach to enabling the Commission’s long-term access to economic benefits expected to arise out of the project	15
Demonstrated Financial Capacity – company financial capacity, access to credit, strength of balance sheet	15
Quality Development Project Experience – demonstrated ability to produce high quality affordable housing units at all levels of affordability.	15
Property Management Experience – proven ability to effectively manage mixed-income multi-family housing.	15
Achievement of other state and local policy objectives, including climate initiatives, transit access, social equity through affirmative marketing, deployment of cost-effective construction methods.	15
TOTAL	100

Schedule

Release of Request for Proposals (RFP) – **August 29, 2018**

Pre-Submission Conference – **September 6, 2018, 3:00 p.m. to 4:00 p.m.**

Written Questions to Staff due– **September 10, 2018 5:00 p.m.**

Responses to Written Questions Published – **September 14, 2018 5:00 p.m.**

Deadline for Proposal Submittals – **October 2, 2018, 2:00 p.m.**

Screening and Analysis – **October 4 - 16, 2018**

Interview Finalists (if needed) – **Week of October 22, 2018**

Recommendation to the Board of the Commission for Developer Selection –**November 13, 2018**

Attachments

1. Development Code Standards and Guidelines
2. Cover Sheet
3. Preliminary Title Report
4. Property Appraisal
5. Community Questions and Responses

Attachment 1
Development Code Standards
and Guidelines

Attachment 1
City of Santa Rosa Development Code Standards and Guidelines

TABLE 2-5—R-2 AND R-3 DISTRICT DEVELOPMENT STANDARDS

Development Feature	Requirement by Zoning District						
	R-2	R-3-10	R-3-15	R-3-18	R-3-30	R-3-HD	TV-R
Setbacks, primary structures(1)	<i>Minimum setbacks required. See Section 20-30.110 for setback measurement instructions, and exceptions to these requirements.</i>						
Front	10 ft provided a 1-story portion may project up to 6 ft into the setback and required stairs and landings may project up to 10 ft into the setback.						None, except as required by the review authority (2)
Side—Interior 1-story portions							
Attached and detached except when:	5 ft						None, except as required by the review authority (2)
Abutting an R-3	0 ft						
Side—Interior 2-story portions							
Attached and detached except when:	10 ft						None, except as required by the review authority (2)
Abutting an R-3	7.5 ft	0 ft					
Abutting a nonresidential district	7.5 ft						
Side—Interior 3-story portions (or more)							
Attached and detached except when:	15 ft						None, except as required
Abutting an R-3	10 ft	0 ft					

TABLE 2-5—R-2 AND R-3 DISTRICT DEVELOPMENT STANDARDS

Development Feature	Requirement by Zoning District						
	R-2	R-3-10	R-3-15	R-3-18	R-3-30	R-3-HD	TV-R
Abutting a nonresidential district	10 ft						by the review authority (2)
Side—Corner	10 ft provided a 1-story portion may project up to 6 ft into the setback and required stairs and landings may project up to 10 ft into the setback.						
Rear							
Attached and detached except when:	15 ft						None, except as required by the review authority (2)
Abutting an R-3	15 ft	0 ft					
Abutting an RR or R-1	20 ft						
Garage/carport front	A garage/carport entrance facing a public or private street shall be set back 19 ft from the rear of the sidewalk, street property line, or street plan line, whichever is greater. A garage facing a public or private alley or driveway shall be set back 3 to 5 ft, or 19 ft from the alley property line, back of curb, sidewalk, or pavement edge, whichever is greater.						
Setbacks, accessory structures (1)	<i>Minimum setbacks for accessory structures. See also Sections 20-30.110 for exceptions, and 20-42.030 (Accessory Uses and Structures).</i>						
Front	20 ft						None, except as required by the review authority (2)
Side—Interior	5 ft						
Side—Corner	15 ft						
Rear	5 ft						
Alley	3 to 5 ft, or 19 ft when used for parking with direct access to alley.						
Building separation	See Sections 20-30.110 (Setback Requirements and Exceptions) and 20-42.030 (Accessory Structures and Uses).						

TABLE 2.5 R-2 AND R-3 DISTRICT DEVELOPMENT STANDARDS							
Development Feature	Requirement by Zoning District						
	R-2	R-3-10	R-3-15	R-3-18	R-3-30	R-3-HD	TV-R
Lot coverage	<i>Maximum percentage of total lot area that may be covered by structures. See Section 20-22.040 (Residential District Subdivision and Density Standards).</i>						
Maximum coverage	50%		55%	60%	65%	75%	100%
Height limit	<i>Maximum allowable height of structures. See Section 20-30.070 (Height Limits and Exceptions) for height measurement requirements, and height limit exceptions.</i>						
Primary structures	35 ft		45 ft			4 stories, except for properties that abut residential and historic residential uses and zoning districts, maximum height shall transition down to a max. of 3 stories adjacent to the residential property.	
Accessory structures	16 ft						
Fences, walls & hedges	No fence, wall, or hedge shall exceed a height of three feet in any required front or corner side setback, or 6 feet in any other location on the lot. See Section 20-30.050 (Fences, Walls, and Hedges).						
Landscaping	See Chapter 20-34 (Landscaping Standards).						
Parking	See Chapter 20-36 (Parking and Loading).						
Signs	See Chapter 20-38 (Signs).						

Notes:

- (1) The Design Review or Conditional Use Permit process may require larger setbacks.
- (2) The Station Area (-SA) Combining District may require special setbacks. (Ord. 3950 §§ 6, 7, 2010; Ord. 3711 § 1 Exh. A, 2005; Ord. 3677 § 1, 2004)

Attachment 2
Cover Sheet

Attachment 2

Sonoma County Community Development

Commission 2150 W. College Ave Development
Request for Statement of Interest and Qualifications

(RFI/Q) Cover Sheet

Individual/Agency name: _____

Mailing Address: _____

E-Mail Address: _____

Telephone Number: _____

Primary Contact Person: _____

The Proposer certifies that all documents listed below are valid as of the date of this proposal and that current, dated copies have been submitted with this proposal. All items must be included in the response to the Request for Preliminary Proposals in order to meet minimum qualifications. Please organize proposal materials in the order listed below.

Signature: _____ Date _____

Check items included in the proposal (one electronic copy, one signed original, and six hard copies):

- 1. Proposal Coversheet (this page)
- 2. Section I: Proposal Overview
- 3. Section II: Conceptual Plan for Property
- 4. Section III: Organizational Information

Attachment 3
Preliminary Title
Report

2nd Amended



First American Title

First American Title Company

**627 College Avenue
Santa Rosa, CA 95404**

Escrow Officer: Maria Anguiano
Phone: (707)544-1560
Fax No.: (866)209-0350
E-Mail: manguiano@firstam.com

E-Mail Loan Documents to: Lenders please contact the Escrow Officer for email address for sending loan documents.

Buyer: Sonoma County Community Development Commission
Property: 2150 West College Avenue
Santa Rosa, CA

PRELIMINARY REPORT

In response to the above referenced application for a policy of title insurance, this company hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said policy or policies are set forth in Exhibit A attached. **The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than that set forth in the arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties.** Limitations on Covered Risks applicable to the CLTA and ALTA Homeowner's Policies of Title Insurance which establish a Deductible Amount and a Maximum Dollar Limit of Liability for certain coverages are also set forth in Exhibit A. Copies of the policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects, and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of May 19, 2017 at 7:30 A.M.

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

To Be Determined

A specific request should be made if another form or additional coverage is desired.

Title to said estate or interest at the date hereof is vested in:

SONOMA COUNTY WATER AGENCY, A BODY CORPORATE AND POLITIC, ORGANIZED AND EXISTING
UNDER AND BY VIRTUE OF THE LAWS OF THE STATE OF CALIFORNIA

The estate or interest in the land hereinafter described or referred to covered by this Report is:

A fee.

The Land referred to herein is described as follows:

(See attached Legal Description)

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in said policy form would be as follows:

1. General and special taxes and assessments for the fiscal year 2017-2018, a lien not yet due or payable.
2. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.
3. General and special taxes and assessments for the fiscal year 2017-2018 are exempt.
4. An easement for flood control and incidental purposes, recorded February 7, 1969 in Book 2376, Page 978 of Official Records.
In Favor of: Sonoma County Flood Control and Water Conservation District
Affects: As described therein

The location of the easement cannot be determined from record information.

5. The effect of a map purporting to show the land and other property, filed July 29, 2009 in Book 734, Page 32-36 of Record of Surveys.

6. The fact, that some violation of environmental protection laws may have occurred which may affect the Land as disclosed by an unrecorded document entitled "Phase I Environmental Site Assessment" dated November 23, 2015 as disclosed to the Company.

Terms and provisions contained in the above document.

7. Rights of parties in possession.
8. Rights of the public in and to that portion of the land lying within any Road, Street, Alley or Highway.
9. Water rights, claims or title to water, whether or not shown by the public records.
10. Any rights, interests, or easements in favor of the public, which exist or are claimed to exist over any portion of said land covered by water, including a public right of access to the water.

INFORMATIONAL NOTES

Note: The policy to be issued may contain an arbitration clause. When the Amount of Insurance is less than the certain dollar amount set forth in any applicable arbitration clause, all arbitrable matters shall be arbitrated at the option of either the Company or the Insured as the exclusive remedy of the parties. If you desire to review the terms of the policy, including any arbitration clause that may be included, contact the office that issued this Commitment or Report to obtain a sample of the policy jacket for the policy that is to be issued in connection with your transaction.

1. This report is preparatory to the issuance of an ALTA Loan Policy. We have no knowledge of any fact which would preclude the issuance of the policy with CLTA endorsement forms 100 and 116 and if applicable, 115 and 116.2 attached.

When issued, the CLTA endorsement form 116 or 116.2, if applicable will reference a(n) Commercial Structure known as 2150 West College Avenue, Santa Rosa, California.

2. According to the public records, there has been no conveyance of the land within a period of twenty-four months prior to the date of this report, except as follows:

None

3. We find no open deeds of trust. Escrow please confirm before closing.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American expressly disclaims any liability for loss or damage which may result from reliance on this map except to the extent coverage for such loss or damage is expressly provided by the terms and provisions of the title insurance policy, if any, to which this map is attached.

LEGAL DESCRIPTION

Real property in the City of Santa Rosa, County of Sonoma, State of California, described as follows:

PARCEL ONE:

BEING A PORTION OF THE LANDS OF THE CITY OF SANTA ROSA DESCRIBED IN AN INSTRUMENT RECORDED IN BOOK 220 OF DEEDS, PAGE 272 OF OFFICIAL RECORDS OF SONOMA COUNTY, CALIFORNIA IN SECTION 21, TOWNSHIP 7 NORTH, RANGE 8 WEST, MOUNT DIABLO BASE & MERIDIAN, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A CITY MONUMENT FOUND AT THE INTERSECTION OF THE CENTERLINES OF WEST COLLEGE AVENUE AND STONY POINT ROAD, SAID MONUMENT BEARS NORTH 57° 29' 02" WEST, 25.44 FEET FROM CITY OF SANTA ROSA CONTROL MONUMENT G-138, AS SHOWN ON THAT RECORD OF SURVEY OF STONY POINT ROAD AND RECORDED IN BOOK 146 OF MAPS, PAGE 46, SONOMA COUNTY RECORDS; THENCE FROM SAID POINT OF COMMENCEMENT AND ALONG THE CENTERLINE OF WEST COLLEGE AVENUE NORTH 89° 23' 26" WEST, 474.72 FEET TO A POINT, FROM WHICH POINT A 2-INCH IRON PIPE ON THE CENTERLINE OF WEST COLLEGE AVENUE, AND AT THE NORTHWEST CORNER OF THE ABOVE-MENTIONED SECTION 21, BEARS NORTH 89° 23' 26" WEST, 2116.40 FEET, AND SHOWN ON THAT SUBDIVISION MAP RECORDED IN BOOK 252 OF MAPS, PAGE 27, SONOMA COUNTY RECORDS; THENCE SOUTH 0° 16' 05" EAST, 61.007 FEET TO THE TRUE POINT OF BEGINNING OF THE PARCEL TO BE HEREIN DESCRIBED, THENCE SOUTH 0° 16' 05" EAST, 56.29 FEET; THENCE ON A TANGENT CURVE TO THE RIGHT WITH A RADIUS OF 59.60 FEET, THROUGH AN ANGLE OF 80° 59' 43", FOR A DISTANCE OF 84.25 FEET; THENCE SOUTH 80° 43' 38" WEST, 132.11 FEET; THENCE SOUTH 32° 18' 58" WEST, 449.83 FEET; THENCE ON A TANGENT CURVE TO THE RIGHT WITH A RADIUS OF 57.47 FEET; THROUGH AN ANGLE OF 58° 16' 31", FOR A DISTANCE OF 58.45 FEET; THENCE NORTH 89° 24' 30" WEST, 226.85 FEET TO THE EASTERLY LINE OF THE LANDS OF THE STATE OF CALIFORNIA, AS RECORDED IN BOOK 1249, PAGE 307, SONOMA COUNTY RECORDS; THENCE ALONG SAID EASTERLY LINE NORTH 0° 00' 37" EAST, 552.04 FEET TO A POINT THAT BEARS SOUTH 0° 00' 37" WEST, 57.606 FEET FROM THE CENTERLINE OF WEST COLLEGE AVENUE; THENCE CURVING TO THE LEFT FROM A TANGENT WHICH BEARS SOUTH 84° 45' 53" EAST, THROUGH AN ARC OF 04° 37' 33" FOR A DISTANCE OF 84.21 FEET TO THE END OF THE CURVE; THENCE SOUTH 89° 23' 26" EAST 612.46 FEET TO THE POINT OF BEGINNING.

PARCEL TWO:

BEING A PORTION OF THE LANDS OF THE CITY OF SANTA ROSA DESCRIBED IN AN INSTRUMENT RECORDED IN BOOK 220 OF DEEDS, PAGE 272 OF OFFICIAL RECORDS OF SONOMA COUNTY, CALIFORNIA IN SECTION 21, TOWNSHIP 7 NORTH, RANGE 8 WEST, MOUNT DIABLO BASE & MERIDIAN, AND BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT A CITY MONUMENT FOUND AT THE INTERSECTION OF THE CENTERLINES OF WEST COLLEGE AVENUE AND STONY POINT ROAD, SAID MONUMENT BEARS NORTH 57° 29' 02" WEST, 25.44 FEET FROM CITY OF SANTA ROSA CONTROL MONUMENT G-138, AS SHOWN ON THE RECORD OF SURVEY OF STONY POINT ROAD AND RECORDED IN BOOK 146 OF MAPS, PAGE 46, SONOMA COUNTY RECORDS; THENCE FROM SAID POINT OF COMMENCEMENT AND ALONG THE CENTERLINE OF WEST COLLEGE AVENUE NORTH 89° 23' 26" WEST, 474.72 FEET TO A POINT, FROM WHICH POINT A 2-INCH IRON PIPE ON THE CENTERLINE OF WEST COLLEGE AVENUE, AND AT THE NORTHWEST CORNER OF THE ABOVE MENTIONED SECTION 21, BEARS NORTH 89° 23' 26" WEST, 2116.40 FEET, AND SHOWN ON THAT SUBDIVISION MAP RECORDED IN BOOK 252 OF MAPS, PAGE 27, SONOMA COUNTY RECORDS; THENCE SOUTH 0° 16' 05" EAST, 61.01 FEET TO THE TRUE POINT OF BEGINNING OF THE PARCEL TO BE HEREIN DESCRIBED; THENCE SOUTH 0° 16' 05" EAST, 56.29 FEET; THENCE ON A TANGENT CURVE TO THE RIGHT WITH A RADIUS OF 59.60 FEET, THROUGH AN ANGLE OF 80° 59' 50", FOR A DISTANCE OF 84.25 FEET; THENCE SOUTH 80° 43' 38" WEST, 132.11 FEET; THENCE SOUTH 32° 18' 58" WEST, 449.83 FEET; THENCE ON A TANGENT CURVE TO THE RIGHT WITH E RADIUS OF 57.47

FEET; THROUGH AN ANGLE OF 58° 16' 23", FOR A DISTANCE OF 58.45 FEET; THENCE NORTH 89° 24' 30" WEST, 226.85 FEET TO THE EASTERLY LINE OF THE LANDS OF THE STATE OF CALIFORNIA, AS RECORDED IN BOOK 1249, PAGE 307, SONOMA COUNTY RECORDS; THENCE SOUTH 0° 00' 37" WEST, 62.01 FEET; THENCE SOUTH 89° 24' 30" EAST, 298.68 FEET; THENCE NORTH 32° 18' 58" EAST, 450.22 FEET TO A POINT ON A CURVE TO THE RIGHT HAVING A RADIUS OF 73.40 FEET THROUGH AN ANGLE OF 48° 24' 14" A DISTANCE OF 62.01 FEET, THENCE NORTH 80° 43' 38" EAST, 177.16 FEET; THENCE NORTH 0° 16' 25" WEST, 163.38 FEET; THENCE NORTH 89° 23' 26" WEST, 67.00 FEET TO THE TRUE POINT OF BEGINNING.

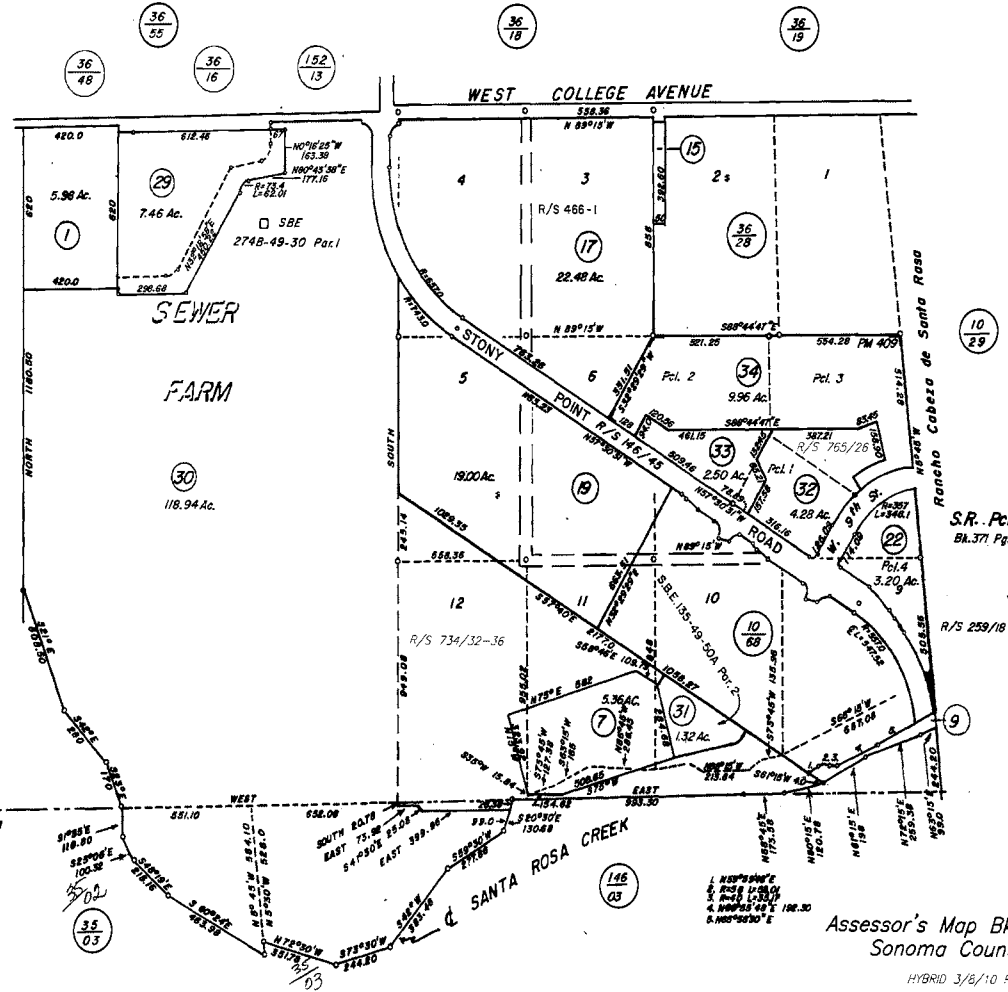
APN: 010-320-029

COUNTY ASSESSOR'S PARCEL MAP

TAX RATE AREA
4-002

10-32

NOTE: This map was prepared for Assessment purposes only and does not indicate either parcel legality or a valid building site. No liability is assumed for the accuracy of the data delineated. The acreages are based on the information supplied to the Assessor (i.e. recorded survey maps, recorded deeds, prior assessment maps, etc.).



S.R. Pcl. Map 409
Bk.371 Pg.32-33 Rec.6-25-85

- REVISED
- 01-16-78=19
 - 02-05-82=24
 - 08-27-85=28
 - 1-15-86=29
 - 03-24-87=31
 - 06-26-89=34 CN
 - 05-31-92=SBE KB
 - 03-08-10=R/S RL
 - 01-27-15=R/S-KE

Assessor's Map Bk.010, Pg. 32
Sonoma County, Calif. (ACAD)
HYBRID 3/8/10 RL

NOTE: Assessor's parcels do not necessarily constitute legal lots. To verify legal parcel status, check with the appropriate city or county community development or planning division.

NOTICE

Section 12413.1 of the California Insurance Code, effective January 1, 1990, requires that any title insurance company, underwritten title company, or controlled escrow company handling funds in an escrow or sub-escrow capacity, wait a specified number of days after depositing funds, before recording any documents in connection with the transaction or disbursing funds. This statute allows for funds deposited by wire transfer to be disbursed the same day as deposit. In the case of cashier's checks or certified checks, funds may be disbursed the next day after deposit. In order to avoid unnecessary delays of three to seven days, or more, please use wire transfer, cashier's checks, or certified checks whenever possible.

EXHIBIT A
LIST OF PRINTED EXCEPTIONS AND EXCLUSIONS (BY POLICY TYPE)

CLTA STANDARD COVERAGE POLICY – 1990
EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building or zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien, or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) whether or not recorded in the public records at Date of Policy, but created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy; or
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant had paid value for the insured mortgage or for the estate or interest insured by this policy.
4. Unenforceability of the lien of the insured mortgage because of the inability or failure of the insured at Date of Policy, or the inability or failure of any subsequent owner of the indebtedness, to comply with the applicable doing business laws of the state in which the land is situated.
5. Invalidity or unenforceability of the lien of the insured mortgage, or claim thereof, which arises out of the transaction evidenced by the insured mortgage and is based upon usury or any consumer credit protection or truth in lending law.
6. Any claim, which arises out of the transaction vesting in the insured the estate of interest insured by this policy or the transaction creating the interest of the insured lender, by reason of the operation of federal bankruptcy, state insolvency or similar creditors' rights laws.

EXCEPTIONS FROM COVERAGE - SCHEDULE B, PART I

This policy does not insure against loss or damage (and the Company will not pay costs, attorneys' fees or expenses) which arise by reason of:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public, records.
2. Any facts, rights, interests, or claims which are not shown by the public records but which could be ascertained by an inspection of the land or which may be asserted by persons in possession thereof.
3. Easements, liens or encumbrances, or claims thereof, not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b) or (c) are shown by the public records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (12-02-13)
EXCLUSIONS

In addition to the Exceptions in Schedule B, You are not insured against loss, costs, attorneys' fees, and expenses resulting from:

1. Governmental police power, and the existence or violation of those portions of any law or government regulation concerning:
 - a. building;
 - b. zoning;
 - c. land use;

- d. improvements on the Land;
- e. land division; and
- f. environmental protection.

This Exclusion does not limit the coverage described in Covered Risk 8.a., 14, 15, 16, 18, 19, 20, 23 or 27.

2. The failure of Your existing structures, or any part of them, to be constructed in accordance with applicable building codes. This Exclusion does not limit the coverage described in Covered Risk 14 or 15.
3. The right to take the Land by condemning it. This Exclusion does not limit the coverage described in Covered Risk 17.
4. Risks:
 - a. that are created, allowed, or agreed to by You, whether or not they are recorded in the Public Records;
 - b. that are Known to You at the Policy Date, but not to Us, unless they are recorded in the Public Records at the Policy Date;
 - c. that result in no loss to You; or
 - d. that first occur after the Policy Date - this does not limit the coverage described in Covered Risk 7, 8.e., 25, 26, 27 or 28.
5. Failure to pay value for Your Title.
6. Lack of a right:
 - a. to any land outside the area specifically described and referred to in paragraph 3 of Schedule A; and
 - b. in streets, alleys, or waterways that touch the Land.

This Exclusion does not limit the coverage described in Covered Risk 11 or 21.
7. The transfer of the Title to You is invalid as a preferential transfer or as a fraudulent transfer or conveyance under federal bankruptcy, state insolvency, or similar creditors' rights laws.
8. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
9. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.

LIMITATIONS ON COVERED RISKS

Your insurance for the following Covered Risks is limited on the Owner's Coverage Statement as follows:
For Covered Risk 16, 18, 19, and 21 Your Deductible Amount and Our Maximum Dollar Limit of Liability shown in Schedule A.
The deductible amounts and maximum dollar limits shown on Schedule A are as follows:

	<u>Your Deductible Amount</u>	<u>Our Maximum Dollar Limit of Liability</u>
Covered Risk 16:	1% of Policy Amount Shown in Schedule A or \$2,500 (whichever is less)	\$10,000
Covered Risk 18:	1% of Policy Amount Shown in Schedule A or \$5,000 (whichever is less)	\$25,000
Covered Risk 19:	1% of Policy Amount Shown in Schedule A or \$5,000 (whichever is less)	\$25,000
Covered Risk 21:	1% of Policy Amount Shown in Schedule A or \$2,500 (whichever is less)	\$5,000

2006 ALTA LOAN POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.

2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

- (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 13, or 14); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
 5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law.
 6. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 13(b) of this policy.
 7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the Insured Mortgage in the Public Records. This Exclusion does not modify or limit the coverage provided under Covered Risk 11(b).

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

[Except as provided in Schedule B - Part II, [t[or T]his policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of:

[PART I

[The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the public records.

PART II

In addition to the matters set forth in Part I of this Schedule, the Title is subject to the following matters, and the Company insures against loss or damage sustained in the event that they are not subordinate to the lien of the Insured Mortgage:]

2006 ALTA OWNER'S POLICY (06-17-06)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5.

- (b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 6.
2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;

- (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 9 or 10); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Title.
4. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction vesting the Title as shown in Schedule A, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 9 of this policy.
 5. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching between Date of Policy and the date of recording of the deed or other instrument of transfer in the Public Records that vests Title as shown in Schedule A.

The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

EXCEPTIONS FROM COVERAGE

This policy does not insure against loss or damage, and the Company will not pay costs, attorneys' fees or expenses, that arise by reason of: [The above policy form may be issued to afford either Standard Coverage or Extended Coverage. In addition to the above Exclusions from Coverage, the Exceptions from Coverage in a Standard Coverage policy will also include the following Exceptions from Coverage:

1. (a) Taxes or assessments that are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the Public Records; (b) proceedings by a public agency that may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the Public Records.
2. Any facts, rights, interests, or claims that are not shown by the Public Records but that could be ascertained by an inspection of the Land or that may be asserted by persons in possession of the Land.
3. Easements, liens or encumbrances, or claims thereof, not shown by the Public Records.
4. Any encroachment, encumbrance, violation, variation, or adverse circumstance affecting the Title that would be disclosed by an accurate and complete land survey of the Land and not shown by the Public Records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water, whether or not the matters excepted under (a), (b), or (c) are shown by the Public Records.
6. Any lien or right to a lien for services, labor or material not shown by the Public Records.
7. [Variable exceptions such as taxes, easements, CC&R's, etc. shown here.]

ALTA EXPANDED COVERAGE RESIDENTIAL LOAN POLICY (07-26-10)

EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy, and the Company will not pay loss or damage, costs, attorneys' fees, or expenses that arise by reason of:

1. (a) Any law, ordinance, permit, or governmental regulation (including those relating to building and zoning) restricting, regulating, prohibiting, or relating to
 - (i) the occupancy, use, or enjoyment of the Land;
 - (ii) the character, dimensions, or location of any improvement erected on the Land;
 - (iii) the subdivision of land; or
 - (iv) environmental protection;

or the effect of any violation of these laws, ordinances, or governmental regulations. This Exclusion 1(a) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

(b) Any governmental police power. This Exclusion 1(b) does not modify or limit the coverage provided under Covered Risk 5, 6, 13(c), 13(d), 14 or 16.

2. Rights of eminent domain. This Exclusion does not modify or limit the coverage provided under Covered Risk 7 or 8.
3. Defects, liens, encumbrances, adverse claims, or other matters
 - (a) created, suffered, assumed, or agreed to by the Insured Claimant;
 - (b) not Known to the Company, not recorded in the Public Records at Date of Policy, but Known to the Insured Claimant and not disclosed in writing to the Company by the Insured Claimant prior to the date the Insured Claimant became an Insured under this policy;
 - (c) resulting in no loss or damage to the Insured Claimant;
 - (d) attaching or created subsequent to Date of Policy (however, this does not modify or limit the coverage provided under Covered Risk 11, 16, 17, 18, 19, 20, 21, 22, 23, 24, 27 or 28); or
 - (e) resulting in loss or damage that would not have been sustained if the Insured Claimant had paid value for the Insured Mortgage.
4. Unenforceability of the lien of the Insured Mortgage because of the inability or failure of an Insured to comply with applicable doing-business laws of the state where the Land is situated.
5. Invalidity or unenforceability in whole or in part of the lien of the Insured Mortgage that arises out of the transaction evidenced by the Insured Mortgage and is based upon usury or any consumer credit protection or truth-in-lending law. This Exclusion does not modify or limit the coverage provided in Covered Risk 26.
6. Any claim of invalidity, unenforceability or lack of priority of the lien of the Insured Mortgage as to Advances or modifications made after the

Insured has Knowledge that the vestee shown in Schedule A is no longer the owner of the estate or interest covered by this policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11.

7. Any lien on the Title for real estate taxes or assessments imposed by governmental authority and created or attaching subsequent to Date of Policy. This Exclusion does not modify or limit the coverage provided in Covered Risk 11(b) or 25.
8. The failure of the residential structure, or any portion of it, to have been constructed before, on or after Date of Policy in accordance with applicable building codes. This Exclusion does not modify or limit the coverage provided in Covered Risk 5 or 6.
9. Any claim, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that the transaction creating the lien of the Insured Mortgage, is
 - (a) a fraudulent conveyance or fraudulent transfer, or
 - (b) a preferential transfer for any reason not stated in Covered Risk 27(b) of this policy.
10. Contamination, explosion, fire, flooding, vibration, fracturing, earthquake, or subsidence.
11. Negligence by a person or an Entity exercising a right to extract or develop minerals, water, or any other substances.



First American Title

Privacy Information

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our subsidiaries we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information that you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from a public record or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its Fair Information Values.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial service providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies and escrow companies. Furthermore, we may also provide all the information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply to you.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products or services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's Fair Information Values. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.

Information Obtained Through Our Web Site

First American Financial Corporation is sensitive to privacy issues on the Internet. We believe it is important you know how we treat the information about you we receive on the Internet. In general, you can visit First American or its affiliates' Web sites on the World Wide Web without telling us who you are or revealing any information about yourself. Our Web servers collect the domain names, not the e-mail addresses, of visitors. This information is aggregated to measure the number of visits, average time spent on the site, pages viewed and similar information. First American uses this information to measure the use of our site and to develop ideas to improve the content of our site. There are times, however, when we may need information from you, such as your name and email address. When information is needed, we will use our best efforts to let you know at the time of collection how we will use the personal information. Usually, the personal information we collect is used only by us to respond to your inquiry, process an order or allow you to access specific account/profile information. If you choose to share any personal information with us, we will only use it in accordance with the policies outlined above.

Business Relationships

First American Financial Corporation's site and its affiliates' sites may contain links to other Web sites. While we try to link only to sites that share our high standards and respect for privacy, we are not responsible for the content or the privacy practices employed by other sites.

Cookies

Some of First American's Web sites may make use of "cookie" technology to measure site activity and to customize information to your personal tastes. A cookie is an element of data that a Web site can send to your browser, which may then store the cookie on your hard drive. FirstAm.com uses stored cookies. The goal of this technology is to better serve you when visiting our site, save you time when you are here and to provide you with a more meaningful and productive Web site experience.

Fair Information Values

Fairness We consider consumer expectations about their privacy in all our businesses. We only offer products and services that assure a favorable balance between consumer benefits and consumer privacy.

Public Record We believe that an open public record creates significant value for society, enhances consumer choice and creates consumer opportunity. We actively support an open public record and emphasize its importance and contribution to our economy.

Use We believe we should behave responsibly when we use information about a consumer in our business. We will obey the laws governing the collection, use and dissemination of data.

Accuracy We will take reasonable steps to help assure the accuracy of the data we collect, use and disseminate. Where possible, we will take reasonable steps to correct inaccurate information. When, as with the public record, we cannot correct inaccurate information, we will take all reasonable steps to assist consumers in identifying the source of the erroneous data so that the consumer can secure the required corrections.

Education We endeavor to educate the users of our products and services, our employees and others in our industry about the importance of consumer privacy. We will instruct our employees on our fair information values and on the responsible collection and use of data. We will encourage others in our industry to collect and use information in a responsible manner.

Security We will maintain appropriate facilities and systems to protect against unauthorized access to and corruption of the data we maintain.

Attachment 4
Property Appraisal

AN APPRAISAL REPORT

of

The Former Sonoma County Water Agency Headquarters
A 7.46 Gross Acre Residentially Zoned Site
Improved With Four Office/Warehouse Buildings
Comprising 37,255 Gross Square Feet
2150 West College Avenue
Santa Rosa, CA 95401

Project – Activity Code Y0012C018

DATE OF VALUE

September 12, 2016

PREPARED FOR

Kevin Campbell
Sonoma County Water Agency
404 Aviation Boulevard
Santa Rosa, CA 95403
(707) 547-1921

PREPARED BY

Robert Horning
Howard R. Levy, MAI, AI-GRS
Ward Levy Appraisal Group, Inc.
533 Fifth Street, Suite 300
Santa Rosa, CA 95401
(707) 575-7778



WARD LEVY APPRAISAL GROUP, INC

Real Property Valuation

533 Fifth Street, Suite 300
Santa Rosa, CA 95401
(707) 921-5050
info@wardlevy.com

September 28, 2016

Kevin Campbell
Sonoma County Water Agency
404 Aviation Boulevard
Santa Rosa, CA 95403

RE: The Former Sonoma County Water Agency Headquarters
A 7.46 Gross Acre Residentially Zoned Site
Improved With Four Office/Warehouse Buildings
Comprising 37,255 Gross Square Feet
2150 West College Avenue
Santa Rosa, CA 95401
Project – Activity Code Y0012C018

Dear Mr. Campbell:

As requested by you, we have conducted the required investigation, gathered the necessary data and made certain analyses that have enabled the formation of the following opinion of value:

Appraisal Premise	Interest Appraised	Date of Value	Opinion of Value
As Is	Fee Simple	September 12, 2016	\$4,200,000

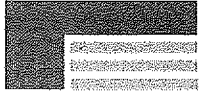
This letter and related exhibits must remain attached to the report in order for the value opinion set forth to be considered valid.

The appraisal that follows is a narrative appraisal report that sets forth the scope of the assignment, identification of the property, pertinent facts about the area and the subject property, comparable data, the results of the research and analyses and the reasoning leading to the conclusions set forth.

The value opinion is subject to the Statement of Assumptions and Limiting Conditions and Certifications set forth in this report, as well as the following Extraordinary Assumptions and Hypothetical Conditions, the use of which might have affected the assignment results:

Extraordinary Assumptions:

- The appraisers were provided with a Preliminary Title Report dated April 27, 2015. The value opinion set forth in this appraisal report is subject to and conditioned upon the absence of any easements or encumbrances materially



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Real Property Valuation

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Santa Rosa, CA 95401
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affecting the subject's market value which would have been disclosed in an updated title report.

Hypothetical Conditions:

- None

Respectfully submitted,

Robert Horning
State of California Certified General Real Property Appraiser
OREA License Number AG028396
Expiration: October 18, 2017

Howard R. Levy, MAI, AI-GRS
State of California Certified General Real Property Appraiser
OREA License Number AG003852
Expiration: August 30, 2018

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ADDENDA

Preliminary Title Report

SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Property Name: The Former Sonoma County Water Agency Headquarters

Property Type: Land

Address: 2150 West College Avenue
Santa Rosa, CA 95401

Assessor's Parcel Number: 010-320-029

Census Tract: 1530.02

Site Area: The subject site comprises 7.46 gross acres, or 324,958 gross square feet. College Creek extends across the southerly and easterly boundaries of the site and reduces the usable acreage. The current owners have marketed the property subject to reserving a flood control maintenance easement impacting a 1.67 acre area. This area has been excluded from the site's net usable area. based on the legal description and the appraisers' review of the parcel map overlaid with aerial photography. The subject site is therefore considered to comprise 5.79 usable acres, or 252,212 usable square feet. The non-usable area is indicated by a dashed line on the Assessor's Parcel Map contained at the end of this section.

Zoning: R-3-30 (Multi Family Residential)

General Plan Land Use Designation: Medium High Density Residential (18.0 - 30.0 units per acre)

Flood Hazard Area: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is located in FEMA flood zone X (unshaded), which is not classified as a special flood hazard area.

FEMA Map Number: 06097C0709E
FEMA Map Date: December 2, 2008

Earthquake Area: The subject site is not located in an Alquist Priolo Special Studies Zone.

Soil Conditions: The appraisers are not qualified as soil experts and do not possess the skills to determine if the site is contaminated in any manner which might have a negative impact on the

overall value of the subject property. The reader of this report is advised to determine the development potential of the site and ensure that no soil contamination exists prior to making any financial commitments on the subject property. This appraisal assumes that the site can be improved to its highest and best use, and that no contamination exists which would negatively impact the subject property.

Site Status:

The subject comprises a finished lot with all street improvements in place, but lacks any subdivision or development entitlements. Extensive new infrastructure would be required of any new development.

Improvements:

The subject site is improved with a four-building professional office and warehouse complex comprising 37,255 gross square feet which was built in stages between 1981 and 1987. The buildings had reportedly been vacant for several years as of the date of valuation and were in generally poor to fair condition, with numerous instances of deferred maintenance. As a result of the previous legally non-conforming use being discontinued for more than six months, the buildings have lost their legal non-conforming status, and any future use must be in conformance with the current R-3-30 zoning.

Highest and Best Use:

As Vacant:

The highest and best use of the subject site as if vacant is considered to be the development of multi-family residential uses.

As Improved:

The highest and best use of the subject property as improved is demolition of the existing improvements and redevelopment with multi-family residential uses.

Estimated Marketing Period:

A reasonable marketing period for the subject is estimated to be six to 12 months based upon an analysis of sales of comparable properties and assumes no foreseeable changes in market conditions.

Estimated Exposure Time:

A reasonable exposure time for the subject at the appraisers' determination of market value would be six to 12 months as of the effective date of the report and based upon an analysis of sales of comparable properties.

Date of Inspection:

September 12, 2016

Report Date:

September 28, 2016

The listing agent, Ken Bizzell, stated that both the very short escrow and due diligence period as well as the amount of the non-refundable deposit were significant issues for potential buyers. He reported receiving two offers, one of which was for less than \$1 million. The other offer was for \$3.1 million but the SCWA attorney reportedly would not consider it as it did not include a letter from the buying LLC board of directors, despite other parties indicating that this was not required.

Mr. Bizzell also reported that shortly after the auction bid period expired, A.G. Spanos submitted an offer in February 2016 for \$4.9 million, but that the offer included an 18 month period for Spanos to obtain full design review entitlements. The offer was reportedly not considered as it did not reflect an "as is" purchase and since it came after the auction period and the SCWA charter reportedly prohibits it from marketing properties individually to for-profit developers.

The value opinion set forth herein is higher than the auction offers but lower than the Spanos offer. The value opinion assumes typical sale terms whereas the aforementioned deposit and 30 day close are both unusually favorable for the sellers. In addition, the high asking price may have actually dissuaded some other interested parties from making an offer. The Spanos offer was contingent upon full entitlements and included a much longer contingency period than the due diligence period assumed here. Slightly offsetting this is that market conditions have also continued to improve since the offer was made seven months ago. The value opinion set forth herein is based on the most recent sales and escrows of similar properties in the subject's local market area, as supported by the bracketing 2016 offer activity on the property, and is therefore considered reasonable.

Ward Levy Appraisal Group, Inc. is unaware of any other transfers, offers, options or agreements to purchase pending on the subject property within the last three years.

Date of Inspection, Valuation & Report Date

The date of inspection and valuation is September 12, 2016. The report date is September 28, 2016.

Legal Description

The legal description is contained within the Preliminary Title Report in the Addenda of the report.

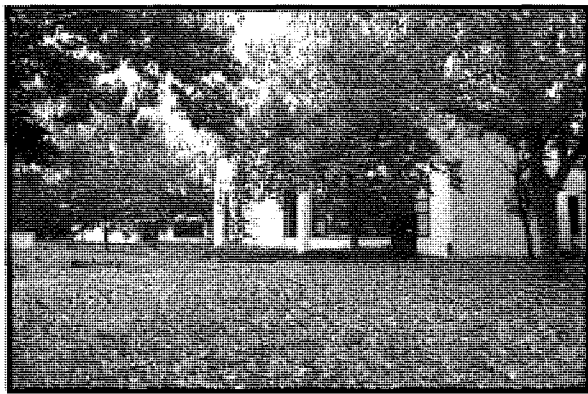
Real Property Tax and Assessment Data

As a result of the passage of Proposition 13, or the Jarvis Gann initiative in 1978, real property taxes in the State of California are limited to 1% of market value, based upon the Assessor's market value estimate for the 1975 base year, unless there is a transfer of ownership, new construction or the property is leased on a long-term basis. Whenever any of the foregoing occurs, the property is reassessed at full market value. If there is no reassessment, the assessed value is increased at 2% annually. Assessed values in California rarely have any relationship to market value due to the increase limit. Thus, comparison to other similar properties is irrelevant since the assessed values are not based upon current market value.

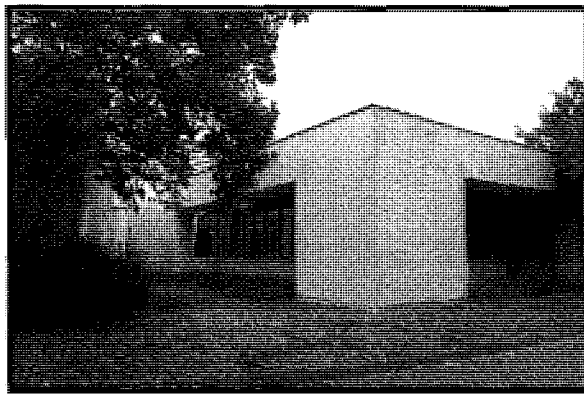
Proposition 13 limits the annual real property taxes to 1% of the assessed value, plus an amortized amount for voter approved bonded indebtedness. The voter approved bonded indebtedness can take the form of a percentage of value or as a fixed per parcel charge. In addition, special tax assessments which have a finite life are collected with the regular tax roll and represent a supplemental debt to the owner that can be paid off in one lump sum or over time.

The subject property is identified by the Sonoma County Tax Collector as Assessor's Parcel Number 010-320-029 with a 2015/16 tax rate of 1.1495% of assessed value. The subject is not encumbered by any special assessments. Given the municipal government ownership/use, the subject property does not have any assessed value or tax liability.

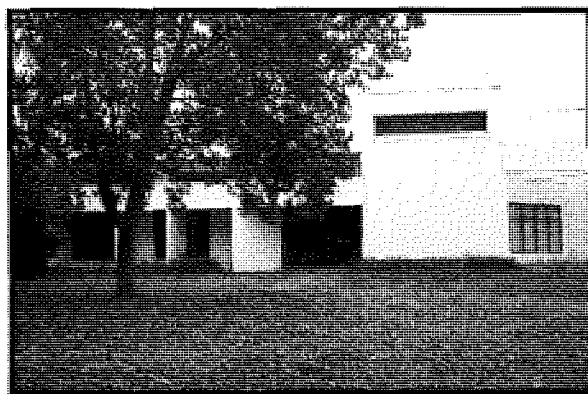
SUBJECT PROPERTY PHOTOGRAPHS



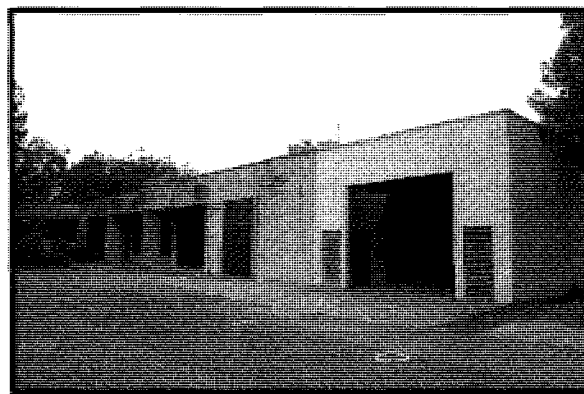
Administration Building – Front Exterior



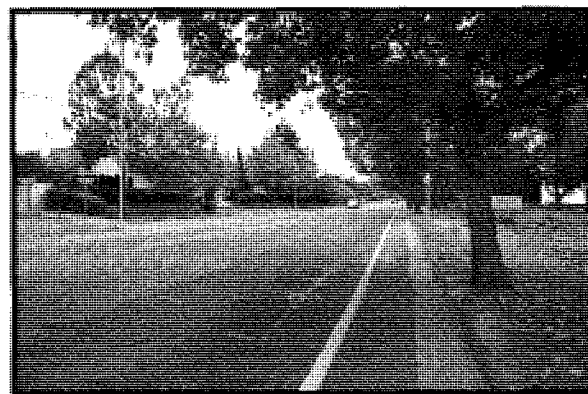
Administration Building – Side Exterior



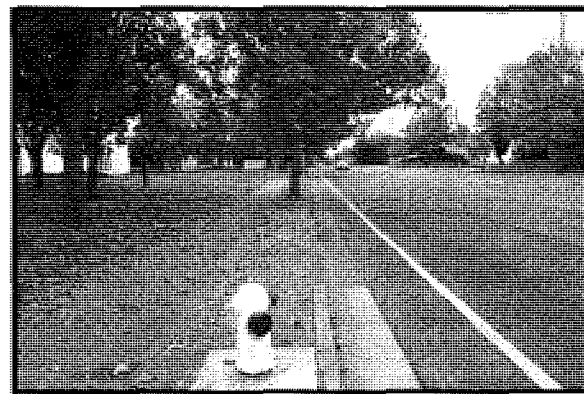
Operations and Maintenance Building –
Front Exterior



Operations and Maintenance Building –
Rear Exterior



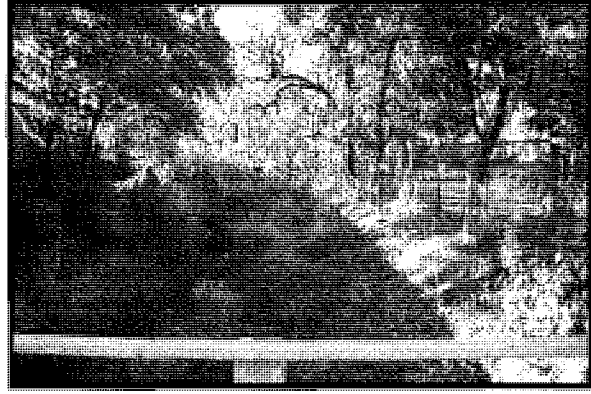
View East Along West College Avenue



View West Along West College Avenue



Overflow Parking Lot At Northeast Boundary (Creek In Far Background)



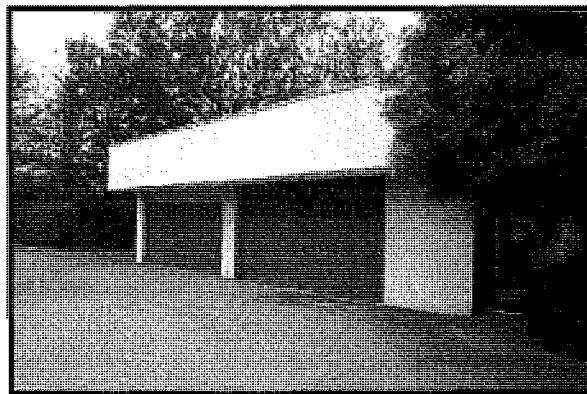
College Creek Flood Control Channel



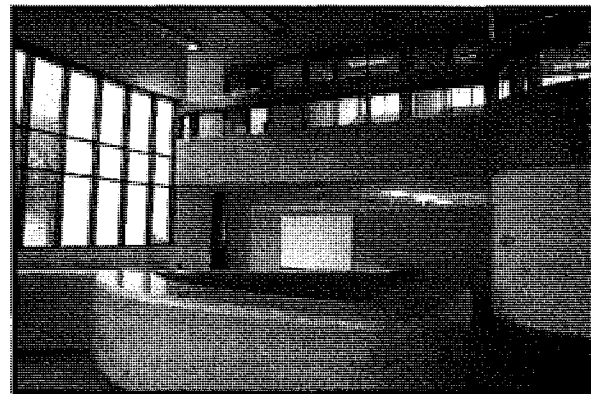
View North From Near South Boundary



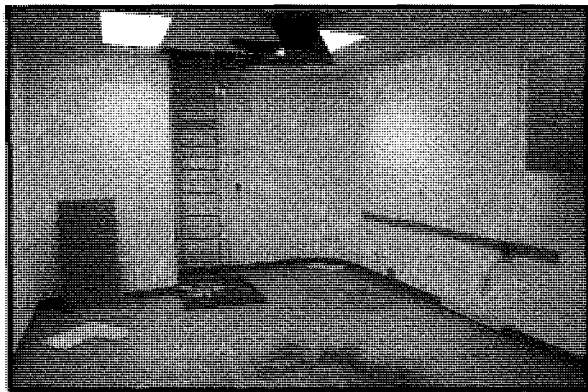
Service Center – Front Exterior



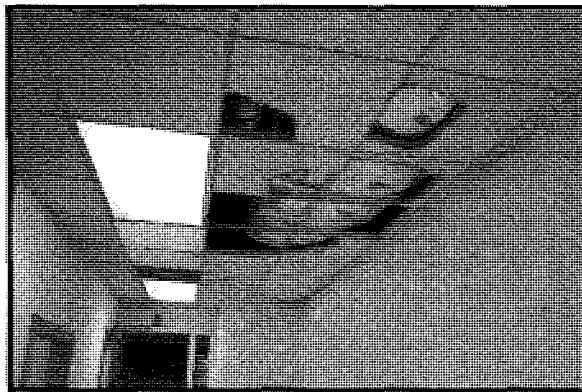
Garage Building – Front Exterior



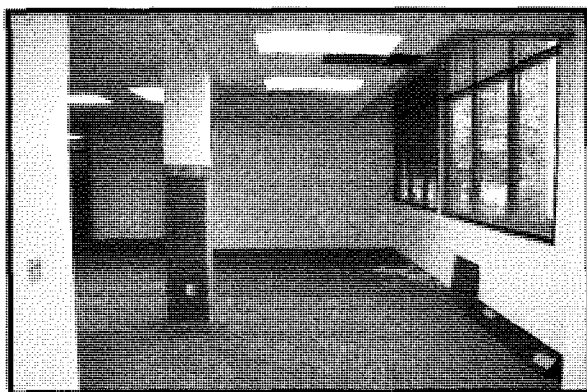
Administration Building – Interior



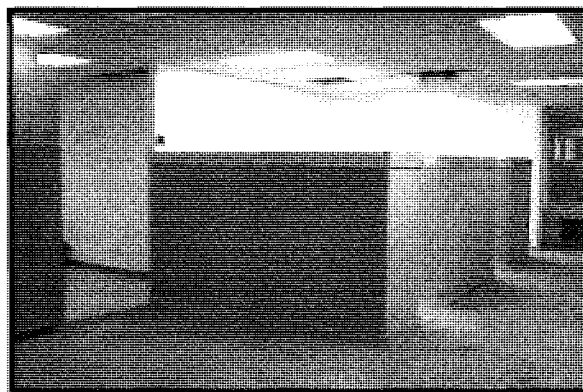
Administration Building – Interior



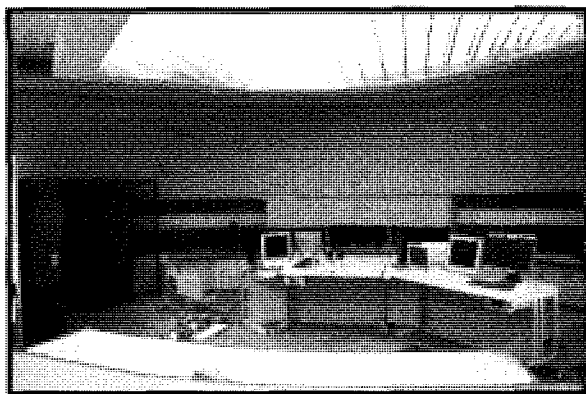
Administration Building – Interior



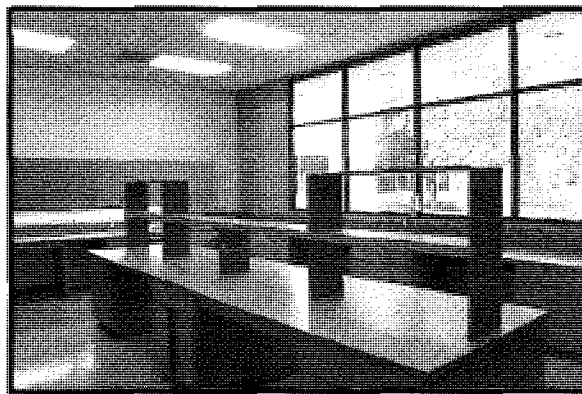
Administration Building – Interior



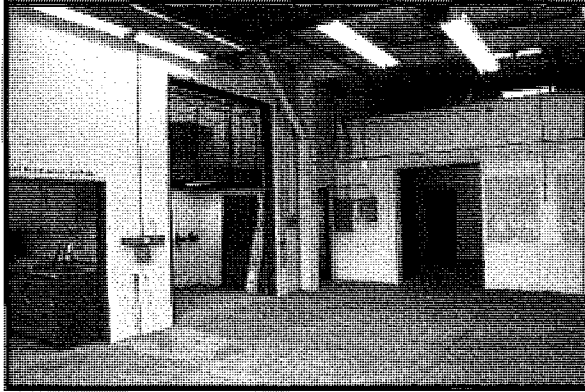
Administration Building – Interior



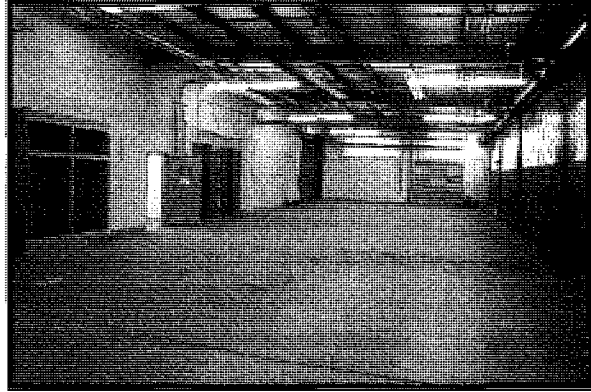
Operations and Maintenance Building –
Interior



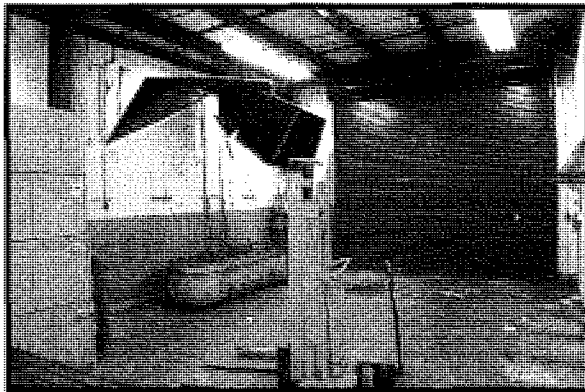
Operations and Maintenance Building –
Interior



Operations and Maintenance Building – Interior



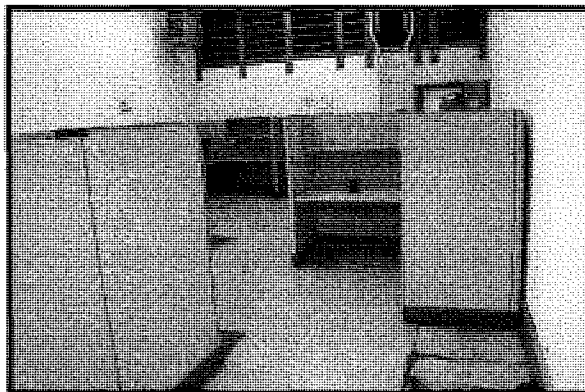
Service Center – Interior



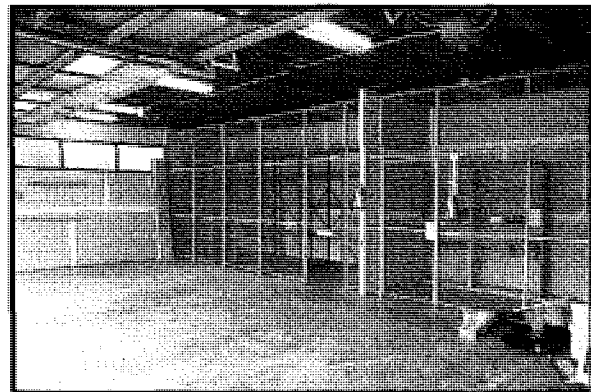
Service Center – Interior



Service Center – Interior



Service Center – Interior



Garage Building – Interior

SCOPE OF WORK

According to the Uniform Standards of Professional Appraisal Practice, it is the appraiser's responsibility to develop and report a scope of work that results in credible results that are appropriate for the appraisal problem and intended user(s). Therefore, the appraiser must identify and consider:

- the client and intended users;
- the intended use of the report;
- the type and definition of value;
- the effective date of value;
- assignment conditions;
- typical client expectations; and
- typical appraisal work by peers for similar assignments.

Scope of Work

Client:	Sonoma County Water Agency
Intended Use:	Assist in developing a sale price
Intended User:	Sonoma County Water Agency
Report Type:	This is an Appraisal Report as defined by Uniform Standards of Professional Appraisal Practice under Standards Rule 2-2(a). This format provides a summary of the appraisal process, subject and market data and valuation analyses.
Property Identification:	The subject has been identified by the legal description and the Assessor's Parcel Number.
Inspection:	A complete interior and exterior inspection of the subject property has been made with photographs taken. The appraisers completely measured the existing improvements for a previous appraisal.
Information Sources:	Obtaining the site size from the Assessor's records and the building area from on-site measurements taken for a previous appraisal, researching local area use trends and construction activity from public agencies and local market participants, determining probable marketing and exposure time based on recent sales and interviews with local real estate professionals, conducting telephone and personal interviews with persons considered knowledgeable regarding the subject property and general market conditions, verifying the comparable market data with at least one party to the transactions.

Market Area and Analysis of Market Conditions:

A complete analysis of market conditions has been made. The appraisers maintain and have access to comprehensive databases for this market area and have reviewed the market for sales and listings relevant to this analysis.

Highest and Best Use Analysis:

A complete as vacant and as improved highest and best use analysis for the subject has been made. Legally permissible, physically possible and financially feasible uses were considered, and the maximally productive use was concluded.

Type of Value:

Market Value

Personal Property, Fixtures and Intangible Items:

The valuation opinion included within this appraisal is for the real property only. No personal property, fixtures or intangible items of material value are included as part of the real property.

Valuation Analyses

Cost Approach:

A cost approach was not applied as it does not reflect the motivation of the typical buyer in the market for a property with the subject's same characteristics.

Sales Comparison Approach:

A sales approach was applied as market participants consider similar type properties when determining the subject's market value and thus the Sales Comparison Approach is utilized in the analysis.

Income Approach:

An income approach was not applied as the subject is not a typical income producing property.

Hypothetical Conditions:

None

Extraordinary Assumptions:

The appraisers were provided with a Preliminary Title Report dated April 27, 2015. The value opinion set forth in this appraisal report is subject to and conditioned upon the absence of any easements or encumbrances materially affecting the subject's market value which would have been disclosed in an updated title report. The use of this extraordinary assumption might have affected the assignment results.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal is for no purpose other than property valuation, and the appraisers are neither qualified to nor attempting to go beyond that narrow scope. The reader should be aware that there are inherent limitations to the accuracy of the information and analyses contained in this appraisal. Before making any decision based on the information and analyses contained in this report, it is critically important to read this entire section to understand these limitations. Please note that all of the following assumptions and limiting conditions are considered to be effective *unless otherwise noted within this report.*

Appraisal is not a Survey: It is assumed that the utilization of the land and improvements is within the boundaries of the property lines of the property described and that there is no encroachment or trespass unless noted within the report.

No survey of the property has been made by the appraisers and no responsibility is assumed in connection with such matters. Any maps, plats or drawings reproduced and included in this report are intended only for the purpose of showing spatial relationships. The reliability of the information contained on any such map or drawing is assumed by the appraisers and cannot be guaranteed to be correct. A surveyor should be consulted if there is any concern on boundaries, setbacks, encroachments or other survey matters.

Appraisal is not a Legal Opinion: No responsibility is assumed for legal matters that affect title to the property nor is an opinion of title rendered. The title is assumed to be good and marketable. The value estimate is given without regard to any questions of title, boundaries, encumbrances or encroachments. We are not usually provided a complete title report of the property being appraised and, in any event, we neither made a detailed examination of it nor do we give any legal opinion concerning it.

It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws, unless non-compliance is stated, defined and considered in the appraisal report. A comprehensive examination of laws and regulations affecting the subject property was not performed for this appraisal.

It is assumed that all applicable zoning and land use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the appraisal report. Information and analyses shown in this report concerning these items are based only on a preliminary investigation. Any significant question should be addressed to local zoning or land use officials and/or an attorney.

It is assumed that all required licenses, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based. Appropriate government officials and/or an attorney should be consulted if an interested party has any questions or concerns on these items, inasmuch as we have not made a comprehensive examination of laws and regulations affecting the subject property.

Appraisal is not an Engineering or Property Inspection Report: This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal

may contain information about the physical items being appraised (including their adequacy and/or condition), it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report. The appraisers are not construction, engineering, environmental or legal experts, and any statement given on these matters in this report should be considered preliminary in nature.

If the subject property is improved with structures, the observed condition of the foundation, roof, exterior walls, interior walls, floors, heating system, plumbing, insulation, electrical service and all mechanical and construction are based on casual inspection only and no detailed inspection was made. The structures were not checked for building code violations, and it is assumed that all buildings meet applicable building codes unless so stated in the report.

It is assumed that there are no hidden or unapparent conditions of the property, sub-soil or structures that would render it more or less valuable. No responsibility is assumed for such conditions, nor for the engineering that may be required to discover such factors. Since no engineering or percolation tests were made, no liability is assumed for soil conditions. Sub-surface rights (mineral and oil) were not considered in making this appraisal.

We are not environmental experts, and we do not have the expertise necessary to determine the existence of environmental hazards such as the presence of urea-formaldehyde foam insulation, toxic waste, asbestos or hazardous building materials, or any other environmental hazards on the subject or surrounding properties. If we know of any problems of this nature which we believe would create a significant problem, they are disclosed in the report. Nondisclosure should not be taken as an indication that such a problem does not exist, however. An expert in the field should be consulted if any interested party has questions on environmental factors.

No chemical or scientific tests were performed by the appraisers on the subject property, and it is assumed that the air, water, ground and general environment associated with the property present no physical or health hazard of any kind unless otherwise noted in the report. It is further assumed that the property does not contain any type of dump site and that there are no underground tanks (or any underground source) leaking toxic or hazardous chemicals into the groundwater or the environment unless otherwise noted in the report.

Because no detailed inspection was made, and because such knowledge goes beyond the scope of this appraisal, any condition or other comments given in this appraisal report should not be taken as a guarantee that a problem does not exist. Specifically, no guarantee is made as to the adequacy or condition of the foundation, roof, exterior walls, interior walls, flooring, heating system, air conditioning system, plumbing, electrical service, insulation or any other components of buildings or structures that are located on the land. If any interested party is concerned about the existence, condition or adequacy of any particular item, we would strongly suggest that a construction expert be hired for a detailed investigation.

Appraisal is Made Under Conditions of Uncertainty with Limited Data: As can be seen from the limitations presented above, this appraisal has been performed with a limited amount of data. Data limitations result from a lack of certain areas of expertise by the appraisers (that go beyond the scope of the ordinary knowledge of an appraiser), the inability of the appraisers to view certain portions of the property and the inherent limitations of relying upon information provided by others. We have spent our time and effort in the investigative stage of this appraisal in those

areas where we think it will do the most good, but inevitably there is a significant possibility that we do not possess all information relevant to the subject property.

Information provided by local sources, such as government agencies, financial institutions, accountants, attorneys and others is assumed to be true, correct and reliable. No responsibility for the accuracy of such information is assumed by the appraisers.

The comparable sales data relied upon in the appraisal is believed to be from reliable sources. Though all of the comparable sales were examined, it was not possible to inspect them all in detail. The value conclusions are subject to the accuracy of said data.

Engineering analyses of the subject property were neither provided for use nor made as a part of this appraisal contract. Any representation as to the suitability of the property for uses suggested in this analysis is therefore based only on a preliminary investigation by the appraisers and the value conclusions are subject to said limitations.

All values shown in the appraisal report are projections based on our analyses as of the date of the appraisal. These values may not be valid in other time periods or as conditions change. We take no responsibility for events, conditions or circumstances affecting the property's market value that take place subsequent to either the date of value contained in this report or the date of our field inspection, whichever occurs first.

Since projected mathematical models and other projections are based on estimates and assumptions which are inherently subject to uncertainty and variation depending upon evolving events, we do not represent them as results that will actually be achieved.

This appraisal is an estimate of value based on an analyses of information known to us at the time the appraisal was made. We do not assume any responsibility for incorrect analyses because of erroneous or incomplete information. If new information of significance comes to light, the value estimates are subject to change without notice.

Opinions and estimates expressed herein represent our best judgment, but should not be construed as advice or a recommendation to act. Any actions taken by you, the client, or any others should be based on your own judgment, and the decision process should consider many factors in addition to the value estimates and information given in this report.

Appraisal reports are technical documents addressed to the specific technical needs of clients. Casual readers should understand that this report does not contain all of the information we have concerning the subject property or the real estate market.

This appraisal was prepared at the request of and for the exclusive use of the client to whom the appraisal is addressed. No third party shall have any right to use or rely upon this appraisal for any purpose.

There are no requirements, by reason of this appraisal, to give testimony or appear in court or any pretrial conference or appearance required by subpoena with reference to the property in question, unless agreed to previously by the appraiser, sufficient notice is given to allow adequate preparation and additional fees are paid by the client at our regular rates for such appearances and the preparation necessitated thereby.

This report is made for the information and/or guidance of the client, and possession of this report, or a copy thereof, does not carry with it a right of publication. Neither all nor any part of the contents of this report shall be conveyed to the public through advertising, public relations, news, sales or other media without the written consent and approval of the appraisers. Nor shall the appraisers, firm or professional organization of which the appraisers are members be identified without the written consent of Ward Levy Appraisal Group, Inc.

It is suggested that those who possess this appraisal report should not give copies to others. Legal advice should be obtained on potential liability issues before this is done. Anyone who gives out an incomplete or altered copy of the appraisal report (including all attachments), does so at his/her own risk and assumes complete liability for any harm caused by giving out an incomplete or altered copy. Neither the appraisers nor Ward Levy Appraisal Group, Inc. assumes any liability for harm caused by reliance upon an incomplete or altered copy of the appraisal report given out by others.

The Americans with Disabilities Act became effective January 26, 1992. Ward Levy Appraisal Group, Inc. has not made a specific compliance survey and analysis of the subject property to determine whether or not any improvements which are located on the land conform with the detailed requirements of the Act. It is possible that a compliance survey of the property could reveal that some or all of the improvements are not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since we have no direct evidence relating to this issue, we did not consider possible non-compliance with the requirements of the Act in estimating the value of the property.

DEFINITIONS

The following definitions have been taken from the Uniform Standards of Professional Appraisal Practice (USPAP), *The Appraisal of Real Estate*, Twelfth Edition (2001), *The Dictionary of Real Estate Appraisal*, Third Edition (1993), OCC, 12 CFR, Part 34, Subpart C-Appraisals 34.42 Definitions (g) and other sources considered relevant:

As Is Value: Market value as is as of the appraisal date is defined as an estimate of the market value of the subject property in the condition observed upon inspection, and as it physically and legally exists without hypothetical conditions, assumptions or qualifications as of the date the appraisal is prepared.

Cash Equivalent: A price expressed in terms of cash, as distinguished from a price expressed totally or partly in terms of the face amounts of notes or other securities that cannot be sold at their face amounts.

Contract Rent: The actual rental income specified in a lease.

Exposure Time: The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market.

Extraordinary Assumptions: An assumption, directly related to the specific assignment, which if found to be false, could alter the appraisers' opinions or conclusions.

Fee Simple Interest: 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.

Floor Area Ratio (FAR): The relationship between the rentable area of a building and the usable site area (also called the building-to-land ratio).

Full Service Lease: The lessor pays for all operating expenses. Generally, the lessee pays for increases in base year operating expenses only.

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

Gross Lease: The lessor pays for real property taxes, insurance, common area maintenance and management. The lessee pays for utilities and janitorial. Generally, water, sewer and common area utilities are paid for by the lessor.

Highest and Best Use: The reasonably probable and legal use of vacant land or an improved property that is physically possible, legally permissible, appropriately supported, financially feasible and results in the highest value.

Hypothetical Condition: That which is contrary to what exists, but is supposed for the purpose of analysis. Hypothetical conditions assume 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 the integrity of data used in the analysis.

Hypothetical Value As Proposed or Complete: The market value of a real property interest as proposed or completed assuming its physical completion as of the effective date of value.

Leased Fee Interest: The right of a landlord to convey the use and occupancy rights of a fee simple estate to others through the use of a lease agreement. The leased fee estate retains the right to receive rental income during the term of occupancy or use by the tenant, and the right of repossession at the termination of the lease agreement. The leased fee estate is a partial or fractional interest of the fee simple estate.

Leasehold Interest: The interest held by the lessee (the tenant or renter) through a lease transferring the rights of use and occupancy for a stated term under certain conditions.

Market Value: The most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.

Implicit in this definition is the consummation of a sale as of a specified date, and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and,
5. the price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

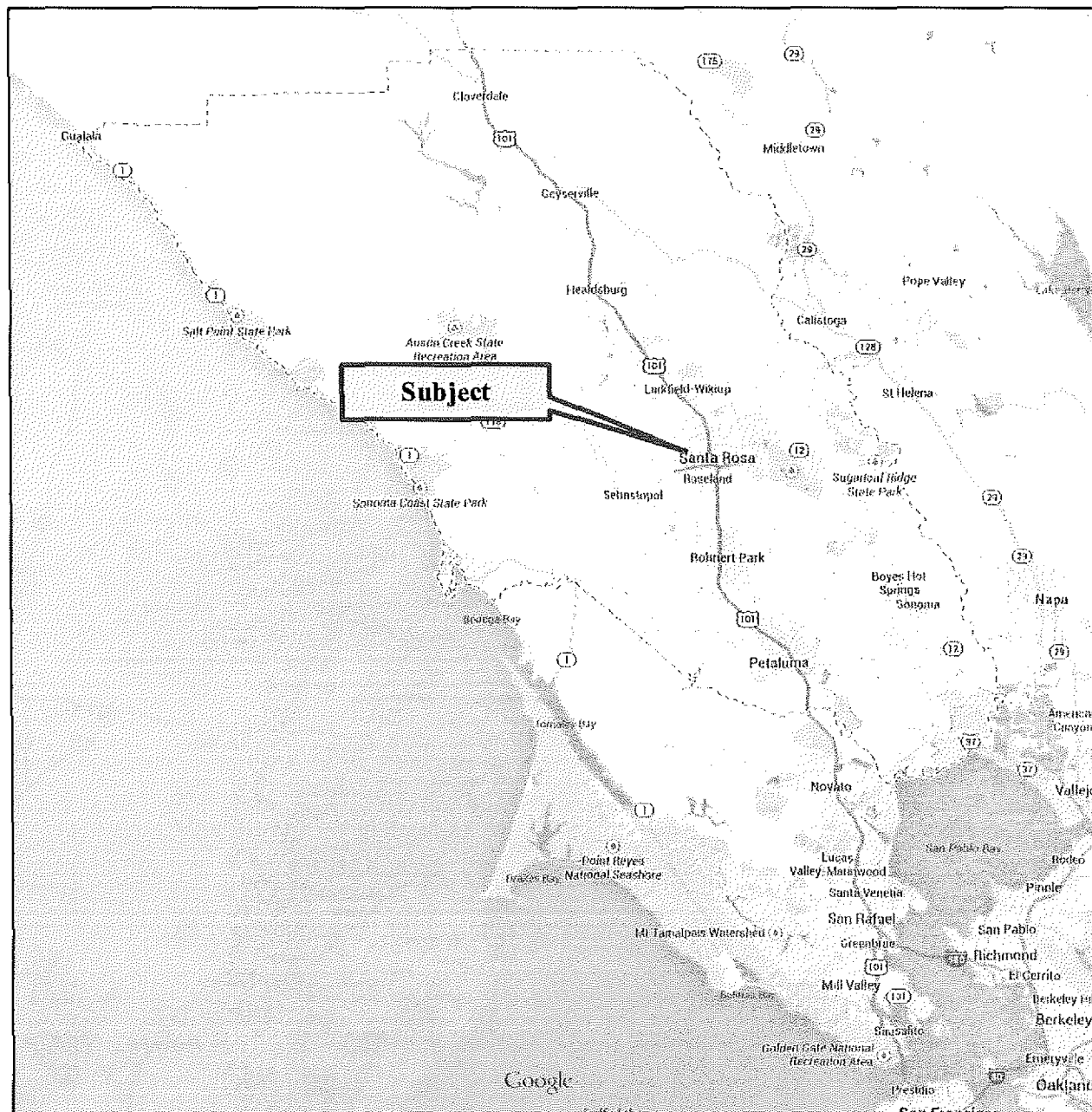
Market Rent: The rental income that a property would probably command in the open market, indicated by the current rents that are either paid or asked for comparable space as of the date of the appraisal.

Marketing Time: The time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal. It is the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiations, the exercise of due diligence and the consummation of a sale at a price supportable by current market conditions.

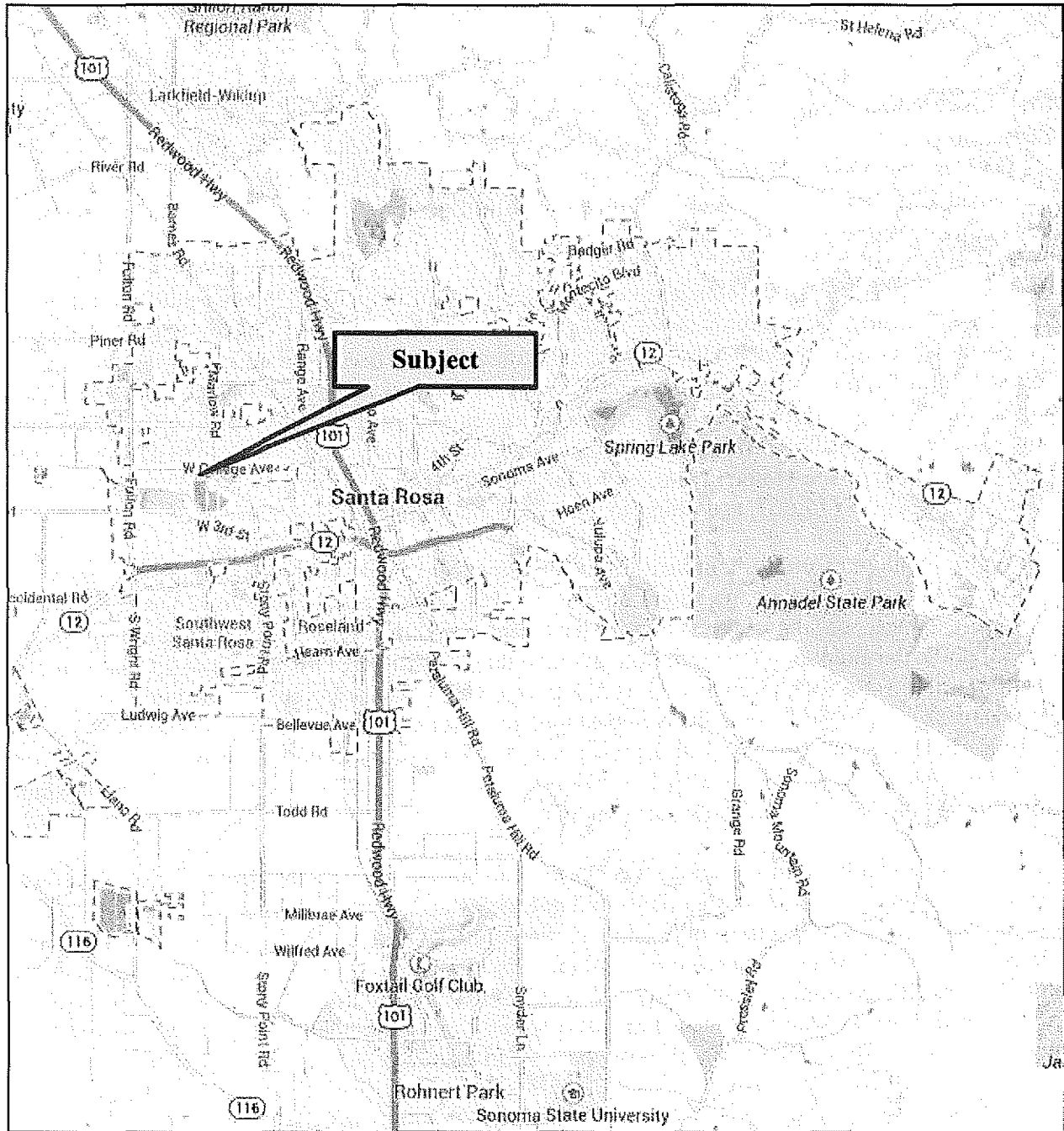
Prospective Value As Proposed or Complete: The market value of a real property interest as of the projected date of completion or stabilization.

Triple Net Lease: The lessor pays for management expenses only. The lessee pays for real property taxes, insurance, common area maintenance, utilities and janitorial. Some net leases require the lessee to pay for management expenses as well.

COUNTY MAP



CITY MAP



AREA ANALYSIS

Sonoma County

Geography: The subject property is located within the incorporated area of the City of Santa Rosa in Sonoma County, California. Sonoma County is the northernmost of the nine San Francisco Bay Area counties, comprised of Alameda, Contra Costa, Marin, Napa, San Francisco, San Mateo, Santa Clara, Solano and Sonoma, all of which form a physical, social and economic entity and a geographic area of approximately 4.4 million acres of land, of which approximately 5.5% is available for development.

Encompassing an area of 1,768 square miles (consisting of land at 1,576 square miles and water at 192 square miles), Sonoma County ranks twenty-eighth in size out of fifty-eight counties in the State of California and has the largest land area of any Bay Area county, with the second smallest ratio (trailing only Napa) of land already developed to total land area. Between 2000 and 2010, an annual average of 677 acres was developed in Sonoma County. There are nine incorporated cities in Sonoma County. Santa Rosa, the County Seat and located approximately fifty miles north of the Golden Gate, is the largest Bay Area city north of San Francisco with a 2016 population of 175,667, according to the California Department of Finance.

Linkages: Sonoma County is linked to the Bay Area by U.S. Highway 101 and State Highway 12. U.S. Highway 101 runs the length of California north to south and connects Sonoma County to Marin County on the south and to Mendocino County on the north. According to the California Department of Transportation, average daily traffic counts range from 15,900 vehicles on the northern end of the county to 162,000 vehicles at Baker Avenue in Santa Rosa. State Highway 12 runs west to east from Sebastopol to Napa County and beyond, and has average daily traffic counts as low as 6,100 vehicles near the junction of State Highway 121 and as high as 80,000 near the intersection with U.S. Highway 101. Driving time to San Francisco is about one hour, and to Sacramento is about two hours.

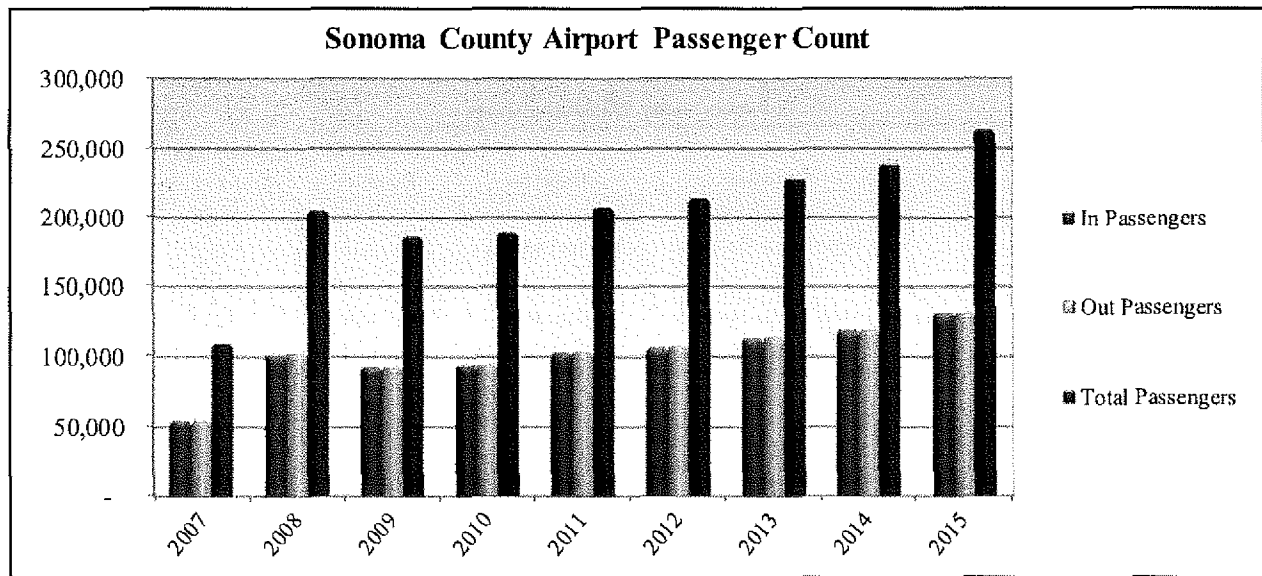
The area is served by a public transit system that consists of local (Santa Rosa CityBus), county (Sonoma County Transit) and regional (Golden Gate Transit) systems. The Greyhound Bus Line operates a state and national connection in Santa Rosa. There is no current rail transport, although Amtrak passenger service is available via the Throughway Service (bus) to Martinez, and the SMART commuter train (described later) is set to begin in late 2016. Bus transportation to and from both Oakland and San Francisco airport terminals operates at a minimum of once every two hours from Santa Rosa, Rohnert Park and Petaluma.

The Sonoma County Airport (STS) is located just to the north of Santa Rosa and is the largest commercial airport in the vicinity. The 2010 remodel of the terminal helped to increase air passenger traffic and the 227,998 passengers that flew in and out of STS in 2013 set a new record and was an increase of 6.6% over the 213,917 passengers in 2012, according to Alaska Airlines, the parent company of Horizon air which serves the Sonoma County Airport. In 2014, the passenger count increased 4.5% from 2013, and 20% from 2009 when the airline industry took a hit during the recession. Horizon Air of Seattle has been serving the airport since 2007 and has daily flights to and from Los Angeles, Seattle, Portland, San Diego and Orange County. Horizon Air considers the Sonoma County market to be so successful (141% growth since 2007) that the company took over its ground operations for its current eight daily roundtrip flights. In

May 2016, Allegiant Air began service at the airport, traveling to Las Vegas and Phoenix with flights on Thursdays and Sundays.

Sonoma County approved an \$84 million expansion project in January 2012 that would extend the main runway by 885 feet to 6,000 feet, and the second runway by 200 feet to 5,202 feet, allowing mid-size commercial jets to land. Work began in September 2013 and was completed in October 2014. In addition, the airport’s 20-year master plan includes \$50 million in upgrades such as a new passenger terminal, cargo terminal and traffic control tower. The new passenger terminal is expected to be completed in 2021.

The following chart shows the growth in annual passengers at the Sonoma County Airport since 2007 when Horizon Air commenced service.



Sources: Sonoma County Airport, Alaska Airlines and Ward Levy Appraisal Group, Inc.; September 2016

On November 2, 2004, the voters of Sonoma County approved Measure M, a new 1/4 cent sales tax that would collect \$470 million for transportation improvements over the next 20 years. This tax includes \$188 million for expansion and widening of U.S. Highway 101, \$47 million for buses, \$23 million for rail, \$19 million for bicycle and pedestrian improvements and \$188 million for other road improvements. U.S. Highway 101 has been undergoing construction to widen the freeway since 2002. Construction is ongoing in Petaluma, and when completed, there will be a continuous HOV lane in each direction from the southern border of Sonoma County to Windsor.

Several highway projects begun in 2012 have been completed or are still in progress. This includes the Airport Boulevard overpass at U.S. Highway 101, completed in May 2014, improving access to the Sonoma County Airport and the Airport Business Center. A \$123 million project to create a new interchange and frontage roads at Petaluma Boulevard South as well as replacing the bridge over the Petaluma River is still in progress.

Sonoma Marin Area Rail Transit (SMART) is in the process of building a commuter rail line in the North Bay. Originally designed to run from Cloverdale in Northern Sonoma County to Larkspur in Southern Marin County, the plan was modified to build an initial line of 38.5 miles

from Guerneville Road in Santa Rosa to the Marin Civic Center in San Rafael in Marin County, with extensions delayed to Cloverdale and Larkspur and points between because of the economy. However, in December 2013, SMART announced that the Metropolitan Transportation Commission had approved \$16.7 million in funds to extend rail service and establish a passenger rail station at the Sonoma County Airport. Completion of the southern end of the rail line, connecting it to the Larkspur ferry terminal, is planned by 2018. Extending the line to Cloverdale is planned for a later date. On-track testing has begun and passenger service is expected to begin in late 2016.

Economy: Sonoma County ranks sixth among the nine-county Bay Area in terms of labor force supply, and accounts for 6.4% of the regional force, according to information provided by the California Employment Development Department. Although agriculture remains an important factor in the traditionally agrarian based economy, retail trade, service industries and manufacturing currently represent approximately 78% of the private sector jobs.

Sonoma County Major Employers					
Employer	Location	Industry	Current Employees	Year-Ago Employees	Gain / Loss
County of Sonoma	Santa Rosa	County Government	4,058	4,130	-72
Kaiser Permanente	Santa Rosa, Petaluma	Medical Services	2,640	2,555	85
Graton Resort & Casino	Rohnert Park	Casino	2,000	2,000	0
Santa Rosa Junior College	Santa Rosa, Petaluma	Education	1,981	1,721	260
Sutter Medical Center	Santa Rosa	Medical Services	1,797	1,797	0
St. Joseph Health System	Santa Rosa	Medical Services	1,578	1,740	-162
Santa Rosa School District	Santa Rosa	Education	1,502	1,441	61
Keysight Technologies/Agilent	Santa Rosa	Technology	1,300	1,200	100
City of Santa Rosa	Santa Rosa	City Government	1,250	1,220	30
Sonoma State University	Rohnert Park	Education	1,184	1,263	-79
Petaluma School District	Petaluma	Education	880	917	-37
Amy's Kitchen	Santa Rosa	Food Mfg.	870	870	0
Medtronic, AVE	Santa Rosa	Medical Devices	840	840	0
Jackson Family Wines	Santa Rosa	Winery	800	640	160
Lagunitas Brewing Company	Petaluma	Brewery	684	270	414
Hanse! Auto Group	Petaluma	Automobile Sales	605	570	35
AT&T	Santa Rosa	Telecommunications	600	600	0
Petaluma Poultry Processors	Petaluma	Poultry Processor	600	475	125
Cotati-Rohnert Park School District	Rohnert Park, Cotati	School	560	514	46
River Rock Entertainment	Healdsburg	Casino	500	500	0
Petaluma Valley Hospital	Petaluma	Hospital	481	490	-9
Ghilotti Construction Company	Santa Rosa	General Engineering	425	425	0
Exchange Bank	Santa Rosa	Bank	400	400	0
JDS Uniphase	Santa Rosa	Optical Innovations	400	400	0
Redwood Credit Union	Santa Rosa	Financial Services	382	322	60
Sonoma Media Investments	Santa Rosa	Newspaper	335	261	74

Sources: North Bay Business Journal, Comprehensive Annual Financial Reports (Sonoma County and Cities of Petaluma, Rohnert Park and Santa Rosa) and Ward Levy Appraisal Group, Inc.; September 2016

The technology-based industries were the most important driving industries in the county in the 1990's. Employment in information technology, including computer programming and data processing, as well as the manufacture of electronics, telecom equipment and optical goods, had

soared over the latter part of the decade, but has since waned as approximately 5,500 jobs have been lost in this sector. Equally important, however, is the balanced nature of the county's growth. Wine & food, tourism and other professional services have generated healthy employment gains, and the income growth seen throughout Northern California has in turn boosted retail trade.

The third consecutive year of drought had an impact on the crops produced in Sonoma County in 2014. For example, field crops, including hay, silage and straw, rely almost exclusively on rainfall. According to the latest crop report published for 2014 by the County of Sonoma, the 2014 field crop value of \$4,028,900 represented a decline of 44.7% over the 2013 value of \$7,285,100. While some ranchers reduced their herd size to what they could afford to feed, the actual number of head increased in 2014, but the increase in prices at market for livestock and poultry production resulted in an overall increase of 39%, from \$181,650,300 in 2013 to \$253,153,200 in 2014.

Wine grapes lead in agricultural production in Sonoma County with over 62,000 acres devoted to vineyards. The total gross value of the wine grape crop in 2014 was \$592,798,000, a decrease of 2% over the 2013 wine crop, which was the largest wine grape crop in Sonoma County history. Wine grapes represent 66% of the total agricultural production in Sonoma County. Milk production was a distant second, producing over \$109,540,900 in gross revenue in 2014, an increase of 23% over 2013 figures and representing 12.2% of total agricultural production.

Gravenstein apples, brought by Russian settlers in 1812 and the first apple variety planted in Northern California, were a mainstay of agricultural production in Sonoma County for many decades. In the last 30 years, apple producing acreage has fallen precipitously in favor of housing developments and wine grape production. Whereas in 1958 there were 5,449 acres devoted to Gravensteins alone, there were only 467 acres in 2013. That number climbed to 732 acres in 2014. Total apple production encompassed 2,320 acres in Sonoma County in 2014, compared to a 2013 total of 2,155 acres. The 2014 total apple crop value of \$3,411,900 represents a 42% decline from 2013, mainly as a result of a mild winter with inadequate chill hours to set flower buds.

Total agricultural production was \$899,015,400 in 2014, an increase of 6% over the 2013 figure of \$848,323,400.

Tourism plays an increasingly important role in Sonoma County's economic profile. Long famous for its spectacular Pacific coastline, scenic Russian River area and historic Valley of the Moon, the county is now attracting more than 7,500,000 visitors annually, primarily to its wineries which have gained national and international recognition for their premium wine production and bucolic settings, especially given that Sonoma County wines have a competitive advantage over Napa County wines in terms of affordability. Excluding the wine industry, the four major pull attractions in Sonoma County are scenery, culinary offerings, outdoor recreation and the craft beer, cider and spirits industry, with niche opportunities of cycling, ag-tourism and a gay-lesbian friendly market.

Tourism in Sonoma County declined less severely than the economy as a whole during the Great Recession. And in the current recovery period, Sonoma County has experienced relatively modest growth with definite improvement seen in the industry over the past year. According to

the 2015 Sonoma County Tourism Report for 2014, transient Occupancy Tax (TOT) receipts totaled \$27.5 Million in 2014 after adjusting for inflation. This is the highest level of TOT receipts ever received in Sonoma County, and 36% higher than 2008's figure of \$20.29 Million. Total visitor spending in 2014 was \$1.64 Billion, an increase of 2.5% over the previous year. 2014 was the fifth year that Sonoma County tourism has experienced growth since the economic downturn. According to the Sonoma County Annual Tourism Report, leisure/hospitality will be a major driver of Sonoma County's continuing recovery and expansion of the tourism industry.

Included in the table below are the taxable retail sales per capita for Sonoma County and its incorporated areas for 2014, the last year in which annual data is available. As shown in the table, Healdsburg, Cotati and Sonoma capture a significantly higher proportion of sales per capita than the other areas in the county. This is probably due to high tourism dollars in Healdsburg and Sonoma, and Cotati's location near Sonoma State University and its large student population.

Taxable Retail Sales Per Capita			
County/City	Retail Sales (1,000's)	2015 Population	Sales Per Capita
Sonoma County	\$5,931,985	499,352	\$11,879
Cloverdale	\$59,329	8,799	\$6,743
Cotati	\$149,493	7,144	\$20,926
Healdsburg	\$260,742	11,667	\$22,349
Petaluma	\$864,189	59,934	\$14,419
Rohnert Park	\$554,376	41,797	\$13,264
Santa Rosa	\$2,540,708	174,475	\$14,562
Sebastopol	\$122,988	7,502	\$16,394
Sonoma	\$215,611	10,826	\$19,916
Windsor	\$234,869	26,961	\$8,711

Note: Taxable retail sales figures are for Calendar Year 2014 and population is for 2015.

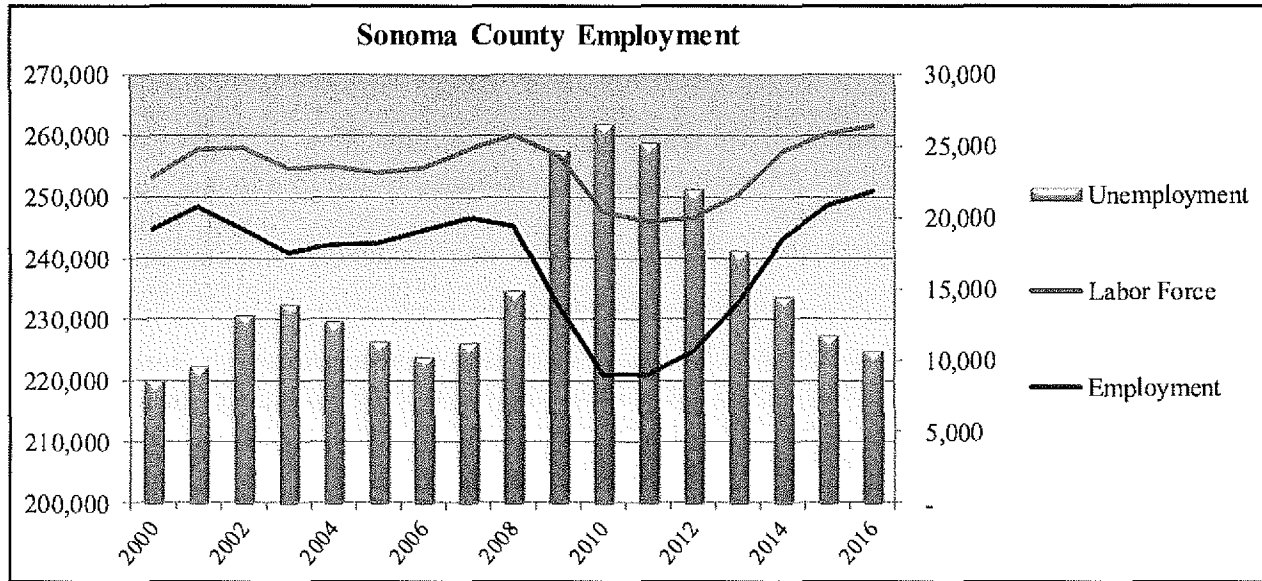
Sources: California State Board of Equalization, U.S. Department of Commerce and Ward Levy Appraisal Group, Inc.; September 2016

Employment: Sonoma County's unemployment rate is relatively low compared to the region and state, but the local labor market began to soften as companies laid off workers in the early 2000's from high tech businesses following rapid expansions in the late 1990's. Unemployment declined between 2004 and 2006, with a 2006 year-end average of 4.0%. However, as unemployment began to rise across the country in 2007 because of the recession, it rose in Sonoma County as well, due in part to the laying off of workers within real estate related business services such as mortgage companies. By the end of 2008 unemployment had reached 7.2%.

From 2009 through 2010, unemployment continued to rise, reaching double digits and a high of 11.4% by January 2010. It began dropping throughout 2011 and 2012 and was at 8.0% by December 2012. In January 2013, unemployment in Sonoma County rose slightly to 8.5%, but by December had dropped to 6.0%. In January 2014 the unemployment rate rose to 6.4%, but dropped to 4.9% by year's end. It rose slightly to 5.3% in January 2015 before falling to 4.3% by April. By July, it had risen to 4.7% before dropping to 4.0% in September. By November, it had risen slightly to 4.3%, then fell to 4.1% in February 2016 before falling further to 3.4% in May, the lowest it's been since 2007, and a drop of 70% from the high of 11.5% in January 2010.

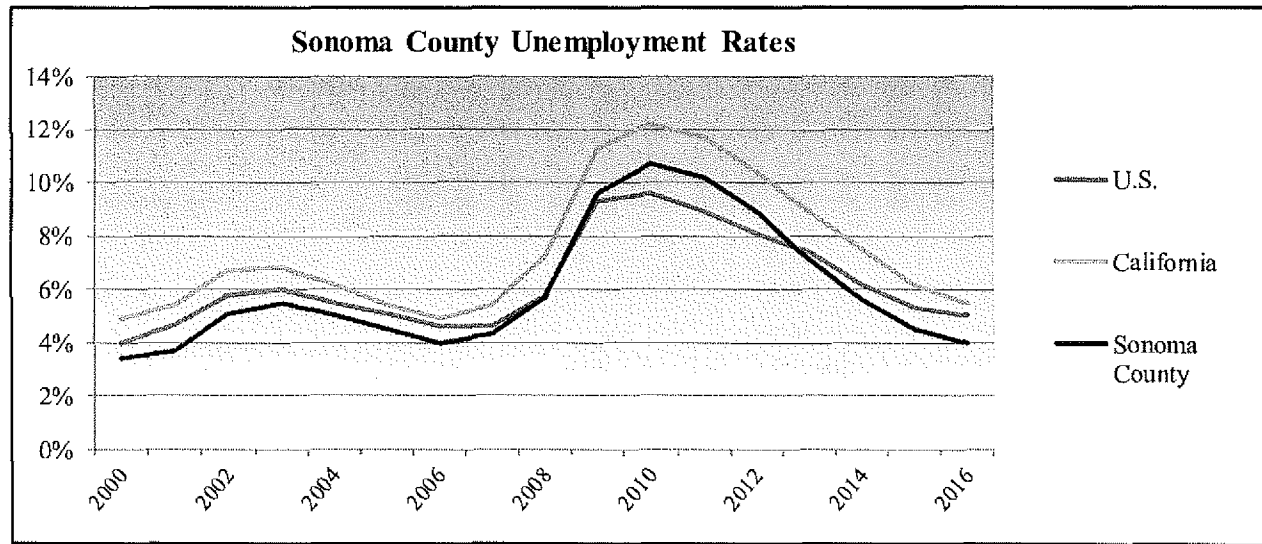
In June 2016, it rose to 4.2%, then rose again to 4.4% in July. A rate of 4.7% was reported in July 2015. Sonoma County ranked sixth among 58 California counties in unemployment, and lost 400 jobs between June and July, while gaining about 5,800 positions since the same time last year.

The chart below shows the available labor force and the numbers employed in Sonoma County with county unemployment statistics in green. Information in the chart has been averaged for each year through December except 2016 which is through June. Information is provided by the California Employment Development Department.



All years through December except 2016 which is through June.
 Sources: California Employment Development Department and Ward Levy Appraisal Group, Inc.; September 2016

The following chart shows the comparison in unemployment rates in Sonoma County, the State of California and the U.S. over the past 17 years.

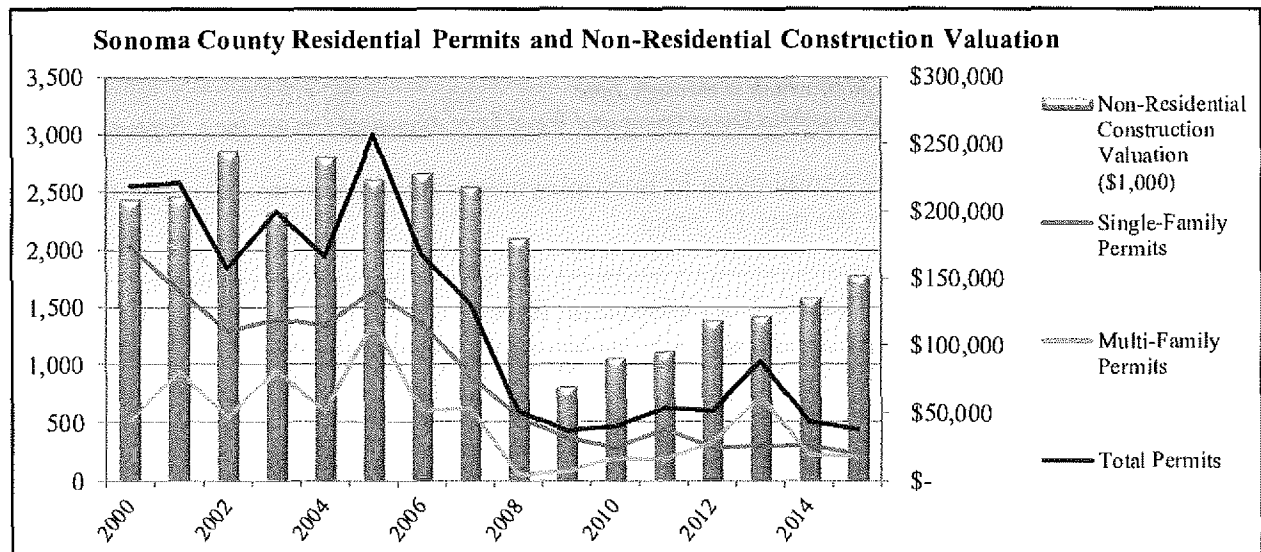


All years through December except 2016 which is through June.
 Sources: California Employment Development Department and Ward Levy Appraisal Group, Inc.; September 2016

Construction: Commercial production has roughly paralleled the economy, as expected, with the peak during the late 1990's. The economy recovered from the previous recession with increased development in 2003 with 2,339 residential permits, decreased in 2004 to 1,941 permits, and increased again in 2005 to 3,003 permits. In 2006 through 2008, development slowed as the economy again fell into a recession. In 2009, permit activity for single-family and multi-family construction was at 430, the lowest it's been in over 15 years due to the vast drop in housing prices. Permit activity for single-family homes slowed even more in 2010 while multi-family activity increased by more than double over 2009. As the economy began to recover from the Great Recession, construction and permit activity picked up in 2013 with 1,027 residential permits issued, a 72% increase over the previous year. However, in 2014, 506 residential permits were issued, a drop of 51% over 2013. The number of residential permits fell 13% lower in 2015 to 442. In 2016, 486 residential permits have been issued so far through July.

In 2006, non-residential construction valuation was at an all-time high at ~\$228,091,000. It slipped 5% to ~\$217,552,000 the following year, and continued to fall to a low of \$68,580,000 in 2009 as a result of the recession. It began rising in 2010 and continued through 2015, reaching \$152,168,105 by year's end. In 2016, the total non-residential construction valuation thru July was \$86,020,574.

Information through 2011 was provided by the Construction Industry Research Board (CIRB) which ceased operations in January 2012. California Homebuilding Foundation took over the compilation of permit data in early 2012; however, it appears that the methodology used to compile information is slightly different from that used by the CIRB.



All years through December.

Sources: Construction Industry Research Board (through 2011), California Homebuilding Foundation (2012 and forward) and Ward Levy Appraisal Group, Inc.; September 2016

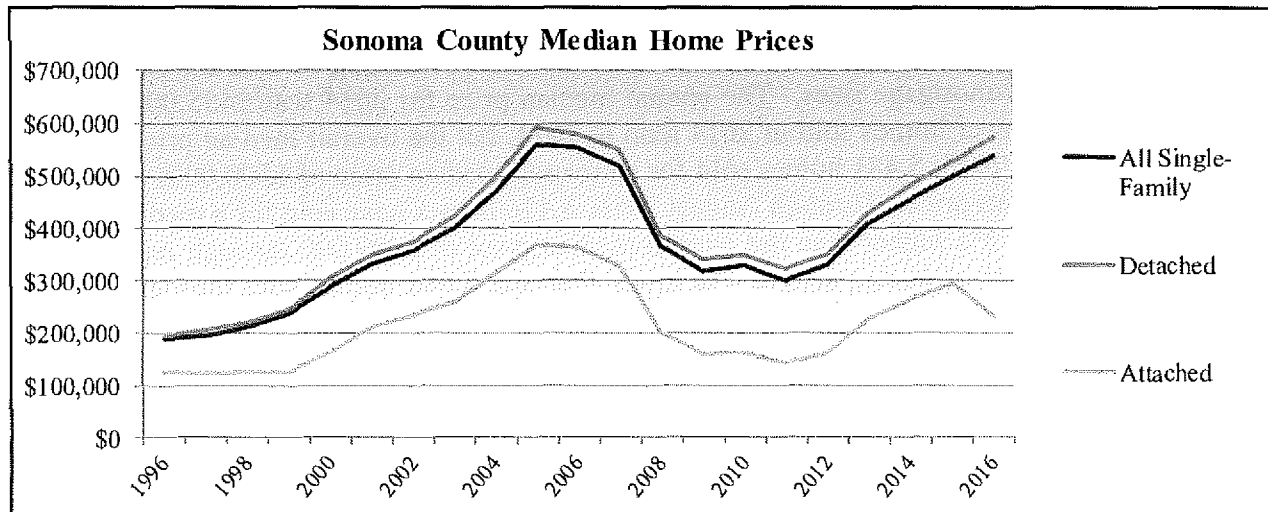
Residential Market: The median single-family home price in Sonoma County did not change measurably during most of the 1990's as the economy fluctuated and supply kept even with demand. In 2005, the overall median home price had risen to \$550,000, its highest year-ending point in history, but with the fall in real estate prices experienced nationwide, it was at \$290,000 by February 2009, a drop of 47%. Prices fluctuated slightly from 2009 through the first half of 2012, but by the Fall of 2012, prices began to stabilize and even rise, ending the year at

\$357,500. The 6,085 homes sold in 2012 was an increase of 13% over the 5,386 homes sold in 2011, leading analysts to believe that the fence-sitters were beginning to take advantage of the low prices and low mortgage rates. The annual median price for 2014 was \$455,000 for 5,279 homes sold. 6% fewer homes sold in 2014 than in 2013, but the overall median price was 11% higher in 2014. In 2015, 5,481 homes sold for an overall median price of \$500,000, 10% higher than the 2014 median price. Through August 2016, 3,426 homes have sold for a median price of \$540,000, which is 8% higher than the overall median price of \$499,000 through August 2015, although the number of homes sold is 7% lower than the 3,666 homes sold through the same period in 2015.

The median detached home price reached a high of \$618,450 in August 2005, but by January 2009 had fallen 49% to \$315,000. The detached price remained flat on average through to the first half of 2012 and only began to rise in October 2012, reaching \$390,000 by December for 381 homes sold. In 2013, the annual detached median price was \$430,000 for 4,921 homes. In 2014, 4,677 homes sold for a median price of \$484,000, which was 13% higher than the median price in 2013, but represented 5% less homes sold from the previous year. 4,805 detached homes sold in 2015 for an overall median price of \$529,000, 9% higher than the 2014 median price. In August 2016, 447 detached homes sold for a median price of \$590,000. The August 2016 median detached price is 10% higher than the August 2015 price of \$538,750, although the 447 detached homes sold is 6% lower than the 476 homes sold in August 2015.

In October 2005, the median attached home price had reached a high of \$394,000, but by February 2009, it had fallen 65% to \$139,500. During the next few years, the median price fluctuated, but remained at historic lows until late 2012 when they began climbing again. While the market is still experiencing small fluctuations in price, this is mainly due to the location, quality and size of the individual units and overall, prices are reaching new highs after the slump during the recession. In 2014, 602 attached homes sold for a median price of \$265,000. 676 attached homes sold in 2015 for a median price of \$295,000. The latest figures for 2016 show that the median attached home price of \$231,000 for 454 homes sold through August has fallen 20% from the median price of \$290,000 through August 2015, and the 454 attached homes sold represent a slight decrease from the 461 attached homes sold through August 2015.

The following table provides a comparison of median Sonoma County home prices over the last 21 years.



All years are annual except 2016 which is through July.

Sources: Sonoma County Multiple Listing Service and Ward Levy Appraisal Group, Inc.; September 2016

Economic Forecast: An economic outlook was prepared by the UCLA Anderson Forecast for The Press Democrat, the county's largest newspaper, in September 2008 that forecast below historical growth for California's economy. Later that year, the National Bureau of Economic Research declared that the U.S. had been in a recession since late 2007, confirming what many had already suspected. Private forecasters were also predicting that the recession would be prolonged and that there were no signs that the national economy was nearing the bottom. California's economy was projected to be weaker than the nation as a whole as its downward spiraling real estate market was more severe than the majority of other states.

In its fourth quarterly report of 2013, UCLA Anderson Senior Economist Jerry Nickelsburg asserted that California had just about recovered all jobs lost during the recent recession. Jobs had declined by 1.065 million, but rebounded by 1.044 million through October 2013. However, payroll jobs alone recovered only a portion of this, suggesting that Californians were creating their own jobs by starting new enterprises at faster rates than established businesses were hiring.

In January 2015, Mr. Nickelsburg stated that Sonoma County employment levels were fully recovered from the recession, and further stated that unemployment could fall below 4% in the Bay Area within the next two years. The U.S. economy is slowly moving toward full employment with California coastal communities like Sonoma County leading the way. Sonoma County's local economy has benefitted greatly from strong growth in technology manufacturers and companies that produce wine, beer and specialty food products. According to the Sonoma County Economic Development Board's economic indicators report for 2015, the county had the fourth-highest number of businesses among comparable counties, indicating strong economic activity. Tourism, a critical element of the economy in Sonoma County, is also showing strength. Hotel occupancy rates rose by 6.5% in 2014, while transit occupancy tax revenues increased by \$1.14 million. In 2014, tourism brought in \$100 million in tax revenues and now accounts for 10% of the county's jobs.

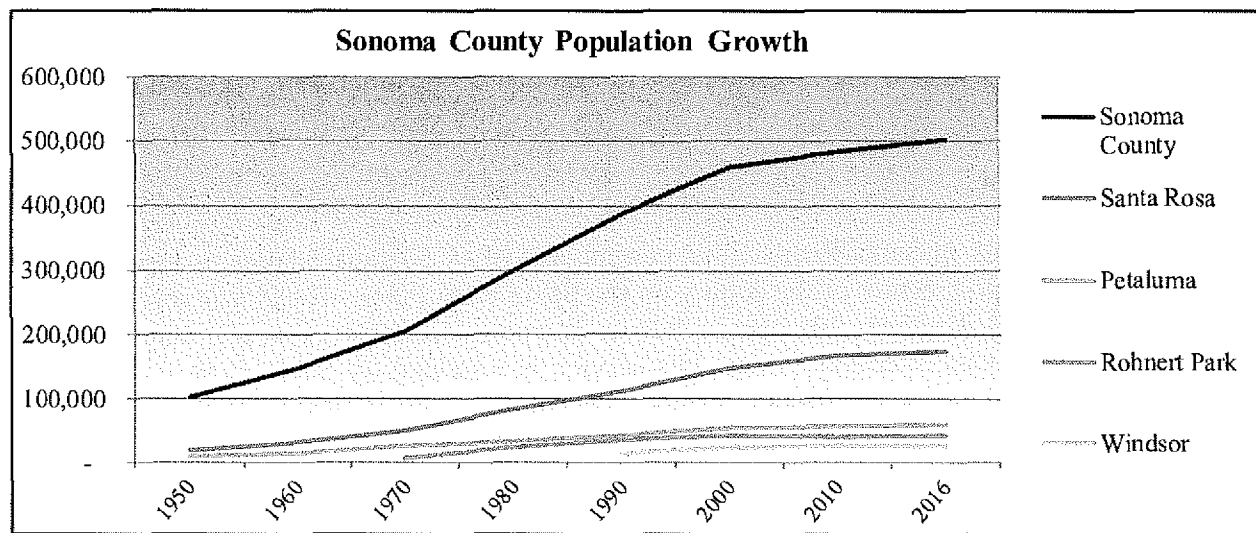
Demography: According to information from the California Department of Finance, Sonoma County is the seventeenth most populous county in the state with a 2016 population of 501,959. From 1950 to 1980 the county's population tripled. Almost half of that growth occurred in the 1970's, during which time period the county experienced a 46.3% population increase as

compared with an increase of only 11.9% for the San Francisco Bay Area, 18.5% for the State of California and 11.4% for the nation as a whole.

The 2010 U.S. Census population data for the county indicated a 5.5% increase in population for Sonoma County over the last decade, a relatively low rate compared to both California at 10.0% and the U.S. as a whole at 9.7%, and much lower than the 18.1% increase from the previous decade or the 29.5% increase in the 1980's. The total increase in county population in the 1980's was approximately 88,000, and the 1990's increase in population was 70,000 while 2010 saw a much lower increase of 25,000. The county's population during the twenty year period from 2010 to 2030 is expected to increase by 17% while the number of households is projected to increase by 19%. Over the next ten years the population is predicted to slow in growth in contrast to the higher growth rates of the previous decades.

There is an average of 2.58 persons per household with a median household income of \$63,799 and a median age of 40.5, according to the 2010-2014 American Community Survey five year estimates from the U.S. Census. Sonoma County has fewer people per household (relative to California's average of 2.95 persons) with an older median age (compared to the state average of 35.6 years) and a higher household income than the state as a whole (\$61,489).

The following chart details the population growth patterns since 1950 of Sonoma County and its four largest cities.



Rohnert Park incorporated in 1962. Windsor incorporated in 1992.

Sources: U.S. Dept. of Commerce, California Dept. of Finance and Ward Levy Appraisal Group, Inc.; September 2016

The following table details the growth patterns since 1980 of Sonoma County and the cities within the county.

Population of Sonoma County and Cities									
							Percent Change 1990 - 2000	Percent Change 2000 - 2010	Percent Change 2010 - 2016
	1980	1990	2000	2010	2015	2016			
Sonoma County	299,681	388,222	458,614	483,878	499,352	501,959	18.1%	5.5%	0.5%
Cloverdale	3,989	4,924	6,831	8,618	8,799	8,825	38.7%	26.2%	0.3%
Cotati	3,346	5,714	6,471	7,265	7,144	7,153	13.2%	12.3%	0.1%
Healdsburg	7,217	9,469	10,722	11,254	11,667	11,699	13.2%	5.0%	0.3%
Petaluma	33,834	43,184	54,548	57,941	59,934	60,375	26.3%	6.2%	0.7%
Rohnert Park	22,965	36,326	42,236	40,971	41,797	42,003	16.3%	-3.0%	0.5%
Santa Rosa	82,658	113,313	147,595	167,815	174,475	175,667	30.3%	13.7%	0.7%
Sebastopol	5,595	7,004	7,774	7,379	7,502	7,527	11.0%	-5.1%	0.3%
Sonoma	6,054	8,121	9,128	10,648	10,826	10,865	12.4%	16.7%	0.4%
Windsor	N/A	N/A	22,744	26,801	26,961	27,031	N/A	17.8%	0.3%
Unincorporated*	134,023	160,167	150,565	145,186	150,247	150,814	-6.0%	-3.6%	0.4%

* Included Town of Windsor until incorporation July 1, 1992

Sources: U.S. Dept. of Commerce, California Dept. of Finance and Ward Levy Appraisal Group, Inc.; September 2016

As indicated by the preceding population chart, Sonoma County's major population growth has been concentrated in the three cities of Cloverdale, Windsor and Sonoma. Santa Rosa's growth rate has slowed since the 1990's, falling from a 30.3% growth rate to 13.7% in the past decade. Santa Rosa's and Sonoma County's overall populations are both slightly older than the general population, primarily due to the large number of persons 65 or older who are attracted to the area.

City of Santa Rosa

Geography: The City of Santa Rosa, with a current area of 41.50 square miles, is located in the approximate geographic center of the county on the Santa Rosa Plain. The city is served by two major highways: U.S. Highway 101 bisects the city in a north/south direction and State Highway 12 runs in an east/west direction. Local bus service is provided by Santa Rosa CityBus and regional service is provided by Sonoma County Transit and Golden Gate Transit systems. Air service is provided by Horizon Air of Seattle which commenced service in March 2007.

Linkages: Widening of U.S. Highway 101 to six lanes has been completed on the section located within Santa Rosa city limits. A pedestrian bridge over U.S. Highway 101, linking Santa Rosa Junior College with Coddington Mall and its recently opened Whole Foods Market, has been in discussion, but may be years away from realization. In the same neighborhood, construction of a SMART rail station planned near Guerneville Road is due to begin. This will be the second most northern station for the SMART train for the time being, the northernmost being located at the Sonoma County Airport.

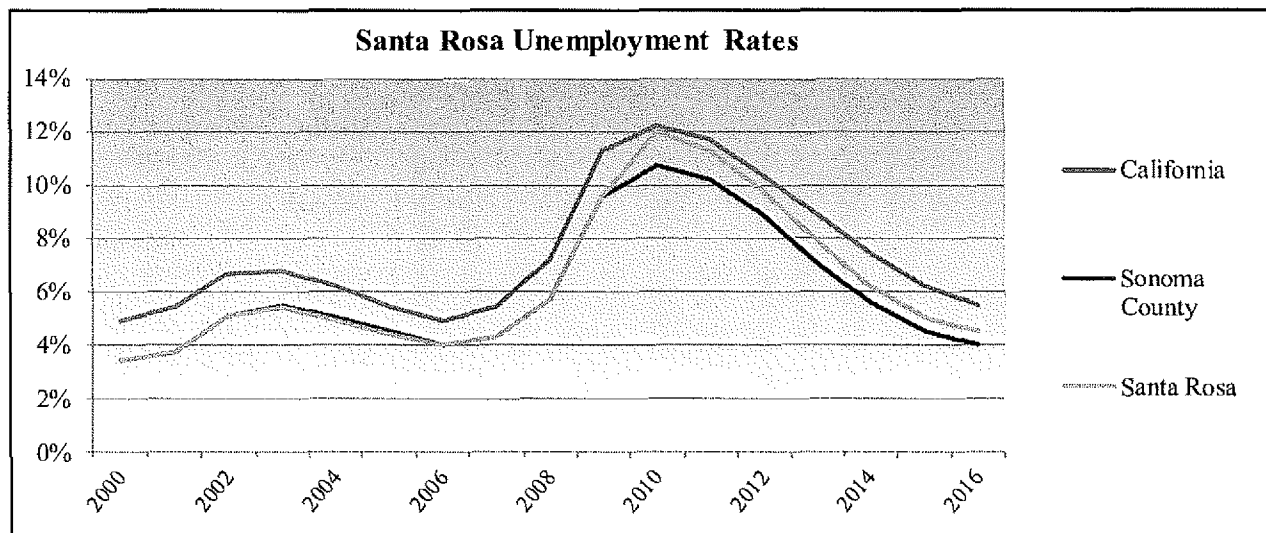
The rebuilding of Sixth Street, which had been buried under U.S. Highway 101 for five decades, was scheduled for completion by 2011, but had been delayed because of budgetary constraints. Construction was restarted in May 2012 and completed in August 2012. The new section of street has signals at both ends, wide sidewalks, decorative lamp posts, landscaping and bike lanes

in each direction. And more importantly, it reunites the east and west sides of downtown Santa Rosa.

In May 2016, construction began on the reunification of Old Courthouse Square in the center of downtown Santa Rosa. Divided in half by Mendocino Avenue in the 1960's after the old courthouse was torn down, plans are to tear out the roadway in the middle, and add streets on the west and east sides to create a unified plaza in the center. With the closing of a major thoroughfare through the city, it remains to be seen what the traffic impacts will be. The project is estimated to cost \$9.2 million and is expected to be complete by the end of 2016.

Employment: Santa Rosa has consistently been at the upper-middle of the range of unemployment rates within Sonoma County, as would be expected by the largest city and County Seat. The lowest rate of 2.8% occurred during the high technology boom of 1999 - 2000. However, the unemployment rate had increased to an annual average of 5.4% by 2003. By 2006 it had dropped to a low of 3.7%. It began climbing again in 2007 as a result of the most recent recession, and reached a high of 12.7% in January 2010. However, it began dropping in April and was at 8.9% by December 2012. One year later, it dropped to 6.7%, and year-end 2014 saw a further drop to 5.4%. In January 2015, the unemployment rate rose to 5.9%, but fell to 4.8% by April. The unemployment rate began rising over the next three months and reached 5.3% by July before dropping 4.4% in September. By November, it had risen to 4.8% where it remained through December before falling to 4.6% in February 2016. In May, it fell further to 3.8%, the lowest it's been since 2007, and a drop of 68% from the high of 11.8% in January 2010. In June 2016, it rose to 4.7%, then rose again in July to 4.9%. A rate of 5.3% was reported in July 2015.

Information in the table below has been averaged for each year through December except 2016 which is through July.



All years averaged through December except 2016 which is through July.

Sources: California Employment Development Department and Ward Levy Appraisal Group, Inc.; September 2016

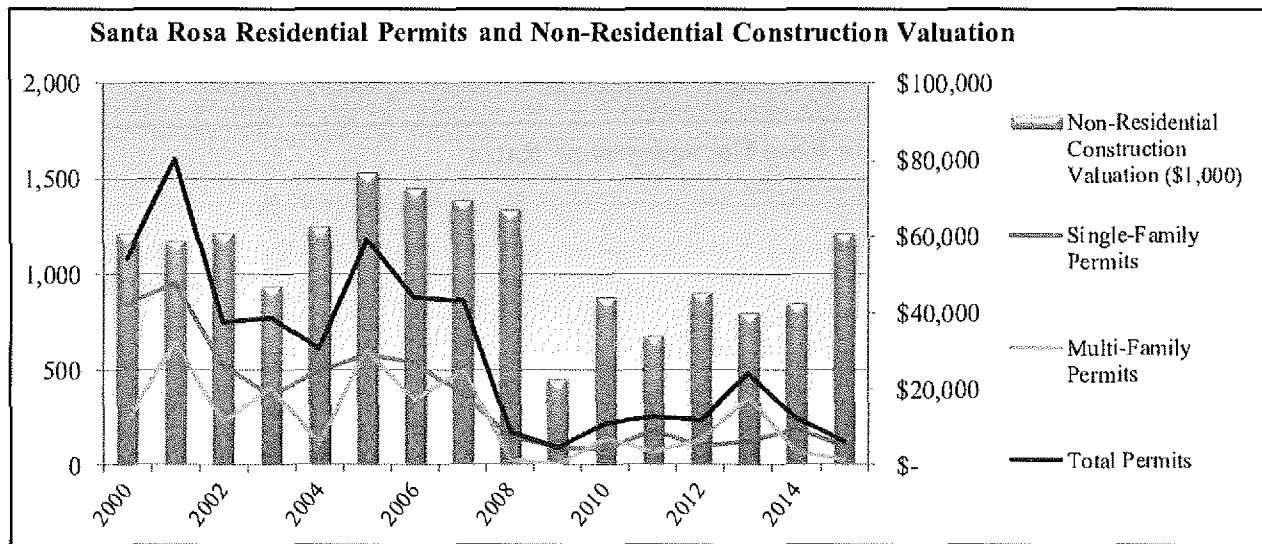
Construction: An Urban Growth Boundary (UGB) referendum was passed by the voters in November 1996. The UGB referendum will not allow the extension of the city services to areas outside the UGB line (with some limited exceptions) without an affirmative vote of the electorate

for a period of 20 years. The UGB line is the same as the LAFCO adopted Sphere of Influence and allows for some expansion of city limits without voter approval.

Residential construction activity in Sonoma County in general and Santa Rosa in particular, was strong during the mid to late 1980's with a significant downturn during the early to mid-1990's. Permit activity increased in the subsequent years, primarily reflecting the new construction within the southeast and southwest quadrants. There was also renewed demand in both the detached single-family and apartment markets from 1998 through 2001. Construction decreased significantly in 2008 due to the most recent recession and the downturn in housing prices, and in 2009 the lowest permit activity in over 15 years was recorded. It began to rise over the next four years, and 2013 saw the issuance of 484 residential permits. The number of permits fell by 48% in 2014 with 250 residential building permits, and dropped another 51% in 2015 with 122 permits. Through July 2016, 178 residential permits have been issued.

In 2005, non-residential construction valuation was at a high of \$76,634,000, but fell 71% to \$22,253,000 by 2009. It rose over the next few years to \$42,199,892 in 2014, and then rose to \$60,662,166 in 2015. In 2016, the total non-residential construction valuation through July is \$20,906,840.

Information through 2011 was provided by the Construction Industry Research Board (CIRB) which ceased operations in January 2012. California Homebuilding Foundation took over the compilation of permit data in early 2012; however, it appears that the methodology used to compile information is slightly different from that used by the CIRB.



All years through December.

Sources: Construction Industry Research Board (through 2011), California Homebuilding Foundation (2012 and forward) and Ward Levy Appraisal Group, Inc.; September 2016

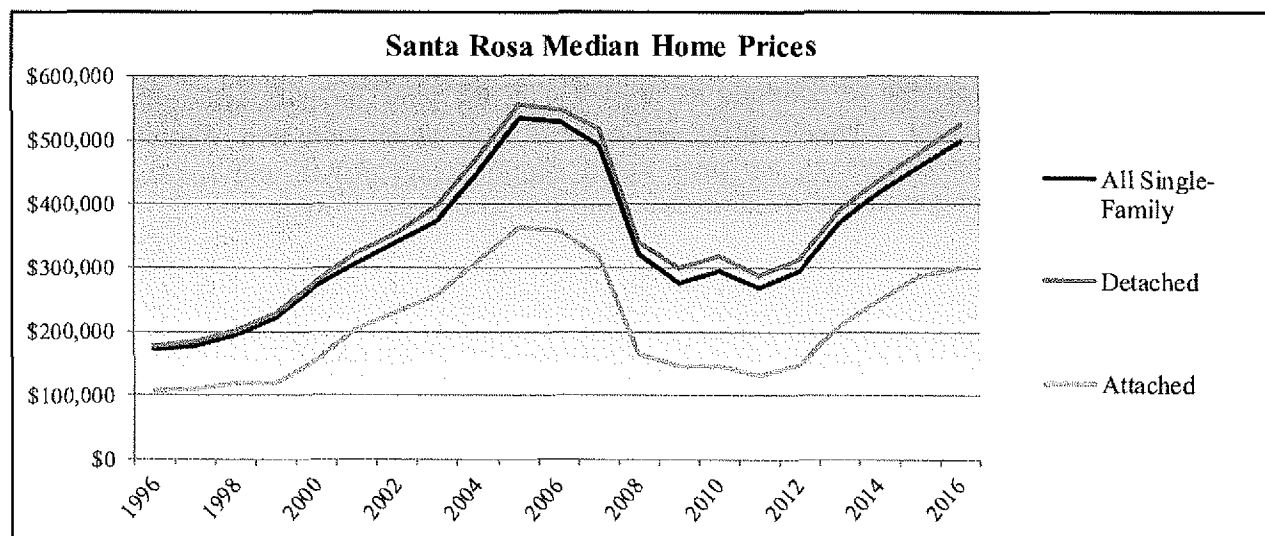
Residential Market: Santa Rosa's median home prices have been consistently below the Sonoma County median due to its inclusion of more affordable and higher density housing in its new developments. With the fall in real estate prices experienced nationwide, the overall median price had dropped 56% from a high of \$565,000 in November 2005 to \$250,000 by February 2009. It fluctuated through the rest of 2009 through 2011, but began to rise in early 2012. It continued a steady uptick through 2012 and into 2013, and in 2014, the overall annual median

price was \$420,000 for 2,002 homes sold. 3% fewer homes sold in 2014 than in 2013, but the overall median price was 13% higher in 2014. Through December 2015, 2,101 homes have sold for a median price of \$460,000. 1,264 homes have sold through August 2016 for an overall median of \$499,000, which is 8% higher than the overall median of \$460,000 through August 2015.

The median detached price was at a high of \$585,000 in September 2005, but by February 2009, it had fallen 54% to \$270,000. After rising to a high of \$340,500 in December 2009, it fell once again in December 2011 to \$272,500. In 2012, the median detached price began climbing once again and 2,030 detached homes were sold during the year, showing an increase of 11% over the 1,819 homes sold in 2011, proving that buyers were sensing that a bottom might have been reached in the market. Prices continued to climb in 2012, by December 2014, the median price was \$454,500 for 142 detached homes. 1,716 detached homes sold through December for an annual median price of \$440,000, which is 4% less than the 1,786 homes that sold through December 2013, although is 12% higher than the 2013 median price of \$391,750. In 2015, 1,839 detached homes sold for a median price of \$483,000. 1,079 detached homes have sold through August 2016 for a median of \$525,000. The current median price represents a 94% increase over the low of \$270,000 in February 2009, and a 9% increase over the median of \$482,000 through August 2015. Prior to this year, the last time the median price was over \$500,000 was in August 2007.

The median attached home price had reached an all-time high of \$398,900 in September 2005, but by February 2009 had fallen 69% to \$123,500. It fluctuated wildly over the next few years, but by January 2012, it had fallen to a new low of \$112,000. The median price slowly climbed through the rest of 2012 and into 2013. In 2013, 271 attached homes sold for a median price of \$208,000. 286 attached homes sold in 2014 for a median price of \$250,000. 262 attached homes sold in 2015 for a median price of \$287,000. Through August 2016, 185 attached homes have sold for a median of \$299,900.

The following table provides a comparison of median Santa Rosa home prices over the last 21 years.



All years are annual except 2016 which is through August.

Sources: Sonoma County Multiple Listing Service and Ward Levy Appraisal Group, Inc.; September 2016

Demography: Although Cloverdale has been Sonoma County's fastest growing city in the past two decades, Santa Rosa, the county's largest city, has had the greatest numerical increase in population. The city experienced 66% growth between 1970 and 1980, 37% growth between 1980 and 1990 and 30% growth between 1990 and 2000, showing a decreasing growth rate in each successive decade. The 2016 city population estimate of 175,667 shows a dramatically lower growth rate of 19.0% over the 2000 population of 147,595.

There is an average of 2.65 persons per household with a median household income of \$60,758 and a median age of 37.1, according to the 2010-2014 American Community Survey five year estimates from the U.S. Census. Santa Rosa has more people per household (relative to Sonoma County's average of 2.58 persons) with a lower median age (compared to the county average of 40.5 years) and a lower household income than the county as a whole (\$63,799).

Conclusion

Sonoma County's ample supply of land available for development, the quality of its business parks and industrial areas, its large and well-educated growing work force, affordable housing in relation to other Bay Area counties, abundant recreational areas, moderate climate and aesthetic natural setting all contributed to the fact that it fared quite well in the recessionary economy of the 1990's.

The latest national recession reduced local employment, particularly in the manufacturing and construction sectors which was the impetus behind the growth in the residential, office and industrial sectors since 2000. Vacancies in the office and industrial sectors were relatively high, along with retail vacancy. Unemployment had reached an all-time high, but since 2011, figures have been dropping and there has been positive job growth. Tourism is strong and is expected to grow thanks to increased employment. Also contributing to tourism growth are the Sonoma County Airport's recently extended runways which are expected to attract regional carriers with larger aircraft.

Homebuilding is on the rise again, although the number of permits issued in the past several years is still well below the numbers issued before 2006. Home prices have been increasing as well after dropping over 45% during the recession.

Sonoma County is projected to continue its growth with the wine industry and tourism as its strongest economic drivers. Manufacturing and construction, which were two of the hardest hit industries of the Great Recession, are once again experiencing growth and are expected to continue to expand along with improved regional and U.S. economic growth.

MARKET ANALYSIS

Regional Overview

The market for multi-family properties in the Bay Area has improved and vacancy levels have decreased substantially in the past few years. The subject is part of the larger Bay Area economy but while activity in the core markets in the East Bay, South Bay, San Francisco/Peninsula are, to a degree, indicators as to the direction of the subject market, North Bay market trends are somewhat different than those impacting the rest of the San Francisco Bay Area apartment market, mostly as a result of transportation issues.

Vacancy rates have overall decreased in the past several years in these core markets with increasing rental rates. However, apartment construction in San Francisco, and to a lesser extent in the East and South Bay, has significantly increased and the significant increasing rental rates have begun to level off as new projects come on-line.

The following table summarizes the data from the most recent Cushman & Wakefield (formerly Cassidy Turley and then briefly DTZ before merging with C&W) apartment survey, presenting Second Quarter 2016 results. The Bay Area category encompasses San Francisco, Alameda, Contra Costa, San Mateo and Santa Clara Counties as well as the North Bay Counties. Rents continued to grow to all-time peaks, while vacancy in every North Bay County declined from the previous quarter. However, vacancy in both Sonoma County and the Bay Area as a whole is still higher than it was approximately 12 to 18 months ago, with new construction being the biggest contributor.

San Francisco Bay Area and Sonoma County Apartment Market Data

Quarter	Sonoma County				Marin County				Napa County				Solano County				Bay Area			
	Vacancy	Change	Avg. Rent	% Change	Vacancy	Change	Avg. Rent	% Change	Vacancy	Change	Avg. Rent	% Change	Vacancy	Change	Avg. Rent	% Change	Vacancy	Change	Avg. Rent	% Change
Q2-2016	3.7%	0.9%	\$1,782	2.1%	3.9%	-0.3%	\$2,640	2.8%	1.8%	-0.3%	\$1,888	3.0%	3.1%	-0.8%	\$1,532	2.2%	4.2%	0.0%	\$2,552	2.8%
Q1-2016	4.6%	-1.3%	\$1,746	1.6%	4.2%	-2.3%	\$2,569	0.5%	4.0%	-0.1%	\$1,822	-0.7%	3.9%	-0.7%	\$1,459	1.3%	4.2%	-0.3%	\$2,482	1.2%
Q4-2015	6.1%	1.6%	\$1,718	-0.1%	6.7%	2.6%	\$2,557	-1.0%	4.1%	0.4%	\$1,834	-2.4%	4.0%	1.5%	\$1,480	-0.5%	4.5%	0.3%	\$2,453	-1.2%
Q3-2015	4.5%	-0.6%	\$1,719	1.7%	4.1%	-1.5%	\$2,583	2.5%	3.7%	0.1%	\$1,880	6.2%	3.1%	0.2%	\$1,488	4.4%	4.2%	0.1%	\$2,482	2.4%
Q2-2015	5.1%	2.3%	\$1,690	4.8%	5.6%	0.1%	\$2,521	2.6%	3.6%	0.6%	\$1,771	4.8%	2.9%	-0.3%	\$1,425	5.2%	4.1%	0.5%	\$2,423	4.6%
Q1-2015	2.8%	-0.1%	\$1,613	2.9%	5.5%	2.9%	\$2,456	3.2%	3.0%	-0.1%	\$1,690	2.2%	3.2%	-0.9%	\$1,355	3.4%	3.6%	-0.4%	\$2,317	3.5%
Q4-2014	2.9%	0.4%	\$1,567	-0.8%	2.6%	0.0%	\$2,380	2.2%	3.1%	0.0%	\$1,653	2.0%	4.1%	-1.3%	\$1,310	1.7%	4.0%	0.1%	\$2,238	0.2%
Q3-2014	2.5%	-0.5%	\$1,579	3.8%	2.6%	-0.2%	\$2,329	4.3%	3.1%	0.4%	\$1,620	3.8%	5.4%	1.5%	\$1,288	2.7%	3.9%	0.1%	\$2,234	3.5%
Q2-2014	3.0%	-0.4%	\$1,521	6.3%	2.8%	0.2%	\$2,232	2.5%	2.7%	-0.0%	\$1,560	9.0%	3.9%	0.1%	\$1,254	4.2%	3.8%	-1.1%	\$2,158	1.9%
Q1-2014	3.4%	0.6%	\$1,431	-0.5%	2.6%	-0.3%	\$1,177	2.7%	7.7%	3.6%	\$1,431	-0.5%	3.8%	-0.5%	\$1,203	1.9%	4.9%	-0.1%	\$2,118	1.6%
Q4-2013	2.8%	0.3%	\$1,438	2.2%	2.9%	0.2%	\$1,120	0.0%	4.1%	0.6%	\$1,408	2.2%	4.2%	-0.1%	\$1,181	-0.3%	5.0%	0.2%	\$2,084	0.2%
Q3-2013	2.5%	0.2%	\$1,407	5.4%	2.7%	-0.2%	\$1,120	4.1%	3.5%	-0.6%	\$1,407	5.4%	4.4%	0.2%	\$1,185	1.1%	4.8%	1.2%	\$2,080	2.5%
Q2-2013	2.3%	-0.3%	\$1,335	2.1%	2.9%	-0.4%	\$1,037	2.5%	4.1%	0.1%	\$1,335	2.1%	4.2%	-0.1%	\$1,149	1.4%	3.6%	-0.2%	\$2,033	5.5%
Q1-2013	2.6%	-0.8%	\$1,307	2.3%	3.3%	-0.8%	\$1,087	0.1%	4.0%	-0.6%	\$1,307	2.3%	4.3%	-1.7%	\$1,133	0.4%	4.4%	0.2%	\$1,927	1.8%
Q4-2012	3.4%	0.5%	\$1,278	0.2%	4.1%	-0.6%	\$1,585	0.8%	4.6%	0.9%	\$1,278	0.2%	6.0%	0.9%	\$1,129	0.2%	4.2%	0.1%	\$1,893	-0.5%
Q3-2012	2.9%	-0.9%	\$1,275	2.1%	4.9%	1.6%	\$1,570	4.8%	3.7%	-0.7%	\$1,275	2.1%	5.1%	-0.8%	\$1,127	-0.6%	4.1%	0.4%	\$1,903	1.9%
Q2-2012	3.8%	-0.2%	\$1,249	0.6%	3.3%	0.6%	\$1,880	2.0%	4.4%	0.1%	\$1,249	0.6%	5.9%	0.9%	\$1,134	-0.2%	3.7%	-0.1%	\$1,868	4.2%
Q1-2012	4.0%	N/A	\$1,242	N/A	3.3%	N/A	\$1,844	N/A	4.3%	N/A	\$1,242	N/A	5.4%	N/A	\$1,136	N/A	3.8%	N/A	\$1,792	N/A

Sources: Cushman & Wakefield and Ward Levy Appraisal Group, Inc.; September 2016

Sonoma County is somewhat more removed from the Bay Area than other North Bay regions and follows different trending. According to Cushman & Wakefield, Sonoma County's current average asking rent of \$1,782 represents growth of 5% over \$1,690 one year ago, which itself represented an historical high at the time. While rents in the Bay Area continued to grow, rising 5% over the past year and 42% since the beginning of the current real estate cycle in 2012, the rate of increase is now decelerating from the recent double-digit annual increases. While not broken out in the data shown above, San Francisco County had an average monthly rent of \$3,595 as of the most recent quarter, is the most expensive apartment market in the region, and rivals Manhattan as the priciest in the nation.

The market for multi-family properties has improved for the following reasons:

Lack of Development: Up until the last couple of years, the number of multi-family developments constructed in the recent past has generally been very low relative to historical standards, but this has begun to shift once again. During the peak of the real estate market, new construction was greater than 4,000 units per year, whereas in subsequent years it averaged less than one half of that. However, in 2013, 8,400 new apartments came online in the Bay Area market, followed by 9,300 new units which were built in 2014. Most of the new supply has been found in San Francisco or San Jose. Cushman & Wakefield reports that more than 10,500 new units were delivered in 2015, again surpassing the previous year's total. Cushman & Wakefield is tracking approximately 23,400 multi-family units under construction in the Bay Area, the highest volume they have tracked in the pipeline in over 10 years. San Francisco accounts for nearly 8,300 units under construction followed by Santa Clara County with roughly 7,400.

Given the number of units under construction in the overall Bay Area, vacancy is forecast to inch closer to 5% in the near future, as rent levels are expected to continue rising but at a declining rate, eventually leveling off as supply comes online. Cushman & Wakefield is also tracking more than 300 projects in the Bay Area which are in various stages of the planning and entitlement process; these could add another 81,300 units to the market.

In the North Bay, only 138 new units came online in 2012, followed by a handful of new projects which added another 172 new units in 2013. In 2014, this figure jumped to 465 new units, with Cushman & Wakefield reporting tracking another roughly 900 units under construction in 2015, nearly 700 of which are located in Sonoma County. (Most likely due to their recent corporate reorganization, the first quarter 2016 survey did not include updated information for new units in solely Sonoma County.) Along with another 1,300 units in various stages of official planning channels, this is still not anticipated to be enough to keep up with demand. Major Sonoma County projects either recently completed or currently finishing construction include Fiori Estates, a 244-unit luxury apartment project in Rohnert Park, another 94 unit project still under construction across Dowdell Drive from Fiori Estates, and The Annadel, a 270 unit Wolf Company luxury project located just south of Coddington in central Santa Rosa. There are also several smaller projects that are in the planning stages and may be reaching the point of financial feasibility. However, while these are expected to add a number of units to the overall market, it is insufficient to lead to an oversupply and it is anticipated that the market will favor the landlords for the foreseeable future. The difficulty in obtaining entitlements is likely to keep new construction at sustainable levels, or even below. There is one significant entitled project in the close vicinity of the subject; Burbank Housing has full entitlements for the Crossroads project, to comprise 79 multi-family residences on a 4.85 gross acre site at 1990 Burbank Avenue. However, all of the units will be affordable to a mix of very low and low income households. Utility certificates were granted in 2010, allowing the developers to connect to city water and sewer despite the site's location in an unincorporated area. Other Southwest Santa Rosa multi-family projects with approvals consist of Lantana Place, another Burbank project to comprise 96 affordable apartments on a 3.80 acre site at 2875 Dutton Meadow, and Ridge Point Apartments, an AHDC project to comprise 56 market rate units on a 3.90 acre site at 2542 Old Stony Point Road. Both of these projects have had entitlements for a number of years.

Improved Demand: The economy continues to slowly improve with unemployment decreasing and personal incomes rising slightly. This is particularly true in the San Francisco, Santa Clara and San Mateo County markets, where employment has improved more dramatically. This has also translated into rental rate growth in the North Bay market. Additionally, as the apartment

market in San Francisco is incredibly tight and expensive, there has been some migration away to areas with more affordable housing, such as the East Bay and North Bay.

Population Growth: The Bay Area population continues to increase, though at rates slower than in the previous decades. Nonetheless, population growth from 2000 to 2010 was approximately 35,000 to 40,000 additional people per year in the Bay Area. Therefore, just to maintain the growing population and to replace properties that have reached the end of their economic lives, new apartments must be constructed. Additionally, the recent recession created a situation where households routinely “doubled-up,” such as grown children moving in with their parents. This has somewhat retarded household formation and as these households continue “de-coupling”, demand is anticipated to improve.

Sonoma County and Major Submarkets

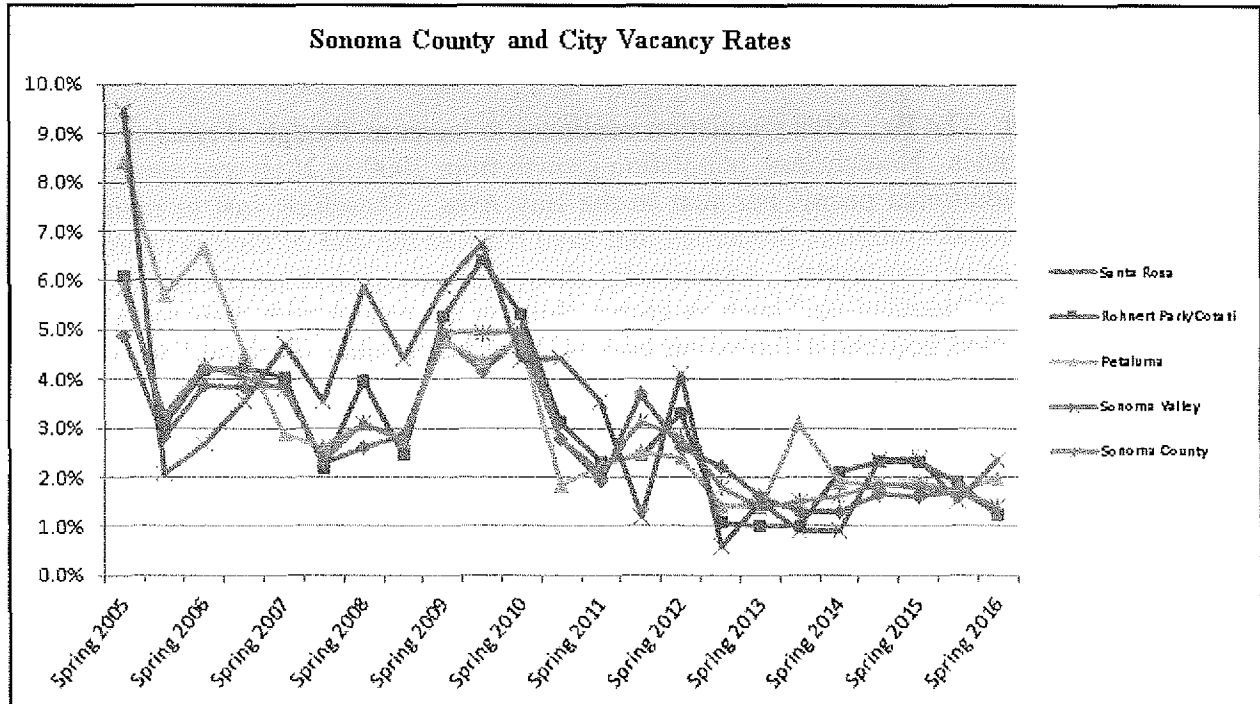
The information below is provided by Scott Gerber, formerly with Cushman & Wakefield and now with Bradley Real Estate. He publishes a secondary report every six months surveying fewer properties but with greater detail. The following reflects data from the most recently released Spring 2016 market survey which is discussed and utilized below.

Sonoma County Vacancy Rates

Submarket	Units	# Vacant	Vacancy %
Santa Rosa	6,660	87	1.3%
Rohnert Park/Cotati	2,402	29	1.2%
Petaluma	1,774	35	2.0%
Sonoma Valley	340	8	2.4%
Total	11,176	159	1.4%

Sources: Cushman & Wakefield and Ward Levy Appraisal Group, Inc.; September 2016

The graph below summarizes the vacancy rate for each of the four major submarkets and the county as a whole since the beginning of 2005. As can be seen in the graph, the market has improved substantially since 2009.



Sources: Cushman & Wakefield and Ward Levy Appraisal Group, Inc.; September 2016

Rental Rate Trends

As vacancies have decreased in the market, rental rates have risen, with the last year being particularly strong and rents rising for every floor plan type. The following table shows that in the Sonoma County market as a whole, rents have increased for every single unit type in the past year, with increases ranging roughly from 2% to as high as 14%, with most increases in the area of 7% to 10%. This is solid growth, albeit slightly down from the rate of growth from a year ago.

The Santa Rosa market also featured rent growth in every single product sector over the past year, with increases ranging from 4% to as high as 12%, although most sectors experienced growth of approximately 6% to 10%.

Rental Rate Trends

	Sonoma County					Santa Rosa				
	Rent	SF	Rent/SF	Change From Spring 2015	Change From Fall 2015	Rent	SF	Rent/SF	Change From Spring 2015	Change From Fall 2015
Studio	\$1,277	525	\$2.43	1.7%	4.4%	\$950	421	\$2.26	4.2%	2.6%
1BR/1BA	\$1,560	684	\$2.28	7.5%	5.6%	\$1,485	667	\$2.23	9.4%	4.1%
2BR/1BA	\$1,748	854	\$2.05	10.1%	5.9%	\$1,609	863	\$1.86	7.4%	3.7%
2BR/2BA	\$2,145	1,073	\$2.00	7.1%	3.6%	\$2,033	1,037	\$1.96	9.5%	4.9%
2BR/1.5BA	\$1,736	985	\$1.76	13.8%	4.8%	\$1,624	1,003	\$1.62	5.7%	1.2%
3BR/2BA	\$2,390	1,229	\$1.94	8.8%	4.0%	\$2,234	1,236	\$1.81	12.3%	6.3%

Sources: Cushman & Wakefield and Ward Levy Appraisal Group, Inc.; September 2016

The anticipation is that rental rates should eventually plateau in Sonoma County and Santa Rosa amid more new construction projected to come online. While a couple of large projects are currently under construction, there are relatively few projects planned, and since population is increasing, the rental outlook is strong for the near future. However, it is anticipated that

eventually heightened new construction in Sonoma County will begin to push the market back towards equilibrium. At this point, it is unclear how long it will be before this happens.

It should be noted that in May 2016, Santa Rosa's City Council narrowly voted to approve new instruct city staff to begin drafting rent control rules that would cap annual rent increases for older apartments at 3% and protect tenants from unfair evictions. The new rent control ordinance would only apply to multi-family properties developed before February 1995 due to a state law that exempts apartments built thereafter from such measures. State law also exempts all single-family homes and condominiums, regardless of age, from local rent control laws, while Santa Rosa's City Council is proposing two additional exemptions: duplexes and owner-occupied triplexes, reasoning that a higher percentage of these units are locally-owned. It is estimated that as many as 13,386 of the city's nearly 70,000 housing units could be subject to rent control, while excluding duplexes and triplexes could exempt up 500 to 2,100 additional units. Under the proposal, landlords wanting to raise rents more than 3% annually would need city permission, but could potentially receive approval in cases such as where a landlord had made significant upgrades or had a history of already offering below market rents. If staff's proposed ordinance is approved by council, it would go into effect around the end of summer. Rent control would sunset if the city's rental vacancy rate rose above 5%, whereas when the ordinance was proposed, vacancy was between 1% and 2%. In June 2016, a 45-day moratorium on rent increases exceeding 3% also went into effect, in an effort to prevent landlords from hiking rents during the interim period in which the new rent control program is established. In July, the moratorium was extended by another 90 days to give city staff more time to propose a permanent rent control law.

Market Participant Discussions

In the course of this and other similar recent assignments, the appraisers discussed market conditions with several brokers active in the market for multi-family properties. These brokers include Pat Ripple with the Robert Butler Company, Brad Pennington, John Garrett and Erich Reichenbach with Marcus & Millichap, and Steven Level and Scott Gerber with Bradley Real Estate. According to these brokers, demand for investment properties has improved substantially over the past couple of years. But after a few years of very strong sales activity, the market for multi-family properties in the North Bay appears to finally be slowing. Local experts attribute this not so much to lack of interest among investors but rather to the lack of buying opportunities and pricing uncertainties, specifically regarding the impact of future rent controls as discussed below.

Mr. Gerber stated that it is a good time to sell, as the stage is set for price moderations that have not yet occurred due to a shortage of inventory and buyers that have been overpaying. He stated that buyers of four- to eight-unit properties are still aggressive and optimistic, and pricing seems as robust as ever, with continued low interest rates likely to fuel buying in this category. Buyers in the 10- to 100-unit category also appear to still be paying aggressive prices, including higher than asking prices. However, Mr. Gerber noted that buyers of institutional-level properties, typically with more than 200 units, seem to be getting less aggressive in chasing prices and more cautious about overpaying.

As of the Second Quarter of 2012, demand was actually reported to be at a 20-year high. Until 2012, this had not translated into more sales, though, as few owners, especially of newer Class A

or B properties, had been willing to part with their investments now that apartment fundamentals were seen as being the strongest of any property type. Sales activity in Sonoma County increased from \$30 million in Fourth Quarter 2011 to \$63 million as of Second Quarter 2012, the highest level in many years. In the Third Quarter of 2015, sales rose to a new quarterly high at \$96 million, encompassing 13 properties with 517 units and an average price per unit of \$186,185, with an average capitalization rate of 6.1% and an average gross rent multiplier of 14.04. In of the Second Quarter of 2016, Sonoma County had \$107 million in sales activity, encompassing seven properties with 382 units and an average price per unit of \$280,246, with an average overall rate of 4.9% and an average GRM of 13.15.

The average price per unit in the Sonoma County market is more dependent on the quality of the assets being sold. A large Class A sale in one quarter can skew the results upward on price per unit (and downward on overall rate). Mr. Gerber noted that owners of Class B and C (market position) properties comprise the bulk of the listings at the present time as they have made it through the recovery and are trading out of these properties. He also noted that buyers are starting to seek higher capitalization rates on deals, needing rents to better justify pricing.

Investment Market Trends

Financing for multi-family properties is available at very competitive rates in the 3.50% to 4.00% range on a 25- to 30-year amortization with 25% to 30% down and a 1.20 to 1.25 debt-coverage-ratio. While rates remain competitive, the lack of more product on the market has kept the sales volume from rising higher. The typical property will sell within just a few months on the market, with particularly well-priced or marketed properties selling even quicker in some cases.

The following table summarizes the results of the First Quarter 2016 PriceWaterhouseCoopers survey for the apartment market. The Second Quarter 2016 survey was released prior to delivery of this report, but we were unable to acquire it in time and incorporate its data in this report.

Apartment Market Capitalization Rates						
Property Type	Overall Rate	Range	Average	Last Quarter	Year Ago	
National Apartment Market	3.50%	- 8.00%	5.35%	5.35%	0	5.36%
Pacific Region Apartment Market	3.50%	- 6.00%	4.50%	4.50%	0	4.77%
						-27

Sources: PriceWaterhouseCoopers, LLP and Ward Levy Appraisal Group, Inc.; September 2016

As is shown in the table above capitalization rates have effectively stabilized over the past year after declining in previous years. It should be noted that the above survey is typically for institutional investors of Class A properties in core markets. In the strongest markets, 4% cap rates are not uncommon for higher end product, while older properties have commanded rates of 6% to 7% or lower and distressed projects have generally traded at 8% or higher rates. For the North Bay sector as a whole, Class A product is generally trading with cap rates of 4.0% to 5.0%, Class B projects are typically moving at 4.75% to 5.75% and Class C and value-add rates are generally starting at 6.0% and moving up from there.

Based on the preceding interviews, as well as the appraisers' experience, most investors appear to be looking for a safe place to put their money and get a decent return, with key purchase criteria being condition, price and location. As banks are paying next to nothing for CD's, this has helped drive cash to multi-family investments. Investors like the very low vacancy rates in the sector, with rents that have been escalating, helping to increase cash flows. Bay Area investors are also turning their eye to Sonoma County, as Marin and South Bay cap rates are much lower. San Francisco has rent controls, while Sonoma County is well-located strategically and is considered a popular area in which to invest. There does not appear to be any diminishing of the pool of potential buyers, with agents citing continued good activity and rising overall values over the last year. Demand is pent up and most properties continue to generate multiple offers. Market participants reported that the general expectation in the market for capitalization rates is for them to remain steady over the next 12 to 18 months, as the economy continues to recover and new construction becomes more common once again. The slight correction in cap rates for institutional buyers is noted previously, but otherwise no growth in cap rates is expected unless interest rates continue to rise markedly and/or rents soften. While there is some uncertainty regarding future interest rate movements, demand should still be sufficient to carry through the coming year even if they do rise. This will contribute to multi-family property values in the subject's local market area which should be relatively healthy given low vacancy and still relatively modest planned construction. Still, it is worth noting that Cushman & Wakefield is projecting interest rates later this year to finally rise somewhat from their historic lows, possibly leading to the beginning of a more widespread correction in capitalization rates. Rental rates are also expected to level off as the recent round of new construction hits the market and spurs greater competition, with vacancy projected to inch close to 5% as tenants flock to recently built communities with better on-site and local community amenities.

Conclusion

The market may have already absorbed such substantial growth over the last few years that housing affordability concerns will become even more of a factor placing a ceiling on growth. Nonetheless, market conditions have clearly improved in the past year and demand for multi-family properties from both renters and investors has continued to improve. An economy hopefully continuing to slowly improve and the increase in available financing should continue to support the market. The subject's submarket appears to reflect a good balance between supply and demand. Therefore, the short and long term outlooks for the multi-family sector are positive.

NEIGHBORHOOD MAP



NEIGHBORHOOD ANALYSIS

The subject is located in Northwest Santa Rosa. The City of Santa Rosa is roughly divided into quadrants; U.S. Highway 101 lies on a north/south axis and State Highway 12 lies on the east/west axis with the downtown core approximately at the nexus. Using this orientation, the subject property is situated in the northwest quadrant of Santa Rosa. Approximate neighborhood boundaries are as follows:

- North: Guerneville Road
- South: West Third Street
- East: Stony Point/Marlow Road
- West: Fulton Road

The subject is situated along West College Avenue itself, which is a major east-west thoroughfare in Santa Rosa. Despite the location on a major street, uses in the general vicinity of the subject are primarily single-family residential, although there is also a large business park as well as some neighborhood retail and public/institutional uses. Most of the homes in the surrounding area are single-family residences built in the 1970's. Improvements are generally of fair to average quality and in average condition for their age. Housing prices have generally been lower than the typical median home prices for Santa Rosa.

Predominant non-residential uses in the neighborhood comprise municipal facilities including the West College Sewage Treatment Plant and the City of Santa Rosa Fire Engine Department, as well as the Stony Point Business Park. This business park is situated along either side of Stony Point Road and contains predominantly average to good quality steel frame, concrete and glass office buildings and R&D facilities with attractive and extensive landscaping throughout the approximately 80-acre park. The park also includes a three acre lake. Lands within the park on the westerly side of Stony Point Road are currently developed with eight buildings: five multi-tenant office buildings, an office building owned and occupied by the City Departments of Public Works and Utilities, a research and development facility, and a PG&E regional facility. Land on the easterly side of Stony Point Road is currently developed with the two-building Stony Point Lake Retail Center, a medical office building owner-occupied by the Sonoma County Indian Health Clinic, three two-story multi-tenant office buildings, and the newest construction in the park, a one-story multi-tenant office building in front of Stony Point Lake. Uses vary considerably from small, 300 square foot professional office suites to the abovementioned 47,100 square foot PG&E facility.

Finley Community Park and Recreation Center is located adjacent the northern portion of the park, across Stony Point Road from the subject. In addition to the recreation center, this park features a public swimming pool, tennis and beach volleyball courts, an amphitheater, soccer field, and a large company barbecue area, all in an attractively landscaped environment. Extensive parking is available with access off of either West College Avenue or Stony Point Road. There is currently a reciprocal parking agreement between the owners of office buildings just south of the park and the City of Santa Rosa, wherein building tenants and visitors can park in spaces on park property during business hours, while park visitors or employees can use the building's parking spaces on weekends or weekday evenings.

Neighboring Properties

The subject's immediate vicinity is as follows:

- North: Single-family residences
- South: College Creek/City wastewater storage facility
- East: College Creek/City Fire Department training station
- West: California Department of Forestry operations base

Public Utilities

All municipal services are available throughout the neighborhood, including water, sewer, natural gas, electricity, cable television and telephone.

Support Services

Shopping is available at the strip retail center located a very short distance northeast of the subject at the northwest intersection of West College Avenue and Marlow Road, as well as the Stony Point Lake Retail Center referenced above. In addition, there are several larger shopping centers within close proximity of the subject, including one anchored by a G&G Supermarket at 1001 West College Avenue, another one anchored by Oliver's Market and Longs Drugs at the southwest intersection of Stony Point Road and West Third Street, and a Safeway center at the southwest intersection of Guerneville and Marlow Roads. Restaurants in the area are primarily tenants in larger retail centers, as well as fast food establishments.

Schools are considered of average quality by area residents. Students would typically attend Albert F. Biella Elementary School at 2140 Jennings Avenue, Hilliard Comstock Middle School at 2750 West Steele Lane and Piner High School at 1700 Fulton Road.

Access/Transportation

Access to the neighborhood is primarily by way of West College Avenue, and Stony Point Road. West College Avenue provides convenient access from downtown Santa Rosa and U.S. Highway 101, while Stony Point Road provides access to State Highway 12. Freeway access is good, with a full U.S. Highway 101 interchange located approximately 1.5 miles to the east of the subject at West College Avenue and a State Highway 12 interchange located approximately 1.25 miles southeast of the subject at Stony Point Road.

The subject neighborhood is served by Santa Rosa CityBus with daily bus service on the half-hour Monday through Friday and limited weekend service. Intercity service is provided by Sonoma County Transit; inter-regional service is provided by Golden Gate Transit with transfers available at the transit mall on Second Street in downtown Santa Rosa. However, private automobile is still the primary means of transportation in the area.

Conclusion

The neighborhood's proximity to parks, recreational facilities, neighborhood and regional shopping, schools, employment centers and freeway access are all deemed to be average to good. The area is predominantly built out, and the subject represents the largest infill parcel available

for development or redevelopment in the general vicinity. The outlook for the subject neighborhood is positive.

LAND ANALYSIS

Address:	2150 West College Avenue Santa Rosa, CA 95401
Location:	The subject site is located along the south side of West College Avenue, directly south of the intersection with Navarro Street in the City of Santa Rosa, County of Sonoma, California.
Assessor's Parcel Number:	010-320-029
Census Tract:	1530.02
Shape:	The site is irregularly shaped.
Frontage:	679 feet along West College Avenue
Access:	Average
Site Visibility:	Average-Good
Size:	The subject site comprises 7.46 gross acres, or 324,958 gross square feet. College Creek extends across the southerly and easterly boundaries of the site and reduces the usable acreage. The current owners have marketed the property subject to reserving a flood control maintenance easement impacting a 1.67 acre area. This area has been excluded from the site's net usable area based on the legal description and the appraisers' review of the parcel map overlaid with aerial photography. The subject site is therefore considered to comprise 5.79 usable acres, or 252,212 usable square feet. The non-usable area is indicated by a dashed line on the Assessor's Parcel Map contained at the end of this section.
Topography:	The subject has predominantly level topography at grade. There is a very gentle downslope from north to south, and more steeply downsloping areas along the banks of College Creek, but these areas have been excluded from the site's usable area.
General Plan Land Use Designation:	Medium High Density Residential (18.0 - 30.0 units per acre)

Zoning: R-3-30 (Multi Family Residential)

Zoning Description: The R-3 zoning district is applied to areas of the city appropriate for residential neighborhoods with medium and higher residential densities, to provide home rental and ownership opportunities, and to provide a full range of choices in housing types to improve access to affordable housing. The maximum allowable density ranges from 18 to 30 dwellings per gross acre, with the specific allowable density for each parcel shown on the zoning map by a numerical suffix to the R-3 map symbol. Densities of more than 30 dwellings per gross acre may be allowed within the Mixed Use land use designation of the General Plan. The R-3 zoning district implements and is consistent with the Residential — Medium Density and Medium High Density land use classifications of the General Plan.

In the subject's case, the maximum permissible density is 30 units per gross acre. Since the city ordinance determines permissible density based on gross acreage, it would allow for clustering of units on the developable portion of the site between a minimum of 135 units and a maximum of 223 units, or an effective range of 23.3 to 38.5 units per usable acre.

The zoning permits both single- and multi-family residential development, as well as a variety of other commercial uses. However, the General Plan designation only permits residential development with a range of housing types, including single-family attached and multi-family dwellings. Single-family detached housing is not permitted.

Flood Hazard Area: The subject is located in an area mapped by the Federal Emergency Management Agency (FEMA). The subject is located in FEMA flood zone X (unshaded), which is not classified as a special flood hazard area.

FEMA Map Number: 06097C0709E
FEMA Map Date: December 2, 2008

Earthquake Hazard Area: The subject site is not located in an Alquist Priolo Special Studies Zone.

Public Utilities:
Electricity: PG&E
Natural Gas: PG&E

Water: City water
Sewer: City sewer

Site Status: The subject comprises a finished lot with all street improvements in place, but lacks any subdivision or development entitlements. Extensive new infrastructure would be required of any new development.

Improvements: The subject site is improved with a four-building professional office and warehouse complex comprising 37,255 gross square feet which was built in stages between 1981 and 1987. The buildings had reportedly been vacant for several years as of the date of valuation and were in generally poor to fair condition, with numerous instances of deferred maintenance. As a result of the previous legally non-conforming use being discontinued for more than six months, the buildings have lost their legal non-conforming status, and any future use must be in conformance with the current R-3-30 zoning.

Off-Site Improvements:
Curbs & Gutters: Yes
Sidewalks: Yes
Streetlights: Yes

Soil Conditions: The appraisers are not qualified as soil experts and do not possess the skills to determine if the site is contaminated in any manner which might have a negative impact on the overall value of the subject property. The reader of this report is advised to determine the development potential of the site and ensure that no soil contamination exists prior to making any financial commitments on the subject property. This appraisal assumes that the site can be improved to its highest and best use, and that no contamination exists which would negatively impact the subject property.

Biotic Resources: College Creek extends across the southerly and easterly property boundaries; these areas have been excluded from the site's net usable area. Otherwise, the appraisers are unaware of any identified biotic resources or wetlands on the subject site, but are not qualified biologists and do not possess the skills necessary to determine if the site is impacted in any manner which might have a negative effect on the overall value of the subject property. The reader of this report should satisfy himself/herself as to the accuracy of these assumptions

before any loan commitments are made.

Scenic Resources: None

Aviation Constraints: None

Riparian Corridors: There is a creek that extends along the southerly and easterly property boundaries which reduces the net developable area as discussed previously.

Environmental Issues: There are no known adverse environmental conditions on the subject site. Please reference Limiting Conditions and Assumptions.

Easements Issues: The Preliminary Title Report provided by the client was reviewed and no exceptions to title that would materially impact market value were found. As noted previously, the Preliminary Title Report is dated April 27, 2015, and the value opinion set forth herein is subject to and conditioned upon the absence of any easements or encumbrances materially affecting the subject's market value which would have been disclosed in an updated title report.

Encroachments: Physical inspection of the site indicated no observable encroachments.

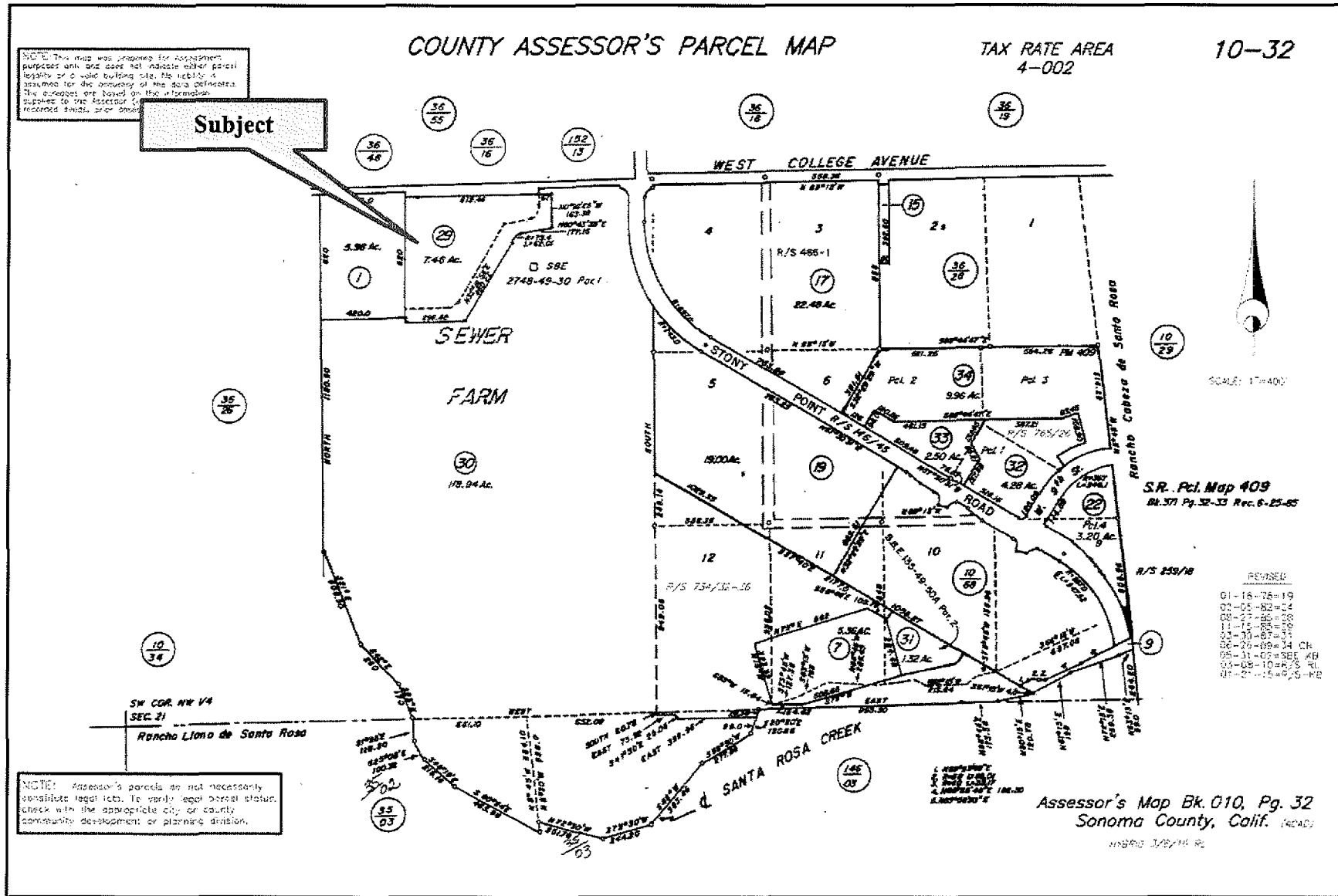
Covenants, Conditions and Restrictions: There were no CC&R's identified in the Preliminary Title Report.

Conclusion

The subject is a functional site that is served by all public utilities. It is impacted by College Creek, but the non-usable area can still be counted toward the determination of the permissible density of future residential development. The usable site area is level to very gently downsloping from street grade. Other than for the presence of College Creek, there are no known adverse conditions likely to negatively impact value and prevent the subject from being developed to its highest and best use.

Copies of the Assessor's Parcel Map, Flood Map, and an Aerial View are contained on the following pages. The Aerial View is from the subject's marketing flyer and the boundaries appear to encompass only the usable portion of the subject, but the parcel boundaries extend farther to the east and south and include significant areas within College Creek.

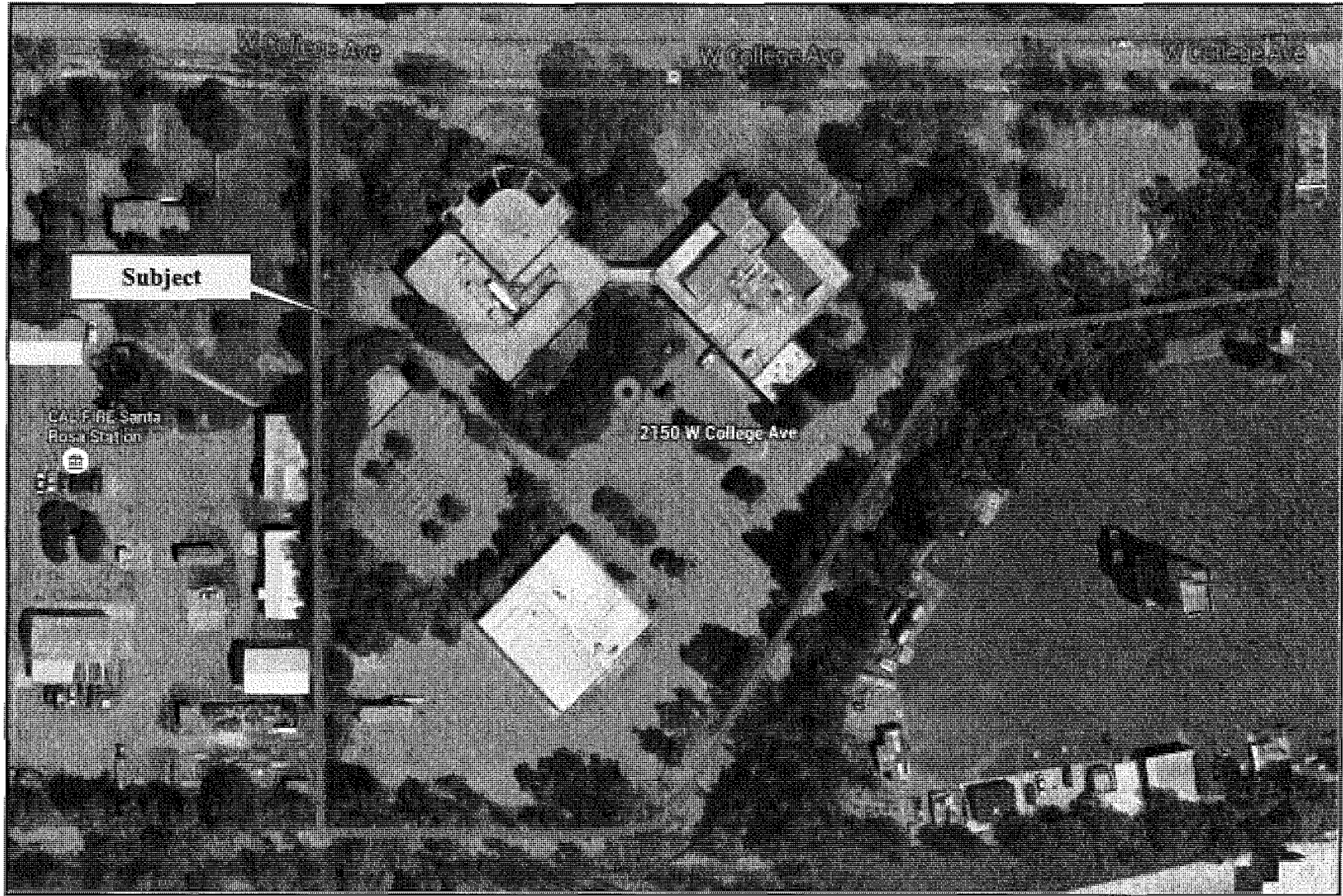
Assessor's Parcel Map



Flood Map



Aerial View



IMPROVEMENT DESCRIPTION

The subject property was inspected on September 12, 2016. The description that follows is based on this inspection, in conjunction with supporting documentation in the form of other consultants' inspection reports and building area figures based on measurements conducted by the appraisers during a previous appraisal of the subject property.

The subject is improved with four buildings. The buildings feature similar concrete tilt-up construction with stucco and dry-vit (synthetic stucco) exteriors. The buildings were built in stages between 1981 and 1987.

The operations and maintenance building was constructed in 1981 and consists of a single-story structure that includes a combination of office and warehouse space. The administration building comprises a one and part-two story structure that is finished as office space, while the garage building consists of a single-story structure; both of these buildings were constructed in 1984. The service center building was constructed in 1987 and is a single-story structure improved as automotive service area. The buildings comprise a total of 37,255 square feet of gross building area.

Based on the appraisers' inspection as well as our review of other consultants' inspection reports from 2014, the improvements are concluded to be in overall poor to fair condition. The buildings have reportedly been vacant for several years, and show numerous signs of deferred maintenance with extensive signs of moisture intrusion on walls and ceilings. Roof areas are noted as being hazardous in some cases, and significant previous roof and ceiling leaks in the buildings are noted, as well as repairs that were done inconsistently with generally accepted contractor practices. The inspection reports also note broken windows and HVAC systems that are past their economic life, as well as a strong likelihood that further inspection would reveal other latent adverse conditions.

The subject improvements comprise structures utilized for office and warehouse use but the site is zoned for residential use. Therefore, while they were occupied, the existing improvements constituted a legal but non-conforming use. However, as a result of being discontinued for longer than six months, their legally non-conforming status terminated. According to the city ordinance, a previous legal non-conforming use shall not be resumed once the use has been terminated for at least six months. Any further use of the site must now comply with all of the regulations of the R-3-30 zoning district and all other applicable provisions of the relevant zoning code. Re-occupancy as office/warehouse would therefore not be legally permissible. While a buyer could theoretically attempt to obtain permits to rehab and occupy the buildings in accordance with the previous office/warehouse use, this appears extremely unlikely and an application for work or usage permits would also trigger a review for ADA compliance. A buyer could also theoretically attempt to convert one or all of the buildings for residential use in accordance with the zoning and General Plan designation, but the costs would in all likelihood be prohibitive, particularly given the configuration of the buildings and their previous commercial use. As discussed in the next section, the highest and best use of the property as improved is considered to be to demolish the existing improvements and redevelop the site.

HIGHEST AND BEST USE

Highest and best use of a property as improved pertains to the use that should be made of an improved property in light of its improvements. The existing improvement is compared with the ideal improvement. The use that maximizes an investment property's value, consistent with the rate of return and associated risk, is its highest and best use as improved. It is to be recognized that in cases where a site has an existing improvement, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use. Thus, the highest and best use requires the estimate of the highest and best use of the land as if vacant.

Analysis of the highest and best use of land or a site as though vacant assumes that a parcel of land is vacant or can be made vacant by demolishing any improvements. The questions to be answered during the analysis of the highest and best use of the land as if vacant are 1) if the land is, or were, vacant, what use should be made of it, and 2) what type of building or other improvement, if any, should be constructed on the land and when?

Highest and best use is an analysis of those uses which are legally, physically and financially feasible. Once the potential uses are identified within these parameters, the most probable highest and best use can be identified.

Highest and Best Use As Vacant

Legally Permissible: Legal uses of a site are governed by land use policies and regulations of local governmental entities. The subject site is zoned R-3-30; Multi Family Residential by the City of Santa Rosa and has a General Plan land use designation of Medium High Density Residential (18.0 - 30.0 units per acre). The zoning does conform to the General Plan land use designation. The General Plan and zoning descriptions in the Land Analysis discussion detailed the types of uses that would generally be permitted on the subject site. Based on discussions with city planning staff, any near-term change in the subject's zoning or General Plan designation is considered very unlikely. Therefore, legally permissible uses comprise either attached single-family or multi-family residences, but not detached single-family residences.

Physically Possible: College Creek extends across the southerly and easterly boundaries of the site. This flood control channel cannot be developed, and the site has been marketed for sale with the explicit condition that an easement for flood control maintenance be reserved over this area, which is specified as comprising 1.67 acres. However, while this area cannot be developed, it still counts toward the calculation of potential density, since the city's ordinance allows for clustering and density to be calculated based on gross acreage. Otherwise, there are no known site characteristics which would prevent the development of the subject property as outlined in the Site Analysis, predicated upon the assumption that the site is free of contamination from toxic wastes. The site is not located within a special flood hazard area, nor is it located within a special studies zone. Other than for the areas within College Creek, the topography of the site is level to very gently downsloping to the south, and lends itself well to the development of legally permissible uses. Therefore, the subject site is capable of physically supporting the development of either attached single-family or multi-family residences.

Financially Feasible: The highest present value to the owners of the subject would be for development of a multi-family residential project. Current land prices, costs and improved values are such that there appear to be sufficient profits available to render immediate development of the uses feasible.

Without a specific development project budget, it is impossible for us to determine feasibility for certain. However, while creek setbacks would need to be observed, site development costs would in all likelihood be relatively modest as a result of the level topography and large site area which would contribute to economies of scale, although the size would also add a significant element of risk should market conditions begin to stagnate. Nonetheless, multi-family development once again appears feasible in Sonoma County. There have been several large developments constructed in the last few years in both Santa Rosa and Rohnert Park, and the appraisers have also appraised other new multi-family projects in 2016 and determined that at budgeted costs, development is feasible, with ample entrepreneurial incentive available to the developer. This even includes one project which included affordable units for very low and low income households, which some market rate developers have historically written off as having no value. Development of multi-family residences is therefore considered financially feasible.

Development with attached single-family residences may also be financially feasible, but market support is scarce for the demand for for-sale housing on what would be very small lots at this density range. The high relative density and market conditions would appear to better support development with multi-family residential uses.

Maximally Productive: The test of maximum productivity is applied to the uses that have passed the first three tests. Of the financially feasible uses, the highest and best use is the use that produces the highest residual land value consistent with the market's acceptance of risk and reward. In the subject's case, the maximally productive use is for development of multi-family residences.

As Vacant - Conclusion: The highest and best use of the subject site as if vacant is considered to be the development of multi-family residential uses.

Highest and Best Use As Improved

Legally Permissible: The existing subject buildings were previously a legal but non-conforming use. However, the current owners moved out of the buildings several years ago and discontinued their use. Given the city ordinance regarding non-conforming uses and structures, since the use was discontinued for longer than six months, the legal non-conforming status was terminated. All future uses must conform to the current R-3-30 zoning ordinance. Note that according to Andrew Trippel, a planner in the City of Santa Rosa Department of Planning & Economic Development, the General Plan does not restrict permissible uses in this instance the way it would in the case of a brand new development, and thus a wider variety of uses permitted by the zoning would be possible. However, it is noted that office/warehouse use is not permissible in an R-3 zone.

Therefore, for the purposes of this analysis, the former office/warehouse use cannot be resumed. Legally permissible uses are considered to comprise either converting the existing buildings for some alternate use, or demolition and redevelopment with legally permissible residential uses.

Physically Possible: The subject improvements were constructed between 1981 and 1987 and are considered to be in generally poor to fair condition. Rehabbing the buildings and converting them to another permissible use would be physically possible, but the costs would in all likelihood be prohibitive, and demolition and redevelopment is considered the most viable alternative.

Financially Feasible: The highest present value to the subject owners would be to demolish the existing improvements and redevelop with a multi-family residential project. Given the size, layout, office/warehouse configuration and, most importantly, the condition of the improvements with significant deferred maintenance, there does not appear to be a likely buyer for the subject property who would either be intending to rehab the buildings or somehow repair and convert some or all of the buildings to a legally permissible use. The typical buyer would most likely demolish the existing improvements to allow for redevelopment with a 100% new residential project within the permissible density range.

The existing buildings comprise 37,255 square feet of gross building area. Based on *Marshall Valuation Service* cost factors, demolition costs for the building improvements are estimated at \$10.00 per square foot, which reflects demolition, loading, hauling and dumping, as well as contingency. This equates to a figure of \$372,550. The buildings were all constructed after 1978, and so are assumed not to require any sort of hazardous materials abatement for such things as lead paint or asbestos. The extensive asphalt paving throughout the site would also require demolition. This cost is estimated at \$1.25 per square foot based on Marshall and applied to an estimated 4.00 acres of site area based upon the appraisers' inspection and a review of aerial photos, equating to a figure of \$217,800. The subtotal of these additional costs equates to \$590,350, which is rounded to \$590,000 and reflects total projected demolition costs. These estimates are intended to be somewhat conservative (high) in order to reflect the most likely buyer's projections given the lack of any current bid information regarding demolition. While this is clearly a significant amount, demolition would subsequently enable redevelopment of the subject site.

The market value of the subject property is concluded herein to be \$4,200,000, which equates to \$113 per gross square foot of building area. Given the significant deferred maintenance, relatively large size and unconventional configuration of space between four buildings, this is higher than a typical buyer would be projected to pay for the property with the structures in their current condition. Therefore, given the projected demolition costs, the highest return to the owners is considered to be generated by demolishing the existing improvements and redeveloping with multi-family residential uses.

As Improved - Conclusion: The highest and best use of the subject property as improved is demolition of the existing improvements and redevelopment with multi-family residential uses.

APPRAISAL PROCESS

There are three basic approaches that may be utilized by appraisers in the estimating of market value for the subject improvements. These three approaches provide data from the market from three different sources when all are available. These three approaches include the Cost Approach, the Sales Comparison Approach and the Income Approach.

The Cost Approach is based upon an assumption that an informed purchaser would pay no more for a property than the cost of producing a substitute property with the same utility as the subject. In the Cost Approach, value is estimated by comparing the current cost of replacing the subject improvements, and then subtracting depreciation for physical deterioration and functional or economic obsolescence. The cost of replacing a property is generally estimated on a per square foot basis using a construction cost manual published by a recognized cost reporting service, and through continued cost updating by the appraiser to account for local conditions. The value of land is added to the depreciated cost of the improvements for the final value indication by this approach.

The Sales Comparison Approach is based upon the assumption that an informed purchaser will pay no more for a property than the cost of acquiring an existing property of the same utility. This approach estimates market value by comparing the sales prices of recent similar transactions with the various attributes of the property under appraisal. Any dissimilarities are resolved by making appropriate adjustments. These differences may pertain to time, age, location, construction, condition, size or external economic factors.

Also analyzed within the Sales Comparison Approach is the relationship between the gross income and sales price. This ratio, called the Gross Income Multiplier (G.I.M.), when properly extracted from the market, may be used to indicate the value of the subject property. The Sales Comparison Approach often provides a highly supportable estimate of value for homogeneous properties. For larger and more complex properties, the required adjustments often become numerous and more difficult to estimate.

The Income Approach converts the anticipated future benefits of property ownership (dollar income) into an estimate of present value. The Income Approach is generally selected as the preferred technique for income-producing properties because it most closely reflects the investment rationale and strategies of typical buyers. To utilize the Income Approach, the appraiser must project net income, select an appropriate capitalization rate and then capitalize the net income into value, applying the proper discounting procedure.

Normally, these three approaches will each indicate a different value. After all of the factors in each of the approaches have been carefully weighed, the indications of value derived from each of the approaches are correlated to arrive at a final opinion of value.

Analyses Applied

A **Cost Approach** was considered and was not developed because it does not reflect the motivation of the typical buyer in the market for a property with the subject's same characteristics.

A **Sales Comparison Approach** was considered and was developed because market participants consider similar type properties when determining the subject's market value and thus the Sales Comparison Approach is utilized in the analysis.

An **Income Approach** was considered and was not developed because the subject is not a typical income producing property.

MARKET VALUE AS IS

When appraising commercial and/or residential property, it is customary to value the land as though vacant and able to be developed to its highest and best use. The preferable method of determining the market value of the fee simple interest of the subject site is by comparison to properties that have recently sold, are listed for sale or are under contract. Comparable properties are analyzed and compared with the subject property.

The comparative analysis performed in this approach focuses on similarities and differences among properties, and transactions that impact market value. These may include differences in the property rights appraised, the motivation of buyers and sellers, financing terms, market conditions at the time of sale, size, location, utility of the site, zoning and site conditions. The various attributes of comparison are tested against market evidence to determine their relative importance, if any.

The appraisers confirmed the sales with at least one party to the transaction and verified all characteristics discussed in the analysis with either public sources, such as site size from County Assessor's records, or from parties to the transaction, including buyers, sellers or agents.

In addition to the following comparable sales, we also analyzed one recent contract as well as a very recent offer, both for properties in the subject's close vicinity.

The first property was not utilized as a comparable due to erroneous information initially provided by the listing agent, which the appraisers were not able to correct based on discussions with city planning staff until immediately before this report was completed and delivered. A 4.83 acre level site at 2199 Marlow Road was placed in contract in August 2016 for \$3,800,000, or \$18.06 per square foot. The site is selling without entitlements, although the buyer has a reasonable due diligence period before he needs to close. There are three older residences, but neither party allocated them any contributory value other than for interim income and impact fee credits offsetting demolition costs. The site is zoned R-3-18. The location, impact fees, topography and size are all similar to the subject's. Upward adjustment would be warranted for its lower density, while a smaller downward adjustment would be indicated for its average site utility, equating to an adjusted value indication of approximately \$19 to \$20 per square foot for the subject.

The second property has not been utilized as a comparable as it does not reflect an actual sale or contract, and as the appraisers were not able to confirm the information until immediately before this report was completed and delivered. A 3.92 acre level site at 1385 West College Avenue was placed on the market in the Summer of 2016 for \$3,100,000, or \$18.15 per square foot. An existing residence was built in 1915 and was considered to have no contributory value. The site features the same R-3-30 zoning as the subject. The listing agent, John Poletti, stated that he had received two offers, and while he did not precisely confirm their prices, he said they would not be accepting any further offer for any less than the full listing price, and strongly indicated that at least one offer was for that price. He also noted that the offers were contingent upon entitlements, but had reasonable due diligence periods of less than one year.

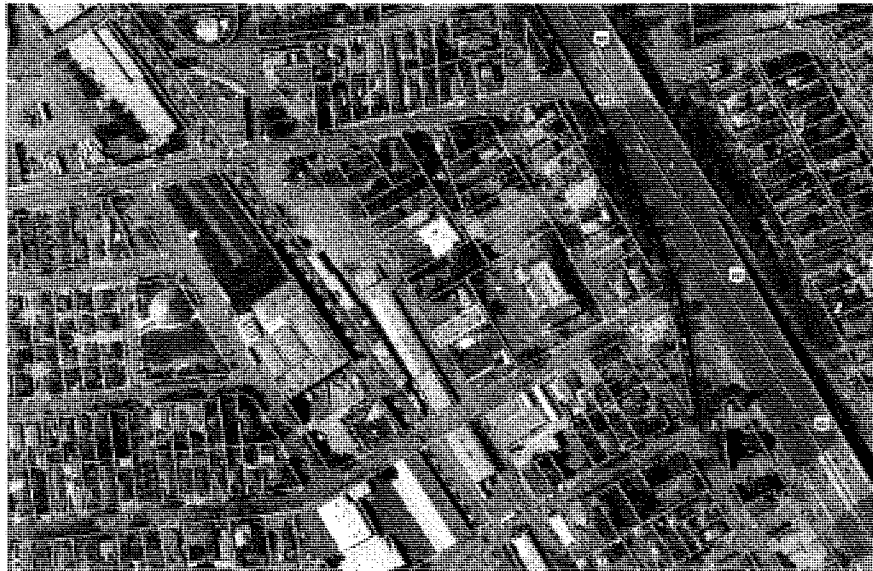
This site would warrant upward adjustment for its inferior effective density (based on the subject's non-usable site area which can be counted toward permissible density), but downward

adjustment for its superior entitlement status and average site utility. At the full listing price, it would reflect an adjusted value indication of roughly \$16 to \$17 per square foot. However, as of the date of valuation, a third developer group had informed Mr. Poletti that they were about to submit another offer which would reportedly be "well over asking price". Mr. Poletti could not guarantee what the price would be, and stated that the sellers would not wait indefinitely, but that he considered this third group to be a serious and capable buyer.

Both of these sites strongly support the value conclusion set forth herein.

Included below are the comparable land sales followed by a locational map, summary table and analysis and conclusion of land value.

Land Comparable 1



Transaction

Land Type	Multifamily Residential	Date	N/A
APN	010-091-005	Transaction Type	In Contract
Address	701 Wilson Street	Price	\$4,500,000
City	Santa Rosa	Adjustments to Price	\$119,000
County	Sonoma	Adjusted Price	\$4,619,000
Grantor	Quattrocchi	Price Per Land SF	\$57.94
Grantee	Phoenix Development	Days on Market	N/A
Doc#	N/A	Verification Source	Loren Brueggmann
Financing	See Comments	Affiliation	Buyer

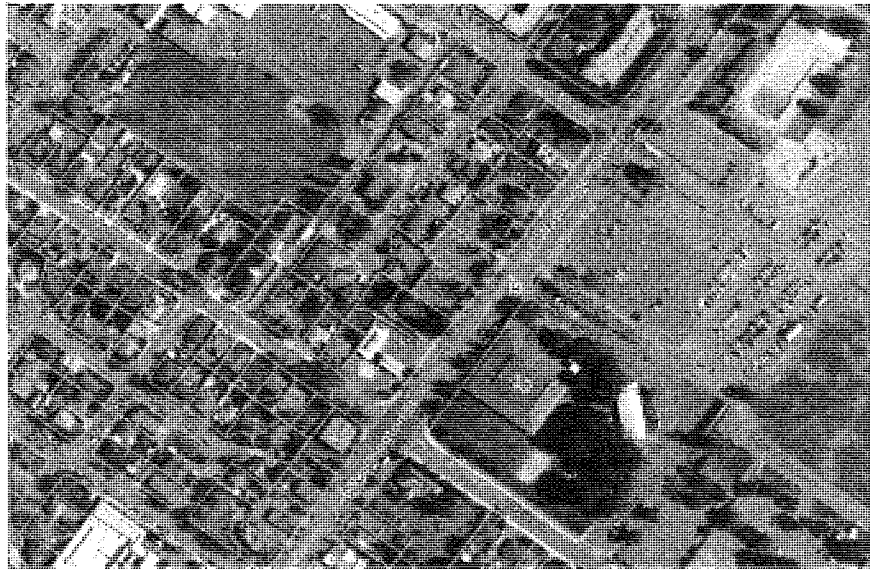
Site

Gross Land Area (AC)	1.83	Site Status	Raw
Gross Land Area (SF)	79,715	Entitlements	Contingent Upon Entitlements
Usable Land Area (AC)	1.83	Topography	Level
Usable Land Area (SF)	79,715	Utilities	All Public Utilities
Zoning	TV-R-SA	Shape	Irregular
General Plan Designation	Transit Village Medium (25 - 40 units/acre)	Improvements of Value	5,000 SF Historic Structure

Comments

This is the pending sale of a site entitled for 72 apartments on a long-narrow parcel fronting on the SMART rail corridor, north of Railroad Square. There is a 5,000 SF historic building that will be retained and will house some retail space and function as the clubhouse for the apartment buildings. The seller has the right to contribute \$2 million of purchase price and become a limited partner, though buyer is unsure if they will. Buyer felt this did not impact price. The buyer did have to pay commissions of \$90,000 and demolition costs of \$29,000, which are added as a cost. Escrow expected to close in Fall 2016.

Land Comparable 2



Transaction			
Land Type	Multifamily Residential	Date	N/A
APN	007-022-033, -055 & -058	Transaction Type	In Contract
Address	817 - 825 East Washington Street	Price	\$950,000
City	Petaluma	Adjustments to Price	\$25,000
County	Sonoma	Adjusted Price	\$975,000
Grantor	Curtis	Price Per Land SF	\$30.25
Grantee	N/A	Days on Market	625
Doc#	N/A	Verification Source	Rick Burg
Financing	Cash To Seller	Affiliation	Listing Agent
Site			
Gross Land Area (AC)	0.74	Site Status	Raw
Gross Land Area (SF)	32,234	Entitlements	Contingent Upon Entitlements
Usable Land Area (AC)	0.74	Topography	Level
Usable Land Area (SF)	32,234	Utilities	All Public Utilities
Zoning	MU1A	Shape	Rectangular
General Plan Designation	Mixed-Use	Improvements of Value	No

Comments

Property was placed in escrow without entitlements, but close of escrow was to be 45 days from final approval. Approval occurred May 2016 but buyer is working on a drainage issue and escrow is scheduled to close soon. Project will have 24 apartment units on the upper floors with ground floor parking and tenant amenities (laundry, storage, etc.). Commercial requirement of mixed-use zoning was waived in this case. Price is adjusted for estimated cost to demolish an existing residence.

Land Comparable 3



Transaction			
Land Type	Mixed-Use	Date	June 28, 2016
APN	010-311-028, 125-031-022 and 125-071-014	Transaction Type	Closed
Address	1755 Sebastopol Road	Price	\$7,038,000
City	Santa Rosa	Adjustments to Price	(\$65,000)
County	Sonoma	Adjusted Price	\$6,973,000
Grantor	Canary Asset	Price Per Land SF	\$11.37
Grantee	OSL Properties	Days on Market	750
Doc#	55991	Verification Source	Will Gallaher
Financing	Cash To Seller	Affiliation	Buyer
Site			
Gross Land Area (AC)	14.28	Site Status	Raw
Gross Land Area (SF)	622,037	Entitlements	Tentative Map
Usable Land Area (AC)	14.08	Topography	Level To Gently Sloping
Usable Land Area (SF)	613,325	Utilities	All Public Utilities
Zoning	R-3-15	Shape	Irregular
General Plan Designation	Medium Density Residential (8.0 - 18.0 units per acre)	Improvements of Value	No

Comments

This is the site of a former golf driving range which had been demolished. The site sold with entitlements for The Villas, consisting of 197 townhomes ranging from 1,417 to 1,600 sf as well as 5,000 sf of commercial space. Buyer is a senior housing/assisted living facility developer and will slightly modify the entitlements to develop the same number of market rate multi-family units instead in a project to be known as Sebastopol Road Townhomes. The commercial portion of the site comprises 0.72 gross and 0.52 usable acres and will now be developed with the apartment leasing office and common amenities facilities rather than rental space. Price adjusted down by \$65,000 for estimated fee credits due to previous construction. Site costs will be high given undulating topography and need for sound wall along extensive Highway 12 frontage. The seller was First Community Bank, of which the buyer is the Chairman of the Board, but the site was marketed conventionally for a significant time and there was strong competition and reportedly multiple offers from other buyers around a similar price, so the price is considered to be at market with no adjustment indicated for the REO sale conditions or a possibly less than 100% arms' length transfer. Long time on the market was partly due to site having fallen out of a previous escrow at a similar price.

Land Comparable 4



Transaction

Land Type	Multifamily Residential	Date	December 24, 2015
APN	041-161-030	Transaction Type	Closed
Address	1300 Range Avenue	Price	\$4,100,000
City	Santa Rosa	Adjustments to Price	\$0
County	Sonoma	Adjusted Price	\$4,100,000
Grantor	Finafi Family Partnership I	Price Per Land SF	\$18.90
Grantee	Annadel Phase II	Days on Market	NA
Financing	Cash To Seller	Verification Source	Jim Brown
Doc#	109397	Affiliation	Listing Agent

Site

Gross Land Area (AC)	4.98	Site Status	Raw
Gross Land Area (SF)	216,929	Entitlements	Contingent Upon Final Design Review
Usable Land Area (AC)	4.98	Topography	Level
Usable Land Area (SF)	216,929	Utilities	All Public Utilities
Zoning	R-3-30	Shape	Irregular
General Plan Designation	Medium-High Density Residential (18.0 - 30.0 units per acre)	Improvements of Value	No

Comments

Buyer was able to make closing contingent upon obtaining all final discretionary approvals for 120 market rate apartments in the second phase of Annadel Apartments. The project site included a General Plan park overlay, but all dedication was addressed in the first phase, and this site is to be fully developed with multi-family units. Location near Coddington and a future SMART station is a positive.

Land Comparable 5



Transaction

Land Type	Multifamily Residential	Date	June 27, 2016
APN	044-051-032, et al.	Transaction Type	Closed
Address	2630 Petaluma Hill Road	Price	\$1,850,000
City	Santa Rosa	Adjustments to Price	\$470,625
County	Sonoma	Adjusted Price	\$2,320,625
Grantor	Regency-Alliance SR	Price Per Land SF	\$11.17
Grantee	Kawana Springs By Vintage	Days on Market	~700
Doc#	55699	Verification Source	Ron Reinking
Financing	Cash To Seller	Affiliation	Listing Agent

Site

Gross Land Area (AC)	4.77	Site Status	Raw
Gross Land Area (SF)	207,781	Entitlements	Unentitled
Usable Land Area (AC)	4.77	Topography	Level
Usable Land Area (SF)	207,781	Utilities	All Public Utilities
Zoning	CSC	Shape	Rectangular
General Plan Designation	MDR (8-18 du/a) & Retail & Business Services	Improvements of Value	No

Comments

Site comprises nine contiguous parcels at the SEC of Kawana Springs and Petaluma Hill Roads. Had old expired entitlements for 98 townhomes and commercial. Zoning requires mixed-use and buyers originally wanted 115 units and no commercial but were rebuffed and plans are for 96 units and undetermined but minimal commercial space. Site will not require CTS mitigation but will need mitigation for 0.10 acres of on-site wetlands and plants with total cost estimated at \$70,625. The original contract price was \$2.25 million but soils contamination was found during escrow; seller agreed to fully discount price for projected soils remediation. The closing price of \$1,850,000 has thus been adjusted upward by \$470,625 to reflect \$400,000 in projected soils remediation along with the wetlands mitigation. Adjusted price thus reflects a clean, fully developable site. Sale was not contingent on entitlements at close of escrow.

Land Comparable 6



Transaction

Land Type	Multifamily Residential	Date	N/A
APN	044-041-034 and -096	Transaction Type	In Contract
Address	500 Kawana Springs Road	Price	\$2,695,000
City	Santa Rosa	Adjustments to Price	\$0
County	Sonoma	Adjusted Price	\$2,695,000
Grantor	Gateway Financial Corp., et al.	Price Per Land SF	\$17.43
Grantee	N/A	Days on Market	720+
Doc#	N/A	Verification Source	Catherine Chapnick
Financing	Cash To Seller	Affiliation	Listing Agent

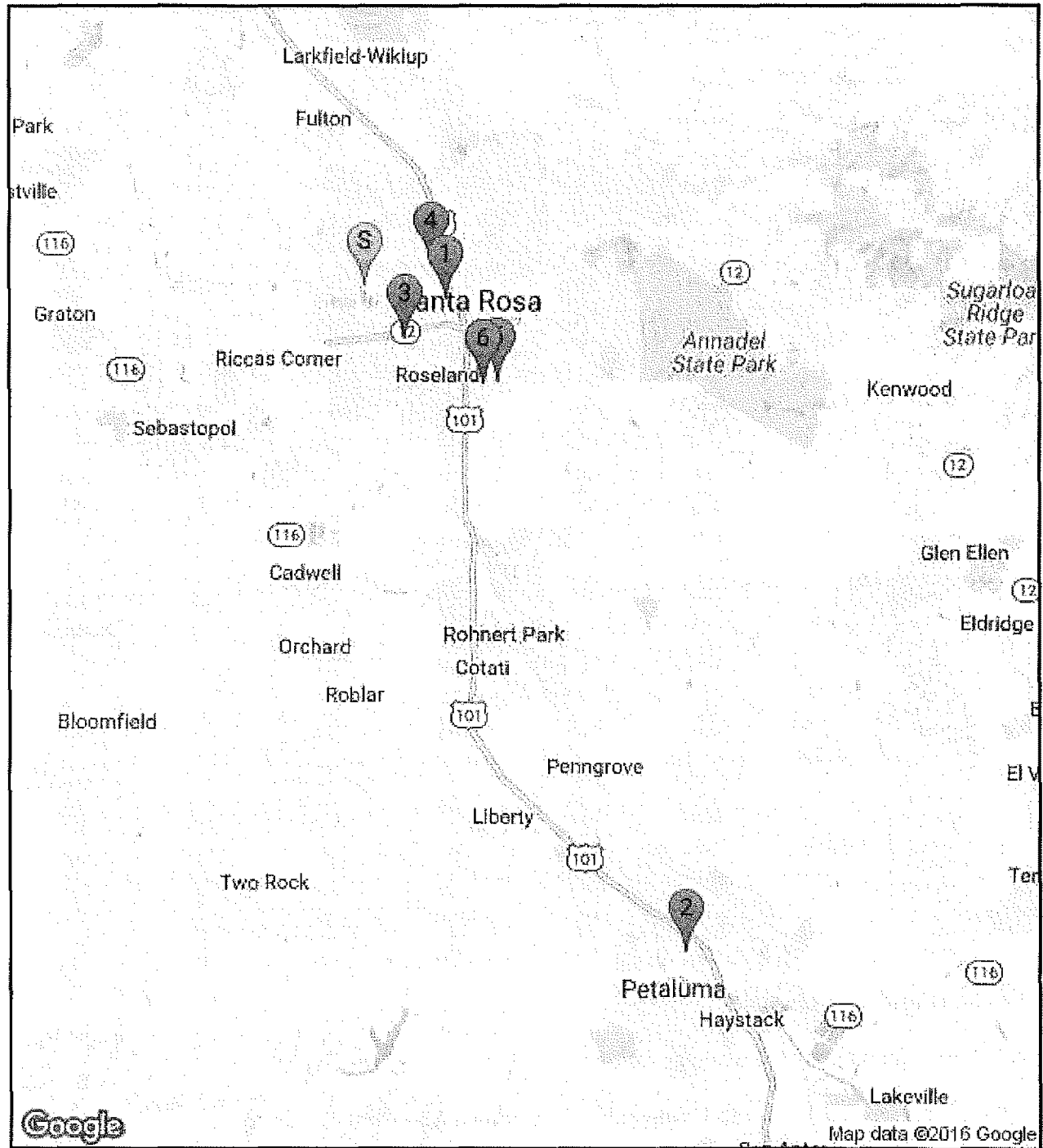
Site

Gross Land Area (AC)	3.67	Site Status	Raw
Gross Land Area (SF)	159,865	Entitlements	Contingent Upon Final Design Review
Usable Land Area (AC)	3.55	Topography	Level
Usable Land Area (SF)	154,638	Utilities	All Public Utilities
Zoning	PD and RR-40	Shape	Irregular
General Plan Designation	Medium-High Density	Improvements of Value	No

Comments

Two parcels situated just across Kawana Springs Road from Santa Rosa Marketplace shopping center. Buyers intend to develop a memory care assisted living facility with 120 units and have agreed to pay full listing price of \$1,950,000 for larger parcel as well as \$745,000 for an adjacent 1.00 gross acre parcel. Closing is projected for 2017 and is contingent upon buyers receiving full design review entitlements. Northerly boundaries are encumbered by public utility and sidewalk easements which reduce net usable area as shown above. An older SFR/office had no contributory value.

Land Comparable Map



Land Comparable Summary and Adjustments

Land Analysis Grid	Comp 1	Comp 2	Comp 3	Comp 4	Comp 5	Comp 6	
Address	2150 West College Avenue	701 Wilson Street	817 - 825 East Washington Street	1755 Sebastopol Road	1300 Range Avenue	2630 Petaluma Hill Road	500 Kawana Springs Road
City	Santa Rosa	Santa Rosa	Petaluma	Santa Rosa	Santa Rosa	Santa Rosa	Santa Rosa
State	CA	CA	CA	CA	CA	CA	CA
Date	9/12/2016	In Contract	In Contract	6/28/2016	12/24/2015	6/27/2016	In Contract
Price		\$4,500,000	\$950,000	\$7,038,000	\$4,100,000	\$1,850,000	\$2,695,000
Adjustments to Price		\$119,000	\$25,000	-\$65,000	\$0	\$470,625	\$0
Adjusted Price		\$4,619,000	\$975,000	\$6,973,000	\$4,100,000	\$2,320,625	\$2,695,000
Usable Land Area (SF)	252,212	79,715	32,234	613,325	216,929	207,781	154,638
Price per SF		\$57.94	\$30.25	\$11.37	\$18.90	\$11.17	\$17.43
Transaction Adjustments							
Property Rights	Fee Simple	Fee Simple	0%	Fee Simple	0%	Fee Simple	0%
Financing	Cash to Seller	See Comments	0%	Cash To Seller	0%	Cash To Seller	0%
Conditions of Sale	None	None	0%	None	0%	REO	0%
Price per SF		\$57.94	\$30.25	\$11.37	\$18.90	\$11.17	\$17.43
Market Trends Through	9/12/2016	15%	0%	0%	3%	11%	3%
Price per SF		\$57.94	\$30.25	\$11.70	\$20.90	\$11.50	\$17.43
Location	NWSR	Superior	Superior	Inferior	Similar	Inferior	Inferior
% Adjustment		-15%	-25%	20%	0%	10%	10%
\$ Adjustment		-\$8.69	-\$7.56	\$2.34	\$0.00	\$1.15	\$1.74
Impact Fees	NWSR	Similar	Higher	Higher	Similar	Higher	Similar
% Adjustment		0%	27%	27%	0%	48%	0%
\$ Adjustment		\$0.00	\$8.18	\$3.21	\$0.00	\$5.54	\$0.00
Usable Land Area (AC)	5.79	1.83	0.74	14.08	4.98	4.77	3.55
% Adjustment		-5%	-15%	5%	0%	0%	0%
\$ Adjustment		-\$2.90	-\$4.54	\$0.59	\$0.00	\$0.00	\$0.00
Topography	Level	Level	Level	Level To Gently Sloping	Level	Level	Level
% Adjustment		0%	0%	5%	0%	0%	0%
\$ Adjustment		\$0.00	\$0.00	\$0.59	\$0.00	\$0.00	\$0.00
Zoning	R-3-30	TV-R-SA	MU1A	R-3-15	R-3-30	CSC	PD and RR-40
% Adjustment		0%	0%	0%	0%	5%	5%
\$ Adjustment		\$0.00	\$0.00	\$0.00	\$0.00	\$0.58	\$0.87
Density (DU/AC)	23.3 - 38.5	39.3	32.4	14.0	24.1	20.1	33.8
% Adjustment		0%	5%	25%	10%	15%	5%
\$ Adjustment		\$0.00	\$1.51	\$2.93	\$2.09	\$1.73	\$0.87
Entitlements	Unentitled	Contingent Upon Entitlements	Contingent Upon Entitlements	Tentative Map	Contingent Upon Final Design Review	Unentitled	Contingent Upon Final Design Review
% Adjustment		-10%	-10%	-30%	-15%	-5%	-15%
\$ Adjustment		-\$5.79	-\$3.02	-\$3.51	-\$3.14	-\$0.58	-\$2.61
Site Utility	Creek/Shape	Shape	Typical	Shape	Typical	Typical	Typical
% Adjustment		0%	-5%	0%	-5%	-5%	-5%
\$ Adjustment		\$0.00	-\$1.51	\$0.00	-\$1.05	-\$0.58	-\$0.87
Price per SF		\$40.56	\$23.31	\$17.84	\$18.81	\$19.34	\$17.43
Net Adjustments		-30%	-23%	52%	-10%	68%	0%
Gross Adjustments		30%	87%	112%	30%	88%	40%

Analysis and Conclusions

Economic adjustments are made as follows:

Adjustments To Price: Land Comparable 1 is adjusted upward for the buyer's added costs of paying a broker commission and some demolition. Land Comparable 2 is adjusted upward for the estimated cost of demolishing an existing home. Land Comparable 3 is adjusted downward for impact fee credits due to previous construction. Land Comparable 5 is adjusted upward for soils remediation and wetlands mitigation costs.

Real Property Rights Conveyed: A transaction price is always predicated on the real property interest conveyed. In the case of the comparable sales, all the sales sold as fee simple interests, the appraised subject site interest, and thus, no real property rights adjustments are required.

Financing Terms: Except for Land Comparable 1, all of the sales utilized were sold all cash to the seller, and thus no cash equivalency adjustments were required. The seller for Land Comparable 1 has the option to contribute \$2 million and become a limited partner in the development venture, but it was unclear if this was going to ultimately take place, and the buyer felt this did not impact the selling price.

Conditions of Sale: Adjustments for conditions of sale usually reflect the motivations of the buyer and the seller. When non-market conditions of sale are detected in a transaction, an adjustment may be required. The market for the subject property is sufficiently active so that there were no unusual market conditions or atypical motivations during the period in which the sales occurred that would require an adjustment. While the seller for Land Comparable 3 was First Community Bank, of which the buyer is the Chairman of the Board, this site had been marketed for a significant period of time and there were multiple offers at similar prices; therefore, no adjustment is considered to be warranted.

Market Conditions: Comparable sales that occurred under different market conditions than those applicable to the subject on the date of value require adjustment for any differences that affect their values. This set of comparables consists of three current escrows as well as sales which closed between December 2015 and June 2016. The for-rent housing market has continued to improve over this time period, and discussions with local agents with significant recent experience marketing residential development land in the subject's local market area indicate that values for this type of land have also grown over this period. It is much more difficult to extract a precise growth rate given the greater scarcity of land sales relative to improved sales, but based on the growth in multi-family housing prices and upon discussions with market participants, the appraisers have applied upward adjustments to those comparables that are closed sales at an annualized rate of 15%.

No adjustments were considered necessary for differences in the availability of utilities. Similarly, while there were slight differences in terms of site status, the subject site and all of the comparables would require extensive new infrastructure as a condition of development, and no adjustments were considered to be warranted for differences in site status.

Further adjustments for material differences between the subject and comparable sales are described as follows:

Location: The subject's location has been discussed previously; the subject features good access to support services in an established residential neighborhood in close proximity to Stony Point Business Park and Finley Community Center. Housing prices are generally lower than median levels for the city as a whole, but only modestly so and this is partially a result of the lack of recent newer construction in the area. Land Comparable 1 is located in Northwest Santa Rosa but in the Railroad Square district, in greater proximity to downtown and in particularly close proximity to the future SMART station. This area features a wide variety of uses and generally older structures in fair to average condition, and has historically featured relatively low property values as a result, but demand for new residential units in such proximity to downtown and walking distance to SMART is projected to be very good, and a 15% downward adjustment has been made. Land Comparable 2 is located in Petaluma, which features generally higher property values and rents than Santa Rosa. This site is also located with excellent proximity to services, although there could be some offsetting impact from the location directly on East Washington

Street, a major commercial arterial. A downward adjustment of 25% has been made. Land Comparable 3 is located in Southwest Santa Rosa, immediately south of State Highway 12 and just east of Stony Point Road. This property features good access to services, but Southwest Santa Rosa features markedly lower property values and the adjacent highway also detracts from the site's appeal as a residential location. An upward adjustment of 20% has been made for the inferior location. Land Comparable 4 is located in an area of Northwest Santa Rosa which features some heavy commercial uses as well as other apartments and lower cost single-family housing, but is also located in close proximity to Coddington Mall and a new Sonoma Marin Area Rapid Transit station which will be built. Overall, the location is considered similar. Land Comparable 5 is located in Southeast Santa Rosa. While the quality, condition and variety of properties in the greater surrounding neighborhood are generally below average, this is an area which has experienced significant redevelopment over the past decade. A 10% upward adjustment has been made. Land Comparable 6 is also located in Southeast Santa Rosa, in close proximity to Land Comparable 5 and directly across from Santa Rosa Marketplace, a large regional shopping center with numerous big box anchors. A 10% upward adjustment has also been made to this sale.

Impact Fees: Impact fees can vary substantially between different cities, or even between different sectors of the same city. Adjustments for differences in projected impact fees are less precise in the case of properties such as the subject, where a precise development density has not been determined, but it is still a significant consideration for developers, as higher impact fees will reduce the residual land value, all other attributes being equal. The subject is located within Northwest Santa Rosa and would feature typical impact fees for that location. Land Comparables 1 and 4 are also located in Northwest Santa Rosa and would feature similar overall fees. Land Comparable 6 is located in Southeast Santa Rosa and would also feature similar fees. Land Comparable 5 is also located in Southeast Santa Rosa but is within the boundaries of the Southeast Area Plan (while Land Comparable 6 is not). Impact fees in this area are higher than those in most other parts of Santa Rosa (and also other areas of the county), due to a special development impact fee required for new construction in this area. Given this comparable's General Plan designation and associated density range, this comparable's projected impact fees are projected to be approximately \$12,000 per unit higher than the subject's. Given this project's density of 20.1 units per acre, this equates to an upward adjustment of \$241,200 per acre, or \$5.54 per square foot as shown in the preceding table. The adjustment is not precise as it does not reflect the subject's higher density, which is adjusted for separately, but is still considered a reasonable reflection of the adjustment a developer would require commensurate with the impact of the higher fees. Land Comparables 2 and 3 are located in Petaluma and Southwest Santa Rosa, respectively, and have also been adjusted for their higher projected impact fees.

Usable Land Area: Land Comparables 1 and 2 have been adjusted downward for their smaller sizes, reflecting the fact that developers will typically pay more on a per square foot basis for smaller projects than for larger ones, all other attributes being equal. Note that the adjustments are reflective of the overall investment magnitude of the sales and not just their acreage. Land Comparable 3 has been adjusted upward for its larger size, while the other comparables are considered relatively similar to the subject in terms of size with no adjustments considered to be indicated.

Topography: The usable portion of the subject features level topography, as do all of the comparables except for Land Comparable 3. While Land Comparable 3 has a generally level

slope overall, it also features undulating topography as a result of the previous golf driving range use, and the additional grading which will be necessary will add to site development costs. It has therefore received a 5% upward adjustment.

Zoning: The subject and Land Comparables 1 through 4 feature residential zonings that will allow for the proposed projects. For Land Comparables 5 and 6, development will require a re-zoning, adding some risk to the development process. These comparables have received 5% upward adjustments based on their inferior zoning status.

Density: The subject site can be developed with up to 38.5 units per usable acre, although it is uncertain what density would ultimately be approved. Land Comparables 2 through 6 have been adjusted upward for their inferior lower density, as developers will typically pay more on a per square foot basis for sites that can be developed to a greater intensity, all other attributes being equal. Land Comparable 1 is proposed for development at 39.3 units per acre, and does not warrant adjustment.

Entitlements: The subject lacks any subdivision or development entitlements. Land Comparable 5 also lacked entitlements at the time of sale, but the buyers had engaged in substantial pre-entitlement discussions with city officials regarding potential development before they purchased the site, and a 5% downward adjustment has been made to this sale.

Land Comparable 3 sold with an approved tentative map in place. Based on paired sales of land selling with and without entitlements, and upon discussions with market participants, we have made a downward adjustment of 30% to this comparable.

The buyers for the other comparables were able to making closing contingent upon obtaining entitlements. While the prices paid still reflected raw land without entitlements, they were able to remove significant risk by not having to close until approvals had been granted. Land Comparables 1 and 2 have received downward 10% adjustments, while the buyers for Land Comparables 4 and 6 were able to make closing contingent upon receiving full entitlements including design review approval, and have received downward 15% adjustments.

Site Utility: The need to observe proper setbacks and avoid any development within College Creek and the proposed flood control channel easement area to be reserved as a condition of any sale will likely add somewhat to site development costs given the greater survey work required. The site utility of Land Comparables 1 and 3 are affected by their irregular long and narrow shape which limit potential site developments, and no adjustments are made. The other comparables feature typical site utility and have received 5% downward adjustments.

Market Value As Is Conclusion

After the above adjustments, the comparable sales indicate a range of \$17.43 to \$40.56 per square foot.

Land Comparable 1 has by far the highest indication at \$40.56 per square foot, which is well above the range indicated by the other comparables. This is not a closed sale, and the appraisers heard from one market participant that the buyers had intended to develop the site with lower cost modular construction, but that after going into escrow, found out that this would not be allowed given this construction type's inability to meet noise abatement requirements associated

with the adjacent SMART railroad track. While this was not confirmed with any direct party to the sale, this participant stated that he had heard the sale would not close as a result, and given this as well as the outlier value indication, little weight is placed on this comparable.

Land Comparable 2, \$23.31 per square foot, is also a contract and not a closed sale, and is located in Petaluma, while Land Comparable 6, \$17.43 per square foot, is in contract and is being purchased for assisted living development rather than conventional multi-family rental housing. Somewhat less weight is also placed on these comparables.

The other comparables are all closed sales of Santa Rosa sites and have adjusted value indications ranging from \$17.84 to \$19.34 per square foot. Most weight has been placed on these sales, with particular emphasis on Land Comparable 4, \$18.81 per square foot, which is also located in Northwest Santa Rosa and required the lowest level of absolute adjustment.

Based on the preceding analysis, a reasonable value indication for the subject property is considered to be \$19.00 per square foot.

In order to allow for redevelopment with multi-family residences, the existing improvements would have to be demolished. The demolition costs for the existing structures have been estimated at \$590,000, as described previously.

The subject's indicated value can therefore be calculated as follows:

Market Value As Is	
Indicated Value per square foot:	\$19.00
Subject Size:	252,212
Indicated Value:	\$4,792,028
Less Demolition Costs:	(\$590,000)
Total Market Value As Is:	\$4,202,028
Rounded:	\$4,200,000


The market value of the Fee Simple estate of the property, as is, as of September 12, 2016, is therefore estimated to be \$4,200,000.

Assuming development with the maximum permissible 223 units, and excluding the demolition costs, the concluded land value of \$4,792,028 equates to \$21,489 per unit. Based on recent sales in the market, and for a relatively large and unentitled project proposed for development in this density range, this is considered reasonable. The appraisers have also analyzed the comparables' unadjusted selling prices and calculated their price per unit based upon the identical density of 38.5 units per acre as projected for the subject. Land Comparable 1 is again an outlier at ~\$65,000 per unit, and is disregarded. The other comparables range from approximately \$13,000 to \$35,000 per unit, with Land Comparable 4, the sale upon which most weight was placed, featuring a price per unit based on the subject's density of approximately \$21,500 per unit. This provides strong support for the concluded value.

CERTIFICATION OF ROBERT A. HORNING

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, a requested minimum valuation, a specific valuation, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. My 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 Practice of the Appraisal Institute.
7. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
8. My engagement in this appraisal assignment was not contingent upon developing or reporting predetermined results.
9. I have made a personal inspection of the property that is the subject of this report.
10. No one provided significant professional assistance to the person signing this report.
11. This appraisal report conforms to the current Uniform Standards of Professional Appraisal Practice (USPAP).
12. I meet all of the requirements of the Competency Provision of the current Uniform Standards of Professional Appraisal Practice (USPAP).
13. As of the date of this report, I have completed the Standards and Ethics Education Requirement of the Appraisal Institute for Associate Members.
14. I have not performed or provided any appraisal services regarding this property in the three years prior to accepting this assignment.


Robert A. Horning
State of California Certified
General Real Estate Appraiser
OREA License Number AG028396
Expiration: October 18, 2017

CERTIFICATION OF HOWARD R. LEVY, MAI, AI-GRS

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

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.
4. I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, a requested minimum valuation, a specific valuation, the attainment of a stipulated result or the occurrence of a subsequent event directly related to the intended use of this appraisal.
6. My 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 Practice of the Appraisal Institute.
7. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
8. My engagement in this appraisal assignment was not contingent upon developing or reporting predetermined results.
9. I have previously made a personal inspection of the property that is the subject of this report.
10. No one provided significant professional assistance to the person signing this report.
11. This appraisal report conforms to the current Uniform Standards of Professional Appraisal Practice (USPAP).
12. I meet all of the requirements of the Competency Provision of the current Uniform Standards of Professional Appraisal Practice (USPAP).
13. As of the date of this report I have completed the requirements under the continuing education program of the Appraisal Institute.
14. I have not performed or provided any appraisal services regarding this property in the three years prior to accepting this assignment.



Howard R. Levy, MAI, AI-GRS
State of California Certified
General Real Estate Appraiser
OREA License Number AG003852
Expiration: August 30, 2018



QUALIFICATIONS OF ROBERT A. HORNING

Education

Boston University, Boston, Massachusetts

- Bachelor of Science, Business Administration – summa cum laude
- Winner of Albert Grace Prize, Dubofsky Real Estate Prize

Santa Rosa Junior College, Santa Rosa, California

- Commercial Real Estate Appraisal
- Principles of Real Estate

Appraisal Institute

- Basic and Advanced Income Capitalization
- Small Hotel/Motel Valuation
- Standards of Professional Practice
- Business Practices and Ethics
- Anatomy of Residential Housing
- Highest & Best Use and Market Analysis
- Appraisal Consulting
- Going Concern Valuation
- Analyzing Commercial Lease Clauses
- Advanced Concepts & Case Studies

Appraisal Experience

Partner with the independent real property valuation services firm of Ward Levy Appraisal Group, Inc. (2014 – present)

Senior Appraisal Associate with the independent real property valuation and right of way acquisition services firm of Howard Levy Appraisal Group, Inc., formerly Hornsby Levy Appraisal Group, Inc. (2002 – 2014)

Appraiser with the independent real property valuation and right of way acquisition services firm of G.F. Hornsby and Associates in Santa Rosa, California (1995 – 2002)

Twenty-one years of experience that includes preparation of narrative appraisal reports on unimproved lands, easements, single and multi-family residential developments, PUD subdivisions, professional and medical office buildings, retail buildings, shopping centers, light industrial buildings, restaurants, churches, funeral homes, lodging, automobile dealerships, and related work involving full and partial acquisitions for government agencies.

Professional Affiliations

Associate Member of the Appraisal Institute – Candidate for Designation

Licensure

California Certified General Real Estate Appraiser, License AG 028396, Expires October 18, 2017



QUALIFICATIONS OF HOWARD R. LEVY, MAI, AI-GRS

Education

University of Wisconsin - Madison

- Master of Science, Real Estate Appraisal and Investment Analysis
- Bachelor of Business Administration, Finance

Appraisal Experience

President of Ward Levy Appraisal Group, Inc., an independent real property valuation services firm (2014 – Present)

President of Howard Levy Appraisal Group, Inc., formerly Hornsby Levy Appraisal Group, Inc., an independent real property valuation and right of way acquisition services firm (2002 – 2014)

Senior Appraisal Associate with the independent real property valuation and right of way acquisition services firm of G.F. Hornsby and Associates in Santa Rosa, California (1995 – 2002)

Associate Appraiser with the independent real property valuation firm of Crocker Hornsby in Santa Rosa, California (1988 – 1995)

Associate Appraiser with the independent real property valuation firm of William L. Hafner, MAI, in Santa Rosa, California (1987 – 1988)

Twenty-nine years of experience that includes preparation of appraisal reviews, narrative, form and oral appraisal reports on unimproved lands, conservation easements, single and multi-family residential developments, affordable housing, PUD subdivisions, professional and medical office buildings, retail buildings, shopping centers, light and heavy industrial buildings, restaurants, senior care facilities, funeral homes, resorts, lodging, movie theaters, feasibility and marketability analysis for lending, sale, estate, legal and eminent domain purposes.

Qualified as an expert witness before the Superior Court of California and the United States Bankruptcy Court.

Professional Membership

Designated Member of the Appraisal Institute (MAI)
Appraisal Institute General Review Specialist (AI-GRS)
Continuing Education Requirements Completed

Licensure

California Certified General Real Estate Appraiser, License AG003852, Expires August 30, 2018

Visit Us on our Website: www.fntic.com



ISSUING OFFICE: 11050 Olson Drive, Suite 200, Rancho Cordova, CA 95670

FOR SETTLEMENT INQUIRIES, CONTACT:

Fidelity National Title Company
1309 College Avenue, Ste. 100 • Santa Rosa, CA 95404
(707)541-0300 • FAX (707)541-7300

***Another Prompt Delivery From Fidelity National Title Company Title Department
Where Local Experience And Expertise Make A Difference***

PRELIMINARY REPORT

Title Officer: Craig Donner
Title No.: FSNX-7051500598-CD

Escrow Officer: Courtney Triola
E-Mail: courtney.triola@fnf.com
Escrow No.: FSNX-7051500598 -CT

TO: Sonoma County Water Agency
404 Aviation Blvd.
Santa Rosa, CA 95403
Attn:
Your Ref No.:

PROPERTY ADDRESS(ES): 2150 West College Avenue, Santa Rosa, CA

EFFECTIVE DATE: April 27, 2015 at 07:30 AM

The form of policy or policies of title insurance contemplated by this report is:

CLTA Standard Coverage Policy 1990 (04-08-14)
ALTA Loan Policy 2006

1. THE ESTATE OR INTEREST IN THE LAND HEREINAFTER DESCRIBED OR REFERRED TO COVERED BY THIS REPORT IS:

A Fee
2. TITLE TO SAID ESTATE OR INTEREST AT THE DATE HEREOF IS VESTED IN:

Sonoma County Water Agency, a body corporate and politic
3. THE LAND REFERRED TO IN THIS REPORT IS DESCRIBED AS FOLLOWS:

SEE EXHIBIT "A" ATTACHED HERETO AND MADE A PART HEREOF

EXHIBIT "A"
Legal Description

For APN/Parcel ID(s): 010-320-029-000

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

Parcel One:

Being A Portion Of The Lands Of The City Of Santa Rosa Described In An Instrument Recorded In Book 220 Of Deeds, At Page 272 Of Official Records Of Sonoma County, California In Section 21, Township 7 North, Range 8 West, MDB&M, And Being More Particularly Described As Follows:

Commencing At A City Monument Found At The Intersection Of The Centerlines Of West College Avenue And Stony Point Road, Said Monument Bears North 57°29'02" West, 25.44 Feet From City Of Santa Rosa Control Monument G-138, As Shown On That Record Of Survey Of Stony Point Road And Recorded In Book 146 Of Maps At Page 46, Sonoma County Records; Thence From Said Point Of Commencement And Along The Centerline Of West College Avenue North 89°23'26" West, 474.72 Feet To A Point, From Which Point A 2-Inch Iron Pipe On The Centerline Of West College Avenue, And At The Northwest Corner Of The Above Mentioned Section 21, Bears North 89°23'26" West, 2116.40 Feet, And Shown On That Subdivision Map Recorded In Book 252 Of Maps At Page 27, Sonoma County Records; Thence South 0°16'05" East, 61.007 Feet To The True Point Of Beginning Of The Parcel To Be Herein Described; Thence South 0°16'05" East, 56.29 Feet; Thence On A Tangent Curve To The Right With A Radius Of 59.60 Feet, Through An Angle Of 80°59'43", For A Distance Of 84.25 Feet; Thence South 80°43'38" West, 132.11 Feet; Thence South 32°18' 58" West, 449.83 Feet; Thence On A Tangent Curve To The Right With A Radius Of 57.47 Feet; Through An Angle Of 58°16'31", For A Distance Of 58.45 Feet; Thence North 89°24'30" West, 226.85 Feet To The Easterly Line Of The Lands Of The State Of California, As Recorded In Book 1249 At Page 307, Sonoma County Records; Thence Along Said Easterly Line North 0°00'37" East, 552.04 Feet To A Point That Bears South 0°00'37" West, 57.606 Feet From The Centerline Of Nest College Avenue; Thence Curving To The Left From A Tangent Which Bears South 84°45'53" East, Through An Arc Of 04°37'33" For A Distance Of 84.21 Feet To The End Of The Curve; Thence South 89°23'26" East 612.46 Feet To The Point Of Beginning.

Parcel Two:

Being A Portion Of The Lands Of The City Of Santa Rosa Described In An Instrument Recorded In Book 220 Of Deeds, At Page 272 Of Official Records Of Sonoma County, California In Section 21, Township 7 North, Range 8 West, MDB&M, And Being More Particularly Described As Follows:

Commencing At A City Monument Found At The Intersection Of The Centerlines Of West College Avenue And Stony Point Road, Said Monument Bears North 57°29'02" West, 25.44 Feet From City Of Santa Rosa Control Monument G-138, As Shown On That Record Of Survey Of Stony Point Road And Recorded In Book 146 Of Maps, At Page 46, Sonoma County Records; Thence From Said Point Of Commencement And Along The Centerline Of West College Avenue North 89°23'26" West, 474.72 Feet To A Point, From Which Point A 2-Inch Iron Pipe On The Centerline Of West College Avenue, And At The Northwest Corner Of The Abovementioned Section 21, Bears North 89°23'26" West, 2116.40 Feet, And Shown On That Subdivision Map Recorded In Book 252 Of Maps, At Page 27, Sonoma County Records; Thence South 0°16'05" East, 61.01 Feet To The True Point Of Beginning Of The Parcel To Be Herein Described; Thence South 0°16'05" East, 56.29 Feet; Thence On A Tangent Curve To The Right With A Radius Of 59.60 Feet, Through An Angle Of 80°59'50", For A Distance Of 84.25 Feet; Thence South 80°43'38" West, 132.11 Feet; Thence South 32°18'58" West, 449.83 Feet; Thence On A Tangent Curve To The Right With A Radius Of 57.47 Feet; Through An Angle Of 58°16'23", For A Distance Of 58.45 Feet; Thence North 89°24'30" West, 226.85 Feet To The Easterly Line Of The Lands Of The State Of

EXHIBIT "A"
Legal Description
(continued)

California, As Recorded In Book 1249 At Page 307, Sonoma County Records; Thence South $0^{\circ}00'37''$ West, 62.01 Feet; Thence South $89^{\circ}24'30''$ East, 298.68 Feet; Thence North $32^{\circ}18'58''$ East, 450.22 Feet To A Point On A Curve To The Right Having A Radius Of 73.40 Feet Through An Angle Of $48^{\circ}24'14''$, A Distance Of 62.01 Feet, Thence North $80^{\circ}43'38''$ East, 177.16 Feet; Thence North $0^{\circ}16'25''$ West, 163.38 Feet; Thence North $89^{\circ}23'26''$ West, 67.00 Feet To The True Point Of Beginning.

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

1. Property taxes, which are a lien not yet due and payable, including any assessments collected with taxes to be levied for the fiscal year 2015-2016.
2. Prior to close of escrow, please contact the Tax Collector's Office to confirm all amounts owing, including current fiscal year taxes, supplemental taxes, escaped assessments and any delinquencies.
3. The lien of supplemental or escaped assessments of property taxes, if any, made pursuant to the provisions of Chapter 3.5 (commencing with Section 75) or Part 2, Chapter 3, Articles 3 and 4, respectively, of the Revenue and Taxation Code of the State of California as a result of the transfer of title to the vestee named in Schedule A or as a result of changes in ownership or new construction occurring prior to Date of Policy.
4. Rights of the public as to any portion of the land lying within the area commonly known as West College Avenue.
5. Please be advised that our search did not disclose any open Deeds of Trust of record. If you should have knowledge of any outstanding obligation, please contact the Title Department immediately for further review prior to closing.
6. The requirement, for submission to this company, of a resolution from the authoritative body representing the Sonoma County Water Agency, a body corporate and politic, specifically authorizing the current anticipated transaction, affecting the property described in this report.
7. Any rights of the parties in possession of a portion of, or all of, said Land, which rights are not disclosed by the public records.

The Company will require, for review, a full and complete copy of any unrecorded agreement, contract, license and/or lease, together with all supplements, assignments and amendments thereto, before issuing any policy of title insurance without excepting this item from coverage.

The Company reserves the right to except additional items and/or make additional requirements after reviewing said documents.

8. Matters which may be disclosed by an inspection and/or by a correct ALTA/ACSM Land Title Survey of said Land that is satisfactory to the Company, and/or by inquiry of the parties in possession thereof.
9. The Company will require that an Owner's Affidavit be completed by the party(s) named below before the issuance of any policy of title insurance.

Party(ies): Sonoma County Water Agency

The Company reserves the right to add additional items or make further requirements after review of the requested Affidavit.

10. The transaction contemplated in connection with this Report is subject to the review and approval of the Company's Corporate Underwriting Department. The Company reserves the right to add additional items or make further requirements after such review.

END OF EXCEPTIONS

NOTES

- Note 1.** Note: The name(s) of the proposed insured(s) furnished with this application for title insurance is/are:
No names were furnished with the application. Please provide the name(s) of the buyers as soon as possible.
- Note 2.** Note: There are NO conveyances affecting said Land recorded within 24 months of the date of this report.
- Note 3.** Currently, there are no tax assessments, for the 2014-2015 fiscal year, for Assessor's Parcel Number 010-320-029-000.
- Note 4.** The County of Sonoma imposes a Monument Preservation fee of \$10.00 for the recording of any Deed with a legal description other than an entire lot as shown on recorded final map.
- Note 5.** Note: The City of Santa Rosa imposes a transfer tax of \$2.00 per thousand, based on the full value of the property at the time a deed or other transfer is recorded. This is in addition to the \$1.10 per thousand County transfer tax.
- Note 6.** Your application for title insurance was placed by reference to only a street address or tax identification number. Based on our records, we believe that the legal description in this report covers the parcel(s) of Land that you requested. If the legal description is incorrect, the seller/borrower must notify the Company and/or the settlement company in order to prevent errors and to be certain that the correct parcel(s) of Land will appear on any documents to be recorded in connection with this transaction and on the policy of title insurance.
- Note 7.** If a county recorder, title insurance company, escrow company, real estate broker, real estate agent or association provides a copy of a declaration, governing document or deed to any person, California law requires that the document provided shall include a statement regarding any unlawful restrictions. Said statement is to be in at least 14-point bold face type and may be stamped on the first page of any document provided or included as a cover page attached to the requested document. Should a party to this transaction request a copy of any document reported herein that fits this category, the statement is to be included in the manner described.
- Note 8.** Note: Any documents being executed in conjunction with this transaction must be signed in the presence of an authorized Company employee, an authorized employee of an agent, an authorized employee of the insured lender, or by using Bancserv or other approved third-party service. If the above requirement cannot be met, please call the Company at the number provided in this report.

END OF NOTES

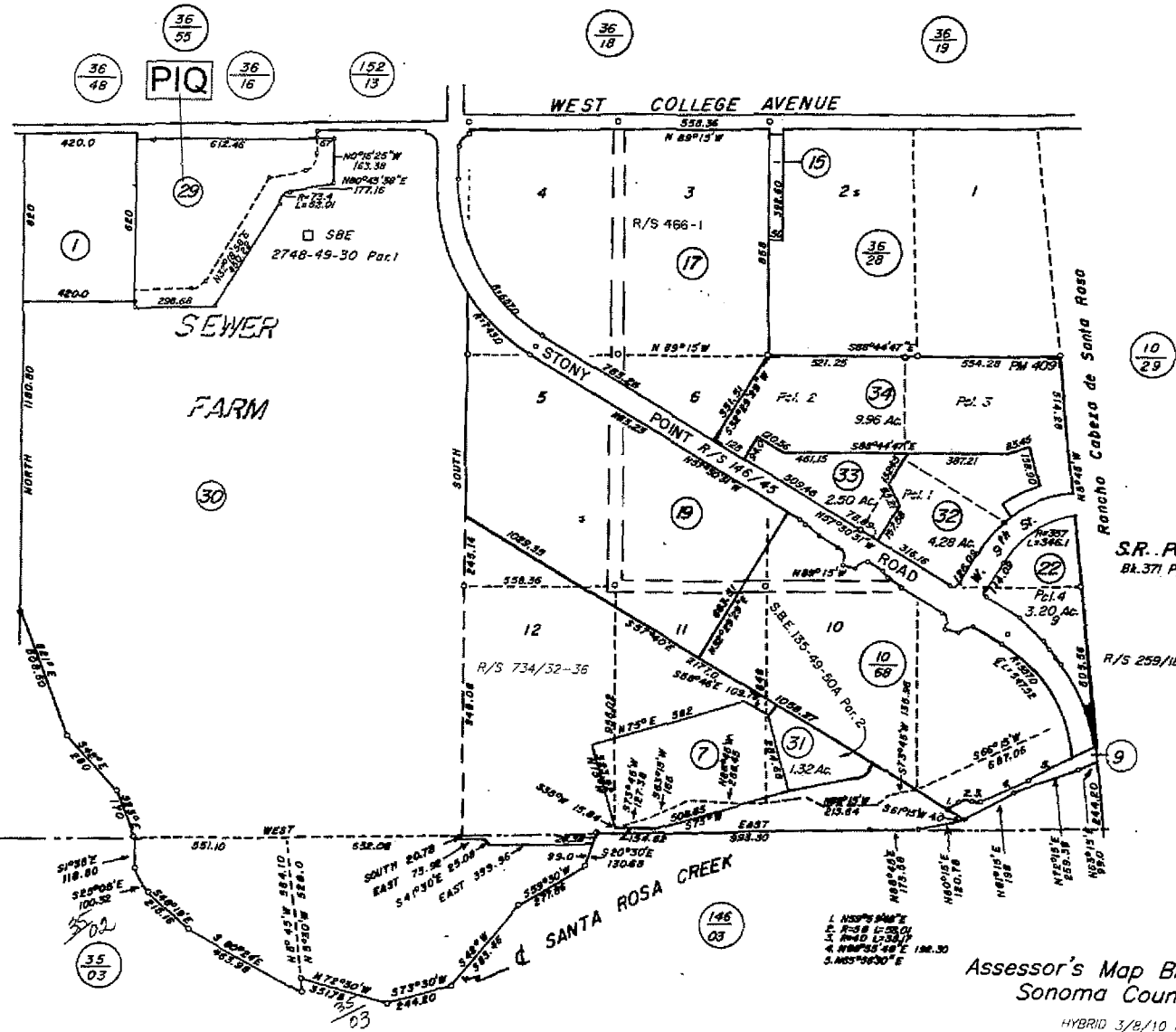
COUNTY ASSESSOR'S PARCEL MAP

TAX RATE AREA
4-002

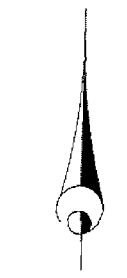
10-32

NOTE: This map was prepared for Assessment purposes only and does not indicate either parcel legality or a valid building site. No liability is assumed for the accuracy of the data delineated. The acreages are based on the information supplied to the Assessor (i.e. recorded survey maps, recorded deeds, prior assessment maps, etc.)

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



10/29



SCALE: 1"=400'

S.R. Pl. Map 409
Bk. 371 Pg. 32-33 Rec. 6-25-85

REVISED

- 01-16-78=19
- 02-05-82=24
- 08-27-85=26
- 11-15-85=29
- 03-30-87=31
- 06-26-89=34 CN
- 05-31-02=SBE KB
- 03-08-10=R/S RL

10/34

SW COR. NW 1/4
SEC. 21
Rancho Llano de Santa Rosa

NOTE: Assessor's parcels do not necessarily constitute legal lots. To verify legal parcel status, check with the appropriate city or county community development or planning division.

Assessor's Map Bk. 010, Pg. 32
Sonoma County, Calif. (ACAD)

HYBRID 3/8/10 RL

Attachment 5
Community Questions
and Responses



	Question and/or comment (verbatim)	Response	Responder
1.	Would there be 340 parking spaces for the 170 units?	<p>The Santa Rosa Zoning Code requires the following:</p> <p>Multi Family Affordable Housing Projects require one parking space for Studio/1 Bedroom Units and two spaces for 2 or more bedroom units.</p> <p>Multi-Family Residential Projects require 1.5 (1 of which must be covered) parking spaces for Studio/1 Bedroom Units and 2.5 spaces (1 of which must be covered) for 2 or more bedroom units.</p>	City of Santa Rosa
2.	My community (Copperfield) and Sierra Meadows have park space. Will the new community have a park for its residents? I consider this imperative.	This will be determined through the City of Santa Rosa planning process. Amenities at or near the site include the Creek Trail and Finley Park.	Community Development Commission
3.	The four lane reductions on West College were a hazard before the increase in development projects on Fulton. The water project will not only make that worse. If you go ahead with 1,000 units, you need to REMOVE the obstructions to through traffic. I've come close to being hit a half dozen times coming out of Casassa into College.	Zoning for 2150 West College is R-3-30 (Multi-family residential). The maximum permissible density per acre of developable land is 30 units per acre. However, density bonuses as allowed on the Mixed Use land use designation of the General Plan could allow an increase.	
4.	Would there be any For Sale Housing?	Current internal assumptions are for a multi-family rental development. The Commission would consider such a proposal if zoning would permit the use, with housing as the main focus.	
5.	Will there be retail?		
6.	What % of affordable and what % for Market Rate Development?	We will be requesting proposals for development that provide for whatever number of affordable units a developer would be able to provide, based on the value of the land to be used for the affordable units portion of any development. The balance of the units would be rental units at market rates.	
7.	How many total number of units for 7.5 acres?	<p>The total parcel size is 7.46 acres. 1.67 acres shall be set aside for permanent open space and access to College Creek Path. Developable land is 5.79 acres.</p> <p>Santa Rosa Zoning would allow for up to 30 units per developable acre.</p>	
8.	Will you offer preferred housing to people who do not drive and who depend on public transportation?	Unless someone request accommodation under the Americans with Disabilities Act, units can be restricted to people who do not own cars.	



	Question and/or comment (verbatim)	Response	Responder
		https://www.dfeh.ca.gov/housing/	
9.	Crime has increased in my neighborhood since the low income housing was built on Marlow near Safeway, I have concerns. How will the county protect/conservate the creek area sewage, safety and environment?	The Sonoma County Water Agency will continue to own and maintain College Creek access road (walking path). The Water Agency routinely cleans up any issues which could impact water quality.	Community Development Commission
10.	Will there be retail on the first floor? I am a home owner in Sierra Meadows and would love a café there, a falafel restaurant and a local fruit stand...	There are currently no specific plans for the development. If retail is presented in a proposal we would consider that option assuming zoning allows it.	Community Development Commission
11.	I am a Sierra Meadows homeowner and want this housing here. Yes I'm a YIMBY, yes in my backyard.	Comment noted.	
12.	Unique opportunity for housing for people who depend on transit. Please use it for that.		
13.	What are the long term plans for City land on the other side of the creek-does it impact this site at all?	The CDC has no information of this question.	City of Santa Rosa
14.	Are you planning "green" housing with solar panels, etc.?	<p>Planning requirements require levels of sustainable building practices under Title 24</p> <p>The 2016 CA Green building code and 2016 CA Energy Code have requirements for solar ready residential units and EV charging capabilities, etc.; see http://www.bsc.ca.gov/Home/CALGreen.aspx and http://www.energy.ca.gov/title24/2016standards/ for more information.</p> <p>Specific building design will be a part of the proposal process.</p>	
15.	Any plans to have an on-site social worker to address behavioral issues with residents?	Should there be permanent supportive housing as a part of a selected proposal, those residents would have access to case workers which may be on-site depending on the program.	Community Development Commission
16.	Finance Question-Long term ongoing costs (transits, social services, infrastructure like street improvements, police, schools) need to be factored into planning and RFPs.	<p>Infrastructure improvement costs associated with the development are borne by the project.</p> <p>Social services costs exist regardless of living location.</p>	
17.	Needs: Ground floor retail, in particular coffee shop/café. Increasing "walkability index" of surrounding neighborhoods, increases home value. Need to improve W. College-not bicycle or pedestrian friendly.	There are currently no specific plans for the development. If retail is presented in a proposal we would consider that option assuming zoning allows it. The property's proximity to the transit hub supports heavy pedestrian use.	
18.	Community space (park, playgrounds) should include creek access, maybe open the creek to part of the "park"?	College Creek will have permanent public access and be protected from future development.	

	Question and/or comment (verbatim)	Response	Responder
19.	Reduce parking requirement (“Affordability Design”). RFP should include requirement for a car share “pod” in developers plan. What contingencies might be foreseen in light of “transportation as service” vs. personal vehicle?	All parking issues will require study and then public review through the City of Santa Rosa planning process.	
20.	Is the 170 units already decided? Can the community say 170 is too many?	The residential density has already been determined by the General Plan and the Zoning Code which implements the General Plan. The property is designated for multi-family land uses and the General Plan and Zoning Code require a density of range between 24-30 units per acre for the site.	City of Santa Rosa
21.	What will be the height limit 2/3/4 or more stories?	Primary structures within the R-3-30 Zoning District can be a maximum of 45 feet in height.	
22.	<p>"If there is inadequate parking (and that would be anything less than 2 spaces per household), it will spill over to Casassa. As the one block street is the entry and exit route to a very busy thoroughfare, parked cars block the view of passing and ingressing cars. I've seen no fewer than a dozen very narrow ""misses"" in the last two years. I myself have had 2 close encounters with speeding 18 wheelers at Casassa.</p> <p>The larger concern relates to the 4 intrusions into the roadway between Stony Point/Marlow and Fulton. These create two notches, reducing the 2 lanes to one at two places to the east and west of 2150. 15 years ago that was no real problem. But with the completion of 2 developments along Fulton, traffic volume has picked up noticeably. When the development across from Piner HS is finished, it will only get worse. 2150 will just add to it.</p> <p>The direct problem for those of us exiting Meadowlands subdivision through Casassa is that the intersection of W College and Stony Point represents a challenge to drivers going toward Fulton. The posted speed is 40 mph and cars start accelerating just as they approach the first of two lane reductions. For those attempting to turn left from Casassa into W College, our view of that accelerating block of cars is obscured beyond about 45 feet, I have lost count of</p>	<p>The Santa Rosa Zoning Code requires the following:</p> <p>Multi Family Affordable Housing Projects require one parking space for Studio/1 Bedroom Units and two spaces for 2 or more bedroom units.</p> <p>Multi-Family Residential Projects require 1.5 (1 of which must be covered) parking spaces for Studio/1 Bedroom Units and 2.5 spaces (1 of which must be covered) for 2 or more bedroom units.</p> <p>All potential traffic impacts of any proposed development will be studied and factored into the final design process.</p>	City of Santa Rosa Community Development Commission

	Question and/or comment (verbatim)	Response	Responder
	<p>the number of times I have either seen someone narrowly avoid being broadsided by an accelerating car or truck or have found myself in that situation.</p> <p>The second choke point is farther down West College but it has the added feature of having 2 power poles, both of which have been knocked down by cars failing to make the lane reduction safely. With the added traffic, that is only going to get worse.</p> <p>If the City intends to increase the density of W College and Fulton, then it must deal with correcting the hazards it has created in allowing those roadway intrusions to have been made in the first place. If it dodges that responsibility, then there will be a fatality at some point, either at Casassa or near Meridian Circle.</p> <p>I have no problem with the City infilling and avoiding sprawl but I hope that that good effort will include appropriate upgrades to West College before someone gets killed. On another note, I have worked in city government (City of Oakland Budget Office) and would be happy to act as community rep for the project. I have also been on the Board of Directors of this HOA for 7 years and know many of the local players and am known to them. I will provide my resume if that would be of any interest.</p>	<p>RE: Review Committee participation CDC response:</p> <p>Any public member interest in being on the review Committee has been noted. Individuals will be contacted separately regarding the possibility.</p>	<p>City of Santa Rosa</p> <p>Community Development Commission</p>
23.	Don't build another W. 9th Gangster Haven similar to Apple Valley N. Santa Rosa-2 Disasters.	Comment noted.	<p>Community Development Commission</p>
24.	I live in the neighborhood. We already have low income housing on Jennings and Marlow. We have ultra-low income housing on Marlow and Zinfandel. Vandalism and graffiti has risen. Parking from these apartments has moved into our streets. Thefts have gone up. Is there high density housing slated for Fountaingrove area?	Up to 800 units are slated for the Chanate complex directly below Fountaingrove.	
25.	Please include housing specifically designated for the disabled who depend on transit (blind, etc.)	Comment noted.	
26.	Why doesn't the city/county stay within the theme of this area and build a multi-agency police firearm range next to the fire tower and Cal Fire property. Currently, police agencies within the county must drive to Richmond to train.	The property is zoned for high density housing. Both the City and the County have made housing production a top goal to address the critical housing shortage.	
27.	Can we comply with the California Planning code to match developed Housing to the demographics of the community? ie: 50% of housing < Median Income and	Affordable units are encouraged by the City of Santa Rosa and County of Sonoma. Ensuring long-	

	<i>Question and/or comment (verbatim)</i>	<i>Response</i>	<i>Responder</i>
	50% of Housing > Median Income. Recognizing the Skew (left) of incomes and right skew of income mean.	term affordability (55 years) requires a significant financial investment by the City.	
28.	How is public policy determined? Which public?	The Board of Supervisors and City Council are elected to set public policy for their programs and areas of responsibility.	<i>Community Development Commission</i>
29.	Given the stated fact the sale of site is final/gone through. This project is going to happen one way or another. Correct assumption?	A project would only proceed with the identification and selection of a viable developer. The selection process will be a public and competitive process. Post selection, permitting and financing processes will determine if the project can be completed.	
30.	Who pays for this?	The purchase of the property was paid for by a loan of County Funds to the CDC, which will be repaid through our Affordable Housing Trust Fund over time. Development costs are typically a combination of private and public funds.	<i>Community Development Commission</i>
31.	How will you manage increased traffic, up to 1000 extra vehicles in 1 day?	All traffic impacts will be evaluated as a part of the entitlement process. Traffic mitigation is an item which will be discussed during the public planning process.	
32.	This site has Santa Rosa Creek to South, College Creek to East and Cal Fire to West?	Yes.	
33.	Since affordable housing is important all over Santa Rosa and Sonoma County, why does the Chanate proposal have 1/3 the number of units vs. College Ave. proposal per acre? Chanate-1 acre: 9-10 units. West College 1 acre: 23 units.	The properties have attributes, including different developable footprints. Development is governed by zoning assigned to a property.	
34.	Will you have a park/playground?	Specific on-site features have not yet been determined. The property is adjacent to the College Creek trail and has proximity to Finley Park.	
35.	With the desperate situation for very low income (working people) and for the need to provide supportive housing for homeless people, why are we talking about mostly market rate housing? We really need city centered affordable housing. Is it possible to consider a greater emphasis on affordable housing?	The housing crisis is due to a lack of both market rate and affordable units. The mix of affordable units is determined in part on the available public subsidy to fund the long term affordability restrictions necessary in affordable development. The value of the land is the starting point for subsidy for the affordable housing project. A portion of the property is anticipated to be sold to a market rate developer to assist in construction of affordable units covering costs above the value of the land that the affordable units will be constructed on. This will allow more affordable units to be built.	

	Question and/or comment (verbatim)	Response	Responder
36.	The most obvious need is with homeless folks. They are disabled and without income. Will this project assist with persons having no shelter at all?	Resident population will depend on final design. Homeless individuals or families could be tenants of the development in either affordable units, or in market rate units if they have a Housing Voucher. Housing Vouchers allow low income individuals and families to rent market rate apartments by paying the portion of the rent from what they can afford to full market rate. Landlords receive their full market rate rents under this program.	
37.	Traffic- who will pay for improvements to College: City, County, Developer?	The project will pay to mitigate impacts as required by the City of Santa Rosa.	
38.	How will this impact my property value?	Property values are not reduced by the construction of affordable housing that meets design and planning requirements. <i>California Department of Housing and Community Development Planning Roundtable report, 2016.</i> Full report available at www.2150westcollege.com	
39.	How will this effect crime?	There is no correlation between affordable/workforce housing construction and increase in crime. High density and affordable housing residents own less vehicles and drive less. Property values are not reduced by the construction of affordable housing that meets design and planning requirements. <i>California Department of Housing and Community Development Planning Roundtable report, 2016.</i> Full report available at www.2150westcollege.com	
40.	How will this effect traffic?		
41.	We already have a homeless population sleeping in these areas, seems to be getting better. I don't see how this improves our area.		
42.	What is the build out period projection?	The construction schedule will depend on the nature of the project and entitlements process. Staff expects a minimum of 18 months.	
43.	What will be the impact on surrounding residents during the build out period?	Part of the entitlement process is to ensure that impacts to surrounding residents are addressed adequately and/or mitigated to minimize disruption.	
44.	What will be the impact on surrounding creeks-West College and Santa Rosa?	College Creek is currently used as a walking path. This project would permanently protect it. It would be maintained by the Sonoma County Water Agency as it is currently.	Community Development Commission
45.	Is this an apartment complex?	We anticipate proposals for multi-family development (an apartment complex).	

	Question and/or comment (verbatim)	Response	Responder
46.	Who will own/administer/maintain the project?	The final owners and administrators are determined by the Request for Proposal selection process.	Community Development Commission
47.	How many units/residents will this project serve?	The number of residents is determined by the final number and type of units.	
48.	What is the definition of Affordable/Market Rate housing?	The federal definition of "Affordable Housing" is that housing which costs 30% or less of a household income. Market rate housing are those units which are determined by the private market's supply and demand.	
49.	What will be the impact on utility services such as water/sewer/garbage?	All impacts are studied and where needed mitigated as part of the planning and review process.	City of Santa Rosa
50.	How will this impact traffic congestion on/ onto/ exiting from W. College Ave, Stony Point and Navarro?	Traffic studies will be conducted to analyze all impacts on surrounding streets.	
51.	How much parking will be provided for each unit of the project plus guests?	The Santa Rosa Zoning Code requires the following: Multi Family Affordable Housing Projects require one parking space for Studio/1 Bedroom Units and two spaces for 2 or more bedroom units. Multi-Family Residential Projects require 1.5 (1 of which must be covered) parking spaces for Studio/1 Bedroom Units and 2.5 spaces (1 of which must be covered) for 2 or more bedroom units.	
52.	"Affordable by Design" A. Achievable cost targets? Actual cost in terms of 1. \$'s/"x" bedroom units where x=1,2,3,4 etc.	"Affordable by Design" is a term referring to smaller units which cost less to build. As smaller units, the market rent is expected to be less than larger rentals.	Community Development Commission
53.	Can costs be reduced by off-site construction of modular components	Construction standards are determined by building code requirements.	
54.	More units via greater height or stories (Bethlehem Towers height) in more locations.	Comment noted.	
55.	Mixed-use?	Housing is the top priority for this development, but the CDC would consider a proposal containing mixed use if it could be permitted.	
56.	Income from mixed-use to support common space maintenance.		
57.	Appropriate retail? Common work space to accommodate self-employed residents?		
58.	Is there anyone on the panel who supervises Section 8 landlords? All the problems with tenants in Sierra	Section 8 Housing Choice Voucher Program landlords are required to maintain their units	

	Question and/or comment (verbatim)	Response	Responder
	<p>Meadows could be solved if someone monitored “slum” landlords (Section 8). 1054 Rubicon is a drug house and landlord does nothing about it!!!</p>	<p>according to federal Housing and Urban Development Department established Housing Quality Standards (“HQS”).</p> <p>These standards ensure that units rented under the Section 8 Housing Choice are safe, decent, and sanitary.</p> <p>In Santa Rosa, the Santa Rosa Housing Authority ensures that units rented under their Housing Authority Program meet HQS.</p> <p>In the unincorporated portion of the Sonoma County Housing Authority, a division of the Sonoma County Community Development Commission, ensures that units rented under the Housing Authority Program meet HQS.</p> <p>Any Housing Choice Voucher Program participant who believes that their rented unit is in substandard condition, should report the deficiencies to the appropriate Housing Authority. The Housing Authority will send an inspector to the unit to review items that are covered under HQS.</p>	
59.	<p>Unfortunately, I missed the August 2nd meeting. What I have been able to read about the plan, I like. I do want to make sure to suggest that affordable and market rate housing be located in the same building. Kind of like those New York hotels you used to see in the movies. I think it is very important for different socio-economic classes to have to look each other in the eye every day. It is a very bad idea to put affordable units in one building and market rate in another. This is an obvious form of discriminatory housing development. You might as well put a railroad track in between the buildings just to emphasize the division. Also, I suggest small business space on the property. Now I’m sure you know and are likely to point out, there is a small business park almost directly across the street. I am thinking of the future in making this suggestion. Eventually, that parcel will age and be ready for redevelopment. It could be redeveloped with both business and mixed housing as well, when that time comes. Having as many of ones needs as possible met in the neighborhood is both more economical AND more environmentally responsible. I think what we really want in the county is walkable neighborhoods and an emphasis on transit when one needs to leave the neighborhood. There is a park right nearby here. It is also very close to a City Bus Transfer Center. It also borders on College Creek Trail only half a mile from Santa Rosa Creek Trail. This is an excellent location for both housing and small business.</p>	<p>The construction standards for all of the apartments will be equivalent.</p> <p>This location would capitalize on walking paths and short distance to the transit hub.</p> <p>The construction standards for all of the apartments will be equivalent.</p> <p>This location would capitalize on walking paths and short distance to the transit hub.</p>	<p>Community Development Commission</p>

	<i>Question and/or comment (verbatim)</i>	<i>Response</i>	<i>Responder</i>
60.	SCWA has previously issued RFQ/P subsequently abandoned __ to developer selection. Financial return was important motivator at that time. Will that continue to be the case with SCCDC?	No, housing development is primary policy goal for the Community Development Commission.	<i>Community Development Commission</i>
61.	Other selection criteria that will be prioritized once RFQ/P issued in developer partner?	There will be several criteria in the RFP selection process for a developer. Specific criteria are being shaped using public input on important issues. The ultimate developer will be chosen through a public, competitive process.	
62.	My thought is to utilize the existing facilities for a Sonoma Public Safety training facility. The existing facility could be remodeled for training facilities and a state of the art indoor firearms range could be added for all local are Law Enforcement agencies.	The property is zoned for housing.	
63.	Will decision-making authority (as to developer partner) lie with County or City or joint process? "	The County, City staff and members of the public will collaborate in bringing forward a recommendation for developer selection to the Board of Supervisors for their final decision.	<i>Community Development Commission</i> <i>City of Santa Rosa</i>
64.	It is noted that 32 to 50 units of the 170 unit apartment complex would be designated "affordable" to a 4 - person occupancy. Who would be responsible for enforcing this designation? Any chance that the "affordable" unit number could be increased in number? Will there be restrictions on number of cars the housing complex could accommodate per unit?	Affordable housing is tightly regulated. Once a complex has gone through the planning complex and that number has been decided, it cannot be changed. Also, the financing of affordable units is There can be restrictions to the number of cars under conditions of the lease. There can be exceptions to this requirement in certain circumstances under the American With Disabilities Act (Special accommodation based on need)	<i>Community Development Commission</i>
65.	A great concern of ours is the impact on the schools in the area. At the present time, the preponderance of schools on the West Side are functioning at 5 or less on the Santa Rosa Schools ranking scale. The East Side has a significantly higher number of mid to high performing schools. Taking populations into account: East Side - better performing schools. West Side - not so much.	Comment noted.	
66.	In addition, there is an overwhelming amount of "affordable" housing West of 101, 4 or 5 complexes within walking distance of the neighborhoods in the area of proposed complex.	Comment noted.	
67.	Traffic congestion and back-up on W. College, especially when the train is in full operation.	All potential traffic impacts of any proposed development will be studied and factored into the final design process.	<i>City of Santa Rosa</i>

	<i>Question and/or comment (verbatim)</i>	<i>Response</i>	<i>Responder</i>
	Intersections impacted by traffic unable to move on or off W. College.		