SAN DIEGO HOUSING COMMISSION

Item 101

REPORT

DATE ISSUED: March 30, 2016 **REPORT NO**: HCR16-015

ATTENTION: Chair and Members of the San Diego Housing Commission
For the Agenda of April 8, 2016

SUBJECT: Disposition of Hotel Metro

COUNCIL DISTRICT: 3

REQUESTED ACTION

Authorize the disposition of Hotel Metro under terms and conditions described in this report.

STAFF RECOMMENDATION

That the San Diego Housing Commission (Housing Commission) authorize the sale of Hotel Metro, located at 434 and 435 13th Street, San Diego, 92101 pursuant to terms and conditions in Hotel Metro Real Estate Disposition Policy PO-RED-300.104.

SUMMARY

Hotel Metro is a 195-unit single room occupancy affordable housing development in Downtown San Diego's East Village neighborhood.

On June 30, 2015, the Housing Authority of the City of San Diego (Housing Authority) authorized the disposition of Hotel Metro (HAR15-020), and the San Diego City Council approved Resolution No. R-309828, which delegated authority to the Housing Commission to sell Hotel Metro pursuant to terms and conditions in Hotel Metro Real Estate Disposition Policy PO-RED-300.104 (Attachment 1). If the Housing Commission Board approves of this disposition, then the Housing Commission will give the Housing Authority members notice of the approval. Any Housing Authority Board member may ask to review the proposed sale within 7 calendar days of receipt of the notice of the approval of the disposition. If no member of the Housing Authority asks to review the approval of the disposition within the time frame referenced within the Hotel Metro Real Estate Disposition Policy, then the approval of the disposition by the Housing Commission Board shall become final, and no further action by the Housing Authority will be required.

The Housing Commission publicly listed the sale of Hotel Metro with CB Richard Ellis (CBRE), from August 10, 2015, through September 15, 2015. The listing resulted in strong interest; 44 parties executed confidentiality agreements, and 21 property tours were conducted by CBRE. The Housing Commission received nine offers. Offers were evaluated by the Housing Commission, and it was determined that the four highest offers required further consideration. A best and final offer from each of the four highest bidding parties was requested by the Housing Commission. Evaluation and selection criteria included but was not limited to: the proposed use of the land and improvements, development experience, capacity, financial resources, and proposed deal terms. Three of the four buyers submitted a best and final offer. The Housing Commission reviewed all offers and recommends Fowler Property Acquisitions, LLC (FPA) as

the purchasing entity for the purchase price of $6,100,000. FPA is proposing an adaptive reuse of the existing building shell and will reconfigure the building interiors into market rate studio apartments.

FPA is a private real estate investment firm focused on the acquisition of multifamily properties in select high-growth markets across the United States. As a full-service real estate development company, FPA is equipped with in-house acquisition, finance, asset management, construction and property management expertise and has completed more than $5.1 billion of multifamily transactions composed of approximately 71,000 units over their 25-year history. FPA currently owns and manages 105 apartment communities composed of 23,170 units. San Diego apartment projects include Oceana and El Paseo, and County of San Diego projects include Las Ventanas, Estancia, Ocean Breeze and Las Palmas. FPA has four regional offices, including an office in Southern California. A developer disclosure is included (Attachment 2).

Key Highlights of FPA's Proposal

Purchaser	FPA Multifamily, LLC or an affiliate thereof
Purchase Price	$6,100,000
Deposit	$300,000
Due Diligence Period	60 Days, 30 day extension option
Closing Date	*April 27, 2016
Proposed Use	Adaptive reuse of existing improvements
Proposed Housing Type	Market Rate Multifamily Rental Apartments
Proposed Unit Type	Studio Configuration
Projected Unit Count	60-80 Units

* In the event the Housing Authority elects to hear the item at a regularly scheduled public meeting, the closing date will be automatically extended to May 26, 2016.

Appraised Value

Pursuant to Housing Commission Hotel Metro Real Estate Disposition Policy PO-RED-300.104, the disposition must be at or above fair market value. Froboese Reality Advisors, Inc. was engaged by the Housing Commission to appraise Hotel Metro. Housing Commission staff anticipated that proposals from interested buyers would vary, and due to uncertainty related to the variation of proposals received, the Housing Commission established hypothetical assumptions based on advice from CBRE to value the land and improvements. Salerno Livingston Architects designed conceptual floor plans utilizing the existing building envelope, assuming a mix of studio floor plans with full kitchens and baths. In addition, Salerno Livingston Architects engaged a general contractor to provide a construction cost estimate for the proposed improvements. The hypothetical assumptions of the appraisal included 81 studio units averaging 330 square feet. Froboese Reality Advisors determined that the unrestricted market value of the hypothetical project is $5,850,000. The purchase offer is above appraised value and meets the requirements of the Hotel Metro Real Estate Disposition Policy.

FISCAL CONSIDERATIONS

The proposed funding sources and uses approved by this action were not included in the approved Fiscal Year (FY) 2016 Housing Authority Approved Budget. Approving this action will authorize the Housing Commission to expend up to $600,000 in addition to the FY 2016 budget as approved by the Housing Authority, to pay off of the first trust deed from the City of San Diego (City), concurrently with the close of escrow for the sale of the Hotel Metro. It is anticipated that sales proceeds will be sufficient to repay the City loan and pay the closing costs. In addition, the Housing Commission received approvals to expend $3,000,000 of sales proceeds to provide housing opportunities to homeless veterans as outlined in The 1,000 Homeless Veterans Initiative of HOUSING FIRST-SAN DIEGO, the Housing Commission's three-year Homelessness Action Plan (Housing Authority Resolution No. HA-1681 and City Council Resolution R-310284). The remaining excess proceeds will be utilized for affordable housing activities permitted by applicable law.

Funding Sources approved by this action will be as follows:
Locally generated revenues (proceeds from sale of Hotel Metro) - $6,100,000

Funding uses approved by this action will be as follows:

The 1,000 Homeless Veterans Initiative (Housing Authority Resolution No. HA-1681 and City Council Resolution R-310284) - $3,000,000
City First Trust Deed Loan - $600,000
CBRE Broker Commission - $250,000
Property insurance and other related holding and closing costs - $50,000
Remaining proceeds to be used for future affordable housing activities - $2,200,000

Approving this action will further give the President & CEO, or designee, the authority to substitute the funding sources with other funding sources available, should the operational need arise or should such action be to the benefit of the Housing Commission and its mission.

PREVIOUS COUNCIL and/or COMMITTEE ACTION

The Housing Commission approved the disposition of Hotel Metro on June 24, 2013. The Housing Authority approved the disposition of Hotel Metro on June 25, 2013. The Housing Commission and Housing Authority approved the Hotel Metro Real Estate Disposition Policy (PO-RED-300.104) specific to Hotel Metro on June 25, 2015, and June 30, 2015, at their respective meetings. The San Diego City council approved the delegation of authority to the Housing Commission to provide final approval of the sale of Hotel Metro on June 30, 2015. On October 9, 2015, November 20, 2015, and March 11, 2016, the Housing Commission Board of Commissioners reviewed offers during closed session and gave directions to real estate negotiators concerning the disposition of the Hotel Metro.

ENVIRONMENTAL REVIEW

Development within the Downtown Community Planning (DCP) area is covered under the Final Environmental Impact Report (FEIR) for the DCP Centre City Planned District Ordinance, and 10th Amendment to the Centre City Redevelopment Plan, certified by the Former Redevelopment Agency (Former Agency) and City Council on March 14, 2006 (Resolutions R-04001 and R-301265) and subsequent addenda to the FEIR certified by the Former Agency on August 3, 2007 (Resolution R-04193) April 21, 2010 (Former Agency Resolution R-04508 and R-04510), and August 3, 2012 (Former Agency Resolution R-04544). The FEIR is a "Program EIR" prepared in compliance with California Environmental Quality Act (CEQA) Guidelines Section 15168. On May 31, 2013, an FEIR Consistency Evaluation (Evaluation) was completed in accordance with CEQA Guideless Section 15168.

The Evaluation concluded that the FEIR adequately describes the project for the purposes of CEQA and that the project is within the scope of the development program described in the FEIR. In addition, in accordance with the provisions of CEQA Guidelines Section 15162, no substantial changes or new information of substantial importance in the Project exist.

The disposition activity described in this report was contemplated in an Environmental Assessment that was prepared for the project and a Finding of No Significant Impact (FONSI) was made in accordance with the requirements of Part 58.71 of Title 24 of the Code of Federal Regulations and the National Environmental Policy Act (NEPA). Authorization for the use of grant funds was subsequently issued by the U.S. Department of Housing and Urban Development on January 22, 2014.

Respectfully submitted,	Approved by,
Ted Miyahara	*Deborah N. Ruane*
Ted Miyahara Director Housing Finance Real Estate Division	Deborah N. Ruane Senior Vice President Real Estate Division

Attachments: 1) Hotel Metro Real Estate Disposition Policy PO-RED-300.104
2) Fowler Property Acquisition Fund, LLC Development
3) Hotel Metro Appraisal

Disclosure Statement

Hard copies are available for review during business hours at the security information desk in the main lobby of the San Diego Housing Commission offices at 1122 Broadway, San Diego, CA 92101 and at the Office of the San Diego City Clerk, 202 C Street, San Diego, CA 92101. You may also review complete docket materials on the San Diego Housing Commission website at www.sdhc.org.

SAN DIEGO HOUSING COMMISSION

POLICY

EFFECTIVE DATE: 6/30/2015 **NO:** PO-RED-300.104.1

SUBJECT: **HOTEL METRO REAL ESTATE DISPOSITION POLICY**

1 Purpose

To provide a policy of the San Diego Housing Commission concerning the disposition and sale of the Hotel Metro Properties by the Board of Commissioners of the San Diego Housing Commission to be implemented by the President/Chief Executive Office of the San Diego Housing Commission.

2 Policy

Implementation of Sale or Disposition of the Hotel Metro Properties

2.1 In order to allow for expeditious sale and disposition of the Hotel Metro properties without approval by the Board of the Housing Authority of the City of San Diego (Housing Authority), the Housing Authority and the City Council of the City of San Diego hereby delegates to the Board of Commissioners of the San Diego Housing Commission (Board of Commissioners) and to the President & Chief Executive Officer of the San Diego Housing Commission (CEO) the power to sell and dispose of the Hotel Metro properties without further approval by the Housing Authority on the following terms and conditions:

Conditions for Sale or Disposition Hotel Metro Properties

2.2 The CEO is given and delegated the full authority and power to make expenditures within his or her procurement authority, as referenced within the Housing Authority approved procurement policy, if determined necessary or advisable by the CEO, before such sale may expend such funds as are necessary to allow for a timely sale and closing of escrow.

2.3 The sale and disposition of the Hotel Metro Properties shall be sold and disposed of by the CEO in accordance with the procedures set forth within Health and Safety Code Section 34312.3 and/or 34315.7, or other applicable provisions, after public hearing before the Board of Commissioners.

2.4 The CEO is authorized to review, approve and execute any and all documents and to perform such acts as are necessary and/or appropriate and/or convenient to effectuate and implement the sales and dispositions referenced in this policy.

2.5 The CEO is authorized to contract directly with brokers and/or cooperate with brokers to effectuate the sales and dispositions and to pay commissions as appropriate within the standard of practice within the commercial real estate community as determined by the CEO with input from the General Counsel.

2.6 All sales and dispositions shall be accomplished in a manner that sales prices at or above fair market value of the properties as determined at the time of sale taking into consideration the condition of the property and all other factors that affect the market value of the properties being sold. To the extent that any proposed sale or disposition does not meet all of the requirements set forth within this policy, it must be forwarded to the Housing Authority for approval prior to the consummation of the proposed sales or dispositions.

2.7 Any action taken by the Board of Commissioners to sell or dispose of the Hotel Metro properties shall be determined by a vote of the Board of Commissioners. After the approval of the sale of the Hotel Metro Properties a seven (7) day written notice shall be delivered to each of the Members of the Housing Authority. Within seven (7) days of the receipt of such written notice, any one (1) Member of the Housing Authority may elect to have the entire Housing Authority, respectively, review a proposed sale or disposition. Such review shall be pursuant to the provisions of San Diego Municipal Code Section 98.0301(e), in the case of the review by the Housing Authority of the City of San Diego. If any Member of the Housing Authority elects to hear the matter, the sale or disposition shall not proceed until such hearing occurs before the full Board of Commissioners of the Housing Authority. Any action of the Board of Commissioners shall not become final until seven (7) days have elapsed from the written notice to the Housing Authority Members, without any Member of the Housing Authority seeking review of the decision. If a review is sought of a decision of the Board of Commissioners, by any Member of the Housing Authority, any action of the Board of Commissioners shall not be final until it is reviewed by the Members of the Housing Authority.

2.8 Any action by the Board of Commissioners to sell or dispose of Hotel Metro properties shall not become final until seven (7) days have elapsed, with no election by any Member of the Housing Authority to hear the matters(s).

2.9 The CEO is delegated the power and authority to arrange for lending and/or borrowing as is required to allow the properties to be disposed of and/or sold, as approved by the Board of Commissioners.

2.10 The CEO shall comply with any and all applicable laws associated with the sale of properties such as the Hotel Metro.

2.11 The CEO shall report to the Board of Commissioners and the Housing Authority, at the end of the quarter in which the Hotel Metro properties have closed escrow.

2.12 The CEO may adopt Administrative Regulations to implement this policy as necessary.

2.13 The CEO shall, as necessary or appropriate, acquire real estate appraisals of the Hotel Metro properties, or update existing appraisals, before sale or disposition, but only to the extent necessary to comply with any applicable laws or regulations concerning the sale or disposition of the Hotel Metro properties, as required by law.

2.14 This policy is adopted pursuant to the provisions of Health and Safety Code Section 34320 affecting the disposition of real property.

2.15 This delegation by the City Council of the City of San Diego is made pursuant to the provision of San Diego Municipal Code Section 98.0301(d).

2.16 All sales and dispositions shall comply with any and all federal, state, local and Housing Commission conflict of interest provisions and shall preclude the sale of property to any person or entity that would have a conflict of interest under any applicable law. No sales shall be made to insiders at preferential rates and each sale shall be an arms length bona fide transaction.

2.17 This policy does not authorize the sale or disposition of any multifamily housing project(s) except the Hotel Metro properties without the approval of the Housing

SAN DIEGO HOUSING COMMISSION

SDHC

POLICY

EFFECTIVE DATE: 6/30/2015 **NO:** PO-RED-300.104.1

SUBJECT: **HOTEL METRO REAL ESTATE DISPOSITION POLICY**

Authority of the city of San Diego, as required by San Diego Municipal Code Section 98.0301.

Approved:

Jeff Davis
Executive Vice President & Chief Operating Officer

11-5-15
Date

DEVELOPERS/CONSULTANTS/SELLERS/CONTRACTORS/ ENTITY SEEKING GRANT/BORROWERS (Collectively referred to as "CONTRACTOR" herein)

Statement for Public Disclosure

1. Name of CONTRACTOR: Fowler Property Acquisitions, LLC
2. Address and Zip Code: 100 Bush Street, Suite 1625, San Francisco, CA 94104
3. Telephone Number: (415) 925-3100
4. Name of Principal Contact for CONTRACTOR: Michael B. Earl
5. Federal Identification Number or Social Security Number of CONTRACTOR: 33-1083684
6. If the CONTRACTOR is not an individual doing business under his own name, the CONTRACTOR has the status indicated below and is organized or operating under the laws of California as:

☐ A corporation (Attach Articles of Incorporation)

☐ A nonprofit or charitable institution or corporation. (Attach copy of Articles of Incorporation and documentary evidence verifying current valid nonprofit or charitable status)

☐ A partnership known as: ______
(Name)

Check one:

☐ General Partnership (Attach statement of General Partnership)

☐ Limited Partnership (Attach Certificate of Limited Partnership)

☐ A business association or a joint venture known as: _____
(Attach joint venture or business association agreement)

☐ A Federal, State or local government or instrumentality thereof.

☒ Other (explain) Limited Liability Company

7. If the CONTRACTOR is not an individual or a government agency or instrumentality, give date of organization:
1/28/2004

8. Provide names, addresses, telephone numbers, title of position (if any) and nature and extent of the interest of the current officers, principal members, shareholders, and investors of the CONTRACTOR, other than a government agency or instrumentality, as set forth below:

   a. If the CONTRACTOR is a corporation, the officers, directors or trustees, and each stockholder owning more than 10% of any class of stock.
   b. If the CONTRACTOR is a nonprofit or charitable institution or corporation, the members who constitute the board of trustees or board of directors or similar governing body.

c. If the CONTRACTOR is a partnership, each partner, whether a general or limited, and either the percent of interest or a description of the character and extent of interest.

d. If the CONTRACTOR is a business association or a joint venture, each participant and either the percent of interest or a description of the character and extent of interest.

e. If the CONTRACTOR is some other entity, the officers, the members of the governing body, and each person having an interest of more than 10%.(Attach extra sheet if necessary)

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name: Gregory A Fowler Living Trust	100% Owner
Address:4685 MacArthur Court, Suite 400	
Newport Beach, CA 92660	
Name:	
Address:	
Name:	
Address:	

9. Has the makeup as set forth in Item 8(a) through 8(e) changed within the last twelve (12) months? If yes, please explain in detail.

No

10. Is it *anticipated* that the makeup as set forth in Item 8(a) through 8(e) will change within the next twelve (12) months? If yes, please explain in detail.

No

11. Provide name, address, telephone number, and nature and extent of interest of each person or entity (not named in response to Item 8) who has a beneficial interest in any of the shareholders or investors named in response to Item 8 which gives such person or entity more than a computed 10% interest in the CONTRACTOR (for example, more than 20% of the stock in a corporation which holds 50% of the stock of the CONTRACTOR or more than 50% of the stock in the corporation which holds 20% of the stock of the CONTRACTOR): NA

Name and Address	Position Title (if any) and percent of interest or description of character and extent of interest
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

12. Names, addresses and telephone numbers (if not given above) of officers and directors or trustees of any corporation or firm listed under Item 8 or Item 11 above:

Name and Address	**Position Title (if any) and percent of interest or description of character and extent of interest**
Name: Michael B. Earl	Manager
Address: 15 Coronado Pt	
Laguna Niguel, CA	
Name:	
Address:	
Name: Gregory A Fowler	Manager
Address: 4685 MacArthur Court, Suite 400	
Newport Beach, CA 92660	

13. Is the CONTRACTOR a subsidiary of or affiliated with any other corporation or corporations, any other firm or any other business entity or entities of whatever nature? If yes, list each such corporation, firm or business entity by name and address, specify its relationship to the CONTRACTOR, and identify the officers and directors or trustees common to the CONTRACTOR and such other corporation, firm or business entity. NA

Name and Address	**Relationship to CONTRACTOR**
Name:	
Address:	
Name:	
Address:	
Name:	
Address:	

14. Provide the financial condition of the CONTRACTOR as of the date of the statement and for a period of twenty-four (24) months prior to the date of its statement as reflected in the **attached** financial statements, including, but not necessarily limited to, profit and loss statements and statements of financial position.

15. If funds for the development/project are to be obtained from sources other than the CONTRACTOR's own funds, provide a statement of the CONTRACTOR's plan for financing the development/project:
    We have a fully discretionary fund vehicle, FPA Apartment Opportunity Fund , with $1.4B of buying power.

16. Provide sources and amount of cash available to CONTRACTOR to meet equity requirements of the proposed undertaking: Fund V announcement Attached

    a. In banks/savings and loans:
       Name:
       Address:
       Amount: $

b. By loans from affiliated or associated corporations or firms: NA
Name:
Address:
Amount: $

c. By sale of readily salable assets/including marketable securities: NA

Description	Market Value ($)	Mortgages or Liens ($)

17. Names and addresses of bank references, and name of contact at each reference:

Name and Address	Contact Name
Name: Bank of America	Jeffrey S Kim
Address: 555 California Street, 6th Floor	
San Francisco, CA 94104, 415.913.3271	
Name:	
Address:	
Name: Wells Fargo	Tom Sawatske
Address: 420 Montgomery Street, 6th Floor	
San Francisco, CA 94104, 415.396.0979	

18. Has the CONTRACTOR or any of the CONTRACTOR's officers or principal members, shareholders or investors, or other interested parties been adjudged bankrupt, either voluntary or involuntary, within the past 10 years?

☐ Yes ☒ No

If yes, give date, place, and under what name.

19. Has the CONTRACTOR or anyone referred to above as "principals of the CONTRACTOR" been convicted of any felony within the past 10 years?

☐ Yes ☒ No

If yes, give for each case (1) date, (2) charge, (3) place, (4) court, and (5) action taken. Attach any explanation deemed necessary.

20. List undertakings (including, but not limited to, bid bonds, performance bonds, payment bonds and/or improvement bonds) comparable to size of the proposed project which have been completed by the CONTRACTOR including identification and brief description of each project, date of completion, and amount of bond, whether any legal action has been taken on the bond: NA

Type of Bond	Project Description	Date of Completion	Amount of Bond	Action on Bond

21. If the CONTRACTOR, or a parent corporation, a subsidiary, an affiliate, or a principal of the CONTRACTOR is to participate in the development as a construction contractor or builder, provide the following information:

a. Name and addresses of such contractor or builder:

Name and Address	Affiliation
Name: Redwood Construction, Inc.	
Address: 4685 MacArthur Court, Suite 400	
Newport Beach, CA 92660	
Name:	
Address:	
Name:	
Address:	

b. Has such contractor or builder within the last 10 years ever failed to qualify as a responsible bidder, refused to enter into a contract after an award has been made, or failed to complete a construction or development contract?

☐ Yes ☒ No

If yes, please explain, in detail, each such instance:

c. Total amount of construction or development work performed by such contractor or builder during the last three (3) years: $ 150,000,000

General description of such work: : Real estate contracting & construction management specializing in exterior and interior renovations and repositioning for multifamily communities, student housing, RV resorts and commercial retail/office projects. General scope includes extensive construction renovation work to add significant value to exteriors, common areas, amenities/recreational features, MEP systems and interior upgrades, such as flooring, fixtures, cabinets, and countertops.

List each project, including location, nature of work performed, name, address of the owner of the project, bonding companies involved, amount of contract, date of commencement of project, date of completion, state whether any change orders were sought, amount of change orders, was litigation commenced concerning the project, including a designation of where, when and the outcome of the litigation. (Attach extra sheet if necessary) NA

Project Name		
Project Owner Contact Information	Name	Address
Project Location		
Project Details		
Bonding Company Involved	Name	Amount of Contract
Change Order Details		
Change Order Cost		
Litigation Details	Location/Date	Outcome Details

d. Construction contracts or developments now being performed by such contractor or builder:

Identification of Contract or Development	Location	Amount	Date to be Completed
Flying Flags RV Resort	Buellton, CA	7,000,000.00	03/30/2017
Alderwood RV Resort	Spokane, WA	599,553.00	01/31/2016
Silvercove RV Resort	Silverlake, WA	744,881.00	09/30/2016
Sheltercove RV Resort	Odell Lake, OR	1,050,058.53	10/31/2016
The Hub at Auburn	Auburn, AL	1,104,603	10/31/15
The Kezie	Birmingham, AL	3,091,173	12/31/18
The Social at Auburn	Auburn, AL	2,128,031	12/31/17
100 Inverness	Birmingham, AL	3,863,921.05	06/30/18
505 West	Tempe, AZ	3,952,222	06/30/17
Carlyle at South Mountain	Phoenix, AZ	3,491,872.12	10/31/18

Carlyle TH at So. Mountain	Phoenix, AZ	2,604,182.32	09/30/17
Mirabella	Avondale, AZ	581,623	01/31/16
3800 Lux	Avondale, AZ	468,378	01/31/16
The Nines	Tempe, AZ	2,830,400	08/30/16
The Standard	Tempe, AZ	2,038,089.58	06/30/16
Studio 710	Tempe, AZ	2,606,834.38	04/30/16
Artessa	Riverside, CA	1,445,011.20	03/30/16
Atherton	Chula Vista, CA	1,672,640	03/30/17
Del Flora	Redlands, CA	872,989	03/30/16
The Diplomat	Lompoc, CA	1,769,000.42	08/30/16
Enclave	Fresno, CA	1,904,000	03/30/17
The Henley	Suisun City, CA	2,386,800	06/30/17
Latitude	Santa Ana, CA	3,224,707	12/31/15
Latitude II	Santa Ana, CA	3,198,322	03/30/16
Mosaic	Pittsburg, CA	1,402,216.13	10/31/15
ReNew at the Shops	Mission Viejo, CA	14,044,835	12/31/17
Solare	Santa Ana, CA	2,640,000.32	09/30/16
Ascend at Red Rocks	Lakewood, CO	5,916,000	03/30/17
The Centre	Colorado Springs, CO	2,142,135.19	04/30/16
Elevate at Red Rocks	Lakewood, CO	1,505,000	12/31/16
Waterfront I	Lakewood, CO	1,929,939.47	09/30/16
Waterfront II	Lakewood, CO	1,559,757.69	06/30/16
The Social at So. Florida	Lutz, FL	1,878,881.07	06/30/18
The Social at Tallahassee	Tallahassee, FL	1,454,000	06/30/18
The Addison at Sandy Springs	Sandy Springs, GA	2,006,000	12/31/17
The BelAire	Marietta, GA	1,429,145.90	10/31/16
The District at Vinings	Atlanta, GA	2,261,387.43	8/31/17
The Estuary	Atlanta, GA	5,844,075	12/31/18
The Taylor	Marietta, GA	2,628,000	09/30/18
Bacaro at South Shores	Las Vegas, NV	1,664,200	09/30/16
Emory	Las Vegas, NV	888,000	03/30/16

Reflections at the Lakes	Las Vegas, NV	2,217,411	06/30/16
The Bryant	Oklahoma City, OK	1,584,000	12/31/16
The Habitat	Portland, OR	1,572,499	03/31/17
Hanover	Beaverton, OR	840,000	12/10/15
Belvedere	Houston, TX	3,491,242.57	12/31/15
The Crosby	Houston, TX	3,898,655	12/31/16
Dobie Twenty21	Austin, TX	9,550,139	06/30/17
The Edison	Houston, TX	4,028,308.72	06/30/18
The Hudson	Houston, TX	3,990,604	12/31/16
The Morgan	Houston, TX	3,478,078	09/30/16
Wilcox	Houston, TX	2,604,525.44	12/31/16
Wilshire	Deer Park, TX	2,592,000	12/31/16
The Argyle	Federal Way, WA	2,018,302	06/30/17
The BLVD	Kent, WA	1,485,000	12/31/17
The Commons	Federal Way, WA	2,041,298.71	10/10/15
Constellation	Renton, WA	1,366,199.66	12/10/15
Grammercy	Renton, WA	4,259,479.18	10/31/17
The Harrison	Lakewood, WA	1,172,232.68	12/31/17
The Montrose	Burien, WA	1,067,000	12/31/17
Park 120	Everett, WA	2,241,000	12/10/15
Pavillion	Federal Way, WA	2,153,115.52	12/31/16
Pavillion II	Federal Way, WA	1,951,372	12/31/16
The Raleigh	Burien, WA	546,000	12/31/16
The Row	Kent, WA	2,717,000	12/31/17
The Stinson	Everett, WA	1,150,000	12/31/17
The Union	Federal Way, WA	2,013,000	12/31/17
The Venue	Renton, WA	4,084,420.02	12/31/16
V7 (Village on Seventh)	Vancouver, WA	1,098,180.59	12/10/15
Bloomington Storage	Bloomington, MN	518,000	04/30/16
2082 Michelson	Irvine, CA	2,500,000	05/31/16
368 Jackson Street	San Francisco, CA	350,000	01/15/2016

e. Outstanding construction-contract bids of such contractor or builder: NA– We only construct projects we own.

Awarding Agency	Amount	Date Opened

22. Provide a detailed and complete statement regarding equipment, experience, financial capacity, and other resources available to such contractor or builder for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment, and the general experience of the contractor:

In attached Corporate Profile

23. Does any member of the governing body of the San Diego Housing Commission ("SDHC"), Housing Authority of the City of San Diego ("AUTHORITY") or City of San Diego ("CITY"), to which the accompanying proposal is being made or any officer or employee of the SDHC, the AUTHORITY or the CITY who exercises any functions or responsibilities in connection with the carrying out of the project covered by the CONTRACTOR's proposal, have any direct or indirect personal financial interest in the CONTRACTOR or in the proposed contractor?

☐ Yes ☒ No

If yes, explain:

24. Statements and other evidence of the CONTRACTOR's qualifications and financial responsibility (other than the financial statement referred to in Item 8) are attached hereto and hereby made a part hereof as follows:

Corporate Profile Attached

25. Is the proposed CONTRACTOR, and/or are any of the proposed subcontractors, currently involved in any construction-related litigation?

☐ Yes ☒ No

If yes, explain:

26. State the name, address and telephone numbers of CONTRACTOR's insurance agent(s) and/or companies for the following coverage's: List the amount of coverage (limits) currently existing in each category:

Agent: Chris Austin; Commercial Insurance Group; 3933 Elm Street, Dallas, TX 75226 214-420-0308

a. General Liability, including Bodily Injury and Property Damage Insurance [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:

Comprehensive Form Yes, $1,000,000.00 per occurrence
Premises – Operations $1,000,000.00 per occurrence
Explosion and Collapse Hazard $1,000,000.00 per occurrence
Underground Hazard $1,000,000.00 per occurrence
Products/Completed Operations Hazard $1,000,000.00 per occurrence
Contractual Insurance e$1,000,000.00 per occurrene
Broad Form Property Damage Yes, $1,000,000.00 per occurrence
Independent Contractors Yes $1,000,000.00
Personal Injury $1,000,000.00

b. Automobile Public Liability/Property Damage [Attach certificate of insurance showing the amount of coverage and coverage period(s)]

Check coverage(s) carried:
Comprehensive Form Yes, $1,000,000.00 Combined Single Limit
Owned Covered
Hired Included
Non-Owned Included

c. Workers Compensation [Attach certificate of insurance showing the amount of coverage and coverage period(s)] Yes, $1,000,000. Each Accident; $1,000,000. Each Employee Disease $1,000,000. Disease Policy Limit

a. Professional Liability (Errors and Omissions) [Attach certificate of insurance showing the amount of coverage and coverage period(s)] No

b. Excess Liability [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)] $50,000,000.00 per occurrence

c. Other (Specify) [Attach certificate(s) of insurance showing the amount of coverage and coverage period(s)] Employee Dishonesty: $2,000,000.00 Per Claim; Employment Practices Liability $2,000,000.00 per Claim

27. CONTRACTOR warrants and certifies that it will not during the term of the PROJECT, GRANT, LOAN, CONTRACT, DEVELOPMENT and/or RENDITIONS OF SERVICES discriminate against any employee, person, or applicant for employment because of race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. The CONTRACTOR will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, age, sexual orientation, marital status, color, religion, sex, handicap, or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The CONTRACTOR agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the SDHC setting forth the provisions of this nondiscrimination clause.

28. The CONTRACTOR warrants and certifies that it will not without prior written consent of the SDHC, engage in any business pursuits that are adverse, hostile or take incompatible positions to the interests of the SDHC, during the term of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT and/or RENDITION OF SERVICES.

29. CONTRACTOR warrants and certifies that no member, commissioner, councilperson, officer, or employee of the SDHC, the AUTHORITY and/or the CITY, no member of the governing body of the locality in which the PROJECT is situated, no member of the government body in which the SDHC was activated, and no other public official of such locality or localities who exercises any functions or responsibilities with respect to the assignment of work, has during his or her tenure, or will for one (1) year thereafter, have any interest, direct or indirect, in this PROJECT or the proceeds thereof.

30. List all citations, orders to cease and desist, stop work orders, complaints, judgments, fines, and penalties received by or imposed upon CONTRACTOR for safety violations from any and all government entities including but not limited to, the City of San Diego, County of San Diego, the State of California, the United States of America and any and all divisions and departments of said government entities for a period of five (5) years prior to the date of this statement. If none, please state: NA

Government Entity Making Complaint	**Date**	**Resolution**

31. Has the CONTRACTOR ever been disqualified, removed from or otherwise prevented from bidding on or completing a federal, state, or local government project because of a violation of law or a safety regulation?

☐ Yes ☒ No

If yes, please explain, in detail,

32. Please list all licenses obtained by the CONTRACTOR through the State of California and/or the United States of America which are required and/or will be utilized by the CONTRACTOR and/or are convenient to the performance of the PROJECT, DEVELOPMENT, LOAN, GRANT, CONTRACT, or RENDITION OF SERVICES. State the name of the governmental agency granting the license, type of license, date of grant, and the status of the license, together with a statement as to whether the License has ever been revoked:

Government Agency	**License Description**	**License Number**	**Date Issued (Original)**	**Status (Current)**	**Revocation (Yes/No)**
CSLB	B-General Building Contractor	800432	10/22/01	Active	No

33. Describe in detail any and all other facts, factors or conditions that may adversely affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, SALES of Real Property to, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC.
None

34. Describe in detail, any and all other facts, factors or conditions that may favorably affect CONTRACTOR's ability to perform or complete, in a timely manner, or at all, the PROJECT, CONTRACT, DEVELOPMENT, repayment of the LOAN, adherence to the conditions of the GRANT, or performance of consulting or other services under CONTRACT with the SDHC.

Purchased and renovated over 80,000 units valued at over $5 billion in total volume since inception.

35. List all CONTRACTS with, DEVELOPMENTS for or with, LOANS with, PROJECTS with, GRANTS from, SALES of Real Property to, the SDHC, AUTHORITY and/or the CITY within the last five (5) years: NA

Date	**Entity Involved (i.e. City SDHC, etc)**	**Status (Current, delinquent, repaid, etc.)**	**Dollar Amount**

36. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, been the subject of a complaint filed with the Contractor's State License Board (CSLB)?

☐ Yes ☒ No

If yes, explain:

37. Within the last five years, has the proposed CONTRACTOR, and/or have any of the proposed subcontractors, had a revocation or suspension of a CONTRACTOR's License?

☐ Yes ☒ No

If yes, explain:

38. List three local references that would be familiar with your previous construction project:

1. Name: JC Baldwin
   Address: 2469 Impala Drive, Carlsbad, CA 92008
   Phone: 760.438.9275
   Project Name and Description: Oceanbreeze (soils stabilization), Lands End (Bluff stabilization)
2. Name: Window Solutions
   Address: 344 E. Valley Parkway, Escondido, CA 92025
   Phone: 760.757.4923
   Project Name and Description: Oceana (supply and install windows)
3. Name: Pan Western
   Address: 12396 World Trade Dr. Suite 102, San Diego, CA 92128
   Phone: 858.487.9907
   Project Name and Description: Multiple (due diligence services)

39. Give a brief statement regarding equipment, experience, financial capacity and other resources available to the Contractor for the performance of the work involved in the proposed project, specifying particularly the qualifications of the personnel, the nature of the equipment and the general experience of the Contractor.

In Corporate Profile

40. Give the name and experience of the proposed Construction Superintendent.

Name	**Experience**
Todd Stark	Mr. Stark attended Central Washington University where he studied international finance with minors in mathematics and Japanese. He has worked on construction projects throughout parts of the United States and Asia. His experience covers a broad range from multi million dollar custom homes to $55,000,000 in housing authority redevelopments. His new construction projects include industrial buildings; commercial both retail and office buildings; mixed use high rise; apartment complexes; condos; residential planned communities; agricultural storage buildings; concrete tilt-ups; block and red iron construction; metal framing; street construction; overseen roads with utilities; redirected and new construction of city canals. His experience also includes working on the design team of an international grocery store. He has worked in land acquisitions, annexations and rezoning. Since joining Redwood in 2004, Mr. Stark has worked on remodels of industrial spaces, office and retail malls, apartments and storage facilities. Mr. Stark has managed over $550 million in multifamily renovation projects while at Redwood Construction."With his variety of contacts in the construction industry he is readily able to facilitate our operations. Also worked on prisons and hotels.

CONSENT TO PUBLIC DISCLOSURE BY CONTRACTOR

By providing the "Personal Information", (if any) as defined in Section 1798.3(a) of the Civil Code of the State of California (to the extent that it is applicable, if at all), requested herein and by seeking a loan from, a grant from, a contract with, the sale of real estate to, the right to develop from, and/or any and all other entitlements from the SAN DIEGO HOUSING COMMISSION ("SDHC"), the HOUSING AUTHORITY OF THE CITY OF SAN DIEGO ("AUTHORITY") and/or the CITY OF SAN DIEGO ("CITY"), the CONTRACTOR consents to the disclosure of any and all "Personal Information" and of any and all other information contained in this Public Disclosure Statement. CONTRACTOR specifically, knowingly and intentionally waives any and all privileges and rights that may exist under State and/or Federal Law relating to the public disclosure of the information contained herein. With respect to "Personal Information", if any, contained herein, the CONTRACTOR, by executing this disclosure statement and providing the information requested, consents to its disclosure pursuant to the provisions of the Information Practices Act of 1977, Civil Code Section 1798.24(b). CONTRACTOR is aware that a disclosure of information contained herein will be made at a public meeting or meetings of the SDHC, the AUTHORITY, and/or the CITY at such times as the meetings may be scheduled. CONTRACTOR hereby consents to the disclosure of said "Personal Information", if any, more than thirty (30) days from the date of this statement at the duly scheduled meeting(s) of the SDHC, the AUTHORITY and/or the CITY. CONTRACTOR acknowledges that public disclosure of the information contained herein may be made pursuant to the provisions of Civil Code Section 1798.24(d).

CONTRACTOR represents and warrants to the SDHC, the AUTHORITY and the CITY that by providing the information requested herein and waiving any and all privileges available under the Evidence Code of the State of California, State and Federal Law, (to the extent of this disclosure that the information being submitted herein), the information constitutes a "Public Record" subject to disclosure to members of the public in accordance with the provisions of California Government Section 6250 et seq.

CONTRACTOR specifically waives, by the production of the information disclosed herein, any and all rights that CONTRACTOR may have with respect to the information under the provisions of Government Code Section 6254 including its applicable subparagraphs, to the extent of the disclosure herein, as well as all rights of privacy, if any, under the State and Federal Law.

Executed this 7 day of Oct, 20 2015, at San Diego, California.

CONTRACTOR FOWLER PROPERTY ACQUISITIONS LLC

By: ______________________
Signature

MICHAEL B. EARL, MANAGER
Title

CERTIFICATION

The CONTRACTOR, Fowler Property Acquisitions, LLC, hereby certifies that this CONTRACTOR's Statement for Public Disclosure and the attached information/evidence of the CONTRACTOR's qualifications and financial responsibility, including financial statements, are true and correct to the best of CONTRACTOR's knowledge and belief.

By: [signature]	By: [signature]
Title: MANAGER	Title: MANAGER
Dated: 10-7-15	Dated: 10-7-15

WARNING: 18 U.S.C. 1001 provides, among other things, that whoever knowingly and willingly makes or uses a document or writing containing any false, fictitious or fraudulent statement or entry, in any matter within the jurisdiction or any department or agency of the United States, shall be fined not more than $10,000 or imprisoned for not more than five years, or both.

JURAT

State of California

County of ORANGE

Subscribed and sworn to (or affirmed) before me on this 7 day of Oct., 20 15

by Michael B. Earl and Gregory A. Fowler personally known to me or proved to me on the basis of satisfactory evidence to be the person(s) who appeared before me.

[signature]
Signature of Notary

SEAL

N. MAURIELLO
Commission # 2076663
Notary Public - California
Orange County
My Comm. Expires Aug 29, 2018

Attachment 3

APPRAISAL REPORT
OF THE
HOTEL METRO

An existing SRO project proposed for
reconfiguration to an 81-Unit Apartment Project
434 & 435 13th Street
San Diego, CA 92101

Froboese Realty Group, Inc. File No. 16-3223-SD

PREPARED FOR:

Ted Miyahara, Director
San Diego Housing Commission
1122 Broadway Street
San Diego, CA 92101

PREPARED BY:

Froboese Realty Group, Inc.
Wayne S. Froboese, MAI
Scott H. Morey, MAI
1667 S. Mission Road, Suite H
Fallbrook, CA 92028-4114

DATE OF APPRAISAL:

March 28, 2016

March 28, 2016

Ted Miyahara
San Diego Housing Commission
1122 Broadway Street
San Diego, CA 92101

RE: Hotel Metro
434 & 435 13th Street
San Diego, CA 92101

Dear Mr. Miyahara,

I have conducted the investigation and analysis required to prepare an appraisal of the above referenced property which is presented in the following Appraisal report. All analysis, conclusions and opinions have been rendered on the basis of a disinterested third party. The depth of the analysis was intended to be appropriate in relation to the significance of the appraisal problem. As such, the report sets forth detailed information regarding the property identification, regional and area economic trends, data regarding the subject and comparable data, documentation of the investigations and analyses performed, and the reasoning leading to the conclusions presented.

The purpose of this appraisal is to estimate the value of the subject under the following scenarios:

- Valuation Scenario 1 - Prospective Unrestricted Market Value - Fee Simple
- Valuation Scenario 2 - Prospective Unrestricted Land Value - Fee Simple

It is my understanding that the intended user of the appraisal report will be the San Diego Housing Commission for internal decision making purposes. The report will be invalid for use by any other entity or for any other purpose.

The subject currently consists of 194 SRO units. The improvements consist of two, non-contiguous 4-story buildings of wood frame and stucco construction built in 1990. The subject is planned for a reconfiguration and rehabilitation and will consist of 81 studio units after rehab. The rehabilitation budget is estimated at $82,034 per unit. The rehabilitation is scheduled to begin in June 2016 with completion anticipated for February 2017. The post-rehab unit breakdown and common area square footage is as follows:

SUBJECT RENTAL UNIT AND COMMON AREA BREAKDOWN							
PLAN	ROOM COUNT			UNIT	UNIT	AVG.	TOTAL
	TOTAL	BEDROOMS	BATHS	STYLE	MIX	SQ. FT.	SQ. FT.
A	2	0	1	Flat	6	221	1,326
B	2	0	1	Flat	7	269	1,883
C	2	0	1	Flat	25	309	7,725
D	2	0	1	Flat	19	339	6,441
E	2	0	1	Flat	13	376	4,888
F	2	0	1	Flat	9	405	3,645
G	2	0	1	Flat	2	430	860
TOTAL RESIDENTIAL UNIT SQUARE FOOTAGE					81	330 Avg.	26,768
Laundry, Lobbies, Hallways and Other Enclosed Areas							15,044
GROSS BUILDING AREA							41,812

Project amenities will include a laundry facility in each building, front desk, lobby, and manager office. The subject's existing computer room and library will be converted into a manager's unit. The subject's grounds will have minimal landscaping in the interior courtyards.

There is no onsite parking. The subject sites consist of two non-contiguous parcels totaling 14,810 square feet located along the east and west sides of 13th Street in the East Village District of Downtown San Diego. The site's topography is generally level. The subject property currently operates with income and rent affordability restrictions and has a ground lease. This analysis assumes the subject is operating as a vacant project with no income and rent restrictions and assumes the subject's ground lease has been terminated.

Significant factors influencing value include:

- Market rate apartments in Downtown San Diego report 2.3% over 1,308 units surveyed.
- SANDAG forecasts Downtown San Diego's population to increase 11.3% annually through 2020.
- Cap rates for apartments are near record lows due to high investor demand and low interest rates.
- The analysis assumes the subject improvements are 100% vacant with no income/rent restrictions.
- The analysis assumes the will undergo a reconfiguration and rehab estimated at $82,034 per unit.

Extraordinary Assumptions

In addition to the standard assumptions and limiting conditions of this report, the appraisal is subject to the following extraordinary assumptions which might have affected assignment results:

1. The subject property currently operates with income and rent affordability restrictions and has a ground lease. The site is owned by the San Diego Housing Commission who intends to transfer the income and rent restrictions to a new property in addition to terminating the ground lease concurrently with closing. After this process is completed, the subject will be rehabilitated and reconfigured to 81 studio units without affordability restrictions. The Prospective Unrestricted Market Value first values the subject's fee simple interest as an unrestricted market rate project as reconfigured. A deduction will then be applied for the necessary costs and entrepreneurial incentive required to completed the rehabilitation. Accordingly, this valuation scenario assumes the ground lease and affordability restrictions will be terminated concurrently with the closing date of December 31, 2015.

2. This appraisal values the subject improvements based on the proposed reconfiguration. The post-rehab unit mix and sizes has been derived from the preliminary conceptual reconfiguration plans prepared by Salerno/Livingston Architects and dated July 9th, 2015. The Cost Budget dated March 21, 2016 has been completed by Gilko Contracting & Estimating. The reconfiguration plans, specifications and costs are preliminary and subject to change. I reserve the right to modify this valuation should the reconfiguration plan, costs and/or specifications change significantly from those described in this report.

Hypothetical Conditions

In addition to the standard assumptions and limiting conditions of this report, the appraisal is subject to the following hypothetical conditions which might have affected assignment results:

1. None.

Based on the research and analyses presented in the following report, I have formed the opinion that, subject to the assumptions and limiting conditions on pages 4 through 5 of this report, the requested value estimates were:

SUMMARY OF VALUE CONCLUSIONS		
VALUATION PREMISE	DATE OF VALUE	VALUE ESTIMATE
Prospective Unrestricted Market Value - Fee Simple	12/31/2015	$5,850,000
Prospective Unrestricted Land Value - Fee Simple	12/31/2015	$2,890,000

I believe this report has been prepared in accordance with the current requirements of the Appraisal Foundation as set forth in the Uniform Standards of Professional Appraisal Practice (USPAP); Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and the Fair Lending Act. This appraisal is intended to comply with the OCC's amended Appraisal Rule, 12 CFR, Part 34, Real Estate Lending and Appraisals and with the Interagency Appraisal and Evaluation Guidelines, dated December 10, 2010. I appreciate this opportunity to be of service and remain available if you have any questions regarding the appraisal content or my conclusions.

FROBOESE REALTY GROUP, INC.,

Wayne S. Froboese, MAI
Wayne@Froboeserealty.com
California C.G.R.E.A. #AG009633
December 27, 2016

Scott H. Morey, MAI
Scott@Froboeserealty.com
California C.G.R.E.A. #AG029848
December 30, 2016

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SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Client File Number : N/A

Project Name : Hotel Metro
Street Address : 434 & 435 13th Street
City, State : San Diego, CA 92101

Thomas Bros. Map Ref. : 1289-B4

Parcel Number(s) : 535-155-04 & 05, 535-156-07, and 760-214-23

Legal Description : Lot "I" in Block 106 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof made by L.L. Lockling on file in the office of the county recorder of San Diego County.

Lots "D" and "E" in Block 105 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof made by L.L. Lockling on file in the office of the county recorder of San Diego County.

Owner of Record : San Diego Housing Commission

Date of Value : December 31, 2015

Date of Appraisal : March 28, 2016

Interest Appraised : Fee Simple

Purpose of Appraisal : The purpose of this appraisal is to estimate the value of the subject under the valuation scenarios listed in the Summary of Value Conclusions.

Intended Use : It is my understanding that the intended user of the appraisal report will be the San Diego Housing Commission for internal decision making purposes. The report will be invalid for use by any other entity or for any other purpose.

Property Description : The subject currently consists of 194 SRO units. The improvements consist of two, non-contiguous 4-story buildings of wood frame and stucco construction built in 1990. The subject is planned for a reconfiguration and rehabilitation and will consist of 81 studio units after rehab. The rehabilitation budget is estimated at $82,034 per unit. The rehabilitation is scheduled to begin in June 2016 with completion anticipated for February 2017. The post-rehab unit breakdown and common area square footage is as follows:

SUBJECT RENTAL UNIT AND COMMON AREA BREAKDOWN							
PLAN	ROOM COUNT			UNIT STYLE	UNIT MIX	AVG. SQ. FT.	TOTAL SQ. FT.
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Project amenities will include a laundry facility in each building, front desk, lobby, and manager office. The subject's existing computer room and library will be converted into a manager's unit. The subject's grounds will have minimal landscaping in the interior courtyards.

There is no onsite parking. The subject sites consist of two non-contiguous parcels totaling 14,810 square feet located along the east and west sides of 13th Street in the East Village District of Downtown San Diego. The site's topography is generally level. The subject property currently operates with income and rent affordability restrictions and has a ground lease. This analysis assumes the subject is operating as a vacant project with no income and rent restrictions and assumes the subject's ground lease has been terminated.

Highest & Best Use : *As Vacant* – Development of market rate apartments or affordable housing project if adequate subsidies could be obtained.

: *As Improved* – Rehabilitation and reconfiguration of the subject to an unrestricted project with curing of deferred maintenance as needed.

Based on the research and analyses presented in the following report, I have formed the opinion that, subject to the assumptions and limiting conditions on pages 4 through 5 of this report, the requested value estimates were:

SUMMARY OF VALUE CONCLUSIONS		
VALUATION PREMISE	**DATE OF VALUE**	**VALUE ESTIMATE**
Prospective Unrestricted Market Value - Fee Simple	12/31/2015	$5,850,000
Prospective Unrestricted Land Value - Fee Simple	12/31/2015	$2,890,000

CERTIFICATION

We certify, to the best of our knowledge and belief,...

- The statements of fact contained in this report are true and correct.
- The reported analysis, 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.
- We have no present or prospective interest in the property that is the subject of this report and we have no personal interest with respect to the parties involved.
- We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or the approval of a loan.
- Our 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.
- Our analysis, opinions, and conclusions were developed and this report has been prepared in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- We have made an interior and exterior inspection of the property that is the subject of this report.
- The reported analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
- The appraiser's analysis, opinion, and conclusions were developed, and the report has been prepared in conformity with Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and its regulations.
- The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, Wayne S. Froboese, MAI and Scott H. Morey, MAI have completed the requirements under the continuing education program of the Appraisal Institute.
- Steven Y. Davis provided assistance in the preliminary data research and selection, confirmations, analysis, and value estimates of this report. The final value conclusions were made by Scott H. Morey, MAI and Wayne S. Froboese, MAI.
- Wayne S. Froboese, MAI and Scott H. Morey, MAI previously completed an appraisal of the Hotel Metro SRO building in May 2013.

Dated: March 28, 2016

Wayne S. Froboese, MAI	Scott H. Morey, MAI
California C.G.R.E.A. #AG009633	California C.G.R.E.A. #AG029848
December 27, 2016	December 30, 2016

ASSUMPTIONS AND LIMITING CONDITIONS

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

1. The legal description furnished is assumed to be correct. I assume no responsibility for matters legal in character, nor do I render any opinion as to title, which is assumed to be marketable. Unless otherwise stated, all existing liens, encumbrances, and easements have been disregarded, and the property is appraised as though free and clear, under responsible ownership and competent management.

2. Statements of value and all conclusions apply as of the date of value as set forth in the letter of transmittal. The dollar amount of any value opinion rendered is based upon the purchasing power of the U.S. dollar existing on that date.

3. The appraiser assumes no responsibility for determining if the property requires environmental approval by the appropriate governing agencies nor if it is in violation thereof, unless otherwise noted herein. The appraiser assumes there are no hidden or unapparent conditions of the property or subsoil which would render it more or less valuable. It is assumed that the soil conditions are adequate to support standard construction consistent with the highest and best use and are not subject to any adverse conditions, including a soil contamination, toxic waste or any other potentially hazardous materials or condition that would normally require the services of a professional engineer or environmental specialist.

4. No survey of the subject property has been made. All areas and dimensions have been obtained from sources considered reliable; however, no liability for them can be assumed by the appraiser.

5. Exhibits in this report, based on sketches, building plans, plat maps, parcel maps or site plans are for illustration purposes only and are included to assist the reader in visualizing the matters discussed herein. They should not be considered surveys or relied upon for any other purposes, nor should they be removed, reproduced, or used apart from this report.

6. The appraiser reserves the right to make any adjustments to the valuation herein reported, as may be required by additional or more reliable or more pertinent data that may become available subsequent to the conclusions arrived at in this report.

7. Disclosure of the contents of this report is governed by the by-laws and regulations of the Appraisal Institute. Neither all nor any part of the contents of this report (especially reference to the Appraisal Institute or the MAI designation) shall be conveyed to the public through advertising, public relations, news, sales or other media without written consent and approval of Froboese Realty Group, Inc..

8. Any description of the total valuation of this report with allocations between the land and improvement applies only under the existing program of utilization. The separate valuations for land and/or improvements must not be used in conjunction with any other appraisal and are invalid if so used.

9. The appraiser, by reason of this appraisal report, shall not be required to give testimony or be in attendance in court, or at any government or other hearing, with reference to the subject property, without prior arrangements having been made therefore, in writing, relative to such additional employment.

10. All major improvements on the land, appear to be structurally sound, unless otherwise noted within the descriptive portion of the appraisal. However, the appraiser is not an engineer and has not been instructed to secure a qualified engineer's certification as to the structural soundness of said improvements or other normally maintained portions of the improvements. Therefore, I

accept no legal responsibility for structural or mechanical failures that would be not reasonably obvious in the scope of an appraiser's normal inspection of these items or to a prudent purchaser.

11. Unless otherwise stated in this report, the existence of hazardous materials, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge or information concerning the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde, foam insulation or any other potentially hazardous materials may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. The appraiser was not instructed to acquire a hazardous material study, therefore, no responsibility is assumed for any such conditions, or any expertise to discover them.

12. The photographs are intended to reflect the quality and condition of the improvements. Should a person or pictures of a person appear in the photographs, it was not controllable by the appraiser. It was not the intention of the appraiser to include any such images in the photographs. In compliance with the Fair Lending Act, the value was not influenced by any person’s race, gender or age, etc. who may have accidentally been included in any of the photos in this report.

13. The issue of compliance with ADA (American’s with Disabilities Act) is beyond the scope of this appraisal. It is my recommendation that the client retain the services of a qualified expert in the field of ADA compliance to determine if the property conforms to the requirements, and to determine the impact of noncompliance upon the use and utility of the subject improvements. The analyses in this report assume the subject is in compliance with the ADA, as such knowledge is beyond my expertise.

Extraordinary Assumptions

In addition to the standard assumptions and limiting conditions of this report, the appraisal is subject to the following extraordinary assumptions which might have affected assignment results:

1. The subject property currently operates with income and rent affordability restrictions and has a ground lease. The site is owned by the San Diego Housing Commission who intends to transfer the income and rent restrictions to a new property in addition to terminating the ground lease concurrently with closing. After this process is completed, the subject will be rehabilitated and reconfigured to 81 studio units without affordability restrictions. The Prospective Unrestricted Market Value first values the subject’s fee simple interest as an unrestricted market rate project as reconfigured. A deduction will then be applied for the necessary costs and entrepreneurial incentive required to completed the rehabilitation. Accordingly, this valuation scenario assumes the ground lease and affordability restrictions will be terminated concurrently with the closing date of December 31, 2015.

2. This appraisal values the subject improvements based on the proposed reconfiguration. The post-rehab unit mix and sizes has been derived from the preliminary conceptual reconfiguration plans prepared by Salerno/Livingston Architects and dated July 9th, 2015. The Cost Budget dated March 21, 2016 has been completed by Gilko Contracting & Estimating. The reconfiguration plans, specifications and costs are preliminary and subject to change. I reserve the right to modify this valuation should the reconfiguration plan, costs and/or specifications change significantly from those described in this report.

Hypothetical Conditions

In addition to the standard assumptions and limiting conditions of this report, the appraisal is subject to the following hypothetical conditions which might have affected assignment results:

1. None.

DEFINITIONS OF SIGNIFICANT TERMS

- **Fee Simple Estate** means absolute ownership unencumbered by any other interest or estate; subject only to the limitations imposed by governmental powers of taxation, eminent domain, police power, and escheat.[1]

- **Encumbered Fee Estate** means an interest or right in real property that may decrease or increase the value of the fee estate but does not prevent its conveyance by the owner. (The encumbrance in this case consists of the affordable housing regulatory agreements and CC&R's voluntarily placed on the property in return for specific favorable financing benefits.)

- **Highest and Best Use** means the reasonably probable use of property that results in the highest value.[2]

- **Hypothetical Condition** means that which is contrary to what exists, but is supposed for the purposes of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property or about conditions external to the property, such as market conditions or trends, or the integrity of data used in an analysis.[3]

- **Leased Fee Estate** means a freehold (ownership interest) where the possessory interest has been granted to another party by creation of a contractual land-lord-tenant relationship (i.e. a lease).[4]

- **Leasehold Estate** means the tenant's possessory interest created by a lease. [5]

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

  1. *Buyer and seller are typically motivated;*
  2. *Both parties are well informed or well advised, and acting in what they consider their own best interests;*
  3. *A reasonable time is allowed for exposure in the open market;*
  4. *Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and*
  5. *The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted to anyone associated with the sale*.[6]

- **Market Value "As Is"** means estimate of the market value of real property in its current physical condition, use, and zoning as of the appraisal date. [7]

- **Prospective Opinion of Value** means a value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long term occupancy.[8]

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[1] *The Dictionary of Real Estate Appraisal*, *Fifth Edition*. (Chicago: Appraisal Institute, 2010), p.78.
[2] *The Appraisal of Real Estate, 14th Edition*, (Chicago: Appraisal Institute, 2013), p. 332.
[3] *Uniform Standards of Professional Appraisal Practice*, (Washington, DC: Appraisal Foundation, 2000), p. 11.
[4] *The Dictionary of Real Estate Appraisal*, *Fifth Edition*. (Chicago: Appraisal Institute, 2010), p. 111.
[5] *The Dictionary of Real Estate Appraisal*, *Fifth Edition*. (Chicago: Appraisal Institute, 2010), p. 111.
[6] Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, 34.42 Definitions [f].
[7] *The Dictionary of Real Estate Appraisal Fifth Edition*. (Chicago: Appraisal Institute, 2010), p. 12.
[8] *The Dictionary of Real Estate Appraisal*, *Fifth Edition*. (Chicago: Appraisal Institute, 2010), p. 153.

INTRODUCTION

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the value of the subject under the following scenarios:

- ♦ Valuation Scenario 1 - Prospective Unrestricted Market Value - Fee Simple
- ♦ Valuation Scenario 2 - Prospective Unrestricted Land Value - Fee Simple

INTENDED USE OF THE APPRAISAL

It is my understanding that the intended user of the appraisal report will be the San Diego Housing Commission for internal decision making purposes. The report will be invalid for use by any other entity or for any other purpose.

DATES OF VALUE

The effective date of value is December 31, 2015, which is the assumed date that the affordability restrictions will be removed and the ground lease will be terminated.

DATE OF REPORT

The date of the report is March 28, 2016.

PROPERTY RIGHTS

I have appraised the fee simple interest in the subject in Valuation Scenarios 1 and 2.

SCOPE OF THE APPRAISAL

The appraisal is presented in the form of an Appraisal Report with a Summary scope per Standards Rule 2-2 of the 2014-2015 Uniform Standards of Professional Appraisal Practice (USPAP). This assignment consists of a comprehensive appraisal designed to perform the scope of work necessary to develop credible assignment results given the intended use. The scope of the analysis will be the development of all the applicable approaches to value. The report describes significant data and analysis in support of the assignment results with an emphasis on thorough description of critical data, analysis and conclusion of value. All analysis, conclusions and opinions have been rendered on the basis of a disinterested third party.

Demographic and economic data was obtained from various public and private sources. The scope of this appraisal included an interior and exterior inspection of the subject property, a vehicle inspection of the subject's immediate neighborhood, as well as, the general market area. Factual data on the subject such as title information, assessment data, land and improvement plans were provided by the client, the developer, and other public and private sources. Information as to the land area has been derived from public records provided by CoreLogic. I have relied extensively on a copy of the subject's reconfiguration plans, costs, and pro forma provided by the borrower. I last inspected the subject on August 7, 2015.

The three traditional approaches – Cost, Income, and Sales Comparison - were considered for use in the course of this appraisal assignment. The data deemed pertinent to the appraisal was collected, analyzed and interpreted through a search of market data services, our historical file of published reports and articles, as well as, extensive interviews with local developers, apartment property investors, real estate brokers, knowledgeable local real estate professionals, public officials, etc.

All sale, land, and rent comparables were verified by our firm with a principle, broker or property manager. When possible, the transactions were verified with more than one source to gain additional insight into the motivations of all parties involved. All comparable sales were also verified with the County Recorder's office or a title company. A vehicle inspection of all comparables was conducted. When possible, interior inspections of the improved comparables were conducted.

The analysis of the factual data and interpretation of market trends was based on an observation of the market tempered by the opinions, estimates and projections expressed by the market participants contacted. Finally, the analysis of the data was correlated into the values presented in this report.

LEGAL DESCRIPTION

According to the Preliminary Title Report for the subject from Chicago Title Company dated July 27, 2015, the subject's legal description is:

435 13th Street: Lots "D" and "E" in Block 105 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof made by L.L. Lockling on file in the office of the county recorder of San Diego County.

434 13th Street: Lot "I" in Block 106 of Horton's Addition, in the City of San Diego, County of San Diego, State of California, according to Map thereof made by L.L. Lockling on file in the office of the county recorder of San Diego County.

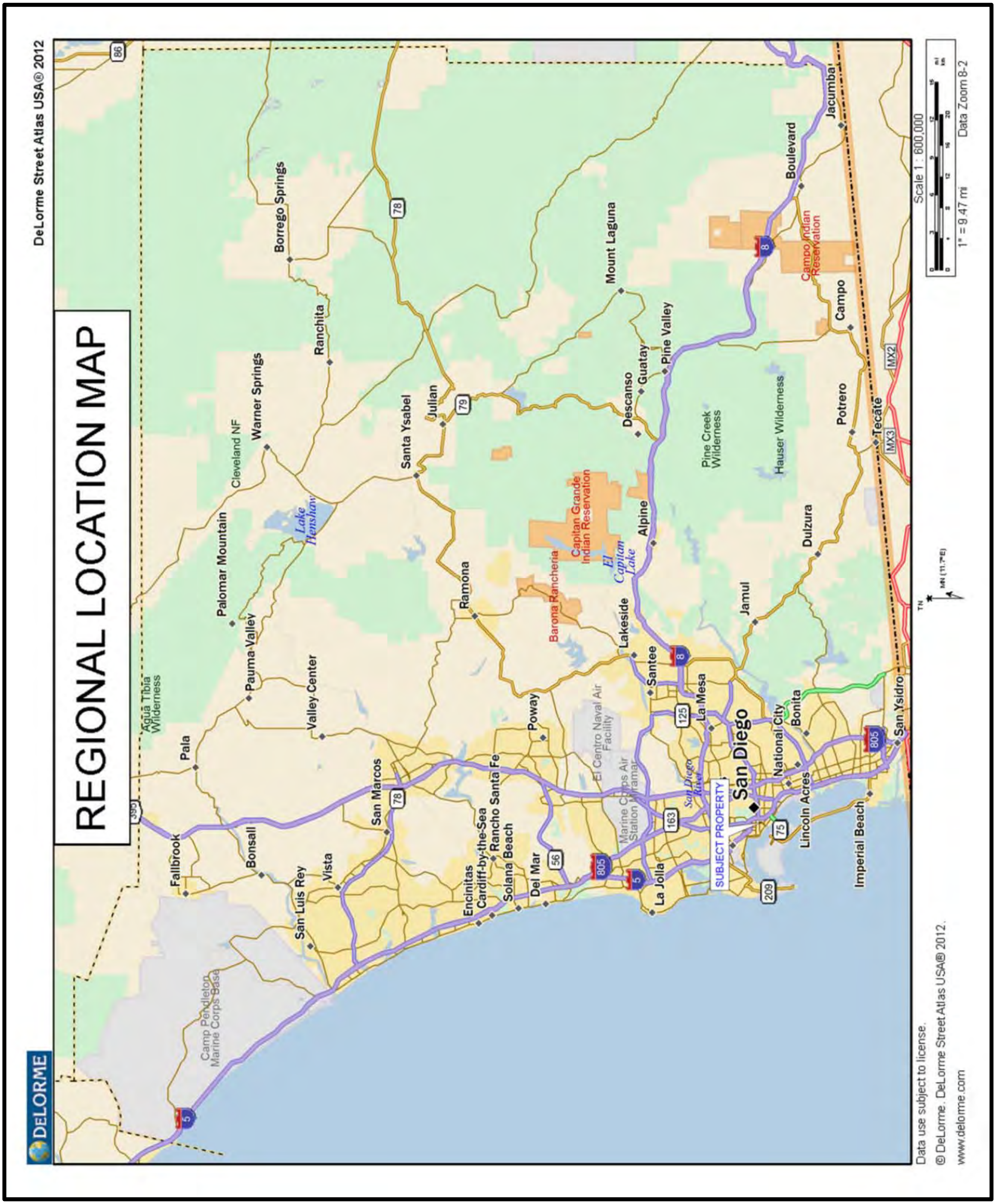
OWNER OF RECORD

The fee simple title of subject site is currently held by the San Diego Housing Commission. The improvements are leased to San Diego SRO Limited Partnership who owns the leasehold interest. The ground lease is scheduled to be terminated concurrently with closing. The value in this appraisal assumes the ground lease has been dissolved and the fee simple interest of both the land and improvements are owned by the San Diego Housing Commission.

SUBJECT'S SALES HISTORY

According to public records provided by CoreLogic, the subject site has had no transfers of title within the last three years. The San Diego Housing Commission is planning on terminating the ground lease to create a fee simple interest and taking ownership of the improvements by December 31, 2015.

During the appraisal process, it has come to our attention that the fee simple interest in the Hotel Metro property is being offered for sale unpriced. We contacted the broker to find out information regarding submitted offers and pricing; however, no information regarding offers was disclosed. To the best of our knowledge, the subject is not currently under contract.


REGIONAL LOCATION MAP
DeLorme Street Atlas USA® 2012
DELORME
SUBJECT PROPERTY
San Diego
La Jolla
La Mesa
National City
Bonita
Lincoln Acres
Imperial Beach
San Ysidro
Santee
Lakeside
Alpine
Jamul
Dulzura
Potrero
Tecate
Campo
Jacumba
Boulevard
Campo Indian Reservation
Pine Valley
Guatay
Descanso
Mount Laguna
Pine Creek Wilderness
Hauser Wilderness
Capitan Grande Indian Reservation
El Capitan Lake
Barona Rancheria
Ramona
Poway
Julian
Santa Ysabel
Ranchita
Borrego Springs
Warner Springs
Cleveland NF
Lake Henshaw
Palomar Mountain
Pauma Valley
Valley Center
Agua Tibia Wilderness
Pala
Fallbrook
Bonsall
San Luis Rey
Vista
San Marcos
Encinitas
Cardiff-by-the-Sea
Rancho Santa Fe
Solana Beach
Del Mar
Camp Pendleton Marine Corps Base
El Centro Naval Air Facility
Marine Corps Air Station Miramar
San Diego River
5
805
8
15
56
78
79
86
125
163
75
209
MX2
MX3
TN
MN (11.7°E)
Scale 1 : 600,000
1" = 9.47 mi
Data Zoom 8-2
Data use subject to license.
© DeLorme. DeLorme Street Atlas USA® 2012.
www.delorme.com

REGIONAL ANALYSIS

There are primarily four forces that contribute to value consisting of physical, social, political and economic influences. Each of these forces is interwoven in an economic matrix.

LOCATIONAL INFLUENCES

San Diego County extends over 4,255 square miles from the military installation of USMC Camp Pendleton south to the Mexican border, and from the Pacific Ocean east to Imperial County. The county contains three distinct zones: the urbanized ten-mile wide coastal zone, the rural central zone comprised of foothills and the Cleveland National forest range with elevations to 6,500 feet, and the sparsely populated eastern portion which contains the low-lying Colorado River Valley desert region.

GROUND TRANSPORTATION

The County is traversed by four primary interstate freeways and seven secondary state routes. These freeways form an integral part of the greater Southern California transportation network. The County builds and upgrades highways, trolley lines, commuter rail, bus service, and helps the region's 18 cities improve and maintain local streets through use of the ½ cent sale tax known as “TransNet Funds”, as well as, federal and state tax allocations. TransNet's efforts have been largely successful in reaching the goal of traffic congestion relief and transportation improvements.

In November 2004, more than two thirds of voters countywide approved the extension of TransNet to 2048. The 40-year extension will generate more than $14 billion for transportation improvements, dedicated to transit, highway projects, local roads, and other new programs. TransNet is helping to fund major highway projects along Interstates 5, 8, 15, and 805 as well as State Routes 11, 52, 54, 56, 67, 75, 76, 78, 94, 125, and 905. It supports improvements to the public transportation system, including new Rapid bus services and high occupancy vehicle lanes and Express Lanes along many of the major corridors. TransNet funds also help pay for discounted transit passes for seniors, persons with disabilities, and youth. TransNet revenues are projected to be five percent higher in 2014 than actual 2013 revenues. A modest four percent increase in TransNet revenue is projected in FY 2015.

SANDAG has seen growth in sales tax revenues consistent with expectations that revenue increases would occur as the economy begins to experience job growth, which has occurred nationwide and locally. However, the economy still faces challenges over the next couple of years.

AIR TRANSPORTATION

San Diego International Airport (Lindbergh Field) is located on a 474-acre site in a basin just north of downtown. The Airport affects virtually every sector of San Diego's economy where every job directly tied to airport operations and passenger spending supports 11 additional jobs in the county.

San Diego's Lindbergh Field bears the unfortunate distinction of being the country's busiest single-runway airport. It is also entirely inadequate for the needs of a growing city and region. In 2004, the San Diego County Regional Airport Authority completed the Aviation Activity Forecast which looked at the current and future capacity of the airport through the year 2030. The report concluded that runway congestion is anticipated when annual aircraft operations reach between 260,000 to 300,000. Between 2015 and 2022, runway capacity will begin to constrain growth at 260,000 annual operations. Between 2021 and 2030, runway congestion will not allow further growth at 300,000 annual operations.

The forecast states it is anticipated that a new airport site would take 10 to 15 years to design and build. With that expected timeframe, time is running short. Despite a host of plans that have been presented over the years, a clear alternative to Lindbergh has yet to emerge in a county with little suitable land. Most recently, San Diego voters rejected a last-ditch attempt to partially convert Miramar Naval Air Station to civilian use in 2006.

SHIPPING FACILITIES

The Port of San Diego is among the nation's largest container ports and. the fourth largest of the 11 ports in California. It controls about 2,500 acres of land and 3,400 acres of water spread across its five-member city jurisdictions of Chula Vista, Coronado, Imperial Beach, National City, and San Diego. The Port's primary inbound cargos include automobiles, lumber, cement, newsprint, palm oil, canned tuna, fertilizer, and fruit.

A March 2015 study commissioned by the agency suggests The Port of San Diego has an annual economic impact of $4.4 billion. Ripple effects from all that business sent another $3.2 billion into the community based on 2013 data, the study said. The economic impact is up 8 percent since 2011. Some 33,356 jobs — paying an average wage and benefit package of $52,000 a year — were located on port tidelands in 2013; the number of jobs rose 9 percent from 2011. The port said that if the various businesses along San Diego Bay were collectively one employer, that employer would be the second-largest in San Diego County, behind the State of California.

STATEWIDE WATER CRISIS

More than any other state, California's economy and population exploded over the past 60 years due in large part by abundant water supplies. This trend may now be at a turning point, especially in Southern California. Snowmelt in the Sierras, which historically has filled the state's major reservoirs and aqueducts, has been shrinking steadily. California's rights to Colorado River water have been gradually scaled back by regional agreements and mounting claims by other states. Court orders in response to environmental lawsuits aimed at protecting endangered fish species have slashed water deliveries from the San Joaquin-Sacramento River Delta.

In recent years, reduced rainfall throughout the region has made it increasingly difficult to replenish groundwater basins. Facing unprecedented drought conditions, the State Water Board adopted water-use reduction mandates on May 5th to implement Governor Jerry Brown's April 1st executive order for a 25 percent statewide reduction in urban water use. In the San Diego region, the state's mandate translates to water-saving targets between 12 and 36 percent for the Water Authority's retail member agencies starting June 1st and lasting through February 2016 – a daunting task that will require everyone in the region to increase water-saving efforts.

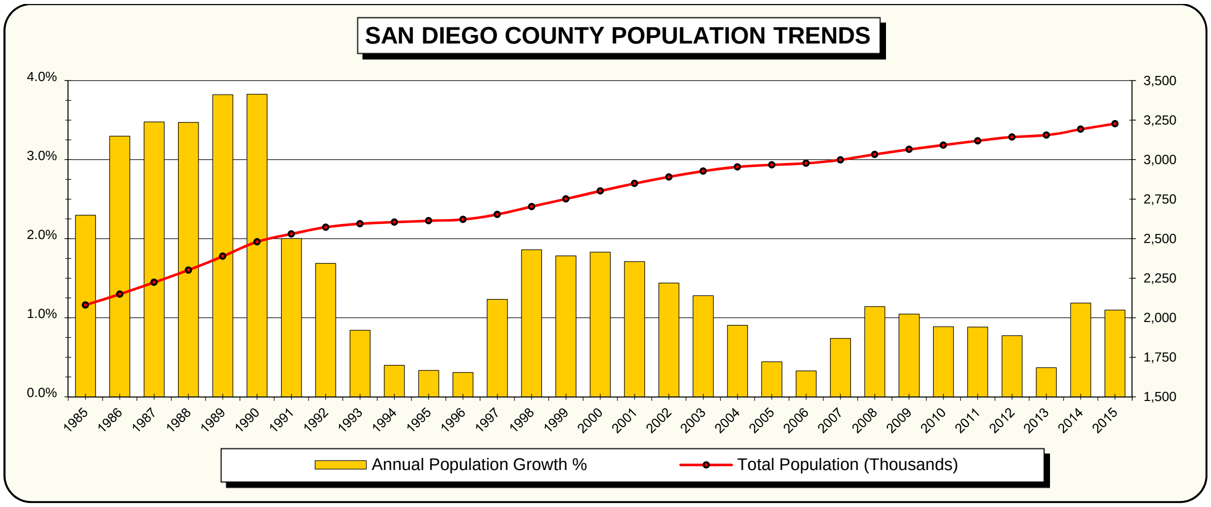
As a wholesale water agency, the San Diego Water Authority coordinates drought response actions for San Diego County to foster consistency while minimizing harm to the region's $206 billion economy. To address the state's targets, the Water Authority's Board on May 14th limited irrigation of ornamental landscapes and turf grass with potable water to no more than two days a week across the region. Member agencies have the flexibility to set their own watering days.

"With the implementation of the state's mandatory water-use reductions, the Water Authority will store more water for next year in local reservoirs, including the newly enlarged San Vicente Reservoir," said Mark Weston, chair of the Water Authority's Board. "This approach will provide significant benefits for our region – especially if the drought continues into a fifth consecutive year."

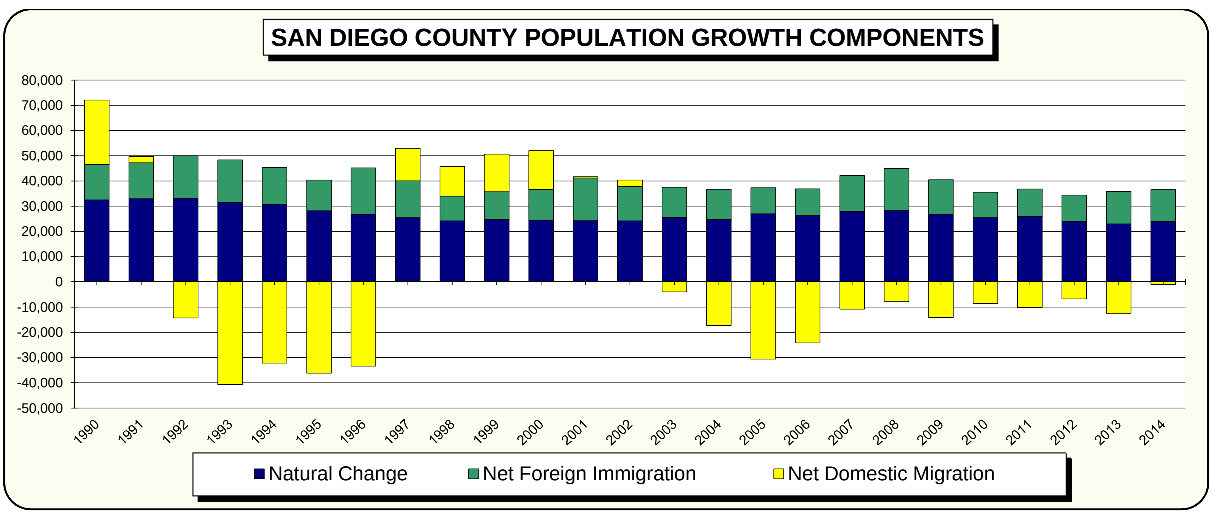
In addition to helping increase regional water conservation efforts, the Water Authority will continue to seek credit toward meeting the state's targets through the development of new water supplies, such as the Carlsbad Desalination Project, which is expected to produce 50 million gallons a day starting this fall.

POPULATION TRENDS

As indicated in the following chart, the County's population growth began to slow in 1991, which continued through 1996 with the onset of the 1990-1994 recession. As the economy improved, 1997 saw a reversal of the slowing trend with a modest 1.2% increase followed by a significant uptick of 1.9% in 1998. The 1999-2003 period continued the trend with solid annual growth in the 1.8% to 2.3% range. While population growth slowed during 2004 to 2006, it unexpectedly increased in 2007-2009 during the recent recession. This was largely due to those wishing to leave being unable to sell their residences. The growth rate then decreased in 2012 and 2013 as the housing market and economy improved, but the reversal of the slowing trend wasn't experienced until 2014 and 2015 with a modest 1.2% and 1.1% increase, respectively.



In further understanding the population growth in context with the other economic data presented in this analysis, it is important to analyze the components of population growth, i.e. natural change versus net migration.

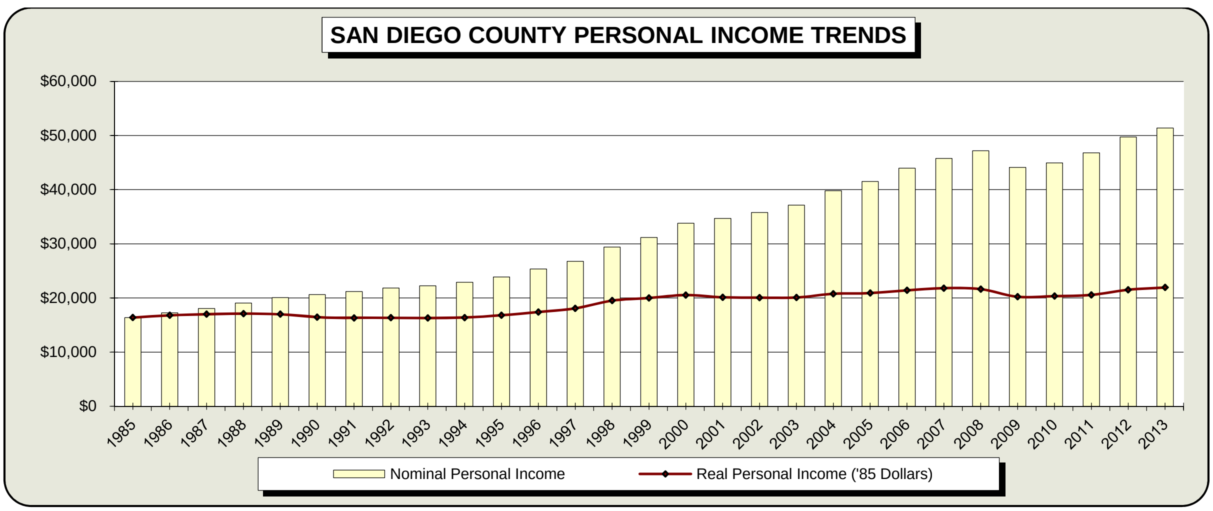


The chart above shows that the natural change (births minus deaths) is the relatively stable component of San Diego's population growth. After years of gradual decline due to the aging baby boomer population, the increased ethnic diversity of the county has resulted in a greater number of births and a reversal of the downward trend over the last several years. The smaller, but more volatile, component of San Diego's population growth is net migration (number of people moving into the region minus those moving out). This component can be broken down into sub-categories of domestic migration and foreign immigration (both legal and illegal).

During good economic times, San Diego draws both domestic and foreign workers given its diverse economy and desirable amenities. This was clearly experienced during the 1985-1990 and 1997-2003 periods. During recessionary periods, foreign immigration has fluctuated, but remained positive at 12,000 to 20,000 per year regardless of the economy. Conversely, net domestic migration has been negative for the twelfth straight year in 2014 as local residents relocate to other states. These population outflows have occurred in both good and bad economic times and the trend is expected to continue. The Los Angeles Times recently reported the most common reasons for leaving include high housing costs, unabated illegal immigration, urban sprawl/congestion, high taxes, and a declining standard of living.

INCOME LEVELS

County per capita income is compiled by the U.S. Commerce Dept. and has a lag time of two years due to the complexity of this data. As such, the data below is the most current available. The graph below shows both the nominal change in personal income and real change in personal income in 1985 dollars as the result of increases in the San Diego CPI-U Index (All Urban Consumers).

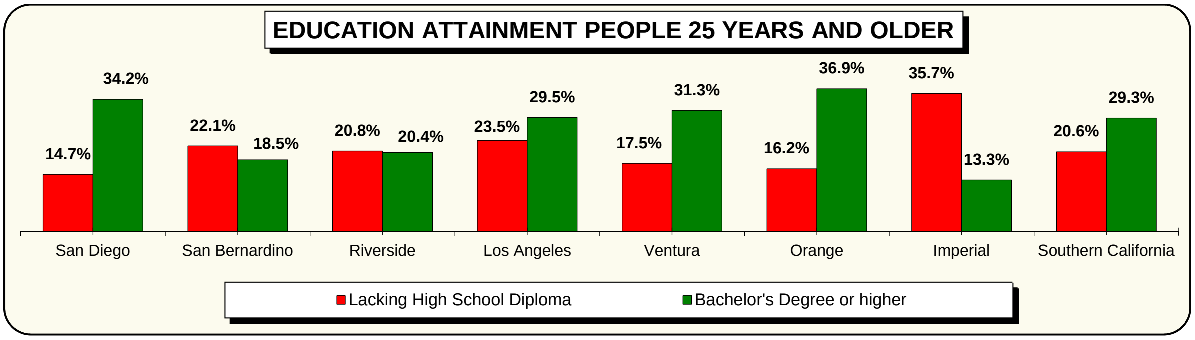


As shown by the previous chart, nominal per capita personal incomes trended upward from year to year regardless of what stage of the economic cycle the period falls, until 2009 which saw the first decrease in decades.

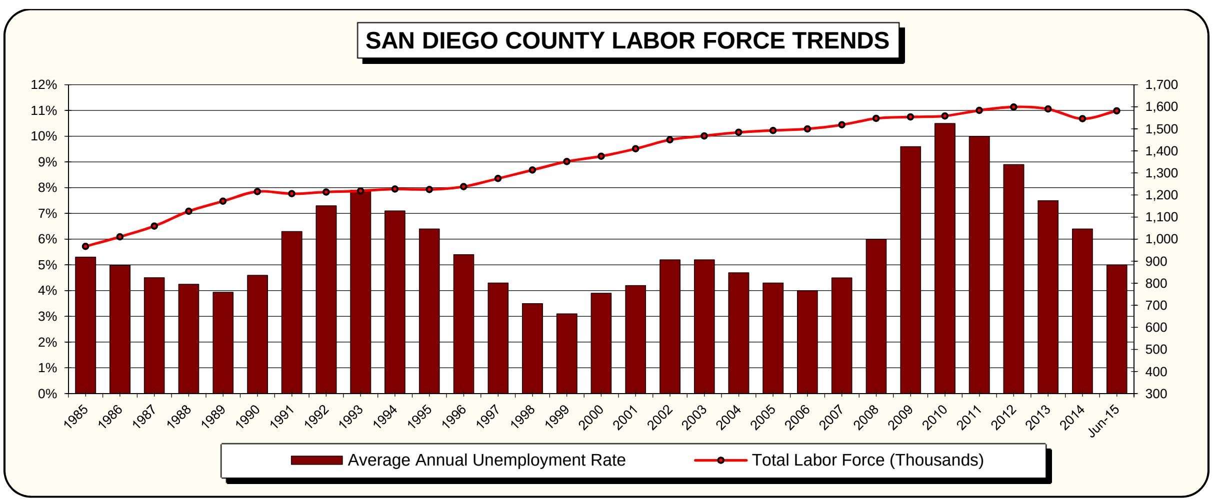
When factoring in inflation, the real income change data shows per capita incomes fall during recessionary periods (1990-1994, 2001-2003 and 2008-2010) and gain during periods of economic growth (1985-1988, 1997-2000 and 2005-2009). Inasmuch as San Diego County is rebounding from a severe recessionary period, real income for the 2010 through 2013 period shows real personal income is once again trending upward. The 2013 nominal personal income stands at $51,384 representing a 3.3% increase over 2012.

REGIONAL LABOR FORCE TRENDS

San Diego has been able to diversify its economy into the high tech sectors due to it having among the most highly educated workforces in Southern California per the 2012 American Community Survey published by the US Census Bureau.

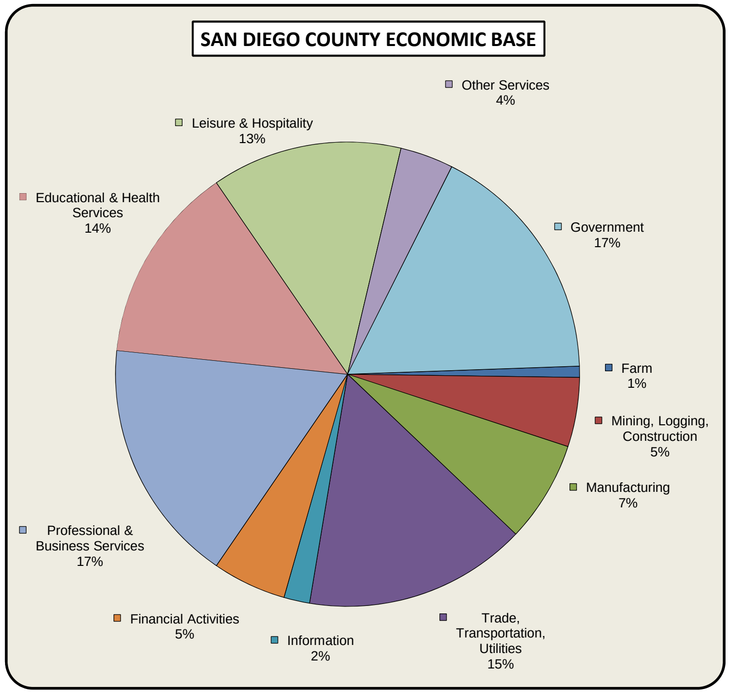


In terms of work force trends, the economic cycle in San Diego County is clearly presented below. Periods of economic expansion are characterized strong labor force growth combined with a steady downward trend in unemployment. This is seen during the 1985-1989 and 1995-1999 periods. Conversely, economic decline is characterized weak labor force growth combined with a steady increase in unemployment as seen during 1990-1993, 2001-2003 and now 2008-2014.



The unemployment rate in the San Diego County was 5.4 percent in July 2015, up from a revised 5.0 percent in June 2015, and below the year-ago estimate of 6.9 percent. This compares with an unadjusted unemployment rate of 6.5 percent for California and 5.6 percent for the nation during the same period.

ECONOMIC BASE



The adjacent pie chart reflects the county's 11 major civilian industries, with employment used as the controlling measure since no comparable dollar volumes are available.

San Diego has diversified its economic base over the past 20 years from a heavy dependence on government employment associated with the regions military installations and defense manufacturing to a more service and trade oriented economy. As a result of this diversification, the current economic base of San Diego is far more diverse, with no one sector being dominant. Today, new industries like biotech, communications, software, environmental technologies, make up San Diego's fastest growing cluster industries. These firms drive wealth creation with many offering wages 30% to 120% above the regional average.

Between July 2014 and July 2015, nonfarm employment gained 48,200 jobs, or 3.6 percent. Agricultural employment declined by 100 jobs.

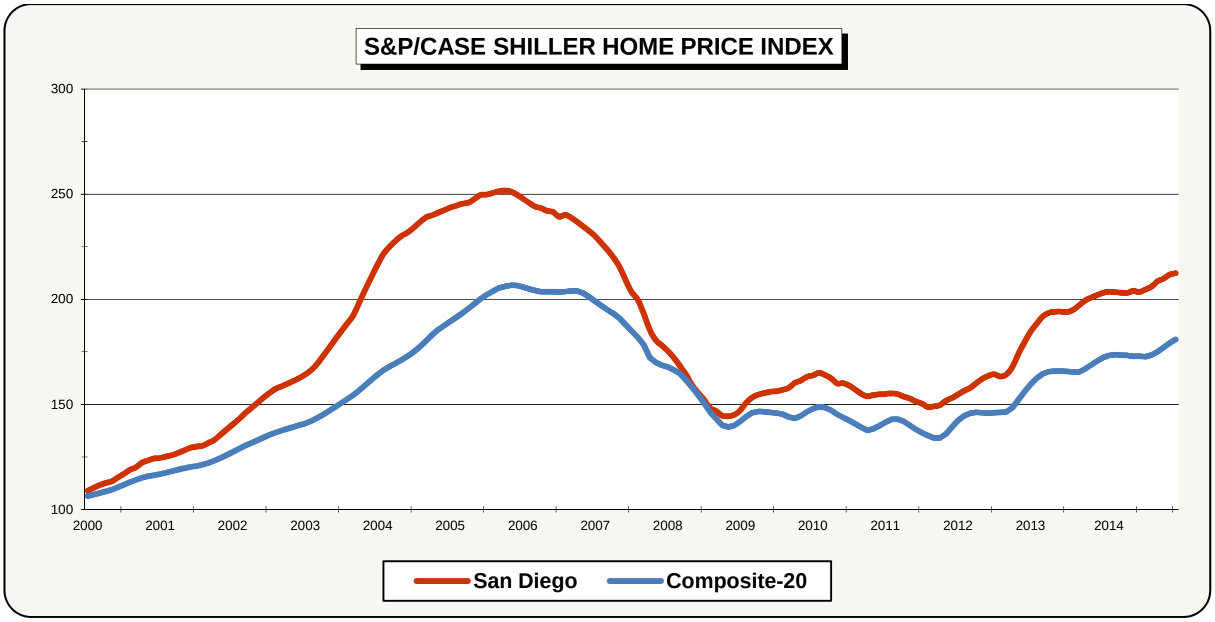
- Professional and business services posted the greatest year-over gain, adding 12,600 jobs. Professional, scientific, and technical services (up 9,600) contributed to roughly 76 percent of the job growth in this sector. Administrative and support and waste services and management of companies and enterprises added 2,600 and 400 jobs respectively.

- Nine other sectors also added jobs over the year, but the most significant gains came from leisure and hospitality (up 8,500) and educational and health services (up 7,600).

- Two nonfarm sectors posted year-over jobs losses: other services (down 200) and mining and logging (down 100).

RESIDENTIAL REAL ESTATE TRENDS

The S&P/Case-Shiller Home Price Indices are the leading measure of United States residential real estate prices. The following chart tracks the San Diego index, as well as, the Case-Shiller's combined 20 major metropolitan area index.



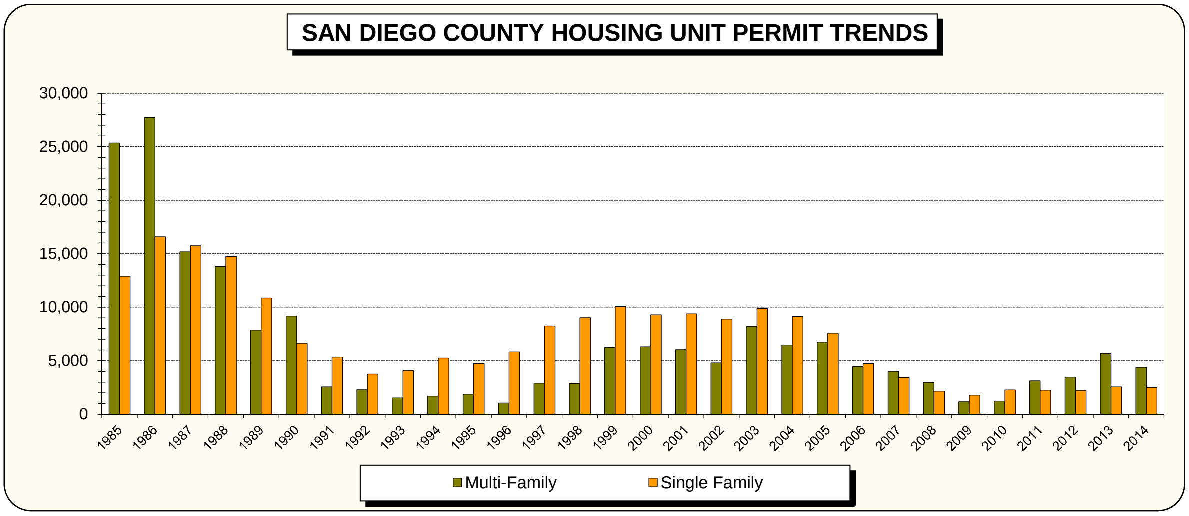
The chart reflects the abnormal market conditions experienced over the past several years brought on by the Fed's dramatic easing of monetary policy driving interest rates to historical lows combined with severely reduced loan underwriting standards by banks, home buyer speculation, Wall Street's securitization of mortgages, etc.

The Case-Shiller chart shows as of June 2015, average home prices in San Diego County are back to May 2004 levels. Measured from the peak in March 2006 through June 2015, the decline for the San Diego region is 15.6%. The improvement from the May 2009 trough is 47.1%.

Between June 2014 and June 2015, the San Diego County seasonally adjusted home prices are up 4.3%. This compares to the 20-City composite index increase of 4.4% for the same period.

NEW CONSTRUCTION

In response to recent upward trend in housing prices after the historical housing price correction of 2006-2009, permit levels have begun to increase slightly. Single family permits were down -18% in 2009, but saw a 28% increase in 2010. New Single family permits again trended negative 1% in 2011 and 2% in 2012, but were up 17% in 2013 suggesting the anticipated recovery has begun to materialize. Single Family permits trended down slightly 3% in 2014, but are still well above the 2009 lows. Although the rates have largely stabilized, it still represents a small fraction of the past development experienced in San Diego which has historically been one of the major economic drivers in the county.



Multi-family permits in 2009 reached the lowest point in decades as the impact of the recession and financial meltdown was felt. The 2010 period saw a slight increase of 5% which is almost insignificant given the current low numbers. The drop off in multi-family permits was even more dramatic when consideration is given the fact that much of the permit activity was for subsidized affordable housing. Multi-family permits rebounded in 2011 through 2013, with 2013 reflecting a 364% increase over 2010. Permits were lower in 2014, but are still well above the 2010 lows. This is indicative of the overall positive developer sentiment after several years of a stagnant market. The increase has been fueled by improving apartment fundamentals, a growing renter pool and low interest rate financing. In the near term, this trend is expected to continue until the single-family housing market stabilizes.

Regardless of short term trends, the permit chart clearly indicates that even during the boom market of 1997-2005, permit activity never reached the levels experienced during the mid-1980's. This is due to the county's developable land rapidly becoming built out. Additionally, the growing water crisis discussed previously will likely become an increasingly significant constraint on large scale growth. Going forward, development will likely refocus more on infill and redevelopment of older less dense markets in order to meet future housing demand.

COMMERCIAL REAL ESTATE TRENDS

On a national level, *The 2015 Emerging Trends in Real Estate* published by Price Waterhouse Coopers and the Urban Land Institute suggests the real estate market continues to improve fueled by the availability of equity and debt capital. The trends identified for 2015 portend both opportunities and challenges for investors going forward. The captains of the real estate industry are celebrating the economy and the industry's rising tide. Chastened by the shipwrecks of the recent past, though, both equity and debt investors are disinclined to push the throttle to "all ahead full." Rather, all are seeking to pilot their way carefully, recognizing the opportunities and risks provided in the market, while respecting the respective strengths and weaknesses of the resources under their command.

Capital is on the move—ready, willing, and able to be put to work in real estate. Lessons learned during the Great Recession will not soon be forgotten, but it is “anchors aweigh” for real estate.

Multi-Family – Marcus & Millichap 3rd Quarter 2015 Market Report

The growing San Diego economy continues to attract new residents into the area, particularly young professionals, which is underpinning strong demand for apartments in the county. The high cost of single-family homes will encourage many new residents, particularly those recently graduated from college, to consider renting. Slow wage growth over the past few years has restricted the ability of many renters to save up for a down payment in order to qualify for a mortgage. In fact, the minimum income required to afford a median-priced home is roughly $40,000 more than the median income in the county. As a result, demand for apartments remains high, pulling down vacancy and enabling rents to rise at a rapid pace. Nonetheless, vacancy in the market still has another 100 basis points to drop before the rate reaches the pre-recession low. These conditions are boosting confidence among builders, motivating them to begin new projects. New multifamily development is largely centered in downtown San Diego, targeting the rising population of young workers. Additionally, a couple of large apartment projects are underway in northeast San Diego. In these areas the large construction volume will increase vacancy, though overall market trend will continue to improve. Tight vacancy will facilitate strong rent gains again this year.

Stable economic growth and steady appreciation over the past few years is lifting investor confidence, luring more buyers to San Diego County. Consequently, competition for apartment properties is fierce, generating multiple offers for sellers within a short time frame. The pending rise in interest rates is accelerating the timelines of investors who desire to trade up, enabling transaction velocity to rise. Many of these sellers are still looking for apartment properties within the metro rather than searching for additional yield in other metros or property types. In the neighborhoods to the northeast of downtown, San Diego investors are targeting 1970s and older vintage properties that can easily be updated and command higher rents. These assets can garner pro-forma yields in the 5 percent range.

Industrial – DTZ 2nd Quarter 2015 Snapshot

Vacancy (including sublease space) in San Diego’s industrial marketplace now stands at 5.8%. This is a moderate decrease from last quarter’s reading of 6.0% and reflects a substantial decline from the 7.2% rate in place one year ago. Vacancy has declined for 16 consecutive quarters and now stands at the lowest level we have ever tracked. The market is the tightest for manufacturing space at 4.3% vacancy, but is exceptionally low at 3.1% in the Central County submarkets. Incubator multi-tenant space (IMT) currently stands at 5.1% countywide (down 210 basis points over the past 12 months). Vacancy including sublease for distribution space now stands at 5.3%; it stood at 7.8% a year ago. Meanwhile, vacancy for R&D product has fallen 20 bps over the past year and now stands at 9.5%.

Over the past 12 months the average asking rate has climbed 9.2% in North County while the extremely tight Central County has seen an increase of 11.2%. Conversely, the average asking rent in the South County (home to the region’s oldest average inventory) saw an increase of 7.4% during the same time. This issue of age is critical. For some projects we are seeing lease rates increase in double digit range from a year ago. This trend is being driven by modern industrial facilities, which remain in short supply but in high demand. This is why we are also seeing an increased trend of renovations of older product - the modernization of dated industrial buildings - to make them more appealing to tenants.

Leasing 40,000 SF or less will continue to be the main driver of activity, accounting for 60% of total SF in lease obligations set to expire in 2016. Tenants currently in the market are looking for 3.8 MSF over the next 24 months countywide with 1.9 MSF in North County, 1.8 MSF in Central and South Counties combined, and 154,000 SF with no geographic preference. Until new speculative construction returns, the steady absorption of existing inventory will continue to drive vacancy rates lower.

Office – DTZ 2nd Quarter 2015 Snapshot

As of the close of Q2 2015, office vacancy (including sublease) in the San Diego marketplace stood at 15.9%, the lowest level in seven years. Vacancy is down by 270 basis points (bps) from the 18.6% rate posted a year ago and reflects a substantial decline (580 bps) from the peak post-recession vacancy level of 21.7% reported in Q3 2009. In the intervening six quarters since then, vacancy has increased five times. It remained flat this quarter as over 419,000 square feet (SF) of new product (supply) outpaced 187,000 SF of occupancy growth.

The countywide average asking rent for all classes is now $2.57 per square foot (PSF) on a monthly full service basis. This metric has increased 5.3% over the past three months and is up 7.1% from where it stood a year ago. Both Class A and B product is experiencing rental rate growth while the leasing environment for Class C space remains extremely competitive. Over the past 12 months, Class A rent has increased by 5.1% ($3.09 PSF) while Class B rates have climbed by 7.5% ($2.45 PSF).

Leasing within the 5,000 to 30,000 SF range will continue to be the main driver of activity, accounting for 47% of total SF in lease obligations set to expire in 2016. Leases 5,000 SF and less will account for 27% and leases 30,000 SF and larger will account for 26% of expirations in 2016. Tenants currently in the market are looking for 3.6 MSF over the next 24 months countywide with 2.5 MSF in Central County, 587,000 SF in North County, 362,000 SF in South County and 95,000 with no geographic preference. While not all of the current tenants in the market will transact in the short-term, leasing activity is set to strengthen further.

Retail – CBRE 2nd Quarter 2015

The San Diego retail market built on the strength of the local economy in Q2 2015. Strong job growth and low unemployment led to solid rent growth, positive net absorption and the delivery of The Village at Pacific Highlands Ranch. Average asking rates increased $0.06 quarter-over-quarter to $2.04. After remaining relatively flat since 2011, there has been a recent spike in asking rates with a $0.24 increase over the last three quarters.

For the second straight quarter, average asking lease rates saw a sharp increase to $2.04. After remaining relatively flat for 17 quarters, lease rates have increased $0.24 over the last three quarters, a 13.1% gain. There is still room for improvement, though, as rates are $0.37 below the peak of $2.41 in Q4 2008. Surprisingly, the rent growth was not attributed to San Diego's desirable markets, which include Encinitas, Del Mar/Solana Beach, Downtown/Hillcrest, UTC, La Jolla, Mission Valley and Pacific Beach. These areas are generally the predominant rent drivers in San Diego but saw flat rent growth for the first time in 8 quarters.

The San Diego retail market's overall vacancy rate was 5.7% this quarter, up 10 bps from Q1 2015. Though we experienced a subtle increase, partially due to Pacific Highlands Ranch being delivered at 80% occupancy, vacancy is still 250 bps lower than the peak in Q3 2011. Prior to the recession, however, vacancy dropped to 2.0% so there remains room for continued improvement. As the market continues to tighten, expect lease rates to continue to increase as landlords gain pricing power in lease negotiations.

CONCLUSION

The San Diego Region remains a desirable location to reside given its mild climate, coastal proximity and abundance of recreational opportunities. San Diego has the benefit of a near perfect climate, which attracts a well-educated and talented workforce and a steady influx of well-off retirees. The presence of the U.S. Navy and Marine Corps also makes a significant contribution to the region's economy. All these attributes mean San Diego, which had a robust and diverse economy before the recession, will be even stronger moving forward. However, projected budget constraints will likely negatively impact social services and future infrastructure improvements for years to come. This could result in increased congestion and a perceived further deterioration of the standard of living which many local residents cite as a reason for leaving the County and State.

The 2015-2016 LAEDC Economic Forecast & Industry Outlook indicates that after peaking at 10.6% in 2010, the unemployment rate in San Diego County fell to 6.2% last year, down from the year ago rate of 7.5% and the lowest rate since 2008. The improvement in the unemployment rate came as a result of job growth that exceeded 2.5% for the third year in a row. The LAEDC forecasts continued job gains over the next two years that will drive the unemployment rate to 5.4% this year and 5.0% next year, well below the long-run average unemployment rate 6.0%.

Although still not fully recovered, San Diego's housing market has improved. The median price for all homes was $440,000 in December 2014, up 4.8% from a year earlier, while sales increased by 6.2% year-to-year. New housing permits fell in 2014, but are expected to increase substantially over the next two years as San Diego County sees an increase in housing activity, much like the rest of the state and nation.

Housing prices have trended upward over the past year with the real estate market key to a sustained recovery. In terms of commercial and industrial real estate, continued market improvement was seen through 2015 with improvement in virtually every sector. Transaction volumes for newer, well-located apartments are moderating but cap rates remain near all-time lows. However, the potential for inflation and rising interest rates could reverse this trend. All of these factors warrant some caution for future economic and real estate value projections.

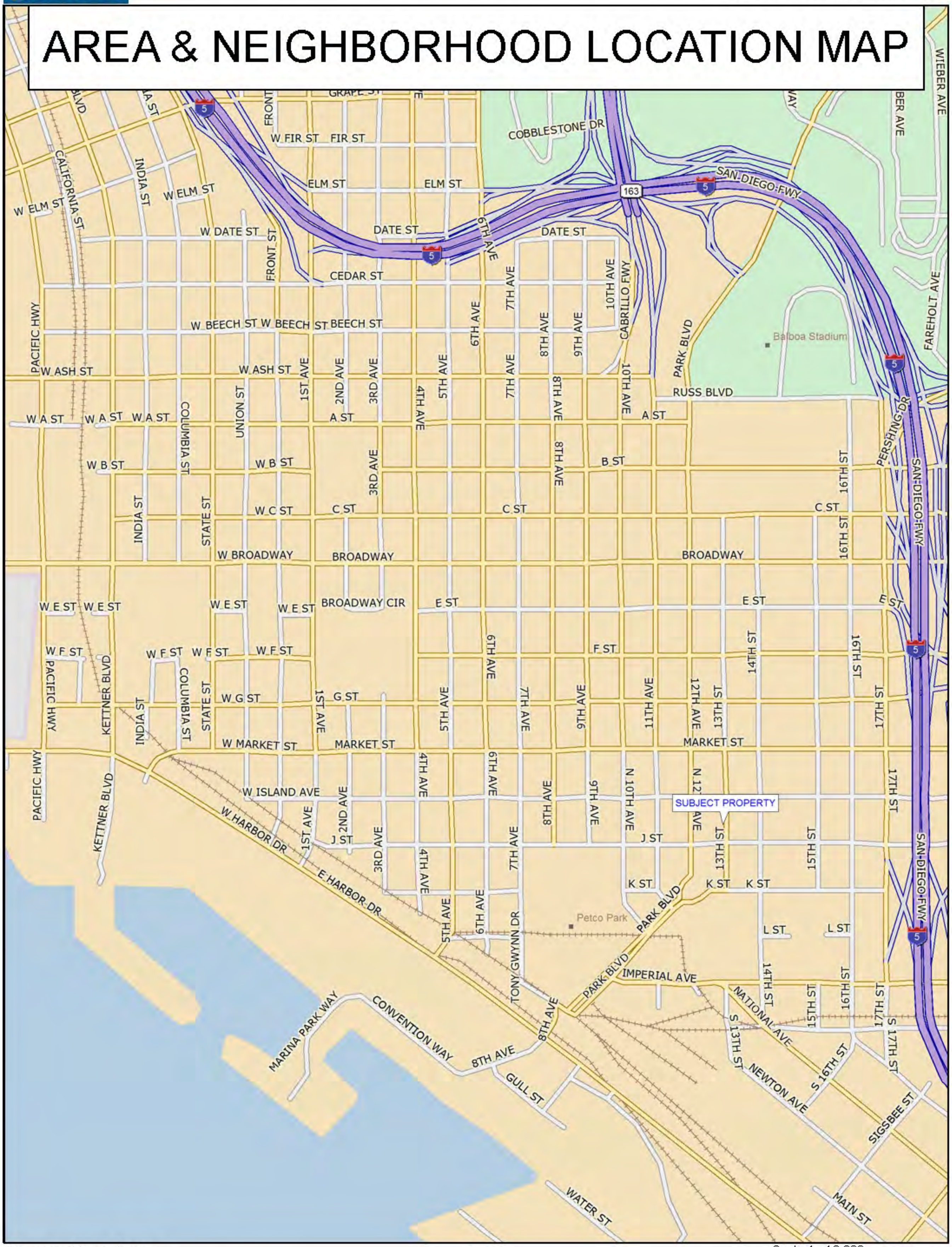
Source:

CB Richard Ellis
Economics & Politics Inc.
Grub & Ellis
Marcus & Millichap
California, Department of Finance
U.S. Bureau of Labor Statistics,
San Diego Daily Transcript

Colliers International
Fortune Magazine
Hendricks and Partners
National Association of Realtors,
California, Employment Development Dept.
U.S. Census, Residential Construction Branch
San Diego Business Journal

CoStar
Froboese Realty Group, Inc.
Los Angeles Times
Pricewaterhouse Coopers
U.S. Bureau of Economic Analysis,
Voit Real Estate Sevices

AREA & NEIGHBORHOOD LOCATION MAP



Scale 1 : 12,800
1" = 1,066.7 ft
Data Zoom 14-0

AREA ANALYSIS

The Area Analysis defines and analyzes the primary characteristics of the area in terms of Social, Economic, Governmental, and Environmental influences. This analysis concludes in reasonable estimates of future market trends and their impact on the subject.

AREA HISTORY

Downtown San Diego has been enjoying an urban renewal since the 1980's, beginning with the opening of Horton Plaza, the revival of the Gaslamp Quarter, and the construction of the San Diego Convention Center. The Centre City Development Corporation (CCDC), San Diego's downtown redevelopment agency, has transformed what was a largely abandoned downtown into a glittering showcase of waterfront skyscrapers, live-work loft developments, five-star hotels, cafes, restaurants and shops. CCDC lost the bulk of its funding in January 2012 with the elimination of redevelopment agencies. A newly created city non-profit organization, Civic San Diego; has taken over redevelopment responsibilities for downtown. Funding for Civic San Diego will come from permit application fees, parking meter revenue, and other management fees rather than property tax revenues.

TRANSPORTATION

Downtown San Diego is served by the San Diego (5) Freeway traversing north and south along the coast of San Diego and is located the northern and eastern border of the neighborhood. This freeway provides access to Orange and Los Angeles Counties to the north and to Mexico to the south. Additional freeways include the Escondido (15) Freeway, the Cabrillo (163) Freeway, and the Martin Luther King Jr. (94) Freeway. Interstate 15 is the primary inland north/south transportation corridor for the county.

Public transportation in San Diego includes trolley, bus, Coaster, and Amtrak service. These services primarily serve downtown, the surrounding urban communities, and Mission Valley. The Amtrak and Coaster trains currently run along the coastline, and connect with MetroLink trains which go further inland to the east and north. The new inland Sprinter (which connects directly with Coaster and

Amtrak) service opened in 2008 running from Oceanside to Escondido. A planned trolley extension along the 5 Freeway will link up to the UTC/UCSD areas. Newly expanded Trolley routes and a new underground stop at San Diego State University opened in 2005.

The bus is available along almost all major routes within the downtown area and throughout the city. Typical wait times vary from 15 to 30 minutes, depending on the location and route. Trolleys arrive every 5 to 15 minutes (depending on time of day), with lines extending from Old Town all the way south to the US-Mexico border in San Ysidro, and west-east from Old Town, traversing Mission Valley all the way to neighboring El Cajon and Santee. Ferries are also available every half hour crossing San Diego Bay to Coronado.

POPULATION

The latest San Diego Association of Governments (SANDAG) figures show Downtown San Diego's population grew from 17,513 in January 2000 to 33,147 in January 2014 representing a 6.4% annual change. This compares to San Diego County's average annual growth rate of 1.0% for the same period. This is due primarily to the construction of several condominium and rental projects during this period.

SANDAG's latest forecasts suggest Downtown San Diego's population will reach 55,564 by January 2020 representing a 11.3% annual change between 2014 and 2020. This compares to San Diego County's forecasted average annual growth rate of 1.8% for the same period suggesting continued growth due to a significant amount of new construction.

At 1.48 persons per household, Downtown San Diego's average household size is 46.4% below the County's 2.76 average household size. This is due primarily to the much higher percentage of attached housing units (both apartments and condo/townhome) relative to the county as a whole.

HOUSEHOLD INCOME

The latest SANDAG data shows Downtown San Diego's median household income was $55,711 as of January 2014. This income level falls 23.5% below San Diego County's 2014 median household income of $72,869. The following table breaks down the income estimates for both the area and county.

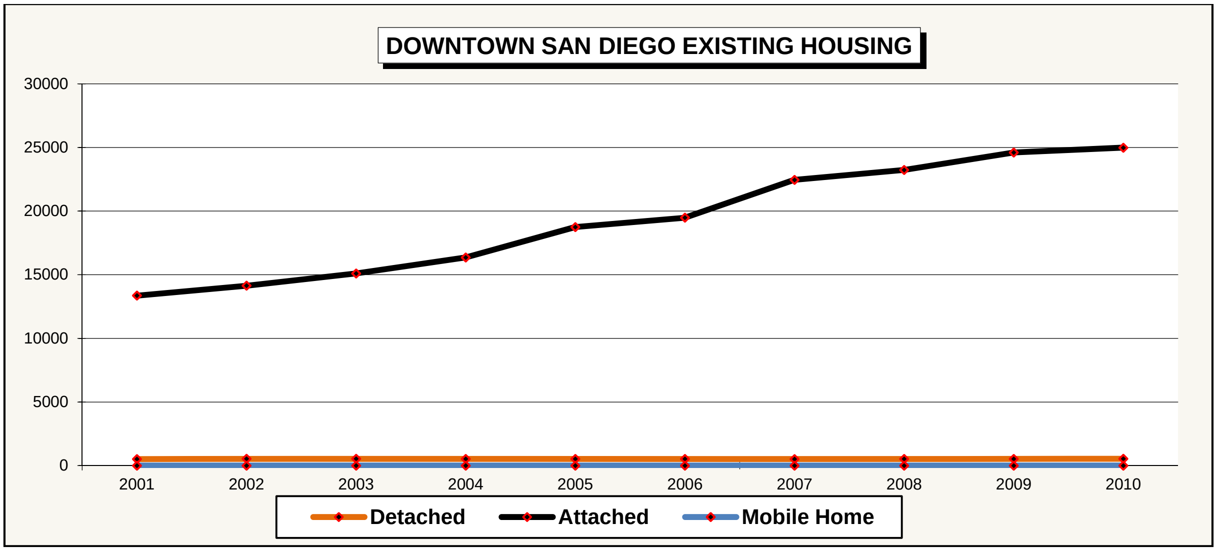
DOWNTOWN / SAN DIEGO COUNTY YEAR 2014 MEDIAN HOUSEHOLD INCOME			
INCOME RANGE		% OF HOUSEHOLDS	
LOW	HIGH	DOWNTOWN	SAN DIEGO COUNTY
$0	$14,999	21.0%	8.0%
$15,000	$29,999	14.0%	12.0%
$30,000	$44,999	11.0%	13.0%
$45,000	$59,999	9.0%	12.0%
$60,000	$74,999	9.0%	11.0%
$75,000	$99,999	9.0%	13.0%
$100,000	$124,999	7.0%	10.0%
$125,000	$149,999	5.0%	6.0%
$150,000	$199,999	7.0%	8.0%
$200,000	+	9.0%	9.0%

The table above shows Downtown San Diego possesses a higher percentage of households in the extreme lower income brackets relative to the County. Given this factor, the area obviously falls well below the County percentages through the mid and high end of the range.

EXISTING HOUSING

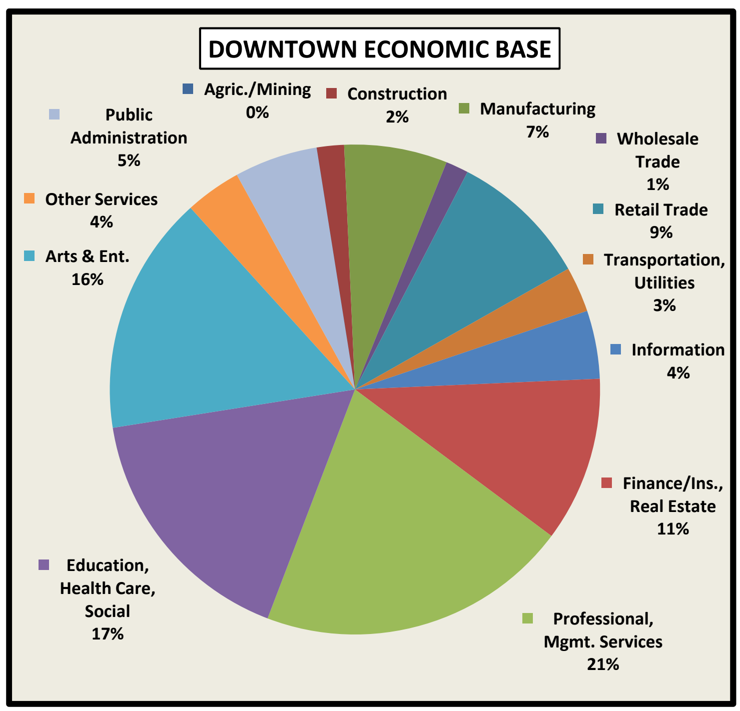
Downtown San Diego offers primarily moderate to high density attached housing with very few detached residences and no mobile homes. According to the latest San Diego Association of Governments (SANDAG) data, detached single family residences (SFR) comprise less than 1% of Downtown San Diego's total housing inventory. Over the past four years, Downtown San Diego single family home inventory has decreased from 115 total units in 2010 to 81 units in 2014. Detached home prices generally range from $650,000 to $2,000,000 range. The latest MDA DataQuick data shows that no single family homes sold in Downtown San Diego during June 2015.

These same sources show multi-family housing units (apartments and condominiums) comprise 99%+ of Downtown San Diego's total housing inventory. Over the last four years, the multi-family unit inventory has increased from 23,493 units in 2010 to 24,206 units in 2014. The area's apartment market is discussed in the Market Overview Section. Focusing just on condominium/townhome units, most attached units were built in the 1990's and 2000's. Prices can range from the low $200,000's to over $4,000,000. A total of 105 condos sold in Downtown San Diego during June 2015. The current median price of $490,000 is 2.1% above the median condominium price posted the same period last year. The following table graphically illustrates the previous discussion:



ECONOMIC INFLUENCES

The adjacent pie chart represents major employment by industry in Downtown (92101) according to latest American Community Survey figures. Employment is used as the controlling measure since no comparable dollar volumes are available.



Source: American Community Survey
Froboese Realty Group, Inc

The economic base in Downtown is less diverse as the County as a whole with greater concentration in the Finance, Insurance, Real Estate (10.9% vs. 6.6%), and Professional, Management Services (20.6% vs. 14.5%) sectors. Conversely, the area has less emphasis in the Education, Healthcare, and Social (16.7% vs. 21.0%), Construction (1.8% vs. 5.8%), and Manufacturing (6.8% vs. 9.3%) sectors.

The City of San Diego has diversified its economic base over the past 20 years from a heavy dependence on government employment associated with the regions military installations and defense manufacturing to a more service and trade oriented economy. This trend was particularly painful over the early part of the 1990's as the rapid reduction in these areas accounted for most of the 40,000± jobs lost in San Diego between 1990 and 1994 per SANDAG figures. As a result of this diversification, the current economic base of San Diego is far more diverse, with no one sector being dominant. Today, new industries like biotech, communications, software, environmental technologies, make up San Diego's fastest growing cluster industries. These firms drive wealth creation with many offering wages 30% to 120% above the regional average. The table below shows major employers in San Diego according to the 2013 Comprehensive Annual Financial Report:

CITY OF SAN DIEGO - MAJOR EMPLOYERS 2013		
EMPLOYER	**INDUSTRY**	**NO. EMPLOYED**
United States Navy	Defense	30,664
University of California San Diego	Education	28,071
Sharp Healthcare	Healthcare	15,906
County of San Diego	Government	15,727
San Diego Unified School District	Education	13,552
Qualcomm, Inc.	Telecommunications	13,524
City of San Diego	Government	10,026
Kaiser Permanente	Healthcare	8,800
UC San Diego Medical Center	Healthcare	6,235
San Deigo Gas & Electric Co.	Utilities	4,753

EAST VILLAGE REDEVELOPMENT

At 325 acres, East Village is downtown's largest neighborhood. It was the last district in downtown to begin redevelopment and will likely experience the greatest growth in the coming years, including thousands of residential units and significant growth of new office/retail space. PETCO Park, home of the San Diego Padres, opened in April 2004. Artist's lofts, studios, galleries and shops are scattered throughout the area; even former warehouses have been transformed into residential units with mixed uses, creating a trendy and urban lifestyle close to San Diego Bay. San Diego City College, the New School of Architecture, two high schools and the recently completed (January 2011) Thomas Jefferson School of Law augment this neighborhood's youthful and creative population. The Harbor Drive Pedestrian Bridge was opened in March 2011, completing the 100-year vision of linking two of the region's best assets, San Diego Bay and Balboa Park. The New San Diego Central Library was completed in September 2013 and is a nine-story building of flexible spaces with diverse and accessible public amenities including bay view terraces, roof gardens and a public reading room. Special features include a 400-seat flexible special events room on the eighth floor, a state-of-the-art auditorium, and a reading room under the lattice dome. Additionally, there have been multiple affordable and market rate apartment project completed in the East Village over the past three years.

As much as this significant redevelopment has revitalized many sections of East Village, the district still suffers to some degree from a reputation for dormant industrial/warehouse buildings, higher than average crime, and drug dealing. This is particularly true for the southeast section of the district along 17th Street between Market Street and Imperial Avenue, within a few blocks of the subject site. Within a 0.20 mile radius of the subject, police arrested 151 people over the past 6 months for drug or alcohol, assault, and burglary violations. Additionally, there was one homicide over the past 6 months. In 2009, one out of every 10 people arrested for drug violations in San Diego was picked up from this 17th & Market in the East Village. Although criminal activity has declined over the past five years, the subject property is located within two blocks of this high crime area. In addition to the higher than average crime in the area, East Village has a significant homeless population.

Redevelopment

Civic San Diego indicates there are multiple projects in various stages of development and planning in the subject's East Village area. Although most of the planned development is residential apartments or condos, there is a mix of other uses, including, apartments, hotels, retail, and office space. There will also be public infrastructure improvements, including a new fire station.

San Diego Central Library was completed in September 2013. The New Central Library is a nine-story building of flexible spaces with diverse and accessible public amenities including bay view terraces, roof gardens and a public reading room. The Library's spaces are designed to be open and inviting to patrons who wish to explore or relax with a new-found book. Special features include a 400-seat flexible special events room on the eighth floor, a state-of-the-art auditorium, and a beautiful reading room under the lattice dome—creating a unique and extraordinary facility. The design allows the New Central Library to fulfill its crucial role as the heart of the 35-branch system--with space to provide literacy, children's and adult programs, disabled access, technology and web-based services, and answers to reference questions from throughout the region.

There are also discussions regarding development of "East Village Park" as part of a master-plan for a large section of the East Village located two blocks north of the subject. If developed, this park would be the second largest park in the City, after Balboa Park. Additionally, a new San Diego Charger Stadium has been proposed in the East Village, although has received push back from the public.

IDEA District

The premise of I.D.E.A. District is to transform the Upper East Village from its current status as an economic underperformer into a robust local economy that has the potential to employ thousands of high-paying professionals. The I.D.E.A. District includes 95 acres and 38 City Blocks envisioned as an urban mixed-use district that would follow the organic pattern of other redevelopment in downtown with the construction of additional for-sale and rental housing and neighborhood-level services and amenities. Build out under this scenario would require approximately 20 years.

The proponents of Makers Quarter, a $900 million master plan downtown announced in 2013, hope to make their five-block development in downtown's upper East Village as famous as the Gaslamp Quarter to the west. Located south of City College, the mixed-use development comprises 25 percent of the heart of the 20-block IDEA District where its self-styled "makers" hope to concentrate innovation, design, education and arts companies and organizations. The development team of San Diego-based Lankford & Associates and two national firms, Hensel Phelps and Portman Holdings, envision a 2.9-million-square-foot complex of about:

- 1,250 apartments and condos, averaging 800 square feet each
- 800,000 square feet of offices
- 200,000 square feet of retail and cultural space,
- 65,000 square feet for a 100-150-room hotel
- 750,000 square of above- and below-grade parking

Civic San Diego retains design review approval and financing is still to be arranged.

RECREATIONAL AMENITIES

Downtown San Diego has good access to Sea World and the San Diego Zoo. The San Diego Chargers of the National Football League currently play in San Diego's Qualcomm Stadium. The San Diego Padres completed a new stadium (Petco Park) in the subject’s East Village district.

A $216 million expansion of the convention center facility was completed in late 2000. However, the convention center has also experienced cancellations in conventions due to a lack of adequate hotel rooms to support the convention center expansion. As a result, the Hyatt completed a 750-room extension on the north side of the convention center. Elsewhere Downtown, East Village ballpark plans include three hotels providing nearly 1,000 rooms, with half of these in the four-star Westin.

The San Diego Convention Center Expansion project was on track for an early 2015 groundbreaking, as the California Coastal Commission voted unanimously on October 10, 2013 to approve the Port of San Diego's application for a Port Master Plan Amendment. The amendment allowed for the expansion of the San Diego Convention Center, along with the nearby Hilton San Diego Bayfront Hotel. However, at least for right now, the San Diego Convention Center expansion is on hold following a court ruling the funding strategy for the $520 million project unconstitutional and put an end to the hotelier-approved room tax plan to finance the expansion.

CONCLUSION

Downtown San Diego's central location allows convenient access to all areas of the County via nearby freeways and railways, as well as, close proximity to downtown employment centers. The ongoing revitalization of the community's economic, recreational, natural and educational amenities is having a positive impact creating an increasingly more desirable place to live.

MARKET ANALYSIS

DOWNTOWN APARTMENT MARKET OVERVIEW

The following discussion is partially based on my review and analysis of Market Pointe Realty Advisors' *Rental Trends* publication, as well as, my primary research conducted during this appraisal. *Rental Trends* is a semi-annual publication representing market surveys of apartment projects over 25 units in size. Although it is not all-inclusive, it is considered the most comprehensive apartment audit available.

The Rental Trends data is based on a survey of 24 projects totaling 8,768 units in Downtown San Diego. The data shows that 4 of the projects were built between 2000 and 2010. However, at least 8 projects have been completed since 2010. The average project size of the data surveyed is 365 units; however, project size and density have clearly increased over time as land has become more scarce and valuable. This trend is projected to continue going forward.

The majority of the rental units in Downtown San Diego are in the Studio, one or two bedroom category. For households requiring a three-bedroom apartment, there are some projects servicing the segment, but the supply is far more limited. The downtown area also features a number of Single Room Occupancy (SRO) Units, made up of renovated hotels built in the 1920's and 1930's, and structures built in the 1990's and rented on a weekly or monthly basis. Rent levels for SRO's generally range from $150 to $375 weekly and from $500 to $1,100 monthly.

RENTAL TRENDS

Our primary survey found downtown apartment projects comparable to the subject achieve the following rent ranges:

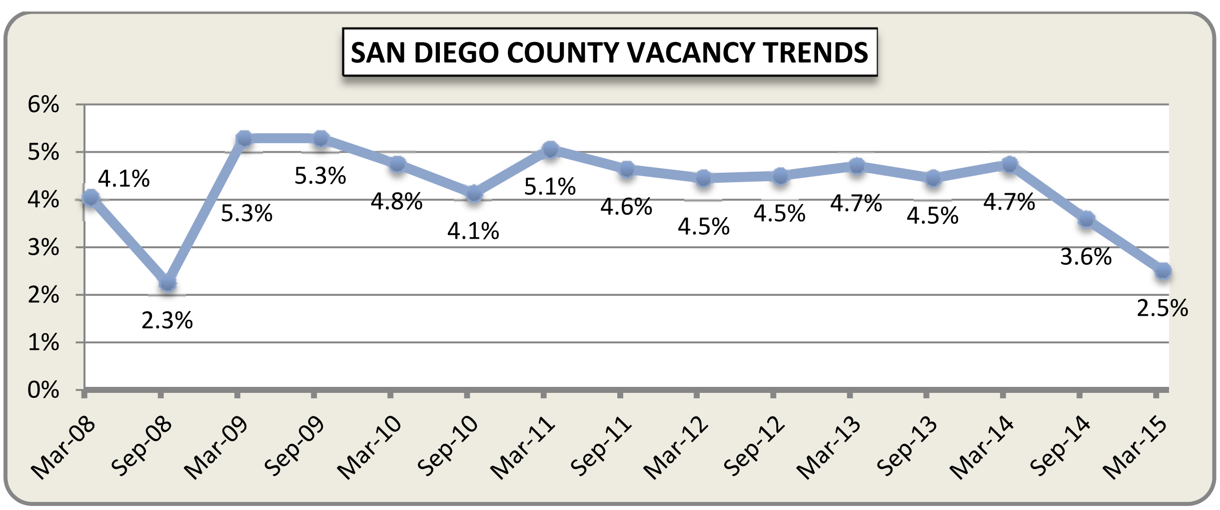
Studio units	$950	to	$2,010	per month
One-bedroom units	$1,280	to	$2,320	per month
Two-bedroom units	$1,630	to	$2,899	per month
Three-bedroom units	$1,780	to	$3,530	per month

Higher quality buildings in close proximity to the downtown core and Gaslamp Quarter with parking included tend to command the upper end rents. The overwhelming outlook of the San Diego County apartment market is extremely positive with decreasing vacancy and positive rent growth. The Berkadia 2nd Quarter 2015 Apartment Update indicates: Average asking rent advanced 5 percent since mid-2014 to $1,756 per month by June. Rents were highest in the Downtown San Diego submarket at $2,271 per month, up 3.6% from a year prior. To spur rental demand, operators increased metro wide concessions to an average of five days of free rent. Based on our primary surveys, the subject's immediate competition reports stable to increasing rent levels over the two years as seen throughout the county. Only one of the primary comparables was currently offering a concession. Although there have been aggressive with rent increases in the past year, the significant new supply will likely limit increases going forward.

The 3rd Quarter 2015 Marcus and Millichap Apartment Report indicates: High demand for rentals facilitated a 7 percent climb in average effective rents the past year to $1,603 per month in the second quarter. During the same span last year, effective rents rose 2.8 percent. Only 0.8 percent of professionally managed apartments were offering renters incentives for new leases; most were at newer apartments. Average concessions marketwide were the equivalent of roughly three weeks of free rent. The La Jolla/University City, Carlsbad/Encinitas/Del Mar, Downtown San Diego/Coronado, and Northeast San Diego submarkets recorded the highest rents in the market, all of which were above $1,900 per month. Rents in the Northwest San Diego submarket jumped 11.7 percent in the past year, the fastest in the county. Low vacancy will enable average effective rents to grow 5.3 percent this year to $1,630 per month. In 2014, rents rose 6.0 percent.

VACANCY

San Diego County has seen the countywide vacancy rate fluctuate nominally during the previous recession from a low of 4.05% to a high of 5.06% in March 2011. The March 2015 vacancy rate reported by Marketpointe Realty Advisors was 2.5%, a 110 basis point decrease since September 2014. MarketPointe said vacancy rates will continue to be pushed downward by an improving for-sale housing market and that formerly distressed single-family homes, temporarily occupied as rentals, are now selling once again. The historical vacancy rate for the San Diego County market is documented as follows:



Source: Market Point Realty Advisors, *Rental Trends.*
Froboese Realty Group, Inc.

The 3rd Quarter 2015 Marcus and Millichap Apartment Report indicates: Average vacancy in the county inched down 10 basis points in the first half of 2015 to 3.2 percent as rising construction outpaced demand. The rate is flat since midyear 2014. Over the corresponding period last year, vacancy ticked down 20 basis points. In the El Cajon/Santee/Lakeside, Mid-City/National City and Escondido submarkets, average vacancy is below 2 percent. In each of these submarkets, vacancy fell between 60 and 100 basis points in the past four quarters. A large number of deliveries pushed vacancy up 260 basis points to 5.9 percent in the last three months in the Downtown San Diego/Coronado submarket. Rising construction is having an impact on vacancy in the market. At midyear the new inventory has helped push vacancy at properties built since 2000 up 70 basis points to 4.7 percent. Average vacancy in San Diego County will edge down 20 basis points to 3.2 percent in 2015, repeating last year's decline.

The best indication of the market vacancy level for the subject units if operated strictly as market rate rental units is my survey of its immediate competition as follows:

COMPARABLE STATIC VACANCY				
COMP NO.	PROJECT NAME	NO. OF UNITS	VACANT UNITS	STATIC VACANCY RATE
1	900 F Apartments	115	0	0.0%
2	Island Inn	200	0	0.0%
3	Lofts at 707 10th Avenue	207	5	2.4%
4	13th & Market	264	7	2.7%
5	Market Street Village	229	6	2.6%
6	AVA Cortez Hill	293	12	4.1%
	Total	1,308	30	2.3%

The data indicates that the subject's immediate competition is currently operating at vacancy levels between 0.0% and 4.1% with an average of 2.3% for all projects surveyed.

RECENTLY COMPLETED DOWNTOWN RESIDENTIAL DEVELOPMENT

After more than two years of dormancy, major market-rate apartment construction returned to downtown San Diego with completions in 2013-2015, summarized as follows:

- **Villa Cusma Apartments** is a market rate apartment project in the Little Italy District is located at the corner of Columbia and Fir and consists of 40 apartments and roughly 2,500 square feet of retail. The project will also provide 40 parking spaces and consist of 1 and 2 bedroom apartments. The project was completed late 2012.

- **13th and Market** is located on the full block bounded 13th, 14th, Market, and G Streets in the East Village neighborhood. This 264 unit apartment project is six stories in height and contains roughly 20,300 square feet of retail space and 340 subterranean parking spaces. The building was completed in completed in October 2013 and reached stabilized occupancy in October 2014. Pre-leasing began in approximately August 2013 equating to a roughly 18 unit per month absorption rate. The retail space has been leased to Caffe Primo, Massage Envy Spa, and Dozzydog.

- **Columbia 1941** – is located at 1941-1957 Columbia Street in San Diego's Little Italy neighborhood. It is a total of 18 apartment units and was completed in October 2014. The project was developed by Jeff Svitak.

- **Ariel Suites** is a 224 unit, 22 story apartment project located at the corner of Kettner and Beech in Little Italy. The project will provide approximately 17,300 square feet of retail space, 270 subterranean parking spaces, and consist of 1 and 2 bedroom apartments. This project is being developed by Leo Frey and was completed in December 2013 and began leasing in January 2014. Two of the retail spaces are already leased to Hansens Market and an Italian Bakery.

- **Broadstone Little Italy** is a 201 unit, six story apartment project located the corner of Kettner and Grape in the Little Italy section of downtown. This project will include roughly 9,400 square feet of retail, 321 parking spaces and consist of studio, 1 and 2 bedroom apartments. The project is being developed by Alliance Realty Partners and was completed in March 2014. This property began pre-leasing in February 2014 and was stabilized in September 2014 equating to a roughly 25 unit per month absorption rate.

- **Form 15** is a 1.42 acre site at the northeast corner of 15th & Market was developed with 242 apartment units in a 6-story building with approximately 10,000 square feet of retail. The property was developed by Holland Partners and broke ground in November 2012. According to the property manager the project began leasing in September 2014 and was stabilized in July 2015 equating to a roughly 23 unit per month absorption rate.

- **Legacy (Olea Luxury)** is located on the southeast corner of Juniper Street and Kettner Boulevard in Little Italy is being developed with 32 apartment units with approximately 3,500 square feet of retail. The property is being developed by Danube Little Italy LP. The project was completed in August 2014.

- **Urbana** – is a 96 unit, 6 story apartment project that broke ground in 2012. This project is located on 10th Street between Island and J Streets in the East Village neighborhood. This project will include roughly 2,000 square feet of retail, provide 96 parking spaces and consist of studio, 1 and 2 bedroom apartments. This project is being developed by HG Fenton and was completed in February 2015. The property manager would not disclose absorption information, however, based on a review of the property website this project appears to be stabilized.

PROPOSED DOWNTOWN RESIDENTIAL DEVELOPMENT

The following is a discussion of the market based projects that are under construction and/or scheduled for completion within the next 24 months.

- **15th and Island** – Bayview Tower is a proposed, 484-unit high rise apartment building to be built on a 2.740-acre site. The project will consist of a 45-story high rise over five levels of subterranean parking. The project also includes approximately 5,938 square feet of ground floor retail and an existing 2,987 square foot stand-alone retail building leased to a restaurant. There will be 36 inclusionary affordable units restricted to tenants earning 65% of AMI or less. The development will also include the construction of a 57,000 square foot public park located on the western portion of the site. This project is currently under construction with delivery in planned for mid-August 2015. The property manager indicated the property began leasing in June 2015 and has currently pre-leased 121 units with move-ins anticipated to begin anyday. This results in approximately 60/unit/month; however, only represents the first two months of leasing and the project is only 25% leased. Going forward, the overall absorption pace to reach stabilization is anticipated to be lower than the current 60 units per month.

- **Ten on Columbia** – is a 10-unit, 3 story apartment in-fill development located at Columbia and Hawthorne Streets in San Diego's Little Italy neighborhood. This property has four different floor plans with that range from 650 to 1,350 square feet. This project is being developed by InDev and is near completion anticipated in fall 2015.

- **The Lofts at 688** – is located on 13th Street between Market Street and G Streets. It will be a 208 mid-rise apartment building with studio, one-bedroom, and two-bedroom units with a 9,000 square-foot roof deck with amenities and two ground-level retail spaces of approximately 2,660 square feet each. The property is being developed by Oliver McMillan. The project's construction is currently being finalized with move-ins expected to begin in September 2015.

- **Fenton Little Italy** – is located at the corner of India, Date, and Columbia Streets. It will be a total of 125 units in two mid-rise apartment buildings with studio, one-bedroom, and two-bedroom units with approximately 21,000 square feet of ground-level commercial space. The property is being developed by HG Fenton Company. The project's construction is currently underway and is expected to be completed in November 2016.

- **Ballpark Village** – is located on a 3.9-acre triangular property at Park Boulevard and Imperial Avenue. It will be a 37-story apartment building with a total of 720 apartment units. The property will have three levels of parking garage and approximately 58,000 square feet of commercial space. The project is currently under construction and expected to be completed in 2018, though the first apartments would be ready for occupancy in the third quarter of 2017.

- **Mitra Lofts** – is located on 15th Street in between J street and K Street. It will be a total of 9 units in a mid-rise apartment building. The property is being developed by Naskshab Development & Design. The project's construction is currently underway and is expected to be completed in Mid-2016.

- **Blue Sky** – A total of 939 units in two high rise apartment buildings to be built on a 1.380-acre site. The project will be built in two phases with the 480-unit tower being Phase I and a 459-unit tower Phase II to be constructed at a later date. The project will consist of a 20 to 25-story high rise over seven levels of subterranean parking. There will be no inclusionary affordable housing units. The developer is Gray Development and demo of existing structures started in March 2014. Phase I construction is estimated at 24 to 26 months putting completion sometime in late 2016. The site is currently under construction.

- **F11** – is located at F Street between 11th Avenue and Park Boulevard. It will be a 99-unit 7-story apartment building with studio, one-bedroom, and two-bedroom units with a 3,000 square-foot of commercial space. The project is located in the emerging I.D.E.A. district in the East Village. The property is being developed by the Richman Group. Construction is expected to start in the first quarter of 2016 with completion anticipated about 18 months later.

- **Prime** – is located 1965 Columbia Street in the Little Italy Neighborhood. It will be a total of 9 units in a mid-rise apartment building. The property is being developed by InDev. This project is currently under construction with completion anticipated for September 2016.

- **Atmosphere** – is a 205-unit LIHTC apartment project located at 1453 Fourth Avenue with approximately 1,000 SF of commercial space. Grading of this site is currently underway with completion anticipated in April 2017.

- **Alpha Square** – is a 203-unit LIHTC apartment project targeting special needs/homeless. The project is located at the southwest corner of Market Street and 14th Street and also has approximately 3,500 SF of commercial space. Construction currently underway with completion anticipated in October 2015.

- **The Alexan** – is a proposed 320-unit apartment project at 13th, J Street, 14th, and K Street in the East Village neighborhood of downtown San Diego with approximately 1,000 SF of commercial space. Grading of this site is currently underway with completion anticipated in August 2017.

- **Pacific and Broadway** – Will consist of a total of 232 condominiums units and approximately 16,000 SF of ground floor commercial space in a high rise tower. The condominium units are anticipated to sale for $1 million+. The project is currently under construction with completion scheduled for mid-2017. The developer is Bosa Development. The site is currently under construction.

Other significant projects further out in the pipeline include; but are not limited to:

- Library Tower is a proposed 22-story, 226-unit, mixed-use project on the north side of K Street, between Park Boulevard and 13th Street in East Village with construction planned for Q2 2016;

- 11th and Broadway will consist of 618 apartment units with an affordable component and approximately 11,000 SF of retail space this project is pending completion of building plans;

- 1435 Imperial Avenue is a proposed 63 units low income project pending issuance of building permits with an anticipated ground breaking date in December 2015.

- 15th & Island Phase II is a proposed 368 residential units along with 19,000 SF of commercial space;

- Palatine is a proposed 101 unit at the corner of Sate Street and West Elm being developed by Corky McMillin with an anticipated completion date in 2017;

- 7th and A is a proposed 256 apartment units along with approximately 12,000 SF of commercial space pending completion of building plans;

- 13th, Park, and C is a proposed 117 apartment units along with approximately 9,000 SF commercial space;

- Other proposed condominium projects include Bella Pacifico, 777 beech, Bahia View, Stadium View, and Columbia Tower.

As mentioned in the Area Analysis, the June 2015 median condo price in Downtown San Diego is $490,000. Although much of the renter pool could afford the monthly payment on an entry level condo, most do not have the down payment required to purchase. There is some shadow rental supply from individual condo owners renting their units, but the for sale condo market has less of an impact on overall demand for Class A units due to the high price point. As indicated the Pacific and Broadway condominiums are currently under construction with an estimate starting price above $1 Million. Further, as indicated previously there are 543 affordable apartments units in four projects currently proposed or under construction in Downtown San Diego.

Overall, the Civic San Diego Downtown Development Project Status report indicates there are a total of 232 condominiums and 2,697 apartments currently under construction with 853 condominiums and 3,557 apartments approved but pending construction.

Marcus & Millichap San Diego 3rd Quarter 2015 Research Report indicates: In the second quarter, developers completed 4,500 units year over year, lifting apartment inventory approximately 1.5 percent. The previous year nearly 1,600 rentals were brought online. Construction was heavily concentrated in the Mid-City/National City and the Far North San Diego submarkets. Total rental inventory increased 5.1 percent in these areas as builders placed 965 and 810 apartments into service, respectively. The largest project underway is the Blue Sky apartments in downtown San Diego. Developers are scheduled to deliver 939 units over two phases. Ground broke on the project late last year and completion is scheduled for the latter half of 2017. The pace of construction will slow slightly in 2015 as 4,000 units are delivered following the completion of more than 4,300 rentals the previous year.

INVESTOR DEMAND

Based on our most recent interviews, local brokers are reporting continued high demand for apartment investments for all property classes over the past eighteen months, which has kept cap rates near historic lows. Nearly all brokers report well-located Class A projects have interest in the low to mid 4-percent range based on Year 1 Income. Pro forma cap rates are slightly higher in the mid to high 4% range. There have been several projects purchased by REIT's and large private equity buyers in late 2013 into 2014, all with cap rates in the 5-percent range and below. The increased demand for Class A projects is being driven by the availability of financing with fixed low interest rates, improving economic fundamentals supporting continued rent growth, the desirability of the San Diego Apartment market, and the need of investors to place accumulated capital.

Marcus & Millichap San Diego 3rd Quarter 2015 Research Report indicates: Stable economic growth and steady appreciation over the past few years is lifting investor confidence, luring more buyers to San Diego County. Consequently, competition for apartment properties is fierce, generating multiple offers for sellers within a short time frame. The pending rise in interest rates is accelerating the timelines of investors who desire to trade up, enabling transaction velocity to rise. Many of these sellers are still looking for apartment properties within the metro rather than searching for additional yield in other metros or property types. In the neighborhoods to the northeast of downtown, San Diego investors are targeting 1970s and older vintage properties that can easily be updated and command higher rents. These assets can garner pro-forma yields in the 5 percent range.

Transaction velocity swelled more than 15 percent over the past year. Apartment sales in the first half of 2015 have accelerated 30 percent over the same time last year. The majority of deals were in the Mid-City/National City submarket, where velocity rose 13 percent. The price difference for Class B and C complexes continues to narrow with Class B properties averaging $200,000 per unit and Class C properties falling just shy of $180,000 per door. Class A properties averaged in $360,000 per unit though stabilized assets in Downtown San Diego and Carlsbad could easily surpass that mark. Cap rate for Class A properties near the coast averaged in the low- to high-3 percent range. Yield compression has blurred the distinction between Class B and C properties in many parts of the metro. Cap rates for these properties averaged in the high-3 to low-5 percent range. The Mid-Coast Trolley expansion will increase rent growth potential near future stations as transit-oriented living remains popular.

APARTMENT VALUE TRENDS

Marcus & Millichap San Diego 3rd Quarter 2015 Research Report indicates: The growing San Diego economy continues to attract new residents into the area, particularly young professionals, which is underpinning strong demand for apartments in the county. The high cost of single-family homes will encourage many new residents, particularly those recently graduated from college, to consider renting. Slow wage growth over the past few years has restricted the ability of many renters to save up for a down payment in order to qualify for a mortgage. In fact, the minimum income required to afford a median-priced home is roughly $40,000 more than the median income in the county. As a result, demand for apartments remains high, pulling down vacancy and enabling rents to rise at a rapid pace. Nonetheless, vacancy in the market still has another 100 basis points to drop before the rate reaches the pre-recession low. These conditions are boosting confidence among builders, motivating them to begin new projects. New multifamily development is largely centered in downtown San Diego, targeting the rising population of young workers. Additionally, a couple of large apartment projects are underway in northeast San Diego. In these areas the large construction volume will increase vacancy, though overall market trend will continue to improve. Tight vacancy will facilitate strong rent gains again this year.

On a national level, *The 2015 Emerging Trends in Real Estate* published by Price Waterhouse Coopers and the Urban Land Institute, multifamily was unquestionably real estate's trendsetter in the first years of recovery. If you go by just the numbers, the opinions of the *Emerging Trends* survey respondents seem sharply divided. For high-end multifamily, nearly half of the respondents (48 percent) felt it would be smart to divest in 2015, while 30 percent consider it worthwhile to hold for a longer period. Only 21 percent suggest this is a good time to buy. At the more moderate income level, that relationship was reversed. Only 28 percent recommend selling while holding and acquisition are more attractive, with 37 percent and 35 percent recommending these strategies, respectively, in the year ahead.

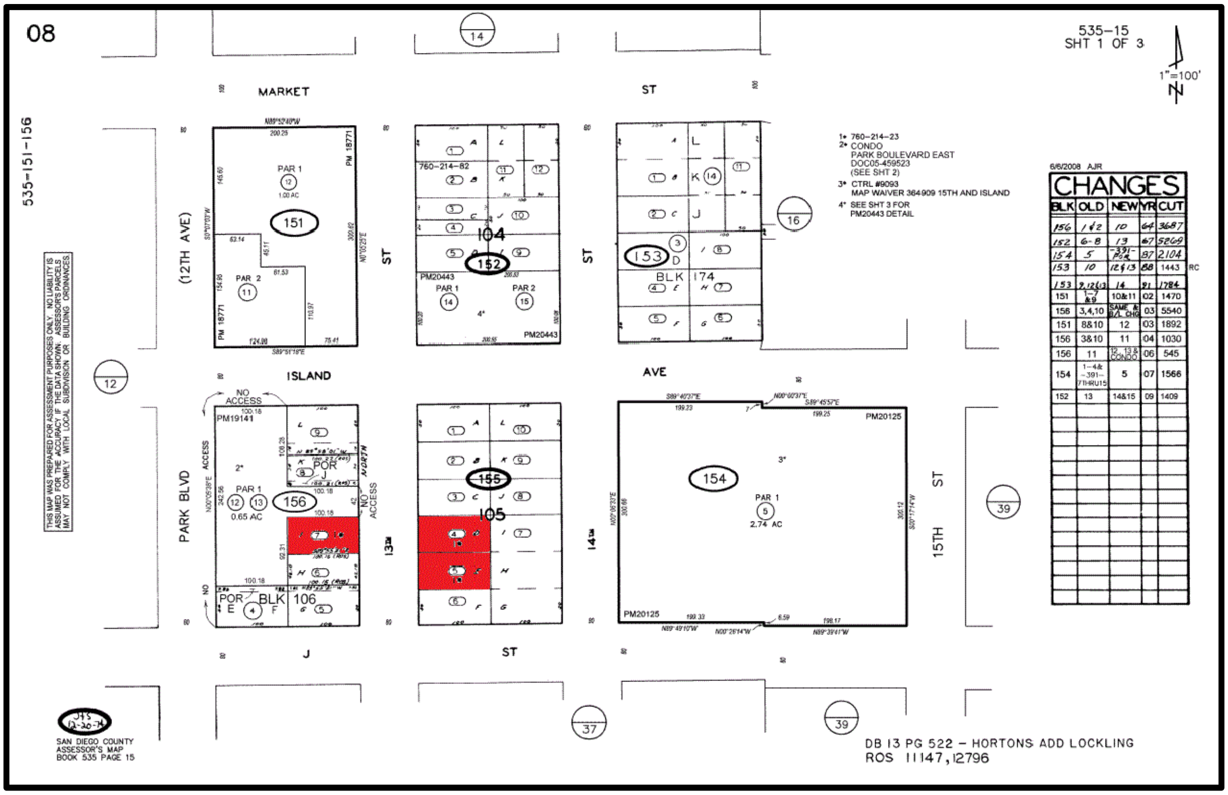
Survey respondents expect upward cap-rate adjustment, though most of the shift will not happen in 2015 but in the 2016–2018 period. The sense of urgency to sell just isn't at hand right now. Although 48 percent think it's a good time to sell luxury, the coming year is not anticipated to see major change. Time to book profits remains. Impacts are forecast to be "at the margin." The luxury end has had cap rates driven down the most, and should expect greater cap-rate expansion—90 basis points— by 2018, while more middle-income properties face a rise of 70 basis points. Respondents forecast cap rates for Moderate Income Apartments will average 6.0% in December 2015 and High Income Apartments will average 5.2%.

The 2015 Emerging Trends ranks San Diego 20th in the survey out of 71 national markets. Survey respondents and interviewees like the well-educated workforce, technology industry exposure, and growing millennial population that San Diego has to offer. The San Diego housing sector is viewed as offering one of the best opportunities in 2015 by this year's survey respondents. The results of the survey show the San Diego multifamily sector ranked number 11 and the single-family sector ranked number 16. San Diego is a smaller market on the West Coast, but the industrial base keeps it on the radar of a large number of institutional investors. The local owner/ development community also remains very active in the market. Survey participants with the most knowledge about the San Diego market see investor demand as a strong suit for 2015. The strength of the local economy and the availability of capital are expected to support the level of investor interest.

CONCLUSION

The regional apartment market is strong in terms of occupancy and rent levels despite the recent completion of several hundred Class A units. Given the anticipated response to the current properties on the market, sales volumes are likely to remain stable over the next 12 months as interest rates adjust upward. Based on the strengthening market conditions reported by brokers, investors and apartment managers, it appears the regional and local markets are firmly in the growth stage. The freeways, bus system, and nearby support services are also considered major contributors. Due to high cost for-sale housing, continued population growth, and apartment fundamentals, demand for the subject property's apartment use is considered high.

SUBJECT PARCEL MAP & AERIAL PHOTO



SITE ANALYSIS

LOCATION

The subject consists of two non-contiguous sites located directly across 13th Street from each other in the East Village district of downtown San Diego, CA 92101. The 434 13th Street site is located on the western side of 13th Street, 100 feet north of J Street. The 435 13th Street site is located on the eastern side of 13th Street, 50 feet north of J Street.

Property uses and influences immediately surrounding the subject are as follows:

- North — Multi-family residential uses (Condominiums and rental units).
- South — Older commercial uses and office.
- East — Multi-family residential and some commercial uses.
- West — Commercial and multi-family residential uses.

ACCESS

Freeway access is provided via the San Diego (5) Freeway at the Imperial Avenue Street interchange located 0.4 miles southeast of the subject, the Martin Luther King (94) Freeway at the G Street interchange located 0.5 miles northeast of the subject and the San Vicente (163) Freeway at the 10th and 11th Avenue interchanges located 0.65 miles north of the subject.

The 434 13th Street site has roughly 50 feet of frontage along 13th Street and the 435 13th Street site has roughly 100 feet of frontage along 13th Street. There is no onsite parking and consequently no vehicular access. Pedestrian access to the residential lobbies of both buildings is available from 13th Avenue.

SHAPE AND SIZE

The subject site consists of two, non-contiguous rectangular shaped parcels as shown in the parcel map on Page 41.

The 434 13th Street site is roughly 50 feet by 100 feet and the 435 13th Street site is roughly 100 feet by 100 feet. Public records show the combined gross site size is 14,810 square feet or 0.34 acres.

TOPOGRAPHY AND SURFACE DRAINAGE

The topography of the site is level roughly one foot above street grade. Drainage is engineered to flow to the surrounding streets and offsite storm drains. No drainage problems were reported.

SOILS AND SUBSOILS CONDITIONS

The client has not provided a geotechnical investigation report. The subject buildings have been in existence since 1990. For purposes of this analysis, I assumed the site's soil and subsoil conditions are of adequate load bearing capacity to support the improvements. The reader is referred to Limiting Condition #3 of this report.

HAZARDOUS WASTE AND/OR MATERIALS

The client has not provided a Phase I Environmental Site Assessment for the property. For the purposes of this analysis, I assume that the soil conditions are adequate to support standard construction consistent with the highest and best use and are not subject to any adverse conditions, including soil contamination, toxic waste or any other potentially hazardous materials or condition that would normally require the services of a professional engineer or environmental specialist. The reader is referred to Limiting Condition #3 of this report.

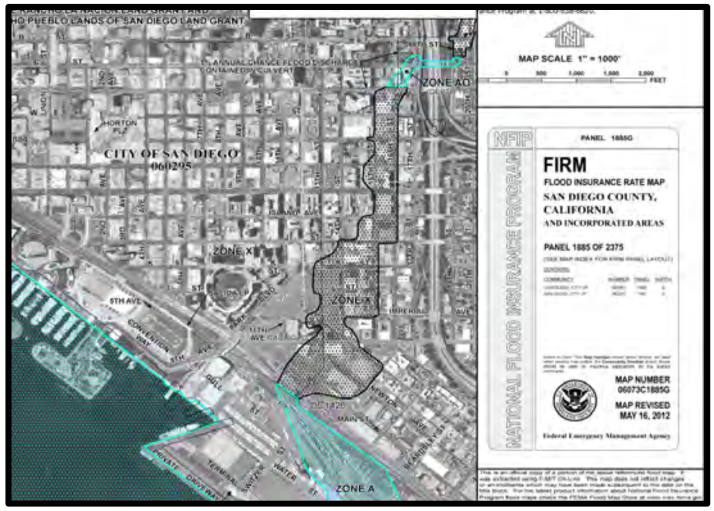
ADVERSE CONDITIONS AND/OR NUISANCES

There were no adverse conditions noted during my inspection of the subject site.

SEISMIC CONDITIONS

The subject site **is** located within a State of California Earthquake Fault Zone (Formerly Alquist-Priolo) and the Downtown Special studies Fault Zone established by the City of San Diego. Like all of Southern California, the site will experience some seismic activity over its remaining economic life. There is an active earthquake fault running northeast/southwest one block east of the site. Much of East Village lies in the Downtown Earthquake Fault Zone Boundary. The reader is referred to Limiting Condition #3 of this report.

FLOOD HAZARD INFORMATION



Per the most current Federal Emergency Management Agency's (FEMA) Flood Insurance Rate Map No. 06073C-1885G (effective date May 16, 2012), the site is located within an area having a flood zone designation 'X'. This zone is defined as areas of moderate or minimal hazard from the principal source of flood in this area. However, buildings in this zone could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Standard flood insurance is available, but not required by Federal regulations.

EASEMENTS, COVENANTS AND ENCROACHMENTS

The client has provided a Preliminary Title Report for the subject from Chicago Title Company dated July 27, 2015. The report references a number of listed items including:

- An Agreement for Rent Affordability Restrictions executed in 1989 between SDHC and SRO Limited Partnership.
- A ground lease executed in 1989 between SDHC and SRO Limited Partnership.
- Two cable access easements from Cox Cable dated 1990.
- Two Encroachment Removal agreements with the City of San Diego recorded November 16, 1989.
- CC&R's recorded December 21, 1995 referencing discrimination.
- The fact the subject site is in the Centre City Redevelopment Project Area.
- Two easements for Telephone Wires and Poles.
- A lien for unsecured property taxes filed by the tax collector of the county in the amount of $288.71 recorded August 10, 2011.

For purposes of this analysis, we assume that the subject's title is free and clear and there are no easements or encumbrances that would negatively impact the value of the subject. The reader is referred to Limiting Condition #1 of this report.

The subject property currently operates with income and rent affordability restrictions and has a ground lease. The site is owned by the San Diego Housing Commission who intends to transfer the income and rent restrictions to a new property in addition to terminating the ground lease concurrently with closing. After this process is completed, the subject will be rehabilitated and reconfigured to 81 studio units without affordability restrictions. The Prospective Unrestricted Market Value first values the subject's fee simple interest as an unrestricted market rate project as reconfigured. A deduction will then be applied for the necessary costs and entrepreneurial incentive required to completed the rehabilitation. Accordingly, this valuation scenario assumes the ground lease and affordability restrictions will be terminated concurrently with the closing date of December 31, 2015. See Extraordinary Assumption #1.

AFFORDABLE HOUSING COVENANTS/GROUND LEASE

The subject property currently operates with income and rent affordability restrictions and has a ground lease. The subject current consists of 194 SRO units and was 92% occupied at the time of inspection with a ±3-month waiting list. The subject owner received a loan from the San Diego Housing Commission for the construction of the project in 1990. Per the Agreement for Rent Affordability Restrictions dated November 1, 1989 and conversations with the property manager, SDHC requires that 50% of the subject units be leased to residents at or below 30% of AMI and 50% of the subject units be leased to residents at or below 40% of AMI. The property manager indicated the current rents are $341 and $471 per month. The owner intends to transfer these restrictions to a new property.

The site is owned by the San Diego Housing Commission who intends to transfer the income and rent restrictions to a new property in addition to terminating the ground lease concurrently with closing. This analysis values the fee simple interest in the subject assuming reconfiguration to 81-studio units and assumes there is no ground lease or affordability restrictions in place. The existing tenants will be relocated to the newly constructed Alpha Square once completed which is anticipated to be in October 2015. The subject will then be reconfigured to studio units and rehabilitated then leased up as a market rate project. Construction is scheduled to begin in June 2016 with completion anticipated for February 2017. Additionally, the SDHC has indicated the existing ground lease will be terminated concurrently with the closing date of December 31, 2015.

PUBLIC UTILITIES

All utilities currently exist and are extended to the site. The utility service providers are:

Electricity	:	San Diego Gas & Electric
Natural Gas	:	San Diego Gas & Electric
Sewage Disposal	:	City of San Diego Metropolitan Wastewater Department
Water	:	City San Diego Water Department

TAX AND ASSESSMENT ANALYSIS

The subject's Assessor's Parcel Numbers are identified as a 535-155-04 & 05, 535-156-07, and 760-214-23. Per San Diego County Assessor records, the subject 2015/2016 assessed values were as follows:

TOTAL ASSESSED VALUES - 2015/2016 TAX YEAR	
Subject Parcel Numbers	35-155-04 & 05, 535-156-07, and 760-214-23
Tax Rate Area	8242
Assessed Land Value	$686,941
Assessed Improvement Value	$4,757,581
Personal Property	$0
Homeowner's Exemption	$0
Other Exemption	($5,444,522)
Net Taxable Value	$0

The subject is owned by a non-profit entity and receives a 100% tax exemption.

At the 1978 State of California primary election, a constitutional amendment known statewide as "Proposition 13" was passed. The effect of this amendment is the limitation of real estate based revenues to one percent of market value plus bonded indebtedness. The tax basis is the 1975 assessed value except where changes in title, or a physical change in the character of the property that affects the value, such as remodeling. The taxes will then be one percent of the new assessed value plus bonded indebtedness. Tax increases under "Proposition 13" are limited to two percent per year. However, since the passage of Proposition 13, developers, cities, counties and other agencies have created special assessments and community facility districts in order to raise needed funds for various types of community infrastructure. These special assessments can only be created for new development areas and are not subject to the limitations of Proposition 13. Depending on the magnitude of these charges, the special assessments can have a significant impact on value. Per the San Diego County Auditor/Controller, the subject's combined 2015/2016 tax information is as follows:

REAL ESTATE TAXES & SPECIAL ASSESSMENTS - 2015/2016 TAX YEAR	
Subject Parcel Number	35-155-04 & 05, 535-156-07, and 760-214-23
Tax Rate Area	8242
Subject Tax Rate	1.179010%
General Levy/Bonded Indebtedness Taxes	$0
Special Assessments	$0
Personal Property	$0
Total Real Estate and Personal Prop Taxes	$0

It is noted the assessed values illustrated above are for the 2015-2016 year while the tax rate and is from 2014-2015. The 2015/16 figure was unavailable as of the date of this appraisal.

ZONING INFORMATION

The site falls within the zoning jurisdiction of the Centre City Development Corporation (CCDC). Based on zoning maps provided by CCDC, the subject is zoned as CCPD-R, Centre City Planned District – Residential Emphasis. This district accommodates primarily residential development. Small-scale businesses, offices, and services, and small-scale ground floor active commercial uses (such as cafes and retail stores) are also allowed, subject to size and area limitations. Within the Residential Emphasis District, at least 80 percent of the GFA must be occupied by residential land uses. Nonresidential land uses may occupy no more than 20 percent of the GFA. Floor area dedicated to active commercial uses to satisfy the requirements of either the Main Street or Commercial Street overlay districts shall not be counted against the maximum non-residential.

The CCPD Ordinance does not regulate density, only Floor Area Ratio (FAR). The base minimum and maximum FAR for this site are 3.5 and 6.0, respectively. Based on the subject's 14,810 SF site size and 6.0 maximum FAR without bonuses would require a minimum of 51,835 SF up to 88,860 SF of building area. Since the subject's original development in 1990, the developmental standards, zoning and parking requirements have changed. The subject's existing improvements total 41,812 square feet, which does not conform to the minimum FAR requirement.

As of May 2011, the parking requirements for downtown are summarized as follows:

DOWNTOWN SAN DIEGO RESIDENTIAL PARKING REQUIREMENTS	
Dwelling Units	1 Space per Dwelling Unit; plus 1 guest space for every 30 units
Living Units	Market Rate Unit - 0.5 Spaces per Unit; 50% of AMI - 0.2 Spaces per Unit; At or below 40% of AMI - None.

The requirements state parking shall be based on the occupancy/rent restriction applied to the specific unit. The subject's reconfiguration has all at market units; which would require 1 space per unit or 81 spaces plus additional guest spaces. The subject provides no parking spaces. Accordingly, the subject does not appear to conform to the current zone in terms of parking requirements and is considered a legal, non-conforming use.

According to the owner, the building can be reconfigured or continue to operate as an SRO so long as the building is not made more nonconforming (changing building envelope or increasing room count above 195 SRO's). The units can be reconfigured by right and would only be required to pull building permits. A site development permit or planned development permit is not required under this scenario.

As a legal non-conforming apartment building, the subject will fall under the jurisdiction of California State Bill 2112. SB 2112 was passed on September 22, 1994 and became a law and part of the

Government Code 65852.25 on January 1, 1995. The SB 2112 states that ”No local agency shall enact or enforce any ordinance, regulation, or resolution that would prohibit the reconstruction, restoration or rebuilding of a multi-family dwelling that is involuntarily damaged or destroyed by fire, other catastrophic event or the public enemy. The dwelling may be reconstructed, restored, or rebuilt up to its pre-damages size and number of dwelling units, and its non-conforming use, if any, may be resumed.”

FUNCTIONAL UTILITY AND RELATIONSHIP TO SURROUNDINGS

The site is a typical lot in terms of size, shape, and topography. It has excellent access and proximity to local services in the community. All utilities are available, and there appear to be no influences that have a significant negative effect on value. Accordingly, the site enjoys good functional utility for the allowed uses. Surrounding uses are either similar or complementary.

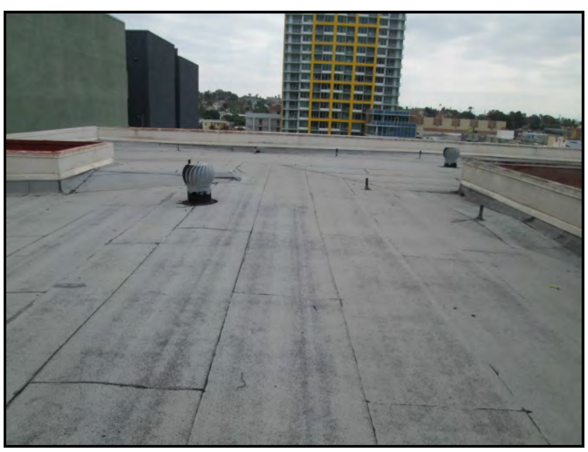
SUBJECT PHOTOS – EXTERIOR

Looking at the front of 435 13th Street (Main Building)

Looking at the front of 434 13th Street.

Street scene - Looking north on 13th Street.

Street scene - Looking south on 13th Street.

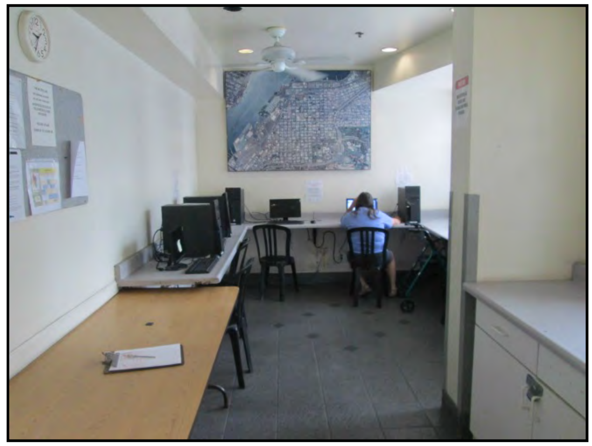


Roof – 435 13th Street.

Roof – 434 13th Street.

SUBJECT PHOTOS – COMMON AREAS

Lounge Area – Building 435.



Computer Area – Building 435.

Typical Hallway.

Laundry Facility – Building 435.

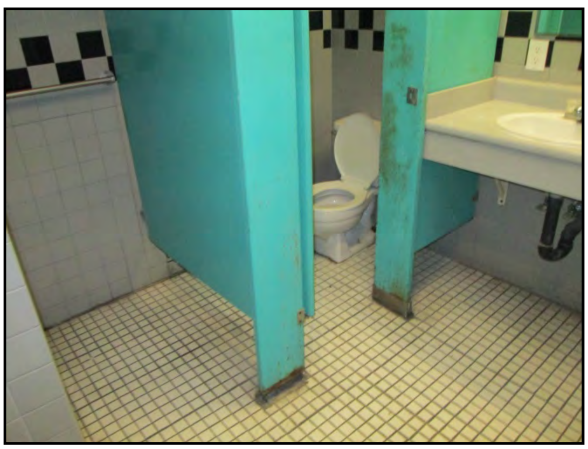
Laundry Facility – Building 434.

Lobby – Building 434

SUBJECT PHOTOS - INTERIOR

Typical common single bathroom and shower (435).

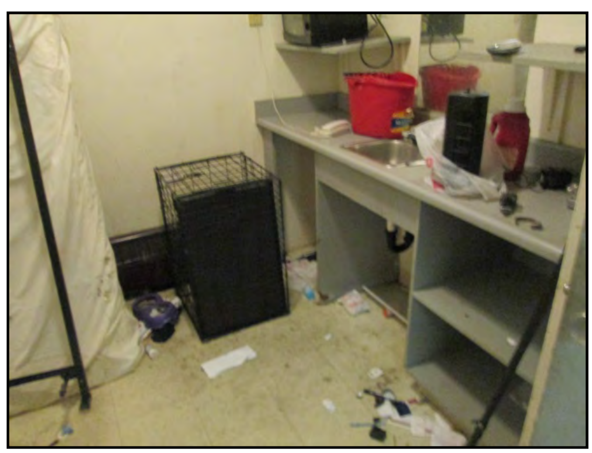
Common bathroom - Bldg. 434.



Double bathroom (Poor Condition)– Bldg 435

Typical rent ready vacant room – Bldg 434.

Typical rent ready vacant room – Bldg 435.



Recent move-out – Bldg 435.

IMPROVEMENT ANALYSIS

This description is based on my inspection of the subject on August 7, 2015, conversations with the onsite staff and owner, and conceptual reconfiguration plans prepared by Salerno/Livingston Architects and dated July 9th, 2015. The inspection included its exterior, common areas, and a sampling of unit interiors. The units inspected included: Building 435 - #103, #111, #206, #209, #229, #301, #338, #339, #430 and #436, Building 434 – #211 and #214. The units inspected were vacant units were stated by the management as being representative of the overall quality and condition of the subject property. The subject was 92% occupied at the time of inspection. I reserve the right to amend this appraisal should the overall unit mix or condition be different than that represented.

GENERAL INFORMATION

The subject currently consists of 194 SRO units. The improvements consist of two, non-contiguous 4-story buildings of wood frame and stucco construction built in 1990. The subject is planned for a significant reconfiguration and rehabilitation and will consist of 81 studio units after rehab. The rehabilitation budget is estimated at $82,034 per unit. The rehabilitation is scheduled to begin in June 2016 with completion anticipated for February 2017. The post-rehab unit breakdown and common area square footage is as follows:

SUBJECT RENTAL UNIT AND COMMON AREA BREAKDOWN							
PLAN	ROOM COUNT			UNIT STYLE	UNIT MIX	AVG. SQ. FT.	TOTAL SQ. FT.
	TOTAL	BEDROOMS	BATHS				
A	2	0	1	Flat	6	221	1,326
B	2	0	1	Flat	7	269	1,883
C	2	0	1	Flat	25	309	7,725
D	2	0	1	Flat	19	339	6,441
E	2	0	1	Flat	13	376	4,888
F	2	0	1	Flat	9	405	3,645
G	2	0	1	Flat	2	430	860
TOTAL RESIDENTIAL UNIT SQUARE FOOTAGE					81	330 Avg.	26,768
Laundry, Lobbies, Hallways and Other Enclosed Areas							15,044
GROSS BUILDING AREA							41,812

This appraisal values the subject improvements based on the proposed reconfiguration. The post rehab unit breakdown above is derived from the preliminary conceptual reconfiguration plans prepared by Salerno/Livingston Architects and dated July 9th, 2015. The reconfiguration plan and specifications are preliminary and subject to change. I reserve the right to modify this valuation should the reconfiguration plan and/or specifications change significantly from those described in this report. See Extraordinary Assumption #2.

For purposes of this analysis, the unit square footages are derived from the conceptual reconfiguration plans prepared by Salerno/Livingston Architects and dated July 9th, 2015. The architect plans show multiple different floor plans with many being very similar. For purposes of this analysis, we have condensed the floor plans based on unit type, size, and layout and used the weighted average square footage for similar floor plans that are within 25 square feet in size. The Gross Building Area has been provided by the owner which has been verified by our primary inspection.

The issue of compliance with ADA (American's with Disabilities Act) is beyond the scope of this appraisal. The appraiser has not made a specific compliance survey of this property to determine whether or not it conforms to the various detailed requirements of the ADA. If the property is found to be non-compliant with one or more requirements of the act, this could have a negative effect on the value of the property. Since the appraiser has no evidence directly relating to this issue, possible noncompliance with the requirements of ADA was not considered in developing an opinion of the value of the property. See Limiting Conditions.

QUALITY AND CONDITION - EXISTING

The buildings are classified as Type V – Wood Frame Construction with stucco exterior. The interior materials and finish are generally average quality and include vinyl and average quality press board cabinets with laminate finish. The buildings reflect average architectural detail with decorative accents along the street frontage. The overall quality of the property is average relative to other SRO buildings of this vintage in the market.

Interior Condition - The subject's unit interiors reflect a range of condition from fair to good, but are generally considered to be in overall below average condition. Units with recent move outs are typically in inferior condition while rent ready vacant units reflected average condition as they are cleaned upon turnover. The property manager reported that units are periodically inspected with replacement of short lived items upon unit turnover or when needed. Interior maintenance items noted in several units included stained/worn vinyl, scratches/holes/faded paint on walls, rusted sinks, worn fixtures or chipped/peeling cabinetry. These items are generally considered periodic maintenance or reserve items for an SRO project of this vintage.

The shared bathrooms were noted to be in overall average to below average condition. The bathroom stalls were rusted, the tile, grout and fixtures were in need of replacement. The manager indicated they had previously experienced plumbing problems with the bathroom piping which have reportedly been repaired but the full extent of the problems is unknown. Plumbing repairs are being completed on an as needed basis by the onsite staff. Multiple areas of patching in walls was noted where the plumbing had been repaired and there was evidence of previous leaks on the acoustic roof tiles. Overall, the subject common area interior is considered to be in below average condition.

Management noted that the subject has periodic issues with bed bugs in the past and management had been proactive in eradication. The bed bug problem is reported as being largely under control; however, this issue is common among SRO projects in the area.

Exterior Condition - The exterior of the subject was noted to be in average condition with newer exterior paint. The subject roofs were reportedly original and the manager was not aware of any current roof leaks. The manager indicated there was a roof leak in building 435 within the past few months which has been repaired. The roofs appear to be in average to below average condition based on our inspection, and appear to be nearing the end of their economic lives based on their age.

Based on our property inspection and discussions with the property manager, the subject is considered to be in overall below average condition.

QUALITY AND CONDITION - POST REHABILITATION

The developer is planning an extensive renovation and reconfiguration of the project. The rehabilitation is scheduled to begin in June 2016 with completion anticipated for February 2017. The rehabilitation scope of work has been obtained from the most current information from the owner and cost estimates provided by the owner and completed by Gilko Contracting & Estimating, Inc. dated March 12, 2016. A summary of the cost items is as follows:

HOTEL METRO REHAB COST BUDGET			
COST ITEM	**ITEMIZED COSTS**	**PERCENT OF BUDGET**	**COST/UNIT**
Direct Rehab Costs - 434 13th Street			
Interior Demolition	$173,909	2.62%	$2,147
Indivi.Unit Metering & SDGE Upgrades	$396,353	5.96%	$4,893
Common Area Repairs & Finishes	$95,967	1.44%	$1,185
Plumbing & Plumbing Fixtures	$319,196	4.80%	$3,941
Electrical & Elevator Upgrades	$386,224	5.81%	$4,768
Unit Interior Walls, Ceilings, Hardware	$232,039	3.49%	$2,865
Unit Counters, Cabinets, & Flooring	$220,373	3.32%	$2,721
Unit Appliances & HVAC	$165,782	2.49%	$2,047
Vinyl Windows	$41,730	0.63%	$515
Roof Repair Allowance	$17,417	0.26%	$215
Exterior Paint	$23,276	0.35%	$287
Common Area HVAC	$27,831	0.42%	$344
Direct Rehab Costs - 435 13th Street			
Interior Demolition	$220,276	3.32%	$2,719
Indivi.Unit Metering & SDGE Upgrades	$532,708	8.02%	$6,577
Common Area Repairs & Finishes	$125,981	1.90%	$1,555
Plumbing & Plumbing Fixtures	$801,906	12.07%	$9,900
Electrical & Elevator Upgrades	$364,562	5.49%	$4,501
Unit Interior Walls, Ceilings, Hardware	$571,958	8.61%	$7,061
Unit Counters, Cabinets, & Flooring	$539,864	8.12%	$6,665
Unit Appliances & HVAC	$354,258	5.33%	$4,374
Vinyl Windows	$88,165	1.33%	$1,088
Roof Repair Allowance	$29,238	0.44%	$361
Exterior Paint	$33,477	0.50%	$413
Common Area HVAC	$27,831	0.42%	$344
Subtotal Direct Rehab Costs	**$5,790,321**	**87.14%**	**$71,485**
Indirect Rehab Costs			
Architectural & Engineering Fees	$752,741	11.33%	$27,879
Contingency	$77,673	1.17%	$2,877
Relocation Permits	$23,989	0.36%	$888
Subtotal Indirect Rehab Costs	**$854,403**	**12.86%**	**$31,645**
Total Direct & Indirect Costs	***$6,644,724***	***100.00%***	**$82,034**

**The direct costs include a pro-rata share of 15% for General Conditions, Overhead & Administration, Contractor's Fee, Surety Bond, and Insurance Surcharge and 10% for Contingency.*

Based on the scope of the proposed rehabilitation the subject is assumed to be in overall good condition post-rehab.

The units will include wood veneer vinyl plank throughout, stone countertops w/full tile backsplash, modern veneer cabinetry, GE/Whirlpool or equivalent stainless appliances (range, microwave, dishwasher, refrigerator), washer/dryer in unit, fiberglass tub surround, two tone interior paint, and swamp cooler unit. The overall quality level of the project after rehab is considered average.

INDIVIDUAL UNIT AMENITIES

Upon completion of renovation, the units will include a range, oven, dishwasher, microwave, refrigerator, and washer and dryer in unit. The units will not include furnishings. Hot water is provided by two central gas fired Raypak boiler units on the roof of each building with ±80-gallon hot water storage tanks serving each building.

UTILITY METERING

The buildings are currently master metered with the owner paying all utilities. After rehab the units will be individually metered for electricity with the owner paying for water, sewer, trash, and gas and tenants paying for their electricity usage.

PROJECT COMMON AMENITIES

Upon completion of the renovation, the subject will include a laundry facility in each building, front desk, lobby, and manager office. The subject's existing computer room and library will be converted into a manager's unit. The subject's grounds will have minimal landscaping in the interior courtyards.

PARKING FACILITIES

The subject does not include any onsite parking. Three of the six primary market rent comparables also do not include any parking in the base rent. However, most market rate projects include at least some parking spaces available for extra rent. The lack of any onsite parking is considered inferior to the surrounding market rate projects and may negatively impact the marketability of the subject units. However, the downtown location has good proximity to major commercial support and public transportation within walking distance. Further, downtown provides pay parking lots with long term parking for an additional fee.

ENVIRONMENTAL CONDITIONS

The client has not provided a Phase I Environmental Site Assessment for the property. For the purposes of this analysis, I assume that the soil conditions are adequate to support standard construction consistent with the highest and best use and are not subject to any adverse conditions, including soil contamination, toxic waste or any other potentially hazardous materials or condition that would normally require the services of a professional engineer or environmental specialist. The reader is referred to Limiting Condition #3 of this report.

EFFECTIVE AGE/REMAINING ECONOMIC LIFE

The subject property was completed in 1990. The subject's actual age is 25 years.

The subject is in overall below average condition but receives adequate periodic maintenance and replacement of short lived items. However, several of the major short-lived items such as the roof and plumbing are showing signs of age and may require repair or replacement in the near term. Based on this information, the subject's current effective age is estimated at 35 years. Based on Marshall Valuation Service estimates and personal observation of similar structures, the economic life of a complex such as the subject is estimated at 65 years. Given the estimated current effective age of 35 years, the subject's remaining economic life is estimated at 30 years.

As discussed previously, the rehabilitation will replace virtually all of the short-lived components of the project. The replacement of these components and the superior condition of the project will lower the subject's effective age to 15 years. Given the estimated economic life of 65 years for the subject, the remaining economic life after rehab would be extended at 50 years.

FUNCTIONAL UTILITY

Based on a discussions with the owner and a review of the conceptual reconfiguration plans prepared by Salerno/Livingston Architects and dated July 9th, 2015, the functional utility of the proposed reconfiguration, as well as, the individual unit floor plans appear typical to slightly inferior of the immediate rental market. The subject has no parking and a limited project amenity package which is considered less desirable than newer market rate projects with onsite parking and extensive amenity packages. In addition, most of the units are under 350 square feet, and are smaller than the rent comparables. Although these factors likely would result in rent levels at the lower end of the range, the overall functional utility in terms of quality, workmanship, and amenities relative to most market based projects in the area is considered adequate to achieve successful operations as a market rate apartment project.

CONSTRUCTION DETAILS

Property Type	:	SRO, Single-Room Occupancy / Multi-family – Post Rehab.
Buildings/Stories	:	2, four-story buildings.
Construction Type	:	Type V – combustible wood frame and stucco with one hour fire rating.
Quality	:	Average
Foundation	:	Reinforced concrete stem wall foundation.
Building Slab	:	Reinforced concrete
Exterior Walls	:	Douglas fir studs in various sizes and grades covered with wire mesh, felt paper and waterproof vapor barrier paper.
Exterior Wall Cover	:	Painted Stucco.
Interior Partitions	:	Douglas fir stud interior walls in various sizes and grades.
Interior Wall Cover	:	Painted gypsum board with lightly textured surface and flat or eggshell paint finish.

Ceilings	:	Gypsum board in living rooms, bedrooms & dining areas. Gypsum board in kitchen and baths with smooth enamel paint finish.
Insulation	:	Fiberglass batts - floor/ceiling separations and roofs.
Roof Structure	:	Flat Composition Shingle.
Vinyl Flooring	:	Average quality throughout units and common area hallways.
Heating & A/C	:	Wall Air conditioning units and Radiant Wall Heat units post-rehab.
Windows	:	Fixed & sliding dual glazed windows in vinyl frames post-rehab.
Window Treatments	:	Horizontal vinyl blinds.
Kitchen Features	:	range, oven, dishwasher, microwave, refrigerator, and washer and dryer in unit, average quality cabinetry, and stone counters.
Bath Features	:	Full individual bathrooms with a toilet, fiberglass tub surround, vanity, and single sink post rehabilitation.
Water Heater	:	Rooftop gas fired Raypak units with a ±80-gallon hot water storage tanks.
Landscaping	:	The subject has minimal landscaping in the central courtyard.

HIGHEST AND BEST USE AS VACANT

The Highest & Best Use Analysis is an economic concept which functions as the focal point of the appraisal. The conclusions reached in this study draw on all the data, analysis and conclusions formed to this point and incorporate them into an estimate of the subjects highest and best use. This conclusion is then used throughout the remainder of the report in selecting valuation approaches, applicable data, and finally weighing the approaches to arrive at a supportable estimate of value.

LEGALLY PERMISSIBLE

Based on zoning maps provided by CCDC, the subject is zoned as Centre City Planned District: Residential Emphasis - CCPD-R. This district accommodates primarily residential development. Within the Residential Emphasis District, at least 80 percent of the GFA must be occupied by residential land uses. Nonresidential land uses may occupy no more than 20 percent of the GFA. The CCPD Ordinance does not regulate density, only Floor Area Ratio (FAR). The base minimum and maximum FAR for this site are 3.5 and 6.0, respectively. Based on the subject's combined 14,810 SF site size and 6.0 maximum FAR without bonuses would require a minimum of 51,835 SF up to 88,860 SF of building area.

The subject property currently operates with income and rent affordability restrictions and has a ground lease. The subject owner received a loan from the San Diego Housing Commission for the construction of the project in 1990. Per the Agreement for Rent Affordability Restrictions dated November 1, 1989 and conversations with the property manager, SDHC requires that 50% of the subject units be leased to residents at or below 30% of AMI and 50% of the subject units be leased to residents at or below 40% of AMI. The property manager indicated the current rents are $341 and $471 per month. The owner intends to transfer these restrictions to a new property and terminate the ground lease concurrently with closing. Although these affordability restrictions still impact the subject, once the ground lease is terminated and the affordability restrictions are transferred, the subject site would allow conventional market rate apartment development.

PHYSICALLY POSSIBLE

The site is a functional multi-family site in terms of size, shape, and topography. It has good access and proximity to local services and all utilities are available.

As discussed previously, the client has not provided a geotechnical investigation for the subject site. For purposes of this analysis, I assumed the site's soil and subsoil conditions are of adequate load bearing capacity to support any of the allowed uses.

FINANCIAL FEASIBILITY

The San Diego County apartment investment market, in general, is experiencing high investor demand, as buyers compete to acquire a limited number of properties relative to demand, amid vacancy rates that remain among the nation's lowest for major metro areas. Industry observers say the trend should continue through 2015, provided that interest rates remain low and employment continues its slow climb out of the recession. All brokers contacted indicated there is a lot of pent-up demand in San Diego County, and a lot of investment money coming off the sidelines. Major participants include real estate investment trusts and other large local private equity firms. The subject's market area is among the strongest sub-markets in the County with high barriers to entry and a lack of developable land. The data documented throughout this report and market acceptance of the subject strongly suggests the market will continue to have adequate demand for Class A apartment units in the foreseeable future.

Marcus & Millichap San Diego 3rd Quarter 2015 Research Report indicates: In the second quarter, developers completed 4,500 units year over year, lifting apartment inventory approximately 1.5 percent. The previous year nearly 1,600 rentals were brought online. Construction was heavily concentrated in the Mid-City/National City and the Far North San Diego submarkets. Total rental inventory increased 5.1 percent in these areas as builders placed 965 and 810 apartments into service, respectively. The largest project underway is the Blue Sky apartments in downtown San Diego. Developers are scheduled to deliver 939 units over two phases. Ground broke on the project late last year and completion is scheduled for the latter half of 2017. The pace of construction will slow slightly in 2015 as 4,000 units are delivered following the completion of more than 4,300 rentals the previous year.

The multiple proposed projects in Downtown suggest that new apartment development is financially feasible at this time. As indicated there are over 3,500 apartments planned for Downtown San Diego and development of Type V wood frame and Type I concrete buildings is prevalent. It is noted that the subject consists of two smaller, non-contiguous sites. The smaller sizes of the sites limit the development potential given the maximum FAR of 6.0, particularly for the smaller parcel, which would make the subject less appealing to a market rate developer. According to market participants interviewed during this appraisal the ideal construction product is of wood frame at an FAR of 5-6, although Type I construction is feasible on some larger superior sites its does not appear the subject site would support such development.

The subject's general area has also been identified as an area of significant need for affordable housing which has resulted in successful efforts in obtaining subsidized financing in the form of capital contributions through the sale of LIHTC and various subsidized financing programs such as tax-exempt bonds, residual receipts loans, grants, etc. In order to obtain the various forms of subsidized financing, an affordable housing project is scored based on its proximity to commercial support, schools, public transportation, etc. Given the competitive environment for these funds, it appears that the subject would score well against other potential sites in the area. Evidence of this is provided by the recent construction and/or rehabilitation of affordable housing projects in the East Village and other areas of downtown San Diego as discussed in the Area Analysis. Further, as the population in the San Diego area continues to grow faster than the housing supply, the demand for affordable housing will continue to increase.

On June 29, 2011, California Governor Jerry Brown signed into law a bill to eliminate Redevelopment Agencies and reallocate their funds, which was confirmed in January 2012 by the California Supreme Court. The elimination of the Redevelopment Agencies will reduce the subsidies available to developers for new construction. As such, it is uncertain if adequate funds from other sources are available for new development of low income housing at this time and specific analysis of these subsidies is beyond the scope of this assignment. We have discussed this issue with multiple affordable housing developers. Most sources contacted report there are adequate funding sources are available to successfully develop affordable housing in the area when combined with Low Income Housing Tax Credits. This is supported by the fact that affordable housing groups continue to acquire sites for redevelopment within the past year.

Due to the amount of subsidies that can be obtained and the demand for affordable housing, development of a low-income housing project appears feasible, but would require significant additional analysis to conclude with certainty which is beyond the scope of this analysis. Again, the development potential is limited by the smaller site sizes and FAR requirements.

MAXIMALLY PRODUCTIVE

Based on the preceding analysis, it is my opinion that the maximally productive and reasonably probable use of the subject as vacant would be development of market rate apartment project likely of wood frame construction at an FAR of 5-6; or a low-income housing project if sufficient subsidies could be obtained.

HIGHEST AND BEST USE AS IMPROVED

LEGALLY PERMISSIBLE

As stated in the Site Analysis, the existing improvements are considered a legal, non-conforming use.

The subject property currently operates with income and rent affordability restrictions and has a ground lease. The site is owned by the San Diego Housing Commission who intends to transfer the income and rent restrictions to a new property in addition to terminating the ground lease. This analysis values the fee simple interest in the subject and assumes the ground lease and affordability restrictions will be terminated in accordance with the client timeline. See Extraordinary Assumptions.

PHYSICALLY POSSIBLE

As discussed previously, the improvements have been in existence for 25 years and show no signs of adverse soil conditions. The reader is referred to Limiting Condition #3 of this report.

FINANCIALLY FEASIBLE

The rental rate and sales of similar improvements used in the valuation section of this appraisal demonstrate a reasonable return on the improvements can be achieved by investors assuming the subject were to be operated without income and rent restrictions. As indicated in the Valuation Scenario One, the subject's reconfigured value assuming market rents is estimated at $5,850,000 and the site value is estimated at $2,890,000. Accordingly, demolition of the existing improvements is not a financially feasible option.

The subject reflects an overall below average condition rating relative to similar vintage properties in the area. The exterior of the subject was noted to be in average condition with no major deferred maintenance. Units with recent move outs are typically in inferior condition while rent ready vacant units reflected average condition as they are cleaned upon turnover. The property manager reported that units are periodically inspected with replacement of short lived items upon unit turnover or when needed. Interior maintenance items noted in several units included stained/worn vinyl, scratches/holes/faded paint on walls, rusted sinks, worn fixtures or chipped/peeling cabinetry. These items are generally considered periodic maintenance or reserve items for an SRO project of this vintage. The shared bathrooms were noted to be in below average condition overall. The bathroom stalls were rusted and the tile, grout and fixtures were in need of replacement. Multiple areas of patching in walls was noted where the plumbing had been repaired and there was evidence of previous leaks on the acoustic roof tiles. Several of the major short-lived items such as the roof, restrooms and plumbing are showing signs of age and may require repair or replacement in the near term. Based on the current condition of the property, significant rehabilitation is not currently necessary although a typical buyer would likely address the poor condition of the bathrooms, plumbing issues, and roof in the near term.

SRO projects are generally considered below the market standard for market rate apartments in terms of utility and quality. The subject units currently do not have individual bathrooms and operate with common showers and baths. This configuration would not be received as well in the market compared to units with individual bathrooms. The majority of market rate apartment units in downtown have individual bathrooms. Further, the subject's existing units average ±100 square feet each. While operations as a market rate SRO building with common bathrooms is a feasible option it is not ideal. Further, we previously completed a "Hypothetical Unrestricted Market Value as vacant" appraisal in May 2013 based on the existing SRO configuration, the value was concluded at $4,170,000. Although the value may be slightly different in the current market, it falls well below the $5,850,000 conclusion from Scenario One.

Based on a rough analysis, a reconfigured project with larger units and individual bathrooms, less reconfiguration/rehabilitation costs, would result in a higher value. Accordingly, the highest and best use would be reconfiguration and rehabilitation of the project. Based on a discussions with the owner and a review of the conceptual reconfiguration plans prepared by Salerno/Livingston Architects and dated July 9th, 2015, the functional utility of the proposed reconfiguration, as well as, the individual unit floor plans appear typical of the immediate rental market in terms quality, workmanship, and amenities. Accordingly, reconfiguration of the units and/or project amenities is considered a financially feasible option.

CONCLUSION

Based on the preceding analysis, it is my opinion that the maximally productive and reasonably probable use of the project would be reconfiguration and rehabilitation of the existing project and operation as market rate apartments.

THE APPRAISAL PROCESS

Traditionally, three valuation approaches or techniques are used in the appraisal of real estate - Income Capitalization Approach, Sales Comparison Approach and Cost Approach.

INCOME CAPITALIZATION APPROACH

The principle underlying this method is the present worth of anticipated future benefits derived from the property, which will be expressed via the Direct Capitalization Technique. The first step in this analysis consists of estimating the gross income, vacancy, and expenses likely to be experienced by the property if offered for lease. These estimates are based the actual experience of the subject property and/or comparable properties in the market.

In the Direct Capitalization Technique, an overall rate is developed from recent sales of comparable investment properties. The overall rate provides for a return on the entire investment and recovery of the depreciating portion over the capital recovery period in one market derived rate. Dividing the overall rate into the net operating income results in an indication of market value.

SALES COMPARISON APPROACH

This technique is expressive of the value established by informed buyers and sellers. This measure of value produces an estimate of value by comparing the subject to sales, escrows and/or listings of similar properties in the immediate area or competing areas. The principle of substitution is employed and basically states when a property is replaceable in the market, its value tends to be set by the cost of acquiring an equally desirable substitute.

COST APPROACH

In the Cost Approach, the appraiser estimates value by adding the estimated land value to an estimate of the depreciated replacement cost new of the improvements. In estimating site value, the subject site is compared to recent transactions of similar parcels in the market. The same technique in testing comparability is used as discussed under the Sales Comparison Approach heading.

The estimated cost to construct the improvements can be based on builder's estimates, actual cost to construct similar buildings and/or nationally recognized cost services such as *Marshall Valuation Service*. A depreciation estimate for the long lived and short-lived components of the building is made based on their remaining economic life and deducted from the cost new of the improvements. This figure is then added to the estimate of site value resulting in an estimate of market value.

APPLICATION OF APPROACHES TO VALUE

Scenario 1 *- Prospective Unrestricted Market Value - Fee Simple* – The Prospective Unrestricted Market Value first values the subject's fee simple interest as an unrestricted market rate project as reconfigured. A deduction will then be applied for the necessary costs and entrepreneurial incentive required to completed the rehabilitation. Given the adequate data available for this product type, the Income Approach and Sales Comparison Approach will be utilized. The Cost Approach has been excluded from this appraisal. This approach fails to measure the income generating potential of the subject. Additionally, all types of depreciation would be difficult to estimate due to the age and the non-conforming use of the subject. Accordingly, this approach is not used by typical buyers and sellers and it is not considered a reliable source of value for the subject.

Scenario 2 *- Prospective Unrestricted Land Value - Fee Simple* – In this valuation scenario, the subject site is valued assuming a fee simple interest and no affordability restrictions. As downtown sites are actively traded in this market, the primary unit of comparison used by the market participants contacted is the value per square foot. Accordingly, the Sales Comparison Approach will be used as the only approach in estimating the value of the subject site as if vacant.

VALUATION SCENARIO ONE
INCOME APPROACH

Valuation Scenario One represents the Prospective Unrestricted Market Value - Fee Simple. Apartment projects are typically purchased as investments for their income generating potential. In the Income Approach, the Direct Capitalization Technique will be utilized to convert the subject's potential income into a present value indication. This technique utilizes a single "overall" rate to provide for return on and of the entire investment through the capitalization process.

EFFECTIVE DATE OF VALUE

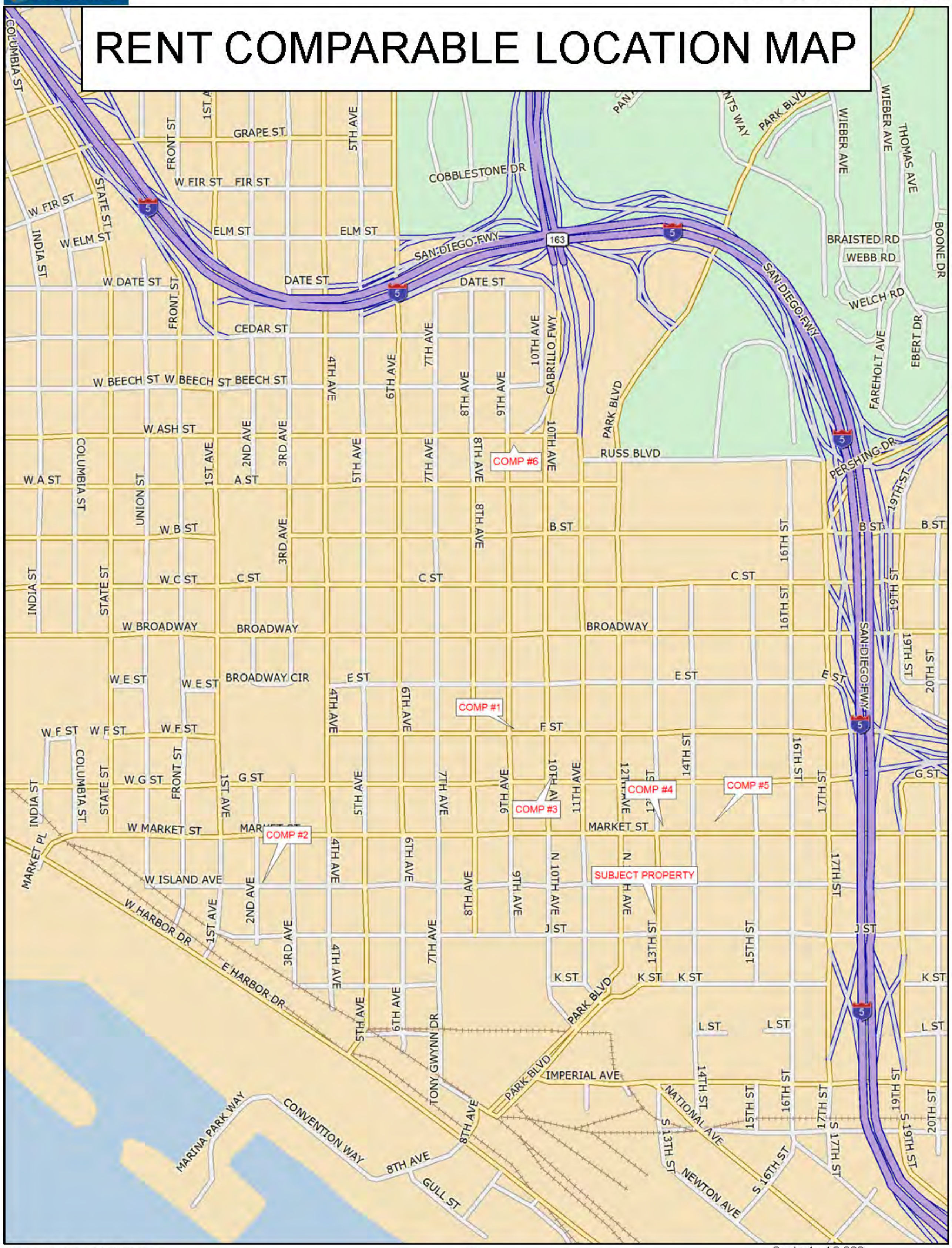
The effective date of value for Valuation Scenario One is, December 31, 2015, which is the assumed date that the affordability restrictions will be removed and the ground lease will be terminated.

SCOPE OF RENTAL SURVEY

In this analysis, the subject’s market rent will be estimated through comparison with comparable projects in this market area. The performance of eight projects from the subject’s market area were reviewed and surveyed with the five most comparable used in this analysis. The data selected is considered the most similar in terms of overall age, unit size, quality, location, condition and amenities. However, the additional properties surveyed provide valuable insights as to the market recognized rental premiums for unit size, additional bathrooms and various amenities. Data gathered for all properties included not only unit rent levels but also indications of supply and demand trends, typical turnover cost and frequency, rental strategy and concessions, current marketing levels and cross checks on data supplied by other project managers.

For purposes of this analysis, the based our unit square footages on the conceptual reconfiguration plans prepared by Salerno/Livingston Architects and dated July 9th, 2015. The architect plans show multiple different floor plans with many being very similar. For purposes of this analysis, we have condensed the floor plans based on unit type, size, and layout and used the weighted average square footage for similar floor plans that are within 25 square feet in size.

DeLorme Street Atlas USA® 2012



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TN MN (11.7°E)

Scale 1 : 12,000

1" = 1,000.0 ft Data Zoom 14-1

COMPARABLE RENTAL NO. 1

Project : 900 F Apartments
Address : 900 F Street
San Diego, CA 92101

Thomas Bros. Map : 1289-B3
Proximity To Subject : 0.34 Miles Northwest

Source : Property Manager
(619) 233-4787

Total Units : 115
Year Built : 2002

Unit Features:
Range, oven, refrigerator, dishwasher, and forced air heating/cooling. Ground floor units include a patio. Townhome units include laundry hook ups.

Project Amenities:
Project amenities include a laundry room, BBQ area, and gated entry.

PLAN	ROOM COUNT	UNIT SIZE (SF)	MONTHLY RENT	RENT PER SF
A	2-0-1	422	$1,010	$2.39
B	3-1-1	606	$1,280	$2.11
C	4-2-1	853	$1,630	$1.91
D	4-2-2	822	$1,530	$1.86
F	5-3-2	1,093	$1,895	$1.73

Utilities Included : None.
Parking Included : None. Subterranean spaces rent for $100 per month.

Rental Concessions : None.
Rental Premiums : Premiums for location, hook ups, location, and patios.

Last Rent Adjustment : Studios, 1BR and 2BR/1BA have increased $25-$55 while 2BR/2BA and 3BR units have decreased $20-$50 over the past six months.
Occupancy : 100%

***Comments*:** Units are rented on 12-month leases. The manager reports average turnover at 5 units per month resulting in an annual attrition rate of 52%. Evictions average roughly 2 per year. Many of the units have restrictions at 120% of AMI; however, the rent restrictions do not impact the market rent levels.

COMPARABLE RENTAL NO. 2

Project : Island Inn
Address : 202 Island Avenue
San Diego, CA 92101

Thomas Bros. Map : 1289-A3
Proximity To Subject : 0.57 Miles West

Source : Property Manager
(619) 232-4138

Total Units : 200
Year Built : 1990

Unit Features:
Microwave, refrigerator, wall heat and air conditioning, patio or balcony, and garbage disposal. Furnished units include bed, dresser, and television. All units include private bathroom with shower.

Project Amenities:
24-hour front desk, laundry facilities, fitness room, and secure entry.

PLAN	ROOM COUNT	UNIT SIZE (SF)	MONTHLY RENT	RENT PER SF
A	2-0-1	265	$992	$3.74
B	2-0-1	325	$1,100	$3.38

Utilities Included : All utilities. (Internet, local phone service and cable TV with HBO)
Parking Included : None. Subterranean spaces rent for $165 per month or $38 per week.

Rental Concessions : None.
Rental Premiums : Weekly Rates are $229 for Small Plan A and $239 for Larger Plan B.

Last Rent Adjustment : Rents have increased $60 to $90 over the past year.
Occupancy : 100%

***Comments*:** The project offers weekly or monthly leases. The property manager reports average turnover at 15 units per month resulting in an annual attrition rate of 90%. Evictions average roughly 12 per year.

COMPARABLE RENTAL NO. 3

Project : Lofts at 707 10th Avenue
Address : 707 10th Avenue
San Diego, CA 92101

Thomas Bros. Map : 1289-B3
Proximity To Subject : 0.25 miles Northwest

Source : Manager
(855) 332-9371

Total Units : 207
Year Built : 2008

Unit Features:
Range, oven, dishwasher, microwave, refrigerator, washer and dryer, balcony, and central air heating/cooling. Units feature granite countertops, designer cabinetry, and high ceilings.

Project Amenities:
Fitness Center, theater, outdoor lounge, laundry facility, secure entry, rooftop deck, fire pit, and business center.

PLAN	ROOM COUNT	UNIT SIZE (SF)	MONTHLY RENT	RENT PER SF
A	2-0-1	381	$1,322	$3.47
B	2-0-1	475	$1,522	$3.20
C	2-0-1	520	$1,587	$3.05
D	2-0-1	551	$1,588	$2.88
E	2-0-1	573	$1,657	$2.89
F	3-1-1	628	$1,892	$3.01
G	4-2-1	855	$2,074	$2.43
H	4-2-2	939	$2,302	$2.45

*This project has numerous variations of similar floor plans. The plans shown above are generally representative of the whole project.

Utilities Included : None.
Parking Included : No parking is included. Subterranean spaces rent for $100 per month.

Rental Concessions : None.
Rental Premiums : Varies depending on floor level, views, and size.

Last Rent Adjustment : The 381 SF studio units have increased $153 and the 939 SF 2BR units have increased $358 since our previous survey in 2013.
Occupancy : 98%

Comments: The property manager reports average turnover at approximately 7 units per month resulting in an annual attrition rate of 41%. Evictions average roughly 1 per year.

COMPARABLE RENTAL NO. 4

Project : 13th & Market
Address : 1330 Market Street
San Diego, CA 92101

Thomas Bros. Map : 1289-B3
Proximity To Subject : One Block North

Source : Manager
(619) 488-9883

Total Units : 264
Year Built : 2013

Unit Features:
Range, oven, dishwasher, microwave, refrigerator, full size washer/dryer, forced air heating/cooling, and balcony. Unit interiors feature quartz countertops, espresso cabinetry, tile backsplash, hardwood floors, and stainless steel appliances.

Project Amenities:
Entertainment room, internet café, fitness center, chef's kitchen with formal dining room, courtyard pool with BBQ's and rooftop deck.

PLAN	ROOM COUNT	UNIT SIZE (SF)	MONTHLY RENT	RENT PER SF
A	2-0-1	539	$1,910	$3.54
B	2-0-1	555	$2,010	$3.62
C	3-1-1	735	$2,245	$3.05
D	3-1-1	745	$2,320	$3.11
E	4-2-2	998	$2,899	$2.90

*This project has numerous variations of similar floor plans. The plans shown above are generally representative of the whole project.

Utilities Included : None.
Parking Included : One subterranean per unit. Extra spaces rent for $150 per month.

Rental Concessions : One month free on a 12-month lease.
Rental Premiums : $30-$75 premium per floor (Most in the $30 range).

Last Rent Adjustment : Continually monitoring market and adjusting rents. Rents for the 539 SF studio units have increased $20 over the past year.
Occupancy : 97%

***Comments*:** The building was completed in completed in October 2013 and reached stabilized occupancy in October 2014. Pre-leasing began in approximately August 2013 equating to a roughly 18 unit per month absorption rate. The retail space has been leased to Caffe Primo, Massage Envy Spa, and Dozzydog. Turnover information was not available. The property manager reports there have been 2 evictions in the past year.

COMPARABLE RENTAL NO. 5

Project : Market Street Village
Address : 699 14th Street
San Diego, CA 92101

Thomas Bros. Map : 1289-B3
Proximity To Subject : One Block Northeast

Source : Manager
(619) 232-0700

Total Units : 229
Year Built : 2007

Unit Features:
Range, oven, dishwasher, microwave, refrigerator, washer/dryer, forced air heating/cooling, and balcony. Unit interiors feature 9-foot ceilings, crown molding, solid maple cabinets, ceramic tile floors and stainless steel appliances.

Project Amenities:
Fitness center, theater, rooftop deck, pool, and business center

PLAN	ROOM COUNT	UNIT SIZE (SF)	MONTHLY RENT	RENT PER SF
A	2-0-1	491	$1,625	$3.31
B	3-1-1	739	$1,985	$2.69
C	3-1-1	826	$2,010	$2.43
D	4-2-1	861	$2,325	$2.70

*This project has numerous variations of similar floor plans. The plans shown above are generally representative of the whole project.

Utilities Included : None.
Parking Included : One assigned subterranean space per unit.
Extra spaces rent for $125 per month.

Rental Concessions : None.
Rental Premiums : Varies depending on floor level, views, amenity, and size.

Last Rent Adjustment : The Studios at 491 SF have increased $110 while 2BR/1BA at 861 SF have remained stable.
Occupancy : 97%

Comments**:** The building includes an Albertsons grocery store on the bottom floor, the manager notes it is a positive selling point for residents. Most units begin on 12-month leases. The property manager reports average turnover at 10 units per month resulting in an annual attrition rate of 52%. Evictions average roughly 0 per year.

COMPARABLE RENTAL NO. 6

Project : AVA Cortez Hill
Address : 1399 9th Avenue
San Diego, CA 92101

Thomas Bros. Map : 1289-B2
Proximity To Subject : 0.71 Miles North

Source : Leasing Agent
: (619) 230-8200

Total Units : 293
Year Built : 1973

Unit Features:
Range, Oven, Refrigerator, Dishwasher, Microwave, Wall Air Conditioning and Heat, and a Patio or Balcony, Granite Countertops, Wood Laminate Flooring, and Accent Paint.

Project Amenities:
Laundry Facility, Pool, Spa, Recreation Room, Fitness center, Basketball Court, Tennis Court, BBQ Area, Cabana, Common Area Wi-Fi, and Gated entry.

PLAN	ROOM COUNT	UNIT SIZE (SF)	MONTHLY RENT	RENT PER SF
A	2-0-1	570	$1,575	$2.76
B	3-1-1	750	$1,705	$2.27
C	4-2-2	1,025	$2,170	$2.12

*This project has numerous variations of similar floor plans. The plans shown above are generally representative of the whole project.

Utilities Included : None.
Parking Included : One covered subterranean space per unit.

Rental Concessions : None.
Rental Premiums : Based on Location, View, Size, Floor Level, Penthouse.

Last Rent Adjustment : Rents have increase $70 to $220 over the past six months.
Occupancy : 96%

***Comments*:** Units are leased on a variety of lease terms with premiums charged for shorter term leases. The reported rents are based on a 12 month lease term. The leasing agent indicated the rental rates and availability reported online are accurate; however, was unable to disclose any further information.

ANALYSIS OF RENT COMPARABLES

The market rent estimates for the subject represent the base rent for each plan. Rental premiums, if any, will be discussed immediately following the conclusion of base rent. The following discussion isolates the most relevant differences between the subject and the comparables resulting in estimates of reasonable adjustments. In estimating the adjustments, I have relied primarily on my discussions with the on-site managers and data pairings when available. The adjustment estimates are applied to the comparables on the adjustment grids immediately following this discussion. The reader is encouraged to turn to the adjustment grids while reading the analysis for a clearer presentation of the relationships between the comparables.

RENTAL CONCESSIONS

As indicated on the data pages, Comparable #4 was offering a rental concession of 1-month free on a 12-month lease. Since this concession is offered as the market standard for all units, the concession is amortized over the standard 12-month lease term for each unit type in order to determine the effective rent.

None of the other projects were offering a concession.

UTILITY ADJUSTMENTS

The subject units will be individually metered for electricity with the water, sewer, trash, and gas included in the base rent.

Comparables #1, #3, #4, #5, and #6 do not include any utilities in the base rent warranting some adjustment. Charging monthly for water utilities is a relatively new concept for residents and does not necessarily result in a dollar for dollar reduction in rent. The monthly charge for water, sewer, and trash varies based on the unit type and number of occupants and can range from $25 to $80 per month. While the monthly utility bill is noticeable, local property managers report prospective residents giving minimal consideration to this charge while renting the unit. Therefore, a nominal positive $30 adjustment will be made for the studio units.

Comparable #2 includes all utilities in the rent inclusive of electricity, cable, water, and local phone calls. For purposes of this analysis, a nominal negative $30 adjustment will be made for the superior utilities.

RENTAL TERM ADJUSTMENTS

Most projects offer a variety of rental terms ranging from month to month tenancy to 12 month leases. The rental rates are often higher for shorter term leases and discounts are given for longer terms. However, the most common term cited by all managers surveyed is a 12 month lease. For the purposes of this analysis, we have used the rent level for the standard lease term for each particular.

MARKET CONDITIONS ADJUSTMENTS

All comparables represent the current rent being charged by the subject's competition as of the date of inspection. The Prospective Date of Value of December 31, 2015 is approximately 4 months from the date of inspection, the minimal length of time does not to warrant an adjustment.

LOCATION ADJUSTMENTS

In this market, locational influences are generally perceived as being more desirable to the west and southwest given the high degree of redevelopment and closer proximity to employment, Horton Plaza, the Gas Lamp District, and the waterfront. Conversely, locational influences are generally perceived as being less desirable to the southeast given the lower degree of redevelopment and farther distance to downtown amenities.

Comparables #1, #3, and #4 are located in roughly similar locations relative to the subject. Accordingly, no adjustment is warranted.

Comparable #2 is located 0.57 west in a superior location relative to the subject with better proximity to the Gaslamp district. My discussions with area leasing agents and rough pairings of the data suggest this property warrants a negative 5 percent adjustment.

Comparable #5 is located one block northeast of the subject; however, includes a Albertson's on the ground floor which is a major selling point and is considered a superior location relative to the subject. My discussions with area leasing agents and rough pairings of the data suggest this property warrants a negative 5 percent adjustment.

Comparable #6 is located 0.71 north in a superior location relative to the subject in the Cortez Hill district. My discussions with area leasing agents and rough pairings of the data suggest this property warrants a negative 3 percent adjustment.

QUALITY ADJUSTMENTS

The subject's quality level is considered average, and is considered typical to that of most projects in the market in terms of layout, curb appeal, architectural detail and materials.

Comparable #1 reflects slightly inferior quality in terms of curb appeal, architectural detail, and materials relative to the subject warranting a positive 5 percent adjustment.

Comparable #2 reflects very inferior quality in terms of curb appeal, architectural detail, and materials relative to the subject warranting a positive 10 percent adjustment.

Comparables #3, #5, and #6 reflect slightly superior quality in terms of curb appeal, architectural detail, and materials relative to the subject warranting a negative 5 percent adjustment.

Comparable #4 reflects very superior quality in terms of curb appeal, architectural detail, and materials relative to the subject warranting a negative 10 percent adjustment.

CONDITION ADJUSTMENTS

Discussions with project managers indicate the overall project condition and individual unit condition are major considerations for this segment of the Downtown market. The better maintained projects not only achieve higher rent, but also allow the management to be more selective regarding tenant quality. This analysis assumes rehabilitation of subject property and the subject reflects an overall good condition.

Comparables #1 and #2 are well maintained but are considered slightly inferior relative to the subject's rehabilitated condition warranting a positive 10 percent adjustment.

Comparables #3, #4, and #5 are newer construction and are very well maintained projects reflecting a superior condition to the subject's rehabilitated condition warranting negative 3 percent adjustment.

Comparable #6 was built in 1973, but has been renovated and is considered similar to the subject's rehabilitated condition. Accordingly, no adjustment is warranted.

AGE ADJUSTMENTS

Leasing agents indicate that tenants are typically interested in the project's location, condition and quality and generally do not inquire as to the project's age. Consequently, it appears that the differences in age are not specifically recognized by tenants and warrant no adjustment.

SIZE ADJUSTMENTS

Square footage adjustments are somewhat difficult to isolate in a paired analysis due to the premiums charged for views, amenities, location, etc. Based on discussions with managers in the area, a square footage adjustment of $0.70/SF appears reasonable and will be used and then only for differences of 15 square feet or more.

UNIT CONFIGURATION

The subject units and all comparables are single level flat configurations. Consequently, no adjustment is warranted.

TOTAL ROOM COUNT ADJUSTMENTS

All comparables have identical room counts as the subject warranting no adjustment.

BEDROOM ADJUSTMENTS

Comparables with similar bedroom counts have been selected for the subject's plans. Accordingly, no adjustments are warranted.

BATH ADJUSTMENTS

Comparables with similar bath counts have been selected for each of the subject's plans, warranting no adjustments.

HEATING/COOLING

The subject units will have a wall air conditioning and heating system. Forced air heating and central air conditioning or wall heating and air conditioning is typical for the rental projects surveyed, with very little preference shown for these differences. All comparables include wall or central air conditioning and heating.

BUILT-INS ADJUSTMENTS

The subject will provide a range/oven, refrigerator, dishwasher, microwave and washer/dryer, as standard equipment. The comparables all offer a range of different appliance packages consisting of a range, oven, refrigerator, dishwasher, washer/dryer or microwave as standard equipment. The rent attributable to these appliances is too small to be reflected in pairings; however, a nominal $5 for dishwashers or microwaves, $10 per refrigerator, and $35 per washer/dryer appears reasonable.

FURNISHINGS ADJUSTMENT

The subject and comparables #1, #3, #4, #5, and #6 do not include furnishings. Comparable #1 operates as an apartment/SRO project and includes a standard twin bed, dresser, and a television, warranting no adjustments. This comparable is included as a lower end indicator due to the subject's smaller unit sizes. The rent attributable to these furnishings is too small to be reflected in pairings; however, a nominal $10 adjustment appears reasonable.

PARKING ADJUSTMENT

The subject does not have any onsite parking; therefore, it is assumed the subject will not include any onsite parking. Comparables #1, #2, and #3 also do not include any onsite parking. Comparables #4, #5, and #6 include one subterranean parking space in the base rent. In estimating an adjustment for this difference, several local projects were surveyed to determine the market rent for parking spaces. These are summarized as follows:

PROJECT	SUBTERRANEAN RENT PER SPACE
Island Inn	$165
900 F Street	$100
Lofts at 707	$100
13th & Market	$150
Market Street Village	$125

Based on the table above, it appears that a $100 per subterranean parking space adjustment appears reasonable and will be applied.

UNIT AMENITY ADJUSTMENTS

The subject does not include a patio or balcony. Balconies are considered very desirable amenities that extend the usable area of the relatively small units and add to the enjoyment of the view potential. Most comparables provide either a patio or balcony in the units. Based on rough pairings and discussions with the leasing agents a nominal $25 adjustment is made for a patio/balcony.

PROJECT AMENITY ADJUSTMENTS

The subject will offer a slightly inferior amenity package relative to the market with secure gated entry, and common laundry facilities. Comparable #1 generally offers a similar and/or comparable amenity packages, warranting no adjustment. Comparable #2 offers a slightly superior amenity package including a fitness room. The rent attributable to this amenity is too small to be reflected in pairings; however, a nominal $15 adjustment appears reasonable.

Comparables #3 and #5 include extensive community amenities as listed in the data pages that are overall superior to the subject. Given the fact that the amenity package offered is an important feature to the local tenant base these units are adjusted negative $50.

Comparables #4 and #6 includes extensive community amenities as listed in the data pages that are overall very superior to the subject. Given the fact that the amenity package offered is an important feature to the local tenant base these units are adjusted negative $75.

OTHER ADJUSTMENTS

There are no other adjustments.

The following pages summarize the Analysis of Rental Comparables in an adjustment grid format resulting in indications of the base market rent for each of the subject's plans.

PLAN A RENTAL ADJUSTMENT GRID

Item	Subject	Comparable #1		Comparable #2		Comparable #3		Comparable #4		Comparable #5		Comparable #6	
Project Name	Hotel Metro	900 F Apartments		Island Inn		Lofts at 707 10th Avenue		13th & Market		Market Street Village		AVA Cortez Hill	
Street Address	434 & 435 13th Street	900 F Street		202 Island Avenue		707 10th Avenue		1330 Market Street		699 14th Street		1399 9th Avenue	
City, State	San Diego, CA	San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101	
Thomas Bros. Map Ref.	1289-B4	1289-B3		1289-A3		1289-B3		1289-B3		1289-B3		1289-B2	
Rental Rate Per Month	----		$ 1,010		$ 992		$ 1,322		$ 1,910		$ 1,625		$ 1,575
Concession	None	None	$ -	None	$ -	None	$ -	1 Month Free	$ (159)	None	$ -	None	$ -
Adjusted Rent	----		$ 1,010		$ 992		$ 1,322		$ 1,751		$ 1,625		$ 1,575
Utilities Included	Water, Sewer, Trash, Gas	None	$ 30	All Utilities + Cable	$ (30)	None	$ 30	None	$ 30	None	$ 30	None	$ 30
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Rental Term	12 Month	12 Month	$ -	1 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Survey Date	12/31/2015	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -
Effective Rental Rate			$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Location	Average	Similar		Superior	$ (50)	Similar		Similar		Superior	$ (80)	Superior	$ (50)
Quality	Average	Inferior	$ 50	Inferior	$ 100	Superior	$ (70)	Superior	$ (180)	Superior	$ (80)	Superior	$ (80)
Condition	Good	Inferior	$ 100	Inferior	$ 100	Superior	$ (40)	Superior	$ (50)	Superior	$ (50)	Similar	
Year Built	1990/2016	2002		1990		2008		2013		2007		1973	
Unit Size (SF)	221	422	$ (141)	265	$ (31)	381	$ (112)	539	$ (223)	491	$ (189)	570	$ (244)
Unit Configuration	Flat	Flat		Flat		Flat		Flat		Flat		Flat	
Total Room Count	2	2		2		2		2		2		2	
Bed-Room Count	0	0		0		0		0		0		0	
Bath Count	1	1		1		1		1		1		1	
Heating/Cooling	Wall/Wall	FAU/Central		Wall/Wall		FAU/Central		FAU/Central		FAU/Central		Wall/Wall	
Built-ins*	RO, RF, DW, MW, W/D	RO, RF, DW	$ 40	RF, MW	$ 45	RO, RF, DW, MW, W/D		RO, RF, DW, MW, WD		RO, RF, DW, MW, WD		RO, RF, DW, MW	$ 35
Furnishings	None	None		Yes	$ (10)	None		None		None		None	
Open Parking	None	None		None		None		None		None		None	
Carport Parking	None	None		None		None		None		None		None	
Structure Parking	None	None		None		None		1 Space	$ (100)	1 Space	$ (100)	1 Space	$ (100)
Garage Parking	None	None		None		None		None		None		None	
Unit Amenities	Minimal	Similar		Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)
Project Amenities	Minimal	Similar		Superior	$ (15)	Superior	$ (50)	Superior	$ (75)	Superior	$ (50)	Superior	$ (75)
Other	None	None		None		None		None		None		None	
Net Adjustment			$ 49		$ 114		$ (297)		$ (653)		$ (574)		$ (539)
Indicated Market Rent			$ 1,089		$ 1,076		$ 1,055		$ 1,128		$ 1,081		$ 1,066

*Built-ins Abbreviations Key	
RO = Range/Oven;	M = Microwave
RF = Refrigerator;	DW = Dishwasher
WD = Washer/Dryer;	HU = WD Hookups

Estimated Market Rent for the Subject	:	$1,100
Estimated Market Rent per Square Foot	:	$4.98

Indicated Range Statistics		
Mean	$	1,083
Maximum	$	1,128
Minimum	$	1,055
%Difference		6.69%

PLAN B UNIT RENTAL ADJUSTMENT GRID

Item	Subject	Comparable #1		Comparable #2		Comparable #3		Comparable #4		Comparable #5		Comparable #6	
Project Name	Hotel Metro	900 F Apartments		Island Inn		Lofts at 707 10th Avenue		13th & Market		Market Street Village		AVA Cortez Hill	
Street Address	434 & 435 13th Street	900 F Street		202 Island Avenue		707 10th Avenue		1330 Market Street		699 14th Street		1399 9th Avenue	
City, State	San Diego, CA	San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101	
Thomas Bros. Map Ref.	1289-B4	1289-B3		1289-A3		1289-B3		1289-B3		1289-B3		1289-B2	
Rental Rate Per Month	----		$ 1,010		$ 992		$ 1,322		$ 1,910		$ 1,625		$ 1,575
Concession	None	None	$ -	None	$ -	None	$ -	1 Month Free	$ (159)	None	$ -	None	$ -
Adjusted Rent	----		$ 1,010		$ 992		$ 1,322		$ 1,751		$ 1,625		$ 1,575
Utilities Included	Water, Sewer, Trash, Gas	None	$ 30	All Utilities + Cable	$ (30)	None	$ 30	None	$ 30	None	$ 30	None	$ 30
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Rental Term	12 Month	12 Month	$ -	1 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Survey Date	12/31/2015	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -
Effective Rental Rate			$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Location	Average	Similar		Superior	$ (50)	Similar		Similar		Superior	$ (80)	Superior	$ (50)
Quality	Average	Inferior	$ 50	Inferior	$ 100	Superior	$ (70)	Superior	$ (180)	Superior	$ (80)	Superior	$ (80)
Condition	Good	Inferior	$ 100	Inferior	$ 100	Superior	$ (40)	Superior	$ (50)	Superior	$ (50)	Similar	
Year Built	1990/2016	2002		1990		2008		2013		2007		1973	
Unit Size (SF)	269	422	$ (107)	265		381	$ (78)	539	$ (189)	491	$ (155)	570	$ (211)
Unit Configuration	Flat	Flat		Flat		Flat		Flat		Flat		Flat	
Total Room Count	2	2		2		2		2		2		2	
Bed-Room Count	0	0		0		0		0		0		0	
Bath Count	1	1		1		1		1		1		1	
Heating/Cooling	Wall/Wall	FAU/Central		Wall/Wall		FAU/Central		FAU/Central		FAU/Central		Wall/Wall	
Built-ins*	RO, RF, DW, MW, W/D	RO, RF, DW	$ 40	RF, MW	$ 45	RO, RF, DW, MW, W/D		RO, RF, DW, MW, WD		RO, RF, DW, MW, WD		RO, RF, DW, MW	$ 35
Furnishings	None	None		Yes	$ (10)	None		None		None		None	
Open Parking	None	None		None		None		None		None		None	
Carport Parking	None	None		None		None		None		None		None	
Structure Parking	None	None		None		None		1 Space	$ (100)	1 Space	$ (100)	1 Space	$ (100)
Garage Parking	None	None		None		None		None		None		None	
Unit Amenities	Minimal	Similar		Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)
Project Amenities	Minimal	Similar		Superior	$ (15)	Superior	$ (50)	Superior	$ (75)	Superior	$ (50)	Superior	$ (75)
Other	None	None		None		None		None		None		None	
Net Adjustment			$ 83		$ 145		$ (263)		$ (619)		$ (540)		$ (506)
Indicated Market Rent			$ 1,123		$ 1,107		$ 1,089		$ 1,162		$ 1,115		$ 1,099

*Built-ins Abbreviations Key	
RO = Range/Oven;	M = Microwave
RF = Refrigerator;	DW = Dishwasher
WD = Washer/Dryer;	HU = WD Hookups

Estimated Market Rent for the Subject	:	$1,125
Estimated Market Rent per Square Foot	:	$4.18

Indicated Range Statistics		
Mean	$	1,116
Maximum	$	1,162
Minimum	$	1,089
%Difference		6.49%

PLAN C RENTAL ADJUSTMENT GRID

Item	Subject	Comparable #1		Comparable #2		Comparable #3		Comparable #4		Comparable #5		Comparable #6	
Project Name	Hotel Metro	900 F Apartments		Island Inn		Lofts at 707 10th Avenue		13th & Market		Market Street Village		AVA Cortez Hill	
Street Address	434 & 435 13th Street	900 F Street		202 Island Avenue		707 10th Avenue		1330 Market Street		699 14th Street		1399 9th Avenue	
City, State	San Diego, CA	San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101	
Thomas Bros. Map Ref.	1289-B4	1289-B3		1289-A3		1289-B3		1289-B3		1289-B3		1289-B2	
Rental Rate Per Month	----		$ 1,010		$ 992		$ 1,322		$ 1,910		$ 1,625		$ 1,575
Concession	None	None	$ -	None	$ -	None	$ -	1 Month Free	$ (159)	None	$ -	None	$ -
Adjusted Rent	----		$ 1,010		$ 992		$ 1,322		$ 1,751		$ 1,625		$ 1,575
Utilities Included	Water, Sewer, Trash, Gas	None	$ 30	All Utilities + Cable	$ (30)	None	$ 30	None	$ 30	None	$ 30	None	$ 30
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Rental Term	12 Month	12 Month	$ -	1 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Survey Date	12/31/2015	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -
Effective Rental Rate			$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Location	Average	Similar		Superior	$ (50)	Similar		Similar		Superior	$ (80)	Superior	$ (50)
Quality	Average	Inferior	$ 50	Inferior	$ 100	Superior	$ (70)	Superior	$ (180)	Superior	$ (80)	Superior	$ (80)
Condition	Good	Inferior	$ 100	Inferior	$ 100	Superior	$ (40)	Superior	$ (50)	Superior	$ (50)	Similar	
Year Built	1990/2016	2002		1990		2008		2013		2007		1973	
Unit Size (SF)	309	422	$ (79)	265	$ 31	381	$ (50)	539	$ (161)	491	$ (127)	570	$ (183)
Unit Configuration	Flat	Flat		Flat		Flat		Flat		Flat		Flat	
Total Room Count	2	2		2		2		2		2		2	
Bed-Room Count	0	0		0		0		0		0		0	
Bath Count	1	1		1		1		1		1		1	
Heating/Cooling	Wall/Wall	FAU/Central		Wall/Wall		FAU/Central		FAU/Central		FAU/Central		Wall/Wall	
Built-ins*	RO, RF, DW, MW, W/D	RO, RF, DW	$ 40	RF, MW	$ 45	RO, RF, DW, MW, W/D		RO, RF, DW, MW, WD		RO, RF, DW, MW, WD		RO, RF, DW, MW	$ 35
Furnishings	None	None		Yes	$ (10)	None		None		None		None	
Open Parking	None	None		None		None		None		None		None	
Carport Parking	None	None		None		None		None		None		None	
Structure Parking	None	None		None		None		1 Space	$ (100)	1 Space	$ (100)	1 Space	$ (100)
Garage Parking	None	None		None		None		None		None		None	
Unit Amenities	Minimal	Similar		Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)
Project Amenities	Minimal	Similar		Superior	$ (15)	Superior	$ (50)	Superior	$ (75)	Superior	$ (50)	Superior	$ (75)
Other	None	None		None		None		None		None		None	
Net Adjustment			$ 111		$ 176		$ (235)		$ (591)		$ (512)		$ (478)
Indicated Market Rent			$ 1,151		$ 1,138		$ 1,117		$ 1,190		$ 1,143		$ 1,127

*Built-ins Abbreviations Key	
RO = Range/Oven;	M = Microwave
RF = Refrigerator;	DW = Dishwasher
WD = Washer/Dryer;	HU = WD Hookups

Estimated Market Rent for the Subject	:	$1,150
Estimated Market Rent per Square Foot	:	$3.72

Indicated Range Statistics	
Mean	$ 1,144
Maximum	$ 1,190
Minimum	$ 1,117
% Difference	6.33%

PLAN D RENTAL ADJUSTMENT GRID

Item	Subject	Comparable #1		Comparable #2		Comparable #3		Comparable #4		Comparable #5		Comparable #6	
Project Name	Hotel Metro	900 F Apartments		Island Inn		Lofts at 707 10th Avenue		13th & Market		Market Street Village		AVA Cortez Hill	
Street Address	434 & 435 13th Street	900 F Street		202 Island Avenue		707 10th Avenue		1330 Market Street		699 14th Street		1399 9th Avenue	
City, State	San Diego, CA	San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101	
Thomas Bros. Map Ref.	1289-B4	1289-B3		1289-A3		1289-B3		1289-B3		1289-B3		1289-B2	
Rental Rate Per Month	----		$ 1,010		$ 992		$ 1,322		$ 1,910		$ 1,625		$ 1,575
Concession	None	None	$ -	None	$ -	None	$ -	1 Month Free	$ (159)	None	$ -	None	$ -
Adjusted Rent	----		$ 1,010		$ 992		$ 1,322		$ 1,751		$ 1,625		$ 1,575
Utilities Included	Water, Sewer, Trash, Gas	None	$ 30	All Utilities + Cable	$ (30)	None	$ 30	None	$ 30	None	$ 30	None	$ 30
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Rental Term	12 Month	12 Month	$ -	1 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Survey Date	12/31/2015	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -
Effective Rental Rate			$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Location	Average	Similar		Superior	$ (50)	Similar		Similar		Superior	$ (80)	Superior	$ (50)
Quality	Average	Inferior	$ 50	Inferior	$ 100	Superior	$ (70)	Superior	$ (180)	Superior	$ (80)	Superior	$ (80)
Condition	Good	Inferior	$ 100	Inferior	$ 100	Superior	$ (40)	Superior	$ (50)	Superior	$ (50)	Similar	
Year Built	1990/2016	2002		1990		2008		2013		2007		1973	
Unit Size (SF)	339	422	$ (58)	265	$ 52	381	$ (29)	539	$ (140)	491	$ (106)	570	$ (162)
Unit Configuration	Flat	Flat		Flat		Flat		Flat		Flat		Flat	
Total Room Count	2	2		2		2		2		2		2	
Bed-Room Count	0	0		0		0		0		0		0	
Bath Count	1	1		1		1		1		1		1	
Heating/Cooling	Wall/Wall	FAU/Central		Wall/Wall		FAU/Central		FAU/Central		FAU/Central		Wall/Wall	
Built-ins*	RO, RF, DW, MW, W/D	RO, RF, DW	$ 40	RF, MW	$ 45	RO, RF, DW, MW, W/D		RO, RF, DW, MW, WD		RO, RF, DW, MW, WD		RO, RF, DW, MW	$ 35
Furnishings	None	None		Yes	$ (10)	None		None		None		None	
Open Parking	None	None		None		None		None		None		None	
Carport Parking	None	None		None		None		None		None		None	
Structure Parking	None	None		None		None		1 Space	$ (100)	1 Space	$ (100)	1 Space	$ (100)
Garage Parking	None	None		None		None		None		None		None	
Unit Amenities	Minimal	Similar		Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)
Project Amenities	Minimal	Similar		Superior	$ (15)	Superior	$ (50)	Superior	$ (75)	Superior	$ (50)	Superior	$ (75)
Other	None	None		None		None		None		None		None	
Net Adjustment			$ 132		$ 197		$ (214)		$ (570)		$ (491)		$ (457)
Indicated Market Rent			$ 1,172		$ 1,159		$ 1,138		$ 1,211		$ 1,164		$ 1,148

*Built-ins Abbreviations Key	
RO = Range/Oven;	M = Microwave
RF = Refrigerator;	DW = Dishwasher
WD = Washer/Dryer;	HU = WD Hookups

Estimated Market Rent for the Subject	:	$1,175
Estimated Market Rent per Square Foot	:	$3.47

Indicated Range Statistics		
Mean	$	1,165
Maximum	$	1,211
Minimum	$	1,138
% Difference		6.22%

PLAN E RENTAL ADJUSTMENT GRID

Item	Subject	Comparable #1		Comparable #2		Comparable #3		Comparable #4		Comparable #5		Comparable #6	
Project Name	Hotel Metro	900 F Apartments		Island Inn		Lofts at 707 10th Avenue		13th & Market		Market Street Village		AVA Cortez Hill	
Street Address	434 & 435 13th Street	900 F Street		202 Island Avenue		707 10th Avenue		1330 Market Street		699 14th Street		1399 9th Avenue	
City, State	San Diego, CA	San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101	
Thomas Bros. Map Ref.	1289-B4	1289-B3		1289-A3		1289-B3		1289-B3		1289-B3		1289-B2	
Rental Rate Per Month	----		$ 1,010		$ 992		$ 1,322		$ 1,910		$ 1,625		$ 1,575
Concession	None	None	$ -	None	$ -	None	$ -	1 Month Free	$ (159)	None	$ -	None	$ -
Adjusted Rent	----		$ 1,010		$ 992		$ 1,322		$ 1,751		$ 1,625		$ 1,575
Utilities Included	Water, Sewer, Trash, Gas	None	$ 30	All Utilities + Cable	$ (30)	None	$ 30	None	$ 30	None	$ 30	None	$ 30
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Rental Term	12 Month	12 Month	$ -	1 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Survey Date	12/31/2015	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -
Effective Rental Rate			$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Location	Average	Similar		Superior	$ (50)	Similar		Similar		Superior	$ (80)	Superior	$ (50)
Quality	Average	Inferior	$ 50	Inferior	$ 100	Superior	$ (70)	Superior	$ (180)	Superior	$ (80)	Superior	$ (80)
Condition	Good	Inferior	$ 100	Inferior	$ 100	Superior	$ (40)	Superior	$ (50)	Superior	$ (50)	Similar	
Year Built	1990/2016	2002		1990		2008		2013		2007		1973	
Unit Size (SF)	376	422	$ (32)	265	$ 78	381		539	$ (114)	491	$ (81)	570	$ (136)
Unit Configuration	Flat	Flat		Flat		Flat		Flat		Flat		Flat	
Total Room Count	2	2		2		2		2		2		2	
Bed-Room Count	0	0		0		0		0		0		0	
Bath Count	1	1		1		1		1		1		1	
Heating/Cooling	Wall/Wall	FAU/Central		Wall/Wall		FAU/Central		FAU/Central		FAU/Central		Wall/Wall	
Built-ins*	RO, RF, DW, MW, W/D	RO, RF, DW	$ 40	RF, MW	$ 45	RO, RF, DW, MW, W/D		RO, RF, DW, MW, WD		RO, RF, DW, MW, WD		RO, RF, DW, MW	$ 35
Furnishings	None	None		Yes	$ (10)	None		None		None		None	
Open Parking	None	None		None		None		None		None		None	
Carport Parking	None	None		None		None		None		None		None	
Structure Parking	None	None		None		None		1 Space	$ (100)	1 Space	$ (100)	1 Space	$ (100)
Garage Parking	None	None		None		None		None		None		None	
Unit Amenities	Minimal	Similar		Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)
Project Amenities	Minimal	Similar		Superior	$ (15)	Superior	$ (50)	Superior	$ (75)	Superior	$ (50)	Superior	$ (75)
Other	None	None		None		None		None		None		None	
Net Adjustment			$ 158		$ 223		$ (185)		$ (544)		$ (466)		$ (431)
Indicated Market Rent			$ 1,198		$ 1,185		$ 1,167		$ 1,237		$ 1,189		$ 1,174

*Built-ins Abbreviations Key	
RO = Range/Oven;	M = Microwave
RF = Refrigerator;	DW = Dishwasher
WD = Washer/Dryer;	HU = WD Hookups

Estimated Market Rent for the Subject	:	$1,200
Estimated Market Rent per Square Foot	:	$3.19

Indicated Range Statistics		
Mean	$	1,192
Maximum	$	1,237
Minimum	$	1,167
% Difference		5.82%

PLAN F RENTAL ADJUSTMENT GRID

Item	Subject	Comparable #1		Comparable #2		Comparable #3		Comparable #4		Comparable #5		Comparable #6	
Project Name	Hotel Metro	900 F Apartments		Island Inn		Lofts at 707 10th Avenue		13th & Market		Market Street Village		AVA Cortez Hill	
Street Address	434 & 435 13th Street	900 F Street		202 Island Avenue		707 10th Avenue		1330 Market Street		699 14th Street		1399 9th Avenue	
City, State	San Diego, CA	San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101	
Thomas Bros. Map Ref.	1289-B4	1289-B3		1289-A3		1289-B3		1289-B3		1289-B3		1289-B2	
Rental Rate Per Month	----		$ 1,010		$ 992		$ 1,322		$ 1,910		$ 1,625		$ 1,575
Concession	None	None	$ -	None	$ -	None	$ -	1 Month Free	$ (159)	None	$ -	None	$ -
Adjusted Rent	----		$ 1,010		$ 992		$ 1,322		$ 1,751		$ 1,625		$ 1,575
Utilities Included	Water, Sewer, Trash, Gas	None	$ 30	All Utilities + Cable	$ (30)	None	$ 30	None	$ 30	None	$ 30	None	$ 30
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Rental Term	12 Month	12 Month	$ -	1 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Survey Date	12/31/2015	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -
Effective Rental Rate			$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Location	Average	Similar		Superior	$ (50)	Similar		Similar		Superior	$ (80)	Superior	$ (50)
Quality	Average	Inferior	$ 50	Inferior	$ 100	Superior	$ (70)	Superior	$ (180)	Superior	$ (80)	Superior	$ (80)
Condition	Good	Inferior	$ 100	Inferior	$ 100	Superior	$ (40)	Superior	$ (50)	Superior	$ (50)	Similar	
Year Built	1990/2016	2002		1990		2008		2013		2007		1973	
Unit Size (SF)	405	422	$ (12)	265	$ 98	381	$ 17	539	$ (94)	491	$ (60)	570	$ (116)
Unit Configuration	Flat	Flat		Flat		Flat		Flat		Flat		Flat	
Total Room Count	2	2		2		2		2		2		2	
Bed-Room Count	0	0		0		0		0		0		0	
Bath Count	1	1		1		1		1		1		1	
Heating/Cooling	Wall/Wall	FAU/Central		Wall/Wall		FAU/Central		FAU/Central		FAU/Central		Wall/Wall	
Built-ins*	RO, RF, DW, MW, W/D	RO, RF, DW	$ 40	RF, MW	$ 45	RO, RF, DW, MW, W/D		RO, RF, DW, MW, WD		RO, RF, DW, MW, WD		RO, RF, DW, MW	$ 35
Furnishings	None	None		Yes	$ (10)	None		None		None		None	
Open Parking	None	None		None		None		None		None		None	
Carport Parking	None	None		None		None		None		None		None	
Structure Parking	None	None		None		None		1 Space	$ (100)	1 Space	$ (100)	1 Space	$ (100)
Garage Parking	None	None		None		None		None		None		None	
Unit Amenities	Minimal	Similar		Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)
Project Amenities	Minimal	Similar		Superior	$ (15)	Superior	$ (50)	Superior	$ (75)	Superior	$ (50)	Superior	$ (75)
Other	None	None		None		None		None		None		None	
Net Adjustment			$ 178		$ 243		$ (168)		$ (524)		$ (445)		$ (411)
Indicated Market Rent			$ 1,218		$ 1,205		$ 1,184		$ 1,257		$ 1,210		$ 1,194

*Built-ins Abbreviations Key	
RO = Range/Oven;	M = Microwave
RF = Refrigerator;	DW = Dishwasher
WD = Washer/Dryer;	HU = WD Hookups

Estimated Market Rent for the Subject	:	$1,225
Estimated Market Rent per Square Foot	:	$3.02

Indicated Range Statistics		
Mean	$	1,211
Maximum	$	1,257
Minimum	$	1,184
%Difference		5.98%

PLAN G RENTAL ADJUSTMENT GRID

Item	Subject	Comparable #1		Comparable #2		Comparable #3		Comparable #4		Comparable #5		Comparable #6	
Project Name	Hotel Metro	900 F Apartments		Island Inn		Lofts at 707 10th Avenue		13th & Market		Market Street Village		AVA Cortez Hill	
Street Address	434 & 435 13th Street	900 F Street		202 Island Avenue		707 10th Avenue		1330 Market Street		699 14th Street		1399 9th Avenue	
City, State	San Diego, CA	San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101	
Thomas Bros. Map Ref.	1289-B4	1289-B3		1289-A3		1289-B3		1289-B3		1289-B3		1289-B2	
Rental Rate Per Month	----		$ 1,010		$ 992		$ 1,322		$ 1,910		$ 1,625		$ 1,575
Concession	None	None	$ -	None	$ -	None	$ -	1 Month Free	$ (159)	None	$ -	None	$ -
Adjusted Rent	----		$ 1,010		$ 992		$ 1,322		$ 1,751		$ 1,625		$ 1,575
Utilities Included	Water, Sewer, Trash, Gas	None	$ 30	All Utilities + Cable	$ (30)	None	$ 30	None	$ 30	None	$ 30	None	$ 30
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Rental Term	12 Month	12 Month	$ -	1 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -	12 Month	$ -
Adjusted Rent	----		$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Survey Date	12/31/2015	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -	8/7/2015	$ -
Effective Rental Rate			$ 1,040		$ 962		$ 1,352		$ 1,781		$ 1,655		$ 1,605
Location	Average	Similar		Superior	$ (50)	Similar		Similar		Superior	$ (80)	Superior	$ (50)
Quality	Average	Inferior	$ 50	Inferior	$ 100	Superior	$ (70)	Superior	$ (180)	Superior	$ (80)	Superior	$ (80)
Condition	Good	Inferior	$ 100	Inferior	$ 100	Superior	$ (40)	Superior	$ (50)	Superior	$ (50)	Similar	
Year Built	1990/2016	2002		1990		2008		2013		2007		1973	
Unit Size (SF)	430	422		265	$ 116	381	$ 34	539	$ (76)	491	$ (43)	570	$ (98)
Unit Configuration	Flat	Flat		Flat		Flat		Flat		Flat		Flat	
Total Room Count	2	2		2		2		2		2		2	
Bed-Room Count	0	0		0		0		0		0		0	
Bath Count	1	1		1		1		1		1		1	
Heating/Cooling	Wall/Wall	FAU/Central		Wall/Wall		FAU/Central		FAU/Central		FAU/Central		Wall/Wall	
Built-ins*	RO, RF, DW, MW, W/D	RO, RF, DW	$ 40	RF, MW	$ 45	RO, RF, DW, MW, W/D		RO, RF, DW, MW, WD		RO, RF, DW, MW, WD		RO, RF, DW, MW	$ 35
Furnishings	None	None		Yes	$ (10)	None		None		None		None	
Open Parking	None	None		None		None		None		None		None	
Carport Parking	None	None		None		None		None		None		None	
Structure Parking	None	None		None		None		1 Space	$ (100)	1 Space	$ (100)	1 Space	$ (100)
Garage Parking	None	None		None		None		None		None		None	
Unit Amenities	Minimal	Similar		Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)	Superior	$ (25)
Project Amenities	Minimal	Similar		Superior	$ (15)	Superior	$ (50)	Superior	$ (75)	Superior	$ (50)	Superior	$ (75)
Other	None	None		None		None		None		None		None	
Net Adjustment			$ 190		$ 261		$ (151)		$ (506)		$ (428)		$ (393)
Indicated Market Rent			$ 1,230		$ 1,223		$ 1,201		$ 1,275		$ 1,227		$ 1,212

*Built-ins Abbreviations Key	
RO = Range/Oven;	M = Microwave
RF = Refrigerator;	DW = Dishwasher
WD = Washer/Dryer;	HU = WD Hookups

Estimated Market Rent for the Subject	:	$1,250
Estimated Market Rent per Square Foot	:	$2.91

Indicated Range Statistics	
Mean	$ 1,228
Maximum	$ 1,275
Minimum	$ 1,201
% Difference	5.98%

ESTIMATE OF BASE MARKET RENTS

WEIGHTING OF THE INDICATORS

All of the comparables are considered good indicators for the subject. I was able to use both inferior and superior projects which add strength to the analysis. The subject is a unique property given the original configuration as an SRO hotel type property. The reconfiguration will create studio units that are mostly smaller than competitive market rate projects and the building will lack amenities seen in newer apartments. Consequently, the subject rents would be expected to fall well below the new buildings in the East Village, but above the older low rise construction seen at 900 F Street. In the final rent conclusion, we have given Comparable #1 primary weight with strong secondary consideration given to the remaining comparables.

We are aware of the Entrada Apartments located adjacent to the north of the subject. The property was reported by the property manager as primarily student housing with a few conventional units. The property manager was unable to complete a market survey but briefly indicated the base studio rent is starting around $1,350 per month for 413 square feet. Given the size and quality of this project's, the subject starting rent would likely fall below this indicator, although it is given only minimal supporting weight in this analysis due to the lack of verification.

Additionally, we are aware of the Carnegie Apartments located 0.43 to the northwest of the subject. The property manager was unable to be reached; however, based on online advertisements it appears the base studio rent is starting at $950 per month. Given the quality of this project's, the subject starting rent would likely above this indicator, although it is given minimal supporting weight in this analysis due to the lack of verification.

PLAN A

The adjusted data provides an indicated rental range of $1,055 to $1,128 reflecting a 6.69% disparity. The average of the indicators $1,083 is per month. Based on the analysis of the rental comparables, the market rent for the Plan A units is estimated at $1,100.

PLAN B

The adjusted data provides an indicated rental range of $1,089 to $1,162 reflecting a 6.49% disparity. The average of the indicators $1,116 is per month. Based on the analysis of the rental comparables, the market rent for the Plan B units is estimated at $1,125.

PLAN C

The adjusted data provides an indicated rental range of $1,117 to $1,190 reflecting a 6.33% disparity. The average of the indicators $1,144 is per month. Based on the analysis of the rental comparables, the market rent for the Plan C unit is estimated at $1,150.

PLAN D

The adjusted data provides an indicated rental range of $1,138 to $1,211 reflecting a 6.22% disparity. The average of the indicators $1,165 is per month. Based on the analysis of the rental comparables, the market rent for the Plan D units is estimated at $1,175.

PLAN E

The adjusted data provides an indicated rental range of $1,167 to $1,237 reflecting a 5.82% disparity. The average of the indicators $1,192 is per month. Based on the analysis of the rental comparables, the market rent for the Plan E units is estimated at $1,200.

PLAN F

The adjusted data provides an indicated rental range of $1,184 to $1,257 reflecting a 5.98% disparity. The average of the indicators $1,211 is per month. Based on the analysis of the rental comparables, the market rent for the Plan F units is estimated at $1,225.

PLAN G

The adjusted data provides an indicated rental range of $1,201 to $1,275 reflecting a 5.98% disparity. The average of the indicators $1,228 is per month. Based on the analysis of the rental comparables, the market rent for the Plan G units is estimated at $1,250.

PREMIUMS AND DISCOUNTS

VIEW PREMIUMS

The subject does not have any units that would require a view premium.

FLOOR LEVEL PREMIUMS

The subject does not have any floor level premiums.

UPGRADED UNIT PREMIUMS

The subject does not have any other upgraded units that would require a premium.

PARKING PREMIUMS

The subject does not have any units that would require a parking premium.

DISCOUNTS

The subject does not have any influences that would warrant discounts.

RENT CONTROL

The subject is not impacted by a rent control ordinance.

POTENTIAL GROSS RENTAL INCOME

POTENTIAL BASE RENTAL INCOME SUMMARY								
PLAN	UNITS			BASE MARKET RENT				TOTAL
Plan A	6	Units	x	$1,100	per month	=	$	6,600
Plan B	7	Units	x	$1,125	per month	=	$	7,875
Plan C	25	Units	x	$1,150	per month	=	$	28,750
Plan D	19	Units	x	$1,175	per month	=	$	22,325
Plan E	13	Units	x	$1,200	per month	=	$	15,600
Plan F	9	Units	x	$1,225	per month	=	$	11,025
Plan G	2	Units	x	$1,250	per month	=	$	2,500
				Total Base Rental Income		**=**	**$**	**94,675**

POTENTIAL RENTAL PREMIUMS SUMMARY								
INFLUENCE	UNITS			PREMIUMS				TOTAL
None	-	Units	x	$0	per month	=	$	0
				Total Rental Premiums		**=**	**$**	**0**

POTENTIAL RENTAL DISCOUNTS SUMMARY								
INFLUENCE	UNITS			BASE MARKET RENT				TOTAL
None	-	Units	x	$0	per month	=	$	0
				Total Rental Discounts		**=**	**$**	**0**

POTENTIAL GROSS RENTAL INCOME SUMMARY			
RENTAL INCOME SOURCE			TOTAL
Total Base Rental Income	=	$	94,675
Total Rental Premiums	=	$	0
Total Rental Discounts	=	$	0
Potential Gross Rental Income - Monthly	**=**	**$**	**94,675**
Annualized	**=**	**x**	**12**
Potential Gross Rental Income - Annual	**=**	**$**	**1,136,100**

VACANCY ESTIMATE

As discussed in the Market Overview, vacancy in the market area has been stable to increasing over the past year. The static vacancy for the subject and its immediate competition as of August 7, 2015 is summarized as follows:

COMPARABLE STATIC VACANCY				
COMP NO.	PROJECT NAME	NO. OF UNITS	VACANT UNITS	STATIC VACANCY RATE
1	900 F Apartments	115	0	0.0%
2	Island Inn	200	0	0.0%
3	Lofts at 707 10th Avenue	207	5	2.4%
4	13th & Market	264	7	2.7%
5	Market Street Village	229	6	2.6%
6	AVA Cortez Hill	293	12	4.1%
Total		1,308	30	2.3%

The data indicates that the subject's immediate competition is currently operating at vacancy levels between 0.0% and 4.1% with an average of 2.3% for all projects surveyed. The 3rd Quarter 2015 Marcus and Millichap Apartment Report indicates: Average vacancy in the county inched down 10 basis points in the first half of 2015 to 3.2 percent as rising construction outpaced demand. The rate is flat since midyear 2014. Over the corresponding period last year, vacancy ticked down 20 basis points. In the El Cajon/Santee/Lakeside, Mid-City/National City and Escondido submarkets, average vacancy is below 2 percent. In each of these submarkets, vacancy fell between 60 and 100 basis points in the past four quarters. A large number of deliveries pushed vacancy up 260 basis points to 5.9 percent in the last three months in the Downtown San Diego/Coronado submarket. Rising construction is having an impact on vacancy in the market. At midyear the new inventory has helped push vacancy at properties built since 2000 up 70 basis points to 4.7 percent. Average vacancy in San Diego County will edge down 20 basis points to 3.2 percent in 2015, repeating last year's decline.

In the final estimate of stabilized vacancy, the appraiser must consider not only the current market, but also a stabilized vacancy rate over a typical holding period of eight to ten years. Over this time frame, the subject will likely incur an average vacancy near or slightly below the rates currently being experienced given the normal real estate cycle. My discussions with both investors and brokers during the sale verification process find the majority of investors are incorporating a vacancy estimate between 3% and 5% into the income projections. Based on all these factors, the subject's projected long term stabilized vacancy rate is estimated at 5.0% of potential gross income.

COLLECTION LOSS ESTIMATE

My surveys of comparable developments found collection loss is typically the result of evictions. Historically, the subject market has experienced low eviction rates with many managers reporting that eviction rates remain low to non-existent. The results of my survey of the subject's immediate competition are as follows:

COMPARABLE EVICTION HISTORY				
COMP NO.	PROJECT NAME	NO. OF UNITS	ANNUAL EVICTIONS	EVICTION RATIO
1	900 F Apartments	115	2	1 per 58 units
2	Island Inn	200	12	1 per 17 units
3	Lofts at 707 10th Avenue	207	1	1 per 207 units
4	13th & Market	264	2	1 per 132 units
5	Market Street Village	229	0	0 per 229 units
Total		1,015	17	1 per 60 units

The subject and most comparables serve the luxury apartment market. Comparable #2 operates as an apartment/SRO type projects with shorter term leases. The tenant base is substantially inferior to a conventional apartment project resulting in high eviction rates. With minimal weight given to Comp #2, the comparables reflect a lower average eviction rate of 1 per 163 units. The management for this type of project is generally more selective in qualifying tenants and should be able to achieve an extremely low eviction rate like the comparables. Assuming prudent management, the subject should be able to achieve an annual rate of one eviction for every 160 units assuming a well-managed project with adequate pre-qualification of tenants. At this rate, the subject will average 0.5 evictions per year. Before an eviction takes effect, a tenant could technically remain in the unit up to three months without paying rent; although the actual loss is now 45 to 60 days according to local managers. Based on this data, I have estimated the average loss at two months per eviction resulting in the following collection loss calculation:

COLLECTION LOSS ESTIMATE						
AVERAGE RENT/UNIT	x	ANNUAL EVICTIONS	x	AVERAGE LOSS PER EVICTION	=	ANNUAL COLLECTION LOSS
$1,169	x	0.5	x	2 Months	=	$1,169

RENTAL CONCESSIONS

As discussed previously, only one of the stabilized comparables was offering rental concessions. In this case, the current discounted rents have been used or the concessions have been amortized over the lease term and deducted to determine the net effective rent. My discussion with local managers revealed that there is a sense of optimism regarding the current state of the rental market and standard concessions have decreased over the past year. Going forward, the rental market appears to be firming which will likely result in less need for periodic pricing concessions. Assuming competent management, no additional concessions are expected.

OTHER INCOME

LAUNDRY INCOME

The subject will provide two onsite laundry rooms with leased machines. However, the subject units will also include a washer/dryer in unit. Given the inclusion of washers and dryers in the units, it would be unlikely that the common laundry rooms would generate any noticeable income. No additional income has been included from the common laundry rooms.

FEES AND CHARGES

It is common among all projects surveyed to charge additional fees for applications, credit checks, late fees, NSF fees, lease termination, forfeited deposits, etc. My surveys of both brokers and investors find these charges are typically considered in the projected income for large Class A and B properties. My review of the actual performance of comparable market rate projects finds these fees and charges typically run between $5 and $25 per unit on a monthly basis. These fees differ based on management style and fee structure in place by the owner. For purposes of this analysis, a stabilized rate of $10.00 per unit will be used, equating to $9,720 annually.

OTHER INCOME SUMMARY

Based on the preceding discussion and analysis, the subject's "Other Income" is summarized as follows:

OTHER INCOME SUMMARY			
OTHER INCOME SOURCE			**TOTAL**
Annual Laundry Income	=	$	0
Annual Tenant Charges Income	=	$	9,720
Total Other Income	**=**	**$**	**9,720**

EXPENSE ANALYSIS

The following is a brief explanation of the various expense categories. Expense estimates are based on industry guidelines published in the IREM Income & Expense Analysis Reports for apartment projects in San Diego County, the pro forma expenses provided by the owner, the Froboese Realty Group (FRG) Database of actual expenses from previously appraised market rate apartment projects throughout Southern California, and my review of the actual expense history of similar projects previously appraised.

As additional indicators, we have also included the actual expense statements for three comparable apartment projects in San Diego County that range in size from 100 to 500+ units. Note that the statements for the comparable projects are highly confidential and permission to use them has been granted with the strict requirement that the projects not be identified.

REAL ESTATE TAXES - GENERAL LEVY/BONDED INDEBTEDNESS

The real estate tax estimate must reflect the value of assessment that would be placed upon it at sale. Inasmuch as the sales price of the property is typically used as the basis for the new assessed valuation, the indicated Fee Simple value by the Income Approach will be used as the estimated assessed value. Multiplying the subject's real estate tax rate of 1.179010% by the indicated value of $13,510,000 via the Income Approach equates to a real estate tax estimate of $159,402.

REAL ESTATE TAXES - SPECIAL ASSESSMENTS

The subject does not currently have any special assessments because the site is owned by a Public Agency, The San Diego Housing Commission. Based on previous appraisal of apartments in downtown San Diego and review of applicable special assessments, the special assessments and their calculation are as follows:

SPECIAL ASSESSMENT	CALCULATION	SUBJECT TAX
County Mosquito/Fire Ant Assmt.	$3.00/Parcel	$9.00
Vector Control Charge	Calculated based upon use of property: Multi-family use: # of units x $5.86 x SFE	$82.63
CWA Water Availability Charge	$10.00/AC x 0.34 AC	$10.00
Downtown Property & Business Imp. District (PBID) (East Village)	Building Square Footage @ 41,812 SF x $0.0746 Plus: Linear Frontage Feet @ 135 LF x $6.3355	$3,974.47
Total Special Assessments		**$4,076.10**

The Vector Control Charge is calculated at 0.40 Single-Family Equivalents (SFE) for the first 20 multi-family units and 0.10 SFE for all additional units which is then multiplied by the rate of $5.86. The Downtown Property & Business Improvement District is calculated based on the total building square footage and the linear feet of the site, which is estimated at 135 linear feet. We have estimated the annual special assessments at $4,076.

FLOOD HAZARD INSURANCE

The subject site does not lie in a Special Flood Hazard Area and flood insurance is not required.

INSURANCE AND LIABILITY

Insurance rates for apartment buildings are typically quoted in terms of a rate per square foot of gross building area. The insurance expense indications from the various sources used in this analysis are as follows:

BASIS	Comp #1	Comp #2	Comp #3	Pro Forma	IREM
Per Unit	$382	$239	$149	$200	$131 - $332
Per SF	----	$0.30	$0.28	$0.39	$0.17 - $0.43

The pro forma insurance expense appears reasonable and would be expected for a property of this size and scope. Downtown San Diego mid and high rise properties report actual insurance rates between $0.30 and $0.50 per square foot. Accordingly, an insurance expense below the actual rate at $0.40 per square foot appears reasonable which is calculated as follows:

$0.40 per square foot x 41,812 Square Feet = $16,725

NATURAL GAS AND ELECTRICITY

The subject will be individually metered electric utilities. The landlord's natural gas and electricity expense includes heat and air conditioning for the community areas, offices, exterior lighting, and laundry facilities. The expense indications per unit from the sources used are as follows:

BASIS	Comp #1	Comp #2	Comp #3	Pro Forma	IREM
Per Unit	$559	$286	$248	$225	$170 - $370

Per the US Department of Labor, San Diego County electricity prices were up 17.6 percent from a year ago and natural gas prices moved up 20.4 percent. Additionally, San Diego Gas and Electricity has recently proposed additional increases through 2016-2018. Based primarily on the comparables, as well as, given consideration to expert's predictions going forward, an annual electric and natural gas rate of $250/unit appears appropriate which is calculated as follows:

$250 per Unit x 81 Units = $20,250

WATER AND SEWER

The annual expense indications per unit from the sources used are as follows:

BASIS	Comp #1	Comp #2	Comp #3	Pro Forma	IREM
Per Unit	$660	$344	$480	$296	$362 - $617

Virtually all water districts in Southern California are proposing or implementing water rate increases as the state has experienced record drought conditions over the past several years. Given both the limited physical capacity of Southern California's water sources, as well as, the ongoing political conflicts involving water usage, it is reasonable to project continued rising water costs going forward. Water rates are expected to continue to trend upward as the population grows and the continued effects of drought like conditions are felt across Southern California. The pro forma rate falls at the lower end of the range likely due to the limited landscaped areas and small unit sizes. Given the anticipated rate increases, an annual rate of $325/unit appears reasonable and calculated as follows:

$325 per Unit x 81 Units = $26,325

RUBBISH REMOVAL

The annual expense indications from the sources used are as follows:

BASIS	Comp #1	Comp #2	Comp #3	Pro Forma	IREM
Per Unit	$60	$171	$118	$179	$108 - $247

Given the subject's project and site size, a rate in the upper-mid end of the range near the comparables appears reasonable. For purposes of this analysis, a rate of $150/unit appears appropriate for the subject, which is calculated as follows:

$150 per Unit x 81 Units = $12,150

GENERAL MAINTENANCE AND REPAIRS

This expense consists of supplies, repair services and other contract maintenance costs. The annual expense indications per unit from the sources used are as follows:

BASIS	Comp #1	Comp #2	Comp #3	Pro Forma	IREM
Per Unit	$615	$574	$137	$1,102	$301 - $941

The subject will be in rehabilitated condition but will not include maintenance staff, warranting a rate at the upper end of the range. Comparable #2 includes turnover expenses. The pro forma figures appear to include all maintenance costs inclusive of elevator maintenance and pest control. Our analysis provides allowances for each individual maintenance category. Based on the rehabilitated condition, the expense comparables, the published data, and the actual performance of similar, recently appraised projects, a maintenance expense of $500/unit appears appropriate which is calculated as follows:

$500 per Unit x 81 Units = $40,500

TURNOVER EXPENSE

This expense consists of unit refurbishment between tenants such as painting unit interiors, and general clean up. As discussed on the Rent Comparable Data Pages, the subject and the immediate competition is experiencing annual attrition in the range of 41% to 90% annually. The expense indications per unit from the sources used are as follows:

BASIS	Comp #1	Comp #2	Comp #3	Pro Forma	IREM
Per Unit	$162	Inc. In GM	$59	$444	$100 - $208

Based on the published data and the actual performance of the expense comparables recently appraised and the subject's small unit sizes a cleaning and painting expense of $150 per unit appears reasonable and is calculated as follows:

$150 per Unit x 81 Units = $12,150

GROUNDS MAINTENANCE

The subject has minimal landscaping consisting of some small trees in the courtyards that require minimal maintenance. The general maintenance expense appears adequate to account for any grounds maintenance. No additional grounds maintenance expense is warranted.

ELEVATOR MAINTENANCE

The subject has two elevators. The pro forma estimate is included in the General Maintenance category. Based on project previously appraised the typical expense ranges from $150 to $500 per elevator per month. For purposes of this analysis, a rate of $800/month appears reasonable which is calculated as follows:

$800 per Month x 12 Months = $9,600

PEST CONTROL

The subject requires the services of a professional pest control company. The annual expenses per unit from the sources used are as follows:

BASIS	Comp #1	Comp #2	Comp #3	Pro Forma	IREM
Per Unit	$10	$28	$0	$0	

The pro forma estimate is included in the General Maintenance category. For purposes of this analysis, a stabilized rate near the comparables of $25 per unit appears reasonable which is calculated as follows:

$25 per Unit x 81 Units = $2,025

SECURITY

As a market rate project the subject would have secure entry, but would not require a security patrol. Accordingly, no security expense is warranted.

ADVERTISING & MARKETING

This expense consists of paid advertising, commissions, brochures, promotions, referral fees, etc. The annual expense indications per unit from the sources used are as follows:

BASIS	Comp #1	Comp #2	Comp #3	Pro Forma	IREM
Per Unit	$112	$27	$148	$44	----

The pro forma rate appears low for a market rate project. A market based project would need to be actively marketed in order to ensure stabilized occupancy. For purposes of this analysis, a rate near the expense comparable of $125/unit appears warranted, which is calculated as follows:

$125 per Unit x 81 Units = $10,125

PROFESSIONAL OFF-SITE MANAGEMENT

Professional management companies typically charge between $30 and $50 per unit per month for apartment projects in the subject's size range. The annual expense indications from the sources used are as follows:

BASIS	Comp #1	Comp #2	Comp #3	Pro Forma	IREM
Per Unit/Month	----	$50	$48	$49	$37 - $53
% EGI	----	3.9%	4.5%	5.7%	3.1% - 3.9%

For purposes of this analysis, a rate of 4.00% of EGI equating to $45/unit/month toward appears appropriate and is calculated as follows:

$1,087,846 EGI x 4.00% = $43,514

ONSITE SALARIES, PAYROLL & WORKERS COMP

On site staffing and compensation packages can vary significantly from project to project depending on the owner's allocation of responsibilities between off-site and on-site management, use of contract versus salaried maintenance personal, management intensity of the local market, etc. The annual expense indications from the sources used are as follows:

BASIS	Comp #1	Comp #2	Comp #3	Pro Forma	IREM
Per Unit	$975	$545	$1,314	$501	$779 - $1,056

Assuming a market rate project and leasing requirements, an on-site payroll expense of $700/unit or 5.2% of the subject's projected effective gross income is considered reasonable as follows:

$700 Per Unit x 81 Units = $56,700

ADMINISTRATIVE

These expenses include an allowance for telephone, office supplies, postage, license, legal, accounting, etc. The annual expenses per unit from the sources used are as follows:

BASIS	Comp #1	Comp #2	Comp #3	Pro Forma	IREM
Per Unit	$194	$164	$103	$83	Variable

Assuming a market rate project, a stabilized rate of $150 per unit will be used and is calculated as follows:

$150 per Unit x 81 Units = $12,150

RESERVES FOR REPLACEMENTS

The final expense category is "Reserves for Replacement" which allows for the periodic replacement of items with lives shorter than the structure itself. Based on our verifications of apartment sales over the past 24 months, we have found a relatively consistent trend for brokers and investors to incorporate annual reserves at a rate of $200 to $400 per unit depending on the unit size and age of the property. For purposes of this analysis, a rate of $250 per unit appears to be a reasonable set aside for replacements that will be required over the coming years. The annual reserves expense is calculated as follows:

$250 per Unit x 81 Units = $20,250

EXPENSE ESTIMATE COMPARISON

The subject's estimated expenses are compared to the comparables used in the Sales Comparison Approach on a dollar per unit basis ($/unit) and as a percentage of Effective Gross Income (%/EGI).

PROPERTY	AGE	NUMBER OF UNITS	PROJECT AVERAGES EXPRESSED AS			EXPENSES EXPRESSED AS	
			UNIT SIZE	BEDROOMS	BATHS	$/UNIT	%/EGI
Subject	1990	81	330	0.5	1.0	$5,505	41.0%
Sale Comp #1	1965	22	790	1.5	1.3	$5,896	36.3%
Sale Comp #2	1959	30	410	0.6	1.0	$5,806	38.3%
Sale Comp #3	1921	90	460	0.5	1.0	$5,065	37.8%
Sale Comp #4	1970	28	687	1.2	1.0	$6,007	38.8%
Sale Comp #5	1921	58	555	0.9	1.1	$7,040	38.9%

The subject's projected expenses fall at the low end of the range on a *per unit* basis. This is due to the subject's unit mix, small unit sizes, and limited project amenities and is well supported. The subject's expenses fall slightly above the range as a *percent of EGI* due to the lower overall income associated with the unit mix of 100% studios. Overall, the estimated expenses are well supported by the comparable data.

CAPITALIZATION RATE DERIVATION

DERIVATION FROM COMPARABLE SALES

The comparables summarized below are fully documented and analyzed in the Sales Comparison Approach. The sales prices reflected have been adjusted for cash equivalency and conditions of sale where appropriate. The following discussion provides only a brief analysis of the relative risk presented by each property in relation to the subject. For a more detailed analysis of each sale, please refer to the Sales Comparison Approach.

	Property	Number of Units Year Built Avg. Unit Size	Gross Income Net Income Financing	Sale Price(Cash Eqiv.) Sales Date Condition of Sale	OAR
1	The El Dorado Manor	22	$368,700	$4,750,000	
	2404 C Street	1965	$227,927	11/20/2014	**4.80%**
	San Diego, CA	790	Cash Equivalent	None	
2	Casa Loma Apartments	30	$478,440	$6,225,000	
	2875 A Street	1959	$280,338	8/17/2015	**4.50%**
	San Diego, CA	410	Cash Equivalent	None	
3	Barcelona Apartments	90	$1,268,880	$15,000,000	
	326 E. Juniper Street	1921	$749,586	6/13/2014	**5.00%**
	San Diego, CA	460	Cash Equivalent	None	
4	Florida Manor	28	$446,356	$5,300,000	
	3440 Florida Street	1970	$264,769	7/24/2014	**5.00%**
	San Diego, CA	687	All Cash	None	
5	Marquis Hillcrest	58	$1,109,749	$13,700,000	
	1751 University Avenue	1921	$642,612	4/22/2015	**4.69%**
	San Diego, CA	555	Cash Equivalent	None	

The data provides an indicated OAR range of 4.50% to 5.00%. The market data presented represents the best indicators from sales available in this market. Comparables #1, #3, and #4 are recent sales of inferior condition properties located in slightly inferior locations relative to the subject. The subject should fall below these indicators.

Comparable #2 is a recent sale of a property that was recently completely renovated and upgraded and is considered superior quality to the subject. Comparable #5 is a recent sale of a superior quality upgraded property. The subject should fall above these indicators.

Overall, Comparables #1, #2, #5 are recently closed sales. These comparables are given primary weight. Comparable #3 is a slightly older sale but has a similar average number of bedrooms and Comparable #4 is a slightly older sale and given secondary weight.

BROKERAGE REPORTS

Based on our most recent interviews, local brokers are reporting continued high demand for apartment investments for all property classes over the past eighteen months, which has kept cap rates near historic lows. Nearly all brokers report well-located Class A projects have interest in the low to mid 4-percent range based on Year 1 Income. Pro forma cap rates are slightly higher in the mid to high 4% range. There have been several projects purchased by REIT's and large private equity buyers in late 2013 into 2014, all with cap rates in the 5-percent range and below. The increased demand for Class A projects is being driven by the availability of financing with fixed low interest rates, improving economic fundamentals supporting continued rent growth, the desirability of the San Diego Apartment market and the need of investors to place accumulated capital.

According to the Marcus & Millichap San Diego 1st Quarter 2015 Research Report: the queue of potential buyers for San Diego apartments is significantly longer than those wishing to divest their assets, creating an aggressive bidding climate. As the year progresses, the imbalance between buyers and sellers should make strides toward equalization, though a sellers' market will persist. The potential for rising interest rates will be the primary catalyst that reduces the number of investors in the local apartment market. As the cost of debt rises while cap rates remain stubbornly low, buyers seeking higher margins will consider alternative areas or investments. On the other side of the equation, more sellers could emerge this year. Cap rates are unlikely to compress much further and owners with plans to liquidate or exchange in the next few years may take advantage of today's pricing and large buyer pool. Overall, cap rates are in the low-5 percent range.

INVESTOR SURVEYS

Additional support is provided by the PwC Real Estate Investor Survey (Formerly Korpacz) completed in the 1st Quarter 2015. This survey includes market indicators based on a cross section of major national investors, pension funds, REIT's, insurance companies, real estate advisors and financial institutions. The 1st Quarter 2015 PwC Real Estate Investor Survey reflects an OAR range of 3.50% to 8.00%, with an average of 5.36% on a national basis, which remained flat from the previous quarter. This represents a 43 basis point decrease over the past 24 months from the 5.79% average reported in the 1st Quarter of 2014.

RECONCILIATION OF THE CAPITALIZATION RATE SELECTION

In estimating the appropriate capitalization rate for the subject, all methods are considered with most weight placed on the sales comparison technique given the availability of recent transactions. The historical market indicators have been significantly tempered by the numerous broker opinions and investor surveys documented above. Based on the preceding discussion of the individual indicators and the subject's location, I have concluded at an OAR of 4.75% for use in this analysis. The selection of the OAR is the final component of the Direct Capitalization Technique. The following page summarizes the preceding analysis and illustrates the capitalization process.

INCOME APPROACH SUMMARY

Potential Gross Rental Income		$1,136,100	
Vacancy - Residential	5.0%	($56,805)	
Collection Loss	0.1%	($1,169)	
Concessions	0.0%	$0	
Other Income	0.9%	$9,720	
Effective Gross Income			$1,087,846
Less: Expenses			
Taxes-General Levy/Bonded Debt		$159,402	
Taxes-Special Assessments		$4,076	
Liability Insurance		$16,725	
Gas & Electricity		$20,250	
Water & Sewer		$26,325	
Rubbish Removal		$12,150	
General Maintenance & Supplies		$40,500	
Turnover Expense		$12,150	
Landscape Maintenance		$0	
Elevator Maintenance		$9,600	
Pest Control		$2,025	
Security		$0	
Advertising		$10,125	
Off-Site Management		$43,514	
Onsite Payroll, Salaries & Workers Comp.		$56,700	
Administrative		$12,150	
Reserves for Replacements		$20,250	
Total Expenses 41.0% of EGI			($445,942)
Net Operating Income			$641,904

Capitalized @	4.75%	$13,513,768
Indicated Value by Income Approach (Rounded)		$13,510,000

VALUATION SCENARIO ONE
SALES COMPARISON APPROACH

Valuation Scenario One represents the Prospective Unrestricted Market Value - Fee Simple. This approach is based on the premise that an informed buyer would pay no more for a property than the cost of acquiring another property of similar utility.

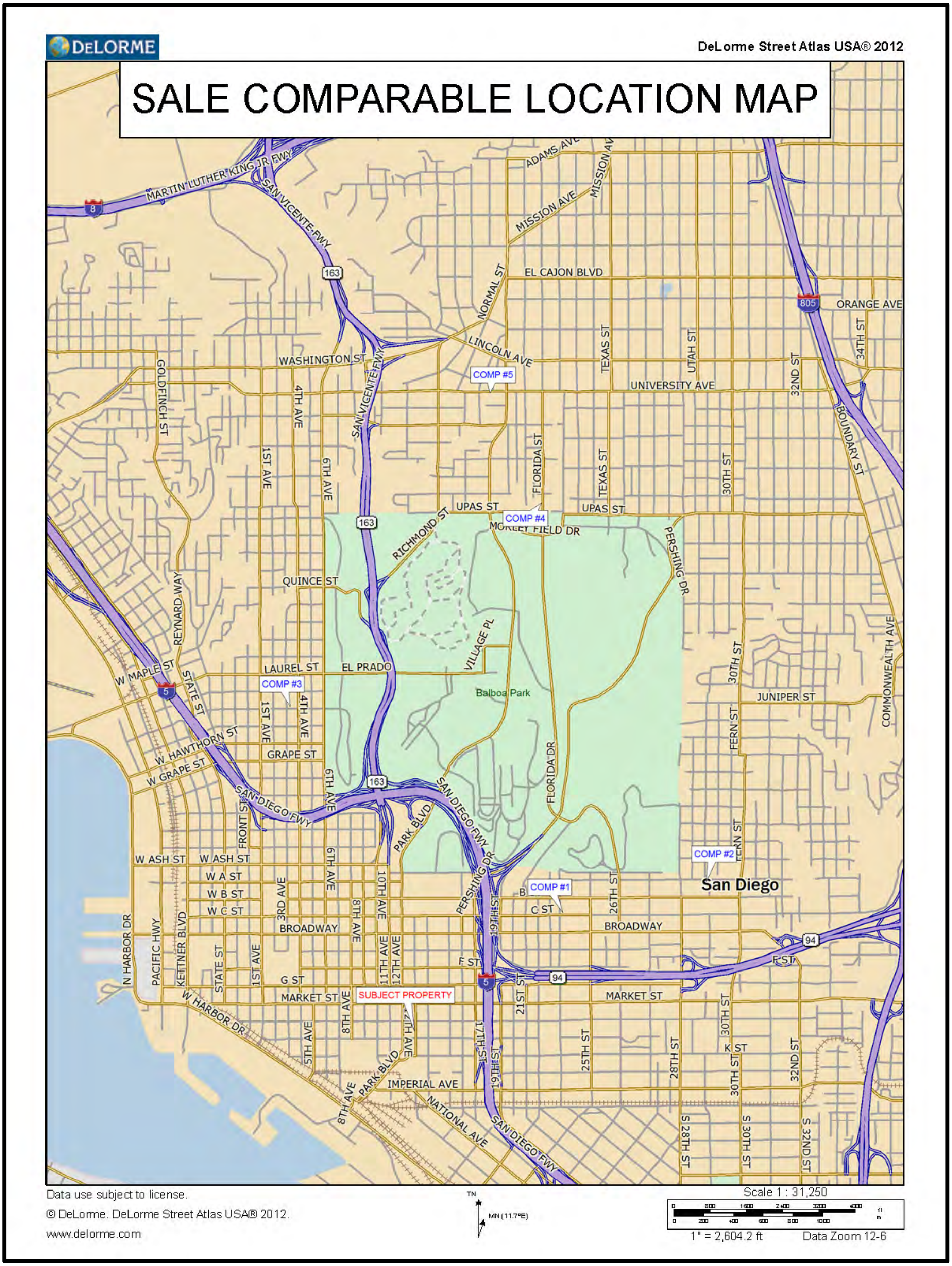
EFFECTIVE DATE OF VALUE

The effective date of value for Valuation Scenario One is, December 31, 2015, which is the assumed date that the affordability restrictions will be removed and the ground lease will be terminated.

SCOPE OF SALES SEARCH

The search for comparable sales included review of several data services that provided information on the most recent apartment transactions in the subject's market area. Additional insight was gained from interviews of several brokers and managers in the subject's market area. An attempt to find Downtown apartment sales was made; however, given the very limited number downtown apartment sales, no directly comparable properties were found. There have been some other apartment sales in downtown over the past two years; however, they are superior class A properties. We are aware of the sale of a 22-unit property located in a slightly superior downtown San Diego location at 1302 8th Avenue. The property reportedly sold for $4,750,000 or $215,909 per unit. However, this property was unable to be verified with a party involved in the transaction and has been excluded for this analysis. Accordingly, the next most comparable properties selected for use in this analysis are the most recent sales of properties with close proximity to downtown San Diego that contain a high percentage of studio or 1BR units. A total of ten sales were verified and inspected. The five most comparable sales were then selected for use in this analysis.

As properties are actively traded in this market, the primary unit of comparison used by the market participants contacted is the value per unit. Accordingly, this unit of measure will be utilized in the valuation of the subject.


DELORME
DeLorme Street Atlas USA® 2012
SALE COMPARABLE LOCATION MAP
MARTIN LUTHER KING JR FWY
SAN VICENTE FWY
ADAMS AVE
MISSION AVE
EL CAJON BLVD
NORMAL ST
ORANGE AVE
LINCOLN AVE
WASHINGTON ST
UNIVERSITY AVE
COMP #5
GOLDFINCH ST
4TH AVE
1ST AVE
6TH AVE
FLORIDA ST
TEXAS ST
UTAH ST
30TH ST
32ND ST
34TH ST
BOUNDARY ST
UPAS ST
COMP #4
MORLEY FIELD DR
RICHMOND ST
PERSHING DR
QUINCE ST
REYNARD WAY
VILLAGE PL
LAUREL ST
EL PRADO
W MAPLE ST
STATE ST
COMP #3
Balboa Park
JUNIPER ST
COMMONWEALTH AVE
W HAWTHORN ST
GRAPE ST
W GRAPE ST
FERN ST
SAN DIEGO FWY
FLORIDA DR
FRONT ST
PARK BLVD
W ASH ST
W A ST
W B ST
W C ST
3RD AVE
8TH AVE
10TH AVE
COMP #2
San Diego
COMP #1
C ST
26TH ST
19TH ST
BROADWAY
N HARBOR DR
PACIFIC HWY
KETTNER BLVD
1ST AVE
11TH AVE
12TH AVE
F ST
G ST
MARKET ST
SUBJECT PROPERTY
W HARBOR DR
21ST ST
25TH ST
28TH ST
K ST
5TH AVE
17TH ST
IMPERIAL AVE
NATIONAL AVE
S 28TH ST
S 30TH ST
S 32ND ST
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TN
MN (11.7°E)
Scale 1 : 31,250
1" = 2,604.2 ft
Data Zoom 12-6

IMPROVED COMPARABLE SALE NO. 1

PROPERTY IDENTIFICATION	***Project Name***	:	The El Dorado Manor
	Street Address	:	2404 C Street
	City, State	:	San Diego, CA
	Assessor's Parcel No.	:	534-271-15
	Thomas Bros. Map Ref.	:	1289-D3

PROPERTY DESCRIPTION	***Location***	:	Inferior
	Quality	:	Similar
	Condition	:	Inferior
	0.25 - Bedroom 1 - Bath	:	0
	1 - Bedroom 1 - Bath	:	11
	1 - Bedroom 1 - Bath	:	0
	2 - Bedroom 1.5 - Bath	:	10
	2 - Bedroom 2 - Bath	:	1
	3 - Bedroom 2.5 - Bath	:	0
	Year Built	:	1965
	Rentable Area (SF)	:	17,382
	Average Unit Size (SF)	:	790
	Number of Stories	:	3
	Open Parking Spaces	:	5
	Covered Parking Spaces	:	10
	Garage Parking Spaces	:	10
	Site Size (Acres)	:	0.321
	Density (du/ac)	:	68.54
	Unit Amenities	:	See Comments
	Project Amenities	:	See Comments
	Other	:	None

UNITS OF COMPARISON	***Total Units***	:	22
	Price/Unit	:	$215,909
	Overall Rate	:	4.80%
	Gross Income Multiplier	:	12.88

IMPROVED COMPARABLE SALE NO. 1 (CON'T)

TRANSACTION SUMMARY	***Sales Price***	:	$4,750,000
	Buyer	:	John Burger
	Seller	:	Cjag LLC
	Recording Date	:	11/20/2014
	Document Number	:	14-507550
	Interest Transferred	:	Leased Fee
	Conditions of Sale	:	None
	Marketing Time	:	106 Days
	Escrow Length	:	120 Days

FINANCING TERMS	***Type of Note***	:	1st TD
	Lender	:	JP Morgan Chase
	Loan Amount	:	$2,550,000
	Annual Interest Rate	:	Market Terms
	Amortization	:	Market Terms
	Term	:	Market Terms

INCOME DATA	***Potential Gross Income (PGI)***	:	$	368,700	
	Vacancy & Collection Loss	:	$	(11,061)	(3.0% of Potential Gross Income)
	Effective Gross Income (EGI)	:	$	357,639	
	Expenses	:	$	(129,712)	(36.3% of EGI or $5,896 per Unit)
	Net Operating Income (NOI)	:	$	227,927	

SOURCE	***Buyer Representative***	:	------
	Seller Representative	:	------
	Listing Broker	:	Curtis Gabhart - (858) 356-5973
	Selling Broker	:	------
	Other	:	Marketing Package, Comps, Pub. Records

This property was reported as selling with conventional, cash equivalent financing. For purposes of this analysis, the income is based on the market rents at the time of sale as the actual rents were slightly below market at the time of sale. There is one non-conforming unit that was considered in the income. The property has a tentative condominium map. The verification source indicated this was a positive attribute; however, indicated the property would have sold at the sale price with or without the condo map. The property was 100% occupied at the time of the sale.

This property is located 0.79 miles northeast of the subject just east of Downtown in an inferior location in Golden Hill. The project was built in 1965, but has been upgraded and reflects a roughly similar quality level in terms of architectural style, materials and finish and features views of Downtown San Diego. From an investor's standpoint, it is considered to be in slightly inferior condition relative to the subject's rehabilitated condition.

The project has a larger average unit size (790 SF vs. 330 SF) relative to the subject. In terms of unit mix, the project's income generating ability is superior with an average of 1.5 bedrooms and 1.3 baths per unit versus the subject's average of 0.5 bedrooms and 1.0 shared baths per unit. The project has a superior parking ratio and includes carport and garage spaces. Unit amenities include a range, oven, refrigerator, dishwasher, and balconies. Project amenities include a laundry facility.

Per public records, there have been no other transfers within the last three years.

IMPROVED COMPARABLE SALE NO. 2

PROPERTY IDENTIFICATION	***Project Name***	: Casa Loma Apartments
	Street Address	: 2875 A Street
	City, State	: San Diego, CA
	Assessor's Parcel No.	: 539-460-12
	Thomas Bros. Map Ref.	: 1289-E2

PROPERTY DESCRIPTION	***Location***	: Similar
	Quality	: Superior
	Condition	: Similar
	Bachelor	: 0
	Studio	: 22
	1 - Bedroom 1 - Bath	: 8
	1 - Bedroom + Den 1 - Bath	: 0
	2 - Bedroom 2 - Bath	: 0
	2 - Bedroom 2 - Bath	: 0
	Year Built	: 1959
	Rentable Area (SF)	: 12,314
	Average Unit Size (SF)	: 410
	Number of Stories	: 2
	Open Parking Spaces	: 20
	Covered Parking Spaces	: 0
	Garage Parking Spaces	: 0
	Site Size (Acres)	: 0.320
	Density (du/ac)	: 93.75
	Unit Amenities	: See Comments
	Project Amenities	: See Comments
	Other	: None

UNITS OF COMPARISON	***Total Units***	: 30
	Price/Unit	: $207,500
	Overall Rate	: 4.50%
	Gross Income Multiplier	: 13.01

IMPROVED COMPARABLE SALE NO. 2 (CON'T)

TRANSACTION SUMMARY	***Sales Price***	:	$6,225,000
	Buyer	:	McNeill Property Invs LLC
	Seller	:	Carv Properties LLC
	Recording Date	:	8/17/2015
	Document Number	:	N/A
	Interest Transferred	:	Leased Fee
	Conditions of Sale	:	None
	Marketing Time	:	N/A
	Escrow Length	:	Not Available

FINANCING TERMS	***Type of Note***	:	1st TD
	Lender	:	Financial Partners Credit Union
	Loan Amount	:	$4,218,000
	Annual Interest Rate	:	Market Terms
	Amortization	:	Market Terms
	Term	:	Market Terms

INCOME DATA	***Potential Gross Income (PGI)***	:	$	478,440	
	Vacancy & Collection Loss	:	$	(23,922)	(5.0% of Potential Gross Income)
	Effective Gross Income (EGI)	:	$	454,518	
	Expenses	:	$	(174,180)	(38.3% of EGI or $5,806 per Unit)
	Net Operating Income (NOI)	:	$	280,338	

SOURCE	***Buyer Representative***	:	------
	Seller Representative	:	------
	Listing Broker	:	------
	Selling Broker	:	------
	Other	:	Confidential

The property was listed at $6,300,000; the actual closing price was $6,225,000 on August 17, 2015. For purposes of this analysis, the income is based on the actual rents reported by the verification source. The actual rents were reportedly near market. The property was recently vacated and rehabilitated. The property is 83 percent leased up and expected to be stabilized within a month.

This property is located 1.37 miles northeast of the subject just east of Downtown in an inferior location in Golden Hill. The project reflects was recently renovated with new vinyl windows, doors, cabinets, wood/tile flooring, granite counters, landscaping, fencing, decking, etc. and is considered superior in quality level in terms of architectural style, materials and finish. It was built in 1959 and was recently rehabilitated and is considered similar to the subject's rehabilitated condition.

The project has a larger average unit size (410 SF vs. 330 SF) relative to the subject. In terms of unit mix, the project's income generating ability is superior with an average of 0.6 bedroom and 1.0 baths per unit versus the subject's average of 0.5 bedrooms and 1.0 shared baths per unit. The project has a superior parking ratio and includes open spaces. Unit amenities include a range, oven, microwave, and refrigerator. Project amenities include a laundry facility, controlled access, picnic/patio area, BBQ, wireless internet, and open areas.

Per public records, this property last transferred title in August 2014 for $3,400,000. Public Records shows the most recent actual closing price was $6,225,000 on August 17, 2015 which falls 83 percent above the previous sale price. The subject was reportedly in poor condition and was poorly managed previously with rents well below market. Additionally, there was extensive deferred maintenance. The project was completely vacated and renovated since the previous sale including new vinyl windows, doors, cabinets, wood/tile flooring, granite counters, landscaping, fencing, decking, etc. warranting a higher value.

IMPROVED COMPARABLE SALE NO. 3

PROPERTY IDENTIFICATION	***Project Name***	: Barcelona Apartments
	Street Address	: 326 E. Juniper Street
	City, State	: San Diego, CA
	Assessor's Parcel No.	: 533-191-02
	Thomas Bros. Map Ref.	: 1289-A1

PROPERTY DESCRIPTION	***Location***	: Similar
	Quality	: Similar
	Condition	: Inferior
	SRO	: 32
	Studio	: 31
	1 - Bedroom 1 - Bath	: 27
	2 - Bedroom 2 - Bath	: 0
	3 - Bedroom 2 - Bath	: 0
	3 - Bedroom 2.5 - Bath	: 0
	Year Built	: 1921
	Rentable Area (SF)	: 41,400
	Average Unit Size (SF)	: 460
	Number of Stories	: 4
	Open Parking Spaces	: 0
	Covered Parking Spaces	: 0
	Garage Parking Spaces	: 0
	Site Size (Acres)	: 0.459
	Density (du/ac)	: 196.08
	Unit Amenities	: See Comments
	Project Amenities	: See Comments
	Other	: None

UNITS OF COMPARISON	***Total Units***	: 90
	Price/Unit	: $166,667
	Overall Rate	: 5.00%
	Gross Income Multiplier	: 11.82

IMPROVED COMPARABLE SALE NO. 3 (CON'T)

TRANSACTION SUMMARY	***Sales Price***	: $15,000,000
	Buyer	: Barcelona 325 Juniper, LLC
	Seller	: Historic Barcelona Apartments, LLC
	Recording Date	: 6/13/2014
	Document Number	: 14-246222
	Interest Transferred	: Leased Fee
	Conditions of Sale	: None
	Marketing Time	: Off-Market (1 Month)
	Escrow Length	: Not Available

FINANCING TERMS	***Type of Note***	: 1st Trust Deed
	Lender	: Opus Bank
	Loan Amount	: $9,750,000
	Annual Interest Rate	: Market Terms
	Amortization	: Market Terms
	Term	: Market Terms

INCOME DATA	***Potential Gross Income (PGI)***	: $	1,268,880	
	Vacancy & Collection Loss	: $	(63,444)	(5.0% of Potential Gross Income)
	Effective Gross Income (EGI)	: $	1,205,436	
	Expenses	: $	(455,850)	(37.8% of EGI or $5,065 per Unit)
	Net Operating Income (NOI)	: $	749,586	

SOURCE	***Buyer Representative***	: ------
	Seller Representative	: ------
	Listing Broker	: Cody Evans - 619-226-6011
	Selling Broker	: ------
	Other	: Public Records, Comps, Loopnet

This property was reported as selling with conventional financing and cash equivalent terms. For purposes of this analysis, the income is based on the market rents at the time of sale as the actual rents were slightly below market at the time of sale. This is a historical property that benefited from the Mills Act tax savings. The property was 99% occupied at the time of sale.

This property is located 1.45 miles north of the subject in a slightly inferior location in the Banker's Hill neighborhood. The project was built in 1921 and reflects a roughly similar quality level in terms of architectural style, materials and finish. From an investor's standpoint, it is considered to be in inferior condition relative to the subject's rehabilitated condition.

The project has a larger average unit size (460 SF vs. 330 SF) relative to the subject. The net rentable area is estimated by an average of the unit sizes based on discussions with the leasing agent. In terms of unit mix, the project's income generating ability is similar with an average of 0.5 bedroom and 1.0 baths per unit versus the subject's average of 0.5 bedrooms and 1.0 shared baths per unit. The project has no onsite parking which is similar to the subject.

Unit amenities consist of a Hardwood Floors, Ceiling Fans, Range/Oven, Refrigerator, and Wall Heat. The SRO units include a mini-fridge and a microwave.

Project amenities consist of a Library, Fitness Center, Deck, Bike Storage, Laundry Facility, and secure entry.

Per public records, there have been no other transfers within the last three years.

IMPROVED COMPARABLE SALE NO. 4

PROPERTY IDENTIFICATION	***Project Name***	: Florida Manor
	Street Address	: 3440 Florida Street
	City, State	: San Diego, CA
	Assessor's Parcel No.	: 453-342-12
	Thomas Bros. Map Ref.	: 1269-C6

PROPERTY DESCRIPTION	***Location***	: Inferior
	Quality	: Similar
	Condition	: Inferior
	0.25 - Bedroom 1 - Bath	: 0
	Studio	: 0
	1 - Bedroom 1 - Bath	: 23
	2 - Bedroom 1 - Bath	: 5
	2 - Bedroom 2 - Bath	: 0
	3 - Bedroom 2 - Bath	: 0
	Year Built	: 1970
	Rentable Area (SF)	: 19,245
	Average Unit Size (SF)	: 687
	Number of Stories	: 3
	Open Parking Spaces	: 18
	Covered Parking Spaces	: 1
	Garage Parking Spaces	: 17
	Site Size (Acres)	: 0.366
	Density (du/ac)	: 76.50
	Unit Amenities	: See Comments
	Project Amenities	: See Comments
	Other	: None

UNITS OF COMPARISON	***Total Units***	: 28
	Price/Unit	: $189,286
	Overall Rate	: 5.00%
	Gross Income Multiplier	: 11.87

IMPROVED COMPARABLE SALE NO. 4 (CON'T)

TRANSACTION SUMMARY	***Sales Price***	:	$5,300,000
	Buyer	:	Florida Place, LLC
	Seller	:	Florida Manor Associates, LP
	Recording Date	:	7/24/2014
	Document Number	:	14-313664
	Interest Transferred	:	Leased Fee
	Conditions of Sale	:	None
	Marketing Time	:	30 Days
	Escrow Length	:	60 Days

FINANCING TERMS	***Type of Note***	:	All Cash
	Lender	:	JP Morgan Chase Bank
	Loan Amount	:	$3,255,000
	Annual Interest Rate	:	----
	Amortization	:	----
	Term	:	----

INCOME DATA	***Potential Gross Income (PGI)***	:	$	446,356	
	Vacancy & Collection Loss	:	$	(13,391)	(3.0% of Potential Gross Income)
	Effective Gross Income (EGI)	:	$	432,965	
	Expenses	:	$	(168,196)	(38.8% of EGI or $6,007 per Unit)
	Net Operating Income (NOI)	:	$	264,769	

SOURCE	***Buyer Representative***	:	------
	Seller Representative	:	------
	Listing Broker	:	Merrick Matricardi - (858) 546-4661
	Selling Broker	:	------
	Other	:	Marketing Package, Comps, Public Records

This property was reported as selling with conventional financing and cash equivalent terms. For purposes of this analysis, the income is based on the market rents at the time of sale as the actual rents were slightly below market at the time of sale. The property was 100% occupied at the time of sale. This property was marketed as 28 units and public records indicate this property is 28 units; however, the verification source indicated one unit may have been non-conforming although all units were considered in the income. Accordingly, we have analyzed the comparable as 28 units.

This property is located 3.92 miles northwest of the subject in slightly inferior location in the City of San Diego just north of Balboa Park. The project has been renovated and reflects a similar quality level in terms of architectural style, materials and finish. This project was built in 1970 and has been well maintained, but is considered slightly inferior to the subject's rehabilitated condition.

The project consists of all 1BR units and has a larger average unit size (687 SF vs. 330 SF) relative to the subject. In terms of unit mix, the project's income generating ability is superior with an average of 1.2 bedroom and 1.0 baths per unit versus the subject's average of 0.5 bedrooms and 1.0 shared baths per unit. The project has a superior parking ratio with open and covered spaces.

Unit amenities consist of a Range, Oven, Refrigerator, Air Conditioning and Heat, and a Patio/Balcony. Project amenities consist of a Laundry Facility.

Per public records, there have been no other transfers within the last three years.

IMPROVED COMPARABLE SALE NO. 5

PROPERTY IDENTIFICATION	***Project Name***	:	Marquis Hillcrest
	Street Address	:	1751 University Avenue
	City, State	:	San Diego, CA
	Assessor's Parcel No.	:	452-200-34
	Thomas Bros. Map Ref.	:	1269-C5

PROPERTY DESCRIPTION	***Location***	:	Similar
	Quality	:	Superior
	Condition	:	Similar
	SRO	:	0
	Studio	:	17
	1 - Bedroom 1 - Bath	:	39
	2 - Bedroom 2 - Bath	:	1
	2 - Bedroom 3 - Bath	:	1
	3 - Bedroom 3 - Bath	:	0
	Year Built	:	1921
	Rentable Area (SF)	:	32,194
	Average Unit Size (SF)	:	555
	Number of Stories	:	4
	Open Parking Spaces	:	4
	Covered Parking Spaces	:	0
	Garage Parking Spaces	:	0
	Site Size (Acres)	:	0.300
	Density (du/ac)	:	193.33
	Unit Amenities	:	See Comments
	Project Amenities	:	See Comments
	Other	:	Cell Tow er

UNITS OF COMPARISON	***Total Units***	:	58
	Price/Unit	:	$236,207
	Overall Rate	:	4.69%
	Gross Income Multiplier	:	12.35

IMPROVED COMPARABLE SALE NO. 5 (CON'T)

TRANSACTION SUMMARY	***Sales Price***	:	$13,700,000
	Buyer	:	LittleTow n Realty, LLC
	Seller	:	Virtu Marquis at Hillcrest Borrow er, LP
	Recording Date	:	4/22/2015
	Document Number	:	15-194243
	Interest Transferred	:	Leased Fee
	Conditions of Sale	:	None
	Marketing Time	:	135 Days
	Escrow Length	:	Not Available

FINANCING TERMS	***Type of Note***	:	1st TD
	Lender	:	First Republic Bank
	Loan Amount	:	$8,700,000
	Annual Interest Rate	:	Market Terms
	Amortization	:	Market Terms
	Term	:	Market Terms

INCOME DATA	***Potential Gross Income (PGI)***	:	$	1,109,749	
	Vacancy & Collection Loss	:	$	(58,817)	(5.3% of Potential Gross Income)
	Effective Gross Income (EGI)	:	$	1,050,932	
	Expenses	:	$	(408,320)	(38.9% of EGI or $7,040 per Unit)
	Net Operating Income (NOI)	:	$	642,612	

SOURCE	***Buyer Representative***	:	------
	Seller Representative	:	------
	Listing Broker	:	Tyler Sinks - (858) 334-4033
	Selling Broker	:	------
	Other	:	Marketing Package, Comps, Public Records

This property was reported as selling with conventional, cash equivalent financing. For purposes of this analysis, the potential gross income is based on the market income at the time of sale based on stabilized occupancy of 95% and a 0.25% collection loss. The property was 98% occupied at the time of sale. This property has two Cell Towers (AT&T & T-Mobile) that generate income and are included in the income as a typical investor would consider this income. The current leases are 5 year terms with 25 years of renewal available.

This property is located approximately 2.68 miles north of the subject in a roughly similar Hillcrest location. The project has been recently renovated in 2008 and reflects a roughly similar quality level in terms of architectural style, materials and finish. It was built in 1921 and has been rehabilitated and well maintained and is considered roughly similar to the subject's rehabilitated condition.

The project has a larger average unit size (555 SF vs. 330 SF) relative to the subject. In terms of unit mix, the project's income generating ability is superior with an average of 0.9 bedroom and 1.1 baths per unit versus the subject's average of 0.5 bedrooms and 1.0 shared baths per unit. The project has four open onsite parking spaces.

Unit amenities consist of range, oven, microwave, and refrigerator. Project amenities consist of a fitness and yoga center, laundry facility, business center, and rooftop deck.

Per public records, there have been no other transfers within the last three years.

ANALYSIS OF MARKET DATA

Our investor interviews consistently find that buyers and sellers typically evaluate apartment transactions in two steps. The first step consists of bringing the raw data to a current market value indication. This includes adjustments for cash equivalency, unusual conditions of sale, and time. These adjustments are typically expressed in lump sum dollar amounts.

The second adjustment process consists of making allowance for various physical differences in the properties being considered. Due to the typical investors' primary motivation being their return on the investment, these differences are often viewed in terms of how they impact the income generating potential of the property. While investors rarely, if ever, isolate and estimate adjustments for each physical difference between properties, this analysis does so to give the client a better understanding of the approximate magnitude each physical difference has on value. We feel this presentation is superior to simply providing narrative discussion of the comparables and concluding at a value as it gives the reader a clearer picture of the reasoning which lead to the final value estimate.

INTEREST TRANSFERRED

The subject's leased fee interest is being analyzed. All comparables were fee simple or leased fee transfers. Accordingly, no adjustments are warranted.

FINANCING ADJUSTMENT

All the comparables were reported as having cash or cash equivalent terms warranting no adjustments.

CONDITION OF SALE ADJUSTMENT

All comparables were sold under conditions requisite of market value transactions warranting no adjustment.

MARKET CONDITIONS ADJUSTMENT

Three factors can contribute to changes in value. These include movements in vacancy, return requirements and rents. The relative impact of each of these factors is discussed as follows:

All sources indicated that vacancy levels have generally remained in the 2% to 5% range. It has also been our experience that most investors have been using a vacancy pro forma of 3-5% which takes into account the slight movements in vacancy over time. Accordingly, vacancy has not had a measurable impact on values.

The second component of the time adjustment is the trend of return requirements. Capitalization rates decreased through 2012 for top tier properties as interest rates declined and investor interest picked up. In 2015, demand for quality investments in core locations has remained high, although it has resulted in minimal changes in cap rates since 2014 because cap rates were already at extremely low levels and interest rates increased slightly. Accordingly, no change in cap rates will be used for the comparables.

The final factor is changes in rent levels. As discussed previously, most sources indicate rents have increased between 2% and 7% annually over the past two years; however, this growth has been partially offset by the increase in expenses, particularly utility costs. For purposes of this analysis, a positive 4% adjustment appears reasonable for the change in net rents.

Based on the analysis above, a positive 4.0% time adjustment will be applied to the comparables from their date of sale up to the August 7, 2015 date of inspection, calculated as follows:

Change in Values Attributable to Vacancy Change	=	0.0%
0 Basis Points / 5.00% Average Cap. Rate	=	0.0%
Annualized Change in Rent	=	4.0%
Estimated Annual Time Adjustment (Rounded)	=	4.0%

The comparable time adjustments are calculated as follows:

Comp #	Price/ Value	Sale Date	Current Date	No. of Periods	Appreciation Rate	Total Appreciation
Comp #1	$4,750,000	11/20/2014	8/7/2015	8.5	4.0%	$136,278
Comp #2	$6,225,000	8/17/2015	8/7/2015	-0.3	0.0%	$0
Comp #3	$15,000,000	6/13/2014	8/7/2015	13.8	4.0%	$704,915
Comp #4	$5,300,000	7/24/2014	8/7/2015	12.5	4.0%	$225,116
Comp #5	$13,700,000	4/22/2015	8/7/2015	3.5	4.0%	$160,500

The Prospective Date of Value of December 31, 2015 is approximately 4 months from the date of inspection, the minimal length of time does not appear to warrant an additional adjustment.

LOCATION ADJUSTMENT

In estimating location adjustments, I have analyzed the differences in amenities and rent levels for each location. The subject location has relatively good access to community amenities, commercial support facilities, schools and local employment.

Comparables #1 is located 0.79 miles northeast of the subject just east of Downtown in inferior Golden Hill locations. This location attracts an inferior level of investor demand relative to the subject's location and is considered inferior from an investment standpoint. Based on discussions with brokers and a rough pairing, a positive 3% adjustment is applied.

Comparable #2 is located 1.4 miles northeast of the subject in South Park neighborhood, currently undergoing revitalization and in high demand from renters. This location has inferior access to downtown but is a very desirable residential setting and achieves premium rents. Based on discussions with brokers and a rough pairing, no location adjustment is applied.

Comparable #3 is located and 1.37 miles northeast 1.45 miles north of the subject in a roughly similar location in the Banker's Hill neighborhood. No adjustment is warranted.

This property is located 3.92 miles northwest of the subject in slightly inferior location in the City of San Diego just north of Balboa Park. This location attracts an inferior level of investor demand relative to the subject's location and is considered inferior from an investment standpoint. Based on discussions with brokers and a rough pairing, a positive 5% adjustment is applied.

Comparable #5 is located approximately 2.68 miles north of the subject in a roughly similar Hillcrest location. This comparable has roughly similar investor demand relative to the subject's location. No adjustment is warranted.

QUALITY ADJUSTMENT

The subject's quality level is average, and is considered similar to that of most projects in the market in terms of curb appeal, layout and architectural detail.

Comparables #1, #3 and #4 are considered similar to the subject in terms of quality, warranting no adjustment.

Comparables #2 and #5 reflect superior quality construction in terms of architectural style and materials in relation to the subject. Comparable #2 was completely vacated and renovated since the previous sale including new vinyl windows, doors, cabinets, wood/tile flooring, granite counters, landscaping, fencing, decking, etc. Based on discussions with brokers and a rough pairing, a negative 10% adjustment is applied.

Comparable #5 includes hardwood floors, clawfoot tubs, new cabinets, and granite countertops, stainless steel appliances, crown molding, and designer lighting. Based on discussions with brokers and a rough pairing, a negative 5% adjustment is applied.

CONDITION ADJUSTMENT

Condition adjustments are made for differences in the effective age of the short-lived components of the properties such as unit interiors, appliances, exterior painting, parking lot surface, roofs, landscaping, etc. Assuming the proposed rehabilitation, the subject is considered to have an overall condition rating of good.

Comparable #1 and #3 are well maintained, but reflect a slightly inferior condition relative to the rehabilitated subject. For the purposes of this analysis, a positive 5% adjustment appears reasonable.

Comparable #2 has been completely renovated and updated within the past year and reflects a slightly superior condition relative to the subject. The rehab budget totaled $750,000 or $25,000 per unit. This property is considered similar to the subject in terms of condition, warranting no adjustment

Comparable #4 is adequately maintained, but reflects inferior condition relative to the rehabilitated subject. For the purposes of this analysis, a positive 10% adjustment appears reasonable.

Comparable #5 is considered similar to the subject in terms of condition, warranting no adjustment.

AGE ADJUSTMENT

The age adjustment reflects not only the project's declining income generation, but also the higher return required for a project as it gets older due to its shorter remaining economic life. Although subjective, my experience suggests an adjustment of 0.05% per year is reasonable, rounded to the nearest $100.

TOTAL UNITS ADJUSTMENT

In my discussions with area brokers and investors, I found no support for an economy of scale adjustment between the project sizes represented by the data set. Accordingly, no adjustment is made.

AVERAGE UNIT SIZE

In the Scenario 1 Income Approach, the monthly rent adjustment for square footage differences was estimated at $0.70 per square foot. In converting the comparables' rent differentials into adjustments, I have used a gross income multiplier (GIM). The GIM technique is a simple analysis in which indictors are derived by dividing the sale prices of the comparables (adjusted for cash equivalency and conditions of sale) by their potential annual gross income. The selected rate for the subject is then multiplied by the estimated annual rental differential attributable to location. The GIM indications of the comparables used in this analysis are as follows:

Property	Number of Units Year Built Avg. Unit Size	Gross Income Net Income Financing	Sale Price(Cash Eqiv.) Sales Date Condition of Sale	GIM
1 The El Dorado Manor 2404 C Street San Diego, CA	22 1965 790	$368,700 $227,927 Cash Equivalent	$4,750,000 11/20/2014 None	**12.88**
2 Casa Loma Apartments 2875 A Street San Diego, CA	30 1959 410	$478,440 $280,338 Cash Equivalent	$6,225,000 8/17/2015 None	**13.01**
3 Barcelona Apartments 326 E. Juniper Street San Diego, CA	90 1921 460	$1,268,880 $749,586 Cash Equivalent	$15,000,000 6/13/2014 None	**11.82**
4 Florida Manor 3440 Florida Street San Diego, CA	28 1970 687	$446,356 $264,769 All Cash	$5,300,000 7/24/2014 None	**11.87**
5 Marquis Hillcrest 1751 University Avenue San Diego, CA	58 1921 555	$1,109,749 $642,612 Cash Equivalent	$13,700,000 4/22/2015 None	**12.35**

The comparables provide an indicated GIM range of 11.82 to 13.01. Based on greatest weight given the Comps #2, #3, and #5 a GIM at the low to middle end of the range is appropriate. For purposes of this analysis, a GIM of 12.00 will be used for this analysis. Using this data, the equations and actual calculation for Comparable #1 is as follows:

AVERAGE UNIT SIZE ADJUSTMENT CALCULATION FOR COMPARABLE #1				
Subject's Average Unit Size	Less	Comp #1's Average Unit Size	Equals	Unit Size Differential
330	-	790	=	(460)
Unit Size Differential	Multiplied by	Monthly Income Per Square Foot	Equals	Monthly Income Differential
(460)	x	$0.70	=	($322)
Monthly Income Differential	Multiplied by	12 Months	Equals	Annual Income Differential
($322)	x	12	=	($3,864)
Annual Income Differential	Multiplied by	GIM	Equals	Unit Size Adjustment
($3,864)	x	12	=	($46,368)
			Rounded	($46,400)

AVERAGE BEDROOM COUNT

Based on previous appraisals the rental difference for units with an additional bedroom is generally between $175-$350; however, in most cases this also includes an additional half or full bath and substantially greater square footage is included with an extra bedroom. Since size and bath counts are adjusted for separately in this analysis, the estimated rent achieved for the utility of an additional bedroom is estimated at $150 per month.

In converting this additional rent level into an adjustment, I have elected to use a gross income multiplier (GIM) analysis as follows for Comparable #1 is as follows:

AVERAGE BEDROOM PER UNIT ADJUSTMENT CALCULATION FOR COMPARABLE #1				
Subject's Average Bedrooms Per Unit	Less	Comp #1's Average Bedrooms Per Unit	Equals	Bedroom Per Unit Differential
0.5	-	1.5	=	(1.0)
Bedroom Per Unit Differential	Multiplied by	Monthly Income Per Bedroom	Equals	Monthly Income Differential
(1.0)	x	$150	=	($150)
Monthly Income Differential	Multiplied by	12 Months	Equals	Annual Income Differential
($150)	x	12	=	($1,800)
Annual Income Differential	Multiplied by	GIM	Equals	Bedroom Count Adjustment
($1,800)	x	12	=	($21,600)
			Rounded	($21,600)

AVERAGE BATH COUNT

Based on our surveys completed for other projects in San Diego County, the income attributable to an additional bath generally falls between $40 and $80. Accordingly, $60 adjustment is made for the utility of an additional bathroom. I have elected to use a gross income multiplier (GIM) analysis as follows for Comparable #1 is as follows:

AVERAGE BATH PER UNIT ADJUSTMENT CALCULATION FOR COMPARABLE #1				
Subject's Average Bath Per Unit	Less	Comp #1's Average Baths Per Unit	Equals	Bath Per Unit Differential
1.0	-	1.3	=	(0.3)
Bath Per Unit Differential	Multiplied by	Monthly Income Per Bath	Equals	Monthly Income Differential
(0.3)	x	$60	=	($18)
Monthly Income Differential	Multiplied by	12 Months	Equals	Annual Income Differential
($18)	x	12	=	($216)
Annual Income Differential	Multiplied by	GIM	Equals	Bath Count Adjustment
($216)	x	12	=	($2,592)
			Rounded	($2,600)

PARKING ADJUSTMENT

Based on the data available and other surveys performed in this market, a reasonable estimate of the monthly rent for an open space is estimated at $25 for an open space, $50 for a carport space, and $100 for a garage or subterranean space. These rent estimates are converted into a value adjustment by the same GIM methodology discussed above. The adjustment for Comparable #2's open parking is as follows:

AVERAGE OPEN PARKING UNIT ADJUSTMENT CALCULATION FOR COMPARABLE #2				
Subject's Average Open Parking Spcs	Less	Comp #2's Average Open Parking Spcs	Equals	Open Parking/Unit Differential
0.0	-	0.7	=	(0.7)
Open Parking/Unit Differential	Multiplied by	Monthly Income Per Square Foot	Equals	Monthly Income Differential
(0.7)	x	$25	=	($18)
Monthly Income Differential	Multiplied by	12 Months	Equals	Annual Income Differential
($18)	x	12	=	($216)
Annual Income Differential	Multiplied by	GIM	Equals	Open Parking Count Adjustment
($216)	x	12.00	=	($2,592)
			Rounded	($2,600)

DENSITY ADJUSTMENTS

The subject and comparable densities ranged from 68.5 du/ac to 238.2 du/ac. Review of the data suggests these differences are not recognized in market and no adjustment is warranted.

UNIT AMENITIES

The subject will provide a range/oven, refrigerator, dishwasher, microwave and washer/dryer, as standard equipment. The comparables all offer a range of different appliance packages consisting of a range, oven, refrigerator, dishwasher, washer/dryer or microwave as standard equipment. The subject does not include a patio or balcony. Balconies are considered very desirable amenities that extend the usable area of the relatively small units and add to the enjoyment of the view potential. Most comparables provide either a patio or balcony in the units. The rent attributable to these appliances is too small to be reflected in pairings; however, a nominal $5 for dishwashers or microwaves, $10 per refrigerator, $25 for a patio/balcony, and $35 per washer/dryer appears reasonable. The rent estimate is converted into a value adjustment by the same GIM methodology discussed under the “Unit Size Adjustments” heading.

PROJECT AMENITIES

The subject will offer a slightly inferior amenity package relative to the market with secure gated entry and common laundry facilities. Comparables #1 and #4 offer roughly similar amenity package. Comparables #2, #3, and #5 all have superior amenity packages. Project amenity adjustments are somewhat difficult to isolate in paired analysis; however, given the fact that the amenity package offered is an important feature to the local tenant base, a negative $25 rent adjustment will be used for Comparables #2, #3, and #5. The rent estimate is converted into a value adjustment by the same GIM methodology discussed under the “Unit Size Adjustments” heading.

OTHER ADJUSTMENTS

Comparable #5 derives monthly income from two long term cell tower leases totaling $87,744 per year each with 3% escalations, requiring some adjustment to the comparables. This income is net to the comparable owner as all expenses are passed through to the lessee. Per the verification source, the income from these antennae was considered a long term durable income stream with 25 years of renewals avaliable. Therefore, the most appropriate method of adjustment is by dividing the net annual income from the antennas by the capitalization rate. This figure is then divided by Comparable #5's number of units of 58 to derive a per unit adjustment as follows:

CELL ANTENNA LEASE INCOME ADJUSTMENT				
Annual Cell Lease Income	Divided by	Capitalization Rate	Equals	Contributory Value of Lease Income
$87,744	÷	4.69%	=	$1,870,874
Contributory Value of Lease Income	Divided by	Comparable #5 Total Units	Equals	Per Unit Adjustment
$1,870,874	÷	58	=	$32,256
			Rounded	$32,250

There are no other areas of comparison that warrant adjustments in this case. The "Other Adjustments" is the last area of comparison in this analysis.

The following page summarizes the Sales Comparison Approach in an adjustment grid format resulting in an indication of market value for the subject.

SALES COMPARISON APPROACH ADJUSTMENT GRID

ITEM	SUBJECT	COMPARABLE #1		COMPARABLE #2		COMPARABLE #3		COMPARABLE #4		COMPARABLE #5	
Project Name	Hotel Metro	The El Dorado Manor		Casa Loma Apartments		Barcelona Apartments		Florida Manor		Marquis Hillcrest	
Street Address	434 & 435 13th Street	2404 C Street		2875 A Street		326 E. Juniper Street		3440 Florida Street		1751 University Avenue	
City, State	San Diego, CA	San Diego, CA		San Diego, CA		San Diego, CA		San Diego, CA		San Diego, CA	
Assessor's Parcel No.	Multiple	534-271-15		539-460-12		533-191-02		453-342-12		452-200-34	
Thomas Bros. Map Ref.	1289-B4	1289-D3		1289-E2		1289-A1		1269-C6		1269-C5	
Buyer	-----	John Burger		McNeill Property Invs LLC		Barcelona 325 Juniper, LLC		Florida Place, LLC		LittleTown Realty, LLC	
Seller	-----	Cjag LLC		Carv Properties LLC		Historic Barcelona Apartments, LLC		Florida Manor Associates, LP		Virtu Marquis at Hillcrest Borrower, LP	
Document Number	-----	14-507550		N/A		14-246222		14-313664		15-194243	
Marketing Time	-----	106 Days		N/A		Off-Market (1 Month)		30 Days		135 Days	
Sales Price			$ 4,750,000		$ 6,225,000		$ 15,000,000		$ 5,300,000		$ 13,700,000
Interest Transferred	Leased Fee	Leased Fee	$ -	Leased Fee	$ -	Leased Fee	$ -	Leased Fee	$ -	Leased Fee	$ -
Adjusted Price	-----		$ 4,750,000		$ 6,225,000		$ 15,000,000		$ 5,300,000		$ 13,700,000
Financing Terms	Cash Equivalent	Cash Equivalent	$ -	Cash Equivalent	$ -	Cash Equivalent	$ -	All Cash	$ -	Cash Equivalent	$ -
Adjusted Price	-----		$ 4,750,000		$ 6,225,000		$ 15,000,000		$ 5,300,000		$ 13,700,000
Condition of Sale	None	None	$ -	None	$ -	None	$ -	None	$ -	None	$ -
Adjusted Price	-----		$ 4,750,000		$ 6,225,000		$ 15,000,000		$ 5,300,000		$ 13,700,000
Recording Date	12/31/2015	11/20/2014	$ 136,278	8/17/2015	$ -	6/13/2014	$ 704,915	7/24/2014	$ 225,116	4/22/2015	$ 160,500
Adjusted Price	-----		$ 4,886,278		$ 6,225,000		$ 15,704,915		$ 5,525,116		$ 13,860,500
Price/Unit			$222,104		$207,500		$174,499		$197,326		$238,974
Location	Average	Inferior	$6,700	Similar		Similar		Inferior	$5,900	Similar	
Quality	Average	Similar		Superior	($20,800)	Similar		Similar		Superior	($11,900)
Condition	Good	Inferior	$11,100	Similar		Inferior	$8,700	Inferior	$19,700	Similar	
Age	1990	1965	$2,800	1959	$3,200	1921	$6,000	1970	$2,000	1921	$8,200
Total Units	81	22		30		90		28		58	
Average Unit Size (SF)	330	790	($46,400)	410	($8,100)	460	($13,100)	687	($36,000)	555	($22,700)
Average Bedrooms	0.5 Per Unit	15 Per Unit	($21,600)	0.6 Per Unit	($2,200)	0.5 Per Unit		12 Per Unit	($15,100)	0.9 Per Unit	($8,600)
Average Baths	10 Per Unit	13 Per Unit	($2,600)	10 Per Unit		10 Per Unit		10 Per Unit		11 Per Unit	($900)
Open Parking Spaces	0.0 Per Unit	0.2 Per Unit	($700)	0.7 Per Unit	($2,500)	0.0 Per Unit		0.6 Per Unit	($2,200)	0.1 Per Unit	($400)
Covered Parking Spaces	0.0 Per Unit	0.5 Per Unit	($3,600)	0.0 Per Unit		0.0 Per Unit		0.0 Per Unit		0.0 Per Unit	
Garage Parking Spaces	0.0 Per Unit	0.5 Per Unit	($7,200)	0.0 Per Unit		0.0 Per Unit		0.6 Per Unit	($8,600)	0.0 Per Unit	
Density (du/ac)	238.2 Du/Acre	68.5 Du/Acre		93.8 Du/Acre		196.1 Du/Acre		76.5 Du/Acre		193.3 Du/Acre	
Unit Amenities	Moderate	Inferior	$3,600	Inferior	$5,800	Inferior	$5,000	Inferior	$4,300	Inferior	$5,800
Project Amenities	Minimal	Similar		Superior	($7,200)	Superior	($7,200)	Similar		Superior	($7,200)
Other	None	None		None		None		None		Cell Tower	($32,250)
Net Adjustment			($57,900)		($31,800)		($600)		($30,000)		($69,950)
Indicated Value per Unit			$164,204		$175,700		$173,899		$167,326		$169,024

INDICATED RANGE STATISTICS	
Mean	$170,031
Maximum	$175,700
Minimum	$164,204
% Difference	6.76%

VALUE ESTIMATE SUMMARY VIA SALES COMPARISON		
Estimated Fee Simple Value/Unit	:	$174,000
Number of Subject Units	:	x 81
Estimated Fee Simple Value (Rounded)	:	$14,090,000

CONCLUSION

The adjusted market data provides an indicated range of $164,204 to $175,700 per unit reflecting a 6.76% disparity. The average of the indicators is $170,031 per unit.

The comparables selected for use in this analysis are the most recent sales of comparable complexes within the immediate market. In the final analysis, Comparable #2 is a recently closed sale of an older property that was completely vacated as the units were gutted and renovated. The building consists primarily of Studio and was fully re-tenanted after renovation, making it a very good comparable for the subject and given primary weight.

In addition to the primary data, we are aware of a sale of a 22-unit property located in a slightly superior downtown San Diego location at 1302 8th Avenue. The property reportedly sold for $4,750,000 or $215,909 per unit. However, this property was unable to be verified with a party involved in the transaction and has been excluded for this analysis.

Based on the preceding analysis of the data, I have formed an opinion of the Hypothetical Unrestricted Market Value As If Stabilized of the leased fee interest in the subject via the Sales Comparison Approach is:

Leased Fee Value Conclusion @ $174,000 per unit x 81 Units = $14,090,000

RECONCILIATION

The final value conclusion is based on a correlation of the indicated values from the approaches utilized. In reconciling the approaches used, I have taken into account the purpose of the appraisal, the type of property and the adequacy of the data processed in each of the approaches. Most important is which approach best reflects the actions of buyers and sellers in the market.

The final value conclusion is based on a correlation of the indicated values from the approaches utilized which are restated as follows:

VALUATION TECHNIQUE	INDICATED VALUE
Income Approach	$13,510,000
Sales Comparison Approach	$14,090,000

Income Approach - An extensive rental survey was conducted resulting in the selection of comparables judged to be a representative sample of the subject's immediate market. Adjustments were made for minor differences noted between the comparables and the subject with support from rough pairings and leasing agent interviews. The adjusted data provided an acceptable indicated rental range from which a reasonable estimate of the subject's market rental rate was made. The vacancy and collection loss estimate was carefully developed from information derived from the actual experience of the rental comparables used, as well as, numerous surrounding properties. Expense information was obtained from the current owner, broker interviews, published expense guidelines and previous appraisal assignments. These analyses resulted in a supportable estimate of the subject's net operating income. As existing apartment projects are actively traded, the Income Approach is considered a primary technique by investors in establishing value. Accordingly, the Income Approach is considered the most reliable indicator of value and has been given primary weight in the final analysis.

Sales Comparison Approach - A thorough search of several data services and appraisal files was conducted resulting in a reasonable selection of data from alternative market areas. All sales were verified with one or more of the parties to the transaction. Adjustments were made based on information obtained from the verification sources plus use of paired sales analysis when possible which resulted in the supportable indicators of value. As existing apartment projects are actively traded, the Sales Comparison Approach is considered a strong, but secondary technique by investors in establishing value. In this case, the Sales Comparison Approach is considered even less reliable given the lack of recent transfers properties like the subject in the downtown market. Accordingly, it is considered a secondary indicator of the subject's value and given secondary weight in the final conclusion.

Based on the weighting of the approaches, I have formed the opinion - subject to the premises, assumptions and limiting conditions stated in this report - that the Prospective Unrestricted Market Value - Fee Simple as of December 31, 2015 is:

$13,700,000

THIRTEEN MILLION SEVEN HUNDRED THOUSAND DOLLARS

RENT LOSS CALCULATION

This analysis assumes the subject exists as a vacant unrestricted project requiring a deduction for the estimated rent loss, lease up expenses, and entrepreneurial profit required to achieve its long term occupancy.

REQUIRED ABSORPTION

As discussed previously, the subject's long term stabilized occupancy rate assuming market rents is estimated at 95%. At 81 units total, the subject will have to lease a total of 77 units to achieve its estimated long term stabilized occupancy via the following equation:

81 total units x 95% Stabilized Occupancy = 77 Occupied Units

ABSORPTION ESTIMATE

As discussed in the Area Analysis, new development of similar apartments has been taking place over the past few years. As a result, some market data regarding the lease up and absorption of comparable new apartment projects is limited. The actual absorption of recently completed apartment developments in the downtown area are summarized as follows:

- **13th and Market** is located on the full block bounded 13th, 14th, Market, and G Streets in the East Village neighborhood. This 264 unit apartment project is six stories in height and contains roughly 20,300 square feet of retail space and 340 subterranean parking spaces. The building was completed in October 2013 and reached stabilized occupancy in October 2014. Pre-leasing began in approximately August 2013 equating to a roughly 18 unit per month absorption rate. The retail space has been leased to Caffe Primo, Massage Envy Spa, and Dozzydog.
- **Broadstone Little Italy** is a 201 unit, six story apartment project located the corner of Kettner and Grape in the Little Italy section of downtown. This project will include roughly 9,400 square feet of retail, 321 parking spaces and consist of studio, 1 and 2 bedroom apartments. The project is being developed by Alliance Realty Partners and was completed in March 2014. This property began pre-leasing in February 2014 and was stabilized in September 2014 equating to a roughly 25 unit per month absorption rate.
- **Form 15** is a 1.42 acre site at the northeast corner of 15th & Market was developed with 242 apartment units in a 6-story building with approximately 10,000 square feet of retail. The property was developed by Holland Partners and broke ground in November 2012. According to the property manager the project began leasing in September 2014 and was stabilized in July 2015 equating to a roughly 23 unit per month absorption rate.
- **15th and Island** is a proposed, 484-unit high rise apartment building to be built on a 2.740-acre site. The project will consist of a 45-story high rise over five levels of subterranean parking. The project also includes approximately 5,938 square feet of ground floor retail and an existing 2,987 square foot stand-alone retail building leased to a restaurant. There will be 36 inclusionary affordable units restricted to tenants earning 65% of AMI or less. The development will also

include the construction of a 57,000 square foot public park located on the western portion of the site. This project is currently under construction with delivery in planned for mid-August 2015. The property manager indicated the property began leasing in June 2015 and has currently pre-leased 121 units with move-ins anticipated to begin any day. This results in approximately 60/unit/month; however, only represents the first two months of leasing and the project is only 25% leased. Going forward, the overall absorption pace to reach stabilization is anticipated to be lower than the current 60 units per month.

These projects are generally considered superior to the subject but provide an absorption range of 18 to 60 units per month for downtown apartments. Our recent surveys of other recently completed Class A market rate apartment projects in strong locations have been leasing units at a pace of 15 to 30 units per month. Although there has been strong absorption reported in the downtown submarket the significant amount of new supply may offset some of this demand. As indicated the subject's rehabilitation is scheduled to begin in June 2016 with completion anticipated for February 2017. Within this time frame there are a 1,000+ units anticipated to come online in the downtown submarket. Although many of these units will be absorbed prior to completion of the subject there will still be increased competition. The subject is generally inferior to the new construction, but also represents an affordable alternative to high price studios with rent staring at $1,500+. Based on the analysis of the absorption indicators available, the fact that the subject is generally considered inferior to these comparables, and new supply coming online, the subject should be able to achieve a conservative average absorption rate of 18 units per month over the lease-up period.

RENT LOSS

The rent loss is estimated by multiplying the monthly average market rent per unit, by the number of vacant units per month. The monthly average market rent per unit is calculated as follows:

$1,136,100 Annual PGI / 12 Months) / 81 Units = $1,169 Per Unit

Accordingly, the average monthly rent for the subject's vacant units is estimated at $1,169 per unit per month.

LEASE UP EXPENSES

During the lease up period the subject would require a somewhat more intensive than normal marketing effort. This would include published materials and brochures, and a onetime rent concession of one month free for vacant units. Accordingly, each of the subject's vacant units will receive a rent concession of the first month free or $1,169 off assuming a 12-month lease. Additionally, a rate of $3,000 per month appears reasonable for the marketing that includes published material, leasing commissions, referral fees, brochures, etc.

The investor buying the vacant property would typically require reimbursement of increased general and administrative cost such as temporary leasing and maintenance personal, phones, office supplies, postage, etc. For purposes of this analysis, a rate of $5,000 per month appears reasonable.

ENTREPRENEURIAL PROFIT

The investor buying the vacant property would typically require a profit incentive to offset the additional risk of purchasing a vacant property. For purposes of this analysis, a rate of 10% of the total rent loss and lease up costs appears reasonable.

CONCLUSION

Based on the preceding discussions, the rent loss, lease-up expenses and profit required to achieve stabilized occupancy are summarized in the following cash flow:

RENT LOSS, EXPENSES & PROFIT REQUIRED TO REACH STABILIZED OCCUPANCY							
	Period	**1**	**2**	**3**	**4**	**5**	**TOTALS**
UNIT STATUS	Vacant Units @ Period Start	77	59	41	23	5	
	Units Leased During Period	18	18	18	18	5	
	Occupied Units @ Period End	18	36	54	72	77	
RENT LOSS CALCULATION	Vacant Units	77	59	41	23	5	
	Average Rent Per Unit	$1,169	$1,169	$1,169	$1,169	$1,169	
	Rent Loss Per Period	$90,013	$68,971	$47,929	$26,887	$5,845	$239,645
EXPENSES & PROFIT	Marketing @ $3,000 Per Month	$3,000	$3,000	$3,000	$3,000	$3,000	
	G&A @ $5,000 Per Month	$5,000	$5,000	$5,000	$5,000	$5,000	
	Free Rent @ $1169 Per Unit/Month	$21,042	$21,042	$21,042	$21,042	$5,845	
	Entrepreneurial Profit @ 10%	$11,906	$9,801	$7,697	$5,593	$1,969	
	Total Expenses & Profit	$40,948	$38,843	$36,739	$34,635	$15,814	$166,979
TOTAL RENT LOSS, EXPENSES AND PROFIT		$130,961	$107,814	$84,668	$61,522	$21,659	$406,624

Based on the cash flow results above, the Total Rent Loss and Expenses required to reach stabilized occupancy is summarized as follows:

TOTAL RENT LOSS AND EXPENSES	
Months 1 through 8	$406,624
Total Rent Loss and Expenses	$406,624
Rounded	$410,000

CAP RATE PREMIUM

Per our broker and investor interviews, sales of non-stabilized properties in San Diego County are extremely rare. In secondary markets such as the Inland Empire, non-stabilized properties were difficult to finance and often required deep discounts in order to sell to cash heavy buyers or to buyers with sources of non-conventional financing. As such, investors were requiring a premium when acquiring non-stabilized properties to account for the increased risk. In the current market, demand from investors for large properties in prime locations is so high, most brokers reports no change in the capitalization rate premium would be required for the non-stabilized status. Therefore, no cap rate premium will be applied.

REHABILITATION & RECONFIGURATION COSTS

As discussed in the Improvement Analysis, the developer is planning an extensive renovation and reconfiguration of the project. The rehabilitation is scheduled to begin in June 2016 with completion anticipated for February 2017. The rehabilitation scope of work has been obtained from the most current information from the owner and cost estimates provided by the owner and completed by Gilko Contracting & Estimating, Inc. dated March 12, 2016. A summary of the cost items is as follows:

HOTEL METRO REHAB COST BUDGET			
COST ITEM	ITEMIZED COSTS	PERCENT OF BUDGET	COST/UNIT
Direct Rehab Costs - 434 13th Street			
Interior Demolition	$173,909	2.62%	$2,147
Indivi.Unit Metering & SDGE Upgrades	$396,353	5.96%	$4,893
Common Area Repairs & Finishes	$95,967	1.44%	$1,185
Plumbing & Plumbing Fixtures	$319,196	4.80%	$3,941
Electrical & Elevator Upgrades	$386,224	5.81%	$4,768
Unit Interior Walls, Ceilings, Hardware	$232,039	3.49%	$2,865
Unit Counters, Cabinets, & Flooring	$220,373	3.32%	$2,721
Unit Appliances & HVAC	$165,782	2.49%	$2,047
Vinyl Windows	$41,730	0.63%	$515
Roof Repair Allowance	$17,417	0.26%	$215
Exterior Paint	$23,276	0.35%	$287
Common Area HVAC	$27,831	0.42%	$344
Direct Rehab Costs - 435 13th Street			
Interior Demolition	$220,276	3.32%	$2,719
Indivi.Unit Metering & SDGE Upgrades	$532,708	8.02%	$6,577
Common Area Repairs & Finishes	$125,981	1.90%	$1,555
Plumbing & Plumbing Fixtures	$801,906	12.07%	$9,900
Electrical & Elevator Upgrades	$364,562	5.49%	$4,501
Unit Interior Walls, Ceilings, Hardware	$571,958	8.61%	$7,061
Unit Counters, Cabinets, & Flooring	$539,864	8.12%	$6,665
Unit Appliances & HVAC	$354,258	5.33%	$4,374
Vinyl Windows	$88,165	1.33%	$1,088
Roof Repair Allowance	$29,238	0.44%	$361
Exterior Paint	$33,477	0.50%	$413
Common Area HVAC	$27,831	0.42%	$344
Subtotal Direct Rehab Costs	**$5,790,321**	**87.14%**	**$71,485**
Indirect Rehab Costs			
Architectural & Engineering Fees	$752,741	11.33%	$27,879
Contingency	$77,673	1.17%	$2,877
Relocation Permits	$23,989	0.36%	$888
Subtotal Indirect Rehab Costs	**$854,403**	**12.86%**	**$31,645**
Total Direct & Indirect Costs	***$6,644,724***	***100.00%***	***$82,034***

**The direct costs include a pro-rata share of 15% for General Conditions, Overhead & Administration, Contractor's Fee, Surety Bond, and Insurance Surcharge and 10% for Contingency.*

Based on the scope of the proposed rehabilitation the subject is assumed to be in overall good condition post-rehab. These costs will be deducted from the stabilized value required to reach the completed value. According to client, the subject would not be required to pay any Inclusionary Housing Fees.

ENTREPRENEURIAL INCENTIVE

Developers often use a sensitivity analysis with profit built in at 5% and 18% of cost when analyzing a potential renovation or development. Developer margins have fallen at the mid to lower end of the range over the past five years given the competition for new projects, improving apartment fundamentals, affordable labor and record low interest rates. For purposes of this analysis, the entrepreneurial incentive is estimated at 12% of total cost or $797,367 of total renovation cost which will be used.

CONCLUSION

Based on the preceding analysis the Prospective Unrestricted Market Value - Fee Simple is calculated as follows:

Unrestricted Market Value As If Stabilized	$13,700,000
Less: Rent Loss and Expenses	-$410,000
Less: Cost of Rehabilitation & Reconfiguration	-$6,644,724
Less: Entrepreneurial Incentive	$797,367
Prospective Unrestricted Market Value - Fee Simple	$5,847,909
Rounded	**$5,850,000**

VALUATION SCENARIO TWO

This approach is based on the premise that an informed buyer would pay no more for a property than the cost of acquiring another property of similar utility.

EFFECTIVE DATE OF VALUE

Valuation Scenario Two represents the Prospective Unrestricted Land Value - Fee Simple. The effective date of value for Valuation Scenario Two is December 31, 2015.

LAND VALUE ESTIMATE

The search for comparable sales included review of several data services that provided data on the most recent land transactions in the subject's immediate market. Additional insight was gained from interviews of several brokers, developers and landowners in the subject's market area. A total of twelve comparable transactions were researched with the five most comparable used in this analysis. Detailed confirmations of the sales were difficult due to the nuances of each sale as a result of the complexity of the downtown requirements and zoning. Additionally, the highly competitive nature of the downtown market fosters a high level of confidentiality among most market participants regarding their opinions of the market and their proposed plans for their sites.

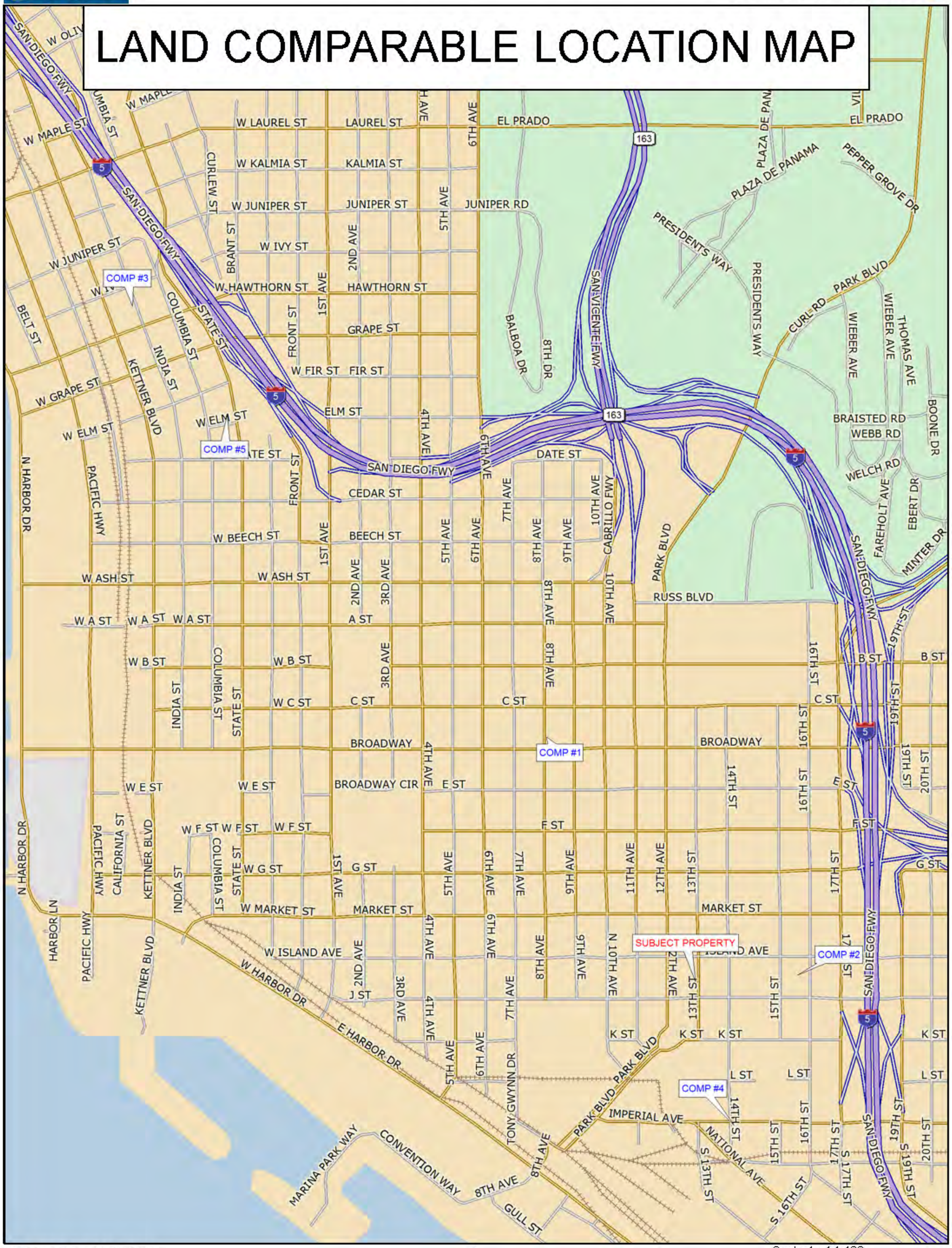
In 2000 to 2005, downtown sites generally traded on a dollar per maximum FAR foot basis as developers could maximize FAR and the market appeared able to absorb any and all units that were built. However, as the market turned in late 2005 into 2006 and continued to deteriorate through early 2009, most projects were placed on hold as the proposed developments were no longer feasible to build through 2013. The current market, 2013-present, has improved significantly and some high rise development is currently taking place on larger sites in good locations. Most new construction in the East Village has been mid-rise podium apartments, although some high rise projects on the larger sites are under construction and/or proposed. It is noted that the subject consists of two smaller, non-contiguous sites. The smaller sizes of the sites limit the development potential given the maximum FAR of 6.0, particularly for the smaller parcel, which would make the subject less appealing to a market rate developer. Consequently, we have used primarily on smaller sites under 20,000 square feet that would attract similar buyer to the subject. According to market participants interviewed during this appraisal the ideal construction product is of wood-frame at an FAR of 5-6 in the current market, although Type I construction is feasible on some larger superior sites as discussed in the Market Analysis, it does not appear the subject site would support such development.

Since both the dollar per square foot and dollar per FAR foot are consider by market participants as a units of comparison, both units will be utilized in the valuation of the subject. In this analysis we will first analyze the five primary comparables and utilize an adjustment grid on a dollar per square foot basis, then we will compare the subject value conclusion on a dollar per square foot basis with the comparables on dollar per FAR foot for reasonableness as this indicator is also considered by market participants.

DELORME

DeLorme Street Atlas USA® 2012

LAND COMPARABLE LOCATION MAP



Data use subject to license.

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TN

MN (11.7°E)

Scale 1 : 14,400

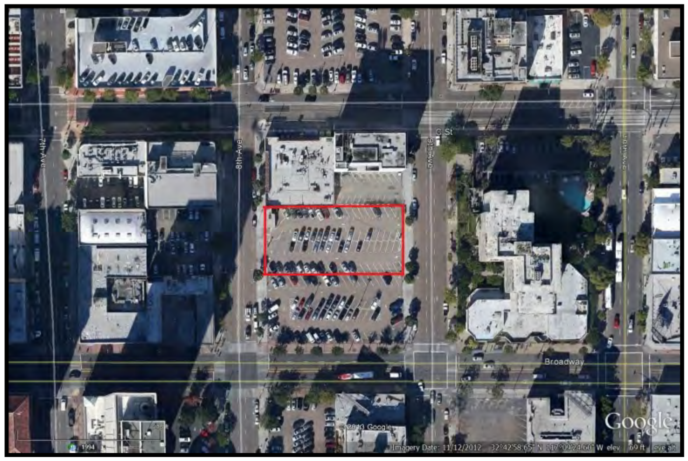
1" = 1,200.0 ft

Data Zoom 13-7

LAND COMPARABLE SALE NO. 1

PROPERTY IDENTIFICATION	***Project Name***	: ----
	Location/Street Address	: 1035 8th Avenue
	City, State	: San Diego, CA
	Parcel No.	: 534-184-08
	Thomas Bros. Map Ref.	: 1289-B3
TRANSACTION SUMMARY	***Sales Price***	: $4,850,000
	Buyer	: IMSJ LLC
	Seller	: Okovita Family Revocable Trust
	Recording Date	: 1/30/2014
	Document Number	: 14-50599
	Interest Transferred	: Fee Simple
	Conditions of Sale	: None
	Marketing Time	: 161 Days
	Escrow Length	: 60 Days
FINANCING TERMS	***Type of Note***	: All Cash
	Lender	: ----
	Loan Amount	: ----
	Annual Interest Rate	: ----
	Amortization	: ----
	Term	: ----
PROPERTY DESCRIPTION	***Maximum FAR***	: 10
	Gross Site Size (Acres)	: 0.459
	Gross Site Size (SF)	: 20,000
	Net Site Size (Acres)	: 0.459
	Net Site Size (SF)	: 20,000
	Maximum FAR Feet	: 200,000
	Site Shape	: Rectangular
	Topography	: Level
	Off-Sites	: All to site
	Zoning	: CCPD-NC
	Existing Use	: Parking Lot
	Other	: Mid Block
UNIT OF COMPARISON	***Price/Square Foot***	: $242.50
	Price/Max FAR Foot	: $24.25
SOURCE	***Buyer Representative***	: ------
	Seller Representative	:
	Listing Broker	: Allen Chitayat 619.299.6200
	Selling Broker	: ------
	Other	: ------

LAND COMPARABLE SALE NO. 1 (CON'T)



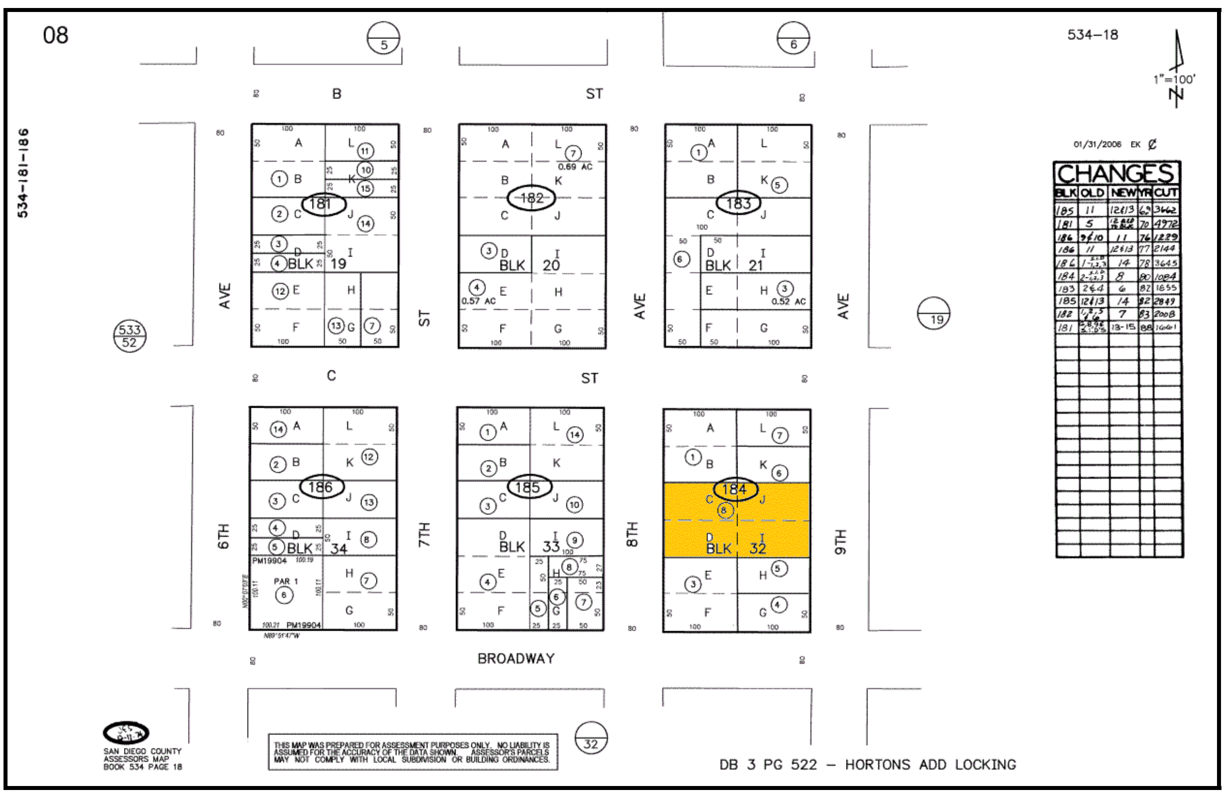
This property is located 0.50 miles northwest of the subject in the East Village District of Downtown San Diego. This location is considered superior to the subject. This property is a mid-block site.

The sale was reported as being conducted under condition requisite of a market value transaction. The site was sold on an all cash basis.

The site was unentitled at the time of sale. The site has a minimum required FAR of 6 and maximum of 10 with allowable FAR up to 12 with bonuses. The buyer purchased the site with the intention of holding the property for future development. The buyer did not have immediate development plans for the site but felt the land was an attractive investment on a $/SF basis. The mid-block location will likely limit development to high rise in order to satisfy parking requirements.

The site currently operates as a parking lot on a 3 year lease and a small commercial building. The owner has options to terminate the lease prior to expiration. The buyer gave these improvements some value as the interim income offsets the holding costs. No known environmental contamination was present.

The property was listed at $6,000,000 and sold for $4,800,000. The source reported there were 3 backup offers submitted near the sales price.

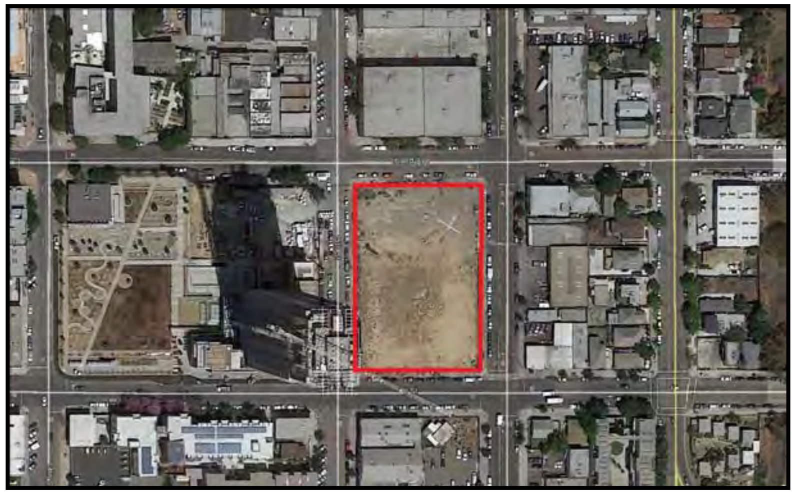


LAND COMPARABLE SALE NO. 2

PROPERTY IDENTIFICATION	***Project Name***	: 15th & Island
	Location/Street Address	: 460 16th Street
	City, State	: San Diego, CA 92101
	Parcel No.	: 535-392-08
	Thomas Bros. Map Ref.	: 1289-B4
TRANSACTION SUMMARY	***Sales Price***	: $17,210,000
	Buyer	: Lmc East Village I Holdings LL
	Seller	: 15th Island LLC
	Recording Date	: 4/14/2015
	Document Number	: 15-176858
	Interest Transferred	: Fee Simple
	Conditions of Sale	: None
	Marketing Time	: 537 Days
	Escrow Length	: 360 Days
FINANCING TERMS	***Type of Note***	: All Cash
	Lender	: -----
	Loan Amount	: -----
	Annual Interest Rate	: -----
	Amortization	: -----
	Term	: -----
PROPERTY DESCRIPTION	***Maximum FAR***	: 6
	Gross Site Size (Acres)	: 1.380
	Gross Site Size (SF)	: 60,113
	Net Site Size (Acres)	: 1.380
	Net Site Size (SF)	: 60,113
	Maximum FAR Feet	: 360,677
	Site Shape	: Rectangular
	Topography	: Level
	Off-Sites	: All to site
	Zoning	: CCPD-NC
	Existing Use	: Vacant
	Other	: Full Block
UNIT OF COMPARISON	***Price/Square Foot***	: $286.30
	Price/Max FAR Foot	: $47.72
SOURCE	***Buyer Representative***	: ------
	Seller Representative	: ------
	Listing Broker	: Kevin Mulhern - (858) 646-4723
	Selling Broker	: ------
	Other	: Comps, Civic SD, Pub.Records

LAND COMPARABLE SALE NO. 2 (CON'T)

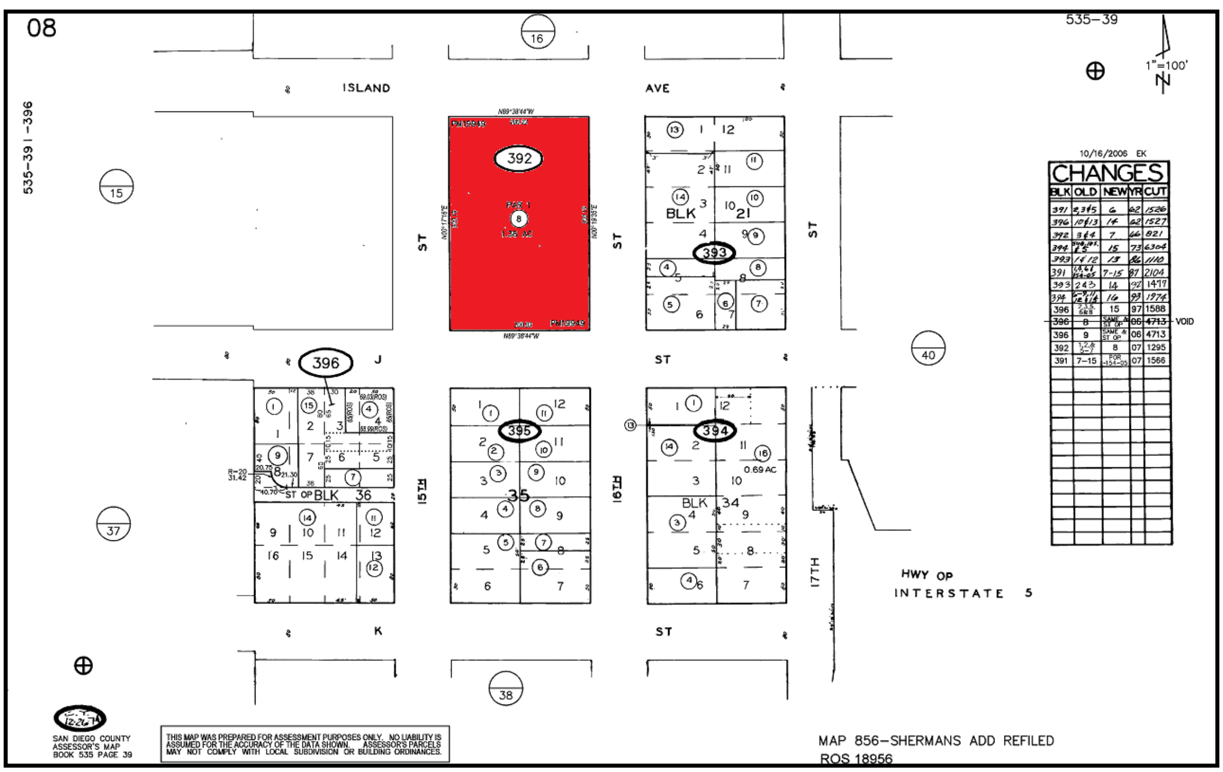
This property is located 2 blocks east of the subject in the East Village district of Downtown San Diego. This location is considered roughly similar to the subject. This property is a full-block site.



The sale was reported as being conducted under condition requisite of a market value transaction. The verification source indicated the purchase price was negotiated approximately a year prior to closing and that this site would sell for more today. The site was sold on an all cash basis.

The site has a minimum required FAR of 3.5 and maximum of 6.0 with allowable FAR up to 10 with bonuses. The site was vacant at the time of sale. The verification source indicated there was no significant environmental remediation costs expected and that there are no fault lines running through the site restricting development.

The buyer is planning on developing a 368-unit apartment project in a combination of a 21-story high-rise Type I construction building and a 6-story mid-rise Type-V construction building with a combination of below and above grade parking with 508 parking spaces. The proposed project will have about 18,580 square feet of ground floor commercial space. The proposed project has a total FAR of 7, the project is proposed to obtain an additionally 1.0 FAR bonus by providing LEED Silver certification for the Project. The verification source indicated the project was nearly fully entitled by the close of escrow.



LAND COMPARABLE SALE NO. 3

PROPERTY IDENTIFICATION	***Project Name***	: ----
	Location/Street Address	: 2148 India Street
	City, State	: San Diego, CA 92101
	Parcel No.	: 533-124-12
	Thomas Bros. Map Ref.	: 1288-J1
TRANSACTION SUMMARY	***Sales Price***	: $2,000,000
	Buyer	: H.G Fenton Company
	Seller	: Wilson Gift Trust
	Recording Date	: 3/27/2015
	Document Number	: 15-145009
	Interest Transferred	: Fee Simple
	Conditions of Sale	: None
	Marketing Time	: 21 Days
	Escrow Length	: 60 Days
FINANCING TERMS	***Type of Note***	: All Cash
	Lender	: ------
	Loan Amount	: ------
	Annual Interest Rate	: ------
	Amortization	: ------
	Term	: ------
PROPERTY DESCRIPTION	***Maximum FAR***	: 6
	Gross Site Size (Acres)	: 0.230
	Gross Site Size (SF)	: 10,000
	Net Site Size (Acres)	: 0.230
	Net Site Size (SF)	: 10,000
	Maximum FAR Feet	: 60,000
	Site Shape	: Rectangular
	Topography	: Level
	Off-Sites	: All to site
	Zoning	: CCPD-NC
	Existing Use	: Parking Lot, Accessory Building
	Other	: Corner
UNIT OF COMPARISON	***Price/Square Foot***	: $200.00
	Price/Max FAR Foot	: $33.33
SOURCE	***Buyer Representative***	: ------
	Seller Representative	: ------
	Listing Broker	: Norm Root - (619) 299-3000
	Selling Broker	: ------
	Other	: Comps, Public Records

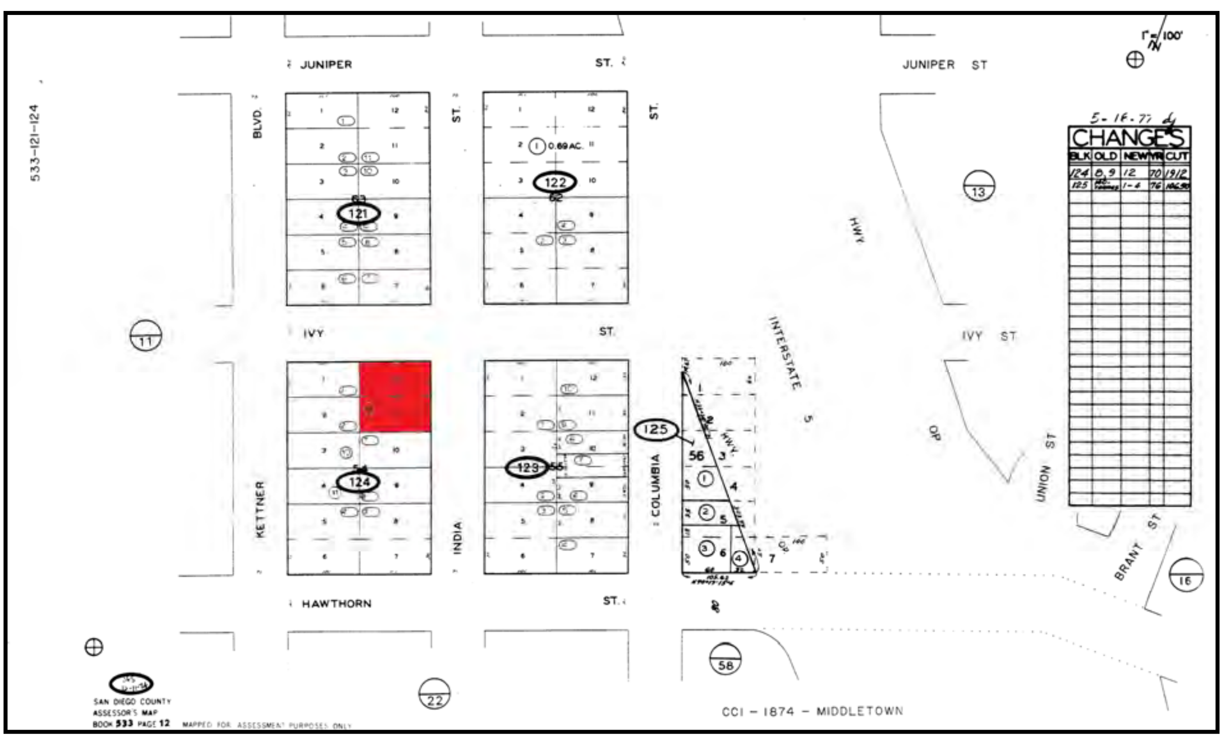
LAND COMPARABLE SALE NO. 3 (CON'T)

This property is located 1.50 miles northwest of the subject in the Little Italy district of Downtown San Diego. This location is considered superior to the subject. This property is a corner site.

The sale was reported as being conducted under conditions requisite of a market value transaction. The site was sold on an all cash basis. The verification source indicated there were multiple offers on the property ranging from $1.8-2 million.

The site has a minimum required FAR of 3.5 and maximum of 6.0. The site was improved with a parking lot and small (480 SF) accessory/storage building that was being used by Caliber Collison. The verification source indicated there was no income being generated. The verification source indicated there was no significant environmental remediation costs expected and that there are no fault lines running through the site restricting development. This property has a gross site size of 10,000 square feet.

The site was unentitled at the time of sale. The buyer purchased the site with the intention of holding the property for future development. The buyer did not have immediate development plans for the site. The verification source indicated the buyer owns the site across the street from the site and other site in the area. The verification source indicated the buyer does not own contiguous parcels so there would be no direct assemblage, but could be possibly used in conjunction with the site across street for parking or other building, but there were no know plans at the time of sale. The buyer was HG Fenton a large apartment/commercial developer in the San Diego Area.



LAND COMPARABLE SALE NO. 4

PROPERTY IDENTIFICATION	***Project Name***	: ----
	Location/Street Address	: 1401 Imperial Avenue
	City, State	: San Diego, CA 92101
	Parcel No.	: 535-614-01 & 02
	Thomas Bros. Map Ref.	: 1289-B4
TRANSACTION SUMMARY	***Sales Price***	: $1,800,000
	Buyer	: Alan Fink
	Seller	: Coseo Properties
	Recording Date	: 11/25/2014
	Document Number	: 14-514482
	Interest Transferred	: Fee Simple
	Conditions of Sale	: None
	Marketing Time	: 665 Days
	Escrow Length	: ----
FINANCING TERMS	***Type of Note***	: All Cash
	Lender	: ------
	Loan Amount	: ------
	Annual Interest Rate	: ------
	Amortization	: ------
	Term	: ------
PROPERTY DESCRIPTION	***Maximum FAR***	: 3
	Gross Site Size (Acres)	: 0.230
	Gross Site Size (SF)	: 10,002
	Net Site Size (Acres)	: 0.230
	Net Site Size (SF)	: 10,002
	Maximum FAR Feet	: 30,006
	Site Shape	: Rectangular
	Topography	: Level
	Off-Sites	: All to site
	Zoning	: CCPD-MC
	Existing Use	: Parking Lot
	Other	: Corner
UNIT OF COMPARISON	***Price/Square Foot***	: $179.96
	Price/Max FAR Foot	: $59.99
SOURCE	***Buyer Representative***	: ------
	Seller Representative	: ------
	Listing Broker	: Richard Lebert (858) 677-5342
	Selling Broker	: ------
	Other	: Comps, SD Union Tribune

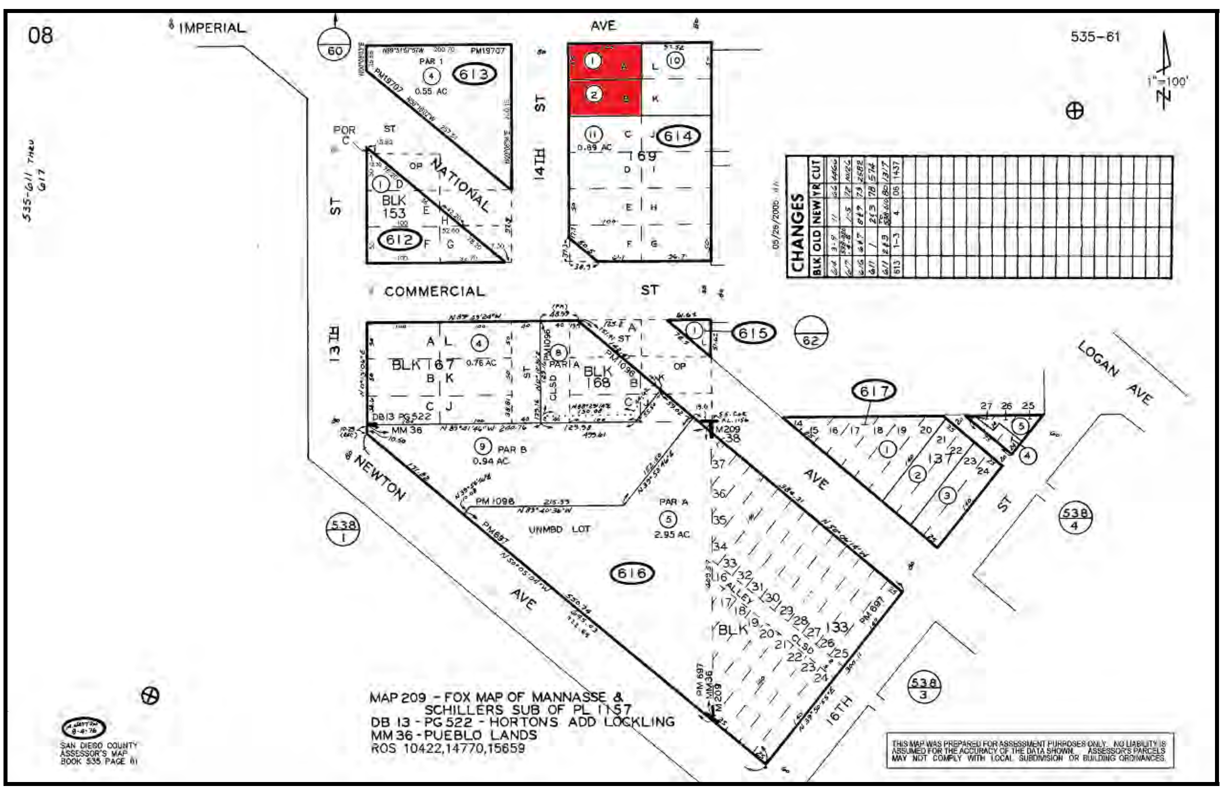
LAND COMPARABLE SALE NO. 4 (CON'T)

This property is located 0.26 miles southeast of the subject in the East Village district of Downtown San Diego. This location is considered inferior to the subject. This property is a corner site.

The sale was reported as being conducted under conditions requisite of a market value transaction. The site was sold on an all cash basis. The site has a minimum required FAR of 2.0 and maximum of 3.0 with allowable FAR up to 6 with bonuses. The site was improved with a parking lot at the time of sale. This property has a gross site size of 10,002 square feet.

The verification source indicated there was no significant environmental remediation costs expected and that there are no fault lines running through the site restricting development.

According to the verification source the buyer of the site was reportedly planning on constructing an indoor skydiving facility which appears to already be under construction. However, the site sold with no entitlements in place. According to news reports, it will be a 21,368-square-foot facility with two wind tunnels.



LAND COMPARABLE SALE NO. 5

PROPERTY IDENTIFICATION	***Project Name***	: Palatine Little Italy
	Location/Street Address	: 1819 Columbia St. & 1810 State St.
	City, State	: San Diego, CA 92101
	Parcel No.	: 535-172-07 & 08
	Thomas Bros. Map Ref.	: 1289-A2
TRANSACTION SUMMARY	***Sales Price***	: $5,300,000
	Buyer	: Kirkham Road, LLC
	Seller	: Canturion Partners Palatine, LLC
	Recording Date	: 7/30/2014
	Document Number	: 14-322951
	Interest Transferred	: Fee Simple
	Conditions of Sale	: None
	Marketing Time	: 167 Days
	Escrow Length	: 15 Days
FINANCING TERMS	***Type of Note***	: 1st TD
	Lender	: SSFT Holdings LLC
	Loan Amount	: $3,825,000
	Annual Interest Rate	: -----
	Amortization	: -----
	Term	: -----
PROPERTY DESCRIPTION	***Maximum FAR***	: 6
	Gross Site Size (Acres)	: 0.335
	Gross Site Size (SF)	: 14,601
	Net Site Size (Acres)	: 0.335
	Net Site Size (SF)	: 14,601
	Maximum FAR Feet	: 87,606
	Site Shape	: Flag
	Topography	: Level
	Off-Sites	: All to site
	Zoning	: CCPD-R
	Existing Use	: SFR & Retail
	Other	: Corner
UNIT OF COMPARISON	***Price/Square Foot***	: $362.99
	Price/Max FAR Foot	: $60.50
SOURCE	***Buyer Representative***	: ------
	Seller Representative	: ------
	Listing Broker	: ------
	Selling Broker	: ------
	Other	: Confidential

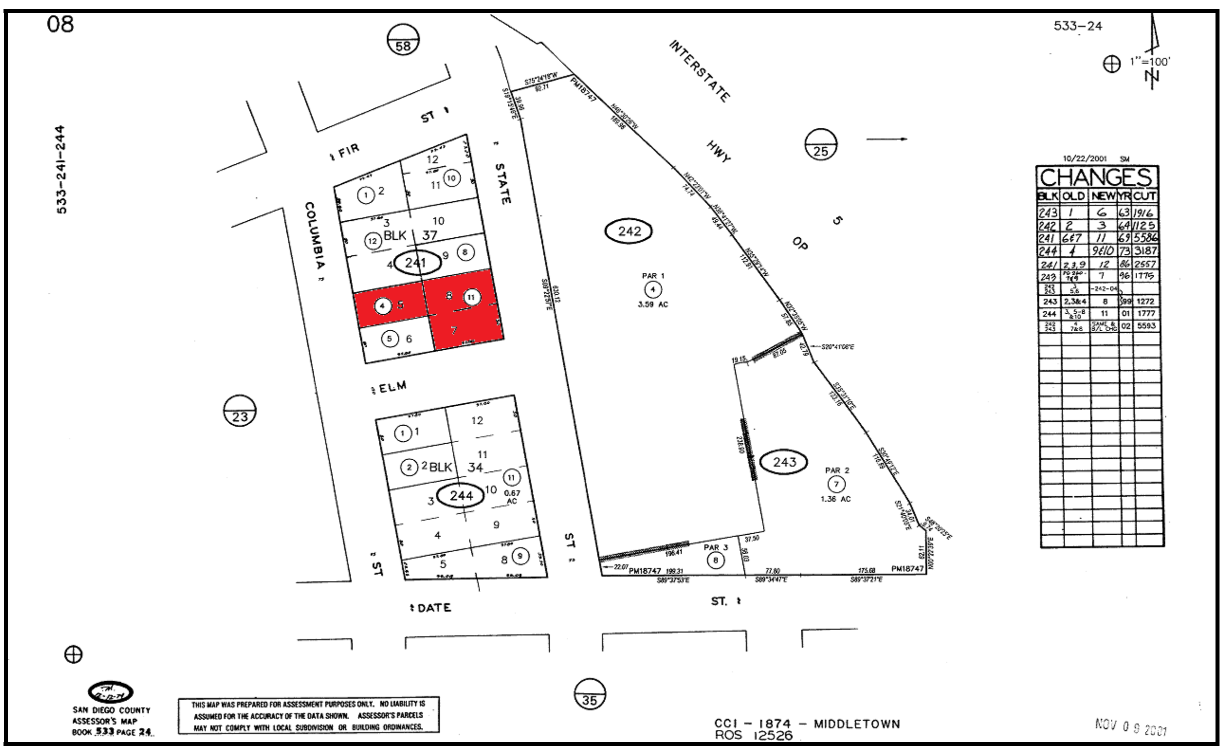
LAND COMPARABLE SALE NO. 5 (CON'T)

This property is located 1.27 miles northwest of the subject in the Little Italy district of Downtown San Diego. This location is considered superior to the subject. This property is a corner site.

The sale was reported as being conducted under conditions requisite of a market value transaction. The site was sold with cash-equivalent financing. The site has a minimum required FAR of 3.5 and maximum of 6.0. This property has a gross site size of 14,601 square feet. The site was improved with an older small single family residence of 1,246 square feet and a commercial building of 6,201 square feet.

There was no significant environmental remediation costs expected and that there are no fault lines running through the site restricting development.

The buyer is planning on developing the Palatine Little Italy a fully entitled 101-unit apartment project in a combination of a 8-story mid-rise Type I construction building with three floor of parking spaces. The proposed project has a total FAR of 6. The site was fully entitled. This site was previously acquired in December 2012 for $260/SF and most recently sold in July 2014 for $363/SF as entitled for 101 units. This represents a roughly 23 percent per year appreciation rate.



ANALYSIS OF LAND DATA

Our investor interviews consistently find that buyers and sellers typically evaluate land transactions in two steps.

The first step consists of bringing the data to a current market value indication. This includes adjustments for cash equivalency, unusual conditions of sale, and time. These adjustments are typically expressed in lump sum dollar amounts.

The second adjustment process consists of making allowance for various physical differences in the properties being considered. Paired sales analysis was used when possible to estimate adjustments; however, the diversity of the data required most adjustments to be made based on insight gained through numerous interviews with area brokers and developers.

INTEREST TRANSFERRED ADJUSTMENT

All sales were fee simple transfers warranting no adjustment. The subject fee simple interest is being valued assuming no ground lease in place.

FINANCING TERMS ADJUSTMENT

All comparables were reported by the verification sources as being all cash or cash equivalent transactions warranting no adjustment.

CONDITION OF SALE ADJUSTMENT

All other comparables were reported as being conducted under conditions requisite of a market value transaction warranting no adjustment.

MARKET CONDITIONS ADJUSTMENT

Brokers and developers indicated that values have been trending upward over the past 12 to 18 months as developer activity has increased recently with improved apartment fundamentals. As indicated in the market analysis, apartment rents have been increasing 3% - 7%+ over the past year with the downtown San Diego submarket posting the highest average rents. Based on our primary research there are over 1,500+ units anticipated to come online over the next 1.5-2 years not including the recently completed Form 15, Urbana, and Broadstone Little Italy. Development and land activity has been amplified over the past year as buyers are competing for a limited supply of developable sites. Developers are feeling pressure to acquire sites to take advantage of the current apartment construction cycle. Local brokers report demand is extremely high in San Diego for sites in top tier locations, a recent sales in the East Village have reached over $500/SF for the most desirable sites. Demand for multi-family land is expected to remain high as apartment fundamentals improve. The verification source of Comparable #2 indicated the sale price was negotiated approximately 1 year prior to the closing date equating to roughly 1.5 years prior to the current date. The site sold for approximately $286/SF, but the verification source estimated it would have sold in the mid-300's/SF if it were negotiated today. Assuming a 1.5-year time span the brokers' opinion equates to an approximate 14 percent per year appreciation rate.

Another example is the Palatine site in Little Italy, Comparable #2, was acquired in December 2012 for $260/SF and most recently sold in July 2014 for $363/SF as entitled for 101 units. This represents a roughly 23 percent per year appreciation rate; however, does not include appreciation over the past year, only up to mid-2014. Another rough pairing is the listing of the Lucia Nel Cielo in the East Village. This site was listed for sale in 2013 for $16,500,000 although it has not sold the current list price is $18,000,000 representing a 8% per year increase suggesting the owners believe that values have appreciated.

Based on conversation with area brokers and rough pairings, a positive 10% per year market conditions adjustment at the low end of the range appears reasonable and will be applied to Comparables #1, #3, #4 and #5 from their sale date to the August 7, 2015 date of inspection. Comparable #2 closed in April 2015; however, the price was reportedly negotiated a year prior to closing. The verification source estimated it would have sold in the mid-300's/SF if it were negotiated today. Therefore, this sale will be adjusted from its negotiation date of approximately April 2014. The following table illustrates the time adjustment calculation:

Comp #	Price / Value	Sale Date	Current Date	No. of Periods	Appreciation Rate	Total Appreciation
Comp #1	$4,850,000	1/30/2014	8/7/2015	18.2	10.0%	$790,749
Comp #2	$17,210,000	4/14/2014	8/7/2015	15.8	10.0%	$2,411,221
Comp #3	$2,000,000	3/27/2015	8/7/2015	4.4	10.0%	$74,379
Comp #4	$1,800,000	11/25/2014	8/7/2015	8.4	10.0%	$129,955
Comp #5	$5,300,000	7/30/2014	8/7/2015	12.3	10.0%	$569,574

The Prospective Date of Value of December 31, 2015 is approximately 4 months from the date of inspection, the minimal length of time does not appear to warrant an additional adjustment.

LOCATION ADJUSTMENT

In estimating location adjustments, I have analyzed the differences in locational amenities for each location. The subject location has relatively good access to community amenities, commercial support facilities, and significant local employment.

Comparable #1 is located 0.50 miles northwest of the subject in the East Village District of Downtown San Diego. This location is near the Core and Gaslamp Districts and is considered superior to the subject. Based on my discussions with the local brokers and a rough paired sales analysis of the sales, a negative 5 percent adjustment appears reasonable.

Comparable #2 is located within two blocks of the subject in nearly identical East Village location, resulting in similar location ratings to the subject. No adjustment is warranted.

Comparable #3 is located 1.50 miles northwest of the subject in the Little Italy district of Downtown San Diego. This location is considered superior to the subject. Based on my discussions with the local brokers and a rough paired sales analysis of the sales, a negative 5 percent adjustment appears reasonable.

Comparable #4 is located in a slightly inferior East Village District of Downtown San Diego location. Based on my discussions with the local brokers and a rough paired sales analysis of the sales, a positive 10 percent adjustment appears reasonable.

Comparable #5 is located 1.27 miles northwest of the subject in a very superior Little Italy district of Downtown San Diego. This location is considered superior to the subject. Based on my discussions with the local brokers and a rough paired sales analysis of the sales, a negative 25 percent adjustment appears reasonable.

FLOOR AREA RATIO ADJUSTMENT

Prior to the economic slowdown sites with high Floor Area Ratios (FAR), were trading at a premium due to the greater development potential. However, in order to realize this development potential, a high rise design with costly steel construction is required. Although high rise development is now occurring, many developers and brokers continue to see wood frame construction as a more feasible option in the current market. According to market participants interviewed during this appraisal the ideal construction product is of wood-frame at an FAR of 5-6 in the current market, although Type I construction is feasible on larger sites and is currently being developed, for example, Blue Sky, Pacific and Broadway, and 15th & Island. As the market continues to improve, and Type I construction will become more prevalent and higher FAR sites will add value.

Comparable #1 has slightly higher minimum/maximum FAR at 6 to 10 which would allow for a more intense development compared to the subject site. Given the current market conditions, a negative 5 percent adjustment will be applied.

Comparables #2, #3 and #5 have similar minimum/maximum FAR's at 3.5 to 6 like the subject. For purposes of this analysis, no adjustment will be applied.

Comparable #4 has lower minimum/maximum FAR at 2 to 3 (up to 6) which would allow for decreased construction costs. However, the lower FAR decreases the options and scope of possible projects and is below the ideal FAR for an apartment project. For purposes of this analysis, these are considered to be offsetting factors and no adjustment will be applied.

SITE SHAPE ADJUSTMENT

The subject and all the Comps are either rectangular or flag shaped sites providing generally equal utility relative to their shapes. Accordingly, no adjustments are warranted.

TOPOGRAPHY ADJUSTMENT

The subject and all Comps are essentially level pads warranting no adjustment.

OFF-SITES ADJUSTMENT

The subject and all the comparables are located in the downtown area with all utilities and off-sites in place.

ZONING ADJUSTMENT

The subject and all comparables have zoning permitting multi-family mixed use development with roughly similar permitted uses. No adjustments are warranted.

PROPOSED USE/ENTITLEMENT ADJUSTMENT

This analysis assumes the subject can be developed with a market based multi-family use.

Comparable #1 and #3 are unentitled sites zoned and/or planned for primarily multi-family use with varying levels of retail/commercial space. For purposes of this analysis, no adjustment appears warranted for the differing levels of retail/commercial space planned.

Comparable #2 sold without entitlements; however, the buyers had been in the process of obtaining entitlements throughout the escrow period and were nearing completion, warranting some adjustment. Given the decreased risk associated with the near entitled site at the time of sale, a negative 10% adjustment will be applied.

Comparable #4 is planned for a Sky Dive Wind Tunnel facility. Although this property was not proposed for a residential use, residential uses are allowed in this zone. This was verified with the verification source. The CCPD-MC zones allows for a mix of residential, artist studios, live/work spaces, hotels, offices, research and development, retail and some commercial uses. Accordingly, no adjustment will be applied.

Comparable #5 sold fully entitled. Given the decreased risk associated with the fully entitled site at the time of sale, a negative 20% adjustment will be applied.

SITE SIZE ADJUSTMENT

In our discussions with area brokers and developers, we found moderate support for an economy of scale adjustment for the differences in the site size noted between the subject and sites larger than 10,000 SF.

Comparables #1 and #2 are significantly larger than the subject making them a much more desirable redevelopment sites. The larger sites appeal to developers because no assemblage is required and lower costs can be achieved through economies of scale of the large development. Smaller sites under 10,000 SF like the subject are more difficult to redevelop without an assemblage. Based on our discussions with area brokers and developers, a 10% to 20% economy of scale adjustment is needed for the differences noted between the subject and these comparables. Accordingly, a negative 10 percent adjustment appears appropriate for these comparables.

Comparables #3, #4, and #5 are roughly similar in size warranting no adjustment.

EXISTING USE ADJUSTMENT

In this analysis, the subject site is assumed vacant. Comps #1, #3, and #4 have improvements ranging from parking lots to small accessory structures or a combination of uses. Comparable #2 was vacant. Comparable #5 was improved with an older small single family residence of 1,246 square feet and a commercial building of 6,201 square feet. Due to the small size of the structures needing demolition being significantly lower than the sites, the adjustments necessary would likely be less than $1 per square foot. Accordingly, no additional adjustment is made for existing uses of the sites.

Comparable #1 currently operates as a pay parking lot with a small retail unit generating roughly $185k in annual income. However, the verification source could not provide an accurate estimate of the true impact of the interim income on the sales prices. Considering the interim income generated, a negative $15/SF adjustment appears reasonable based on discussions with market participants.

OTHER ADJUSTMENT

The subject is a mid-block site situated between improved sites on either side.

Comparable #1 is also a mid-block location warranting no adjustment.

Comparable #2 is a full block site. My discussions with area brokers and developers finds that full block sites generally have greater functional utility from a design and construction standpoint due to superior access on all sides and lack of adjacent structures to design/build around. Accordingly, a negative 20 percent adjustment appears appropriate for this comparable is supported by the data.

Comparables #3, #4, and #5 are corner locations, which are considered superior as they can support development with more street frontage/visibility compared to a mid-block site. Accordingly, a negative 5 percent adjustment appears appropriate for these comparables.

There are no other areas of comparison that warrant adjustments in this case.

APPLICATION OF ADJUSTMENTS

The “Other Adjustments” is the last area of comparison in this analysis. The following page summarizes this analysis in an adjustment grid format resulting in an indication of the subject’s Prospective Unrestricted Land Value - Fee Simple.

LAND SALES ADJUSTMENT GRID (SF)

Item	Subject	Comparable #1		Comparable #2		Comparable #3		Comparable #4		Comparable #5	
Project Name	Hotel Metro Site	----		15th & Island		----		----		Palatine Little Italy	
Location/Street Address	434 & 435 13th Street	1035 8th Avenue		460 16th Street		2148 India Street		1401 Imperial Avenue		1819 Columbia St. & 1810 State St.	
City, State	San Diego, CA 92101	San Diego, CA		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101		San Diego, CA 92101	
Parcel No.	535-155-04 & 05, 535-156-07	534-184-08		535-392-08		533-124-12		535-614-01 & 02		535-172-07 & 08	
Thomas Bros. Map Ref.	1289-B4	1289-B3		1289-B4		1288-J1		1289-B4		1289-A2	
Buyer	----	IMSJ LLC		Lmc East Village I Holdings LL		H.G Fenton Company		Alan Fink		Kirkham Road, LLC	
Seller	----	Okovita Family Revocable Trust		15th Island LLC		Wilson Gift Trust		Coseo Properties		Canturion Partners Palatine, LLC	
Document Number	----	14-50599		15-176858		15-145009		14-514482		14-322951	
Marketing Time	----	161 Days		537 Days		21 Days		665 Days		167 Days	
Sales Price	----		$ 4,850,000		$ 17,210,000		$ 2,000,000		$ 1,800,000		$ 5,300,000
Interest Transferred	Fee Simple	Fee Simple	$ -	Fee Simple	----	Fee Simple	----	Fee Simple	----	Fee Simple	----
Adjusted Price	----		$ 4,850,000		$ 17,210,000		$ 2,000,000		$ 1,800,000		$ 5,300,000
Financing Terms	Cash Equivalent	All Cash	----	All Cash	----	All Cash	----	All Cash	----	Cash Equivalent	----
Adjusted Price	----		$ 4,850,000		$ 17,210,000		$ 2,000,000		$ 1,800,000		$ 5,300,000
Condition of Sale	None	None	$ -	None	$ -	None	$ -	None	$ -	None	$ -
Adjusted Price	----		$ 4,850,000		$ 17,210,000		$ 2,000,000		$ 1,800,000		$ 5,300,000
Recording Date	12/31/2015	1/30/2014	$ 790,749	4/14/2015	$ 2,411,221	3/27/2015	$ 74,379	11/25/2014	$ 129,955	7/30/2014	$ 569,574
Adjusted Price	----		$ 5,640,749		$ 19,621,221		$ 2,074,379		$ 1,929,955		$ 5,869,574
Adj. $/Square Foot	----		$282.04		$326.41		$207.44		$192.96		$402.00
Location	Average	Superior	(28.00)	Similar		Superior	(10.00)	Inferior	10.00	Superior	(101.00)
Maximum FAR	6	10	(14.00)	6		6		3		6	
Site Shape	Rectangular	Rectangular		Rectangular		Rectangular		Rectangular		Flag	
Topography	Level Pad	Level		Level		Level		Level		Level	
Off-Sites	All to Site	All to Site		All to Site		All to Site		All to Site		All to Site	
Zoning	CCPD-R	CCPD-NC		CCPD-NC		CCPD-NC		CCPD-MC		CCPD-R	
Proposed Use	Unknown	Hold		Apartments/Retail Near Entitled	(33.00)	Hold		Sky Dive Wind Tunnels		Apartments, Entitled	(80.00)
Net Site Size SF	14,810	20,000	(28.00)	60,113	(33.00)	10,000		10,002		14,601	
Existing Use	Assumed Vacant	Parking Lot	(15.00)	Vacant		Parking Lot, Accessory Building	0.00	Parking Lot		SFR & Retail	
Other	None	Mid Block		Full Block	(65.00)	Corner	(10.00)	Corner	(10.00)	Corner	(20.00)
Net Adjustment			(85.00)		(131.00)		(20.00)		0.00		(201.00)
Indicated Value per Unit			$197.04		$195.41		$187.44		$192.96		$201.00

Indicated Range Statistics	
Mean	**$194.77**
Maximum	**$201.00**
Minimum	**$187.44**
% Difference	**6.98%**

Estimated Value Per Unit for Subject	**$195.00**
Subject's Site Size (SF)	**14,810**
Estimated Value for the Subject	**$2,887,950**
(Rounded)	**$2,890,000**

LAND VALUE CONCLUSION

The comparables selected for use in this analysis are the most recent sales of comparable apartment land within the Downtown San Diego market. The adjusted market data provides a relatively narrow indicated range of $187.44 to $201.00 per square foot representing a 6.98% disparity. Comparables #1, #3 and #4 are considered the best indicators. Comparables #2 and #5 are superior sites, these are considered good secondary indicators that strongly support the primary indicators.

We are also aware of the sale of 1435 Imperial Avenue in December 2014. This property sold for $950,000 or roughly $97 per square foot at the low end of the range for recent land sale. According, to the verification source the sale price was negotiated over 18 months prior to the closing date and is a low indicator. Additionally, the verification source indicated this comparable is located in an inferior location. This project is also in a lower FAR zone with a minimum/maximum FAR at 2 to 3. This project is proposed for 63 low income apartment units with an FAR of approximately 4 due to the affordable housing bonus. Overall, the subject would fall well above this indicator.

The subject sites consist of two noncontiguous parcels of approximately 5,000 and 10,000 square feet. As discussed previously, demand is higher for larger downtown sites particularly from large developers and REIT's as the can achieve lower development costs. Based on my conversations with local brokers and investors, there is little price difference between a 5,000 and 10,000 square foot site as smaller sites have advantages such as lower parking requirements and less strict development standards. Since we have applied no discount for the size differences between the subject parcels, the concluded value per square foot will be applied to the total combined site size.

We discussed the subject site with multiple brokers familiar with downtown San Diego land. One broker's interviewed confidently estimated a smaller site such as the subject in the subject's location would be valued in the mid-$200 per square foot. When discussing the site with another broker we mentioned we had comparables roughly ranging from $170 - $240 per square foot and the broker suggested that range sounded a bit low and the subject site would likely fall at the upper end of that range. While there have been multiple land sales in downtown San Diego in the $250+ per square foot range these have generally been much larger sites and/or located in much superior locations Based on the comparables we feel the brokers estimates are on the aggressive side given the subject size, non-contiguous layout, and mid-block location.

Based on the preceding analysis of the data, as well as, independent broker opinions familiar with the downtown market, I have formed an opinion of the Prospective Unrestricted Land Value - Fee Simple As If Vacant fee simple interest in the subject via the Sales Comparison Approach of $195.00 per Square Foot or:

Indicated Value @ $195.00 Per Square Foot	x	14,810 Feet	=	$2,887,950
Rounded			=	$2,890,000

SUMMARY TABLE

The following table summarizes the unadjusted primary comparables and secondary comparables:

Comp No.	Address	Sale Date	Sale Price	Site Size (SF)	$/SF
----	**Subject 434/435 13th Street San Diego, CA**	**----**	**Estimated $2,890,000**	**14,810**	**$195**
1.	1035 8th Avenue San Diego, CA	1/30/2014	$4,850,000	20,000	$243
2.	460 16th Street San Diego, CA	4/14/2015	$17,210,000	60,000	$287
3.	1401 Imperial Avenue San Diego, CA	11/25/2014	$1,800,000	10,019	$180
4.	2148 India Street San Diego, CA	3/27/2015	$2,000,000	10,001	$200
5	1819 Columbia Street San Diego, CA	7/23/2014	$5,300,000	14,601	$363
N/A	13TH, 14TH , J, & K San Diego, CA	4/3/2014	$20,000,000	50,265	$398
N/A	1819 Columbia Street San Diego, CA	7/23/2014	$5,300,000	14,601	$363
N/A	NEC Park/Imperial Ave. San Diego, CA	3/6/2015	$32,650,000	61,594	$530
N/A	1435 Imperial Avenue San Diego, CA	12/16/2014	$950,000	9,753	$97
N/A	2168 Columbia Street San Diego, CA	4/11/2014	$800,000	5,001	$160
N/A	520 W. Ash & 1446 Columbia St. San Diego, CA	5/15/2015	$12,800,000	20,000	$640
N/A	NEC 15th & G St. San Diego, CA	Listing	$1,750,000	10,000	$175

The subject falls toward the low-mid end of the unadjusted range and is well supported.

FAR ANALYSIS

Since both the dollar per square foot and dollar per FAR foot are consider by market participants as a unit of comparison, we will also compare dollar per FAR foot of the primary comparables to ensure our estimate on a dollar per square foot of $195.00 is reasonable. The following table summarizes the primary comparables on a dollar per FAR foot basis:

FAR COMPARABLE SUMMARY TABLE

Sale Comparable / Address	Site Size (SF)	Max FAR	Max FAR Feet	Sale Price	$/FAR Foot (Maximum)
Subject	14,810	6	88,860	----	----
Sale Comparable #1 / 1035 8th Avenue	20,000	10	200,000	$4,850,000	$24.25
Sale Comparable #2 / 460 16th Street	60,113	6	360,677	$17,210,000	$47.72
Sale Comparable #3 / 2148 India Street	10,000	6	60,000	$2,000,000	$33.33
Sale Comparable #4 / 1401 Imperial Avenue	10,002	3	30,006	$1,800,000	$59.99
Sale Comparable #5 / 1819 Columbia St. & 1810 State St.	14,601	6	87,606	$5,300,000	$60.50

Indicated Range Statistics	
Minimum	$24.25
Maximum	$60.50
Average	$45.16

Comparable #1 would likely have a higher construction costs due to the higher FAR construction and the subject would likely fall above this indicator. To the contrary, Comparable #4 would likely have lower construction costs due to the lower FAR. Therefore, the subject would likely fall below this indicator. Comparable #2 is a superior full block and Comparable #5 is located in a much superior location. The subject should fall below these indicators. Comparable #3 is considered the best indicator in terms of FAR. Based on an analysis of the unadjusted $/FAR foot indicators, the subject site would likely fall between $30.00 and $35.00 per FAR Foot equating to an overall value range of $2,665,800 to $3,110,100. Overall, the subject’s value estimate of $195.00 per SF or $2,890,000 equates to $32.52 per FAR foot towards the middle of the range and appears well supported on an FAR foot basis.

FINAL RECONCILIATION
RESTATEMENT OF VALUE CONCLUSIONS

The various approaches to value have been presented and reconciled throughout the various sections of the report. Considering my research and analysis, I have formed the opinion, subject to the assumptions and limiting conditions contained in this report, that the requested values under the various valuation scenarios requested were:

SUMMARY OF VALUE CONCLUSIONS		
VALUATION PREMISE	DATE OF VALUE	VALUE ESTIMATE
Prospective Unrestricted Market Value - Fee Simple	12/31/2015	$5,850,000
Prospective Unrestricted Land Value - Fee Simple	12/31/2015	$2,890,000

ESTIMATED EXPOSURE TIME

The exposure time is defined as the length of time the subject property would have been exposed for sale in the market had it sold at the market value estimate as of the date of the valuation.

Valuation Scenario 1 - Prospective Unrestricted Market Value - Fee Simple - The exposure time for Valuation Scenario #1 is based on market participant interviews and the actual experience of similar properties. Therefore, an exposure time similar to those seen by the apartment building sales used in this appraisal which are restated as follows:

Comparable One	106 Days
Comparable Two	N/A
Comparable Three	Off-Market (1 Month)
Comparable Four	Off Market
Comparable Five	135 Days

Our interviews with the numerous brokers and investors during the course of this appraisal indicate that sales volume is relatively stable with very few assets coming to market. Over the past year, brokers report aggressively priced assets are receiving multiple offers. These opinions are supported by the actual performance of the apartment building sales used in this appraisal which generally range from one to six months. Based on these market participant opinions and market evidence, the required exposure time associated with Valuation Scenario One is estimated at four months; which assumes competent, professional marketing.

Valuation Scenario 2 - Prospective Unrestricted Land Value - Fee Simple - My interviews with the numerous brokers and investors during the course of this appraisal indicate sufficient demand exists for apartment sites in this market assuming they are reasonably priced, i.e. market value. These opinions are supported by the actual performance of the apartment site sales used in this appraisal as follows:

Comparable One	161 Days
Comparable Two	537 Days
Comparable Three	21 Days
Comparable Four	665 Days
Comparable Five	167 Days

Based on these market participant opinions and market evidence, the required exposure time associated with Valuation Scenario One is estimated at ten months.

ESTIMATED MARKETING TIME

Marketing time is defined as the amount of time it would probably take to sell the subject property if exposed in the market beginning on the date of value. The market for apartment buildings is expected remain strong over the next year. Discussions with several local brokers whose name and telephone numbers are documented on the sale data pages of this report indicate marketing time would likely be similar to the exposure time estimated above. Based on these factors, the subject's marketing time for the subject's Valuation Scenarios is estimated at the same rate as the exposure time.

I believe this report has been prepared in accordance with the current requirements of the Appraisal Foundation as set forth in the Uniform Standards of Professional Appraisal Practice (USPAP); Title XI of the Federal Financial Institutions Reform, Recovery, and Enforcement Act of 1989 (FIRREA) and the Fair Lending Act. This appraisal is intended to comply with the OCC's amended Appraisal Rule, 12 CFR, Part 34, Real Estate Lending and Appraisals and with the Interagency Appraisal and Evaluation Guidelines, dated December 10, 2010. I appreciate this opportunity to be of service and remain available if you have any questions regarding the appraisal content or my conclusions.

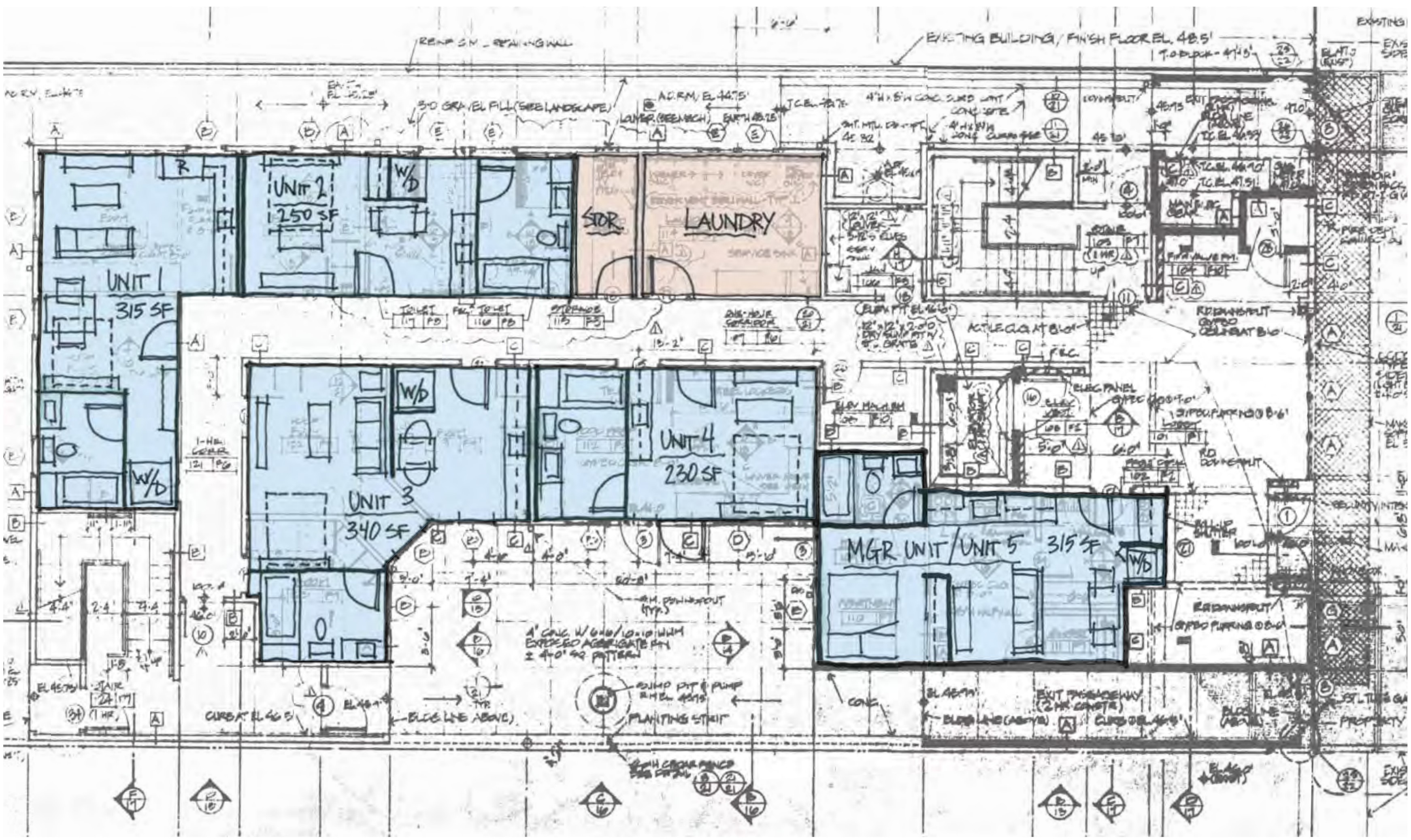
FROBOESE REALTY GROUP, INC.,

Wayne S. Froboese, MAI
California C.G.R.E.A. #AG009633
December 27, 2016

Scott H. Morey, MAI
California C.G.R.E.A. #AG029848
December 30, 2016

ADDENDUM A

434



HOTEL 434 CONCEPTUAL FIRST FLOOR PLAN

SCALE 1/8" = 1'-0"

REV	DESCRIPTION	DATE
1		
2		
3		
4		
5		

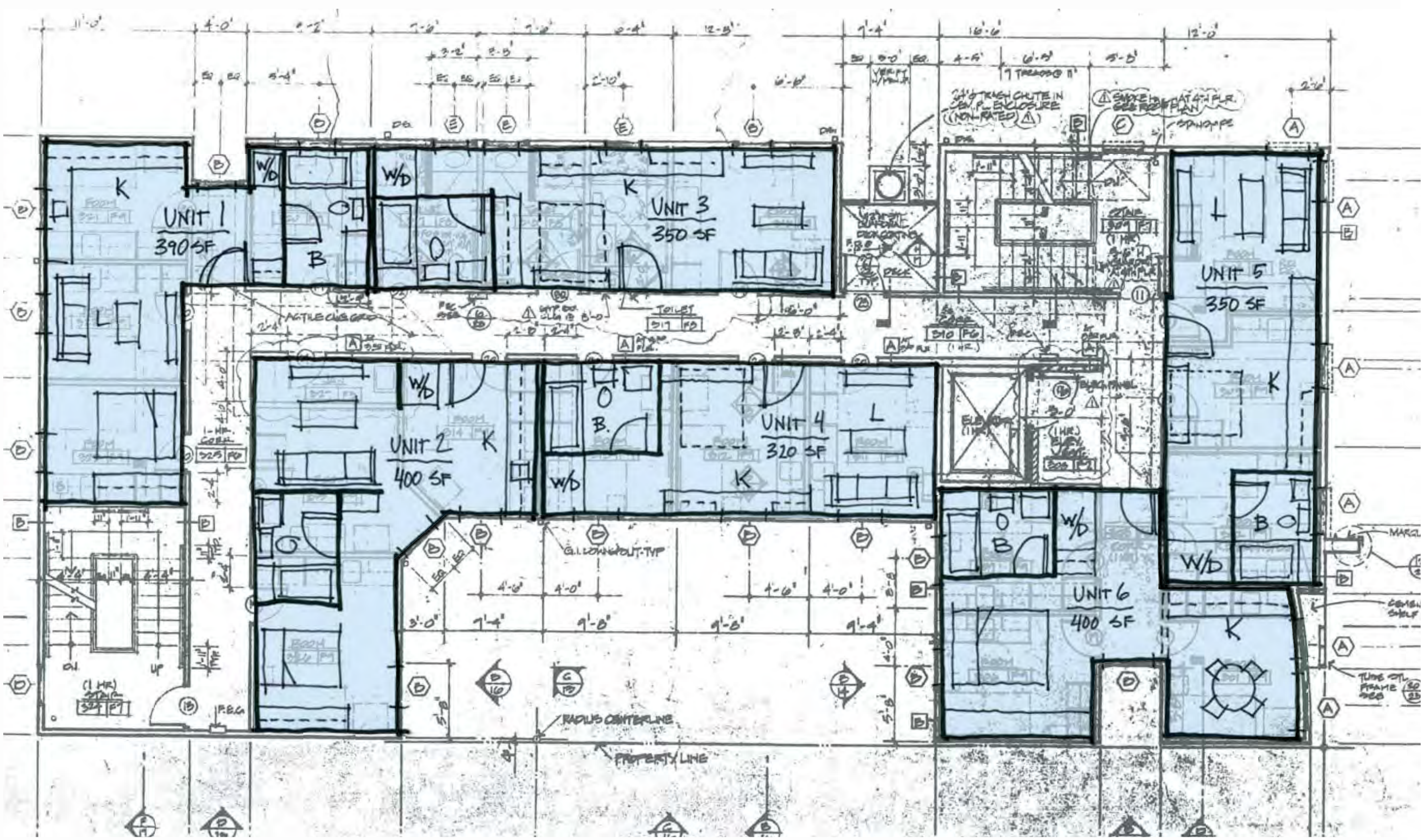
Salerno / Livingston Architects
363 Fifth Avenue, Suite 300
San Diego, CA 92101
619 234.7471
619 234-4626 FAX
www.salarchitects.com

DRAWING ACCEPTANCE
Contractor:
Date:
Owner:
Date:

SAN DIEGO HOUSING COMISSION
HOTEL 434 & 435

DATE: 07/09/15
SCALE: AS NOTED
DRAWN: EL
JOB NO.:
NAME:
SHEET: of

434



HOTEL 434 CONCEPTUAL TYP UPPER FLOOR PLAN

SCALE 1/8" = 1'-0"

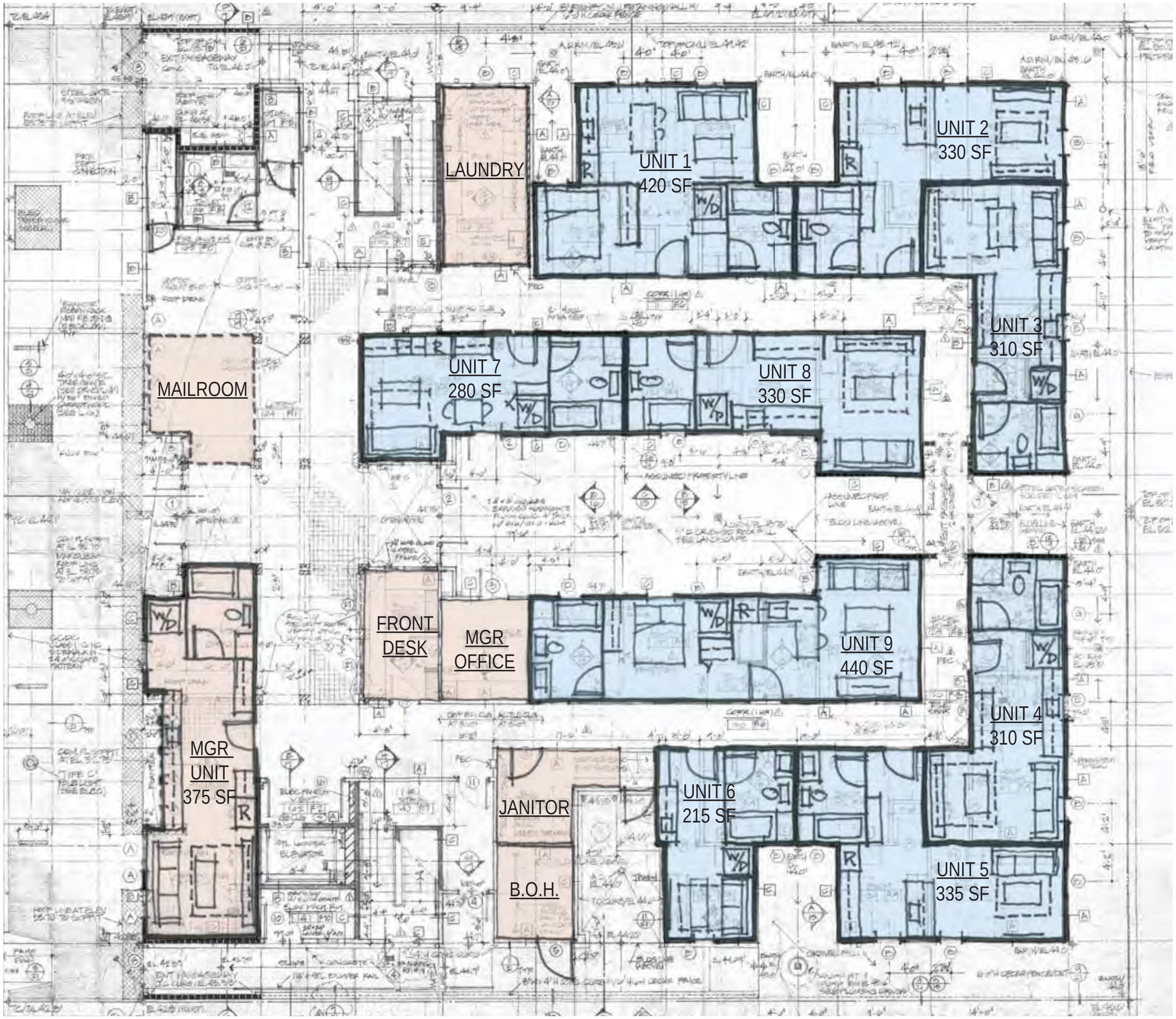
Salerno / Livingston Architects
363 Fifth Avenue, Suite 300
San Diego, CA 92101
619 234.7471
619 234-4626 FAX
www.salarchitects.com

SAN DIEGO HOUSING COMISSION
HOTEL 434 & 435

DRAWING ACCEPTANCE
Contractor:
Date:
Owner:
Date:

DATE: 07/09/15
SCALE: AS NOTED
DRAWN: EL
JOB NO.:
NAME:
SHEET: of

REV | DESCRIPTION | DATE



435

9 UNITS
+1 MGR. UNIT

HOTEL 435 CONCEPTUAL GROUND FLOOR PLAN

SCALE 3/32" = 1'-0"

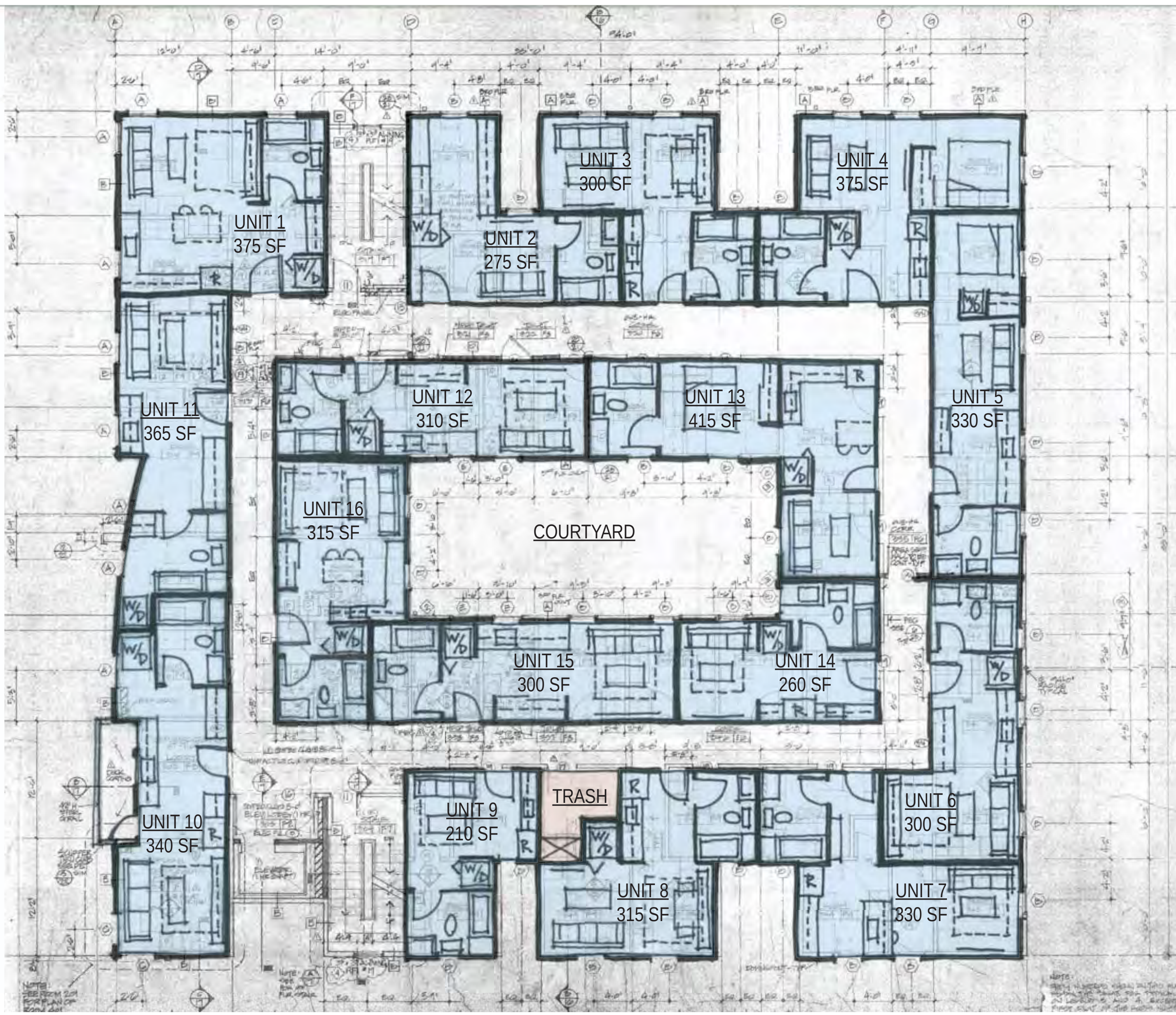
Salerno / Livingston Architects
363 Fifth Avenue, Suite 300
San Diego, CA 92101
619 234.7471
619 234-4626 FAX
www.salarchitects.com

SAN DIEGO HOUSING COMISSION
HOTEL 434 & 435

DRAWING ACCEPTANCE
Contractor:
Date:
Owner:
Date:

REV | DESCRIPTION | DATE

DATE: 07/09/15
SCALE: AS NOTED
DRAWN: EL
JOB NO.:
NAME:
SHEET: of



435

16 UNITS

HOTEL 435
CONCEPTUAL TYP. UPPER FLOOR PLAN

SCALE 3/32" = 1'-0"

REV	DESCRIPTION	DATE
1		
2		
3		
4		
5		

Salerno/Livingston Architects
363 Fifth Avenue, Suite 300
San Diego, CA 92101
619 234.7471
619 234.4626 FAX
www.slarchitects.com

DRAWING ACCEPTANCE
Contractor:
Date:
Owner:
Date:

SAN DIEGO HOUSING COMISSION
HOTEL 434 & 435

DATE: 07/09/15
SCALE: AS NOTED
DRAWN: EL
JOB NO.:
NAME:
SHEET: of

ADDENDUM B

GCE
GLIKO CONTRACTING & ESTIMATING, INC.
CONT. LICENSE NO. 749292

8530 LA MESA BLVD.
SUITE 206
SAN DIEGO, CA 91942
858 273-4006
858 273-7410 FAX

March 21, 2016

SDHC - Hotel Metro

434 - 435 13th Street., San Diego, Ca. 92101

Renovation Cost Study

A. Architectural Repairs

1.0 434 13th Street.

1.01 Demolition.

$ / S.F. (leasable areas)
(1,450 s.f., 1st + 6,630 s.f. 2nd - 4th = 8,080 s.f.)

1.01.1	Unit furnishings.		
1.01.1.1	First floor.	$0.14	$209
1.01.1.2	2nd, 3rd, and 4th floor.	$0.42	$2,661
1.01.2	Interior partitions.		
1.01.2.1	First floor.	$1.27	$1,834
1.01.2.2	2nd, 3rd, and 4th floor.	$3.99	$25,161
1.01.3	Unit electrical fixtures, wiring, conduit, etc.		
1.01.3.1	First floor.	$0.31	$455
1.01.3.2	2nd, 3rd, and 4th floor.	$0.61	$3,871
1.01.4	Plumbing fixtures, piping, etc.		
1.01.4.1	First floor.	$0.17	$247
1.01.4.2	2nd, 3rd, and 4th floor.	$0.33	$2,097
1.01.5	Toilet room tile, etc.		
1.01.5.1	First floor.	$2.62	$3,792
1.01.5.2	2nd, 3rd, and 4th floor.	$1.81	$11,394
1.01.6	Cabinetry, counter tops, closet shelf & pole, mirrors, etc.		
1.01.6.1	First floor.	$0.48	$702
1.01.6.2	2nd, 3rd, and 4th floor.	$0.95	$5,968
1.01.7	Interior doors.		
1.01.7.1	First floor.	$0.27	$389
1.01.7.2	2nd, 3rd, and 4th floor.	$0.52	$3,306
1.01.8	Unit windows.		
1.01.8.1	First floor.	$0.80	$1,167
1.01.8.2	2nd, 3rd, and 4th floor.	$0.71	$4,473
1.01.9	Unit flooring.		
1.01.9.1	First floor.	$4.43	$6,420
1.01.9.2	2nd, 3rd, and 4th floor.	$13.98	$88,063
1.01.10	Common area floors & ceilings.		
1.01.10.1	First floor.	$2.66	$3,863
1.01.10.2	2nd, 3rd, and 4th floor.	$1.24	$7,837

Sub-total 1.01 Demolition. $21.52 **$173,909**

			$ / S.F. (leasable areas) (1,450 s.f., 1st + 6,630 s.f. 2nd - 4th = 8,080 s.f.)		
	1.02	**New First Floor common areas.**			
	1.02.1	S.D.G & E. required upgrades.	$40.50	$327,240	
	1.02.2	Individual unit electrical metering.	$8.55	$69,113	
	1.02.3	Wall and ceiling repairs.	$0.69	$5,566	
	1.02.4	Wall and ceiling finishes.	$0.66	$5,313	
	1.02.5	New signage.	$0.43	$3,491	
	1.02.6	New security devices, etc.	$4.00	$32,283	
Sub-total	**1.02**	**New First Floor common areas.**	$54.83		**$443,007**
	1.03	**Living Units**			
	1.03.1	Install new retro-fit vinyl dual glazed windows.			
	1.03.1.1	First floor.	$4.47	$6,475	
	1.03.1.2	2nd, 3rd, and 4th floor.	$5.51	$34,719	
	1.03.2	Install new walls and ceilings, with insulation.			
	1.03.2.1	First floor.	$21.88	$31,733	
	1.03.2.2	2nd, 3rd, and 4th floor.	$21.53	$135,635	
	1.03.3	Install new electric, lighting, etc.			
	1.03.3.1	First floor.	$27.42	$39,753	
	1.03.3.2	2nd, 3rd, and 4th floor.	$24.46	$154,077	
	1.03.4	Install new thru wall Unit HVAC.			
	1.03.4.1	First floor.	$5.10	$7,400	
	1.03.4.2	2nd, 3rd, and 4th floor.	$7.89	$49,715	
	1.03.5	Install wall and ceiling finishes.			
	1.03.5.1	First floor.	$5.53	$8,014	
	1.03.5.2	2nd, 3rd, and 4th floor.	$5.37	$33,861	
	1.03.6	Install vinyl plank flooring.			
	1.03.6.1	First floor.	$4.78	$6,933	
	1.03.6.2	2nd, 3rd, and 4th floor.	$5.03	$31,703	
	1.03.7	Install doors & hardware.			
	1.03.7.1	First floor.	$3.42	$4,956	
	1.03.7.2	2nd, 3rd, and 4th floor.	$2.83	$17,840	
	1.03.8	Install new plumbing.			
	1.03.8.1	First floor.	$30.14	$43,706	
	1.03.8.2	2nd, 3rd, and 4th floor.	$25.43	$160,187	
	1.03.9	Install new plumbing fixtures.			
	1.03.9.1	First floor.	$13.67	$19,819	
	1.03.9.2	2nd, 3rd, and 4th floor.	$11.33	$71,348	
	1.03.10	Install new cabinetry, shelving, & base.			
	1.03.10.1	First floor.	$15.59	$22,603	
	1.03.10.2	2nd, 3rd, and 4th floor.	$15.11	$95,195	
	1.03.11	Install new stone Kitchen counter tops and full height tile splash.			
	1.03.11.1	First floor.	$8.06	$11,682	
	1.03.11.2	2nd, 3rd, and 4th floor.	$8.29	$52,257	
	1.03.12	Install Kitchen and Laundry appliances.			
	1.03.12.1	First floor.	$16.29	$23,623	
	1.03.12.2	2nd, 3rd, and 4th floor.	$13.50	$85,044	
Sub-total	**1.03**	**Living Units**	$142.11		**$1,148,278**

1.04 Common Corridors.

$ / S.F. (leasable areas)
(1,450 s.f., 1st + 6,630 s.f. 2nd - 4th = 8,080 s.f.)

		$ / S.F.	
1.04.1	Install corridor electric, lighting, etc.		
1.04.1.1	First floor.	$12.43	$18,026
1.04.1.2	2nd, 3rd, and 4th floor.	$9.04	$56,925
1.04.2	Install corridor plumbing.		
1.04.2.1	First floor.	$5.71	$8,273
1.04.2.2	2nd, 3rd, and 4th floor.	$2.52	$15,863
1.04.3	Install corridor HVAC.		
1.04.3.1	First floor.	$4.80	$6,958
1.04.3.2	2nd, 3rd, and 4th floor.	$3.31	$20,873
1.04.4	Install new corridor ceiling system.		
1.04.4.1	First floor.	$2.07	$3,006
1.04.4.2	2nd, 3rd, and 4th floor.	$1.84	$11,616
1.04.5	Install new corridor wall finishes.		
1.04.5.1	First floor.	$2.18	$3,158
1.04.5.2	2nd, 3rd, and 4th floor.	$1.24	$7,787
1.04.6	Install new vinyl plank corridor flooring.		
1.04.6.1	First floor.	$3.97	$5,754
1.04.6.2	2nd, 3rd, and 4th floor.	$1.50	$9,454

Sub-total 1.04 Common Corridors. $20.75 **$167,693**

1.05 Laundry and Storage Rooms.

$ / S.F. (leasable areas)
(1,450 s.f., 1st + 6,630 s.f. 2nd - 4th = 8,080 s.f.)

1.05.1	Demo existing Laundry Rooms.	(N/A)	
1.05.2	Install new Laundry Room windows.		$536
1.05.3	Construct Laundry Room walls and ceilings.	(N/A)	
1.05.4	Install Laundry Room electrical service.	(N/A)	
1.05.5	Install Laundry Room plumbing.	(N/A)	
1.05.6	Install Laundry Room HVAC.	(N/A)	
1.05.7	Install Laundry Room wall and ceiling finishes.	(N/A)	
1.05.8	Install Laundry Room cabinetry, folding tables, etc.	(N/A)	
1.05.9	Install Laundry Room doors & hardware.	(N/A)	
1.05.10	Install Laundry Room flooring.	(N/A)	
1.05.11	Install Laundry Room appliances.	(N/A)	
1.05.12	Install Laundry Room signage.	(N/A)	

Sub-total 1.05 Laundry and Storage Rooms. $0.07 **$536**

			$ / S.F. (leasable areas)		
	1.06	**Stairways.**	(1,450 s.f., 1st + 6,630 s.f. 2nd - 4th = 8,080 s.f.)		
	1.06.1	Clean stair treads.	$0.28	$2,226	
	1.06.2	Install new Stairway windows.	$0.24	$1,961	
	1.06.3	Repair stair treads and landings, where needed.		(T.B.A.)	
	1.06.4	Repair stair lighting, as needed.		(T.B.A.)	
	1.06.5	Clean, repair/replace stairway door hardware, as needed.		(T.B.A.)	
	1.06.3	Clean, repair, and paint stairway walls & doors.	$0.39	$3,188	
	1.06.4	Install new stairway signage.	$0.14	$1,164	
Sub-total	**1.06**	**Stairways.**	$1.06		**$8,539**
	1.07	**Roofing.**			
	1.07.1	Provide allowance for roofing repair/ re-roof.	$1.94	$15,709	
	1.07.2	Prep, prime, and paint roof accessories, doors, etc.	$0.21	$1,708	
Sub-total	**1.07**	**Roofing.**	$2.16		**$17,417**
	1.08	**Exterior paint.**			
	1.08.1	Provide allowance for exterior painting.	$2.88	$23,276	
Sub-total	**1.08**	**Exterior paint.**	$2.88		**$23,276**
	1.09	**Elevator Upgrades**			
	1.09.1	Provide allowance for elevator upgrades.	$14.53	$117,443	
Sub-total	**1.09**	**Elevator Upgrades**	$14.53		**$117,443**
Sub-Total	**1.0**	**434 13th Street.**	$259.91		**$2,100,097**

2.0 435 13th Street.

2.01 Demolition.

$ / S.F. (leasable areas)
(3,345 s.f., 1st + 15,345 s.f. 2nd - 4th = 18,690 s.f.)

2.01.1	Unit furnishings.		
2.01.1.1	First floor.	$0.21	$696
2.01.1.2	2nd, 3rd, and 4th floor.	$0.38	$5,792
2.01.2	Interior partitions.		
2.01.2.1	First floor.	$0.55	$1,834
2.01.2.2	2nd, 3rd, and 4th floor.	$1.37	$20,983
2.01.3	Unit electrical fixtures, wiring, conduit, etc.		
2.01.3.1	First floor.	$0.45	$1,518
2.01.3.2	2nd, 3rd, and 4th floor.	$0.55	$8,425
2.01.4	Plumbing fixtures, piping, etc.		
2.01.4.1	First floor.	$0.25	$822
2.01.4.2	2nd, 3rd, and 4th floor.	$0.30	$4,563
2.01.5	Toilet room tile, etc.		
2.01.5.1	First floor.	$1.73	$5,800
2.01.5.2	2nd, 3rd, and 4th floor.	$1.44	$22,068
2.01.6	Cabinetry, counter tops, closet shelf & pole, mirrors, etc.		
2.01.6.1	First floor.	$0.70	$2,340
2.01.6.2	2nd, 3rd, and 4th floor.	$0.85	$12,988
2.01.7	Interior doors.		
2.01.7.1	First floor.	$0.39	$1,297
2.01.7.2	2nd, 3rd, and 4th floor.	$0.47	$7,196
2.01.8	Unit windows.		
2.01.8.1	First floor.	$0.83	$2,788
2.01.8.2	2nd, 3rd, and 4th floor.	$0.58	$8,947
2.01.9	Unit flooring.		
2.01.9.1	First floor.	$1.92	$6,420
2.01.9.2	2nd, 3rd, and 4th floor.	$4.79	$73,439
2.01.10	Common area floors & ceilings.		
2.01.10.1	First floor.	$3.84	$12,835
2.01.10.2	2nd, 3rd, and 4th floor.	$1.27	$19,525

Sub-total 2.01 Demolition. $11.79 **$220,276**

2.02 New First Floor common areas.

2.02.1	S.D.G & E. required upgrades.	$17.51	$327,240
2.02.2	Individual unit electrical metering.	$10.99	$205,468
2.02.3	Wall and ceiling repairs.	$0.60	$11,132
2.02.4	Wall and ceiling finishes.	$0.57	$10,626
2.02.5	New signage.	$0.30	$5,566
2.02.6	New security devices, etc.	$2.59	$48,424

Sub-total 2.02 New First Floor common areas. $32.56 **$608,457**

2.03 Living Units

$ / S.F. (leasable areas)
(3,345 s.f., 1st + 15,345 s.f. 2nd - 4th = 18,690 s.f.)

2.03.1	Install new retro-fit vinyl dual glazed windows.		
2.03.1.1	First floor.	$4.99	$16,681
2.03.1.2	2nd, 3rd, and 4th floor.	$4.58	$70,270
2.03.2	Install new walls and ceilings, with insulation.		
2.03.2.1	First floor.	$22.13	$74,015
2.03.2.2	2nd, 3rd, and 4th floor.	$22.76	$349,278
2.03.3	Install new electric, lighting, etc.		
2.03.3.1	First floor.	$6.81	$22,770
2.03.3.2	2nd, 3rd, and 4th floor.	$7.59	$116,507
2.03.4	Install new through wall Unit HVAC.		
2.03.4.1	First floor.	$4.42	$14,801
2.03.4.2	2nd, 3rd, and 4th floor.	$6.73	$103,224
2.03.5	Install wall and ceiling finishes.		
2.03.5.1	First floor.	$5.59	$18,687
2.03.5.2	2nd, 3rd, and 4th floor.	$5.71	$87,607
2.03.6	Install vinyl plank flooring.		
2.03.6.1	First floor.	$4.78	$15,995
2.03.6.2	2nd, 3rd, and 4th floor.	$4.78	$73,375
2.03.7	Install doors & hardware.		
2.03.7.1	First floor.	$2.18	$7,305
2.03.7.2	2nd, 3rd, and 4th floor.	$2.29	$35,066
2.03.8	Install new plumbing.		
2.03.8.1	First floor.	$26.13	$87,412
2.03.8.2	2nd, 3rd, and 4th floor.	$27.84	$427,165
2.03.9	Install new plumbing fixtures.		
2.03.9.1	First floor.	$11.85	$39,638
2.03.9.2	2nd, 3rd, and 4th floor.	$12.40	$190,260
2.03.10	Install new cabinetry, shelving, & base.		
2.03.10.1	First floor.	$16.60	$55,512
2.03.10.2	2nd, 3rd, and 4th floor.	$15.78	$242,081
2.03.11	Install new stone Kitchen counter tops and full height tile splash.		
2.03.11.1	First floor.	$8.49	$28,387
2.03.11.2	2nd, 3rd, and 4th floor.	$8.11	$124,514
2.03.12	Install Kitchen and Laundry appliances.		
2.03.12.1	First floor.	$11.30	$37,797
2.03.12.2	2nd, 3rd, and 4th floor.	$12.93	$198,436

Sub-total 2.03 Living Units $130.38 **$2,436,782**

		$ / S.F. (leasable areas)	
2.04	**Common Corridors.**	(3,345 s.f., 1st + 15,345 s.f. 2nd - 4th = 18,690 s.f.)	
2.04.1	Install corridor electric, lighting, etc.		
2.04.1.1	First floor.	$7.85	$26,249
2.04.1.2	2nd, 3rd, and 4th floor.	$5.32	$81,593
2.04.2	Install corridor plumbing.		
2.04.2.1	First floor.	$5.17	$17,280
2.04.2.2	2nd, 3rd, and 4th floor.	$2.62	$40,151
2.04.3	Install corridor HVAC.		
2.04.3.1	First floor.	$2.08	$6,958
2.04.3.2	2nd, 3rd, and 4th floor.	$1.36	$20,873
2.04.4	Install new corridor ceiling system.		
2.04.4.1	First floor.	$0.90	$3,006
2.04.4.2	2nd, 3rd, and 4th floor.	$0.76	$11,616
2.04.5	Install new corridor wall finishes.		
204.5.1	First floor.	$1.05	$3,522
2.04.5.2	2nd, 3rd, and 4th floor.	$0.53	$8,115
2.04.6	Install new vinyl plank corridor flooring.		
2.04.6.1	First floor.	$1.72	$5,754
2.04.6.2	2nd, 3rd, and 4th floor.	$0.62	$9,454

Sub-total 2.04 Common Corridors. $12.55 **$234,569**

2.05	**Laundry and Mailroom.**		
2.05.1	Demo existing Laundry Rooms.	(N/A)	
2.05.2	Install new Laundry and Mailroom windows.	$0.06	$1,214
2.05.3	Construct Laundry Room walls and ceilings.	(N/A)	
2.05.4	Install Laundry Room electrical service.	(N/A)	
2.05.5	Install Laundry Room plumbing.	(N/A)	
2.05.6	Install Laundry Room HVAC.	(N/A)	
2.05.7	Install Laundry Room wall and ceiling finishes.	(N/A)	
2.05.8	Install Laundry Room cabinetry, folding tables, etc.	(N/A)	
2.05.9	Install Laundry Room doors & hardware.	(N/A)	
2.05.10	Install Laundry Room flooring.	(N/A)	
2.05.11	Install Laundry Room appliances.	(N/A)	
2.05.12	Install Laundry Room signage.	(N/A)	

Sub-total 2.05 Laundry and Mailroom. $0.06 **$1,214**

			$ / S.F. (leasable areas)		
	2.06	**Stairways.**	(3,345 s.f., 1st + 15,345 s.f. 2nd - 4th = 18,690 s.f.)		
	2.06.1	Clean stair treads.	$0.12	$2,226	
	2.06.2	Install new Stairway windows.	$0.12	$2,188	
	2.06.3	Repair stair treads and landings, where needed.		(T.B.A.)	
	2.06.4	Repair stair lighting, as needed.		(T.B.A.)	
	2.06.5	Clean, repair/replace stairway door hardware, as needed.		(T.B.A.)	
	2.06.3	Clean, repair, and paint stairway doors.	$0.17	$3,188	
	2.06.4	Install new stairway signage.	$0.06	$1,164	
Sub-total	**2.06**	**Stairways.**	$0.47		**$8,766**
	2.07	**Roofing.**			
	2.07.1	Provide allowance for roofing repair/ re-roof.	$1.42	$26,468	
	2.07.2	Prep, prime, and paint roof accessories, doors, etc.	$0.15	$2,770	
Sub-total	**2.07**	**Roofing.**	$1.56		**$29,238**
	2.08	**Exterior paint.**			
	2.08.1	Provide allowance for exterior painting.	$1.79	$33,477	
Sub-total	**2.08**	**Exterior paint.**	$1.79		**$33,477**
	2.09	**Elevator Upgrades**			
	2.09.1	Provide allowance for elevator upgrades.	$6.28	$117,443	
Sub-total	**2.09**	**Elevator Upgrades**	$6.28		**$117,443**
Sub-Total	**2.0**	**435 13th Street.**	$197.44		**$3,690,221**

			$ / S.F. (leasable areas)	
			(8,080 s.f. @ 434 + 18,690 s.f. @ 435 = 27,040 s.f.)	
Sub-Total	**A.**	**Architectural Repairs**	$214.14	**$5,790,318**

		$ / S.F. (leasable areas) (8,080 s.f. @ 434 + 18,690 s.f. @ 435 = 27,040 s.f.)	
Sub-Total -- Project		$214.14	**$5,790,318**

Note: All repair items include a pro-rated share of the following items:

Contingency		10%	
General Conditions			
Overhead and administration	Combined Fee, per SDHC:	15%	
Contractor's fee			
Surety Bond			
Insurance Surcharge			

Note: All appropriate repair categories require a pro-rata share of the following costs for drawings and related services.

Architectural Fees		7.0%	$405,322
Mechanical Engineering Fees Electrical Engineering Fees Structural Engineering Fees	Combined Fee, per SDHC:	6.0%	$347,419
Contingency (Professional Fees and Permits)		10%	$77,673
Relocation			(Not Required)
Permits (Estimated)			$23,989

	$ / S.F. (leasable areas) (8,080 s.f. @ 434 + 18,690 s.f. @ 435 = 27,040 s.f.)	
TOTAL COST	$245.74	**$6,644,722**

Larry J. Gliko
President / Chief Estimator

Note: S.F. used for each building do not include corridors of other "public" spaces, only the floor areas of the 23 units in 434, and 58 units in 435.

ADDENDUM C

PROFESSIONAL QUALIFICATIONS OF

WAYNE S. FROBOESE

PROFESSIONAL EXPERIENCE

1998 - Present : ***Froboese Realty Group, Inc.*** – Managing Principal.
In March 1998, *Froboese Realty Advisors* merged with *The Froboese Group* to form *Froboese Realty Group, Inc*. This firm offers a wide range of real estate services including the appraisal of all forms of real estate throughout Southern California, appraisal review on a national basis. Specialized management services are available to lending institutions, trust administrators, pension funds and others, on a contract basis for partial or total responsibility of the valuation process to current regulatory standards. Other consultations include expert testimony.

2004 - Present : ***CCHC Housing, Inc.*** – Managing Principal
Doing business as California Classic Home Center (CCHC), CCHC Housing, Inc. is actively engaged in retailing Manufactured and Modular homes to the public from our location in Banning, California.

2004 - Present : ***FDG - Premier IV, LLC.*** – Co-Managing Member
Developer of manufactured homes for sale in Riverside County, California.

2004 - Present : ***FDG – Montrose, LLC*** – Co-Managing Member
Co-managing member of a self storage facility in Montrose, Colorado.

2003 - Present : ***Premier Realty Advisors, Inc.*** - Managing Principal
Provide commercial real estate mortgage brokerage services for loans ranging in size from $300,000 to $50 million for the following property types:

• Apartments	• Office buildings	• Retail centers
• Medical office buildings	• Self storage facilities	• Mixed use properties
• Mobile home parks	• Time share receivables	• R&D buildings
• Condo conversions	• Hotels and motels	• Industrial buildings

Many of these required complex structured transactions including wraparound mortgages, notes receivable financing, equity participation loans, mezzanine financing, and mobile home park and condo conversions.

1990 - 1998 : ***Froboese Realty Advisors*** - Principal.
This firm specialized in appraisals of complex investment grade real estate, as well as, specialized expertise in development valuations ranging from individual subdivisions to large, mixed-use Masterplanned communities. Other consultations included assistance in problem property disposition, feasibility studies, and expert testimony.

1988 - 1989 : ***FarWest Savings and Loan Association*** - Appraisal Officer.
Assignments included appraisal and appraisal review of existing and proposed residential tracts, large apartment complexes, mobile home parks and all forms of commercial and industrial property on a nationwide basis.

1981 - 1988 : ***Froboese and Associates*** - Principal.
Assignments included appraisals of existing, rehabilitated and proposed commercial, industrial, and residential income properties throughout Southern California.

TYPE OF PROPERTY APPRAISED

Vacant Land	:	Proposed residential subdivisions, mixed-use master-planned communities, multi-family lots, raw acreage, commercial, industrial, equestrian, flood plain, sensitive habitat mitigation land, public parks.
Residential	:	Residential subdivisions, condominium & PUD developments, apartment complexes up to 535 units, condominium conversion analyses, low-income housing, federal tax credits, mobile home parks, and individual single family residences and condominium units.
Commercial	:	Retail buildings, shopping centers, high-rise office buildings, office condos and PUDs, mixed use properties, etc.
Industrial	:	Manufacturing buildings, R&D facilities, distribution centers, warehouses, mini-storage facilities, special purpose uses.
Consultation	:	Studies for feasibility, marketing, absorption, investment, highest & best use and litigation have been prepared on all types of real property for owners, investors, developers, financial institutions, and attorneys.

EDUCATION

Bachelor of Arts Degree in Economics with an emphasis in Business Economics
California State University Long Beach, Long Beach, California - December 1985.

EXPERT WITNESS TESTIMONY

San Diego	:	United States Federal Bankruptcy Court, San Diego District
Orange County	:	California Superior Court, Orange County District
San Bernardino	:	California Superior Court, San Bernardino County District

PROFESSIONAL AFFILIATIONS

Member - Appraisal Institute - MAI Certificate #9352

2003 – Member Services Committee Chair, San Diego Chapter, Appraisal Institute

1998 - Ethics and Counseling Committee Member, Regional, Appraisal Institute

1992 to 1995 - Admissions Committee Member, San Diego Chapter, Appraisal Institute

1994 - Government Affairs Committee Member, San Diego Chapter, Appraisal Institute

Certified General Real Estate Appraiser - State of California - Certificate AG009633

Manufactured Home Salesperson License - State of California - License SP1141883

PROFESSIONAL COURSES

Society of Real Estate Appraisers

Course 101	Introduction to Appraising Real Property
Course 102	Applied Residential Property Valuation
Course 440	Standards of Professional Practice

America Institute of Real Estate Appraisers

Course 1B-A Capitalization Theory and Technique
Course 1B-B Capitalization Theory and Technique
Course SSP Standards of Professional Practice
Course 2-1 Case Studies in Real Estate Valuation
Course 2-2 Valuation Analysis and Techniques

Appraisal Institute

Course 410 Standards of Professional Practice (USPAP)
Course 420 Standards of Professional Practice (Ethics)

Professional Seminars and Conferences (Partial Listing)

(AI) - Apartment Appraisal Seminar
(AI) - Applying Economic Forecasts
(AI) - Appraisal Business Management
(AI) - Appraiser in Cyberspace
(AI) - Attorneys, Appraisers and Real Estate
(AI) - Blueprint Reading
(AI) - Critical Building Inspections
(AI) - Defensive Appraising
(AI) - Discounted Cash Flow in the Home Building Industry
(AI) - Experience Review Training Seminar
(AI) - Federal and State Laws and Regulations
(AIREA) - Federal Home Loan Bank Board Memorandum R-41C
(AI) - Golf Course Valuation
(AI) - Impact of Changing Demographics and Economic Influences on Value
(AI) - Impact of Hazardous Substances on Real Estate
(AI) - Market Data Verification
(AI) - Market Trends Update for Southern California
(AI) - Masterplanned Communities: From Concept to Reality
(AI) - Office of Real Estate Appraisal and Evaluations Workshop
(SREA) - Real Estate Valuations Using Spreadsheets
(AI) - Residential Litigation Valuation
(AI) - Residential Subdivision Analysis
(AIREA) - Seminar on Advanced Functions of the HP-12c
(AI) - Single Tenant Net Leased Properties
(AI) - Southern California Housing Market Update
(AI) - Southern California Office Market Overview
(AI) - Special Use Properties
(AI) - Unusual Data Sources Roundtable
(AIREA) - Valuation of Lease Interest

FROBOESE REALTY GROUP
PARTIAL CLIENT LIST

Financial Institutions
Affinity Bank
AMERSCO
Bank of America
Bank of California
Bank of Hemet
Bank of Rancho Bernardo
Bank One, Arizona
California Commerce Bank
Cenfed Bank
Centennial Bank
Chase Manhattan Bank
City National Bank
Citibank, NA
Comerica Bank
Commercial Capital Bank
Continental Bank
Director Private Placements
FarWest Savings
Financial Institutional Partners Mortgage Corp.
First Commerce Bank
First Continental Bank
First Interstate Bancorp
First Interstate - Special Assets
Foothill Capital
Foothill Independent Bank
General Bank
Great American Federal Savings
Grossmont Bank
Guaranty Federal Bank
Gulf Coast Trust & Bank
Hawthorne Savings
Heller Financial
Imperial Bank
Imperial Thrift & Loan
Inland Empire National Bank
ITLA Funding
ITT Federal Bank
Life Bank
Long Beach Bank
Malaga Bank
MetroBank
Pima Federal Savings & Loan
Preferred Bank
Rancho Bernardo National Bank
Universal Bank
Washington Mutual Bank
Wells Fargo Bank

Developers/Contractors
Affirmed Housing Group
Civic Center Barrio Housing Corp.
Housing Capital Company
Kaufman & Broad
Lapis Energy Organization, Inc.
New Millennium Homes
Prudential Home Building Investors, Inc.
San Diego Development Group
Urban Housing Corporation
W.A. Douglas, Inc.
Warmington Homes
William Lyon Company

Law Firms
Fields & Creason
Gibson, Dunn, & Crutcher
Latham & Watkins
Murchison & Cumming
Orrick, Herrington & Sutcliffe
Palmieri, Tyler, Wiener, Wilhelm & Waldron
Pollet & Woodbury
Schaffer & Lax

Government Institutions
California Housing Finance Agency
City of Westminster
City Heights Community Development Corp.
Federal Deposit Insurance Corp.
Low Income Housing Fund
Resolution Trust Corporation
San Diego Housing Authority
Yorba Linda Water District

Other Firms
Alison Company
Commercial Property Management, Inc.
Daiwa Securities America, Inc.
Dorn-Platz & Company
Low Income Housing Fund
MCS Associates
Motion Pictures Costumers
Rubicon Realty Corporation
Stephen and Mary Birch Foundation
Sy & Lee, Certified Public Accountants
Value Pacific Advisors
Voit Commercial Brokerage

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Wayne S. Froboese

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 009633

Effective Date: December 28, 2014
Date Expires: December 27, 2016

Jim Martin, Bureau Chief, BREA

3018858

QUALIFICATIONS OF

SCOTT H. MOREY

CERTIFIED GENERAL REAL ESTATE APPRAISER

PROFESSIONAL EXPERIENCE

2001 - Present	:	***Froboese Realty Group, Inc.*** This firm offers a wide range of real estate services including the appraisal of all forms of real estate throughout Southern California, appraisal review on a national basis. Specialized management services are available to lending institutions, trust administrators, pension funds and others, on a contract basis for partial or total responsibility of the valuation process to current regulatory standards. Other consultations include expert testimony.

TYPE OF PROPERTY APPRAISED

Residential	:	Residential apartment complexes up to 810 units including proposed developments and rehabilitation developments with before and after evaluations. Specialized work in proposed and existing affordable housing projects with federal tax credits, tax-exempt bonds, and HUD Programs.
Vacant Land	:	Residential and commercial land, redevelopment sites
Commercial	:	Multi-tenant retail, mixed-use retail and residential buildings, multi-tenant office buildings, office condominiums.
Industrial	:	Multi-tenant industrial, warehouses, manufacturing buildings, industrial condominiums.
Consultation	:	Feasibility studies and appraisals for both new construction and rehabilitation of affordable housing under various programs in the State of California. Assignments include Low Income Housing Tax Credit (LIHTC) and CDLAC market studies and appraisals, HUD Section 8 Rent Comparability Studies, and USDA Rural Development appraisals.
Reviews	:	Appraisal reviews for various property types including multi-family, affordable housing, retail/commercial; office, medical office, industrial, mixed-use, land, special purpose properties, religious facilities, hotels, gas stations, car washes, fast food, restaurants, mobile home parks and self-storage facilities.

EDUCATION

Bachelor of Arts Degree in International Business with emphasis in Spanish and Latin America.

San Diego State University, California – December 2000.

PROFESSIONAL AFFILIATIONS

Designated Member - Appraisal Institute - MAI Certificate #12491

Certified General Real Estate Appraiser - State of California – Cert. #AG029848 - Exp. 12/31/2016

2009 to 2014 – Education Committee Member, San Diego Chapter, Appraisal Institute

2013 - Education Chair, San Diego Chapter, Appraisal Institute

2011 to Current - Director, San Diego Chapter, Appraisal Institute

Volunteer of Distinction, October 2013 - San Diego Chapter, Appraisal Institute

2010 to 2011 – Apartment Seminar Coordinator, San Diego Chapter, Appraisal Institute

PROFESSIONAL COURSES

Appraisal Institute

Course 110	Appraisal Principles
Course 120	Appraisal Procedures
Course 202-R	Residential Sales and Income Approach
Course 310	Basic Income Capitalization
Course 410	Standards of Professional Practice (USPAP)
Course 420	Business Practices and Ethics
Course 510	Advanced Income Capitalization
Course 520	Highest & Best Use and Market Analysis
Course 530	Advanced Sales Comparison and Cost Approaches
Course 540	Report Writing and Valuation Analysis
Course 550	Advanced Applications
Course 600	Income Valuation of Small Mixed-Use Properties

Professional Seminars and Conferences

(AI)	-	San Diego Regional Analysis – Applying Economic Forecast
(AI)	-	Mark-to-Market
(AI)	-	Dynamics of Subdivision Appraising
(AI)	-	San Diego Apartment and Housing Seminar (2009-2011)
(AI)	-	Federal and State Laws and Regulations
(AI)	-	San Diego Economic Forecast (2008-2013)
(AI)	-	Unique Appraisal Assignments
(AI)	-	Business Practices and Ethics
Lorman	-	Affordable Housing in California

Business, Consumer Services & Housing Agency

BUREAU OF REAL ESTATE APPRAISERS

REAL ESTATE APPRAISER LICENSE

Scott H. Morey

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

"Certified General Real Estate Appraiser"

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

BREA APPRAISER IDENTIFICATION NUMBER: AG 029848

Effective Date: December 31, 2014
Date Expires: December 30, 2016

Jim Martin, Bureau Chief, BREA

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