FABBRO, MOORE & ASSOCIATES, INC.

REAL ESTATE APPRAISERS · ANALYSTS · CONSULTANTS

APPRAISAL OF COMMUNITY AMENITIES FOR BONUS LEVEL DEVELOPMENT

FOR THE PROPERTY LOCATED AT 111 INDEPENDENCE DRIVE

MENLO PARK, CALIFORNIA 94025

PREPARED FOR

JORGENSON, SIEGEL, McCLURE & FLEGEL, LLP

1100 ALMA STREET, SUITE 210

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June 30, 2020

Mr. William L. McClure
Jorgenson, Siegel, McClure & Flegel, LLP
1100 Alma Street, Suite 210
Menlo Park, California 94025

Re: Community Amenities Appraisal Report
111 Independence Drive
Menlo Park, California 94025

Mr. McClure:

In accordance with your request, we have appraised the value of community amenities for bonus level development for the property at 111 Independence Drive in Menlo Park. The subject property has assessor's parcel number 055-236-120 in San Mateo County. The property consists of Lot 18 in the Bohannon Industrial Park No. 3 tract.

This appraisal conforms to the Uniform Standards of Professional Appraisal Practice, the Appraisal Institute's Code of Professional Ethics, and the Appraisal Institute's Standards of Professional Appraisal Practice. The report also complies with the City of Menlo Park's appraisal instructions to determine the value of community amenities under bonus level zoning.

Under the current version of the Uniform Standards of Professional Appraisal Practice there are two reporting options for real estate appraisals, namely an appraisal report and a restricted appraisal report. This is an appraisal report, as defined in the Uniform Standards of Professional Appraisal Practice.

The Uniform Standards of Professional Appraisal Practice require the inclusion of a statement describing the purpose, intended use, and intended users of the report. The purpose of this report is to estimate the value of community amenities for bonus level development for the subject property. The intended use of this report is to assist the City of

Menlo Park in evaluating the community amenities. The City of Menlo Park and the contracting client, Jorgenson, Siegel, McClure & Flegel, are the sole intended users of this report.

The Uniform Standards of Professional Appraisal Practice require an appraiser to state the effective date of the appraisal and the date of the report. The effective date of this appraisal (i.e., the date of valuation) is May 15, 2020. The date of the report (i.e., the date that the report was substantially completed) is June 30, 2020.

The subject property fronts on Independence Drive, one lot removed from the corner of Constitution Drive, within the Bohannon Industrial Park tract of the Bayfront Area of the incorporated City of Menlo Park. The assessor's plat map indicates that the irregularly-shaped parcel has 372.83 feet of lineal frontage along Independence Drive as that street bends around the northwest and southwest sides of the subject parcel. Lot depths at the non-frontage sides range from 208.09 to 253.53 feet.

According to a survey that was prepared for the current property owner and provided to the City of Menlo Park as part of a development application, the parcel contains 40,235 gross square feet and 40,147 net square feet when excluding a portion of the land area that would be dedicated to the City for right-of-way purposes.

Under the Menlo Park General Plan, the 511-acre Bayfront Area has six land use designations. Most of those are focused on commercial and industrial uses but the subject property sits within a narrow band with a Mixed Use Residential land use designation.

The general plan states that the Mixed Use Residential "designation provides for higher density housing to meet the needs of all income levels. It also allows mixed use developments with integrated or stand-alone supportive sales and service uses, and uses that are consistent with the Office Designation. Sales uses can range from small-scale businesses that serve nearby employment to a large-format grocery to serve adjacent neighborhoods. This designation is intended to promote live/work/play environments oriented toward pedestrians, transit, and bicycle use, especially for commuting to nearby jobs. The maximum base residential density shall not exceed 30 units per acre, and the maximum bonus FAR is 100 units per acre. Maximum base FAR for residential uses shall be 90 percent, and a maximum of 225 percent for bonus FAR. Non-residential uses shall have a maximum base FAR of 15 percent and bonus FAR of 25 percent."

The City has zoned the subject property R-MU-B (Residential Mixed Use District). Under Section 16.45.010 of the municipal code, the purposes of the R-MU-B zoning district are to (1) provide high density housing to complement nearby employment; (2) encourage mixed use development with a quality living environment and neighborhood-serving retail and services on the ground floor that are oriented to the public, and promote a live/work/play environment with pedestrian activity; and (3) blend with and complement existing neighborhoods through site regulations and design standards that minimize impacts to adjacent uses.

The code allows a variety of uses but states that multiple dwellings are a required component of any development in the R-MU-B zone. The maximum allowed base gross floor area ratio in the R-MU zone is 60% to 90% of the lot size for residential square footage. In addition, the code allows non-residential space at a base level gross floor area ratio equal to 15% of the lot size. The maximum allowed base level residential density amounts to 20 to 30 units per acre of land. The code states that allowed residential gross floor area shall increase at an even gradient with increases in density. Thus, for example, a project could not have a density of 20 units per acre but a residential gross floor area ratio of 90%. Maximum allowed building height under the base level zoning is just 35 to 40 feet.

For the subject site, with 40,147 net square feet (0.92165 acre) of land area, the allowed residential gross floor area under base level zoning would be 24,088 to 36,132 square feet. The maximum density would be 18 to 28 dwelling units. As noted, allowed residential gross floor area and density are linked under the code. The maximum total gross floor area under base level zoning, including the residential and non-residential floor components, would be 30,110 to 42,154 square feet.

Under municipal code sections 16.45.060 and 16.45.070, bonus level development is allowed in the R-MU-B zone under certain conditions. Among those conditions, the applicant must construct on-site below market rate dwelling units in accordance with municipal code section 16.96. Under that section, for residential development projects of twenty or more units the developer shall provide not less than 15% of the units at below market rates affordable to low-income households, or an equivalent alternative.

The R-MU-B zoning code establishes an allowed bonus level residential gross floor area ratio of more than 90% to as high as 225% of the lot size. The allowed bonus level density ranges from more than 30 units per acre to as high as 100 units per acre. For the subject

property, the allowed bonus level residential gross floor area would thus amount to about 36,133 to 90,133 square feet while the allowed density would range from about 29 to 92 units. As under the base scenario, the allowed gross floor area increases proportionally with any increase in proposed development density. The total allowed gross floor area, including both the greater than 90% to 225% allowed residential bonus ratio and a 25% allowed non-residential bonus ratio, would be about 42,155 to 100,368 square feet for the subject site. Under the bonus guidelines, allowed building height for properties on Independence Drive, Jefferson Drive, and Constitution Drive increases to 62½ to 95 feet, potentially allowing for approximately two to six more floors above grade than the base level zoning.

Section 16.45.070 of the municipal code states that "Bonus level development allows a project to develop at a greater level of intensity with an increase in density, floor area ratio and/or height. There is a reasonable relationship between the increased intensity of development and the increased effects on the surrounding community. The required community amenities are intended to address identified community needs that result from the effect of the increased development intensity on the surrounding community. To be eligible for bonus level development, an applicant shall provide one (1) or more community amenities. Construction of the amenity is preferable to the payment of a fee."

Section 16.45.070 (3) of the code states that "The value of the community amenities to be provided shall equal fifty percent (50%) of the fair market value of the additional gross floor area of the bonus level development. The value shall be calculated as follows: The applicant shall provide, at their expense, an appraisal performed within ninety (90) days of the application date by a licensed appraisal firm that sets a fair market value in cash of the gross floor area of the bonus level of development ("total bonus"). The form and content of the appraisal, including any appraisal instructions, must be approved by the community development director.

The City of Menlo Park has issued appraisal instructions for the valuation of community amenities for bonus level development. The instructions vary to some degree based on the zoning of the property to be appraised.

For properties in the Residential Mixed Use zone, in brief the instructions for estimating market value at the base level allowed under the zoning code state that the appraiser must (1) identity the property to be appraised; (2) state whether the project proposed for the site

consists of for-sale or rental product; (3) obtain the base level development permitted from the City in terms of the allowed density, gross floor area, and required below market rate units; (4) state the base level development allowed on a gross floor area basis; (5) estimate the market value of the property assuming it is fully entitled for the base level of development; (6) use only the Sales Comparison Approach in the valuation analysis; and (7) state the conclusion on a price per gross square foot of allowed gross floor area basis. The reader may refer to the actual document, which is readily available at the City's web site, for a full list of the appraisal instructions.

For properties in the Residential Mixed Use zone, the instructions for estimating market value based on the bonus level allowed are largely the same as for the base level. For the bonus level valuation analysis, the appraiser must obtain the bonus level permitted from the City in terms of the allowed density, gross floor area, and required below market rate units. Regardless of that figure, however, under sections B.5 and B.12 of the appraisal instructions the appraiser must presume that the appraised property is fully entitled for the proposed project, which of course may have differences from the permitted bonus level ratios provided by the City. The value of the property at the bonus level therefore should be based on the actual proposed project parameters rather than the bonus level parameters provided by the City. The value of the community amenity, if any, is then calculated by subtracting the market value conclusion at the base level zoning from the market value conclusion at the bonus level zoning and multiplying the result by 50%.

Of note, the appraisal instructions state that "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." That instruction is contrary to what would be the normal methodology for appraising a potential development site but it is a requirement for this assignment.

The appraisal instructions define gross floor area in the R-MU-B zone as "the sum of all 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." That definition is reasonably similar to the Menlo Park Municipal Code's definition (section 16.04.325) for properties that are outside of the R-1 and R-2 zones.

Many zoning codes for cities in the Bay Area have definitions of floor area or gross floor area. Some of the definitions differ considerably from the one set forth in the appraisal instructions. In this appraisal, in analyzing the market data we will consistently apply to the best of our ability the City of Menlo Park's definition of gross floor area as stated in the appraisal instructions, including the analyses of sales located outside of the City of Menlo Park.

The subject property is currently developed with a one-story, concrete tilt-up building that contains roughly 15,000 square feet of floor area, according to the City. The property owner intends to demolish the existing improvements and redevelop the site.

We obtained information regarding the existing and proposed physical characteristics of the subject property mainly from a physical exterior inspection, public records, City of Menlo Park staff reports, and the building plans submitted for the proposed development. The most recent building plans that we reviewed were drawn by BDE Architecture and are dated May 6, 2020.

According to the available sources, the property owner proposes to develop the subject property with an 85-foot tall, eight-story, mixed use building that would have three levels of Type IA construction (lowest levels, consisting mostly of garage space) and five levels of Type IIIA construction (upper levels). The project would consist entirely of rental units.

The development would have one commercial unit and 105 residential units. The project would include four apartments set aside as affordable to very low-income households, five apartments set aside as affordable to low-income households, and five apartments set aside as affordable to moderate-income households. According to the submitted plans, the building would have 15 studios, 79 one-bedroom units, and 11 apartments with two bedrooms and two baths. The residential units would contain 72,143 rentable square feet. The commercial unit would comprise 713 square feet and the building plans indicate that the unit would be a café. The development would include 113 on-site automobile parking spaces plus 177 bicycle parking spaces.

The gross floor area for the project would be 95,371 square feet, or a 237.6% floor area ratio. The proposed residential density would be 113.9 units per acre. The proposed density and the proposed residential floor area ratio would exceed the nominal maximum allowed bonus ratios under the zoning code and general plan. However, in Menlo Park and in the State of California additional bonuses are achievable for projects that provide on-site

affordable housing. To the best of our knowledge, entitlements have not yet been obtained for the proposed development.

The fact that the prospective developer of the subject site has proposed a project essentially at the maximum achievable intensity certainly implies that there is a value associated with the bonuses allowed by the City of Menlo Park for building height, gross floor area, and density. Furthermore, all of the other current development proposals for sites with the same zoning as the subject also are at or near the maximum intensity allowed with bonuses. Market data regarding development site sales and the implications for achievable value based on achievable development intensity will be discussed in the body of this report.

As previously noted, in this appraisal the assignment is to value the subject property assuming all entitlements are in place for (1) the base level of allowed development defined by the City of Menlo Park and (2) the bonus level of development proposed by the prospective developer of the subject property. The City has determined that for community amenity valuation purposes the base gross floor area allowed would be 42,154 square feet, which equates to a floor area ratio of 105%. The City has determined that the bonus gross floor area allowed would be 100,368 square feet, for a 250% floor area ratio. The actual development proposal, however, calls for a floor area ratio of 237.6%, and that ratio has been used in the analysis.

For the analysis of the market value of the community amenities of the subject property on the effective date of this appraisal, our valuation relied on the Sales Comparison Approach, as set forth within the body of the report. Based on our research and analysis, we have concluded the following market values for the subject property as of May 15, 2020, under the terms of the assignment and the assumptions and limiting conditions of this report.

Appraisal Scenario	Appraised Value per Sq. Ft. of Gross Floor Area	Potential Gross Floor Area	Indicated Market Value (Rounded)
Base	$204	42,154 sq. ft.	$8,600,000
Bonus	$144	95,371 sq. ft.	$13,700,000

In accordance with the appraisal instructions, the community amenity value is defined as one-half of the differential between the estimated bonus level market value and the estimated base level market value. On that basis, the value of the community amenity for the property at 111 Independence Drive amounts to **$2,550,000.**

Thank you for this opportunity to provide appraisal services. If you wish to discuss this report further, please call.

Respectfully submitted,

FABBRO, MOORE & ASSOCIATES, INC.

Charles S. Moore, MAI
BREA Appraiser #AG009176

Frank J. Fabbro
BREA Appraiser #AG002322

The Uniform Standards of Professional Appraisal Practice state that each appraisal report must include a signed certification, which must include certain required statements. In accordance with that requirement, the undersigned hereby certifies that, to the best of our knowledge and belief and except as otherwise noted in this report:

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

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

3. We have no present or prospective interest in the property appraised and we have no personal interest with respect to the parties involved in this assignment.

4. We have no bias with respect to the property that is the subject of this assignment and have no bias with respect to the parties involved in this assignment.

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

6. Our compensation in this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of any value opinions expressed, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

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

8. We have inspected the subject property by visual observation from the street.

9. In accordance with the Competency Provision in the USPAP, we certify that our education, experience and knowledge are sufficient to appraise the type of property

being valued. No one has provided significant professional assistance to the persons inspecting the subject property and completing the analysis.

10. This report was not based on a requested minimum valuation, a requested maximum valuation, or a specific valuation.

11. The Office of Real Estate Appraisers and the Appraisal Institute have continuing education requirements for licensed appraisers and for their members, respectively. Both Charles S. Moore, MAI, and Frank J. Fabbro have completed their continuing education requirements.

12. The current version of the USPAP requires an appraiser to disclose each service that was completed by the appraiser within the past three years and involved the subject property. Prior to this assignment, we had no assignments involving the subject property within the past three years.

Charles S. Moore, MAI, #AG009176

Frank J. Fabbro, #AG002322

The appraisal report is subject to the following conditions and to such other specific and limiting conditions as are set forth by the appraisers in the report:

Standard Limiting Conditions

1. The appraisers assume no responsibility for matters of a legal nature affecting the property appraised or the title thereto, nor do the appraisers render any opinion as to the title, which is assumed to be good and marketable. The property is appraised as though under responsible ownership.

2. The appraisers have made no survey of the property. Unless otherwise noted within this report, the client has not provided a survey of the site or any structures located thereon. Sketches, maps, plats, and exhibits in the report may show approximate dimensions and are included to assist the reader in visualizing the property, but are not guaranteed as accurate. Secondary data relative to size and area were taken from sources considered reliable, but are not guaranteed as accurate. We advise interested parties to obtain the services of a surveyor and/or architect.

3. Unless otherwise noted, no soils studies or environmental tests were provided to the appraisers in the course of this appraisal. The appraisers are not experts in determining the existence of environmental hazards, Sites can be affected by a wide range of hazardous materials, Toxic or hazardous materials may include items such as asbestos; petroleum-based products; paints and solvents; lead; cyanide; DDT; printing inks; acids; pesticides; ammonium compounds; PCBs and other chemical products present in metals; minerals; chemicals; hydrocarbons; and biological or radioactive materials in the soil, buildings or building components, in above ground or underground storage tanks, or elsewhere in the property. If we know of any conditions of this nature affecting the subject property that we believe would create a significant problem, they are disclosed in this report. Nondisclosure should not be taken as an indication that such a problem does not exist, however. An expert in the field should be consulted if any interested party has questions on environmental factors. Unless otherwise noted, we have assumed that the property is not affected by any toxic materials, toxic soil conditions, or other adverse environmental conditions.

4. Unless otherwise noted, no mold, spores, or fungus tests were provided to the appraisers in the course of this appraisal. The appraisers do not have the expertise necessary to determine the existence of potentially harmful molds, spores, or fungus. As used herein, the terms molds, spores, and fungus mean any molds, spores, and fungus that can cause or threaten harm to living organisms or can cause or threaten physical damage, deterioration, loss of use and/or loss of value or marketability to any tangible property whatsoever. This includes, but is not limited to, any types of mold, spores, and/or fungus that are harmful or potentially harmful to health or welfare (such as Stachybotrys and others) or that are damaging or potentially damaging to tangible property (such as wet or dry rot, mildew, and others) or that can otherwise cause or threaten to cause damages of any kind whatsoever. An expert in the field should be consulted if any interested party has questions related to molds, spores, and/or fungus that may affect the appraised property. Unless otherwise noted, we have assumed that the property is not affected by any molds, spores, and/or fungus.

5. Unless otherwise noted, the appraisers have not been provided with a survey, topographic map, soils report, geologic report, engineering study, contractor's inspection, structural report, or pest inspection for the appraised property. The appraisers are not experts on soils, geologic, engineering, or construction issues except as to how known information about such issues might affect value, marketability, and/or other economic aspects of real estate. The appraisers assume that there are no hidden or inapparent conditions of the property, subsoil, or structures which would render the property more or less valuable. The appraisers assume no responsibility for such conditions, or for investigation, engineering, or testing that might be required to discover such factors. We advise interested parties to procure the services of a soils engineer, structural engineer, contractor, property inspector, and/or other experts if they want to obtain information regarding the soil characteristics, geology, and stability of the site as well as information regarding the structural integrity and condition of the improvements.

6. This appraisal should not be considered a report on the physical items that are a part of this property. Although the appraisal may contain information about the physical items being appraised, it should be clearly understood that this information is only to

be used as a general guide for property valuation and not as a complete or detailed physical report/inspection.

7. Except as otherwise noted, it is assumed that there are no encroachments, building violations, code violations, or zoning violations affecting the subject property. An examination of applicable zoning regulations was performed for this appraisal, but a comprehensive examination of all laws and ordinances affecting the subject property was not performed.

8. On all appraisals subject to satisfactory completion, repairs, or alterations, the appraisal report and value conclusion are contingent upon completion of the improvements in a workmanlike manner and in accordance with plans and specifications provided to the appraisers.

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

10. Except as otherwise noted, information, estimates, and opinions furnished to the appraisers, and contained in the report, were obtained from sources considered reliable and believed to be true and correct. However, no responsibility for the accuracy of such items furnished the appraisers can be assumed by the appraisers.

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

12. The Bylaws and Regulations of the professional appraisal organizations with which the appraisers are affiliated govern disclosure of the contents of the appraisal report. Duly authorized representatives of said organizations have the right to review the report.

13. The appraisers are not required, by reason of this appraisal, to give testimony, appear in court, or appear as required by a subpoena with regard to the subject property, unless sufficient notice is given to allow adequate preparation and

additional fees are paid by the client at the appraiser's regular rates for such appearances and the preparation necessitated thereby.

14. Neither all, nor any part of the content of the report, or copy thereof (including market data, conclusions as to the property value, the identity of the appraisers, professional designations, reference to any professional appraisal organizations, or the firm with which the appraisers are connected), shall be used for any purposes by anyone but the client specified in the report or professional appraisal organizations, without the previous written consent of the appraisers; nor shall it be conveyed by anyone to the public through advertising, public relations, news, sales, data services, or other media, without the written consent and approval of the appraisers.

15. This appraisal is protected by copyright, a form of protection grounded in the U.S. Constitution and granted by law for original works of authorship fixed in a tangible means of expression. This report cannot be reproduced without the express written consent of Fabbro, Moore & Associates, Inc. Neither the appraisers nor Fabbro, Moore & Associates, Inc. assume any liability for harm caused by reliance upon a copy of the report produced without the consent of Fabbro, Moore & Associates, Inc.

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17. The date of value is expressed within this report. The appraisers take no responsibility for any events, conditions, economic factors, physical factors, or other circumstances occurring after the date of value that would affect the opinions expressed in this report. Any forecasts included in this report are based on current market conditions and expectations. Since mathematical models and other forecasts

are based on estimates and assumptions that are inherently subject to uncertainty and variation depending on evolving events, we do not represent them as results that will actually be achieved.

Extraordinary Assumptions

The Uniform Standards of Professional Appraisal Practice (USPAP) require an appraiser to state any extraordinary assumptions used in an appraisal. USPAP defines an extraordinary assumption as "an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions." This appraisal includes the extraordinary assumptions described below.

1. We were not provided with and have not reviewed a current title report for the subject property. Because we have not reviewed a current title report, we may not have complete information regarding easements, encroachments, and/or other encumbrances of record. We have presumed that there are no inapparent easements, encroachments, and/or other encumbrances that would have a significant effect on value or marketability. If that presumption were incorrect, there could be an effect on the assignment results.

2. We do not know whether any leases encumber the subject property. For purposes of this assignment, we have presumed that no leases encumber the property. If that presumption were incorrect, there could be an effect on the assignment results.

Hypothetical Conditions

The Uniform Standards of Professional Appraisal Practice require an appraiser to disclose any hypothetical conditions utilized in the appraisal. USPAP defines a hypothetical condition as "a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purposes of analysis." This report uses the following hypothetical conditions.

1. The purpose of this report is to estimate the value of community amenities for bonus level development for the subject property. As part of the appraisal instructions, we

are required to presume that all development entitlements have been obtained for the base level development at the floor area ratio defined in this report. In reality, no entitlements for a new project currently are in place. The aforementioned hypothetical condition affects the assignment results.

2. As part of the appraisal instructions, we are required to presume that all development entitlements have been obtained for the bonus level development proposed for the subject property. In reality, no development entitlements currently are in place. The aforementioned hypothetical condition affects the assignment results.

3. The appraisal instructions for this assignment state that "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." That instruction is contrary to what would be the normal methodology for appraising a potential development site but it is a requirement for this assignment. In essence, the noted instruction constitutes the use of a hypothetical assumption that the bonus level value is unaffected by the community amenities requirement. The use of that condition affects the assignment results.

Purpose, Intended Use, and Intended Users of the Appraisal

The Uniform Standards of Professional Appraisal Practice require the inclusion of a statement describing the purpose, intended use, and intended users of the report. The purpose of this report is to estimate the value of community amenities for bonus level development for the subject property. The intended use of this report is to assist the City of Menlo Park in evaluating the community amenities. The City of Menlo Park and the contracting client, Jorgenson, Siegel, McClure & Flegel, are the sole intended users of this report.

Effective Date of the Appraisal and Date of the Report

The Uniform Standards of Professional Appraisal Practice require the appraiser to state the effective date of the appraisal and the date of the report. The effective date of this appraisal (i.e., the date of valuation) is May 15, 2020. The date of the report (i.e., the date that the report was substantially completed) is June 30, 2020.

Property Rights Appraised

We do not know whether any leases encumber the subject property. For purposes of this assignment, we have presumed that no leases encumber the property. Consequently, for both appraisal scenarios we have valued a fee simple interest in the subject property.

A fee simple interest is defined as total ownership of property, unencumbered by any other interest or estate, and limited only by the powers of eminent domain, escheat, police power, and taxation, which are rights reserved by the government. Zoning, tax status, condemnation proceedings, public easements, environmental legislation, and/or other governmental interests or actions may therefore impact the value of a fee simple estate.

The fee simple interest encompasses all rights of ownership not limited by the government, including but not limited to the right of occupancy (use), the right to lease and receive rents, and the right of conveyance to another. This interest is analogous to a total bundle of rights, each of which may be severed and conveyed by the fee simple owner. The fee simple interest may be severed into various partial or fractional interests, including the leased fee and leasehold interests.

Definition of Market Value

An estimation of market value is the major focus of many real property appraisal assignments. When the nature of the assignment requires a market value estimate, the Uniform Standards of Professional Appraisal Practice require the appraiser to state the applicable definition of market value and to cite the authority for said definition.

Several different market value definitions exist, and the applicable definition for an appraisal assignment normally depends to a large degree on the intended use of the report. In this particular case, the definition of market value is contained within the City of Menlo Park's appraisal instructions. The instructions define market value as "the most probable price that a property should bring in a competitive and open market under all conditions requisite to a fair sale, [with] the buyer and seller each acting prudently [and] knowledgeably[,] and assuming the price is not affected by undue stimulus."

Recent Ownership History

The Uniform Standards of Professional Appraisal Practice require appraisers to analyze all agreements of sale, options, and listings of the subject property current as of the effective date of the appraisal and to analyze all sales of the subject property that occurred within the three years prior to the effective date of the appraisal.

The effective date of this appraisal is May 15, 2020. The subject property did not sell within three years of the effective date of the appraisal and to the best or our knowledge has not sold subsequently. To the best of our knowledge, no agreements of sale or options were in place on the effective date of the appraisal and so such agreements or options are in place at present. We found no evidence to indicate that the subject property had been listed for sale in the three year-year preceding the effective date of the appraisal.

Scope of Work

The Uniform Standards of Professional Appraisal Practice require the inclusion of information regarding the extent of the process of collecting, confirming, and reporting data. This section serves that function.

Data sources used for collection and verification of information relating to the subject property include but are not limited to the following.

Physical inspection of the subject property from the street

Menlo Park Community Development Department

Menlo Park Planning Division

Menlo Park Building Division

Menlo Park Public Works Department

Menlo Park Zoning Ordinance

Menlo Park General Plan

Menlo Park appraisal instructions to determine the value of community amenities under bonus level zoning

Menlo Park Geographic Information Services Division

San Mateo County Geographic Information Services Division

San Mateo County Assessor's Office

San Mateo County Tax Collector

June 24, 2019 Menlo Park Planning Commission staff report (#19-047-PC) regarding the proposed development at 111 Independence Drive

June 18, 2018 Menlo Park Planning Commission staff report (#18-063-PC) regarding the proposed development at 111 Independence Drive

Building plans for the proposed development, drawn by BDE Architecture, dated May 29, 2019 and May 6, 2020

111 Independence Drive Initial Study report, dated June 2019, prepared by LSA

The scope of this appraisal assignment encompasses the necessary research and analysis to satisfy its intended purpose as outlined in a previous section of this report. Furthermore, this appraisal conforms to the Code of Ethics set forth by the Appraisal

Institute, as well as the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Foundation. Under the current version of the Uniform Standards of Professional Appraisal Practice there are two reporting options for real estate appraisals, namely an appraisal report and a restricted appraisal report. This is an appraisal report, as defined in the Uniform Standards of Professional Appraisal Practice. The report presents summarized discussions of the data, reasoning and analyses used in the appraisal process to develop the appraisers' opinion(s) of value.

We obtained information regarding the existing and proposed physical characteristics of the subject property mainly from a physical exterior inspection, public records, City of Menlo Park staff reports, and the building plans submitted for the proposed development. The most recent building plans that we reviewed were drawn by BDE Architecture and are dated May 6, 2020.

The value estimate reported herein is based solely on the Sales Comparison Approach, which is a requirement of the appraisal instructions. Other commonly used valuation approaches in the analysis of real estate include the Income Capitalization Approach and the Cost Approach, neither of which would typically be used in evaluating a potential development site.

In the course of this assignment, we collected sales comparable data, as well as other pertinent data, from the subject's competitive market area. Sales data have been obtained from real estate agents, developers, marketing professionals, the multiple listing service, real estate research companies such as CoStar and Loopnet, the appraisers' files, and other sources. Unless otherwise noted, all of the sales have been verified with an agent, principal, and/or other source involved in the transaction. The sales were analyzed through an examination of their physical and economic characteristics, and a comparison of those characteristics with the subject property. All known, significant, relevant factors affecting value were considered in the analysis.

While the appraisers recognize that the submitted sale comparisons ideally would have nearly identical locational, physical and economic attributes as the subject property, the lack of recent sales possessing such characteristics has necessitated expanded selection criteria. Every effort has been exercised to obtain the most current and proximate market data, though the aforementioned limitations have prompted the extension of the scope of

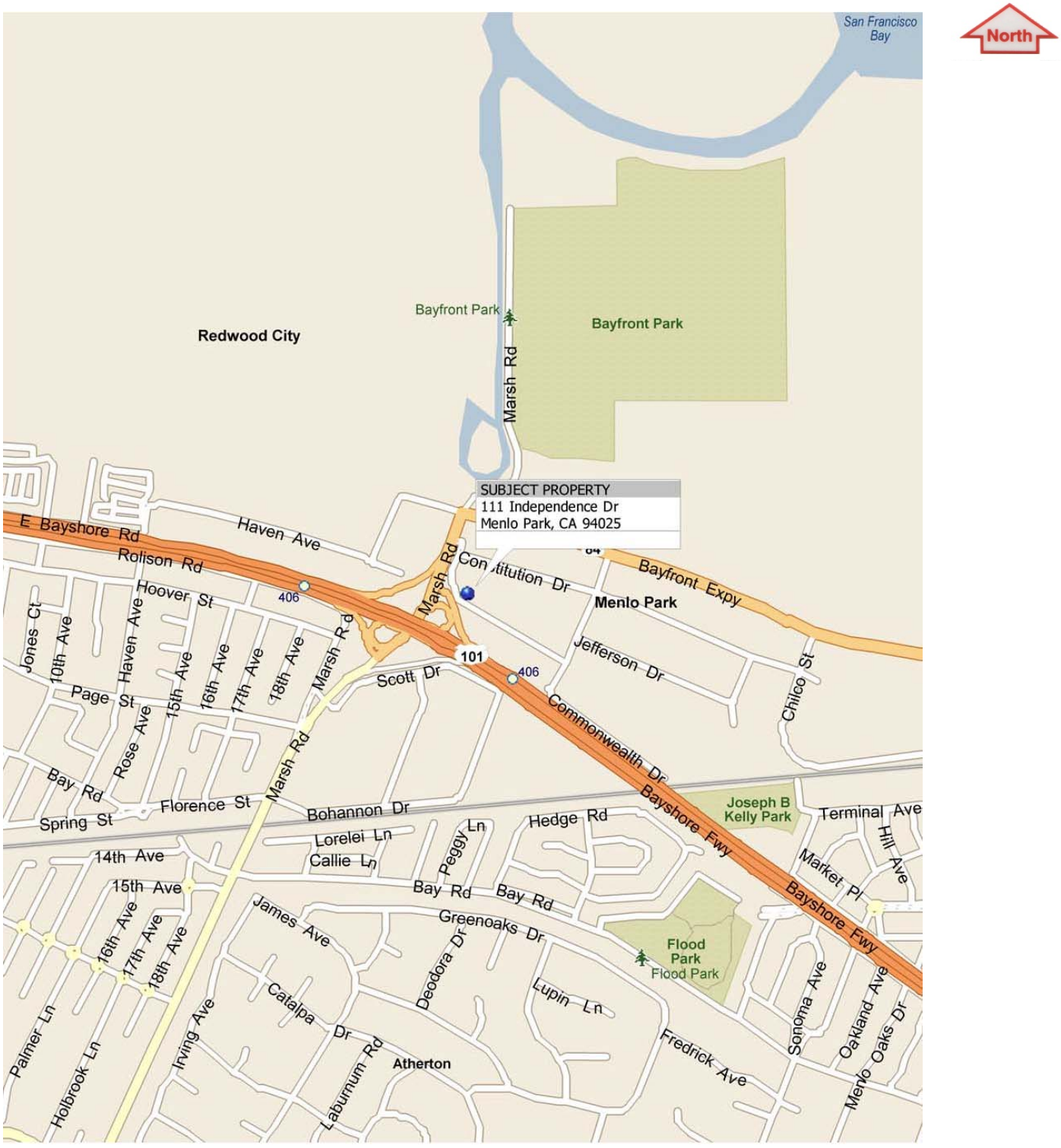
the survey. Nonetheless, it should be noted that the less restrictive selection criteria discussed above have not had any undue effect upon the credibility and/or integrity of the analyses and market value conclusions presented in this report.

Reasonable Exposure Time

In cases where an appraisal includes a market value estimate and the term exposure time is contained within the relevant market value definition, the Uniform Standards of Professional Appraisal Practice require an appraiser to provide an estimate of reasonable exposure time for the appraised property.

Exposure time may be defined as the length of time that the property interest being appraised would have been offered on the market prior to a hypothetical sale at market value on the effective date of the appraisal. The estimate of exposure time is thus retrospective.

The market value definition used in this report does not include the term exposure time or any similar term. As such, an exposure time estimate is not a component of the valuation process in this instance.


North
San Francisco Bay
Bayfront Park
Redwood City
Bayfront Park
Marsh Rd
SUBJECT PROPERTY
111 Independence Dr
Menlo Park, CA 94025
E Bayshore Rd
Rolison Rd
Haven Ave
Hoover St
406
Marsh Rd
Constitution Dr
Bayfront Expy
Menlo Park
101
406
Jefferson Dr
Scott Dr
Commonwealth Dr
Chilco St
Jones Ct
10th Ave
Haven Ave
Page St
15th Ave
16th Ave
17th Ave
18th Ave
Marsh Rd
Rose Ave
Bay Rd
Florence St
Spring St
Marsh Rd
Bohannon Dr
Lorelei Ln
Callie Ln
Peggy Ln
Hedge Rd
Bayshore Fwy
Joseph B Kelly Park
Terminal Ave
Hill Ave
Market Pl
14th Ave
15th Ave
16th Ave
17th Ave
18th Ave
Bay Rd
Bay Rd
James Ave
Greenoaks Dr
Deodora Dr
Flood Park
Flood Park
Lupin Ln
Sonoma Ave
Oakland Ave
Menlo Oaks Dr
Palmer Ln
Holbrook Ln
Irving Ave
Catalpa Dr
Laburnum Rd
Atherton
Fredrick Ave

General Comments

We are aware that the client for this assignment is thoroughly familiar with Menlo Park, San Mateo County, and the Bay Area. Thus, the report will include only a fairly brief description of the subject's location.

The subject property is located within the San Francisco Bay Area, in San Mateo County, in the incorporated City of Menlo Park. San Mateo County lies on the San Francisco Peninsula. The county borders are formed by the City and County of San Francisco to the north, San Francisco Bay to the east, Santa Clara and Santa Cruz counties to the south, and the Pacific Ocean to the west.

The eastern section of San Mateo County, which has relatively level land, is home to most of the county's population and economic activity, including the vast majority of the county's commercial properties. The western portion of the county is characterized by less densely developed, mountainous terrain, which is primarily devoted to open space and very low density housing. San Mateo County has established a strictly-controlled greenbelt limiting development opportunities. Thus, while 74% of the total land mass of San Mateo County is set aside for open space and agricultural use, vacant and *developable* land is virtually nil. The vast majority of development occurs on re-used, in-fill sites.

San Mateo County forms part of the region commonly referred to as Silicon Valley. The valley includes southern and central San Mateo County, all of adjacent Santa Clara County, and the southwestern edge of Alameda County. Arguably, the valley's reach could be considered to include northern San Mateo County and San Francisco.

Silicon Valley benefits from a diverse economic base. Nevertheless, the high-technology industry has long been the leading emerging job generator in the local market. Technology tends to be a cyclical industry, and over the past several decades Silicon Valley has experienced numerous "boom and bust" cycles.

San Mateo County's population grew rapidly in the 1950s and 1960s, until the maturation of the community with the build-out of most of the readily developable land. Population growth has continued at a much slower pace through the past several decades, and in most years at a lower rate than either the Bay Area or the state as a whole. According to the California Department of Finance, San Mateo County had 773,244 residents as of

January 1, 2020 (latest data available). In the ten-year period between 1/1/2010 and 1/1/2020, the county population grew by 7.6%, which was lower than the 9.0% overall growth rate of the nine-county Bay Area but higher than the 6.9% population growth rate in California during that same time frame.

The City of Menlo Park sits at the southeastern edge of San Mateo County, bordering Santa Clara County at San Francisquito Creek. The Menlo Park city limits stretch from the shoreline along southern San Francisco Bay into the lower hills of the Santa Cruz Mountains. The city borders are formed by San Francisco Bay to the northeast, the cities of East Palo Alto and Palo Alto to the east and southeast, unincorporated lands owned by Stanford University to the south, and by the Town of Atherton and the City of Redwood City to the west and northwest.

Menlo Park is a very small city, occupying just 17.4 square miles, with about 9.8 square miles of uplands and 7.6 square miles of water. According to the Department of Finance, as of January 1, 2020, the city had a population of 35,254 residents. The city's population growth in the 1/1/2010 - 1/1/2020 time frame was 10.0%, which was higher than the county or Bay Area growth rates in that same period. Nevertheless, the city is essentially built-out and has been for many years. New development opportunities typically are limited to adaptive re-use projects or removing older, low-intensity uses to make way for higher-intensity development.

As with a substantial part of the region, Menlo Park's reported population slightly declined between 2019 and 2020. In that year, the city's reported population fell by 0.6%. San Mateo County's population fell by 0.1% during the year, according to the Department of Finance.

The City of Menlo Park generally has a suburban development pattern, but it also has significant commercial development and a substantial employment base. Menlo Park benefits from proximity to Stanford University, which is about 4½ miles from the subject site and is a major regional employer. Menlo Park itself is widely recognized as the center of the U.S. venture capital funding industry, which in Menlo Park is focused mainly in the Sand Hill Road corridor. Of course, Facebook is the largest employer in the city and in the subject's district. Facebook employs more than 15,000 people in Menlo Park and has been a driving force in several new, high intensity commercial and residential projects in Menlo

Park over the past several years. The city's employment base has a high concentration in knowledge-based industries such as technology, software, and medicine, which tend to require high skill levels and pay commensurately high salaries. The city is a vital part of Silicon Valley.

According to the Department of Finance, Menlo Park has 14,082 housing units, of which about 52% consist of detached single-family homes. Attached single-family units (mainly condominiums) account for about 8% of the housing stock. While much of the city is developed at low densities, Menlo Park does have substantial areas devoted to apartment uses. About 28% of the city's housing stock consists of apartments located in buildings with five or more units, which is nearly identical to the overall county ratio. The remainder of Menlo Park's housing stock consists mainly of two- to four-unit buildings (about 12% of the total housing stock).

Brief Comments on the Subject's District

The subject property lies within the Bayfront Area of Menlo Park. While district boundaries can be open to interpretation, the Menlo Park General Plan clearly delineates the Bayfront Area, for which land use guidelines differ from other districts in the city.

The Bayfront area consists of a narrow band on the northeast side of the city. The area is bound by the Suburban Park and Belle Haven neighborhoods to the southwest and south; the City of East Palo Alto to the east; Bayfront Expressway, marsh lands, and the Facebook headquarters site on Hacker Way to the north and northeast; and the City of Redwood City to the northwest. At the northwestern edge of the district is Bedwell Bayfront Park, a 160-acre city-owned park that was reclaimed from a landfill in the mid-1980s and converted to a public park, restored wetlands area, and bay trail.

Marsh Road and Willow Road provide connections to U.S. Highway 101, which is the major freeway on the east side of Silicon Valley. Bayfront Expressway travels between Marsh Road and the Dumbarton Bridge. The Dumbarton Bridge spans San Francisco Bay to link San Mateo and Alameda counties.

Properties in the district lie along or near the tide marshes of San Francisco Bay. In the immediate vicinity of the subject property, the land was originally grassland or high marsh land that was occasionally flooded. Most of the developed area was reclaimed from the

marshes by the addition of fill materials at various times during the last 50 to 80 years. Almost all of the land above marsh level is now developed. Many properties in the district sit within a special flood hazard zone, which can eliminate the potential to develop any below grade area and can thus limit potential development intensity.

The Bayfront area designation in the Menlo Park General Plan encourages a variety of relatively high intensity uses, including office, research & development, hotels, and multi-family residential. The plan states that the land use designations in the area "are intended to foster innovation and emerging technologies; promote the creation of an employment district with travel patterns that are oriented toward pedestrian, transit, and bicycle use; and provide amenities to surrounding neighborhoods and fiscal support to the City leveraged through development intensity bonuses."

Outside of the marshlands, the Bayfront area has five land use designations under the general plan. Those five are Life Sciences, Office, Mixed Use Residential, Light Industrial, and Commercial Business Park. Of the five, the Office designation comprises the large majority of land area. The subject property lies within the Mixed Use Residential land use area, which mainly but not exclusively consists of a narrow band between the Marsh Road overpass, Constitution Drive, Jefferson Drive, Chrysler Drive, and Independence Drive.

The subject property sits within the Bohannon Industrial Park tract. Historically, the immediate area was developed mainly with warehouse and light industrial buildings, which mostly consisted of concrete tilt-up or block structures built between the 1960s and 1970s. Floor area ratios for those buildings typically ranged from about 35% to 55%. The portion of the subject's district situated on and near Marsh Road to the southwest of Highway 101 was developed mainly with two-story office and R&D buildings within about the past 25 to 30 years.

However, land uses and use intensities in the subject's section of the district have dramatically changed in recent years. Many of those changes were propelled by new planning guidelines adopted by the City of Menlo Park for the Bayfront Area and by the emergence of Facebook as a preeminent social media company headquartered in the district and employing many thousands of workers in the Bayfront area.

The 1.035-million square foot "East Campus" headquarters of Facebook was established in 2011 along Bayfront Expressway at Hacker Way. That site was originally the headquarters of Sun Microsystems. After Oracle acquired Sun, the Bayfront Expressway campus property was considered surplus and it sold to an entity that more or less concurrently leased the entire campus to Facebook in 2011. Facebook later purchased the property outright.

Shortly after moving to Menlo Park from its former Palo Alto offices, Facebook acquired from Raychem 21.99 acres of underutilized land located directly across Bayfront Expressway from their headquarters for the development of their "West Campus" site. A low-rise, 433,555-square foot building was designed for that site by Frank Gehry and was completed in 2015 (now known as MPK Building 20 of Facebook's Menlo Park campus). Facebook also acquired additional expansion sites in the district. The company completed the 180,108-square foot Building 23 adaptive re-use project in 2016. Another expansion with a combined 1,137,200 square feet of new office space (Buildings 21 and 22) and 240 hotel rooms has been partially completed. All of those Facebook expansion sites are wedged into the area bound by Bayfront Expressway, Willow Road, Facebook Way, and Chilco Street, very near the subject site.

Facebook has substantial additional development plans in the Bayfront Area. Those planned projects include a 240-room boutique hotel and Facebook Willow Village. The latter is a 59-acre site for which the company has proposed a mixed use development that would include 1,735 residential units, 1.75 million square feet of office space, 200,000 square feet of retail space, and a 193-room hotel.

In addition to Facebook's projects, numerous other developments have recently been constructed or proposed in the Bayfront area. The table on the next page summarizes some of those development projects and proposals.

Bayfront Area Recent, Ongoing, and Proposed Developments, Excluding Facebook Developments

Project	Description	Status
1350 Adams Court	260,400 square feet of life sciences space	Proposed
777 Hamilton Avenue	195 apartment units	Completed 2017
3639 Haven Avenue	394 apartment units	Completed 2018
3645 Haven Avenue	146 apartment units	Completed 2017
3723 Haven Avenue	167-room hotel	Proposed
111 Independence Drive (subject property)	*105 apartment units and 713 SF of commercial space*	*Proposed*
162 Jefferson Drive/ 151 Commonwealth Dr.	259,919 square feet of office space	Completed 2016
164 Jefferson Drive	249,500 square feet of office space	Proposed; reportedly pre-leased
Menlo Flats	Mixed use project with 158 apartments and 14,422 square feet of commercial space	Proposed
Menlo Gateway Phase 1	241,251-square foot office building; 250-room hotel; shared parking structure	Completed 2018
Menlo Gateway Phase 2	495,052 square feet of office space	Under construction; pre-leased
Menlo Portal	Mixed use project with 335 residential units, 33,211 square feet of office space, and 1,608 square feet of retail space	Proposed
Menlo Uptown	Eight-story, 441-unit apt. bldg., 42 for-sale townhouses and 2,117 SF of com'l. space	Proposed
1075 O'Brien Drive	100,0000 square feet of life sciences space	Proposed
1105 O'Brien Drive	132,2180 square feet of life sciences space	Proposed

With the intensification of uses in the area and strong demand for residential, office, life sciences, and hotel uses through most of the 2009-2020 economic cycle, prices for development sites in the Bayfront area rose extremely steeply over the past several years. Prices per square foot of land in some cases have more than septupled. Part of that increase resulted from improving market conditions but a substantial part is due to the planning code being revised to allow for higher intensity development, including increased building heights and floor area ratios.

On June 8, 2019, the National Bureau of Economic Research officially declared that the recovery phase of the current economic cycle ended in February of 2020. Market conditions will be discussed in more detail in the subsequent section of this report.

The subject property fronts on Independence Drive, one lot off of Constitution Drive. Independence Drive is a mildly-trafficked, two-lane, two-way, local street. The street commences at Constitution Drive and proceeds for a short distance to the southwest before pivoting and then running for one long block to the southeast, more or less parallel to and one block removed from U.S. Highway 101, before terminating at Chrysler Drive.

As noted, the subject property is one block removed from U.S. Highway 101. The property also is situated very near the Marsh Road overpass, which crosses over U.S. Highway 101 and provides access not only to that highway but also to nearby, heavily-traveled Bayfront Expressway and to lightly-traveled Haven Avenue. Significant traffic noise affects the subject property. In the regional market, many high density multi-family residential properties also are affected by substantial adverse noise influences, either from arterial streets, highways, railroad corridors, and/or airplane corridors. Such conditions are much less common at low to moderate density residential development sites.

The immediate subject area is developed in a fairly typical fashion for the Bayfront Area, with a mix of low and high intensity uses. The subject property backs to a site that is developed with a one-story industrial building. Adjacent to the subject on the southeast is another one-story industrial building. Both of those properties (and a third adjacent industrial property) reportedly are under contract for sale to a developer who has proposed the Menlo Portal project that was summarized in the table on page 30. Directly across Independence Drive from the subject is the eight-story, steel frame, Class A office component of the Menlo Gateway office and hotel project, which also is summarized in the aforementioned table. That office building is now known as Facebook Building 30.

Population density in the vicinity of the subject is low by normal Silicon Valley standards, in part because the subject's district abuts undeveloped marshlands. In a wider radius of the site, the population totals are within normal ranges for the regional market. The population totals in one, three and five-mile radii of the subject site respectively are 12,627; 123,831; and 256,861 residents, according to data from CoStar. Median household income levels in one, three and five-mile radii respectively amount to $94,174; $100,834; and $129,937, while average household incomes in those same areas amount to $133,423; $139,881; and $162,119, according to CoStar.

School districts are a major factor influencing housing prices in the Bay Area. In many housing sub-markets, the effects of perceived school district differences on prices have been magnified with the wide availability of academic performance index scores for public schools in California. Of course, student achievement scores are not necessarily truly indicative of school quality. Nevertheless, they can affect the perception of school quality and thus impact housing prices and (to a much lesser degree) housing rental rates.

For elementary and middle schools, the subject property lies within the Redwood City School District, which is extremely uncommon for a property located in the City of Menlo Park. (Properties in Menlo Park typically lie within the Menlo Park City School District, Ravenswood Elementary School District, or the Las Lomitas School District for elementary and middle schools.) The nearest public elementary and middle schools in the Redwood City School District are Taft and Kennedy.

The California School Ratings (CSR) system has a 10-point scale for rating public schools, with 10 being the high rating. The most recent CSR ratings for Taft Elementary School and Kennedy Middle School respectively were 2 and 4. In The respective state percentile rankings were 14.4 and 36.2. Given the subject property's elementary/middle school district location, many developers would likely consider a development at the site to have better appeal to renters than to for-sale housing buyers.

The subject site is in the Sequoia Union High School District, within the Sequoia High School attendance area. That differs from most of Menlo Park, which would be within the Menlo-Atherton High School (M-A) attendance area. The most recent CSR ratings for Sequoia High and M-A were 8 and 8.

The Bayfront Area property at 150 Jefferson Drive was developed by the Sequoia High School District in 2017-2019 with a new public high school campus. The small high school (TIDE Academy) focuses on technology, innovation, design, and engineering education. The school opened in the 2019-2020 academic year. Families living in the high school district must apply for students to be admitted to TIDE Academy.

The subject property is conveniently close to major Silicon Valley employers. Numerous office, life sciences, and flex buildings are within easy walking distance of the subject site, including many buildings occupied by Facebook.

The Marsh Road exit of Highway 101 sits very near the subject property. Highway 101 provides access to major employment centers not only in Menlo Park but in most other Silicon Valley cities.

Public transit in the immediate area is very limited. The Menlo Park Caltrain station is about 2.9 miles from the subject site. The Atherton Caltrain station is closer, being about 2.1 miles away. SamTrans provides bus service to the district via routes 270 and 281.

The Bayfront Area is bordered by a lightly-used railroad spur that borders the Bayfront, Suburban Park, and Belle Haven neighborhoods. In August 2018, the San Mateo County Transit District began partnering with Cross Bay Transit Partners, a joint venture between Facebook and Plenary Group, to explore mobility options along the Dumbarton rail corridor. The Dumbarton rail corridor would provide a rail connection between Alameda and San Mateo counties, in part utilizing the rail spur that forms the border of the Bayfront Area. The proposed rail service would link the cities of Fremont, Newark, East Palo Alto, Menlo Park, and Redwood City. Any development of the rail service is likely at least several years away, with SamTrans optimistically hoping to commence operation as early as 2028.

Opportunity Zone Status

The 2017 Tax Cut and Jobs Act resulted in substantial tax law changes in the U.S. One notable change was the creation of qualified opportunity zones designed to bring tax benefits to persons or entities that invest eligible capital into the communities identified as opportunity zones. The subject property is not situated within an opportunity zone.

Preface

The owner of the subject property has proposed developing the site with a mixed use project that in the vast majority would consist of apartment units. This section of the report will focus on the dynamics affecting the apartment market sector.

Novel Coronavirus Market Effects

Mainly due to the outbreak of the novel coronavirus (SARS-CoV-2) pandemic in the U.S. in early-2020, the economic recovery phase of the current U.S. economic cycle ended in February of 2020. San Mateo County has had a shelter-in-place directive affecting most people in the county since March 16, 2020, and the current plan is to maintain that directive through at least June of 2020, with some relaxations in the restrictions commencing in June.

The pandemic-related economic changes have had an effect on the apartment market sector. Some tenants have asked for forbearance or otherwise stopped paying rent. Nevertheless, a June 20, 2020 survey by the National Multifamily Housing Council (NMHC) reported that the number of apartment tenants who had paid their June rent by that date was unchanged compared to their survey exactly one year earlier. The NHMC's monthly surveys typically include roughly 11 million to 11.5 million market rate apartment units in the U.S. The June survey included 11.4 million units.

Apartment property sales activity has significantly slowed, in part because it is of course more difficult to show, market, and sell a property given current circumstances and in part because some market participants are reluctant to proceed with acquisitions during a time of weakened economic conditions and uncertainty regarding how long the pandemic-related economic, social, and mobility restrictions will linger. It is possible that market activity will remain sluggish until there is some combination of herd immunity, proven effective therapeutic remedies for the virus, and/or an effective vaccine or vaccines for the virus.

Unlike the stock market, real estate price discovery happens slowly. At present, there is very limited available market data to indicate what effect the pandemic has had on apartment property prices, townhouse prices, and multi-family residential or mixed use development site prices. As previously noted, recent sales activity has been slow and is

likely to remain so for some time. We are aware of some pending sales of investment properties that fell through in recent weeks, with buyers even forfeiting deposits in some cases. That fact would certainly imply significant price declines. On the other hand, some sales of course have closed escrow subsequent to the local and regional shelter-in-place orders and some of those had contract dates after the shelter-in-place commencement. For those sales, the data are unclear regarding the effect of the pandemic on investment property prices, with some sales appearing to show negligible effect and others appearing to show significant price declines.

There are few historical examples that would be instructive regarding the likely effect of the pandemic on multi-family residential real estate property prices either in the short-term or the long-term. Perhaps the most comprehensive study of a pandemic's effect on real estate prices was prepared after the 2003 outbreak of Severe Acute Respiratory Syndrome (SARS) in Hong Kong. Grace Wong of the Wharton School published an article entitled "Has SARS Infected the Property Market? Evidence From Hong Kong" in the *Journal of Urban Economics* in 2006 as a follow-up to her PhD thesis written at Princeton University. Ms. Wong's study concluded that the effect of SARS on estate prices was in the range of negative 1 percent to negative 3 percent. Given the nature of the Hong Kong real estate market, the analyzed properties consisted primarily of individual apartment units in multi-family residential buildings.

While the 2003 SARS outbreak had an extremely high mortality rate, it was vastly less widespread than the novel coronavirus pandemic. Moreover, Hong Kong had a much shorter quarantine/isolation period than the Bay Area and most of the U.S. will have during the current pandemic, and less economic disruption. In addition, the nature of the real estate market in Hong Kong obviously differs from that of the U.S. Still, Ms. Wong's work is one of the few peer-reviewed studies (or perhaps the only one) to have closely examined the effect of a pandemic on near-term real estate prices after the pandemic had subsided. Of note, Zillow subsequently also analyzed the post-SARS Hong Kong real estate market and reached a similar conclusion regarding market effects as had Ms. Wong. To the best of our knowledge, Zillow did not publish their work in a peer-reviewed format.

CBRE, a national real estate brokerage, had a conference call on March 24, 2020 to address the potential impact of the pandemic on the multi-family residential market. At that time, CBRE noted the following.

- CBRE's reported near-term expectations for property fundamentals included higher residential retention (a positive), but lower increases in rents for renewals (closer to flat than the previous 3% to 5% projected annual near-term increases).

- New leasing activity was down dramatically.

- CBRE forecast that market performance at the upper end of the rent spectrum should weather the economic uncertainty better given that most residents for such units are in better financial condition. They also opined that strong demand for workforce housing leading up to the current period should give that sector an ability to rapidly reach high occupancy levels again when jobs come back.

- CBRE noted that borrowing costs were escalating as of March 24 and revenue collections were challenged, which meant property values were "stressed."

- They also noted that "market performance and value are market-by-market and asset-by-asset."

Regarding investment sales, notes from the March 24 conference call included the following.

- "Deals are still happening, but the investment sales landscape has changed significantly."

- "Nearly all assets that went to market prior to March 11th have continued to be marketed with sellers taking a 'wait and see' approach on how buyers will price assets."

- "Transactions that were well along in the due diligence and/or closing process are proceeding towards closing. Buyers and sellers are working together to complete the transactions. Usually more time is being granted to the buyers to overcome logistical challenges of inspections, etc."

- "In a couple of closed transactions last week, there was a material price adjustment prior to closing; however, in those instances the seller was very motivated for liquidity to solve other issues."

- "Deals where the buyers had a locked rate at the lower mortgages than currently in the market are also likely to complete the deals."

- "Most of the deals that were in very early stages of marketing at the beginning of the coronavirus period are being pulled and moved to the sidelines. CBRE's weekly survey of investment professionals (as of March 23rd) found that about 90% of the offerings expected to hit the market in the last two weeks have been delayed."

- "Marketing strategies have changed. Many assets still going to market are being shown to a select group of investors (rather than the more typical broad marketing approach used in the pre-coronavirus period)."

Based on REIT stock performances as of March 24, 2020, CBRE noted that the REIT's falling stock prices relative to February 2020 stock price peaks implied about a 29% decline in property values. However, in our view it is dangerous to use stock prices, which of course are highly volatile and usually involve very liquid instruments, as a proxy for real estate values, where price discovery and transactions occur slowly. To illustrate, between March 24, 2020 and May 31, 2020, the five largest apartment REITs with holdings in the Bay Area (i.e., Equity Residential, Avalon Bay Communities, Essex Property Trust, UDR, and Apartment Investment and Management) respectively had stock price rebounds of 16%, 24%, 30%, 21%, and 42%. Yet it does not logically follow that the values of their underlying real estate holdings had increased by similar percentages between March 24 and May 31.

In this appraisal, we are assuming that the subject property is fully entitled for construction of a new development under either the base level intensity allowed under the Menlo Park planning code or the bonus level intensity proposed by the prospective developer. Even assuming full entitlements in place and building permits ready for issuance, it would likely take at least 20 months to construct a new development for either valuation scenario. As such, any developer intending to build a new project at the subject site of course would need to model/forecast how the market will change in the construction and absorption period.

Many but certainly not all economists currently forecast a vigorous recovery when the economy fully re-opens. Going forward it will likely be necessary to achieve some combination of herd immunity, therapeutics, and/or vaccines in order to fully re-open the

economy, alleviate fears about the spread and effects of the virus, and allow people to return to some semblance of normalcy in their work and social lives. Even when that happens, there may be some changes to real estate markets and dynamics that are not currently widely anticipated.

It will take some time for the effects of the novel coronavirus pandemic and related economic recession on the apartment market and townhouse market to become fully apparent. In this report, we will use the best information available regarding the known and likely novel coronavirus effects on the market for the subject property. However, it must be noted that at present there is very limited available data regarding the market effects, and the available information is by no means perfectly consistent in terms of showing the effects (if any) on pricing in various real estate sectors or even within the same real estate sector.

Market Conditions

Apartment Market

Apartment demand is linked to employment levels, economic health, and population demographics. The Bay Area's diverse economic base historically has provided strong growth. Major sectors include financial, legal, service, and tourism businesses in San Francisco; bioscience, multimedia, telecommunications, software, and other technological industries primarily in San Francisco, San Mateo, Santa Clara, Alameda, and Contra Costa counties; shipping and transportation industries concentrated around the Port of Oakland in Alameda County; and the defense-related industries concentrated mainly in Silicon Valley. The region also benefits from a strong university system and available venture capital, which have helped foster research resulting in technological innovations ultimately leading to private sector job creation. However, over the past three decades the Bay Area economy became increasingly dependent on the high-technology sector, leaving the region prone to relatively wide cyclical economic gyrations.

Through Q4-2019, the U.S. economy had produced 42 consecutive quarters of economic growth, with quarterly performances ranging from sluggish to strong GDP increases relative to long-term historical standards. That streak ended in Q1-2020, when the reported annualized GDP change was negative 5.0% according to the May 29 revised

estimate from the U.S. Bureau of Economic Analysis (BEA). In the preceding three quarters, annualized GDP growth had been 2.0%, 2.1%, and 2.1%. (Through Q1-2020, the U.S. economy had 3.1% average compound annual GDP growth since the BEA's initial index figure in 1947). The current consensus forecast for Q2-2020 calls for greater than a 30% annualized GDP decline, which would be an all-time high retraction.

The Chicago Fed tracks 85 leading economic indicators in the Chicago Fed National Activity Index (CFNAI). The Chicago Fed advises us to focus on the three-month moving average (the CFNAI-MA3); month-to-month movements can be volatile, and thus the CFNAI-MA3 provides a more consistent picture of national economic growth.

The index is constructed to have an average value of zero and a standard deviation of one. Since economic activity tends toward growth over time, a positive index reading corresponds to growth above the long-term trend and a negative index reading corresponds to growth below the long-term trend. After a period of growth, a reading below -0.70 is considered to be a strong indicator of a looming recession. A value of more than 0.70 is considered to be a strong indicator of increased inflation.

The CFNAI-MA3 index was slightly positive in January of 2019 but then remained slightly to moderately negative for 13 consecutive months through February of 2020. Those readings indicated an expectation for near-term economic growth below long-term trends, with little inflation pressure.

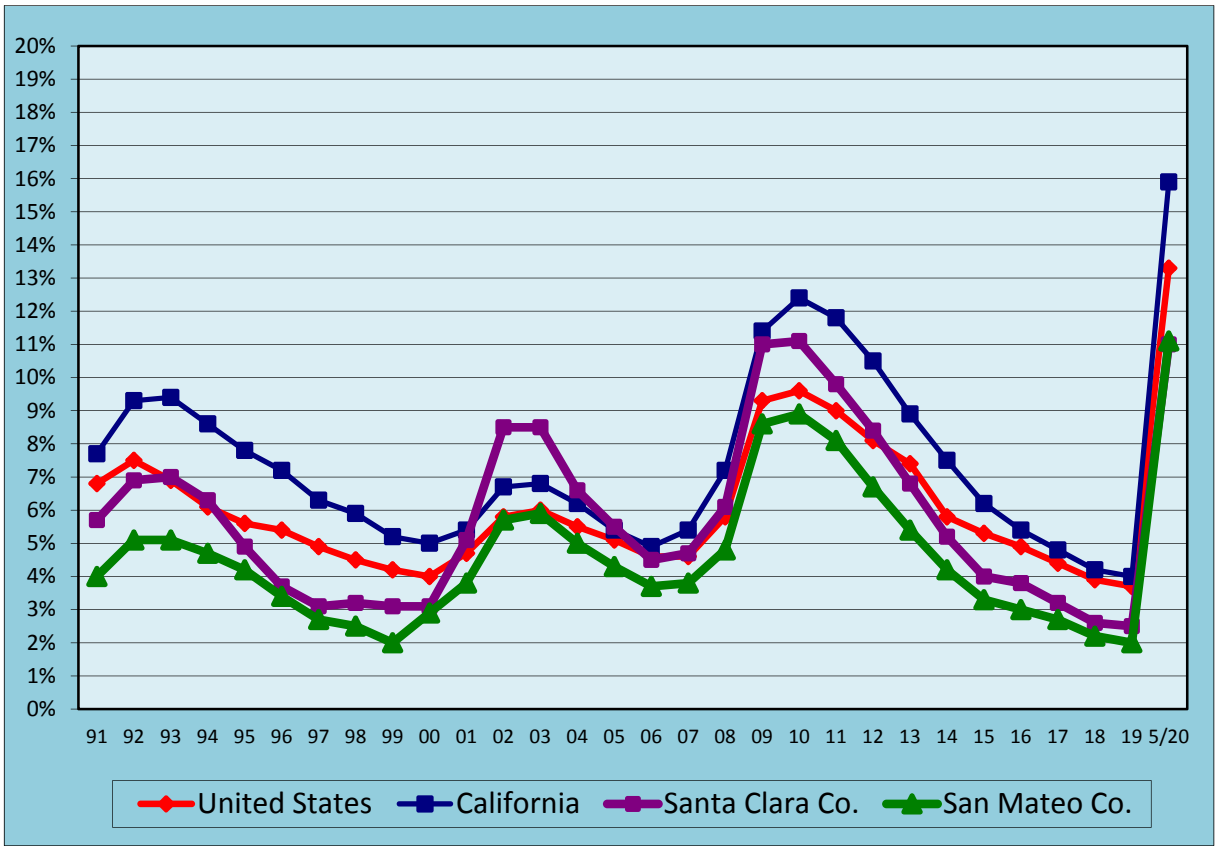
As noted, readings lower than -0.70 are considered to be recession indicators. In March of 2020, the CFNAI-MA3 index moved to severely negative, at -1.57, which with virtual certainty indicated that a recession had likely already begun. In April of 2020, the CFNAI-MA3 had fallen to -7.50, which was by far the lowest reading in the history of the index (which began in 1967). The CFNAI-MAI in May of 2020 stood at -6.65.

As of May of 2020 (latest data available as of the date of this report), San Mateo County’s unemployment rate stood at 11.1%. That figure represented a major spike from the 2.0% average rate of 2019 or the 2.1% rate of just four months prior but was slightly reduced from the 11.4% reported rate in April of 2020. After numerous consecutive months with the lowest unemployment rate of any of California's 58 counties, in April San Mateo County's

unemployment rate was the second lowest in the state and in May the county's rate was the seventh lowest in the state.

The graph below illustrates the average annual unemployment rates of the U.S., California, and the main part of Silicon Valley (Santa Clara County and San Mateo County) over the past couple of economic cycles and into the current economic cycle through calendar year 2019, and also includes the data for May of 2020 (sources: the E.D.D. and the U.S. Bureau of Labor Statistics). (Note: the expansion phase of the current economic cycle began in July of 2009 and ended in February of 2020, according to the National Bureau of Economic Research.)

Unemployment Rate Trends: 1991 – May 2020



The unemployment rate trends show the cycle of the early-1990s recession, through the economic recovery of the mid-to late-1990s, the upswing in unemployment that coincided with a recession during 2001 and part of 2002, a subsequent recovery, the swing back into

recession at the outset of the current economic cycle, and the declining unemployment rate during the recovery phase of 2009-2019. Unemployment throughout the U.S. has spiked dramatically over the past several weeks due to the shutting down of large parts of the economy in response to the SARS-CoV-2 global pandemic.

Population and housing construction trends tend to have a significant impact on achievable residential property rents and prices. Menlo Park, San Mateo County, and the Bay Area have had large imbalances between housing construction and population growth for the past few economic cycles, swinging at various times from an oversupply to an undersupply of new construction. That factor has significantly impacted regional and local housing prices and rental rates.

In the period from 1990 through 1999, San Mateo County had an increase of 57,538 residents (source: census). Given the county's average household size at that time of 2.742 residents per household (source: California Department of Finance), the population growth implied the need for 20,904 new housing units. However, only 8,796 net new units were actually constructed in that decade, according to the Department of Finance, for a shortfall of 12,188 units. In general, the latter part of that decade was a period of high rent growth and housing price appreciation.

Conversely, the 2000-2009 decade saw an oversupply of new housing construction, concentrated mainly in the latter half. In that decade, the county's population growth slowed sharply, with 11,453 new residents. With an average household size by the end of that decade of 2.750, the implication was a need for 4,165 new housing units. In the 2000-2009 time frame, however, 10,453 net new housing units were built, for an oversupply of 6,288 new units. While that amount was only about half the shortfall of the prior decade, markets adapt to supply and demand dynamics fairly quickly. The housing growth rate was far more than the need implied by population growth. Along with major financial market changes and a severe recession in 2008-09, the overbuilding contributed to a slump in San Mateo County housing prices and rents at the tail end of the prior economic cycle and the outset of the current cycle.

In the 2010-2019 time period, the trends again shifted. The California Department of Finance reported that population in the county rose by 54,630 in the ten-year period from

January 1, 2010 through January 1, 2020. The reported average household size for the county is now 2.88 residents. Thus, the population growth implied a need for 18,969 new housing units. In the wake of the financial market implosion of the prior cycle, however, construction slowed in the early part of this decade. In the ten-year period only 9,848 new units were added in the county. Thus, the 2010-2019 decade had a shortfall in construction of 9,121 units in San Mateo County. For the nine-county Bay Area as a whole, the implied shortage of new construction amounted to 90,795 units in that same time frame.

Regional and local market housing prices and rents increased at a very fast pace in the expansion phase of the current economic cycle. In part, the strong rise in regional and local rental rates and housing prices in the recovery phase of the 2009-2020 economic cycle reflected higher demand coupled with a sharp slowdown in new construction.

That dynamic has changed in many parts of the region in recent quarters, however, as numerous large apartment developments have been recently completed. Moreover, population growth has slowed significantly over the past two years in San Mateo County and the Bay Area. Given those factors, in 2018 and 2019 housing construction in the county and the Bay Area actually *exceeded* the implied need. Still, as previously noted overall housing production in recent years has been far lower than would be needed to maintain supply/implicit demand balance in the local and regional markets.

In most markets, apartment rental rate trends over the long term tend to track closely with changes in wages. In supply-constrained markets, the rate of change can be more linked to the sum of the annual change rate in wages plus the population or employment growth change rate. In either case, wages usually are a critical factor in determining achievable apartment rental rates.

At the outset of the 2001-2007 economic cycle, stagnant wages, a recession and sharply higher apartment vacancies placed enormous downward pressure on rental rates. Subsequently, the market regained equilibrium and then rents finally began to rise. Surveys by Fabbro, Moore & Associates, Inc. show that Bay Area apartment rents rose at a moderate to strong pace for 14 consecutive quarters, from early-2005 through the third quarter of 2008, before declining in the final quarter of 2008. In 2009, rental rates continued to decline, primarily due to falling demand in the wake of a severe recession

and a major increase in unemployment. In some Bay Area sub-markets, an oversupply of new construction also contributed to housing rent and price declines.

In 2010, apartment rents rose at a moderate pace, and then rents increased at an even faster pace in 2011 and 2012. The trend started to slow by the tail end of 2012, but rental rates then jumped back up again significantly in 2013 and 2014. Apartment rents continued to increase into 2015 and the first part of 2016, but in most areas at a lesser rate of change than in 2014. Overall, in the period from 2010 through the first half of 2016 apartment rents in Silicon Valley rose by more than 80%.

More recently, apartment rental rates were generally fairly flat to moderately declining in most of the regional market from late-2016 through mid-2017. From mid-2017 through much of 2018, apartment rental rates were generally rising at a moderate to strong pace in most of the region, including San Mateo County. In 2019, however, apartment rental rates in the county were only modestly rising. In Menlo Park specifically, apartment rents at most properties generally followed the county and regional trends in recent years and quarters, with some exceptions.

Apartment rental data thus far in 2020 generally indicate fairly flat to very slightly declining rental rate trends. Based on our surveys, the use of concessions has increased. As a result, effective rents (i.e., net of concessions) generally have slightly declined. While many observers have been expecting large declines in residential property prices and rents as a result of the pandemic and related economic disruption, at least so far the effects on prices and rents have been mild in the local market and indeed in much of the U.S. Of course if high unemployment and recession conditions were to linger for an extended period of time, there would eventually be a substantial adverse impact on rents and prices.

Regularly published information for vacancy and rental rates for multi-family housing in San Mateo County has diminished considerably in the last few years as several purveyors of this information have merged or gone out of business. A few commercial real estate brokerage firms still provide general data about the apartment market in the Bay Area and their reports can be supplemented with specific queries of the CoStar database and our own survey data.

Cushman & Wakefield is one of the few brokerages that tracks the regional apartment market. Their most recent report for the Bay Area, however, is from Q2-2019. At that time, the Cushman report showed a 4.0% vacancy rate in San Mateo County. That figure was 50 basis points lower than the reported vacancy rate one year earlier. Thus, the market managed to absorb the completed new construction over the year while vacancy still declined. The report showed year-over-year apartment rent growth of 1.7% in the Bay Area as a whole. For San Mateo County, their report showed a 3.1% year-over-year increase in apartment rents as of the end of Q2-2019.

Marcus & Millichap's Q1-2020 apartment market report for the San Francisco metro market area, which includes San Mateo County, estimated a 3.9% apartment vacancy rate in the metro area. They forecast an increase in the vacancy rate to 4.5% in 2020. The report also forecast a 3.2% rise in apartment rental rates in 2020. Of note, Marcus & Millichap issued that report prior to the effective shutdown of much of the U.S. economy late in the first quarter of 2020.

The CoStar database has information for the vast majority of apartment properties in the county. The table on the next page summarizes apartment market trends as reported by CoStar for (1) San Mateo County as a whole, (2) the subject's primary competitive market area (which is considered to be the cities of Menlo Park, Palo Alto, and Redwood City), and (3) Menlo Park alone. The CoStar report information is as of early-June of 2020. (Note: for reference, CAGR stands for compound annual growth rate.)

CoStar Apartment Market Data for San Mateo County, the Subject's Primary Competitive Area, and Menlo Park (June 2020)

	San Mateo County	Primary Area	Menlo Park
Units Surveyed:	72,903	24,578	4,549
Units Delivered, Past 12 Months:	165	175	0
Five-Year Annual Avg. Deliveries:	1,070	637	177
Units under Construction:	1,937	1,093	398
Five-Year Average, Units U/C:	2,393	1,122	407
Current Vacancy Rate:	4.9%	4.9%	4.6%
Five-Year Average Vacancy Rate:	5.1%	5.2%	5.7%
Avg. Asking Rent/Rentable Sq. Ft./Mo.:	$3.46	$3.61	$3.72
Five-Year Avg. Asking Rent/SF/Mo.:	$3.25	$3.38	$3.32
Average Asking Rent/Mo., Studio:	$1,964	$1,994	$1,818
Five-Year Avg. Asking Rent/Mo., Studio:	$1,863	$1,911	$1,601
Average Asking Rent/Mo., 1-BR:	$2,480	$2,530	$2,599
Five-Year Avg. Asking Rent/Mo., 1-BR:	$2,318	$2,411	$2,183
Average Asking Rent/Mo., 2-BR:	$3,207	$3,537	$3,710
Five-Year Avg. Asking Rent/Mo., 2-BR:	$3,003	$3,300	$3,240
Average Asking Rent/Mo., 3-BR:	$4,076	$4,053	$4,958
Five-Year Avg. Asking Rent/Mo., 3-BR:	$3,693	$3,728	$4,287
Overall Market Rent Δ, Year-over-Year:	-1.7%	-1.8%	-0.7%
CAGR in Market Rent, Past 5 Years:	+3.2%	+3.4%	+3.7%
Current Avg. Rent Concessions:	0.9%	1.0%	2.0%
Five-Year Avg. Rent Concessions:	1.2%	1.8%	1.7%

The CoStar database graphs below respectively depict Q1-2010 through Q1-2020 San Mateo County and City of Menlo Park apartment market vacancy rates (orange lines) and market rental rates (blue lines) and 2020-2024 forecasts for vacancy rates and market rental rates in the county and the city. The graphs are produced by the CoStar system, and are presented here unedited. The reader should note that most of the y-axes do not start at zero. That factor alters each graph's appearance versus y-axes with starting points of nil. (The starting points of the non-zero y-axes tend to have the visual effects of exaggerating the actual trend changes.)

For the county, CoStar forecasts an increase in apartment vacancy over the next few years, to a peak of slightly over 6% by 2023 before a decline in 2024. Their model forecasts a drop in rental rates through the rest of this year before the resumption of rental rate appreciation in 2021. The CoStar model projects fairly similar trends in Menlo Park, albeit with a significantly lower peak vacancy rate and much higher rents than in the county as a whole.

Sales Activity, Capitalization Rate, and Capital Market Trends

For apartment properties in the subject's primary and general competitive areas, sale prices increased very sharply during the 2010-2015 time frame, concurrent with rapid rent increases and generally declining capitalization rates. Apartment property prices showed flattening trends from around late-2016 through mid-2017. More recently, apartment property prices again significantly increased in the second half of 2017 and through 2018. Subsequently, local market apartment property prices showed a flat to perhaps mildly rising trend in 2019 and into early-2020.

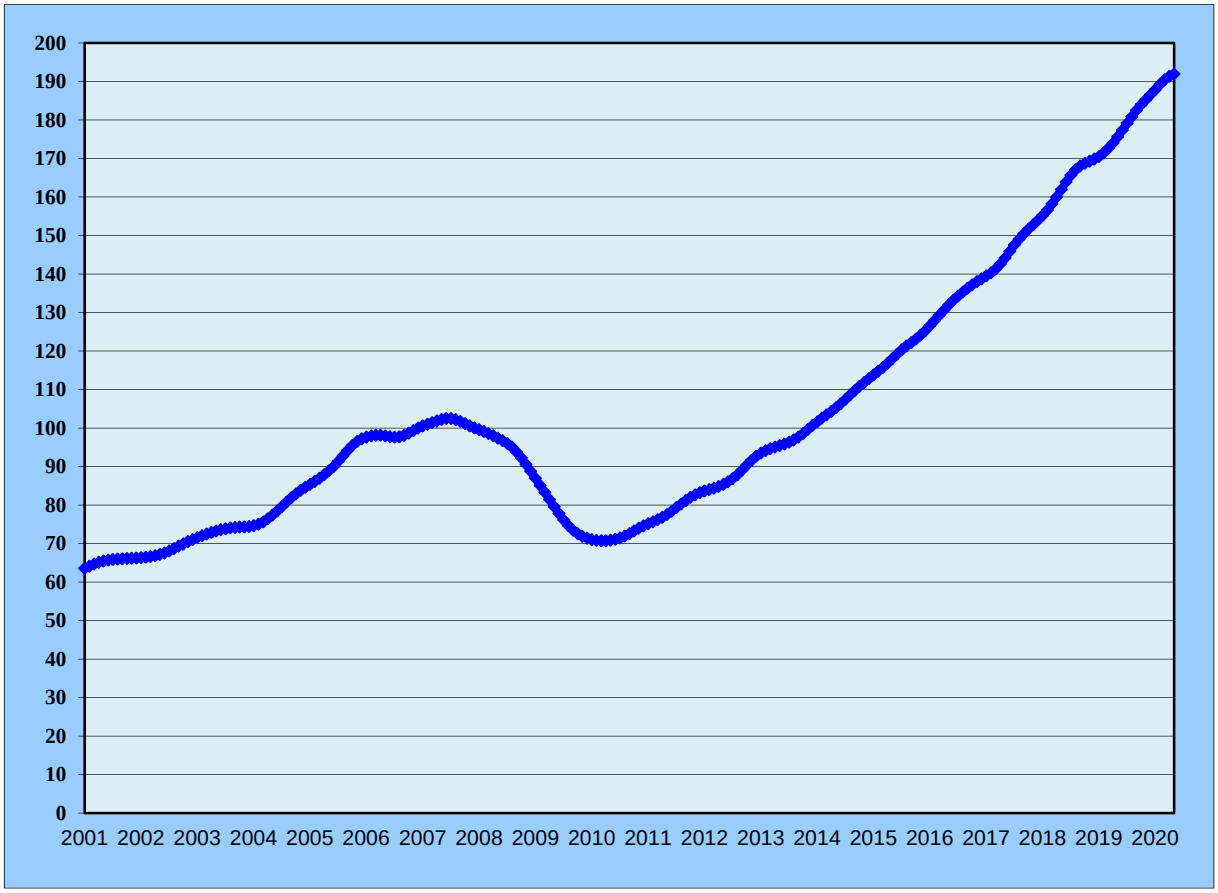
Since the shutdown of much of the U.S. economy in March of 2020, sales activity has been slow and it is difficult to determine price direction with a high degree of reliability. Overall, however, based on the available evidence it is considered likely that achievable apartment property prices have declined since March of 2020 in the regional market.

Real Capital Analytics has several commercial property price indices (CPPI) that attempt to track national and regional commercial property price trends. The indices are periodic, same-property investment price change indicators various segments of the U.S. commercial investment property market. The indices are designed to track price changes based on the documented prices in completed, contemporary property transactions. The technique employed to construct the indices is a repeat-sales regression, similar to the methodology of the widely-followed Case-Shiller index of home prices.

Real Capital Analytics tracks office, retail, industrial, and apartment properties. The Real Capital Analytics indices are lagging indicators of market trends, as they are based on closed sale transactions and utilize three-month rolling average figures. Nevertheless, the indices provide indications of general market trends. The most relevant index for the subject would be the Real Capital Analytics apartment property index. The following graph

shows the Real Capital Analytics apartment property price index data for the period from January of 2001 through May of 2020, which reflects the most recent data available.

Real Capital Analytics Apartment Property Monthly CPPI:
January 2001 through May 2020



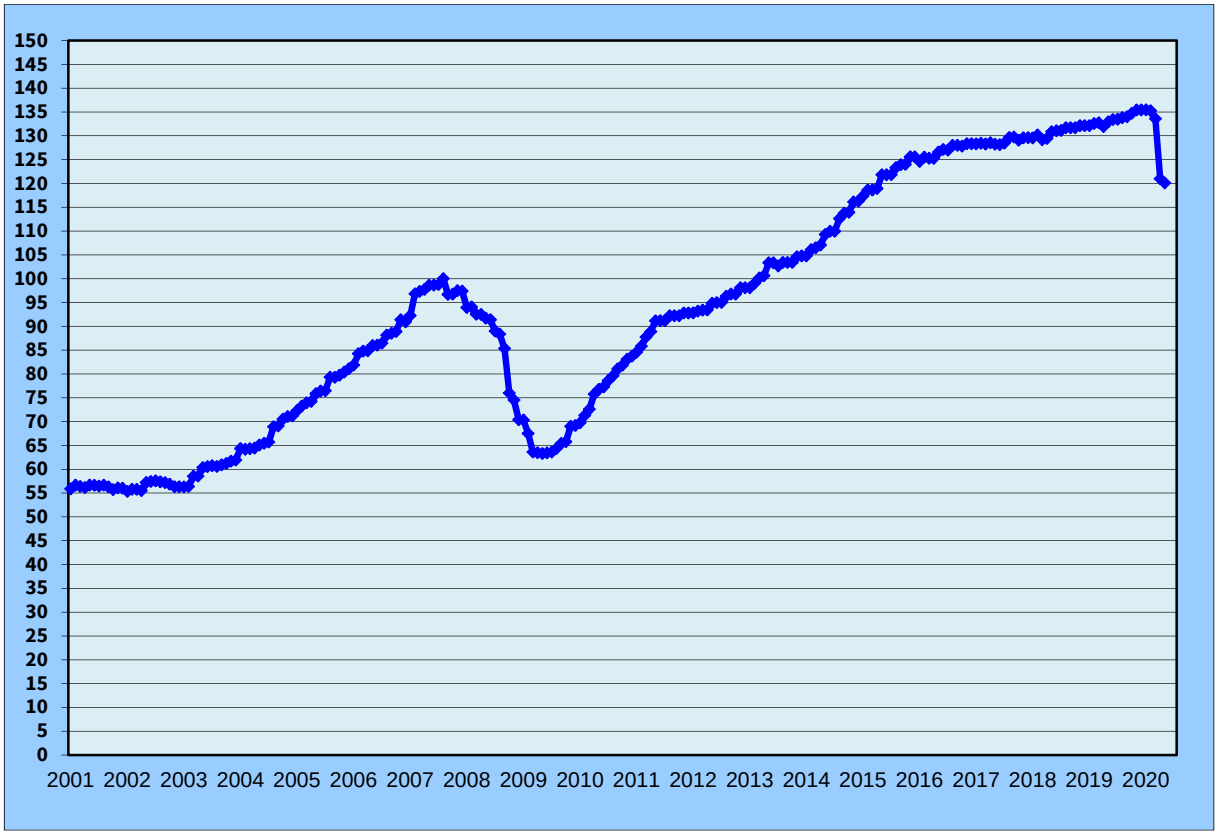
The results for different submarkets in the index have varied during the current economic cycle. The Real Capital Analytics (RCA) indices show that the strongest sub-sectors during the current cycle have been the office market and the apartment market, with the industrial market performance being third best among the various sub-sectors.

RCA's May 2020 data (from their May June report) showed a 9.3% year-over-year increase in apartment property prices nationally. As of the end of May of 2020, the apartment index showed a 1.4% rise in property prices quarter-over-quarter and a 0.3% rise sequentially (i.e., May 2020 versus April 2020).

It must be noted that Real Capital Analytics uses only repeat-sale, closed sale transactions. Sales activity has slowed significantly in recent weeks, diminishing the amount of available data. Furthermore, their indices utilize three-month rolling averages. That has the effect of smoothing the data but can minimize the effects in periods where prices are changing quickly. We consider it unlikely that national apartment property prices actually had an upward trend in April and May on either a month-over-month or quarter-over-quarter basis, in contrast to the RCA reports for those months. Nevertheless, market data would be supportive of the general trend of significantly rising apartment property prices during most of the past several years.

Green Street Advisors also has a commercial property price index. Their index includes pending sales information as well as closed sales, and aims to capture more up-to-date information than the Real Capital Analytics index. A graph of the index may be seen below. The index includes apartment, office, retail, lodging, and industrial properties in aggregate. Apartment properties make up about 15% of the index.

Green Street Property Advisors Monthly CPPI: January 2001 - May 2020



In their May 2020 report, Green Street reported only a very minor month-over-month drop in the overall investment property price index, at -0.7%. The May 2020 apartment property price index specifically was unchanged month-over-month. On a quarter-over-quarter basis, however, the May 2020 apartment index was down by 10%. Year-over-year, the Green Street apartment property price index showed only a 4% decline, as prior gains offset much of the more recent price declines.

Regarding the impact of SARS-CoV-2 on investment property prices, Peter Rothemund, the managing director of Green Street Advisors, stated that "It's too early to be definitive, but at this point, 10%, plus or minus, feels like a good betting line for Covid's impact on pricing. Of course, there are relative winners and losers. Property types such as industrial, manufactured home parks, and self-storage are experiencing only modest slippages in pricing, while the most impacted sectors — lodging and malls — may see declines at least twice as large as the average by the time the dust settles."

It must be noted that the data composition and methodologies used by Real Capital Analytics and Green Street differ significantly. Neither Real Capital Analytics nor Green Street covers the entire spectrum of investment property. Both indices show major increases in prices during in the 2009-2020 economic cycle. The indices obviously show significantly different price direction results so far in 2020. RCA's apartment property price index showed an increase in apartment property prices in April and May. Meanwhile, Green Street's apartment property price index showed a very large decline in April (down by 10%) and then no change in May.

Transaction volume can provide an important indicator of market health. Investment real estate transaction volume in the Bay Area in 2008 and 2009 fell very steeply from the levels of 2007. The shift was particularly severe after September of 2008, as capital markets froze, demand for mortgage-backed securities plummeted, and financing availability fell. In the first several months of 2009, sales activity was at a virtual standstill, with almost no deals taking place.

Activity improved significantly subsequently. In 2016, however, the number of sales fell sharply year-over-year. Still, the dollar volume of reported transactions in 2016 slightly increased. Since then dollar volume and the number of sales remained at subdued levels

even prior to the pandemic outbreak. The inventory of properties available for sale has generally remained low through the past several years. That remains true at present and will likely continue to be the case at least in the near term.

Illustrating the changes in market activity for investment real estate, the table below summarizes the reported dollar volume (in $1000s, without inflation adjustments) and the number of sales for investment real estate properties (including retail, office, industrial, and apartments) in the Bay Area from 2014 through 2019 (latest data available), as reported by Cushman & Wakefield.

Bay Area CRE Sales Trends: 2014 through 2019

Category	2014	2015	2016	2017	2018	2019
Sales Vol. ($1000s):	$30,459,108	$32,458,383	$35,430,667	$21,321,000	$21,255,788	$27,032,109
Number of Sales:	1,333	1,502	794	435	405	406
Average Cap. Rate:	5.0%	5.6%	5.5%	5.8%	5.4%	5.1%

In addition to an overall average capitalization rate for CRE, the Cushman & Wakefield investment market report provides information on capitalization rate averages for several sub-markets, segmented by location and property type. For the Bay Area apartment market, the reported overall average capitalization rate in 2018 was 4.2%. In 2019, the reported average was 4.4%.

Apartment property capitalization rates consistently are lower than those of other types of real estate. In part, that reflects much steadier tenant demand for apartments than for most types of investment real estate. Furthermore, tax depreciation schedules are more favorable for residential than for commercial property.

After constricting sharply at the outset of the current cycle, the availability of credit significantly improved in the latter part of the 2009-2020 economic recovery. Illustrative of the recent trends, the volume of commercial mortgage-backed securities (CMBS) fell dramatically at the outset of the 2009-2020 cycle, to just $3.4 billion in 2009, according to the Urban Land Institute (ULI). CMBS volume had been more than $200 billion in 2007

before plummeting to $12 billion in 2008. CMBS volume subsequently recovered. According to the ULI, CMBS volumes in 2017, 2018, and 2019 respectively were $88 billion, $77 billion, and $98 billion. However, CMBS volume in 2020 is likely to decline, with most estimates forecasting a drop of roughly 20% to 40%.

Changes in financing terms have had a significant effect on achievable prices for investment real estate both during the prior economic cycle and the current cycle. In recent years, many lenders increased loan-to-value ratios, decreased required debt coverage ratios, and/or took other steps to loosen lending standards. Since the outbreak of the pandemic, however, many lenders have tightened standards, thus reducing credit availability.

From the beginning of the Financial Crisis in early-2008 interest rates trended generally lower until the middle of 2012 but then became more volatile and entered a protracted period of fairly wide oscillation. The peak rates of this period were reached in very late-2018 but then fell sharply. The ten-year U.S. bond yield declined to as low as about 1.43% in the summer of 2019. The rate then rose modestly for a few months. Very recently, the ten-year yield again fell steeply in the wake of the outbreak of the SARS-CoV-2 pandemic. The ten-year yield rate as of the effective date of this appraisal was just 0.64%.

Bond yield rates are likely to remain very low by historical standards for a considerable period of time. That factor in turn influences loan interest rates downward. Reduced interest rates of course generally have a positive effect on real estate prices.

The regional investment real estate market tends to be volatile and market conditions can change quickly. Although regional and local market conditions remained strong into early-2020, the pandemic outbreak has resulted in a sharp disruption of economic activity, leading to a huge spike in unemployment. In the near-term, those factors would tend to produce downward pressure on rents and prices. On the other hand, fiscal stimulus programs and extremely low interest rates generally would produce upward rent and price pressure. Over the long term, the health of the local real estate market will remain tied to macroeconomic trends, the future of the regional economy, and local supply and demand characteristics.

California Assembly Bill 1482

The City of Menlo Park has no rent control ordinance. As such, historically there was no barrier preventing a landlord from raising apartment rental rates to the market level as long as such a change was not in violation of any lease contract or rental agreement in place. Furthermore, the city did not have "just cause" eviction protections for tenants.

In October of 2019, the State of California passed Assembly Bill 1482 (AB 1482), which is also known as the Tenant Protection Act. That law, which became effective on January 1 of 2020, put in place de facto statewide rent control for apartment buildings that are at least 15 years old. AB 1482 also established statewide just cause eviction protections.

Development at the subject property of course would result in the construction of new buildings. As such, the rent control limitations of AB 1482 would not apply.

AB 1482 probably has had some adverse impact on the marketability and value of some affected apartment properties in California, particularly for buildings that are not located in cities that already had a rent control ordinance in place prior to the adoption of the bill. Furthermore, property owners and/or managers now have additional administrative requirements that did not previously apply to most apartment properties in the state. Some apartment property owners were actively seeking to sell buildings in 2019 in anticipation of the passage of the new tenant protection laws. At this time, there is limited market data available to know with a high level of certainty exactly what the impact of AB 1482 has been on apartment property prices. Still, it is fair to say that the law is generally perceived as a negative factor by typical apartment property owners.

2018 U.S. Tax Law Changes

Very late in December of 2017, the U.S. Congress passed a new tax overhaul bill that became effective in 2018. Some of the provisions of the tax law changes had the potential to have an effect on investment real estate.

Real estate investors often use pass-through entities such as partnerships and limited liability companies. The gains and losses from these investments are "passed through" the business entities to the individual members. The members may benefit from lowered marginal tax rates under the new law. More importantly, the law allows for up to a 20%

deduction in the pass-through income, thus potentially significantly reducing taxable income. In addition, the new law liberalized the amount that a property investor can claim as an expense rather than as a depreciable cost of the asset and shortened the allowed depreciation scheduled for some types of improvements.

The tax law changes generally are considered to be favorable to owners of investment real estate. Investment property sales that have occurred since 2018 should already reflect any perceived benefit from the noted U.S. tax law changes.

Assessment Data

The subject property has assessor's parcel number 055-236-120. The fiscal year 2019-2020 assessed value and real estate taxes for the parcel are listed in the table below (source: San Mateo County Tax Collector).

	Assessed Value			
Parcel Number	Land	Improvements	Total	Taxes
055-236-120	$2,383,778	$1,589,183	$3,972,961	$45,917.52

State law limits the property tax rate to 1% of the full assessed value, augmented by any amount(s) necessary to satisfy general obligation bonds and/or other indebtedness approved by voters. In the subject's tax code area, the 2019-20 ad valorem real estate tax rate is 1.1083% of the full assessed value.

In addition to the tax rate, eight special assessments affect the subject parcel. The taxes shown in the table include both the ad valorem taxes ($44,032.32) and the special assessments ($1,885.20).

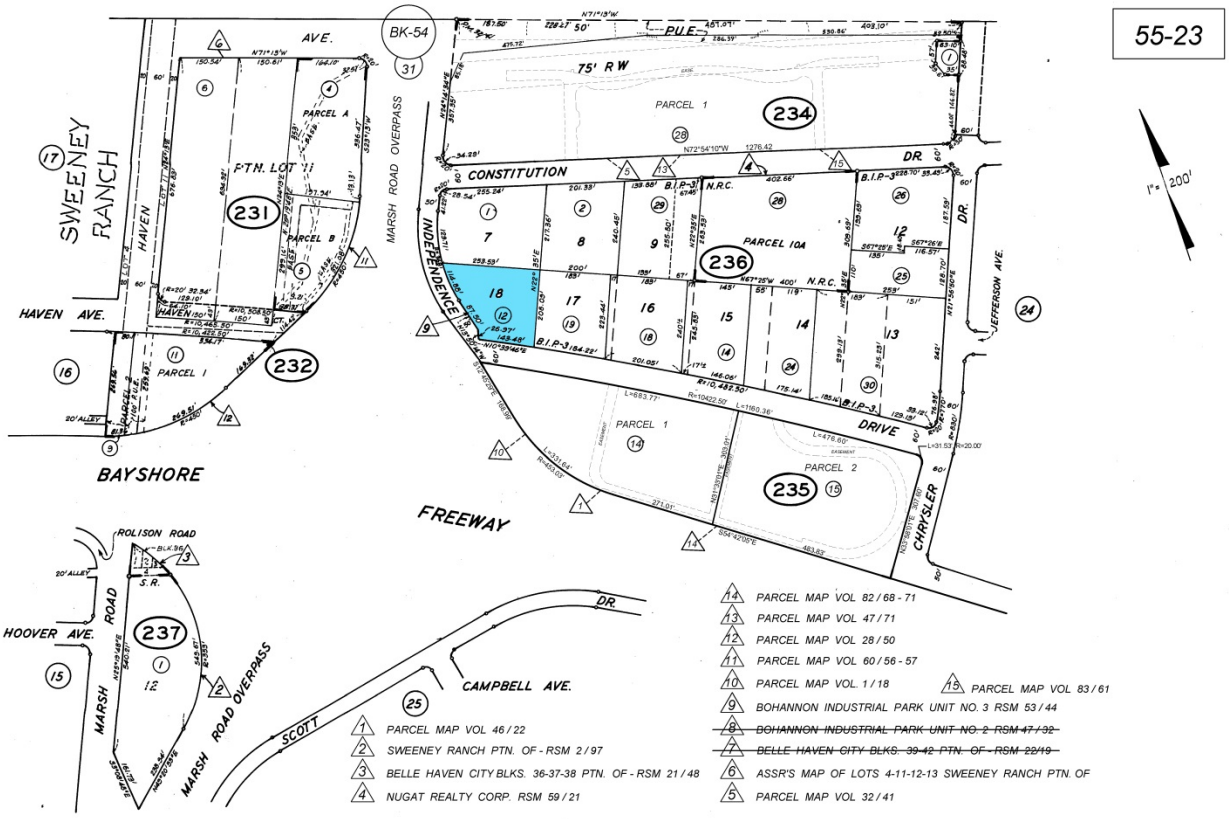
In San Mateo County, real estate tax rolls are closed on March 1 of each year. Real estate taxes are billed in October and are due in two installments, on December 10 and April 10. Unless a property is reassessed, state law limits assessed valuation increases to 2% per year. Real estate reassessments can be triggered only upon transfer of ownership, completion of new construction, or appeal.

After a sale, a property is reassessed based on its fee simple, cash value. To determine the new assessment on a transferred property, under state law the purchase price shall be presumed to represent the market value of the property if the terms of the transaction were negotiated at arm's length between a knowledgeable buyer and seller. With evidence, however, the property owner can rebut that presumption.

If the ownership interest in the subject property were sold in fiscal 2019-20 to an entity without a tax exemption, then the real estate taxes would amount to about (1) 1.1083% of the full assessed value for ad valorem taxes plus (2) the levy for special assessments (a total of $1,885.20 for the subject parcel in fiscal year 2019-20).

General Information

The subject property has assessor's parcel number 055-236-120 in San Mateo County. The assessor's plat map may be seen below, with the subject parcel highlighted in blue shading.



Lot Size and Frontage

The subject property fronts on Independence Drive, one lot removed from the corner of Constitution Drive, within the Bohannon Industrial Park tract of the Bayfront Area of the incorporated City of Menlo Park. The assessor's plat map indicates that the irregularly-shaped parcel has 372.83 feet of lineal frontage along Independence Drive as that street bends around the northwest and southwest sides of the subject parcel. Lot depths at the non-frontage sides range from 208.09 to 253.53 feet.

According to a survey that was prepared for the current property owner and provided to the City of Menlo Park as part of a development application, the parcel contains 40,235

gross square feet and 40,147 net square feet when excluding a portion of the land area that would be dedicated to the City for right-of-way purposes.

Site Characteristics

The subject parcel benefits from nearly level terrain. Independence Drive wraps around two sides of the property, such that the lot has essentially a corner setting. The parcel has a somewhat inefficient wedge shape. On the other hand, the parcel has a high ratio of street frontage and easy accessibility via Independence Drive, a two-way, local street with a right-of-way ranging from 50 feet (at the northwest side of the subject parcel) to 60 feet (at the southwest side).

Connected utilities at the subject property include electric, gas, water, sewer, and telephone lines. The subject parcel fronts on a two-lane, two-way, paved public street. Off-site improvements include street lights, storm drains, concrete curbs, and concrete gutters. The subject's side of the street lacks sidewalks at present but the opposite side of the street does have sidewalks.

Soils and Geotechnical Issues

Throughout the Bay Area, groundwater depth, soils, and geotechnical issues can impact development options and costs. Soils, geotechnical, and subsurface issues can have a significant impact on the value of a property. We have not been provided with a soils report, geotechnical report, or any other information that would provide information about the soils, geology, water table, and various related information about the subject site. Interested parties are encouraged to obtain a soils report, geotechnical report, and any other engineering information that they deem necessary to evaluate the subject site.

The subject property sits in an area of former marshlands. At least part of the surrounding area consists mainly of highly compressible Bay Mud soils. Such properties typically require relatively high site preparation and foundation construction costs compared to developments constructed on more stable soils or bedrock soils but Bay Mud soils would not preclude development.

Recorded Encumbrances

We were not provided with and have not reviewed a current title report for the subject property. Because we have not reviewed a current title report, we may not have complete information regarding easements, encroachments, and/or other encumbrances of record. We have presumed that there are no inapparent easements, encroachments, and/or other encumbrances that would have a significant effect on value or marketability. If that presumption were incorrect, there could be an effect on the assignment results.

During the course of this assignment, we reviewed the original tract map for Bohannon Industrial Park Unit Number 3. The subject parcel consists of Lot 18 in that tract. The tract map indicates that a 10-foot wide public utility easement runs along the northeast side of the subject parcel. The noted easement has no apparent adverse effect on the value or marketability of the subject property.

Flood Zone Data

According to the Federal Emergency Management Agency's flood map number 06081C 0306F (dated May 4, 2019), the subject parcel lies within flood zone AE. Flood insurance is required for improvements located within flood zone AE.

If the subject site were to be developed, it is likely that the elevation of the site would need to be raised by the addition of fill materials. Furthermore, there is a strong possibility that below grade space would not be allowed for a new development at the site.

Seismic Hazard Data

The provisions of the Alquist-Priolo Earthquake Fault Zoning Act and the Seismic Hazards Mapping Act require the state geologist to delineate seismic hazard zones in California. The main purpose of the Alquist-Priolo Earthquake Fault Zoning Act is to prevent the construction of buildings used for human occupancy on the surface trace of active faults. The Alquist-Priolo Act only addresses the hazard of surface fault rupture and is not directed toward other earthquake hazards. The subject property does not lie within an identified earthquake fault zone. Still, the property is in a seismically active region. As with all properties in the San Francisco Bay Area, the subject property is susceptible to earthquake damage.

The Seismic Hazards Mapping Act, passed in 1990, addresses non-surface fault rupture earthquake hazards, including liquefaction and earthquake-induced landslides. According to the map for the Palo Alto Quadrangle (dated October 18,, 2006), the subject property is not situated within an earthquake-induced landslide zone but it is within a liquefaction hazard zone.

As defined by the state, a liquefaction zone refers to "areas where historic occurrence of liquefaction, or local geological, geotechnical and groundwater conditions indicate a potential for permanent ground displacements such that mitigation as defined in Public Resources Code Section 2693(c) would be required." The subject's presence within a liquefaction zone means that the state has determined that it is likely that weak soil and/or rock may be present beneath the property. If present, these weak materials can fail during an earthquake and, unless proper precautions are taken during grading and construction, can cause damage to structures.

If a property is undeveloped, a site-specific investigation by a licensed engineering geologist and/or civil engineer may be required before the parcel can be subdivided or before most structures can be permitted. The investigation would be used to determine whether a significant hazard exists at the site and, if so, recommending measures to reduce the risk to an acceptable level.

Large portions of the competitive market area have been identified as liquefaction zones. At this time, there is no data indicating that the presence of a property within a liquefaction zone per se has an adverse effect on value.

The California Geological Survey produces statewide tsunami inundation maps. California communities affected by potential tsunami inundation hazards are required to develop emergency evacuation plans. The map for the Redwood Point/Palo Alto Quadrangle (dated June 15, 2009) indicates that the subject property does not lie within a tsunami inundation area. The subject is outside of a mapped potential tsunami inundation area but of course the boundaries of the mapped inundation area may change over time.

Hazardous Materials

Toxic or hazardous materials may include items such as petroleum-based products; paints and solvents; lead; cyanide; DDT; printing inks; acids; pesticides; ammonium compounds;

PCBs and other chemical products present in metals; minerals; chemicals; hydrocarbons; and biological or radioactive materials in the soil, buildings or building components, in above ground or underground storage tanks, or elsewhere in the property. The reader should understand that the appraiser does not have the expertise necessary to determine the existence of environmental hazards. An expert in the field should be consulted if any interested party has questions on environmental factors.

We have not been provided with a current soils report, a Phase I environmental report, or a Phase II environmental report for the subject property. At this time, we have no evidence indicating that hazardous materials that might require remediation affect the subject property. For purposes of this report, we have assumed that no toxic materials, toxic soil conditions, or adverse environmental conditions affect the subject property. This appraisal report also incorporates the assumptions that there would be no expenditure for soil testing or related engineering work, that there will be no remediation cost, and that hazardous materials have no past or current effect and will have no future effect on the value or marketability of the subject property.

No mold, spores, or fungus tests were provided to the appraisers in the course of this appraisal. As used herein, the terms molds, spores, and fungus mean any molds, spores, and fungus that can cause or threaten harm to living organisms or can cause or threaten physical damage, deterioration, loss of use and/or loss of value or marketability to any tangible property whatsoever. This includes, but is not limited to, any types of mold, spores, and/or fungus that are harmful or potentially harmful to health or welfare (such as Stachybotrys and others) or that are damaging or potentially damaging to tangible property (such as wet or dry rot, mildew, and others) or that can otherwise cause or threaten to cause damages of any kind whatsoever. An expert in the field should be consulted if any interested party has questions related to molds, spores, and/or fungus that may affect the appraised property. For purposes of this appraisal, we have assumed that the subject property is not affected by any molds, spores, and/or fungus.

Land Use Designation under the General Plan

A general plan is an adopted statement of policy for the physical development of a community. As such, it represents the official policy regarding the future character and quality of development.

Under the Menlo Park General Plan, the 511-acre Bayfront Area has six land use designations. Most of those are focused on commercial and industrial uses but the subject property sits within a narrow band with a Mixed Use Residential land use designation.

New development in the Bayfront area is limited under current general plan policy to a maximum of 4,500 housing units, 2.3 million square feet of commercial space, and 400 hotel rooms. There is remaining capacity under those limits to allow development of the proposed project at the subject site.

The general plan states that the Mixed Use Residential "designation provides for higher density housing to meet the needs of all income levels. It also allows mixed use developments with integrated or stand-alone supportive sales and service uses, and uses that are consistent with the Office Designation. Sales uses can range from small-scale businesses that serve nearby employment to a large-format grocery to serve adjacent neighborhoods. This designation is intended to promote live/work/play environments oriented toward pedestrians, transit, and bicycle use, especially for commuting to nearby jobs. The maximum base residential density shall not exceed 30 units per acre, and the maximum bonus FAR is 100 units per acre. Maximum base FAR for residential uses shall be 90 percent, and a maximum of 225 percent for bonus FAR. Non-residential uses shall have a maximum base FAR of 15 percent and bonus FAR of 25 percent."

Zoning District

The City of Menlo Park has zoned the subject property R-MU-B (Residential Mixed Use District). Under Section 16.45.010 of the municipal code, the purposes of the R-MU-B district are to (1) provide high density housing to complement nearby employment; (2) encourage mixed use development with a quality living environment and neighborhood-serving retail and services on the ground floor that are oriented to the public, and promote a live/work/play environment with pedestrian activity; and (3) blend with and complement

existing neighborhoods through site regulations and design standards that minimize impacts to adjacent uses.

Allowed Uses

Under the R-MU-B zoning code, multiple-family residential use is a *required* component of any new development. Other statutorily allowed uses in the district include but are not necessarily limited to administrative and professional offices with 20,000 or less square feet of floor area, financial institutions, retail sales establishments with 20,000 or less square feet, eating establishments, personal services, recreational facilities with 20,000 or less square feet, and community education/training.

Although retail sales and restaurants are allowed, any such uses involving sales of alcoholic beverages require the issuance of a conditional use permit. Other conditionally allowed uses include offices, retail sales, or recreational sales facilities with more than 20,000 square feet; R&D; movie theaters; public utilities; and uses proposing bonus level development. In addition to the foregoing, a few uses are allowed with an administrative permit, including but not limited to child care centers and eating establishments serving wine and beer but not liquor.

Development Parameters

The following table summarizes site and development requirements in the R-MU-B zone for base and bonus level development.

Category	Base Level Parameter	Bonus Level Parameter
Minimum Lot Size:	20,000 square feet	25,000 square feet
Minimum Lot Width:	100 feet	100 feet
Minimum Lot Depth:	100 feet	100 feet
Minimum Front Setback:	Ranges from 0 to 25 feet	Ranges from 0 to 25 feet
Minimum Side Setback:	10 feet (interior side)	10 feet (interior side)
Minimum Rear Setback:	10 feet	10 feet

Maximum Site Coverage:	No requirement established	No requirement established
Maximum Building Height:	35 to 40 feet	52.5 feet to 70 feet, except that allowed height rises to 85 feet along Jefferson, Constitution, or Independence drives; another 10-foot height increase is allowed for properties within a special flood hazard zone
Max. Residential Density:	20 to 30 units per acre	More than 30 units per acre to as high as 100 units per acre
Maximum Floor Area Ratio:	60% to 90% for residential use plus 15% for non-residential use	More than 90% to as high as 225% for residential use plus 25% for non-residential use
Open Space:	25% of the lot area; at least 25% of the open space must be publicly accessible	25% of the lot area; at least 25% of the open space must be publicly accessible

As noted in the table, the maximum allowed base level residential density amounts to 20 to 30 units per acre of land and the maximum allowed residential base level floor area ratio ranges from 60% to 90%. However, the code states that allowed residential gross floor area shall increase at an even gradient with increases in density. Thus, for example, a project could not have a density of 20 units per acre but a residential floor area ratio of 90%. To illustrate, if a project had a proposed density of 25 units per acre, the maximum floor area ratio under base level zoning would be 75%. The same theory applies under the bonus level zoning, with achievable density and floor area ratio linked on a prorata basis.

For the subject site, with 40,147 net square feet (0.92165 acre) of land area, the allowed residential gross floor area under base level zoning would be 24,088 to 36,132 square feet. The maximum density would be 18 to 28 dwelling units. The maximum total gross floor area under base level zoning, including both the 90% allowed residential floor area ratio and the 15% allowed non-residential floor area, would be 30,110 to 42,154 square feet (i.e., a total floor area ratio range of 75% to 105% for a mixed use project).

Under municipal code sections 16.45.060 and 16.45.070, bonus level development is allowed in the R-MU-B zone under certain conditions. Among those conditions, the applicant must construct on-site below market rate dwelling units in accordance with municipal code section 16.96. Under that section, for residential development projects of twenty or more units the developer shall provide not less than 15% of the units at below market rates affordable to low-income households, or an equivalent alternative.

As shown in the table, the R-MU-B zoning code establishes an allowed bonus level residential floor area ratio equal to more than 90% to as high as 225% of the lot size. The allowed bonus level density ranges from more than 30 units per acre to as high as 100 units per acre. For the subject property, the allowed bonus level residential gross floor area would thus amount to about 36,133 to 90,331 square feet while the allowed density would range from about 29 to 92 units. The total allowed gross floor area for a mixed use development, including both the greater than 90% to 225% allowed residential bonus ratio and the 25% allowed non-residential bonus ratio, would be about 42,155 to 100,368 square feet.

Parking

The parking requirements under the municipal code depend on a property's use, zoning, and location. The following table summarizes the required parking ratios for some allowed and conditionally allowed uses in the subject's district.

Use	Required Parking
Residential	1.0 to 1.5 automobile spaces per unit or 1,000 square feet of gross floor area; 1.5 bicycle spaces per unit plus 10% of the unit count in bike spaces for guests
Office	2.0 to 3.0 auto spaces per 1,000 square feet of gross floor area; 1.0 bicycle spaces per 5,000 sq. ft. of gross floor area
R&D:	1.5 to 2.5 auto spaces per 1,000 square feet of gross floor area; 1.0 bicycle spaces per 5,000 sq. ft. of gross floor area
Retail, Restaurant, Personal Svc., Financial:	2.5 to 3.3 auto spaces per 1,000 square feet of gross floor area; 1.0 bicycle spaces per 5,000 sq. ft. of gross floor area

An unusual factor in the R-MU-B zoning is that parking spaces must be "unbundled" from the prices of residential units, such that the parking spaces are sold or rented separately from the unit. (Exceptions are made for parking spaces that are physically connected to only one unit, as in most townhouses for example.). In contrast, in most of the main competitive area at least one parking space per unit is provided gratis at apartment properties.

Required Street Improvements

Section 16.45.110 of the code states that new construction of 10,000 or more gross square feet must provide street improvements on public street edges of the property to comply with Menlo Park street construction requirements for the adjacent street type. Such improvements do not count as community amenities. Since Independence Drive has no sidewalk abutting the subject property, it is considered likely that any development on the subject parcel would need to provide for a sidewalk along that section of the street. Other typical infrastructure already is in place.

Hazard Mitigation

Section 16.45.130 of the code deals with green and sustainable building requirements. Among many other provisions, that section of the code requires that the first floor elevation of all new buildings in the subject's district be 24 inches above the base flood elevation. We have not been provided with a topographic survey of the subject property or the base floor elevation. However, the property does lie within a special flood hazard area according to FEMA. As such, it is considered to be reasonably likely that construction of a new development at the subject property would require raising the elevation of the site by the addition of fill materials. Moreover, it is considered doubtful that below grade floor area would be allowed.

Inclusionary Zoning

City of Menlo Park

Affordable housing requirements are fairly common in Bay Area municipalities. Such so-called "inclusionary" programs require developers to set aside a certain percentage of new housing units as affordable to moderate, low, or very low income households.

Requiring a developer to set aside some units within a project as affordable can adversely affect the achievable price for a development site. Furthermore, the determination of whether a program should be aimed at moderate-, low-, very low-, or extremely low-income households (or some combination thereof) also can impact pricing. In most parts of the Bay Area, requiring units to be set aside for extremely low-, low-, or very low-income households will result in a significant loss to the developer, which can then have a corresponding adverse effect on land value. The same will sometimes, although not always, hold true for units affordable to moderate-income households.

Menlo Park has had inclusionary zoning requirements for residential developments for many years. The City's inclusionary zoning requirements apply only to residential developments of five or more units.

Chapter 16.96 of the municipal code deal with the City of Menlo Park's requirements for below market rate housing in new developments. In addition, the City's web site has a document that summarizes the current below market rate housing program guidelines.

Under Chapter 16.96 of the municipal code, the stated purpose of the City's below market rate (BMR) housing program is "to increase the housing supply for households that have very low, low and moderate incomes compared to the median household income for San Mateo County. The primary objective is to create actual housing units, either 'rental' or 'for purchase' units, rather than equivalent cash."

For residential or mixed use developments with fewer than 20 dwelling units, the required affordable housing ratio amounts to 10% of the unit count. For residential or mixed use developments with 20 dwelling units or more, the required affordable housing ratio is 15%. In-lieu fees are allowed for fractional units. Commercial developments with 10,000 or more square feet of floor area are required to pay an affordable housing impact fee.

For residential or mixed use projects that provide affordable housing on-site, Menlo Park's code allows density and floor area ratio bonuses. In essence, the City allows one additional market rate unit for each on-site affordable unit provided. That density bonus would be on top of the bonus level density already allowed under the R-MU-B code.

For rental housing, the municipal code allows the developer to pay an in-lieu fee rather than providing the BMR units on-site. However, for any projects in the R-MU-B zone that are based on bonus level allowed density/intensity, the code requires that the units be provided on-site.

Allowed BMR Pricing

The City's policy for rental units sets the maximum allowed monthly rent for a unit at 30% of the applicable income limits for extremely low-, very low-, low-, and moderate-income levels for households as established by the California Housing & Community Development Department (HCD). The HCD limits often differ from the income limits published by the County of San Mateo, as the County uses both the U.S. Department of Housing and Urban Development (HUD) income limits and certain HUD income limit schedules.

It must be noted that rents for BMR units are meant to include not only the rent for the unit but also the cost of utilities. The combined expense for rent and utilities cannot exceed 30% of the income level of the targeted program beneficiaries.

The HCD published updated income classification level figures for various household sizes in April of 2020. The updated income level figures for San Mateo County became effective on April 30, 2020. The table on the next page summarizes some household sizes and the corresponding median income levels for those household sizes, as well as the maximum income levels that would therefore apply for extremely low-, very low-, low-, and moderate-income levels.

Household Size:	1	2	3	4	5
2020 County Median Income for HH Size:	$100,150	$114,500	$128,800	$143,100	$154,550
Extremely Low Income:	$36,550	$41,800	$47,000	$52,200	$56,400
Very Low Income:	$60,900	$69,600	$78,300	$87,000	$94,000
Low Income:	$97,600	$111,550	$125,500	$139,400	$150,600

Moderate Income:	$120,200	$137,350	$154,550	$171,700	$185,450

In Menlo Park, the BMR guidelines associate studio apartments with one-person households. For one-bedroom units, Menlo Park uses 1.5 people as the household size standard, and thus the allowed rent is calculated using the average of the one-person and two-person household income levels. In Menlo Park, two-bedroom units correspond to three-person households, three-bedroom unit BMR rents are based on 4.5-person households, and four-bedroom BMR rents would be based on 6.0-person households.

The table on the next page summarizes some of those unit types and the implied allowed rents for each unit type based on the aforementioned household sizes, area median income figures, and maximum monthly rent figures as published by the HCD. Interested parties should do their own investigation of allowed rent levels.

Household Size:	1	1.5	3	4.5
2020 County Median Income for HH Size:	$100,150	$107,325	$128,800	$148,825
Corresponding Unit Type:	Studio	1-bedroom	2-bedroom	3-bedroom
Max. Rent + Utilities./Month, Extremely Low Income:	$913	$979	$1,175	$1,357
Max. Rent + Utilities/Month, Very Low Income:	$1,522	$1,631	$1,957	$2,262
Max. Rent + Utilities/Month, Low Income:	$2,440	$2,614	$3,137	$3,625
Max. Rent + Utilities/Month, Moderate Income:	$3,005	$3,219	$3,863	$4,464

For most unit types and targeted program beneficiary levels, the allowed maximum rents for BMR units trail far below rental rates for recently developed projects in the subject's main competitive area. That is not necessarily true, however, for moderate-income level rents for studios or very small one-bedroom units. Nevertheless, under Menlo Park's BMR guidelines, regardless of the foregoing the monthly rent for BMR units "cannot exceed seventy-five percent (75%) of comparable market rate units. Therefore, any of the allowed rents would be subject to revision in order to correspond to that requirement.

At for-sale projects, the BMR program requirements of course differ from those applicable to rental projects. At for-sale projects of more than ten units, the City may accept an in-lieu payment equal to 3% of gross sales prices of units sold within the project.

Where on-site BMRs are required, the initial sale price is based on the household size parameters, corresponding unit type by bedroom, and area median income figures previously noted. Menlo Park's BMR guidelines do not precisely state the methodology used to calculate allowed prices for BMR units. However, most cities in the regional market

use a housing cost level set at 30% to 35% of the corresponding median income level of the targeted program beneficiaries.

Housing cost usually is defined as the sum of the mortgage/deed of trust payments, any mortgage/deed of trust insurance premium, real estate taxes (ad valorem and special assessments), any monthly homeowner's association dues, property insurance expenses, and maintenance expenses. The loan payment expense usually is calculated using an allowed loan-to-sale price ratio of 90% or less.

Obviously, the allowed housing price is highly sensitive to interest rates and other housing expenses. Therefore, the target price levels can be volatile. Regardless of that fact, the data tend to indicate that for nearly all unit types and BMR unit affordable income levels between extremely low and moderate, the allowed prices fall below reproduction cost including all direct and indirect costs of construction but excluding land acquisition. As such, nearly all of the allowed pricing levels typically would result in losses to a developer, since the achievable sale price could not produce sufficient value even to cover the likely direct construction costs, indirect construction costs, and costs of sale for producing and selling the project, much less allow for any price to be paid for the land or any profit to be achieved by a developer.

State of California

Under California law cities and counties are *required* to grant a density bonus and other incentives or concessions to housing projects that contain one or more of the following:

1. At least 5% of the units are restricted to very low income residents.

2. At least 10% of the units are restricted to low income residents.

3. At least 10% of the units in a for-sale common interest development are restricted to moderate income residents.

4. At least 10% of the units are set aside for transitional foster youth, disabled veterans, or homeless persons, with rents restricted at the very low income level.

5. The project donates at least one acre of land to the city or country for low income units, and the land has the appropriate general plan designation, zoning, permits, approvals, and access to public facilities needed for such housing.

6. The project is a senior housing development, regardless of affordability.

7. The project is a mobile home park age-restricted to senior citizens, regardless of affordability.

Under the state law, at rental projects moderate income rents may not exceed 30% of 110% of the area median income for the household size suitable for the unit. Rent includes the base rent plus utilities. For low income, the maximum rent is 30% of 60% of the area median income. For very low income, the maximum rent is 30% of 50% of the area median income.

At for-sale projects, the state law sets the allowed housing cost (including loan payments, loan insurance payments, property taxes, HOA fees, utilities, insurance premiums, and maintenance costs) at 35% of 110% of area median income for moderate income households. For low income, the housing cost can equal 30% of 70% of area median income. For very low income, the housing cost maximum equals 30% of 60% of area median income.

The achievable density bonuses under state law vary with the affordable unit ratio, income target levels, housing type, and/or land donation status. Regardless of the type of project or target beneficiary group, the maximum achievable density bonus under state law is 35%. With such an increase, the achievable density for the subject site, for example, could potentially rise to as high as 135 units per acre.

In addition to the density bonus, state law *requires* cities and counties to provide one or more incentives or concessions to each project that qualifies for a density bonus and that provides affordable housing. A concession or incentive is defined as (1) a reduction in site development standards or a modification of zoning code or architectural design requirements, such as a reduction in setback or minimum lot size requirements, (2) approval of mixed use zoning, or (3) other regulatory concessions or incentives that result in identifiable and actual cost reductions.

The number of required incentives varies with the percentage of affordable units provided, with from one to three concessions required. For example, for a project that has 11% very low income units, at least two concessions would be required. To get two required concessions or incentives with low or moderate income units, at least 20% of the base-level allowed units would have to be set aside in either category.

The state law requires a city or county to grant the incentives or concessions unless it finds that the proposed incentive/concession does not result in identifiable cost reductions, would cause a health or safety problem, would cause an environmental problem would harm historical property, or would be contrary to law. The city/county has the burden of proof if attempting to deny the incentives/concessions.

In addition to the foregoing, upon the developer's request the city or county may not require more than one on-site parking space per studio or one-bedroom unit, more than two on-site parking spaces per two- or three-bedroom unit, or more than 2.5 spaces per unit for homes with four or more bedrooms. Even lower parking ratios can apply for projects situated near major transit stops. The parking ratios noted above do not count as concessions or incentives.

Subject Use and Improvements

The subject property is improved with an industrial/office flex building with an approximate floor area ratio of 37%. The existing building was legally established but is out of conformance with the current zoning code. Under Section 16.80.130 of the municipal code, all buildings in existence or approved within the Residential Mixed Use zoning district as of the date of adoption of the Menlo Park General Plan and the M-2 area zoning update and the subsequent rezoning of properties in the M-2 Area, effective on January 5, 2017, are exempt from the nonconforming use and improvement standards of the code.

In any case, whether or not the existing use and improvements conform to the current planning code is not a significant consideration in this assignment. The assignment focuses on the land values of the subject property under two potential development scenarios.

Preface

The appraisers have made no survey of the subject property. Data relative to size and area were obtained from sources considered reliable, but are not guaranteed as accurate.

This appraisal should not be considered a report on the physical items that are a part of the subject property. Although the appraisal may contain information about the physical items being appraised, it should be clearly understood that this information is only to be used as a general guide for property valuation and not as a complete or detailed physical report and/or inspection.

We obtained information regarding the existing and proposed physical characteristics of the subject property mainly from a physical exterior inspection, public records, City of Menlo Park staff reports, and the building plans submitted for the proposed development. The most recent building plans that we reviewed were drawn by BDE Architecture and are dated May 6, 2020.

The subject property is currently developed with a one-story, concrete tilt-up building that contains roughly 15,000 square feet of floor area, according to the City. The property owner intends to demolish the existing improvements and redevelop the site.

Description of the Proposed Project

According to the available sources, the property owner proposes to develop the subject property with an 85-foot tall, eight-story, mixed use building that would have three levels of Type IA construction (lowest levels, consisting mostly of garage space) and five levels of Type IIIA construction (upper levels).

Under the R-MU-B zoning code, building heights of 85 feet are allowed for bonus level development for properties situated along Independence Drive, Jefferson Drive, and Constitution Drive. If the proposed project were one story higher, the entirety or nearly the entirety of the project would need to be Type I construction, which typically is much more expensive to build than Type III construction.

The development would have one commercial unit and 105 residential units. The project would consist entirely of rental units.

The project would include four apartments set aside as affordable to very low-income households, five apartments set aside as affordable to low-income households, and five apartments set aside as affordable to moderate-income households. According to the submitted plans, the building would have 15 studios, 79 one-bedroom units, and 11 apartments with two bedrooms and two baths. The residential units would contain 72,143 rentable square feet. The commercial unit would comprise 713 square feet and the building plans indicate that the unit would be a café. The development would include 113 on-site automobile parking spaces plus 177 bicycle parking spaces.

The appraisal instructions define gross floor area in the R-MU-B zone as "the sum of all 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." That definition is reasonably similar to the Menlo Park municipal code's definition (section 16.04.325) for properties that are outside of the R-1 and R-2 zones.

According to the building plans, the gross floor area for the project would be 95,371 square feet, or a 237.6% floor area ratio. That total excludes the garage parking space.

Many zoning codes for cities in the Bay Area have definitions of floor area or gross floor area. Some of the definitions differ considerably from the one set forth in the appraisal instructions. In this appraisal, in analyzing the market data we will consistently apply to the best of our ability the City of Menlo Park's definition of gross floor area as stated in the appraisal instructions, including the analyses of sales located outside of the City of Menlo Park. That methodology is necessary to establish a consistent basis of comparison.

The proposed residential density would be 113.9 units per acre. The proposed density and the proposed residential floor area ratio would exceed the nominal maximum allowed bonus ratios under the zoning code and general plan. However, as previously discussed in Menlo Park and in the State of California additional bonuses are achievable for projects that provide on-site affordable housing.

Entitlement Status

All else being equal, an entitled development site will sell for a significant premium over an unentitled site, as long as the buyer actually wants to construct the approved project.

The premium tends to vary with the size of the project, the perceived difficulty of the entitlement process, the anticipated time needed to obtain approvals, the type of project, and current and anticipated future market conditions.

In this appraisal the assignment is to value the subject property assuming all entitlements are in place for (1) the base level of allowed development defined by the City of Menlo Park and (2) the bonus level of development proposed. The appraisal instructions state that "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." The instructions also state that "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."

In reality, no development entitlements currently are in place for a new project at the subject site. As a result, the assignment instructions create the need for the use of hypothetical conditions (i.e., conditions contrary to fact) in the valuation analyses. Those hypothetical conditions affect the assignment results.

The City has determined that for community amenity valuation purposes the base gross floor area allowed would be 42,154 square feet, or a 105% total floor area ratio. The maximum residential floor area ratio would be 90% with a density of 30 dwelling units per acre and the maximum non-residential floor area would be 15%.

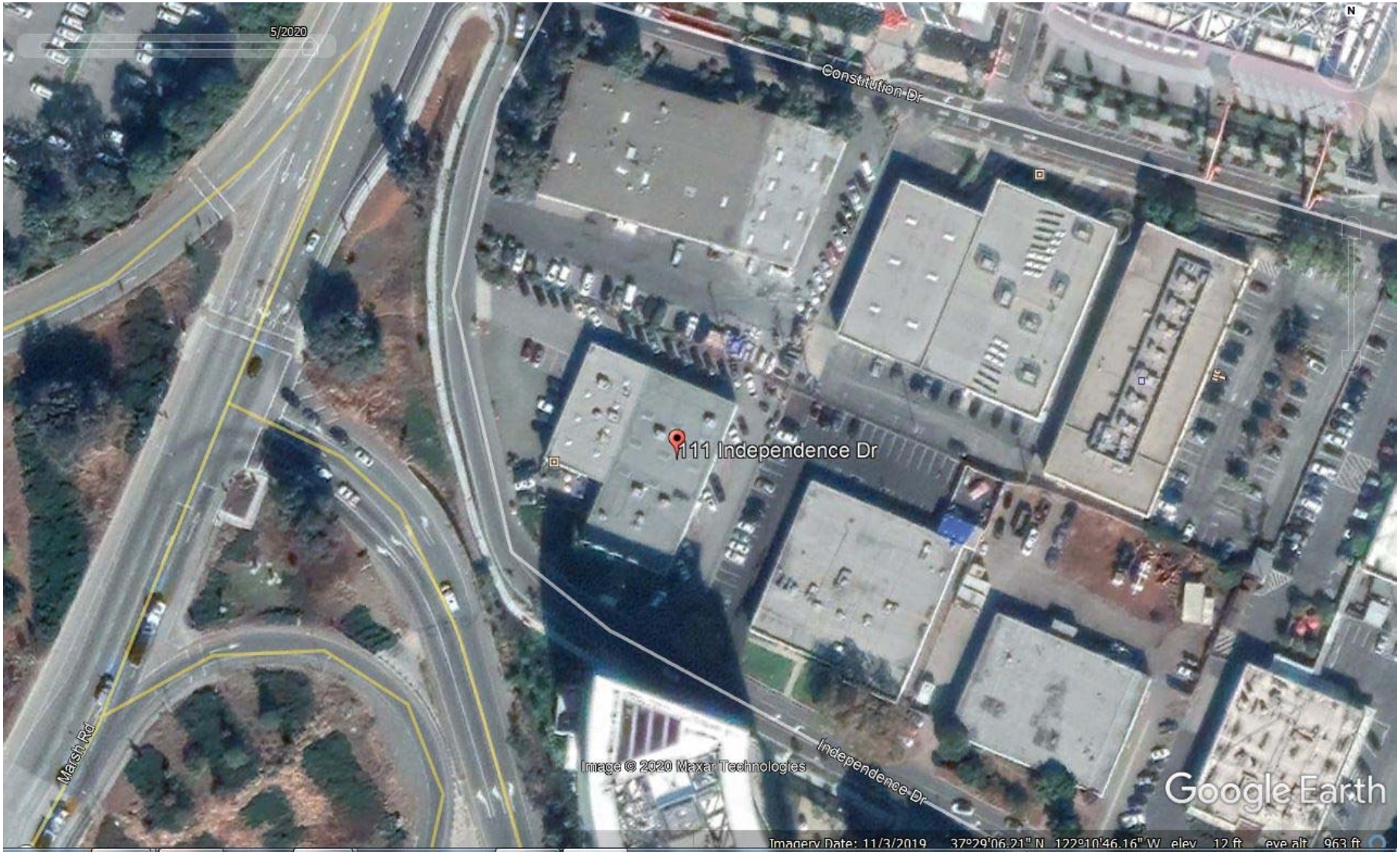
The proposed development would contain 95,371 square feet of gross floor area, for a 237.6% floor area ratio. Nearly all of that area would be residential, with only a very minor commercial component.

Street scene; looking west/northwest on Independence Drive; the subject property is visible toward the right side

Street scene; looking southeast on Independence Drive; the subject is toward the left side; Facebook Building 30 is toward the right side

Southwest elevation (front view) of the existing building at the subject site

Southwest and southeast elevations



Aerial view of the subject property; this image was obtained from Google Earth

Highest and Best Use Definition

"Highest and Best Use" or "Optimum Use" of the property is the most fundamental premise upon which the estimation of market value is based. The Appraisal Institute's *Dictionary of Real Estate Appraisal* defines highest and best use as "the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability."

Highest and Best Use as Improved

In determining the highest and best use of a property as currently improved, an appraiser normally would analyze the existing use and the estimated property value with regard to (1) the possible demolition of the improvements, allowing development of the site with an alternate use, (2) the potential expansion, conversion, or alteration of the existing use, and (3) continuing the current use. In essence, the highest and best use as improved is that which produces the highest value while being legally permissible, physically possible, and financially feasible.

For this assignment, determining the highest and best use of the subject property as currently improved is irrelevant. We have been asked to value the subject property under two appraisal scenarios, both of which consider the property as a potential development site. Under those scenarios, the existing improvements would have to be removed in order to develop the site to the base or bonus level intensities allowed or proposed.

Highest and Best Use as if Vacant

An appraisal report of a potential development site usually will include an analysis of the highest and best use of a property as if it were vacant and available for development. The highest and best use as if vacant normally is the use that produces the highest land value while being legally permissible, physically possible, and financially feasible.

The planning guidelines for the subject property require that any new development include a residential component. Apart from that factor, the guidelines allow for a broad mix of potential uses and development intensities.

The allowed residential density nominally ranges from 20 to 100 dwelling units per acre, and could potentially be higher either with city-allowed or state-allowed density increases for projects that include an affordable housing component. The allowed residential floor area ratio ranges from 60% to 90% under base level zoning or from more than 90% to as high as 225% under bonus level zoning. Again, potential ratios could be higher with affordable housing bonuses.

In addition, under base level zoning a new development could have up to a 15% floor area ratio for non-residential uses and under bonus zoning that ratio rises to 25%. Thus, the total potential floor area range is 60% to 250%.

Allowed building height is only 35 to 40 feet under base zoning. Allowed height increases to a range of 52.5 feet to as high as 85 or 95 feet under bonus level zoning. For properties in a special flood hazard zone, the allowed height range is 62.5 to 95 feet.

In this appraisal, we have been asked to value the subject property under only two development scenarios. As such, the appraisal does not call for a normal highest and best use analysis, as the actual highest and best use may differ from either of the two scenarios.

Base Level Scenario

For properties in the Residential Mixed Use zoning district, in brief the instructions for estimating market value at the base level allowed under the zoning code state that the appraiser must (1) identity the property to be appraised; (2) state whether the project proposed for the site consists of for-sale or rental product; (3) obtain the base level development permitted from the City in terms of the allowed density, gross floor area, and required below market rate units; (4) state the base level development allowed on a gross floor area basis; (5) estimate the market value of the property assuming it is fully entitled for the base level of development; (6) use only the Sales Comparison Approach in the valuation analysis; and (7) state the conclusion on a price per gross square foot of allowed gross floor area basis. The reader may refer to the actual document, which is readily available at the City's web site, for a full list of the appraisal instructions.

The allowed floor area ratio for the 40,147-net square foot subject site under base level zoning ranges from 60% to 105%, with the latter including both the maximum residential (90%) and non-residential (15%) ratios. The allowed residential gross floor area under

base level zoning would be 24,088 to 36,132 square feet. The maximum total gross floor area under base level zoning, including the allowed residential and non-residential gross floor area, would be 42,154 square feet. The maximum residential density would be 28 dwelling units at 30 units per acre.

The City has determined that for community amenity valuation purposes the base gross floor area allowed would be 42,154 square feet and that that figure should be used in the appraisal analysis. As noted, allowed residential gross floor area and density are linked under the code. Thus, the project could not have fewer than 28 residential units, which would be a density of 30 units per acre. The project would need to have 36,132 gross square feet of residential area, or an average of about 1,290 square feet per unit including rentable area and any common area. The remaining 6,022 square feet of gross floor area would need to be non-residential. Of the allowed non-residential uses, office space would likely be the most productive. The planning code is oriented more to retail and service uses for the commercial component of mixed use developments but offices are allowed.

The appraisal instructions require that the appraisal report state whether the proposed project would consist of for-sale or rental product. There is in fact no existing development proposal of anything like the base level scenario. If such a project were proposed, which we believe would be unlikely, the development could be marketed either as rental product or as for-sale condominium product. The actual development proposal for the subject site is for rental product.

At an allowed base level residential density range of 20 to 30 units per acre, many developers in the general competitive area would consider developing three-story, for-sale townhouse units or townhouse-style condominiums. However, such projects in the competitive area normally are built at densities ranging from about 13 to 25 units per acre. Townhouse projects with densities higher than 25 units per acre are exceedingly rare in the subject's competitive area. (We could find only one sale of a townhouse-style condominium project at 30 units per acre or higher in all of San Mateo County over the past seven years, and that property is located in a city with significantly lower open space requirements than apply in Menlo Park's R-MU-B zone.)

Moreover, most townhouses developed in the general competitive area in recent years have had fairly large unit sizes, typically averaging from about 1,600 square feet per unit to

well over 2,000 square feet per unit (excluding garage space). However, under the base level scenario the average unit size for the subject property would be limited to just 1,290 square feet (excluding garage space).

At 30 units per acre, a development in the competitive market area would more commonly consist of three floors of stacked flat units that would be marketed either as rental apartments or for-sale condominiums. Either project type would typically be more expensive to construct per square foot of rentable area than a townhouse development and also would typically have lower achievable prices or rents per square foot, all else being equal. Furthermore, a development of stacked units would typically have significant portions of the floor area devoted to internal hallways and other common areas, while townhouse projects typically have no need for internal hallway/corridor space.

We consider it unlikely that the subject site actually would be developed in accordance with the base level scenario guidelines required under the terms of this assignment. Nevertheless, we will analyze the property on that basis in accordance with the appraisal instructions. Based on the available market evidence, a development along the base level guidelines would be a financially feasible use of the subject property. However, at just 28 dwellings the project would be extremely small by normal multi-family development standards.

As part of our research, we have examined sales data for recently-developed townhouses, condominiums, apartment buildings, and mixed use buildings located in the primary and general competitive market areas for the subject property. Those development types would be at least theoretically possible for the subject property under base level guidelines. As previously noted, however the average unit size for the subject site would be significantly limited relative to typical townhouse projects. Furthermore, it would be difficult or impossible to accommodate a townhouse-only project on the subject site at the maximum allowed density while still adhering to the remainder of the zoning code requirements and the base level zoning parameters that are applicable in this assignment, including the provision of non-residential space at a 15% floor area ratio.

In the four-year period immediately preceding this appraisal report, the multiple listing service reported 65 sales of townhouses or condominium units that were (1) located in the primary competitive area of Menlo Park, Palo Alto, or Redwood City and (2) were five years

old or newer at the time of sale. For those homes, the average reported unit size was 1,669 square feet. That figure excludes garage space. The figure also excludes any common area in the development, including any hallway/corridor space.

The average reported sale price was $1,496,920 for the sales of homes meeting the noted criteria. Thus, the average sale price equaled about $897 per square foot of unit area. We should note that the significant majority of the sales are located in Redwood City, which is the largest of the three cities forming the primary competitive market. Given prevailing pricing levels in the competitive market area, building for-sale townhouse-style condominiums or condominium flats would be a financially feasible use at the subject site.

Several recently developed, mid-sized to large apartment and mixed use buildings that are located in the primary competitive market area also sold within the past four years. The table below summarizes some relevant information about those sales.

Address	Sale Date	Sale Price	Units	Gross Area (SF)	Rentable Area (SF)	Price per Gross SF	Price per Rentable SF
103 Wilson Street, Redwood City	11/29/19	$142,500,000	175	167,837 (est.)	140,087	$849	$1,017
1355 El Camino Real, Redwood City	9/19/19	$108,000,000	137	137,621	115,405	$785	$936
777 Hamilton Ave., Menlo Park	8/30/19	$148,000,000	195	209,135	177,043	$708	$836
825 Marshall St., Redwood City	9/13/16	$153,000,000	196 plus com'l.	230,172	181,337	$665	$844
675 Bradford St., Redwood City	8/16/16	$320,000,000	471 plus com'l.	482,831	393,631	$663	$813
299 Franklin St., Redwood City	6/6/16	$212,650,000	304	285,849 (est.)	243,564	$744	$873

Of note, we are reporting the gross floor areas for the properties based on the Menlo Park definition, with parking area excluded. Rentable areas include space within apartments

and any commercial units. We obtained both gross and rentable area totals from the building plans, where available. In a couple of cases we had to estimate the gross building areas from the drawings because in some instances the building plans had no stated data that correlated with Menlo Park's methodology for calculating gross floor area. (Of note, in some cases the developments are located in zoning districts where there are no stated limitations on density or floor area, and thus the building plans that are submitted sometimes do not directly provide gross floor area data under any definition.)

Given typical direct and indirect costs per square foot for multi-family and mixed use projects, the sale prices paid for the summarized projects indicate that development of such projects has been financially feasible and capable of producing significant profits in recent years. Whether developers will still believe that to be the case in the current economic climate remains to be seen.

Of the summarized sale developments, by far the lowest density project is the one on Hamilton Avenue in Menlo Park, which was built at about 30 units per acre. The other projects all have very high intensity by the standards of the primary competitive area, with development densities of significantly more than 100 units per acre.

There is no correlation between the density differences and the prices achieved per gross square foot of floor area or rentable square foot of unit area. Consequently when considering a similar product type as a potential development alternative, it is logical that higher achievable development density will produce higher land values, all else being equal.

That is, since (1) the cost of production per square foot will not vary much with additional floor area, presuming similar construction characteristics and (2) the ability to construct the additional floor will result in a higher ultimate achievable price for the project, and if (3) the development is profitable to produce, then the incremental added gross floor area would increase the amount that a developer could pay for the land.

That effect may diminish with additional allowed area but it normally would not be extinguished as long as the higher intensity project has reasonably similar unit construction costs as a lower density alternative of the same product type and remains profitable to build.

Under base level zoning, the subject site could support a development with three to four stories above grade. Under the bonus level zoning, however, allowed building height increases to about five floors to at least eight floors. Of course, the allowed floor area ratio also rises at the bonus level. Thus, a developer could produce a larger project with a higher sale price and achieve a greater profit under the bonus level zoning, and in turn would be able to pay a higher price for the land.

If we were to look at it another way, the property at 825 Marshall Street has 196 residential units and one commercial unit and it sold in 2016 for $153 million. The property sits on 1.16 acres of land. The price paid for the completed improvements and the land combined thus amounted to slightly less than $132 million per acre of land utilized.

In comparison, the property at 777 Hamilton Avenue contains 6.52 acres of land but at 195 units has nearly the same unit count as 825 Marshall. The property at 777 Hamilton sold for $148 million, including the completed improvements and the land. The property sold three years later than the property at 825 Marshall, after a period of generally rising prices in the interim. The sale price for the completed project in that case amounted to a bit less than $23 million per acre utilized.

Bonus Level Scenario

For properties in the Residential Mixed Use zone, the instructions for estimating market value based on the bonus level allowed are largely the same as for the base level. In the bonus level valuation analysis, the appraiser must obtain the bonus level permitted from the City in terms of the allowed density, gross floor area, and required below market rate units. Nevertheless, the appraisal analysis should be based on the developer's proposed project parameters, which may of course differ from the permitted bonus level established by the City.

The value of the community amenity, if any, is then calculated by subtracting the market value conclusion at the base level zoning from the market value conclusion at the bonus level zoning and multiplying the result by 50%.

The instructions state that "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."

That instruction is contrary to what would be the normal methodology for appraising a potential development site but it is a requirement for this assignment.

The prospective developer of the subject property has proposed constructing a mixed use development that would have 105 dwelling units and a very small commercial component (713 square feet). The development would contain 95,371 square feet of gross floor area. Despite the economic disruption resulting from the novel coronavirus pandemic, based on the currently available market evidence the project should be financially feasible.

Sales of Transferrable Development Rights

The fact that all of the development proposals in the subject's zoning district call for construction at or near the maximum achievable bonus level intensity strongly indicates that there is a value associated with the bonuses allowed by the City of Menlo Park for building height, gross floor area, and density. Market data regarding development site sales and the implications for achievable value based on achievable development intensity will be discussed in the Sales Comparison Approach section of this report.

In addition to sales data, other market data can provide some insight into the land value potential of the ability to increase development intensity for a project in the local market. For example, sales of transferrable development rights can provide an indication of how developers value the potential to increase allowed floor area ratios.

Transferrable development rights (TDRs) typically involve one party forgoing the right to develop a property or properties to the maximum allowed intensity but transferring the additional allowed floor area to the owner(s) of another property or properties. The grantee(s) can then utilize the purchased right to construct additional floor area to increase the achievable development density on their properties to a level above what would normally be allowed.

TDRs are not commonly used in Silicon Valley but they have been used on occasion, perhaps most notably in Palo Alto. In addition, in 2018 the Los Altos School District (LASD), which includes schools serving all or parts of Los Altos, Los Altos Hills, and Mountain View, announced plans to sell an extremely large volume of TDRs (610,000 square feet). The funds from selling the TDRs were to be used to help fund the district's purchase of a property in Mountain View.

TDRs have value only if the purchasers believe that the right to construct a higher intensity development has an incremental value over the land value of a property based on its normally allowed development intensity under the planning code. The LASD was able quickly to sell all 610,000 square feet of its TDRs to developers.

Of particular note, in one case Google had contracted to buy 72,000 square feet of the available TDRs but later backed out of that agreement. The LASD then sold those TDRs to a developer who intends to construct a high density multi-family project at 400 Logue Avenue in Mountain View, which would include both for-sale condominiums and rental apartments. The current zoning for the 110,980-square foot site allows a floor area ratio of 100% to 350% of the lot size. The developer intends to increase the allowed FAR by use of the TDRs, which would increase the allowed floor area for the site by 65% (i.e., to a maximum of 415%, which is the ratio proposed by the prospective developer). The reported price paid for the TDRs was $130 per square foot, which is consistent with the prices paid for other TDRs sold recently by the LASD.

Additional Notes

As previously discussed in this report, there are numerous new development proposals for properties situated in the subject's district, including some involving properties in the same zoning district as the subject. None of the proposed development sites in the subject's zoning district has recently sold and closed escrow in an arm's-length transaction. However, several parcels are reported to be under contract for sale. All of those parcels would be sold to the same developer. The prospective grantee declined to provide information related to the sale contracts and the prospective grantors or representatives thereof with whom we were able to speak all declined to comment. If that information had been available, the data may have affected the assignment results. Still, we should note that any such purchase agreements or options would *not* match the valuation scenarios analyzed in this report under the appraisal instructions.

The Appraisal Process

There are three basic approaches to the valuation of real estate. These are the Income Capitalization Approach, the Sales Comparison Approach, and the Cost Approach. The terms of this assignment require that the value estimates be based solely on the Sales Comparison Approach. That is the most commonly used method used to value potential development sites in the local market.

The basis of the Income Approach is the concept of capitalization. Capitalization may be defined as (1) the conversion of expected future benefits into a capital sum and/or (2) the discounting of future incomes into present values. Both of these capitalization forms are used to estimate value based on actual or projected income streams.

Capitalization techniques usually fall into two main categories, namely (1) direct capitalization and (2) yield capitalization. Direct capitalization involves estimating property value by dividing a property's annual net operating income by a single overall capitalization rate. Yield capitalization has many forms, all of which estimate the value of a property based on the present worth of (1) projected income streams and (2) reversion, if any. Because money received in the future is worth less than money received immediately, the future cash benefits must be discounted to their present value by one of several appropriate capitalization methods.

In this appraisal, we are valuing the subject property based on its land value for two potential development scenarios. Extremely few residential development sites in the local market involve ground leased properties. The Income Capitalization Approach does not apply because (1) few or no prospective buyers would rely on capitalized potential net operating income in evaluating a property under the development scenarios considered in this appraisal and (2) the appraisal instructions do not allow use of that approach.

The Cost Approach is a method in which the value of a property is derived by estimating the reproduction or replacement cost of the improvements, deducting the estimated depreciation, adding entrepreneurial profit, and then adding the value of the land. The Cost Approach does not apply because (1) the appraisal scenarios are based on the subject property's value potential as a development site and (2) the appraisal instructions do not allow use of that approach.

Sales Comparison Approach

The Sales Comparison Approach is the process in which a market value estimate is derived by comparing the subject property to similar properties that have recently sold, are listed for sale, or are under contract. A major premise of the Sales Comparison Approach is that the market value of a property is directly related to the prices of comparable, competitive properties. The reliability of this approach depends upon (1) the availability of comparable data, (2) the verification of the sales data, (3) the degree of comparability, and (4) the absence of unusual conditions affecting the sale price.

The subject property contains 40,147 square feet of net land area. The property is zoned primarily for multi-family residential development or mixed use development consisting in the large majority of multi-family residential gross floor area.

The appraisal assignment requires that we analyze the market value of the subject property first as an entitled site with approvals to construct a new project at the maximum allowed intensity under base level zoning parameters. On that basis, the property could support a new development with a density of 30 dwelling units per acre, 36,132 square feet of residential gross floor area, and 6,022 square feet of non-residential gross floor area, for a total gross floor area of 42,154 square feet.

The assignment also requires that we analyze the market value of the property as an entitled site with approvals to construct a new project in accordance with the submitted development proposal. On that basis, the property would be developed at a density of 113.9 dwelling units per acre and 95,371 square feet of gross floor area, nearly all of which would be residential floor area.

Multi-family residential sites normally are analyzed using at least one of three metrics, namely the price per square foot of land area, the price per square foot of allowed floor area, and/or the price per unit. Mixed use development sites usually are analyzed using one or both of the first two of those metrics. In cases where the proposed floor area is known, the price per square foot of proposed floor area often provides the best method for the analysis, as it immediately takes into account some important land use planning issues that can affect value. For this assignment, the appraisal instructions require that the

market value conclusions for the base and bonus scenarios be stated on a price per square foot of allowed or proposed gross floor area basis. We will analyze the sales on that basis.

As previously noted in this report, the appraisal instructions define gross floor area in the subject property's zoning district as "the sum of all 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." In this appraisal, in analyzing the market data we will consistently apply to the best of our ability the City of Menlo Park's definition of gross floor area as stated in the appraisal instructions, including the analyses of sales located outside of the City of Menlo Park.

All of the analyzed sales are proposed multi-family or mixed use development sites located in the subject's primary and general competitive market areas. An effort was made to focus on sales that are reasonably similar in allowed development intensity relative to the base and bonus level scenarios for the subject property. Since the subject's gross floor area ratios for analysis purposes vary widely (105.0% to 237.6%), the sales also have widely varying intensities.

Due to a shortage of highly similar sales, some of the analyzed sales are fairly dated and all of the sales are outside of Menlo Park. As previously discussed in this report, there are some reported pending sales of proposed development sites in the subject's district. However, the prospective buyer refused to provide information regarding those sales and the prospective grantors (or their representatives) with whom we were able to speak also would not provide any information regarding the contract prices. The sales analyzed in this report are not ideal by any means but they are the best available.

Of note, the appraisal instructions indicate that the same sales data must be used in evaluating both the base and bonus level values. In normal appraisal practice, it is unlikely that the exact same group of sales would be used in analyzing (1) a property with an achievable floor area ratio of 105% and a potential density of 30 units per acre and (2) a property with a floor area potential of 225% to 250% and a potential density of 100 units per acre. Still, the appraisal instructions require that the same sales be used in both scenarios and we will adhere to that requirement.

The tables on pages 92 through 95 summarize the sales data analyzed in the appraisals of the subject site. The sales are ordered by proposed development intensity, with the first sale having the lowest proposed gross floor area ratio and the final sale having the highest proposed gross floor area ratio. In the tables, the abbreviations "GFA," "FAR," and "BMR" respectively stand for gross floor area, floor area ratio, and below market rate.

Following the tables are summaries of the process used in analyzing the sales for the base level and bonus level scenarios. After concluding the market values for the subject property under those scenarios in accordance with the terms of this assignment, we will provide a conclusion for the community amenities value using the methodology outlined in the appraisal instructions.

Summary of Sales Data (Table 1 of 4)

Sale #:	*Subject Property*	1	2	3
Address:	*111 Independence Dr.*	551 Pilgrim Dr.	601 El Camino Real	120 El Camino Real
City:	*Menlo Park*	Foster City	Redwood City	Redwood City
Influences:	*Traffic noise*	Traffic noise	Traffic noise	Traffic noise
Closing Date:	*N/A*	5/22/2019	1/31/2018	11/19/2018
Grantee:	*N/A*	SummerHill Pilgrim Triton, LLC	KB Home South Bay, Inc.	Wu
Grantor:	*N/A*	Pilgrim Triton Phase III FC, LP	601 El Camino Real, LLC	Cravalho Family Living Trust
Sale Price:	***N/A***	**$40,300,000**	**$9,500,000**	**$4,250,000**
Lot Size (SF):	*40,147*	219,978	47,526	19,194
Lot Size (Acres):	*0.922*	5.050	1.091	0.441
Zoning:	*R-MU-B*	CM/PD	MUC-ECR	MUN
Land Use Designation:	*Mixed Use Res.*	Service Com'l. with Housing	Mixed Use-Corridor	Mixed Use-Neighborhood
Proposed Devel. Type:	*Eight-story mixed use*	3-story TH-style condos plus workforce housing	3-story townhouses	3-story townhouses
Construction Type:	*Mostly Type III*	Type V	Type V	Type V
Proposed Res. Use:	*105 rental units*	70 for-sale units; 22 rental units	33 for-sale units	12 for-sale units
Proposed Non-Res. Use:	*713 SF com'l. space*	None	None	None
Proposed GFA:	***95,371***	**150,546**	**48,382**	**22,463**
GFA/Res. Unit:	*905*	1,636	1,466	1,872
Prop. Density (Units/Acre):	*113.9*	18.2	30.2	27.2
Proposed FAR:	***237.6%***	**68.4%**	**101.8%**	**117.0%**
Entitlement Status:	*Presumed to be fully entitled*	Entitled, partly through the grantee's efforts	Entitled at grantee's expense and effort	Unentitled at the time of sale; entitled by grantee, 4/19
Required Infrastructure:	*Minor; sidewalk*	Internal streets	Internal streets	Internal street
BMR Requirement:	*15% BMRs--low income*	22 units (24%)	Impact fees	In-lieu fee
Sale Price per Sq. Ft. of Proposed Gross Fl. Area:	***N/A***	**$268**	**$196**	**$189**

Summary of Sales Data (Table 2 of 4)

Sale #:	4	5	6	7
Address:	150 Charter St.	5150 El Camino	353 Main St.	2850 S. El Camino
City:	Redwood City	Los Altos	Redwood City	San Mateo
Influences:	Traffic and railroad noise	Traffic noise	Fairly quiet setting	Traffic noise
Closing Date:	7/11/2018	4/16/2018	4/1/19	1/17/2018
Grantee:	LMT Home Corporation	5150 ECR Group, LLC	353 Main Street Apartments, LP	Tang and Fan, Inc.
Grantor:	Hannig Trust	The Realty Associates Fund X, LP	Woodside Prof. Center, LLC	DJ Prolo Partnership, LP
Sale Price:	**$12,000,000**	**$48,000,000**	**$17,500,000**	**$8,500,000**
Lot Size (SF):	78,341	165,345	70,437	27,490
Lot Size (Acres):	1.798	3.796	1.617	0.631
Zoning:	MUC-ECR	CT	IP-V	C3-1/R4
Land Use Designation:	Mixed Use-Corridor	Thoroughfare Commercial	North Main St. Precise Plan	Regional/ Community Com'l.
Proposed Devel. Type:	4-story stacked condominiums	5-story stacked condominiums	7-story apt. project	4-story mixed use project
Construction Type:	Type III	Type III	Type III	Type III
Proposed Res. Use:	72 for-sale units	196 for-sale units	125 rental units	18 rental units
Proposed Non-Res. Use:	None	None	None	7,500 SF retail; 1,340 SF office
Proposed GFA:	**107,349**	**267,382**	**124,870**	**48,766**
GFA/Res. Unit:	1,491	1,364	999	2,709
Prop. Density (Units/Acre):	40.0	51.6	77.3	28.5
Proposed FAR:	**137.0%**	**161.7%**	**177.3%**	**177.4%**
Entitlement Status:	Unentitled	Unentitled at time of sale; entitled by grantee, 10/19	Entitled at grantee's expense and effort	Unentitled
Required Infrastructure:	Street work	Minor	Minor	Minor
BMR Requirement:	15% moderate income	8% low income, 6% moderate income	Entitled with 15% BMRs	20% low income
Sale Price per Sq. Ft. of Proposed Gross Fl. Area:	**$112**	**$180**	**$140**	**$174**

Summary of Sales Data (Table 3 of 4)

Sale #:	8	9	10
Address:	99-157 E. Fifth Ave.	2755 El Camino Real	2700 W. El Camino Real
City:	San Mateo	Palo Alto	Mountain View
Influences:	Downtown	Traffic noise	Traffic noise
Closing Date:	12/24/2019	10/31/2018	4/18/2018
Grantee:	TAN DFC, LLC	MWF One, LLC	SHAC Del Medio Apartments, LLC
Grantor:	Essex Portfolio, LP	Pollock FRB, LLC	Torres Enterprises, GP
Sale Price:	**$12,500,000**	**$7,500,000**	**$30,511,000**
Lot Size (SF):	52,369	19,563	99,502
Lot Size (Acres):	1.202	0.449	2.284
Zoning:	CBD/R	Public Facilities; Special Purpose combining zone added to allow devel.	El Camino Real Precise Plan
Land Use Designation:	Downtown Retail Core	Major Inst./Special Facil.	Mixed Use Corridor
Proposed Devel. Type:	5-story apartment project	4-story apartment project	5-story mixed use project
Construction Type:	Type III	Type III	Type III
Proposed Res. Use:	80 rental units, but with condo map	57 rental units targeted at workforce housing	211 rental units
Proposed Non-Res. Use:	None	None	2,000 SF retail
Proposed GFA:	**103,973**	**39,220**	**227,390**
GFA/Res. Unit:	1,300	688	1,078
Prop. Density (Units/Acre):	66.5	126.9	92.4
Proposed FAR:	**198.5%**	**200.5%**	**228.5%**
Entitlement Status:	Entitled by grantor prior to sale	Entitled at grantee's expense and effort	Planning entitlements at grantee's expense, effort
Required Infrastructure:	Major, including replacement of 139 public parking spaces	Minor	Minor
BMR Requirement:	10% very low income	21% BMRs	11 very low income units plus $1.9 million in fees
Sale Price per Sq. Ft. of Proposed Gross Fl. Area:	**$120**	**$191**	**$134**

Summary of Sales Data (Table 4 of 4)

Sale #:	11	12	13
Address:	920 Bayswater Ave.	450 First St.	1409 El Camino Real
City:	Burlingame	Los Altos	Redwood City
Influences:	Traffic and railroad noise	Traffic noise	Traffic noise
Closing Date:	1/28/2020	11/19/2018	8/31/16, 9/30/16
Grantee:	Bayswater Myrtle Venture, LLC	DD 1st Street Group, LLC	GS Diller Subsidiary, LLC
Grantor:	920 Bayswater Venture, LLC	Los Altos Fields, LLC	Cushner Trust and four others; assemblage
Sale Price:	**$24,969,500**	**$7,500,000**	**$31,050,000**
Lot Size (SF):	53,012	15,217	71,438
Lot Size (Acres):	1.217	0.349	1.640
Zoning:	R-3 (9% of site), Myrtle Road Mixed Use (91%)	CD/R3	P
Land Use Designation:	Downtown Spec. Plan; Myrtle Road MU Area	Downtown Commercial	Mixed Use-Downtown
Proposed Devel. Type:	4-story apartment project	4-story condo project	8-story apartment project
Construction Type:	Type III	Type III	Type I
Proposed Res. Use:	128 rental units	26 for-sale units	350 rental units
Proposed Non-Res. Use:	None	None	None
Proposed GFA:	**130,160**	**39,932**	**344,526**
GFA/Res. Unit:	1,017	1,536	984
Prop. Density (Units/Acre):	105.2	74.4	213.4
Proposed FAR:	**245.5%**	**262.4%**	**482.3%**
Entitlement Status:	Entitled by grantor prior to sale	Unentitled at time of sale; entitled by grantee, 3/20	Entitled at grantee's expense and effort
Required Infrastructure:	Minor	Minor	Minor
BMR Requirement:	10% moderate income	15% BMRs; 3 moderate income, 1 low income	10% low income
Sale Price per Sq. Ft. of Proposed Gross Fl. Area:	**$192**	**$188**	**$90**

Analysis of the Sales Data--Base Zoning Scenario

Initially, the sales will be analyzed versus the base level development scenario for the subject property. As previously discussed, on that basis the subject site could be developed at a 105% floor area ratio, with a 90% residential floor area component and a 15% commercial floor area component. A subsequent analysis will focus on the value of the subject property under the bonus level development scenario.

Adjustments will be made to the sales to compensate for perceived differences between the base level scenario subject property and the sale properties. Every effort has been exercised to obtain current and proximate market data to ensure that the submitted sale comparisons are as similar as possible to the subject property in physical and economic attributes.

Each transaction is evaluated and adjusted (if appropriate) to reflect the differences between the subject and the sales. Adjustment categories include both economic and physical factors. Such factors include but are not necessarily limited to (1) any unusual conditions of sale that impact price; (2) financing and/or concessions that impact achievable sale proceeds; (3) property rights, including the effect of any leases encumbering the property at the time of sale; (4) market conditions; (5) entitlements and/or other approvals; (6) location; (7) lot shape, efficiency, topographic, and other functional utility factors; (8) scale and marketability factors; (9) the effect of land use and other regulatory guidelines and requirements; (10) the effect of any inclusionary zoning policies or similar requirements related to the provision of affordable housing; (11) the type of development considered to be supportable under the analyzed scenario; (12) availability of utilities; (13) the effects of any unusual needed site preparation and/or any required infrastructure and/or street work; (14) the effect of any known hazardous materials affecting the property; and (15) the effect of any existing improvements on the property, including any contributory value from improvements and the effect of any required demolition/clearing. Any of those variables can potentially have significant effects on the value of a development site.

Economic Factors

The proper order of adjustments begins with economic factors. After adjusting for economic factors to derive a new baseline level, additional adjustments are then made as needed for physical and code-related factors.

Conditions of Sale

The analysis includes 13 sales. The affordable housing component of sale #1 has some atypical conditions, but those will be analyzed subsequently. In the case of sale #6, at the time of the sale contract the development proposal was for a 125-unit apartment project with 15% affordable units. Subsequently, the buyer has changed the proposal, obtained subsidies for building affordable housing, and will construct the project with 100% affordable units. At the time of the purchase agreement, however, the plan was to develop the site mainly with market rate units. The site of sale #9 is a former park-and-ride lot that had a Public Facilities zoning in place. A previous owner had spent a considerable period of time unsuccessfully trying to change the zoning and obtain approvals to build an office project of fairly high intensity. After those efforts failed, the property sold to another party who was able to obtain entitlements, while the sale was in escrow, for a high density multi-family/workforce housing project. One of the sales (#13) involved a multi-lot assemblage acquired from five different sellers, but that factor per se did not appear to have a significant effect on price.

All of the sales represented arms'-length transactions. Considering all factors, there is no evident need for any adjustments for conditions of sale.

Financing/Concessions

No special financing affected the sales. In the significant majority of cases (ten sales), the buyers paid cash. The seller(s) received cash in each case. No concessions were reported. No adjustments are needed.

Property Rights Conveyed

We do not know whether any leases encumber the subject property. For purposes of this assignment, we have presumed that no leases encumber the property. Consequently, for

both appraisal scenarios we are valuing a fee simple interest in the subject property. Some of the sales had minor lease encumbrances in place when the sale occurred. In cases where the property is unentitled at the time of sale or otherwise not yet ready for development, that factor can provide some advantage due to the ability to generate rental income until a new project is ready to proceed. Any such potential rental income will be considered subsequently in this analysis. No adjustments will be made for property rights.

Market Conditions

As previously detailed in the Market Conditions section of this report (see pages 34-54), apartment property rents and prices steeply increased during the recovery phase of the 2010-2020 economic cycle. However, most of that gain was concentrated in the period between 2011 and mid-2016. Subsequently, apartment property prices showed flattening trends from around late-2016 through mid-2017. More recently, apartment property prices again significantly increased in the second half of 2017 and through 2018. Local market apartment property prices showed a flat to perhaps mildly rising trend in 2019 and into early-2020.

Much of the U.S. economy essentially has been shut down since mid- to late-March of 2020. Since that time, sales activity has been slow and it is difficult to determine price direction with a high degree of reliability. As previously discussed in this report, the apartment property price indices produced by Real Capital Analytics and Green Street Advisors showed opposite conclusions for apartment price trends in April of 2020, with the former indicating a rise in prices and the latter showing a steep decline. Green Street's May 2020 report then showed apartment property prices stabilizing last month.

The few sales that have occurred in the local market also provide some conflicting evidence, with some showing little or no change and others appearing to show a decline. We are aware of several sales that have fallen out of escrow over the past couple of months, which at least in some cases could imply that the prospective buyers believe that prices have declined. Overall, based on the preponderance of the available evidence it is considered likely that achievable apartment property prices have declined since March of 2020 in the regional market.

The sales analyzed in this report occurred over a wide time frame, with closing dates between August of 2016 and January of 2020. It must be noted that land sales often have very long escrow periods, particularly in cases where a prospective buyer is seeking entitlements while the property is under contract for sale. It is not at all uncommon for a development site sale to have been in escrow for well over a year prior to the eventual closing and recordation of the sale. For example, sale #2 in this report closed in 2018 but the parties actually executed the contract in the summer of 2016. Other sales with very long escrow periods include #s 6, 9, and 10.

On the other hand, a property that has already been entitled by the grantor prior to the sale often will have a fairly short escrow period. Most of the analyzed sales, however, had not been entitled by the grantors prior to the sale. For multi-family residential and mixed use development projects, usually the party obtaining the entitlements proceeds to construct the approved project rather than selling the entitled site. Therefore, sales of properties that transfer after the entitlements have been obtained are less common than sales that entered into contract prior to obtaining entitlements.

The contracts for the analyzed sales were executed in the range of early-2016 to mid-2019. In the analysis, we must consider that apartment and commercial property rents and prices were generally rising through 2017 and 2018. Rent and price changes were more subdued in 2019 and into early-2020, with fairly static trends. As previously noted, at least so far the weight of the available evidence since March of 2020 would tend to indicate that prices have very recently declined, thus likely giving back some or all of the gains from 2017 and 2018.

At least minor negative adjustments will be made to most of the sales to account for changing market conditions. For sales that entered into contract relatively early, however, prior positive market changes are considered to offset the likely recent negative trend, and no adjustments will apply in those cases.

Entitlements/Approvals

All else being equal, an entitled development site will sell for a significant premium over an unentitled site, as long as the buyer actually wants to construct the approved project. The premium tends to vary with the size of the project, the perceived difficulty of the

entitlement process, the anticipated time needed to obtain approvals, and the type of project. Entitlements can add from 10% to 50% over the value of an unentitled site. For multi-family residential projects that we have surveyed, more commonly the value of full entitlements ranges from about 15% to 20% versus the value of an unentitled property.

It must be noted that for many development sites the parties execute a sale contract while a property is unentitled, with the sale conditional at least in part on the buyer obtaining entitlements for a project. Sometimes but certainly not always, the contract will allow for an adjustment in the contract price depending on the intensity of development that is approved, with higher prices applicable with increasing approved intensity and vice versa.

In any case, at least planning approvals often are in place by the time that such sales actually close escrow. However, the cost and effort associated with obtaining the entitlements was borne by the buyer. Making the sale conditional on obtaining approvals of course reduces the buyer's risk and thus can affect the price the buyer is willing to pay. However, sales where the *buyers* at their own expense and effort carry the property through the entitlement process while the sale is in escrow obviously are not equivalent to a property that sells after the *sellers* have already completed the entitlement process at their expense. The scenario for the subject is equivalent to the latter case, with the property presumed to already have full entitlements in place as of the effective date of the appraisal.

In point of fact, the subject property has no development entitlements in place. However, it is a presumption of this appraisal that the property is fully entitled both for the base level development scenario and for the project actually proposed for the subject site.

Most of the analyzed sales had entitlements in place by the time that the sale closed escrow. However, only in the cases of sales #8 and #11 had the sellers carried the properties entirely through the entitlement process at their own expense. No adjustment applies for either of those sales.

In the case of sale #1, the approval expense and effort was partly borne by both the seller and buyer. A minor upward adjustment is warranted in that case.

For sales #2, #6, #9, #10, and #13, the grantees carried the property through the approval process at their own expense and effort while the sale contract was in escrow. (For sale #10, the property had planning approval but not council approval at the time that the sale closed. Council approval took another seven months after the close.) Upward adjustments are warranted in those cases.

The other sales did not have any entitlements or approvals in place at the time of sale and in some cases still do not have approvals. Larger upward adjustment ratios apply for those transactions (#3, #4, #5, #7, and #12).

Physical and Code/Regulatory Factors

Location

The subject property lies within a well-established district within the city limits of Menlo Park. The district is primarily developed with commercial and industrial uses but some large multi-family residential projects have been recently constructed and several large multi-family or mixed use projects are currently proposed. Facebook's presence in the Bayfront Area of course provides a major demand driver for all types of real estate. Any project developed at the subject site would be within easy walking distance of numerous Facebook campus buildings, either at the West Campus or the East Campus. On the other hand, the subject site lies very near Highway 101, Bayfront Expressway, and the Marsh Road overpass, which exposes the site to significant traffic noise. Furthermore, the property is in the Redwood City School District, which has a significantly lesser reputation than the Menlo Park City School District, for example. That factor would not likely have a substantial effect on a rental project developed at the subject site but it would carry much more importance at a for-sale project.

Sale #1 is located in the Pilgrim-Triton master plan area of Foster City, with frontage on Triton Drive, Pilgrim Drive, and Hillsdale Boulevard, one block from State Highway 92. The property is affected by some traffic noise, albeit significantly less than that of the subject site. In the case of for-sale housing, sale #1's setting in a school district with a far superior reputation would be a significant advantage over the subject. Considering all factors, a negative adjustment is warranted for location.

Sales #2 and #3 both front on El Camino Real in Redwood City. Both properties are affected by substantial traffic noise from the fronting street. All else being equal, rents tend to be at least slightly higher in the subject's district than in the immediate areas around the sites of sale #2 and #3. Positive adjustments will be made for location.

Sale #4 sits at the border of the Stambaugh-Heller and North Fair Oaks districts, within the city limits of Redwood City. The property abuts a shopping center anchored by Marshalls and Target. The site backs to the Caltrain railroad spur and is affected by some traffic noise from nearby Woodside Road and El Camino Real. Rents and prices in the immediate area are among the lowest in Redwood City. The subject's location is considered to be far superior. A positive adjustment will be made for that factor.

Sale #5 fronts on El Camino Real in Los Altos. The property is affected by significant traffic noise. The site benefits from a superior school district relative to the subject but for a rental project the effect of that factor would be largely muted. Considering all factors, no adjustment will be made for location.

Sale #6 is located on a lightly-trafficked block of Main Street, in the Price Tract of Redwood City, just outside of the downtown core. For a multi-family residential or mixed use project, the location is rated slightly inferior to that of the subject. A positive adjustment will be applied.

Sale #7 sits on El Camino Real between Twenty-eighth and Twenty-ninth avenues in San Mateo, very close to Hillsdale Shopping Center. For an apartment project or mixed use development, the location is reasonably similar to that of the subject. No adjustment is needed.

Sale #8 sits within the downtown core of San Mateo, comprising a long and shallow parcel at the corner of Fifth Avenue and San Mateo Drive. The property is affected by some traffic noise but obviously is very convenient to shopping and restaurants. Furthermore, the property overlooks San Mateo Central Park, a 16.5-acre public park. The location of sale #8 is considered to be superior to that of the subject. A downward adjustment will be made for that factor.

Sale #9 lies at the very heavily trafficked intersection of El Camino Real and Page Mill Road in Palo Alto. While the site is affected by major traffic noise, it benefits from being across the street from the boundary of Stanford Research Park and within a very short distance of Stanford University. The location of sale #9 is rated superior to that of the subject, which results in a negative adjustment.

Sale #10 is a corner site with frontage on El Camino Real and Del Medio Avenue in Mountain View, very near the border of Mountain View and Palo Alto. The property is affected by significant traffic noise but, as with the subject, lies within an area of high demand near major Silicon Valley employers. No adjustment will be made for location.

Sale #11 includes seven contiguous parcels, which together have a corner setting on Bayswater Avenue and Myrtle Road, virtually adjacent to the Caltrain railroad spur, within downtown Burlingame. The property is on the opposite side of California Drive and the railroad tracks from the commercial core section of the downtown district, but it is a part of downtown under city planning guidelines. The site is affected by significant road and train noise but it is very convenient to shopping and services. Considering all factors, for an apartment or mixed use project the location is considered to be reasonably comparable to that of the subject. No adjustment for location will be applied.

Sale #12 includes two adjacent parcels in downtown Los Altos. Both parcels front on First Street and back to heavily-trafficked Foothill Expressway. The downtown setting provides an advantage in terms of access to shopping and services. Furthermore, the property is in a school district with a far superior reputation relative to the elementary/middle school districts for the subject site. A downward adjustment is warranted for location.

Sale #13 sits at the confluence of El Camino Real, Diller Street, and Franklin Street in downtown Redwood City. The property is affected by road noise as well as noise from the nearby Caltrain railroad spur. On the other hand, the property sits very near several other recently-developed apartment projects, all of which have gained good market acceptance, and is very near shopping, services, and major employers. The location is rated very slightly inferior to that of the subject, resulting in a minor positive adjustment.

Lot Shape/Topography/Easements/Functional Utility Factors

The subject property contains 40,147 net square feet of land area. The property has mildly sloping topography. The subject site in essence has a corner setting, as Independence Drive wraps around two sides of the property. The lot has a somewhat inefficient wedge shape, which is not an ideal configuration. The original tract map shows a utility easement running along the northeast side of the parcel. That easement has no apparent significant effect on the functional utility of the site. We have not been provided with and have not reviewed any reports that would have information regarding soils or geotechnical issues that may impact the subject property. However, the subject site is located in an area where many properties lie on Bay Mud soils, which can result in increased construction costs.

All of the analyzed sales are nearly level to mildly sloping parcels. Many have at least slightly more efficient lot shapes than the subject property and/or are situated in areas where soil conditions are generally considered to be superior. Therefore, downward adjustments will be applied for most of the sales.

Scale and Marketability

All else being equal of course the acquisition cost for a larger site would be greater than for a smaller site. That factor can tend to reduce effective demand as the size of the property increases, which in turn can have a negative effect on price per square foot as the size of the sale property increases. However, that dynamic certainly does not hold in all cases. For apartment properties, most developers are seeking to build projects with 100 or more units. Projects of that size have stronger appeal to institutional buyers than do relatively small apartment developments. Thus, for that market segment a relatively large site can have significantly wider appeal than a small site. On the other hand, a relatively low percentage of for-sale housing product developers are looking to build projects of 100 units or more.

The subject property contains 40,147 net square feet of land. The property is zoned for a development density of 20 to 100 units per acre and gross floor area ratios of 60% to 250%. The scenarios analyzed in this report involve gross floor area ratios of 105% and 237.6%, with residential densities of 30 and 113.9 units per acre. At those densities, the residential

unit count would be either 28 or 105. If we were to count the non-residential component of the base scenario as additional units at similar average size as the residential component, then the base level project would effectively have 33 units, or an equivalent density of about 36 units per acre.

The sales vary extremely widely in lot size and proposed gross floor area. The range in lot size is from 15,217 to 219,978 square feet. The proposed gross floor areas range from 22,463 to 344,526 square feet. For sales that are much larger than the subject's bonus level scenario in terms of proposed gross floor area, positive adjustments will be applied for scale/marketability factors. Some of the sales have lesser proposed gross floor area but it is considered unlikely that the differences per se would significantly impact marketability. Therefore, no adjustments apply in those cases.

Land Use/Planning/Regulatory Factors other than Affordable Units

Allowed development intensity tends to have a major impact on achievable price per square foot of land area. Naturally, higher allowed intensity will tend to influence achievable price per square foot of land area upward, ceteris paribus, assuming that a buyer actually intended to utilize the higher allowed floor area ratio and that market demand is sufficient to support such a project. In addition, the types of development allowed can significantly impact land values.

The subject property is zoned R-MU-B by the City of Menlo Park. In this part of the analysis, we are analyzing the property under base level zoning parameters, with a 105% floor area ratio that would be comprised in the large majority of residential space (90%) and in the remainder by non-residential space (15%), for which the most productive use would likely be a combination of retail/personal service space and office space.

To a large degree, differences in planning code regulations are already accounted for by analyzing the sales based on their prices per square foot of approved or proposed gross floor area. In general, for projects that have reasonably similar uses and are of similar construction type, the achievable sale prices per square foot of allowed or planned gross floor area will tend to decline only very slowly with increasing development intensity.

There can be large differences in achievable price per square foot of gross floor area resulting from different product types and/or different construction. For example, many low-rise multi-family projects in the local market consist of townhouse projects of Type V construction.

Conversely, stacked units of three to five floors above grade or above podium level parking usually are Type III construction. That type of construction tends to cost significantly more per gross square foot of gross floor area than Type V construction. Moreover, many Type III projects have structured parking, which is more far more expensive to build than surface parking or carports, which are sometimes used at relatively low density projects.

Any project taller than five stories above grade or taller than five stories above podium level normally would need to be Type I (non-combustible) construction, which is more expensive per square foot of gross floor area to erect than Type III, and far more expensive than Type V. Again, Type I projects usually would have structured parking, which is more expensive than surface or carport parking.

The effect on value of product and construction type factors will be considered subsequently. In this part of the analysis, we will focus on differences in planned use intensity. Again, in this part of the analysis the subject is presumed to have approvals for development at a 105% floor area ratio.

Of that total, 15% could be non-residential space. In the local market, of the allowed non-residential uses in the subject's district office space would have the highest net rent potential per square foot. In the subject's district, achievable net office rents per square foot exceed those of residential space. That factor conveys a minor advantage to the subject versus most of the sales, as most are planned for solely residential development. On the other hand, there are fewer developers who would be interested in building a 90% residential/15% commercial floor area ratio project than would be interested in developing single-use product. It is possible that a development at the base level allowed intensity for the subject could have some surface or carport parking in addition to structured parking, which would be an advantage over most of the sales. However, the required parking ratio for commercial space is significantly higher than that of residential, which would decrease the amount of on-site parking that could be non-structured.

The sales range in planned gross floor area ratios from 68.4% to 482.3%, which obviously is a broad variation. Excluding the extremes, the range would be 101.8% to 262.4%. As previously noted, the appraisal instructions require that the same sales be used in the analyses of the subject property both at the base and bonus level floor area ratios, which for the subject range from 105% to 237.6%.

Within the floor area ratio range of most of the analyzed sales, there is a minor tendency for achievable price per square foot of floor area to decline with increasing ratios. As such, for sale #1, which has a much lower proposed floor area ratio than the base level scenario for the subject, a negative adjustment is needed. Sales #2 and #3 are very similar to the subject in proposed floor area ratio. Both are residential-only projects while the subject would by necessity include 15% non-residential space. Minor positive adjustments will be applied in both cases.

The other sales have higher use intensity than the subject's base scenario. Only sale #7 has a higher ratio of non-residential area than the subject's base scenario. Upward adjustments will be applied for the other sales to account for the general tendency of prices per planned square foot of gross floor area to decline as the floor area ratio increases.

Inclusionary Zoning/Affordable/Below Market Rate Units

We previously described in detail Menlo Park's inclusionary zoning policies. For residential or mixed use projects with 20 or more dwelling units, the City requires that 15% of the units be set aside for low-income households, or an equivalent alternative. There is no development proposal at the base level scenario for the subject property but the aforementioned requirement would apply. It might be possible for a developer to pay an in-lieu fee rather than providing the BMR units on-site. However, for any projects in the R-MU-B zone that are based on bonus level allowed density/intensity, the code requires that the units be provided on-site. The actual proposal for the subject property calls for 14 affordable units, with four set aside for very low-income households, five for low-income households, and five for moderate-income households. We will presume that mix in analyzing the subject property.

It should also be noted that Menlo Park's inclusionary zoning policy is atypical in that it further limits rents for affordable units to 75% of the market level. Therefore, even in the few cases where the allowed affordable rents might be at or near the normal market level, the City's policy would limit achievable rents in a manner that most cities do not.

The analyzed sales have varying requirements related to affordable units. Some of those are considered to be more favorable to a developer than the subject's requirements and some are considered to be less favorable. Those differences of course would tend to impact achievable sale prices.

In the case of sale #1, the approved project includes a relatively large affordable component, comprising 22 of the 92 units in the project (24%). The affordable homes will be much smaller, "workforce housing" units relative to the remainder of the project. The remainder of the project would consist of townhouses, the majority of which would be four-bedroom homes ranging in size from 1,945 to 2,089 square feet. The ability to reduce the unit sizes at the affordable component partly offsets the need to provide a relatively high ratio of affordable units. However, the applicant also had to agree to give the City of Foster City the option to purchase the workforce housing portion of the development upon completion, at a price that would likely be below replacement cost. Considering all factors, the affordable housing requirement for sale #1 is considered to be a significant disadvantage versus the subject, which necessitates a positive adjustment.

Some of the sales had BMR program requirements that we consider to be more favorable to a developer than the subject's requirements. Those differences are due to lower required BMR ratios, lower anticipated fees/costs, and/or higher income targeted income levels for program beneficiaries. Negative adjustments apply in those cases. Conversely, some of the sales have requirements that we consider to be less favorable to a developer and therefore positive adjustments are needed in those cases.

Development/Construction Type

There is no development proposal for the subject site at anything remotely like the base level scenario. At 30 units per acre for residential density, an effective density of closer to 36 units per acre when accounting for the necessary 15% non-residential component, considering the 25% open space requirement under the planning code, and considering

on-site parking requirements, it is highly unlikely that the subject property could support a typical townhouse-style project. It is considered to be more likely that a base scenario development would be a three- to four-story project of Type III construction.

The analysis does include some projects intended partly or solely for Type V townhouse construction (sales #1, #2, and #3). Those are all considered to have comparative advantages versus the subject as it is likely that the construction costs per square foot would be significantly higher for a new project at the subject site using the base zoning level guidelines applicable in this assignment. Accordingly, negative adjustments are needed for those three sales.

Sales #4 through #12, on the other hand, all are slated for the development of projects that would have four to five levels either above grade or above podiums. (Sale #6 is considered to be a seven-story project according to the planning documents, but like the eight-story proposed subject development the project would have five floors over above grade parking levels.) Sales #4 through #12 all would be primarily of wood frame, Type III construction. No adjustments will be applied for those sales.

In contrast, the site of sale #13 is being developed with an eight-story project that is of more expensive Type I construction. Abundant market data indicate that in the competitive area Type I multi-family construction is more expensive to produce than Type III construction but the ultimate achievable sale price per gross or rentable square foot does not increase commensurately (or at all). As such, at its proposed development intensity sale #13 has a comparative disadvantage versus the subject. A large upward adjustment will be applied for that factor.

Availability of Utilities

To the best of our knowledge, all necessary utilities are available to the subject site and we are not aware of any moratoria or other factors that would preclude obtaining the necessary utility services for a new development at the property. The same is true for all of the analyzed sales. No adjustments apply.

Required Site Preparation/Infrastructure/Street Work

Section 16.45.130 of the Menlo Park Municipal Code requires that the first floor elevation of all new buildings in the subject's zoning district be 24 inches above the base flood elevation. We have not been provided with a topographic survey of the subject property or the base flood elevation. However, the property does lie within a special flood hazard area according to FEMA. As such, it is considered to be reasonably likely that construction of a new development at the subject property would require raising the elevation of the site by the addition of fill materials. That factor would result in a minor added development expense versus a property not situated in a special flood hazard zone.

The site of sale #6 also is in a special flood hazard zone and similar requirements apply. The other sales are not located in identified special flood hazard zones and thus the subject has a comparative disadvantage versus those properties.

The subject's side of Independence Drive lacks sidewalks. Section 16.45.110 of the municipal code states that new construction of 10,000 or more gross square feet must provide street improvements on public street edges of the property to comply with Menlo Park street construction requirements for the adjacent street type. It is considered likely that any development on the subject parcel would need to provide for a sidewalk along that section of the street. Other typical infrastructure already is in place.

Many of the sales have little or no required street work of which we are aware, resulting in minor advantages over the subject. On the other hand, some of the sites require new internal streets and/or other infrastructure work.

Overall, when considering all factors negative adjustments are warranted versus most of the sales for site preparation/infrastructure factors. The exception is sale #8. That property is developed with a public parking lot and structure. The project approvals require the developer to build 139 public parking spaces in a parking garage, in addition to the normally required parking for the development. That factor of course results in a major expense burden for the developer. A very large upward adjustment is needed to compensate for that factor, based on the anticipated cost of producing the required public parking spaces.

Known Hazardous Materials

We have not been provided with any hazardous materials reports for the subject property. We are not aware of any significant hazardous materials that would require remediation. The sales were similar in that regard. No adjustments will be applied.

Effect of Existing Improvements

The subject property currently is improved with a concrete tilt-up building designed as industrial/flex office space. The City estimates that the building contains 15,000 square feet. The building and land would be capable of producing significant rent but in this analysis we are presuming that the subject property is fully entitled for a new development. On that basis, new construction could begin almost immediately, which would necessitate demolishing and clearing the existing improvements.

Most of the sales had entitlements by the time that escrow closed. As such, their existing improvements also would have needed to be demolished and cleared to make way for new development. The unentitled properties all have significant existing improvements capable of producing substantial interim rent that could offset some of the entitlement costs. As such, negative adjustments are warranted for those properties.

Adjustment Grids--Base Level Development Scenario

The sales all exhibit some significant differences relative to the appraised property. Adjustments will be made to account for the estimated effects of the differences. The tables on the next four pages summarize the adjustment process versus the subject property for the base level development scenario. A subsequent analysis will address the adjustment process for the subject under the bonus level development scenario.

Baseline Scenario Adjustment Grid (First of Four)

	Sale #1	Sale #2	Sale #3	Sale #4
Address:	551 Pilgrim	601 El Camino	120 El Camino	150 Charter
FAR by Menlo Park Definition:	68.4%	101.8%	117.0%	137.0%
Price per Sq. Ft. of GFA:	**$268**	**$196**	**$189**	**$112**
Economic Adjustments				
Conditions of Sale:	$0	$0	$0	$0
Adjusted Base:	**$268**	**$196**	**$189**	**$112**
Financing/Concessions:	$0	$0	$0	$0
Adjusted Base:	**$268**	**$196**	**$189**	**$112**
Prop. Rights/Lease Status:	$0	$0	$0	$0
Adjusted Base:	**$268**	**$196**	**$189**	**$112**
Market Conditions:	($21)	$0	($14)	($8)
Adjusted Base:	**$247**	**$196**	**$175**	**$104**
Entitlements/Approvals:	$10	$16	$32	$26
Adjusted Base:	**$257**	**$212**	**$207**	**$130**
Physical/Code Adjustments				
Location:	($31)	$53	$52	$91
Shape/Topog./Funct. Utility:	$0	($16)	($16)	$0
Scale/Marketability:	$13	$0	$0	$6
Land Use/Regulatory Issues:	($15)	$6	$6	$14
BMRs/Affordable Housing:	$51	($16)	($16)	($16)
Development/Const. Type:	($51)	($42)	($41)	$0
Utility Availability:	$0	$0	$0	$0
Required Infrastr./Site Prep.:	($2)	($2)	($3)	($5)
Known Hazardous Mat.:	$0	$0	$0	$0
Improvements:	$0	$0	$0	($5)
Adjusted Value per SF GFA:	**$222**	**$195**	**$189**	**$215**

Baseline Scenario Adjustment Grid (Second of Four)

	Sale #5	Sale #6	Sale #7
Address:	5150 El Camino	353 Main	2850 S. El Camino
FAR by Menlo Park Definition:	161.7%	177.3%	177.4%
Price per Sq. Ft. of GFA:	**$180**	**$140**	**$174**
Economic Adjustments			
Conditions of Sale:	$0	$0	$0
Adjusted Base:	**$180**	**$140**	**$174**
Financing/Concessions:	$0	$0	$0
Adjusted Base:	**$180**	**$140**	**$174**
Prop. Rights/Lease Status:	$0	$0	$0
Adjusted Base:	**$180**	**$140**	**$174**
Market Conditions:	($11)	($4)	($5)
Adjusted Base:	**$169**	**$136**	**$169**
Entitlements/Approvals:	$30	$11	$30
Adjusted Base:	**$199**	**$147**	**$199**
Physical/Code Adjustments			
Location:	$0	$22	$0
Shape/Topog./Funct. Utility:	($15)	$0	($10)
Scale/Marketability:	$20	$7	$0
Land Use/Regulatory Issues:	$34	$29	$34
BMRs/Affordable Housing:	($20)	$0	$15
Development/Const. Type:	$0	$0	$0
Utility Availability:	$0	$0	$0
Required Infrastr./Site Prep.:	($8)	($4)	($8)
Known Hazardous Mat.:	$0	$0	$0
Improvements:	($9)	$0	($4)
Adjusted Value per SF GFA:	**$201**	**$201**	**$226**

Baseline Scenario Adjustment Grid (Third of Four)

	Sale #8	Sale #9	Sale #10
Address:	99-157 E. Fifth	2755 El Camino	2700 W. El Camino
FAR by Menlo Park Definition:	198.5%	200.5%	228.5%
Price per Sq. Ft. of GFA:	**$120**	**$191**	**$134**
Economic Adjustments			
Conditions of Sale:	$0	$0	$0
Adjusted Base:	**$120**	**$191**	**$134**
Financing/Concessions:	$0	$0	$0
Adjusted Base:	**$120**	**$191**	**$134**
Prop. Rights/Lease Status:	$0	$0	$0
Adjusted Base:	**$120**	**$191**	**$134**
Market Conditions:	($14)	$0	($4)
Adjusted Base:	**$106**	**$191**	**$130**
Entitlements/Approvals:	$0	$15	$16
Adjusted Base:	**$106**	**$206**	**$146**
Physical/Code Adjustments			
Location:	($21)	($41)	$0
Shape/Topog./Funct. Utility:	$0	$0	($11)
Scale/Marketability:	$5	$0	$7
Land Use/Regulatory Issues:	$27	$52	$44
BMRs/Affordable Housing:	$5	$10	$0
Development/Const. Type:	$0	$0	$0
Utility Availability:	$0	$0	$0
Required Infrastr./Site Prep.:	$70	($8)	($8)
Known Hazardous Mat.:	$0	$0	$0
Improvements:	$0	$0	$0
Adjusted Value per SF GFA:	**$192**	**$219**	**$178**

Baseline Scenario Adjustment Grid (Fourth of Four)

	Sale #11	Sale #12	Sale #13
Address:	920 Bayswater	450 First	1409 El Camino
FAR by Menlo Park Definition:	245.5%	262.4%	482.3%
Price per Sq. Ft. of GFA:	**$192**	**$188**	**$90**
Economic Adjustments			
Conditions of Sale:	$0	$0	$0
Adjusted Base:	**$192**	**$188**	**$90**
Financing/Concessions:	$0	$0	$0
Adjusted Base:	**$192**	**$188**	**$90**
Prop. Rights/Lease Status:	$0	$0	$0
Adjusted Base:	**$192**	**$188**	**$90**
Market Conditions:	($19)	($15)	$0
Adjusted Base:	**$173**	**$173**	**$90**
Entitlements/Approvals:	$0	$31	$16
Adjusted Base:	**$173**	**$204**	**$106**
Physical/Code Adjustments			
Location:	$0	($41)	$16
Shape/Topog./Funct. Utility:	($13)	($15)	($11)
Scale/Marketability:	$9	$0	$5
Land Use/Regulatory Issues:	$57	$71	$74
BMRs/Affordable Housing:	($13)	$0	($21)
Development/Const. Type:	$0	$0	$48
Utility Availability:	$0	$0	$0
Required Infrastr./Site Prep.:	($8)	($8)	($8)
Known Hazardous Mat.:	$0	$0	$0
Improvements:	$0	($8)	$0
Adjusted Value per SF GFA:	**$205**	**$203**	**$209**

Sales Comparison Approach Conclusion (Base Level Scenario)

Under the base level appraisal guidelines there are no highly similar recent sales. The base level scenario requires the assumption that the subject property has entitlements in place for a mixed use development of exactly 28 residential units with 36,132 square feet of gross floor area as well as commercial space comprising 6,022 square feet of gross floor area, for a total floor area ratio of 105%.

In our opinion, there would be relatively few developers with a strong interest in building such a project. There have been no recent, highly similar development proposals in the general competitive area, much less sales of sites with a similar planned use. While there are several development proposals for mixed use and residential projects in the subject's district, all would be around the maximum intensity allowed under the City of Menlo Park's bonus level development parameters. The sales included in the analysis are not ideal but they do provide an adequate basis for valuing the subject property.

The analyzed sales produced prices per square foot of proposed gross floor area ranging from $90 to $268 per square foot, which is a broad range. All of the analyzed transactions required substantial adjustments to account for differences from the subject.

After adjustments, the range of indicated values narrows to $178 to $226 per square foot. The median adjusted value amounts to $203 per square foot. The average adjusted value equals $204 per square foot, with a standard deviation of $14 per square foot. The sales with the highest proposed floor area ratios receive the least weight in this part of the analysis. Nevertheless, all of the sales were considered in arriving at a market value conclusion.

In estimating an indicated value for the subject property by the Sales Comparison Approach, we have carefully analyzed the subject property's characteristics relative to the comparable data. We have considered the respective advantages and disadvantages of the comparables in relation to the subject property. Based on the Sales Comparison Approach, as of May 15, 2020, we estimate that the market value of the subject property under the base level scenario valuation guidelines amounts to **$204 per square foot of allowed gross floor area**. Applying that rate to the subject property's maximum gross floor area of 42,154 square feet under base level zoning produces a value indication of **$8,599,847, which will be rounded to $8,600,000.**

Bonus Level Scenario

The analysis process for the bonus level scenario is largely the same as in the base level scenario. However, the bonus level scenario valuation is based on the actual proposed development for the subject site. Under the terms of this assignment, the proposed project is presumed to be fully entitled. The development would have 105 residential units and one commercial unit. The residential density would be 113.9 units per acre. The gross floor area would be 95,371 square feet, or a ratio of 237.6%. The proposed development intensity is similar to the proposals for other sites that are located in the Bayfront Area and have the same land use guidelines as the subject property.

Most of the adjustment factor comments from the baseline valuation scenario also apply in the bonus level scenario. However, some of the adjustments by necessity differ in the bonus level scenario.

First, the larger scale of the bonus level project results in differences in the adjustments or scale and marketability factors. Second, the adjustments applied for differences in land use/regulatory issues/development intensity change substantially in the bonus level analysis. Those adjustments in the first analysis were partly related to the mix of uses, which was presumed to be 15% office for the subject property in that scenario, but mostly related to floor area ratio differences. As previously discussed, achievable prices per square foot tend to decline at least to some degree with increasing intensity. The use mix and the significantly higher floor area ratio for the proposed development versus the base level allowed results in a downward shift in the applied adjustment rates for all of the sales. The third difference in the adjustment rates relates to site preparation and infrastructure factors. With a larger project, the expenses per square foot of gross floor area for fill needed to elevate the site above the flood plain and for sidewalk installation would be diffused by the larger project size, which alters those adjustment factors.

Adjustment Grids--Bonus Level Development Scenario

The tables on the next four pages summarize the adjustment process versus the subject property for the bonus level development scenario.

Bonus Scenario Adjustment Grid (First of Four)

	Sale #1	Sale #2	Sale #3	Sale #4
Address:	551 Pilgrim	601 El Camino	120 El Camino	150 Charter
FAR by Menlo Park Definition:	68.4%	101.8%	117.0%	137.0%
Price per Sq. Ft. of GFA:	**$268**	**$196**	**$189**	**$112**
Economic Adjustments				
Conditions of Sale:	$0	$0	$0	$0
Adjusted Base:	**$268**	**$196**	**$189**	**$112**
Financing/Concessions:	$0	$0	$0	$0
Adjusted Base:	**$268**	**$196**	**$189**	**$112**
Prop. Rights/Lease Status:	$0	$0	$0	$0
Adjusted Base:	**$268**	**$196**	**$189**	**$112**
Market Conditions:	($21)	$0	($14)	($8)
Adjusted Base:	**$247**	**$196**	**$175**	**$104**
Entitlements/Approvals:	$10	$16	$32	$26
Adjusted Base:	**$257**	**$212**	**$207**	**$130**
Physical/Code Adjustments				
Location:	($31)	$53	$52	$91
Shape/Topog./Funct. Utility:	$0	($16)	($16)	$0
Scale/Marketability:	$0	($11)	($10)	$0
Land Use/Regulatory Issues:	($90)	($62)	($60)	($36)
BMRs/Affordable Housing:	$51	($16)	($16)	($16)
Development/Const. Type:	($51)	($42)	($41)	$0
Utility Availability:	$0	$0	$0	$0
Required Infrastr./Site Prep.:	$1	$1	$0	($2)
Known Hazardous Mat.:	$0	$0	$0	$0
Improvements:	$0	$0	$0	($5)
Adjusted Value per SF GFA:	**$137**	**$119**	**$116**	**$162**

Bonus Scenario Adjustment Grid (Second of Four)

	Sale #5	Sale #6	Sale #7
Address:	5150 El Camino	353 Main	2850 S. El Camino
FAR by Menlo Park Definition:	161.7%	177.3%	177.4%
Price per Sq. Ft. of GFA:	**$180**	**$140**	**$174**
Economic Adjustments			
Conditions of Sale:	$0	$0	$0
Adjusted Base:	**$180**	**$140**	**$174**
Financing/Concessions:	$0	$0	$0
Adjusted Base:	**$180**	**$140**	**$174**
Prop. Rights/Lease Status:	$0	$0	$0
Adjusted Base:	**$180**	**$140**	**$174**
Market Conditions:	($11)	($4)	($5)
Adjusted Base:	**$169**	**$136**	**$169**
Entitlements/Approvals:	$30	$11	$30
Adjusted Base:	**$199**	**$147**	**$199**
Physical/Code Adjustments			
Location:	$0	$22	$0
Shape/Topog./Funct. Utility:	($15)	$0	($10)
Scale/Marketability:	$10	$0	($10)
Land Use/Regulatory Issues:	($30)	($18)	($30)
BMRs/Affordable Housing:	($20)	$0	$15
Development/Const. Type:	$0	$0	$0
Utility Availability:	$0	$0	$0
Required Infrastr./Site Prep.:	($5)	($1)	($5)
Known Hazardous Mat.:	$0	$0	$0
Improvements:	($9)	$0	($4)
Adjusted Value per SF GFA:	**$130**	**$150**	**$155**

Bonus Scenario Adjustment Grid (Third of Four)

	Sale #8	Sale #9	Sale #10
Address:	99-157 E. Fifth	2755 El Camino	2700 W. El Camino
FAR by Menlo Park Definition:	198.5%	200.5%	228.5%
Price per Sq. Ft. of GFA:	**$120**	**$191**	**$134**
Economic Adjustments			
Conditions of Sale:	$0	$0	$0
Adjusted Base:	**$120**	**$191**	**$134**
Financing/Concessions:	$0	$0	$0
Adjusted Base:	**$120**	**$191**	**$134**
Prop. Rights/Lease Status:	$0	$0	$0
Adjusted Base:	**$120**	**$191**	**$134**
Market Conditions:	($14)	$0	($4)
Adjusted Base:	**$106**	**$191**	**$130**
Entitlements/Approvals:	$0	$15	$16
Adjusted Base:	**$106**	**$206**	**$146**
Physical/Code Adjustments			
Location:	($21)	($41)	$0
Shape/Topog./Funct. Utility:	$0	$0	($11)
Scale/Marketability:	$0	($10)	$0
Land Use/Regulatory Issues:	($7)	($14)	($3)
BMRs/Affordable Housing:	$5	$10	$0
Development/Const. Type:	$0	$0	$0
Utility Availability:	$0	$0	$0
Required Infrastr./Site Prep.:	$73	($5)	($5)
Known Hazardous Mat.:	$0	$0	$0
Improvements:	$0	$0	$0
Adjusted Value per SF GFA:	**$156**	**$146**	**$127**

Bonus Scenario Adjustment Grid (Fourth of Four)

	Sale #11	Sale #12	Sale #13
Address:	920 Bayswater	450 First	1409 El Camino
FAR by Menlo Park Definition:	245.5%	262.4%	482.3%
Price per Sq. Ft. of GFA:	**$192**	**$188**	**$90**
Economic Adjustments			
Conditions of Sale:	$0	$0	$0
Adjusted Base:	**$192**	**$188**	**$90**
Financing/Concessions:	$0	$0	$0
Adjusted Base:	**$192**	**$188**	**$90**
Prop. Rights/Lease Status:	$0	$0	$0
Adjusted Base:	**$192**	**$188**	**$90**
Market Conditions:	($19)	($15)	$0
Adjusted Base:	**$173**	**$173**	**$90**
Entitlements/Approvals:	$0	$31	$16
Adjusted Base:	**$173**	**$204**	**$106**
Physical/Code Adjustments			
Location:	$0	($41)	$16
Shape/Topog./Funct. Utility:	($13)	($15)	($11)
Scale/Marketability:	$0	($10)	$0
Land Use/Regulatory Issues:	$2	$6	$34
BMRs/Affordable Housing:	($13)	$0	($21)
Development/Const. Type:	$0	$0	$48
Utility Availability:	$0	$0	$0
Required Infrastr./Site Prep.:	($5)	($5)	($5)
Known Hazardous Mat.:	$0	$0	$0
Improvements:	$0	($8)	$0
Adjusted Value per SF GFA:	**$144**	**$131**	**$167**

Sales Comparison Approach Conclusion (Bonus Level Scenario)

Similar sales data are more plentiful for properties scheduled to be developed at intensities similar to the bonus level of allowed development proposed for the subject site. The bonus level scenario uses the assumption that the subject property has entitlements in place for the proposed development of 105 residential units and one commercial unit in 95,371 square feet of gross floor area. The proposed floor area ratio of 237.6% is well within the range of the analyzed sales. The ratio is a bit higher than the simple average of the analyzed sales (196.8%) or the size-weighted average (176.2%), but of course the same sales were used for both the base and bonus valuation scenarios.

All of the analyzed transactions required adjustments to account for differences from the subject. After those adjustments, the indicated values range from $116 to $167 per square foot. The median adjusted value amounts to $144 per square foot. The average adjusted value equals $142 per square foot, with a standard deviation of $16 per square foot. The sales with proposed floor area ratios ranging from about 199% to 246% generally receive the most weight in this analysis, with the low intensity sales receiving the least emphasis. Nevertheless, all of the sales were considered in arriving at a market value conclusion.

In estimating an indicated value for the subject property by the Sales Comparison Approach, we have carefully analyzed the subject property's characteristics relative to the comparable data. We have considered the respective advantages and disadvantages of the comparables in relation to the subject property. Based on the Sales Comparison Approach, as of May 15, 2020, we estimate that the market value of the subject property under the bonus level scenario valuation guidelines amounts to **$144 per square foot of proposed gross floor area**. Applying that rate to the subject property's proposed gross floor area of 95,371 square feet under bonus level zoning produces a value indication of **$13,733,424, which will be rounded to $13,700,000.**

Reconciliation and Value Conclusions

Reconciliation is the step in the valuation process in which the appraiser selects from alternative value indications to arrive at a final value estimate. For each approach it is necessary to consider the relative weight of each value indication, which involves a review of (1) the probable reliability of the data; (2) the applicability of the approach to the type of property being appraised; and (3) the relative applicability of the approach in light of the definition of value being sought.

The purpose of this report is to estimate the value of community amenities for bonus level development for the subject property. Under the appraisal instructions, the assignment is to value the subject property assuming all entitlements are in place for (1) the base level of allowed development defined by the City of Menlo Park and (2) the bonus level of development proposed by the prospective developer of the subject property. The City has determined that for community amenity valuation purposes the base gross floor area allowed would be 42,154 square feet, which equates to a floor area ratio of 105%. The City has determined that the bonus gross floor area allowed would be 100,368 square feet, for a 250% floor area ratio. The actual development proposal, however, calls for a gross floor area ratio of 237.6%, and that ratio was used in the analysis. The value of the community amenity, if any, is then calculated by subtracting the market value conclusion at the base level zoning from the market value conclusion at the bonus level zoning and multiplying the result by 50%.

In this appraisal, we used only the Sales Comparison Approach, which was a requirement of the assignment. Based on our research and analysis, we have concluded the following market values for the subject property as of May 15, 2020, under the terms of the assignment and the assumptions and limiting conditions of this report.

Appraisal Scenario	Appraised Value per Sq. Ft. of Gross Floor Area	Potential Gross Floor Area	Indicated Market Value (Rounded)
Base	$204	42,154 sq. ft.	$8,600,000
Bonus	$144	95,371 sq. ft.	$13,700,000

The estimated bonus level value market value exceeds the estimated base level market value by $5,100,000. The bonus level project would have 53,217 square feet of additional gross floor area relative to the base level scenario. As such, the incremental value difference for the floor area differential amounts to about $96 per square foot of gross floor area. That estimate is supported by the sales data analyzed in this report.

The differential could well be viewed as conservative when considering the prices recently paid for transferrable development rights (TDRs) sold by the Los Altos School District. As previously discussed in this report (see pages 86-87), the school district recently sold a large volume of TDRs, generally at reported prices of about $130 per square foot of allowed floor area. To cite one example particularly relevant here, a prospective developer of a proposed high intensity condominium and apartment project in Mountain View paid $130 per square foot for TDRs in an effort to increase the floor area ratio at the property by a 65% increment, or potentially from 350% to 415%.

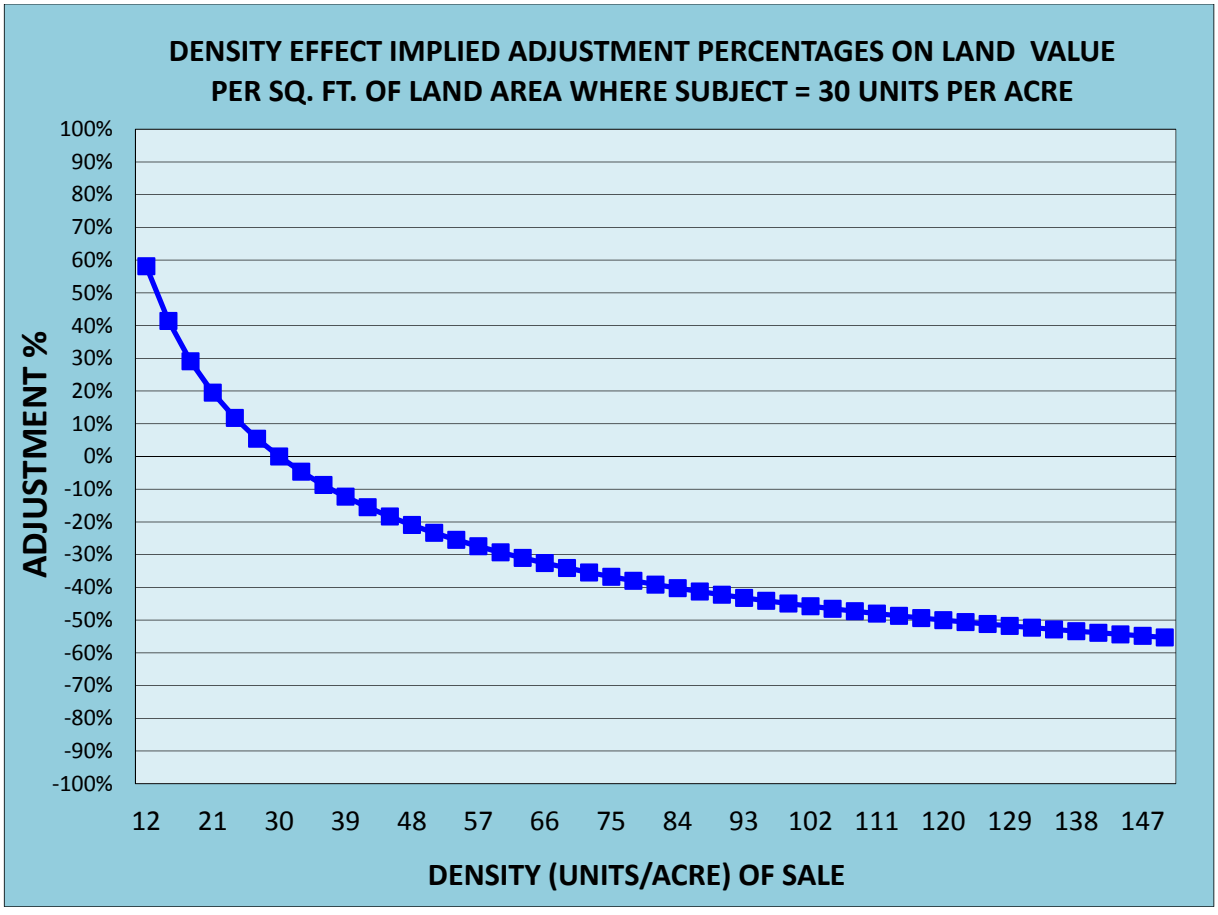
Using the estimated base scenario market value, the implied value per square foot of land for the 40,147-square foot subject site would be about $214. The base level density would be 30 residential units per acre and a 105% floor area ratio. The implied value per square foot of land under the bonus level scenario would be about $341. The bonus level density would be 113.9 units per acre and a 237.6% floor area ratio.

Achievable development density tends to have a major impact on achievable sale price per square foot of land area. That is, all else being equal, the higher the allowed intensity of use, the greater will be the value per square foot of land area. For example, land where taller and denser construction is allowed will tend to produce greater value per square foot of land. Of course, many other factors other than development intensity affect development site prices. Still, ceteris paribus, achievable sale prices per square foot of land area tend to rise with increased allowed development intensity.

The graph on the next page illustrates the theoretical effect on land values per square foot resulting from density differences for comparison with a subject property having a density of 30 units per acre, all else being equal. The graph translates the adjustment factors into percentages. (Of note, any adjustments on a per unit basis would be the exact reciprocals of the adjustments per square foot of land, all else being equal.)

Toward the left side of the x-axis of the graph, representing potential sale properties with lower achievable densities versus the 30-unit per acre control property, large upward adjustments would be needed to equate those sales to the control property. Conversely, for sales with potential densities higher than 30 units per acre, large downward adjustments to the prices per square foot of land would be needed to provide equivalence to the control property.

Market reality may (and often does) stray from the mathematical precision of the "correct" adjustments indicated by the equation summarized in the graph but nevertheless the general trend is for prices per square foot of land area to rise with increasing density. As illustrated in the graph, the density effect tends to follow a diminishing curve.



As shown in the graph, for a project with 30 units per acre a very large downward adjustment to the price per square foot of land would be needed when comparing the land value to a site that could be developed at about 114 units per acre. The implied

adjustment ratio from the corresponding equation would be about negative 49%. In point of fact, in this case the value conclusion per square foot of land for the base level scenario is only about 37% lower than the bonus level conclusion.

One could argue that the base level scenario for the subject is more akin to a density of about 36 units per acre when considering the effect of the non-residential component, which would comprise 15% of the floor area. On that basis, the corresponding equation would imply a value per square foot of land about 44% lower than the value per square foot at about 114 units per acre. However, as noted above the actual differential based on the analysis of the sales is about 37% lower. As with the TDRs, that fact implies that the value differential conclusion in this case may be toward the conservative side. Nevertheless, the value estimates are considered to be adequately supported by the available sales data.

The analysis includes 13 sales of prospective multi-family residential and mixed use development sites in the subject property's general competitive area. The sales are certainly not ideal comparisons for both valuation scenarios applicable in this report but they provide adequate evidence of the market values of the subject property. Of note, there are more sales considered to be relevant comparisons for the bonus level scenario, as the base level scenario would be an unusual project that would not have strong appeal to most developers.

Based on the available data, we have concluded that the subject property's base level market value as of May 15, 2020, under the terms of the assignment and the assumptions and limiting conditions of this report, was $8,600,000. Based on the available data, we have concluded that the subject property's bonus level market value as of May 15, 2020, under the terms of the assignment and the assumptions and limiting conditions of this report, was $13,700,000.

In accordance with the appraisal instructions, the community amenity value is defined as one-half of the differential between the estimated bonus level market value and the estimated base level market value. On that basis, the value of the community amenity for the property at 111 Independence Drive amounts to **$2,550,000.**

SECTION IV

ADDENDA

QUALIFICATIONS OF CHARLES S. MOORE, MAI

Charles S. Moore, MAI, has been appraising real estate on a full time basis since 1986

Education

Mr. Moore graduated Cum Laude with a Bachelor of Science degree in Business Administration from San Francisco State University, San Francisco, California

Real Estate Education Courses

Real Estate Law	Real Estate Practice
Real Estate Economics	Real Estate Appraisal
Real Estate Finance	Property Management
Standards of Professional Practice	Real Estate Appraisal Principles
Residential Valuation	Anatomy of Residential Property
Business Management and Contracts	Financial Statements
Safety and Housing	Equal Opportunity Employment
Licensing and Mechanics Liens	The Secondary Mortgage Market
Quantitative Analysis	Business Statistics
Business Writing	Multi-residential Update
Microcomputer Applications	Desktop Publishing
Ethics and Professional Conduct	Consumer Protection
Agency Relationships and Duties	Statistics & Partial Interests
Capitalization and Cash Flow	Narrative Report Writing
Advanced Capitalization	Demonstration Report Writing
Advanced Applications	Cost Approach - Calculator Method
Fair Housing Laws	Title 24: California Energy Code
H.U.D./F.H.A. Appraisal Practices	Environmental Legislation
Environmental Disclosure	Non-residential Report Writing
Hotel/Motel Valuation	Retail and Industrial Markets
Fundamentals of Investment Analysis	Office and Industrial Trends

Purpose of Assignments

Purchase	Refinance	Casualty Loss
Litigation	Dissolution	Proposed
Feasibility Study	Foreclosure	Estate
Relocation	Rental survey	Portfolio

Representative List of Clients Served

Bank of Marin	Wells Fargo Bank	Northern Trust Bank
California Bank & Trust	Comerica Bank	First Republic Bank
Liberty Bank	Zions National Bank	Union Bank
Luther Burbank Savings	United America Bank	Heritage Bank of Commerce
Boston Private Bank	Global Trust Bank	Avidbank

California State Teachers' Retirement System (CALSTRS)
General Services Administration (GSA)
Federal Deposit Insurance Corporation (FDIC)
U.S. Department of Housing and Urban Development (HUD)
Small Business Administration (SBA)

Professional Designations/Affiliations

Member of the Appraisal Institute (11,198)
Certified-General Appraiser, State of California (AG009176)
Real Estate Broker, State of California (00866712)
American Association of Individual Investors (life member)

Court Testimony

I have testified as an expert in real estate valuation in San Francisco County

Properties Types Appraised

Single-family residences	Residential condominiums	Apartment buildings
Stock cooperatives	Live/work units	Design/multimedia
Office buildings	Industrial buildings	Warehouses
R&D	Shopping centers	Office condominiums
Industrial condominiums	Residential care facilities	Child care centers
Planned unit developments	Proposed construction	Mixed-use buildings
Food processing centers	Unreinforced masonry buildings	Hotels/Motels
Self-storage facilities	Fast food restaurants	Development land

Representative List of Properties Appraised

Offices

101 California Street
1,194,314 SF 48-story office tower

Gateway I and II
601-651 Gateway Boulevard, S.S.F.
Two office towers totaling 485,789 SF

Quadrus Office Project
2400-2494 Sand Hill Road, Menlo Park
Seven office bldgs. with 177,236 SF

Robert F. Peckham Federal Building
280 South First Street, San Jose
Federal building totaling 240,572 SF

Warehouse/Industrial/R&D

1070 San Mateo Avenue, S.S.F.
571,274 SF warehouse facility

1000 Commodore Drive, San Bruno
223,201 SF National Archives

Redwood Junction
2682-2694 Middlefield Road, RWC
215,200 SF multi-tenant light industrial

Scott Creek Business Park
44870 Kato Road, Fremont
Proposed 301,800 SF R&D facility

Apartments

Elena Gardens
1902 Lakewood Drive, San Jose
168-unit apartment complex

Belmont Square
2200 Lake Road, Belmont
36-unit apartment complex

Oakwood Apartments
515-595 John Muir Drive, San Francisco
721-unit apartment complex

Retail/Wholesale/Office

Gift Center & Jewelry Mart
888 Brannan Street, San Francisco
447,732 SF wholesale mart

West Gate Center
1933 Davis Street, San Leandro
573,563 SF power center

Design Pavilion
200 Kansas Street, San Francisco
78,659 SF wholesale design
and furniture showrooms

Other Properties

41-77 Van Ness Avenue, San Francisco
Proposed 52-unit residential mixed-use condominium project

Crescent Villa Care Home
147 Crescent Avenue, Sunnyvale
40-bed assisted living facility

Children's World Learning Center
2875 Mitchell Drive, Walnut Creek
Childcare facility licensed for 123 children

Lok-n-Stor
190 Otis Street, San Francisco
Proposed 1,354-unit self storage facility

Tuscan Inn at Fisherman's Wharf
425 North Point Street, San Francisco
221-room full service hotel

York Hotel
940 Sutter Street, San Francisco
96-room boutique style hotel

Wendy's Restaurant
1313 South Wolfe Road, Sunnyvale
2,314 SF fast food restaurant

Company Information

Fabbro, Moore & Associates is a real estate appraisal and consulting firm. The firm and its predecessor companies have been active in the San Francisco Bay Area since 1956. Our firm has appraised virtually all property types, including residential, commercial, lodging, research & development, industrial, and special use properties.

Education

Mr. Fabbro graduated Magna Cum Laude with a Bachelor of Arts degree in History from Santa Clara University, Santa Clara, California. He was elected to membership in Phi Beta Kappa, and now is a member of the Pi Chapter of California.

Mr. Fabbro has taken more than 50 real estate education courses or seminars, covering an extensive variety of topics. The subjects covered in those courses and seminars include but are not limited to real estate valuation principles, appraisal procedures, real estate finance, market analysis, development feasibility, highest and best use analysis, capitalization theory and techniques, advanced capitalization theory and techniques, case studies in real estate valuation, report writing and valuation analysis, condemnation appraising, analyzing distressed real estate, construction evaluation, subdivision valuation, and standards of professional practice.

The Office of Real Estate Appraisers establishes continuing education policies for licensed and certified appraisers in the State of California. Mr. Fabbro has completed the continuing education requirement for his current certification term.

Professional Affiliations

Mr. Fabbro has been awarded the Certified-General Appraiser designation by the State of California (Certificate #AG002322). Certified-General is the highest level of certification available from the state.

Court Testimony

Mr. Fabbro has testified as an expert in real estate in San Francisco, San Mateo, Santa Clara, Alameda, Napa, and Solano counties. He has also testified in federal courts. He has provided litigation valuation analyses in over 200 cases, involving a wide array of property types and cases. Areas of expert testimony have included issues related to real estate valuation, standard of care for real estate appraisers, regulatory issues related to real estate appraisal, development feasibility, achievable development profits, value of development entitlements, and other issues related to real estate market economics. Clients have included public agencies, insurance companies, corporations, partnerships, and individuals. On several occasions, Mr. Fabbro has been appointed by the court or opposing sides to act as the sole real estate valuation expert or as a neutral party in real estate valuation disputes.

Property Types Appraised

Single-family residences	Residential condominiums
Subdivisions	Planned unit developments
Apartment buildings	Vacant land
Submerged land	Agricultural properties
Hotels	Motels
Marinas	Self-storage facilities
Warehouses	Industrial buildings
Auto repair facilities	Gas stations
Industrial condominiums	Research & development facilities
Office condominiums	Office buildings
Shopping centers	Commercial retail properties
Restaurants	Night clubs
Auto dealerships	Mortuaries
Medical buildings	Assisted living facilities
Senior housing	Properties affected by hazardous materials

Assignment Purposes

Purchase	Lending
Eminent domain	Litigation
Arbitration	Dissolution
Assessment appeal	Gift tax
Diminution in value	Detrimental conditions
Estate	Partial interest valuation
Foreclosure	Relocation
Leasehold interest	Rental survey
Land use planning	Feasibility study
Proposed construction	Subdivision analysis
Blockage discounts	Valuation of easements and rights-of-way

Geographic Area of Expertise

Our primary area of expertise is in the nine-county San Francisco Bay Area. The following table lists the California counties in which we have provided appraisals.

San Francisco	San Mateo
Santa Clara	Alameda
Contra Costa	Marin
Solano	Napa
Sonoma	Santa Cruz
Monterey	San Joaquin
Sacramento	Stanislaus
Yolo	Tuolumne
Merced	Fresno
Kern	Los Angeles
Orange	Riverside

Clients (Partial List)

AltaPacific Bank
Avidbank
Bank of America
Bank of East Asia
Bank of Marin
Bank of Montreal
Bank of the West
Boston Private Financial Holdings
California Bank & Trust
Comerica Bank
First Bank
First National Bank
First Republic Bank
Fremont Bank
Heartland Capital
Heritage Bank
HSBC Private Bank
Industrial and Commercial Bank of China
JP Morgan Chase
Liberty Bank
Luther Burbank Savings
New Resource Bank
Northern Trust Bank
Union Bank
US Bank
Wells Fargo Bank

Beneficial Standard Life Insurance Co.
Farmers Insurance
Fireman's Fund Insurance
Kemper Insurance
Lawyers Title Insurance Corp.
Ticor Title Insurance Company

City of Belmont
City of Brisbane
City of Daly City
City of Foster City
City of Half Moon Bay
City of Millbrae
City of Oakland
City of Pacifica
City of Redwood City
City of San Bruno
City of San Carlos
City of South San Francisco
City and County of San Francisco
County of San Mateo
Mid-Peninsula Regional Open Space District
Skyline County Water District
California Department of Transportation
SamTrans
Federal Deposit Insurance Corp. (FDIC)
General Services Administration (GSA)
U.S. Dept. of Housing and Urban Dev. (HUD)
Resolution Trust Corp. (RTC)
Small Business Administration (SBA)
Veterans Administration (VA)

Applied Materials
E.I. DuPont Co.
General Motors
Hewlett-Packard
Lockheed Martin
Motorola
Nestle USA
Procter & Gamble
Safeway
Marriott Corp.
Doubletree Hotels
Dignity Health
Seton Medical Center
ESOP Investment Bankers

Bancroft & McAlister
Berra, Stross & Wallacker
Bryant, Clohan, Ott & Baruh
Chapman, Popik & White
Cooley, LLP
Fenwick & West
Flicker, Kerin, Kruger & Bissada
Gordon & Rees
Hammer & Jacobs
Howard Rome Martin & Ridley
Miller Starr Regalia
Morgan Tidalgo Sukhodrev & Azzolino
Morrison Foerster
Quinn, Emanuel, Urquhart & Sullivan
Ropers Majeski Kohn Bentley
Shartsis Friese
Sidley Austin
Thoits Law
Tobin & Tobin
Wilson, Sonsini, Goodrich & Rosati

Representative List of Properties Appraised

Offices/R&D

333 Market Street, San Francisco
Eminent domain case involving a leasehold interest in a 33-story, 692,000-square foot high-rise office building

United States Geological Survey Campus
345 Middlefield Road, Menlo Park
381,284-square foot campus of the U.S.G.S.

United Defense Campus
1205 & 1450 Coleman Ave., Santa Clara and San Jose
295,750 SF campus of a major defense contractor

New San Francisco Federal Building
Innovative, energy-efficient, 605,000-sq. ft., 18-story office building designed by Morphosis

Ronald V. Dellums Federal Building
1301 Clay Street, Oakland
903,363-sq. ft. federal building and courthouse

Industrial

Federal Supply Warehouse
1070 San Mateo Avenue, South San Francisco
571,913-square foot warehouse

National Archives and Records Admin. Center
1000 Commodore Avenue, San Bruno
227,839-square foot data center and warehouse

Retail

Sequoia Station, Redwood City
170,000-square foot community shopping center

125 Geary Street, San Francisco
Re-use plan for an unreinforced masonry building in Union Square

400 Jefferson Street, San Francisco
Leasehold interest in a new restaurant project at Fisherman's Wharf

Apartments/Residential

One Embarcadero South, San Francisco
Development appraisal for a 14-story, 233-unit multi-family residential building

City Heights at Pellier Park
169 West Saint James Street, San Jose
Appraisal of the first proposed high-rise condominium project in downtown San Jose

Green City Lofts
1007 Forty-first St., Oakland and
4050 Adeline Street, Emeryville
Proposed 62-unit loft condominium project

North Fair Oaks Apartments
523 Oakside Avenue, Redwood City
60-unit low- to moderate-income apartment project with condominium conversion potential

Marina Gardens, San Mateo
Conversion of a 180-unit stock cooperative project to condominiums

Land/Other

Abbott Labs Site, Redwood City
Evaluation of various license and easement rights affecting a proposed 541,077-square foot R&D project to be developed on a 31.57-acre site located adjacent to the Port of Redwood City

James R. Browning U.S. Court of Appeals Building
95 Seventh Street, San Francisco
457,000-square foot historic federal courthouse

Federal Courthouse, San Jose
Consultation with the federal government on site selection, land use, condemnation, and valuation issues related to a potential new federal courthouse

500 Ocean Street, Santa Cruz
80-room hotel