Kidder Mathews

Appraisal Report

162-164 Jefferson Drive | Menlo Park, CA

as of August 12, 2021

Prepared for

The Sobrato Organization
Mr. Peter Tsai

Prepared by

Jeffrey Enright, MAI, CRE, SRA, AI-GRS

KM Job AC21-070r

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Kidder Mathews

April 21, 2023

Mr. Peter Tsai
Vice President, Real Estate Development
The Sobrato Organization
599 Castro Street, Suite 400
Mountain View, California 94041

Re: 162-164 Jefferson Drive
Menlo Park, California
KM File#: AC21-070r

Dear Mr. Tsai:

This report transmits the conclusions of appraisals requested by you concerning the market values of the land component of the property located at 162-164 Jefferson Drive, in Menlo Park, California, according to two different valuation scenarios. The subject is identified by the San Mateo County Assessor as parcel numbers (APNs) 055-243-300 and 310, and is an approximate 13.28-acre lot currently improved with two, four-story office buildings.

The valuation analyses undertaken in this report concern two different scenarios, both of which disregard existing building and site improvements. In the first, which is referenced in this report as the "base level" valuation scenario, the market value of the fee simple interest in the subject property's land is estimated in accord with its existing O-B (Office) zoning, as fully entitled for the maximum Gross Floor Area (GFA) allowed – representing a floor area ratio (FAR) developmental density of 45 percent. The second appraisal analysis addressed in this report, which is referenced herein as the "bonus level" valuation scenario, estimates the market value of the fee simple interest in the land based on its existing zoning, but as fully entitled for an increased FAR developmental density of approximately 88 percent - as represented by a proposed development with a total GFA of 509,420 square feet. Otherwise, the subject property is presumed to be the same in the two scenarios. Both analyses follow the City of Menlo Park – Appraisal Instructions, as provided for this assignment and reproduced in the Addenda.

This appraisal report was requested by you, the client. It has been prepared in compliance with the Uniform Standards of Professional Appraisal Practice (USPAP), as formulated by the Appraisal Foundation, as well as the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. The purpose of this assignment is to provide opinions of the market values of the fee simple interest in the subject's land, as of August 12, 2021, under the two valuation scenarios outlined above and detailed in the body of this report. The intended users for which these appraisals were contracted are The Sobrato Organization and the City of Menlo Park. The intended use is to assist the client in discussions with the City relative to determining the value of community amenities. This report may not be used or relied upon by anyone other than the client and the City of Menlo Park, without the express written consent of the appraiser.

Based on the research and analyses contained in the attached report, it is the opinion of the undersigned, subject to the assumptions and limiting conditions contained herein, that the estimated market values of the fee simple interests in the subject's land component, as of August 12, 2021, were as follows:

Market Value Conclusions – Fee Simple Land Value, as of August 12, 2021

Base Level Valuation Scenario.. $70,300,000

Bonus Level Valuation Scenario.. $81,500,000

As noted previously, the intended use of this report is to assist in establishing the value of community amenities associated with the subject's proposed development. Per the "City of Menlo Park – Appraisal Instructions" document provided for this assignment, that value is estimated by calculating the difference between the "base level" and "bonus level" valuation scenarios, and thereafter applying a 50 percent factor. According to that methodology, the following calculation is presented:

Value of the Amenity Conclusion, as of August 12, 2021

Value Conclusion at the Bonus Level $81,500,000

Value Conclusion at the Base Level.. $70,300,000

Value of the Additional GFA Proposed $11,200,000

Value of the Amenity $5,600,000

As of the date of appraisal report authorship, significant economic and social turmoil is occurring, due in part to the COVID-19 coronavirus pandemic. Conditions have furthermore evolved during the past 17 months, as initial impacts to the financial markets have now become evident in unemployment data, consumer and business spending patterns, and differing degrees of shock to various economic sectors. The longer-term effects of the virus pandemic remain unknown, and a variety of different forecasts are being made by market participants. At present, a nascent and sporadic recovery appears to be taking place.

While the ultimate impact of COVID-19 on the property markets is uncertain, it is anticipated that market conditions will eventually exhibit greater stability. If this occurs, in accord with Federal Government forecasts that the virus should be a short-lived event, then there may be no significant effect on property values or marketability. Alternatively, if the course of the coronavirus results in a longer-term delay of economic activity and/or changes in user and investor sentiment regarding real estate, the impacts on property values and marketability could be substantially negative. The client is therefore advised to closely monitor economic conditions going forward, and to determine if additional appraisal analysis is warranted relative to the intended use of this report.

We are pleased to have had the opportunity to be of service in providing this appraisal. Please contact me directly if there are any questions regarding the analyses or conclusions contained in this report.

Respectfully submitted,

Jeffrey Enright, MAI, CRE, SRA, AI-GRS
California Certified General Real Estate
Appraiser #AG015649

JE/em

Certification

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

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

2) The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.

3) I have no present or prospective interest in the property that is the subject of this report, and no personal interest with respect to the parties involved.

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

6) My compensation for completing this assignment is not contingent upon the development or reporting of predetermined values or directions in value that favor the cause of the client, the amounts of the value opinions, the attainment of stipulated results, or the occurrence of subsequent events directly related to the intended use of these appraisals.

7) My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with, the Uniform Standards of Professional Appraisal Practice (USPAP) and the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute.

8) I have made a personal inspection of the subject property described in this report.

9) I have provided professional services concerning the subject property within the three years prior to acceptance of this assignment, as evidenced by appraisals of the same property interests for the same client and intended use, dated May 2019 and June 2020, as well as consulting services related to the writing of a prior opinion letter prepared for the client relative to the City of Menlo Park – Appraisal Instructions.

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

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

12) As of the date of this report, I have completed the requirements of the continuing education program for Designated Members of the Appraisal Institute.

Jeffrey Enright

Jeffrey Enright, MAI, CRE, SRA, AI-GRS
California Certified General Real Estate
Appraiser #AG 015649

Limiting Conditions

Limiting conditions specific to this appraisal are:

1) The appraiser has made no survey of the property and assumes no responsibility in connection with such matters. Any sketch or identified survey of the property included in this report is only for the purpose of assisting the reader to visualize the property.

2) The appraiser assumes that there are no hidden or unapparent conditions of the property, its subsoil, or structures (including asbestos, soil contamination, or unknown environmental factors) that render them more or less valuable. No responsibility is assumed for such conditions or for arranging the studies that may be required to discover them.

3) No responsibility is assumed for the legal descriptions or for matters including legal or title considerations.

4) The information identified in this report as being furnished by others is believed to be reliable, but no warranty is given for its accuracy.

5) The appraiser is not required to give testimony or attendance in court, by reason of this appraisal, unless arrangements have previously been made.

6) The allocation of total value to land, buildings, or any fractional part or interest as shown in this report is invalidated if used separately in conjunction with any other appraisal.

7) Valuation Advisory Services is a subsidiary of Kidder Mathews, a full service commercial real estate brokerage firm. On occasion, employees or agents of the firm have interests in the property being appraised. When present, known interests have been disclosed, and the report has been made absent of any influence from these parties.

RESTRICTION UPON DISCLOSURE & USE:

Neither all nor any part of the contents of this report (especially any conclusions as to values, the identity of the appraiser or the firm with which he is connected, or any reference to the Appraisal Institute or to its designations) shall be disseminated to the public through advertising media, public relations media, news media, sales media or any other public means of communication without the prior written consent and approval of the appraiser. No part of this report or any of the conclusions may be included in any offering statement, memorandum, prospectus, or registration without the prior written consent of the appraiser.

Table of Contents

Summary of Appraisal

Summary of Appraisal

Identity of Property	162-164 Jefferson Drive Menlo Park, California 94025
Location	The subject is situated on the periphery of the Bohannon Industrial Park, adjacent to Highway 101. This is a mixed-use setting of existing industrial, office, and hotel properties that is currently experiencing significant redevelopment.
Property Description	The property appraised is an approximate 13.28-acre site that is currently improved with two, four-story office buildings, as well as surface parking and various landscape and hardscape appointments. However, all existing improvements are disregarded in this assignment, as the valuation analyses pertain to the underlying land alone.
Highest & Best Use – As Vacant	To develop an office facility that conforms to current planning and zoning, potentially following an interim holding period to secure a tenant(s) or owner/user interest. Density of development should take advantage of existing zoning provisions that allow for bonuses to be achieved through the provision of community amenities.
Appraisal Scope	The scope of this appraisal assignment is to utilize a Sales Comparison Approach analysis in order to arrive at market value conclusions for two different property scenarios, as detailed further in the Introduction chapter to follow.
Intended User/Use of Appraisals	The intended users for which these appraisals were contracted are the client and the City of Menlo Park. The intended use is to assist the client in discussions with the City relative to determining the value of community amenities.
Property Rights Appraised	The property rights appraised are those of the subject's fee simple estate.
Hypothetical Conditions	In each of the valuation scenarios examined in this report, it is assumed that the subject property is fully entitled for the specific development format associated with the respective scenario. As of the date of valuation, the subject's land was not fully entitled for either recognized project rendition.

Extraordinary Assumptions

In the Bonus Level valuation scenario, the Value of the Amenity is not considered in concluding the subject's land value. In other words, a deduction has not been made from the market value conclusion for the financial obligation associated with obtaining development approval at the higher density.

Existing Lease Encumbrances

No leases are considered in the valuation analyses presented herein.

Market Value Conclusions

Fee Simple Land Value - Base Level Scenario	$70,300,000
Fee Simple Land Value - Bonus Level Scenario	$81,500,000

The intended use of this report is to assist in establishing the value of community amenities associated with the subject's proposed development. Per the "City of Menlo Park – Appraisal Instructions" document provided for this assignment, that value is established by calculating the difference between the "base level" and "bonus level" value opinions, and thereafter applying a 50 percent factor. According to that methodology, the following calculation is presented:

Value Conclusion at the Bonus Level	$81,500,000
Value Conclusion at the Base Level	$70,300,000
Value of the Additional GFA Proposed	$11,200,000
Value of the Amenity	$5,600,000

As of the date of appraisal report authorship, significant economic and social turmoil is occurring, due in part to the COVID-19 coronavirus pandemic. Conditions have furthermore evolved during the past 17 months, as initial impacts to the financial markets have now become evident in unemployment data, consumer and business spending patterns, and differing degrees of shock to various economic sectors. The longer-term effects of the virus pandemic remain unknown, and a variety of different forecasts are being made by market participants. At present, a nascent and sporadic recovery appears to be taking place.

While the ultimate impact of COVID-19 on the property markets is uncertain, it is anticipated that market conditions will eventually exhibit greater stability. If this occurs, in accord with Federal Government forecasts that the virus should be a short-lived event, then there may be no significant effect on property values or marketability. Alternatively, if the course of the coronavirus results in a longer-term delay of economic activity and/or changes in user and investor sentiment regarding real estate, the impacts on property values and marketability could be substantially negative. The client is therefore advised to closely monitor economic conditions going forward, and to determine if additional appraisal analysis is warranted relative to the intended use of this report.

Date of Report April 21, 2023

Date of Inspection August 12, 2021

Effective Appraisal Date August 12, 2021

Exposure Time Considering the subject's physical and locational characteristics; the land use designations and entitlement assumptions associated with its two valuation scenarios; and market conditions on the date of valuation, it is estimated that an exposure period of approximately six to 12 months would have been required to sell its fee simple interest, at the market value estimates associated with either of the valuation scenarios presented within this report.


Facebook Building 25
162 Jefferson Drive
ChargePoint Charging Station
Commonwealth Dr
101

Aerial Map

Subject Photographs

View south onto the site's access drive, from Jefferson Drive.

Photograph Date: August 2021

View west on Jefferson Drive, subject to the left.

Photograph Date: August 2021

View east on Jefferson Drive, subject to the right.

Photograph Date: August 2021

Subject Photographs

View north onto the site's access drive, from easterly terminus of Commonwealth Drive.

Photograph Date: August 2021

View west on Commonwealth Drive, subject behind.

Photograph Date: August 2021

View east on Commonwealth Drive, subject ahead.

Photograph Date: August 2021

Subject Photographs

Exterior view of subject buildings, with 162 Jefferson to the left and 164 Jefferson to the right.

Photograph Date: June 2020

Exterior view of subject buildings, with 162 Jefferson to the right and 164 Jefferson to the left.

Photograph Date: June 2020

View of parking parcel situated at the northwest section of the site, adjacent to Jefferson Drive.

Photograph Date: June 2020

Subject Photographs

View of parking parcel situated at the northwest section of the site, adjacent to Jefferson Drive.

Photograph Date: June 2020

Patio and hardscape appointments situated between subject’s buildings.

Photograph Date: June 2020

Patio and hardscape appointments situated between subject’s buildings.

Photograph Date: June 2020

Subject Photographs

View of surface parking at east end of the site, with 164 Jefferson Drive visible in the background.

Photograph Date: June 2020

View along hardscape walkway located along the periphery of the site.

Photograph Date: June 2020

View from hardscape walkway along the periphery of the site, onto adjacent property to the north.

Photograph Date: June 2020

Subject Photographs

Landscaped area for stormwater collection, situated at the extreme east end of the site.

Photograph Date: June 2020

View northeast across surface parking lot from fourth floor exterior balcony of 162 Jefferson Drive building.

Photograph Date: May 2019

View southeast across surface parking area from fourth floor exterior balcony of 162 Jefferson Drive building.

Photograph Date: May 2019

Subject Photographs

View east across surface parking area from fourth floor exterior balcony of 164 Jefferson Drive building.

Photograph Date: May 2019

View northwest across surface parking area from fourth floor exterior balcony of 162 Jefferson Drive building.

Photograph Date: May 2019

View of interior improvements within existing building.

Photograph Date: May 2019

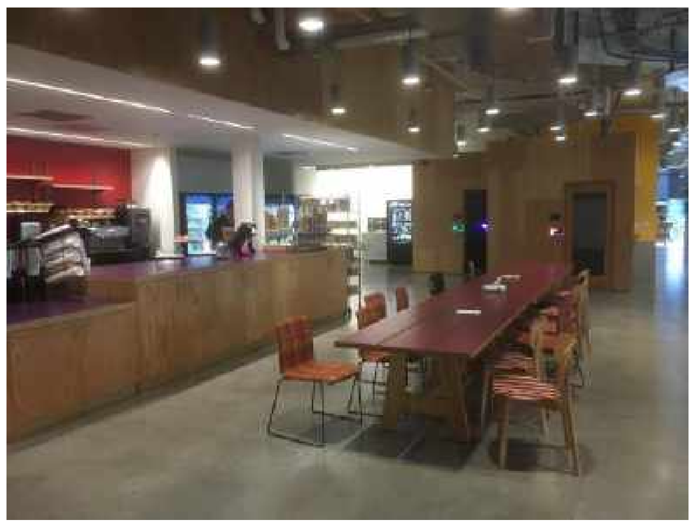
Subject Photographs

View of interior improvements within existing building.

Photograph Date: May 2019

View of interior improvements within existing building.

Photograph Date: May 2019



View of interior improvements within existing building.

Photograph Date: May 2019

Subject Photographs

View of interior improvements within existing building.

Photograph Date: May 2019

View of interior improvements within existing building.

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View of interior improvements within existing building.

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Subject Photographs

View of interior improvements within existing building.

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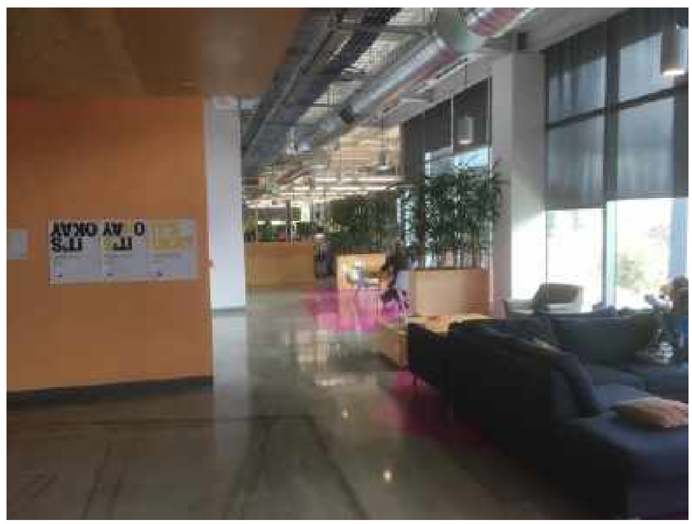


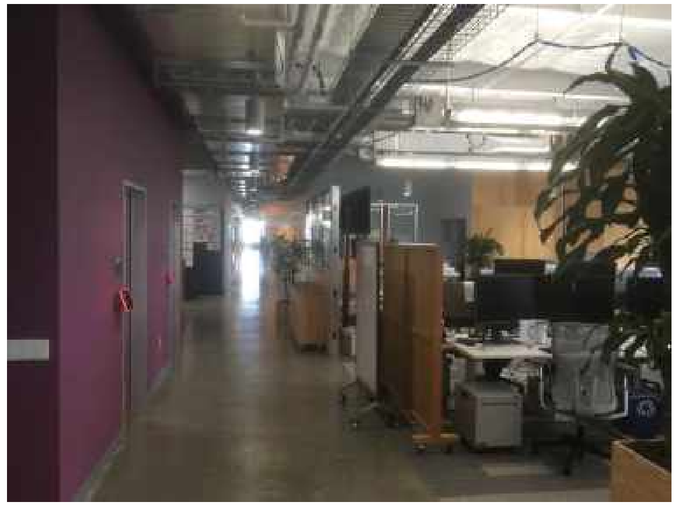
View of interior improvements within existing building.

Photograph Date: May 2019

Subject Photographs

View of interior improvements within existing building.

Photograph Date: May 2019

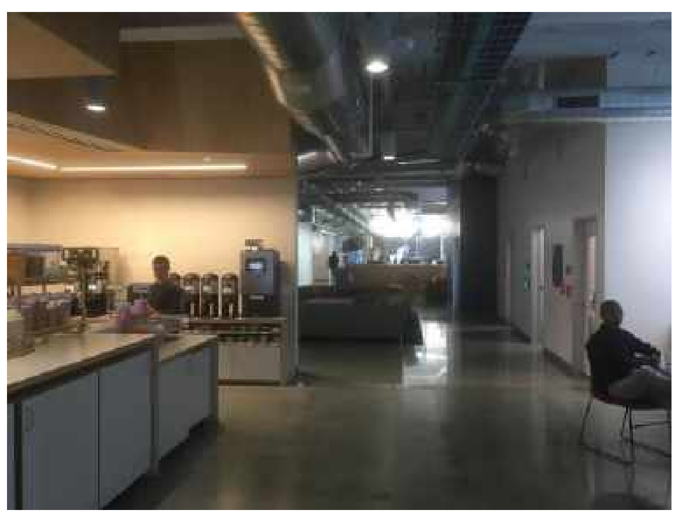


View of interior improvements within existing building.

Photograph Date: May 2019

View of interior improvements within existing building.

Photograph Date: May 2019



Introduction

Introduction

Identity of Property The property appraised is an approximate 13.28-acre site in the Bohannon Industrial Park.

ADDRESS 162-164 Jefferson Drive
Menlo Park, California 94025

ASSESSOR'S TAX PARCEL NUMBERS 055-243-300 and 310

LEGAL DESCRIPTION According to a preliminary title report provided for this assignment, which is reproduced in the Addenda, the subject's legal description is as follows:

PARCEL ONE:
PARCELS A, B AND C, AS SHOWN ON THAT CERTAIN PARCEL MAP FILED NOVEMBER 2, 2016 IN BOOK 83, PAGES 13-15 OF PARCEL MAPS, RECORDS OF SAN MATEO COUNTY, STATE OF CALIFORNIA.

PARCEL TWO:
AN EASEMENT FOR INGRESS AND EGRESS OVER THE SOUTHWESTERLY 50 FEET OF PARCEL A AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD ON FEBRUARY 28, 1986 IN BOOK 57 OF PARCEL MAPS AT PAGES 13 AND 14 AND AS CONTAINED IN THAT CERTAIN EASEMENT AND MAINTENANCE AGREEMENT RECORDED JANUARY 21, 1988 AS INSTRUMENT NO. 88007768, RECORDS OF SAN MATEO COUNTY, STATE OF CALIFORNIA.

PARCEL THREE:
AN EASEMENT FOR RAILROAD DRILL TRACK OVER THE SOUTHWESTERLY 10 FEET OF PARCEL C AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD ON FEBRUARY 28, 1986 IN BOOK 57 OF PARCEL MAPS AT PAGES 13 AND 14 AND AS CONTAINED IN THAT CERTAIN GRANT DEED RECORDED JULY 19, 1956 IN BOOK 3063 AT PAGE 1, RECORDS OF SAN MATEO COUNTY, STATE OF CALIFORNIA.

Ownership History According to the preliminary title report referenced above, the subject's fee estate is owned by SI 62, LLC, a California limited liability company.

There have been no known transfers of ownership interest in the property during the three years prior to the date of valuation.

Property Rights Appraised

This appraisal report addresses the subject's fee simple estate. The definition of a fee simple interest is as follows:

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

Source: The Dictionary of Real Estate Appraisal, 6th Edition, p. 90 (Chicago: Appraisal Institute, 2015)

Purpose of the Appraisal

The purpose of this appraisal is to estimate the market values of the fee simple interest in the subject's land, as referenced above, disregarding the existing improvements. The term "Market Value" is defined as:

> *The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.*

Source: The Dictionary of Real Estate Appraisal, 6th Edition, p. 141 (Chicago: Appraisal Institute, 2015)

Also referenced is a definition established by the City of Menlo Park for purposes of this assignment:

> *Market Value is 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 knowledgeably and assuming the price is not affected by undue stimulus.*

Source: Section II.A.5 of the "City of Menlo Park – Appraisal Instructions" as reproduced in the Addenda

Scope of Work/Valuation Methodology

The scope of this appraisal assignment is to utilize appropriate approaches to value in order to arrive at the market value estimates presented herein for the referenced valuation scenarios. Specific steps involved in the valuation process include an inspection of the subject property; the research and analysis of comparable data and local market conditions; and a study of the subject's developmental potential in accord with each of the noted valuation studies.

There are three traditional approaches to estimating market value; namely, the Cost Approach, Sales Comparison Approach, and Income Approach. The Sales Comparison Approach is used within this appraisal report to estimate the independent market values of both the “base level” and “bonus level” valuation scenarios, as described below. Detailed explanations of this technique are presented in the ensuing valuation chapters. Neither the Cost Approach nor the Income Approach is deemed to be a directly relevant methodology in the subject’s appraisals.

The first of the subject’s appraisals is that of the “base level” valuation scenario - wherein the market value of the fee simple interest in the site is estimated in accord with its existing O-B (Office) zoning, as fully entitled for the maximum Gross Floor Area (GFA) allowed – representing a floor area ratio (FAR) developmental density of 45 percent. The second appraisal analysis addressed in this report, which is referenced herein as the “bonus level” valuation scenario, estimates the market value of the fee simple interest in the land based on its existing zoning, but as fully entitled for an increased FAR developmental density of approximately 88 percent - as represented by a total GFA of 509,420 square feet.

These appraisals are intended to conform to the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, as well as the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute. Data pertinent to this assignment was gathered and analyzed from various sources, including the public record; private company databases; the appraiser’s work files; and others. Information regarding comparable sales has been verified by market participants to the identified transactions and/or the public record, press release, and other published information.

Intended Use & Intended Users

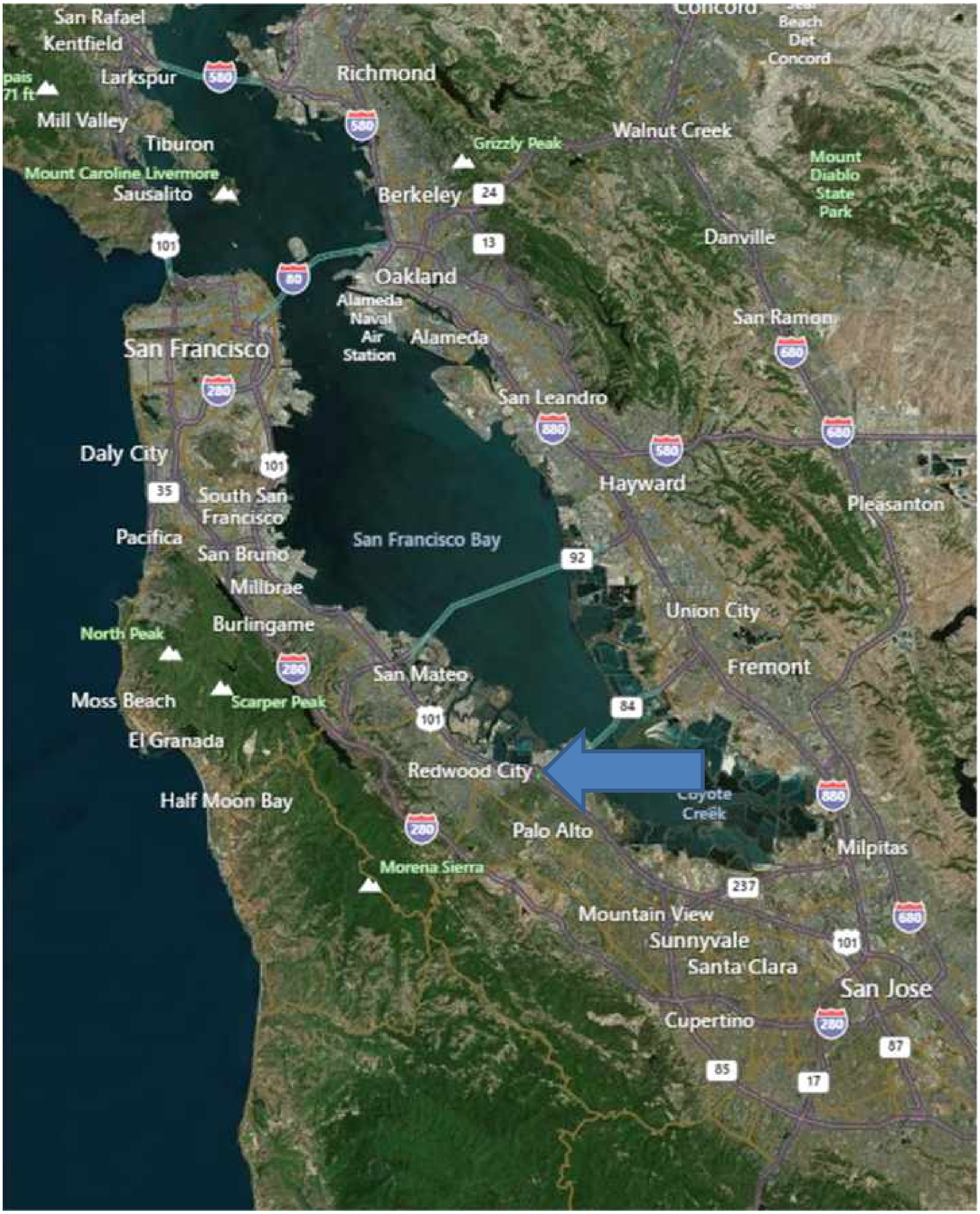
The intended users for which these appraisals were contracted are the client and the City of Menlo Park. The intended use is to assist the client in discussions with the City relative to determining the value of community amenities.

Hypothetical Conditions

In each of the valuation scenarios examined in this report, it is assumed that the subject property is fully entitled for the specific development format associated with the respective scenario. As of the date of valuation, the subject’s land was not fully entitled for either recognized project rendition.

Extraordinary Assumptions	In the Bonus Level valuation scenario, the Value of the Amenity is not considered in concluding the subject's land value. In other words, a deduction has not been made from the market value conclusion for the financial obligation associated with obtaining development approval at the higher density.
Date of Report	April 21, 2023
Date of Inspection	August 12, 2021
Date of Valuation	August 12, 2021

Area Analysis



Regional Map

Regional Description

Regional Overview

The subject property is located in the City of Menlo Park, within San Mateo County, and is part of the nine-county region known as the San Francisco Bay Area. The Bay Area is the fourth largest metropolitan area in the United States, with a total population of 7,703,016 as of January 1, 2021, according to the State of California Department of Finance (DOF). It contains roughly 19.5 percent of the State's population, which is unchanged from 2020. However, the Bay Area's population *declined* at a rate of 0.6 percent over the preceding 12 months, which was nominally greater than the state's 0.5 percent loss during the same timeframe.

The Bay Area is very diverse and has long been recognized as a desirable area within which to live and work. Its abundance of human and natural resources has resulted in solid population and economic growth over the past several decades, despite periods of economic correction, and furthermore indicates good potential for an eventual resumption of expansion. The technology industry continues to drive job creation and business activity in the region, and signs of growth have been seen in several property sectors. Per the following explanation, however, there are concerns relating to the current social and economic climate.

COVID-19 Coronavirus Issue

As of the date of appraisal report authorship, significant economic and social turmoil is occurring, due in part to the COVID-19 coronavirus pandemic. Conditions have furthermore evolved during the past 17 months, as initial impacts to the financial markets have now become evident in unemployment data, spending patterns, and differing degrees of shock to various business sectors. Retail, entertainment, and the lodging/hospitality industries appear to have suffered the greatest impacts of social distancing and work-from-home edicts by employers, while industrial and certain residential housing sectors have benefitted. The longer-term effects of the disease pandemic remain unknown, and while current conditions appear to suggest that a recovery is at hand, a variety of forecasts are being made by market participants.

At the time of the initial outbreak in 2020's first quarter, equity and bond markets exhibited substantial volatility; interest rates and the availability of financing were unstable; and the salability of some types of commercial real estate was strained. On a national and international level, financial markets gyrated. This mostly occurred during the weeks following mid-to-late February 2020, when the United States' major stock market indices suffered declines of 30 percent or more in roughly a month. Interest rates plummeted during this same timeframe, with all forms of U.S. Treasury debt at one point in March yielding rates below one percent. Within the next few months, both the equity and bond markets had largely recovered, although shorter term interest rates remain lower today than they were at the beginning of last year.

Economic conditions throughout the nation have been substantially impacted by the COVID-19 coronavirus. Large urban areas and several states instituted orders to “shelter in place” - although not universally and with some switching in and out of restriction status. Broad swaths of commercial commerce came to a halt as a result, with the State of California and the Bay Area specifically approaching the issue with greater caution. This resulted in some restaurants, shopping malls, entertainment venues, office buildings, hotels, schools/universities, and even public open spaces being closed. The release of vaccines to the general population is now allowing for a loosening of restrictions and a reopening of some economic sectors, as compared to the prior year and a half, although vaccination participation rates and the potential for virus mutations are ongoing concerns. In fact, as of early August 2021, some jurisdictions have again begun implementing masking restrictions as the Delta variant takes hold.

On March 26, 2020, the country reported its highest level of weekly unemployment claims - at over 3.2 million - due to layoffs made by businesses in the preceding weeks. This more than doubled the following week, and again surpassed six million during the next. In total, March and April saw roughly 21 million people lose their jobs. Unemployment has declined markedly since that time, with close to 15 million jobs recovered; but first-time claims have only recently fallen from what had been elevated levels posted since the outbreak. An employment recovery appears to be at hand, although it is sporadic in different parts of the country with states such as California underperforming expectations. Overall, the visibility regarding future economic conditions is limited, with confidence relating to projections being similarly low.

On March 27th, 2020, the Federal government passed the CARES Act - a $2 trillion stimulus measure which directed several forms of monetary assistance and/or tax relief to states, local governments, businesses, and individuals. Much has been done since that time from a monetary perspective, with forgivable loans, unemployment benefits, and cash grants continuing to be distributed by both federal and state agencies.

Congress subsequently passed an additional $900 billion round of stimulus, in late December 2020, with the $1.9 trillion American Rescue Plan Act following in March 2021. At present, the President's administration has proposed much as $3.5 trillion in additional infrastructure and social spending, although negotiations among members of Congress appear likely to reduce that amount prior to passage. Nonetheless, these efforts have collectively resulted in a substantial influx of money into the economy, which is now triggering concerns regarding inflation.

While the ultimate impact of these events on the property markets is not yet known, segregation is becoming evident in the performance metrics of different property types and locales. Categories of productive real estate that require and support "in person" activities – such as industrial and biotechnology – are performing well. Those that depend on close social interaction by customers, travel, or discretionary spending have suffered, although this again appears now to be changing. Regardless, these dichotomies largely explain why certain owners and developers of real estate have reported increased activity and favorable investment performance, while others are addressing bankruptcies, lease and loan restructuring, and general malaise with uncertain prospects of longer-term recovery. There also has been a concerted shift from higher-density, urban core activities to those in suburban locales, which has resulted in certain Bay Area communities performing better than others.

It is anticipated that market conditions will ultimately exhibit greater stability. If this occurs, in accord with Federal government forecasts that the virus should be a short-lived event, then there may be no significant effect on property values or marketability. Alternatively, if the course of the COVID-19 coronavirus results in a longer-term delay of economic activity and/or changes in user and investor sentiment regarding real estate, the impacts on property values and marketability could be substantial. The client is therefore advised to closely monitor economic conditions going forward, and to determine if additional appraisal analysis is warranted relative to the intended use of this report.

San Mateo County Introduction

San Mateo County comprises approximately 450 square miles of land, extending eastwardly from the Pacific Ocean to San Francisco Bay. It is situated between the City of San Francisco and what has historically been recognized as Silicon Valley (in nearby Santa Clara County), and is directly accessible to the East Bay by the San Mateo/Hayward Bridge and the Dumbarton Bridge.

GEOGRAPHY AND POPULATION

The county is geographically divided into eastern and western portions by the Santa Cruz foothills. Most development has traditionally taken place within the more accessible, eastern portion, as land on the west side of the mountains is largely undevelopable due to prohibitive topographical and/or environmental characteristics, as well as restrictive regulations. Land use in the county is characterized by a concentration of high-technology engineering, manufacturing, and technical products firms near the bay, with residential and business districts stretching westward, into the foothills.

Currently available land which is supportive of development is in short supply. As a result, the significant population expansion of the 1950s and 1960s has slowed considerably during recent decades. U.S. Census figures indicate an increase of just 1.6 percent over the ten-year period ending in 2010, and more recent data shows that its population growth (and more recent decline) is currently occurring at a rate similar to that of the Bay Area as a whole. As of January 1, 2021, the State's DOF estimated the population at 765,245, reflecting a 0.8 percent *decrease* from the previous year.

EMPLOYMENT AND UNEMPLOYMENT

In terms of employment, San Mateo County has a diversified economy. Much of its job growth in the last decade has been a result of the economic expansion in nearby Silicon Valley, with gains experienced in the high-technology fields of hardware and software development, multimedia, environmental technology, and biotechnology. Based on the emergence and expansion of the Internet and related industries over the past several years, a large part of the county is now commonly considered to be associated with Silicon Valley.

Significant employment sectors within San Mateo County include manufacturing, transportation, retail trade, finance, insurance, real estate, and professional services. The largest employers are associated with the airport, local government, hospitals, and various technology firms. There are currently over 200 companies that employ at least 100 people in the county, including Oracle Corporation, Facebook, and the County of San Mateo itself.

The county's total employment was estimated by the California Employment and Development Department (EDD), in June of 2021, at 411,200. This compared to a labor pool of 432,700, indicating an unemployment rate of 5.0 percent at that time. This figure had skyrocketed roughly a year ago, due to the shelter-in-place order in March of 2020, when all but "essential businesses" had their activities curtailed. According to the EDD, the county's unemployment rate was 2.1 percent just prior to the virus outbreak, but by April 2020 it had reached 11.8 percent. The figure has recovered markedly since, with 12 of the last 14 months showing declines.

ECONOMIC CONDITIONS

General economic conditions in Silicon Valley have improved notably since the Great Recession of 2008/09 – although most recently they have again faltered. Until the start of the COVID-19 pandemic, the Bay Area and Silicon Valley were recognized as one of the best-performing economic environments in the state and the country.

The Joint Venture Silicon Valley Institute for Regional Studies periodically surveys business leaders from many industries established within the region, to gauge economic vibrancy and competitiveness. Their most recent publication on the topic is the 2021 Silicon Valley Index. The conclusions from that report – assembled during the coronavirus outbreak – echoed some findings from previous research, but also that "Silicon Valley has a grotesque set of disparities."

Due in part to COVID-19, economic bifurcation among area residents is becoming even more pronounced than it has been historically. Key findings extracted from the 2021 Index are as follows:

- Population growth has halted. While the region continues to attract tech talent from around the world, incoming (primarily foreign-born) talent is met with a massive outflow of residents to other parts of the state and nation, and slower natural growth. Tech employment is still rising here, but those companies are adding jobs more rapidly elsewhere.

- The staggering amount of job losses fell…disproportionately (on) low-income earners, renters, and Black and Hispanic workers. The income and wealth divide - already gaping - reached staggering proportions. Housing insecurity and hunger rose, met by increasing costs at a time when few could afford them.

- Silicon Valley's tech companies and highly skilled workforce thrived amid the crisis. The region had lost more than 151,000 jobs by June, while the tech sector remained nearly untouched with overall employment levels up two percent despite some layoffs.

- 2020 was a record year for venture capital ($46 billion), which fueled 67 megadeals in Silicon Valley and 41 in San Francisco. The total number of patents registered in each of the last two years were higher than ever before, and the year ended with 24 new Silicon Valley publicly traded companies. In aggregate, Silicon Valley and San Francisco companies increased their market capitalization by 37 percent, reaching nearly $10.5 trillion by the end of the year.

- The footprint of the major tech companies increased, even despite some pandemic-related construction delays. More new commercial space was under construction than ever before (21 million square feet) and another 14 million square feet is in the pipeline. While commercial leasing activity did slow down by as much as 67 percent for office space, most tenants and landlords took a wait-and-see approach: landlords held rents steady and tenants held onto their space, even if unoccupied.

- Connectivity became an even bigger issue with the prevalence of remote work and distance-learning, particularly for lower-income students and those living in rural communities. High school dropout rates rose, and standardized testing was suspended.

- Fewer people were driving or riding public transit, spending money in stores, or participating in arts, culture, and entertainment. The consequences were wide-ranging. Due to the sheltering orders, regional mobility declined to levels never seen before. Budgets of public transit agencies and arts organizations were decimated. By spring, more than 60 percent of arts and culture jobs had been lost.

- The philanthropic community, local government organizations, and nonprofits came together as never before to address rising needs, with a focus on food and shelter. Nineteen major COVID-19 response funds granted over $94 million in pandemic relief, $58 million of which was disbursed within the first three months of the crisis; nearly two-thirds of all funding went toward food, shelter, and other basic needs.

- Civic engagement increased significantly amid a presidential election and high levels of civil unrest. Local government faced declining public funds and made major adjustments…to accommodate pandemic-related declines in revenues (from

> transient occupancy taxes, charges for services, and business license taxes among others) that are expected to be greater than those experienced during the Great Recession or the dot.com bust. All total, Silicon Valley cities are expected to have more than $400 million in budget shortfalls.

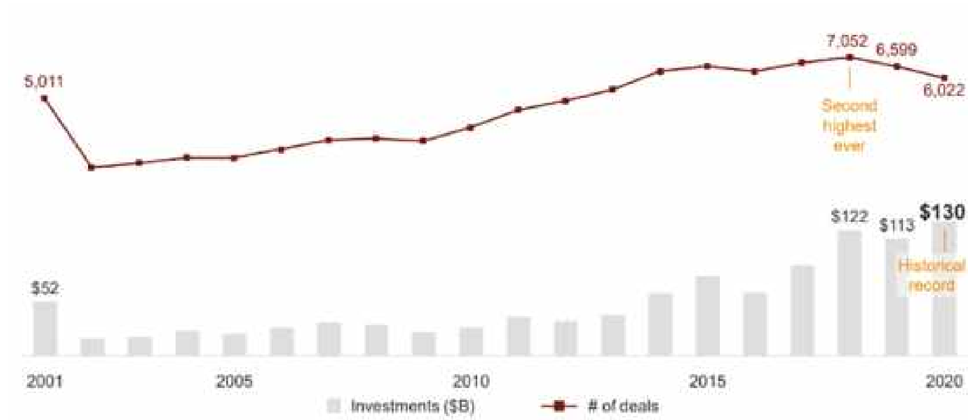
Clearly, many of these issues represent challenges for business and economic development. While some are tied directly to the coronavirus pandemic, others reflect expansions of disparities that existed before the outbreak. Notwithstanding, the broad Bay Area office market has been negatively impacted during the COVID era, although suburban locales have outperformed central business districts. San Mateo County had an inventory of approximately 57.3 million square feet as of 2021's second quarter end, according to CoStar. At that time, office vacancy was 10.1 percent, per this source, up 240 basis points from a 7.7 percent rate one year prior.

Concerning consumer activity, the San Francisco region - and the Peninsula in particular - had also been robust until 2020's second quarter, driven by the region's jobs growth, dense population, and above-average income demographics. Again, this changed due to COVID, although spending patterns were not as negatively impacted as seen in other parts of the country. In the San Mateo County submarket, Costar reported a retail vacancy rate of just 5.3 percent, as of 2021's third quarter start, on an inventory of 31.6 million square feet. This figure has remained low for the past several years due to the maturity of the market, limited new construction, and high demand dynamics. While it has most recently deteriorated, due to the impacts of the recent shelter-in-place limits on commerce, overall vacancy in the retail category was up just 80 basis points from one year earlier, per CoStar. The number of retail, restaurant, and entertainment venues that have experienced stress during the pandemic has been substantial, although conditions appear to now be improving with the very recent reopening of the economy.

VENTURE CAPITAL INVESTMENT

Investments made within the venture capital industry are tracked by PwC in its MoneyTree Report. According to this source, venture funding has increased substantially since the Great Recession, with nationwide investments climbing from $32.6 billion in 2012 to $130 billion in 2020. Capital continues to be directed to venture investments, despite the current recessionary environment, with the most recently completed year showing an increase of 14 percent from 2019.

During the past few years, however, trends within the industry have been changing. Larger commitments are now being made to a lesser number of firms, while geographical influences are also become more pronounced. The venture capital economy was not as negatively impacted by the effects of the COVID as might have been expected, with deal flow recovering markedly during 2020's third and fourth quarters. In fact, the year's final quarter was the second highest ever for venture financing, with the third quarter placing third from an historical viewpoint.



The San Francisco Bay Area consistently accounts for a significant percentage of nationwide funding, and the region's take has generally grown over the past several years. It was not among the fastest growing regions in the United States last year, however, as other parts of the country have more recently experienced greater rates of activity increase.

HOUSING AND INCOME LEVELS

Housing costs in the San Francisco Bay Area are among the highest in the nation, and the median price of a single-family residence in San Mateo County exceeds those in all the other Bay Area counties.

In the for-sale market, suburban property demand has experienced strong growth with the lack of supply and shelter-in-place orders from the region's major employers spurring competition. Conversely, rates in the rental sector had, until very recently, been trending downward while vacancy increased. Recent "work from home" policies have encouraged some to relocate out of the area altogether to lower cost cities, and new unit supply continues to grow due to ongoing development efforts. Overall, during the current COVID timeframe, the residential sector appears to be bifurcating between the for-sale and rental sectors.

According to Multiple Listing Service (MLS) statistics, the median sales price for a single-family home traded in San Mateo County was

$1,950,000 during 2021's second quarter, reflecting a 20.0 percent year-over-year increase. The median price for condominiums and townhomes during the same period was $950,000, reflecting a gain of 3.3 percent. The divergence in these pricing trends reflects the impact of buyers seeking properties that provide more space.

Per information supplied by the U.S. Census Bureau, San Mateo County residents are relatively affluent. Median annual household income in this geography was estimated at $122,641 for the 2015-2019 timeframe (reported in 2019 dollars), according to the United States Census Bureau. This figure may decrease once numbers become available for 2020, however.

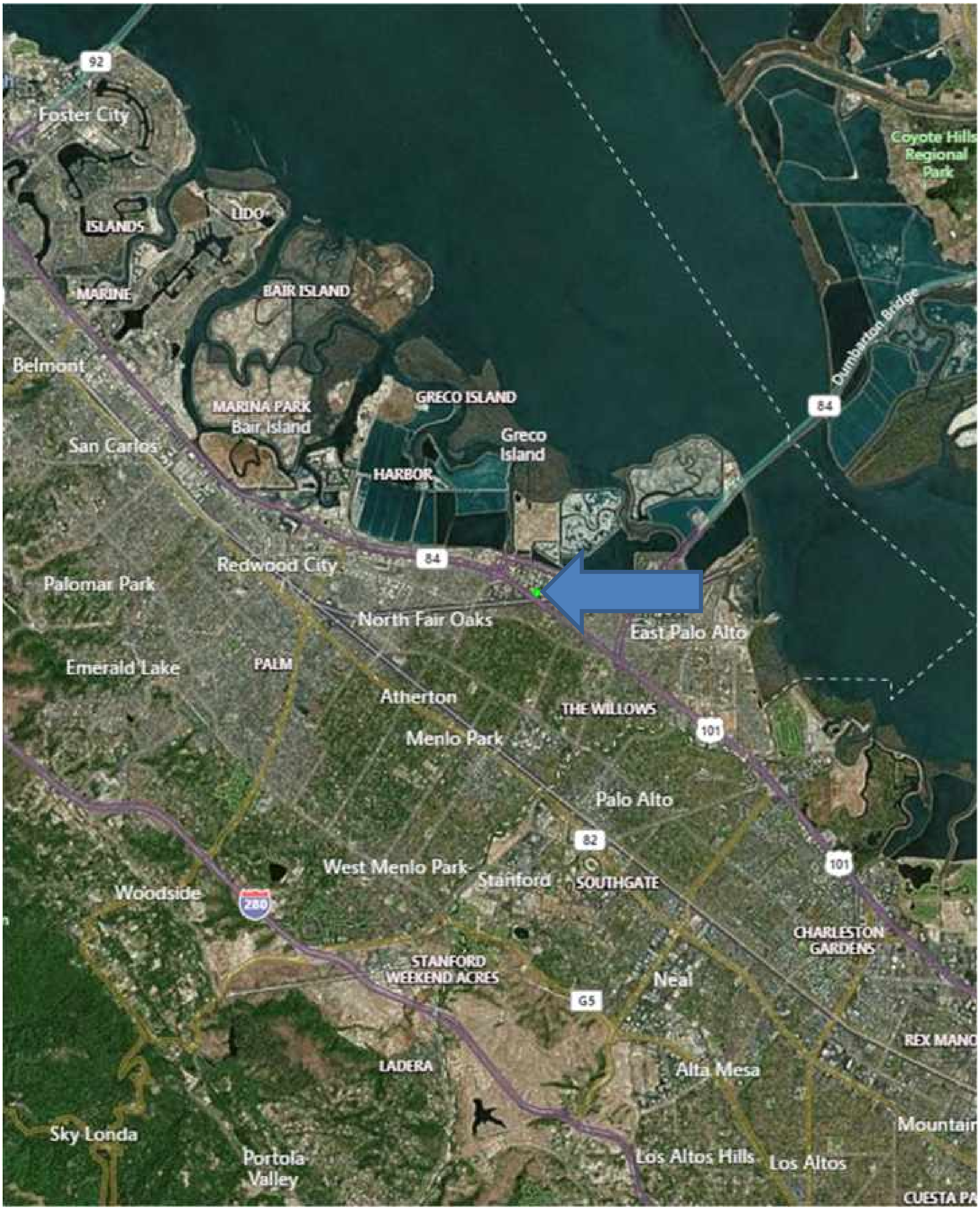
TRANSPORTATION

Transportation systems serving the county are well established and heavily used by area residents and workers. Two primary freeways running north/south through the area are the Bayshore Freeway (Highway 101) and Highway 280. Highways 92, 380, and 84 connect these arteries in the central, north/central, and southern portions of the county, respectively. El Camino Real is the main, commercially developed surface street on the San Francisco Peninsula, running between the cities of San Francisco and Santa Clara.

The San Francisco International Airport (SFO) is the region's main airport, processing over 56.7 million passengers in 2019. Those numbers shrunk drastically in 2020, to 16.4 million, which was correlated to public fears over COVID-19, as well as governmental travel restrictions. Just under 13.7 million passengers were handled in 2021's first half, with more recent press reports suggested that travel is now starting to recover more broadly.

In addition to the aforementioned freeway and air transport options, public transportation serving the county includes the Bay Area Rapid Transit (BART) system (with stations as close as Millbrae), Caltrain (via a surface rail system), and the SamTrans bus service. Ferry services also dock at a station located in the northern portion of the county.

Legislation and voter initiatives have resulted in plans for a high-speed rail system within California, first proposed in 1995. In 2015, the Federal Railroad Administration approved the start of construction of the initial stretch of track between Merced and Fresno, funding for which is to be split with the State of California. By the end of 2018, the chorus of critics of this project had increased, with a main concern being that the system could never be financially viable. Project costs had skyrocketed, and there were concerns that planning and oversight have been inadequate. In January of 2019, the then-new governor of the State of California announced he was limiting the project to this initial segment, at least at present. In light of these recent events, the future of the project is uncertain, and there is widespread skepticism of its ultimate success.


92
Foster City
ISLANDS
LIDO
MARINE
BAIR ISLAND
Belmont
MARINA PARK
Bair Island
GRECO ISLAND
Greco
Island
San Carlos
HARBOR
Coyote Hills
Regional
Park
Dumbarton Bridge
84
Redwood City
84
Palomar Park
North Fair Oaks
East Palo Alto
Emerald Lake
PALM
Atherton
THE WILLOWS
101
Menlo Park
Palo Alto
82
West Menlo Park
Stanford
SOUTHGATE
101
Woodside
280
CHARLESTON
GARDENS
STANFORD
WEEKEND ACRES
Neal
G5
LADERA
Alta Mesa
Sky Londa
Portola
Valley
Los Altos Hills
Los Altos

Area Map

City of Menlo Park

Introduction

The subject property is located in the city of Menlo Park - a primarily residential community situated midway between San Francisco and San Jose. It is in the southernmost portion of San Mateo County, adjacent to the northwest boundary of Santa Clara County. Menlo Park is bordered by the San Francisco Bay to the northeast; the Town of Atherton and Redwood City to the north and northwest; the Santa Cruz foothills to the west and southwest; and the cities of Palo Alto and East Palo Alto to the east and southeast.

POPULATION & INCOME

According to the DOF, the city's population was 34,825 as of January 1, 2021. This is a *decrease* of 0.8 percent from the prior year, which is greater than the county's rate of contraction over the same timeframe. The Association of Bay Area Governments (ABAG) forecasts a 2025 total of 48,490 within the city and its sphere of influence, with 2040 projected at 54,920.

Residents within the city are relatively affluent, with a median household income of $160,784 - according to U.S. Census American Community Survey data for 2019. This is near 31.1 percent greater than the countywide figure cited previously for the same time.

EMPLOYMENT & UNEMPLOYMENT

Employment conditions within Menlo Park are currently improving from the negative influences of the COVID-19 event and are furthermore superior to those reported for the county and state. As of June 2021, the California EDD reported a 3.4 percent unemployment rate for the city - versus 5.0 for the San Mateo County and 7.7 percent for all of California.

This statistic had been decreasing prior to the pandemic outbreak and was reported at average levels of 1.9 percent, 2.1 percent, and 2.5 percent during 2019, 2018, and 2017, respectively. It jumped dramatically in early-to-mid 2020, although subsequent declines in later months reduced the average for the year to 4.2 percent. In fact, no other city in San Mateo County posted a lower unemployment rate last year than Menlo Park.

HOUSING PRICES

Land use within Menlo Park is dominated by single-family residential development, with most homes ranging from middle to upper income in character. There is a marked distinction in property values on the east versus west sides of Highway 101, however. Those to the east, in closer proximity to the subject, are generally lower than the citywide average.

During the second quarter of 2021, MLS statistics cited a median single-family home sale price of $2,890,000 within the city. This is up 12.0 percent from a $2,580,000 figure cited during the same period in 2020. The median price for condominiums and townhomes was $1,705,000 as of the most recent timeframe, up 33.7 percent from a $1,275,000 median during the prior year. These increases in part reflect demand generated for suburban residences during the COVID era, although homes prices throughout much of the Bay Area have been rising as of late. Nonetheless, the reliability of the condominium/townhome statistic is questionable, considering that it is based on a comparatively limited number of sales during the analysis terms.

DEVELOPMENT TRENDS

Commercial and industrial uses within the city are relatively diverse. Industrial activity is contained mostly to the northern portion of Menlo Park, adjacent to the bay. Office properties are concentrated within the downtown core, along the El Camino Real; near Marsh Road and Highway 101; or at the city's southern boundary, in the vicinity of Sand Hill Road. Retail and traffic-dependent commercial uses requiring high visibility dominate Santa Cruz Avenue and El Camino Real.

The most significant development being undertaking in the city, and that which has garnered substantial publicity for Menlo Park, has been the establishment of Facebook's headquarters. In early 2011, the company signed a 15-year lease for a former Sun Microsystems campus adjacent to the bay, with a future option to purchase the site (which it has since exercised). The "East Campus" consists of 11 buildings with over one million square feet of space that had been originally constructed between 1993 and 1995.

Around the same time that it was planning for its headquarters relocation from Palo Alto, the company purchased a nearby 22-acre tract at Willow Road and the Bayfront Expressway, to be ultimately connected to its new facility. Development of the "West Campus" (MPK 20) was completed near the end of 2015, adding a 527,000 square foot, Frank Gehry-designed landmark building with several remarkable features, including a fully landscaped and usable roof; a tunnel connection beneath the expressway to the East Campus property; and a variety of sustainability characteristics.

In June 2014, on a separate but adjoining property, Facebook structured a sale/leaseback for 58.3 acres formerly owned by Tyco Electronics Corporation. That site held more than one million square feet of mostly aged industrial facilities that are now being razed and redeveloped. Facebook's "MPK 21" building, containing 504,000 square feet, opened in September 2018 on this site. That structure is connected to the aforementioned West Campus, creating an elongated facility of more than one million square feet of office area. The next phase of redevelopment on the former Tyco site was MPK 22, which is situated closer to the intersection of the Bayfront Expressway and Constitution Drive. A near 450,000 square foot office structure, along with a seven-level parking garage, commenced construction at that location in 2019 and was completed in February 2021. A future hotel is also planned to be built at the southeast corner of the Bayfront/Constitution intersection, although it has not yet begun development.

In early 2015, the company acquired a similar-sized land holding near the southeast corner of the Willow Road/Bayfront Expressway intersection. That sale – at a price of nearly $400 million - was consummated with the expectation of ultimately redeveloping the site with a mix of commercial and residential uses. Facebook is now proposing that its "Willow Village" project will ultimately contain 1,735 apartment units (including nearly 20 percent designated as affordable); 125,000 to 200,000 square feet of retail space; a 200-250 room hotel; 1.25 million square feet of office space; and a town square with substantial open area. Construction has not yet commenced at that location.

Also in east Menlo Park is the Menlo Gateway project - a separate, large-scale development currently under construction on 316 acres at the intersection of Highway 101 and Marsh Road. Bohannon Development Company is building a large, mixed-use complex which is planned to ultimately include a hotel, health club, and nearly 700,000 square feet of new offices in multiple buildings with parking structures. Facebook occupied the initially constructed, 207,000 square foot office component in 2018, and committed for all of the near 500,000 square feet subsequently added in two structures fronting the Bayfront Expressway. The latter appear to have been recently finished, although full occupancy has not yet occurred due to a work-from-home edict issued by the company.

Altogether, the office space in East Menlo Park that is already occupied by, being built for, or planned for future development specifically for Facebook, amounts to 4.94 million square feet. If ultimately completed, the company expected roughly 35,000 employees to be working in these facilities by 2025 – prior to very recent announcements of an internal shift to more permanent “remote working” guidelines. This compares to a current Menlo Park resident count of 34,825, as previously noted.

Away from east Menlo Park, and closer to the city’s core, Presidio Bay Ventures is completing a large-scale project on an approximate 6.4-acre site at 1300 El Camino Real which is referenced as “Springline.” It expects to deliver nearly 220,000 square feet of office and retail space, as well as 183 apartment units during the Fall/Winter of 2021. Separately, Stanford University well along in its development of a similarly scaled, mixed-use project on an 8.4-acre assemblage located at 300-550 El Camino Real. This site is at the southern end of the city and is identified as the “Middle Plaza” project. It is expected to contain 145,000 square feet of office space, 215 residential units, and a 10,000 square foot retail component. The office element was largely pre-leased to Softbank, in October 2019. Construction of the commercial and residential elements are proceeding simultaneously, with completion currently anticipated in 2022.

Separate from these large-scale undertakings, there are several other projects underway or being planned in the city at present. They concern a variety of usage types and much smaller sizes than those referenced above. Overall, this construction is having a pronounced impact on the community.

TRANSPORTATION

Transportation throughout the city is good, although the freeways and many surface streets are congested during daytime hours. Highway 101 (the Bayshore Freeway) extends along Menlo Park’s northeast boundary, adjacent to the bay. In east Menlo Park, several roadways connect this freeway to the Dumbarton Bridge, which traverses the bay. Highway 280 is a moderately trafficked freeway situated along Menlo Park’s southwest boundary. It passes through less densely developed residential neighborhoods adjacent to the Santa Cruz foothills. The El Camino Real is a moderate-to-densely developed commercial thoroughfare that parallels and is situated between these two freeways. It bisects Menlo Park, as well as several other Peninsula cities.

One transportation improvement project that could substantially change Menlo Park’s traffic patterns in the long term is the potential rehabilitation of the currently unused Dumbarton Rail Bridge. Facebook funded a recent study of improvements that would be needed to accommodate renewed rail service on the line, along with the potential addition of bus lanes to the Dumbarton Bridge itself. It recommended that roughly $975 million be spent on these improvements, which would then allow improved accessed into east Menlo Park. If implemented, the revived rail crossing could be operating as early as 2025, according to the study, with the potential to accommodate 30,000 new commuters crossing the bay. Public agencies which would be ultimately responsible for construction and operations have so far not identified full funding sources for this work. Additionally, some press reports have begun to question the ultimate viability of this project, due to budgetary concerns expressed by the entities involved. But, while the study project was formally put on hold in early 2020 due to the COVID-19 pandemic, it was recently restarted by SamTrans and Facebook.

Neighborhood Map

Neighborhood Description

Overview

The subject property is located within a mixed-use neighborhood in east Menlo Park which is currently undergoing transition. As explained previously and as expounded upon below, much of the impetus for the new construction and changes in land use that are now taking place has been the establishment and expansion of Facebook's headquarters.

LAND USE PATTERNS AND LOCAL AREA BUSINESSES

The local area is a predominantly industrial district which is commonly referenced as the Bohannon Industrial Park. For purposes of this appraisal, the subject's neighborhood is defined by Highway 101 (the Bayshore Freeway) to the southwest; an extension of the Southern Pacific rail line to the south; Willow Road to the east; San Francisco Bay and Highway 84 (the Bayfront Expressway) to the northeast; and Marsh Road to the northwest.

This area is served by two highways and two major corridors, making it accessible and relatively convenient – notwithstanding the heavy congestion that had been exhibited during daytime hours prior to the COVID-19 outbreak. As indicated on the associated map, the neighborhood has an irregular shape, and is characterized by a concentration of industrial, office, and R&D uses, most of which were originally developed between the 1940s and 1970s. It is separated from the city's majority residential and retail areas, on the south side of Highway 101, and has a more direct association with the lower-income enclave of east Menlo Park.

Highway 101 extends along the southwestern boundary of the defined neighborhood. This major thoroughfare borders the subject site to the southwest and is heavily trafficked along most portions of the Peninsula. It extends into San Francisco, to the north, and the center of Silicon Valley to the south. The Bayshore Freeway offers an on/off ramp at Marsh Road, near the north end of the subject's neighborhood, and also at Willow Road near the southern periphery.

A portion of the San Francisco Bay, which aligns with the Bayfront Expressway, provides a northern and northeastern boundary to the subject neighborhood. Although heavily trafficked during commute hours, the expressway (Highway 84) effectively serves as one connector between the Dumbarton Bridge and Highway 101, via Marsh Road. It also provides intersections at Willow Road and University Avenue - which extends into East Palo Alto and ultimately Palo Alto, beyond the Bayshore Freeway.

Between Highway 84 and the Bayshore Freeway/rail line boundary is a moderate amount of reclaimed land, most of which is improved with the low and mid-rise, office and R&D improvements of the Bohannon Industrial Park. Much of this area was subdivided and developed by the Bohannon Companies, roughly 40 to 70 years ago, for purposes of attracting industrial and manufacturing tenants to the area. Original entities established in the park included Raychem and Johnson & Johnson, among others. Tyco Electronics Corporation had a large, 58-acre campus that was sold to Facebook, in 2014, as noted in the previous chapter. Today, a variety of industrial and office users predominate, including a number of small firms, as well as those as large as Facebook.

The last few decades have witnessed a distinct shift in park occupancy, away from uniquely industrial uses to those involving high-technology and conventional office activities. Some of the latter capitalize on Bayshore Freeway frontage via occupancy of newer, higher-quality developments at the south end of the neighborhood. Marsh Road serves as a northwestern boundary for the district, with Willow Road to the east. The former right-of-way extends in a relatively short distance on the east side of the Bayshore Freeway, primarily providing access to the north end of the Bohannon Industrial Park, as well as the Bayfront Expressway. It crosses over Highway 101, to the south, and thereafter extends into a mixed-use, office/residential area with limited retail. Marsh Road provides eventual access to the upper income neighborhoods of Menlo Park (and Atherton), and the city's downtown core. Willow Road follows a similar course, although it services a significant part of east Menlo Park's Belle Haven neighborhood before crossing the freeway.

CURRENT AND FUTURE DEVELOPMENT PROSPECTS

The primary landmark in the subject's neighborhood is the Facebook campus, situated north of the Bayfront Expressway at the terminus of Willow Road. As previously described, that multi-building development contains over one million square feet and is entirely occupied as the technology firm's headquarters. Although technically outside of the neighborhood boundaries as previously defined, this project established an initial foothold for the company that has grown dramatically to the southwest – into the subject's neighborhood - during the past several years. That progression was detailed in the preceding City Description.

Other than the Facebook-related construction, new development has been added recently to the neighborhood and is now underway. A Hotel Nia, at 200 Independence Drive, opened in 2018 on a site between the newest Facebook building and the subject, with similar Highway 101 frontage and exposure. The property is a luxury lodging facility with a fitness center, pool, restaurant, meeting facilities, and the like, which is actually part of Phase I of Bohannon's Menlo Gateway project. It shares a parking garage with the Facebook building at 100 Independence Drive.

Even closer to the subject, construction was recently completed on the TIDE Academy academic facility, at 150 Jefferson Drive. This $51 million, 45,000 square foot public high school recently opened (although it was temporarily closed the COVID-19 pandemic) and is expected to serve 400 when fully enrolled. The campus offers flexible learning environments including a makerspace shop, coding lab, design lab, and a green roof, and will focus on technology, innovation, and engineering curricula – all according to the organization's website.

Future developments in the local area could see both multifamily residential and mixed-use (office and residential) construction added. The Sobrato Companies and Greystar are each considering large-scale projects on the blocks just north and northwest of the subject. If completed as planned, they would collectively add several hundred homes to the area. Either effort would be pioneering, as no such residential uses presently exist in the neighborhood.

Greystar's vision is perhaps the most advanced, as it closed escrow on two, separate project sites in late 2020 and early 2021. The former concerns a 4.83-acre assemblage which is proposed for a primarily residential development. Most units in that project (441) will be rentals, with some (42) for-sale condominiums and a minor office component of 4,240 square feet located on the ground floor. Entitlements were granted in mid-June 2021. The latter is a nearby, 3.19-acre site that is proposed to include 335 multifamily residential units, as well as 33,211 square feet of office and 1,607 square feet of childcare space. Its buildings are proposed to range in height from three to seven stories and will again be served by structured parking. This development was also unentitled at the time that Greystar acquired the land.

CONCLUSIONS

As noted by the number of projects currently under construction in the subject's vicinity, the local area is undergoing significant transition at present. Many former industrial uses are being replaced by higher-intensity office and/or multifamily residential construction, along with hotel and education facilities. New development is anticipated to continue, due to the real estate needs of Facebook, and could add residential construction in the future.

Market Overview

Market Overview

Introduction

The following analyses study market conditions relevant to office properties in San Mateo County and the City of Menlo Park. Both those for the broad market and the Class A sector will become pertinent in the analysis of the subject property's development potential and land value.

Regional Office Market Overview

A history of the Great Recession of 2008-09, as well as its impact on Bay Area office market conditions, has been well documented. Recovery became evident during 2011 and 2012, followed by generally robust market performance through the remainder of the decade. Numerous large office developments have been completed over the past several years, including those for the likes of Apple, Google, Facebook, and others.

However, recent events have again introduced uncertainty as to the region's future office market trends, as the COVID-19 pandemic has caused many companies to plan temporary or longer-term "work from home" business models. These may depress the need for physical space. Conversely, some in the high-technology sector have recently made commitments to continue their office growth. The dynamics behind these decisions are studied further in the final section of this chapter.

San Mateo County Office Market Analysis

San Mateo County is generally recognized as part of Silicon Valley. While the Valley's genesis occurred to the south, in Santa Clara County, growth in the high-technology industry has expanded its boundary northwardly, into the central Peninsula and beyond. Today, many communities along the Highway 101 corridor house firms involved in the businesses of social media, cloud computing, Internet retailing, gaming, data analytics, biotechnology, and other sectors.

VACANCY RATES

Per CoStar, San Mateo County's office market was showing signs of COVID-related decline, as of mid-year 2021. The countywide office inventory was reportedly 57,323,807 square feet, and the corresponding vacancy rate was 10.1 percent - representing 5,876,976 square feet of physically vacant space. This compares to a rate of 7.7 percent in the year-earlier period, and 7.5 percent two years prior.

Including all available office space (whether vacant, occupied but being marketed, available for sublease, or known available at a future date), the total availability rate was 14.2 percent as of 2021's second quarter, versus 10.9 percent one year earlier, and 9.7 percent two years hence.

In the Class A segment of the countywide market, inventory was reported at 25,171,042 square feet, and the corresponding vacancy rate was 9.8 percent (2,568,846 square feet), as of 2021's second quarter. Total availability as of the referenced time frame stood at a moderately higher amount of 16.1 percent. One year prior, the Class A office vacancy rate was 7.6 percent and total availability was 12.4 percent. Two years earlier, the figures were 9.3 and 11.3 percent, respectively.

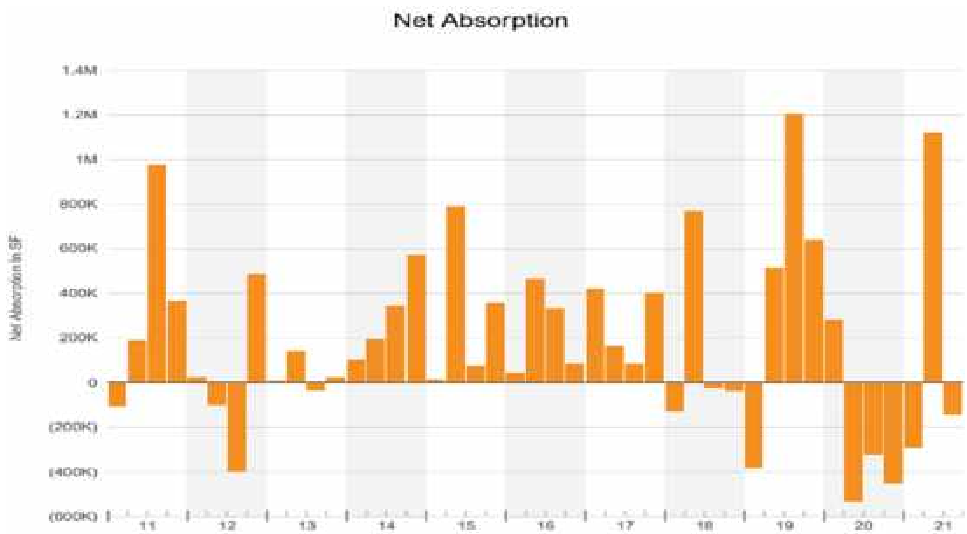
RENTAL RATES

Rental rates in the second quarter of 2021 were reported at levels that again were under pressure from COVID-19 influences. According to CoStar, at that time they were at an average asking level of $5.43 per square foot per month. These rates are quoted on a full-service basis, with the landlord responsible for all operating expenses. A year earlier they were $5.50 per square foot per month, suggesting that many landlords have not yet adjusted to declining market rents (per CoStar).

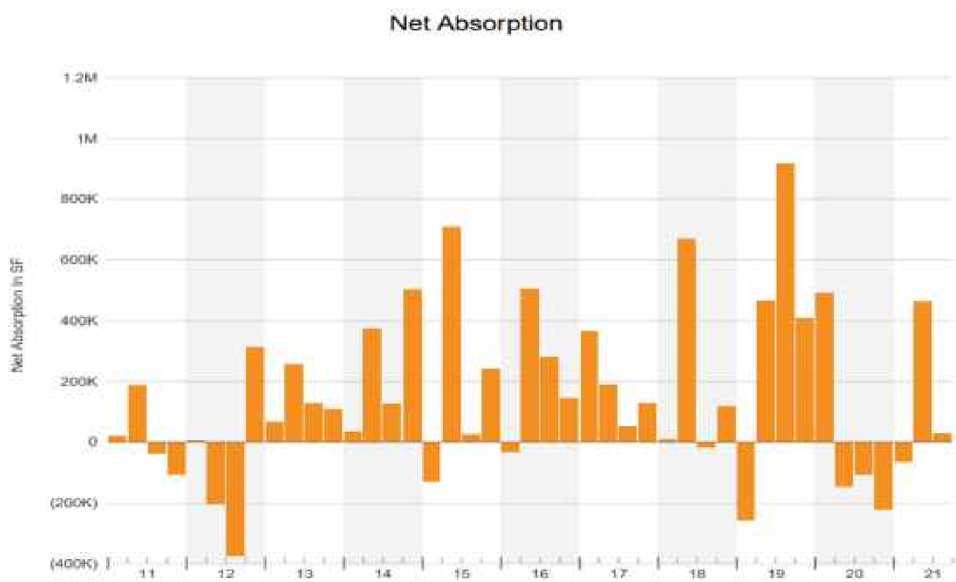
Rental rates in the second quarter of 2021 for Class A office space in San Mateo County were showing a similar trend as compared to the broader market and stood at an average asking level of $5.79 per square foot per month. One-year prior, the mean list rate was $5.88 per square foot, reflecting a drop of 1.5 percent during the interim.

ABSORPTION

Net absorption of office space in San Mateo County measured 828,387 square feet during 2021's first half, on gross leasing activity of 2.556 million square feet. The former reflected an increase from the same timeframe in 2020, when net leasing was a *negative* 252,764 square feet, with the latter up from 1.366 million square feet. Still, with the exception of the year's second quarter, when two projects fully leased to Facebook were delivered, performance during the pandemic has been negative.



Net absorption of Class A space amounted to 398,042 square feet during 2021's first half, on gross leasing of 1.133 million square feet. These amounts compare to 2020 first half totals of 344,964 and 734,424 square feet, respectively. Both metrics again reflect improvements, based on the impact of the new projects pre-leased to Facebook.



INVESTMENT ACTIVITY

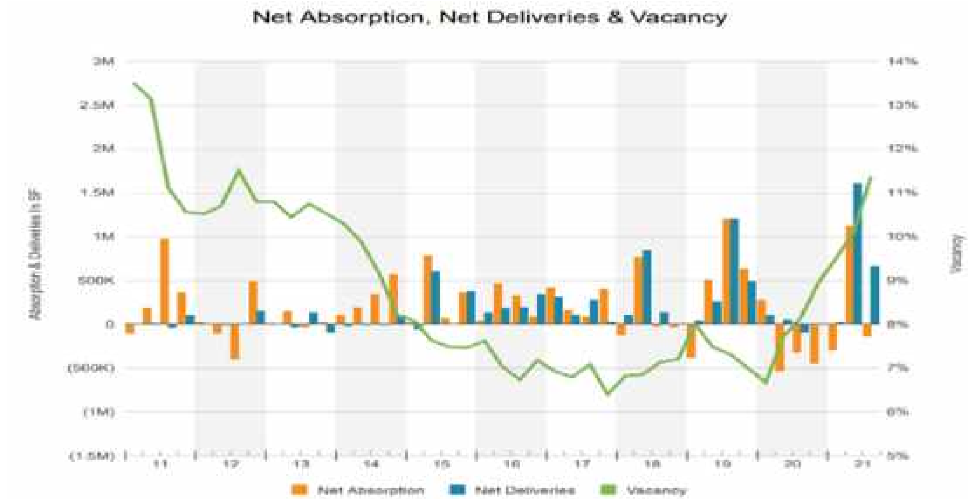
The Peninsula saw solid office investment activity in 2021's first half, following a COVID-related lull in activity during much of 2020. During the current year's first two quarters, a total exchange value of $980 million was noted, with much posted during the April through June timeframe.

Average pricing associated with these sales exhibits expected variability, as the number of office buildings that trade – regardless of category – is typically limited. Price per square foot indications can therefore show greater volatility as compared to what might better reflect a rate of true appreciation or depreciation. Nonetheless, CoStar's calculations show a stabilization and nominal price decline during the COVID era.

NEW/PENDING CONSTRUCTION AND MARKET SUMMARY

San Mateo County has had a significant amount of new office space added to its inventory over the past few years, in response to formerly improving market conditions and continued demand for space being generated largely from the technology industry. A total of eight buildings were delivered in 2020 alone, amounting to almost 220,000 square feet. This was comparatively low in relation to prior years, however, and likely reflects a pause due to COVID-19. CoStar cites 18 structures in varying stages of development, as of mid-2020, representing almost 2.7 million square feet of additional new space that may soon be offered.

In accord with current growth patterns and the levels of demand being expressed by technology firms in the area, it is expected that some of the new construction will be claimed by companies such as Facebook, Softbank, biotechnology concerns, and others. In all, these trends and statistics establish a forecast for cautious optimism in San Mateo County.



City of Menlo Park Office Market Analysis

Menlo Park has historically attracted and retained a variety of tenants established in many different business sectors. Facebook has its headquarters in the city, and the company has both purchased and leased several properties within the community. It continues to build and expand office facilities on several sites, which has had a marked impact on the following statistics. To now narrow this market analysis to apply more directly to the subject, only Class A properties within the city are studied going forward.

VACANCY RATES

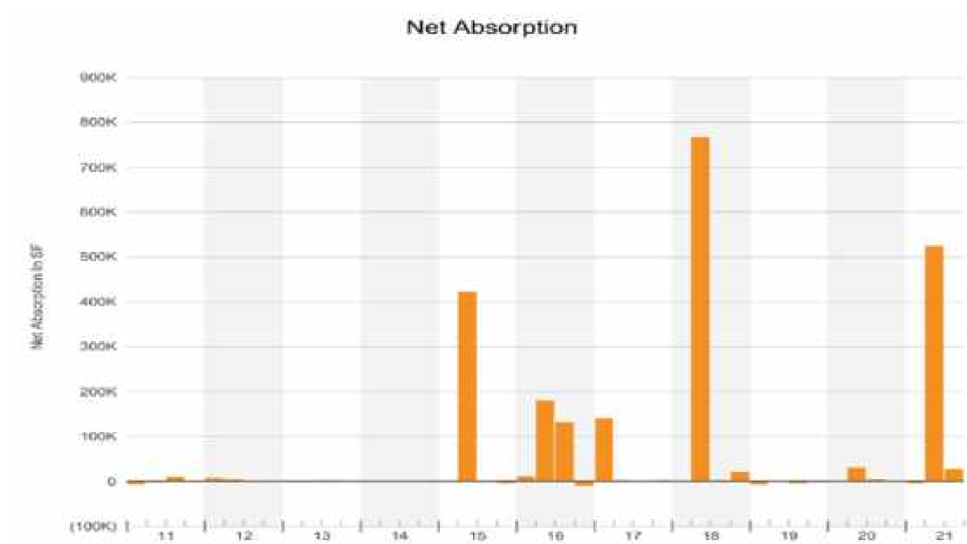
Menlo Park's inventory of Class A office space totaled 2,645,092 square feet, as of mid-year 2021. At that time, its vacancy rate was just 3.1 percent, representing 81,886 square feet of physically vacant space. This compared to 3.0 percent one year earlier. Including all available space, the total availability rate was 8.2 percent, up from 6.9 percent 12 months prior.

RENTAL RATES

Menlo Park's Class A office lease rates, as of the second quarter of 2021, were reported at levels that have moderated during the COVID era. Average asking rates in the city, as of June, were cited at $8.84 per square foot per month, fully serviced. A year earlier, a mean asking amount of $8.83 per square foot was cited, reflecting no change during the past 12 months. CoStar's data suggests that some landlords have yet to respond to the weakening market. Regardless, rents in Menlo Park have perennially been above county averages, and in recent years have led those reported by all other communities in San Mateo County.

ABSORPTION

Net office space absorption in Menlo Park's Class A category amounted to nearly 520,000 square feet year-to-date in 2021, on almost 550,000 square feet of gross leasing activity. The result was the nominal change in vacancy and availability – until the year's current quarter.



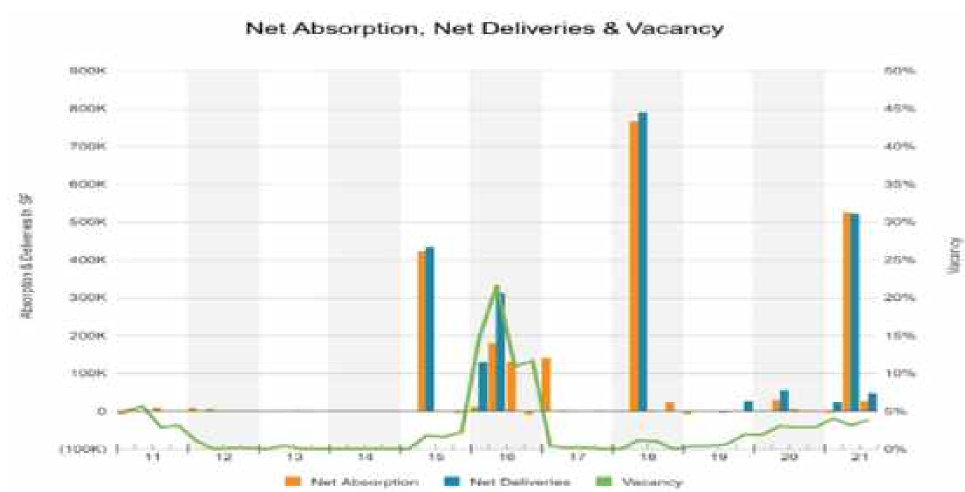
INVESTMENT ACTIVITY

Menlo Park has had no Class A office facility sales activity for the past four years. In fact, the last transactions occurred during 2017, as illustrated below. A Menlo Park property address is nonetheless considered to be attractive to investor buyers across the entire locational spectrum, which perhaps explains why owners are reluctant to sell.

Pricing associated with office sales again shows expected variability, as the number of properties that trade within a small community is generally limited. Per square foot value indications have ranged from a few hundred dollars to near $2,000 per square foot during the past decade, depending largely on quality/condition, size, and specific location.

NEW/PENDING CONSTRUCTION AND MARKET SUMMARY

Menlo Park has introduced significant Class A office space to its inventory in the past few years, including a 521,000 square foot addition to Facebook's holdings in the second quarter of 2021. At present, 685,000 square foot of new space is under construction in both speculative and bespoke buildings within the city.



CONCLUSION

Menlo Park is an attractive, suburban office market in southern San Mateo County that has a comparative small inventory of office product. Historically, most buildings have been of Class B or C in nature, although recent years have seen several large, Class A structures erected in the vicinity of Facebook's headquarters in the eastern portion of the community. Speculative development of high-quality product is also now occurring near the downtown core, which appears to be drawing other finance/technology firms to the city.

Nonetheless, the preceding trends and statistics illustrate a recent deterioration of office market conditions in San Mateo. The availability rate is potentially problematic, although its rise is expected to moderate as conditions improve due to loosening governmental restrictions related to COVID-19. Menlo Park has historically been viewed as attractive, due in part to its location midway between San Francisco and San Jose, and at the foot of the Dumbarton bridge. This locational competitive advantage will not change as a result of the pandemic.

Discussions held with brokers for purposes of this assignment revealed anecdotal observations which help in understanding current market trends. The majority cite weakness in the community's office sector during the COVID era, particularly in the smaller tenant category. Comparatively little leasing was taking place through mid-to-late 2020, particularly as compared to pre-pandemic times, as many companies postponed making commitments to real estate. Concessions such as free rent and more generous interior improvement packages consequently become more prevalent.

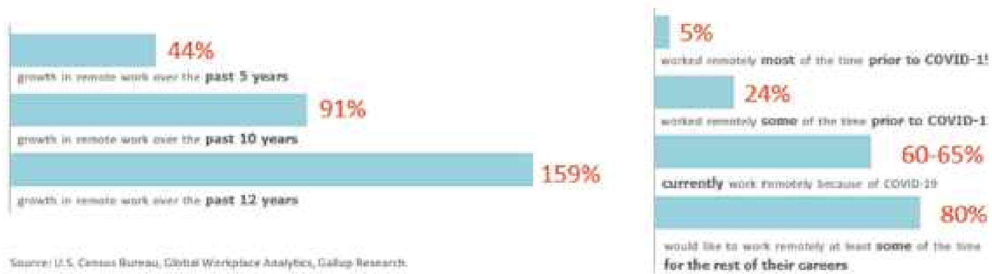
There has also been a marked shift toward positioning available space as candidates for life science conversion. This is endemic of a market transition occurring along nearly the entire Peninsula. Numerous properties are now being marketed as potential biotechnology sites, although some market professionals note that the ability of older facilities to actually accommodate life science retrofitting is questionable.

Some interviewed sources note an expectation that the Menlo Park office market should recover to a better balance in its vacancy and rental rate metrics, once COVID restrictions pass. A minority note, however, that concerns related to the number of older, small businesses that predominate the Class B and C office inventory may not return in the numbers that have historically been evident – or that they may seek lower-cost submarket alternatives, due in part to the impacts of broader shifts to remote working environments and a general reduction in the need for space. The potential for these trends to manifest is examined further in the subheading to follow.

COVID-19 IMPACTS ON OFFICE SPACE

Remote work trends have been accelerating for more than a decade. A study conducted by Global Workplace Analytics estimated that the total growth of U.S. employees that work remotely has grown by 159 percent over the last 12 years, 91 percent over the previous ten years, and 44 percent over the previous five years. While the recent pandemic forced employers to become more flexible with employee work arrangements, the sustained growth has been part of the workplace evolution well before the impacts of COVID-19.

FIGURE 1: REMOTE WORK TRENDS ARE ACCELERATING

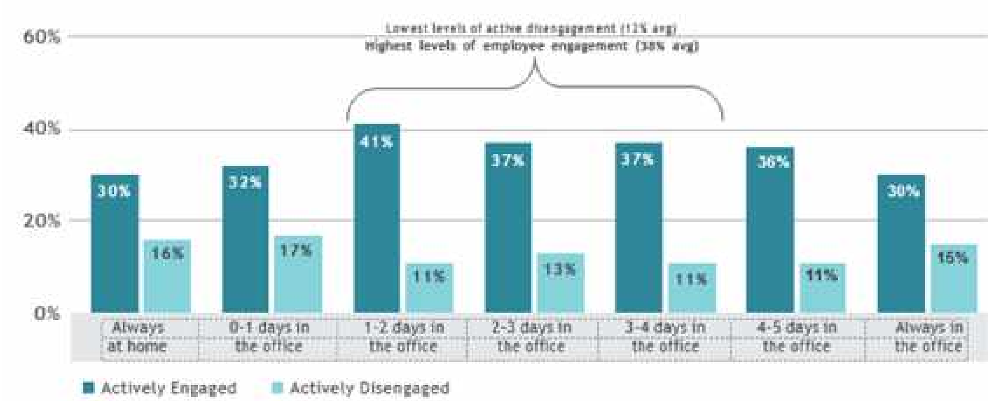


Source: U.S. Census Bureau, Global Workplace Analytics, Gallup Research.

Although the volume of remote workers continues to grow, the total percentage of employees working remotely has been relatively low compared to total employment. It is estimated that, before COVID-19, only five percent of U.S. employees worked remotely most of the time, representing approximately 7.6 million workers. When including those who worked remotely at least part-time, the total percentage increased to 24 percent, representing 36.5 million of the total 152 million employed in early 2020. As such, three-quarters of the workforce exclusively worked from the office prior to the pandemic. However, these figures shifted in 2020 as between 60 and 65 percent of employees currently work remotely full-time.

In response, most companies implemented successful work from home strategies during the short-term. But as offices begin to reopen, employers will need to consider incorporating flexible work arrangements to cultivate employee engagement and retain talent. Many surveys suggest that more than 80 percent of employees would like to work remotely at least some of the time for the rest of their careers, while a 2020 survey compiled by Gensler found that only 12 percent want to work from home full-time. In the end, most employees want to return to the workplace in some capacity, but they want to be in an office environment that incorporates social distancing, promotes health and wellness and values employee safety.

FIGURE 2: EMPLOYEE ENGAGEMENT BY REMOTE WORK FREQUENCY



Source: Gallup Research

Results from several employee engagement surveys suggest that overall employee engagement varies when working remotely. However, the lowest engagement levels consistently came from employees that either work in the office exclusively or work from home exclusively. The best results came from those working in the office between two and four days per week. This segment reported both the highest engagement levels coupled with the lowest levels of active disengagement, illustrating the importance to provide flexibility and balance between work locations. Gallup Research reports that engaged teams have 17 percent higher productivity rates and are 21 percent more profitable.

Productivity can be much harder to measure. After an adjustment period during the first few months following the onset of COVID-19, many companies began reporting that overall productivity remained at pre-pandemic levels or increased. Without long commutes, socializing with colleagues, and unavoidable distractions, most workers appeared to be getting more done. While employees and employers both “feel” like they are more productive working remotely, it largely depends on the type of work performed.

For individual head-down tasks, working remotely appears to boost productivity while collaborative group work provides mixed results. Approximately 55 percent of all employees say that collaboration is more difficult while working remotely, and 50 percent of Gen Z and Millennials feel it is harder to avoid distractions when working from home, ultimately impacting their overall productivity.

Some companies feel that remote work trends have negatively impacted productivity, suggesting there is a big difference between a busy workforce and a productive workforce. In a recent Bloomberg article, JPMorgan reported that productivity has fallen for staff working from home and that total output is particularly affected on Mondays and Fridays, citing that remote work is not a substitute for organic interaction. Regardless of position, it appears that most employees would like to return to work in some capacity. The primary reason is because they miss the face-to- face interaction with their colleagues. This trend is especially prevalent with the younger generation.

FIGURE 3: REMOTE WORK ALLOWS FOR INCREASED PRODUCTIVITY

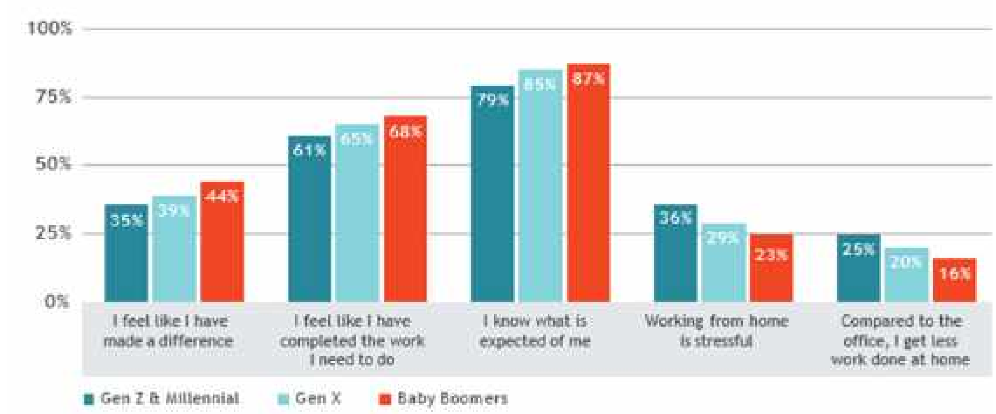
Source: Flexjobs, Gallup Research, Gensler

Over the past decade, the workplace environment has continuously evolved to accommodate the new wave of younger employees and their professional preferences. These have included greater flexibility in workplace design, more open-plan layouts, increased collaboration areas, additional social spaces, culture-rich amenities, and work from home options - to create a desirable and holistic work/play environment. While recent modifications in office design concepts have become synonymous with trendy technology firms, the changes also spanned across industries, cultures, and generations, most of which have been willing to embrace the change.

Nevertheless, younger employees appear to be having a more challenging time working remotely compared to their more seasoned coworkers, despite their perceived readiness for remote work. According to the 2020 Work from Home Survey conducted by Gensler, both Gen Z and Millennials are less likely to feel that they've made a difference or completed their required workload by the end of a typical workday. Remote work can also have a separation effect on younger workers, as they often feel there is a gap between the work they perform and their company's mission. Additionally, the younger cohort reports feeling additional stress when working from home, often surmising that they get less done than working in the office.

In the effort to create workplace efficiencies, leverage technology advances, and adapt to work's evolving nature, many businesses increased office density within their space allocations. This trend gained momentum during the economic recovery and expansion period following the Great Recession and continued until the recent COVID-19 pandemic. The transformation of office space typically included varying degrees of workspace balance between open-concepts, private offices, and collaboration areas. It was often personalized to each company's brand, vision, and unique work culture.

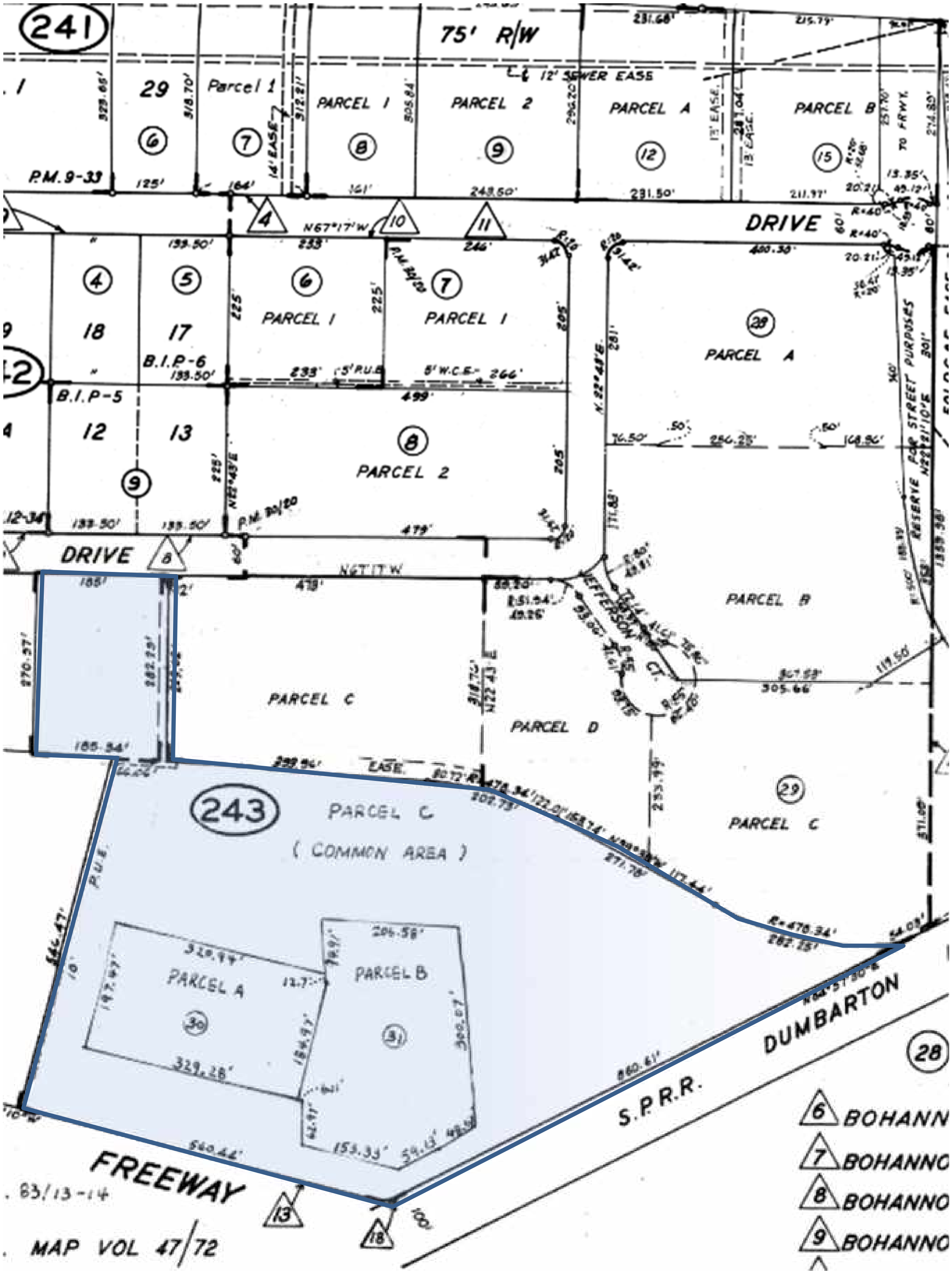
FIGURE 4: YOUNGER EMPLOYEES ARE HAVING A HARDER TIME WITH REMOTE WORK



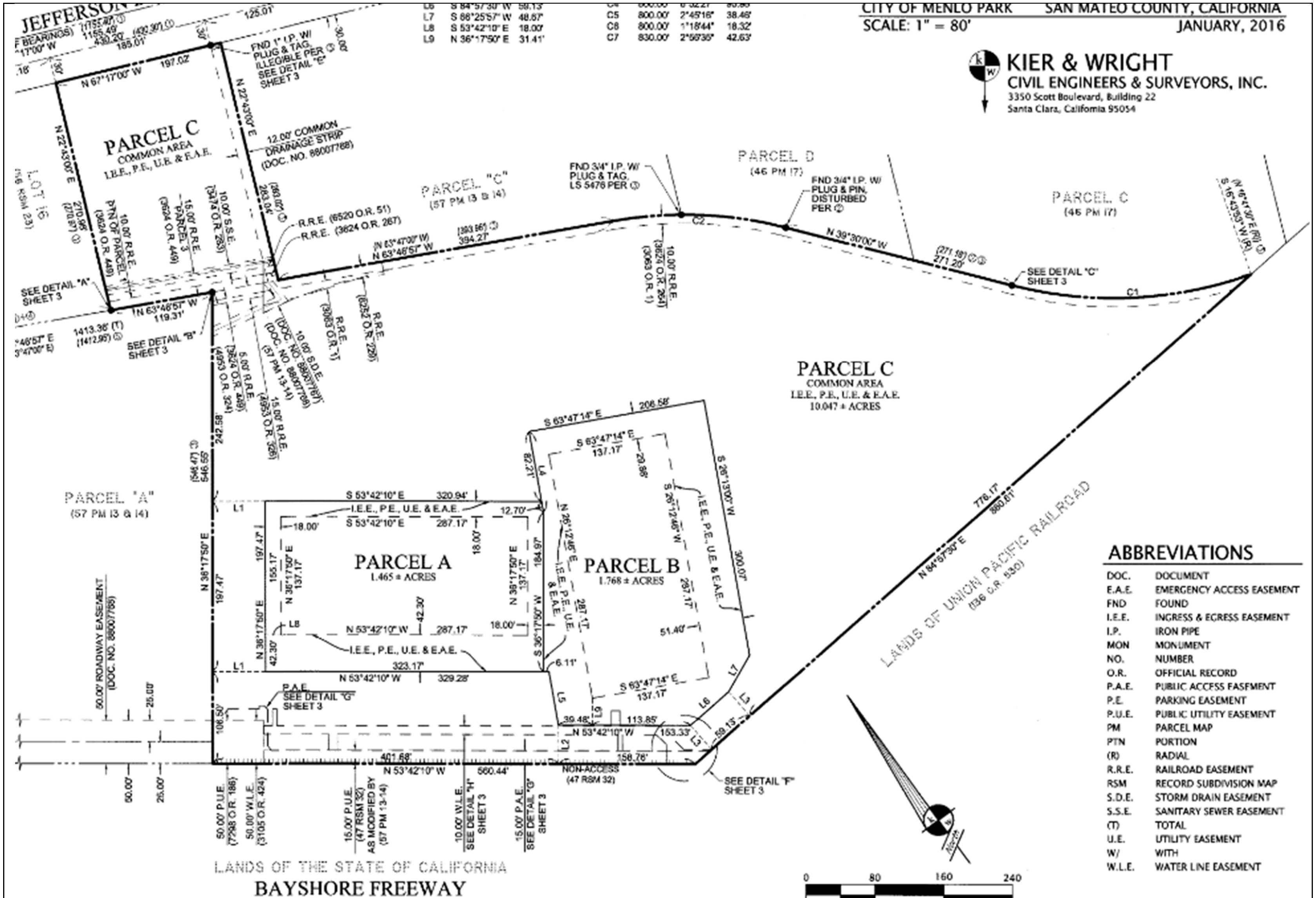
Source: Gensler, Work From Home Survey 2020

Workplace modifications also created increased office density, typically measured by using a ratio of average square feet per person. While the calculation can generally be used to determine the total amount of office space needed, the modern workforce operates differently because dynamic work trends require an evolving environment. Densification without proper planning can sometimes create a crowding effect, which will impact focus, performance, engagement, and job satisfaction. And now, with health and safety concerns surrounding COVID-19, office workplace density is projected to decrease as companies establish new guidelines when re-opening their offices. These changes are expected to include increased social distancing, more work from home opportunities, a reduced number of shared workspaces, and fewer shared amenities.

Property Description



Assessor's Parcel Map



Subdivision Plat Map

Site and Improvements Data

Introduction The following descriptions are based on inspections of the subject property, details contained in public records, and information provided by the client as referenced in the following subheadings.

STREET ADDRESS 162-164 Jefferson Drive
Menlo Park, California 94025

LAND AREAS & SITE DIMENSIONS Per information contained in public records, the subject property has a total land area estimated at 578,476 square feet, or roughly 13.280 acres. This is very similar to the site area identified in development plans provided for this assignment and shown on a following page, which site an aggregate 578,472 square feet. Based on the efficacy of these sources, and considering the greater precision of the latter, the data contained in the referenced plans is considered more accurate and presumed correct for purposes of the appraisals to follow.

The subject parcel is irregularly shaped, with the majority of its land set back from its Jefferson Drive frontage and bordering on the Bayshore Freeway (Highway 101). This is the result of the site having been aggregated following two, separate purchases of formerly independent parcels that were later merged. The current lot dimensions are as noted on exhibits included in this chapter.

STREET ACCESS & EXPOSURE The site has frontage along the south side of Jefferson Drive and the easterly terminus of Commonwealth Drive. Access is available from curb cuts along both rights-of-way, although the latter is a private street that exists to serve a limited number of properties located east of Chrysler Drive (as explained in the title review to follow). Both driveways lead to surface parking lots and drive aisles that currently serve the two office buildings onsite. The subject also has frontage along a section of the bordering freeway, although there are no vehicular or pedestrian connections to the highway.

Jefferson and Commonwealth Drives each have near full compliments of offsite improvements in place, including curbs, gutters, sidewalks, and street lighting. Sidewalks do not exist along the north side of Jefferson or the south side of Commonwealth, however, and streetlights are also missing from Commonwealth. There are furthermore no traffic controls at the entry points to the subject site. Curbside parking restrictions are established throughout the area regarding vehicle size and/or parking times.

Overall, the subject’s accessibility and exposure characteristics are considered average-to-good, noting that the parcel occupies an interior location in an established, business park environment. Its southbound freeway visibility is favorable, although access to the property’s main entrance, from Jefferson Drive, is via a somewhat circuitous route of travel through Bohannon Park.

TOPOGRAPHY & SOIL CONDITIONS

The subject’s topography appears to be generally level. Although a detailed survey was not provided for purposes of this assignment, information contained in the Geotechnical Investigation document referenced below notes a grade differential of approximately three feet over the entirety of the site. There were no drainage problems apparent at the time of inspection. The easternmost segment of the lot is furthermore designed for stormwater collection and drainage.

A geotechnical report prepared by Langan Engineering and Environmental Services, Inc., of San Jose (dated February 26, 2019, and referenced by Langan as 770646301) was provided for this assignment. It includes information on the subject’s subsoil conditions and was based on the author’s reviews of prior investigations, onsite soil borings and analyses, and research into regulatory records. The report cites the existence of groundwater at depths of seven to 11 feet below the surface; the existence of clay and silt both above and below groundwater levels; and medium dense sand below the water table, with loose and medium dense sand above.

In summary, the Langan report notes, relative to the subject’s proposed construction, that the primary geotechnical issues for this project include:

- the presence of near surface expansive soil;
- presence of moderately compressible clay soil;
- presence of potentially liquefiable soils and associated seismically induced settlements, and;
- selection of an appropriate foundation system to support the building loads and accommodate estimated seismic settlements and resist uplift forces.

Overall, the referenced geotechnical report cites no problems with the stability of the subject’s soils, relative to the proposed construction techniques. It concludes that “the proposed development is feasible from a geotechnical standpoint, provided the recommendations presented…are incorporated into the project plans and implemented during construction." As a result, it is assumed that the subject site could be developed to its highest and best use through the employment of conventional engineering techniques applied to similar properties throughout the local area.

HAZARDOUS DISCLAIMER

An environmental study was not provided for this assignment. The appraiser's inspections of the property revealed no obvious signs of environmental contamination. Nonetheless, the appraiser is not an expert in environmental analysis and refers the client to a qualified environmental engineer if further investigation is desired.

The appraiser assumes, for purposes of the following appraisals, that there are no environmental hazards or conditions that would impact the marketability or utility of the subject site. As stated earlier in this report, the property is assumed to be unaffected by toxic contamination, with no environmental site conditions that would preclude use or development to the Highest and Best Use.

FLOOD ZONE INFORMATION

According to the geotechnical report referenced above, the subject property is primarily located within Federal Emergency Management Agency (FEMA) Flood Zone X, designated as an "area of minimal flood hazard" or with "0.2% annual chance flood hazard…or 1% annual change flood with average depth less than one foot or with drainage areas of less than one square mile." These are the areas of no shading or tan colored in the FEMA map below (06081C0306F, dated April 5, 2019).

However, the segment of the property that is currently serving as surface parking nearest Jefferson Drive, as well as a segment bordering the southwestern periphery of the parcel, appear to be in Flood Zone AE. That is defined as a Special Flood Hazard Area with a base flood elevation of 11 feet. While flood insurance is not required for federally regulated lending on properties located in the X zone, it is reportedly mandatory for sections of a site in Zone AE.

EARTHQUAKE ZONE INFORMATION

Government geologic evaluations indicate that all of the San Francisco Bay Area is located in a seismic zone. However, no active faults are known to exist on the subject property, and the site is reportedly not located within a special studies earthquake zone. Per the geotechnical report provided for this assignment, the site has the potential for liquefaction, in the event of strong ground shaking, although the risk of surface fault and secondary ground failure is deemed to be low.

GENERAL PLAN LAND USE DESIGNATION

According to Menlo Park's General Plan, the subject site has a Land Use Designation of Office. This applies to much of the area north of the Southern Pacific rail line and south of the Bayfront Expressway, as illustrated by the map below.

Per the November 29, 2016 General Plan document published by the city, sites in the Bayfront area that carry this designation provide "for office and R&D uses, business-oriented community education and training facilities, supportive sales and personal services, corporate housing, and hotel uses. The designation also accommodates existing and new light-industrial uses that are not in conflict with existing or planned commercial or residential uses in the vicinity. Hotels are allowed as options in several locations. Corporate housing density shall not exceed 30 units per acre. The maximum base FAR shall be 45 percent and the maximum bonus FAR with community amenities shall be 100 percent. Maximum FAR for corporate housing shall be 60 percent, for retail and service uses shall be 25 percent, and for hotels shall be 175 percent."

ZONING DESIGNATION

The subject parcel has a zoning designation of O-B (Office-Bonus). This conforms with the General Plan, and is intended to:

(1) Accommodate large-scale administrative and professional office development;
(2) Allow retail and service uses at administrative and professional office sites and nearby;
(3) Provide opportunities for quality employment and development of emerging technology, entrepreneurship, and innovation;
(4) Facilitate the creation of a "live/work/play" environment with goods and services that support adjacent neighborhoods and the employment base;
(5) Accommodate light industrial and research and development uses that do not pose hazards to or disrupt adjacent businesses or neighborhoods.

Permitted uses in the O-B zone include administrative and professional offices, light industrial, and research and development uses, all at 250,000 square feet or less; banks and other financial institutions; retail sales establishments; eating establishments, excluding the sale of beer, wine and alcohol, live entertainment, and/or establishments that are portable; personal services; recreational facilities of 20,000 square feet or less; and community education/training center that provides free or low-cost educational and vocational programs to help prepare local youth and adults for entry into college and/or the local job market.

Administratively permitted uses include outside storage of material, equipment, or vehicles associated with the main use; childcare center; eating establishments, including beer and wine only, and/or that have live entertainment; outdoor seating; research and development and light industrial uses, requiring hazardous material review; and diesel generators.

Conditionally permitted uses are administrative and professional offices of more than 250,000 square feet; hotels; eating establishments, including alcohol, and/or establishments that are portable; drinking establishments, including beer, wine and alcohol; retail sales establishments, including the sale of beer, wine and alcohol; movie theaters; automobile dealerships; recreational facilities, of greater than 20,000 square feet; certain special uses; those proposing bonus level development; and public utilities.

Some of the pertinent development regulations applicable to the subject property are:

- Minimum lot size of 25,000 square feet;

- Minimum lot width and depth of 100 feet;

- Minimum street setbacks of five feet, with maximums of 25 feet, and minimum interior side and rear setbacks of ten feet;

- Maximum height of 35 feet, with an increase to 110 feet (and an average of 67.5 feet) permitted with bonus level approval;

- Maximum base floor area ratio (FAR) of 45 percent, plus ten percent commercial, or 175 percent hotel, if allowed. Maximum FAR with bonus level approval is 100 percent, plus 25 percent commercial.

- No limit to site coverage;

- Minimum open space requirement of 30 percent, of which 50 percent must be publicly-accessible.

As referenced above, there are certain development standards that differ between base and bonus scenarios. Per zoning, developments in the (O-B) zone may seek an increase in floor area ratio and/or height, subject to obtaining a conditional use permit and providing community amenities consistent with the code. The purpose of this appraisal assignment is to specifically assist in negotiations with the City relative to bonus development approval and the related community amenities.

Parking requirements are dependent upon use. For office, they range from a minimum 2.0 spaces per thousand square feet of building area to a maximum of 3.0 spaces per thousand. Light industrial/R&D vary from 1.5 to 2.5 per thousand; retail requires 2.5 to 3.3; banks and financial institutions need 2.0 to 3.3; eating and drinking establishments require 2.5 to 3.3; and personal services, private recreation, and child care centers all range from 2.0 to 3.3 per thousand. Hotels require 0.75 to 1.1 spaces per guest room. Shared parking can be approved by the City's Transportation Manager, and any new projects of 10,000 square feet or more must develop Transportation Demand Management (TDM) plans.

The reader is directed to a complete copy of the city zoning ordinance for further information regarding required street improvements, general design standards, and green/sustainable building requirements, among others.

UTILITIES

The subject site appears to be served by municipal utilities in place within the adjoining rights-of-way, based on plans provided for this assignment. These include water, natural gas, electricity, sanitary sewer, storm drain, and telecommunication services. Based on information obtained from the developer, existing utilities supplies are adequate to support existing and prospective development onsite, including that analyzed for purposes of the "bonus level" scenario presented in this report.

Police and fire protection are provided by the City of Menlo Park. Refuse collection presumably exists in sufficient quantities to serve the subject.

TITLE REVIEW

A preliminary title report for the subject property, in its current configuration, was provided and reviewed for this assignment. It was prepared by the First American Title Insurance Company (Order Number NCS-812554-1A-SC, dated May 23, 2019). A copy is contained in the Addenda of this document.

In addition to title exceptions for property taxes and supplemental assessments; outstanding mortgages; the rights of parties in possession; and water rights and claims or title to water, the following encumber the site:

- Covenants, conditions, restrictions and non-exclusive easements, recorded July 19, 1956, with modifications made on December 10, 1998;

- A non-exclusive easement for water mains and pipelines, in favor of the California Water Service Company, recorded October 3, 1956;

- A non-exclusive easement for public utility and incidental purposes, recorded June 28, 1957;

- A non-exclusive easement for sanitary sewer and incidental purposes, in favor of the Menlo Park Sanitary District, recorded October 15, 1958;

- Non-exclusive easements for railroad, transportation, and incidental purposes, in favor of the Central Pacific Railway Company, recorded June 23, 1959;

- Covenants, conditions, and restrictions recorded September 19, 1963;

- Covenants, conditions, and restrictions recorded May 14, 1965;

- A non-exclusive easement for spur track and incidental purposes, in favor of the Southern Pacific Transportation Company, recorded October 16, 1972;

- Covenants, conditions, restrictions and non-exclusive easements, originally recorded December 18, 1973, with modifications made on December 10, 1998;

- A non-exclusive easement for public utility and incidental purposes, recorded November 12, 1956;

- The relinquishment of abutter's rights to or from the Bayshore Freeway;

- A non-exclusive easement for storm sewer and incidental purposes, recorded February 28, 1986;

- A non-exclusive easement for storm sewer and incidental purposes, in favor of Failure Analysis Associates, recorded January 21, 1988;

- The terms and provisions of a non-exclusive drainage easement contained in an "Easement and Maintenance Agreement" recorded January 21, 1988;

- The terms and provisions contained in a “Notice of Terms and Conditions of Conditional Development Agreement” recorded December 17, 2014;

- The terms and provisions contained in a “Stormwater Treatment Measures Construction and Maintenance Agreement” recorded December 17, 2014;

- Easements for emergency access, ingress, egress, parking, private utilities, public access, water line, and incidental purposes, recorded November 2, 2016;

- Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions recorded November 2, 2016;

- The terms and provisions contained in a “Deferred Improvement Agreement” recorded October 27, 2016;

- And the fact that a construction trailer is situated on one of the subject parcels.

A review of supporting documentation, as well as the plat map and building plans provided for this assignment, reveal that many of the noted easements lie on peripheral portions of the property, and are therefore typical of those found in business park environments in the local area. Those which are more egregious include a rail track/spur line that extends along a northern portion of the subject site and clips a northwesterly segment of the parcel’s majority area; sanitary sewer and railroad easements that encumber the southernmost portion of the lot area that fronts Jefferson Drive, near the aforementioned northwesterly clipping; water line, public access, and public utility easements that run along a hypothetical projection of Commonwealth Drive, eastwardly from its current terminus at the southwest corner of the subject property; and a variety of building-specific easements that encircle the footprints of the two structures currently on site.

Separately, the referenced CC&Rs establish a variety of use restrictions on the subject’s land that are effectively akin to private zoning. These include minimum setback standards; prohibitions on billboards; maximum coverage percentages and onsite parking requirements; restrictions on certain types of uses and activities, and other development and operational regulations. The CC&Rs were originally established with a defined timeline and are noted to be auto-renewing for ten-year periods until terminated.

The Conditional Development Permit (CDP) was recorded prior to the construction of the buildings currently in place on the subject’s land. They note approval for the demolition of a prior, 237,858 square foot industrial facility and construction of up to 259,920 square feet of new office space. Regulations established at that time included a maximum floor/area ratio of 45 percent, coverage of 15 percent, and height of 68 feet; a landscape and pervious surface area minimum of 25 percent; and parking at a minimum of one space per 300 square feet of gross floor area (3.33 per thousand square feet of building area). Other standards are as outlined in the CDP, including the necessity for offsite upgrading to local area streets and intersections. Discussions with an owner/developer representative indicate that financial obligations for public improvements have been satisfied, as of the date of valuation.

More recently, as noted in the title documentation, CC&Rs were specifically created for the subject property. These created the pads underlying the existing buildings as Parcels A and B, with all other parts of the site denoted as common areas identified as Parcel C. The latter is to be jointly used for surface parking, landscaping, walkways, utility facilities, and the like, with non-exclusive easements established for those uses. Construction easements also were set within each building parcel for maintenance and repair activities, including those relating to utilities and drainage purposes. An association handles common area responsibilities such as insurance payments. Again, these CC&Rs were originally established with a defined timeline (30 years) and are noted to be auto-renewing for ten-year periods until terminated.

It is important to note that the subject also holds rights to use a section of Commonwealth Drive that extends westwardly from its southwestern corner, based on language contained in its title report. That street, which was once a public right-of-way, was apparently abandoned at some point in the past, with certain rights retained by the subject's ownership. The use of the roadway - although clearly marked as private - for ingress and egress to the subject property, appears to be established by the reviewed title documentation.

Other than the above, there are assumed to be no easements or restrictions affecting the subject that would materially impact its marketability or utility. Furthermore, no responsibility is assumed by the appraiser for the legal description of the subject property, or for matters pertaining to legal or title considerations. The property's title is assumed to be good and marketable.

PROPERTY TAX ASSESSMENT INFORMATION

Property taxes are typically based on assessed value as estimated by the San Mateo County Assessor, multiplied by a tax rate of one percent plus any outstanding bonded indebtedness. The subject is in tax rate area 08-063, which had a base tax rate of 1.0964 percent for the recently closed 2020/21 tax year (information for 2021/22 is not yet available). Additionally, a variety of special assessments are collected, resulting in a higher effective tax rate than the base figure.

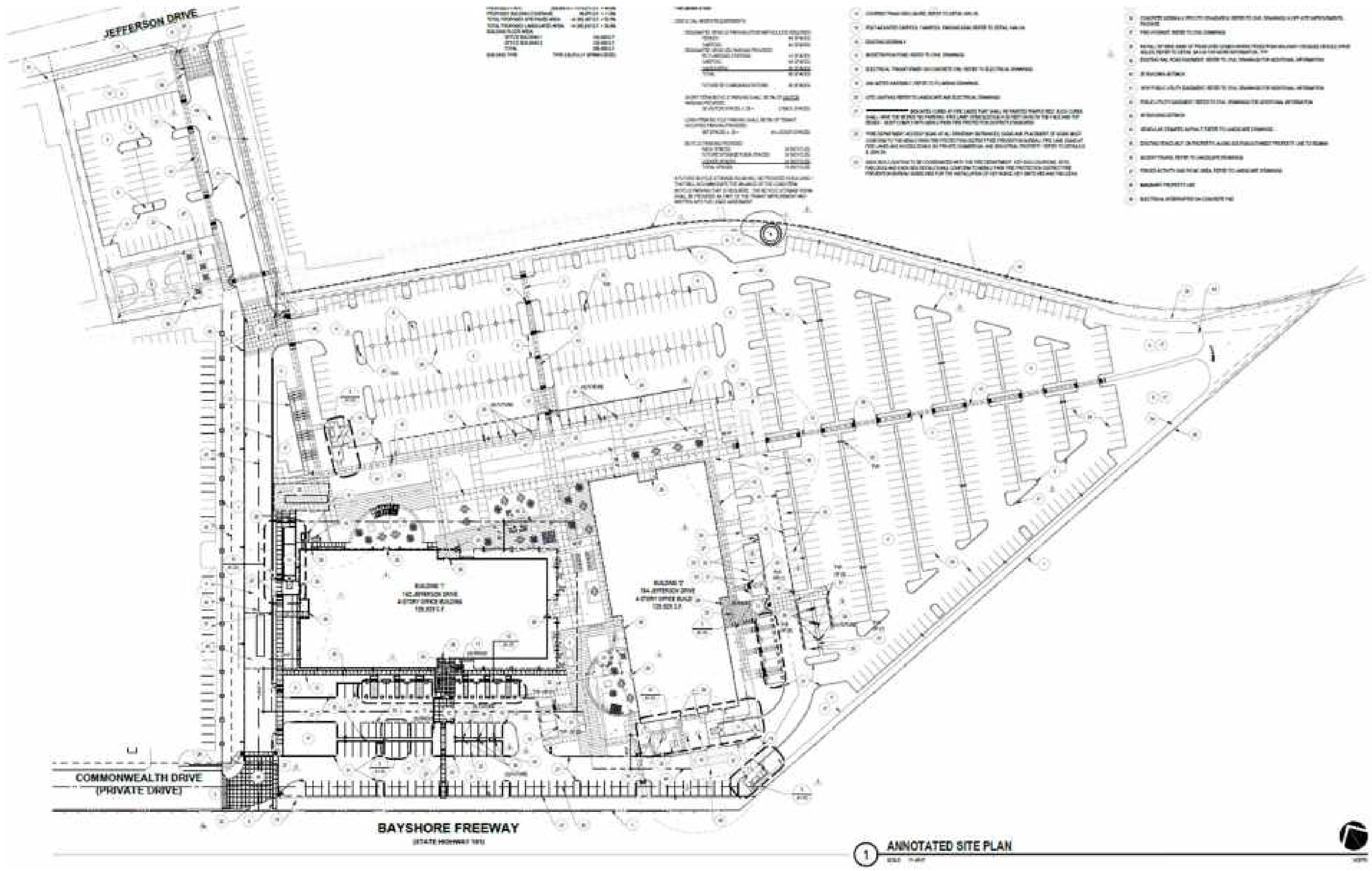
According to the County Assessor, the subject's assessed values for the 2020/21 year are as summarized in the table below. Under California law, real property assessments can only be increased by a maximum of two percent per year. A reassessment is permitted upon change of ownership (if sold, this value is typically the selling price), or by new construction on a property.

Assessed Value & Taxes				
Property/ Parcel	Assessment Category	Assessed Value	Ad Valorem Tax-Rate	Current Taxes
162 Jefferson Drive 055-243-300	Land	$11,322,240	1.0964%	$124,137
	Improvements	$77,894,956	1.0964%	$854,040
164 Jefferson Drive 055-243-310	Land	$13,663,361	1.0964%	$149,805
	Improvements	$77,660,866	1.0964%	$851,474
Subtotal		**$180,541,424**	**1.0964%**	**$1,979,456**
Special Taxes:				**$128,541**
Total:				**$2,107,997**

Improvements Description – Existing Buildings

The subject site is currently improved with two, four-story office buildings and associated surface parking, as well as attractively designed common areas. The following information is based on documentation provided by the owner/developer for this assignment; details contained in the public record, and/or the appraiser's inspections of the improvements.

The existing buildings were originally erected in 2015 as a speculative office complex. They collectively contain a total of 259,920 square feet of gross floor area, according to the owner/developer, and are fully occupied by Facebook at present. Construction is of steel frame superstructure materials, with an interior buildout that is to standards currently demanded by high-technology tenants. Site area separating and/or adjoining the structures is presently improved with common area landscape and hardscape appointments such as seating and eating areas, recreational equipment, and the like. Photographs presented earlier in this report detail these improvements, and a Site Plan is reproduced on the following page.


JEFFERSON DRIVE
COMMONWEALTH DRIVE
(PRIVATE DRIVE)
BAYSHORE FREEWAY
ANNOTATED SITE PLAN

Surface parking lots align the north, east, and south sides of the structures, supplying a total 866 onsite spaces. This equates to 3.33 spaces per thousand square feet of gross floor area, which is within the range of being an effective market standard for this property type. A small parking lot is located at the segment of the site that adjoins Jefferson Drive, at the northwest corner of the land holding. A driveway from that street provides a direct connection to the lot, and then continues onto the majority portion of the parcel where the remaining parking lots and drive aisles are accessed.

Although interior improvements within the subject's two structures are not particularly relevant to this valuation analysis – other than being noted to function in a primarily office capacity – they are briefly detailed for purposes of presenting market dynamics relevant to this property type. Facebook has established large cafeterias on the lower levels of each building, with full kitchens capable of food service preparation. One building also has a relatively large fitness center, while the other includes a laundry drop-off and pick-up area. Upper floors in each building also have small cafés, as well as restroom cores and telecommunications rooms. Employee workspaces are largely open by design, although several conference rooms are located on each level.

Improvements Description – Proposed Office and Parking Expansion

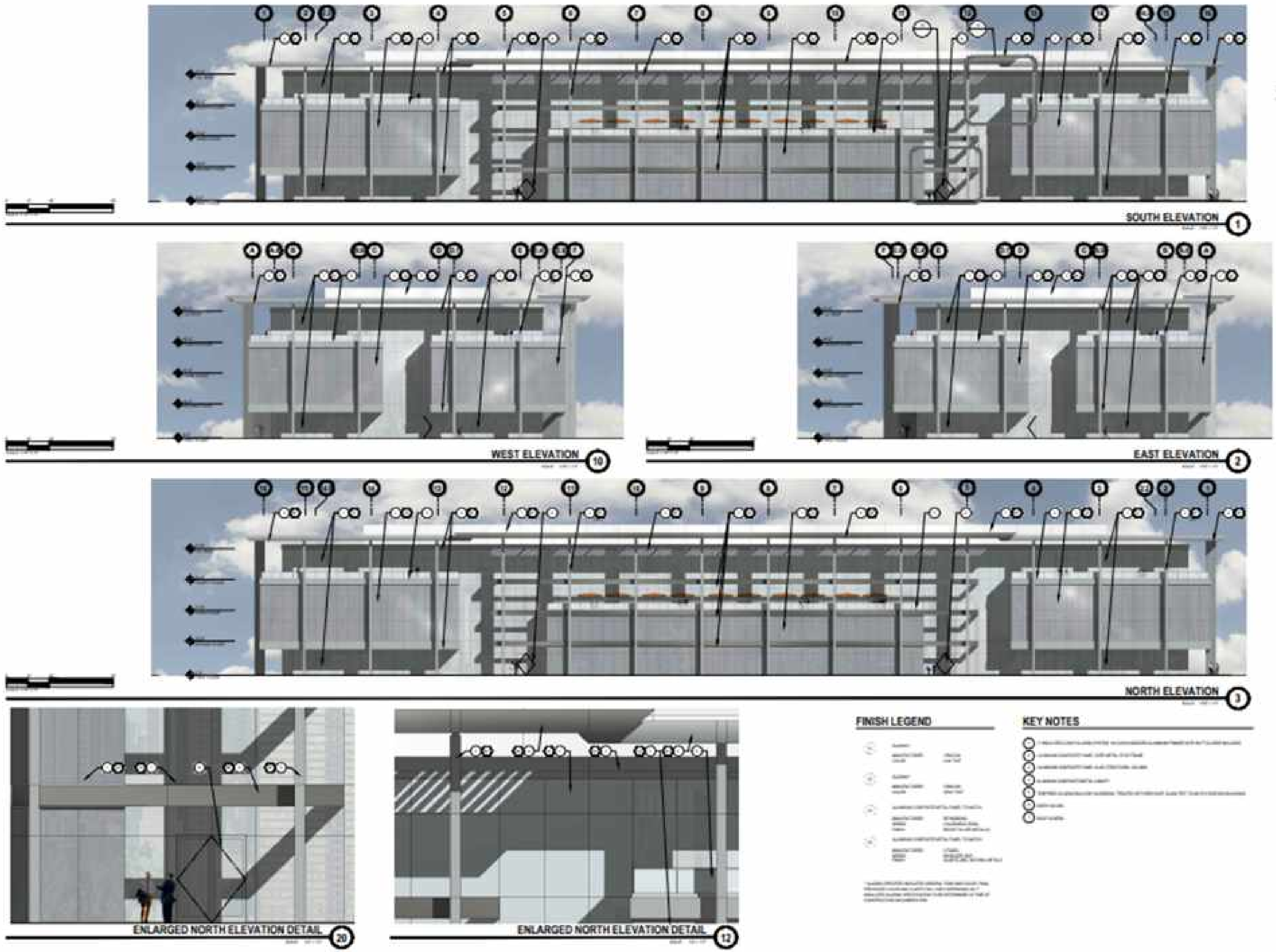
The subject property's improvements are proposed to be expanded in size, with The Sobrato Organization considering construction of a four-story office building and an associated parking structure on a portion of the site that currently serves as surface parking. The new building would be placed to the north of the existing structures, with the parking structure to the east. Details regarding this planned development are again based on information provided by the owner/developer for this appraisal.

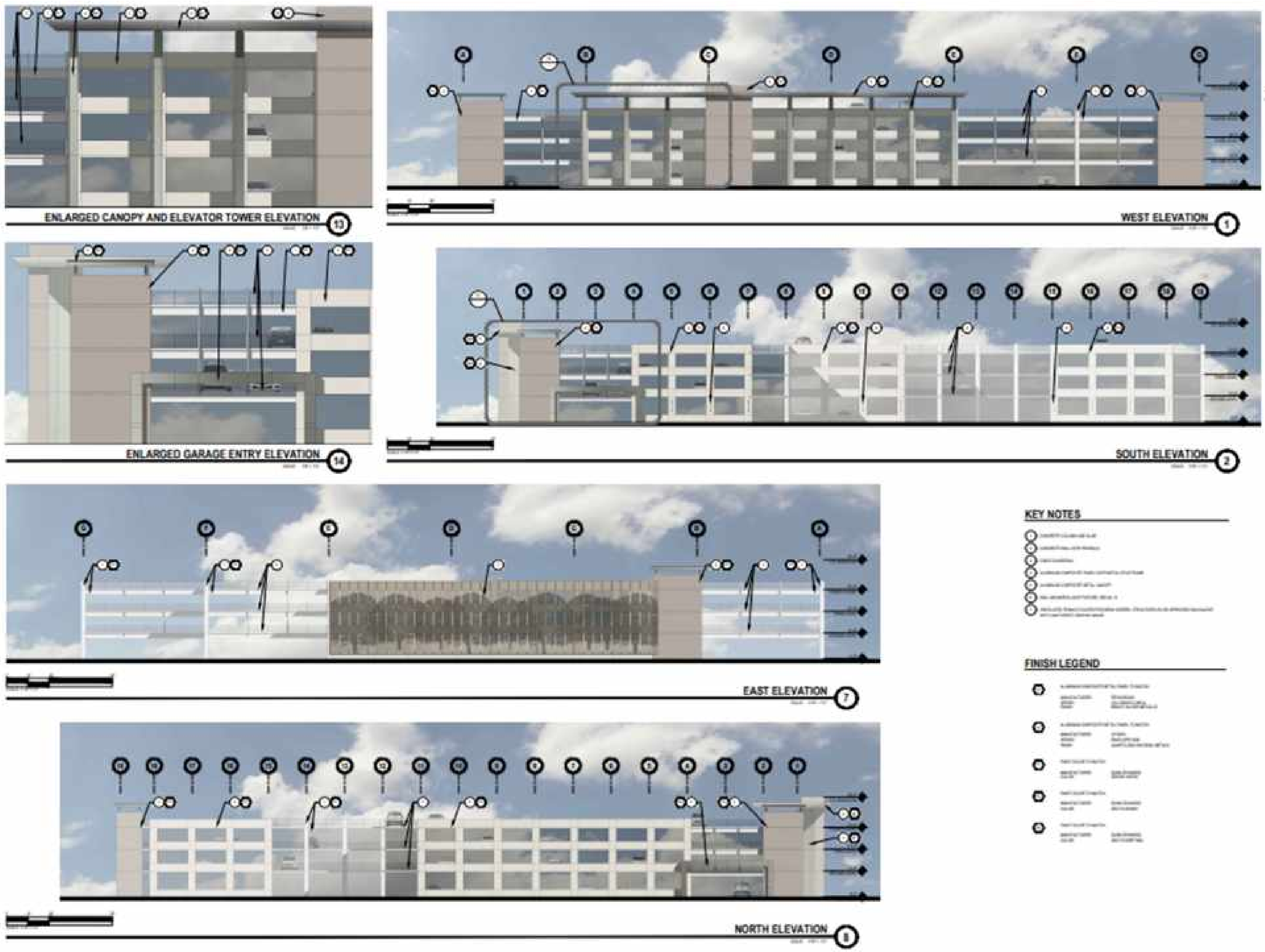
Following pages present illustrations of both the site plan intended to support the addition of the new office and parking structures, as well as exterior elevations and other details of the construction. Gross floor area of the office building addition is reported at 249,500 square feet, with the parking structure planned to comprise 407,877 square feet and provide 1,336 spaces. In conjunction with 193 surface parking spaces that will be retained and/or reconfigured on the remainder section of the majority parcel area (not including the site segment that fronts on Jefferson Drive), a total of 1,529 spaces, or 3.00 parking spaces per thousand square feet of office gross floor area, is planned. The reduction from a 3.33 per thousand existing ratio, as noted in the preceding subheading, is a value-influencing factor that will be addressed in the appraisal analyses to follow.

Superstructure design materials and exterior elements for the new building are presumed to be similar to those of the existing structures. The footprint of the new, four-story facility will be positioned such that the common area that separates the existing structures will be expanded proportionally. A drive aisle will encircle the three office buildings, providing access to the four-level parking garage at the northwest and southwest corners of that structure. Open space elements will be retained and expanded to the east of the parking garage, as illustrated on the Site Plan.

A part of the planned development is the conversion of the subject's smaller parcel area, fronting Jefferson Drive, from surface parking that currently serves the existing, two-building project, into an open space amenity designated as Jefferson Park. This improved recreational space will serve the community, and while privately owned, is intended to be open the public. Nonetheless, to the extent that this park element ultimately qualifies as a "community amenities requirement" established under Menlo Park Municipal Code Section 16.43.070 or 16.44.070, it will not be considered in appraising the market value of the subject property under the bonus level of development to follow.


JEFFERSON DRIVE
Community Park
BUILDING 3
(Proposed)
GARAGE
(Proposed)
BUILDING 1
(Existing)
BUILDING 2
(Existing)
DUMBARTON RAIL CORRIDOR
COMMONWEALTH DRIVE
BAYSHORE FREEWAY
(STATE HWY 101)


SOUTH ELEVATION
1
WEST ELEVATION
10
EAST ELEVATION
2
NORTH ELEVATION
3
ENLARGED NORTH ELEVATION DETAIL
20
ENLARGED NORTH ELEVATION DETAIL
12
FINISH LEGEND
KEY NOTES


ENLARGED CANOPY AND ELEVATOR TOWER ELEVATION
13
WEST ELEVATION
1
ENLARGED GARAGE ENTRY ELEVATION
14
SOUTH ELEVATION
2
EAST ELEVATION
7
NORTH ELEVATION
8
KEY NOTES
FINISH LEGEND

Highest & Best Use

Highest & Best Use

"Highest & Best Use" is defined by the Appraisal Institute as:

> *The reasonably probable use of property that results in the highest value. The four criteria that the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum productivity."*

Source: The Dictionary of Real Estate Appraisal, 6th Edition (Chicago: The Appraisal Institute, 2015)

The highest and best use analysis presented in this chapter studies the subject property as vacant and available for highest and best use development. Because the existing improvements are disregarded in the valuation of both the "base level" and "bonus level" valuation scenarios to follow, a highest and best use analysis, as improved, is less relevant to this appraisal assignment.

Legally Permissible

The first criterion in analyzing the highest and best use of the subject site, in its current condition, is that of legal development alternatives. As previously discussed, the land is categorized within the City's General Plan as Office. Allowed land uses include office, R&D, corporate housing, hotels, and others, with a maximum base FAR for office/R&D of 45 percent - potentially rising to 100 percent with approved community benefits.

Zoning for the subject is O-B (Office-Bonus). This conforms to the General Plan, and is intended to accommodate large-scale administrative and professional office development with associated retail and service uses, as well as light industrial and research and development that do not create significant neighborhood impacts - all at 250,000 square feet or less. Banks and other financial institutions; retail sales establishments; recreational facilities limited to 20,000 square feet or less; and community education/training center are also permitted by code. With the city's issuance of an administrative or conditional use permit, a broader scope of uses can be allowed, including outside storage of material, equipment or vehicles; child care centers; eating establishments; research and development and light industrial uses that require hazardous material review; administrative and professional offices of more than 250,000 square feet; hotels; recreational facilities of greater than 20,000 square feet; retail sales establishments, movie theaters; automobile dealerships; and public utilities. Importantly, any development that exceeds "base level" standards requires a conditional use permit. Pertinent development regulations applicable to the subject were detailed in the previous chapter.

The primary limiting factor associated with the subject's legal use potential is the maximum floor area ratio (FAR) associated with the established "base level." That is 45 percent, plus ten percent commercial, or 175 percent for hotel (if allowed). If a conditional use permit is granted, the maximum FAR with "bonus level" approval is 100 percent, plus 25 percent commercial. As previously noted, developments in the (O-B) zone may seek an increase in floor area ratio and/or height, subject to obtaining a conditional use permit and providing community amenities consistent with the code.

Parking requirements are also a factor in determining legally permissible development options and are dependent upon use. For office, they range from a minimum 2.0 spaces per thousand square feet of building area to a maximum of 3.0 spaces per thousand. Light industrial/R&D parking standards vary from 1.5 to 2.5 per thousand, while those for retail, hotel, etc., exhibit an even greater spectrum. Shared parking can be approved by the City's Transportation Manager, and any new projects of 10,000 square feet or more must develop Transportation Demand Management (TDM) plans.

Considering this status, a variety of development options are deemed to be legally permissible for the subject site. The City of Menlo Park recently established General Plan and zone changes that create the legislative land use framework now in place, and further amendments are currently considered unlikely. New construction would be required to conform to density, building height, and parking standards previously detailed, which would include the potential for a "base level" project to be increased in scale, with the provision of city-approved community amenities, to a higher density as established by the "bonus level" zoning criteria.

Physically Possible

The subject site is at grade with fronting surface streets (Jefferson Drive and Commonwealth Drive) and has all offsite improvements and utilities reportedly in place to accommodate "base level" development. It benefits from a visible, freeway-fronting location, although its accessibility is somewhat hindered by a circuitous path of travel that is required through the Bohannon Industrial Park. The parcel configuration is furthermore unusual, with a majority portion of the site comprised of the lot's central and eastern segments, and a smaller, northwesterly section providing direct frontage on Jefferson Drive. The easternmost end of the parcel furthermore tapers to a point that results in that portion of the property also having somewhat limited utility from a development standpoint.

Building construction on the subject's land can accommodate the physical limitations noted above, as evidenced by the office facilities and surface parking currently in place. The two structures presently provide 259,920 square feet of gross floor area, which is very near the "base level" maximum of 260,312 square feet at a 45 percent FAR density (for office/R&D use). A greater density can also potentially be achieved, through the inclusion of some form of structured parking, as illustrated by the current owner's plan to erect a third office building along with a parking garage. However, to achieve approval for some form of "bonus level" development, community amenities would need to be provided either onsite, offsite, or through monetary payment to the City. In the event that amenities were to be incorporated onsite – as is currently being planned by the ownership as part of its proposed expansion – then the physical ability of the land to accommodate increased density is affected. The specific impacts are dependent on what is proposed and approved by the City, as well as the scale of the increased FAR that is specifically requested.

The preceding observations apply to office/R&D development, which is the use both currently in place, as well as that of the proposed expansion. Even greater densities are possible if an independent commercial component is included in a project (excluding those which directly serve a primary office/R&D activity, such as a cafeteria, fitness center, or the like), or if a hotel use is intended. However, as discussed in the paragraphs to follow, those are not deemed to be probable highest and best uses due to other, market-based concerns.

Financial Feasibility and Maximum Productivity

The financial feasibility and maximum productivity factors consider which potential land uses could generate a positive cash flow to a property (financial feasibility), and subsequently, which would generate the greatest return (maximum productivity) to the land.

Noting the strength of the local area property markets, and that within Menlo Park specifically, a variety of development forms may be financially feasible at present. That which represents the maximally productive use of the site is furthermore most likely to be oriented to office/R&D use. This is illustrated by the successful construction and leasing of numerous new, large-scale projects in close proximity to the subject site, as driven by the real estate needs of Facebook. That company has aggressively expanded its neighborhood property portfolio in recent years, through both owner/user development and the leasing of new and existing facilities.

Although greater conservatism is now recognized in light of the COVID-19 pandemic, and particularly Facebook's specific plans for the broader use of a remote employee workforce in the future, the local market for large format office, biotech, and similar campus-type projects is still active. Facebook is specifically moving forward in planning for its nearby Willow Village project, with 1.25 million square feet of office space proposed as its majority component. Biotechnology firms continue to sign leases and expand in east Menlo Park, and multiple developers are known to be active in acquiring land nearby just outside of the city for future, prospective office/R&D biotech, and medical office facilities.

Other forms of development referenced previously include commercial retail, hotel, and others. While those could potentially meet the test of financial feasibility, they are not likely to be the maximally productive use of the site. Retail businesses, restaurants, and the like are not evident in significant numbers within the local market, due to the heavy concentration of office use by Facebook. The commercial services demanded by employees of the company are frequently supplied within its campus projects, and there is no significant residential development to support broader retail activity. The latter dynamic may change in the future, as multiple residential and mixed-use projects are presently being planned nearby. But as of the date of valuation none exist, and when combined with prospects for commercial properties due to COVID-19 economic impacts, the development of a retail, restaurant, or similar project would be deemed to be highly speculative and thereby posing far greater risk than office/R&D.

Separately, hotel development would also be considered a pioneering venture with significant development risk, such that it would not represent the maximally productive use. The nearby, newly erected Hotel Nia initially faced significant difficulties in obtaining financing to permit its construction, due to these market perceptions. While these may have lessened due to its relative success in obtaining solid occupancy upon opening, the current virus pandemic has more recently placed hospitality properties among those that are considered to possess the greatest development risk within the commercial property spectrum. Facebook is furthermore planning to add other hotels on sites that it already owns, closer to its headquarters, suggesting that any remaining latent demand - which itself is generated largely by this corporate tenant's business activities - will likely be satisfied by bespoke facilities designed to meet the company's specific needs.

Even with highest and best use limited to office/R&D development, there remains the question of what density should be pursued. By right, the subject's ownership can develop to a 45 percent FAR. This can be done with conventional surface parking, as illustrated by the project presently in place (which, incidentally, provides an even greater parking ratio than is permitted under current zoning standards). In the event that some form of "bonus level" construction is pursued, structured parking likely becomes a requirement, and a community amenity must also be provided that is deemed acceptable by the City. The community benefits can be developed onsite, offsite, or satisfied through payments made directly to the municipality; but regardless, conditional use approval from the city is required, which introduces a degree of entitlement risk in the highest and best use analysis.

[Despite the preceding observations, the risk associated with the subject's entitlement is not a factor in the valuation analyses to follow, as a specific assumption of this appraisal assignment is that the "base level" and "bonus level" scenarios are fully entitled to permit the associated densities of development.]

As will be shown in the chapters to follow, pursuing an increased density of development on the subject's land, beyond the "base level" maximum, is the highest and best use. Value will be shown to accrue to a higher density development plan. However, the offsetting costs of incorporating structured parking will also be a specific consideration in estimating the extent of value increase.

HIGHEST AND BEST USE CONCLUSION, AS VACANT

In summary, the subject's current land use designations; its size, shape, specific location, and exposure characteristics; market dynamics for properties in the local area; and assumptions specific to this assignment all suggest that development of the site with an office/R&D project is likely the highest and best use of the property. Furthermore, pursuing some degree of "bonus level" FAR density which exceeds the "base level" maximum is also considered to represent the property's highest and best use. The determination of exactly how much bonus density should be targeted is beyond the scope of this assignment.

Sales Comparison Approach

Market Value Estimate – Sales Comparison Approach

Introduction

This chapter analyzes the market value of the subject site via a Sales Comparison Approach, according to two different scenarios. Both of the valuation analyses presented disregard existing building and site improvements.

In the first study, which is referenced in this report as the “base level” valuation scenario, the market value of the fee simple interest in the subject property’s land is estimated in accord with its existing O-B (Office) zoning, as fully entitled for the maximum Gross Floor Area (GFA) allowed. This represents a floor area ratio (FAR) developmental density of 45 percent, and a GFA of 260,312 square feet. The second appraisal analysis addressed in this report, which is referenced as the “bonus level” scenario, estimates the market value of the fee simple interest in the land based on its existing zoning, but as fully entitled for an increased FAR developmental density of approximately 88 percent - as represented by a total GFA of 509,420 square feet. Otherwise, the subject property is presumed to be the same in the two scenarios. Both analyses furthermore follow the City of Menlo Park – Appraisal Instructions, as provided for this assignment and reproduced in the Addenda.

Valuation Methodology

The methodology utilized in both analyses is that of a Sales Comparison Approach. According to this technique, the subject site is compared to recent sales of similar properties. Adjustments are made for various comparative factors including financing terms; conditions of sale; market change (time); locational characteristics including accessibility and surrounding development patterns; physical characteristics such as size, utility, and topography; allowable uses including proposed density of development (as measured by floor area ratio (FAR)); and other considerations of value influence.

The table on a following page, which is keyed to the associated map, outlines the nine comparable land sales utilized in the initial analysis of the subject’s “base level” valuation scenario. Each is studied primarily on a price per square foot of proposed building area measure. The comparable set was selected based largely on highest and best use considerations, as the data represents properties on the Peninsula that were purchased during the past two years for office or related development at densities that encompass the 45 to 88 percent range reflected by the subject’s “base level” and “bonus level” scenarios.

As noted in the summary table to follow, some of the land sales are adjusted to account for demolition expenses and/or unusual on-site development costs. It is appropriate to add these amounts, as they reflect the cost to acquire a developable site (when added to the property purchase price). Others are reduced for the estimated contributory value of retained improvements. Regardless, the comparables' adjusted sale price amounts will be initially studied in relation to the subject property as vacant and supportive of proposed construction in accord with either the "base level" or "bonus level" scenarios.

Comparable Land Sales Analysis – Base Level, As Vacant

The nine land sale comparables exhibit a range in price per square foot of proposed building area indications from $137.47 to $230.68, with most concentrated within a variance of approximately $180.00 to $230.00 per square foot. Adjustments are now made to the comparables' price per square foot of proposed building area figures, in relation to the subject's "base level" project scenario, for the factors outlined above. As explained previously in this report, the "base level" analysis presumes a maximum 45 percent FAR density for the subject.

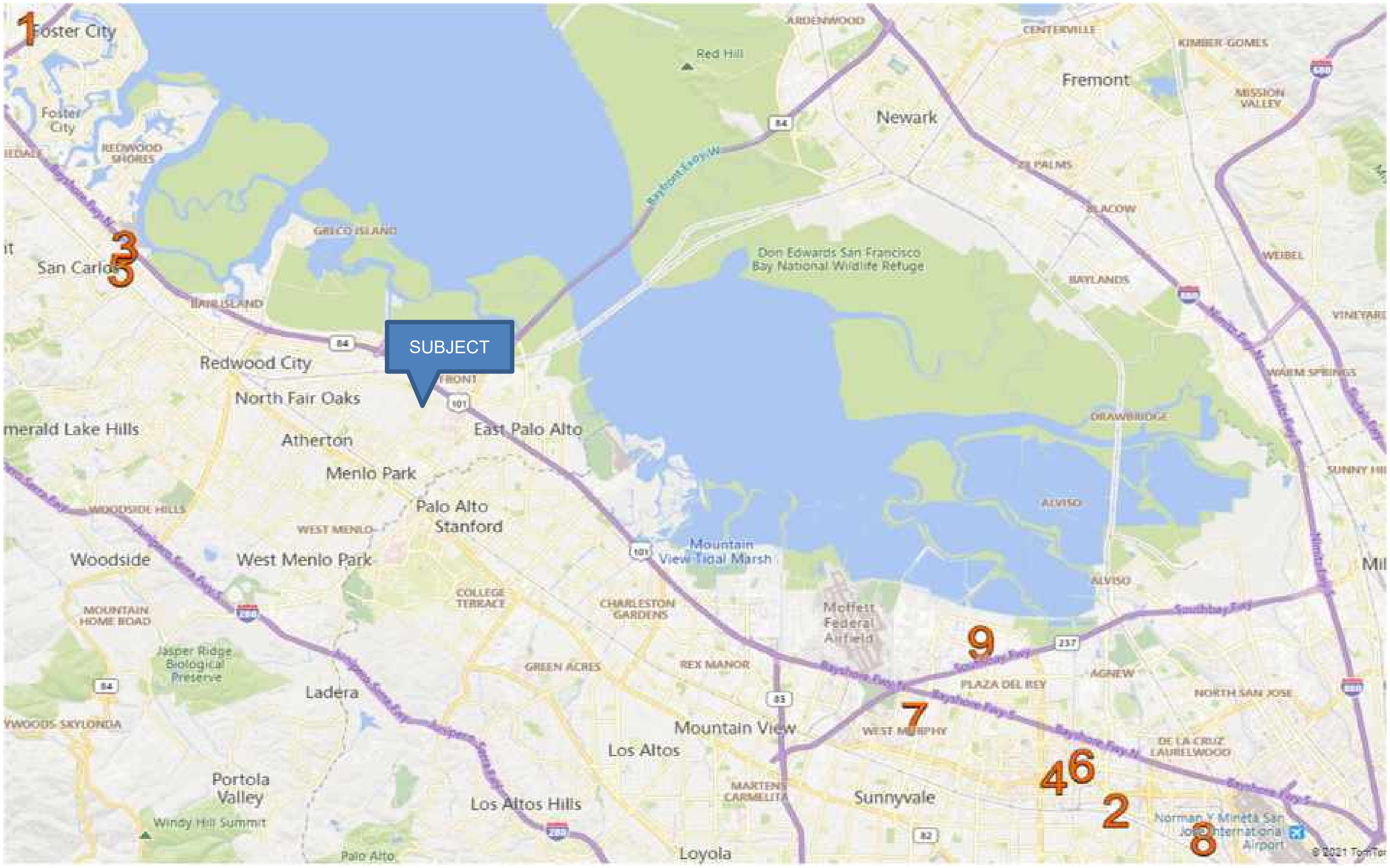
CONDITIONS OF SALE

Conditions of sale represent motivations involved in purchase negotiations or decisions that may have affected the price paid. For example, a motivated seller or buyer exercising a previously established option could result in a price being paid for a property which differs from market value. The selected comparables appear to have largely traded following typical negotiations, and no adjustments are therefore necessary to most in this part of the analysis.

Sale 1 was disposed of by an overly motivated seller, and consequently reflects what appears to be a below-market price. The site held a former restaurant when sold, which had been vacated by a tenant that declared bankruptcy. The existing structure was older and likely difficult to re-lease, and while marketing attempted to secure both a new restaurant user as well as interest for redevelopment, the lack of demand for the former resulted in the grantor apparently accepting an amount which was less than what might have been recoverable. Discussions with the listing broker support this assertion, as does the price reflected in the transaction, when compared to the other data points.

FINANCING TERMS

With regard to financing terms, no adjustments are made for cash-equivalency considerations. The sale comparables for which precise terms are known either sold for cash or with cash delivered from a new loan. This is the same presumption associated with the subject's valuation scenario.



Comparable Land Sales Map

COMPARABLE LAND SALES SUMMARY

162-164 Jefferson Drive, Menlo Park

#	LOCATION/APN	COE * DATE	SALE PRICE	SITE SQ.FT./ ACRES	$ PER SQ.FT. LAND	PROPOSED/ POTENTIAL DENSITY**	$ PER BLDG SF	GRANTOR/EE; DOCUMENT #	REMARKS
1	388 Vintage Park Drive Foster City APN: 094-901-270	3/21	$13,138,000 $50,000 $13,188,000 (1)	95,919 2.20	$137.49	95,931 sq.ft. biotech; 100% FAR	$137.47	A & A Lee Family LP/ W-SW 388 Owner IX LP; #2021-037720 *Confirmation: Broker*	Site improved with a shuttered restaurant which was marketed for either continued use of the improvements or redevelopment. The buyer is now pursuing approvals for a three-story life science building atop a garage parking level, along with some surface parking. Approvals were not in place at close of escrow, although a rendition of the project had been proposed.
2	2590 Walsh Avenue Santa Clara APN: 216-28-112	2/21	$40,000,000 (2)	291,416 6.69	$137.26	174,850 max per GP; 60% FAR	$228.77	Stephens & Stephens Landing II/ Vantage Data Centers; #24839563 *Confirmation: Broker*	Land improved with a single-story R&D building that had been marketed for lease prior to the noted sale to a data center developer. Site is in a section of the city that permits relatively low density development. Local area has been very active with regard to recent and proposed data center development. Buyer has started preliminary discussions with the city relative to prospective new construction.
3	777 Industrial Road San Carlos APNs: 046-100-070, 080, 360	11/20	$37,250,000 ($9,000,000) $28,250,000 (3)	123,928 2.84	$227.95	122,462 sq.ft. biotech; 98% FAR	$230.68	775 Industrial LLC/ 777 Industrial Owner LLC; #2020-129637 *Confirmation: Buyer*	Auto dealership property which had been recently built but is now to be abandoned by the operator in a relocation. Buyer will retain the lower level parking podium and build a new, three-story biotech facility for speculative leasing. Deduction to the left represents an estimate of the contributory value of retained improvements to derive the estimated, underlying land value.
4	1230-1280 E. Arques Avenue Sunnyvale APNs: 216-35-024..026	10/20	$104,000,000 (2)	1,144,343 26.27	$90.88	514,954 max per GP; 45% FAR	$201.96	M West Propco - East Arques/ 1230 Arques Propco LLC; #24677828 *Confirmation: Buyer*	Large site bought by a local developer which was improved as an older technology campus. Fujitsu plans to relocate from the facility to another, nearby property which would free the land for redevelopment. Sunnyvale's current planning and zoning currently restrict density to a relatively low level, which buyer will likely try to increase. Seller structured a short-term leaseback at a well below-market lease rate.
5	915-1015 Commercial Street & 1063 Old County Road San Carlos APN: 046-184-090, 110, 120, 280, 290 & 046-162-270	4/20	$98,130,000 $15,120,000 $113,250,000 $7,350,000 $120,600,000 (1)	552,271 12.68	$218.37	761,252 sq.ft. office/R&D; (pro-rata) 137% FAR	$158.42	Kelly-Moore Paint Company, Inc. & Buchanan Commercial GP/ San Carlos Partners LLC (Alexandria Real Estate Equities); #2020-034064 & 2020-034065 *Confirmation: Broker*	Two, separate land holdings that were marketed jointly and ultimately closed in separate contracts. Buyer is pursuing entitlements to build roughly 1.52 million sq. ft. of biotech office/R&D space on an even larger, assembled site. Roughly 117,000 sq. ft. of existing buildings will require demolition, and remediation of site toxins will also be necessary. Project was otherwise delivered vacant. Construction will include six, five-to-seven story structures, as well as two, 7.5-story parking garages.
6	3375 Scott Boulevard Santa Clara APN: 216-31-059 & 060	3/20	$51,000,000 $500,000 $51,500,000 (1)	252,034 5.79	$204.34	250,750 sq.ft. office; 99% FAR	$205.38	Cooperage Development Co/ 3375 Scott Blvd, LLC; #24418723 *Confirmation: CoStar, Deed & Buyer's Press Release*	Two parcels that were improved with four, single-story office/R&D buildings at the time of sale. Grantor had previously secured development approvals for a six-story office project of 250,750 square feet served by a four-story parking structure. The buyer, Palo Alto Networks, occupies substantial headquarters space nearby and presumably bought this property for expansion. Terms are reportedly confidential.
7	615 N. Mathilda Avenue Sunnyvale APN: 165-43-014, 023..029	10/19	$85,001,000 $540,000 $85,541,000 (1)	331,871 7.62	$257.75	380,039 sq.ft. office; 114% FAR	$225.08	Sequoia Del Rey LLC & DiNapoli Family L.P./ 625-675 Mathilda LLC; #24315853, 921, & 938 *Confirmation: Seller*	Eight, contiguous parcels that were acquired with entitlements for redevelopment. The buyer recently commenced construction on a two-building, four-story complex that is being marketed as Mathilda Commons. Project will include structured parking at 3.3 spaces per thousand, as well as an onsite finess center in a 21,238 square foot amenities building. Delivery is forecast for mid-2021.
8	2380 & 2390 Lafayette Street Santa Clara APN: 224-63-018..020	9/19	$21,500,000 $50,000 $21,550,000 (1)	268,813 6.17	$80.17	120,966 square feet max per GP; 45% FAR	$178.15	Lack Properties/ DiNapoli Family LP; #24275020 *Confirmation: Buyer*	Multi-corner parcel in a predominantly industrial neighborhood which is undergoing new data center development. Site is improved with older buildings and paved lot area supporting auto and truck leasing facilities. Specific redevelopment plans are not yet known, but the buyer is a known developer entity.
9	1350 Geneva Drive Sunnyvale APN: 110-32-035	8/19	$95,600,000	703,450 16.15	$135.90	422,070 sq.ft. office; 60% FAR	$226.50	Netapp, Inc./ Google, LLC; #24267205 *Confirmation: CoStar, Deed, Confidential Source (limited)*	Vacant parcel surrounded by existing office/R&D buildings that are owned both by Network Appliance and Google. Site is in the Moffett Park area, north of Highway 237, with light rail stations in relative close proximity. Google has also assembled other land nearby, which informs the FAR estimate to the left. Recent plans submitted to the city for this particular site are for soils stockpiling and surface parking.

* COE = Close of Escrow **Density is referenced by FAR = Floor Area Ratio, which is a measurement of building to land area.
(1) Purchase price is increased for reported demolition expense, unusual on-site costs, and/or required offsite construction.
(2) Property had improvements at the time of sale that were generating interim income; consequently, no demolition cost is estimated.
(3) Estimated value of a retained structure is deducted to arrive at the price paid for the land.

Kidder Mathews, August 2021
AC21-070; Land Sales Comparables

DATE OF SALE

Demand for development sites in Silicon Valley has strengthened over the several years prior to the COVID-19 outbreak, as generally positive economic activity led to declining vacancies and increasing rental rates and property values. These market dynamics increased underlying land values for sites suitably located and zoned for office or related development. The coronavirus pandemic changed this environment. Deals are still occurring at present, as noted by the data studied in this chapter, although buyers have become more cautious, which likely has had a moderating effect on land values. This will be revisited within the reconciliation section at the end of this section.

In making the following time adjustments, emphasis is placed primarily on the negotiation dates of the sales, where known, rather than the actual recording dates. Furthermore, in gauging the degrees of adjustments to apply, reference is made to the reported change in office lease rates for San Mateo and Santa Clara counties, as tracked by CoStar. This geography encompasses the broader area from which the comparables were drawn. Also acknowledged are increases in construction costs over the analysis timeframe.

Based on the preceding analysis, no corrections are made to Sales 1 through 4 in light of their timeliness. Comparables 5 and 6 are applied nominal downward adjustments. Sales 7, 8, and 9 are adjusted negatively by a slightly greater degree.

GENERAL LOCATIONAL CHARACTERISTICS

Adjustments for general location consider the appeal associated with a property's city identity. Cities are gauged one with another by a myriad of characteristics, including historical sale and lease rates, broker representations, and others. As the analyzed data is from a variety of communities that are different from Menlo Park, adjustments to several are warranted in this part of the analysis.

Sale 1 is in Foster City. Situated in central San Mateo County, this city is noted to have an established office environment, as well as a sizeable biotech property inventory. Its accessibility is good, considering the bisection made by Highway 92, as well as the proximity of the Bayshore Freeway. However, general market perceptions from office tenants and buyers place Foster City in an inferior light as compared to Menlo Park. This is furthermore supported by average lease rates and property values published by CoStar for these communities. Overall, a moderately positive adjustment is made to this sale for general siting.

Sales 2, 6, and 8 are located in Santa Clara. This is a markedly inferior community from a commercial property appeal perspective, which is reflected in its much lower lease rates and higher vacancy at present. Property values are also notably different, as exhibited by historical transaction data. Based on this comparison, substantial upward adjustments are made to the price per square foot indications from these four sales.

Comparables 3 and 5 are in San Carlos. This is a relatively small city in San Mateo County, like the subject, that is commonly analyzed in conjunction with the adjacent City of Belmont. It has witnessed mostly smaller construction projects built within its bounds in recent years, although these comparables (as well as several others that date back to the mid-2017 timeframe) have seen a shift toward larger developments oriented to life science activity. With a focus on the historical relationship of these cities, as well as the subject's siting in the eastern portion of its community, a moderate upward correction is appropriate in this phase of comparative analysis.

Comparables 4, 7, and 9 are situated in Sunnyvale. This Santa Clara County community is relatively distant from the subject, but has also recently witnessed substantial office development activity near its downtown core, as well as within the Moffett Park and Peery Park areas. The result has been a community-wide increase in achievable rental rates, particularly for new product, although they are still below those of Menlo Park. Moderately positive adjustments are made to the sales prices from these comparables as a result.

SPECIFIC LOCATIONAL CHARACTERISTICS

Specific location characteristics address the prominence, accessibility, and exposure of a site, as well as the appeal of surrounding development and the accessibility to and from transportation corridors. The subject's siting is amidst an established, mixed-use neighborhood that was developed historically with industrial product, but which has undergone recent transition to accommodate Facebook's headquarters growth. Although public transportation service to the vicinity is currently lacking, and the site is reached via a somewhat circuitous travel path from nearby surface streets and freeways/expressways, the property has direct visibility from Highway 101. With consideration for the prominence and exposure of each of the comparable sites; exhibited traffic patterns; transportation infrastructure, including public transit options; and the appeal of adjoining and/or nearby developments, the following adjustments are made relative to the subject.

Comparable 1 is on the fringe of Vintage Park, a master-planned business park that was originally established with office, R&D, and light industrial uses. While the neighborhood has recently witnessed a significant amount of new development to accommodate the expansion of Gilead Science's headquarters, this particular site is proximate to retail and hotel uses, and furthermore borders on a Home Depot parking lot and loading area. It is overall deemed to be moderately inferior to the subject, and an appropriately scaled positive adjustment is applied.

Sales 2 and 8 are within the same industrial neighborhood of Santa Clara. The area exhibits mostly older, retained industrial uses, although small pockets of retail are evident, and a number of data center projects have most recently emerged through redevelopment. Public transportation options are furthermore limited, although a Caltrain station is within roughly one mile. Both of these comparables are deemed to be inferior to the subject from a specific location standpoint, and slightly positive adjustments are made to the price per square foot indications from each.

Comparable 3 fronts on the Bayshore Freeway, similar to the subject, but by virtue of its proximity to other commercial development, has overall superior exposure. It was acquired several years ago (prior to the more recent transaction) for auto sales usage, due to these characteristics. While its accessibility from the highway requires travel along an industrially developed right-of-way, an overall slight to moderate downward correction is considered warranted in comparison to the subject.

Sale 4 is in an established business park with a predominance of mostly older, office and light industrial uses nearby. There is also some commercial development, although most is neighborhood serving. Central and Lawrence Expressways are proximate, and a Caltrain station is not too distant. Nonetheless, the visibility and exposure of this parcel are not as prime as the subject, considering its Bayshore Freeway exposure. Overall, these characteristics are deemed to be offsetting and no overall adjustment for specific location is applied.

Comparable 5 is in a northeastern section of San Carlos. It has good visibility and exposure from Old County Road, adjacent to the Caltrain line, but is within a predominantly industrial district of mostly older, concrete tilt-up buildings erected several decades ago. Local streets are generally limited in their capacities. Nearby commercial support is supplied by several big box retailers, fast food restaurants, and a community shopping center closer to Highway 101, with additional retail development lies on the opposite side of the rail line. A Caltrain station is roughly one-half mile northwest. Based on these factors, the subject is considered to have an overall slightly superior specific location, and an accordingly scaled positive adjustment is made to the comparable's sale price.

Sale 6 fronts on a trafficked street in a business park environment, and furthermore is a corner parcel. Substantial new development has recently occurred to the north and east of the property, which has changed the overall dynamic of the local area. The site is still influenced by significant older facilities to the south and west, however, and public transit options nearby are limited. The subject again has a slightly superior specific location, on account of its freeway exposure, supporting an upward adjustment in this part of the analysis.

Comparable 7 fronts on a trafficked corridor that connects Sunnyvale's Peery Park with the Bayshore Freeway. The local area is undergoing significant redevelopment and upgrading with a number of office and office/R&D buildings designed for major technology tenants. While the property is relatively distant from passenger rail service, the visibility and exposure of the site is good, and its accessibility is superior to the subject. In all, a slight downward correction is made to the comparable's price per square foot indication.

Comparable 9 is inferior to the subject, based on its midblock siting at the interior of a business park. Visibility and exposure are both more limited, particularly considering the subject's freeway frontage. These aspects are partially offset by the closer proximity of VTA Light Rail transit and some more proximate, albeit limited retail support. Nonetheless, a slightly positive correction is made to this sale's price per square foot figure.

BUILDING SIZE

The adjustment for size is made under the premise that properties bought for larger developments typically sell for lower prices on a per square foot of building area basis than smaller properties, all other characteristics being equal. This is due to the more limited pool of potential buyers usually competing for their purchase, as well as the longer development and marketing cycles that usually result from building projects of greater size. These factors can result in increased financing and carrying costs, sometimes reducing the prices that developers will pay for the sites.

However, Silicon Valley is largely a mature, suburban environment, with a limited number of large parcels available for development. To achieve the campus-size projects that many technology firms have most recently desired, it can take significant effort to assemble parcels from multiple ownerships. Thus, there are offsetting, attractive qualities to large transactions – particularly in light of demand that has historically been driven by the region's major technology firms. These considerations diminish the magnitude of adjustment made for the size factor in studying the comparables.

The sites analyzed in this section independently support projects ranging in size from 95,931 to 761,252 square feet, which brackets the 260,312 square foot maximum building area that can be built on the subject's land in the "base level" analysis. Consequently, varying degrees of positive adjustments are made to Sales 4, 5, 7, and 9, ranging from nominal to moderate. Comparables 1, 2, 3, and 8 are conversely adjusted downward, by slight amounts, while Sale 6 is not corrected in this part of the analysis.

PARCEL CONFIGURATION AND UTILITY

The subject's land area is generally level, with all off-sites and utilities presumed to be in place along its street frontages. It is adequately configured for development on its majority central and eastern sections, although its northwest elongation creates a challenge for building placement, and its easternmost extension tapers to a point that is currently relegated to storm water collection and filtration.

Sale 1 is both irregularly shaped and was impacted by private easements that reduced its gross developable land area, according to its broker. It is not adjusted in this phase of the study. Most of the remaining comparables have better shapes, from a site utility standpoint, including Sales 2 and 4 through 9. These are each applied moderate downward adjustments in relation to the subject. Comparable 3 has elongated sections that provide access to its highway-fronting majority area, but which result in its land having an overall unusual configuration. It is adjusted only slightly downward relative to the subject.

ENTITLEMENTS

Land in the subject's market area which possesses approvals for development typically has a greater value than that which is unentitled. This is because the political process associated with obtaining entitlements is oftentimes lengthy and can require extensive studies and numerous renditions relative to obtaining construction proposals. In some communities, the time frame necessary to achieve an entitled status can be several years, and it is therefore important to consider the historical and current political environments of the communities from which the land sale comparables were extracted.

Consequently, there is likely to be a notable difference in value for a property that is effectively ready to be developed, like the subject (based on the assumptions associated with this assignment). Discussions with developers and brokers relative to this issue indicate that the differential can be sizeable. The Jay Paul Company, which has been responsible for developing several of larger, technology firm campuses in Silicon Valley during recent years, expressed an opinion that securing entitlements can add 15 percent or more to unentitled land value for larger projects in certain communities. A broker involved in a recently consummated, mixed-use development site sale in Palo Alto cited a range of 25 to 30 percent. Other opinions gathered lie generally between these endpoints, but regardless of the referenced percentage, the value of entitlements in this market area is significant.

Comparables 1, 2, 3, and 5 were not formally entitled when acquired, although each was considered to be supportive of the buyer's future intended development, based on pre-entitlement work that had been done during escrow. Still, because risk remains in securing permits to build, upward corrections are applied ranging from slight to significant depending on the political environments of the communities within which the sites are located.

Sale 4 was unentitled at the time of transfer title with no reported attempts to secure permits or explore options for higher density development. In fact, the City had published a guideline for the property's redevelopment, based on expressed interest it had reportedly received, which focused on existing planning and zoning characteristics. The buyer nonetheless will soon attempt to increase the FAR to 1.0, although if unsuccessful may either renovate the existing structures or redevelop to the statutorily permitted 45 percent density. A substantially positive adjustment is therefore made to this comparable, considering the complexities associated with entitlements. Comparables 8 and 9 were also unentitled, warranting moderate to substantial upward adjustments to account for the perceived risks associated with their communities.

Lastly, Sales 6 and 7 both sold as fully entitled, with the entirety of the time and risk of obtaining approvals having been borne by their sellers.

Neither is adjusted in comparison to the subject's status, which is similarly presumed to have entitlements for development in the "base level" scenario.

DENSITY OF DEVELOPMENT

The permitted density of development is a key factor in the pricing of land. In general, sites which allow higher density uses (as measured through floor area ratio - FAR) will achieve lower prices on a per square foot of building area basis, all other characteristics being equal. This is due to a lesser proportion of underlying land area (and value) being associated with each unit of building area measurement; the increased costs of providing structured parking, more robust foundations, conveyance systems, etc.; and the ability of lower density development to supply greater open space and view amenities, as well as the potential for expansion in the future. But, because a separate adjustment will follow for the specific cost of structured parking associated with several of the comparables, the magnitudes of the corrections made for density are muted in this part of the study.

The subject's density in this "base value" scenario assumes a maximum 45 percent FAR density. As noted on the sale summary table, the comparables' FARs range from 35 to 137 percent. Based on the concept noted above, varying degrees of upward correction are made to Sales 1, 3, 5, 6, and 7, which exhibit densities at 98 to 137 percent. No corrections are deemed necessary to Comparables 2, 4, 8 or 9 which have planning guidance or market support for 45 to 60 percent maximum office/R&D developmental densities.

ADJUSTMENT FOR STRUCTURED PARKING

A final adjustment is made to the data for differences in the cost of parking. This addresses the concept that high-density land development typically includes a substantial investment for the construction of underground, interim level, or above-grade parking garages, and is the most substantial of the independent corrections made to several of the data points. The type and quantity of parking provided for a high-density office project will furthermore be influenced by site configuration, soil conditions, market expectations, and the governmental requirements associated with zoning and/or specific project approvals.

There furthermore are different costs associated with the various forms of parking, such that the particular characteristics of a comparable's supply should be examined in relation to that proposed or incorporated into the subject property itself. In the structured category, underground parking is typically the most expensive to develop, followed by intermediate levels (between an underground garage and upper level occupied space), with above-ground garages being most economical. Compared to all of these, paved surface lots are far less expensive on a per space basis. Adjustments for parking costs are therefore processed by a mathematical comparison of the comparables' estimated onsite expenses to that of the subject.

An exhibit on a following page shows the process followed in deriving a specific parking cost estimate for each sale. The methodology examines the parking provided for each comparable's development scheme, both in total and by type - at grade, underground garage, intermediate level, and/or above-ground garage - and then estimates the cost to build each of the forms of parking (according to data derived from the Marshall Valuation Service (MVS), with additions of five percent for remaining indirect costs not captured by MVS, as well as ten percent for entrepreneurial profit). Furthermore, costs of development in San Mateo County are slightly greater than those in Santa Clara County, and because the comparables are located in both areas, this variability is also recognized in projecting parking development expenses. Note that surface parking expenses, which are the most economical option, are more similar in the two geographies, although cost analysis is still undertaken for that form of onsite supply.

Once parking counts for each comparable are categorized, the square footage associated with each type is estimated. These area calculations are based on reviewed building plans for some of the sales. A minority have not yet advanced to a stage whereby specific area figures have either been published or are publicly available, and in those cases, areas are estimated from industry averages or from information drawn from similar comparables in the data set. Some of the sales for which redevelopment details are unknown are analyzed with respect to a 3.0 per thousand parking ratio and surface supply, equivalent to the subject. Still, some variability is illustrated in the floor areas dedicated to the various types of parking at the comparables, which is believed to be caused by efficiency differences in structured parking designs, as well as their total parking counts required.

With parking costs estimated for each comparable, as well as areas dedicated to their types of onsite supplies, these figures are multiplied to produce a total cost of parking for each development. When divided by the building floor areas of the respective projects, a parking cost per square foot of proposed office building area is derived. As noted on the summary table, these figures range from a low of $10.59 per square foot of building area for Comparables 4 and 8 - projects that can be totally surface parked at their noted FAR density - to a high of $122.56 per square foot for Sale 7 - a project that includes a significant proportion of structured parking.

A final step in the process of deriving a parking cost adjustment compares the sales' parking costs to those estimated for the subject. Again referencing the MVS data, as increased five percent for remaining soft costs and ten percent for entrepreneurial profit, the subject's grade-level parking is presumed to cost $10.97 per square foot of gross floor area associated with the "base level" scenario. This amount is calculated by using the same cost per square foot of surface lot area used for the studied land sales in San Mateo County that incorporate this form of parking; multiplying that figure by an estimated 269,445 square feet of surface lot parking area (as derived from a mandated 3.0 per thousand maximum parking ratio in zoning, as well as an estimated 345 square foot per space area estimate, per MVS); and then dividing the resulting total by the 260,312 square feet of gross floor area applicable to the "base level" analysis. When this $10.97 per square foot of building area figure is compared to the parking costs of the sales, adjustments ranging from a negative $0.38 to a positive $111.59 per square foot of building area are supported.

Comparables 2, 5, 6, 7 and 9 all have above-grade garages planned for or otherwise assumed as part of their designs, while Comparables 1 and 3 have intermediate levels (with the latter also proposed to incorporate a surface-level parking stacker system on a portion of its lot). While the parking adjustment amounts differ between these supply types, based on their economics and the specific number of spaces supplied at each of the comparables, all result in substantial upward corrections being made to the noted comparable sales.

Only Numbers 4 and 8, which are served by surface lots in their analyses - like the subject's presumptions in the "base level" scenario - are adjusted only nominally in this part of the study. Again, this is logical because the subject's presumed form of parking supply in the "base level" scenario (surface spaces only) is the most economical option. Therefore, the price that a developer can pay for its land will be higher in this scenario, all other characteristics being equal.

LAND VALUE RECONCILIATION: BASE LEVEL, AS VACANT

Following comparative analysis, the comparables establish a concentrated range in market value estimates at between roughly $240.00 and $300.00 per square foot of building area. This excludes the outlying high and low-end indicators, although most of the retained data is concentrated at the upper end of the variance.

In selecting a conclusion from within the narrowed range, consideration is now made for a factor not yet addressed in the preceding comparative analysis. Although adjustments were previously applied for density of development, as well as parking costs, the fact that the subject's zoning limits its onsite parking to a maximum of 3.0 spaces per thousand square feet of gross floor area has not been acknowledged. In the current market environment, the market standard is to offer a greater ratio, typically at 3.3 per thousand or more. A project with only 3.0 spaces per thousand will probably experience a negative impact as to its income potential, and consequently its value. This will translate into a lower price that a developer will be willing to pay for the land. Because this property characteristic has not been considered to this point in the analysis, it argues for a value selection trending toward the lower midpoint of the indicated price per square foot value range.

Also considered is the COVID-19 event and its potential impact on land values. A segment of market participants has become more conservative in its expectations for future market performance, while others appear to have been unaffected. There has so far been limited evidence of land value declines, although some deals are known to have been repriced due to the pandemic. Still, developers interviewed for this assignment report an impression that Peninsula office land values have maintained value stability to date – particularly if supportive of biotech/life science use. Overall, for purposes of the subject's valuation, it is acknowledged that some degree of caution would likely be exhibited by the broad universe of prospective buyers considering an acquisition on the date of valuation.

With greatest emphasis on the variance established by a majority of the data and acknowledging the subject's parking limitation at 3.0 spaces per thousand square feet of gross floor area, as well as the potential impact of the virus pandemic, a conclusion from the midpoint of the concentrated range is selected, at $270.00 per square foot of maximum building area associated with the "base level" scenario. This figure is admittedly above the upper end of the comparables' unadjusted price range; but, in light of the subject's ability to provide a fully surface-parked site, the amount is considered appropriate.

The use of a $270.00 per square foot of building area value indication results in the following fee simple market value estimate for the subject's land, as vacant:

Market Value Estimate – Base Level, As Vacant

260,312 square feet	x	$270.00 per sq. ft.	=	$70,284,240
		Rounded	=	$70,300,000

PARKING COST ANALYSIS FOR COMPARABLE LAND SALES

NO.	LOCATION	SITE SF & ACRES	PROPOSED/ POTENTIAL DENSITY	FLOOR AREA RATIO (FAR)*	REQUIRED/ PROPOSED PARKING (# STALLS; RATIO**)	PARKING AT GRADE	*STRUCTURED PARKING* *UNDER GROUND GARAGE*	*INTER. LEVEL*	*ABOVE GROUND GARAGE*	STRUCTURED PARKING AREA (PER SPACE)	ESTIMATED PARKING COST (PER SPACE OR PER SPACE SF)	TOTAL COMPONENT PARKING COST	TOTAL PARKING COST PER FAR SF
1	388 Vintage Park Drive Foster City	95,919 2.20	95,931 sq.ft. office	100% FAR	198 2.1	105		93		300 (approximation)	$3,658 $158.47	$384,054 $4,421,201	$4.00 $46.09 $50.09
2	2590 Walsh Avenue Santa Clara	291,416 6.69	174,850 sq.ft. office	60% FAR	525 3.0 (estimate)	350 (estimated proportion)			175 (estimated proportion)	300 (approximation)	$3,527 $131.15	$1,234,694 $6,885,402	$7.06 $39.38 $46.44
3	777 Industrial Road San Carlos	123,928 3	122,462 sq.ft. office	98% FAR	228 1.9	56		64	108 ***	300 (approximation)	$3,658 $158.47 $46,200	$204,829 $3,042,547 $4,989,600	$1.67 $24.84 $40.74 $67.26
4	1230-1280 E. Arques Avenue Sunnyvale	1,144,343 26.27	514,954 sq.ft. office	45% FAR	1,546 3.0 (estimate)	1,546 (assumed)					$3,527	$5,454,223	$10.59 $10.59
5	915-1015 Commercial Street & 1063 Old County Road San Carlos	552,271 12.68	761,252 sq.ft. office	137% FAR	1,903 2.5 (pro-rata over entire site)	65			1,839	320	$3,658 $135.93	$236,188 $79,975,285	$0.31 $105.06 $105.37
6	3375 Scott Boulevard Santa Clara	252,034 5.79	250,750 sq.ft. office	99% FAR	888 3.5	146			742	272	$3,527 $131.15	$514,945 $26,468,242	$2.05 $105.56 $107.61
7	615 N. Mathilda Avenue Sunnyvale	331,871 7.62	380,039 sq.ft. office	114% FAR	1,254 3.3	77			1,177	300 (approximation)	$3,527 $131.15	$271,581 $46,307,359	$0.71 $121.85 $122.56
8	2380 & 2390 Lafayette Street Santa Clara	268,813 6.17	120,966 sq.ft. office	45% FAR	363 3.0 (estimate)	363 (assumed)					$3,527	$1,281,229	$10.59 $10.59
9	1350 Geneva Drive Sunnyvale	703,450 16.15	422,070 sq.ft. office	60% FAR	1,267 3.0 (estimate)	845 (estimated proportion)			422 (estimated proportion)	300 (approximation)	$3,527 $131.15	$2,980,431 $16,620,692	$7.06 $39.38 $46.44

* As referenced, FAR = Floor Area Ratio, which is a measurement of building to land area.
** Ratio = Number of parking stalls per 1,000 square feet of building area.
*** Project proposes using a parking stacker system; stall count and cost is an estimate per space within the stacker unit.

Kidder Mathews, August 2021
AC21-070r; Parking Cost Analysis

COMPARABLE LAND SALE ADJUSTMENT GRID - BASE LEVEL ANALYSIS

162-164 Jefferson Drive, Menlo Park

Land Sale	*Unadjusted Sale Price Per FAR*	Conditions Of Sale	Financing Terms	*Normalized Market Price*	Market Conditions	*Time Adjusted Price*	*Other Adjustments* General Location	Specific Location	Size	Utility & Config'n	Entitlement	FAR Density	Net Other Adjstmnt	*Preliminary Market Value Indication*	Parking Cost Differential	*Final Market Value Indication*
1	***$137.47***	Moderate Positive		***$150.00***		***$150.00***	Moderate Positive	Moderate Positive	Slight Negative		Significant Positive	Nominal Positive	Overly Substantial Positive	***$200.00***	$39.12	***$239.12***
2	***$228.77***			***$228.77***		***$228.77***	Substantiial Positive	Slight Positive	Slight Negative	Moderate Negative	Slight Positive		Significant Positive	***$265.00***	$35.47	***$300.47***
3	***$230.68***			***$230.68***		***$230.68***	Moderate Positive	Slight-Moderate Negative	Slight Negative	Slight Negative	Slight Positive	Nominal Positive		***$230.00***	$56.29	***$286.29***
4	***$201.96***			***$201.96***		***$201.96***	Moderate Positive		Slight Positive	Moderate Negative	Substantial Positive		Overly Substantial Positive	***$250.00***	-$0.38	***$249.62***
5	***$158.42***			***$158.42***	Nominal Negative	***$155.00***	Moderate Positive	Slight Positive	Moderate Positive	Moderate Negative	Slight Positive	Slight Positive	Overly Substantial Positive	***$195.00***	$94.40	***$289.40***
6	***$205.38***			***$205.38***	Nominal Negative	***$200.00***	Substantiial Positive	Slight Positive		Moderate Negative		Nominal Positive	Significant to Substantial Positive	***$235.00***	$96.64	***$331.64***
7	***$225.08***			***$225.08***	Slight Negative	***$215.00***	Moderate Positive	Slight Negative	Nominal Positive	Moderate Negative		Nominal Positive		***$215.00***	$111.59	***$326.59***
8	***$178.15***			***$178.15***	Slight Negative	***$170.00***	Substantiial Positive	Slight Positive	Slight Negative	Moderate Negative	Substantial Positive		Overly Substantial Positive	***$220.00***	-$0.38	***$219.62***
9	***$226.50***			***$226.50***	Slight Negative	***$215.00***	Moderate Positive	Slight Positive	Nominal Positive	Moderate Negative	Moderate Positive		Significant to Substantial Positive	***$255.00***	$35.47	***$290.47***

Kidder Mathews, August 2021
AC21-070r; Jefferson Drive Land Grid - Base Level

Comparable Land Sales Analysis – Bonus Level, As Vacant

This section of the Sales Comparison Approach addresses the subject's "bonus level" scenario, and estimates the market value of the fee simple interest in the land based on its existing zoning, but as fully entitled for an increased FAR developmental density. The project recognized in this study is that represented by a total GFA of 509,420 square feet, or an approximate 88 percent FAR, as submitted to the City of Menlo Park for proposed development. Otherwise, the subject property is presumed to be the same as in the previous scenario.

The methodology utilized in this Sales Comparison Approach studies the subject in relation to the same comparable sales previously presented. The valuation metric analyzed is again the price per square foot of proposed building area. Adjustments made for various comparative factors are largely the same as those previously detailed. The categories that are different, due to the subject's larger proposed development, include those for size, density of development (as measured by FAR), and the cost to provide parking.

The adjustment grid on a following page includes the same qualitative adjustments explained previously and made to the comparables for all but the following:

BUILDING SIZE

The adjustment for size is again made under the premise that properties bought for larger developments typically sell for lower prices on a per square foot of building area basis than smaller properties, all other characteristics being equal. Because a buyer considering the subject's acquisition for development, in the "bonus level" scenario, will now be developing a project nearly twice the size of the "base level" study, increased financing and carrying costs will be anticipated, along with potentially greater risk of building and stabilizing the asset. Although some offsetting factors relating to economies of scale are also expected, the net effect is a slight negative adjustment to the corrections originally indicated.

DENSITY OF DEVELOPMENT

As previously noted, sites which allow higher density uses (as measured through floor area ratio - FAR) will typically achieve lower prices on a per square foot of building area basis, all other characteristics being equal. But, because a separate adjustment will again follow for the cost of parking associated with the comparables – which increases along with density - the magnitudes of the corrections made for FAR are again muted.

The subject's density in this "bonus value" scenario assumes an approximate 88 percent FAR. As noted on the sale summary table, the adjustments made to the comparable sales include a nominally negative shift as compared to those presented previously.

ADJUSTMENT FOR STRUCTURED PARKING

Adjustments made to the comparables for differences in the cost of parking follow the same logic and mathematical calculations as presented previously. But, because the subject's "bonus level" development now includes both a parking structure and surface spaces, its anticipated cost is different from that estimated in the "base level" scenario. Its grade-level parking in this model is again presumed to cost $10.60 per square foot of parking area; but, now multiplying that figure by an estimated 66,585 square feet of surface lot parking area - as derived from the 193 spaces noted on project plans and an approximate 345 square foot per space allocation (from MVS) - and then dividing the resulting total by the 509,420 square feet of gross floor area applicable to the "bonus level" analysis, a cost for this component is estimated at $1.39 per square foot of proposed building area.

Far more substantial is the cost attributed to the subject's parking structure. For this part of the study, the direct cost estimate provided by the owner/developer is utilized, as it is deemed more reliable than the MVS figures previously cited. A $41,815,842 parking garage amount is noted on the Construction Costs Estimate included in the Addenda. This is first increased by ten percent, to include certain costs that are not contained in the developer's total, but which are incorporated into the MVS data. Because mathematical calculations are being made between the comparables' and the subject's parking structure costs, their composition must be the same. MVS includes certain indirect expenses in its figures, such as architect's and engineer's fees; plans, plan check, and building permit charges; interest on building funds during construction; insurance; and the like. The developer separately accounts for many of these expenses, but they are not included in the $41,815,842 estimate. With ten percent added, the revised amount is $45,997,426, or $90.29 per square foot of proposed gross floor area. However, to conform with the methodology applied previously to the comparables' MVS-derived parking costs, an additional five percent is applied for remaining indirect costs, along with ten percent for entrepreneurial profit. The increased cost estimate is consequently $53,127,027, or $104.29 per square foot of proposed gross floor area. When added to the surface space amount, a total parking expense is indicated at $105.67 per square foot.

As noted on a following page, the total amounts applied for parking cost adjustments are substantially different in the “bonus level” model. They now amount to between a negative $95.08 per square foot of building area for Comparables 4 and 8, to a positive $16.89 per square foot for Sale 7. This is reasonable, noting that the former land sales are presumed to be entirely surface parked. Because the provision of that form of construction is much less expensive than that now proposed for the subject, a buyer of the “bonus level” site will pay a proportionately lower price on a per square foot of building area basis. Conversely, because parking for Comparable 7 is still more expensive than that anticipated for the subject (due to its partial structured type and higher overall ratio), the market will recognize the subject as more valuable than that site, all other characteristics being equal. The application of the differing amounts for the comparables results in an Final Market Value Indication, as noted on the adjustment grid to follow.

LAND VALUE RECONCILIATION: BONUS LEVEL, AS VACANT

Following comparative analysis for the subject’s “bonus level” scenario, the comparables establish a concentrated range in market value estimates at between roughly $135.00 and $185.00 per square foot of building area.

With greatest emphasis again applied to the range established by a majority of the data, and with consideration for the subject’s 3.0 per thousand parking ratio and the potential impacts of the COVID-19 pandemic, a conclusion from the midpoint of the concentrated variance is selected. The use of a $160.00 per square foot of gross floor area value indication results in a fee simple market value estimate for the subject’s “bonus level” scenario as follows:

Market Value Estimate – Bonus Level, As Vacant

509,420 square feet	x	$160.00 per sq. ft.	=	$81,507,200
		Rounded	=	$81,500,000

A check of reasonableness is now applied to the $110.00 per square foot differential between the Bonus Level ($160.00 per square foot) and Base Level ($270.00 per square foot) valuation scenarios. The majority of this spread is attributed to parking costs, at $94.70 per square foot ($105.67 at the Bonus Level - $10.97 in the Base Level). Subtracting this amount leaves a residual of $15.30 per square foot, which itself must be accounted for by the only two other factors that differ between the Bonus and Base level scenarios – building size and density of development.

The former was noted to have prompted slightly more negative adjustments when moving from the Base Level to Bonus Level analyses. This is equivalent to an estimated five percent in the comparative analysis model. When this is applied to the Time Adjusted Price indications from the nine comparable sales, the difference in building size accounts for between $7.50 and $11.53 per square foot of the residual gap.

Likewise, the latter was noted to have prompted nominally more negative adjustments when moving from the Base Level to Bonus Level, which is equivalent to an estimated 2.5 percent in the comparative analysis model. When this is applied to the Time Adjusted Price indications from the nine comparable sales, the difference in developmental density accounts for between $3.75 and $5.76 per square foot.

Combining the ranges noted for building size differential (at $7.50 to $11.53 per square foot) and density of development (at $3.75 to $5.76 per square foot) results in a total for these two factors at between $11.25 and $17.30 per square foot of gross floor area. Because the $15.30 per square foot residual is within this range, it is accounted for in its entirety, and the $110.00 per square foot spread passes the test of reasonableness.

COMPARABLE LAND SALE ADJUSTMENT GRID - BONUS LEVEL ANALYSIS

162-164 Jefferson Drive, Menlo Park

Land Sale	*Unadjusted Sale Price Per FAR*	Conditions Of Sale	Financing Terms	*Normalized Market Price*	Market Conditions	*Time Adjusted Price*	*Other Adjustments* General Location	Specific Location	Size	Utility & Config'n	Entitlement	FAR Density	Net Other Adjstmnt	*Preliminary Market Value Indication*	Parking Cost Differential	*Final Market Value Indication*
1	***$137.47***	Moderate Positive		***$150.00***		***$150.00***	Moderate Positive	Moderate Positive	Moderate Negative		Significant Positive		Overly Substantial Positive	***$190.00***	-$55.58	***$134.42***
2	***$228.77***			***$228.77***		***$228.77***	Substantiial Positive	Slight Positive	Moderate Negative	Moderate Negative	Slight Positive	Nominal Negative	Slight to Moderate Positive	***$245.00***	-$59.23	***$185.77***
3	***$230.68***			***$230.68***		***$230.68***	Moderate Positive	Slight-Moderate Negative	Moderate Negative	Slight Negative	Slight Positive		Slight to Moderate Negative	***$215.00***	-$38.41	***$176.59***
4	***$201.96***			***$201.96***		***$201.96***	Moderate Positive			Moderate Negative	Substantial Positive	Nominal Negative	Significant to Substantial Positive	***$235.00***	-$95.08	***$139.92***
5	***$158.42***			***$158.42***	Nominal Negative	***$155.00***	Moderate Positive	Slight Positive	Slight Positive	Moderate Negative	Slight Positive	Nominal Positive	Significant to Substantial Positive	***$180.00***	-$0.31	***$179.69***
6	***$205.38***			***$205.38***	Nominal Negative	***$200.00***	Substantiial Positive	Slight Positive	Slight Negative	Moderate Negative			Moderate Positive	***$220.00***	$1.94	*$221.94*
7	***$225.08***			***$225.08***	Slight Negative	***$215.00***	Moderate Positive	Slight Negative	Nominal Negative	Moderate Negative			Slight to Moderate Negative	***$200.00***	$16.89	*$216.89*
8	***$178.15***			***$178.15***	Slight Negative	***$170.00***	Substantiial Positive	Slight Positive	Moderate Negative	Moderate Negative	Substantial Positive	Nominal Negative	Overly Substantial Positive	***$205.00***	-$95.08	*$109.92*
9	***$226.50***			***$226.50***	Slight Negative	***$215.00***	Moderate Positive	Slight Positive	Nominal Negative	Moderate Negative	Moderate Positive	Nominal Negative	Moderate Positive	***$235.00***	-$59.23	***$175.77***

Kidder Mathews, August 2021
AC21-070r; Jefferson Drive Land Grid - Bonus Level

Value of the Amenity Conclusion

As noted previously, the intended use of this report is to assist in establishing the value of community amenities associated with the subject's proposed development. Per the "City of Menlo Park – Appraisal Instructions" document provided for this assignment, that value is estimated by calculating the difference between the "base level" and "bonus level" valuation scenarios, and thereafter applying a 50 percent factor. Per that methodology, the following calculation is presented:

Value of the Amenity Conclusion, as of August 12, 2021

Value Conclusion at the Bonus Level $81,500,000

Value Conclusion at the Base Level $70,300,000

Value of the Additional GFA Proposed $11,200,000

Value of the Amenity $5,600,000

ADDENDUM

Letter of Engagement

Kidder Mathews

March 1, 2021

Mr. Peter Tsai
Vice President, Real Estate Development
The Sobrato Organization
599 Castro Street, Suite 400
Mountain View, California 94041

Via e-mail – ptsai@sobrato.com

RE: Engagement of Services – Appraisal Report

Dear Mr. Tsai:

We are pleased to have the opportunity to provide an appraisal report regarding the land component of the real property located at 162-164 Jefferson Drive, in Menlo Park, California. The subject is an approximate 13.28-acre land holding identified as San Mateo County Assessor Parcel Numbers 055-243-300 and 310. The purpose of this letter is to confirm the scope of our services for this engagement, our office practices, and policies.

We will prepare a narrative appraisal report using a process in accordance with the reporting standards of the Uniform Standards of Professional Appraisal Practice (USPAP) of the Appraisal Foundation, as well as the Code of Professional Ethics and Standards of Professional Practice of the Appraisal Institute. Our report will address the market values of the fee simple interest in the subject's land component, disregarding the existing improvements. Values will be estimated for both the subject's base level and bonus level zoning - as defined by the "City of Menlo Park – Appraisal Instructions" provided for this assignment. The intended user of these appraisals will be you, the client. The intended use is to assist in discussions with the City of Menlo Park relative to determining the value of community amenities. You agree and represent that you will not share the appraisal report with any party other than the intended user(s) described above and will only rely on the appraisal for its intended use (the "Representations").

The cost of the appraisals is , plus any incidental expenses such as travel, document retrieval fees, special deliveries, and the like. This fee is based on the scope and timing of our analyses as outlined in this letter. If the scope changes during the appraisal process, the change could alter the cost. At the stated fee, you will receive an electronic copy of our report in PDF format. You may request up to two optional hard copies, without charge, by checking the box by the signature block. Additional hard copies will be available at nominal expense (billed at $75/hour for administrative staff's time), but it is helpful if we know of your copy requirements at the time we begin work on the project.

The fee quoted above is for our appraisal report. Any other work undertaken after the delivery of our narrative report, such as additional consultation services and/or participation in discussions with the City of Menlo Park, would be charged on a time and expense basis, including travel. Incidental expenses that would be reimbursed include those for vehicle mileage, document production, special deliveries, and the like. Hourly rates are as follows:

Jeffrey Enright, MAI, CRE, SRA, AI-GRS
Staff MAI
Senior Analyst
Junior Analyst
Administrative Staff

Because of the nature of our business, it is difficult to quote a precise delivery date for our completed report. Nonetheless, we anticipate delivery will be made within 30 days of the date we receive from you a signed copy of this engagement letter authorizing us to proceed, as well as the retainer requested below.

It is our company's custom to accept a retainer at the time we are authorized to proceed. In this case, we will require a retainer of Payment for our services is due no later than 30 days from an invoice date. Any past-due accounts bear interest at the rate of 12 percent per year. This proposal is valid through the close of business on March 8, 2021. We reserve the right to revise the quoted fee and/or timing commitment if not engaged for this assignment by 5:00 pm, Monday, March 8, 2021.

You agree to hold harmless, defend and indemnify Kidder Mathews and its agents and employees from any and all claims that arise out of or relate to your breach of either or both of the Representations and/or to claims arising from information provided by you for our reliance in preparing the report, including the information sought in the attached Request for Information.

Either party may terminate this engagement for any reason upon written notification delivered any time prior to completion of the project. Upon such termination, you remain obligated to pay us promptly for all charges for services rendered to date, as well as for all charges incurred as a result of termination.

We do not anticipate that any disputes will arise out of our relationship with you. However, if any dispute should arise about our services or fees or any other aspect of our relationship, you and we agree to seek a fair negotiated resolution. If this is not successful, all disputes shall be resolved by binding arbitration in San Francisco under the American Arbitration Association ("AAA") Commercial Arbitration Rules with Expedited Procedures in effect on the date hereof. The arbitrator may award attorneys' fees and costs to the prevailing party.

Kidder Mathews

If you agree with these terms of engagement and wish us to proceed, please sign where indicated below and return this letter via facsimile at 650.769.3551 or via e-mail. Please send your retainer check to me at Kidder Mathews of California, 201 Redwood Shores Parkway, Suite 125, Redwood City, California 94065.

Sincerely,
KIDDER MATHEWS

Jeffrey Enright

By: Jeffrey Enright, MAI, CRE, SRA, AI-GRS
Its: Managing Director, Shareholder

ACCEPTED & AGREED this 2 day of March, 2021:

____

Check if two hard copy reports are required: ☐

Kidder Mathews

Request for Information

In order to complete the proposed appraisals, we request the following information. Your assistance in providing these items is necessary in order for us to deliver our report in a timely manner. In the event that any of the following information is unavailable or otherwise not supplied, our report will contain related assumptions and/or limiting conditions. Please send the information to the address below or contact me to discuss other delivery arrangements, and feel free to call if you have any questions.

1. The City of Menlo Park – Appraisal Instructions to be utilized in the valuations

2. Legal description and title report for the subject property, including complete copies of supporting documentation relating to any noted title exceptions

3. ALTA site survey or other plat map

4. Architectural plans, specifications, or design schematics regarding the existing and proposed improvements, including estimated construction costs

5. Complete copies of all leases currently encumbering the property

6. Operating statements for 2017 through 2020, and year-to-date 2021

7. Soil, environmental, building, and/or other relevant engineering reports

8. Information regarding any recently completed capital improvements or items of known, deferred maintenance affecting the property

9. Details relating to any recent attempts to sell or lease the subject property, including copies of marketing materials, submitted offers, or related correspondence

10. Property contact for inspection purposes

11. Any additional information that you consider pertinent to this assignment

Jeffrey Enright, MAI, CRE, SRA, AI-GRS
Kidder Mathews
201 Redwood Shores Parkway, Suite 125
Redwood City, CA 94065
jeff.enright@kidder.com
650.769.3511

City of Menlo Park – Appraisal Instructions

CITY OF MENLO PARK - APPRAISAL INSTRUCTIONS
TO DETERMINE THE VALUE OF COMMUNITY AMENITIES
UNDER BONUS LEVEL ZONING

I. Required Appraiser Qualifications

1. California State Certified General Real Estate Appraiser.
2. Member of the Appraisal Institute (MAI) designation.
3. At least five years' experience appraising commercial and multi-family development land in the San Francisco Bay Area.

II. Methodology for Life Science (LS) and Office (O) Districts

A. Base Level Value

1. The subject of the appraisal is the parcel or parcels of land identified in the project application for the proposed project, which is also generally referred to as the project site. The subject of the appraisal is hereinafter referred to as the "**Subject Property**."
2. The City of Menlo Park shall determine the **"Base Level"** of development permitted on the Subject Property in accordance with the City's zoning and provide that information to the appraiser.
3. The Base Level of development permitted on the Subject Property shall be stated on a Gross Floor Area basis.
4. Gross Floor Area (*"***GFA***")* is defined as the sum of the horizontal areas of all habitable floors including basements and mechanical areas within the surrounding exterior walls of a building covered by a roof measured to the outside surfaces of exterior walls or portions thereof on the Subject Property, excluding parking structures. For purposes of these instructions, City staff shall determine GFA based on this definition.
5. The appraiser shall determine the Market Value of the Subject Property, assuming it is fully entitled for the Base Level of development. "**Market Value**" is 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, knowledgeably and assuming the price is not affected by undue stimulus.
6. For the Base Level, "**entitled***"* means the Subject Property has all of the approvals necessary to immediately proceed with construction of the maximum GFA allowed by the zoning at the Base Level.
7. The *"***GFA Per Square Foot Unit Value***"* is defined as the sale price of the comparable divided by the GFA of the buildings proposed to be constructed on the property, or if there is no proposal, then the maximum GFA allowed by the zoning. The comparable sale prices shall be measured on a GFA Per Square Foot Unit Value basis.
8. The appraisal report shall include a "**Date of Value**" that is no more than 90 days from the date of the submission of the appraisal report to the City of Menlo Park.
9. The only allowed methodology is the sales comparison approach. A land residual analysis is not acceptable.

10. The selected comparable sales used in valuing the Subject Property should be located in or as close to Menlo Park as reasonably available data allows.
11. The comparable sales should be as close to the Date of Value as reasonably available data allows.
12. The comparable sales should be as physically similar to the Subject Property as reasonably available data allows.
13. The intended use of the comparable sales by the buyer should be for mixed-use, commercial, office, life science or other similar non-residential uses.
14. Where a comparable sale is not fully entitled, the appraiser may make an upward adjustment to the comparable sale's GFA Per Square Foot Unit Value.
15. After reasonable adjustment for differences between the comparable sales and the Subject Property, the appraiser shall conclude a GFA Per Square Foot Unit Value most reflective of the Subject Property assuming the Subject Property is fully entitled for a building or buildings at the Base Level of development.
16. The appraiser shall include sufficient analysis and explanation of any adjustments made to the comparable sales such that the reader can follow the logic in arriving at the appraiser's conclusion regarding the GFA Per Square Foot Unit Value of the Subject Property.
17. The resulting value conclusion for the Subject Property at the Base Level is the GFA Per Square Foot Unit Value times the maximum GFA allowed at the Base Level.
18. For example, assume Comparable Sale 1 sold for $40,000,000 and it has approvals (or if no approvals, then the GFA identified in an existing application or the maximum GFA zoning would allow) for a building with 200,000 square feet of GFA. The GFA Per Square Foot Unit Value of the comparable is thus $200 ($40,000,000 ÷ 200,000). With respect to the Subject Property, the City of Menlo Park has determined that the Subject Property at the Base Level has an allowed maximum GFA of 100,000 square feet. Applying the comparable sale GFA Per Square Foot Unit Value to the Subject Property GFA results in a Market Value of the Subject Property of $20,000,000 ($200 x 100,000).
19. The above is a simple hypothetical example to illustrate the required methodology. It is not intended to imply the appraiser should rely on a single comparable. Also, if a comparable sale does not yet have a proposed project application or approvals, the GFA should be based on the maximum GFA allowed by the zoning. Further, the appraiser is allowed to make reasonable adjustments to the comparable sale GFA Per Square Foot Unit Value data in comparison to the Subject Property in arriving at the appropriate GFA Per Square Foot Unit Value of the Subject Property, provided the appraiser provides sufficient analysis and explanation of any adjustments.

B. Bonus Level Value

1. The Subject Property at the Bonus Level must be identical to the Subject Property at the Base Level. The Subject Property must remain identical.

2. The City of Menlo Park determines the "**Bonus Level**" of development permitted on the Subject Property in accordance with the City's zoning and provides that information to the appraiser. The Bonus Level of development permitted on the Subject Property shall be stated on a GFA basis.
3. The appraiser shall determine the Market Value of the Subject Property assuming it is fully entitled for the Bonus Level of development.
4. For the Bonus Level, "**entitled**" means the Subject Property has all of the approvals necessary to immediately proceed with construction of the proposed project at the Bonus Level.
5. The Date of Value for the Bonus Level must be the same as the Date of Value for the Base Level.
6. The only allowed methodology is the sales comparison approach. A land residual analysis is not acceptable.
7. The selected comparable sales used in valuing the Subject Property at the Bonus Level must be the same comparable sales previously used in valuing the Subject Property at the Base Level. Different comparable sales are not allowed. The comparable sale prices shall be measured on a GFA Per Square Foot Unit Value basis.
8. The appraiser shall not consider the community amenities requirement established under Menlo Park Municipal Code Section 16.43.070 or Section 16.44.070, as applicable, in determining the Market Value of the Subject Property under the Bonus Level of development.
9. Where a comparable sale is not fully entitled, the appraiser may make an upward adjustment to the comparable sale's GFA Per Square Foot Unit Value.
10. After reasonable adjustment for differences between the comparable sales and the Subject Property, the appraiser shall conclude a GFA Per Square Foot Unit Value most reflective of the Subject Property assuming the Subject Property is fully entitled for a building or buildings at the Bonus Level of development.
11. The appraiser shall include sufficient analysis and explanation of any adjustments made to the comparable sales such that the reader can follow the logic in arriving at the appraiser's conclusion regarding the GFA Per Square Foot Unit Value of the Subject Property.
12. The resulting value conclusion for the Subject Property at the Bonus Level is the GFA Per Square Foot Unit Value times the GFA of the proposed project at the Bonus Level.
13. For example, assume Comparable Sale 1 sold for $40,000,000 and it has approvals (or if no approvals, then the GFA identified in an existing application or the maximum GFA zoning would allow) for a building with 200,000 square feet of GFA. The GFA Per Square Foot Unit Value of the comparable is thus $200 ($40,000,000 ÷ 200,000). The proposed project on the Subject Property at the Bonus Level has a GFA of 150,000 square feet. Applying the comparable sale GFA Per Square Foot Unit Value to the Subject Property results in a Market Value of the Subject Property of $30,000,000 ($200 x 150,000).

14. The above is a simple hypothetical example to illustrate the required methodology. It is not intended to imply the appraiser should rely on a single comparable. Also, if a comparable sale does not yet have a proposed project application or approvals the GFA should be based on the maximum GFA allowed by the zoning. Further, the appraiser is allowed to make reasonable adjustments to the comparable sale GFA Per Square Foot Unit Value data in comparison to the Subject Property in arriving at the appropriate GFA Per Square Foot Unit Value of the Subject Property, provided the appraiser provides sufficient analysis and explanation of any adjustments.

C. Value of the Amenity Conclusion

1. The Market Value of the additional GFA proposed at the Bonus Level of development is calculated based on the Subject Property values as determined through the process outlined above.
2. The value conclusion at the Base Level is subtracted from the value conclusion at the Bonus Level. The result is the Market Value of the additional GFA proposed at the Bonus Level. The "**Value of the Amenity**" is 50 percent of the Market Value of the additional GFA proposed at the Bonus Level.
3. Using the above examples, the Value of Amenity calculation would be as follows:

Value conclusion at the Bonus Level	$30,000,000
Value conclusion at the Base Level	-$20,000,000
Value of the Additional GFA Proposed	$10,000,000
Value of the Amenity	**$5,000,000**

III. Methodology for Residential Mixed-Use (R-MU) District

A. Base Level Value for a Residential Development or the Residential Component of a Mixed-Use Project

1. The subject of the appraisal is the parcel or parcels of land identified in the project application for the proposed project, which is also generally referred to as the project site. The subject of the appraisal is hereinafter referred to as the "**Subject Property**."
2. The appraiser identifies the proposed project as either a for sale condominium or a rental project or a combination thereof. This determination needs to be consistent with the application for the proposed project.
3. The City of Menlo Park shall determine the "**Base Level**" of development permitted on the Subject Property in accordance with the City's zoning and provide that information to the appraiser. This determination will include identification of both

the percentage and the number and the income level of required Below Market Rate ("**BMR**") dwelling units required for the Subject Property at the Base Level pursuant to the City's Below Market Rate Housing Program.

4. The Base Level of development permitted on the Subject Property shall be stated on a Gross Floor Area basis.
5. Gross Floor Area ("**GFA**") is defined as the sum of the horizontal areas of all habitable floors including basements and mechanical areas within the surrounding exterior walls of a building covered by a roof measured to the outside surfaces of exterior walls or portions thereof on the Subject Property, excluding parking structures. For purposes of these instructions, City staff shall determine GFA based on this definition.
6. The appraiser shall determine the Market Value of the Subject Property, assuming it is fully entitled for the Base Level of development. "**Market Value**" is 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, knowledgeably and assuming the price is not affected by undue stimulus.
7. For the Base Level, **"entitled"** means the Subject Property has all of the approvals necessary to immediately proceed with construction of the maximum GFA allowed by the zoning at the Base Level.
8. The "**GFA Per Square Foot Unit Value**" is defined as the sale price of the comparable divided by the GFA of the buildings proposed to be constructed on the property, or if there is no proposal, then the maximum GFA allowed by the zoning. The comparable sale prices shall be measured on a GFA Per Square Foot Unit Value basis.
9. The appraisal report shall include a **"Date of Value"** that is no more than 90 days from the date of the submission of the appraisal report to the City of Menlo Park.
10. The only allowed methodology is the sales comparison approach. A land residual analysis is not acceptable.
11. The selected comparable sales used in valuing the Subject Property should be located in or as close to Menlo Park as reasonably available data allows.
12. The comparable sales should be as close to the Date of Value as reasonably available data allows.
13. The comparable land sales should be as physically similar as reasonably available data allows.
14. The intended use of the comparable sales by the buyer should be the same as the proposed project, for use as a multi-family residential development.
15. Where a comparable sale is not fully entitled, the appraiser may make an upward adjustment to the comparable sale's GFA Per Square Foot Unit Value.
16. Additional analysis of the comparable sales on a per dwelling unit basis is also acceptable. The final conclusion shall be stated on a GFA Per Square Foot Unit Value basis.
17. The BMR requirement at the Base Level for the Subject Property versus the comparable sales may be a basis for adjustment.

18. After reasonable adjustment for differences between the comparable sales and the Subject Property, the appraiser shall conclude a GFA Per Square Foot Unit Value most reflective of the Subject Property assuming the Subject Property is fully entitled for a building or buildings at the Base Level of development.
19. The appraiser shall include sufficient analysis and explanation of any adjustments made to the comparable sales such that the reader can follow the logic in arriving at the appraiser's conclusion regarding the GFA Per Square Foot Unit Value of the Subject Property.
20. The resulting value conclusion for the Subject Property at the Base Level is the GFA Per Square Foot Unit Value times the maximum GFA allowed at the Base Level.
21. For example, assume Comparable Sale 1 sold for $40,000,000 and it has approvals (or if no approvals, then the GFA identified in an existing application or the maximum GFA zoning would allow) for a building with 200,000 square foot of GFA. The GFA Per Square Foot Unit Value of the comparable is thus $200 ($40,000,000 ÷ 200,000). With respect to the Subject Property, the City of Menlo Park has determined that the Subject Property at the Base Level has an allowed maximum GFA of 100,000 square feet. Applying the comparable sale GFA Per Square Foot Unit Value to the Subject Property results in a Market Value of the Subject Property of $20,000,000 ($200 x 100,000).
22. The above is a simple hypothetical example to illustrate the required methodology. It is not intended to imply the appraiser should rely on a single comparable. Also, if a comparable sale does not yet have a proposed project application or approvals the GFA should be based on the maximum GFA allowed by the zoning. Further, the appraiser is allowed to make reasonable adjustments to the comparable sale GFA Per Square Foot Unit Value data in comparison to the Subject Property in arriving at the appropriate Subject Property GFA Per Square Foot Unit Value, provided the appraiser provides sufficient analysis and explanation of any adjustments.

B. Bonus Level Value for a Residential Development or the Residential Component of a Mixed-Use Project

1. The Subject Property at the Bonus Level must be identical to the Subject Property at the Base Level. The Subject Property must remain identical.
2. The City of Menlo Park shall determine the "**Bonus Level**" of development permitted on the Subject Property in accordance with the City's zoning and provide that information to the appraiser. The BMR requirement, stated in both percentage and number and income level, at the Bonus Level shall be determined pursuant to the City's Below Market Rate Housing Program.
3. The Bonus Level of development permitted on the Subject Property shall be stated on a GFA basis.
4. The appraiser shall determine the Market Value of the Subject Property assuming it is fully entitled for the Bonus Level of development.

5. For the Bonus Level, ***"entitled"*** means the Subject Property has all of the approvals necessary to immediately proceed with construction of the proposed project at the Bonus Level.
6. The Date of Value for the Bonus Level is to be the same as the Date of Value for the Base Level.
7. The only allowed methodology is the sales comparison approach. A land residual analysis is not acceptable.
8. The selected comparable sales used in valuing the Subject Property for the Bonus Level must be the same comparable sales previously used in valuing the Subject Property at the Base Level. Different comparable sales are not allowed. The comparable sale prices shall be measured on a GFA Per Square Foot Unit Value basis.
9. Additional analysis of the comparable sales on a per dwelling unit basis is also acceptable. The final conclusion shall be stated on a GFA Per Square Foot Unit Value basis.
10. The appraiser shall not consider the community amenities requirement established under Menlo Park Municipal Code Section 16.45.070 in determining the Market Value of the Subject Property at the Bonus Level of development.
11. Where a comparable sale is not fully entitled, the appraiser may make an upward adjustment to the comparable sale's GFA Per Square Foot Unit Value.
12. After reasonable adjustments for differences between the comparable sales and the Subject Property, the appraiser shall conclude a GFA Per Square Foot Unit Value most reflective of the Subject Property assuming the Subject Property is fully entitled for the proposed project at the Bonus Level, including the required percentage/number of BMR units pursuant to the to the City's Below Market Rate Housing Program.
13. The appraiser shall include sufficient analysis and explanation of any adjustments made to the comparable sales such that the reader can follow the logic in arriving at the appraiser's conclusion regarding the GFA Per Square Foot Unit Value of the Subject Property.
14. The resulting value conclusion for the Subject Property under the Bonus Level is the GFA Per Square Foot Unit Value times the GFA of the proposed project at the Bonus Level.
15. For example, assume Comparable Sale 1 sold for $40,000,000 and it has approvals (or if no approvals, then the GFA identified in an existing application or the maximum GFA zoning would allow) for a building with 200,000 square feet of GFA. The GFA Per Square Foot Unit Value of the comparable is thus $200 ($40,000,000 ÷ 200,000). The proposed project on the Subject Property at the Bonus Level has a GFA of 150,000 square feet. Applying the comparable sale GFA Per Square Foot Unit Value to the Subject Property results in a Market Value of the Subject Property of $30,000,000 ($200 x 150,000).
16. The above is a simple hypothetical example to illustrate the required methodology. It is not intended to imply the appraiser should rely on a single comparable. Also, if a comparable sale does not yet have a proposed project application or approvals

the GFA should be based on the maximum GFA allowed by the zoning. Further, the appraiser is allowed to make reasonable adjustments to the comparable sale GFA Per Square Foot Unit Value data in comparison to the Subject Property in arriving at the appropriate GFA Per Square Foot Unit Value of the Subject Property, provided the appraiser provides sufficient analysis and explanation of any adjustments.

C. Value of Amenity Conclusion for a Residential Development or the Residential Component of a Mixed-Use Project

1. The Market Value of the additional GFA proposed at the Bonus Level of development is calculated based on the Subject Property values as determined through the process outlined above.
2. The value conclusion at the Base Level is subtracted from the value conclusion at the Bonus Level. The result is the Market Value of the additional GFA proposed at the Bonus Level. The "**Value of the Amenity**" is 50 percent of the Market Value of the additional GFA proposed at the Bonus Level.
3. Using the above examples, the Value of Amenity calculation would be as follows:

Value conclusion at the Bonus Level	$30,000,000
Value conclusion at the Base Level	-$20,000,000
Value of the Additional GFA Proposed	$10,000,000
Value of the Amenity	**$5,000,000**

D. For Non-Residential Component of Mixed-Use Project

1. This step is not applicable to Residential Developments.
2. For the non-residential portion of a mixed-use project in the R-MU District, the appraiser shall follow the methodology above for the Office (O) District in reaching a Value of the Amenity conclusion.

E. Value of Amenity Conclusion R-MU District Combined Residential and Non-Residential Component of Mixed-Use Project

1. The resulting Value of the Amenity conclusion for the non-residential component of a mixed-use project shall be added to the Value of the Amenity conclusion for the residential portion of the mixed-use project, without discount to either value conclusions, to determine the total Value of the Amenity to be provided.

IV. Methodology for Projects That Include Multiple Zoning Districts

1. For master planned projects that include multiple zonings of R-MU, LS and/or O Districts the appraiser shall follow the methodology above for each separate component. The resulting value conclusions shall be added together without discount resulting in the defined Market Value for the entire Subject Property.

Subject Title Report

May 23, 2019 Update

First American Title Insurance Company

National Commercial Services

1737 North First Street, Suite 500
San Jose, CA 95112

Nancy Lundeen
Allen Matkins Leck Gamble Mallory & Natsis LLP
3 Embarcadero Center, 12th Floor
San Francisco , CA 94111
Phone: (415)273-7477

Property: 162 & 164 Jefferson Drive, Menlo Park, 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 06, 2019 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:

SI 62, LLC, a California limited liability company

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

A Fee as to Parcel One, an Easement as to Parcels Two and Three

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 2019-2020, a lien not yet due or payable.

2. This item has been intentionally deleted.

3. This item has been intentionally deleted.

4. The lien of supplemental taxes, if any, assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

5. Covenants, conditions, restrictions and non-exclusive easements in the document recorded July 19, 1956 as Instrument No. 72228-N in Book/Reel 3063, Page/Image 1 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

   Document(s) declaring modifications thereof recorded December 10, 1998 as Instrument No. 98-205091 of Official Records.

6. A non-exclusive easement for water mains and pipe lines and incidental purposes, recorded October 3, 1956 as Instrument No. 92897-N in Book/Reel 3105, Page/Image 424 of Official Records.

In Favor of:	California Water Service Company, a corporation
Affects:	Parcel C of Parcel One as described therein

7. A non-exclusive easement shown or dedicated on the map of Bohannon Industrial Park Unit No. 2 recorded June 28, 1957 and on file in Book 47, Page 32, of Tract Maps.
For: Public utility and incidental purposes.

(Affects Parcel C of Parcel One)

8. A non-exclusive easement for sanitary sewer and incidental purposes, recorded October 15, 1958 as Instrument No. 83785-Q in Book/Reel 3474, Page/Image 283 of Official Records.

In Favor of:	The Menlo Park Sanitary District
Affects:	Parcel C of Parcel One as described therein

9. A non-exclusive easement for railroad and incidental purposes, recorded June 23, 1959 as Instrument No. 61141-R in Book/Reel 3624, Page/Image 264 of Official Records.

In Favor of:	Central Pacific Railway Company, a corporation of the State of Utah
Affects:	Parcel C of Parcel One as described therein

10. A non-exclusive easement for railroad, transportation and incidental purposes, recorded June 23, 1959 as Instrument No. 61142-R in Book/Reel 3624, Page/Image 267 of Official Records.

In Favor of:	Central Pacific Railway Company, a corporation
Affects:	Parcel C of Parcel One as described therein

11. A non-exclusive easement for railroad, transportation and incidental purposes, recorded June 23, 1959 as Instrument No. 61300-R in Book/Reel 3624, Page/Image 449 of Official Records.

In Favor of:	Central Pacific Railway Company, a corporation of the State of Utah
Affects:	Parcel C of Parcel One as described therein

12. Covenants, conditions and restrictions in the document recorded September 19, 1963 as Book 4550, Page 456 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

13. Covenants, conditions, restrictions and non-exclusive easements in the document recorded May 14, 1965 as Instrument No. 49043-Y in Book/Reel 4953, Page/Image 326 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

14. A non-exclusive easement for spur track and incidental purposes, recorded October 16, 1972 as Instrument No. 68180-AF in Book/Reel 6252, Page/Image 229 of Official Records.

In Favor of:	Southern Pacific Transportation Company, a Delaware corporation
Affects:	Parcel C of Parcel One as described therein

15. Covenants, conditions, restrictions and non-exclusive easements in the document recorded December 18, 1973 as Instrument No. 97-AH in Book/Reel 6520, Page/Image 51 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes or Section 12955 of the California Government Code. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

    Document(s) declaring modifications thereof recorded December 10, 1998 as Instrument No. 98-205092 of Official Records.

16. A non-exclusive easement shown or dedicated on the map of Parcel Map recorded October 28, 1976 and on file in Book 33, Pages 45-46, of Parcel Maps.
    For: Public utility and incidental purposes.

    (Affects Parcel C of Parcel One)

17. A non-exclusive easement for public utilities and incidental purposes, recorded November 12, 1976 as Instrument No. 46612-AK in Book 7298, Page 186 of Official Records.

In Favor of:	City of Menlo Park
Affects:	Parcel C of Parcel One as described therein

18. Abutter's rights of ingress and egress to or from Bayshore Freeway have been dedicated or relinquished on the Parcel Map on file in Book 57, Pages 13 and 14 of Parcel Maps and also on the Tract Map on file in Book 47, Page 32 of Maps.

19. A non-exclusive easement shown or dedicated on the map of Parcel Map recorded February 28, 1986 and on file in Book 57, Pages 13-14, of Parcel Maps.
    For: Storm sewer and incidental purposes.

(Affects Parcel C of Parcel One)

20. A non-exclusive easement for storm sewer and incidental purposes, recorded January 21, 1988 as Instrument No. 88007767 of Official Records.

In Favor of:	Failure Analysis Associates, a California corporation
Affects:	Parcel C of Parcel One as described therein

21. The terms, provisions and non-exclusive drainage easement contained in the document entitled "Easement and Maintenance Agreement" recorded January 21, 1988 as Instrument No. 88007768 of Official Records.

(Affects Parcel C of Parcel One)

22. The terms and provisions contained in the document entitled "Notice of Terms and Conditions of Conditional Development Permit" recorded December 17, 2014 as Instrument No. 2014-116646 of Official Records.

23. The terms and provisions contained in the document entitled "Stormwater Treatment Measures Construction and Maintenance Agreement" recorded September 24, 2015 as Instrument No. 2015-101496 of Official Records.

24. An easement shown or dedicated on the map of Parcel Map recorded November 2, 2016 and on file in Book 83, Page 13-15, of Parcel Maps.
For: Emergency access, ingress, egress, parking, private utilities and incidental purposes.

(Affects Parcels A, B and C of Parcel One)

25. An easement shown or dedicated on the map of Parcel Map recorded November 2, 2016 and on file in Book 83, Page 13-15, of Parcel Maps.
For: Public access and incidental purposes.

(Affects Parcel C of Parcel One)

26. An easement shown or dedicated on the map of Parcel Map recorded November 2, 2016 and on file in Book 83, Page 13-15, of Parcel Maps.
For: Water line and incidental purposes.

(Affects Parcels B and C of Parcel One)

27. Covenants, conditions, restrictions, easements, assessments, liens, charges, terms and provisions in the document recorded November 2, 2016 as Instrument No. 2016-115160 of Official Records, which provide that a violation thereof shall not defeat or render invalid the lien of any first mortgage or deed of trust made in good faith and for value, but deleting any covenant, condition or restriction indicating a preference, limitation or discrimination based on race, color, religion, sex, handicap, familial status, national origin, sexual orientation, marital status, ancestry, source of income or disability, to the extent such covenants, conditions or restrictions violate Title 42, Section 3604(c), of the United States Codes. Lawful restrictions under state and federal law on the age of occupants in senior housing or housing for older persons shall not be construed as restrictions based on familial status.

28. The terms and provisions contained in the document entitled "Deferred Improvement Agreement for the Third Right-Turn Land and Bicycle and Pedestrian Improvements for the Eastbound Approach on Marsh Toad at Bayfront Expressway" recorded October 27, 2016 as Instrument No. 2016-112564 of Official Records.

29. The following matters disclosed by an ALTA/NSPS survey made by Kier & Wright Civil Engineers & Surveyors, Inc. on November 11, 2016, designated Job No. A11089-10:

    a. The fact that a construction trailer is situated on Parcel C of Parcel One of the Land.

30. A Deed of Trust to secure an original indebtedness of $545,000,000.00 recorded November 17, 2016 as Instrument No. 2016-121277 of Official Records.

Dated:	November 17, 2016
Trustor:	SI 62, LLC, a California limited liability company
Trustee:	First American Title Insurance Company, a Nebraska corporation
Beneficiary:	Metropolitan Life Insurance Company, a New York corporation

A document entitled "Assignment of Leases" recorded November 17, 2016 as Instrument No. 2016-121278 of Official Records, as additional security for the payment of the indebtedness secured by the deed of trust.

31. Water rights, claims or title to water, whether or not shown by the public records.

32. Rights of parties in possession.

INFORMATIONAL NOTES

ALERT - CA Senate Bill 2 imposes an additional fee of $75 up to $225 at the time of recording on certain transactions effective January 1, 2018. Please contact your First American Title representative for more information on how this may affect your closing.

1. Taxes for proration purposes only for the fiscal year 2018-2019.

First Installment:	$497,389.83, PAID
Second Installment:	$497,389.83, PAID
Tax Rate Area:	08-063
APN:	055-243-310

(Affects Parcel B of Parcel One)

2. Supplemental taxes for the fiscal year 2018-2019 assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

First Installment:	$25,159.22, PAID
Penalty:	$0.00
Second Installment:	$25,159.22, PAID
Penalty:	$0.00
Tax Rate Area:	08-063
A. P. No.:	055-243-310

(Affects Parcel B of Parcel One)

3. Taxes for proration purposes only for the fiscal year 2018-2019.

First Installment:	$521,977.66, PAID
Second Installment:	$521,977.66, PAID
Tax Rate Area:	08-063
APN:	055-243-300

(Affects Parcel A of Parcel One)

4. Supplemental taxes for the fiscal year 2018-2019 assessed pursuant to Chapter 3.5 commencing with Section 75 of the California Revenue and Taxation Code.

First Installment:	$47,304.55, PAID
Penalty:	$0.00
Second Installment:	$47,304.55, PAID
Penalty:	$0.00
Tax Rate Area:	08-063
A. P. No.:	055-243-300

(Affects Parcel A of Parcel One)

5. According to the latest available equalized assessment roll in the office of the county tax assessor, there is located on the land a(n) Commercial Structure known as 162 and 164 Jefferson Drive, Menlo Park, CA.

6. 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

7. This preliminary report/commitment was prepared based upon an application for a policy of title insurance that identified land by street address or assessor's parcel number only. It is the responsibility of the applicant to determine whether the land referred to herein is in fact the land that is to be described in the policy or policies to be issued.

8. Should this report be used to facilitate your transaction, we must be provided with the following prior to the issuance of the policy:

   A. WITH RESPECT TO A CORPORATION:
      1. A certificate of good standing of recent date issued by the Secretary of State of the corporation's state of domicile.
      2. A certificate copy of a resolution of the Board of Directors authorizing the contemplated transaction and designating which corporate officers shall have the power to execute on behalf of the corporation.
      3. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
      4. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

   B. WITH RESPECT TO A CALIFORNIA LIMITED PARTNERSHIP:
      1. A certified copy of the certificate of limited partnership (form LP-1) and any amendments thereto (form LP-2) to be recorded in the public records;
      2. A full copy of the partnership agreement and any amendments;
      3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
      4. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
      5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

   C. WITH RESPECT TO A FOREIGN LIMITED PARTNERSHIP:
      1. A certified copy of the application for registration, foreign limited partnership (form LP-5) and any amendments thereto (form LP-6) to be recorded in the public records;
      2. A full copy of the partnership agreement and any amendment;
      3. Satisfactory evidence of the consent of a majority in interest of the limited partners to the contemplated transaction;
      4. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
      5. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

D. WITH RESPECT TO A GENERAL PARTNERSHIP:

1. A certified copy of a statement of partnership authority pursuant to Section 16303 of the California Corporation Code (form GP-I), executed by at least two partners, and a certified copy of any amendments to such statement (form GP-7), to be recorded in the public records;
2. A full copy of the partnership agreement and any amendments;
3. Requirements which the Company may impose following its review of the above material required herein and other information which the Company may require.

E. WITH RESPECT TO A LIMITED LIABILITY COMPANY:

1. A copy of its operating agreement and any amendments thereto;
2. If it is a California limited liability company, a certified copy of its articles of organization (LLC-1) and any certificate of correction (LLC-11), certificate of amendment (LLC-2), or restatement of articles of organization (LLC-10) to be recorded in the public records;
3. If it is a foreign limited liability company, a certified copy of its application for registration (LLC-5) to be recorded in the public records;
4. With respect to any deed, deed of trust, lease, subordination agreement or other document or instrument executed by such limited liability company and presented for recordation by the Company or upon which the Company is asked to rely, such document or instrument must be executed in accordance with one of the following, as appropriate:
   (i) If the limited liability company properly operates through officers appointed or elected pursuant to the terms of a written operating agreement, such documents must be executed by at least two duly elected or appointed officers, as follows: the chairman of the board, the president or any vice president, and any secretary, assistant secretary, the chief financial officer or any assistant treasurer;
   (ii) If the limited liability company properly operates through a manager or managers identified in the articles of organization and/or duly elected pursuant to the terms of a written operating agreement, such document must be executed by at least two such managers or by one manager if the limited liability company properly operates with the existence of only one manager.
5. A certificate of revivor and a certificate of relief from contract voidability issued by the Franchise Tax Board of the State of California.
6. Requirements which the Company may impose following its review of the above material and other information which the Company may require.

F. WITH RESPECT TO A TRUST:

1. A certification pursuant to Section 18100.5 of the California Probate Code in a form satisfactory to the Company.
2. Copies of those excerpts from the original trust documents and amendments thereto which designate the trustee and confer upon the trustee the power to act in the pending transaction.
3. Other requirements which the Company may impose following its review of the material require herein and other information which the Company may require.

G. WITH RESPECT TO INDIVIDUALS:

1. A statement of information.

The map attached, if any, may or may not be a survey of the land depicted hereon. First American Title Insurance Company 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 Menlo Park, County of San Mateo, State of California, described as follows:

PARCEL ONE:

PARCELS A, B AND C, AS SHOWN ON THAT CERTAIN PARCEL MAP FILED NOVEMBER 2, 2016 IN BOOK 83, PAGES 13-15 OF PARCEL MAPS, RECORDS OF SAN MATEO COUNTY, STATE OF CALIFORNIA.

PARCEL TWO:

AN EASEMENT FOR INGRESS AND EGRESS OVER THE SOUTHWESTERLY 50 FEET OF PARCEL A AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD ON FEBRUARY 28, 1986 IN BOOK 57 OF PARCEL MAPS AT PAGES 13 AND 14 AND AS CONTAINED IN THAT CERTAIN EASEMENT AND MAINTENANCE AGREEMENT RECORDED JANUARY 21, 1988 AS INSTRUMENT NO. 88007768, RECORDS OF SAN MATEO COUNTY, STATE OF CALIFORNIA.

PARCEL THREE:

AN EASEMENT FOR RAILROAD DRILL TRACK OVER THE SOUTHWESTERLY 10 FEET OF PARCEL C AS SHOWN ON THAT CERTAIN PARCEL MAP FILED FOR RECORD ON FEBRUARY 28, 1986 IN BOOK 57 OF PARCEL MAPS AT PAGES 13 AND 14 AND AS CONTAINED IN THAT CERTAIN GRANT DEED RECORDED JULY 19, 1956 IN BOOK 3063 AT PAGE 1, RECORDS OF SAN MATEO COUNTY, STATE OF CALIFORNIA.

APN:
055-243-300 (Affects Parcel A of Parcel One)
055-243-310 (Affects Parcel B of Parcel One)
JPN:
055-024-243-24A
055-024-243-74A
055-024-243-78A
055-024-243-02A

NOTICE I

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.

If you have any questions about the effect of this new law, please contact your local First American Office for more details.

NOTICE II

As of January 1, 1991, if the transaction which is the subject of this report will be a sale, you as a party to the transaction, may have certain tax reporting and withholding obligations pursuant to the state law referred to below:

In accordance with Sections 18662 and 18668 of the Revenue and Taxation Code, a buyer may be required to withhold an amount equal to three and one-third percent of the sales price in the case of the disposition of California real property interest by either:

1. A seller who is an individual with a last known street address outside of California or when the disbursement instructions authorize the proceeds be sent to a financial intermediary of the seller, OR
2. A corporate seller which has no permanent place of business in California.

The buyer may become subject to penalty for failure to withhold an amount equal to the greater of 10 percent of the amount required to be withheld or five hundred dollars ($500).

However, notwithstanding any other provision included in the California statutes referenced above, no buyer will be required to withhold any amount or be subject to penalty for failure to withhold if:

1. The sales price of the California real property conveyed does not exceed one hundred thousand dollars ($100,000), OR
2. The seller executes a written certificate, under the penalty of perjury, certifying that the seller is a resident of California, or if a corporation, has a permanent place of business in California, OR
3. The seller, who is an individual, executes a written certificate, under the penalty of perjury, that the California real property being conveyed is the seller's principal residence (as defined in Section 1034 of the Internal Revenue Code).

The seller is subject to penalty for knowingly filing a fraudulent certificate for the purpose of avoiding the withholding requirement.

The California statutes referenced above include provisions which authorize the Franchise Tax Board to grant reduced withholding and waivers from withholding on a case-by-case basis.

The parties to this transaction should seek an attorney's, accountant's, or other tax specialist's opinion concerning the effect of this law on this transaction and should not act on any statements made or omitted by the escrow or closing officer.

The Seller May Request a Waiver by Contacting:
Franchise Tax Board
Withhold at Source Unit
P.O. Box 651
Sacramento, CA 95812-0651
(916) 845-4900

Privacy Policy

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 parent company, The First American Corporation, 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 which 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*, a copy of which can be found on our website at www.firstam.com.

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.

CLTA/ALTA HOMEOWNER'S POLICY OF TITLE INSURANCE (02-03-10)

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; (d) improvements on the Land;

   (b) zoning; (e) land division; and

   (c) land use; (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.

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.

Your Deductible Amount	Our Maximum Dollar Limit of Liability
Covered Risk 16: 1% of Policy Amount or $2,500.00 (whichever is less)	$10,000.00
Covered Risk 18: 1% of Policy Amount or $5,000.00 (whichever is less)	$25,000.00
Covered Risk 19: 1% of Policy Amount or $5,000.00 (whichever is less)	$25,000.00
Covered Risk 21: 1% of Policy Amount or $2,500.00 (whichever is less)	$5,000.00

ALTA RESIDENTIAL TITLE INSURANCE POLICY (6-1-87)

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 any law or government regulation. This includes building and zoning ordinances and also laws and regulations concerning:

   (a) and use

   (b) improvements on the land

   (c) and division

   (d) environmental protection

   This exclusion does not apply to violations or the enforcement of these matters which appear in the public records at Policy Date.
   This exclusion does not limit the zoning coverage described in Items 12 and 13 of Covered Title Risks.
2. The right to take the land by condemning it, unless:
   (a) a notice of exercising the right appears in the public records on the Policy Date

(b) the taking happened prior to the Policy Date and is binding on you if you bought the land without knowing of the taking

3. Title Risks:
   (a) that are created, allowed, or agreed to by you
   (b) that are known to you, but not to us, on the Policy Date -- unless they appeared in the public records
   (c) that result in no loss to you
   (d) that first affect your title after the Policy Date -- this does not limit the labor and material lien coverage in Item 8 of Covered Title Risks
4. Failure to pay value for your title.
5. Lack of a right:
   (a) to any land outside the area specifically described and referred to in Item 3 of Schedule A OR
   (b) in streets, alleys, or waterways that touch your land

   This exclusion does not limit the access coverage in Item 5 of Covered Title Risks.

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

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:

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.

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 and 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:

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.

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.

Subject Construction Cost Estimates

SYSTEMS ESTIMATE

DEVCON DEVCON CONSTRUCTION INCORPORATED

Project Name: Sobrato Commonwealth Parking Garage

Project Description: 4 Level Structural Steel Office Building and 4 Level Above Grade Parking Garage (No Basement option and with 1 level Basement option)

Drawings: Planning resubmittal dated 4/17/2019 incl Garage Alt

Date: 6/25/2020

Building 249,072 SF

Garage no Basement 327,235 SF **Garage Stalls** 1336 EA

Garage with Basement 407,877 SF

With basement option

System No.	Line Item	PH Garage w Basement	$/SF
00	General Conditions	$ -	$ -
01	Structure	$ 21,740,500	$ 53.30
02	Exterior Envelope	$ 1,708,750	$ 4.19
03	Roofing / Moisture Protection	$ 2,248,754	$ 5.51
04	Finishes	$ 707,322	$ 1.73
05	Specialties	$ 87,107	$ 0.21
06	Equipment	$ 60,000	$ 0.15
07	Conveying Systems	$ 510,084	$ 1.25
08	Fire Protection	$ 947,031	$ 2.32
09	Plumbing	$ 1,043,000	$ 2.56
10	HVAC	$ 310,150	$ 0.76
11	Electrical	$ 5,624,938	$ 13.79
12	Sitework / Demolition	$ 2,550,879	$ 6.25
13	----	$ -	$ -
14	----	$ -	$ -
15	----	$ -	$ -
	Subtotal	$ 37,538,515	$ 92.03
	Architecture & Engineering	$ -	
3.00%	DCI General Conditions	$ 1,126,155	
5.00%	DCI Contingency	$ 1,933,234	
	Subtotal	$ 40,597,905	$ 99.53
3.00%	Fee	$ 1,217,937	
	Testing & Inspections	$ -	
	Plans & Energy Calcs	$ -	
	Blueprinting Allowance	$ -	
	Permits & Fees	$ -	
	Liability Insurance	$ -	
	Subtotal	$ 41,815,842	$ 102.52
0.00%	Builder's Risk Insurance	$ -	
0.00%	Bond	$ -	
	Total	**$ 41,815,842**	$ 102.52

Appraiser’s Experience Data

JEFFREY ENRIGHT, MAI, CRE, SRA, AI-GRS

Managing Director, Shareholder
Valuation Advisory Services

Jeff Enright has been active in real estate appraisal and counseling for more than 30 years. He provides his clients a variety of valuation and consulting services, including real property appraisal and appraisal review; expert witness testimony and litigation support; land use and development consultation; owner representation in property tax appeal cases; and both landlord and tenant representation in matters of property value and rent arbitration. His experience extends across a broad spectrum of property types, including office, industrial, retail, residential (single and multifamily), mixed-use, vacant land, and special purpose properties including church, school, golf course, marina, mobile home park, cemetery, open space, wetland, and public use facilities.

Jeff has appraised real estate throughout the San Francisco Bay Area, as well as within the California counties of Mendocino, Monterey, Sacramento, San Diego, and Santa Cruz, and the states of Nevada and Wisconsin. Through his work, he has been qualified as an expert in San Mateo and Santa Clara County Superior Courts, and in testimony granted to the San Mateo County Assessment Appeals Board, Judicial Arbitration and Mediation Services (JAMS), and ADR Services. He has also served in an arbitral capacity for appraisal matters on over 25 occasions, most oftentimes as a neutral third arbitrator selected by his peers.

Jeff has been a director of the Appraisal Institute, as well as president of the organization's Northern California Chapter. He has also served as the chairperson for the chapter's Education and Courses Committees; a member of the General Experience Review Committee; and a speaker at Institute seminars and workshops on report writing, training appraisal researchers, using technology in appraisals, social media networking, and various "expert" topics. Jeff has been the editor of SFBA Focus (a publication of the Institute's Northern California Chapter) and has chaired Institute seminars on assessment and Mello-Roos bond financing, as well as appraisal arbitration. Additionally, he has served as a director of the International Center for Valuation Certification, and as a trustee for the Appraisal Institute Education Trust.

AFFILIATIONS, MEMBERSHIPS & LICENSES

MEMBER Appraisal Institute (No. 10533)

DESIGNATIONS MAI, SRA, AI-GRS

MEMBER International Right of Way Association

MEMBER Urban Land Institute

MEMBER Counselors of Real Estate

LICENSE California General Certified Real Estate Appraiser (No. AG015649)

SELECT CLIENT LIST

Attorney/Law Firms

- Aaron, Reichert, Carpol & Riffle
- Allen & Kimbell
- Allen Matkins
- Beck, Ross, Bismonte & Finley
- Buchanan Ingersoll & Rooney
- California Trust & Estate Counselors
- Carr, McClellan, Ingersoll, Thompson & Horn
- Davis Wright Tremaine
- Duane Morris
- Fox, Shjeflo, Wohl, Newkold & Hartley
- Gilfix & LaPoll
- Greene, Chauvel, Descalso & Tully
- Hanson, Bridgett, Marcus, Vlahos & Rudy
- Hersh Family Law
- JAMS, The Resolution Experts

T 650.769.3511
C 650.678.0500
jeff.enright@kidder.com

201 Redwood Shores Pkwy
Suite 125
Redwood City, CA 94065

Kidder Mathews

EDUCATION

BA with distinction, University of California, San Diego
Honors in quantitative economics and decision sciences

APPRAISAL INSTITUTE Professional Development Programs

- Valuation of Conservation Easements
- Valuation of the Components of a Business Enterprise
- Litigation

ADDITIONAL CLIENTS

Development/Investment Clients

Alecta Real Estate Investment
Big Wave
Borel Estate Company
Clarum Homes
Emerald Fund
Federal Realty Investment Trust
Fisher Investments
Gerson Bakar & Associates
Keenan/Bariteau Partners
Landmark Equities
Lincoln Property Company
Matteson Realty Services
Menlo Equities
Northwestern Investment Mgmt.
Orchard Commercial
Patson Companies
Peninsula Builders
Pollock Financial Group
Republic Holding Corporation
Retail Strategies
Sares-Regis Group
The Sobrato Organization
SPI Holdings
Stanford Partners
Tarlton Properties
Thoma Bravo
Trammell Crow Co.
Urban Community Redevelopments

Corporate Clients

Agilent Technologies
Apple
Applied Micro Circuits
Calpine
Chicago Title Company
Cushman & Wakefield
Darden Restaurants
Draeger's Markets
Ducati North America
DuPont
Fidelity National Title Insurance
Genencor International
Graniterock
JCPenney
Johnson & Johnson
New United Motor Mfg
Nikon Precision
Novartis Pharma
Pacific Gas & Electric
Pier 1 Imports
Rolls-Royce NA
Schering-Plough
Sherman, Clay & Co
Stewart Title Guaranty
Toyota Motor
Walmart Realty

Attorney/Law Firms continued

Jeffer, Mangels, Butler & Marmaro
Jorgenson, Seigel, McClure & Flegel
Leland, Parachini, Steinberg, Matzger & Melnick
Miller, Morton, Caillat & Nevis
Miller Starr Regalia
Morrill Law Firm
Pillsbury Winthrop
Quinn Emanuel Urguhart Oliver & Hedges
Realty Law
Reed Smith
Rutan & Tucker
Shartsis Friese
Sheppard, Mullin, Richter & Hampton
Stein & Lubin
Stroock & Stroock & Lavan
Thelen Reid & Priest

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Kidder Mathews

Non-Profit Clients

- Aid Association for Lutherans
- Biola University
- California Teachers Association
- Congregational Church San Mateo
- First Presbyterian Church San Mateo
- Gracepoint Fellowship Church
- Hope Evangelical Lutheran Church
- Palo Alto Housing Corporation
- Palo Alto Medical Foundation
- Peninsula Endowment
- Peninsula Open Space Trust
- San Francisco Church of Christ
- San Mateo County Event Center
- Sequoia Healthcare District
- Sheet Metal Worker's International Assn.
- Stanford University
- University of Oregon Foundation
- YMCA of San Francisco

Financial Clients

- Ares Capital Corporation
- Bank of America
- Bank of the West
- Barclays Capital
- Boston Private Bank & Trust Company
- Branch Bank & Trust
- Bridge Bank
- California Bank & Trust
- Citibank
- City National Bank
- Comerica Bank
- First Republic Bank
- GE Capital
- KeyBank
- Marcus & Millichap Capital Corporation
- Mechanics Bank
- Merrill Lynch Global Distressed
- Munchener Hypothekenbank eG
- New York Life Investment Management
- Northern Trust Bank
- Presidio Bank
- Sterling Savings Bank
- UBS Global Asset Management
- Union Bank
- U.S. Bank
- Wells Fargo Bank

Government Clients

- City of East Palo Alto
- City of Mountain View
- City of Palo Alto
- City of Pleasanton
- City of Redwood City
- City of San Bruno
- City of San Carlos
- City and County of San Francisco
- City of San Jose
- City of San Mateo
- County of San Mateo
- Port of Oakland
- Port of San Francisco
- San Francisco Public Utilities Commission
- Santa Clara Valley Transportation Authority
- Santa Clara Valley Water District

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Kidder Mathews

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Jeffrey S. Enright

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 015649

Effective Date: August 21, 2021
Date Expires: August 20, 2023

Loretta Dillon

Loretta Dillon, Deputy Bureau Chief, BREA

3059929