# COMPLETE APPRAISAL SELF-CONTAINED REPORT

Stoneridge East Community Facilities District No. 1 Roseville, California

# **PREPARED FOR**

Mr. Russ Branson, Finance Director City of Roseville 2000 Hilltop Circle Roseville, California 95747

# **PREPARED BY**

Seevers • Jordan • Ziegenmeyer 2220 Douglas Boulevard, Suite 220 Roseville, California 95661 Phone # (916) 782-3113 Fax # (916) 782-0482 June 20, 2001

Mr. Russ Branson, Finance Director City of Roseville 2000 Hilltop Circle Roseville, California 95747

RE: Properties within Stoneridge East

Community Facilities District No. 1

Roseville, California

Dear Mr. Branson:

We have analyzed market data for the purpose of estimating market value (fee simple estate - subject to special tax and special assessment liens) of the properties within the Stoneridge East Development, Community Facilities District No. 1, under the assumptions and conditions set forth in this report.

The appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing published by the California Debt Advisory Commission. This document is presented in a self-contained report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2 (a) of the Uniform Standards of Professional Appraisal Practice (USPAP).

The appraised properties contain a total gross acreage area of 501.19 Acres. The Stoneridge East Community Facilities District No.1 bond issuance, is scheduled to fund certain of the public improvements required for the development of 1,147 single family residential lots and 230 attached multi-family residential units, yielding a total development of 1,377 residential units. The Community Facilities District will provide improvements for Sierra College Boulevard, Secret Ravine Parkway, Alexandra Drive, Scarborough Drive, Miners Ravine Drive, traffic signals, drainage, water, sewer, electric facilities, park improvements, and other miscellaneous improvements.

The appraised properties are located north of Olympus Drive, west of Sierra College Boulevard, east of Roseville Parkway and south of the Roseville/Rocklin city limits. For the reader's reference, we have detailed the number of lots contained with the Stoneridge East, Community Facilities District No. 1 in the following table.

| STONERIDGE EAST RESIDENTIAL SUMMARY |         |          |           |  |  |  |  |  |  |
|-------------------------------------|---------|----------|-----------|--|--|--|--|--|--|
| PARCEL                              | # UNITS | LOT SIZE | MIN. PAD  |  |  |  |  |  |  |
| 22 (Vill 5)                         | 65      | 60'x110' | 58'x100'  |  |  |  |  |  |  |
| 27                                  | 90      | 80'x120' | 75'x100'  |  |  |  |  |  |  |
| 28                                  | 89      | 60'x110' | 58'x100'  |  |  |  |  |  |  |
| 30A                                 | 64      | 60'x110' | 58'x100'  |  |  |  |  |  |  |
| 30B                                 | 44      | 80'x120' | 75'x100'* |  |  |  |  |  |  |
| 39 (Vill 6)                         | 12      | 80'x175' | 75'x100'* |  |  |  |  |  |  |
| 40 (multi-family)                   | 230     | -        | -         |  |  |  |  |  |  |
| 41 (Vill 3)                         | 64      | 90'x140' | 80'x100'  |  |  |  |  |  |  |
| 42 (Vill 2)                         | 68      | 80'x120' | 75'x100'  |  |  |  |  |  |  |
| 46 (Vill 1)                         | 120     | 60'x110' | 58'x100'  |  |  |  |  |  |  |
| 47 (Vill 4)                         | 103     | 60'x110' | 58'x100'  |  |  |  |  |  |  |
| 49                                  | 80      | 80'x120' | 75'x100'* |  |  |  |  |  |  |
| 51                                  | 18      | 55'x110' | 55'x100'  |  |  |  |  |  |  |
| 52                                  | 31      | 80'x120' | 75'x100'* |  |  |  |  |  |  |
| 54 (Cluster)                        | 137     | 50'x60'  | 50'x100'  |  |  |  |  |  |  |
| 55                                  | 72      | 55'x110' | 55'x100'  |  |  |  |  |  |  |
| 57                                  | 55      | 55'x110' | 55'x100'  |  |  |  |  |  |  |
| 59                                  | 35      | 90'x120' | 80'x100'* |  |  |  |  |  |  |
| Total Units                         | 1,377   |          |           |  |  |  |  |  |  |

\*Includes split-level and garage-only pads

We have been requested to provide a single value estimate for the subject properties, under the assumptions and conditions cited in the attached report. The income approach is not presented in this report due to the fact that land purchasers do not typically use this approach. Thus, the income approach to value is not considered applicable to this appraisal problem. The market value conclusion of each land use type (detached single family residential lots and attached multi-family residential lots), are based on the sales comparison approach to value.

The retail value for the subject's property groupings represents estimates of what an end user would pay for a finished property under the condition requisite to a fair sale. In this appraisal, a property is considered finished if it were in a state where it could be purchased and then either fully developed shortly thereafter. This implies that all major infrastructure is in place, the subdivision map is ready for final approval, and the in-tract improvements can be completed shortly. The aggregate retail value is the sum of the retail values for the applicable property groupings. This value estimate excludes all allowances for carrying costs and is not equal to the market value of all the subject properties.

Mr. Russ Branson June 20, 2001 Page 3

The bulk sale value represents the most probable price, in a sale of certain parcels within Stoneridge East Community Facilities District No.1, to a single purchaser or sales to multiple buyers, over a reasonable absorption period discounted to present value. The estimate of market value in this report reflects the value of the individual components of the unimproved residential lots (959 lots), the partially improved lots (155 lots), the improved lots (33 lots), as well as the one multifamily parcel. It is noted that the sum of the specific values indicates the aggregate retail sales volume of the components cited, which is not equivalent to the market value of the district as a whole.

The value estimates also assume that each transfer would reflect a cash transaction or terms. which are considered to be equivalent to cash. The estimates are also premised on an assumed sale after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with buyer and seller each acting prudently, knowledgeably, for their own self interest, and assuming that neither is under undue stress. The following value estimates represent the aggregate value of the subject properties and the bulk sale value. The value estimates assume the completion of the public facilities to be financed by the Stonerige East Community Facilities District No. 1 bond issuance and account for the impact of the lien of the Special Tax securing the Bonds. For the reader's reference the subject's component values are presented on the facing page.

### Aggregate Value (April 29, 2001):

\$114,000,000

#### Market Value, Bulk Value (April 29, 2001):

\$54,450,000

This letter must remain attached to the report, which contains 90 pages plus related tables, exhibits and Addenda, in order for the value opinion set forth to be considered valid.

We hereby certify that the properties have been inspected and we have impartially considered all data collected in the investigation. Further, we have no interest in the properties, and the appraisal has been made in accordance with the professional standards of the Appraisal Institute.

Thank you for the opportunity to work with your office on this assignment.

Sincerely,

P. Richard Seevers. MAI State Certification No. AG001723

Expires: August 12, 2002

COPY

Kevin K. Ziegenmeyer, Appraiser State Certification No. AG013567

Expires: June 4, 2003

/nfw

# **SUMMARY OF SUBJECT PARCELS**

Stoneridge East: CFD No. 1 Roseville, California

|              | No. of | Minimum  |    | inished  |     | Aggregate   |
|--------------|--------|----------|----|----------|-----|-------------|
| Parcel       | Units  | Lot Size | L  | ot Value | Р   | arcel Value |
| 22           | 65     | 6,600    | \$ | 90,000   | \$  | 5,850,000   |
| 27           | 90     | 9,600    | \$ | 120,000  | \$  | 10,800,000  |
| 28           | 89     | 6,600    | \$ | 90,000   | \$  | 8,010,000   |
| 30A          | 64     | 6,600    | \$ | 90,000   | \$  | 5,760,000   |
| 30B          | 44     | 9,600    | \$ | 120,000  | \$  | 5,280,000   |
| 39           | 12     | 14,000   | \$ | 130,000  | \$  | 1,560,000   |
| 40 (Apts.)   | 230    | n/a      | \$ | 15,000   | \$  | 3,450,000   |
| 41           | 64     | 12,600   | \$ | 128,000  | \$  | 8,192,000   |
| 42           | 68     | 9,600    | \$ | 120,000  | \$  | 8,160,000   |
| 46           | 120    | 6,600    | \$ | 90,000   | \$  | 10,800,000  |
| 47           | 103    | 6,600    | \$ | 90,000   | \$  | 9,270,000   |
| 49           | 80     | 9,600    | \$ | 120,000  | \$  | 9,600,000   |
| 51           | 18     | 6,050    | \$ | 85,000   | \$  | 1,530,000   |
| 52           | 31     | 9,600    | \$ | 120,000  | \$  | 3,720,000   |
| 54 (cluster) | 137    | 3,000    | \$ | 50,000   | \$  | 6,850,000   |
| 55           | 72     | 6,050    | \$ | 85,000   | \$  | 6,120,000   |
| 57           | 55     | 6,050    | \$ | 85,000   | \$  | 4,675,000   |
| 59           | 35     | 10,800   | \$ | 125,000  | \$  | 4,375,000   |
| TOTAL:       | 1,377  |          |    |          | \$^ | 114,002,000 |
| ROUNDED      | ,      |          |    |          |     | 114,000,000 |

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#### **SUMMARY OF IMPORTANT FACTS AND CONCLUSIONS**

**Project Name:** Stoneridge East, encumbered by Community Facilities

District No. 1

**Property Type:** Low and medium density single-family residential land

and high density multi-family residential land

Ownership Entities: The subject properties, all parcels within the

boundaries of Community Facilities District No.1, are owned by either Elliot Homes, Inc. or H.C. Elliot Inc. Both of these entities are part of the H.C. Elliot Homes group, a local land developer and homebuilder. H.C. Elliot Homes has owned the subject land for a number

of years, and plans to develop the proposed

subdivisions and construct the single family homes and

apartment units.

<u>Property Rights Appraised</u>: Fee simple, subject to special tax and special

assessment liens

<u>Location</u>: West of Sierra College Boulevard, north of Olympus

Drive, east of Roseville Parkway, and south of the Roseville/Rocklin city limits; Roseville, California

Assessor's Parcel Number(s): The parcels comprising the Stoneridge East

Community Facilities District No. 1 are summarized as

follows:

| Assessor's Parcel Number | Gross Acreage |
|--------------------------|---------------|
| 046-020-006              | 0.50          |
| 046-020-008              | 9.80          |
| 046-020-020              | 71.10         |
| 046-020-027              | 121.50        |
| 046-020-028              | 3.50          |
| 046-060-003              | 80.00         |
| 046-070-002              | 75.10         |
| 046-080-007              | 97.10         |
| 046-090-006              | 11.09         |
| 046-090-009              | 31.50         |
| Total                    | 501.19        |

New parcel numbers have been assigned to individual finished lots that have received final map approval. However, each new parcel number is not presented in this report.

**Zoning:** Low density residential (6.9 units or less per acre)

Medium density residential (7.0 to 12.9 units per acre) High density residential (13.0 or greater units per acre)

Flood Zone: The subject property is situated within Flood Zone C.

This flood zone is described as areas of minimal flooding. This information was determined in

flooding. This information was determined in accordance with our interpretation of Flood Insurance

Rate Map - Community-Panel Number 060263-0006 B, revised January 6, 1982, published by the Federal

Emergency Management Agency.

**Earthquake Zone:** The subject properties are not located within a seismic

special studies zone, designated by the California State Division of Mines and Geology, in accordance with the Alquist-Priolo Special Study Zone Act of 1972.

Gross Land Area: 501.19 acres

<u>Current Use</u>: Under development to single family residential

subdivisions and complimentary land uses.

<u>Highest and Best Use</u>: Completion of the proposed project as a single-family

and multi-family residential development.

Date of Value: April 29, 2001

Date of Report: May 15, 2001

**Aggregate Value (April 29, 2001):** \$114,000,000

Market Value,

**Bulk Value (April 29, 2001):** \$54,450,000

#### **PURPOSE OF THE APPRAISAL**

The purpose of this appraisal is to estimate the aggregate value (fee simple, subject to special tax and assessment liens) of the subject properties assuming the completion of the primary infrastructure and facilities to be funded by the Community Facilities District No. 1 bond issuance (Stoneridge East), as well as the market value in bulk upon the completion of the primary infrastructure and facilities.

#### **INTENDED USE OF THE APPRAISAL**

It is our understanding that the report will be used by the City of Roseville for bond underwriting purposes.

#### CLIENT AND INTENDED USER OF THE APPRAISAL

The client and intended user of the report is the City of Roseville.

### PROPERTY RIGHTS APPRAISED

The estimates of value derived in this report are for the fee simple estate. The definition of this real property interest is offered as follows:

Fee Simple Estate:

absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.<sup>1</sup>

The rights appraised are also subject to the Assumptions and Limiting Conditions contained in this report and to any exceptions, encroachments, easements and rights-of-way recorded. Primary among the assumptions in this analysis is the premise that the value estimates reflect the completion of the public facilities to be financed by bonds and account for the impact of the lien of the Special Tax securing the Bonds.

#### TYPE OF APPRAISAL AND REPORT FORMAT

As requested by the client, this report documents a complete appraisal of the subject properties. Further, it is presented in a self-contained report format, which is intended to comply with the reporting requirements set forth under Standards Rule 2.2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP).

#### DATE OF INSPECTION

| The subject properties were inspected on April 29, 200 |
|--|
|--|

<sup>&</sup>lt;sup>1</sup> The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> ed. (Chicago: Appraisal Institute, 1993) 140.

# **EFFECTIVE DATE OF VALUE**

Our analysis is concerned with the valuation of the subject properties included in Community Facilities District No. 1 (Stoneridge East), assuming completion of the primary infrastructure and facilities to be funded by the Community Facilities District No. 1. Thus, for purpose of this analysis the date of value, based on the assumed condition, is our date of inspection (April 29, 2001).

# **DATE OF REPORT**

This report was completed and assembled on May 15, 2001.

#### APPRAISAL PROBLEM

The appraisal problem is to estimate the aggregate value and the bulk value, assuming the completion of the infrastructure to be funded by the Community Facilities District (CFD) No. 1 issuance. The appraised properties consist of 1,147 detached single-family residential lots and one multi-family residential lot allowing for the development of 230 apartment units. Thus, in total, the development will contain 1,377 residential units. The Community Facilities District No.1 bond issuance, along with additional funds from the master developer, is scheduled to fund the development of these parcels.

The appraised properties are located west of Sierra College Boulevard, north of Olympus Drive, east of Roseville Parkway, and south of the Rocklin/Roseville city limits. For the reader's reference, we have detailed the number of lots that comprise the subject property in the following table.

| STONERIDGE        | EAST RES | IDENTIAL SU | JMMARY    |
|-------------------|----------|-------------|-----------|
| PARCEL            | # UNITS  | LOT SIZE    | MIN. PAD  |
| 22 (Vill 5)       | 65       | 60'x110'    | 58'x100'  |
| 27                | 90       | 80'x120'    | 75'x100'  |
| 28                | 89       | 60'x110'    | 58'x100'  |
| 30A               | 64       | 60'x110'    | 58'x100'  |
| 30B               | 44       | 80'x120'    | 75'x100'* |
| 39 (Vill 6)       | 12       | 80'x175'    | 75'x100'* |
| 40 (multi-family) | 230      | -           | -         |
| 41 (Vill 3)       | 64       | 90'x140'    | 80'x100'  |
| 42 (Vill 2)       | 68       | 80'x120'    | 75'x100'  |
| 46 (Vill 1)       | 120      | 60'x110'    | 58'x100'  |
| 47 (Vill 4)       | 103      | 60'x110'    | 58'x100'  |
| 49                | 80       | 80'x120'    | 75'x100'* |
| 51                | 18       | 55'x110'    | 55'x100'  |
| 52                | 31       | 80'x120'    | 75'x100'* |
| 54 (Cluster)      | 137      | 50'x60'     | 50'x100'  |
| 55                | 72       | 55'x110'    | 55'x100'  |
| 57                | 55       | 55'x110'    | 55'x100'  |
| 59                | 35       | 90'x120'    | 80'x100'* |
| Total Units       | 1,377    |             |           |

\*Includes split-level and garage-only pads

We have been requested to provide two value estimates for the subject properties, under the assumptions and conditions previously cited.

The income approach is not presented in this report due to the fact that land purchasers do not typically use this approach as a basis for valuation. Thus, the income approach to value is not considered applicable to this appraisal problem. The market value conclusion of each land use type is based on the sales comparison approach to value. The bulk market value of the land components will be valued by utilizing the subdivision development method (discounted cash flow analysis).

For the reader's reference, the subdivision development method is defined as follows:

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land.<sup>2</sup>

A discounted cash flow analysis will be utilized to value the master developer's portion of the subject properties under the subdivision development method. The four components of our discounted cash flow analysis will be 1) revenue, 2) absorption analysis, 3) expenses and 4) discount rate.

This appraisal report has been conducted in accordance with appraisal standards and guidelines found in the Uniform Standards of Professional Appraisal Practice (USPAP) and the Appraisal Standards for Land Secured Financing published by the California Debt Advisory Commission.

Seevers • Jordan • Ziegenmeyer ————

<sup>&</sup>lt;sup>2</sup> The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> ed. (Chicago: Appraisal Institute, 1993) 354.

#### APPRAISAL PREMISE DEFINITIONS

This appraisal of the subject properties has been made in accordance with the following definitions:

#### **Market Value**

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

- Buyer and seller are typically motivated;
- Both parties are well informed or well advised, and acting in what they consider their own best interests:
- A reasonable time is allowed for exposure in the open market;
- Payment is made in terms of cash in United States Dollars or in terms of financial arrangements comparable thereto; and
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.<sup>3</sup>

# **Marketing Period**

- 1. The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal.
- 2. Reasonable marketing time is an estimate of the amount of time it might take to sell an interest in real property at its estimated market value during the period immediately after the effective date of the appraisal; the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation, the exercise of due diligence, and the consummation of a sale at a price supportable by current market conditions. Marketing time differs from exposure time, which is always presumed to precede the effective date of the appraisal.4

#### **Exposure Time**

- 1. The time a property remains on the market.
- 2. The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. Exposure time is always presumed to occur prior to the effective date of the appraisal. The overall concept of reasonable exposure encompasses not only adequate, sufficient and reasonable time but also adequate, sufficient and reasonable effort. Exposure time is different for various types of real estate and value ranges and under various market conditions.5

<sup>5</sup> The Dictionary of Real Estate Appraisal, 126.

<sup>&</sup>lt;sup>3</sup> Federal Register, vol. 55, no. 163, August 22, 1990, 34228 and 34229. <sup>4</sup> <u>The Dictionary of Real Estate Appraisal</u>, 3<sup>rd</sup> ed. (Chicago: Appraisal Institute, 1993) 220.

# **Hypothetical Value Estimate**

A value that is contrary to what exists, but is supposed for the purpose of analysis.<sup>6</sup>

## **Subdivision Development Method**

A method of estimating land values when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots. The resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicated the value of the raw land.

USPAP, 2000 Edition 11.
 The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> ed. (Chicago: Appraisal Institute, 1993) 354.

#### MARKETING TIME AND EXPOSURE PERIOD

### **Marketing Time**

Market participants indicate that, if appropriately priced, each of the subject parcels could be marketed within a twelve-month time frame. Inherent within the marketing time estimate is pricing at or near market and the listing of the property with a competent brokerage firm. This estimate of marketing time is applicable to each individual property, and assumes that all subject parcels are not marketed for sale at the same time. This is basically consistent with the average marketing times of other vacant residential properties located in the city of Roseville and surrounding areas within Placer County.

## **Exposure Period**

Inherent in the definition of market value and marking time is an adequate amount of exposure on the open market. Two excerpts for the definitions of both market value and marketing time are listed as follows:

#### Market Value:

"... a reasonable time is allowed for exposure in the open market."

## Marketing Time:

"...the anticipated time required to expose the property to a pool of prospective purchasers and to allow appropriate time for negotiation..."

Based on recent historical market conditions, the exposure time for the subject properties is estimated to be equal to the marketing time previously stated (12 months - proceeding the date of value).

#### **SCOPE OF THE APPRAISAL**

The scope of this report included:

- A physical inspection of the subject properties and all comparable market data;
- Verification of public information relating to property assessments, zoning and utilities;
- Telephone and personal interviews with persons considered knowledgeable regarding the subject properties and similar properties;
- An estimate of a probable marketing time for the subject properties based on sales and listings
  of similar properties and interviews with local real estate professionals;
- An analysis of local area land use trends as well as proposed and/or present construction activity;
- A determination of the highest and best use as vacant according to the four tests of legal permissibility, physical feasibility, financial feasibility and maximum profitability was determined for each land use designation;
- An estimate of the aggregate retail value of the residential lots and the multi-family parcel;
- An estimate of the absorption period for the residential lots and multi-family parcel;
- Derivation of the expenses associated with the sell-out of the subject's different land lease components;
- Derivation of a discount rate for application in the subdivision development method of land valuation; and
- An estimation of the aggregate value for the subject properties, assuming completion of
  infrastructure funded by the Community Facilities District No. 1 bond issuance. This aggregate
  value will be used to derive a bulk value estimate (market Value) for the subject properties.

The market data contained in this report was obtained from a variety of sources, is considered reliable, and has been utilized to document the valuation conclusions.

#### **EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS**

- 1. The estimate of market value contained within this report assumes the completion of the public infrastructure improvements to be financed with the Community Facilities District No. 1 bond issuance. In summary, the improvements include roadway improvements (Sierra College Boulevard, Secret Ravine Parkway, Alexandra Drive, Scarborough Drive, and Miners Ravine Drive), traffic signals, drainage system improvements, water, sewer, electric, park, and additional miscellaneous improvements.
- 2. The values derived in this report are directly tied to the subdivision map and phasing of the project provided by the property owner. Any significant change in the number or size of the new parcels, or in the phasing of the project, could affect the value of the subject properties. It is assumed the subject will be subdivided and phased as represented by the master developer for this analysis.
- 3. The value conclusions contained in this report are based, in part, on development cost information provided by the developer. Any significant change in these costs could have a direct impact on the value estimates concluded in this report. The appraisers specifically assume that the cost information provided is accurate.
- 4. The appraised properties are located in an area that is to be encumbered by community facilities district bond obligations for the provision of infrastructure improvements. Typically, upon the sale of such a property, the outstanding bond obligations are passed through to the buyer. The estimates of value reported herein include value increments related to this bond indebtedness. In short, the value estimates reported reflect the completion of the public facilities to be financed by the bonds and account for the impact of the lien of the Special Tax securing the Bonds.
- 5. The portions of the Stonridge East properties designated for public and quasi-public purposes are not subject to the Community Facilities District No. 1 special tax levy. Therefore, these land areas are excluded from valuation.
- 6. The appraisers were provided multiple estimates of actual lots that comprise the subject property. For the purposes of this analysis, we have utilized an estimate of 1,147 total single-family residential lots and one multi-family lot approved for development with 230 apartment units. This indicates a total potential development of 1,377 residential units. It should be noted, however, that the appraisers were provided with estimates of total units ranging from 1,377 to 1,429.
- 7. As of our date of value (date of inspection) the subject properties represented fully improved lots (959 lots), partially improved lots (155 lots), fully improved lots (33 lots) and one multi-family lots. The estimates of value reported herein include value increments related to the bond indebtedness that will provide financing the necessary to complete the infrastructure improvements.
- 8. As of the date of inspection a model home complex was under construction. It should be noted that only foundation work and initial framing had been completed at the time of our inspection. Considering the nominal amount of work completed at the time of our inspection ewe have concluded that the partially completed model complex does not offer any contributory value to the project as a whole. Accordingly, for purposes of this analysis we have not assigned a value estimate for the partially complete model complex.

#### **GENERAL ASSUMPTIONS AND LIMITING CONDITIONS**

This appraisal report is subject to the following general assumptions and limiting conditions:

- 1. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the properties is assumed to be good and marketable unless otherwise stated.
- 2. No responsibility is assumed for matters of law or legal interpretation.
- 3. The properties are appraised free and clear of any or all liens or encumbrances unless otherwise stated.
- 4. The information and data furnished by others in preparation of this report is believed to be reliable, but no warranty is given for its accuracy.
- 5. It is assumed that there are no hidden or unapparent conditions of the properties, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- 6. It is assumed that the properties are in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
- 7. It is assumed that the properties conform to all applicable zoning and use regulations and restrictions unless a nonconformity has been identified, described and considered in the appraisal report.
- 8. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- 9. It is assumed that the use of the land and improvements is confined within the boundaries or property lines of the properties described and that there is no encroachment or trespass unless noted in the report.
- 10. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the properties, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the properties. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, ureaformaldehyde foam insulation, and other potentially hazardous materials may affect the value of the properties. The value estimated is predicated on the assumption that there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The intended user of this report is urged to retain an expert in this field, if desired.

- 11. The Americans with Disabilities Act (ADA) became effective January 26, 1992. We have not made a specific survey or analysis of these properties to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. Since compliance matches each owner's financial ability with the cost-to cure the property's potential physical characteristics, the real estate appraiser cannot comment on compliance with ADA. A brief summary of the subject's physical aspects is included in this report. It in no way suggests ADA compliance by the current owner. Given that compliance can change with each owner's financial ability to cure non-accessibility, the value of the subject does not consider possible non-compliance. Specific study of both the owner's financial ability and the cost-to-cure any deficiencies would be needed for the Department of Justice to determine compliance.
- 12. The appraisal is to be considered in its entirety and use of only a portion thereof will render the appraisal invalid.
- 13. Possession of this report or a copy thereof, does not carry with it the right of publication nor may it be used for any purpose by anyone other than the client without the previous written consent of Seevers Jordan Ziegenmeyer.
- 14. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or any other media without the prior written consent and approval of Seevers ( Jordan ( Ziegenmeyer.
- 15. The liability of Seevers ( Jordan ( Ziegenmeyer and its employees/subcontractors for errors omissions, if any, in this work is limited to the amount of its compensation for the work performed in this assignment.
- 16. Acceptance and/or use of the appraisal report constitute acceptance of all assumptions and limiting conditions stated in this report.
- 17. An inspection of the subject properties revealed no apparent adverse easements, encroachments or other conditions, which currently impact the subject. However, the exact locations of typical roadway and utility easements, or any additional easements, which would be referenced in a preliminary title report, were not provided to the appraiser. The appraiser is not a surveyor nor qualified to determine the exact location of easements. It is assumed typical easements do not have an impact on the opinion (s) of value as provided in this report. If, at some future date, these easements are determined to have a detrimental impact on value, the appraiser reserves the right to amend the opinion (s) of value.

#### **CERTIFICATION OF VALUE**

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

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have made a personal inspection of the properties that are the subject of this report;
- Kevin Ziegenmeyer, Appraiser and R. Phillip Henderson, MAI inspected the subject properties
  and provided significant real property appraisal assistance in the preparation of this report. This
  assistance included the collection and confirmation of data, and the analysis necessary to
  prepare a draft report with a preliminary estimate of value;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted;
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information; and
- As of the date of this report, I, P. Richard Seevers, MAI, have completed the requirements under the continuing education program of the Appraisal Institute.



P. RICHARD SEEVERS, MAI

State Certification No.: AG001723 (Expires: August 12, 2002)

## **CERTIFICATION OF VALUE**

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

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial and unbiased professional analyses, opinions, and conclusions;
- I have no present or prospective interest in the properties that are the subject of this report, and no personal interest with respect to the parties involved;
- I have no bias with respect to the properties that are the subject of this report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Uniform Standards of Professional Appraisal Practice;
- I have made a personal inspection of the properties that are the subject of this report;
- P. Richard Seevers, MAI, reviewed this report;
- The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives;
- I certify that my State of California general real estate appraiser certificate has never been revoked, suspended, cancelled, or restricted; and
- I have the knowledge and experience to complete this appraisal assignment and have appraised similar properties in the past. Please see the Qualifications of Appraiser portion of the Addenda to this report for additional information.
- No one other than the undersigned has made a significant real property appraisal assistance to the development of this appraisal.

| CO | DV |  |  |
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KEVIN K. ZIEGENMEYER, APPRAISER

State Certification No.: AG0 (Expires: June 4, 2003)

#### **SOUTH PLACER COUNTY OVERVIEW**

### **Area Profile**

South Placer County is the southernmost component of Placer County, commonly referred to as the Valley. The remainder of Placer County is divided into the Gold Country, where parts of Auburn and Colfax are located, and the High Country, which encompasses Tahoe City and Lake Tahoe. South Placer is comprised of four incorporated cities, Auburn, Lincoln, Rocklin, and Roseville, as well as a number of unincorporated cities, the largest of which are Loomis and Granite Bay.

The county currently encompasses approximately 260 square miles, from the Placer County line bordering Sacramento, Sutter, and Yuba Counties to the city of Auburn. It lies in the north-central part of California, approximately 420 miles north of Los Angeles, 250 miles south of the Oregon border, 100 miles northeast of San Francisco, 80 miles west of Lake Tahoe, and 100 miles southwest of Reno. South Placer County is bordered by Sacramento County on the south, Sutter County on the west and Yuba County on the northwest. The northeast and east sides are bordered by the remainder of Placer County. At the southern border of this region is Roseville, the county's largest city, which encompasses approximately 31.6 miles. To the northwest are Rocklin, Loomis, and Auburn, and Lincoln lies north of Roseville. The remaining area is occupied by unincorporated cities.

## History

The various cities within South Placer County paint a colorful history. Roseville is known for its prominent role in railroad transportation, one that continues to this day. Rocklin's quarries brought economic growth to the city, especially when it provided rock for the reconstruction of damage left by the earthquake in San Francisco. Loomis and Newcastle were and continue to be major fruit-producing cities. Lincoln's greatest resource was its clay deposits, which led to the establishment of the Gladding McBean terra-cotta plant, one of South Placer's greatest enterprises and the only remaining major manufacturer of decorative architectural terra cotta in America. Auburn represents the heart of the historical heritage in South Placer, as it played a great role in the California Gold Rush; its preserved, historic Old Town district continues to be a large tourist attraction.

#### **Geography, Climate and Seismic Conditions**

South Placer marks the beginning of the Sierra Nevada Foothills; it is characterized predominantly by rolling hills and steep mountainous terrain. Elevations range from 165 feet above sea level in Roseville to 10,000 feet above sea level at the summit of the Sierra Nevada Mountains. The American River and the Bear River are the two major waterways in the region. The American River flows from the east and travels west through the northern part of Sacramento County and meets with Folsom Lake in South Placer. Bear River flows along the northern boundary of South Placer County, dividing it from Nevada County.

South Placer land uses are as follows: Roseville and Rocklin are urban developments, Loomis and Auburn are primarily rural residential, with some urban development in Auburn. Lincoln is part urban development and a large part agricultural.

The climate of South Placer is warm and dry in the summer with an average daytime high temperature of 95°F, and a cool 58°F at night. During South Placer's winters, average temperatures range from 52°F to 37°F. Due to the snowfall in the Sierra Nevada Mountains, South Placer generally has adequate water during the summer. During South Placer's rainy season, November through April, an accumulation of approximately 23 inches of rain is the norm. Besides South Placer's relatively mild climate, it is also known for its stable seismic conditions. Unlike the Bay Area and Los Angeles, South Placer and its component cities rank among the lowest in the state for the probability of a major earthquake.

#### **Population**

South Placer County experienced consistent growth between 1990 and 2000. The annual population increase of approximately 3.0 percent during this period exhibits a higher than statewide average.

The primary points of origin for new immigrants into the region are from the Bay Area and Southern California. Following is a table representing the total population increase in South Placer County and its component cities (adjusted for 1995 revisions in the base data) from 1992 to 2000.

|           | POPULATION – SOUTH PLACER COUNTY |         |           |         |           |         |         |           |  |  |
|-----------|----------------------------------|---------|-----------|---------|-----------|---------|---------|-----------|--|--|
|           |                                  |         | % Change  |         | % Change  |         |         | % Change  |  |  |
| City      | 1992                             | 1995    | 1992-1995 | 1997    | 1995-1997 | 1999    | 2000    | 1997-2000 |  |  |
| Auburn    | 11,050                           | 11,150  | 0.9%      | 11,550  | 3.5%      | 11,700  | 11,400  | -1.3%     |  |  |
| Lincoln   | 7,675                            | 7,800   | 1.6%      | 8,200   | 5.1%      | 8,825   | 9,675   | 18.0%     |  |  |
| Loomis    | 5,800                            | 5,950   | 2.6%      | 6,050   | 1.7%      | 6,050   | 5,925   | -2.1%     |  |  |
| Rocklin   | 22,650                           | 25,850  | 14.1%     | 28,000  | 8.3%      | 31,950  | 35,250  | 25.9%     |  |  |
| Roseville | 49,500                           | 56,500  | 14.1%     | 63,500  | 12.4%     | 72,100  | 74,200  | 16.9%     |  |  |
| Total     | 96,675                           | 107,250 | 10.9%     | 117,300 | 9.4%      | 130,625 | 136,450 | 16.3%     |  |  |

Source: California Department of Finance, Demographic Research Unit

| POPULATION – SOUTH PLACER BORDERING COUNTIES |           |           |           |           |           |           |           |           |
|--|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
|  |           |           | % Change  |           | % Change  |           |           | % Change  |
| County                                       | 1992      | 1995      | 1990-1992 | 1997      | 1995-1997 | 1999      | 2000      | 1997-2000 |
| El Dorado                                    | 134,100   | 142,900   | 6.6%      | 144,000   | 0.8%      | 151,300   | 152,900   | 6.2%      |
| Nevada                                       | 82,200    | 85,900    | 4.5%      | 87,700    | 2.1%      | 90,300    | 91,100    | 3.9%      |
| Sacramento                                   | 1,085,000 | 1,115,100 | 2.8%      | 1,139,500 | 2.2%      | 1,189,100 | 1,209,500 | 6.1%      |
| Sutter                                       | 68,200    | 73,000    | 7.0%      | 75,400    | 3.3%      | 77,200    | 77,900    | 3.3%      |
| Yuba   | 60,600    | 62,100    | 2.5%      | 60,800    | -2.1%     | 60,200    | 60,700    | -0.2%     |
| Total  | 1,430,100 | 1,479,000 | 3.4%      | 1,507,400 | 1.9%      | 1,568,100 | 1,592,100 | 5.6%      |

Source: California Department of Finance, Demographic Research Unit

South Placer County contains two of the four fastest growing cities in the Sacramento region, (Roseville and Rocklin), that currently have populations of 74,200 and 35,250 respectively. It is projected that these cities, as well as others in South Placer, will continue this growth at least until 2015.

#### **Transportation**

A significant advantage of the South Placer area is its central location with respect to transportation systems. Interstate 80 and Route 65 are state freeways that run through the county. Urban arterials include Douglas Boulevard, Sierra College Boulevard, Sunrise Avenue, Auburn-Folsom Road, and Watt Avenue.

In addition to roadways within the county limits, South Placer enjoys a proximity to many of the Sacramento region's freeways that provide access to the San Francisco Bay Area to the west, the Los Angeles Basin to the south, Oregon to the north, and Nevada to the east. South Placer is also proximate to the Sacramento International Airport, and, within its own neighborhood, railroads such as the transcontinental Southern Pacific Railroad and Amtrak. Other modes of transportation in and out of South Placer include the Greyhound Bus line and numerous trucking lines.

#### **Community Facilities**

#### Education

South Placer County has an established educational base with education institutions within its county limits, as well as neighboring counties. Sierra Community College in Rocklin offers a wide range of day and evening classes and serves over 16,000 students and Heald College, a business and technology vocational school, recently opened in Roseville. Nearby, in Sacramento County, are numerous community colleges and the California State University at Sacramento.

Approximately 30 miles to the southwest is the University of California at Davis, Yolo County.

The public education system in South Placer is one that ranks high in reading, writing, and math. Roseville students consistently rank in the 70-90<sup>th</sup> percentiles, compared to other schools in

California. Elementary, middle, and high schools continue to be built and to grow in each of the cities, and especially in Roseville and Rocklin, as the population increases. According to the State of California, Department of Finance, enrollment in public K-12 schools is expected to increase approximately 20% by the year 2005.

#### Health Care

South Placer County is located within a network of local and regional hospitals, as well as a number of health maintenance organizations. In 1997, the Sutter Roseville Medical Center opened a full service medical facility in Roseville. The Roseville Health and Surgery center is located nearby; it provides emergency services and various outpatient services. Kaiser-Permanente, also located in Roseville, provides outpatient services to Kaiser Health Plan members. Finally, Sutter Hospital provides immediate care services.

In addition to these health care facilities, South Placer is home to a large number of private physicians, dentists, clinics, and other medical specialists. There are a number of convalescent homes that provide senior care, including a recently approved Eskaton senior care facility and the Rocklin Villas, scheduled to open in Rocklin in 2001.

#### Recreation

South Placer County offers a number of recreational facilities ranging from arts and culture to shopping and dining. Within the county lies the Folsom Lake State Recreation Area, a boating, fishing, and swimming retreat; within a two-hour drive, Lake Tahoe and its recreational assortments are accessible.

Because of its rich historical heritage, most of the cities in South Placer have museums, where historical remnants can be viewed. Auburn and Roseville both have preserved historic buildings. There are a number of events and festivals, such as the Eggplant Festival in Loomis, the Mandarin Festival in Newcastle and the Clayfest in Lincoln, which occur year round in the county. In addition, arts and theater performances are very prominent throughout the cities. Events such as the Auburn Art Walk, or Music in the Park – an outdoor music event held throughout the summer – are common recreational alternatives.

Outdoor parks and golf courses are very prevalent, as the natural landscaping and climate of South Placer lend themselves well to outdoor recreation. Among the more popular parks are the Maidu Park in Roseville and Johnson Springview Park in Rocklin. Some popular golf courses include Twelve Bridges Golf Course in Lincoln, Whitney Oaks Golf Club in Rocklin, The Ridge in Auburn, and the Granite Bay Golf Club in Granite Bay.

Finally, for the more contemporary individual, South Placer County recently added two multi-plex movie theatres, featuring 12 screens, stadium seating, and state of the art technology. For the gourmet, there are a number of fine-dining establishments, and many more are in proposed or

construction stages. For shopping enthusiasts, shopping centers are widespread, the largest of which, the Galleria in Roseville (a 1.1 million square foot regional shopping mall), opened for business on August 25, 2000.

#### **New Construction**

#### Auburn

Unlike the other cities in South Placer, Auburn's rate of growth has been relatively slow. Residential development is considerably smaller, with the largest approved subdivision project of 80 lots awaiting construction. However, growth over the years has been steady and the city is almost fully developed. Any additional expansion will likely occur outside the city boundaries, predominantly areas west of the city.

#### Granite Bay

South Placer's wealthiest community, Granite Bay, has managed to retain the characteristics of a semi-rural town, with minimal commercial development. Still, it also continues to grow. Steady growth in school enrollment is expected over the next couple of years, and, although major residential projects, such as Treelake Village and Johnson Ranch, are nearing build-out, it is expected that smaller projects will continue to bring additional housing.

#### Lincoln

In the recent past, Lincoln has begun to experience some of the growth that its neighboring cities had been enjoying. Projects underway include Dell Webb's Sun City Lincoln Hills, which plans to build 5,000 homes in the next couple of years. Another large residential project (proposed), just outside the city of Lincoln, is the Bickford Ranch development. Located between Lincoln and Newcastle, this development proposes to accommodate 5,000 residents and a golf course.

In addition to residential developments, Lincoln is seeing expansion in other industries. Sierra College and the Western Placer Unified School District are considering a shared campus within the Twelve Bridges development. There is also the possibility of establishing a wastewater treatment plant within the city.

#### Loomis

Like Granite Bay, Loomis seeks to retain rural traits by closely monitoring developer's interest in its community. A major fruit producing and agricultural community, it has lots on the outer edges of town that are typically over 4 acres.

#### Rocklin

Proposed development in Rocklin includes a number of new schools, lodging facilities, and residential uses. Two schools in the planning or construction process are Twin Oaks Elementary School and Granite Oaks Middle School. Microtel, containing 102 lodging units, and Rocklin Park Hotel, expanding by 54 rooms and a 300-capacity conference room, are two examples of lodging facilities that have been developed within this maturing community.

The residential market in Rocklin continues to be among the most active in the Sacramento region. The Stanford Ranch development is nearing completion; Whitney Oaks, which has been on the market for a couple of years, still has a number of merchant builders actively constructing new homes; and although Sunset West began selling its first new home subdivision in August 1999, much of the land within this master plan has already been acquired or is under contact. Finally, retail is also experiencing growth in Rocklin as three new retail businesses will begin to fill the vacant blocks on Granite Drive.

#### Roseville

The largest of the communities in South Placer, Roseville has experienced tremendous growth in all segments of development and has achieved a good balance between residential, commercial, and industrial development. Like Rocklin, residential developments in Roseville, both single and multi-family, are among the most active in the Greater Sacramento/South Placer region.

New homes in master planned neighborhoods with prices well above the majority of other submarkets are typical of Roseville. Woodcreek Oaks is nearing completion; Highland Reserve, located on the south side of Highway 65, is in the midst of build-out, with builders continuing construction of new homes. One of Roseville's more recent and prominent master planned developments is the Stoneridge project (of which the subject parcels are a portion). Stoneridge, a relatively upscale community, is located to the north of Douglas Boulevard and east of Interstate 80, off of East Roseville Parkway. The primary infrastructure work for this project is almost completed, and there are many subdivisions located in the western section of the master planned community that are currently marketing homes for sale.

Commercial development is booming as retail and new business growth continues to steadily increase. There has been an increase of 260% in retail sales in the past 10 years. The opening of the Galleria, a 1.1 million square foot regional mall, in August 2000 has added to this growth by creating approximately 2,500 new jobs. New employers, as well as expanding existing businesses, continue to add to the annual job growth of approximately 6%, or 2,500 new jobs a year.

# Conclusion

South Placer County is experiencing significant increases in retail and commercial business and employment, which result in increases in population and residential developments. With an infrastructure well planned for growth, this emerging district continues to attract the attention of top employers, and relatively high-income residents. The area has a number of positive attributes, including seismic stability, a very-well-educated and growing work force, good transportation systems, affordability and availability of housing and a good mix of community services.

#### **NEIGHBORHOOD CHARACTERISTICS**

This section of the report provides an analysis of the observable data that indicates patterns of growth, structure and/or change that may enhance or detract from property values. For the purpose of this analysis, a neighborhood is defined as "a group of complementary land uses; a congruous grouping of inhabitants, buildings, or business enterprises."

The subject property is located in Southwestern Placer County within the City Limits of Roseville, approximately 20 miles northeast of the Central Business District of Sacramento, California. The neighborhood is generally bounded by Interstate 80 to the west, Folsom Lake to the east, Rocklin Road to the north, and the Placer/Sacramento County line on the south.

Land use characteristics primarily consist of residential and commercial development in the Interstate 80 corridor between Douglas Boulevard and Folsom Lake. Johnson Ranch South, located on the south side of Douglas Boulevard, consists of single family, multi-family, office, and retail development. Olympus Pointe, located on the north side of Douglas Boulevard, is a major mixed-use project (residential, office and retail development).

Access to the subject neighborhood from the primary highway system serving the Sacramento metropolitan area is good. The subject property and adjoining residential and retail commercial facilities are accessible to the Interstate 80/Douglas Boulevard interchange via Douglas Boulevard. A second point of access to Interstate 80 is available at the Eureka Road Interchange. The Highway 65 Bypass connection situated to the northwest of the subject property provides access to employment centers within Roseville and Rocklin. Major local thoroughfares within the neighborhood are Douglas Boulevard, Sunrise Boulevard, Eureka Road, East Roseville Parkway, and Rocky Ridge Drive.

Residential areas within the neighborhood should continue the growth patterns that have been established over the past few years. Factors contributing to the desirability of the area for residential use are the availability of all necessary utilities, a favorable attitude by local government toward controlled growth, good supporting public and private facilities such as schools, churches, and recreational facilities.

Growth projections for Roseville range as high as 10% to 12% annually for the next five years. The past growth rate can be attributed, in part, to the fact that Roseville has become increasingly attractive to business and manufacturing, as a place for expansion and relocation. As previously mentioned, Hewlett-Packard is a major employer in the area, employing approximately 2,800 people and a Roseville payroll of roughly \$60 million a year. Nippon Electronics Corporation (NEC),

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<sup>&</sup>lt;sup>8</sup> The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> ed. (Chicago: Appraisal Institute, 1993) 242.

a manufacturer of semi-conductors, ranks as the second largest high-tech employer in the area. In 1982, NEC purchased 73 acres of land in Roseville to build the company's second largest plant outside Japan.

An indication of how significant Roseville's growth has been over the past six years is the fact that the amount of office space has increased dramatically, while vacancy rates have declined. According to a 1987 annual Coldwell Banker report, as of the fourth quarter of 1986, Roseville had a total of 362,896 square feet of rentable office space, with a vacancy rate of 23.34%; as of the second quarter of 1999 the vacancy rate had decreased to 13.40% and the Roseville/Rocklin base had increased to 1,726,153 square feet; as of the fourth quarter of 2000, the vacancy rate had decreased to 11.93% and the Roseville/Rocklin base has increased to 2,816,481 square feet.

Large recent developments in the area include the completion of the Galleria Mall in August of 2000 and the Kaiser Permanente hospital expansion. The Galleria Mall is a 1.1 million square foot regional mall and home to 120 apparel and specialty stores that opened for business on August 25, 2000, enjoying a staggering 317,785 visitors/patrons during its first three days of business. The Kaiser Permanente hospital project is located near the subject, at the northeast corner of Rocky Ridge Drive and Douglas Boulevard. The total cost of the facility was reportedly \$100 million for the 156 bed, 66 physician hospital facility. This project, as well as the Foundation Health Clinic, and the Roseville/Sutter Hospital, will provide the area with new residents, jobs and support facilities and is seen as a positive factor for Roseville and the subject property.

In summary, Roseville has grown from a bedroom community of Sacramento to a city in its own right. With ample amount of room to grow and reasonable land prices, Roseville should remain an attractive location for business expansion and relocation. In addition, area transportation facilities are considered good as are cultural activities, and residential housing and recreational facilities.

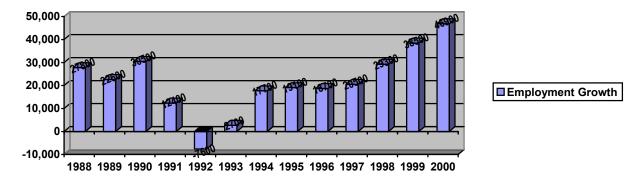
#### SACRAMENTO METROPOLITAN AREA HOUSING MARKET

The regional area housing information is an important part of the appraisal report because it provides a macro observation of the community and forms the basis upon which judgments are made. The characteristics of the region's residential real estate market influence the economic viability of the area, including the subject property. In order to familiarize the reader with the specifics of the Sacramento Metropolitan area new home market, some general information regarding supply and demand, current trends in the overall market, plus some detailed data regarding the subject's specific area, will be discussed as follows:

# A Macro Observation of the Region's Housing Market History

## **Employment**

During the latter part of the 1980s the Sacramento Region was creating almost 28,000 new jobs per year which stimulated the boom in housing demand during that period. Following the onset of the recession in 1990, employment growth shrunk to negative numbers in 1992 with corresponding declines in the new home and resale home values. The region began a long slow climb back to producing positive employment gains in 1993, which greatly contributed to the increase in housing demand during the latter part of the past decade and thus far in the new millennium. The following graph illustrates employment growth in the Sacramento Region from 1988 – 2000.



As illustrated in the graph, employment growth was strong during the latter 1980s (averaging 26,680 jobs from 1985-1990). The recession that began to impact California in 1990 seriously eroded employment opportunities in the Sacramento Region through 1993, with a net drop of 4,900 jobs from 1991-1993 (630,900 total jobs in 1991 to 626,000 jobs in 1993, excluding self employed persons). Employment growth rebounded to moderate levels in 1994 and has averaged 27,243 new jobs per year through 2000.

The growth of Sacramento's economic base has drawn people primarily from other areas in the state. In contrast to the Los Angeles and San Francisco Regions, most new Sacramento area residents come from within California seeking job opportunities, lower costs of land and housing, and a less congested living environment. Employment growth in the region is expected to remain strong over the next ten years with approximately 72% of the new jobs being created in the services, retail trade, and government sectors. The table below represents the Center for the Continuing Study of the California Economy's (CCSCE) projected total employment growth by industry groups through 2010. The forecast was released in April 2000.

|                                   | Jobs by Major Industry Group |                |                |                  |                  |                |                |  |  |  |  |
|-----------------------------------|------------------------------|----------------|----------------|------------------|------------------|----------------|----------------|--|--|--|--|
|                                   | Sacramento Region            |                |                |                  |                  |                |                |  |  |  |  |
|                                   | Change                       |                |                |                  |                  |                |                |  |  |  |  |
| Industry                          | 1990                         | 1994           | 1999           | 2005             | 2010             | 1990-99        | 1999-10        |  |  |  |  |
| Agriculture                       | 8,900                        | 8,400          | 8,100          | 8,900            | 9,000            | -800           | 900            |  |  |  |  |
| Mining                            | 600                          | 600            | 400            | 400              | 400              | -200           | 0              |  |  |  |  |
| Construction                      | 35,500                       | 29,400         | 43,700         | 50,100           | 51,700           | 8,200          | 8,000          |  |  |  |  |
| Manufacturing                     | 43,800                       | 42,500         | 52,400         | 62,600           | 70,200           | 8,600          | 17,800         |  |  |  |  |
| Transportation & Public Utilities | 28,200                       | 30,400         | 33,200         | 46,300           | 50,200           | 5,000          | 17,000         |  |  |  |  |
| Trade                             | 147,400                      | 146,600        | 162,400        | 194,500          | 211,500          | 15,000         | 49,100         |  |  |  |  |
| FIRE                              | 39,800                       | 44,300         | 52,600         | 623,00           | 68,000           | 12,800         | 15,400         |  |  |  |  |
| Services                          | 138,900                      | 161,200        | 203,000        | 274,800          | 328,600          | 64,100         | 125,600        |  |  |  |  |
| Government                        | 184,300                      | 188,700        | 202,500        | 219,300          | 230,900          | 18,200         | 28,400         |  |  |  |  |
| Self employed                     | <u>63,700</u>                | <u>67,800</u>  | 68,800         | <u>82,000</u>    | <u>87,800</u>    | <u>5,100</u>   | <u>19,000</u>  |  |  |  |  |
| Total Jobs                        | <u>691,100</u>               | <u>719,900</u> | <u>827,100</u> | <u>1,001,200</u> | <u>1,108,300</u> | <u>136,000</u> | <u>281,200</u> |  |  |  |  |
| AVDA D. (. O.                     |                              |                |                | Average          | annual gain      | 15,089         | 25,582         |  |  |  |  |

Source: NPA Data Services, 04/00 (CCSCE)

#### **Housing Permits**

An operative measure of the condition of the region's housing market is the number of housing permits issued over time. New residential permit activity has steadily increased since 1995. The banner year was 1998, a year in which the region issued 13,936 total permits, including 10,606 single-family units and 3,330 multi-family units. This was the highest permit total for the SMA and Yolo County combined since 1990 and equated to a 42% increase over 1997. Permit activity rose another 3% in 1999 and then posted another impressive gain of 16% in 2000. The table presented on the following page reflects new permit activity for the Sacramento Region (1990 – 2000):

| Sacramento-Yolo CMSA Building Permit Activity |               |              |               |  |  |  |  |
|---|---------------|--------------|---------------|--|--|--|--|
| Year  | Single-Family | Multi-Family | Total Permits |  |  |  |  |
| 1990  | 13,456        | 2,889        | 16,345        |  |  |  |  |
| 1991  | 7,650         | 2,175        | 9,825         |  |  |  |  |
| 1992  | 7,854         | 1,169        | 9,023         |  |  |  |  |
| 1993  | 7,921         | 714          | 8,635         |  |  |  |  |
| 1994  | 8,630         | 713          | 9,343         |  |  |  |  |
| 1995  | 7,455         | 588          | 8,043         |  |  |  |  |
| 1996  | 8,096         | 878          | 8,974         |  |  |  |  |
| 1997  | 8,564         | 1,240        | 9,804         |  |  |  |  |
| 1998  | 10,606        | 3,330        | 13,936        |  |  |  |  |
| 1999  | 11,137        | 3,241        | 14,378        |  |  |  |  |
| 2000  | 13,300        | 3,355        | 16,655        |  |  |  |  |

Source: The Gregory Group (4<sup>th</sup> Quarter 2000)

#### E/P Ratio Trends

Another viable measure of the new housing market strength is the E/P ratio. This ratio is a statistical measure, which calculates the new employment growth (non-farm) versus the new residential permits that have been issued in the corresponding year. The benchmark balance recognized by the industry is that for every 1.2 new jobs created, there is normally a need or demand for a new housing unit (whether single or multi-family). Concerning the single-family side of this formula, whenever the E/P ratio for this type of unit alone is 1.5 or higher, then the marketplace is considered to be in a very favorable and strong demand condition. The following table illustrates the strength of the housing market in the Sacramento MSA and Yolo County combined for the period 1990 – 2000.

| E/P Ratio for the Sacramento MSA & Yolo County (1990 – 2000) |         |               |           |            |           |  |  |  |
|--|---------|---------------|-----------|------------|-----------|--|--|--|
|  | Employ. | SF/MF         |           |            |           |  |  |  |
| Year   | Gains   | Permits       | E/P Ratio | SF Permits | E/P Ratio |  |  |  |
| 1990   | 30,500  | 16,345        | 1.87      | 13,456     | 2.27      |  |  |  |
| 1991   | 12,400  | 9,996         | 1.24      | 7,734      | 1.60      |  |  |  |
| 1992   | -7,600  | 9,071         | 83        | 7,857      | 96        |  |  |  |
| 1993   | 2,700   | 8,846         | .31       | 8,023      | .33       |  |  |  |
| 1994   | 17,700  | 9,711         | 1.82      | 8,705      | 2.03      |  |  |  |
| 1995   | 19,100  | 8,043         | 2.37      | 7,455      | 2.56      |  |  |  |
| 1996   | 18,700  | 8,974         | 2.08      | 8,906      | 2.10      |  |  |  |
| 1997   | 20,500  | 9,804         | 2.09      | 8,564      | 2.39      |  |  |  |
| 1998   | 29,300  | 14,336        | 2.05      | 10,733     | 2.73      |  |  |  |
| 1999   | 38,500  | 14,475        | 1.96      | 10,964     | 2.59      |  |  |  |
| 2000   | 40,900  | <u>16,655</u> | 2.46      | 13,300     | 3.08      |  |  |  |
| Total  | 222,700 | 126,256       | 1.76      | 105,697    | 2.11      |  |  |  |

Sources: Construction Industry Research Board and The Gregory Group – 4<sup>th</sup> Quarter 2000 Report

As illustrated by the E/P Ratio table, despite rises in building permits issued, current construction has not being keeping up with the growing demand for residential units created from employment growth in the Sacramento Metropolitan area. This trend suggests that the strong growth in the residential sector of the Sacramento real estate market observed over the past three years, characterized by steep increases in new home median base and resale home median prices, should continue in the near term.

#### Migration Trends

Another significant factor with direct influence on the region's housing market is the trend of migration. Since the mid 1980's the Sacramento Region has been significantly impacted by migration from Bay Area and Southern California urban centers, as well as areas outside the state of California. The following table and graph illustrate the total population of the Sacramento Metropolitan Area from 1990 through 2010 (projected) with corresponding fluctuation of migration per year, for the period noted. The impact of the recession caused the MSA to actually experience a net loss of people in the fiscal year 1994. Sacramento and Placer Counties experienced the greatest positive net migration during the period reported, totaling 59,998 and 46,205 people, respectively. The statistics tabulated below were reported by the California Department of Finance.

| SACRAMENTO-YOLO CMSA POPULATION AND MIGRATION<br>1990 – 2010 (PROJECTED) |                     |                  |                      |                |                          |                  |  |  |
|--|---------------------|------------------|----------------------|----------------|--------------------------|------------------|--|--|
| Year   | El Dorado<br>County | Placer<br>County | Sacramento<br>County | Yolo<br>County | Sacramento-<br>Yolo CMSA | Net<br>Migration |  |  |
| 1990   | 130,000             | 178,400          | 1,064,300            | 143,200        | 1,515,900                | -                |  |  |
| 1991   | 134,100             | 184,100          | 1,085,000            | 145,400        | 1,548,600                | 32,700           |  |  |
| 1992   | 137,900             | 189,400          | 1,100,200            | 146,700        | 1,574,200                | 25,600           |  |  |
| 1993   | 140,900             | 194,100          | 1,111,100            | 147,600        | 1,593,700                | 19,500           |  |  |
| 1994   | 142,900             | 199,600          | 1,115,100            | 149,400        | 1,607,000                | 13,300           |  |  |
| 1995   | 144,500             | 206,300          | 1,124,900            | 151,700        | 1,627,400                | 20,400           |  |  |
| 1996   | 144,000             | 212,400          | 1,139,500            | 153,700        | 1,649,600                | 22,200           |  |  |
| 1997   | 148,800             | 219,400          | 1,156,500            | 155,500        | 1,680,200                | 30,600           |  |  |
| 1998   | 150,800             | 225,900          | 1,177,800            | 158,800        | 1,713,300                | 33,100           |  |  |
| 1999   | 156,996             | 233,836          | 1,189,056            | 160,805        | 1,740,693                | 27,393           |  |  |
| 2000   | 163,197             | 243,646          | 1,212,527            | 164,010        | 1,783,380                | 42,687           |  |  |
| 2005   | 190,902             | 287,401          | 1,327,435            | 179,927        | 1,985,665                | 202,285          |  |  |
| (projected)  |                     |                  |                      |                |                          |                  |  |  |
| 2010<br>(projected)  | 215,155             | 325,648          | 1,436,286            | 194,977        | 2,172,066                | 186,401          |  |  |

Source: DOF, July 2000

#### Top Selling Submarkets

A closer look at the housing activity within the specific submarkets of the Sacramento metropolitan area as of the 1<sup>st</sup> quarter 2001, indicates the Roseville submarket captured 13.0% of the sales in the entire market area, which is up from 12.1% in the 1<sup>st</sup> quarter 2000. The Elk Grove/Laguna submarket continues to lead all areas, capturing 23.5% of the sales.

#### **Residential Land**

Large developers and builders have dominated the residential land market from the early part of 1997 and continued to do so up through the first quarter 2001. In contrast to the period from 1994 to 1996, developers are once again buying undeveloped, or tentatively mapped lots, and going through the entitlement process. Some key players in residential land transactions that occurred in the 1990's include Lennar Partners, which purchased 473 of the 944 acre Northpointe Master Plan in North Natomas, and Forecast Homes, which bought 265 acres in the Willow Springs planned community of Folsom. In addition, Richmond American acquired the balance of the Balcor Highland Reserve property in Roseville, which includes both commercial and multi-family land. Lennar Partners continued to acquire residential land in 1998 and at one point controlled enough land in North Natomas produce 8,500 lots. The level of activity in North Natomas clearly illustrates Lennar's effort to expand its role as the main purveyor of new homes in the Sacramento region.

Another example of Lennar's growing presence in the region is its position as one of the primary lot buyers in the Empire Ranch development in Folsom. In addition to the Empire Ranch development the region has other current examples of the strong demand for residential lots. Located in the southern portion of Sacramento County, the Stonelake development sold for all of its 1,498 residential lots in the span of approximately 6 months. The balance of this mixed-use community is comprised of multi-family land, neighborhood commercial land, traffic commercial land and business parkland.

In the northern area of the region, the Stoneridge development (of which the subject parcels are a part of) is another mixed-use project with a blend of single family housing, apartments, commercial, schools, park and open space. The Stoneridge project includes land in the cities of Roseville and Rocklin, as well as portions of Placer County.

Yet another example of the current demand for residential land is evidenced by the developers of the Bridgeway Island project in the Southport area of West Sacramento. All of the project's 1,588 residential lots have either transferred to or are under contract by some of the region's most active merchant builders.

Currently, the four most active homebuilders locally are Lennar Corporation (US Home), Beazer Homes, Del Webb, and JMC Homes. The only Sacramento based builder in the group, Elliot Homes, is the 7<sup>th</sup> largest homebuilder with 3.7% of the market in the 1<sup>st</sup> guarter 2001.

As demonstrated by these transactions, the suburban areas throughout the region (including Stanford Ranch, Roseville, North Natomas, Folsom, and Elk Grove) are expected to drive sales activity as high-tech companies and other business continue to relocate, or expand in these emerging communities.

# **New Home Sales**

Based on statistics complied by The Gregory Group, there were 12,216 new home sales within the Sacramento market in 2000. The continued strong demand for new homes in the region is evidenced by the 3,585 new home sales in the 1<sup>st</sup> quarter 2001, representing a 19.3% increase over the 1<sup>st</sup> quarter of 2000 total of 3,006 (same quarter analysis). The increase in sales activity may be also viewed as a 23.49% increase over the 4<sup>th</sup> quarter 2000 total of 2,903 new home sales.

Additionally, the median new home price for the Sacramento MSA increased to \$299,821, which indicates a 22.61% increase over the 1<sup>st</sup> quarter of 2000, and also yields a 6.46% increase over the 4<sup>th</sup> quarter median price of \$281,623.

Total sales volume statistics, as well as median new home prices over the past 6 quarters are tabulated below:

| NEW HOME SALES AND MEDIAN PRICE |      |             |              |  |  |  |
|---------------------------------|------|-------------|--------------|--|--|--|
| Quarter                         | Year | Total Sales | Median Price |  |  |  |
| 4 <sup>th</sup>                 | 1999 | 1,804       | \$240,604    |  |  |  |
| 1 <sup>st</sup>                 | 2000 | 3,006       | \$244,526    |  |  |  |
| 2 <sup>nd</sup>                 | 2000 | 3,045       | \$258,064    |  |  |  |
| 3 <sup>rd</sup>                 | 2000 | 3,262       | \$266,939    |  |  |  |
| 4 <sup>th</sup>                 | 2000 | 2,903       | \$281,523    |  |  |  |
| 1 <sup>st</sup>                 | 2001 | 3,585       | \$299,821    |  |  |  |

Source: The Gregory Group

New home (detached) pricing and sales activity as of the 1<sup>st</sup> quarter 2001 within the individual submarkets are detailed in the following table.

| Submarket        | Median Price | % of New Home<br>Sales |
|------------------|--------------|------------------------|
| Elk Grove/Laguna | \$274,990    | 23.5%                  |
| Roseville        | \$329,990    | 13.0%                  |
| Folsom           | \$319,950    | 5.6%                   |
| Rocklin          | \$290,970    | 9.7%                   |
| Davis            | \$412,215    | 0.8%                   |
| Lincoln          | \$223,550    | 12.4%                  |
| El Dorado Hills  | \$439,990    | 4.5%                   |
| Natomas          | \$252,990    | 18.8%                  |

It should be noted that, in recent months, many analysts have issued warnings about a slowing national economy and its potential affects on the residential housing market. Federal economic leaders have cautioned that the slowing national economy may provide the support to reduce the federal funds rate. However, the impact this will have on longer-term interest rates (i.e. 30-year mortgages) can not be determined.

As evidenced by this data, it appears that the slowing national economy has not affected activity in the Sacramento area home sales.

# **Resale Home Market**

Although there are a number of economic factors, which have been positively impacting the new home market in the Sacramento region, the single most important variable is the reversal in resale home values. The median resale value of homes had been declining for five years in the Sacramento region, until 1997. The rebound that began in 1997 has continued throughout 1998,1999, 2000 and thus far into 2001.

According to a March 2001 report, the average resale home price in Placer County increased in the past 12 months from \$205,500 to \$235,500, yielding an increase of 14.6%. Sacramento County also posted a strong sales price increase over the past 12 months from \$131,000 to \$157,500, indicating an annual increase (March 2000 to March 2001) of 20.2%.

The surrounding counties also experienced strong price increases over the past 12 months, as prices in El Dorado County soared 28.1% (from \$160,000 to \$205,000) and resale home prices in Yolo County jumped from \$168,500 in March 2000 to \$185,000 in March 2001, indicating an increase of 9.8%.

# **Current Issues**

The following sections reflect current issues affecting housing development within the areas cited. It should be noted, however, that while we have focused on particular areas facing current litigation regarding future growth, environmental issues have become increasingly evident as they relate to expansion and development within all communities making up the Sacramento Metropolitan Area. Litigation and "slow-growth" initiatives have increased in the past three years as the economy has strengthened and expanded the area's development boundaries. It is anticipated that as the Sacramento Metropolitan Area continues to grow, so will the measure of litigation and "slow-growth" initiatives in response to the environment effects of the expansion.

The current issues described below have effectively limited the supply of available housing in the affected areas while increasing the demand in comparable surrounding areas.

#### Natomas

With its proximity to downtown Sacramento, the region's freeways, and Sacramento International Airport, North Natomas has long been touted by land developers and city officials as an antidote to suburban sprawl. Encompassing more than 11,000 acres, planners have projected that by 2030, North Natomas could have 62,000 new residents. Development within the North Natomas area, however, has been stalled in recent months as the repercussions of an environmental lawsuit continue to ripple through the area. Environmentalist argue that the land in question be set aside as permanent open space in an effort to protect the endangered giant garter snake and Swainson's hawk, both listed as threatened under the federal and state Endangered Species acts.

The land in question represents approximately 6,500 acres of unincorporated Natomas Basin rice land that county officials are considering designating as "urban." With opposing parties seemingly far from settlement, the development of 17 million square feet of commercial space and 22,000 homes in the city's portion of North Natomas may be on hold for up to two more years, according to recent reports. Developers in North Natomas as well as Sacramento city and county officials fear that if the delay continues, the economic boom could bypass Natomas and head for competing business parks and residential subdivisions in south Placer County or elsewhere.

The lawsuit was filed by the National Wildlife Federation and other plaintiffs in 1997 against the U.S. Fish and Wildlife Service, claiming that the Fish and Wildlife Service had erred that year in approving the city's habitat conservation plan. The plan contains proposals for mitigating the impact of development on the giant garter snake and the Swainson's hawk by establishing the Natomas Basin Conservancy to buy land to replace the habitat lost to development. The lawsuit charged that the city's plan did not ensure enough funding to buy land over the long term reflective of rising property values in the Natomas Basin and that the city should have done an environmental

impact study of the entire Natomas Basin instead of a relatively minor environmental review. The litigation went sour for the city on August 15, 2000, when U.S. District Court Judge David Levi published his opinion that a basinwide environmental study is needed, as well as a foolproof funding program. In an effort to avoid violating environmental laws, the city quickly put a ban on grading land for projects that did not already have a grading permit.

# El Dorado County/El Dorado Hills

Of all the counties within the Sacramento region, El Dorado struggles with the greatest mismatch between its water rights and its future water needs. The mismatch is a result of limited American River water rights and ambitious development plans. The problem facing the county is further mired by an invalidated county general plan, several pending lawsuits, endangered species issues, and an overall non-consensus among residents regarding growth and expansion.

In 1996, the county Board of Supervisors approved a general plan that was to guide growth in the county for 20 years. But a "slow-growth" citizens' coalition known as El Dorado County Taxpayers for Quality Growth sued over the document's failure to analyze the impacts of new growth on the environment. Based on the California Environment Quality Act, a court set aside the general plan.

It has yet to be satisfactorily resolved. Thus, current construction within El Dorado County represents projects with approvals prior to this 1996-court decision. One hotly contended area for construction and the subject of significant proposed development is El Dorado Hills. The area has seen rapid appreciation in both the commercial and residential sectors of the real estate market in recent years due to its proximity to the Sacramento Business District, diverse landscape, and rural appeal. According to Steve Hutchings, senior engineer for the El Dorado Irrigation District (EID), the water supply in the hills during a drought is 9,300 acre-feet, while total potential demand is 7,181 acre-feet. (An acre-foot is the estimated amount generally needed annually for a family of four) He also indicated that 3,116 water meters, the region's means for allocation water, are still available for dwelling units. That means all existing and future developments have plenty of water for now, Hutchings said.

Opponents of growth within the area, however, state that the water district and county supervisors are not representing what people in El Dorado Hills want. Many claim that there's not enough water to supply the existing housing, much less subdivisions planned for future development. Reportedly, the county water agency is pursuing 15,000 more acre-feet of water from Folsom Lake, which would be split between El Dorado Hills and Georgetown. Additionally, the district and the water agency are working together to get another 17,000 acre-feet out of Folsom Lake. Another 3,000 acre-feet could be squeezed out of ditches and creeks that previously served farmland, according to Mr. Hutchings. The district hopes to have the rights secured within the next two to three years, the same time frame indicated five years ago. The application to the state for the extra 17,000 acre-feet was submitted in 1991, but was slowed due to litigation. For either additional water supply, the agency and district will also have to work with state and federal officials to protect threatened and endangered species, including steelhead trout, salmon and red-legged frogs on the lower American River and seven rare plants in the Cameron Park area.

The stalled general plan is the subject of an ongoing monthly meeting group bringing together interest from water, planning, development, the environment, agriculture and recreation to debate issues of water and growth. Recently, there has been talk of a third-party dispute resolution. Everyone agrees on one thing, however, future development is hazy until the county gets a general plan.

# **Summary**

The demand for housing, as evidenced by sales activity, improved substantially in 1996, 1997, 1998, 1999 and 2000, as compared to 1995 when sales were the lowest since 1991. Local economists attribute the increased demand for housing to strong job and population growth. The State Employment Development Department (EDD) estimates that the number of new jobs in the region (Sacramento, El Dorado, Placer and Yolo Counties) grew by 4.7 percent over the past year (April 2000 to April 2001), which is higher than the Statewide growth rate of 2.8%. Based on current forecasts of local job growth, the demand for housing should continue to improve as long as interest rates and the local economy remain relatively stable.

The inventory of new and resale homes declined over the last year. The increased demand and the declining supply of housing resulted in higher prices in most submarkets in the region. Based on improved sales activity and forecasts for continued job growth, it is anticipated that the demand for housing will continue to improve as long as interest rates remain relatively stable and many of the regions new employers prove economically viable. However, as competition between the large production homebuilders becomes more intense, and the potential of rising permits and fee costs looms in the future, lot prices will most likely reflect only moderate increases throughout 2001.

Industry analysts agree that Sacramento offers a number of factors which are key to sustaining job growth, including a diversified economy, affordable housing, an educated work force, and a good supply of moderately priced developable land.

# PROPERTY IDENTIFICATION AND LEGAL DATA

## **Location**

The properties being appraised are located in the Stoneridge master planned community, which is situated within the city limits of Roseville. The boundaries of the Stoneridge East development are generally described as west of Sierra College Boulevard, north of Olympus Drive, east of Roseville Parkway, and south of the Rocklin/Roseville city limit boundaries.

# **Assessor's Parcel Numbers**

As previously indicated, the subject properties originally consisted of 10 Assessor Parcel Numbers, that have been assembled for the purpose of completing the master planned community known as Stoneridge East. However, as the subject has progressed through the development process, the parcels have been subdivided to create a number of new legal parcels. As proposed, the subject properties will eventually be subdivided into a total of 1,377 residential lots (including both single-family and multi-family). The subject's original 10 legal parcels are tabulated below, also presented is the land area for each original parcel:

| Assessor's Parcel Number | Gross Acreage |
|--------------------------|---------------|
| 046-020-006              | 0.50          |
| 046-020-008              | 9.80          |
| 046-020-020              | 71.10         |
| 046-020-027              | 121.50        |
| 046-020-028              | 3.50          |
| 046-060-003              | 80.00         |
| 046-070-002              | 75.10         |
| 046-080-007              | 97.10         |
| 046-090-006              | 11.09         |
| 046-090-009              | 31.50         |
| Total                    | 501.19        |

## Legal Description

The land referred to in this report is situated in the State of California, County of Placer, and City of Roseville. As previously indicated, the subject properties consisted of 10 legal assessors parcels prior to filing of the final subdivision maps. A complete legal description is included in the Preliminary Title dated February 15, 2000, a copy of which is presented in the Addenda to this report.

# **Ownership**

The subject properties have been owned for a number years by two divisions of H.C. Elliot Homes Inc. As indicated on the preliminary title report provided to the appraisers, some of the subject parcels are vested in the name of Elliot Homes, Inc. and the remaining subject parcels are vested in the name of HC Elliot Inc. For analysis purposes, these two related entities are considered to be a single ownership.

## **Assessment and Tax Information**

The property tax system in California was amended in 1978 by Article XIII to the State Constitution, commonly referred to as Proposition 13. It provides for a limitation on ad valorem property taxes and for a procedure to establish the current taxable value of real property by reference to a base year value, which is then modified annually to reflect inflation (if any). Annual increases cannot exceed 2% per year.

The base year was set at 1975-76, or any year thereafter in which the property is substantially improved or changes ownership. When either of these two conditions occur, the property is to be re-appraised at market value, which becomes the new base year assessed value. Proposition 13 also limits the maximum tax rate to 1% of the value of the property, exclusive of bonds and supplemental assessments. Bonded indebtedness approved prior to 1978 and any bonds subsequently approved by a two-thirds vote of the district, in which the property is located, can be added to the 1% tax rate.

The existing ad valorem taxes are of nominal consequence in this appraisal, primarily due to the fact these taxes will be adjusted substantially as the remaining infrastructure and property improvements are completed and in consideration of the definition of market value employed in this appraisal, which assumes a sale of the appraised property.

With respect to special taxes, the appraised properties are located within Stoneridge East Community Facilities District No. 1, which is pending and limited to an amount not to exceed \$15,560,000.

We have relied upon the Debt Service Schedule, prepared by Economic Planning Systems (EPS), for calculating the annual special tax levy on for the appraised properties. The annual special tax applicable to the subject will be discussed in greater detail later in this report.

# **Conditions of Title**

A preliminary title report has been provided for use in this analysis and a copy is presented in the Addenda section to this report. It is assumed that title to each of the subject parcels is marketable. The appraisers accept no responsibility for matters pertaining to title.

# **Land Use/Zoning**

The subject properties are zoned for low, medium, and high density residential development under the Stoneridge Specific Plan and the Development Agreement with the city of Roseville. Under the existing plan, the subject properties will offer both detached and attached housing, school sites, park sites, and open space.

A chart detailing this breakdown is presented below.

| PROJECT USE SUMMARY         |              |                         |  |  |  |
|-----------------------------|--------------|-------------------------|--|--|--|
| Specific Plan<br>Parcel No. | Zoning       | No. of Planned<br>Units |  |  |  |
| (1)                         | -            | -                       |  |  |  |
| 22                          | RS/DS        | 65                      |  |  |  |
| 27                          | R1           | 90                      |  |  |  |
| 28                          | R1           | 89                      |  |  |  |
| 29                          | PARK         | -                       |  |  |  |
| 30                          | R1           | 108                     |  |  |  |
| 31                          | OS           | -                       |  |  |  |
| 36                          | P/QP         | -                       |  |  |  |
| 37                          | PARK         | -                       |  |  |  |
| 39                          | R1           | 12                      |  |  |  |
| 40                          | R3           | 230                     |  |  |  |
| 41                          | R1           | 64                      |  |  |  |
| 42                          | R1           | 68                      |  |  |  |
| 43                          | P/QP         | -                       |  |  |  |
| 44                          | OS           | -                       |  |  |  |
| 45                          | PARK         | -                       |  |  |  |
| 46                          | RS/DS        | 120                     |  |  |  |
| 47                          | RS/DS        | 103                     |  |  |  |
| 48                          | PARK         | -                       |  |  |  |
| 49                          | R1           | 80                      |  |  |  |
| 50                          | OS           | -                       |  |  |  |
| 51                          | R1           | 18                      |  |  |  |
| 52                          | R1           | 31                      |  |  |  |
| 54                          | PD (Cluster) | 137                     |  |  |  |
| 55                          | R1           | 72                      |  |  |  |
| 56                          | Park         | -                       |  |  |  |
| 57                          | R1           | 55                      |  |  |  |
| 59                          | R1           | 35                      |  |  |  |
| Total                       |              | 1,377                   |  |  |  |

The subject properties are located within the Stoneridge Specific Plan. The zoning categories profiled in the preceding chart are in compliance with the amended Specific Plan (Amended as of April 7, 1999), and will provide the basis for our valuation analysis. The following discussion provides greater detail regarding the subject's zoning classifications and General Plan designations.

# **Zoning**

The entire Stoneridge Community is master planned with a mixture of complimenting land uses including single family, multi-family, commercial, business-professional, public, quasi-public, schools, parks, and open space uses. This appraisal report encompasses Stoneridge East Community Facilities District No. 1, an area covering approximately 501.19 acres with all of the same uses listed with the exception of commercial. The land use allocation within Stoneridge East Community Facilities District No. 1 is consistent with the following development juristictions:

- Stoneridge Specific Plan Area, dated March 18, 1998 and as Amended April 7, 1999.
- Stoneridge East Development Agreement, April 1, 1998, as amended June 10, 1999, and second amendment dated February 5, 2001
- City of Roseville zoning and general plan designations

Complete copies of the Stoneridge Specific Plan and Design Guidelines and Amendment, as well as the Stoneridge East Development Agreement and Amendments, are located in the Addenda section of this appraisal report.

Following is a summary of the Land Use Categories and zoning designations for each Specific Plan Designation within Stoneridge East Community Facilities District No1:

- LDR Low-Density Residential, with densities between 0 and 6.9 dwelling units per acre. The zoning districts are identified as Single Family Residential (R1), Single Family Residential/Development Standard Overlay (R1/DS) and Small Lot Residential Development Overlay (RS/DS).
- **MDR -** Medium Density Residential, with densities ranging from 7.0 to 12.9 dwelling units per acre. The zoning district is identified as Planned Development (PD).
- **HDR** High Density Residential, with a density of development of 13.0 and greater dwelling units per acre. The zoning district is identified as Attached Housing (R3).
- PQP Public/Quasi-Public.
- OS Open Space.
- PR Park and Recreation District.

# Flood Zone

The subject parcels are situated within Flood Zone C. This flood zone is described as areas of minimal flooding. This information was determined in accordance with our interpretation of Flood Insurance Rate Map - Community-Panel Number 060263-0006 B, revised January 6, 1982, published by the Federal Emergency Management Agency.

## **Earthquake Zone**

The subject properties are not located within a seismic special studies zone, designated by the California State Division of Mines and Geology, in accordance with the Alquist-Priolo Special Study Zone Act of 1972.

# **Easements**

Based on our physical inspection of the subject properties, public roadway and utility easements exist. These easements are typical for properties in the city of Roseville and throughout California, and are judged to not adversely affect the market value of the subject properties.

# **SITE DESCRIPTION**

# **Stoneridge East (Community Facilities District No.1)**

| Size:                    | In total, the subject properties cover 501.19 gross acres.   |
|--------------------------|--|
| Subdivision:             | As previously discussed, the Stoneridge East project will comprise of 1,147 single-family residential lots and one multi-family residential site with the capacity of 230 apartment units. Thus, in total, there will be 1,377 residential units within CFD No. 1. In addition, the development will include public and quasi-public uses, parks, and open space. For the reader's reference a map depicting the subject's proposed development is included in the Addenda to this report. |
| Shape:                   | The combined area of the subject parcels (both currently and after dividing the subject parcels upon completion of site improvements) is irregular in shape. However, the subject's irregular shape does not adversely affect its overall functional utility. Furthermore, the residential lots that will be created upon completion of subdivision site work also represent completely functional sites in terms of shape.  |
| Topography:              | The topography of the subject properties is undulating to rolling in nature, and is suitable for residential development.  |
| Drainage:                | Based on our physical inspection of the subject site, and assuming typical grading and paving work will be completed, the subject will provide adequate drainage.  |
| Frontage:                | The various subdivisions throughout Stoneridge East will have adequate frontage along anyone of a number of thoroughfares including Sierra College Boulevard, Secret Ravine Parkway, Alexandra Drive or numerous new interior streets.   |
| Offsite<br>Improvements: | As of the date of value, the subject is partially improved with all of the main thoroughfares throughout Stoneridge East (Sierra College Boulevard, Secret Ravine Parkway, and Alexandra Drive), as well as some completed interior streets serving a portion of the Community's subdivisions. Completed interior streets include concrete curb, gutter and sidewalk. Additionally, utilities have been stubbed to portions of the subject, and will be extended within each of the        |

subdivisions.

Access: As indicated above, access to the subject properties is provided by various thoroughfares. Each of the thoroughfares connects with other main corridors that travel through the city of Roseville, and provides indirect access to Interstate 80. Adjacent Land Uses: North - Rocklin Highlands, a residential subdivision situated within the city limits of Rocklin. A portion of the area has been developed with single-family homes. and the remainder of the development is marketing single family residences. East - On the east side of Sierra College Boulevard are rural residential homes and homesites known as Cavitt Ranch Estates. South - Completed residential subdivision. West - Remainder of the Stoneridge Master Planned Community. **Utilities:** All public utilities and services are being extended to the subject properties. Service is furnished by the following providers: Sewer: City of Roseville Water: City of Roseville and Placer County Water Agency (PCWA) Roseville Telephone Telephone: Electricity: Roseville Electric Roseville Electric Natural Gas: Soil: The appraiser has not been provided a soil report made to determine the load bearing capacity of the subject properties. However, based on the surrounding and existing improvements, no adverse subsoil conditions are apparent. The soil appears to

be similar to that contained on other local parcels. which have been improved, with no adverse effects, to the best of our knowledge.

The subject is not affected by the Williamson Act or any other city, state, or federal agricultural/wildlife

preserve restrictions.

According to the City's Planning Department, there are

no jurisdictional wetlands that will be affected by the

subject's project.

Agricultural Preserve:

Wetlands:

## Hazardous Waste:

At the time of inspection, the appraiser did not observe the existence of hazardous material, which may or may not be present on the properties. The appraiser has no knowledge of the existence of such materials on the properties. However, the appraiser is not qualified to detect such substances. The presence of potentially hazardous materials could affect the value of the properties. The value estimate is predicated on the assumption that there is no such material on or in the properties that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them.

Easements Encroachments or other Adverse Conditions:

An inspection of the subject properties revealed no apparent adverse easements, which currently impact the subject properties. Furthermore, no encroachments or other adverse conditions appear to exist, and therefore, none are noted.

Functional Adequacy And Utility:

The infrastructure of the Stoneridge project offers several access points and entrances. An interior street system will serve all of the various components of the subject development. Based upon this plan, overall functional utility is considered to be good.

Conclusion:

The configuration and size of the subject site, as a portion of the Stoneridge Master Planned area, are considered adequate for mixed-use development. Furthermore, the subject properties designated for residential development are entering the market when the demand for residential units is very high, and the competitive supply of residential lots within the Roseville submarket is limited to few developments. We expect that the subject properties will continue to enjoy the current level of market acceptance, which is consistent with competitive projects within other emerging submarkets.

# **FACILITIES TO BE FUNDED BY THE DISTRICT**

As previously indicated, this report will address the value of the subject properties, assuming the completion of the improvements embodied in the Community Facilities District No. 1. The improvements that will be funded from CFD No. 1 include the extension of public improvements, such as streets, curbs, gutters, storm drain lines, etc., and incidental expenses related thereto. A detailed description of the improvements included with Community Facilities District No. 1 is located in the Addenda section of this appraisal report.

# **TIME TO COMPLETE**

Based on information from the project managers, it is our understanding that all of the primary infrastructure improvement work covered by Community Facilities District No. 1 will be completed in approximately 12 months.

# **SUBJECT PHOTOGRAPHS**

Pictures of the subject properties are presented as the following exhibit pages.

# **HIGHEST AND BEST USE ANALYSIS**

## Defined

The term "highest and best use," as used in this report, is defined as follows:

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.<sup>9</sup>

In general, this definition applies to the highest and best use of a property as though vacant and with improvements in place.

The term "highest and best use - as though vacant," is defined as follows:

Among all reasonable, alternative uses, the use that yields the highest present land value, after payments are made for labor, capital, and coordination. The use of a property based on the assumption that the parcel of land is vacant or can be made vacant by demolishing any improvements.<sup>9</sup>

The term "highest and best use - as improved," is defined as follows:

The use that should be made of a property as it exists. An existing property should be renovated or retained as is so long as it continues to contribute to the total market value of the property, or until the return from a new improvement would more than offset the cost of demolishing the existing building and constructing a new one.<sup>10</sup>

As indicated in the above definitions, two analyses are typically required for highest and best use. The first analysis is highest and best use of the land as though vacant. The second stage of the analysis is the highest and best use as improved.

- Seevers • Jordan • Ziegenmeyer ————

<sup>&</sup>lt;sup>9</sup> The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> ed. (Chicago: Appraisal Institute, 1993) 171. <sup>10</sup> The Dictionary of Real Estate Appraisal, 171.

<sup>11</sup> The Dictionary of Real Estate Appraisal, 171.

11 The Dictionary of Real Estate Appraisal, 171.

# **Highest and Best Use - As Though Vacant**

The purpose of identifying the highest and best use of land as though vacant is for land valuation purposes. Land is always valued at its highest and best use as if vacant. The highest and best use as if vacant conclusion is also necessary to identify comparable land sales. In this scenario all potential uses, not just the proposed use, are considered.

In accordance with the definition of highest and best use, it is appropriate to analyze the subject site, as though vacant, as it relates to the legally permissible uses, physically possible uses, as well as a use or uses that are deemed to be financially feasible and maximally productive.

# Legal Permissibility

The subject properties are located in the Stoneridge Specific Plan area, which is situated within the City of Roseville. The entire Stoneridge master planned development totals approximately 1,089 acres of land, which is planned for significant residential and commercial growth over the next few years.

The subject properties within Community Facilities District No. 1 have tentative approval for low, medium, and high density single family residential development, as well as quasi-public, parks, and open space use. Because the master planned development has been incorporated into both the approved Specific Plan and the approved Development Agreement with the City of Roseville, it is anticipated that each of the tentative approved subdivisions will receive final map classification upon filing with the City of Roseville.

## Physical Possibility

The physical characteristics of the properties have been previously described in this report. In summary, the physical characteristics of the site, terrain and soils are suitable for the proposed uses.

We know of no reason why the subject properties would not support any legally permissible uses. Evidence of commercial and residential construction in the immediate area provides additional support for the possibility of development. There are no significant easements and/or other restrictions, which would prohibit the development of these properties.

# Financial Feasibility

A determination of financial feasibility is dependent primarily upon demand. As noted throughout this report, the subject area has seen extensive residential development over the past few years. The city of Roseville and surrounding areas within Placer County have experienced great demand for residential housing, as evidenced by the increasing sales prices and rapid sell-out of residential projects.

In considering the feasibility of single family home development on the subject, reference is made to the Housing Market Overview Section. The city of Roseville and surrounding areas of Placer County are highly desirable locations for all sectors of homebuyers, including entry level, move-up, and high end custom home developments. However, due to increasing sales prices, there have been very few subdivisions in the Roseville market area that have been geared toward the entry level market. Thus, the majority of new developments are targeting the move-up and custom homebuyers.

Industry analysts agree that Sacramento and Placer Counties both offer a number of factors which are key to sustaining job growth. These include a diversified economy, affordable housing, an educated work force and a good supply of moderately priced developable land.

# Maximum Productivity Use

Our determination of the most maximally productive use is simplified by the fact that no legally permissible or financially feasible uses other than a residential subdivision were identified. Thus, by process of elimination, a well balanced residential subdivision is considered to be the maximally productive use since it is the only reasonable use of the subject properties based on its legal, location, physical and market characteristics.

# Conclusion of the Highest and Best Use - As Though Vacant

The legal, physical, and market conditions have been analyzed to evaluate the highest and best use of the properties. The analysis is presented to evaluate the type of use(s), which will generate the greatest level of future benefits possible to the properties. The only use that meets the four criteria for determining the highest and best use is a well-balanced residential subdivision.

After analyzing the four components of highest and best use in sequential order, it is our conclusion that the highest and best use of the subject site as vacant is for development of single family homes marketed to the move-up home buyer market, with complementing higher density multi-family residential units.

# **Highest and Best Use - As Proposed**

The subject properties are proposed for development with various residential home subdivisions and complementary public uses. Based on the home pricing within surrounding neighborhoods, we have concluded that the highest and best use -as vacant- is similar to the proposed development. As such, it is anticipated that the new home construction to be built on the subject parcels will be similar to the successful residential developments in the area. Prices should generally be geared toward the move-up home market (\$300,000 to \$500,000), but the cluster housing within Stoneridge East will probably target homebuyers with prices from the low \$200,000.

# **APPRAISAL METHODOLOGY**

The following valuation approaches were considered for use in analyzing the subject property.

# **Cost Approach**

The cost approach is based on the premise that no prudent buyer would pay more for a particular property than the cost to acquire a similar site and construct improvements of equivalent desirability and utility. Thus, this approach to value relates directly to the economic principle of substitution, as well as supply and demand. The cost approach is most applicable when valuing properties where the improvements are new or suffer only a minor amount of accrued depreciation, and is especially persuasive when the site value is well supported. The cost approach is also highly relevant when valuing special-purpose or specialty properties and other properties that are not frequently exchanged in the market.

The definition of the cost approach is offered as follows:

A set of procedures through which a value indication is derived for the fee simple interest in a property by estimating the current cost to construct a reproduction of, or replacement for, the existing structure; deducting accrued depreciation from the reproduction or replacement cost; and adding the estimated land value plus an entrepreneurial profit. Adjustments may then be made to the indicated fee simple value of the subject property to reflect the value of the property interest being appraised. <sup>11</sup>

Due to the abundant market data available for use in the Sales Comparison Approach, we have not utilized the cost approach to value in this valuation analysis.

## Sales Comparison Approach

The sales comparison approach is based on the premise that the value of a property is directly related to the prices being generated for comparable, competitive properties in the marketplace. Similar to the cost approach, the economic principles of substitution, as well as supply and demand are basic to the sales comparison approach. This approach has broad applicability and is particularly persuasive when there has been an adequate volume of recent, reliable transactions of similar properties that indicate value patterns or trends in the market. When sufficient data are available, this approach is the most direct and systematic approach to value estimation. Typically, the sales comparison approach is most pertinent when valuing land, single-family homes and small, owner-occupied commercial and office properties.

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<sup>&</sup>lt;sup>12</sup>The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> ed. (Chicago: Appraisal Institute, 1993) 81.

The definition of the sales comparison approach is offered as follows:

A set of procedures in which a value indication is derived by comparing the property being appraised to similar properties that have been sold recently, applying appropriate units of comparison, and making adjustments to the sale prices of the comparables based on the elements of comparison. The sales comparison approach may be used to value improved properties, vacant land, or land being considered as though vacant; it is the most common and preferred method of land valuation when comparable sales are available.<sup>12</sup>

# **Income Capitalization Approach**

The income capitalization approach is based on the premise that income-producing real estate is typically purchased as an investment. From an investor's point of view, the potential earning power of a property is the critical element affecting value. The concepts of anticipation and change, as they relate to supply and demand issues and substitution, are fundamental to this valuation approach. These concepts are important because the value of income-producing real estate is created by the expectation of benefits (income) to be derived in the future, which is subject to changes in market conditions. Value may be defined as the present worth of the rights to these future benefits. The validity of the income capitalization approach hinges upon the accuracy of which the income expectancy of a property can be measured.

Due to the fact that the subject properties are not income producing in nature, the income approach to value will not be utilized in this report.

# **Subdivision Development Method**

A method of estimating land values is the subdivision development method. This method is most applicable when subdivision is determined to be the highest and best use of the parcel of land being appraised. In the subdivision development method, all direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicated the value of the raw land.17

In the analysis that follows, we will employ the subdivision development method in our valuation of the bulk-sale valuation of the subject parcels.

<sup>&</sup>lt;sup>13</sup>The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> ed. (Chicago: Appraisal Institute, 1993) 318.

# **INTRODUCTION**

As indicated previously, this report is concerned with the subject's market value upon completion of the primary infrastructure and facilities to be funded by the Community Facilities District No. 1 (Stoneridge East).

In our analysis, we will first value the subject's value of the finished residential lots by employing the sales comparison approach to value. Our analysis will then lead into our valuation of the bulk value for these components of the subject. Under the subdivision development method we will utilize the lot values (by category - size) concluded in the improved bulk lot sales comparison section of our report. The lot values by lot size grouping and the value estimate for the one multi-family site will then be used to derive the total aggregate retail value for the subject properties. The aggregate retail value will then be integrated with the discounted cash flow analysis to reflect the bulk, or wholesale value of the appraised properties.

# **SINGLE-FAMILY RESIDENTIAL LOT VALUATION**

To estimate the market value of the finished single-family residential lots, bulk sales of similar finished single-family residential lots in comparable areas will be analyzed. The sales cover the period from June 1999 to the present (represented by current escrows) and range in quantity from 34 to 368 lots in a single transaction.

Considering the various proposed lot sizes represented by the subject, we have utilized the entire data set to value each category of lots included in the subject development. In the valuation of each of the subject's proposed subdivisions, careful consideration will be placed on the increment of value associated with differences in lot sizes, as indicated by the data set.

The sales relied upon in this analysis are summarized within the chart on the following page.

# **COMPARABLE SALES SUMMARY Bulk Lot Sales**

Stoneridge East: CFD No. 1 Roseville, California

| No. | Location   | Sale<br>Date     |  | Finished Lot<br>Indicator  | No. of<br>Lots                | Price per<br>Lot                                  | Typical<br>Lot Size                           |
|-----|--|------------------|--|--|-------------------------------|---|---|
| 1   | Stoneridge - Village 1<br>Stoneridge - Village 2<br>Stoneridge - Village 5<br>Weighted Average of All Villages<br>Roseville, Placer County, CA | Jun-99<br>Jul-98 | Closed<br>Escrow<br>Contract<br>Negotiated | \$14,287,480<br>\$7,196,031<br><u>\$10,291,120</u><br>\$31,774,631 | 170<br>87<br><u>94</u><br>351 | \$ 84,044<br>\$ 82,713<br>\$ 109,480<br>\$ 90,526 | 7,150 sf<br>6,600 sf<br>10,000 sf<br>7,723 sf |
| 2a  | Stoneridge - Village 3<br>Roseville, Placer County, CA   | Nov-99<br>Oct-99 | Closed<br>Escrow<br>Contract<br>Negotiated | \$8,483,760  | 72                            | \$ 117,830  | 10,800 sf                                     |
| 2b  | Stoneridge - Village 3<br>Roseville, Placer County, CA   |                  | Closed<br>Escrow<br>Contract<br>Negotiated | \$9,059,760  | 72                            | \$ 125,830  | 10,800 sf                                     |
| 3а  | Stoneridge - Village 4 (portion of)<br>Roseville, Placer County, CA  | Apr-01           | Contract<br>Negotiated                     | \$4,686,220  | 34                            | \$ 137,830  | 14,867 sf                                     |
| 3b  | Stoneridge - Village 4 (portion of)<br>Roseville, Placer County, CA  | Apr-01           | Contract<br>Negotiated                     | \$8,308,950  | 65                            | \$ 127,830  | 14,867 sf                                     |
| 4   | Stoneridge - Village 6<br>Roseville, Placer County, CA   |                  | Closed<br>Escrow<br>Contract<br>Negotiated | \$13,794,480   | 126                           | \$ 109,480  | 10,000 sf                                     |
| 5   | Diamond Creek - Villages 2 & 3<br>Roseville, Placer County, CA   | Jan-00           | Closed<br>Escrow                           | \$9,727,257  | 97                            | \$ 100,281  | 7,700 sf                                      |
| 6   | Empire Ranch - Village 40A & 40B<br>Folsom, Sacramento County, CA  | Dec-00           | Contract<br>Negotiated                     | \$8,747,828  | 76                            | \$ 115,103  | 9,120 sf                                      |

**Property Identification** 

Property Type Residential subdivision

Property NameStoneridge, Villages 1, 2, and 5AddressEast Roseville Parkway, RosevilleAPN046-060-006, 019, & 020 (portions)

046-070-014 & 015 (portions)

Sale Data

**Grantor** AKT Development Corporation

Grantee Lennar Renaissance

Sale DateJune 3, 1999Property RightsFee Simple

Marketing Time N/A Conditions of Sale Market

**Financing** All cash to the seller

**Verification** Chuck Todd, buyer's representative

 Sale Price
 \$13,924,758

 Site Development Costs
 \$12,516,000

 Bonds
 \$5,333,873

Total Consideration \$31,774,631

Bonds/Assessments Village 1 - \$1,300 per lot/annual

Village 2 - \$1,100 per lot/annual Village 5 - \$1,500 per lot/annual

**Land Data** 

**Zoning** R1, Residential

**Topography** Rolling

**Utilities** Extensions required at time of sale

**Land Size Information** 

Gross Land Size Village #1 - 38.16 acres

Village #2 - 22.94 acres Village #5 - 29.34 acres

Typical Lot Size Village #1 - 7,150 square feet

Village #2 - 6,600 square feet Village #5 -10,000 square feet

Number of Lots Village #1 - 170 lots

Village #2 - 87 lots Village #5 - 94 lots

**Indicators** 

 Village #1

 Sale Price/Paper Lot
 \$35,894

 Development Costs/Lot
 \$33,000

 Bonds
 \$15,150

 Sales Price/Finished Lot
 \$84.044

| Sale Price/Paper Lot<br>Development Costs/Lot<br>Bonds<br>Sales Price/Finished Lot | Village #2<br>\$35,894<br>\$34,000<br><u>\$12,819</u><br>\$82,713 |
|--|---|
|  | Village #5  |
| Sale Price/Paper Lot   | \$50,000  |
| Development Costs/Lot  | \$42,000  |
| Bonds  | <u>\$17,480</u>   |
| Sales Price/Finished Lot   | \$109,480   |

### Remarks

The comparable sale is located within the Stoneridge Specific Plan area, like the subject, east of East Roseville Parkway in Roseville. The property sold in June 1999 for \$50,000 (Village #5), \$35,894 (Village #1), and \$35,894 (Village #2) per "paper lot." This sale also included option provisions whereby the buyer could exercise the right to purchase three other villages within the project. The buyer, Lennar Renaissance bought the property to develop move-up, upper end homes. Reportedly, the original purchase price was negotiated almost a year prior to closing. The seller, AKT Development Corporation was responsible for mitigating existing wetlands. During the one-year escrow, the sales price was never renegotiated.

Access to the sale properties is from Sierra College Boulevard and East Roseville Parkway, and the sale property is located adjacent to the subject parcels. The topography is irregular, with scattered oaks throughout the property.

# LAND SALE NO. 2a

**Property Identification** 

Property TypeResidential subdivisionProperty NameStoneridge - Village 3

Address Southeast quadrant of East Roseville Parkway

and Secret Ravine Parkway, Roseville

**APN** 456-010-007

Sale Data

Grantor AKT Development
Grantee Nick Alexander

Sale Date November 4, 1999 (COE); Oct. 1999 (Contract)

Property Rights Fee Simple

Marketing Time N/A Conditions of Sale Market

Financing All cash to the seller

**Verification**Sale Price
Buyer (Nick Alexander), #916-773-6108
\$4,320,000 some paper and finished

 Site Development Costs
 \$2,880,000 (est.)

 Bonds
 \$1,283,760

Total Consideration \$8,483,760

Bonds/Assessments \$135 per lot/month (est.)

**Land Data** 

**Zoning** R1, Residential

**Topography** Rolling to moderately sloping

**Utilities** All to site

**Land Size Information** 

Gross Land Size 26+/- acres

Typical Lot Size 10,800 square feet

Number of Lots 72

<u>Indicators</u>

Sale Price/Finished & Paper Lot\$60,000Development Costs/Lot\$40,000Bonds\$17,830Sales Price/Finished Lot\$117,830

## Remarks

This comparable represents the sale of Village #3 of the Stoneridge project in Roseville, and is located just west of the subject parcels. Some of the lots were delivered to the buyer as paper lots. These lots were reportedly impacted by topography issues, which would require beyond typical engineering and site development to create building pads. Reportedly, this sale included a provision that stated the seller would participate in individual lot profits. As reported, the agreement specified that the seller would receive all net proceeds (sale price less commissions and closing costs) between \$115,000 and \$125,000, as well as 50% of the net proceeds above \$125,000. In early 2001 the buyer in this transaction re-sold the lots to Meritage Homes. This later sale will be presented later in this analysis.

# LAND SALE NO. 2b

**Property Identification** 

Property TypeResidential subdivisionProperty NameStoneridge - Village 3

Address Southeast quadrant of East Roseville Parkway

and Secret Ravine Parkway, Roseville

**APN** 456-010-007 (prior)

Sale Data

Grantor Nick Alexander

Grantee

Sale Date February 2001 (COE)

Property Rights Fee Simple

Marketing Time N/A Conditions of Sale Market

Financing All cash to the seller

**Verification** Seller (Nick Alexander), #916-773-6108

**Sale Price** \$7,776,000

Site Development Costs \$0

**Bonds** \$1,283,760 **Total Consideration** \$9,059,760

Bonds/Assessments \$1,530 per unit/annual

**Land Data** 

**Zoning** R1, Residential

**Topography Utilities**Rolling to moderately sloping
All to site (seller's responsibility)

**Land Size Information** 

Gross Land Size 26+/- acres

Typical Lot Size 10,800 square feet

Number of Lots 72

<u>Indicators</u>

 Sale Price/Finished Lot
 \$108,000

 Development Costs/Lot
 \$ 0

 Bonds
 \$ 17,830

 Sales Price/Finished Lot
 \$125,830

#### Remarks

This comparable represents the re-sale of Village #3 of the Stoneridge project. The seller created building pads for all 72 lots and then negotiated this transaction with the buyer.

# COMPARABLE NO. 3a

**Property Identification** 

Property Type Residential subdivision

Property Name Stoneridge - Village 4 (portion)

Address Northeast quadrant of East Roseville Parkway

and Alexandra Drive, Roseville

**APN** 456-010-010 & 013 (portion)

Sale Data

**Grantor** AKT Development Corporation

**Grantee** Premier Homes **Sale Date** April 2001 (contract)

Property Rights Fee Simple

Marketing Time N/A Conditions of Sale Market

FinancingAll cash to the sellerVerificationSeller's representativeSale Price\$4,080,000 finished

 Development Costs
 \$ 0

 Bonds
 \$ 606,220

 Total Consideration
 \$4,686,220

Bonds/Assessments \$1,530 per unit/annual

**Land Data** 

**Zoning** R1, Residential

**Topography Utilities**Rolling to moderately sloping
All to site (selling as finished lots)

**Land Size Information** 

Gross Land Size 13.77 acres (est.)
Typical Lot Size 14,867 square feet

Number of Lots 34

**Indicators** 

Sale Price/Finished Lot\$120,000Bonds/Lot\$ 17,830Sales Price/Finished Lot\$137,830

#### **Remarks**

This comparable represents the current negotiations for the purchase of a portion of Village 4 in Stoneridge. As specified in the to be executed contract, the lots are to transfer as finished lots. The lots are scheduled to close escrow two days after substantial completion of the lots. It is anticipated that the contract will be executed in May 2001. It should be noted that this property was previously under contract, two times. Neither of the previous negotiated deals were ever completed. Reportedly the topography of the lots will require more engineering than typically preferred by merchant builders. The current contract (unexecuted) is considered to be the best indication of value for these lots. It should be noted that these lots feature view amenities that are superior to other subdivisions in the neighborhood.

# **COMPARABLE NO. 3b**

**Property Identification** 

Property Type Residential subdivision

Property Name Stoneridge - Village 4 (portion)

Address Northeast quadrant of East Roseville Parkway

and Alexandra Drive, Roseville 456-010-010 & 013 (portion)

Sale Data

APN

**Grantor** AKT Development Corporation

Grantee Clifford D. Brabant, Inc.
Sale Date April 2001 (contract)

Property Rights Fee Simple

Marketing Time N/A Conditions of Sale Market

FinancingAll cash to the sellerVerificationSeller's representativeSale Price\$7,150,000 finished

Development Costs\$ 0Bonds\$1,159,950Total Consideration\$8,308,950

Bonds/Assessments \$1,530 per unit/annual

**Land Data** 

**Zoning** R1, Residential

**Topography Utilities**Rolling to moderately sloping
All to site (selling as finished lots)

**Land Size Information** 

Gross Land Size 26.33 acres (est.)

Typical Lot Size 26.33 acres (est.)

14,867 square feet

Number of Lots 65

**Indicators** 

 Sale Price/Finished Lot
 \$ 110,000

 Bonds/Lot
 \$ 17,830

 Sales Price/Finished Lot
 \$ 127,830

### **Remarks**

This comparable represents the current negotiations for the purchase of a portion of Village 4 in Stoneridge. This unexecuted contract represents the remaining Village 4 lots not covered in the scheduled transfer presented as comparable #3a. The property is to transfer as finished lots. The lots are scheduled to close in two phases; phase one will consist of 31 lots and phase two will represent the balance of the 65 lots (34 lots). The contract should be executed sometime during the month of May 2001. It should be noted that this property was previously under contract, two times. Reportedly the lower per lot price associated with these Village 4 lots is attributable to the superior view amenities offered by the 34 lots transferring to Premier Homes (Comparable #3a).

**Property Identification** 

Property TypeResidential, SubdivisionProperty NameStoneridge - Village 6

Address East of East Roseville Parkway and south of

Alexandra Drive, Roseville.

**APN** 456-010-014

Sale Data

**Grantor** AKT Development Corporation

**Grantee** US Homes

Sale Date July 2, 1999 (COE)

Property Rights Fee Simple

Marketing Time N/A
Conditions of Sale Market

**Financing**All cash to the seller **Verification**Seller's representative

 Sale Price
 \$ 6,552,000

 Site Development Costs
 \$ 5,040,000

 Bonds
 \$ 2,202,480

 Total Consideration
 \$13,794,480

Bonds/Assessments \$1,500 per lot/annual

**Land Data** 

**Zoning** R1 - Residential

**Topography** Rolling to moderately sloping

**Utilities** Available to the site

**Land Size Information** 

Gross Land Size 45.78 acres

Typical Lot Size 10,000 square feet Number of Lots 126 finished lots

**Indicators** 

 Sale Price/Paper Lot
 \$ 52,000

 Development Costs/Lot
 \$ 40,000

 Bonds
 \$ 17,480

 Sales Price/Finished Lot
 \$109,480

#### Remarks

This comparable represents the sale of Village 6 within the Stoneridge project of Roseville. This property is located just west of the subject parcels (Community Facilities District No.1). It should be noted that this sale was negotiated in December of 1998, with market conditions improving through the transfer date cited

**Property Identification** 

Property Type Residential subdivision

Property Name Diamond Creek - Village 2 & 3

Address

North of Blue Oaks Boulevard, west of Woodcreek Oaks Boulevard, Roseville

017-011-029 & 041

Sale Data

**APN** 

**Grantor** Diamond Creek Partners

Grantee Meritage Homes
Sale Date January 28, 2000
Property Rights Fee Simple

Marketing Time N/A Conditions of Sale Market

**Financing Verification**All cash to the seller
Chris Ksidakis, broker

 Sale Price
 \$4,704,500

 Site Development Costs
 \$3,395,000 (est.)

 Bonds
 \$1,627,757 (est.)

 Total Consideration
 \$9,727,257

Bonds \$1,440 per lot/annual

**Land Data** 

ZoningR1, ResidentialTopographyGenerally levelUtilitiesAvailable to the site

**Land Size Information** 

Gross Land Size 30( acres

**Typical Lot Size** 7,700 square feet (approximately)

Number of Lots 97

**Indicators** 

Sale Price/Paper Lot \$ 48,500

**Development Costs/Lot** \$ 35,000 (estimated finishing costs)

Bonds \$ 16,781 Sales Price/Finished Lot \$100,281

#### Remarks

Diamond Creek Villages #2 and #3 were purchased in January 2000 by Meritage Homes. Reportedly, the property had previously been in escrow with another merchant builder approximately nine months earlier. The property is encumbered with bonds and special tax obligations that equate to approximately \$120 per lot per month. Access to the property is good via Parkside Way and Opal Drive. Meritage began marketing homes for sale within this project in November 2000.

**Property Identification** 

Property Type Residential subdivision

Property Name Empire Ranch - Village 40A & 40B

Address Empire Ranch - Folsom

Thomas Bros. 261-J4

APN Village 40 - A & B

Sale Data

Grantor Empire Ranch
Grantee Meritage Homes

Sale Date December 2000 (Negotiated)

Property RightsFee SimpleMarketing TimeNot providedConditions of SaleMarket

Financing

Verification

Sale Price

All cash to the seller

Buyer's representative

\$4,826,000 paper lot price

 Site Development Costs
 \$2,774,000

 Bonds
 \$1,147,828

 Total Consideration
 \$8,747,828

Bonds/Assessments \$1,296 per lot/annual

**Land Data** 

Zoning Residential
Topography Generally level
Utilities Available

**Land Size Information** 

Gross Land SizeNot providedTypical Lot Size9,120 square feet

Number of Lots 76

**Indicators** 

 Sale Price/Paper Lot
 \$ 63,500

 Development Costs/Lot
 \$ 36,500

 Bonds
 \$ 15,103

 Sale Price/Gross SF
 \$115,103

#### Remarks

This comparable represents the pending transfer of 76 lots within the Empire Ranch development of Folsom to Meritage Homes. The sale includes the 76 lots, with lot dimensions of 76' X 120', sold at a paper lot price equivalent to \$63,500/lot, with reported finishing costs of \$36,500/lot (inclusive of lot construction costs and reimbursements). Thus, the finished lot indicator, per lot, was calculated as \$100,000 plus bonds. Reportedly, this sale was negotiated during the month of December 2000. The transfer is expected to close by the end of May 2001.

# **Prospective Bulk Valuation**

The preceding sales indicate the following: 1) there has been an active market for improved and unimproved lot sales during the past 24 months in the subject's submarket area, and 2) There is a direct relationship between the typical lot size and the sales price per lot. This is to say that as the typical lot size increases, the sales price per lot also increases. This is clearly indicated on the following chart (arranged by lot size):

| Sale No. | Lot Size (sf) | Lot Value | Comments        |
|----------|---------------|-----------|-----------------|
| 1b       | 6,600         | \$ 77,846 | Negotiated 1998 |
| 1a       | 7,150         | \$ 86,044 | Negotiated 1998 |
| 5        | 7,700         | \$100,281 |                 |
| 6        | 9,120         | \$115,103 |                 |
| 4        | 10,000        | \$ 99,480 | Negotiated 1998 |
| 1c       | 10,000        | \$107,480 | Negotiated 1998 |
| 2b       | 10,800        | \$125,830 |                 |
| 3b       | 14,867        | \$127,830 |                 |
| 3a       | 14,867        | \$137,830 | View Amenities  |

As evidenced in the chart above, there is a direct correlation between the size of the finished lot and the sales price per finished lot. The only notable exception to this direct relationship is easily rationalized. Sales 1 and 4 both occurred in 1998 and are the oldest sales included in the data set. The remaining sales all occurred between 1999 and May 2001, and indicate increasing sales prices due to superior market conditions. Although not considered an exception, sale 3a indicates the highest sales price per finished lot due to view amenities.

A number of the subject's lots enjoy premium positioning relative to the standard interior lots. Lots contiguous to open space, in cul-de-sacs, or at corner locations are considered to enjoy premium positioning. Conversely, a few of the subject's lots are positioned contiguous to Alexandra Drive, Secret Ravine Parkway, and Sierra College Boulevard, which are considered to have a negative influence on the effected lots. For the purposes of this analysis, we have not estimated the individual values on a "lot-by-lot" basis. Rather, the estimated market value of the existing and proposed finished lots will be estimated on a "subdivision-by-subdivision" basis, and any individual lot premiums or discounts are considered to be nominal in terms of overall valuation. All premiums and discounts estimated for the subject's lots have been considered in our valuation of the subject property on a bulk basis.

# **Onsite Development**

Some of the comparable sales presented were sold and delivered as a combination of unimproved and finished lots. Thus, site development costs need to be added to each of these sales (where necessary) in order to analyze the subject based on a finished lot condition. When warranted, adjustments for remaining finishing costs have been made.

## **Offsite Development**

The comparables will be analyzed on a price per finished lot basis, which includes sufficient water rights, roadways and utilities available to the perimeter (off-tract improvements), and with all in-tract work completed. For those sales, which were negotiated based on a paper lot value, or combination of paper and finished lots, adjustments for site development costs are required. Property specific site development costs will be used to calculate the finished lot values for each of the projects within the data set.

# **Additional Adjustments**

In order to value the subject site, the comparable transactions were adjusted based on the profile of the subject site with regard to categories that affect market value. If a comparable has an attribute that is considered superior to that of the subject, it is adjusted downward to negate the effect the item has on the price of the comparable. The opposite is true of categories that are considered inferior to the subject and are adjusted upward. In order to isolate and quantify the adjustments on the comparable sales data, percentage or dollar adjustments are considered appropriate. At a minimum, the appraiser considers the need to make adjustments for the following items:

- Property Rights Conveyed
- Financing Terms
- Conditions of Sale (motivation)
- Market Conditions (time)
- Location
- Physical Features

A paired sales analysis is performed in a meaningful way when the quantity and quality of data are available. However, it is very rare that any two sales are similar in all characteristics except one, and as a result, many of the adjustments require the appraiser's experience and knowledge of the market and information obtained from those knowledgeable and active in the marketplace. A detailed analysis involving each of these factors and the value conclusion for the subject follows.

# **Property Rights Conveyed**

In transactions of real property, the rights being conveyed vary widely and have a significant impact on the sales price. As previously noted, the opinion of value in this report is based on a fee simple estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat; as well as non-detrimental easements, community facility districts, and conditions, covenants and restrictions (CC&R's). The subject and all the comparables represent fee simple estate transactions. Therefore, adjustments for this factor are not necessary.

# Financing Terms

In analyzing the comparables, it is necessary to adjust for financing terms that differ from market terms. Typically, if the buyer retained third party financing (other than the seller) for the purpose of purchasing the property, a cash price is presumed and no adjustment is required. However, in instances where by the seller provides financing as a debt instrument, a premium may have been paid by the buyer for below market financing terms or a discount may have been demanded by the buyer if the financing terms were above market. The premium or discounted price must then be adjusted to a cash equivalent basis.

All of the comparable sales were cash to the seller transactions and therefore, do not require adjustments for financing.

## **Conditions of Sale (motivation)**

Adverse conditions of sale can account for a significant discrepancy from the sales price actually paid compared to that of the market. This discrepancy in price is generally attributed to the motivations of the buyer and the seller. Certain conditions of sale are considered to be non-market and may include the following:

- a seller acting under duress,
- a lack of exposure to the open market,
- an inter-family or inter-business transaction for the sake of family or business interest,
- an unusual tax consideration,
- a premium paid for site assemblage,
- a sale at legal auction, or
- an eminent domain proceeding.

All of the comparable transactions were arms-length market transactions and do not require an adjustment for conditions of sale.

# **Market Condition (time)**

The market condition generally changes over time, but the date of this appraisal is for a specific time. Therefore, in an unstable economy, one that is undergoing changes in the value of the dollar, interest rates and economic growth or decline, extra attention needs to be paid to assess changing market conditions. Significant monthly changes in price levels can occur in several areas of a municipality, while prices in other areas remain relatively stable. Although the adjustment for market conditions is often referred to as a "time adjustment," time is not the cause of the adjustment.

In evaluating market conditions, changes between the comparable sales date and the effective date of this appraisal may warrant adjustment. However, if market conditions have not changed, then no time adjustment is required.

As discussed throughout the appraisal report, market conditions for residential property in the Roseville area has been constantly improving over the past few years. Thus, in analyzing the six sales, upward adjustments are warranted for improvements in market conditions for sale #1, #2a, #4, and #5. Each of these comparable sales were negotiated in early to mid 1998 to 1999.

Thus, primarily based on changes in market conditions, (as evidenced by new home sales activity), we have adjusted the comparables as warranted.

## **Location**

The subject and comparables are located either within relative proximity, or in competing areas with similar facilities and amenities. Consequently, the comparables did not require an adjustment for location.

## **Physical Features**

The physical characteristics of a property can impact the selling price. Those that may impact value include the following:

#### **Number of Lots**

There is a difference in the number of lots transferring between the sales. However, the only variance in total lot count between the comparables that is judged to warrant an adjustment is with comparable sale #1. Comparable sale #1 represented the transfer of 368 lots within the Stoneridge project. Due to the significantly greater number of lots reflected in this sale, we have adjusted this comparable upward to account for economies of scale.

#### Lot Sizes

In the following analysis the sales are adjusted upward for inferior (smaller) lot sizes and downward for superior (larger) lot sizes. The degree of adjustment is dependent on the size disparity between the comparable and the subject's average lot size.

#### **Zoning**

All of the sales have the similar zoning allowing for development with single-family residences. Thus, no adjustments are necessary for zoning.

#### Density

Any variances in density are addressed in our lot size adjustments.

## Entitlements / Stage of Development

All of the sales had either tentative map approval or final map approval. For those comparables at the tentative map stage we have adjusted for the cost to complete the site development costs. Consequently, no adjustment is warranted for either entitlements or site condition.

#### **Lot Premiums**

As previously mentioned, this analysis is concerned with the bulk value of the subject property. As such, premiums that would be achieved on an individual retail basis have been considered based upon their influence of the value of the property in bulk. Like the subject, the comparables contain particular lots that enjoy premium positioning and size within their respective projects. Thus, no adjustment for this factor is warranted.

#### Topography/Utility

Differences in contour grade, drainage, or soil conditions can affect the utility and therefore the market value of the lots. The comparable properties all offer terrain with similar utility. No adjustments are required for topography or utility.

## View Amenity

Although the sales are highly comparable in terms of location, sale 3a represents a subdivision that offers a unique view amenity, which is superior to the other sales and the subject parcels. All of the sale parcels, as well as the subject parcels, have rolling topography. However, sale 3a features lots with views that are superior for the area. Thus, a downward adjustment is required to sale 3a for view amenity.

## **Conclusion - Prospective Bulk Value**

During our investigation, we identified several sales and pending sales of improved and unimproved lots throughout the subject's area. In total we have presented 6 comparables, which proved helpful in estimating the market value for the subject property. As mentioned, the density or typical lot size is probably the single most important factor to consider.

At the improved lot stage the data set exhibits an unadjusted range in per lot values from \$77,846 to \$137,830. After applying the previously cited adjustments, the bulk value by lot size grouping is estimated as follows:

| Min. Lot Size | Finished Lot Value |
|---------------|--------------------|
| 6,050         | \$ 85,000          |
| 6,600         | \$ 90,000          |
| 9,600         | \$120,000          |
| 10,800        | \$125,000          |
| 12,600        | \$128,000          |
| 14,000        | \$130,000          |

## **MULTI-FAMILY RESIDENTIAL LOT VALUATION**

The market value of the subject's one multi-family site property will be estimated using the sales comparison approach, in which the subject site is compared to similar parcels of multi-family land that have sold over the current economic cycle. The other two approaches to value, the cost and income capitalization approaches, are not directly relevant to this valuation because the subject property represents vacant land.

Within the sales comparison approach, the land will be valued on a per unit basis. The number of total units that the subject site could yield is determined by analyzing projects that have recently been completed (exhibited below) to estimate the average density of multi-family projects in the area. Based on this data, the subject will be valued as a multi-family residential site allowing for development of 230 apartment units, yielding a density of 18.11 units per acre.

#### **EXISTING / PROPOSED MULTI-FAMILY PROJECTS**

| Project                          | Location                  | Completed             | Land<br>Area | # of<br>Units | Density<br>per<br>Acre |
|----------------------------------|---------------------------|-----------------------|--------------|---------------|------------------------|
| Heather Ridge                    | 8721 Greenback Lane       | 1990                  | 4.87         | 73            | 15.0                   |
| The Landing                      | 638 Lake Front Drive      | 1992                  | 6.66         | 145           | 21.8                   |
| Lake Ridge                       | 2400 Natoma Station Dr.   | 1991                  | 23.79        | 324           | 13.6                   |
| Cobble Oaks                      | 12155 Tributary Point Dr. | 1998                  | 12.17        | 216           | 17.7                   |
| The Grove at Sunrise             | 5400 Heritage Tree Lane   | 1999                  | 10.29        | 206           | 20.0                   |
| Emerald Point                    | 101 Golf Circle           | 1999                  | 11.7         | 164           | 14.0                   |
| Stanford Meridian                | 2121 Sunset Boulevard     | 2000                  | 28.0         | 452           | 16.1                   |
| The Bridges at Woodcreek<br>Oaks | 7950 Foothills Boulevard  | 2000                  | 13.8         | 185           | 13.4                   |
| Diamond Creek Apts.              | 10001 Woodcreek Oaks      | Under<br>Construction | 10.00        | 200           | 20.0                   |
| Highland Reserve                 | 701 Gibson Drive          | Under<br>Construction | 21.0         | 400           | 19.0                   |
| Pinnacle Galleria                | 1101 Roseville Pkwy       | Under<br>Construction | 12.00        | 236           | 19.7                   |
| Sierraridge Apartments           | 700 Vallejo               | Under<br>Construction | 6.7          | 134           | 20.0                   |
| Antelope Creek II                | 1281 Antelope Creek Dr.   | Submitted             | 12.21        | 224           | 18.3                   |
| Phoenician Apartments            | 1501 Secret Ravine Pkwy.  | Submitted             | 15.8         | 340           | 18.4                   |
| The Terraces at Highland Reserve | 700 Gibsdon Drive         | Submitted             | 15.00        | 273           | 18.2                   |
| Vineyard Gate Apartments         | 1601 Vineyard Road        | Submitted             | 18.75        | 280           | 14.9                   |

## **SALES COMPARISON APPROACH**

In the sales comparison approach, the market value of the subject property is estimated by a comparison to similar properties that have recently sold, are listed for sale, or are under contract. The underlying premise of the sales comparison approach is that the market value of a property is directly related to the price of comparable, competitive properties in the marketplace.

The proper application of this approach requires obtaining recent sales data for comparison with the subject. In order to assemble the comparable sales, we searched public records and other data sources for leads, then confirmed the raw data obtained with parties directly related to the transactions (primarily brokers, buyers and sellers).

In this analysis that follows, sales of similar multi-family residential properties are compared to the subject's site on the basis of price per developable dwelling unit. Consideration is given to factors such as current market conditions, location, parcel size, density and utility. Considering each sale in light of these factors leads to a conclusion of value for the subject's site.

The subject's site will be valued as multi-family land, based on the Highest and Best Use discussion previously presented. The principal concern in this portion of the analysis is in identifying sites of comparable size and utility to that of the subject. Our investigation produced sufficient factual data with which to make a reasonable valuation judgment of the subject's multi-family land area.

The sales relied upon in this analysis are summarized within the chart on the following page, with a location map facing. Detailed sales sheets and a discussion of each are as follows:

## **COMPARABLE SALES SUMMARY**

# **Multi-Family Residential Land Sales**

Stoneridge East: CFD No. 1 Roseville, California

| Sale<br>No. | Location/<br>APN   | Sale<br>Date | Sale Price  | NPV of<br>Bonds | Sale Price<br>(incl. bonds) | No. of<br>Units | Bonds<br>per Unit | Sale Price<br>per Unit |
|-------------|--|--------------|-------------|-----------------|-----------------------------|-----------------|-------------------|------------------------|
| 1           | Secret Ravine Pkwy, E of Roseville Pkwy<br>Roseville<br>APN: Stoneridge Parcel 23  | Feb-00       | \$4,590,000 | \$0             | \$4,590,000                 | 340             | \$0               | \$13,500               |
| 2           | Normandy Senior Apartments<br>7575 Madison Ave<br>Citrus Heights<br>APN: 233-0570-019  | Feb-00       | \$1,185,000 | \$0             | \$1,185,000                 | 116             | \$0               | \$10,216               |
| 3           | Overlook Apartments<br>Creekside Ct, S of Bidwell<br>Folsom<br>APN: 071-0320-084, 086  | Jul-99       | \$990,000   | \$244,589       | \$1,234,589                 | 112             | \$2,184           | \$11,023               |
| 4           | Villa at Prairie Oaks<br>Stewart St. & W. Willard Drive<br>Folsom<br>APN: 072-1180-028   | Mar-99       | \$2,300,000 | \$871,341       | \$3,171,341                 | 280             | \$3,112           | \$11,326               |
| 5           | NWC Blue Oaks & Foothills<br>7950 Foothills Boulevard<br>Roseville<br>APN: 477-060-003   | Mar-99       | \$3,000,000 | \$0             | \$3,000,000                 | 180             | \$0               | \$16,667               |
| 6           | Sierra View Apartments<br>8700 Sierra College Blvd<br>Sierra College Blvd, S of Douglas<br>Roseville<br>APN: 048-160-013 (portion) | Pending      | \$2,093,000 | \$0             | \$2,093,000                 | 161             | \$0               | \$13,000               |

**Property Identification** 

Address 1501 Secret Ravine Pkwy, Roseville, Placer

County, California

**Location** N side of Secret Ravine Pkwy, E of Roseville

Pkwy

Thomas Bros. 220 D6

APN Stoneridge Parcel 23

Sale Data

Granter Olympus Stoneridge, LLC
Grantee Granite Bay Holdings, LLC

Sale Date February 1, 2000

Deed Book/PageN/AvProperty RightsFee simpleConditions of SaleMarket

Financing All cash to the seller at close of escrow

**Verification** Seller's representative

**Sale Price** \$4,590,000

**Land Data** 

**Zoning** Multi-Family **Topography** Mildly undulating

Utilities All available (at close of escrow)

Shape Irregular

**Land Size Information** 

Gross Land Size 18.500 Acres or 805.860 SF

Planned Units 340

Front Footage Stoneridge Drive

**Indicators** 

Sale Price/Gross Acre\$248,108Sale Price/Gross SF\$5.70Sale Price/Unit\$13,500

### **Remarks**

This comparable represents the sale of a multi-family site (and other land). The apartments proposed for this site are the Phoenician Apartments, which will have 340 units contained within 20 buildings. The original offer/letter of intent from the buyer addressed a 14.4-acre multi-family site. The negotiations presented above relate to a larger land area, which includes the 14.4 acres, as well as land area proposed for inclusion with this multi-family site once a land swap is completed with the adjoining property owner (Elliot Homes). Reportedly, the price per unit would remain the same, either covering 315 units (14.4 acres) or 340 units (18.7 acres). The pending sale further stipulates that the seller will construct a retaining wall along the portion of the property, which is adjoining a detached residential "village." Conversely, the buyer will be responsible for all costs associated with the completion of gutters, curbs, and sidewalks along its frontage on Stoneridge Drive. Considering the offsetting benefits of the retaining wall and the gutters, curb and sidewalk work, nominal emphasis will be placed on these conditions of the purchase agreement in this valuation analysis.

**Property Identification** 

**Address** 7575 Madison Avenue, Citrus Heights,

Sacramento County, California 95610

259-H6

**APN** 233-0570-020

Sale Data

**Thomas Bros.** 

**Grantor** Manorcare Health Services, Inc.

**Grantee** Normandy Park, LP **Sale Date** February 16, 2000

Deed Book/Page02161246Property RightsFee SimpleMarketing Time6 monthsConditions of SaleMarket

**Financing**Verification
All cash to the seller Peter Hall, Realtor

**Sale Price** \$1,185,000

**Land Data** 

**Zoning** RD20, Multi-Family

TopographyLevelUtilitiesAvailableShapeIrregular

**Land Size Information** 

Gross Land Size 5.320 Acres or 231,739 SF

Planned Units 116

Front Footage Madison Avenue

**Indicators** 

Sale Price/Gross Acre\$222,744Sale Price/Gross SF\$5.11Sale Price/Unit\$10,216

## **Remarks**

This property is intended for a 116-unit senior housing project. The units will be for independent living, with no assisted living services. The property was rezoned by the buyer to accommodate the higher density of approximately 23 units/acre. The purchase consisted of 4.987 acres. In addition, the owner purchased the adjacent parcel 233-0570-007 (14,700 sf) for \$100,000 in order to develop the senior housing project. The current parcel number reflects the total area of both parcels. The total purchase amount of \$1,185,000 is reflected above.

**Property Identification** 

**Address** Creekside Ct. S of Bidwell, Folsom,

Sacramento County, California

**Location** Creekside Ct. S of Bidwell

Thomas Bros. 261-D6

**APN** 071-0320-084, 086

Sale Data

**Grantor** Generation Properties, LP BRE Properties, Inc.

Sale Date
July 09, 1999
Deed Book/Page
07090906
Property Rights
Fee Simple

Marketing Time N/Av
Conditions of Sale Market

FinancingAll cash to the sellerVerificationSelling brokerSale Price\$990,000

Upward Adjustment \$244,807 Bonded Indebtedness

Adjusted Price \$1,234,589

**Land Data** 

**Zoning** BP. Business Professional

Topography Level
Utilities All to site
Shape Irregular

**Land Size Information** 

Gross Land Size 5.615 Acres or 244,589 SF

Planned Units 112

Front Footage Creekside Ct.

<u>Indicators</u>

Sale Price/Gross Acre \$176,313 Actual or \$219,873 (with Bonds)

Sale Price/Gross SF\$4.05 Actual or \$5.05 (with Bonds)Sale Price/Unit\$8,839 Actual or \$11,023 (with Bonds)

#### Remarks

The intended use of this parcel was to construct a 112-unit apartment complex. In addition to the sale price, the buyer assumed infrastructure bonds in the amount of approximately \$1.00 psf of land area. Escrow time was extended because of the time required by the buyer to obtain a conditional use permit to allow residential development on this site.

**Property Identification** 

**Address** Stewart Street & W. Willard Drive, Folsom,

Sacramento County, California 95630

Stewart Street & W. Willard Drive

Thomas Bros. 281-D1

**APN** 072-1180-028

Sale Data

Location

Grantor Donald C. Lewis
Grantee Iron Point, LLC
Sale Date March 08, 1999
Deed Book/Page 03081200
Property Rights Fee Simple

Marketing Time N/Av
Conditions of Sale Market

Financing
Verification
Public Records
Sale Price
\$2,300,000

Upward Adjustment \$871,341 Bonded Indebtedness

Adjusted Price \$3,171,341

**Land Data** 

**Zoning** RMPD, Multi-Family

TopographySlopingUtilitiesAvailableShapeIrregular

**Land Size Information** 

Gross Land Size 13.240 Acres or 576,734 SF

Planned Units 280

Front Footage Stewart Street; Willard Drive

<u>Indicators</u>

Sale Price/Gross Acre \$173,716 Actual or \$239,527 (with Bonds)

Sale Price/Gross SF\$3.99 Actual or \$5.50 (with Bonds)Sale Price/Unit\$8,214 Actual or \$11,326 (with Bonds)

#### **Remarks**

This property is located in the Folsom submarket, along the north side of Iron Point Road. It is intended for a 280-unit apartment complex. This was the buyer's upleg in a 1031 exchange. The buyer also assumed bonds on the property; the remaining balance of the bond, as of Jan. 2001, is \$871,341.

**Property Identification** 

Address Northwest corner of Blue Oaks Boulevard and

Foothills Boulevard, Roseville, Placer County,

California 95678

**Thomas Bros.** 219-F5 **APN** 477-060-003

Sale Data

Grantor Bridges at Woodcreek Oaks (LLC)

Grantee Con Am Bridges (LLC)

Sale Date March 24, 1999

Deed Book/Page26055Property RightsFee simpleMarketing TimeN/AvConditions of SaleMarketFinancingCash saleVerificationPublic recordsSale Price\$3,000,000

**Land Data** 

TopographyLevelUtilitiesAll to siteShapeIrregular

**Land Size Information** 

Gross Land Size 13.800 Acres or 601,128 SF

**Indicators** 

Sale Price/Gross Acre\$217,391Sale Price/Gross SF\$4.99Sale Price/Unit\$16,667

## Remarks

This comparable is located in Roseville, with good access to transportation arterials, community services, and employment centers. It originally sold in March 1998 for \$8,202 per unit. At that time the proposal was for 185 units.

**Property Identification** 

Address 8700 Sierra College Boulevard, Roseville,

Placer County, California 95661

**Location** W side of Sierra College Boulevard, S of

Douglas Blvd.

Thomas Bros. 240-F3

**APN** 048-160-013 (portion)

Sale Data

Grantor Carl D. and Leah R. Gronlund, et al.

Grantee California Traditions

Deed Book/PagePendingProperty RightsFee SimpleMarketing TimeN/AvConditions of SaleMarket

Financing All cash to the seller at close of escrow

VerificationLocal BrokerSale Price\$2,093,000

**Land Data** 

**Zoning** Multi-Family **Topography** Mildly undulating

Utilities All to site Shape Irregular

**Land Size Information** 

Gross Land Size 9.740 Acres or 424.274 SF

Planned Units 161

Front Footage Sierra College Blvd

<u>Indicators</u>

Sale Price/Gross Acre\$214,887Sale Price/Gross SF\$4.93Sale Price/Unit\$13,000

## **Remarks**

This comparable represents the pending sale of a portion of parcel #048-160-013, a parcel located on the west side of Sierra College Boulevard, just south of Douglas Boulevard. This project is being processed at this time for the development of a 161-unit apartment complex. Reportedly, the property will transfer when the entitlements are obtained. A number of the parcels adjoining the comparable will be part of Renaissance Village, a proposed retail development with 153,237 square feet.

## **Discussion of Adjustments**

Land Comparable #1 represents the current negotiations surrounding another multi-family site within the Stoneridge Development. This summary reflects the intent of the buyer and seller and is indicative of current market conditions. An upward adjustment is required for the larger parcel size of this project. This adjustment reflects the inverse relationship between parcel size and price per acre, where larger parcels tend to sell for a lower price per acre than smaller parcels, all else being equal. Overall, given the close proximity and physical characteristics of this comparable, it is considered to be a good indicator of value for the subject.

Unlike the previous comparable, *Land Comparable #2* is located in Citrus Heights, near the Sunrise Mall. This comparable is included as a recent indication of market conditions, and requires an upward adjustment for its inferior location and for its higher project density. This comparable represents the low end of the range of comparables for the subject site.

Land Comparable #3 is located in the Folsom submarket. An initial upward adjustment is warranted for the improvement in market conditions since 1999. Likewise, a slight upward adjustment is considered reasonable to reflect the inferior location, compared to the subject's central Roseville location. This comparable is also adjusted upward slightly for the inferior utility of the two irregular shaped parcels.

Like the previous comparable, *Land Comparable #4* is also located in the Folsom submarket. Similar to the previous comparable, an initial upward adjustment is warranted for the improvement in market conditions. Again, a slight upward adjustment is considered reasonable for the inferior location, compared to the subject's central Roseville location.

Land Comparable #5 represents the sale of a parcel located in the western section of Roseville. An upward adjustment is warranted to reflect the improvement in market conditions. A downward adjustment for this property's lower density is also considered reasonable. This comparable requires an overall downward adjustment; however, given its similarity in terms of physical characteristics, this comparable represents a relatively good indication of value for the subject property.

**Land Comparable #6** represents the pending sale of a proposed apartment complex located along the west line of Sierra College Boulevard, just south of Douglas Boulevard. Compared to the subject property, this comparable warrants a sight upward adjustment for location.

## Conclusion of Land Value: Multi-Family Residential Land

While all of these land sales are reasonably comparable to the subject property, Land Sale #1 and #5 are considered to be the most similar, due to there close proximity within the Roseville market. Further, they represent fairly recent transactions and provide a reliable indication of value for the subject. Based on the value indications derived from Land Sale #1 and #5, and with support from the balance of the data, we have concluded a price per unit of \$15,000 for the subject parcel. Our conclusion of land value for the subject is calculated as follows:

230 units x \$15,000 / unit = \$3,450,000

#### FINISHED LOT VALUATION - MEDIUM DENSITY RESIDENTIAL

The final property type to be valued is the medium density residential land. This section addresses the finished lot value of subject parcel 54, which is planned for development with 140 residential units on 14.9 acres, indicating a density of 9.40 units per acre. The development is somewhat unique in that the lot area within this portion of the development will feature lot sizes measuring 50' by 60', indicating a total lot size area of 3,000 square feet.

We have searched both the Roseville market area and the greater Sacramento market area for comparable sales data. However, there is limited market data regarding the sale of "cluster housing" projects. Therefore, we will rely on the previous market data presented in this appraisal report as a basis for our estimate of market value for the cluster housing portion of the development.

We have previously discussed and analyzed two types of residential housing values. First, we concluded an appropriate market value for the 6,050 square foot lots at \$85,000, which represents the smallest lots within the low-density zoning district. Secondly, we analyzed the land value for the high-density residential units for an apartment development. However, there is really no useful information to be extracted from high-density apartment sales data, due to the features of the development (i.e. attached housing).

In extrapolating a unit value for the Medium Density units, one of the most important items to keep in mind is that the cluster housing units are to be developed on 3,000 square foot lots, which will be identified in the market as single family residences. Each residence will be situated on an individual Assessor's Parcel Number (A.P.N.), and each individual unit may be bought and sold by individual buyers and sellers. This is similar to single family residences, and is unlike high-density apartment developments that are constructed on a single Assessor's Parcel Number. Thus, in estimating a unit value for these units, the fact that these units will be perceived in the marketplace as small homes on small lots will tilt the valuation of the lots toward the value indicated by the smallest single family residential lots.

Also, in analyzing the concluded value of the single-family residential lots, market data indicates that the contributing value of additional size diminishes as the lot sizes increases. This is to say that the size differential has a much greater impact on the smaller sized lots than the larger sized lots both in terms of total dollars and percentages. This is consistent with the principal of diminishing return. That being, once the primary goal is achieved (in this case – one single family lot), the premium the market will pay for increases in a feature (in this case size) will increase on a diminishing scale.

Another indicator of this relationship is via a simple analysis that a lot twice the size of another lot will not have a market value that is twice as much. This is evident in all of the market data

analyzed, as well as the concluded lot values for the subject. That being, the 6,050 square foot lot has an estimated market value of \$85,000, and the market value for a lot that is double in size (12,600 sq. ft.) does not have a market value that is double the price.

In summary, the two factors to keep in mind when extrapolating a unit value for the Medium Density units are:

- 1) The lots are separate A.P.N.'s, and will be developed with individual homes, and
- 2) Once a value is established for single family residential lots, the premium paid for increases in size is consistent with the principal of diminishing returns.

Thus, based on the data provided throughout this appraisal report, and additional analysis of functional use of the subject parcels, we have concluded an appropriate value for the Medium Density units (cluster housing) of \$50,000 per unit.

| Subject Parcel | Lot Size | No. of Lots | Value per Lot | Aggregate Value |
|----------------|----------|-------------|---------------|-----------------|
| 54             | 3,000 sf | 137         | \$50,000      | \$6,850,000     |

## SUMMARY OF PROSPECTIVE FINISHED LOT VALUES

Following is a summary of the market values of the finished lots arranged by Subject Parcel number:

| ST                | ONERIDGE | EAST RESID | ENTIAL SUMMA        | ARY                       |
|-------------------|----------|------------|---------------------|---------------------------|
| PARCEL            | # UNITS  | LOT SIZE   | RETAIL<br>VALUE/LOT | AGGREGATE<br>RETAIL VALUE |
| 22 (Vill 5)       | 65       | 6,600      | \$ 90,000           | \$ 5,850,000              |
| 27                | 90       | 9,600      | \$120,000           | \$10,800,000              |
| 28                | 89       | 6,600      | \$ 90,000           | \$ 8,010,000              |
| 30A               | 64       | 6,600      | \$ 90,000           | \$ 5,760,000              |
| 30B               | 44       | 9,600      | \$120,000           | \$ 5,280,000              |
| 39 (Vill 6)       | 12       | 14,000     | \$130,000           | \$ 1,560,000              |
| 40 (multi-family) | 230      | -          | \$ 15,000           | \$ 3,450,000              |
| 41 (Vill 3)       | 64       | 12,600     | \$128,000           | \$ 8,192,000              |
| 42 (Vill 2)       | 68       | 9,600      | \$120,000           | \$ 8,160,000              |
| 46 (Vill 1)       | 120      | 6,600      | \$ 90,000           | \$10,800,000              |
| 47 (Vill 4)       | 103      | 6,600      | \$ 90,000           | \$ 9,270,000              |
| 49                | 80       | 9,600      | \$120,000           | \$ 9,600,000              |
| 51                | 18       | 6,050      | \$ 85,000           | \$ 1,530,000              |
| 52                | 31       | 9,600      | \$120,000           | \$ 3,720,000              |
| 54 (Cluster)      | 137      | 3,000      | \$ 50,000           | \$ 6,850,000              |
| 55                | 72       | 6,050      | \$ 85,000           | \$ 6,120,000              |
| 57                | 55       | 6,050      | \$ 85,000           | \$ 4,675,000              |
| 59                | 35       | 10,800     | \$125,000           | \$ 4,375,000              |
| Total Units       | 1,377    |            |                     | \$114,002,000             |
| Rounded           |          |            |                     | \$114,000,000             |

#### SUBDIVISION DEVELOPMENT METHOD

#### Introduction

This portion of our analysis is concerned with estimating the value of the subject properties vested in Stoneridge East. As previously indicated, this portion of the subject project will be valued assuming the primary infrastructure to be funded with the issuance of the Community Facilities District No. 1 is complete.

We have been asked to give a single value for the portion of the subject properties in the above described condition. As discussed, the best way to derive this value is to employ the subdivision development method to value.

The subdivision development method is defined as follows:

A method of estimating land value when subdivision and development are the highest and best use of the parcel of land being appraised. All direct and indirect costs and entrepreneurial profit are deducted from an estimate of the anticipated gross sales price of the finished lots; the resultant net sales proceeds are then discounted to present value at a market-derived rate over the development and absorption period to indicate the value of the raw land. 13

We will employ a discounted cash flow analysis to value the subject properties under the subdivision development method. The four main components of our discounted cash flow analysis are listed as follows:

- **Revenue** the total gross income of the various components is derived in this section.
- Absorption Analysis the time frame required to sell-off the land components. Of primary
  importance in this analysis is the allocation of the revenue over the absorption period including
  the estimation of an appreciation factor (if any).
- Expenses the expenses associated with the sell-off are calculated in this section including
  administration, marketing and commission costs, as well as taxes, special tax payments, the offtract development costs that will not be funded by the bond issuance and in-tract site
  development costs.
- **Discount Rate** the appropriate discount rate is derived in this portion of the analysis employing a variety of market data.

Our discussion of these four components begins below, with our discounted cash flow analysis offered at the end of this section.

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<sup>&</sup>lt;sup>14</sup>The Dictionary of Real Estate Appraisal, 3<sup>rd</sup> ed. (Chicago: Appraisal Institute, 1993) 354.

#### Revenue

The revenue components will be generated by the sale of improved single-family and multi-family residential lots. In the following analysis we will utilize the lot values (by category - size) concluded in the bulk improved lot sales comparison section of our report. These lot values will lead to an aggregate retail value for the lots. The aggregate retail value will then be integrated with the discounted cash flow analysis to reflect the bulk, or wholesale value of the lots.

As previously discussed, these estimates of value are inclusive of current and anticipated bond indebtedness.

#### Reimbursement From Fees

Due to the amount of "oversized" or "regional improvements" that will be constructed, the developer will be entitled to future reimbursements that will be paid upon the construction of the proposed housing. It is estimated that the reimbursements from fees will total \$6,392,500, and will be payable to the developer upon completion of the applicable residences. This estimate is based on documentation provided by Economic & Planning Systems (City of Roseville Stoneridge East Community Facilities District No. 1 Rate and Method of Apportionment). A Copy of this document is included is the Addenda to this report. Considering the market acceptance of new housing product in the subject's submarket we have estimated a four-year absorption period for the new housing proposed for the Stoneridge East Development. As such, we have spread this revenue stream over years 2 through 5 of the analysis.

#### **Absorption Analysis**

In this section of the report, we will discuss the absorption period (time), appreciation factor and summarize the annual disposition of the revenue components.

## Absorption Period

In attempting to estimate the marketing time, which would be required for the disposition of the land components, we have looked at both the historical marketing times of a number of sales, as well as current and projected economic conditions. For the most part, the sales, which have been used in this report, sold in a 3 to 12 month time frame.

In developing an estimate of the absorption period for the subject, we have attempted to consider both the impacts for present market conditions as well as anticipated changes in the market. Real estate is cyclical in nature, and it is impossible to accurately forecast and project specific demand over a projected absorption period.

The developer of the subject parcels, H.C. Elliot, is one of the regions most successful land developers and merchant homebuilders. Although the current owner plans to build out the entire subject development, we must base our absorption projection on assumptions consistent with our conclusion in the highest and best use analysis section of this appraisal report. As such, the highest and best use (as well as fastest absorption) would be achieved by selling the individual subdivisions to other homebuilders active in the region.

A clear indication of the market demand for the Stoneridge East project is evident by the adjacent development, Stoneridge West. In this development, the owner/developer (AKT) was able to sell all of the lots approximately 2 years prior to being able to "bring them on line" as finished residential lots. The developer sold 665 lots in the Stoneridge development 2 years prior to having the necessary infrastructure in place to deliver finished lots to the various homebuilders.

Further support for the strong market demand is reflected within a master planned community in the southern portion of Sacramento County, known as Stonelake. Recently, all thirteen of the development's villages totaling 1,450 units were sold to various homebuilders.

Additionally, similar success was experienced within the Bridgeway Island development in West Sacramento. This project offers approximately 1,590 residential lots. Eight of the ten villages were released and sold within 6 months of the release date. The remaining lots, which came to the market approximately 12 months later, sold immediately upon release to the market.

The subject will have to compete with the lots situated within the Stoneridge West development. However, due to the multiple product types anticipated on the various lot sizes (ranging from 3,000 to 14,000 square feet), it is our opinion that there will be five different product types marketing simultaneously to five different target markets. As previously discussed, the subject has the ability to market cluster-homes on 3,000 square foot lots in the low \$200,000's up to large move-up homes priced in the \$500,000's. Thus, the subject will have multiple subdivision marketing homes at the same time that will not be competing with one another.

Considering the information presented above, in particular the level of market acceptance the Stoneridge West project has enjoyed, we have concluded that an absorption period at two years for the subject, under the assumption that the various subdivisions would be sold to various homebuilders.

Accordingly we have projected that 75% of the 1,147 lots will sell in year one of the absorption period, and the remaining lots 25% of the single-family residential lots will transfer in the second and final year of the absorption period estimate. Additionally, we have estimated that the multi-family residential site zoned for 230 apartment units would be sold in the second year.

## Annual Appreciation

As discussed throughout this report, the market for residential land in the Sacramento Metropolitan Area is strong. The activity over the past two years is at levels not experienced in many years. Consequently, it is also reasonable that as the area develops, and commercial services become more readily available, the central Roseville location will continue to enjoy upward movement in prices. To account for the potential of future increases, we will apply an annual increase at the rate of 4% per year.

#### **Expenses**

#### Marketing Costs/Commissions/Closing Costs/Administrative

Commissions and closing costs relative to the disposition of the subject's lots are estimated at 4% of the total retail value. Although this rate is somewhat negotiable, it is considered to be consistent with current industry trends, and includes closing costs.

Administrative Expense - This expense category covers the various administrative costs associated with managing the overall development. This would include management, legal and accounting fees and other professional services common to a large-scale development. For purposes of this analysis we have estimated this expense at 2% of the gross sale proceeds.

Thus, we have included an allowance of 6% for marketing costs, commissions, closing costs, and administrative expenses.

#### Interim Ad Valorem Taxes and Assessments

This appraisal is predicated on and assumes a sale of the appraised property. Interim ad valorem real estate taxes are based on the subject's current tax rate (1.00%). The taxes are anticipated to increase 2.0% annually. As the parcels are sold off, the average tax liability is estimated and then applied to the unsold inventory.

## Mello-Roos Community Facilities District (Community Facilities District)

Economic and Planning Systems (EPS) has provided a schedule of the projected annual debt service for the subject property. This schedule will be used in the following discounted cash flow analysis. Similar to our discussion above regarding ad valorem real estate taxes, as the parcels are sold off, the average annual debt service is estimated and then applied to the unsold inventory.

We have also considered that the first year's special tax payments will be paid through the financing program, via the interest reserve retained at issuance.

## **Off-Tract Development**

According to EPS documentation referenced previously, the total construction cost for the Stoneridge East primary infrastructure is \$17,678,000. However, \$13,200,000 of this total is to be financed by the construction fund balance associated with the Stoneridge East CFD No. 1. Based on the cost and construction fund estimates provided for this analysis, the developer's responsibility for primary infrastructure equates to \$4,478,000. It should be noted that a majority of the infrastructure work has been completed at this time. Reportedly the remaining infrastructure work could be completed within a 12-month timeframe. Therefore, in the following analysis we have included this expense in year 1 of the cash flow analysis.

#### **On-Site Development**

Based on data from similar developments, it appears that on-tract development costs range from \$34,000 to \$36,000 for lots that are 6,000 to 7,000 square feet in size; up to \$50,000 for lots that are 14,000 square feet in size.

In analyzing the subject development, the most frequent sized lot is 6,600 square feet (38%) followed by 9,600 square foot lots (27%). The next most popular lot sizes are 6,050 (13%) and 3,000 square feet (12%). In total, 63% of the subject lots fall within the range of 3,000 to 6,600 square feet.

Based on the comparable cost information and the specific allocation of lot sizes within the subject development, we have concluded an appropriate average cost to finish the residential lots at \$40,000 per lot.

As previously noted, 33 of the subject's detached residential lots are currently fully improved and another 155 lots are partially improved. Considering the subject's partially improved status, as well as the absorption projection for the subject (75% (860 lots) of the lot sales to occur in year 1 with the remaining 25% (287 lots) projected to sale in year 2), we have estimated on-site development costs for years 1 and 2 of the absorption period. Our estimates are summarized as follows:

#### Year 1

| Status             | Lot# | Costs/lot | Extension    |
|--------------------|------|-----------|--------------|
| Unimproved         | 672  | \$40,000  | \$26,880,000 |
| Partially Improved | 155  | \$20,000  | \$3,100,000  |
| Improved           | 33   | \$0       | \$0          |
| Total              | 860  |           | \$29,980,000 |

#### Year 2

| Status     | Lot# | Costs/lot | Extension    |
|------------|------|-----------|--------------|
| Unimproved | 287  | \$40,000  | \$11,480,000 |

It should be noted that the second year cost projections are prior to an escalation factor, assumed to be equal to our appreciation factor estimate (4%).

## **Discount Rate**

According to a leading publication within the appraisal industry, The Korpacz Real Estate Investor Survey<sup>14</sup>, discount rates for land development range from 11.00% to 20.00%, with an average of 15.25%. According to the data presented in the survey prepared by Korpacz, the majority of those respondents who use the discounted cash flow (DCF) method do so free and clear of financing. Furthermore, the participants reflect a preference in including the developer's profit in the discount rate, versus a separate line item for this factor. Accordingly the range of rates presented above are inclusive of the developer's profit projection.

The discount rates are based on a survey that includes residential, office, retail, and industrial developments. Participants in the survey indicate the highest expected returns are on large-scale, unapproved developments. The low end of the range was extracted from projects where certain development risks had been lessened or eliminated. Several respondents indicate that they expect slightly lower returns when approvals/entitlements are already in place.

While the subject property is still considered to exhibit a certain degree of risk, the positive attributes of the subject include: 1) the subject having all entitlements in place, 2) the strong market acceptance exhibited by the adjacent development and 3) the forecasts for strong population and employment growth for the immediate area. All of these factors tend to lessen the perceived risk of the subject's proposed development.

Based on the specifics of the subject's project, that have been discussed throughout the report, we have concluded an appropriate discount rate consistent with the median rate reflected by the survey respondents. Thus, for this development we have utilized a discount factor of 15% in this analysis.

<sup>&</sup>lt;sup>15</sup> he Real Estate Investor Survey, Peter F. Korpacz and Associates, Fourth Quarter, 2000, Volume 13, Number 4.

## Conclusion

| flow and value conclusion is offered on the following page. |  |
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After deriving the four components of the subdivision development approach, our discounted cash

## **DISCOUNTED CASH FLOW ANALYSIS**

Stoneridge East: CFD No. 1

Roseville, California May, 2001

| Assum | ntions:       |
|-------|---------------|
|       | <b>500000</b> |

|                                 |             | Aggregate         |    | Average   |                               |
|---------------------------------|-------------|-------------------|----|-----------|-------------------------------|
|                                 | No. of Lots | Value             | L  | _ot Value | Annual Appreciation           |
| Single Family Residential (SFR) | 1,147       | \$<br>110,552,000 | \$ | 96,384    | Marketing Costs               |
| Multi-Family Residential (MFR)  | 230         | \$<br>3,450,000   | \$ | 15,000    | Administrative Expense        |
| Total Aggregate Retail Value:   | 1,377       | \$<br>114,002,000 |    |           | Annual Taxes (per lot)        |
| Reimbursements from Fees:       |             | \$<br>6,392,500   |    |           | Annual Taxes (per MF unit)    |
| Total Revenues:                 |             | \$<br>120,394,500 |    |           | Development Costs (Off-Tract) |
|                                 |             |                   |    |           | In-Tract Develop year 1       |
|                                 |             |                   |    |           | In-Tract Develop year 2       |
|                                 |             |                   |    |           | Average CFD Assessment/Lot:   |
|                                 |             |                   |    |           | Discount Rate (IRR)           |

## Income and Expense Analysis:

| Year                               | 1               | 2               | 3           |       | 4         |      | 5         | Total |
|------------------------------------|-----------------|-----------------|-------------|-------|-----------|------|-----------|-------|
| Inflation Factor:                  | 1.000           | 1.040           | 1.082       |       | 1.125     |      | 1.170     |       |
| Sales - Single Family Residential: | 860             | 287             | 0           |       | 0         |      | 0         |       |
| Inventory (Remaining SFR lots):    | 287             | 0               | 0           |       | 0         |      | 0         |       |
| Sales Revenue                      |                 |                 |             |       |           |      |           |       |
| SFR Lots                           | \$ 82,889,904   | \$ 28,768,580   | \$          | - \$  | - ;       | \$   | -         |       |
| Multi-Family Site                  | \$ -            | \$ 3,588,000    | \$          | - \$  | - ;       | \$   | -         |       |
| Reimbursement from Fees            | \$ -            | \$ 1,598,125    | \$ 1,598,12 | 25 \$ | 1,598,125 | \$ ' | 1,598,125 |       |
| Total Sales Revenue                | \$ 82,889,904   | \$ 33,954,705   | \$ 1,598,12 | 25 \$ | 1,598,125 | \$   | 1,598,125 |       |
| Expenses                           |                 |                 |             |       |           |      |           |       |
| Administrative                     | \$ (1,657,798)  | \$ (679,094)    | \$ (31,96   | 3) \$ | (31,963)  | \$   | (31,963)  |       |
| Marketing/Commissions              | \$ (3,315,596)  | \$ (1,358,188)  | \$          | - \$  | - :       | \$   | -         |       |
| Real Estate Taxes                  | \$ (855,015)    | \$ (233,341)    | \$          | - \$  | - :       | \$   | -         |       |
| CFD Assessments                    | \$ -            | \$ (308,525)    | \$          | - \$  | - ;       | \$   | -         |       |
| Infrastructure (Off-tract)         | \$ (4,478,000)  | \$ -            | \$          | - \$  | - ;       | \$   | -         |       |
| In-tract development               | \$ (29,980,000) | \$ (11,939,200) | \$          | - \$  | - ;       | \$   | -         |       |
| Total Expenses                     | \$ (40,286,409) | \$ (14,518,348) | \$ (31,96   | 3) \$ | (31,963)  | \$   | (31,963)  |       |
| NET INCOME                         | \$ 42,603,495   | \$ 19,436,357   | \$ 1,566,16 | 3 \$  | 1,566,163 | \$   | 1,566,163 |       |
| Present Value Factor at 15%        | 0.86957         | 0.75614         | 0.6575      | 52    | 0.57175   |      | 0.49718   |       |
| Discounted Cash Flow               | \$ 37,046,517   | \$ 14,696,678   | \$ 1,029,77 | 77 \$ | 895,458   | \$   | 778,660   |       |
| Net Present Value                  | \$ 54,447,091   |                 |             |       |           |      |           |       |

## CONCLUSION OF VALUE BY DISCOUNTED CASH FLOW ANALYSIS (RD)

\$ 54,450,000

## SUMMARY AND CONCLUSION

The purpose of this appraisal has been to estimate the value (fee simple, subject to special tax and assessment liens) of the subject properties assuming the completion of the infrastructure and facilities to be funded by the Community Facilities District No. 1 bond issuance (Stoneridge East).

Based on the preceding information, our final estimates of value for the subject properties are as follows:

Aggregate Value (April 29, 2001):

\$114,000,000

Market Value, Bulk Value (April 29, 2001):

\$54,450,000